ASIA CREDIT REPORT

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

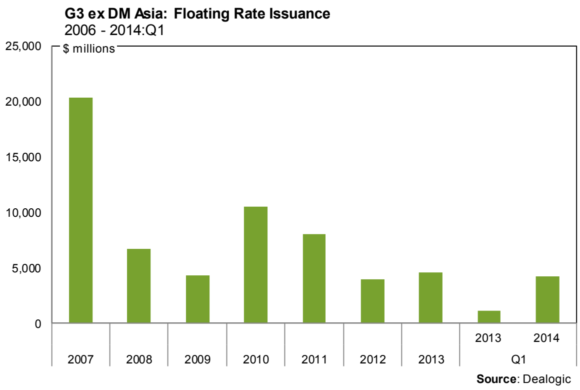
Total issuance this year is currently at USD 39.67 billion (bn) as of March 31; issuance is ahead quarter-over-quarter (qoq) from 4Q'13 (USD 29.07bn) but down 13.7% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. The year started off strongly, as the recently upgraded sovereigns (the Philippines and Indonesia), together with Chinese issuers, contributed to a strong January but the volume of issuance gradually slowed, as a combination of factors including but not limited to a) concerns around a Chinese economic slowdown and worries about the country's banking system, b) continued outflows out of the Emerging Market (EM) space and finally c) lingering fears of rising interest rates (although that hasn't yet occurred) following the Federal Reserve's (Fed) decision to continue tapering at a steady pace throughout 2014.

Even so, we expect that Asia ex-Japan G3 issuance during the rest of 2014 will continue to be robust, fuelled by a wave of redemptions totaling USD 120bn in 2014 & 2015 (which will need to be refinanced), coupled with the continuing trend in growth of corporate sector leverage ratios in Asia[1] as Asian corporates seek funding for capex and investments (including acquisitions). Also, Basel III compliant bank capital issuance, together with additional HG corporate issuance, particularly from Chinese state-owned enterprises (SOEs), will likely offset some slowing in Chinese HY issuance. With Asian syndicated loan volumes down 25.2% yoy in 1Q'14[2] as tighter bank capital requirements continue to have an adverse impact on bank balance sheets, bond issuance will continue to take up some of the slack.

Turning to trends with respect to Asia ex-Japan credit spreads and overall sectoral performance during 1Q'14, HG debt surprisingly outperformed HY (according to JACI data), as US Treasuries (UST) rallied strongly, contrary to expectations of UST widening on account of the Fed's tapering. On the other hand, HY underperformed, both as a consequence of the first onshore Chinese defaults and the overall concerns around the Chinese economy. Also, India credits (Indian banks in particular) were boosted during the first quarter, both as a consequence of relative strength in the Indian currency and in anticipation of further economic reforms post the elections currently in progress..

Qualitative highlights with respect to Asia ex-Japan debt

Propelled largely by the Chinese property sector, Asian HY debt has developed into an asset class in its own right (USD 5.0bn in property sector deals were priced in 1Q'14 alone, accounting for the largest share of HY G3 issuance in the quarter). While Chinese property sector issuance has slowed in recent weeks, draft proposals on the part of China's State Administration of Foreign Exchange (SAFE) would allow for more direct forms of onshore credit support to offshore Chinese entities of the parent company to offshore entities in the form of guarantees. Such explicit forms of support, if approved by SAFE, might see incremental issuance on the part of Chinese HY issuers.



[1] Standard Chartered, Asia Credit Compendium 2014

[2] Thomson Reuters, Global Syndicated Loans Review, First Quarter 2014.

Yet another trend clearly in evidence in 1Q'14 is the sharp increase in Asian floating rate note (FRN) issuance, which stands at an all-time high on a YTD basis of USD 7.63 bn.[3] Due to fears of rising interest rates, investor appetite for FRNs has picked up in order to reduce portfolio duration and offset the market risk arising from adverse interest rate movements, especially on longer dated fixed rate instruments. From an issuer viewpoint, locking in absolute lower funding costs given the still low short-term interest rates makes FRN issuance attractive. This trend could continue going forward, more so because the unexpected strong YTD rally in USTs might serve as a catalyst for investors to take profits arising from mark-to-market gains on their fixed rate bond holdings and switch into FRNs. It is worth noting that the market continues to anticipate higher UST interest rates later in the year as a consequence of continued Fed tapering and data that point to a gradual improvement in the US economy.

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

For the first quarter 2014, total G3 issuance stood at USD 39.67bn, with HG transactions accounting for USD 28.54bn, HY issues accounting for a total of USD 8.26bn, and unrated issues accounting for 2.87bn. China has been by far the largest issuing country in the first quarter, accounting for a total of USD 13.18bn of the USD 39.67bn in G3 issuance seen so far in 1Q'14, with USD 7.05bn and USD 5.50bn in HG and HY deals, respectively, priced from China alone. South Korea continues to remain second with USD 10.35bn in issuance, followed by Indonesia with USD 4.26bn in issuance.

Overall G3 debt outstanding in the region stood at USD 561.65bn, a growth of 2.4% qoq. High grade debt accounted for the bulk of total outstanding debt at USD 355.84bn (a 3.3% growth qoq), followed by HY debt at USD 138.76bn (a growth of 1.4% qoq) and NR debt at USD 67.05bn (a decline of 0.4% qoq). China (with USD 131.0bn), South Korea (with USD 120.9bn) and Hong Kong (with USD 79.8bn) were the three countries with the largest shares of G3 debt outstanding. In terms of ratings, within the HG space, deals rated A+ (USD 103.7bn) accounted for the largest share of debt outstanding, while NR deals (USD 67.1bn) and BB+ transactions (USD 60.3bn) dominated the deals outstanding in the HY space. By sector, sovereigns with a total of USD 144.5bn accounted for more than a third of outstanding G3 paper, with financials (USD 133.2bn) second. Finally, deals with remaining tenors of 5 years or less (USD 223.6bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

During 1Q'14, three sectors between them accounted for the largest share of G3 issuance by sector: finance (USD 15.50bn), real estate (USD 10.11bn, with approximately half by dollar amount from Chinese HY property deals alone) and sovereigns (USD 6.5bn).

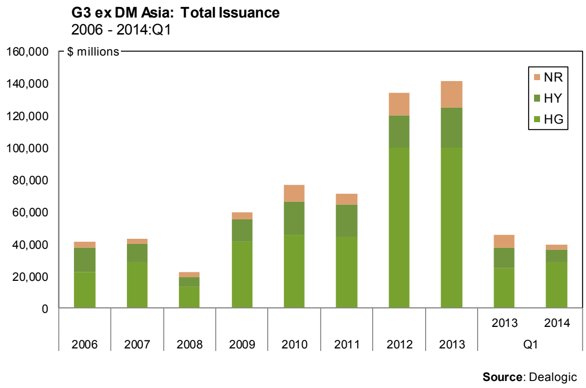
In terms of ratings, within the HG space, BBB- transactions accounted for the largest share of deals priced during the quarter, with USD 8.79bn in total issuance, followed by AA- transactions totaling USD 7.36bn and A+ issuance with USD 4.80bn. As for HY issuance, the BB category dominated with USD 3.90bn of issuance, followed by B+-rated transactions (USD 2.00bn), then B-rated transactions (USD 925mn).

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 1Q'14, with a total of USD 20.93bn in short tenor issues being priced during the quarter. Of these, USD 14.10bn and USD 5.58bn were HG and HY deals, respectively, and the balance unrated.

