

### Why Invest?

- **Investment-grade (IG) focus:** The United Asian Bond Fund - SGD is actively managed with a focus on Investment Grade (IG) bonds. In the current volatile market, a preference for IG bonds could potentially reduce the volatility and enhance the risk-return profile of the Fund.
- **Attractive dividend payout:** For Class A SGD Dist (Hedged), the current distribution policy is 4.5 per cent per annum, paid out monthly, which may be suitable for investors who are seeking regular income<sup>1</sup>.
- **Country Diversification:** The Fund has a smaller allocation to Chinese and Korean bonds compared to its benchmark, as spreads for Chinese and Korean bonds have tightened this year, making them relatively more expensive. Instead, the Fund is well diversified across the Asia and ASEAN regions, such as Indonesia and Malaysia.
- **Lower interest rate risk:** Relative to IG bonds in the US, the duration of Asian IG bonds tends to be shorter. This means lower sensitivity to changes in interest rates.

### Portfolio Positioning

We remain defensive in China's Real Estate sector as the physical market has not exhibited a sustained recovery and we expect more volatilities to persist. Nevertheless, we are keeping a close eye on the recent stimulus package by the Chinese Government and may start to re-enter the space if we see a potential for a sustained recovery. While interest rates have come down significantly and are expected to decrease further over time, we continue to stay up in credit quality, maintaining our preference for issuers with solid fundamental or good access to diversified funding sources.

The Fund will: 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) Benchmark duration along the curve relative to the benchmark to capture potential curve steepening; 4) Focus on credit spread compression by selecting corporates with improving fundamentals that have attractive yields/spreads but are not captured in their current pricing.

### September 2024 Portfolio Performance

The United Asian Bond Fund - SGD	-0.30 per cent <sup>2</sup>
Benchmark: JP Morgan Asia Credit Index Investment Grade Total Return	-0.56 per cent

Source: Morningstar, Performance from 31 August 2024 to 30 September 2024 in SGD terms

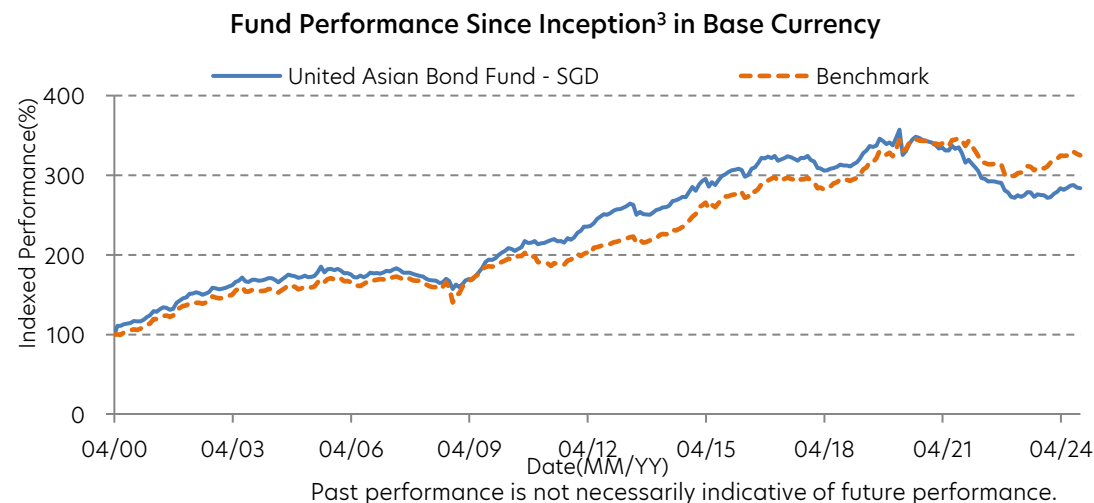
<sup>2</sup> Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

### Performance Review

The Fund outperformed the benchmark in September 2024 but delivered a negative return. The outperformance was due to credit spread tightening and coupon income.

<sup>1</sup> 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.

## Performance (Class SGD)



Fund performance is calculated on a NAV to NAV basis.

Benchmark: Apr 00 - Jul 03: JP Morgan Emerging Markets Bond Index Global Constrained Asia; Aug 03 - Dec 06: JP Morgan Asia Bond Total Return Composite; Jan 07 - 3 Apr 22: JP Morgan Asia Credit Index Total Return Composite; 4 Apr 22 - Present: JP Morgan Asia Credit Index Investment Grade Total Return

Source: Morningstar. Performance as at 30 September 2024, SGD basis, with dividends and distributions reinvested, if any.

