

Eastspring Investments – Asian High Yield Bond Fund



A Prudential plc company 

Market review

In September, global bond markets saw modest gains, with the US 10-year Treasury yield falling. A handful of high yield credits regained access to the primary markets. Against this backdrop, the JP Morgan Asia Credit Non-Investment Grade (JACI Non-IG) Index delivered a 1.85% gain.

The Federal Reserve lowered the federal funds rate by 50 basis points to 4.75%-5.00% to foster growth and stabilise the labour market, with the FOMC dot plot projecting further rate cuts. However, Fed Chairman Powell stated that future rate decisions will be data-driven and assessed at each meeting.

US Treasury yields declined following the Federal Reserve's rate cut decision. The 10-year yield fell approximately 12 basis points to 3.78%, while the 2-year yield decreased by roughly 28 basis points to 3.64%. Concurrently, the US dollar weakened against most developed nation currencies.

The JP Morgan Asia Credit Non-Investment Grade Bond Index registered its highest monthly return since May, driven by both US Treasuries (+0.58%) and spreads (+1.26%). Backed by improved sentiment, the JACI Non-IG index spread tightened. High yield sovereigns outperformed corporates and quasi-sovereign bonds. Across countries, Maldives outperformed its peers during the month, while South Korea had the lowest returns.

Performance

Month-to-date: Security selections in the consumer sector were a detractor over the month. The underweights in high yield financial corporates also detracted. However, the overweights in the sovereign sector, as well as the overweights in TMT credits narrowed underperformance.

Year-to-date: The Fund's year-to-date performance matched the benchmark on the back of positive carry effects. The overweights in high yield sovereign bonds contributed to relative performance. SGD local currency positions also contributed positively to relative returns against the benchmark. Detractors include the underweights in financials, as well as underweights in the metal & mining sectors.

Strategy and outlook

As inflation risks diminishes, central banks have begun cutting interest rates to support economic growth. Monetary policy is likely to remain accommodative on the back of a broad and sustained decline in inflation, coupled with heightened unemployment. Within the fixed income market, we see opportunities arising as central banks embark on their easing cycle.

Given broad expectations for a soft landing scenario, growth is projected to hold up while inflation continues slowing towards the Fed's target level. The Asian high yield market has had a good run year-to-date amid improved risk sentiment and investor demand for carry. The JP Morgan Asia Credit Non-Investment Grade Index is on track to deliver its highest annual return in years. With an attractive yield, broadly supportive fundamentals and low supply, the asset class may continue to attract institutional capital and provide support for the high yield market. Meanwhile, we continue to focus on our bottom-up credit investment process, endeavouring to identify idiosyncratic situations to capture spread compression.

Top 10 overweights by issuer

Issuer (%)	Ending weights		
	Fund	Benchmark	Relative
CENTRAL PLAZA DEVELOPMENT LTD	3.5	1.0	2.4
NWD (MTN) LTD	2.7	0.9	1.8
GREENTOWN CHINA HOLDINGS LTD	1.6	-	1.6
HUARONG FINANCE 2019 CO LTD	2.0	0.6	1.5
SAN MIGUEL CORPORATION	1.6	0.4	1.3
INDIA CLEAN ENERGY HOLDINGS	1.4	0.3	1.1
ROWEN INTERNATIONAL CO LTD	1.1	-	1.1
GLP PTE LTD	2.4	1.3	1.1
JSW INFRASTRUCTURE LTD	1.4	0.3	1.1
ZHENJIANG CULTURAL TOURISM INDUSTRY GROUP CO LTD	1.0	-	1.0
Total	18.7	4.7	13.9

Top 10 underweights by issuer

Issuer (%)	Ending weights		
	Fund	Benchmark	Relative
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	-	4.4	-4.4
STANDARD CHARTERED PLC	1.9	4.3	-2.4
BANK OF COMMUNICATIONS CO LTD	-	2.1	-2.1
SAN MIGUEL GLOBAL POWER HOLDINGS CORP	-	1.8	-1.8
BANGKOK BANK PUBLIC CO LTD (HONG KONG BRANCH)	-	1.3	-1.3
SINGAPORE AIRLINES LTD	-	1.2	-1.2
SHRIRAM FINANCE LTD	0.3	1.2	-1.0
VANKE REAL ESTATE (HONG KONG) CO LTD	-	0.9	-0.9
CHINA CITIC BANK INTERNATIONAL LTD	-	0.9	-0.9
LONGFOR GROUP HOLDINGS LTD	0.3	1.1	-0.8
Total	2.4	19.2	-16.7

