

# EASTSPRING INVESTMENTS FUNDS

## - MONTHLY INCOME PLAN

### ANNUAL REPORT

For the year ended 31 December 2012

### AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2012



# EASTSPRING INVESTMENTS FUNDS

## **Manager**

Eastspring Investments  
(Singapore) Limited  
10 Marina Boulevard #32-01  
Marina Bay Financial Centre Tower 2  
Singapore 018983  
(UEN: 199407631H)

## **Auditors**

KPMG LLP  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

## **Directors of the Manager**

Guy Robert Strapp  
Graham David Mason  
Julian Christopher Vivian Pull  
Lakshman Kumar Mylavarapu

## **Solicitors to the Manager**

Allen & Gledhill LLP  
One Marina Boulevard #28-00  
Singapore 018989

## **Trustee**

HSBC Institutional Trust Services  
(Singapore) Limited  
21 Collyer Quay #10-02  
HSBC Building  
Singapore 049320  
(UEN: 194900022R)

## **Solicitors to the Trustee**

Shook Lin & Bok LLP  
1 Robinson Road #18-00  
AIA Tower  
Singapore 048542

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# EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

## Structure

Eastspring Investments Funds - Monthly Income Plan (the “Fund”) is established as two classes of units within the Fund. The Class A (annual payout) and Class M (monthly payout) have been established by the Manager for internal classification purposes to enable the different frequency and amount of payouts and do not constitute separate pools of assets. There are separate indicative net asset values in respect of both Classes of Units.

## Investment Objective

Eastspring Investments Funds - Monthly Income Plan seeks to provide investors with regular income and capital growth by investing: 30% to 70% of its assets into Luxembourg domiciled Eastspring Investments - US High Yield Bond Fund; and 30% to 70% of its assets into the Luxembourg domiciled Eastspring Investments - Asian Bond Fund. At the Manager’s discretion, the Fund may 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, subject to the prior approval of the Authority where necessary).

## Manager’s Commentary

### Fund performance

The Eastspring Investments Funds - Monthly Income Plan Class A and Class M shares each rose 14.1% (bid-to-bid basis) for the year ending 31<sup>st</sup> December 2012. Since its February 2005 inception, Class A and Class M shares each rose by an annualised 5.9%.

### Market background

Risky assets ended 2012 surprisingly strong. The markets’ performance in the first half of the year looked like a repeat of 2011. Starting on an optimistic note, market sentiment took a turn in April/ May as investors panic about the debt burdens in Europe and the weakness in global economies. In the second half of the year, the oversold market conditions were then corrected as investors were encouraged by policy actions in Europe. Towards the end of 2012, the markets spurred higher as investors digested the impact of QE3 and became increasingly optimistic about a global cyclical upturn.

For the review period, credit markets performed relatively well, particularly high yield credit which delivered returns close to that of equities but with much lower volatility. The gains were driven by a combination of coupon income and capital gains from contraction in credit spreads. Lower-quality higher-yielding credits broadly outperformed better quality ones. US high yield credit gained 15.3%<sup>1</sup> and the JP Morgan Asia Credit Index gained 14.1%<sup>2</sup>.

<sup>1</sup> Using BofA Merrill Lynch US High Yield Master II Constrained Index (SGD hedged) as a proxy, Bloomberg, December 2012

<sup>2</sup> Using JP Morgan Asian Credit Index (SGD hedged) Bloomberg, December 2012

## **EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN**

### **Factors affecting performance**

The rise in value of the Fund over the review period was driven mainly by the strong performance of its corporate bond holdings, as well as the very strong performance of its dividend yield stock portfolio. The Fund had a slight bias towards US high yield credit, over Asian credit, which added value as the former had outperformed.

### **Key changes to the portfolio**

There has been no major asset allocation strategy change for most part of the review period, with a higher allocation to US high yield bonds relative to Asian US dollar denominated bonds. The Fund had maintained on average a 5% in high dividend yielding Asian equities throughout the review period. Cash allocation was reduced at the beginning of the year as the Fund invested the Fund's strong inflows into the two underlying bond funds as well as dividend yield stocks.

### **Outlook**

Following the impressive rally in 2012, credit yields offered to investors have declined, i.e. the risk compensation has narrowed, making this asset class less attractive than before. Nevertheless, credit spreads currently at around historical averages, may still arguably be attractive if one takes into consideration the strong corporate fundamentals and reduced levels of expected default rates.

While a case can be made for relative attractiveness of credit markets versus government bonds, it is much harder to argue its attractiveness in absolute space. Moreover, the ongoing macro concerns (such as European Sovereign debt crisis, growth outlook in the US and China) will continue to cloud the outlook for the credit markets, especially US high yield credit market, which is vulnerable to growth expectation downgrades and investor risk aversion.