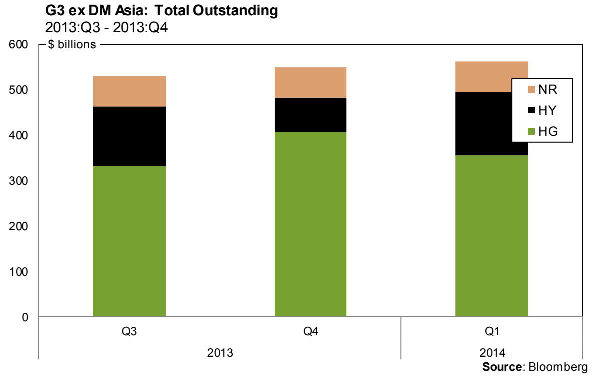
Finally, turning to the LCY debt markets, USD 156.82bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 1Q'14, a decline of 30.8% and 45.3%, respectively, from 4Q'13 (USD 226.47bn) and from 1Q'13 (USD 286.57bn). Total LCY debt outstanding at the end of 1Q'14 in Asia (ex-Japan, Australia and NZ) stood at USD 9.0tn, similarly growing by 2.4% qoq as G3 debt, 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 4.70tn, followed by India (USD 1.3bn). Local currency debt markets have become progressively more important in the region and have presently outpaced the G3 debt markets in Asia (ex-Japan, Australia and NZ) by more than a 10-1 margin.

[3] Wall Street Journal, "Asia Joins the Trend Toward Floating-Rate Bonds," April 14, 2014

2.1. G3 ex DM Asia: Total Issuance



2.2. G3 ex DM Asia: Total Outstanding



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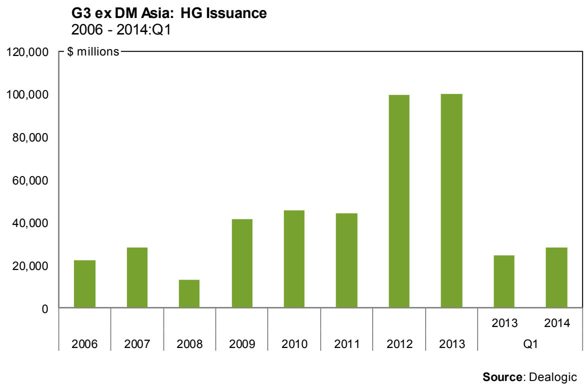
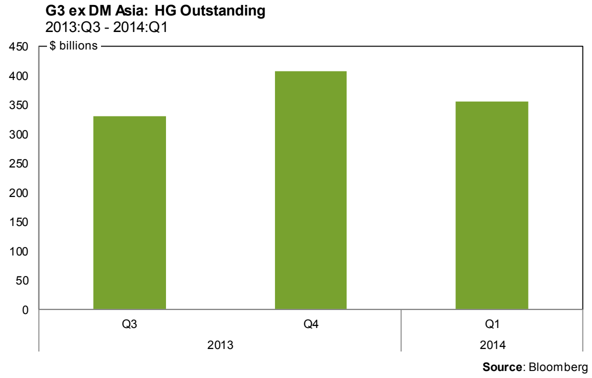


2.4. G3 ex DM Asia: HG Outstanding



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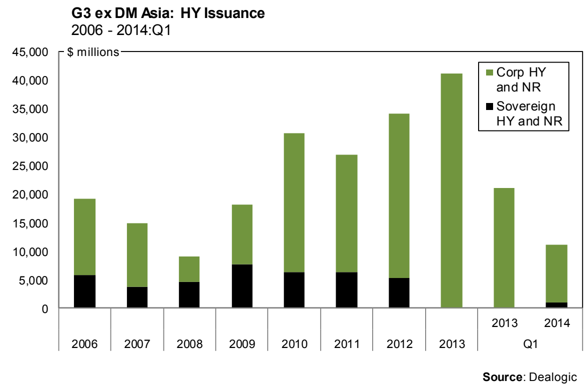
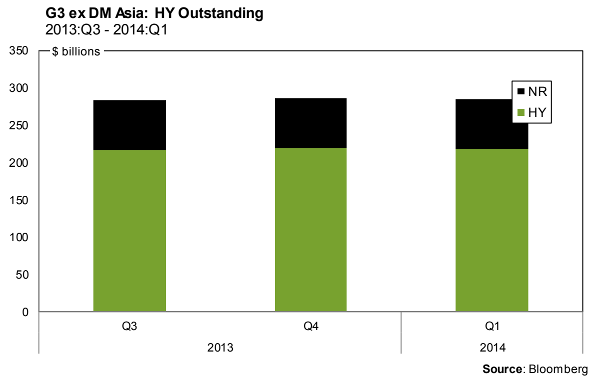
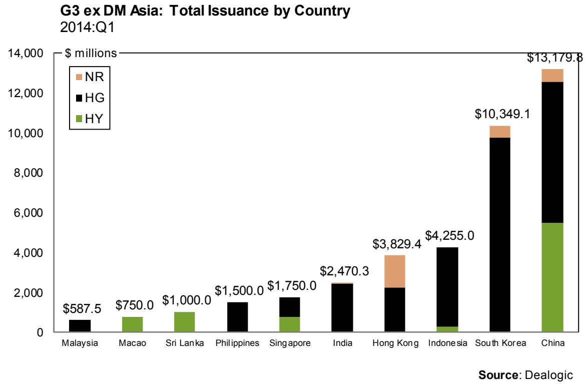


