

Hedged Share Classes

During times of market volatility, fluctuations in both the foreign exchange (FX) and security markets can affect returns in an investment portfolio. Investors can take proactive steps to mitigate FX risks from their portfolio’s return. UOBAM offers hedged share classes on a range of funds to assist investors in managing the impact of currency risks on their investments.

Benefits of investing in hedged share classes

Hedged share classes are able to safeguard investor returns against uncertain FX fluctuations that can result in potential losses. A series of FX hedges are employed to mitigate the impact of FX movements.

Hedged share classes also offer investors the familiarity of dealing in their base currency.

Options available to investors

With the availability of both hedged and unhedged share classes, investors are able to invest according to their preference of either minimising FX risks, or to leave the portfolio unhedged and be exposed to FX gains or losses.

How will the performance differ between a hedged and unhedged share class?

In an unhedged share class, investor returns are a combination of fund performance and the impact of any currency movements between the investor’s base currency and the underlying currency of the fund. We can express this as:

Fund Performance

+

Currency Performance

=

Total Return

Let us consider the impact on hedged and unhedged share classes, assuming the following:

- Investor base currency in SGD
- Fund buys into underlying securities denominated in USD
- Assumption that hedging costs are zero

Hedged Classes

Scenario	Fund Performance	Currency Performance	Total Return	Rationale
Weakening SGD vs USD	5%	Nil	5%	The total return only reflects fund performance since the currency performance has been removed due to the employment of hedging strategy.
Strengthening SGD vs USD	5%	Nil	5%	
Suited for investors who are: • Looking to minimise FX risk • Seeking returns predominately from the investment performance of the fund • Seeking to deal in their base currency (e.g. SGD) rather than a fund’s underlying currency				

Unhedged Classes

Scenario	Fund Performance	Currency Performance	Total Return	Rationale
Weakening SGD vs USD	5%	3%	8%	Assuming the SGD depreciates by 3% against the USD. The fund currency (in USD) is converted into the investor base currency (SGD) at a higher rate, enhancing the returns.
Strengthening SGD vs USD	5%	-3%	2%	Assuming the SGD appreciates by 3% against the USD. The fund currency (in USD) is converted into the investor base currency (SGD) at a lower rate, offsetting the total return.
Suited for investors who are: • Willing to undertake exposure in currency movements • Looking to gain from FX opportunities				

Investors should be aware that no hedging strategy will eliminate currency risk entirely. While hedged share classes aim to protect the portfolio’s performance from currency fluctuations, investors should also note that a hedging strategy would also exclude participation from currency gain upsides.

Important Notice & Disclaimers

This document shall not be copied, or relied upon by any person for whatever purpose. This document herein is given on a general basis without obligation and is strictly for information only. This document is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. The information contained in this document, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of the document, all of which are subject to change at any time without notice. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. In preparing this document, UOBAM has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was otherwise reviewed by UOBAM. UOBAM does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. UOBAM and its employees shall not be held liable for any decision or action taken based on the views expressed or information contained within this publication. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.**