So with credit spreads already at or just below their historical averages, and government yields at multi-decade lows, the likelihood of a repeat of the double-digit returns for credit markets have registered over the last few years is much lower. Nonetheless, it is likewise unlikely that credit markets may suffer a massive sell off as the fund manager saw during the Global Financial Crisis, as corporate are in much better shape, credit valuations are not as expensive, and correction in the housing and sub-prime debt sector is now well-advanced, thereby reducing systemic risks in this aspect.

The Fund continues to maintain an underweight in Asian Dollar credit, which in the fund manager's view, is less attractive than US high yield given its much lower credit yield, and still early stage of corporate fundamental deterioration (relative to US corporate), especially for the Chinese companies. The Fund will maintain its allocation of high-dividend stocks at 5%. Despite the very strong performance in this market segment, we believe that these companies, with high dividend payouts, visible cash flows, and manageable balance sheet profile can continue to deliver attractive dividend income over the medium-term. The Fund will continue to fully hedge its underlying US dollar exposure to Singapore dollar.

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### Fund Performance

(As at 31 December 2012)

Fund/Benchmark	3 months	6 months	1 year	3 years	5 years	Since inception*
	%	%	%	%	%	%
<b>(average annual compounded return)</b>						
Eastspring Investments Funds - Monthly Income Plan - Class A	2.7	7.5	14.1	9.0	5.8	5.9
Eastspring Investments Funds - Monthly Income Plan - Class M	2.8	7.5	14.1	9.0	5.8	5.9
50% JP Morgan Asia Credit Ind & 50% BofA Merrill Lynch USD High Yield Constrained Ind- hedged to SGD	2.7	7.3	9.7	3.4	2.3	1.8

Source: Eastspring Investments (Singapore) Limited.

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. The return is in S\$, and calculated on a bid-to-bid basis with net income reinvested.

Eastspring Investments Funds - Monthly Income Plan – Class M has distribution payout of 0.4 cents per Class M Unit (i.e. 0.4% computed based on the initial issue price of S\$1.00) on 11 Jan 12, 12 Mar 12, 11 Apr 12, 10 May 12, 11 Jun 12, 10 Jul 12, 10 Aug 12, 11 Sep 12, 10 Oct 12, 12 Nov 12 and 11 Dec 12. Class M has distribution payout of 0.6 cents per Class M Unit (i.e. 0.6% computed based on the initial issue price of S\$1.00) on 10 Feb 12.

Class A has distribution payout of 5 cents per Class A Unit (i.e. 5% computed based on the initial issue price of S\$1.00) on 10 Feb 12.

\* 1 February 2005.

Past performance is not necessarily indicative of the future performance of the Eastspring Investments Funds - Monthly Income Plan.

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

(As at 31 December 2012)

### Exposure to Derivatives

	Fair Value at 31 Dec 12	Percentage of total net assets attributable to unitholders at 31 Dec 12	Net Unrealised Gains/ (Losses)	Net Realised Gains/ (Losses)
Types of Derivatives	SGD	%	SGD	SGD
Forward Foreign Exchange Contracts	16,518,466	2.05	16,518,466	18,713,985

### Global exposure

Global derivative exposure is computed using the commitment approach which is calculated as the sum of:

- a) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;
- b) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and
- c) The sum of the values of cash collateral received pursuant to :
  - (i) the reduction of exposure to counterparties of OTC financial derivatives; and
  - (ii) EPM techniques relating to securities lending and repurchase transactions, and that are reinvested.

### Collateral

Nil for the year ended 31 December 2012.

### Securities Lending or Repurchase Transactions

Nil for the year ended 31 December 2012.

### Investment in other unit trusts, mutual funds and collective investment schemes

The Eastspring Investments Funds - Monthly Income Plan invests SGD 318,476,346 and SGD 407,312,872 equivalent to 39.59% and 50.63% of its net asset value attributable to unitholders, in Eastspring Investments - Asian Bond Fund and Eastspring Investments - US High Yield Bond Fund respectively. (Refer to the Portfolio Statement in the Financial Statements for investment in other schemes including but not limited to REITs and ETFs).

### Borrowings

Nil.

## **EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN**

### **Related Party Transactions**

The Eastspring Investments Funds - Monthly Income Plan invests SGD 318,476,346 and SGD 407,312,872 equivalent to 39.59% and 50.63% of its net asset value attributable to unitholders, in Eastspring Investments - Asian Bond Fund and Eastspring Investments - US High Yield Bond Fund respectively. Some directors of the Eastspring Investments, an open-ended investment company registered in Luxembourg, are also directors of Eastspring Investments (Singapore) Limited.

Refer as well to Note 10 of the “Notes to the Financial Statements”.

