

February 2023

# **Eastspring** Investments – Asia Sustainable Bond Fund (The “Fund”)

**invested** in building a  
sustainable investment portfolio.



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# Contents

<b>Reasons to invest in ESG* – integrated Asian bonds</b>	<b>3</b>
<b>Growing universe of opportunities</b>	<b>4</b>
<b>Heightening regulatory committment</b>	<b>5</b>
<b>Building a sustainable investment portfolio</b>	<b>6</b>
<b>About the Fund</b>	<b>7</b>
<b>Reasons to Invest in Eastspring Investments – Asia Sustainable Bond Fund</b>	<b>8</b>
<b>Seeks to deliver sustainable returns over time</b>	<b>8</b>
<b>Differentiates with a pragmatic and responsive ESG approach</b>	<b>9</b>
<b>Encapsulates the fixed income team’s strengths</b>	<b>9</b>
<b>Fund details</b>	<b>10</b>
<b>About us</b>	<b>11</b>

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As a signatory to the United Nations supported Principles for Responsible Investment, we have a consistent environmental, social and governance focus across all asset classes, research and investment decision-making, increasing long-term value for our clients.

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\*ESG stands for Environmental, Social and Governance.

## Reasons to invest

# ESG – integrated Asian bonds

Asia is expected to be a driver of global growth in the coming decades, driven by rising urbanisation, expanding populations and increasing affluence.

To finance this structural growth, Asia will need to rely on its capital markets. Meanwhile, there is a growing recognition (fortunately) amongst the investment community that Asia's development will unlikely be sustainable if it is at the expense of the environment. As such, investors are increasingly keen on investment strategies that incorporate environmental, social and governance (ESG) factors into investment processes and decisions.

