United Income Focus Trust

April 2023

Why Invest?

- **Attractive and regular income**: The United Income Focus Trust (the “Fund”) aims to achieve a robust income stream by tapping into multiple uncorrelated sources of return and income. For share class SGD Dist, the annualised yield of the Fund is at 5.50 per cent as of April 2023[1], paid out monthly.

- **Income stream is secured with an all-weather strategy**: The Fund’s robust multi-asset allocation strategy invests in a broad spectrum of global assets (traditional and alternative), which allows the Fund to build resilience in riding out economic peaks and troughs while aiming to provide regular and smoother returns.

- **Disciplined multi-layered downside risk control**: The additional layers of downside risk control, such as volatility-based signals, and momentum-based signals, are built into the Fund to ensure yield and to limit the investment downside during a market downturn.

- **Capitalise on the expertise of sub-manager**: Wellington Management is one of the world’s oldest and largest sub-advisors of active mutual funds and has assets under management (AUM) of over US$1 trillion as of the end of April 2023.

Investment Objective

The investment objective of the United Income Focus Trust aims to provide regular income to investors with a secondary focus on capital appreciation over the medium to long term by investing globally in a diverse set of traditional and alternative asset classes. The investment universe of the Fund will be broad, encompassing traditional asset classes (for example, equities and fixed income securities) and alternative asset classes (for example, real estate investment trusts, convertibles, preferred securities and currencies).

Fund Information

Fund Size

SGD 576.05 mil

Base Currency

SGD

Sub-Manager

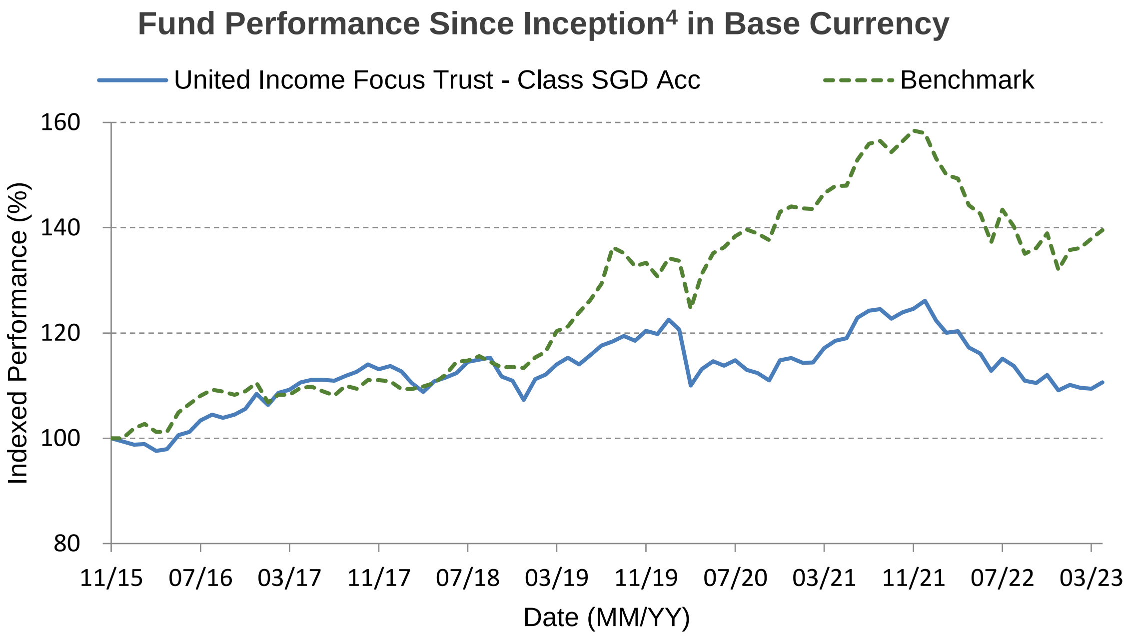
Wellington

[1] *Distributions (in SGD) are not guaranteed. Distributions may be made out of income, capital gains and/or capital. This relates to the disclosed distribution policy as set out in the Fund’s prospectus.*

One Month Portfolio Review

For the month of April 2023, the United Income Focus Trust– SGD Acc (the "Fund") returned +1.10[2] per cent. Its benchmark returned +1.20[3] per cent in the same month.

Historical Performance



Past performance is not necessarily indicative of future performance.

Source: Morningstar. Performance as at 30 April *2023, SGD basis, with dividends and distributions reinvested, if any.*

Fund performance is calculated on a NAV to NAV basis.

Benchmark: Since Inception – 14 Jan 2020 – 25 per cent MSCI All Country World Index and 75 per cent FTSE World Government Bond 10+ Years Index (Hedged); 15 Jan 2020 – present: 35 per cent MSCI World Index (USD Hedged), 5 per cent MSCI Emerging Markets Index (Unhedged), 25 per cent Bloomberg Global Aggregate Corporate Index (USD Hedged), 15 per cent Bloomberg Global High Yield Index (USD Hedged) and 20 per cent FTSE World Government Bond 10+ Years Index (USD Hedged).

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[2] *Source: Morningstar, Performance from 31 March 2023 to 30 April 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).*
[3] *Source: Morningstar, Performance from 31 March 2023 to 30 April 2023 in SGD terms.*
[4] *The United Income Focus Trust – SGD Acc (ISIN Code: SG9999014542) and SGD Dist (ISIN Code: SG9999014559) were incepted on 30 November 2015.*

All statistics quoted in the write-up are sourced from Bloomberg as of 30 April 2023 unless otherwise stated.