Performance attribution (one month)

%	Weighted return		Effects					Total
	Fund	BM	Carry	Curve	Spread	Currency	Other	
Total	1.86	1.85	-0.06	0.27	0.13	0.01	-0.35	0.00

Statistics

Characteristics	Fund	Benchmark
Number of issues	185	256
Running yield (%)	5.6	5.7
Yield to maturity (%)	8.9	7.9
Yield to worst (%)	8.6	7.7
Average modified duration	2.6	2.5
Average credit rating*	BB-	BB-

Additional notes

1. Government issuers may include quasi-sovereign issues.
2. Performance numbers are computed based on gross of all fees.
3. *Rating based on issue credit ratings assigned by external rating agencies (S&P, Moody's and Fitch). For the Eastspring Investments Unit Trusts - Fixed Income Plan Series 2, the highest rating is used in the event of split ratings.
4. #Best rating of external credit rating agencies.
5. Running yield refers to current yield which is calculated by dividing the annual coupon payment by the bond's market price
6. Carry Effect: Reflects the impact of time passing on the bond price (Rolldown + Carry). Curve Effect: Reflects the impact of yield curve movements on the bond price. Spread Effect: Reflects the impact of the total movement of the interbank swap spread curve (for corporate bonds) and the impact due to the variation of the specific credit spread of the bonds. Currency Effect: Reflects the impact on the performance due to foreign currency assets. Other effect: Reflects the impact on the performance due to the non-modelled assets, as well as impact of pricing (pricing effects due to differences in pricing sources between the portfolio and benchmark) and trading effects.
7. Due to rounding, numbers presented may not add up precisely to the totals indicated and percentages may not reflect the absolute figures for the same reason. The information provided herein are subject to change the discretion of the Investment Manager without prior notice.
8. The securities mentioned are included for illustration purposes only. It should not be considered a recommendation to purchase or sell such securities. There is no assurance that any security discussed herein will remain the portfolio of the Fund at the time you receive this document or that security sold has not been repurchased. The securities discussed do not represent the Fund's entire portfolio and in the aggregate, may represent only a small percentage of the Fund's portfolio holdings.
9. The above portfolio data (including security weights) is based on Eastspring Investments' internal database and Investment Book of Records and may differ from custodian's data that presented on the Fund factsheet due to accounting differences.

Disclaimer

This document is issued in:

Singapore by Eastspring Investments (Singapore) Limited (UEN: 199407631H). Eastspring Investments (Singapore) Limited is the appointed Singapore Representative and agent for service of process in Singapore. **Strictly private and confidential. For existing unitholders of the Fund. Not for further dissemination.**

Hong Kong by Eastspring Investments (Hong Kong) Limited.

This document has not been reviewed by regulators of the above entities such as the Securities and Futures Commission, Hong Kong, the Monetary Authority of Singapore, Dubai Financial Services Authority, etc.

The Fund is a sub-fund of the Eastspring Investments (the "SICAV"), an open-ended investment company with variable capital registered in the Grand Duchy of Luxembourg, which qualifies as an Undertaking for Collective Investments in Transferable Securities (UCITS) under relevant EU legislation. The Management Company of the SICAV is Eastspring Investments (Luxembourg) S.A. ("Management Company").

All transactions into the Fund should be based on the latest available offering document, Key Investor Document (KIID), and any applicable offering document in applicable local language for the fund / share class. Hong Kong investors shall refer to the Hong Kong Summary Prospectus and Product Key Fact Statement (KFS). Singapore investors shall refer to the Singapore Prospectus and Product Highlights Sheet (PHS). Such documents, together with the annual and semi-annual financial reports and the articles of incorporation of the SICAV, may be obtained free of charge from Eastspring Investments (Luxembourg) S.A at 26, Boulevard Royal, L-2449 Luxembourg, Grand-Duchy of Luxembourg, or relevant Eastspring Investment business units / website and their distribution partners.