2.6. G3 ex DM Asia: HY Outstanding

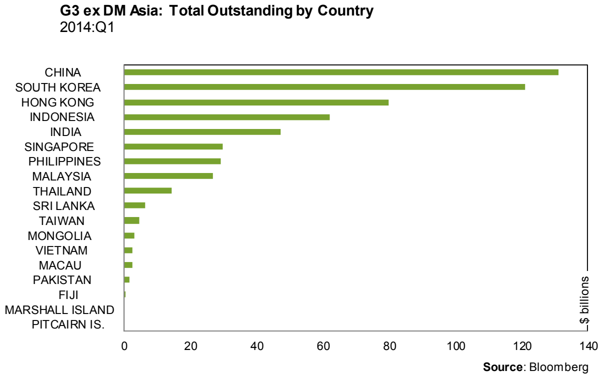


2.7. G3 ex DM Asia: Total Issuance by Country



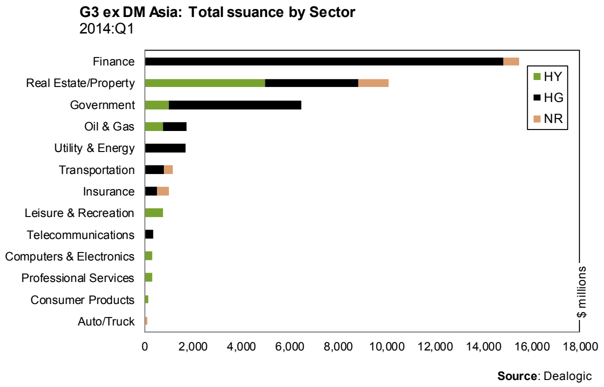
Source: Dealogic

2.8. G3 ex DM Asia: Total Outstanding by Country



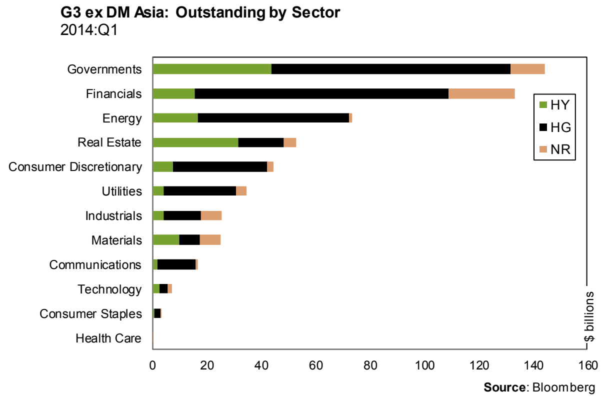
Source: Bloomberg

2.9. G3 ex DM Asia: Total Issuance by Sector



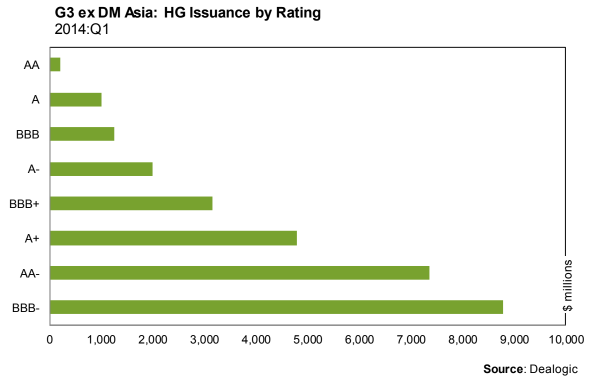
Source: Dealogic

2.10. G3 ex DM Asia: Total Outstanding by Sector



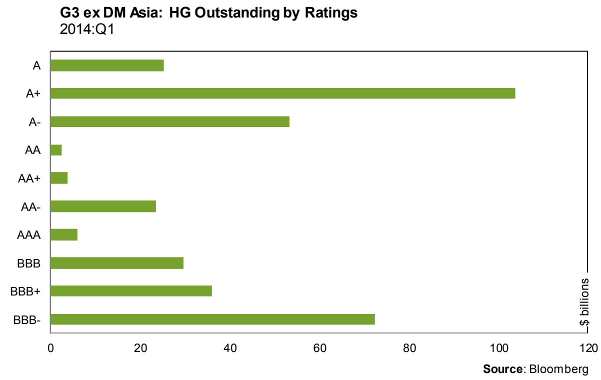
Source: Bloomberg

2.11. G3 ex DM Asia: HG Issuance by Rating



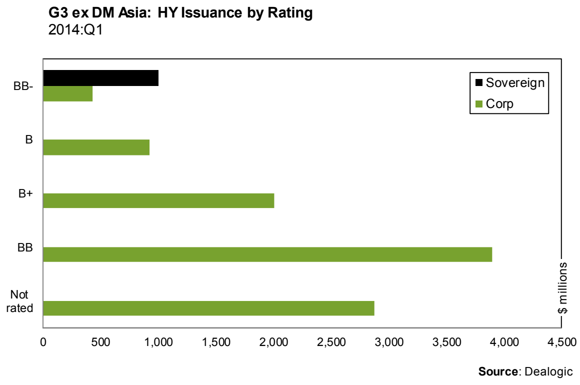
Source: Dealogic

2.12. G3 ex DM Asia: HG Outstanding by Rating

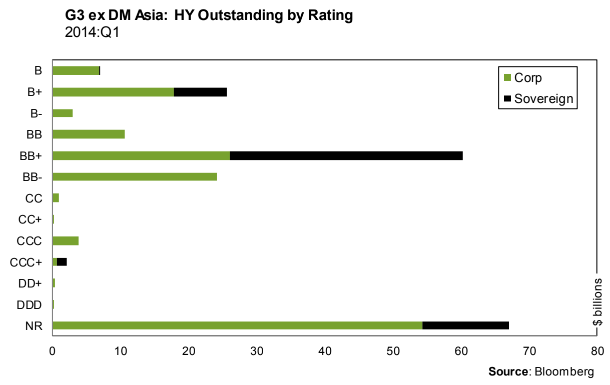


Source: Bloomberg

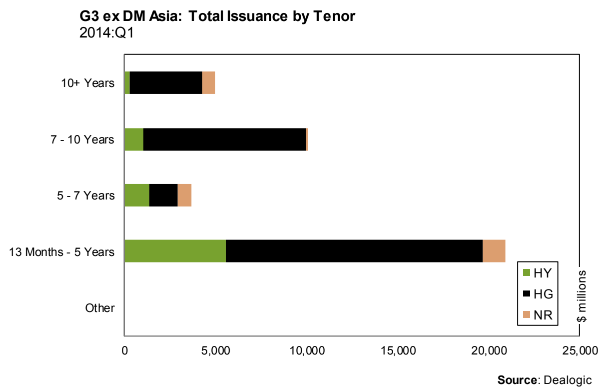
2.13. G3 ex DM Asia: HY Issuance by Rating



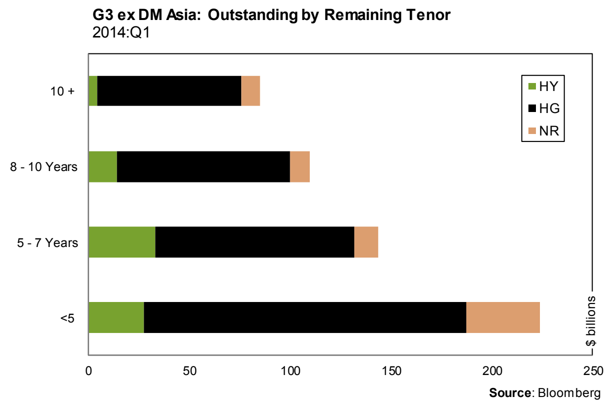
2.14. G3 ex DM Asia: HY Outstanding by Rating



2.15. G3 ex DM Asia: Total Issuance by Tenor



2.16. G3 ex DM Asia: Outstanding by Remaining Tenor



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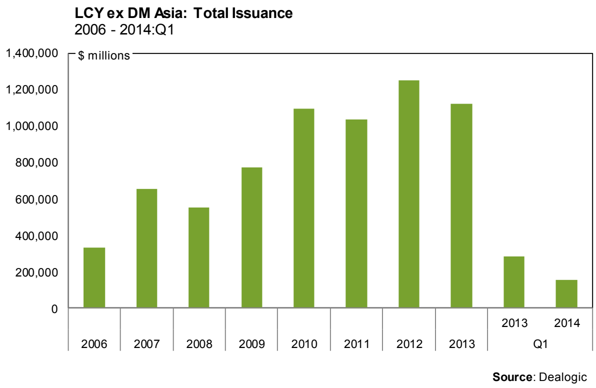
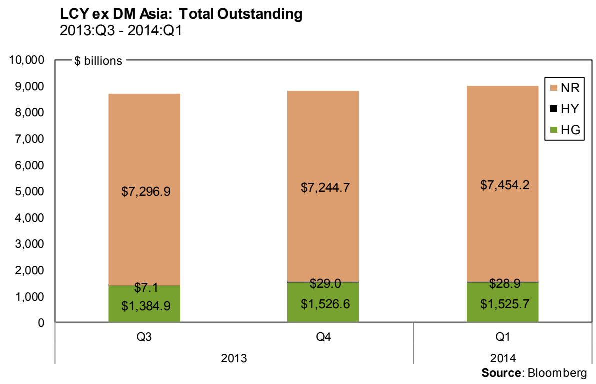
3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