### **Total Subscriptions and Redemptions for the year ended 31 December 2012**

	<b>SGD</b>
Subscriptions	659,543,895
Redemptions	343,492,447

### **Annualised Expense Ratio\*\***

1.41% (2011: 1.41%)

*\*\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.*

### **Turnover Ratio**

17.83% (2011: 3.66%)

### **Soft Dollar Commission**

Nil

### **Any other material information that will adversely impact the valuation of the Fund**

Nil.

### **Pre-determined payouts**

The Fund does not offer pre-determined payouts.

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### Top 10 Holdings

(As at 31 December 2012)

	Market Value SGD	% of Net Assets ***
Eastspring Investments:		
- US High Yield Bond Class D	407,312,872	50.63
- Asian Bond Class D	318,476,346	39.59
StarHub Ltd	4,324,190	0.54
Singapore Post Ltd	3,905,595	0.49
Singapore Telecommunications Ltd	3,636,600	0.45
Ascendas Real Estate Investment Trust	2,666,250	0.33
Capitamall Trust Reit	2,496,360	0.31
Capitacommercial Trust	2,331,840	0.29
M1 Ltd	2,286,900	0.28
Capitamalls Asia Ltd	1,989,180	0.25

### Top 10 Holdings

(As at 31 December 2011)

	Market Value SGD	% of Net Assets ***
Eastspring Investments:		
- US High Yield Bond Class D	213,686,982	49.60
- Asian Bond Class D	178,294,706	41.39
Singapore Telecommunications Ltd	1,977,600	0.46
Singapore Post Ltd	1,896,180	0.44
StarHub Ltd	1,476,100	0.34
Comfortdelgro Corporation Ltd	1,359,815	0.32
Singapore Press Holdings Ltd	1,099,620	0.26
Capitamalls Asia Ltd	960,500	0.22
Ascendas Real Estate Investment Trust	853,580	0.20
M1 Ltd	809,250	0.19

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### Schedule of Investments

(As at 31 December 2012)

	Market Value SGD	% of Net Assets ***
<b>Country</b>		
Indonesia	440,960	0.05
Luxembourg	725,789,218	90.22
Singapore	41,563,713	5.16
<b>Industry</b>		
Airlines	1,204,500	0.15
Banks	1,248,030	0.15
Commercial services	112,320	0.01
Media	1,841,160	0.23
Investment funds	725,789,218	90.22
Real estate	2,723,760	0.34
Real estate investments trusts	18,334,433	2.27
Telecom services	10,247,690	1.27
Transport	5,822,595	0.73
Heavy Equipment sale & distribution	470,185	0.06
<b>Asset Class</b>		
Equities	23,670,240	2.94
Investment Funds	744,123,651	92.49
Other Net Assets	36,727,713	4.57

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### EASTSPRING INVESTMENTS - ASIAN BOND FUND

#### Top 10 Holdings

(As at 31 December 2012)

	Market Value USD	% of Net Assets***
Philippine Government International Bond 6.38% 23/10/2034	23,485,210	1.06
Petronas Capital Ltd 5.25% 12/8/2019	22,661,300	1.02
Philippine Government International Bond 7.75% 14/1/2031	21,490,000	0.97
Indonesia Government International Bond 5.88% 13/03/2020	20,161,975	0.91
Philippine Government International Bond 9.5% 2/2/2030	19,720,625	0.89
Indonesia Government International Bond 4.88% 05/05/2021	17,786,250	0.80
Indonesia Government International Bond 7.75% 17/01/2038	17,553,750	0.79
Bank of China 5.55% 11/02/2020	17,084,800	0.77
Philippine Government International Bond 10.625% 16/3/2025	16,581,665	0.75
Indonesia Government International Bond 8.5% 12/10/2035	16,075,000	0.72

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### EASTSPRING INVESTMENTS - ASIAN BOND FUND

#### Top 10 Holdings

(As at 31 December 2011)

	Market Value USD	% of Net Assets***
Petronas Capital Ltd 5.25% 12/8/2019	21,278,100	1.24
Philippine Government International Bond 6.38% 23/10/2034	19,976,540	1.17
Indonesia Government International Bond 5.875% 13/03/2020	18,989,475	1.11
Philippine Government International Bond 7.75% 14/1/2031	18,795,000	1.10
Philippine Government International Bond 9.5% 2/2/2030	17,450,625	1.02
China Government International Bond 4.88% 05/05/2021	16,585,000	0.97
Hutchison Whampoa International Ltd 29/12/2049	15,920,000	0.93
Indonesia Government International Bond 7.75% 17/01/2038	15,751,875	0.92
Bank of China 5.55% 11/02/2020	15,706,160	0.92
Philippine Government International Bond 10.625% 16/3/2025	15,065,125	0.88

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

#### Annualised Expense Ratio \*

0.05% (2011: 0.05%)

\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.