The SICAV may be actively marketed and is actually registered for offering in Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Portugal, Switzerland and the United Kingdom. **Please ask your usual contact for the full list of sub-funds and relevant share classes available in your country.**

Where applicable, the SICAV has been notified and registered with the local European authorities in accordance with Directive 2009/65/EC, as amended. This **marketing communication** only refers to sub-fund(s) and share classes of the SICAV which have been passported for marketing and sale in the country of distribution of this material.

Prospective investors are invited to further consider the risk warnings section of the Prospectus. This document is solely for information and does not have any regard to the specific investment objectives, financial or tax situation and the particular needs of any specific person who may receive this document. It is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares of securities or any financial instruments, and does not consider specific investment objectives, financial situation or particular needs of any specific person who may receive this document. This document may contain advertising.

The Fund may use financial derivative instruments for hedging and efficient portfolio management purposes.

This information is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares or units of securities or any financial instruments, and does not consider specific investment objectives, financial situation or particular needs of any specific person who may receive this document.

Potential investors should refer to the offering documents for details on fees and charges, dealing and redemption arrangements, product features and risk factors, and seek professional advice before making any investment decision. An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. The value of the units in the Fund and any income accruing to the units, if any, may fall or rise. Where an investment is denominated in a currency other than the investor's base currency, exchange rates may have an adverse effect on the value price or income of that investment. Potential investors should not make investment decision solely based on this document, and may wish to seek advice from a financial adviser before subscribing in the Fund. In the event that potential investors choose not to seek advice from a financial adviser, they should consider whether the Fund is a suitable investment for them.

For Funds intending to pay dividends / distributions: Distributions are at the discretion of the Fund, its trustee or its management company and there is no guarantee that any distribution will be made, and if distributions are made, such distributions are not in any way a forecast, indication or projection of the future or likely performance/distribution of the Fund. The Fund, its trustee or management company may also vary the frequency and /or amount of the distributions made. When distributions are declared and paid out with respect to the Fund, the net assets attributable to the shares/units will stand reduced by an amount equivalent to the product of the number of shares / units outstanding and distribution amount declared per share/unit. The Fund may, at its discretion, pay dividends out of capital or gross income while charging all or part of its fees and expenses to its capital, resulting in higher distributable income. Thus, the Fund may effectively pay dividends out of capital. Payment of dividends out of capital (effective or not) amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment, which will result in an immediate reduction of the net asset value per share/unit.

Past performance and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of any funds managed by Eastspring Investments. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

Eastspring Singapore is an ultimately wholly-owned subsidiary of Prudential plc of the United Kingdom. Eastspring Singapore and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

Facilities Agent for European Economic Area:

Eastspring Investments (Luxembourg) SA, 26 Boulevard Royal, L-2449, Luxembourg

Switzerland - Representative and Paying Agents

The above-mentioned documents are available free of charge from the Representative Agent.

Representative Agent: First Independent Fund Services Ltd, Klausstrasse 33, 8008 Zurich

Paying Agent: NPB-New Private Bank Ltd, Limmatquai 1/am Bellevue, 8024 Zurich

United Kingdom - Facility Agent

Eastspring Investments (Luxembourg) S.A. - UK Branch, 1 Angel Court, London EC2R 7AG

For the purpose of UK law, the SICAV, is a recognized scheme under section 264 of the Financial Services and Markets Act 2000. Please note that the protections provided by the UK regulatory system, especially for retail clients, do not apply to offshore investments. Compensation under the UK Financial Services Compensation Scheme will not be available and UK cancellation rights do not apply. For France, relative to the expectations of the Autorité des Marchés Financiers (AMF), the name of some funds and / or the communication of some funds with regards to the consideration of non-financial criteria in their management may be disproportionate.

Eastspring Investments companies (excluding JV companies) are ultimately wholly-owned / indirect subsidiaries / associates of Prudential plc in the United Kingdom. Eastspring Investments companies (including JV's) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

FOR UNITED ARAB EMIRATES DOMICILED QUALIFIED INVESTORS in Asian Bond Fund, Global Emerging Markets Bond Fund and Japan Dynamic Fund