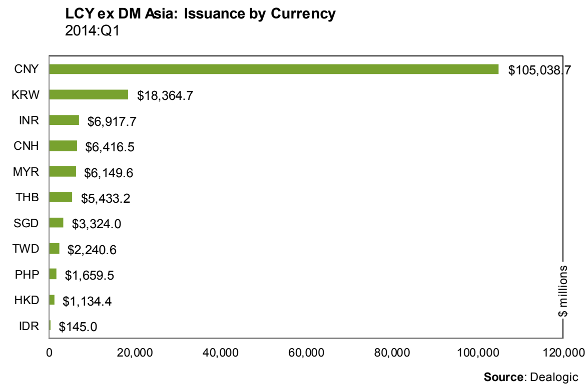
3.1. LCY ex DM Asia: Total Issuance



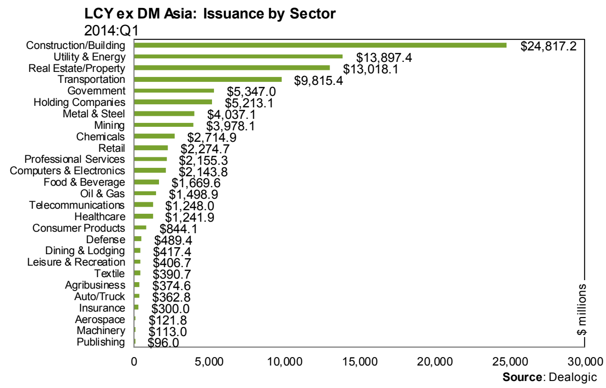
3.2. LCY ex DM Asia: Total Outstanding



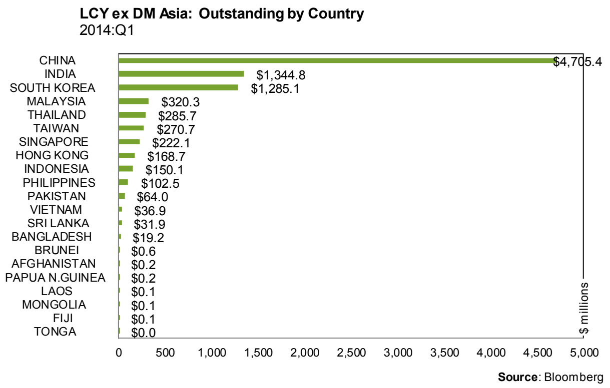
3.3. LCY ex DM Asia: Issuance by Currency



3.4. LCY ex DM Asia: Issuance by Sector



3.5. LCY ex DM Asia: Outstanding by Country



4. All Asia

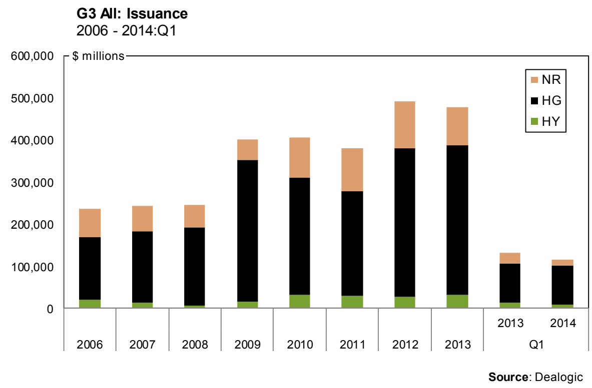
Total Issuance & Outstanding – G3 and LCY for Asia (including Japan, Australia and New Zealand)

Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) stood at USD 116.46bn in the first quarter of 2014, a growth of 11.6 percent qoq (USD 104.39bn) but a decline of 12.6% yoy (USD 125.35bn). Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) was USD 92.29bn in the first quarter of 2014, a growth of 24.6% qoq but a decline of 0.8% yoy. HY issuance was USD 8.84bn in the first quarter of 2014, a growth of 2.7% qoq but a decline of 36.3% yoy. Unrated G3 issuance in Asia was USD 15.33bn in the first quarter of 2014, a decline of 29.4% qoq and 42.0% yoy. Outstanding G3 debt, including developed market Asia, stood at USD 11.76bn at the end of first quarter 2014, a growth of 0.9% qoq, with growth in HG debt (USD 8.50tn, 4.5% growth) but declines in HY (USD 187.8bn, a 0.7% decline) and unrated debt (USD 3.067tn, a 7.7% decline).

Finally, turning to LCY debt issuance, total HG issuance stood at USD 368.73bn in the first quarter of 2014, while HY issuance and unrated issuance was USD 1.05bn and 159.03bn, respectively, over the same period.

One noteworthy development in the LCY space has been the “de facto” internationalization of the Indian rupee (INR) through the inaugural offshore rupee issuance by the International Finance Corporation (IFC) via its USD 1.0bn MTN program. More such deals from both the IFC and other supranational entities could represent the start of a global trend towards more offshore INR issuance.

4.1. G3 All: Total Issuance



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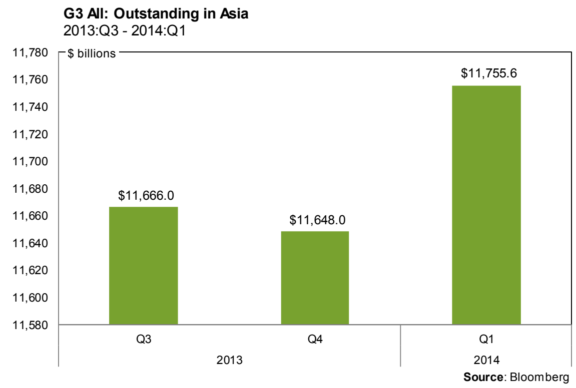
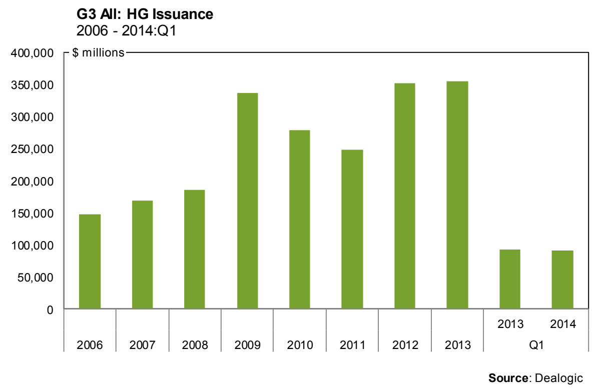
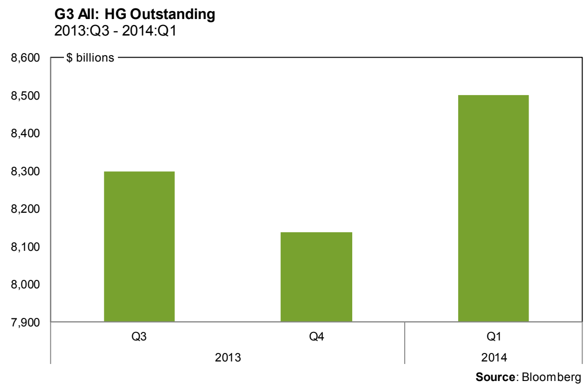


