

Eastspring Investments – Asian Equity Fund



A member of Prudential plc (UK) 

FUND DETAILS

Fund size (mil)	339.0
Fund base currency	USD
Fund dealing frequency	Daily
Net asset value (Class A)	USD 16.654
ISIN (Class A)	LU0163747925
Inception date (Class A)	26-Aug-05
Benchmark (BM)	MSCI AC Asia ex Japan Index^

^The MSCI Index is calculated with dividends reinvested.

FUND MEASURES

Number of Securities	61
*3 year tracking error(%) (Class A)	2.6
*3 year sharpe ratio (Class A)	0.4
*3 year volatility(%) (Class A)	15.7

*Source: Morningstar

SECTOR WEIGHTS (%)

Financials	28.7
Information technology	21.7
Consumer discretionary	9.8
Communication Services	9.7
Industrials	8.1
Real estate	7.3
Utilities	3.6
Materials	3.2
Other sectors	4.8
Cash and cash equivalents	3.1

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

COUNTRY WEIGHTS (%)

China	33.6
Korea	16.9
Hong Kong	12.9
Taiwan (Republic of China)	10.9
India	6.3
Singapore	5.0
Indonesia	3.0
Malaysia	2.4
Other countries	5.9
Cash and cash equivalents	3.1

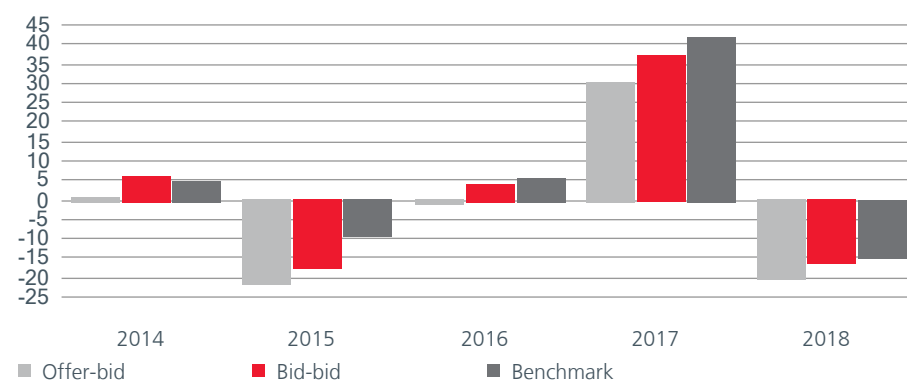
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INVESTMENT OBJECTIVE

This Sub-Fund aims to maximise long-term total return by investing primarily in equity and equity-related securities of companies, which are incorporated, 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	-7.2	-14.4	-20.4	-20.4	4.1	-0.3	6.1	3.5
Bid-bid	-2.4	-9.9	-16.2	-16.2	5.9	0.7	6.7	3.9
Benchmark	-2.7	-8.7	-14.4	-14.4	8.6	4.0	10.2	7.3

(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 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. For full details, please refer to the performance disclosure.

TOP 10 HOLDINGS (%)

1.	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	6.0
2.	SAMSUNG ELECTRONICS LTD	5.9
3.	TENCENT HOLDINGS LTD	5.7
4.	CHINA CONSTRUCTION BANK CORP H	3.9
5.	ALIBABA GROUP HOLDING ADR	3.7
6.	CK HUTCHISON HOLDINGS LTD	2.7
7.	BANK OF CHINA LTD H	2.6
8.	OVERSEA-CHINESE BANKING LTD	2.3
9.	CHINA OVERSEAS LAND & INVESTMENT LTD	2.3
10.	HYUNDAI MOTOR	2.3

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	16.654	PRUASIE LX	LU0163747925	26-Aug-05	Cash	5.000	1.500
A_S	SGD	13.577	IOFAEFF LX	LU0228367735	26-Aug-05	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_S	SGD	0.500	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.

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	-7.2	-14.4	-20.4	-20.4	4.1	-0.3	6.1	3.5	-20.4	29.7	-1.3	-21.4	0.3
Bid-bid	USD	-2.4	-9.9	-16.2	-16.2	5.9	0.7	6.7	3.9	-16.2	36.6	3.9	-17.3	5.6
Benchmark	USD	-2.7	-8.7	-14.4	-14.4	8.6	4.0	10.2	7.3	-14.4	41.7	5.4	-9.2	4.8
A_S														
Offer-bid	SGD	-7.8	-14.7	-18.8	-18.8	2.8	1.3	5.6	1.9	-18.8	20.0	0.6	-15.9	5.2
Bid-bid	SGD	-2.9	-10.2	-14.5	-14.5	4.6	2.3	6.1	2.3	-14.5	26.3	5.9	-11.5	10.7
Benchmark	SGD	-3.3	-8.9	-12.7	-12.7	7.1	5.6	9.6	5.7	-12.7	31.1	7.4	-2.8	10.0

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. From inception to 30-Sep-08, the benchmark was the MSCI AC Far East ex Japan Index. 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 sell off 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 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 14.1%. 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 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.

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

Key Contributors

The Fund is overweight Hyundai Motor and the stock's 11% gain over the month contributed to the Fund's performance. In December, the company surprised the market with moves to diversify its leadership team including promoting a number of foreign executives to senior roles. The changes signaled to the market that shareholder pressure to restructure the chaebol structure was having an effect.

The Fund is overweight Philippine power generation group First Gen and as the stock gained 13% after it said it would partner with Tokyo Gas for a major LNG project, it added value to the Fund. The stock also benefitted from a 5% gain in the local Philippine index against a falling benchmark. We remain positive on the valuation of the company relative to sustainable earnings given long term structural demand growth for energy in the Philippines.

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'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 China Merchants Bank detracted as the stock fell almost 12% in a month when many China financials fell sharply. In addition, a local media report said the bank had been set a "window guidance" for profits in 2019 effectively setting zero percent growth for the year. The company denied the story but the stock price reacted negatively while we retain our overweight position.

The is also overweight Hong Kong-listed conglomerate CK Hutchison which detracted from performance after its stock fell 8%. Although there was little fresh stock-specific newsflow in the name during December, the stock fell as oil prices, to which it is exposed through its Husky Energy division in Canada, dropped sharply. We continue to like the diversified nature of the conglomerate and its attractive valuation and topped up during the month on price weakness.

Fund Activity

In December, the Fund trimmed a holding in Hengan International Group.

Outlook

Following recent equity market weakness, Asian equities are trading well below their long-term averages and are very cheap relative to the developed markets of the west. Despite market volatility and geopolitical concerns, we still see a backdrop of structural

COMMENTARY

economic growth and corporate earnings delivery across Asia which can support sentiment for the region's shares over the long term.

Investors have ignored the price they are paying for growth and quality over the past years creating a valuation anomaly within Asian equity markets between value and quality / growth. Over recent months we have seen this trend pivoting back to value and the Fund is well positioned to exploit this reversal.

IMPORTANT INFORMATION

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



A member of Prudential plc (UK) 

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