

# Why Asia High Yield?

## Four Reasons We're Bullish on the Opportunity

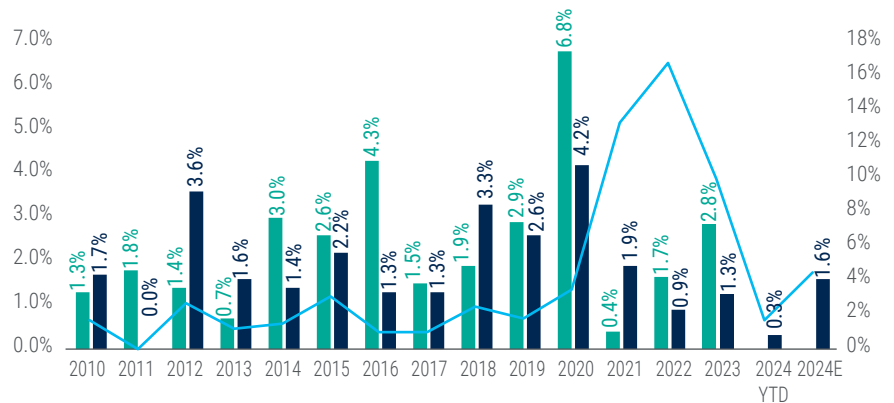
We believe the Asia high yield (HY) market remains attractive as fundamentals stabilise, yields have risen, and the opportunity set is more diversified within the current environment.

### 1 Declining overall default rate and a healthy Asia ex-China property sector

The Chinese property sector crisis caused Asia HY corporate defaults to spike to 16.8% in 2022 and 10% in 2023. With this sector now much smaller relative to the broader market, we expect default rates to continue moderating to an estimated 4.5% this year. While defaults in Asia have dominated headlines in recent years, Asia HY ex China property has historically maintained a lower default rate than US HY. We expect this trend to continue over the next two years.

#### Asia High Yield (ex. China Property) Defaults Have Been Lower Than for US HY

- US HY default rate (LHS)
- Asia HY (ex. China property) default rate (LHS)
- Asia HY default rate (RHS)



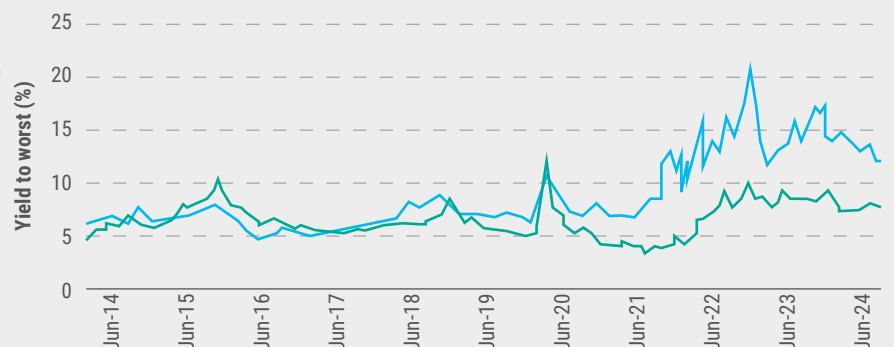
Source: JP Morgan, PineBridge Investments. As of 26 June 2024. Any opinions, projections, forecasts, or forward-looking statements presented are valid only as of the date indicated and are subject to change. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

### 2 Higher yield carry

Asia HY continues to offer higher yields relative both to historical averages and to developed market HY bonds. These levels are at the higher end of their 10-year historical range, close to the 90th percentile.

