Schroders

Marketing material
for Singapore clients only

Schroder Asian Investment Grade Credit

Fund Managers: Shilpa Singhal & Ng Peng Fong | Fund update: October 2024

Performance Overview

- The J.P. Morgan Asia Credit Index IG posted -1.34% in USD terms in October, primarily due to higher US Treasury yields (-1.74%), partially offset by tightening spreads (0.86%).
- The fund (SGD A Dis, net of fees) delivered -1.34%, outperforming its reference benchmark, J.P. Morgan Asia Credit Index IG SGD-hedged, which returned -1.56%. Its CPF-OA cash benchmark closed the month at 0.30%.

Drivers of Fund Performance

- Country allocation, sector allocation and security selection contributed to the fund's outperformance, more than offsetting the detraction from US rates positioning.
- For country allocation, our off-benchmark allocations to Japan and Australia had another month of positive active returns, well mitigating the small drag from the underweight Mainland China stance.
- In terms of credit selection, top contributors include Financials (South Korea and Hong Kong SAR), and to a smaller extent, Mainland China Industrials.

Portfolio Activity

- Considering policy uncertainty from the US election outcome, we maintain a relatively neutral duration stance, focusing on allocation and credit selection as the key return drivers.
- We topped up risk in Mainland China given the positive sentiment following the release of stimulus package and added some Indian names on valuation grounds.
- From a country perspective, we increased active exposures to Mainland China, India, and Japan, while mainly reducing exposures to Singapore.
- Sector-wise, we added active exposures to Industrials and Oil & Gas, while trimming exposures in Financials and TMT.

Market Outlook

- As the rates market is likely to go through episodes of volatility due to uncertainty in fiscal policy, we maintain a relatively neutral duration stance. That said, with yields now sitting at the highest levels since early July, we stay nimble and may look to add duration should compelling entry points emerge.
- Our overweight risk positioning in Asia credit, and larger focus on segments such as Australia and Japan Financials have worked well and are expected to remain supported. With key risks ahead, including policy changes in areas such as tariffs and domestic regulations, markets with strong domestic focus and robust growth (which have been core to the fund) are likely to remain resilient. Examples include India, Indonesia, Australia, and Japan.
- For China credit, selectivity will be key, given expectations of rising credit differentiation and potentially slower growth in 2025. Our focus remains on sectors of strategic importance, including selected internet platforms, technology, and consumer names. We expect sentiment to stabilize, as the hidden debt swap supports macro growth and eases systematic risks. Further measures may be released at subsequent meetings, such as the December Central Economic Work Conference and March NPC next year. The delicate US-China relationship will take time to develop, and we will adjust portfolio exposures accordingly in a nimble and dynamic manner.
- We remain constructive on Asian credit going into year-end, underpinned by strong technicals due to healthy demand for all-in yields and moderate supply, stable-to-improving fundamentals. We continue to expect Asia credit spread, including investment grade, to stay lower for longer. However, selectivity will be of the essence with rising credit differentiation and volatility going forward. It is worth noting that under a more pro-growth and reflationary US environment, Asia Pacific Financials, which have been a key overweight within our portfolio, should continue to thrive given the persistence of wider interest margins.

For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country

Performance (%)*

Year	Fund	Benchmark 1*	Benchmark 2*
1 Month	-1.34	0.30	-1.56
Year-to-date	3.51	2.98	2.84
1 Year	10.46	3.58	8.92
3 Years (p.a.)	-0.64	3.58	-0.63
5 Years (p.a.)	0.50	3.55	0.91
Since Inception (p.a.)	1.96	3.52	3.93

Source: Schroders, as at 31 October 2024, bid to bid, with dividends reinvested in SGD. The fund was incepted on 8 February 2007.

Performance reflects that of SGD A Dist class. *Benchmark 1: CPFIS-OA Interest Rate + 1% p.a., Benchmark 2: JPM Asia Credit Investment Grade Index (SGD-hedged).

