

- ABF Pan Asia Bond Index Fund (“PAIF”) is an exchange traded bond fund which seeks to provide investment returns that corresponds closely to the total return of the Markit iBoxx ABF Pan-Asia Index (“Index”), before fees and expenses, and its return may deviate from that of the Index.
- PAIF primarily invests in local currency government and quasi-government bonds in eight Asian markets, comprising of China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore and Thailand.
- Investment involves risks, including risks of exposure to bonds in both developed and emerging Asia markets. Investors may lose part or all of their investments.
- PAIF is not “actively managed” and will not try to “beat” the market it tracks.
- The Executives’ Meeting of East Asia and Pacific Central Banks group (the “EMEAP”) member central banks and monetary authorities are like any other investors in PAIF and each of them may dispose of their respective interest in the Units they hold. There are no guarantees that the EMEAP member central banks and monetary authorities will continue to be investors in PAIF.
- The trading price of PAIF may differ from the underlying net asset value per share.
- PAIF may not be suitable for all investors. Investors should not invest based on this marketing material only. Investors should read the PAIF’s prospectus, including the risk factors, take into consideration of the product features, their own investment objectives, risk tolerance level etc and seek independent financial and professional advices as appropriate prior to making any investment.

ABF PAN ASIA BOND INDEX FUND (PAIF)

How State Street Global Advisors Helped a Region in Turmoil Reinvest in Itself

In 1997, the Asian economic success story came to a crashing halt. A liquidity and financial crisis swept through the region. When the dust settled, governments from across the region recognized that the lack of domestic currency long-term borrowing caused the crisis. In response, a coalition of the 11 leading central banks¹ in Asia turned to State Street Global Advisors for developing a unique solution aiming to build and facilitate a strong local currency bond market.

Why did the coalition of Asian countries choose State Street Global Advisors? Here are part of the reasons:

1. State Street Global Advisors' fiduciary culture;
2. Experience in risk management; and
3. Sophisticated money management capabilities.

The resulting solution — PAIF, a regional local currency bond ETF — was unique, using custom indexing, sophisticated balancing and an index methodology that tilted towards factors such as sovereign rating and liquidity. PAIF is a low-cost fixed income ETF that makes it easier to invest savings back into the Asian economy. More than a decade since its launch, PAIF has attracted US\$3.7 billion in assets. Global institutions have increased their exposure to Asian debt, which has now been included in many of the broad global indexes. And most primary buyers of bond issues currently reside in Asia.

¹ Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, The Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Philipinas, Monetary Authority of Singapore and Bank of Thailand.

The Case for Asian Local Currency Bonds

- **Tapped into Rapid Growth of Asian Economies and Local Currency Bond Markets**

- Asian local currency bond market size exceeds US\$13 trillion² with gross domestic product of the underlying economies accounting for more than 20% of the world’s total output.
- International Monetary Fund (IMF) expects that emerging Asia (China + ASEAN-5) will grow at a rate of above 5% in the next few years. This compares to a growth rate of less than 2% at G7.³

- **Solid Credit Quality**

- The sovereign credits of markets covered by PAIF are of investment grade, with average quality (AA-/A+)⁴ which is comparable to Japan’s sovereign rating (A+).

- **Three Sources of Potential Returns: Capital Gains, Coupons and Currency Appreciation**

- Historically ~70% of Pan Asia bond returns were made up of capital gains and coupons, while ~30% from currency appreciation.

- **Diversification to Major Asset Classes**

- Historically, Asian local currency bonds had relatively low correlations with other major asset classes, thereby providing diversification benefits.

- **Good Yield Pick-up vs. US Treasuries**

- PAIF has seen decent yield pick-up vs. US treasuries since September 2007.
- The yield difference between the two is over 90 basis points (bps) as of March 2019.

PAIF Yield vs. US Treasury



Source: State Street Global Advisors, FTSE Russell and Markit, from July 2005 to March 2019. The US Treasury Index Blend is constructed from FTSE 2 Year/5 Year/10 Year benchmarks according to match month-end duration of the Markit iBoxx ABF Pan Asia Index.

Correlations with Major Asset Classes (January 2003 to March 2019)

	Asian Local Currency Bonds	US Treasuries	US Equities	Global Treasuries	Global Equities	EMD Local Currency
Asian Local Currency Bonds	1.00					
US Treasuries	0.34	1.00				
US Equities	0.41	-0.25	1.00			
Global Treasuries	0.68	0.62	0.14	1.00		
Global Equities	0.48	-0.24	0.97	0.24	1.00	
EMD Local Currency	0.82	0.14	0.57	0.60	0.67	1.00

Source: State Street Global Advisors, Bloomberg, based on the longest comparable period.

² Includes government and corporate bonds. Source: Asian Development Bank, as of December 2018.

³ As of April 2019.