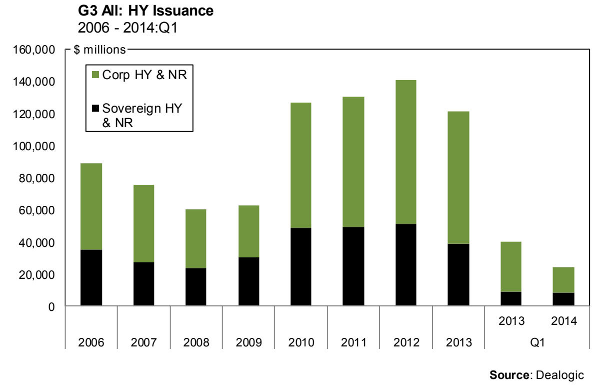
4.3. G3 All: HG Issuance



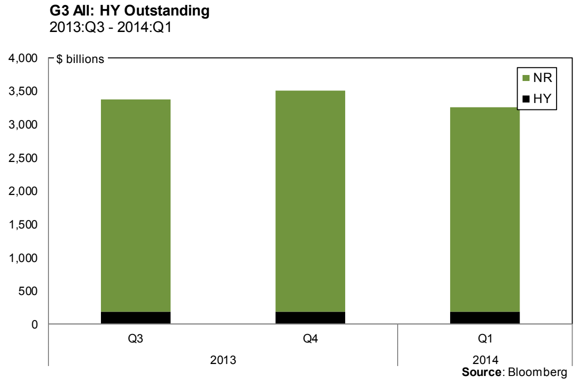
4.4. G3 All: HG Outstanding



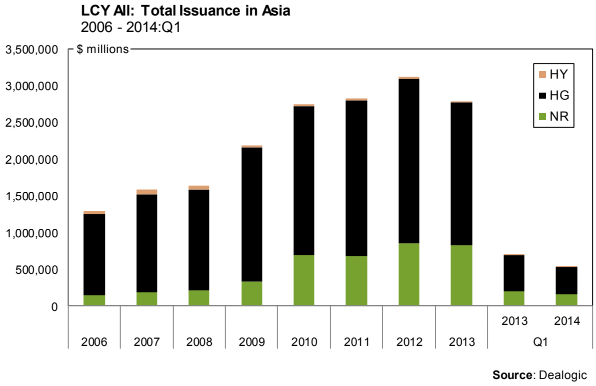
4.5. G3 All: HY Issuance



4.6. G3 All: HY Outstanding



4.7. LCY All: Total Issuance



5. China – Domestic

Total Issuance & Outstanding – Domestic CNY issuance

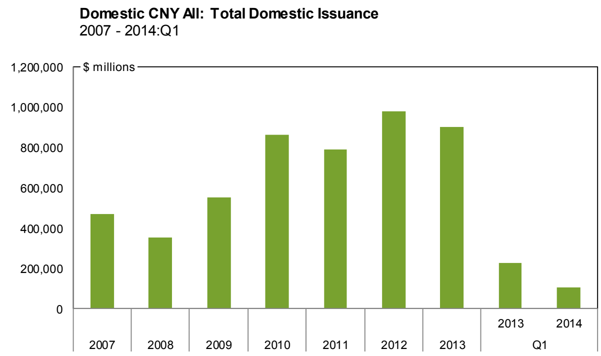
Total domestic CNY issuance stood at USD 105.06bn in the first quarter of 2014, a decline of 38.1 percent qoq (USD 169.81bn) and 54.0 percent yoy (USD 228.42bn). By tenor, 71.0% of first quarter issuance (USD 74.54bn) would mature in five years or less, followed by the 5 – 7 year bucket (USD 29.58bn). By sector, finance led issuance totals (USD 33.8bn), followed by construction (USD 22.68bn).

Outstanding domestic CNY debt stood at USD 4.60tn at the end of first quarter 2014, with sovereigns leading totals (USD 2.30tn), followed by financials (USD 1.16tn).

The growing importance of the Chinese currency globally has been underpinned through its increased usage in trade settlements and the rapid growth of the dim sum bond markets and multiple offshore CNH centers such as Singapore, Taiwan and London, over the last several months. International interest in the domestic CNY market has also grown rapidly, following the rapid opening of China's domestic markets to international investor access (through the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) quotas and the inauguration of the Shanghai Free Trade Zone (FTZ). Additionally, a number of central banks worldwide have chosen to invest at least a portion of their reserves in CNY, following the grant of access by the People's Bank of China (PBOC) in some cases, or via the RQFII scheme. We look for this trend to continue.

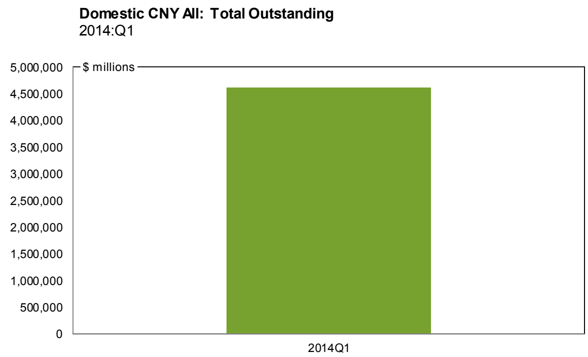
One more noteworthy development has been the first ever issue of an onshore CNY bond by an offshore corporate issuer (in this case, the issuer was a European corporate). The tapping of the onshore "Panda" bond market by a private sector entity (supranationals have issued Panda bonds in the past) is in our view the start of a trend which could gather pace, as the domestic Chinese capital markets open up further. International corporations looking to expand their China operations could well emerge as leading issuers in the "Panda" bond market in the months and years ahead, since this could prove to be less cumbersome than issuing in the offshore CNH market and then obtaining approvals to remit funds onshore.

5.1. Domestic CNY All: Total Issuance



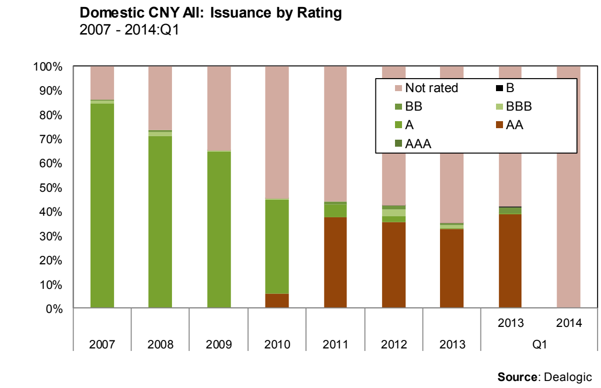
Source: Dealogic

5.2. Domestic CNY All: Total Outstanding

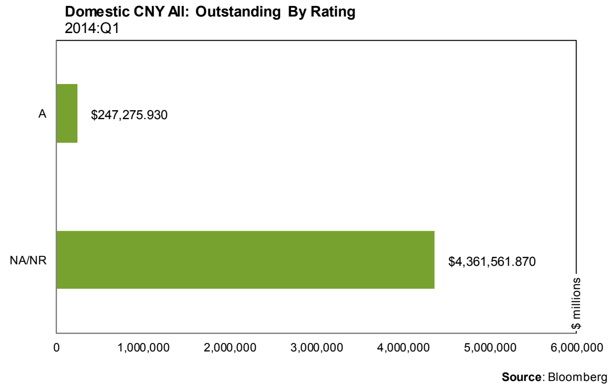


Source: Bloomberg

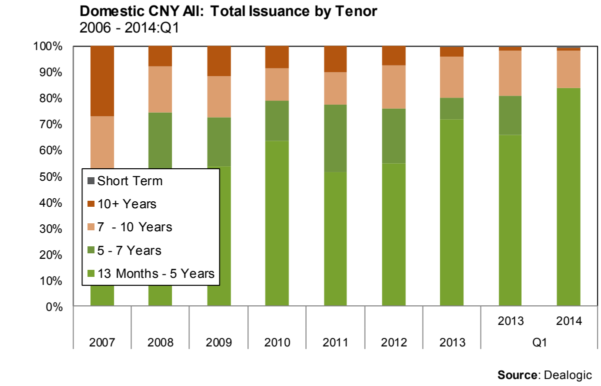
5.3. Domestic CNY All: Issuance by Rating