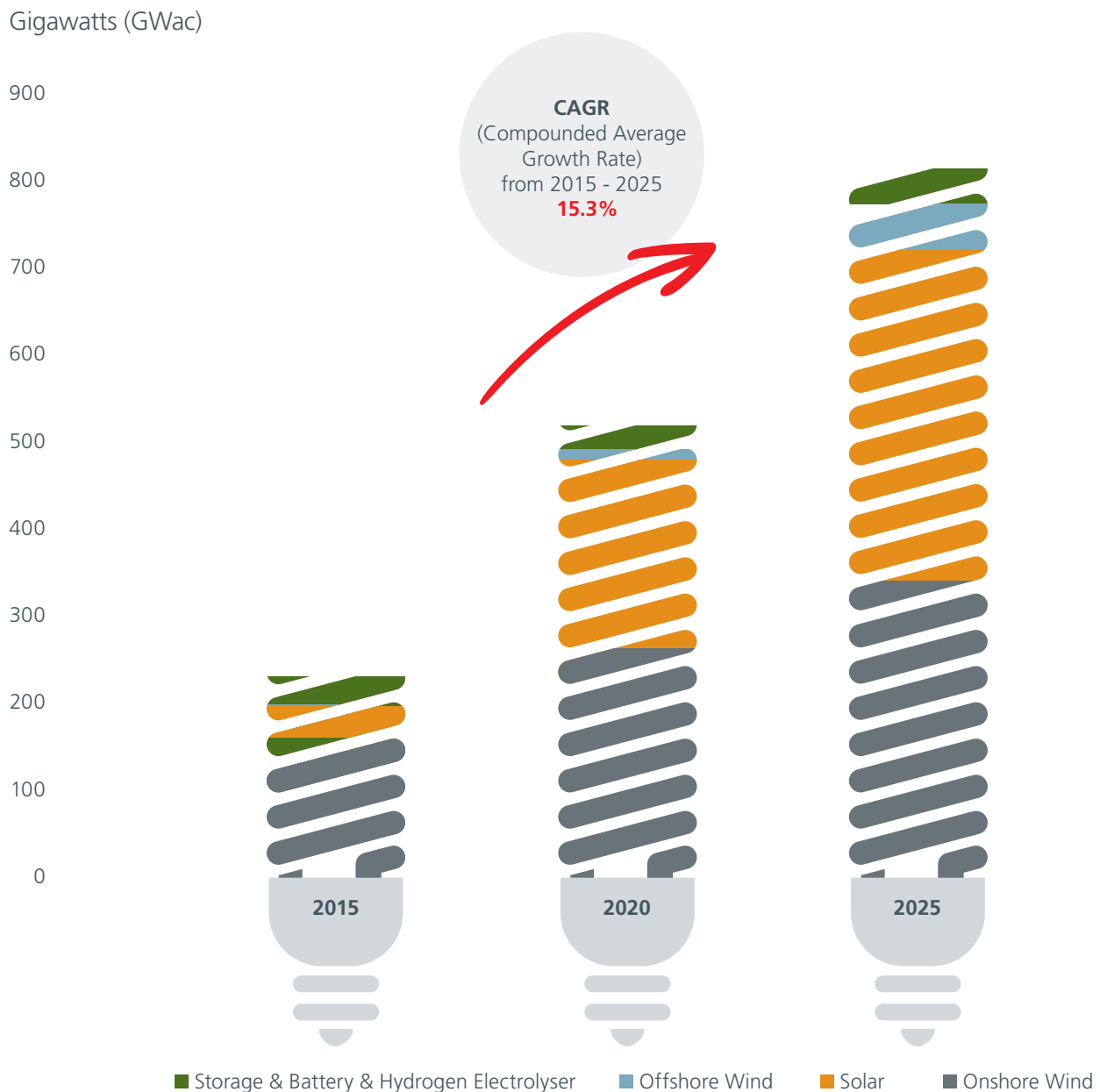


## ► Growing universe of opportunities

Opportunities wise, we see that strong economic growth and policy support allows Asia to stand out as a compelling investment proposition for ESG-aligned bond investments; renewable energy, for example, is a key area of growth. According

to Wood Mackenzie (Fig. 1.), a research and consultancy group, renewables investments have overtaken fossil fuel since 2013, with solar and wind representing 66% or USD1 trillion investment opportunity in the Asia Pacific up to 2030.

**Fig. 1. Outlook for installed renewable energy capacity in Asia Pacific**
















Source: Fig. 1. Rystad Energy RenewableCube, October 2020. Any projection or forecast is not necessarily indicative of the future or likely performance.

## ► Heightening regulatory commitment

More stringent emission standards and heavier penalties for violations of ESG standards, for example, have increased the materiality of ESG risks for corporates. Increased ESG disclosure

requirements and accounting standards demanding transparency around financial statements disclosures have led more corporates to adopt ESG practices.

**Fig. 2. Corporate ESG disclosure requirement status across Asia Pacific markets**

	<b>Mandatory policies established</b>	 India will have mandatory CSR/ESG reports from FY22.  South Korea will phase in mandatory disclosure requirements by 2030.  Malaysia, Thailand, Philippines, Taiwan, Vietnam, Indonesia and Singapore all have requirements for companies to provide sustainability disclosures/reports.
	<b>Mandatory policies established but with more limited application</b>	 Mainland China will impose mandatory E disclosures on high emitting corporates from 2022.  Hong Kong requires disclosure of 12 E&S indicators on a comply or explain basis.  Australia has mandatory GHG, energy, and diversity disclosures, rest are voluntary.  Japan mandated board independence, diversity, and climate metrics on a comply or explain basis.  New Zealand has corporate governance disclosure requirements including material ESG factors on a comply or explain basis.  Singapore has mandatory diversity disclosures and a core list of 27 voluntary E&S metrics.
	<b>Under consideration / in development / voluntary guidelines established</b>	Nil
	<b>No significant developments</b>	Nil

Source: Fig. 2. as at February 2022. SEBI, South Korea FSC, Securities Commission Malaysia, Thailand SEC, Philippines SEC, Taiwan FSC, Vietnam SSC, Indonesia FSA, CSRC, HKEX, Australian Government, Japan FSA, NZX, SGX, compiled by Goldman Sachs Global Investment Research.

## ► Building a sustainable investment portfolio

An ESG-integrated investment process is important in the fixed income space as it helps to identify and manage downside risks related to ESG which may not be as well covered under traditional credit analysis. Additionally, according to Sustainalytics, a global leader in ESG research and ratings (May 2021), corporates that consider their impact on the environment and society and have higher levels of sustainable practices are less likely to face controversial incidents that may negatively impact business. This makes their earnings less volatile.

Fig 3. shows that the JPMorgan Asia Credit (JACI) ESG indices generally give similar returns to their non-ESG indices, reflecting that there is little extra opportunity cost in pursuing an ESG tilt. The JACI HY ESG index in particular has generated lower volatility compared to the conventional JACI High Yield index over time.