⁴ PAIF’s average rating is based on the median of S&P, Moody’s and Fitch ratings.

Why ETFs?

	Exchange Trade Fund	Index Fund	Actively Managed Fund	Single Bond
Trading venue	On exchange (secondary) Primary market	Via fund provider, requiring written application	Via fund provider, requiring written application	Over the counter, voice or electronically-enabled
How frequently can investors gain access?	Intraday	Typically close of business on trade date	Typically close of business on trade date	Intraday
Trade notification period	None	Typically 1 to 3 Days	Typically 1 to 3 Days	None
Minimum investment size	1 share	Fund's minimum investment size	Fund's minimum investment size	Bond's minimum price/ minimum increment
Can investors see intraday pricing?	Yes	No	No	Yes
Portfolio concentration	Diversified	Diversified	Great concentration	Single Security

Liquidity – The ability to invest in an ETF via the primary and/or the secondary market can potentially provide greater liquidity compared to alternative approaches to bond investing, such as actively managed and index mutual funds. Also, we believe the liquidity of a fixed income ETF is at least as liquid as the underlying market that it tracks. For example, if a market maker (MM) has the ability to buy and sell \$100 million worth of a basket of Asian local currency bonds, that MM should be willing to make an equivalently sized market in an Asian local currency bond ETF.

Diversification – Taking PAIF as an example, it provides diversified exposures to Asian bonds (~75% in emerging markets Asian bonds and ~25% in developed markets Asian bonds as of March 2019). In addition, our indexing strategies apply sophisticated techniques capable of delivering the benchmark return in a cost-efficient manner.

Credit Risk Mitigation – Diversification from an ETF can also mitigate potential credit events. Additionally, a credit risk premium can be harvested across the overall diversified exposure to compensate for such events. Having broad index exposure appears to offer investors protection from some of the inherent behavioral biases of active managers and provide higher return potential, despite offering exposure to both stronger and weaker parts of the universe.

PAIF Snapshot

Legal Structure	Singapore domiciled open-end unit trust
Listing	Stock Exchange of Hong Kong (2821 HK), Tokyo Stock Exchange (1349 JT)
Base Currency	USD
Fund Size	US\$3.65 billion (as of 30 April 2019)
Dealing Arrangements	1. Buy and sell on the secondary markets, or 2. Deal through an Authorised Participant
Board Lot	10 Units (secondary market) / 10,000 Units (through MM / AP) ⁵
Ongoing Charges⁶	0.18%
Distributions⁷	Semi-annual distributions
Manager	State Street Global Advisors Singapore Limited
Website⁸	abf-paif.com

⁵ MM = Market Makers. AP = Authorized Participants. Please refer to https://www.abf-paif.com/hk/eng/ap_list.aspx for the list of market makers and authorized participants.

⁶ The ongoing charges figure is based on expenses for the financial year ended 30 June 2018. This figure may vary from year to year. The ongoing charges figure is calculated by adding the applicable charges and payments deducted from the assets of the Trust and then dividing by the Trust's average net asset value for the financial year. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the calculation of ongoing charges.

⁷ The semi-annual distributions are dependent on PAIF's performance and are not guaranteed.

⁸ This website is not reviewed by the Securities and Futures Commission of Hong Kong ("SFC").

Source: State Street Global Advisors, as of 30 April 2019.

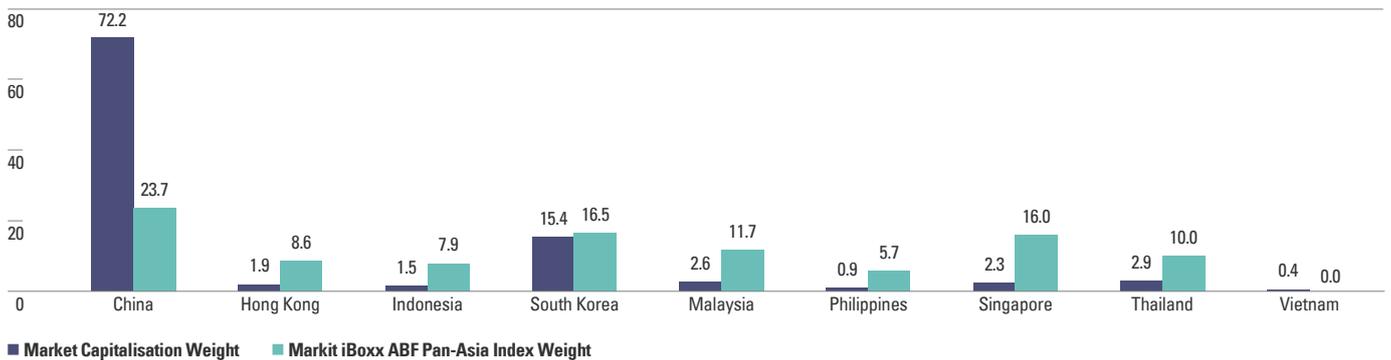
Intelligent Indexing

PAIF’s benchmark, the Markit iBoxx ABF Pan Asia Index, includes debt obligations denominated in an Asian Currency issued or guaranteed by the government, quasi-government organisations or supranational financial institutions in China, Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore and Thailand.

