

# ASIAN CREDIT INVESTMENT RETURNS

BLOOMBERG: CHIM<go>

October 2012

- USD Asian Credit performed during October driven by continued contraction in credit spreads as inflows to the sector remained firm. With returns across both investment grade (+0.73%) and High yield (+2.09%) strongly positive, broad based outperformance occurred despite weaker global stock markets, and higher government bond yields during October.
- Behind the headline numbers all major country groups recorded tighter credit spreads over the month. Of the larger segments, China (393bp vs UST, -21bp), Hong Kong (296, -18bp) Indonesia (244, -18bp), and South Korea (185, -7bp).
- Asian Blended (IG and HY) sector spreads versus UST: Quasi-Sovereigns (188, -14bp), Financials (268, -22bp), Industrials (432, -27bp), Oil and Gas (200, -18), Utilities (273, -17bp).
- Investment grade USD Asian corporate spreads at 243bp versus UST, remain mid range based on a 200-330bp trading range over the last 3 years post GFC.
- High yield USD Asian corporate credit spreads at 559 versus UST, remain at the tight end of a 500-1000bp trading range over the last 3 yrs post GFC.
- The RBA cut official rates by 0.25bp in October, the market pricing a strong probability of another prior to year end. Lower Australian deposit rates have helped pushed the AUD/USD forward FX points slightly narrower during the month. AUD/USD 1 year Forward FX rates were around \$1.01 or 2.7% below month end spot rates.

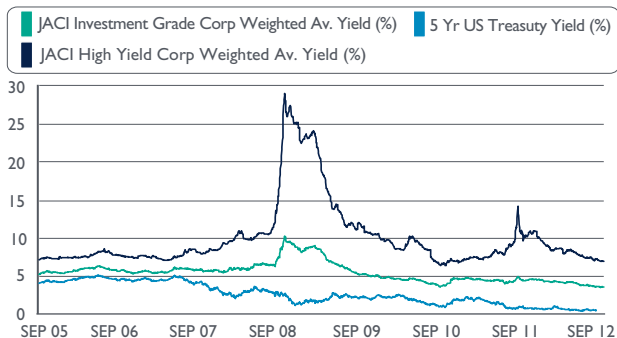
Asian Credit Investment Returns									
	31/10/2012		1 Month %	3 Month %	YTD %	1 Year %	3 Year %	5 Year %	Since 30/09/2005
Asian High Yield	Total Return	USD	2.09%	5.26%	21.46%	21.21%	39.25%	61.72%	88.70%
	Unhedged	AUD	2.07%	6.60%	19.60%	20.37%	20.79%	44.29%	38.84%
	AUD Hedge Performance	AUD	0.24%	-0.61%	3.96%	3.29%	24.39%	16.35%	41.49%
	Hedged Return	AUD	2.31%	5.99%	23.56%	23.66%	45.18%	60.63%	80.32%
Asian Investment Grade	Total Return	USD	0.73%	2.84%	11.17%	11.21%	27.84%	44.83%	59.97%
	Unhedged	AUD	0.71%	4.15%	9.47%	10.44%	10.89%	29.22%	17.70%
	AUD Hedge Performance	AUD	0.24%	-0.61%	3.96%	3.29%	24.39%	16.35%	41.49%
	Hedged Return	AUD	0.95%	3.54%	13.43%	13.73%	35.28%	45.57%	59.18%
Australian Investment Grade	UBS Composite Bond Index	AUD	0.04%	1.63%	7.51%	9.25%	28.31%	48.90%	61.37%
	UBS Australian Credit Index	AUD	0.72%	2.81%	8.91%	10.25%	29.03%	49.43%	63.18%

Annualised Returns		
3 Year AGR %	5 Year AGR %	30/09/2005 AGR %
11.68%	10.08%	9.37%
6.51%	7.60%	4.74%
7.55%	3.07%	5.02%
13.25%	9.93%	8.67%
8.54%	7.68%	6.85%
3.51%	5.26%	2.32%
7.55%	3.07%	5.02%
10.61%	7.79%	6.78%
8.67%	8.28%	6.98%
8.88%	8.35%	7.15%

	Weight %	Yield % (USD)	Est. Hedged Yield % (AUD)*	Duration (yrs)	Spread v UST. (bp)
Asian Credit Market Statistics					
Asian Investment Grade Corporate	71.5%	3.66%	6.33%	5.06	243
Asian High Yield Corporate	28.5%	7.03%	9.70%	4.27	559
Blended IG/HY Asian Corporate	100.0%	4.6%	7.3%	4.84	333

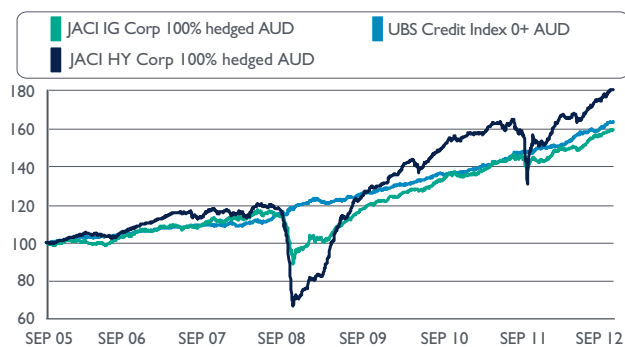
\* USD Yield + USD/ AUD 12mth forward pickup  
Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## Asian Corporate Yields vs US Treasuries (USD)



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

## ibovx / iTraxx CDS Index Spreads



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

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