



ASIA CREDIT REPORT
Second Quarter 2014

PREPARED IN PARTNERSHIP WITH
sifma

ASIFMA is an independent, regional trade association with over 60 member firms comprising a diverse range of leading financial institutions from both the buy and sell side including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the US and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

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2. G3 Asia ex Developed Market Asia (Japan, Australia and New Zealand)

Market Overview and Highlights of Asia (ex-Japan, Australia and New Zealand) debt issuance in Second Quarter 2014

Total issuance in 2Q'14 came in at a very strong USD 65.30 billion (bn) as of June 30 bringing YTD issuance of 1H'14 to USD 104.82bn; issuance is ahead quarter-over-quarter (qoq) from 1Q'14 (USD 39.52bn) but up 52.7% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. With issuance for the rest of the year likely to be strong, given the large volume of refinancings in the pipeline, coupled with opportunistic issuance to take advantage of interest rates that have continued to trend lower than anticipated at the beginning of 2014, FY'14 issuance could well turn out to be an all-time record.

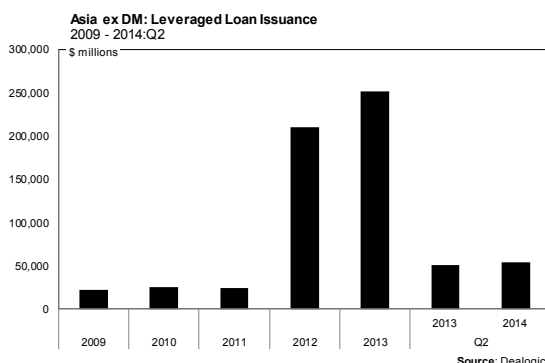
Several factors have driven this strong performance during the second quarter:

- 1) Chinese issuance (accounting for about half of 2Q'14 issuance), most of it HG and from the largest state-owned enterprises (SOEs), has really come to life during this quarter, taking up some of the slack from the relatively quiet China property HY sector, at least as far as primary markets are concerned. Since most Chinese HG/SOE issuance has been 144A, a lot of the issuance was deferred till the publication of the annual accounts of these enterprises at the end of 1Q'14, after which Chinese HG supply came to market in considerable size.
- 2) Korean issuers were also prominent, tapping the market ahead of a wave of refinancings scheduled for later in the year.
- 3) The Indian general elections were held in May – the victory of the Bharatiya Janata Party (BJP) and the Narendra Modi-led government were anticipated well in advance – and that drove a flurry of Indian issuance, as favorable investor sentiment drove credit spreads tighter.
- 4) Finally, in an environment where interest rates are not only low but spreads have shown considerable compression, reach for yield has driven a lot of perpetual bond issuance, together with Basel III compliant bank subordinated debt issuance (which generally yields around 40-50 bps more than subordinated debt with comparable maturities issued earlier, under the old regime).

In terms of total return, Asian HY outpaced Asian HG, as markets moved back into a “risk-on” mode. Traders, investors and other market participants took heart from the fact that the China slowdown appears to be contained – prompting investors to adopt a more constructive approach to the riskier HY sectors such as China property. Even so, Asia ex-Japan HG and HY returns in the low single digits were outpaced by strong equity markets’ performance globally, with EM equity in particular finding favor with investors, following that sector’s recent underperformance vis-à-vis developed market equities. That said, despite widespread fears, US equities also hit new highs.

State of the Asian leveraged loan market

Asia leveraged loan debt reached USD 49.3 billion in 2Q'14, a 12.6 percent decline qoq (USD 56.4 bn) and a 35.0 percent decline yoy (USD 75.8 bn). The loan market has picked up significantly since 2012; unlike prior years, leading



sectors in 2014 YTD for issuance is from the oil & gas sector (USD 14.9 bn), construction (USD 13.7 bn), and utility & energy (USD 13.7 bn), rather than real estate and transportation. Sponsored loan deals remain few and far in between, representing only 3.0% by dollar amount year to date.

Key trends in Asia (ex-Japan, Australia and New Zealand) G3 & LCY bond issuance

For the second quarter 2014, total G3 issuance stood at USD 65.30bn, with HG transactions accounting for USD 50.83bn, HY issues accounting for a total of USD 8.38bn, and unrated issues accounting for 6.09bn. China has been by far the largest issuing country in the first quarter, accounting for a total of USD 34.22bn of the USD 65.30bn in G3 issuance seen so far in 2Q'14, with USD 27.53bn and USD 3.63bn in HG and HY deals, respectively, priced from China alone. South Korea continues to remain second with USD 8.38bn in issuance, followed by India with USD 5.58bn in issuance.

Overall G3 debt outstanding in the region stood at USD 611.64bn, a growth of 8.9% qoq. High grade debt accounted for the bulk of total outstanding debt at USD 391.97bn (a 10.2% growth qoq), followed by HY debt at USD 143.82bn (a growth of 3.6% qoq) and NR debt at USD 75.86bn (a growth of 13.1% qoq). China (with USD 154.8bn), South Korea (with USD 122.5bn) and Hong Kong (with USD 85.8bn) were the three countries with the largest shares of G3 debt outstanding. In terms of ratings, within the HG space, deals rated A+ (USD 118.3bn) accounted for the largest share of debt outstanding, while NR deals (USD 75.9bn) and BB+ transactions (USD 61.8bn) dominated the deals outstanding in the HY space. By sector, sovereigns with a total of USD 149.9bn accounted for more than a third of outstanding G3 paper, with financials (USD 145.2bn) second. Finally, deals with remaining tenors of 5 years or less (USD 287.7bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

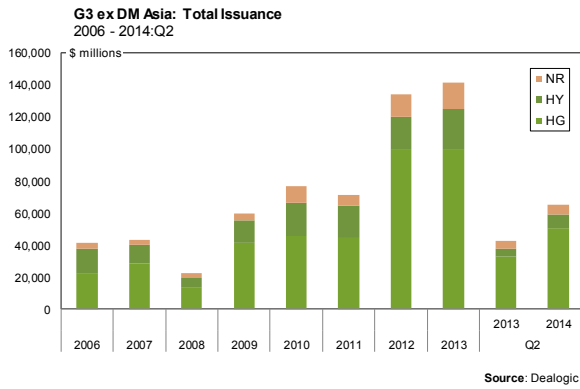
During 2Q'14, three sectors between them accounted for the largest share of G3 issuance by sector: finance (USD 16.56bn), oil & gas (USD 15.90bn), and real estate (USD 7.62bn).

In terms of ratings, within the HG space, AA- transactions accounted for the largest share of deals priced during the quarter, with USD 16.47bn in total issuance, followed by BBB- transactions totaling USD 8.63bn and A- issuance with USD 8.06bn. As for HY issuance, the BB+ category dominated with USD 2.53bn of issuance, followed by BB- rated transactions (USD 2.03bn), then B- rated transactions (USD 2.0bn).

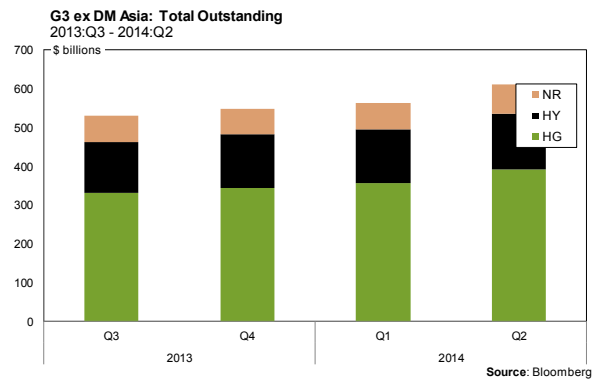
In terms of tenor, Asia ex-Japan, Australia and NZ G3 deals with tenors of 5 years or less accounted for the bulk of issuance in 2Q'14, with a total of USD 35.02bn in short tenor issues being priced during the quarter. Of these, USD 26.61bn and USD 4.96bn were HG and HY deals, respectively, and the balance unrated.

Finally, turning to the LCY debt markets, USD 199.08bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 2Q'14, an increase of 21.2% but a decline of 36.6%, respectively, from 1Q'14 (USD 164.32bn) and from 2Q'14 (USD 314.08bn). Total LCY debt outstanding at the end of 1Q'14 in Asia (ex-Japan, Australia and NZ) stood at USD 9.4tn, growing by 4.3% qoq, although both HG and HY debt outstanding declined, while non-rated debt grew. China continues to account for the bulk of total outstanding LCY debt at USD 5.00tn, followed by India (USD 1.38tn).

