UOB Asset Management

United SGD Fund

December 2022

Why Invest?

- **Inflation hedge**: The United SGD Fund has generated an annualised return of 2.82 percent since its inception in 1998, providing a good hedge against inflation. While periods of interest rate rises may cause mark-to-market risk for bond funds, this effect will be evened out when the bonds mature.

- **Attractive yields:** Given the recent sharp rise in interest rates, short-duration bonds now provide an attractive level of yields. This Fund offers a weighted average yield to maturity of 5.34 percent as of December 2022.

- **Laddered investment strategy:** By doing so, this Fund is able to ride the momentum of rising interest rates while keeping duration short. A laddered strategy means capital from the Fund's matured bonds is continuously re-invested into higher-yielding, shorter-dated bonds. This Fund has an effective duration of 1.24 years as of December 2022.

- **Above-deposit returns:** The recent rise in interest rates provide a more attractive entry point due to the yield pick-up of Singapore government bonds over Singapore dollar deposits, without the corresponding interest rate risk.

- **Weathering market downturns:** The Fund has exposure to short-duration high-quality credits. In the midst of market instability, the Fund represents a good defensive asset by offering downside protection while still being able to generate a decent level of income.

Investment Objectives

The investment objective of the United SGD Fund is to invest substantially all its assets in money market and short-term interest-bearing debt instruments and bank deposits with the objective of achieving a yield enhancement over Singapore dollar deposits

Fund Information

Morningstar Rating

★★★★★

Fund Size

SGD 1755.65 mil

Base Currency

SGD

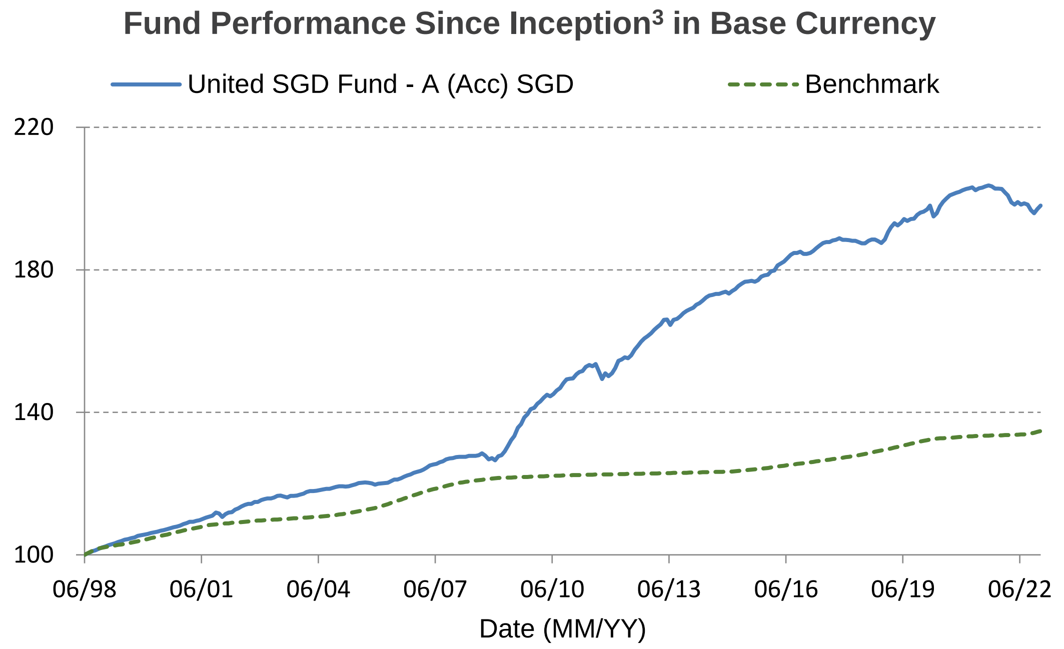
Fund Manager

Joyce Tan

One Month Portfolio Review

The United SGD Fund – A (Acc) SGD (the "Fund") returned +0.46 percent[1] in December 2022 in Singapore dollar (SGD) terms against the benchmark which returned +0.21 percent[2].

Historical Performance



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: Since inception – 2 May 2021: 6-month SIBID rate; 3 May 2021 – 7 Apr 2022: 12-month Bank Deposit Rate; 8 Apr 2022 – Present: 6-month Compounded Singapore Overnight Rate Average.

Source: Morningstar. Performance as at 31 December 2022, SGD basis, with dividends and distributions reinvested, if any.

[1] *Source: Morningstar, Performance from 30 November 2022 to 31 December 2022 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).*
[2] *Source: Morningstar, Performance from 30 November 2022 to 31 December 2022 in SGD terms.*
[3] *The United SGD Fund – A (Acc) SGD (ISIN Code: SG9999001382) was incepted on 19 June 1998.*

All statistics quoted in the write-up are sourced from Bloomberg as of 31 December 2022 unless otherwise stated.

Annualised and Cumulative Returns

Performance (Class A (Acc) SGD)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	0.46	-2.31	0.28	1.00	2.82
Fund (Charges applied^)	-1.54	-4.26	-0.40	0.59	2.74
Benchmark	0.21	0.88	0.69	1.13	1.22

Source: Morningstar. Performance as at 31 December 2022, 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. Benchmark: Since inception – 2 May 2021: 6-month SIBID rate; 3 May 2021 – 7 Apr 2022: 12M Bank Deposit Rate; 8 Apr 2022 – Present: 6-month Compounded Singapore Overnight Rate Average. 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

In December 2022, most government bond yields moved higher on the unexpected widening of the Bank of Japan (BoJ) yield curve control target band, hawkish central banks rhetoric, and solid US jobs data. China's end to the COVID-19 zero policy and reopening of its border from 8 January 2023 also spurred inflation fears as investors recalibrated their economic outlook. The 2-year and 10-year US Treasury (UST) yields closed at 4.43 percent (+12 basis points (bps)) and 3.88 percent (+27bps) respectively.

In credit, JP Morgan Asia Credit Index (JACI) Investment Grade Spread tightened 22bps to 180bps as investors bought China credits on positive sentiment. Despite the solid secondary market performance, there was negligible activity in Asia ex-Japan primary, with just US$2.6 billion of G3 currency bonds (bonds issued denominated in US Dollars, Japanese Yen, or Euros) priced (November 2022: US$4.9 billion and November 2021: US$21.8 billion). That took Asia ex-Japan supply for 2022 to US$160.5 billion compared to US$345.01 billion in 2021, a decline of 53.5 percent year-on-year (y/y). Meanwhile, commodity prices finished mostly higher in December 2022 (Brent crude oil price +0.6 percent, copper price +2.2 percent, iron ore +17.4 percent, gold price +3.1 percent).

Outlook and Positioning

The world economy may edge towards a global recession in 2023 after several central banks simultaneously hiked interest rates in response to inflation. While peak inflation is likely behind us on the high-base effect, we are mindful of the cost pressure faced by corporate credits. Elsewhere, it is still much of the same given the ongoing geopolitical tension between Russia/Ukraine and US/China. We aim to maintain our preference for defensive positioning with a preference for quality credits with leading market shares and of systemic importance, in defensive sectors.

The Fund will continue to:

1. Assess the relative value of bonds in the portfolio;
2. Focus on companies that have good access to capital markets and have defensive business models;
3. Invest in bonds maturing/callable/puttable on rolling three years;
4. Maintain 3-5 percent cash for liquidity; and
5. Hedge foreign currency risk to Singapore Dollar.

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