

# ASIAN CREDIT INVESTMENT RETURNS

BLOOMBERG: CHIM<go>

September 2012

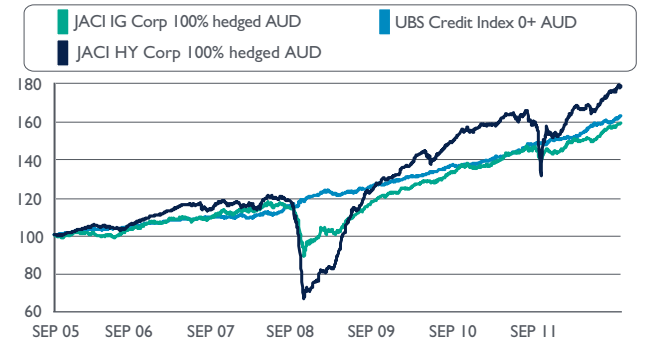
- A broad based narrowing of credit spreads drove a strong monthly performance for the USD Asian corporate credit market in September; despite some late month risk aversion relating to slowing Chinese growth and continued negative Euro debt headlines.
- With Chinese economic growth as a market focal point, China's USD corporate credit sector held its gains during the month ending at (414bp vs UST, -34bp), also strong were South Korea (192, -20bp) and Indonesia (262, -14bp).
- Notable sector spread performance (IG and HY) versus UST: Quasi-Sovereigns (202, -12bp), Financials (290, -14bp), Industrials (459, -8bp), and Utilities (290, -16bp).
- The A\$ rallied versus USD during September; despite some weakness later in the month. The A\$ carry trade metrics remained robust, although USD/AUD forward FX points did narrow marginally as Australian yields fell late in September.
- AUD hedged Asian Investment Grade yields at 6.5% continue to offer attractive valuations and sector diversification versus Australian corporate securities.
- Asian HighYield returns, both AUD hedged and unhedged have outperformed the majority of larger Asian equity markets YTD.

Asian Credit Investment Returns										Annualised Returns		
	28/09/2012		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	2.18%	5.68%	18.98%	33.77%	39.01%	60.25%	84.84%	11.62%	9.88%	9.17%
	Unhedged	AUD	1.65%	4.26%	17.18%	24.56%	18.39%	36.77%	36.03%	5.79%	6.46%	4.49%
	AUD Hedge Performance	AUD	0.73%	2.01%	3.71%	9.84%	26.46%	21.10%	41.15%	8.15%	3.90%	5.05%
	Hedged Return	AUD	2.39%	6.27%	20.90%	34.40%	44.85%	57.87%	77.18%	13.16%	9.55%	8.51%
Asian Investment Grade	Total Return	USD	1.62%	4.04%	10.36%	13.43%	27.99%	45.36%	58.80%	8.58%	7.76%	6.83%
	Unhedged	AUD	1.10%	2.65%	8.69%	5.61%	9.00%	24.06%	16.86%	2.92%	4.40%	2.25%
	AUD Hedge Performance	AUD	0.73%	2.01%	3.71%	9.84%	26.46%	21.10%	41.15%	8.15%	3.90%	5.05%
	Hedged Return	AUD	1.83%	4.66%	12.41%	15.45%	35.46%	45.16%	58.01%	10.66%	7.73%	6.75%
Australian Investment Grade	UBS Composite Bond Index	AUD	0.96%	1.98%	7.47%	9.55%	28.22%	48.84%	61.32%	8.65%	8.27%	7.07%
	UBS Australian Credit Index	AUD	1.18%	2.72%	8.14%	9.96%	28.59%	48.26%	62.02%	8.75%	8.19%	7.14%

	Weight %	Yield % (USD)	Est. Hedged Yield % (AUD)*	Duration (yrs)	Spread v UST. (bp)
Asian Credit Market Statistics					
Asian Investment Grade Corporate	71.5%	3.76%	6.53%	5.15	260
Asian High Yield Corporate	28.5%	7.35%	10.12%	4.31	595
Blended IG/HY Asian Corporate	100.0%	4.8%	7.6%	4.91	356

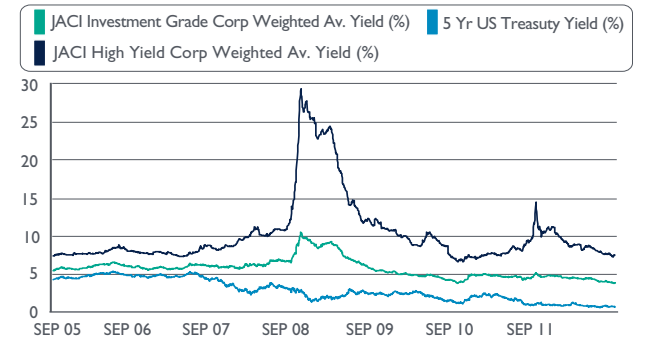
\* USD Yield + USD/ AUD 12mth forward pickup  
Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

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



Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## Asian Corporate Yields vs US Treasuries (USD)



Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## ibovx / iTraxx CDS Index Spreads



Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

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