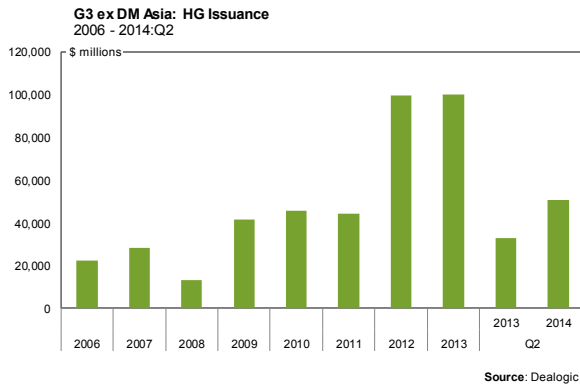
2.1. G3 ex DM Asia: Total Issuance



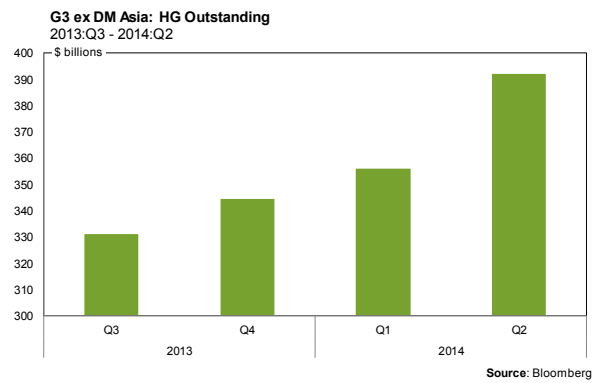
2.2. G3 ex DM Asia: Total Outstanding



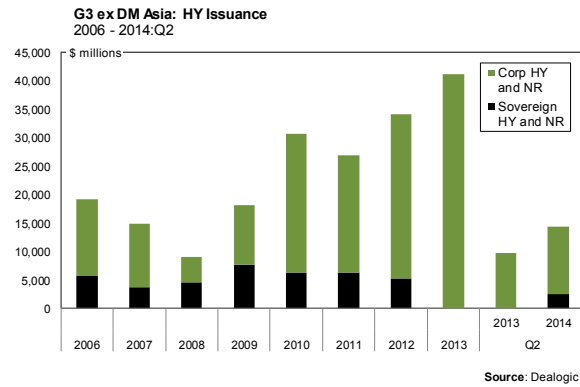
2.3. G3 ex DM Asia: HG Issuance



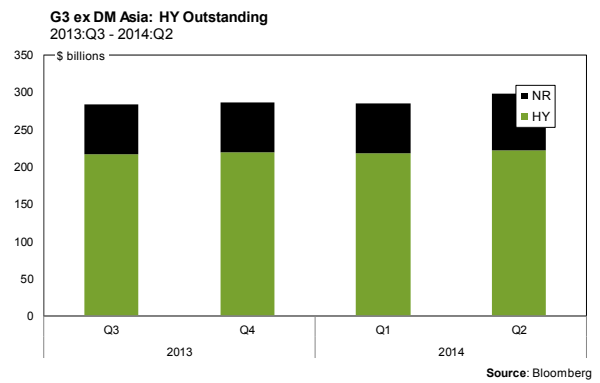
2.4. G3 ex DM Asia: HG Outstanding



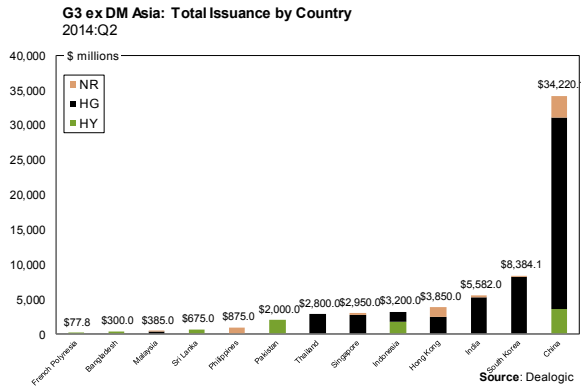
2.5. G3 ex DM Asia: HY Issuance



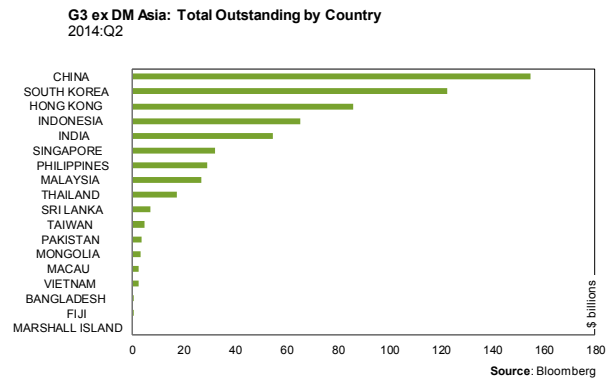
2.6. G3 ex DM Asia: HY Outstanding



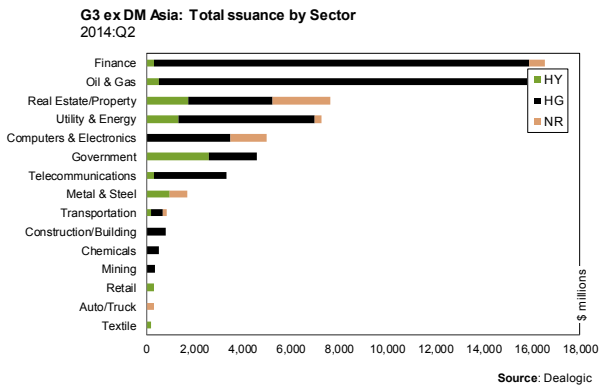
2.7. G3 ex DM Asia: Total Issuance by Country



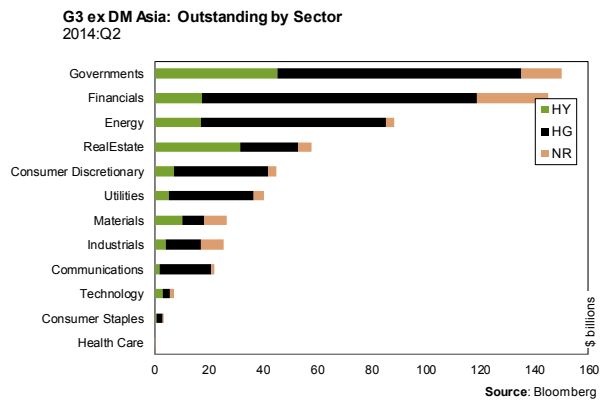
2.8. G3 ex DM Asia: Total Outstanding by Country



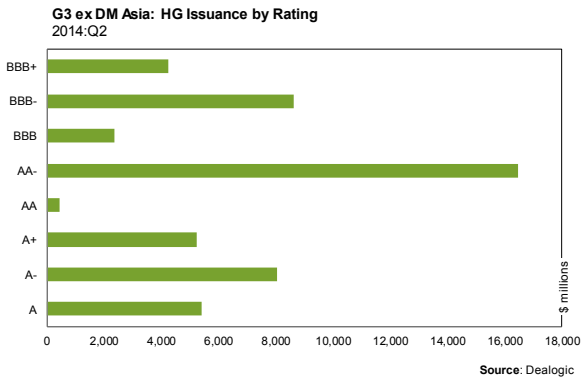
2.9. G3 ex DM Asia: Total Issuance by Sector



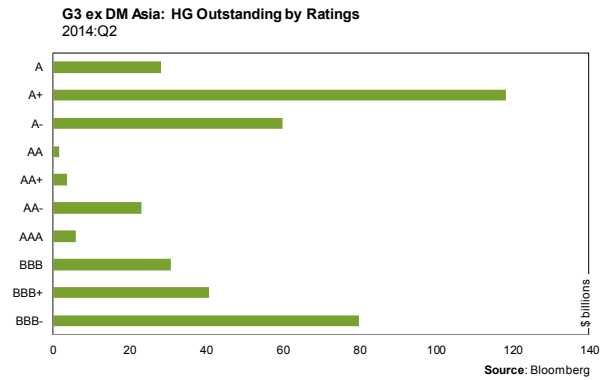
2.10. G3 ex DM Asia: Total Outstanding by Sector