#### Turnover Ratio

16.11% (2011: 23.96%)

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### EASTSPRING INVESTMENTS - US HIGH YIELD BOND FUND

#### Top 10 Holdings

(As at 31 December 2012)

	<b>Market Value USD</b>	<b>% of Net Assets***</b>
BNY Mellon Universal USD Liquidity Class B	76,912,763	3.77
HCA, Inc. 7.50% 15/02/2022	32,060,000	1.57
Sprint Capital Corp 6.875% 15/11/2028	23,866,995	1.17
FMG Resources Aug 2006 6.875% 01/04/2022	22,037,500	1.08
Algeco Scotsman Glob Fin 10.75% 15/10/2019	19,700,000	0.97
Genon Energy Inc. 9.875% 15/10/2020	19,549,530	0.96
First Data Corporation 11.25% 31/03/2016	18,130,000	0.89
Intelsat Bermuda Ltd 11.25% 04/02/2017	16,920,000	0.83
Reynolds GRP ISS/Reynold 9.875% 15/08/2019	15,761,460	0.77
Energy Future/Efih Finan 11.75% 01/03/2022	15,272,873	0.75

## EASTSPRING INVESTMENTS FUNDS - MONTHLY INCOME PLAN

### EASTSPRING INVESTMENTS - US HIGH YIELD BOND FUND

#### Top 10 Holdings

(As at 31 December 2011)

	Market Value USD	% of Net Assets***
BNY Mellon Universal USD Liquidity Class B	48,644,873	5.20
HCA, Inc. 7.50% 01/02/2022	13,325,000	1.43
Citigroup Inc 7% 01/05/2017	10,025,000	1.07
Intelsat 11.25% 04/02/2017	9,725,000	1.04
Ford Moto 8.13% 15/01/2020	7,886,324	0.84
Lear Corporation 8.13% 15/03/2020	7,856,200	0.84
EH Holding 7.63% 15/06/2021	7,731,180	0.83
Ally Fiancials 8% 15/03/2020	7,175,000	0.77
NRG Energy 17.625% 01/01/2018	7,000,000	0.75
Newfield Exp 5.75% 01/01/2022	6,882,150	0.74

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

#### Annualised Expense Ratio \*

0.04% (2011: 0.06%)

\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.

#### Turnover Ratio

123.41% (2011: 208.14%)

## REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of Eastspring Investments Funds (“the Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 19 to 34, comprising the statement of total return, balance sheet, portfolio statement and notes to the financial statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of

**HSBC Institutional Trust Services (Singapore) Limited**

.....  
**Authorised Signatory**

**Singapore**

**20 March 2013**

## **STATEMENT BY THE MANAGER**

In the opinion of the directors of Eastspring Investments (Singapore) Limited, the accompanying financial statements set out on pages 19 to 34, comprising the statement of total return, balance sheet, portfolio statement and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position of Eastspring Investments Funds as at 31 December 2012 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that Eastspring Investments Funds will be able to meet its financial obligations as and when they materialise.

For and on behalf of the directors of  
**Eastspring Investments (Singapore) Limited**

.....  
**Lakshman Kumar Mylavarapu**

Director

**Singapore**

**20 March 2013**

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF EASTSPRING INVESTMENTS FUNDS**

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the accompanying financial statements of Eastspring Investments Funds (the "Fund"), which comprise the statement of total return for the year ended 31 December 2012, balance sheet and portfolio statement as at 31 December 2012, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 34.

## **Manager's Responsibility for the Financial Statements**

The Manager of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and for such internal control as the Manager of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of the Fund, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
EASTSPRING INVESTMENTS FUNDS**

(Constituted under a Trust Deed in the Republic of Singapore)

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the total return for the year ended 31 December 2012 and the financial position of the Fund as at 31 December 2012 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

**KPMG LLP**

Public Accountants and  
Certified Public Accountants

**Singapore**

**20 March 2013**

# **FINANCIAL STATEMENTS**

As at 31 December 2012

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# EASTSPRING INVESTMENTS FUNDS

