

Eastspring Investments – Asian Equity Income Fund



A member of Prudential plc (UK) 

FUND DETAILS

Fund size (mil)	590.8
Fund base currency	USD
Fund dealing frequency	Daily
Net asset value (Class A)	USD 12.114
ISIN (Class A)	LU0315178854
Inception date (Class A)	05-Sep-07
Benchmark (BM)	MSCI AC Asia Pacific ex Japan Index^

^The MSCI Index is calculated with dividends reinvested.

FUND MEASURES

Number of Securities	69
3 year tracking error(%) (Class A)	3.2
3 year sharpe ratio (Class A)	0.3
3 year volatility(%) (Class A)	14.1

Source: Morningstar

SECTOR WEIGHTS (%)

Financials	31.8
Information technology	18.5
Communication Services	11.7
Industrials	10.1
Real estate	9.3
Energy	6.0
Consumer discretionary	3.9
Materials	3.6
Other sectors	3.3
Cash and cash equivalents	1.8

Due to rounding, the allocation table may not add up to 100% or may be negative.

COUNTRY WEIGHTS (%)

China	37.2
Taiwan (Republic of China)	15.2
Korea	12.2
Australia	10.8
Hong Kong	8.9
Singapore	7.9
India	3.5
Indonesia	1.5
France	1.0
Cash and cash equivalents	1.8

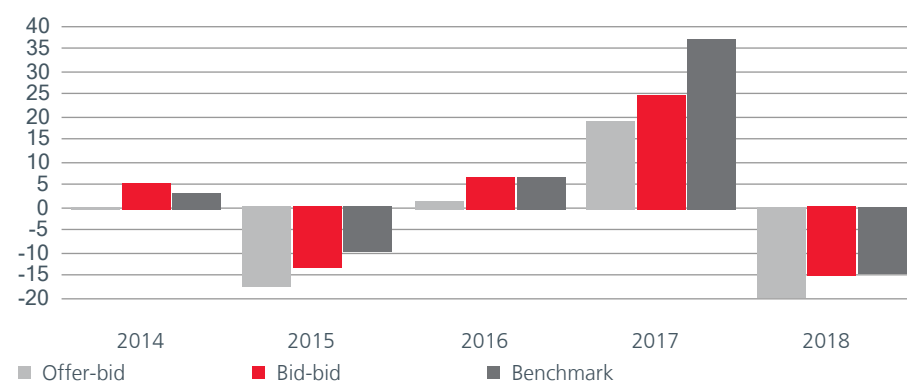
Due to rounding, the allocation table may not add up to 100% or may be negative.

INVESTMENT OBJECTIVE

This Sub-Fund aims to maximise income by investing primarily in equity and equity-related securities of companies, which are incorporated, listed in or have their area of primary activity in the Asia Pacific ex-Japan Region. The Sub-Fund may also invest in depository receipts including ADRs and GDRs, debt securities convertible into common shares, preference shares and warrants.

PERFORMANCE

Calendar year returns (%) (Class A)



Returns (%)

Class A	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
Offer-bid	-8.0	-14.2	-19.2	-19.2	2.4	-0.3	6.9	1.2
Bid-bid	-3.2	-9.6	-14.9	-14.9	4.2	0.7	7.5	1.7
Benchmark	-2.8	-8.9	-13.9	-13.9	8.0	3.2	9.9	3.0

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Calendar year returns are based on the share class performance for the year, and if the share class was inceptioned during a particular year, the returns shown relate to the performance of the share class since its inception to the end of that calendar year. For full details, please refer to the performance disclosure.

TOP 10 HOLDINGS (%)

1.	TENCENT HOLDINGS LTD	5.5
2.	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	4.7
3.	CHINA CONSTRUCTION BANK CORP H	4.0
4.	BANK OF CHINA LTD H	2.8
5.	SAMSUNG ELECTRONICS NON VOTING PREF	2.7
6.	INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	2.6
7.	SAMSUNG ELECTRONICS LTD	2.5
8.	CK ASSET HOLDINGS LTD	2.3
9.	AUSTRALIA AND NEW ZEALAND BANKING	2.2
10.	CHINA MOBILE LTD	2.2