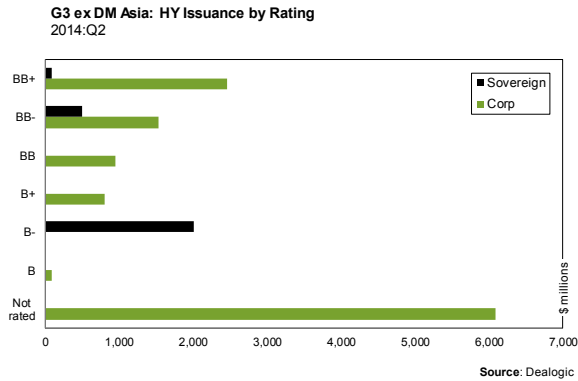
2.11. G3 ex DM Asia: HG Issuance by Rating



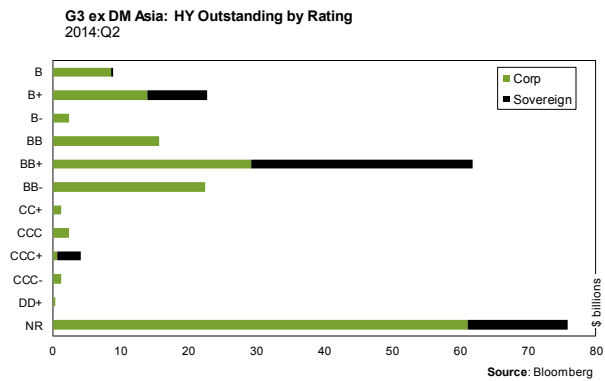
2.12. G3 ex DM Asia: HG Outstanding by Rating



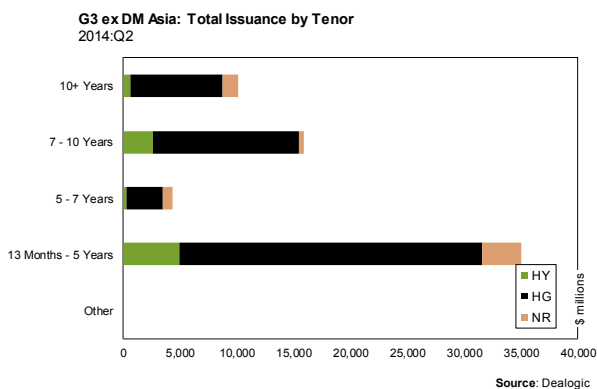
2.13. G3 ex DM Asia: HY Issuance by Rating



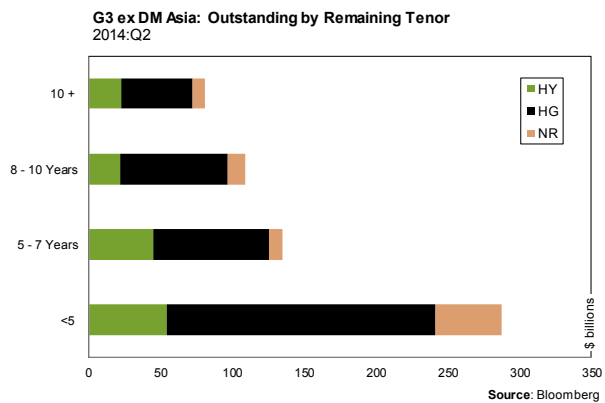
2.14. G3 ex DM Asia: HY Outstanding by Rating



2.15. G3 ex DM Asia: Total Issuance by Tenor

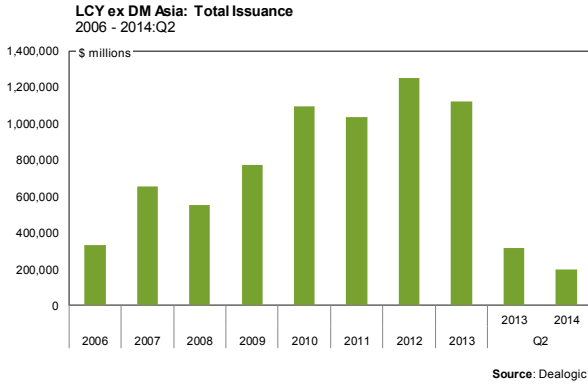


2.16. G3 ex DM Asia: Outstanding by Remaining Tenor

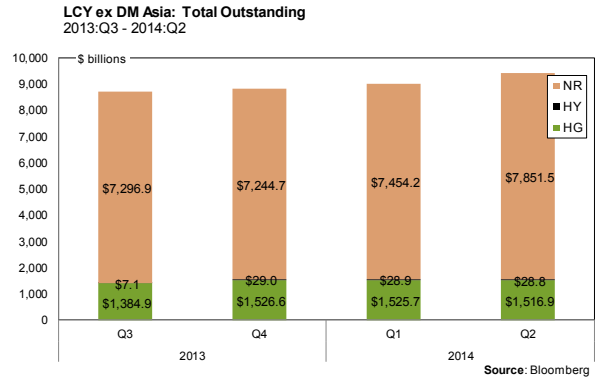


3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

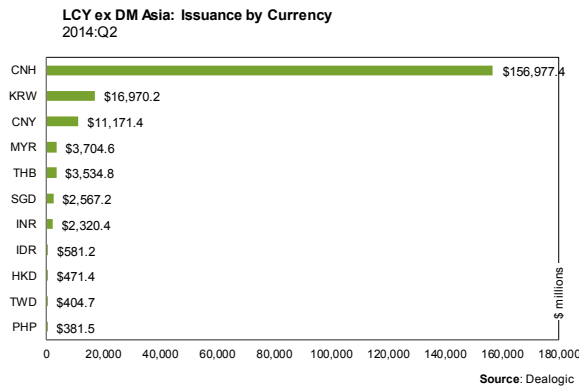
3.1. LCY ex DM Asia: Total Issuance



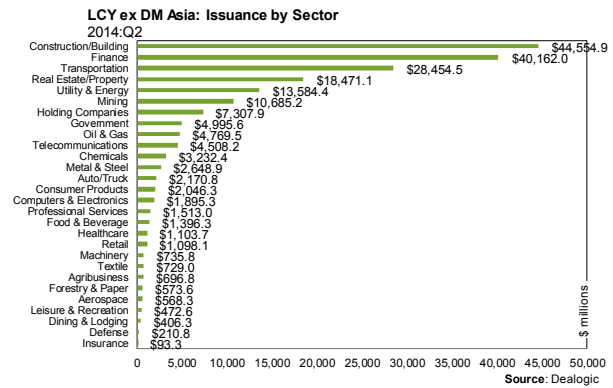
3.2. LCY ex DM Asia: Total Outstanding



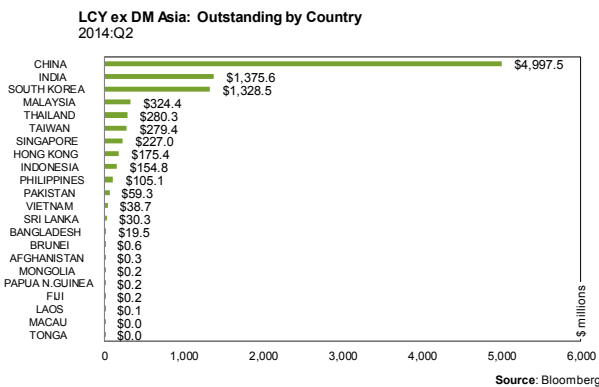
3.3. LCY ex DM Asia: Issuance by Currency



3.4. LCY ex DM Asia: Issuance by Sector



3.5. LCY ex DM Asia: Outstanding by Country



4. All Asia

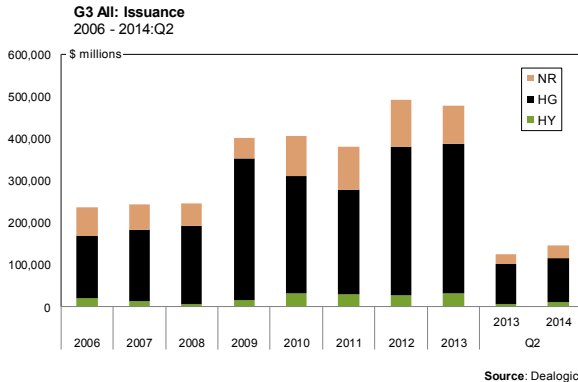
Total Issuance & Outstanding – G3 and LCY for Asia (including Japan, Australia and New Zealand)

Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) stood at USD 145.53bn in the second quarter of 2014, a growth of 24.4% qoq (USD 116.96bn) and 16.1 yoy (USD 125.35bn). Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) was USD 103.23bn in the second quarter of 2014, a growth of 11.6% qoq and 7.0% yoy. HY issuance was USD 11.86bn in the second quarter of 2014, a growth of 34.3% qoq and 82.9% yoy. Unrated G3 issuance in Asia was USD 30.42bn in the second quarter of 2014, an increase of 94.4% qoq and 35.9% yoy. Outstanding G3 debt, including developed market Asia, stood at USD 11.94tn at the end of second quarter 2014, a growth of 1.6% qoq, with growth in HG debt (USD 8.63tn, 1.5% growth), HY debt (USD 190.07bn, 1.2% growth) and unrated debt (USD 3.12tn, 1.7% growth).