Statement of Total Return  
Year ended 31 December 2012

<b>Eastspring Investments Funds - Monthly Income Plan</b>		
<b>Note</b>	<b>Year ended 31/12/2012 S\$</b>	<b>Year ended 31/12/2011 S\$</b>
<b>Income</b>		
Dividend	2,054,893	600,237
Interest	17,361	4,335
	<u>2,072,254</u>	<u>604,572</u>
<b>Less: Expenses</b>		
Audit fees	12,768	12,216
Custody fees	10,303	2,684
Management fees	8,847,149	3,217,133
Others	457,317	168,518
Registration fees	41,581	26,001
Trustee fees	283,109	102,948
	<u>9,652,227</u>	<u>3,529,500</u>
<b>Net losses</b>	<b>(7,579,973)</b>	<b>(2,924,928)</b>
<b>Net gains/(losses) on value of investments</b>		
Net realised gains on investments sold	8,891,082	550,369
Net change in fair value on investments	56,462,641	17,783,598
Net realised gains on financial derivatives	18,713,985	5,546,859
Net change in fair value on financial derivatives	16,518,466	(16,078,809)
Net foreign exchange (losses)/gains	(1,792,218)	9,194
<b>Net gains on value of investments</b>	<b>98,793,956</b>	<b>7,811,211</b>
<b>Total return for the year before income tax</b>	<b>91,213,983</b>	<b>4,886,283</b>
<b>Less : Income tax</b>	<b>106,456</b>	<b>29,540</b>
<b>Total return for the year after income tax before distribution</b>	<b>91,107,527</b>	<b>4,856,743</b>
<b>Less: Distributions</b>	<b>33,411,300</b>	<b>13,299,170</b>
<b>Total return/(deficit) for the year</b>	<b>57,696,227</b>	<b>(8,442,427)</b>

The accompanying notes form an integral part of these financial statements

**EASTSPRING INVESTMENTS FUNDS****Balance Sheet**  
As at 31 December 2012**Eastspring Investments Funds  
- Monthly Income Plan**

<b>Note</b>	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>
<b>Assets</b>		
Portfolio of investments	767,793,891	412,344,418
Receivables	4 7,735,093	5,992,178
Cash and bank balances	5 18,050,166	31,317,398
Financial derivatives, at fair value	7 16,541,918	69,868
<b>Total assets</b>	<b>810,121,068</b>	<b>449,723,862</b>
<b>Liabilities</b>		
Payables	6 5,576,012	2,801,255
Financial derivatives, at fair value	7 23,452	16,148,678
Net assets attributable to unitholders	8 804,521,604	430,773,929
<b>Total liabilities</b>	<b>810,121,068</b>	<b>449,723,862</b>

The accompanying notes form an integral part of these financial statements

Eastspring Investment Funds  
- Monthly Income Plan

			Percentage of total net assets attributable to unitholders
Holdings	Fair value		
31/12/2012	31/12/2012		31/12/2012
(units)	(\$)		(%)

## By Geography\* - Primary

## Quoted underlying investment funds

## Luxembourg

Eastspring Investments:

Asian Bond Fund Class D	13,970,937	318,476,346	39.59
US High Yield Bond Fund Class D	20,546,739	407,312,872	50.63
		<u>725,789,218</u>	<u>90.22</u>

## Quoted investment funds

## Indonesia

First Real Estate Investment Trust	416,000	<u>440,960</u>	<u>0.05</u>
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## Singapore

Ascendas Real Estate Investment Trust	1,125,000	2,666,250	0.33
Cache Logistics Trust	757,000	934,895	0.12
CapitaCommercial Trust	1,388,000	2,331,840	0.29
CapitaMall Trust	1,172,000	2,496,360	0.31
CDL Hospitality Trusts	307,000	577,160	0.07
Fortune Real Estate Investment Trust	828,000	829,911	0.10
Frasers Centrepoint Trust	818,000	1,627,820	0.20
Hutchison Port Holdings Trust	1,351,000	1,295,443	0.16
Keppel REIT	694,000	895,260	0.11
Mapletree Commercial Trust	764,000	928,260	0.12
Mapletree Industrial Trust	769,800	1,043,079	0.13
Parkway Life Real Estate Investment Trust	834,000	1,776,420	0.22
Suntec Real Estate Investment Trust	293,000	490,775	0.06
		<u>17,893,473</u>	<u>2.22</u>

\*Geography classification is based on the country of incorporation of the entities/issuers of debt securities.

The accompanying notes form an integral part of these financial statements

**Eastspring Investment Funds  
- Monthly Income Plan**

	<b>Holdings</b>	<b>Fair value</b>	<b>Percentage of</b>
	<b>31/12/2012</b>	<b>31/12/2012</b>	<b>total net assets</b>
	<b>(units)</b>	<b>(S\$)</b>	<b>attributable</b>
			<b>to unitholders</b>
			<b>31/12/2012</b>
			<b>(%)</b>
<b>By Geography* - Primary (continued)</b>			
<b>Quoted shares</b>			
<b>Singapore</b>			
Capitamalls Asia Limited	1,028,000	1,989,180	0.25
Comfortdelgro Corporation Limited	1,080,000	1,917,000	0.24
M1 Ltd	847,000	2,286,900	0.28
SATS Ltd	39,000	112,320	0.01
SIA Engineering Company Limited	275,000	1,204,500	0.15
Singapore Land Limited	99,000	734,580	0.09
Singapore Post Limited	3,411,000	3,905,595	0.49
Singapore Press Holdings Limited	458,000	1,841,160	0.23
Singapore Telecommunications Limited	1,102,000	3,636,600	0.45
StarHub Ltd	1,147,000	4,324,190	0.54
Tat Hong Holdings Limited	347,000	470,185	0.06
United Overseas Bank Ltd	63,000	1,248,030	0.15
		<u>23,670,240</u>	<u>2.94</u>
<b>Portfolio of investments</b>		767,793,891	95.43
<b>Other net assets</b>		36,727,713	4.57
<b>Net assets attributable to unitholders</b>		<u>804,521,604</u>	<u>100.00</u>

\*Geography classification is based on the country of incorporation of the entities/issuers of debt securities.

