FUND COMMENTARY

EASTSPRING INVESTMENTS FUNDS – MONTHLY INCOME PLAN

October 2015

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

MARKET REVIEW

- Equities made a raging come back for the month of October as investors cheered a still accommodative Fed and monetary easing in China. Earnings season in the US was widely positive and firmer data from the European economies also helped sentiment. Against this backdrop, Developed Markets (DM) equity outperformed Emerging Markets (EM) equity. Returns across most DM was strong led by Japan and the US as strong corporate earnings and improving domestic economic data drove equity prices higher. Emerging Markets saw strong returns from Indonesia which benefited from softer inflation and stronger sentiment following the announcement of economic stimulation packages. Korea was also a standout on the back of strong GDP print and industrial production which surprised on the upside. Chinese equities also rose as the government boosted liquidity by reducing lending rates and lowering bank reserve requirements.

- Global bond markets posted mixed returns in October against a backdrop of a more stable Global economy and increased risk appetite. As stability returned, investors bought into riskier bonds which led to government bonds being sold down. US investment grade corporate bonds edged up while US high yield bonds posted gains as the US economy showed more growth and oil prices found support. With the Fed delaying the rate hike, capital flowed into EM and Asian local currency bonds which was also boosted by currency returns. JPM Asia Credit Index posted gains on a turnaround in risk sentiment and further demand for Asian non-investment grade corporates.

- Against this backdrop, USD high yield bonds returned 2.7% during the month. The Asian USD bond market (as represented by the JP Morgan Asia Credit Index) posted a return of 1.7%[2].

All data as of 31 October 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.

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FUND PERFORMANCE

- For October 2015, on a bid-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A rose 2.5% and outperformed its benchmark by 0.2%. Class M also gained 2.5% and underperformed its benchmark by 0.2%.

- For October 2015, on a offer-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 2.7% and underperformed its benchmark by 4.9% Class M declined 2.7% and underperformed its benchmark by 4.9%.

- Year to date 2015, on a bid-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 1.1% and underperformed its benchmark by 3.6%. Class M declined 1.0% and underperformed its benchmark by 3.5%.

- Year to date 2015, on a offer-to-bid basis in SGD, Eastspring Investments Funds - Monthly Income Plan Class A declined 6.0% and underperformed its benchmark by 8.5%. Class M declined 8.2% and underperformed its benchmark by 8.4%.

FACTORS AFFECTING PERFORMANCE

- During the month, off benchmark position in High Dividend Yielding equity funded out of Asia USD bonds boosted performance.

- Eastspring Investments - Asian Bond Fund benefitted from positive sector allocation effects, with its overweight in the high yield sector, while underweighting the investment grade sector, contributing to the Fund's outperformance. The overweight in Indonesian corporate bonds was another positive contributor as the improvement in risk sentiment resulted in a rebound of Indonesian credits.

- Eastspring Investments – US High Yield Bond Fund's security selection within Metals and Mining and Energy – Exploration and Production, were the top contributors to relative return for the month of October, while the overweight to Pharmaceutical and security selection within Cable & Satellite TV, were the top sector level detractors from relative return in October.

- Year to date 2015, the underweight to Eastspring Investments - Asian Bond Fund as well as the off-benchmark allocation to Asian equities hurt returns. Negative stock selection in Eastspring Investments – US High Yield Bond Fund also detracted value.

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October 2015

A member of Prudential plc (UK)

STRATEGY AND OUTLOOK

- The macro news flow in both the US and Asia might have reached an inflection point in October, coinciding with a stabilization in risk asset prices from the August/September panic. Specifically, there has been some improvement in the manufacturing purchasing manager surveys across the region that may be consistent with a modest improvement in production and trade over the coming months. Consensus growth is around 5% for Asia in 2016. Importantly, growth appears to be stabilizing in China. Credit and real estate activity in tier one cities has increased over the past few months and the service sector remains firm.

- US domestic demand (services, housing and employment) continues to be rather robust and has probably cemented expectations for a rate hike in December by the US Federal Reserve. Looking forward, the key focus for markets in 2016 will shift from "lift off" to the "flight path" of rates, or the pace of policy normalization. On the positive side, this implies that key trading partner growth is fairly robust.

- With US core inflation and inflation expectations well anchored at around 1.3%, the pace of normalization is likely to be modest relative to expectations.

- The Fund maintains its preference for US high yield over Asian US dollar bonds due relative attractiveness. We are of the view that US High yield companies will benefit from the ongoing relative strength of 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.

- Having said that, high dividend stocks remain as the Funds' most preferred asset class. This market continues to present attractive bottom-up investment ideas with companies offering attractive dividend yields, sound business model with recurring operating cash flows and manageable leverage levels. The high dividend yields, diversification from USD interest rate risk, as well as potential capital upside should enhance the Fund's ability to achieve its medium term return target.

All data as of 31 October 2015 unless otherwise stated.

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Eastspring Investments (Singapore) Limited (UEN. 199407631H)
10 Marina Boulevard
#32-01 Marina Bay Financial Centre Tower 2
Singapore 018983
Tel: 6349 9711 | Fax: 6509 5382

eastspring.com.sg