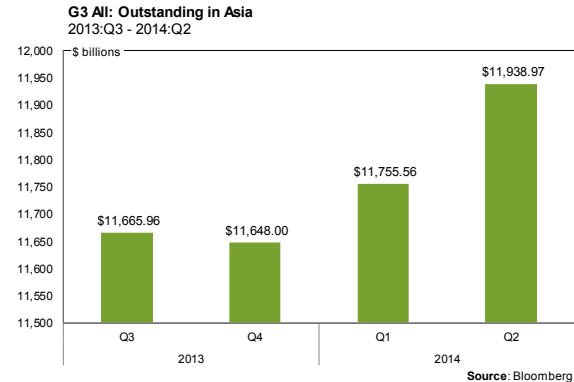
Finally, turning to LCY debt issuance, total HG issuance stood at USD 347.44bn in the second quarter of 2014, while HY issuance and unrated issuance was USD 4.59bn and 211.14bn, respectively, over the same period.

Within the LCY markets, one noteworthy development is that the newly presented Indian budget allows for the international settlement of Indian rupee (INR) denominated transactions – this is yet another step in the internationalization of the Indian currency and this could lead to the rapid development of an offshore INR debt market, following closely on the heels of the International Finance Corporation’s (IFC) pioneering rupee-denominated debt transaction, the first such issue to be settled internationally.

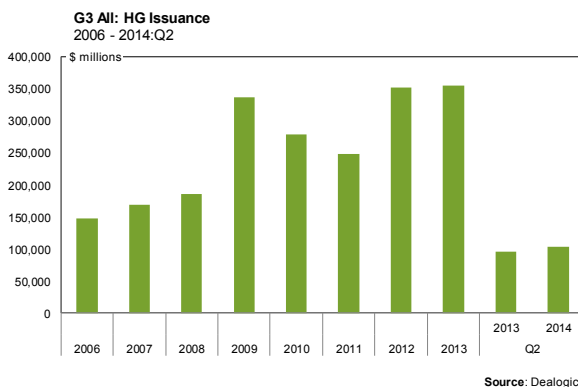
4.1. G3 All: Total Issuance



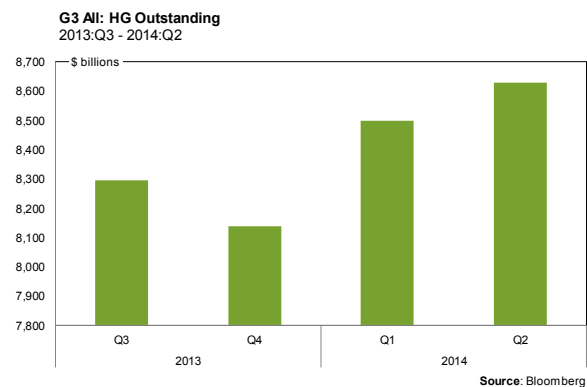
4.2. G3 All: Total Outstanding



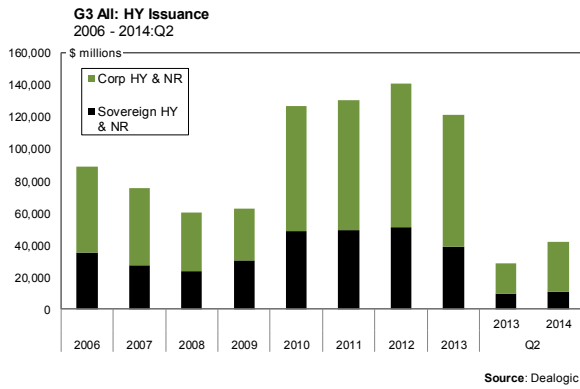
4.3. G3 All: HG Issuance



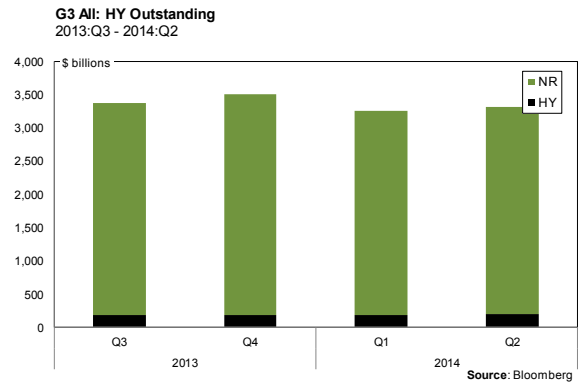
4.4. G3 All: HG Outstanding



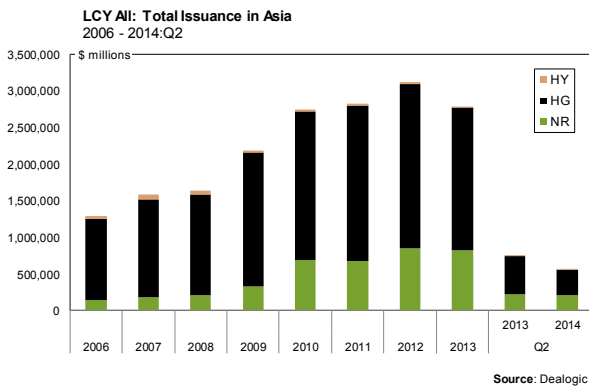
4.5. G3 All: HY Issuance



4.6. G3 All: HY Outstanding



4.7. LCY All: Total Issuance



5. China – Domestic

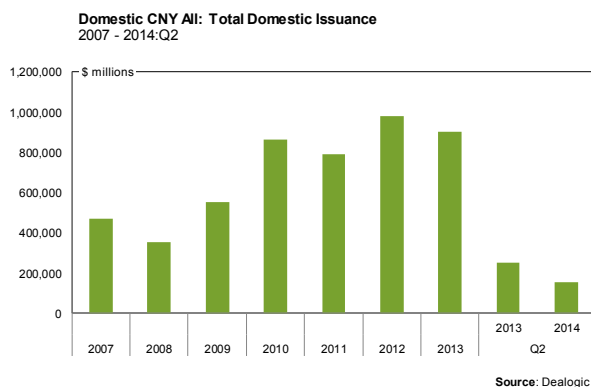
Total Issuance & Outstanding – Domestic CNY issuance

Total domestic CNY issuance stood at USD 157.63bn in the second quarter of 2014, an increase of 37.5 percent qoq (USD 107.71bn) but a 37.5% decline yoy (USD 252.37bn). By tenor, 54.3% of second quarter issuance (USD 85.53bn) would mature in five years or less, followed by the 5 – 7 year bucket (USD 41.42bn). By sector, construction led issuance totals (USD 42.74bn), followed by transportation (USD 26.06bn).

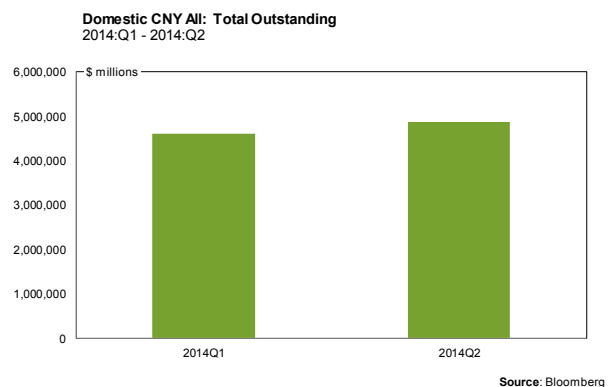
Outstanding domestic CNY debt stood at USD 4.9tn at the end of second quarter 2014, with sovereigns leading totals (USD 2.40tn), followed by financials (USD 1.25tn).

