United Sustainable Credit Income Fund

April 2023

Why Invest?

- **Attractive regular income**: Attractive and stable income throughout the credit cycle with superior issuer selection within Investment Grade, High-Yield, and Emerging Market Corporates. For share class A SGD Dist (Hedged), the annualised dividend yield is currently at 3.72 per cent and paid out monthly as of April 2023[1].

- **Unconstrained and disciplined approach**: The United Sustainable Credit Income Fund (the "Fund") adopts a prudent approach in bottom-up credit selection for flexible portfolio exposures across ratings, sectors, or regions, throughout the credit cycle, not determined by any benchmark.

- **Buying on the dip in bearish markets:** As we near the end of a fast and aggressive central bank hiking cycle, we might see more accidents as companies and the economy adjust to the higher rate environment. This presents opportunities and we prefer to tactically buy on the dip when opportunities arise.

- **Strong sustainability profile**: The Fund that makes a positive impact on the United Nations Sustainable Development Goals (UN SDGs), and will not invest in bonds of corporates that detract from these goals or have a negative SDG rating.

Investment Objective

The investment objective of the United Sustainable Credit Income Fund is to achieve income with the prospect of capital growth from a multi-sector portfolio of fixed income instruments.

Fund Information

Morningstar Medalist Rating

Bronze

Fund Size

SGD 13.74 mil

Base Currency

SGD

Sub-Manager

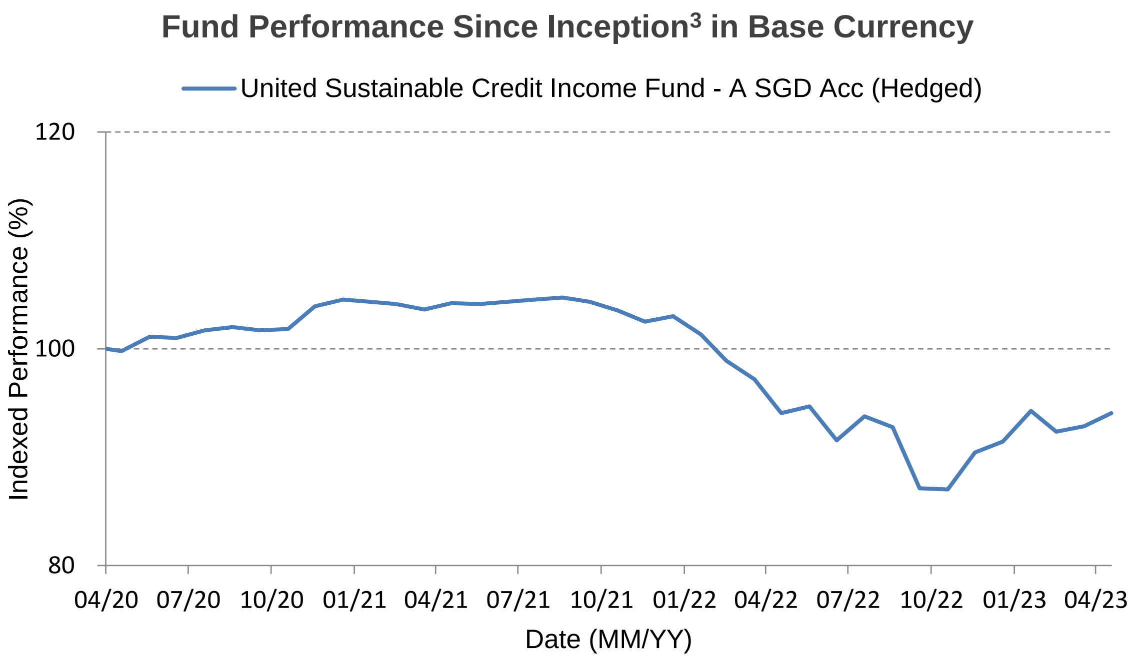
Robeco

[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

The United Sustainable Credit Income Fund – A SGD Acc (Hedged) (the "Fund") returned +1.30[2] per cent in April 2023.

Historical Performance



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

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

[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] *The United Sustainable Credit Income Fund – A SGD Acc (Hedged) (ISIN Code: SGXZ29784493) was incepted on 13 April 2020.*

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

Positive total return benefitting from positive performance on bank exposure

The Fund had a positive return in April 2023. With credit spreads relatively stable and US Treasury (UST) yields only slightly down, the return was to a large extent driven by the portfolio yield in April. Credit returns had a positive contribution in April 2023, mainly driven by the holdings in the banking and insurance sectors. In the banking sector, the holdings in Contingent Convertible (CoCo) bonds had the strongest contribution. On the issuer level, top contributors were mainly in the financial sector and include Banco Santander SA (Santander), Nationwide Building Society (Nationwide), and Banco de Sabadell SA (Banco de Sabadell).

The Fund's duration exposure had a small positive contribution to returns as UST yields declined slightly over April 2023.

Annualised and Cumulative Performance

Performance (Class A SGD Acc Hedged)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	1.30	0.00	-	-	-1.99
Fund (Charges applied^)	-1.74	-3.00	-	-	-2.97

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 percent change, while performance figures above 1 year show the average annual compounded returns. 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

Credit markets trade range-bound

In April 2023, financial markets were relatively quiet and credit spreads traded in a narrow range, with volatility in UST markets also limited. The Global High Yield Index spreads rose 4 basis points (bps) to 5.51 per cent and spreads on the Bloomberg Barclays Global Aggregate-Corporates Index declined 4bps to 1.49 per cent. In emerging markets, the Corporate Emerging Market Bond Index (CEMBI) spread declined 3bps to 3.72 per cent. 5-year UST yields declined 9bps to 3.48 per cent.