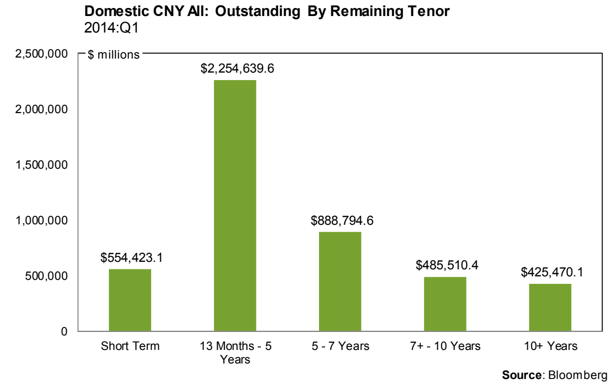
5.4. Domestic CNY All: Outstanding by Rating



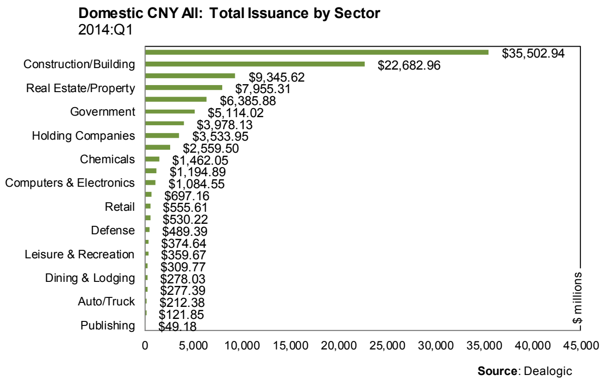
5.5. Domestic CNY All: Issuance by Tenor



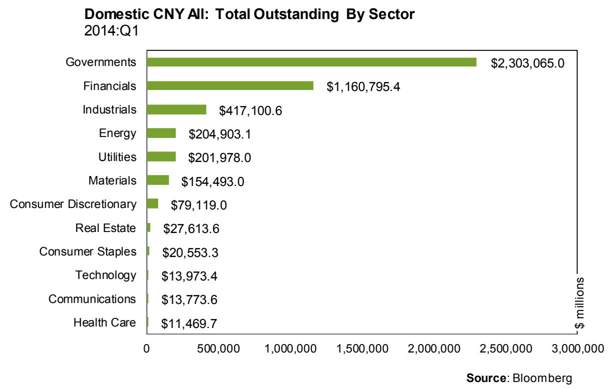
5.6. Domestic CNY All: Outstanding by Remaining Tenor



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 first quarter of 2014, an equivalent of USD 15.49bn in CNH bonds have been issued, nearly half of full year 2013 issuance alone (USD 33.49bn) and a new record high.

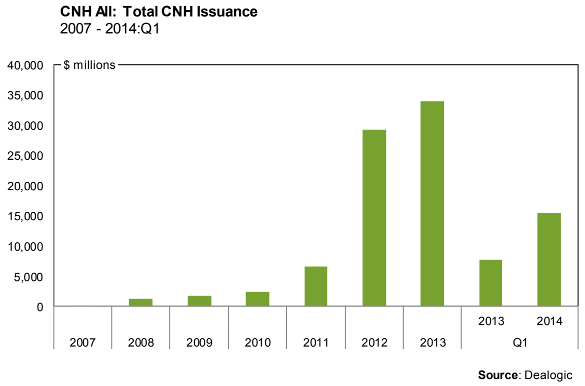
In terms of tenor, over half (51.7%) of first quarter 2014 issuance (USD 8.00bn) was accounted for by short-term transactions with tenors of 1.13 years or less, while HG deals rated A+ totaling USD 1.26bn had the highest share among rated deals (8.1%). In 1Q’14, finance sector transactions totaling USD 11.82bn accounted for the largest volume of deals by sector (76.3%), followed by real estate totaling USD 1.70bn (11.0%).

The total of dim sum bonds outstanding stands at USD 102.00bn, an astonishing 23.7% growth qoq. Steady growth in the CNH deposit base in Hong Kong, which stands at USD 148.0bn at the end of February 2014, up from USD 138.4bn at year-end 2013, should help support incremental CNH bond issuance. In terms of sector, financial issues, excluding real estate, totaling USD 64.76bn dominate total CNH bonds outstanding while deals with tenors of 5 years or less (USD 93.50bn) account for the bulk of all dim sum bond issues that have yet to mature.

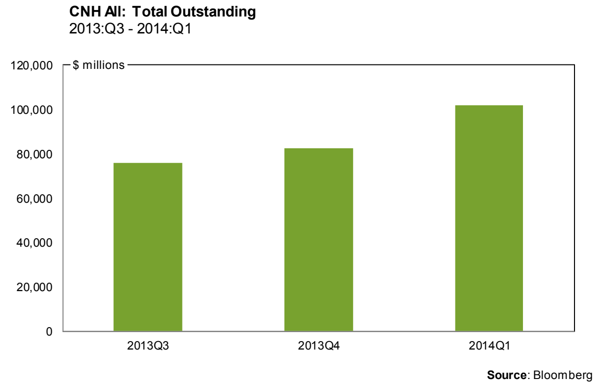
By far the most interesting developments in the offshore CNH market in 1Q’14 have occurred in the other offshore RMB centers, outside of Hong Kong. The steady development of the “Bao Dao” or “Formosa” CNH bond market in Taiwan and the “Lion City” bond market in Singapore are important milestones in the further internationalization of the Chinese currency. Indeed, one Korean bank issuer tapped both the “Dim Sum” and “Bao Dao” bond market via a single deal in 2014, making this the first dual-tranche offshore renminbi bond issue.

On the deposit front, while the offshore CNH deposit base in Taiwan of USD 39.7bn at the end of February 2014 is just a little above 25% of the total Hong Kong CNH deposit base, the rate of growth in Taiwan has been faster. In addition, recently signed agreements will see the focus of the offshore renminbi market shift to Europe, as both Frankfurt and London are set to emerge as offshore RMB clearing centers, in the near future. Finally, the expansion of the list of countries receiving RQFII quotas continues apace, with France getting an RQFII quota of CNY 80bn. All in all, the pace of the renminbi’s use internationally continues to accelerate.