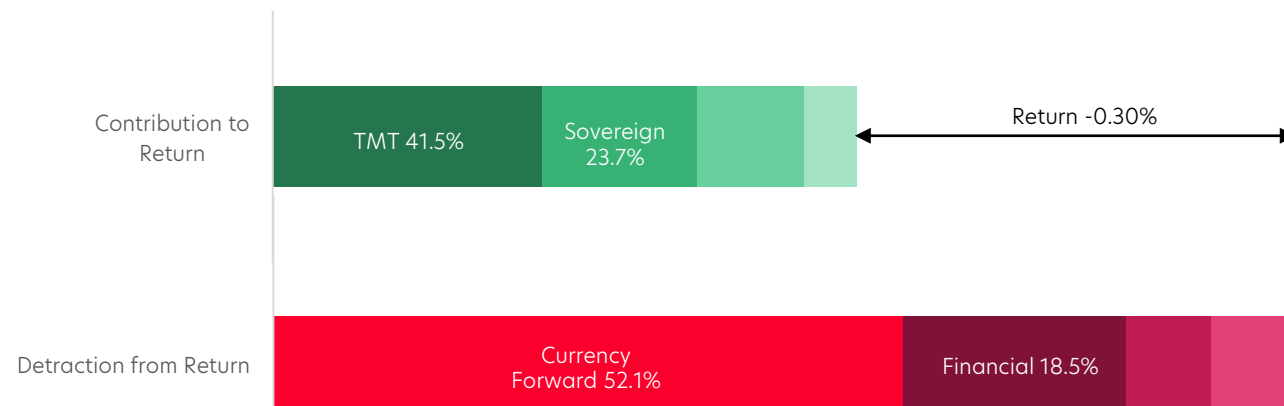
<sup>3</sup> The United Asian Bond Fund- SGD (ISIN Code: SG9999001416) was incepted on 5 April 2000.

All statistics quoted in the write-up are sourced from Bloomberg as at 30 September 2024 unless otherwise stated.

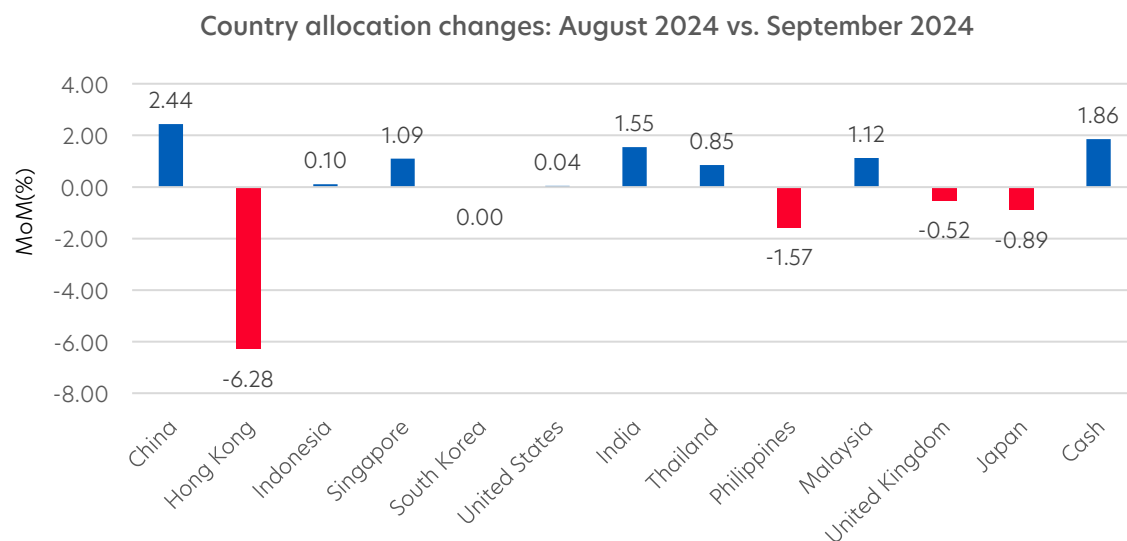
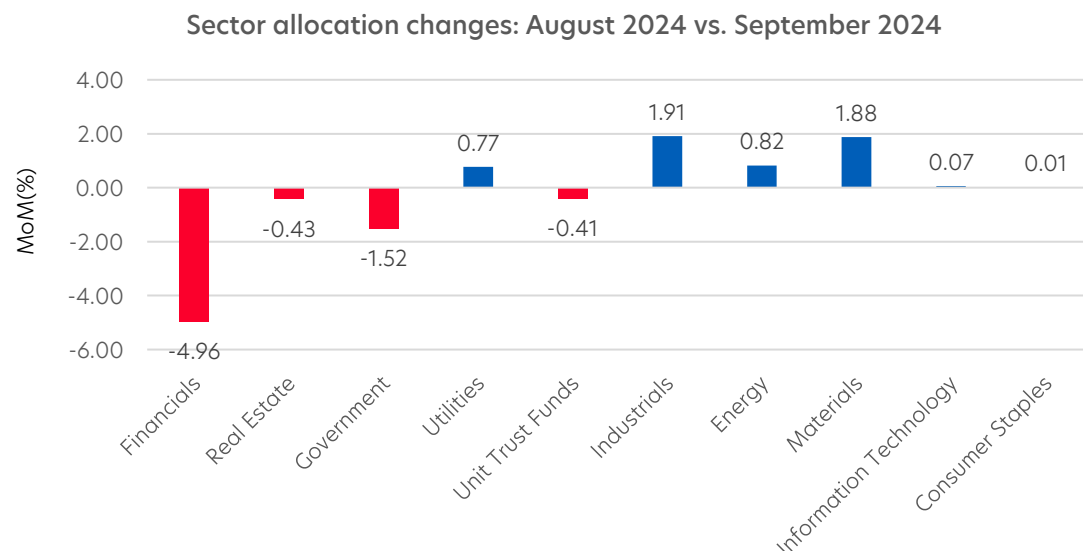
	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-0.30	3.15	-4.70	-3.72	3.90
Fund (Charges applied <sup>^</sup> )	-3.29	0.06	-5.66	-4.31	3.77
Benchmark	-0.56	5.07	-1.85	-0.26	4.93