Market developments in both the onshore (CNY) and offshore (CNH) markets have continued at a rapid pace – the internationalization of the renminbi has received a major boost with London, Paris, Frankfurt and Luxembourg all designated as clearing centers. Moreover, offshore renminbi bond issuance has already occurred in two European centers – London and Frankfurt. As for access to the onshore renminbi bond market, the granting of an RQFII quota of CNY 80bn to Frankfurt, together with the signing of a swap agreement with the Swiss National Bank (SNB) and the granting of a CNY 15bn onshore investment quota to the SNB, should provide a further boost for international investment in the LCY bond markets of China – a key step in both onshore-offshore convergence and the eventual acceptance globally of the renminbi as a potential reserve currency.

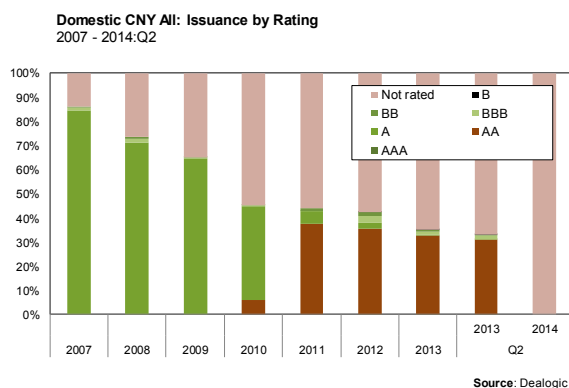
5.1. Domestic CNY All: Total Issuance



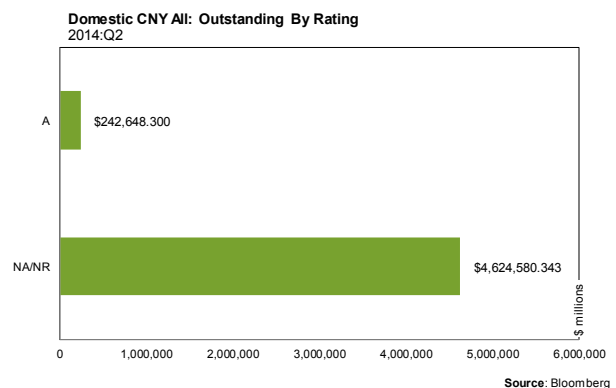
5.2. Domestic CNY All: Total Outstanding



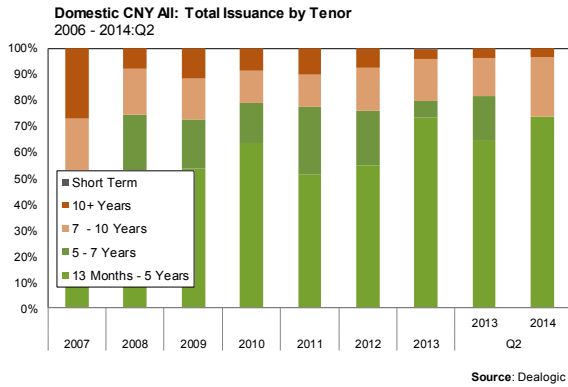
5.3. Domestic CNY All: Issuance by Rating



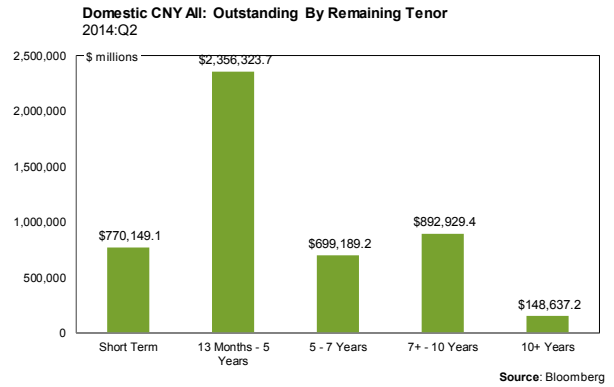
5.4. Domestic CNY All: Outstanding by Rating



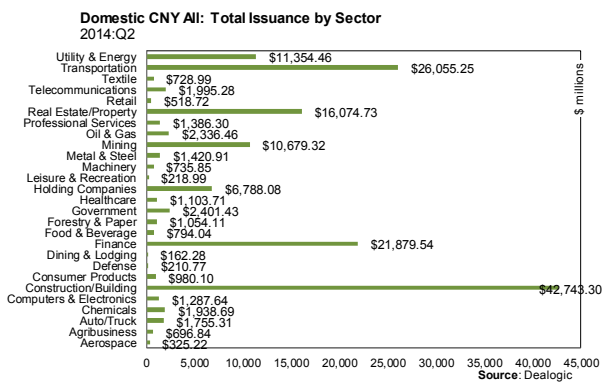
5.5. Domestic CNY All: Issuance by Tenor



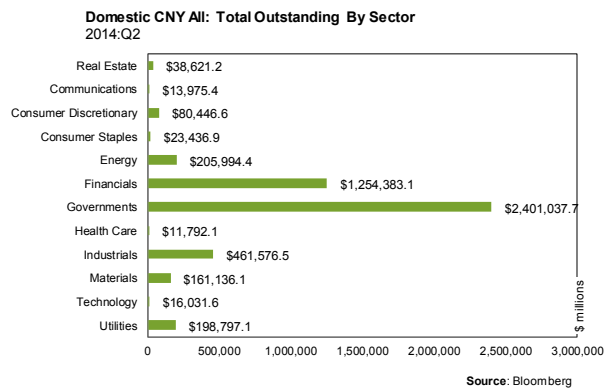
5.6. Domestic CNY All: Outstanding by Remaining Tenor



5.7. Domestic CNY All: Issuance by Sector



5.8. Domestic CNY All: Outstanding by Sector



6. China - CNH

Key trends in offshore renminbi (CNH) and the dim sum bond markets

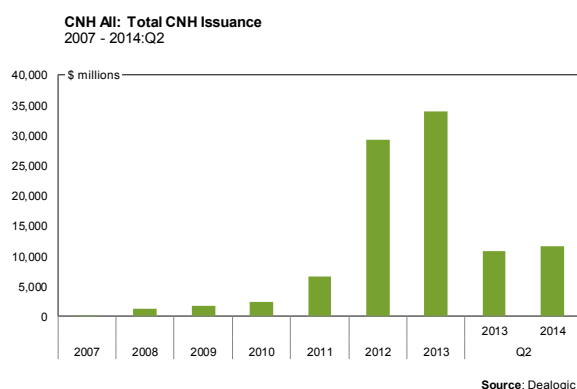
The CNH, or “dim sum”, bond market has grown rapidly over the last three years, as issuers from across the world have tapped this market to meet their financing needs, even as financial market liberalization in China continues apace. For the second quarter of 2014, an equivalent of USD 11.60bn in CNH bonds have been issued, a decline of 40.2% qoq but an increase of 7.5% yoy.

In terms of tenor, nearly all (93.4%) of second quarter 2014 issuance (USD 10.83bn) was accounted for by short-term transactions with tenors of 1.13 years or less, while HG deals rated A+ totaling USD 1.32bn had the highest share among rated deals (11.3%). In 2Q'14, finance sector transactions totaling USD 4.3bn accounted for the largest volume of deals by sector (37.1%), followed by government totaling USD 2.59bn (22.4%).

