

Eastspring Investments Unit Trusts – Dragon Peacock Fund



A member of Prudential plc (UK) 

FUND DETAILS

Fund size (mil)	974.5
Fund base currency	SGD
Fund dealing frequency	Daily
Net asset value (Class A)	SGD 3.304
ISIN (Class A)	SG9999002828
Inception date (Class A)	18-Jun-04
Benchmark (BM)	50% MSCI China Index & 50% MSCI India Index [^]

[^]The MSCI Index is calculated with dividends reinvested.

FUND MEASURES

3 year tracking error(%) (Class A)	2.7
3 year sharpe ratio (Class A)	0.5
3 year volatility(%) (Class A)	14.5

Source: Morningstar

SECTOR WEIGHTS (%)

Financials	27.0
Consumer discretionary	17.4
Information technology	12.0
Utilities	8.8
Communication Services	8.5
Energy	8.4
Consumer staples	4.7
Materials	3.7
Other sectors	8.9
Cash and cash equivalents	0.6

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

COUNTRY WEIGHTS (%)

India related	50.5
China related	48.9
Cash and cash equivalents	0.6

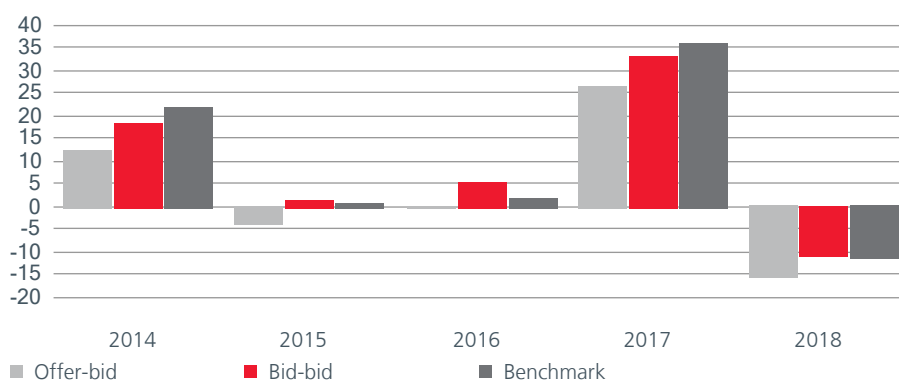
Due to rounding, the allocation table may not add up to 100% or may be negative.

INVESTMENT OBJECTIVE

The investment objective of the Eastspring Investments Unit Trusts - Dragon Peacock Fund is to maximize long-term total return by investing primarily in equity and equity related instruments of corporations, which are incorporated in, or listed in, or operating principally from, or carrying on significant business in, or derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from, the People's Republic of China (PRC) and the Republic of India (India).

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	-7.6	-9.3	-15.3	-15.3	5.8	7.3	8.6	8.2
Bid-bid	-2.7	-4.5	-10.9	-10.9	7.7	8.4	9.2	8.6
Benchmark	-3.7	-4.3	-11.0	-11.0	7.2	8.6	9.6	10.9

(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	7.5
2.	ALIBABA GROUP HOLDING ADR	5.1
3.	AXIS BANK LTD	4.0
4.	RELIANCE INDUSTRIES LTD	4.0
5.	CHINA CONSTRUCTION BANK CORP H	3.7
6.	ICICI BANK LTD	3.6
7.	INFOSYS LTD	3.6
8.	LI NING LTD	3.1
9.	INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	3.0
10.	LARSEN AND TOUBRO LTD	3.0

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RELEVANT CLASS DETAILS

Class	Currency	Net asset value	Bloomberg ticker	ISIN	Inception date	Subscription method	Initial sales charges% (max)	Annual management fee % (Current)
A	SGD	3.304	PRUDRPC SP	SG9999002828	18-Jun-04	Cash, SRS	5.000	1.500
I_b	SGD	0.957	ESDRPID SP	SGXZ87526794	29-Nov-18	Cash	5.000	0.750

Class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per unit
A	SGD	Nil	SGD 1,000	SGD 100	N.A.	N.A.	N.A.
I_b	SGD	Nil	SGD 10 Mil	SGD 1,000	Yearly	21-Dec-18	0.0157883

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 unit. "N.A." means that the relevant class does not distribute dividends.