Note: From 1 July 2009, the Fund's investment policy was revised to lower volatility strategy focused on investing in good quality investment grade bonds with the majority of positions having an underlying maturity of less than 7 years. The above is for illustrative purposes only and does not constitute a recommendation to invest in the Fund. Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

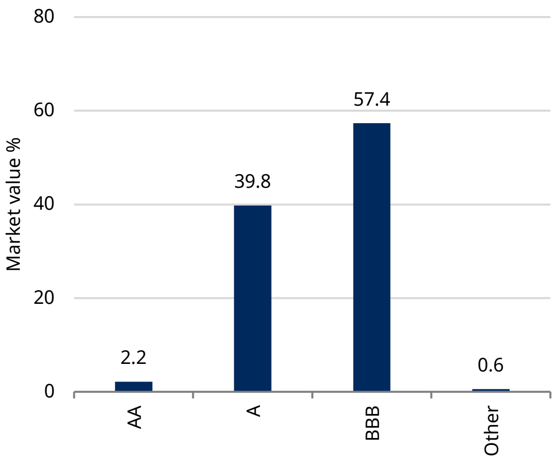
Key Portfolio Characteristics

Schroder Asian Investment Grade Credit	
Average Yield to Maturity (in SGD)	4.2%
Average Credit Rating	BBB+
Average Effective Duration	4.8 years
Average Coupon	4.3%
Portfolio Holdings	166
Fund Size (in millions)	SGD 597.78

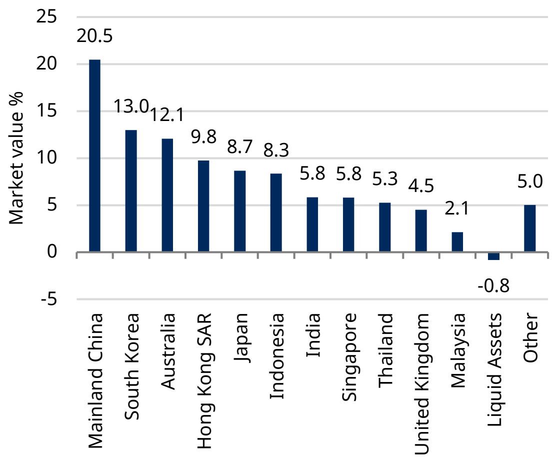
For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country

Asset Allocation

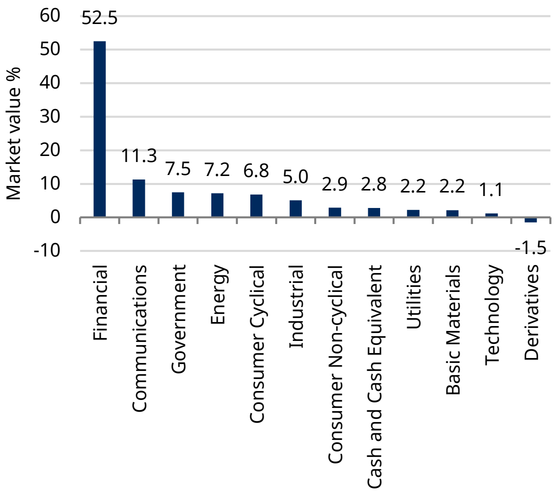
Ratings Allocation*



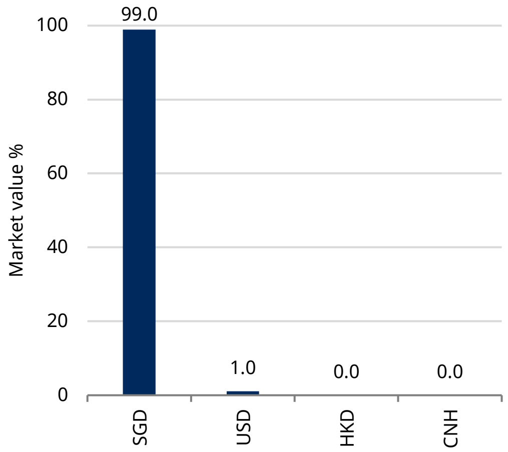
Country Allocation*



Sector Allocation



Currency Allocation



Source: Schroders, BRS Aladdin, Morningstar, as at 31 October 2024. *Based on average of S&P, Moody's, Fitch and/or internal rating. ** Liquid assets include cash and derivatives. Other includes Philippines, Macau SAR, United States, Europe, Kuwait, New Zealand, and Taiwan. Note: Fund exposure data are extracted from BRS Aladdin. This may result in some differences in the information reported in this document or that shown in other official publications. For illustrative purposes only and does not constitute a recommendation to invest in the Fund. Numbers may not add up to 100% due to rounding.