**Fig. 3. Annualised return and volatility of JACI and JACI ESG indices (since December 2012)**

Asset class	Returns (ann.)	Volatility (ann.)
JACI Index	2.6%	4.9%
JACI ESG Index	2.4%	5.1%
JACI HY Index	2.9%	10.0%
JACI HY ESG Index	2.6%	9.7%

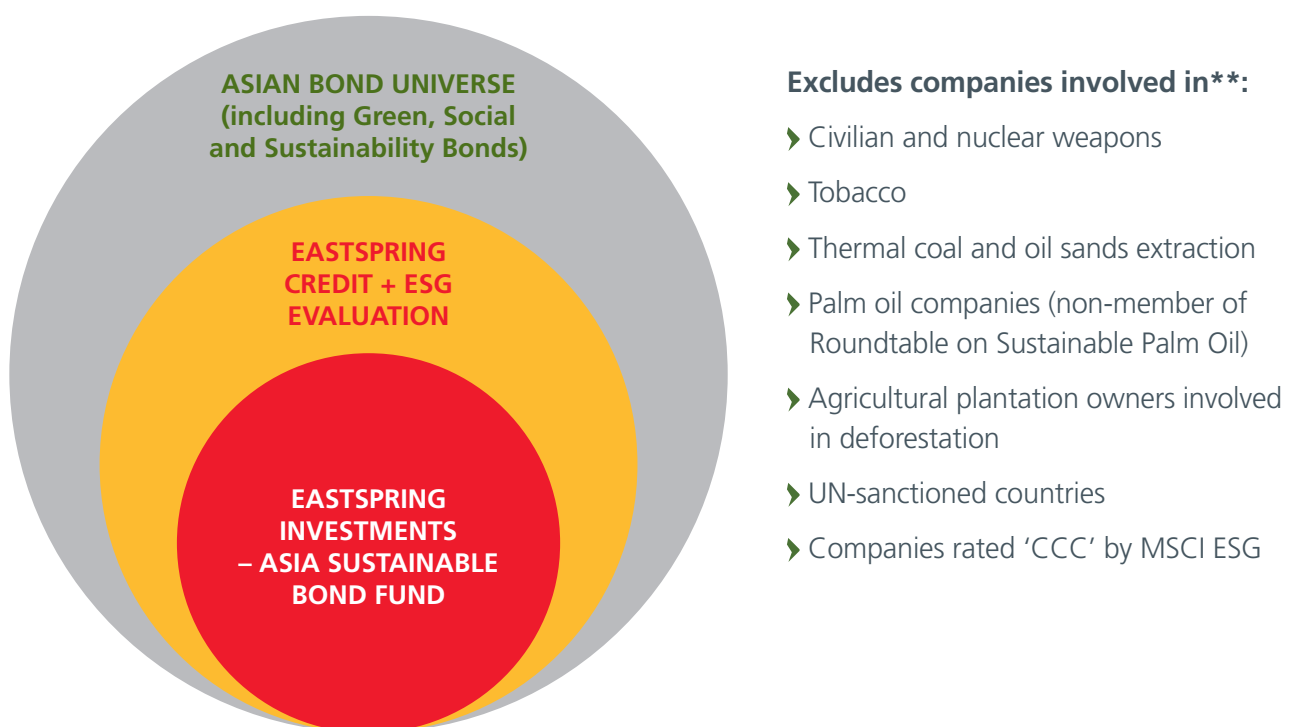
Source: Fig. 3. JPMorgan, Eastspring Investments, as at end January 2023. Please note that there are limitations to the use of such indices (index) as proxies (a proxy) for the past performance in the respective asset classes/sector. The historical performance or forecast presented is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.

## About the Fund

Eastspring Investments – Asia Sustainable Bond Fund (the “Fund”) seeks to maximise total return by investing primarily in bonds issued by Asian issuers that are aligned to Eastspring’s internal ESG principles\*. ESG screening is applied on the Fund’s investible universe to exclude issuers, which are in violation of our ESG principles.

The investment strategy formulation process is overlaid with the team’s top-down views, as well as the bottom-up research on individual bond issuers. Importantly, the bottom-up analysis integrates our proprietary ESG risk assessment of individual credit issuers. These analyses underpin the Fund’s investment decisions across Asian credit, interest rate and currency markets.

**Fig. 4. Our investment approach**



Source: \*For more information on the process for determining a bond’s alignment with Eastspring’s ESG principles and eligibility for inclusion in the Fund, please refer to the Fund’s prospectus. Fig. 4. Eastspring Investments, February 2023. \*\*Refer to the Exclusion Policy in the Prospectus for details.

