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LionGlobal Asia Bond Fund: Navigate Uncertainty with Asian Bonds

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Asian USD bonds (also known as Asian USD credits) can provide investors with yield while riding out the volatility of an uncertain market.

In recent months, markets have been concerned with the uncertain timing of the Fed lift-off, slowing Chinese growth and weak commodity prices.

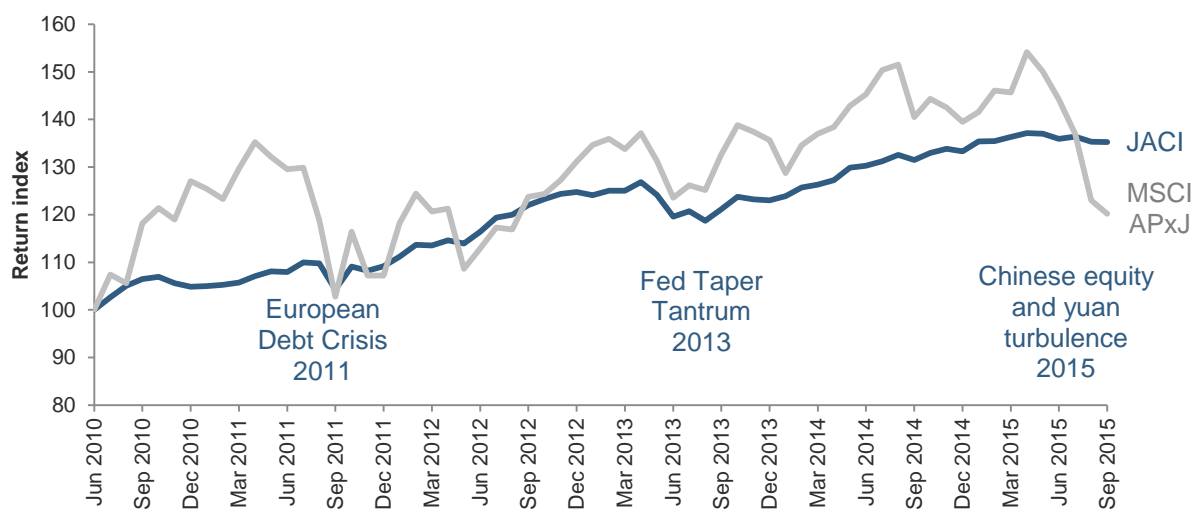
Over the volatile period of August-September 2015, Asian credits (represented by the JACI) declined by -1% while Asian equities (represented by the MSCI APxJ) declined -12% in USD terms. Nonetheless, since the start of 2015, Asian credits have remained resilient, gaining 2% while Asian equities have declined -14% in USD terms as at 30 September 2015*.

As seen from the chart, Asian credits have weathered risk events that rocked Asian equities, including the European debt crisis in 2011, the Fed taper tantrum in 2013, and we remain optimistic that the asset class will weather the recent bout of Chinese equity and RMB turbulence. After the correction in August and September 2015, Asian credits are offering attractive interest rates versus developed market credits.

Our base case scenario is for Chinese growth to bottom in the coming quarters underpinned by more government infrastructure spending and easy monetary conditions.

The likely gradual pace of the Fed lift-off, the uncertain global growth outlook, and quantitative easing from the Bank of Japan and the European Central Bank contribute to our expectation for the 10-year US Treasury yield to stay around 2% for the rest of the year.

The LionGlobal Asia Bond Fund has a quarterly payout policy[^] and is a sensible investment in the current uncertainty. As the Fund invests predominantly in USD-denominated Asian credits, a rising USD will benefit SGD-based investors.



JACI: J.P. Morgan Asia Credit Index. MSCI APxJ: MSCI Asia Pacific ex-Japan. Return period: 30 June 2010 - 30 September 2015. Past performance, as well as any prediction, projection, or forecast on the economy, securities market, or the economic trends of the markets are not necessarily indicative of the future or likely performance of the funds. Source: Morningstar, J.P. Morgan, as at 30 September 2015 in USD terms.

* Source: Bloomberg. [^] Dividend payouts are made at the sole discretion of the fund manager and are not guaranteed.

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