**Eastspring Investment Funds  
-Monthly Income Plan**

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**Percentage of total  
net assets attributable  
to unitholders**

	31/12/2012	31/12/2011
	(%)	(%)

**By Geography\* (summary) - Primary**

Luxembourg	90.22	90.99
Singapore	5.16	4.68
Indonesia	0.05	-
Hong Kong	-	0.05
<b>Portfolio of investments</b>	95.43	95.72
<b>Other net assets</b>	4.57	4.28
<b>Net assets attributable to unitholders</b>	100.00	100.00

\* *Geography classification is based on the country of incorporation of the entities/issuers of debt securities.*

Eastspring Investment Funds  
- Monthly Income Plan

	Fair value 31/12/2012 (S\$)	Percentage of total net assets attributable to unitholders	
		31/12/2012 (%)	31/12/2011 (%)
<b>By Industry - Secondary</b>			
Airlines	1,204,500	0.15	-
Banks	1,248,030	0.15	-
Commercial services	112,320	0.01	-
Diversified resources	-	-	0.05
Electronics	-	-	0.17
Media	1,841,160	0.23	0.26
Food	-	-	0.23
Healthcare	-	-	0.17
Investment funds	725,789,218	90.22	90.99
Metals	-	-	0.14
Real estate	2,723,760	0.34	0.42
Real estate investment trusts	18,334,433	2.27	1.38
Telecom services	10,247,690	1.27	0.99
Transport	5,822,595	0.73	0.92
Heavy Equipment sale & distribution	470,185	0.06	-
<b>Portfolio of investments</b>	767,793,891	95.43	95.72
<b>Other net assets</b>	36,727,713	4.57	4.28
<b>Net assets attributable to unitholders</b>	804,521,604	100.00	100.00

The accompanying notes form an integral part of these financial statements

## 1. Principal Activities

Eastspring Investments Funds (“the Fund”) is an umbrella unit trust constituted pursuant to a Trust Deed dated 10 January 2005 and Supplemental Deeds between Eastspring Investments (Singapore) Limited (“the Manager”) and HSBC Institutional Trust Services (Singapore) Limited (“the Trustee”). The Deed of Trust and Supplemental Deeds are governed by the laws of the Republic of Singapore. As at 31 December 2012, the Fund had the following sub-fund:

<b><u>Sub-fund</u></b>	<b><u>Launch date</u></b>	<b><u>Underlying investments</u></b>
Eastspring Investment Funds - Monthly Income Plan	1 February 2005	Eastspring Investments - Asian Bond Fund - US High Yield Bond Fund Other Asia Pacific investments

The sub-fund, Eastspring Investments Funds - Monthly Income Plan, which was established with two classes of Units, namely “Class A” and “Class M”, invests all or substantially all its assets in the units of the sub-funds of the Luxembourg-domiciled Eastspring Investments, other funds and direct securities. The two Classes of Units have been established by the Manager for internal classification purposes to enable the different frequency and amount of payouts and do not constitute separate pool of assets. Consequently, the financial statements of this sub-fund have been presented to show the combined financial results of Class A and Class M.

## **2. Summary of significant accounting policies**

### **2.1 Basis of preparation**

The financial statements are expressed in Singapore dollars. These financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of investments and financial derivatives, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

For the purposes of preparation of these financial statements, the basis used for calculating the ratio of expenses and portfolio turnover ratio are in accordance with the guidelines issued by the Investment Management Association of Singapore and the Code of Collective Investment Schemes (“the Code”) under the Securities and Futures Act (Chapter 289).

### **2.2 Recognition of income**

Dividend income is recognised in profit or loss on the date that the Fund’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Interest income is recognised as it accrues, using the effective interest method.

### **2.3 Distribution policy**

The sub-fund Eastspring Investments Funds - Monthly Income Plan consists of two classes of Units, Class A (annual payout) and Class M (monthly payout). As part of the investment objective of the sub-fund, the Manager intends to make regular annual and monthly distributions for Class A and Class M respectively.