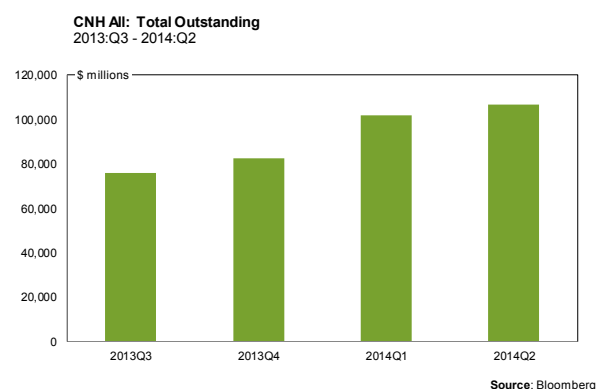
The total of dim sum bonds outstanding stands at USD 106.80bn, a growth of 4.7% qoq. Steady growth in the CNH deposit base in Hong Kong, which stands at USD 154.2bn at the end of May 2014 (The CNH deposit base in Taiwan has also grown to USD 46.8bn at the end of May), up from USD 148.0bn at the end of February 2014, should help support incremental CNH bond issuance. In terms of sector, financial issues, excluding real estate, totaling USD 65.51bn dominate total CNH bonds outstanding while deals with tenors of 5 years or less (USD 102.46bn) account for the bulk of all dim sum bond issues that have yet to mature.

Other key developments in the offshore renminbi market include the gradual liberalization of the rules governing loans within the Shanghai Free Trade Zone (FTZ). Under the new rules, entities based in the FTZ can freely borrow and remit funds to their affiliates in China (provided they have the same name). In addition, SAFE has published new guidelines for onshore guarantees for offshore borrowings by mainland entities and one of these guidelines include the removal of quotas for such guarantees. Finally, yet another development has been the introduction of the HK-Shanghai Stock Connect program, which allows for HK-based investors to trade Shanghai shares and vice versa. This should provide a further boost to the CNH deposit base in Hong Kong – as offshore investors have a fresh avenue for their renminbi funds, besides “dim sum” bonds. Finally, offshore CNH derivatives (options, futures and swaps on both interest rates and FX) are set to grow – one key development here is that one of the major exchanges outside Asia, the Chicago Mercantile Exchange (CME) has begun offering renminbi futures, yet another step in the renminbi’s internationalization.

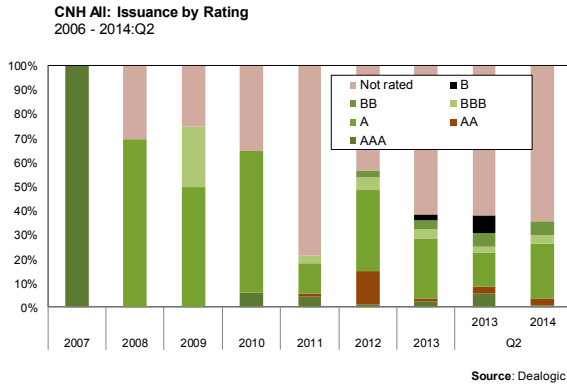
6.1. CNH All: Total CNH Issuance



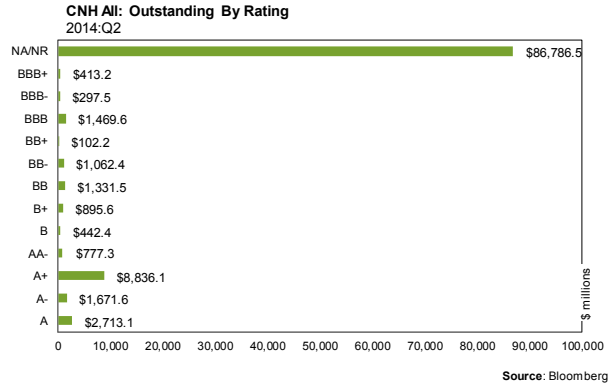
6.2. CNH All: Total Outstanding



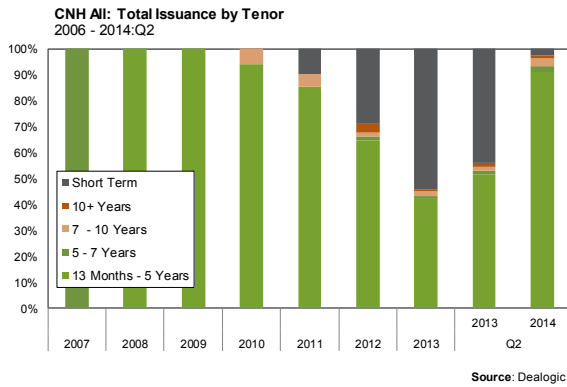
6.3. CNH All: Issuance by Rating



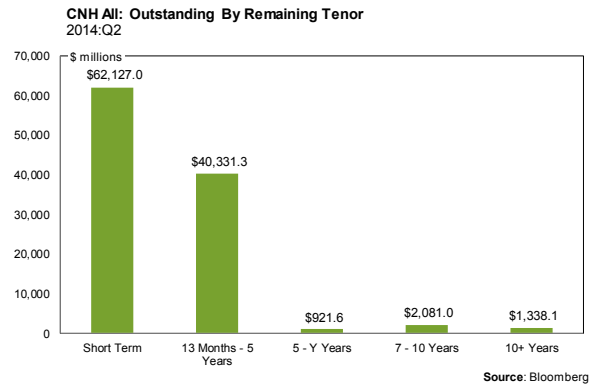
6.4. CNH All: Outstanding by Rating



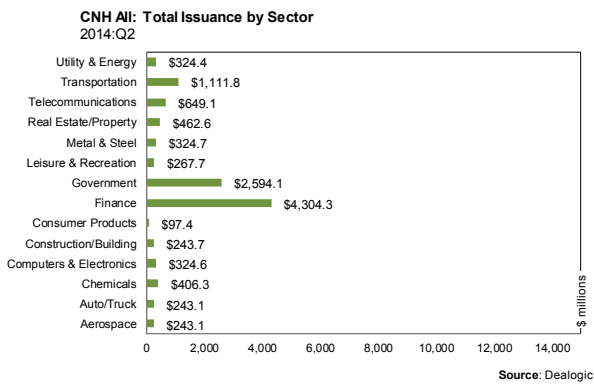
6.5. CNH All: Issuance by Tenor



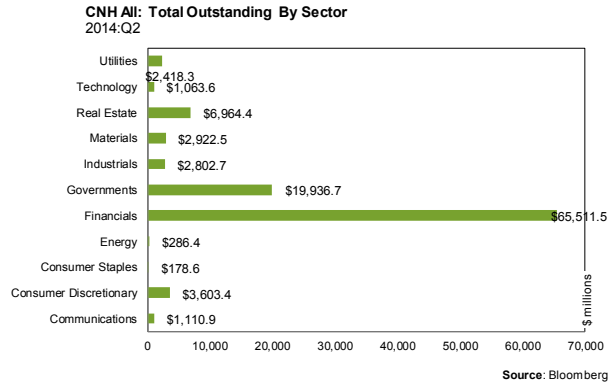
6.6. CNH All: Outstanding by Remaining Tenor



6.7. CNH All: Issuance by Sector



6.8. CNH All: Outstanding by Sector



7. Spreads, Credit & Total Return

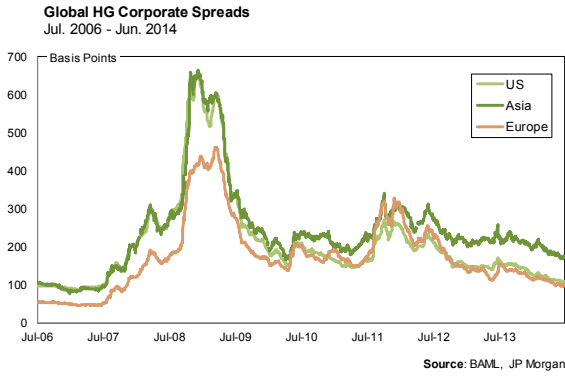
Relative Value and returns (Asia ex-Japan, Australia & New Zealand G3)

It is significant that despite the strong YTD performance, both Asian HG and HY bonds offer value relative to similar bonds issued in Europe and the US. At the end of 2Q'14, Asian HG bonds on a composite basis were quoted at an average spread of 173.73 basis points (bps), while US and European HG bond issues were quoted at average spreads of 109 bps and 102 bps respectively. Likewise, in the HY space, Asian HY corporates were quoted at a composite spread of 463.41 bps, but US and European HY bonds were tighter at 353 bps and 326 bps respectively.