The Fund returned +0.9 per cent (gross, in US Dollars) in April 2023, bringing year-to-date performance to +2.6 per cent and since inception annualised performance to +4.3 per cent. Gains were led by global equities (+0.9 per cent) and global fixed income (+0.4 per cent) while losses from active asset allocation (-0.4 per cent) partly offset overall gains. Within global equities, gains were driven by Global Diversified Equity Income (+0.9 per cent) and Opportunistic Equity ended flat. From a regional perspective, gains were driven by Europe and US. Europe's Gross Domestic Product (GDP) rose slightly, supported by lower energy prices and fiscal stimulus whereas the US equity market was supported by better-than-expected earnings from banks and large technology companies, resilient consumer spending, modest softening in the labor market, and cooling inflation. From a sector perspective, financials and consumer staples led gains while losses in information technology partly offset overall gains. Within global fixed income, gains were driven by Global Diversified Fixed Income (+0.4 per cent) while Opportunistic Fixed Income ended flat. Performance was positive, mainly driven by investment grade credit as spreads tightened. Our risk management hedges turned out flat as we removed our positions early in April 2023. Lastly, our active asset allocation detracted due to our long China and short European equity index futures, as well as short Japanese duration positions.

Annualised and Cumulative Performance

Performance (Class SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	1.10	-5.64	-0.74	-0.04	1.37
Fund (Charges applied^)	-3.96	-10.35	-2.43	-1.06	0.67
Benchmark	1.20	-3.29	2.09	4.78	4.60

Source: Morningstar. Performance as at 30 April 2023, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Benchmark: Since Inception – 14 Jan 2020 – 25 per cent MSCI All Country World Index and 75 per cent FTSE World Government Bond 10+ Years Index (Hedged); 15 Jan 2020 – present: 35 per cent MSCI World Index (USD Hedged), 5 per cent MSCI Emerging Markets Index (Unhedged), 25 per cent Bloomberg Global Aggregate Corporate Index (USD Hedged), 15 per cent Bloomberg Global High Yield Index (USD Hedged) and 20 per cent FTSE World Government Bond 10+ Years Index (USD Hedged). Past performance is not necessarily indicative of future performance. ^Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

Market Review

Global equities rose in April 2023. Investors were encouraged by mostly resilient corporate earnings and moderating inflation expectations amid a decline in commodity prices. Elevated inflation readings and ongoing banking turmoil dominated the market tone, although most global sovereign bond yield movements were limited. Global credit bonds outperformed duration-equivalent government bonds as most economic releases showed signs of improvement and credit spreads tightened. Within emerging markets (EMs), local markets debt outperformed external debt, in US dollar terms.

Outlook and Positioning

We are in a different economic landscape with a keen focus on credit conditions, growth, and earnings. The credit crunch will pull forward economic and earnings weakness, increasing the potential for a recession. Tactically, we maintain our underweight to equity in light of recent developments and slowing global growth. On a relative basis, we are more constructive on high-quality fixed income which looks more competitive from a yield perspective, coupled with rising near-term recession risk and slowing inflationary pressures making duration look more attractive. In our base case for 2023, we expect inflation to decline but remain above target in 2023, allowing central banks to stop tightening but not cut rates. We expect further deterioration in macro variables to weigh on earnings expectations and will need to see the earnings downgrade process play out before we turn more favourable on global equities.

Within equities, we continue to focus on quality, preferring companies with pricing power, long-term margin stability, and healthy balance sheets that can withstand inflationary pressures. On a regional basis, we maintain a modest overweight to Japanese equities as Japan continues to enjoy a looser policy environment with fiscal stimulus and wage growth. We maintain an underweight to European and US equities, as the recent cracks in the banking sector in the US and Europe highlight the consequences of a tighter monetary policy on the real economy, supporting our underweight position in both regions. We have a neutral stance on Emerging Markets and remain overweight to China, given a more constructive outlook due to the economic recovery from its reopening, supportive policies for the property sector and relatively cheaper valuations.

Within defensive fixed income, we maintain our modest overweight stance, favouring US rates over Europe and Japan. We think the US Federal Reserve (Fed) is ahead on the hiking cycle and could see a pause in rate hikes while the European Central Bank (ECB) has relatively more work to do to rein in inflation. Growth and inflation are materialising in Japan, putting pressure on the Bank of Japan’s (BOJ's) yield control policy. On top of that, we think that Japanese 10-Year yields are lower than fair value and could see corrections in 2023. We maintain a modest underweight stance on investment-grade (IG) credit. A demand-driven slowdown could result in widening IG spreads despite reasonable valuations. As for growth fixed income, we remain bearish as spreads are not particularly attractive given the higher risk of recession.

During this volatile period, we focused on risk management to help mitigate the downside. We have in place a distinct process dedicated to risk identification and portfolio protection. Duration traditionally offers protection in tumultuous equity markets, but the positive correlation between the two asset classes during this period due to the prominence of inflation concerns further highlighted the need for dynamic risk management. In the first quarter of 2023, we were nimble in adjusting our equity exposure and duration positioning via equity hedges amidst volatile market conditions. More recently in early April 2023, we removed the equity hedges as we believed the benign Consumer Price Index (CPI) data would allow markets to drift higher but subsequently added back equity hedges due to the elevated risk of a market drawdown. We believe that our dynamic approach will allow us to de-risk quickly as markets become more challenged while allowing us to re-risk efficiently to capture periods of recovery. Our objective remains to protect the capital while also delivering on the return objectives in the medium to long term. Overall, we continue to maintain a long-term volatility target of 7.5 per cent as of end-April 2023.

Finally, we believe this market environment to be supportive of security selection and active management. Against this backdrop, we believe income investors will be best served through a highly diversified portfolio of multi-asset income-producing assets that can be dynamically adjusted as market conditions evolve.

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