Problems in the US regional banking sector continued to pop up. First Republic Bank (First Republic), which is mainly active in the market for wealthy clients, was the latest victim. The bank faces similar issues as other regional banks with large unrealised losses on "assets held to maturity". In March 2023, a group of larger US banks provided US$30 billion of uninsured deposits to shore up liquidity. This did not turn the tide for the First Republic and the bank was eventually acquired by JPMorgan Chase & Co (JPMorgan) in a transaction organized by the US government.

In Europe, the banking sector performed more strongly in April 2023. Reported earnings show that banks are benefiting from the higher interest rate environment. Banks are not facing the same problems as US regional banks as the European regulations are more strict on interest rate hedging. Two European banks announced a call (bonds are redeemed at the call price by the issuer prior to the maturity date of the bonds) of their CoCo bonds, which is positive for the sentiment around the asset class.

Outlook and Positioning

Positioning

Preference for financials maintained

The Fund invests in investment-grade credit, high-yield, and emerging markets. In our view, the most attractive value can be found in the financial sector. There are many examples of bank and insurance bonds that trade at much higher spreads than similarly rated corporates. In April 2023, we added senior Banco de Sabadell SA (Sabadell) bonds and Tier 2 (T2) instruments of Bank of Ireland Group plc (Bank of Ireland).

We have been cautious on high-yield rated corporates and only added the positions when specific opportunities arise. In April 2023, we participated in new US dollar bonds of ZF Friedrichshafen AG (ZF Friedrichshafen) and added a position in French automotive supplier Valeo SE (Valeo). We sold positions in high-yield corporates like Ineos Group Limited (Ineos) and Nokia Oyj (Nokia) that have rallied strongly.

In light of our constructive view on financials, the Fund holds a significant exposure to bank and insurance debt. 35 per cent is invested in bank debt with 11 per cent in senior debt, 12 per cent in lower T2 bank debt and 12 per cent in Additional Tier CoCos. 13 per cent is invested in insurance debt. Other larger sector exposures are in the basic industry and consumer cyclical sectors. The majority of the Fund is invested in the BBB to BB space. We are cautious with our allocation towards high-yield corporates as valuations do not reflect recession risk.

The portfolio interest rate duration is 5 years. The overall credit quality of the portfolio is BAA1/BAA2.

Our top 10 positions consist mainly of high-yield-rated corporates and holdings in subordinated financials. Our subordinated financials positions are mainly in T2 securities. Our high-yield holdings are to a large extent in subordinated financials.

Outlook

Recession expected as central bank tightening starts to impact the economy

Central banks have been experimenting with monetary policy for years – and have invented a lot of new monetary instruments and strategies along the way. The result has been low or negative yields for far too long. The economic system has created debt in all corners of society. A fast and aggressive hiking cycle will undoubtedly reveal many problems. Recent examples are Silicon Valley Bank and Credit Suisse Group AG (CS) getting into deep water.

We expect a recession could kick in somewhere towards the end of 2023 as a result of the tightening of monetary conditions by central banks. Recent developments in the banking sector will lead to more tightening lending standards, which will put additional pressure on the economy. We do believe risks are more skewed to the US market this time. US Federal Reserve (Fed) action is much more front-loaded, regional banks have a hedging problem on UST holdings, and other exposures are also more concerning, such as covenant-lite leveraged loans and Collateralised Loan Obligations (CLOs).

We are far enough into the business cycle and rate cycle that when markets become too bearish, buying on the dip makes sense. The sell-off in CoCos has led to excessive risk premiums and a buying opportunity in that segment. As fundamentals for the larger banks are solid we expect valuations to return to more normal levels. Valuations for non-financials are less attractive and valuations for cyclicals are not fully reflecting recession risks at the moment.

ESG (Environmental, Social, and Governance) Impact

Sustainable Impact Dashboard - Contribution to the United Nations Sustainable Development Goals (SDGs)

	Fund	Reference Universe*
SDG 1 – No Poverty	**18%**	7%
SDG 2 – Zero Hunger	**0%**	-1%
SDG 3 – Good Health and Well-being	**4%**	5%
SDG 4 – Quality Education	**0%**	0%
SDG 5 – Gender Equality	**2%**	6%
SDG 6 – Clean Water and Sanitation	**1%**	0%
SDG 7 – Affordable and Clean energy	**4%**	-9%
SDG 8 – Decent Work and Economic Growth	**57%**	24%

SDG 9 – Industry, Innovation and Infrastructure	**52%**	32%
SDG 10 – Reduced Inequalities	**0%**	0%
SDG 11 – Sustainable Cities and Communities	**40%**	16%
SDG 12 – Responsible Consumption and Production	**3%**	-1%
SDG 13 – Climate Action	**6%**	-15%
SDG 14 – Life below Water	**0%**	-2%
SDG 15 – Life on Land	**1%**	-2%
SDG 16 – Peace, Justice and Strong Institutions	**6%**	-2%
SDG 17 – Partnerships for the Goals	**0%**	0%

**Reference universe is a blend index of 1/3 Bloomberg Global Aggregate Corporate Total Return Index (hedged into USD); 1/3 Bloomberg US Corporate High Yield Total Return Index + Pan-European High Yield ex Financials 2.5% Issuer Cap (hedged into USD) Index; 1/3 J.P. Morgan Corporate Emerging Markets Bond Index (EMBI) Broad Diversified (hedged into USD). Source: Robeco, UOBAM, 30 April 2023*

The Fund has a high contribution to SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities). Our holdings in the Banking and Insurance sector and in emerging markets contribute the most to these SDGs. Our holdings in the telecom and technology sectors contribute positively to SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure).

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