

# ASIAN CREDIT INVESTMENT RETURNS

BLOOMBERG: CHIM<go>

February 2013

- The bid tone across Asian High Yield markets continues, the fully hedged AUD return for the month of February at 1.82%. Investment Grade USD Asian corporate credit fully hedged to AUD returned 1.08% largely driven by falling US Treasury Yields better credit spread performance from Hong Kong and South Korean domiciled companies.
- Asian Credit spreads were notable due to their lack of volatility over the month of February, despite a sharp selloff in global equity markets related to early withdrawal of QE3.
- Behind the headline numbers, the performance of the all major country groups continues to be mixed. For February blended IG and HY credit spreads

of Asian issuers grouped by country of domicile were; China (397bp vs UST, +8bp), Hong Kong (271, -5bp) Indonesia (258, +16bp), South Korea (173, -2bp) and Singapore (173, +6bp)

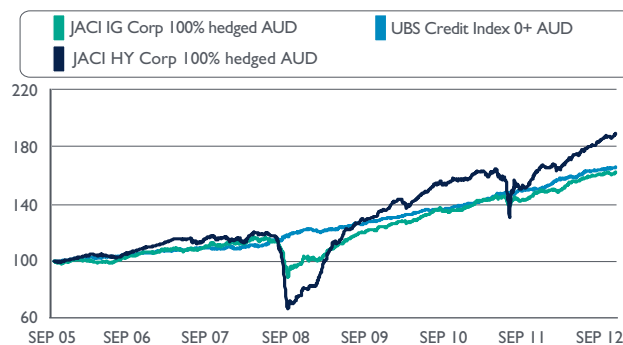
- Asian Blended IG and HY sector spreads of issuers across all regions versus UST: Quasi-Sovereigns (188, +12bp), Financials (248, unch), Industrials (408, -2bp), Utilities (273, -1bp).
- The RBA held official rates at 3.0% in February. The interbank futures market continues to indicate a strong probability of another 0.25% in 2013. USD/AUD forward FX points were resilient during the month however; the AUD/USD 1 year Forward FX rates were around \$0.997 or 2.7% below month end spot rates.

Asian Credit Investment Returns									Annualised Returns			
	28/02/2013		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	1.57%	3.45%	2.09%	16.69%	37.66%	75.23%	98.85%	11.24%	11.86%	9.71%
	Unhedged	AUD	3.54%	5.37%	3.54%	22.58%	21.11%	62.37%	48.34%	6.59%	10.17%	5.46%
	AUD Hedge Performance	AUD	-1.72%	-1.22%	-1.00%	-2.37%	22.81%	12.50%	40.72%	7.09%	2.38%	4.71%
	Hedged Return	AUD	1.82%	4.14%	2.53%	20.21%	43.91%	74.87%	89.05%	12.90%	11.81%	8.96%
Asian Investment Grade	Total Return	USD	1.08%	1.13%	0.87%	10.05%	25.16%	48.47%	62.80%	7.77%	8.22%	6.79%
	Unhedged	AUD	3.04%	3.00%	2.30%	15.61%	10.11%	37.58%	21.45%	3.26%	6.58%	2.65%
	AUD Hedge Performance	AUD	-1.72%	-1.22%	-1.00%	-2.37%	22.81%	12.50%	40.72%	7.09%	2.38%	4.71%
	Hedged Return	AUD	1.31%	1.78%	1.30%	13.24%	32.91%	50.08%	62.16%	9.95%	8.45%	6.73%
Australian Investment Grade	UBS Composite Bond Index	AUD	0.59%	0.55%	0.37%	8.19%	25.44%	49.31%	62.27%	7.85%	8.34%	6.74%
	UBS Australian Credit Index	AUD	0.56%	1.36%	0.75%	9.99%	27.22%	52.78%	65.81%	8.35%	8.84%	7.05%

	Weight %	Yield % (USD)	Est. Hedged Yield % (AUD)*	Duration (yrs)	Spread v UST. (bp)
Asian Credit Market Statistics					
Asian Investment Grade Corporate	67.2%	3.68%	6.21%	5.13	226
Asian High Yield Corporate	32.8%	6.78%	9.30%	4.52	506
Blended IG/HY Asian Corporate	100.0%	4.7%	7.2%	4.93	318

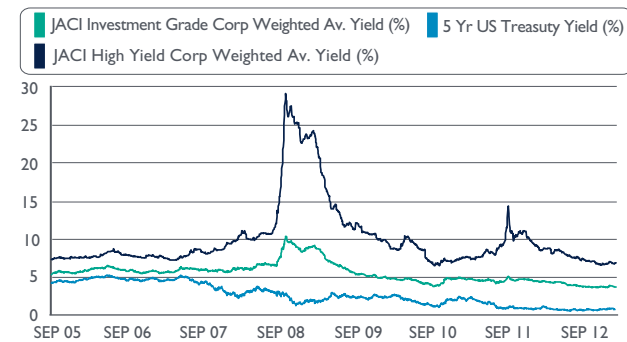
\* USD Yield + USD/ AUD 12mth forward pickup  
Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

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



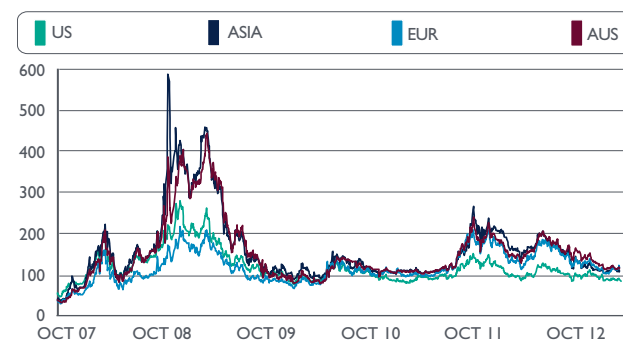
Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## 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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