SHARE CLASS DETAILS

Share class	Currency	Net asset value	Bloomberg ticker	ISIN	Inception date	Subscription method	Initial sales charges% (max)	Annual management fee % (Current)
A	USD	12.114	IOFAEIA LX	LU0315178854	05-Sep-07	Cash	5.000	1.500
A _{ADM} (hedged)	AUD	8.736	ESAEADQ LX	LU0795476463	18-Jun-12	Cash	5.000	1.500
A _{DM}	USD	8.050	IOAADQU LX	LU0588545730	07-Feb-11	Cash	5.000	1.500
A _S	SGD	12.044	IOAEASS LX	LU0588545490	07-Feb-11	Cash, SRS	5.000	1.500
A _S (hedged)	SGD	10.012	ESAEASH LX	LU0865486749	02-Jan-13	Cash, SRS, CPFIS-OA#	5.000 CPF - 1.50	1.500
A _{SDM}	SGD	8.617	IOAADQS LX	LU0588545904	07-Feb-11	Cash	5.000	1.500

Share class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per share	Annual dividend yield %
A	USD	0.500	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
A _{ADM} (hedged)	AUD	0.500	AUD2,000	AUD200	Monthly	02-Jan-19	0.0361521	4.75
A _{DM}	USD	0.500	USD1,000	USD100	Monthly	02-Jan-19	0.0332786	4.75
A _S	SGD	0.500	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.
A _S (hedged)	SGD	0.500	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.
A _{SDM}	SGD	0.500	SGD1,000	SGD100	Monthly	02-Jan-19	0.0357253	4.75

Distributions are not guaranteed. Distributions may be paid out of distributable income, capital or both. Important Notes: (i) Payment of distributions out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment; and (ii) Any distributions involving payment out of the Fund's capital may result in an immediate reduction of the net asset value per share. Funds with Monthly and Quarterly Distribution Frequency: Annualised Dividend yield = (Dividend per share / Reference NAV at start of distribution period) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. Funds with Yearly Distribution Frequency: Annualised Dividend Yield = (Dividend amount / Total Net Assets) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. "N.A." means that this share class does not distribute dividends.

Returns (%)

Share class	Currency	Returns (%)								Calendar year returns (%)				
		1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)	2018	2017	2016	2015	2014
A														
Offer-bid	USD	-8.0	-14.2	-19.2	-19.2	2.4	-0.3	6.9	1.2	-19.2	18.5	1.2	-17.3	0.1
Bid-bid	USD	-3.2	-9.6	-14.9	-14.9	4.2	0.7	7.5	1.7	-14.9	24.8	6.6	-12.9	5.3
Benchmark	USD	-2.8	-8.9	-13.9	-13.9	8.0	3.2	9.9	3.0	-13.9	37.0	6.8	-9.4	2.8
A_{ADM} (hedged)														
Offer-bid	AUD	-8.1	-14.4	-20.3	-20.3	2.1	0.1	-	2.7	-20.3	18.5	1.6	-15.8	1.1
Bid-bid	AUD	-3.3	-9.9	-16.1	-16.1	3.8	1.1	-	3.6	-16.1	24.7	7.0	-11.4	6.4
Benchmark	AUD	-3.0	-9.5	-15.0	-15.0	7.6	3.6	-	6.2	-15.0	37.1	6.8	-8.3	4.4
A_{DM}														
Offer-bid	USD	-8.0	-14.1	-19.2	-19.2	2.4	-0.3	-	0.9	-19.2	18.5	1.2	-17.3	0.0
Bid-bid	USD	-3.2	-9.6	-14.9	-14.9	4.2	0.7	-	1.5	-14.9	24.8	6.6	-12.9	5.3
Benchmark	USD	-2.8	-8.9	-13.9	-13.9	8.0	3.2	-	2.9	-13.9	37.0	6.8	-9.4	2.8
A_S														
Offer-bid	SGD	-8.6	-14.4	-17.6	-17.6	1.1	1.2	-	1.7	-17.6	9.7	3.3	-11.5	4.8
Bid-bid	SGD	-3.8	-9.9	-13.2	-13.2	2.9	2.3	-	2.4	-13.2	15.4	8.7	-6.8	10.3
Benchmark	SGD	-3.4	-9.1	-12.2	-12.2	6.5	4.8	-	3.8	-12.2	26.7	8.7	-3.0	7.9
A_S (hedged)														
Offer-bid	SGD	-8.1	-14.5	-20.3	-20.3	1.7	-0.8	-	-0.8	-20.3	18.0	0.9	-17.2	-0.4

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Returns (%)

Calendar year returns (%)

Share class	Currency	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)	2018	2017	2016	2015	2014
Bid-bid	SGD	-3.3	-10.0	-16.1	-16.1	3.4	0.2	–	0.0	-16.1	24.2	6.2	-12.8	4.9
Benchmark	SGD	-2.8	-9.2	-14.9	-14.9	7.3	2.8	–	2.5	-14.9	36.2	6.5	-9.1	2.5
A_{SDM}														
Offer-bid	SGD	-8.6	-14.4	-17.5	-17.5	1.1	1.2	–	1.7	-17.5	9.7	3.2	-11.5	4.8
Bid-bid	SGD	-3.8	-9.9	-13.2	-13.2	2.9	2.3	–	2.4	-13.2	15.5	8.7	-6.9	10.3
Benchmark	SGD	-3.4	-9.1	-12.2	-12.2	6.5	4.8	–	3.8	-12.2	26.7	8.7	-3.0	7.9