This document has not been approved by the UAE Securities and Commodities Authority (the "SCA"). The SCA assumes no liability for the accuracy of the information set out in this document, nor for the failure of any persons engaged by the investment fund in performing their duties and responsibilities. This document is only intended for those that fall under the definition of "Qualified Investor" as contained within the SCA's Board's Decision No. 9/R.M. of 2016 concerning Mutual Funds Regulations and the SCA's Board Decision No. 3/R.M. of 2017 concerning Promoting and Introducing Regulations, as amended pursuant to SCA Chairman Decision No. 37/R.M. of 2019, which includes: (1) an investor which is able to manage its investments on its own (unless such person wishes to be classified as a retail investor), namely: (a) the federal government, local governments, and governmental entities, institutions and authorities, or companies wholly-owned by any such entities; (b) foreign governments, their respective entities, institutions and authorities or companies wholly owned by any such entities; (c) international entities and organisations; (d) entities licensed by the SCA or a regulatory authority that is an ordinary or associate member of the International Organisation of Securities Commissions (a "Counterpart Authority"); or (e) any legal person that meets, as at the date of its most recent financial statements, at least two of the following conditions: (i) it has a total assets of AED 75 million; (ii) it has a net revenues of AED 150 million; (iii) it has total net equities or paid capital of AED 7 million; (2) a natural person licensed by the SCA or a Counterpart Authority to carry out any of the functions related to financial activities or services; or (3) a natural person who meets the following conditions: (i) he has a net equity, excluding his main place of residence, of AED 4 million; (ii) he has an annual income of at least AED 1 million; and (iii) he acknowledges that he has the necessary know-how and experience in the type of investment he wishes to make and the risks associated with such investment, or that he is represented by an entity licensed by the SCA, provided that such representation is not in conflict with the conditions of the licence of such entity, (each a "Qualified Investor"). The relevant parties whose names are listed in this document shall assume such liability, each according to their respective roles and duties. The document is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

FOR UNITED ARAB EMIRATES DOMICILED QUALIFIED INVESTORS ONLY all other Funds.

This document and the information contained herein does not constitute and is not intended to constitute a public offer of securities in the United Arab Emirates and accordingly should not be construed as such. It is addressed to a limited number of exempt investors in the UAE who fall under one of the following categories of non-natural Qualified Investors : (1) an investor which is able to manage its investments on its own, namely : (a) the federal government, local governments, government entities and authorities or companies wholly owned by any such entities ; (b) a person licensed to carry out a commercial activity in the UAE, provided that investment is one of the object of such person ; or (2) an investor who is represented by an investment manager licensed by the SCA.

No units or shares that might be related with this strategy, licensed or registered with the UAE Central Bank, the Securities and Commodities Authority, the Dubai Financial Services Authority, the Financial Services Regulatory Authority or any other relevant licensing authorities or governmental agencies in the UAE ("the Authorities"). The Authorities assume no liability for any investment that named addressee makes as non-natural Qualified investor. The document is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

ISRAEL FOR QUALIFIED INVESTORS ONLY

Eastspring Investments (Luxembourg) SA is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law") and does not carry insurance pursuant to the Advice Law. No action has been or will be taken in Israel that would permit a public offering or distribution of Eastspring Investments SICAV mentioned in this document to the public in Israel. This document as well as Eastspring Investments SICAV itself mentioned herein have not been approved by the Israeli Securities Authority (the "ISA"). In addition, Eastspring Investments SICAV is not regulated under the provisions of Israel's Joint Investment Trusts law, 5754-1994 (the "Joint Investment Trusts Law"). This document may only be distributed to Israeli residents in reliance on an exemption from any advice or marketing restrictions in a manner that will not constitute "an offer to the public" under sections 15 and 15a of the Israel Securities Law, 5728-1968 (the "Securities Law") or the Joint Investment Trusts Law, and any guidelines, pronouncements or rulings issued from time to time by the ISA as applicable. This document as well as Eastspring Investments SICAV itself are only intended for those categories of Israeli residents who are qualified investors listed in the First Addendum to the Securities Law and who are also qualified clients listed on the First Addendum to the Advice Law; in all cases under circumstances that will fall within the exemption from the licence requirement under the Advice Law and the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the ISA.

Eastspring Investments (Singapore) Limited (UEN. 199407631H)

7 Straits View
#09-01 Marina One East Tower
Singapore 018936
Tel: +65 6349 9711

Eastspring Investments (Luxembourg) S.A.

26 Boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg
Tel: +352 22 99 99 5763

Eastspring Investments (Hong Kong) Limited

13/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong
Tel: (852) 2868 5330

UK Branch

1 Angel Court
London
EC2R 7AG
Email: info.europe@eastspring.com

eastspring.com