Returns (%)

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 / SGD													
Offer-bid	-7.6	-9.3	-15.3	-15.3	5.8	7.3	8.6	8.2	-15.3	26.4	0.0	-3.6	12.2
Bid-bid	-2.7	-4.5	-10.9	-10.9	7.7	8.4	9.2	8.6	-10.9	33.0	5.3	1.5	18.1
Benchmark	-3.7	-4.3	-11.0	-11.0	7.2	8.6	9.6	10.9	-11.0	35.7	2.0	0.4	22.0
I_b / SGD													
Offer-bid	-2.6	-	-	-	-	-	-	-2.7	-2.7	-	-	-	-
Bid-bid	-2.6	-	-	-	-	-	-	-2.7	-2.7	-	-	-	-
Benchmark	-3.7	-	-	-	-	-	-	-2.9	-2.9	-	-	-	-

Performance Disclosure:

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in the relevant 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 classes, if any, is also calculated on a hedged basis. Calendar year returns are based on the relevant class performance for the year, and if the relevant class was inception during a particular year, the returns shown relate to the performance of that 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 December, MSCI China returned -6.1% in USD terms. MSCI Hong Kong was flat for the month. Global equity markets were substantially lower in December, with losses in the US dominating headlines on the back of political turmoil. On the trade front, China and the US entered into a 90-day cease-fire following the Xi-Trump meeting on December 1. If no agreement can be reached within the negotiation period, the 10% tariff will still be raised to 25%. Meanwhile, the annual Central Economic Work Conference was held in mid-December where policy makers confirmed that more monetary and fiscal support will be rolled out in 2019. Authorities pointed to more tax cuts, a material increase of local government specialty bonds and reasonably ample liquidity, particularly for private sector and small enterprises. On the macro front, November economic activity was sluggish. Both domestic and external demand weakened more than expected. Retail sales cooled further despite November online sales promotion, partly due to weak car sales, while export growth slowed sharply on generally weaker global demand, trade-war related uncertainties and a high base. Infrastructure investment growth moderated, likely due to still tight controls on implicit local debt, while manufacturing and property investment rebounded, leading to a largely stable FAI growth. Weaker exports and consumption led to IP softening more. In Hong Kong, trade activities slowed in November, after a strong rebound last month, as total exports to Asia declined by 3.6%.

MSCI India held steady, down 0.1% in USD terms in December, continuing its recent outperformance over emerging markets and Asia ex-Japan peers. Sector-wise, Utilities, Staples, Financials and Industrials outperformed, while IT, Healthcare, and Energy were notable laggards. Markets largely shrugged off the setback suffered in the recent State Elections, by Prime Minister Modi's political party, Bharatiya Janata Party (BJP), which conceded power in three states to the Congress party. In an unexpected move, the central bank governor Dr. Urjit Patel resigned, adding to market nervousness. Dr. Patel cited personal reasons for stepping down, but market participants suspect the rift with the government may have led to the move. On the macro front, November CPI inflation came in lower than expected, surprising positively for the sixth consecutive month. Benign food prices and falling oil prices have kept the inflation print under check. Composite PMI moved higher to 54.5 in November from 53.0 in October. Industrial Production beat consensus, coming in at 8.1% year-on-year (YoY). Meanwhile, the GST council announced rate cuts for some commonly used goods (such as televisions, computers and auto parts) to streamline GST, making it more people-friendly. Additionally, the Government announced plans to infuse an additional Rs410bn in state-owned banks by the end of 2019.

Key Contributors

Off-benchmark exposures to Bank of Baroda and Stella International and no exposure to Baidu Inc contributed to relative performance during the month.

Shares of Bank of Baroda (BoB) rose about 10% during the month after the state-owned lender reported that the finance ministry had accorded an in-principle approval for the merger of BoB, Dena Bank and Vijaya Bank. This led to calls for a nation-wide strike by bank unions, but cabinet subsequently approved the merger in early January 2019. The merger will take effect from April 1. BoB currently trades at a 2019e P/E of 10.2x.

Stella International rose about 17% in December. The company has been making positive strides in improving its product mix and stabilizing its Average Selling Price. Additionally, growth in its athleisure segment remains robust, with management maintaining its full-year 2018 shipment guidance. The positive volume growth trend is expected to continue into next year. Stella currently trades at a 2019e P/E of 11.5x.