Source: Morningstar. Performance as at 30 September 2024, 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: Apr 00 - Jul 03: JP Morgan Emerging Markets Bond Index Global Constrained Asia; Aug 03 - Dec 06: JP Morgan Asia Bond Total Return Composite; Jan 07 - 3 Apr 22: JP Morgan Asia Credit Index Total Return Composite; 4 Apr 22 - Present: JP Morgan Asia Credit Index Investment Grade Total Return. Past performance is not necessarily indicative of future performance. <sup>^</sup>Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

## Performance Contributors/Detractors: September 2024



## Portfolio Changes



Source: UOBAM

## Portfolio Review

### Analyst Insights

The new positions we added to the portfolio in September 2024 were quality Corporate Credit in the Financials, and Industrial sectors. Meanwhile, we sold positions in the Real Estate sector.

As shown on the left charts, the biggest decrease in the sector allocation changes for September 2024 was in Financials (-4.96 per cent), whereas the biggest increase was in Industrials (+1.91 per cent). In terms of country allocation changes, the Fund has the biggest decrease in Hong Kong (-6.28 per cent) and the most increase in China (+2.44 per cent) for September 2024.

## Market Review

Credit spreads tightened in September 2024 driven by the unexpected, outsized rate cut by the US Federal Reserve (Fed) and the renewed stimulus package released by Beijing. JP Morgan Asia Credit Index (JACI) Investment Grade credit spread tightened by 6 basis points (bps) to 125bps, the tightest level since 2007. The 50bps rate cut by the Fed in the September 2024 meeting and mixed global data fuelled a rally in the US Treasuries (UST). The 2-year and 10-year UST yields closed at 3.64 per cent (-28bps) and 3.78 per cent (-12bp) respectively. The slope of the US yield curve turned positive for the first sustained period since July 2022.

China attempted to revive its property markets as property policies were eased in the major cities. Meanwhile, the People’s Bank of China (PBoC) also reduced mortgage rates. These are part of a broader effort to stabilise the real estate market and provide a positive sentiment in the market.

Asian primary activity rebounded strongly on lower rates, with US\$25 billion of Asia ex-Japan G3 currency primary bonds (bonds issued in US Dollars, Japanese Yen, or Euros) priced in September 2024 (August 2024: US\$12 billion, September 2023: US\$14 billion). Year-to-date supply was US\$139 billion (+32 per cent year-on-year (y/y)). Major issuers in September 2024 included Hyundai Capital America (US\$2.75 billion), Meituan (US\$2.5 billion) and the Export-Import Bank of Korea (US\$2 billion).

While sentiment is buoyant, a few risks lurk on the horizon. (1) Escalation of conflict between Israel and Iran. A possible oil shock may alter the rate-cutting narrative. (2) Supply chain disruption may lead to inflation, which may cause a deterioration in credit fundamentals. However, the overall negative net supply expected for 2024 should act as a positive technical factor for Asia credit markets.

## Investment Objective

The investment objective of the United Asian Bond Fund seeks to provide stable current income and capital appreciation by investing primarily in debt securities issued by Asian corporations, financial institutions, governments and their agencies (including money market instruments).

## Fund Information

### Base Currency

SGD

### Fund Size

SGD 47.65 mil

### Fund Manager

Melvin Chan



### Important Notice and Disclaimers

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