

ASIAN CREDIT INVESTMENT RETURNS

BLOOMBERG: CHIM<go>

April 2013

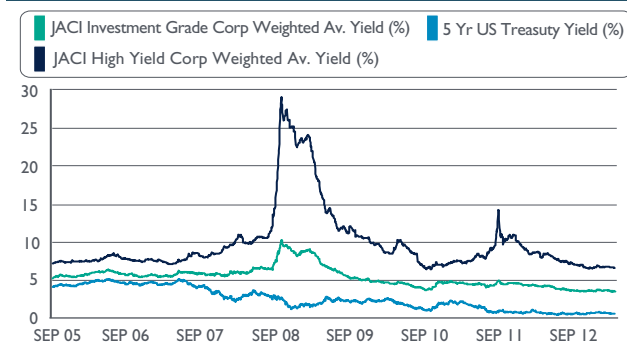
- Falling US treasury yields drove Asian fixed income market returns, as credit spreads held firm in April despite softness in global economic data. Fully A\$ Hedged returns for Asian Investment grade issuers were 1.18% in April, with 1.56% delivered from the High Yield segment. The longer duration assets across the Asian credit space were unable to match Australian fixed income returns which were driven by sharply falling Australian government bond yields across the curve in April.
- In the Asian investment grade segment, index based yields in USD terms are now higher than the equivalent Australian broad based market yields. Australian investors continue to exploit this anomaly by investing into USD Asian credit on a fully hedged basis, using FX forwards to hedge the currency risk into A\$.
- Behind the headline numbers, the spread performance of the all major country groups was mixed in April. Better IG and HY credit spread performance from Indonesian domiciled issuers (261, -12bp vs UST) as well as the Philippines (198, -8bp) offset weaker spreads in China (416bp, +5bp), Hong Kong (281, +5bp) and South Korea (186, +7bp).
- The RBA held official rates at 3.0% in April, the market expecting further cuts in rates as 2013 progresses. Forward FX points narrowed as Aussie/US bond spreads contracted late in the month, the AUD/USD 1 year Forward FX rates were around \$1.01 or 2.45% below month end spot rates.

Asian Credit Investment Returns									Annualised Returns			
	30/04/2013		1 Month %	3 Month %	YTD %	1 Year %	3 Year %	5 Year %	Since 30/09/2005	3 Year AGR %	5 Year AGR %	30/09/2005 AGR %
Asian High Yield	Total Return	USD	1.38%	3.29%	3.81%	16.77%	33.44%	75.65%	99.59%	10.09%	11.92%	9.88%
	Unhedged	AUD	1.82%	3.96%	3.96%	17.37%	18.98%	59.80%	41.21%	5.96%	9.82%	4.82%
	AUD Hedge Performance	AUD	-0.26%	-0.11%	0.62%	1.89%	20.94%	14.50%	48.50%	6.54%	2.74%	5.54%
	Hedged Return	AUD	1.56%	3.85%	4.58%	19.26%	39.92%	74.30%	89.71%	11.84%	11.75%	9.12%
Asian Investment Grade	Total Return	USD	1.01%	2.10%	1.89%	9.67%	23.85%	47.90%	63.75%	7.38%	8.14%	6.95%
	Unhedged	AUD	1.45%	2.77%	2.04%	10.23%	10.42%	34.55%	15.85%	3.36%	6.11%	2.03%
	AUD Hedge Performance	AUD	-0.26%	-0.11%	0.62%	1.89%	20.94%	14.50%	48.50%	6.54%	2.74%	5.54%
	Hedged Return	AUD	1.18%	2.66%	2.66%	12.12%	31.37%	49.05%	64.35%	9.51%	8.31%	7.01%
Australian Investment Grade	UBS Composite Bond Index	AUD	1.57%	1.94%	1.71%	6.99%	27.06%	47.99%	61.46%	8.30%	8.15%	6.75%
	UBS Australian Credit Index	AUD	1.25%	1.84%	2.03%	8.82%	27.87%	51.66%	64.98%	8.53%	8.68%	7.06%

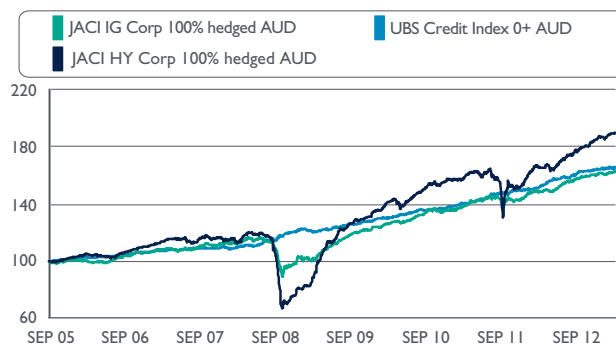
	Weight %	Yield % (USD)	Est. Hedged Yield % (AUD)*	Duration (yrs)	Spread v UST. (bp)
Asian Credit Market Statistics					
Asian Investment Grade Corporate	66.3%	3.57%	6.05%	5.11	235
Asian High Yield Corporate	33.7%	6.69%	9.17%	4.64	518
Blended IG/HY Asian Corporate	100.0%	4.6%	7.1%	4.95	330

* USD Yield + USD/ AUD 12mth forward pickup
Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

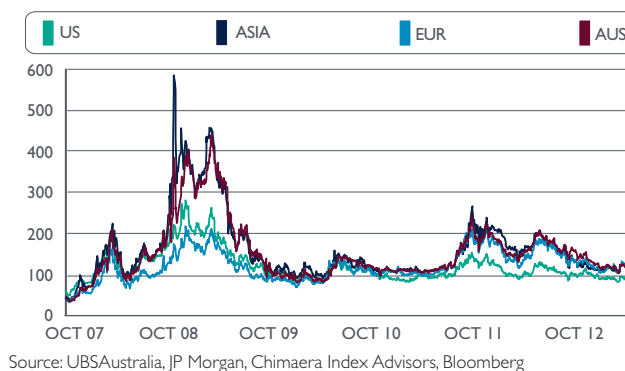
Asian Corporate Yields vs US Treasuries (USD)



UBS 0+ Credit Index vs Asian Credit Indices (% returns - AUD Hedged)



iboxx / iTraxx CDS Index Spreads



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