## Reasons to invest

# Eastspring Investments – Asia Sustainable Bond Fund

## ► Seeks to maximise total returns over time

The Fund seeks to maximise total returns over the medium term by investing primarily in investment grade, USD-denominated Asian bonds. This includes investments in both conventional bonds, as well as Green, Social and Sustainability (GSS) labelled bonds.

Further, there is moderate flexibility to diversify into Asian high yield bonds, interest rate and currency markets, providing additional sources of value-add for the Fund. We believe that the active investment across the diversified mix of instruments, combined with an ESG focus<sup>+</sup>, can help optimise the Fund's risk-adjusted return profile.

Fig. 5. Performance table (Class A)

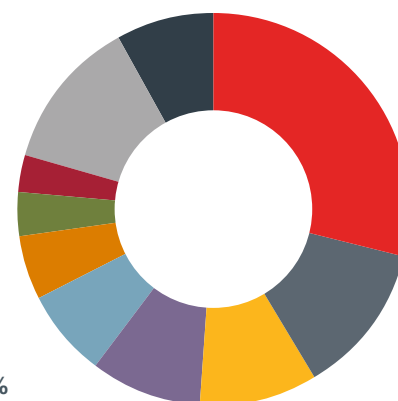
	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
<b>Bid-bid</b>	2.3	4.9	2.3	-7.6	-1.7	-	-	-1.2
<b>Offer-bid</b>	-0.8	1.8	-0.8	-10.4	-2.7	-	-	-2.2

Fig. 6. Fund portfolio profile

Characteristics	Portfolio
<b>Average yield-to-maturity (%)</b>	<b>6.8</b>
<b>Average duration</b>	<b>3.3</b>
<b>Number of issues</b>	<b>129</b>
<b>Average credit rating<sup>^</sup></b>	<b>BBB+</b>

### Country Breakdown (%)

- Singapore **28.9%**
- China **12.5%**
- Korea **9.9%**
- Hong Kong **9.2%**
- India **7.2%**
- Australia **5.2%**
- Indonesia **3.6%**
- Japan **3.1%**
- Others **12.4%**
- Cash and equivalents **8.0%**



Source: <sup>+</sup>The Fund seeks to promote environmental characteristics, including but not limited to climate change (carbon emissions, pollution, waste management, energy efficiency, sustainable production practices), and resource management; governance issues such as management quality, board independence, alignment of interests to goals besides shareholder profits and gender diversity; and social objectives including diversity and inclusion, health and wellbeing, safety and security, fair labour practices and more equal access to financial services. Fig. 5. Eastspring Investments (Singapore) Limited, 31 January 2023. (p.a.): per annum. 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. Past performance information presented is not indicative of future performance. Fig. 6. Source: Eastspring Investments, 31 January 2023. <sup>^</sup>Based on ratings assigned by S&P, Moody's or Fitch only. <sup>\*</sup>The computation of yield to maturity and average duration includes cash and derivatives securities. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice.

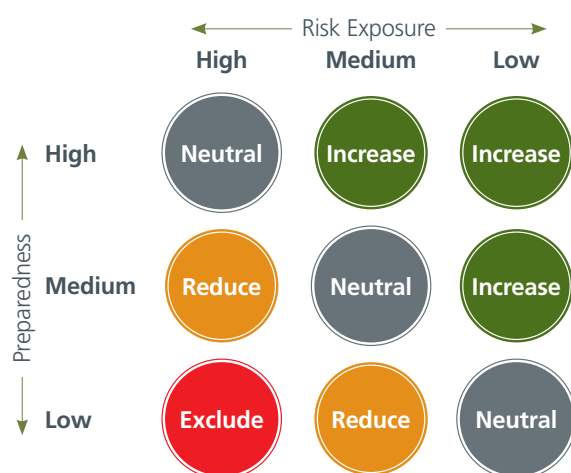


## ► Differentiates with a pragmatic and responsive ESG approach

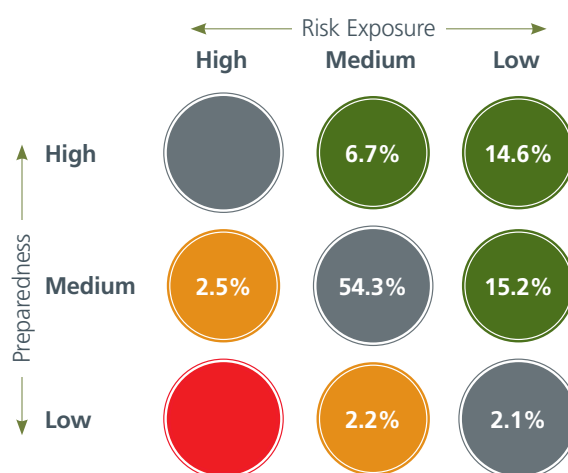
Our credit selection process incorporates two robust ESG determinants. The first is the key ESG risks<sup>^</sup> faced by the company based on our internal taxonomy of ESG factors. The second is the company's preparedness in dealing with these ESG risks. A low, medium and high ranking