Distributions are at the discretion of the Manager and there is no guarantee that any distribution will be made. The Manager may also vary the frequency and/or amount of the distributions made.

Distributions of the sub-fund may, in the event that income and net capital gains are insufficient, be made out of the capital of the sub-fund. In the event distributions are made out of the capital of the sub-fund, unitholders will be notified accordingly of the proportion of the distribution which is made out of the capital of the sub-fund.

**2.4 Investments**

Investments in quoted underlying investment funds and securities are stated at fair value based on the last bid price as at the balance sheet date.

**2.5 Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at exchange rates at the reporting date. All exchange differences are recognised in the statement of total return. For investments at fair value, the unrealised exchange differences are recognised in the net change in fair value on investments in the statement of total return.

**2.6 Units**

All units issued by the sub-funds provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the sub-funds' net assets at the redemption date. Accordingly, units give rise to a financial liability for the present value of the redemption amount.

**2.7 Financial derivatives**

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of total return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the statement of total return.

**2.8 New standards, interpretations and revised recommended accounting practice not yet adopted**

Recommended Accounting Practice (RAP) 7

On 29 June 2012, ICPAS issued a revised version of RAP 7. RAP 7 (2012) will become effective for the Fund's financial statements for the year ending 31 December 2013, and has not been applied in preparing these financial statements. The Manager does not expect the application of RAP 7 (2012) to have any significant impact on the financial statements of the Fund.

**3. Taxation**

The sub-fund is designated unit trusts under the Singapore Income Tax Act (Chapter 134). As a result, the following income will not be taxed at the sub-fund level on:

- gains or profits derived from Singapore or elsewhere from the disposal of securities;
- interest (other than interest for which Singapore tax has been withheld); and
- dividend derived from outside Singapore and received in Singapore.

	<b>Eastspring Investment Funds - Monthly Income Plan</b>	
	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>
Singapore withholding tax suffered	106,456	29,540
	106,456	29,540

**4. Receivables**

	<b>Eastspring Investment Funds - Monthly Income Plan</b>	
	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>
Amount receivable from the creation of units	7,432,519	5,890,919
Accrued interest receivables	263	130
GST receivable	212,297	55,906
Sales awaiting settlement	-	60
Dividends receivable	90,014	45,163
	7,735,093	5,992,178

**5. Cash and bank balances**

	<b>Eastspring Investment Funds - Monthly Income Plan</b>	
	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>
Cash at bank	18,050,166	3,315,244
Fixed deposit	-	28,002,154
	18,050,166	31,317,398

## 6. Payables

	<b>Eastspring Investment Funds - Monthly Income Plan</b>	
	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>
Payable to unitholders for cancellation of units	1,952,775	443,198
Accrued expenses	3,623,237	2,358,057
	<u>5,576,012</u>	<u>2,801,255</u>

## 7. Fair value of financial derivative contracts

	<b>Eastspring Investment Funds - Monthly Income Plan</b>					
	<b>Contract or underlying principal amount</b>		<b>Positive fair value</b>		<b>Negative fair value</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Forward foreign exchange contracts	763,821,900	376,406,055	16,541,918	69,869	23,452	16,148,678

Financial derivative contracts for Eastspring Investments Funds - Monthly Income Plan comprise forward foreign exchange contracts, executed for the sale and purchase of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of financial derivative contracts at the balance sheet date.

## 8. Net assets attributable to unitholders

	<b>Eastspring Investment Funds - Monthly Income Plan</b>	
	<b>2012</b>	<b>2011</b>
	<b>S\$</b>	<b>S\$</b>
<b>At the beginning of the year</b>	430,773,929	156,990,527
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	57,696,227	(8,442,427)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	659,543,895	324,907,296
Cancellation of units	(343,492,447)	(42,681,467)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	316,051,448	282,225,829
Total increase in net assets attributable to unitholders	373,747,675	273,783,402
<b>At the end of the year</b>	804,521,604	430,773,929
<b>Net assets attributable to unitholders:</b>		
- Class A	129,561,135	31,940,411
- Class M	674,960,469	398,833,518
Total net assets attributable to unitholders	804,521,604	430,773,929
<b>Units in issue:</b>		
- Class A	117,814,911	31,545,126
- Class M	644,482,153	413,623,801
Total units in issue (number)	762,297,064	445,168,927
<b>Net asset attributable to unitholders per unit (S\$)</b>		
- Class A	1.09	1.01
- Class M	1.04	0.96

**9. Units in Issue**

	<b>Eastspring Investment Funds - Monthly Income Plan</b>			
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>Class A (units)</b>	<b>Class A (units)</b>	<b>Class M (units)</b>	<b>Class M (units)</b>
Units at beginning of the year	31,545,126	20,431,378	413,623,801	137,166,616
Units created	109,037,465	21,210,050	543,836,015	309,467,547
Units cancelled	(22,767,680)	(10,096,302)	(312,977,663)	(33,010,362)
Units at end of the year	<u>117,814,911</u>	<u>31,545,126</u>	<u>644,482,153</u>	<u>413,623,801</u>

**10. Related party transactions**

In the normal course of the business of the Fund, trustee fees, valuation fees and management fees have been paid or are payable to the Trustee and the Manager respectively as noted in the statement of total return. In addition, sub-funds places deposits in bank accounts with related corporations of the Trustee.