Performance Disclosure:

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in share class currency and computed on bid-bid basis with net income reinvested, if any. Offer-bid is inclusive of sales charge which is subject to changes. Since inception returns for periods less than a year are not annualised. The benchmark for the hedged share classes, if any, is also calculated on a hedged basis. Calendar year returns are based on the share class performance for the year, and if the share class was incepted during a particular year, the returns shown relate to the performance of the share class since its inception to the end of that calendar year. Wef July 2018, the monthly fund and benchmark returns calculated are aligned to the last NAV date of the fund for the month. Past performance information presented is not indicative of future performance.

Commentary sources

1. Eastspring Investments (Singapore) Limited

COMMENTARY

Performance Review

In a year of extreme equity market movements, December took the prize as the most volatile month of all for global equity markets. The driver for the selloff was largely down to politics in the US as it lost its Defense Secretary and a question mark suddenly appeared over Fed Chairman Jerome Powell after the Fed increased rates by 25 basis points.

The volatility in the US was not repeated in Asia to the same extent although the north Asia markets exposed to trade with the US did underperform versus south-east Asia, which gained on a modestly weaker dollar. A brief truce in the trade war between the US and China was halted after the arrest of a Huawei executive, which sent stocks lower again, while economic data pointed to a potential slowing of growth in the US and continued weakness in China, again providing a negative catalyst for stocks.

In Asia, the MSCI Asia Pacific ex Japan index was 2.7% lower for December, in line with the broader Emerging Markets index. For the full year, the index was down 13.7%. The arrest of a Huawei executive caused the brief rally in China and Korea to end, with both indices ending the month as underperformers once again, as fears mounted that a permanent trade deal between the US and China was out of reach.

Korea fell 1.5% to end the year almost at its lowest level as earnings continued to fall and Samsung Electronics and SK Hynix began to brace themselves for a downturn in the global chip market. Elsewhere, while Thai markets also fell after the central bank unexpectedly raised rates for the first time since 2011, other south-east Asia markets fared better with Malaysia, Indonesia and the Philippines returning small gains.

India markets proved robust against news that its Reserve Bank of India governor had resigned as well as three defeats of its ruling party in state elections. Both events sparked hopes of a stimulus ahead of elections in 2019 and sent stocks back to almost breakeven point by the end of the month.

Australia had a weak month as the Australia dollar depreciated 3.5% against the US dollar, leading the MSCI Australia index to fall 3.2%; the local currency based ASX200 fell 0.4%. A sharp fall in commodity prices, ex iron ore, was largely to blame for the currency weakness while communications and IT stocks led individual names lower.

Returns are MSCI index total returns, in US dollar terms, unless otherwise stated.

Key Contributors

The Fund does not own Alibaba as it does not pay a dividend and the stock's 15% fall over the month added on a relative basis. As well as the general slowdown in the markets, Alibaba came under pressure after data showed online sales growth continued to slow in November.

Henan Shuanghui Investment added value in December after a 3% rise against a falling index (the stock is not an index constituent). Although there was little in the way of specific news in December, in late November, Beijing said it was contemplating stockpiling pork to support producers hit by swine flu. We remain optimistic on the Chinese consumer and the stock's potential upside from current valuation levels.

The Fund is also overweight Korea Electric Power (Kepco) which saw a 12% rise over the month. A steep fall in the price of oil and coal benefitted the company as it uses both as principal feedstocks, leading to several brokers upgrading the stock on the increased chances of better margin products. Even post the rally, Kepco valuation remains compelling and the Fund retains its overweight position.

Key Detractors

The Fund is overweight China Petroleum and Chemical (Sinopec) but it detracted value over the month as crude oil prices dropped sharply, which negatively impacts the company. A Reuters report that its trading arm had sustained losses also weighed on the stock.

The Fund's overweight in Catcher Technology cost the fund some value after the stock fell 15% on news of order cuts for the iPhone XR in late November. Then in December, the company missed the market's expectations for its November revenue estimates after saying revenue was down 25% month on month.

The Fund's overweight in Australia's QBE weighed on the Fund after the stock fell 11% post the company's market update in December that pointed to a lower cost-reduction programme compared with peers. We retain our overweight position in the stock.