is assigned to each factor. The company's ESG rankings (e.g. MSCI, ESG ratings from credit rating agencies, media articles) are considered as part of the portfolio construction process and bond issuers with high ESG risk and low preparedness will be excluded from the buy list.

**Fig. 7. Eastspring ESG Matrix**



**Eastspring Investments - Asia Sustainable Bond Fund**  
Eastspring ESG Matrix Summary



## ► Encapsulates the fixed income team's strengths

Eastspring has one of the largest fixed income teams in Asia. Our strong presence across 11 Asian markets facilitates ready access of on-the-ground market information. Our experience in running Asian hard and local credit strategies underpins the in-depth expertise and ability to maximise total returns for investors over time. The solid track record of our Asian bond strategies bears testament to the strength of our investment team.

The team members who are specialists in respective fields have collaborated successfully over many market cycles and won numerous awards over the years. As of September 2020, the firm and team's commitment to Responsible Investments has been validated; our fixed Income categories - Corporate (Financial & Non-Financial) are rated "A" by the UN Principles for Responsible Investment.

**Fig. 8. Fixed income team comprises:**



**11 Portfolio Managers\***



**13 Credit Analysts**

Sources: <sup>^</sup>ESG Risks are the risks of any negative financial impact on an institution stemming from the current or prospective impacts of ESG Factors on its counter-parties or invested assets. Fig. 7. Eastspring Investments, 30 December 2022. Due to rounding, numbers presented may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason. <sup>^</sup>Excludes cash and sovereigns. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice. There are limitations to the use of such indices (index) as proxies (a proxy) for the past performance in the respective asset classes/sector. The historical performance or forecast presented is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund. Fig. 8. Eastspring Investments (Singapore) Limited, 30 December 2022. \*2 portfolio managers assume both credit research and portfolio management responsibilities.

## Fund details

Investment Scope	The Fund seeks to invest in a mix of Green, Social and Sustainability (“GSS”) bonds and other debt securities issued by Asian governments, quasi-governments, corporates or supranationals, which are aligned to internal Environmental, Social and Governance (“ESG”) principles.
Product Suitability	<p>This Fund is suitable for investors who:</p> <ul style="list-style-type: none"> <li>• aim to maximise total returns;</li> <li>• are comfortable with the risks of a bond fund that invests in a mix of rated and unrated debt securities issued by Asian governments and corporations, which are aligned to internal Environmental, Social and Governance principles; and</li> <li>• appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.</li> </ul>
Inception Date	16 December 2019
Initial Sales Charge	Max 3.0%
Management Fee	1.0% p.a.
Subscription Mode	Cash

Share Class	Currency	Subscription method	Annual management fee% (Current)	Distribution Frequency	Ex-date	Dividend per share	ISIN
Class A	USD	Cash	1.000	N.A.	N.A.	N.A.	LU2068974737
Class A <sub>DM</sub>	USD	Cash	1.000	Monthly	01-Feb-23	0.0338907	LU2347918265
Class A <sub>S</sub> (hedged)	SGD	Cash, SRS	1.000	N.A.	N.A.	N.A.	LU2347918182
Class A <sub>SDM</sub> (hedged)	SGD	Cash	1.000	Monthly	01-Feb-23	0.0330171	LU2347918349
Class C	USD	Cash	0.500*	N.A.	N.A.	N.A.	LU2068974810

Source: Eastspring Investments, as of 31 January 2023.

\*The management fee is changed from 0.600% p.a. to 0.500% p.a. with effect from 1 July 2022.