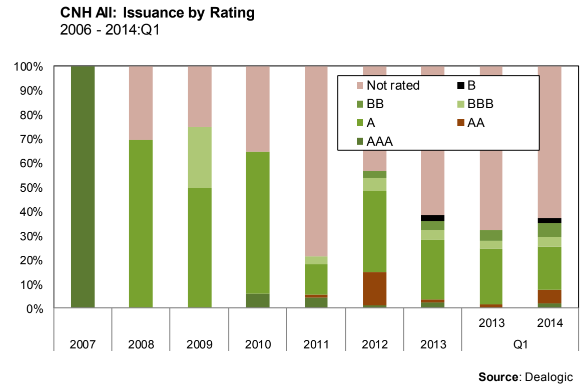
6.1. CNH All: Total CNH Issuance



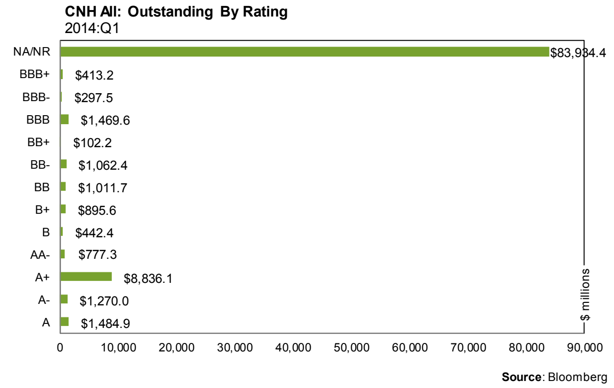
6.2. CNH All: Total Outstanding



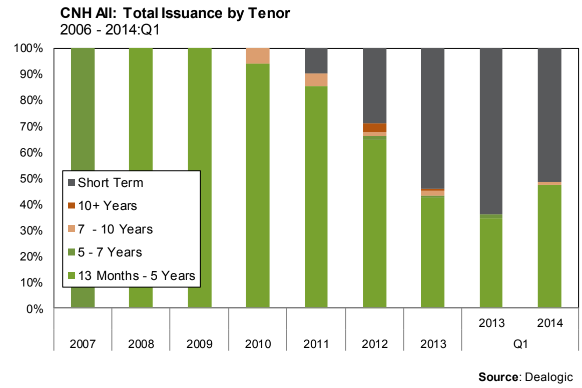
6.3. CNH All: Issuance by Rating



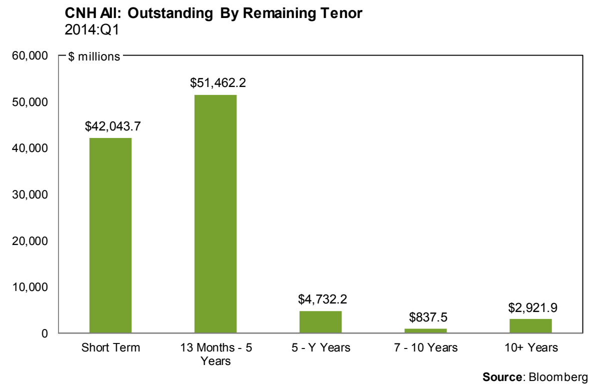
6.4. CNH All: Outstanding by Rating



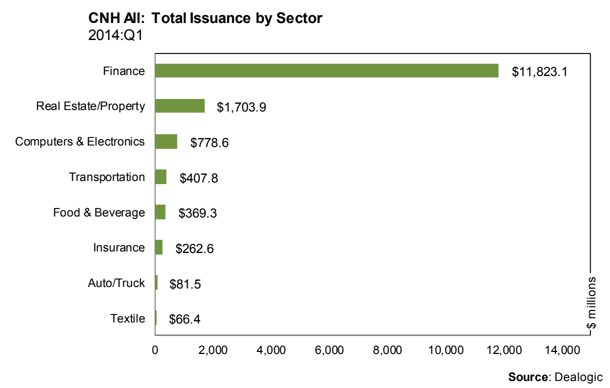
6.5. CNH All: Issuance by Tenor



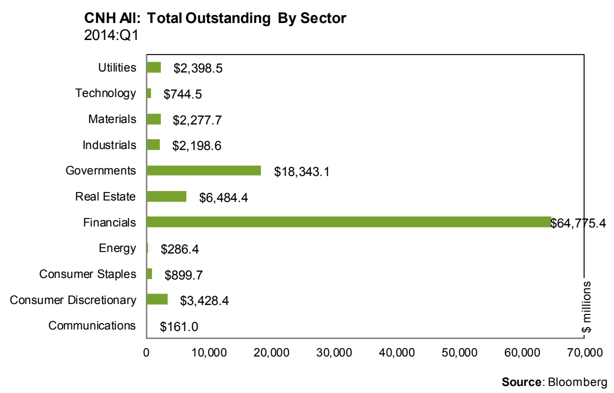
6.6. CNH All: Outstanding by Remaining Tenor



6.7. CNH All: Issuance by Sector



6.8. CNH All: Outstanding by Sector



7. Spreads, Credit & Total Return

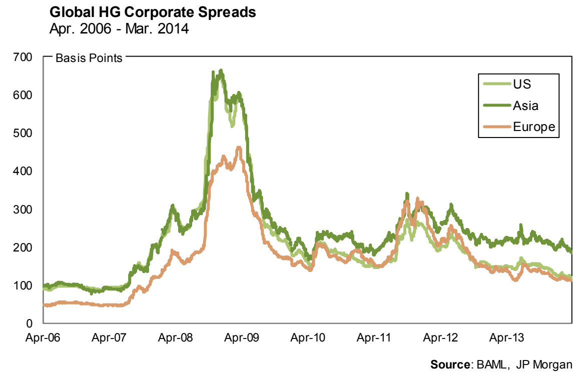
Relative Value and returns (Asia ex-Japan, Australia & New Zealand G3)

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 1Q'14, Asian HG bonds on a composite basis were quoted at an average spread of 184.97 basis points (bps), while US and European HG bond issues were quoted at average spreads of 119 bps and 113 bps respectively. Likewise, in the HY space, Asian HY corporates were quoted at a composite spread of 503.94 bps, but US and European HY bonds were tighter at 377 bps and 313 bps respectively.

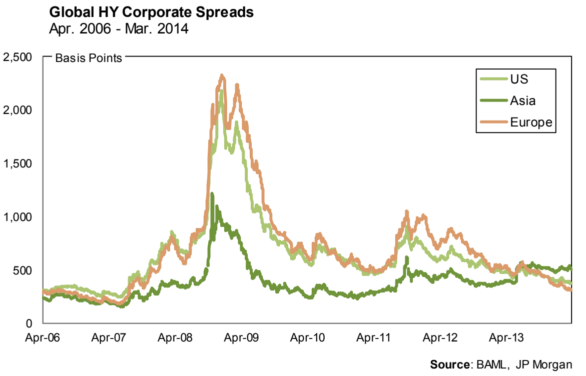
In terms of total returns, credit generally outperformed both developed market and EM equities – as for Asian USD HG and HY indices, total returns of 3.00% and 1.64%, respectively, in 1Q'14. While equity indices recorded positive returns during the quarter, Asian HG credit outperformed equities although HY credit did not. Within the credit space, Asian HG were comparable to European HY and US HY returns, with the developed country HY benchmarks outperforming Asia marginally.

The key to Asian credit outperformance (besides the rally in USTs), particularly relative to equities, has been the continuing uncertainty about the outlook for stocks. The US Federal Reserve's continued tapering, together with veiled suggestions on the part of the Fed that interest rates might rise sooner than expected, has clouded the outlook for corporate profits. Also, profit taking in some of the sectors that had formerly performed well (such as tech and bio-tech) has weighed on equity market sentiment. In any event, given the marked underperformance of credit relative to the other sectors in 2013, some reversion to the mean was always likely and that is indeed what has occurred in the first quarter.

