PRESS RELEASE

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EVERGRANDE
10 Billion US-Dollar in losses for Asia-Funds

The Evergrande default and the China real estate crisis are currently causing around 10 billion US dollars in losses at the ten largest pension and investment funds specializing in Asia, with the largest Evergrande bond exposure of around 1.2 billion US dollars. Of these, US$7 billion have already been incurred in real terms and a further US$2 billion will be realized when insolvency is filed. A further US$158 billion in losses on Evergrande from CDS investments by international investors is expected.

A recent DMSA study analyzing the top ten Asia-focused pension and mutual funds with the largest exposure to Evergrande bonds shows:
Evergrande and general China exposure has led to losses of up to 21 percent this year in all 10 funds studied; across all 10 funds combined, losses total $7 billion. Current Evergrande bond prices are about a quarter per dollar (about 25 percent of 100 nominal) and, based on Fitch redemption rates, will fall to 5 percent per $100 upon insolvency. Therefore, a further correction of 6 percent or $2 billion is expected.

"If Evergrande will be bankcrupt, the above funds would lose $9 billion in total year-to-date. This does not take into account real estate companies that are still well valued and which could also be on the verge of insolvency. The funds' losses then exceed the $10 billion mark," explains DMSA senior analyst Dr. Marco Metzler. It also shows that with only $1.2 billion of reported official Evergrande bond exposure, the losses are significantly higher than the nominal bond exposure by a factor of 10. "The difference can only be explained by possible additional investments in other bonds from Chinese real estate developers and credit default swaps (CDS)," analyzes Dr. Metzler. According to a research report by investment bank Goldman Sachs, the market's CDS exposure to Evergrande is said to be around $158 billion. "This shows that extent of the spill-over effects of the Evergrande bankruptcy. In addition to the $23.7 billion in bonds, another $158 billion would then be lost," Dr. Metzler summarized.

Valued at $55 trillion, the Chinese real estate market is twice the size of that in the United States. It generates 29 percent of China's gross domestic product, compared with 10 to 20 percent in other nations, and has been called the most important sector of the global economy. But with the mountain of debt from real estate developers like Evergrande and funds overweight in real estate bonds, many are now experiencing dramatic losses.

According to the information available, the Asian High Yield funds of Fidelity and UBS are the ones with the highest Evergrande exposure.

Name	Participation	Issued pcs. in %	Data delivery	Fantasia Participation	Data delivery Fantasia
FIDELITY - ASIAN HIGH YIELD	215.056.305	0,91	30.06.2021	-	30.09.2021
UBS - Asian High Yield USD	171.924.000	0,73	30.09.2021	53.050.000	30.09.2021
Ashmore SICAV - Emerging Markets TR	166.656.000	0,70	30.09.2021	28.208.000	30.09.2021
Ashmore SICAV - Emerging Markets LC	140.016.000	0,50	30.09.2021	47.841.000	30.09.2021
iShares USD Asia High Yield Bond ETF	134.439.000	0,50	08.11.2021	2.300.000	08.11.2021
PIMCO Asia High Yield Bond Fund	111.300.000	0,47	30.06.2021	17.400.000	30.06.2021
BlackRock - Asian Tiger Bond	88.589.000	0,37	31.05.2021	38.535.000	31.05.2021
Fidelity - Global Multi Asset Income	76.007.640	0,32	31.08.2021	-	30.09.2021
Eastspring Investments - Asian Bond	58.950.000	0,25	30.09.2021	48.450.000	30.09.2021
AB FCP I - Global High Yield Portfolio	28.460.000	0,12	30.09.2021	-	30.09.2021
	1.191.397.945			235.784.000	

Participation on Evergrande and Fantasia Bonds

Looking at the average ratings in the affected funds, the Fidelity Asian High Yield Fund has a weight of 34.2 percent invested in real estate with an average rating of BB. This has lost 17.3 percent in value this year. The UBS Asian High Yield Fund, with an average rating of BB-, holds 45.7 percent in real estate bonds. This has lost 20.8 percent in value this year.

"The top ten funds hold $1.2 billion in Evergrande bonds," said Dr. Marco Metzler. "However, there is another $236 million exposure to other real estate companies such as Fantasia, and it is quite clear that the funds under consideration are overweight the real estate sector. They hold up to 45 percent in real estate bonds, which may now be their undoing."

Name	Losses In % 2021	Participation Evergrande Bonds	AuM in Bio. $	Losses in Bio. $
FIDELITY FUNDS - ASIAN HIGH YIELD FUND	-17,27%	215.056.305	3,90	-0.79
UBS Lux Bond SICAV - Asian High Yield	-20,83%	171.924.000	2,97	-0.75
Ashmore SICAV - Emerging Markets TR	-11,24%	166.656.000	21,35	-2.67
Ashmore SICAV - Emerging Markets LC	-11,18%	140.016.000	3,33	-0.41
IShares USD Asia High Yield Bond Index	-15,50%	134.439.000	1,74	-0.31
PIMCO Asia High Yield Bond Fund	-12,83%	111.300.000	1,73	-0.25
BlackRock Global Funds- Asian Tiger Bond	-8,27%	88.589.000	5,25	-0.47
Fidelity Funds - Global Multi Asset Income	-3,93%	76.007.640	9,30	-0.38
Eastspring Investments - Asian Bond	-8,25%	58.950.000	3,60	-0.32
AB FCP I - Global High Yield Portfolio	-2,36%	28.460.000	27,05	-0.65
		1.191.397.945		**-7.01**

Losses of funds with largest Evergrande bond exposure

The losses incurred have already called for personnel consequences. The senior investment manager of UBS Asian High Yield has reportedly left the firm after suffering significant losses since the start of the year and holding substantial holdings in the Chinese real estate sector, including bonds issued by Evergrande. Singapore-based Ross Dilkes has left UBS Asset Management after starting there 16 years ago, according to a "Bloomberg" report. Dilkes is the senior manager of the Asian High Yield fund, which was launched about nine years ago.

Treasury Secretary and ex-FED President Janet Yellen fears consequences for the global economy. She recently warned that Evergrande's and other Chinese difficulties in repaying billions of dollars in loans could have repercussions for the global economy.

Fears that its collapse could drag down Chinese banks and shake the country's huge real estate market have roiled global financial markets and now Americans.

The Federal Reserve warned of direct risks to the U.S. in its latest Financial Stability Report. Financial tensions in China could weigh on global financial markets by worsening risk sentiment, pose risks to global economic growth, and affect the United States.

Please find more information and the research report at www.dmsa-agentur.de

About DMSA Deutsche Markt Screening Agentur GmbH:

DMSA Deutsche Markt Screening Agentur GmbH, is an independent data service that collects and evaluates market-relevant information on companies, products and services. DMSA sees itself as an advocate for consumers, private customers and intelligent investors. The claim: to always look at companies and providers, products and services through the eyes of the customers. The customers are the focus of DMSA's work. For them, important and decision-relevant information is bundled and presented as market screenings. The aim is to create more transparency for consumers when selecting products, investments and services.

Press contact:

Inga Oldewurtel
Press Officer

mailto: oldewurtel@prio-pr.de
Tel.: +49 176 62 26 18 97

Responsible for the content:

DMSA Deutsche Markt Screening Agentur GmbH
Wichertstraße 13
10439 Berlin
Germany

Michael Ewy
Managing Director

http://www.dmsa-agentur.de