

ASIAN INVESTMENT GRADE BONDS:

A Solid Core Allocation for Alpha Seekers

At nearly US\$1 trillion¹, the hard currency Asian investment grade (IG) credit market has already tripled in size over the past decade. Despite its rapid growth, it remains underrepresented in global indexes. Discover five reasons why Asian IG bonds warrant greater exposure in global portfolios using an active approach.

1

Strong Fundamentals

From macro to credit metrics, the Asian IG credit market is well anchored.



35%

share of global GDP in Asia ex Japan²



4.2x

ratio of credit rating upgrades to downgrades, up from 0.52x in 2017³



1.7x

ratio of net debt to EBITDA, down from over 2x in 2015⁴

2

Lower Volatility and Rate Sensitivity

Less volatile and offers better defense against rising rates than comparably rated developed market (DM) IG credit.

Three-Year Annualized Return Volatility⁵



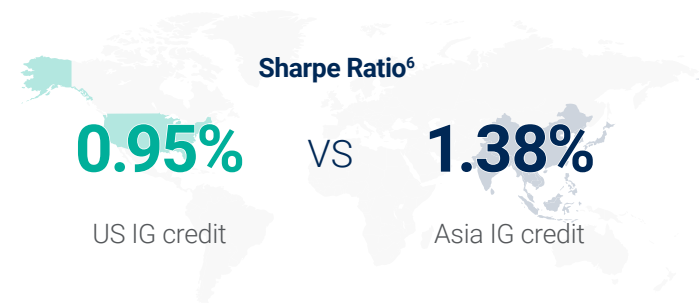
Average Duration⁵



3

Attractive Risk/Return Profile

Higher risk-adjusted returns than US IG credit as measured by Sharpe ratio.

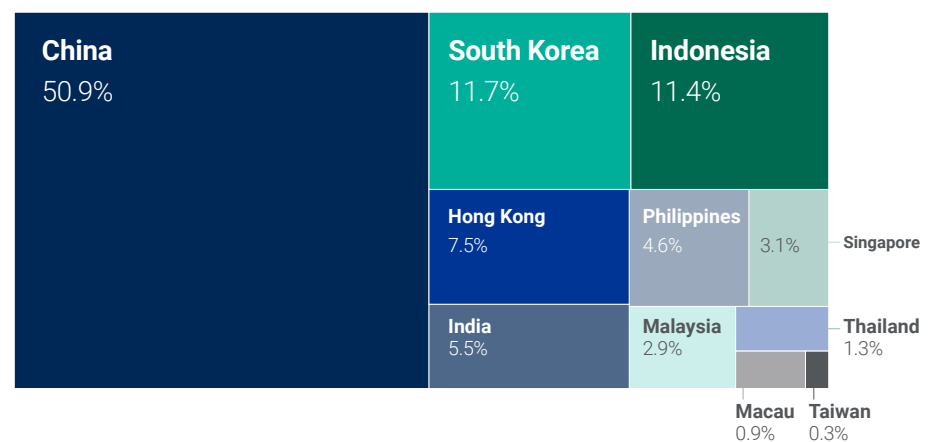


4

Diverse Selection of Issuers

While China dominates the market, opportunities are dispersed with issuers from developed economies like Singapore and Korea, and fast-growing emerging markets like India and Indonesia.

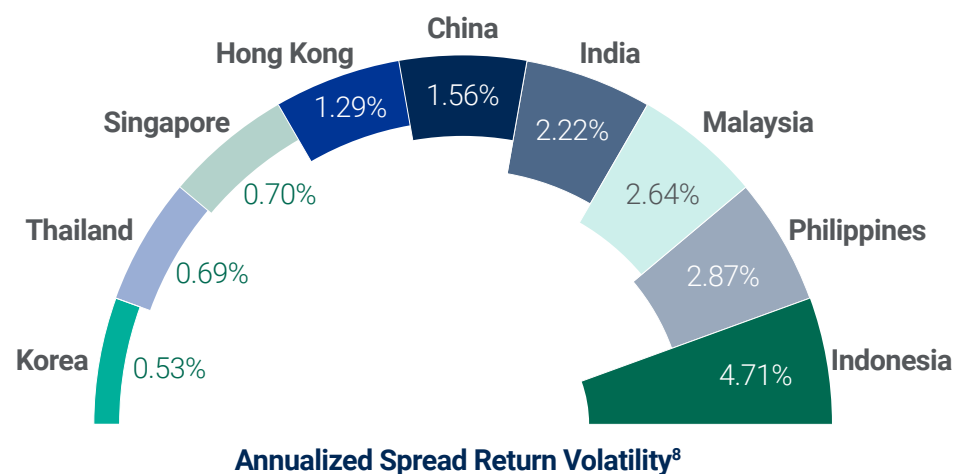
Market Share⁷



5

Broad Spectrum of Potential Alpha Opportunities

The Asian credit market also offers exposure to a range of volatility profiles, allowing active investors to dial up or down their risk allocation to capture alpha.



For illustrative purposes only. We are not soliciting or recommending any action based on this material. Diversification does not ensure against market loss.

¹ J.P. Morgan and PineBridge as of 30 June 2018

² IMF, PineBridge as of October 2017. There is no assurance that any forecasts or estimates illustrated will be met. Asia ex Japan includes China, Hong Kong, India, Indonesia, South Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand.

³ Moody's as of 30 September 2018

⁴ J.P. Morgan and PineBridge as of 4 June 2018

⁵ ICE BofAML as of 31 August 2018. DM IG credit is represented by the ICE BofAML Developed Markets US Corporate Index and Asian IG credit is represented by ICE BofAML Asian Dollar Investment Grade Corporate Index. Average rating A3.

⁶ The Sharpe ratio measures the excess return per unit of risk (risk-adjusted return). Source: Bloomberg. Rolling five-year data as of 30 September 2018. Asia IG is represented by J.P. Morgan Asia Credit Index (JACI) Investment Grade. US IG is represented by Bloomberg Barclays US Credit Index.

⁷ J.P. Morgan and PineBridge as of 28 September 2018. Based on J.P. Morgan Asia Credit Index composition.

⁸ Bloomberg as of 21 September 2018. Based on one-year historical weekly return of JACI country spread return indexes.

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