#### Asia HY vs. US HY Yield

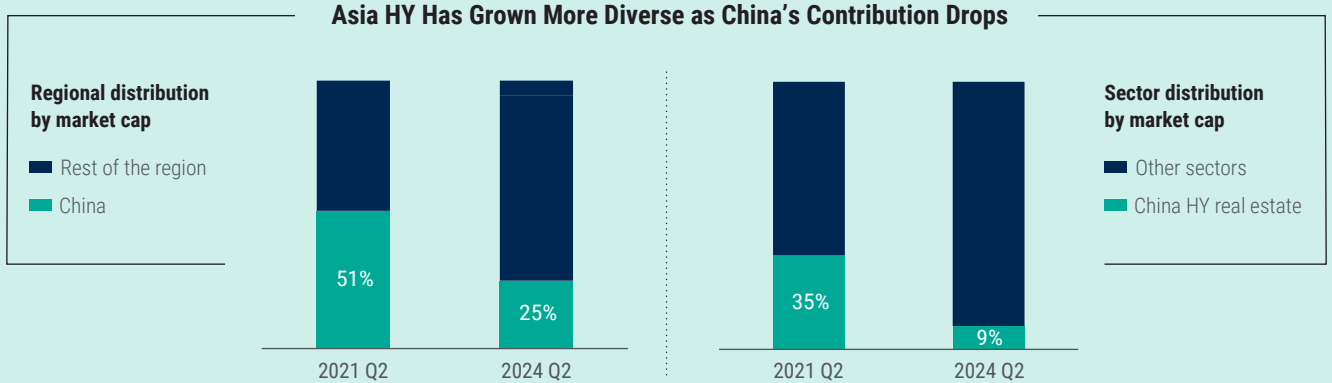
- Asia HY yield
- US HY yield



Source: JP Morgan, Bloomberg. Asia HY Credit Yield represented by JP Morgan JACI Non-Investment Grade Index, US HY by US Corporate High Yield Bond Index. As of 30 June 2024. Any opinions, projections, forecasts, or forward-looking statements presented are valid only as of the date indicated and are subject to change. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

### 3 Improved diversification in regional and sector composition

Compared to three years ago, the Asia HY market is now much more diversified, reducing risk for investors. China HY real estate – once the largest segment of Asia HY, with a 35% weight – is now less than 10% of the market and is expected to shrink further over time. Financials, consumers, and utilities weightings have grown, together accounting for 50% of the index.



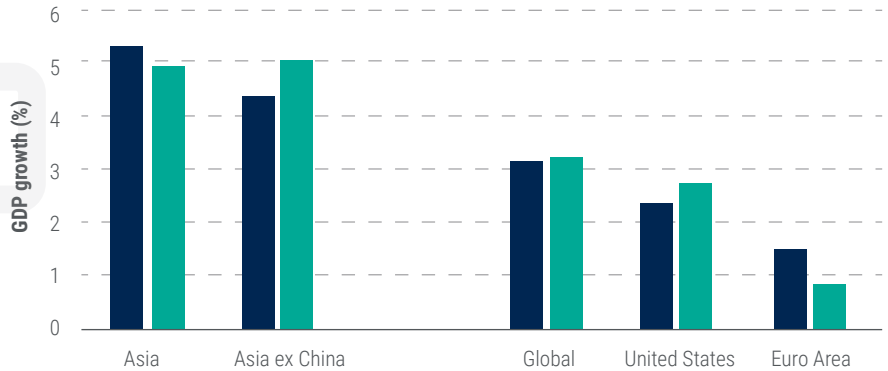
Source: JP Morgan, PineBridge Investments. As of 28 June 2024. Using JP Morgan Asia Credit Index (JACI) Non-Investment Grade as a proxy for the Asia HY universe. Diversification does not ensure against loss in any market.

### 4 Asia remains a key growth engine

While China continues to navigate its growth transition, the overall economic backdrop in Asia remains broadly stable. Excluding China, the region’s GDP growth expansion in 2024 alone is greater than it has been on average for the past 10 years, according to forecasts by the International Monetary Fund. Asia Pacific continues to grow faster than the rest of the world, and is estimated to contribute to 60% of global growth.

**Asia Remains the Critical Growth Driver for the Global Economy**

■ 2014-2023 10Y average  
■ 2024F



Source: IMF, Asia and Pacific Regional Economic Outlook, April 2024. Any opinions, projections, forecasts, or forward-looking statements presented are valid only as of the date indicated and are subject to change.

### Why PineBridge?



Having invested in Asia HY since 2012, PineBridge’s Asia fixed income team, comprising **15 highly experienced investment professionals**, has navigated numerous market cycles successfully.<sup>1</sup>



By picking fundamentally solid companies with robust credit profiles, **we seek to capitalize on market inefficiencies in pursuit of total return alpha.**



Our proactive risk management strategies **focus on protecting capital and minimizing losses** even in turbulent times.



**PineBridge’s prowess in Asia credit is widely recognised in the industry**, as evidenced by the numerous accolades the team has received.

For more details about our Asia fixed income offerings, please visit [pinebridge.com](https://pinebridge.com).



<sup>1</sup>No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

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pinebridge.com



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