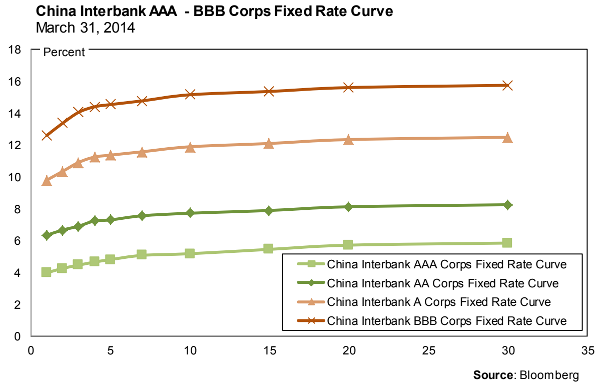
7.1. Global HG Corporate Spreads



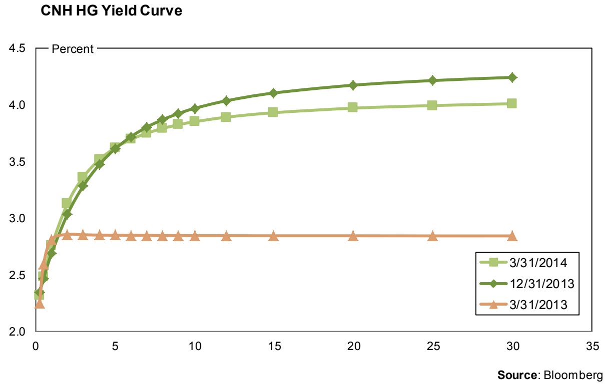
7.2. Global HY Corporate Spreads



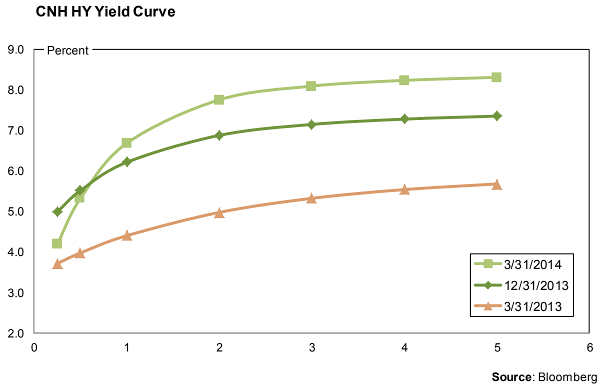
7.3. China Interbank AAA - BBB Corps Fixed Rate Curve



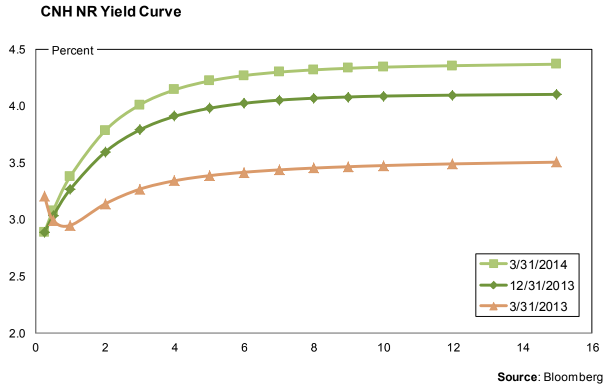
7.4. CNH HG Yield Curve



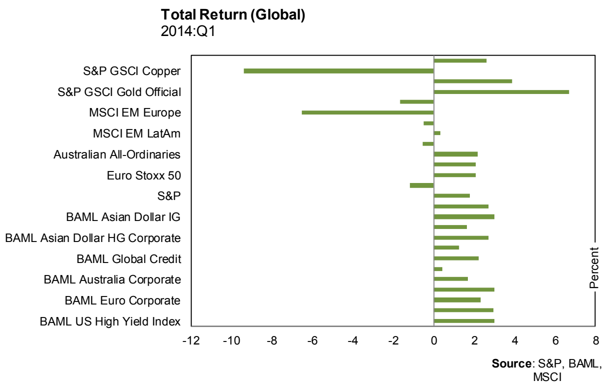
7.5. CNH HY Yield Curve



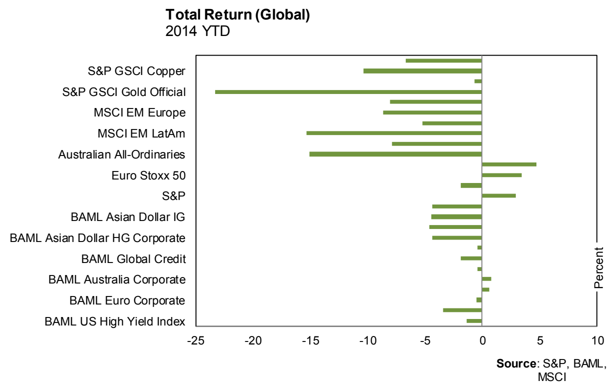
7.6. CNH NR Yield Curve



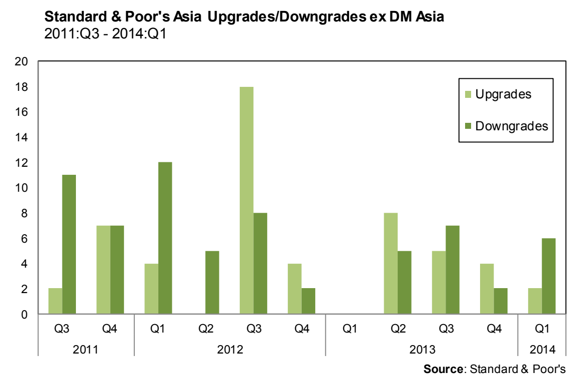
7.7. Global Returns, Quarter-End



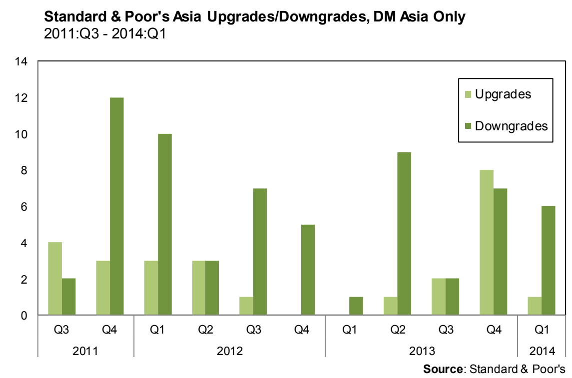
7.8. Global Returns, 2014 Year to Date



7.9. Asia Upgrades / Downgrades ex DM Asia



7.10. Asia Upgrades / Downgrades, DM Asia



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

Upgrades	Country	Date	Rating
PT Alam Sutera Realty Tbk.	Indonesia	1/7/2014	B+
Korea Development Bank (Republic of Korea)	Korea, Republic of	1/22/2014	A+
DEXUS Property Group	Australia	3/31/2014	A-

Downgrades	Country	Date	Rating
Power Assets Holdings Limited (Cheung Kong (Holdings) Ltd.)	Hong Kong	1/29/2014	A-
Mongolian Mining Corp.	Mongolia	2/2/2014	CCC+
Midwest Vanadium Pty Ltd.	Australia	2/10/2014	CCC-
Sony Corp	Japan	2/14/2014	BBB-
Global A&T Electronics Ltd.	Singapore	2/17/2014	B-
Singapore Post Ltd.	Singapore	2/19/2014	A
Midwest Vanadium Pty Ltd.	Australia	2/20/2014	D
Boart Longyear Ltd.	Australia	3/6/2014	CCC+
GS Caltex Corp.	Korea, Republic of	3/24/2014	BBB-
Ausdrill Ltd.	Australia	3/24/2014	BB-
St Barbara Ltd.	Australia	3/26/2014	B-
Avago Technologies Finance Pte. Ltd. (Avago Technologies Holdings Pte. Ltd)	Singapore	3/31/2014	BB+

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

Defaults	Country	Type
Midwest Vanadium Pty Ltd.	Australia	Missed Interest Paymen

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 critieria 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 $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 securiites, 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 securiites, 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 isused 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 currecy, 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 Lanaka, Mongolia, Macao, Malaysis, the Phillipines, 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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