Instead of using the standard market capitalisation approach, the Index utilizes an alternative approach which takes all of the followings into consideration:

1. Size of the country’s bond market;
2. Country’s sovereign debt rating;
3. Investability Indicator (based on GEMLOC Investability Indicators⁹ developed by the World Bank)

Market Cap Weight vs. Index Weight



Source: State Street Global Advisors, Markit as of 31 December 2018. Index weights are as of the date indicated, are subject to change and should not be relied upon as current thereafter. Market capitalisation weight shown in the chart is calculated based on government and corporate bond market size sourced from Asian Development Bank.

⁹ Please refer to <http://www.markit.com/Documentation/Product/iBoxx> > Rules Benchmark > Global > Global Emerging Market for GEMLOC Investability Indicator Methodology.

Stratified Sampling in Action

Making sure a fund tracks closely to the index is a bit like the duck paddling under the water. Everything appears calm above the water, but underneath is where all the action is, the individual decisions that need to be made correctly.

Investors are beginning to realize that index performance is a lot more than expense ratios alone. The following chart shows PAIF's performance attribution over the past 5 years. We reduce significantly the implementation costs, which would be a drag to performance, by using our value-added indexing process - instead of buying all the bonds in the index, we replicate the index risk return characteristics by sampling the universe. This lowers the implementation costs by reducing the portfolio turnover (average 10% less) vs. its benchmark. Additionally, we are able to reduce trading costs thanks to our scale and strong, longstanding relationship with the sell-side through our best execution practice.

Return Breakdown (2014–2018)

State Street Global Advisors 5yr relative USD annual performance*	-29bps
<i>Withholding tax</i>	<i>-22bps</i>
<i>Trading Cost</i>	<i>-8bps</i>
<i>Sampling</i>	<i>+2bps</i>
Estimated Annual Cost of Indexing (full replication)**	-55bps
Total State Street Global Advisors Added Value:	+26bps
<i>Withholding tax saving</i>	<i>+4bps</i>
<i>Trading & Turnover</i>	<i>+21bps</i>
<i>Sampling</i>	<i>+2bps</i>

Source: State Street Global Advisors. As of 31 December 2018. The information contained above is for illustrative purposes only. Past performance of the scheme is not necessarily indicative of the future performance of the scheme.

*State Street Global Advisors 5yr relative USD annual performance is the difference between the performance of iBoxx ABF Pan-Asia Index and Pan Asia Bond Strategy Gross Performance net of withholding taxes (excluding contribution of securities lending which was launched on July 10, 2018).

**Calculation Methodology: The iBoxx ABF Pan-Asia Index Full Replication Cost assumes the portfolio conducts rebalancing at month end (12 times for a calendar year) without minimum trading lot constraints. It also assumes no client inflow/outflow in each calendar year and zero cost for FX transaction. At each month-end rebalancing, the full replication approach is to buy/sell bonds to ensure the portfolio has the exact same underlying bond weights as in the Index. The bond trading cost is based on Bloomberg bid-offer spread of each underlying bonds as of the latest available business day of each month. If an underlying bond's bid-ask spread is not available, the spread of a bond with same currency and similar time to maturity is applied as a proxy. Interest withholding tax, capital gain tax and tax on premium/discount are applied to underlying markets (if applicable). In each calendar year, the year beginning prices are the base value for the calculations of capital gain tax. All calculations are in relative terms (i.e. in % or bps).

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with US\$2.8 trillion* under our care.

*AUM reflects approximately US\$32.7 billion (as of March 31, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

ssga.com[^] | abf-paif.com[^]

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This document has not been reviewed by the SFC.

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substantial size through designated dealers and the listing of PAIF on the stock exchanges do not guarantee a liquid market for the units, and PAIF may be delisted from the stock exchanges. PAIF may use or invest in financial derivatives. Investors may wish to seek advice from a financial adviser before making a commitment to purchase PAIF. In the event that Investors chooses not to seek advice from a financial adviser, he should consider whether the product in question is suitable for him.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Diversification does not ensure a profit or guarantee against loss.

In general, ETFs can be expected to move up or down in value with the value of the applicable index. Although ETFs may be bought and sold on the exchange through any brokerage account, ETFs are not individually redeemable from the Fund. Investors may acquire ETFs and tender them for redemption through the Fund in Creation Unit Aggregations only, please see the prospectus for more details.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

Frequent trading of ETF's could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

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