Baidu Inc's share price declined about 17% during the month. The Ministry of Industry and Information Technology (MIIT) found in an investigation that Baidu and more than 80 other companies had provided false or misleading information about their business activities in documents such as corporate annual findings. The Chinese search giant currently trades at a 2019e P/E of 15.2x.

Key Detractors

The off-benchmark position in Hua Hong Semiconductor, overweight in AAC Technologies and no exposure to Hindustan Unilever detracted from relative performance during the month.

Hua Hong Semiconductor's share price declined almost 18% during the month. The industry continues to be impacted by tariffs, currency fluctuations, weak demand and high inventory levels. However, we like Hua Hong Semiconductor due to its competitive edge in the niche 8" market as well as improving product mix and market penetration in China. The company currently trades at a 2019e P/E of 11.1x.

AAC Technologies' share price continued its sell-off following disappointing results in November and in line with Asia technology stocks following the arrest of Huawei's Chief Financial Officer. The stock declined over 21% in December. The market remains concerned about the possibility of cuts in iPhone and Android smartphone volumes, as well as further margin pressure and market share loss in AAC's haptics business in 2019. AAC is currently trading at a 2019e P/E of around 10.4x.

Hindustan Unilever traded relatively flat in December. The company announced it will buy GSK Consumer Healthcare India, a subsidiary of GlaxoSmithKline, by means of a

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share swap. GSK Consumer Healthcare is a leader in Health Food Drinks category in India, with iconic brands including Horlicks and Boost. Hindustan Unilever is currently trading at a 2019e P/E of around 3.5x.

Fund Activity

During the month, the Fund reduced positions in Tencent Holdings.

Outlook

We continue to monitor China's balancing act of undertaking reforms while trying to rein in credit expansion and sustain economic growth. By continuing to have tighter controls and stronger financial oversight, President Xi Jinping should continue to help transform China's economy as it strives for quality over quantity.

Despite the recent tensions over trade disputes between the US and China, the portfolio manager believes that consistency in the implementation of reforms on state-owned enterprises will help support market sentiment and conviction. Being long-term bottom-up investors, we will continue to search for stocks that are attractively valued versus their history and fundamentals, regardless of short-term market noise. In fact, we would take the opportunity to exploit those market inefficiencies to buy and sell stocks when the opportunity presents itself.

India's economic recovery appears to be on a strong footing to achieve its potential real GDP growth aided by lower interest rates, strong reforms momentum, and a thrust on investments. A stimulus through investments and not subsidies should yield a better quality and sustainable growth in the long term. India's corporate earnings are expected to recover gradually, aided by higher demand, lower interest rates, and a favourable investment cycle. Valuations are fair in light of an impending recovery in earnings.

IMPORTANT INFORMATION

Investment manager -
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The Fund/ underlying Fund(s) 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 Manager, Eastspring Singapore, and can be made out of (a) income; or (b) net capital gains; or (c) capital of the Fund or a combination 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 unit.

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

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

Notes:

Please note that the Luxembourg-domiciled Eastspring Investments has established a similar sub-fund within the umbrella fund of Eastspring Investments having the same investment objective and focus as the Fund (the "Eastspring Investments sub-fund"). In the event that the Eastspring Investments sub-fund be approved by the Authority as a recognised scheme available for direct investment by the retail public in Singapore, Eastspring Investments (Singapore) Limited may, in consultation with the Trustee, and subject to the approval of the relevant authorities, (i) seek to terminate the Fund and exchange existing Units in the Fund for shares in the Eastspring Investments sub-fund; or (ii) change the investment policy of the Fund from a direct investment portfolio to a feeder fund investing all or substantially all of its assets into the Eastspring Investments sub-fund. Investors should note that in the event of an exchange Units for shares in the Eastspring Investments sub-fund, there is no assurance that the fees and charges of the Eastspring Investments sub-fund would not be higher than that of the Fund. Investors should not invest in the Fund in anticipation of investing in the Eastspring Investments sub-fund as there is no certainty whether the Eastspring Investments sub-fund may be recognized for offer to the retail public in Singapore.

Investors should note that the net asset value of this Fund is likely to have a higher volatility due to its concentration of investment in two countries.