FUND COMMENTARY

EASTSPRING INVESTMENTS FUNDS – MONTHLY INCOME PLAN

August 2015

MARKET REVIEW

- Equities were negative in August with Developed Markets (DM) outperforming. The volatility and correction in US markets were arguably sparked by Chinese events. However, the uncertainty surrounding a Fed rate hike and slower U.S. earnings growth also gave investors reason to sell. European equity markets also fell in spite of the ECB and BOE's dovish stances coupled with the successful third Greek bailout program. The Chinese contagion was also felt in Brazil, which was also dealing with domestic issues, i.e., a lowered fiscal target and deteriorating faith in the incumbent government. Since the start of 2015, S&P has downgraded Brazil's outlook to negative and downgraded the country to BB+ on 9 September. Moody's on the other hand has downgraded Brazil's rating from Baa2 to Baa3. In Emerging Asia, in spite of numerous measures by Chinese officials to stabilize the equity market, H-shares and A-shares experienced double digit declines.

- Investors moved into government bonds over the month preferring shorter term investments as the Fed gets closer to lift off. We already see US Treasury yields move higher at the front end of the curve and the flattening of the long end. However, given sluggish and uneven growth and muted inflationary pressures we may see only a modest increase in interest rates. While absolute levels of yields in core Eurozone markets are low, policy initiatives from the ECB, including the recent sovereign bond purchase program , probably cap upside in core yields and support further narrowing of peripheral spreads in the medium term. Riskier bond assets such as US high yield and Asian local currencies and bonds also fell during the month as issues with the energy sector and possibly larger debt servicing burden(when the Fed raises rates) weighed respectively. JACI declined primarily on Chinese issuer worries.

- Against this backdrop, USD high yield bonds returned -1.8% during the month. The Asian USD bond market (as represented by the JP Morgan Asia Credit Index) posted a return of -0.8%[2].

INVESTMENT OBJECTIVE

The investment objective of the Sub-Fund is to seek to provide investors with regular income and capital growth by investing: (i) 30% to 70% of its assets into the Luxembourg domiciled Eastspring Investments – US High Yield Bond Fund (the "US High Yield Bond"); and (ii) 30% to 70% of its assets into the Luxembourg domiciled Eastspring Investments – Asian Bond Fund (the "Asian Bond"), (collectively, the "Underlying Funds"). The Sub-Fund may in addition, at the Manager's absolute discretion, invest up to 20% of its assets in any other Asia Pacific investments (including real estate investment trusts, dividend yielding equities and any other sub-funds of the Eastspring Investments (the "Eastspring Investments Umbrella Fund"), subject to the prior approval of the Authority where necessary).

FUND DETAILS

Benchmark

50% JP Morgan Asia Credit Ind & 50% BofA Merrill Lynch USD High Yield Constrained Ind- hedged to SGD*

Portfolio Manager

Joanna Ong

Share class	Inception date	Currency
A	1-Feb-05	SGD
M	1-Feb-05	SGD
M (RMB hedged)	2-Sep-13	CNH

All data as of 31 August 2015 unless otherwise stated.

Source: Eastspring Investments. [1] BofA Merrill Lynch US High Yield Constrained Index Total Return in USD terms. [2] JP Morgan Asia Credit Index Total Return in USD terms

Note: With effect from 1 June 2012, the benchmark for the Fund was changed from the 12 month SGD Fixed Deposit Rate to 50% JP Morgan Asia Credit Index and 50% BofA Merrill Lynch US High Yield Constrained Index hedged to SGD to better reflect the investment focus and risk of the Fund. The two series are chain-linked to derive the longer period benchmark returns.

FUND PERFORMANCE

- For August 2015, on a bid-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 2.8% and underperformed its benchmark by 1.6% Class M declined 2.7% and underperformed its benchmark by 1.4%.

- For August 2015, on a offer-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 7.6% and underperformed its benchmark by 6.4% Class M declined 7.5% and underperformed its benchmark by 6.3%.