Fund Activity

In December, the Fund opened positions in Mahindra & Mahindra Financial Services and Hero MotoCorp in India, while closing a position in China Galaxy Securities.

Outlook

The portfolio manager maintains our investment strategy of thorough stock-level research with a focus on cash flow, dividend yield and dividend sustainability. The portfolio manager adopts a total return approach to investing, taking into account both dividends and the opportunity for price appreciation of a company.

COMMENTARY

The portfolio manager continues to look for new opportunities to invest in attractively-valued companies with premium dividend yields. Maintaining a long-term view when investing, the Fund takes advantage of short-term price movements to buy and sell when the market price of stocks moves away from our view of a company's fundamental value.

As a region, valuations across Asia Pacific ex Japan are below historical averages after the sharp pull-back in 2018 and present compelling investment opportunities. As Asia develops, more Asian companies are returning a greater amount of dividends to shareholders.

The Fund is a portfolio of dividend-paying companies with attractive relative valuations, diversified across geographies and industries. The Fund has historically exhibited lower volatility of returns than that of the broader Asia Pacific ex Japan equity market by virtue of the high dividend-paying companies in which it invests.

Global liquidity is generally loose as central banks in Europe, Japan and Asia remain biased towards easy monetary policies. The United States is pursuing a different path and has shifted away from Quantitative Easing to focus on the timing of interest rate hikes as US economic data point to signs of a sustainable recovery.

IMPORTANT INFORMATION

Investment manager -
**Eastspring Investments (Singapore)
Limited**

Disclaimer

This document is issued by Eastspring Investments (Singapore) Limited (UEN: 199407631H). Eastspring Investments (Singapore) Limited is the appointed Singapore Representative and agent for service of process in Singapore. This advertisement has not been reviewed by the Monetary Authority of Singapore.

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

All transactions into the Fund should be based on the Singapore Prospectus and Product Highlights Sheet ("PHS"). Such documents, together with the articles of incorporation of the SICAV and the most recent financial reports, may be obtained free of charge from Eastspring Investments (Luxembourg) S.A., or at relevant Eastspring Investments business units/website and their distribution partners.

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Please refer to the offering documents for details on fees and charges, dealing and redemption, product features, 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 shares in the Fund and the income accruing to the shares, if any, may fall or rise. Where an investment is denominated in a currency other than the base currency of the Fund, exchange rates may have an adverse effect on the value price or income of that investment. Investors should not make any investment decision solely based on this document. Investors may wish to seek advice from a financial adviser before purchasing shares of the Fund. In the event that an investor may choose not to seek advice from a financial adviser, the latter should consider carefully whether the Fund in question is suitable for him.

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 Eastspring Investments or any of the 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.

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

Distributions are not guaranteed and may fluctuate. Past distributions are not necessarily indicative of future trends, which may be lower. Distribution payouts and its frequency are determined by the Board of Directors, and can be made out of (a) income; or (b) net capital gains; or (c) capital of the Fund or a combination of any of (a) and/or (b) and/or (c). The payment of distributions should not be confused with the Fund's performance, rate of return or yield. Any payment of distributions by the Fund may result in an immediate decrease in the net asset value per share.

The preceding paragraph is only applicable if the Fund intends to pay dividends / distributions.

Eastspring Investments companies (excluding JV companies) are ultimately wholly-owned / indirect subsidiaries / associate of Prudential plc of 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.

In case of discrepancy between the English and Chinese versions, the English version shall prevail.


Notes:

As announced by the CPF Board in March 2018, for funds offered through the CPF Investment Scheme (CPFIS), sales charge will be removed progressively to reduce the cost of investing for CPFIS members. Refer to <https://www.cpf.gov.sg/members/News/news-categories-info/cpf-changes/2346> for further details (URL link as of March 2018).

#The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. Under the CPF Act, the Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate. The interest rate for the Special Account (SA) and Medisave Accounts (MA) is pegged to the 12-month average yield of 10-year Singapore Government Securities (10YSGS) plus 1%, or current floor interest rate of 4% per annum, whichever is the higher. The interest rate to be credited to the Retirement Account (RA) will be the weighted average interest of the entire portfolio of Special Government Securities (SSGS) which 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 current floor rate of 4% per annum, whichever is the higher. As announced in September 2018, the Government has decided to further extend the 4% floor rate for interest earned on SA, MA and RA monies for another year until 31 December 2019. In addition, the CPF Board will pay an extra interest rate of 1% per annum on the first S\$60,000 of a CPF member's combined balances, including up to S\$20,000 in the OA. Only monies in excess of S\$20,000 in the OA and S\$40,000 in the Special Account can be invested.

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. Please visit the CPF Board Website for further information on CPF interest rates.



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