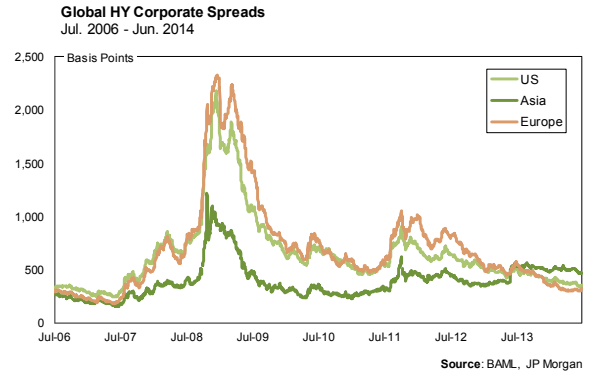
In terms of total returns, EM equities led returns, followed by a range of commodities; credit generally underperformed, but returns were strongly positive overall; as for Asian USD HG and HY indices, total returns of 2.73% and 4.34%, respectively, in 2Q'14 were quite respectable, with Asian HY performing reasonably well in the second quarter. The general feeling that the Chinese economy is showing signs of bottoming out, coupled with investors collectively coming around to the view that a Chinese property sector crash is unlikely (although there is evidence of a slowdown), has helped support Chinese property sector bonds on cautious bargain hunting.

The overall underperformance of Asian credit (and credit markets in general) in 2Q'14 relative to other sectors has been driven by a) some mean-reversion (Asian credit outperformed in the first quarter) and moreover, EM equities which had long underperformed have clawed back some of that relative underperformance in the recently concluded quarter b) corporates using cheap leverage to i) buy back shares and ii) boost earnings per share (EPS), which has helped buoy equities globally and c) commodities also doing well on the back of global and Middle Eastern political uncertainties, which has helped boost sectors as diverse as crude oil and gold. Looking ahead, some caution may be warranted since both credit spreads and US treasuries are close to their tightest levels for the year – selectivity tilted towards the stronger credits is likely to yield richer rewards than buying indices, but Asia should generally hold up reasonably well – not least because Asian credit spreads are still wider than their comparable US and European counterparts.

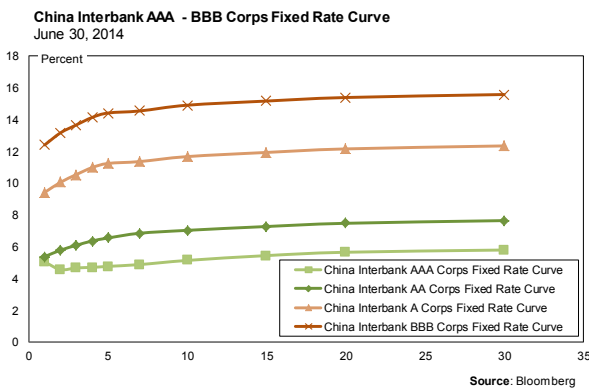
7.1. Global HG Corporate Spreads



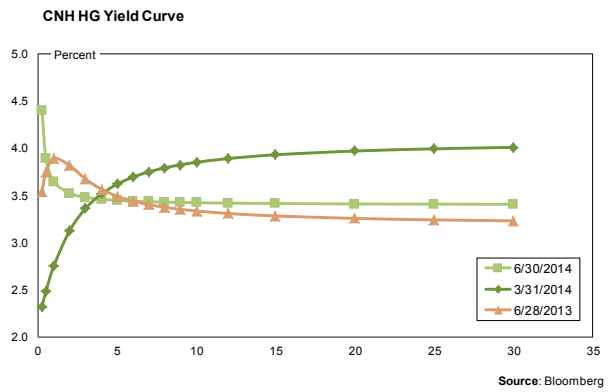
7.2. Global HY Corporate Spreads



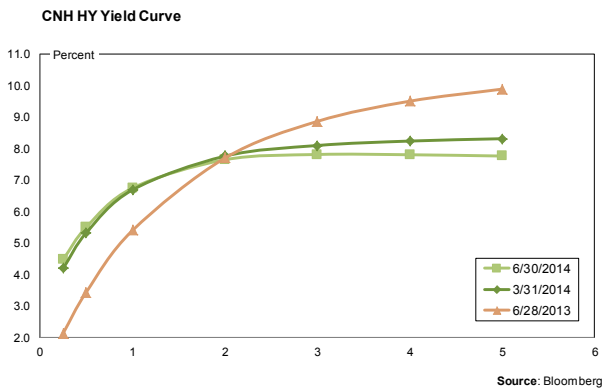
7.3. China Interbank AAA - BBB Corps Fixed Rate Curve



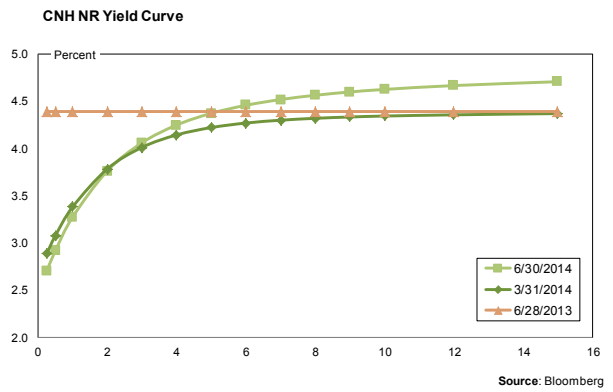
7.4. CNH HG Yield Curve



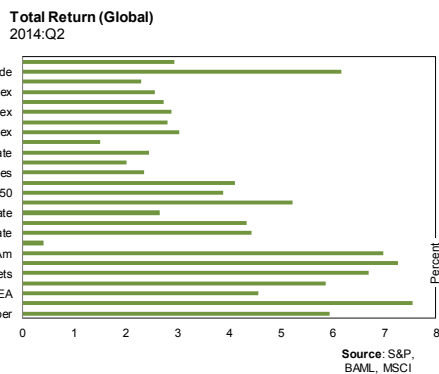
7.5. CNH HY Yield Curve



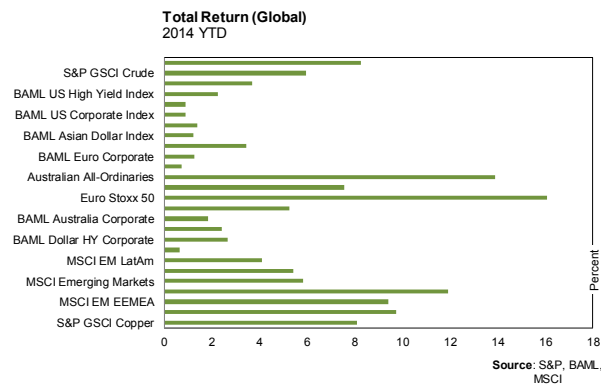
7.6. CNH NR Yield Curve



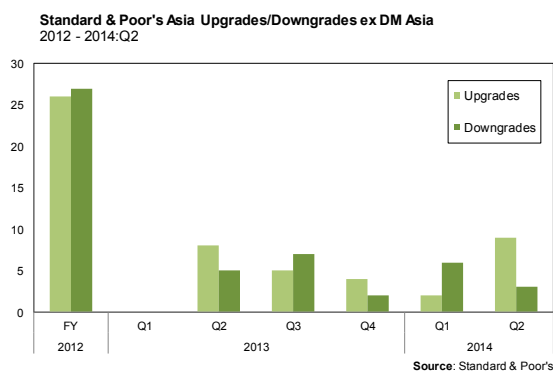
7.7. Global Returns, Quarter-End



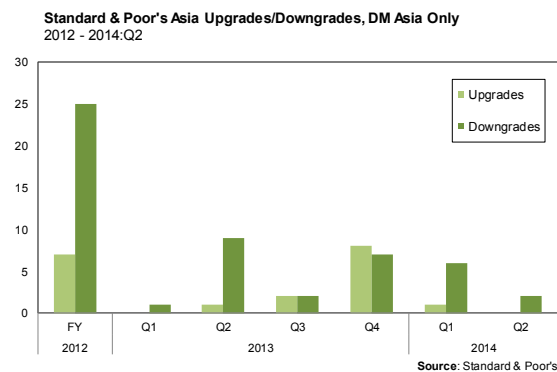
7.8. Global Returns, 2014 Year to Date



7.9. Asia Upgrades / Downgrades ex DM Asia



7.10. Asia Upgrades / Downgrades, DM Asia



7.11. Asian Upgrades & Downgrades, Standard & Poor's, Second Quarter 2014

Upgrades	Country	Date	Rating
China Merchants Holdings (International) Co. Ltd.	Hong Kong	6/13/2014	BBB+
Development Bank of the Philippines (Republic of the Philippines)	Philippines	5/9/2014	BBB
Republic of the Philippines	Philippines	5/8/2014	BBB
Hongkong Land Holdings Ltd.	Hong Kong	4/15/2014	A
PT Profesional Telekomunikasi Indonesia	Indonesia	5/12/2014	BB+
Philippine Long Distance Telephone Co.	Philippines	5/9/2014	BBB+
Singapore Power Ltd.	Singapore	4/17/2014	AA
Power Sector Assets & Liabilities Management Corp. (Republic of the Philippines)	Philippines	5/9/2014	BBB
Sinochem Hong Kong (Group) Co. Ltd. (Sinochem Corp.)	Hong Kong	4/17/2014	A-
Downgrades			
Zoomlion Heavy Industry Science and Technology Co. Ltd	China	5/14/2014	BB
Fosun International Ltd.	Hong Kong	4/15/2014	BB
Coca-Cola Amatil Ltd.	Australia	4/14/2014	BBB+
Mongolia	Mongolia	4/29/2014	B+
Shikoku Electric Power Co. Inc.	Japan	4/30/2014	BBB+