- Year to date 2015, on a bid-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 1.8% and underperformed its benchmark by 3.2%. Class M declined 1.7% and underperformed its benchmark by 3.1%.

- Year to date 2015, on a offer-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 6.7% and underperformed its benchmark by 8.1%. Class M declined 6.6% and underperformed its benchmark by 8.0%.

FACTORS AFFECTING PERFORMANCE

- During the month, the Fund’s underperformance was caused by off benchmark allocation to Singapore dividend equities. Security selection within Eastspring Investments – US High Yield Bond Fund and exposure to Eastspring Investments - Asian Bond Fund also hurt returns, but to a lesser extent.

- Eastspring Investments - Asian Bond Fund's non-benchmark exposure to local currency bonds, in particular the CNH, INR and IDR positions, detracted from performance given the underperformance of Asian currencies during the month. Additionally, the Fund’s overweight in high yield corporates dragged on performance amidst a prevailing risk-off sentiment in August.

- Eastspring Investments – US High Yield Bond Fund’s security selection to Metals and Mining and Gas Distribution were the top contributors to relative return. The Fund’s overweight to Energy – Exploration & Production and security selection within Support/Services and Specialty Retail were the top detractors.

- Year to date 2015, the Fund’s modest overweight position in Eastspring Investments – US High Yield Bond Fund and the underweight allocation to Eastspring Investments - Asian Bond Fund have hurt performance. The off benchmark allocation to Asian equities has also hurt portfolio returns.

FUND COMMENTARY

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August 2015

STRATEGY AND OUTLOOK

- The big picture still suggests that the US economy is expanding above trend and corporate profits growing but inflation remains below the Fed's 2% target. This suggests that monetary policy is more likely to remain accommodative.

- Many traditional indicators of global growth (and market risk perception) are flashing red. In particular commodity prices, bond yields, cyclical sectors and Emerging Markets

- However, the bear case may not be warranted for the following reasons:

    - Earnings and key macro data points in developed markets remain resilient
    - Global markets have not always performed poorly when commodity prices have declined
    - Limited inflation pressure will keep policy accommodative
    - Valuations are neutral or attractive on trend earnings
    - Sentiment is probably already pessimistic
    - Fed policy normalization is likely to be gradual

- Asian USD Bonds as an asset class present an opportunity to be exposed to the growing economies and corporates of Asia. However, US High yield companies will benefit from the ongoing moderate US growth. In addition, should interest rates rise, US High yield has historically been relatively less susceptible to a rise in government bond yields. US high yield, with its higher absolute yield level, also offers more carry to offset any negative impact from a rise in government bond yields. Risk compensation for US High yield has also increased with the recent spread widening. The Fund therefore maintains its preference for US high yield over Asian US dollar bonds. However, the Fund Manager targets a neutral position against the benchmark.

- The Fund Manager also keeps a tactical allocation to off-benchmark high dividend yielding Singapore equities. Asian equities continue to offer attractive dividend yields, good diversification from USD interest rate risk, as well as potential capital upside to achieve medium-term fund return target. In particular, Singapore dividend stocks and REITs continue to offer value and the Fund continues focusing on companies with strong balance sheets, visible and resilient recurring cash flows to support dividend payouts.

Disclaimer

The name of the Fund “Eastspring Investments Funds - Monthly Income Plan” should not be taken as implying that monthly or regular distributions in respect of units will be made. Distribution payout shall, at the sole discretion of the Manager, be made out of either (a) income; or (b)net capital gains of the Fund; or (c) capital of the Fund or a combination of (a) and/or (b) and/or (c). There is no guarantee that any distribution will be made or that the frequency and amount of distributions as set out in the prospectus will be met. When distributions are declared and paid out (including out of capital) with respect to the Fund, the net assets attributable to the relevant class of Units will stand reduced by an amount equivalent to the product of the number of Units outstanding and distribution amount declared per Unit. Payout is computed based on initial issue price of its respective classes of units.

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