For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country

Risk considerations

- **Counterparty Risk**: The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.
- **Capital Risk/Distribution Policy**: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.
- **Sustainability Risk**: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forgo certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and value of any particular investor.
- **Emerging Markets and Frontier Risk**: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.
- **Derivatives Risk – Efficient Portfolio Risk**: Derivatives may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.
- **Currency Risk**: The fund may lose value as a result of movements in foreign exchange rates.
- **Operational Risk**: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- **Performance Risk**: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro-economic environment, investment objectives may become more difficult to achieve.
- **IBOR Risk**: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.
- **Market Risk**: The value of investments can go up and down and an investor may not get back the amount initially invested.
- **Liquidity Risk**: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.
- **Capital Risk/Distribution Policy**: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.
- **Currency Risk/Hedged Share Class**: The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

Important information

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

The views and opinions contained herein are those of the individuals to whom they are attributed and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds.

The CPF interest rate for the CPF-OA is based on the 3-month average of major local banks' interest rates. Under the CPF Act, the CPF Board pays a minimum interest rate of 2.5% per annum when this interest formula yields a lower rate. The interest rate for the Special and Medisave Accounts ("SMA") is pegged to the 12-month average yield of 10-year Singapore Government Securities (10YSGS) plus 1%, or 4% p.a. whichever is higher, reviewed quarterly. The interest rate to be credited to the Retirement Account ("RA") is the weighted average interest rate of the entire portfolio of Special Singapore Government Securities (SSGS) the RA savings are invested in which earn a fixed coupon equal to the 12-month average yield of the 10YSGS plus 1% at the point of issuance, or 4% p.a. whichever is the higher, reviewed yearly. The Singapore government will maintain the 4% p.a. minimum rate for interest earned on all SMA and RA monies until 31 December 2024. Thereafter, interest rates on all CPF account monies will be subject to a minimum rate of 2.5% p.a.. In addition, the CPF Board will pay an extra interest rate of 1% per annum on the first S$60,000.00 of a CPF member's combined balances, including up to S$20,000.00 in the CPF-OA. The first S$20,000.00 in the CPF-OA and the first S$40,000.00 in the CPF-SA are not allowed to be invested under the CPFIS. Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time.

Information herein is believed to be reliable, but Schroders does not warrant its completeness or accuracy.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

Disclaimer: This is prepared by Schroders for information and general circulation only and the opinions expressed are subject to change without notice. It does not constitute an offer or solicitation to deal in units of any fund and does not have any regard to specific investment objectives, financial situation or particular needs of any specific person who may receive it. Investors may wish to seek advice from a financial adviser before purchasing units of any fund. In the event that he chooses not to seek advice from a financial adviser, he should consider carefully whether the fund in question is suitable for him. Past performance of any fund or the manager, and any economic and market trends or forecast, are not necessarily indicative of the future or likely performance of the fund or the manager. The value of units in any fund, and the income accruing to the units, if any, may fall as well as rise. Investment in units of any fund involves risks, including the possible loss of the principal amount invested. Investors should read the prospectus, available from Schroder Investment Management (Singapore) Ltd or its distributors, before deciding to subscribe for or purchase units in any fund. Funds may carry a sales charge of up to 5%.

The Fund may use or invest in derivatives.

In respect of the Class USD Hedged A Dis Units, the Class SGD A Dis Units and the Class RMB Hedged A Dis Units, the Managers currently intend to declare distributions at a variable percentage (per annum) of the NAV per Unit to Holders, on a monthly basis, on such date as may be determined by the Managers. The distributions are not guaranteed and might be changed at the Manager's discretion in accordance with the Trust Deed.

Schroder Investment Management (Singapore) Ltd
138 Market Street #23-01 CapitaGreen Singapore 048946
Telephone: 1800 534 4288 Fax: +65 6536 6626
Registration No.: 199201080H

For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country