Transactions with related parties were at terms agreed between the parties and within the provisions of the Trust Deed.

## 11. Financial risk management

In the ordinary course of business, the sub-fund is exposed to a variety of risks as stated in the Fund's prospectus. The Manager continually monitors the exposure of the sub-fund to risks and appropriate procedures are in place to manage such risks. In addition to certain risks stated in the portfolio statement, some of the risks relevant to the sub-fund's financial instruments are detailed below.

### ***Credit risk***

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the sub-funds. Exposure to credit risk is monitored by the Manager on an ongoing basis. Cash is placed with financial institutions of good credit ratings by independent rating agencies.

Investments in fixed income securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecasts, or the unavailability of additional financing.

### ***Liquidity risk***

The Manager monitors and maintains a level of cash deemed adequate by management to finance the sub-fund's operations and to mitigate the effects of fluctuations in cash flows.

### ***Interest rate risk***

Investments in fixed income portfolios will be subject to the usual risks of investing in bonds and other fixed income securities. Bonds and other fixed income securities are subject to interest rate fluctuations and credit risks. Cash and bank balances are non-interest earning.

### ***Foreign Currency risk***

The sub-fund Eastspring Investments Funds - Monthly Income Plan is Singapore-dollar denominated. The sub-fund invests in underlying securities which are denominated in foreign currencies where the fluctuations in the relevant exchange rates may have an impact on the income and value of the sub-fund.

***Foreign Currency risk (continued)***

The sub-fund Eastspring Investments Funds - Monthly Income Plan hedges its US-dollar denominated assets back to Singapore dollars, to protect the sub-fund's running yield in Singapore dollar.

***Fair values***

The fair values of the sub-funds' financial assets and liabilities approximate the carrying amounts at the balance sheet date. The fair value of the investments in underlying funds and securities are based on the last bid price as at the balance sheet date.

**12. Financial ratios**

	<b>2012</b>	<b>2011</b>
	%	%
<b>Eastspring Investment Funds</b>		
<b>- Monthly Income Plan</b>		
Expense ratio (Note 1)	1.41	1.41
Turnover ratio (Note 2)	17.83	3.66

Note 1

The expenses used in calculating the "Expenses ratio" at the sub-fund level include expenses such as management fees (net of rebate), registration fees, trustee fees, custody fees, audit fees and other expenses incurred by the sub-fund. For feeder funds, the ratio of expenses is determined after taking into account the expenses of the underlying sub-funds.

Note 2

The "Turnover ratio" is the number of times per year that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales for the financial year preceding the reporting date expressed as a percentage of daily average net asset value.

## IMPORTANT INFORMATION

A prospectus in relation to the Fund is available and a copy of the prospectus may be obtained from Eastspring Investments (Singapore) Limited (“the Manager”) (UEN: 199407631H) and its distribution partners. All application for units in the Fund must be made on the application form accompanying the prospectus. Investors should read the prospectus before deciding whether to subscribe for or purchase units in the Fund. Past performance of the Fund is not necessarily indicative of the future performance of the Fund.

The prediction, projection or forecast on the economy, securities markets or the economic trends of the markets targeted by the Fund are not necessarily indicative of the future or likely performance of the Fund. An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. Income earned by the Fund is dependent on currency movements and interest rate differentials of the currencies to which the Fund has exposure to. The strategies followed by the Fund, may result in foreign exchange profit & losses, both of which will be reflected in the net asset value of the Fund. Investments in unit trusts are not deposits or other obligations of, or guaranteed or insured by the Manager or any of its related corporations. Investors may wish to seek advice from a financial adviser before making a commitment to invest in units of the Fund. In the event an investor chooses not to seek advice from a financial adviser, the investor should consider whether the Fund is suitable for him. Distribution payout shall, at the sole discretion of the Manager, be made out of either (a) income; or (b) net capital gains; 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 S\$1.00 initial issue price. The value of units and the income accruing therefrom, if any, in the Fund, may fall or rise. The Fund is a non-specialised collective investment scheme as defined in the Code on Collective Investment Schemes. Whilst the Manager has taken all reasonable care to ensure that the information contained in this document is not untrue or misleading at the time of publication, the Manager cannot guarantee its accuracy or completeness. Investors should not act on it without first independently verifying its contents.

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