### Notes:

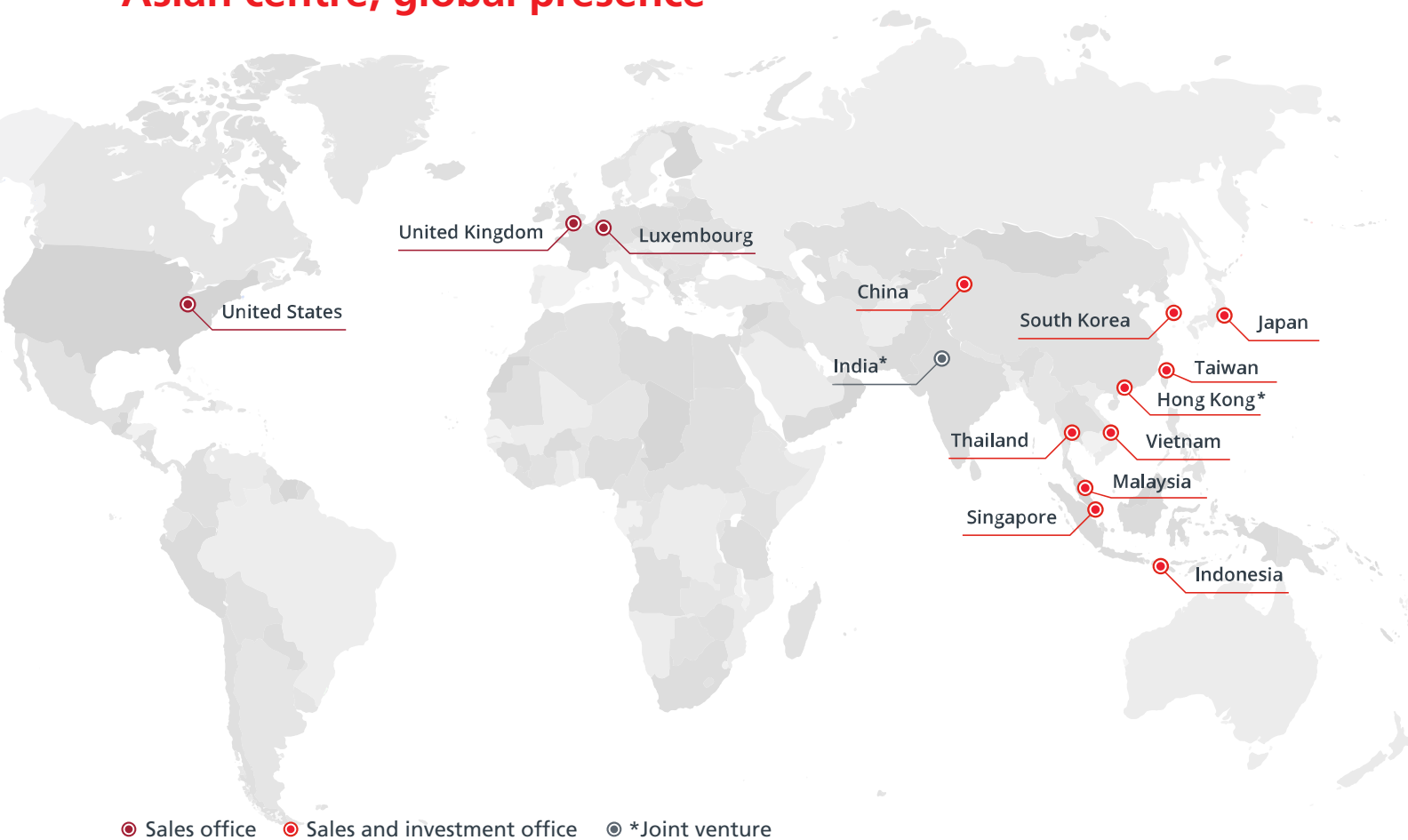
1. Refer to the distribution disclosure.

2. C share classes are for institutional investors only, and are not available to retail investors.

3. 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. \*Or their near equivalent in any major freely convertible currency of the amounts specified.

Eastspring Investments is a leading Asia-based asset manager that manages over USD222 billion\* of assets with presence in 11 Asian markets as well as distribution offices in North America and Europe. Operating in Asia since 1994, Eastspring Investments is the Asian asset management business of Prudential plc, an international financial services group.

## Asian centre, global presence



**300+**  
number of **investment**  
**professionals**

**29+**  
**nationalities**

**25+**  
years of **operating**  
**history**

## Distribution Disclosure

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. 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. Any payment of distributions by the Fund will result in an immediate reduction in the net asset value per share. For further details on distributable income, and historical payments and their compositions for the last 12 rolling months, please refer to the website. Distribution of dividends is at the discretion of the Board of Directors taking into consideration market conditions and underlying securities.

## Disclaimer

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

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