7.12. Asian Defaults, Standard & Poor's, Second Quarter 2014

Defaults	Country	Type
None		

8. Summary of the Methodologies Adopted for this Report

2. G3 Asia ex Developed Market Asia (Japan, Australia, and New Zealand)

Issuance

Bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. Unless otherwise noted, all issuance are long-term debt. High grade transactions are defined as transactions with a Dealogic “effective” rating of equal or greater than BBB-, and may include unrated transactions based on issuer and desk notes. High yield transactions are defined as transactions with a Dealogic “effective” rating of equal or less than BB+, and may also include unrated transactions based on issuer and desk notes. Unrated deals are those deals with no effective rating from Dealogic.

“All Asia” issuance are defined as being a corporate bond issue having a Dealogic “deal nationality” as within Asia, regardless of market, including domestic. Sovereign, sub-sovereign, medium-term notes, and agencies are also included from issuance, while supranational and ABS/MBS issuers are excluded from issuance. Loans are excluded from issuance as well.

“DM”, or Developed Market Asia, include those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand. “Ex DM Asia” will refer to all deals excluding those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand.

G3 deals are defined a subset of deals in “All Asia” that are rank eligible, according to Dealogic’s rank eligibility guidelines, with a tranche currency in US dollar (USD), European euro (EUR), or Japanese yen (JPY). There may exist deals within “All Asia” issuance that are denominated in a G3 currency but are not rank eligible and therefore not included in G3 tables but may be included in all other non-G3 exclusive tables.

“LCY”, or local currency, are defined as a subset of deals in “All Asia” flagged by Dealogic local currency flag. G3 and LCY deals are not mutually exclusive and may overlap (e.g., in the case of Japanese JPY deals).

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

Outstanding

Outstanding figures are sourced from Bloomberg and contain all bonds from its corporate securities database, including private placements. Structured notes and debt secured by assets are excluded. All other criteria hew closely to the criteria for issuance.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

Outstanding G3 deals are defined a subset of deals in “All Asia” that are rated with at least one rating by one of the four rating agencies: Fitch Ratings, Moody’s, Standard & Poor’s, or DBRS; and denominated in US dollar (USD), European euro (EUR), or Japanese yen (JPY). Deals that are not rated by one of the four rating agencies (those deals with a Bloomberg composite rating of “NA”) are excluded. The “NA” exclusion is due to overlap between rank ineligible deals and those deals with no rating; a close analysis of the data reveals that the figures for data excluding “rank ineligible” deals and the figures for data excluding data rated N.A. in Bloomberg are similar.

2.1., 2.3, 2.5., 2.7., 2.9., 2.11., 2.13., 2.15.

Data are sourced from Dealogic.

Issuance by country is determined by Dealogic's deal nationality.

Issuance by tenor is determined by years of maturity at issuance.

Issuance by sector is defined by Dealogic's General Industry Group ("GIG") groupings and are not analogous to Bloomberg's Sector grouping.

2.2., 2.4., 2.6., 2.8., 2.10., 2.12.

Data are sourced from Bloomberg.

Outstanding by rating are by current composite rating assigned by Bloomberg. Composite ratings by Bloomberg are the average of ratings assigned by Moody's, Standard & Poor's, Fitch Ratings, and DBRS; a minimum of two ratings must be given to a bond before a composite rating is generated. "NR" denotes a bond with a single rating assigned by the four rating agencies, whereas "NA" denotes a bond with no rating from any of the four.

Outstanding by tenor are based on current tenor as quarter-end. "Other" includes those bonds with no listed maturity date and perpetuals.

3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

3.1. - 3.4.

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

4. All Asia

4.1. – 4.9.

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

5. Domestic CNY

Issuance

Bond transactions for CNY are sourced from Dealogic and are defined as all issued debt denominated in renminbi (CNY) and in the domestic debt markets. CNY-denominated deals issued in the euro, foreign, or international markets are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNY issuance, CNY-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

Outstanding

Bond transactions for CNY are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the domestic or domestic MTN markets. CNY-denominated deals issued in the euro, foreign, or international debt markets are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

5.1. – 5.8.

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 5. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 5.

6. CNH

Issuance

Bond transactions for CNH are sourced from Dealogic and are defined as all debt denominated in renminbi (CNY) issued and in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNH issuance, CNH-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

Outstanding

Bond transactions for CNH are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market, securitisations, and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

6.1. – 6.8.

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 4. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 6.

7. Spreads, Credit Quality & Total Return

7.1. – 7.2. Global Corporate Spreads

High grade and high yield US and European corporate spreads are sourced from Bank of America-Merrill Lynch (BAML) indices. Spreads are over government debt.

US high grade spreads are sourced from BAML's US Corporate Index (C0A0) and tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of USD 250 million. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high grade spreads are sourced from BAML's Euro Corporate Index (ER00) and tracks the performance of EUR denominated investment grade corporate debt publicly issued in the Eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. Original issue zero coupon bonds and pay-in-kind securities, including toggle notes, are included in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

US high yield spreads are sourced from BAML's US High Yield Index (H0A0) and tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high yield spreads are sourced from BAML's Euro High Yield Index (HE00) and tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance. In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 100 million. Original issue zero coupon bonds, "Global" securities (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for

inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

Asian high grade and investment grade spreads are sourced from J.P. Morgan's Asia Credit Index (JACI) and tracks the performance of USD-denominated Asian debt in the Asian ex-Japan region. Qualifying countries are those Asian region excluding Japan, including: China, Hong Kong, Indonesia, India, South Korea, Sri Lanka, Mongolia, Macao, Malaysia, the Philippines, Pakistan, Singapore, Thailand, Taiwan and Vietnam. Minimum deal sizes are \$150 million and at least 12 months to final maturity at time of issuance. Fixed and floating rate instruments, and debt issued by sovereign, quasi-sovereign and corporate entities qualify for inclusion. Convertible bonds do not qualify for inclusion in the index.

7.3. China Interbank AAA Yield Curve

The curve is comprised of yuan-denominated fixed-rate corporate bonds that are traded on the China Interbank exchange. The bonds are rated AAA by local rating agencies. The values for the points on the curve are contributed by China Government Securities Depository Trust & Clearing Co Ltd (CDC).

7.4. – 7.6. China CNH Yield Curves

The securities underlying this curve are a subset of CNH data and sourced from Bloomberg; please see section 6 for more details regarding criteria. Ratings are determined by Bloomberg composite rating. Curves are fitted using Nelson-Siegel regression on mid-yield to maturity of underlying bonds.

7.7. – 7.8. Total Return (Quarter-End and YTD)

Total return data are sourced from various global bond and equity, including, but not limited to: the Bank of America-Merrill Lynch, Standard & Poor's, J.P. Morgan, and MSCI,

7.9. – 7.11. Asian Issuer Rating Actions

European issuer upgrades and downgrades are sourced from S&P. and are a combination of both emerging market, Japan, Australia, and New Zealand rating actions. Multiple upgrades or downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign ratings.

Due to publication timing, these data set may run on a quarter lag.

7.12. Asian Issuer Defaults

European issuer upgrades and downgrades are sourced from S&P and are a combination of both emerging market, Japan, Australia, and New Zealand defaults reported. Defaults are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign defaults.

9. Disclaimer

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