January 2024

# United Asian High Yield Bond Fund

## Why Invest?

- **Flexible duration:** The United Asian High Yield Bond Fund – SGD Acc (the "Fund") maintains a nimble effective duration positioning of 1.86 years as of January 2024. This allows the Fund to be more resilient to interest rate changes and policy repercussions.
- **Attractive dividend payout:** For Class SGD Dist, the current distribution policy is 7.0 per cent per annum, paid out monthly, which may be suitable for investors who are seeking regular income[1].
- **Flexible tactical strategy:** The Fund's strategy is to underweight Chinese property, but we are monitoring China's physical property market and may re-enter the sector if we see a sustained recovery.
- **Diversification opportunities:** The investment universe for this Fund is very broad and includes China, India, Indonesia, and the Philippines, as well as some frontier market sovereigns.
- **Highly rated:** The Fund currently holds a Morningstar five-star rating as of 31 January 2024.

## January 2024 Portfolio Performance

| | |
|---|---|
| The United Asian High Yield Bond Fund – SGD Acc | +2.87 per cent[2] |
| Benchmark: J.P. Morgan Asia Credit Index (JACI) Non-Investment Grade Total Return Index | +4.01 per cent |

Source: Morningstar, Performance from 31 December 2023 to 31 January 2024 in SGD terms

[2] Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

## Performance Review

During January 2024, the underperformance against the benchmark was mainly due to the Fund's underweight in China Property (-0.8 per cent performance difference) and India's Metals and Mining (-0.4 per cent performance difference), partially offset by the overweight in the Consumer sector (0.2 per cent difference).

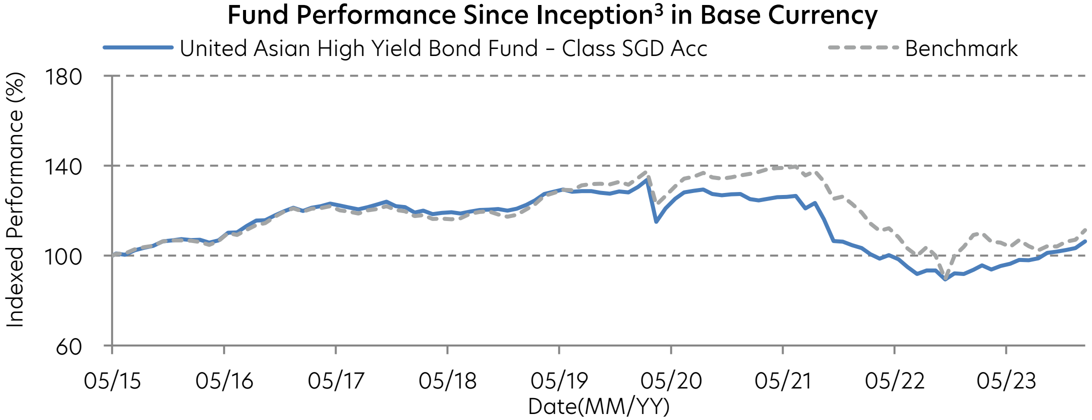
## Portfolio Positioning

Despite the improved market sentiment and environment, we continue to believe defensive credit selection and portfolio diversification are critical as some high-yield corporates may still find it difficult to refinance given the overall high interest rates.

The Fund will continue to: 1) Be prudent when deploying cash, overweighting shorter-dated high-yielding papers with more certainty of refinancing/repayment; 2) Focus on companies/industries that have good access to the capital market and better fundamentals; 3) Have a 60/40 approach, where 60 per cent of the portfolio is buy and hold and 40 per cent is for tactical allocation; and 4) Strategic positioning for the years ahead while maintaining stable risk-adjusted returns.

[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.

## Performance (Class SGD Acc)




Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

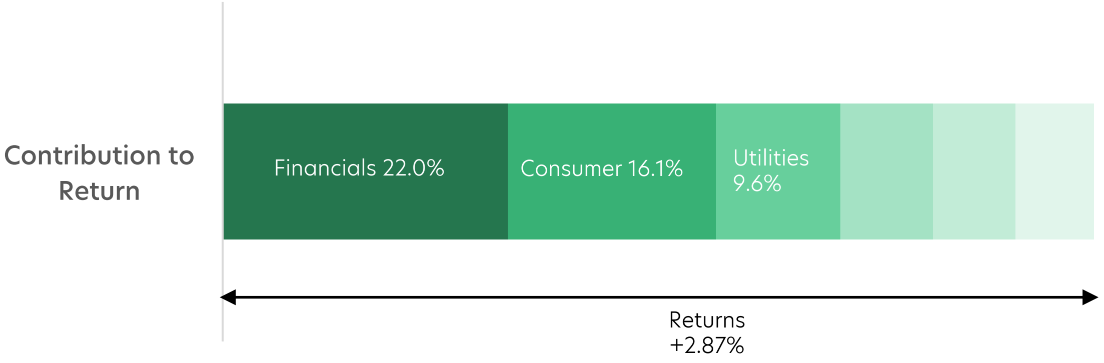
Benchmark: J.P. Morgan Asia Credit Index (JACI) Non-Investment Grade Total Return Index.

Source: Morningstar. Performance as at 31 January 2024, SGD basis, with dividends and distributions reinvested, if any.

| | Cumulative Performance (%) | Annualised Performance (%) | | | |
|---|---|---|---|---|---|
| | 1 month | 1 Year | 3 Years | 5 Years | Since Inception |
| Fund NAV to NAV | 2.87 | 13.52 | -5.28 | -2.80 | 0.71 |
| Fund (Charges applied^) | -0.22 | 10.11 | -6.24 | -3.39 | 0.36 |
| Benchmark | 4.01 | 2.06 | -6.52 | -1.57 | 1.25 |

Source: Morningstar. Performance as at 31 January 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: J.P. Morgan Asia Credit Index (JACI) Non-Investment Grade Total Return Index. 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.

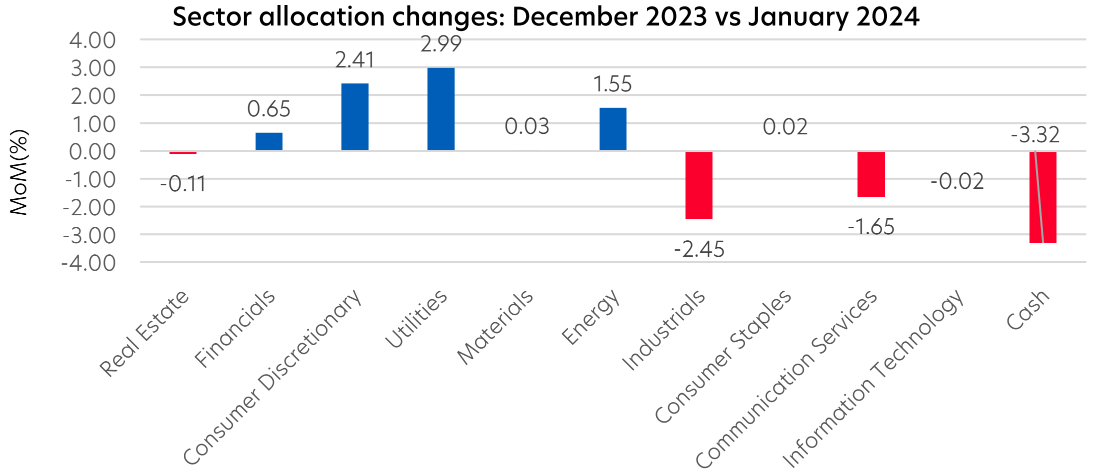
## Performance Contributors/Detractors: January 2024

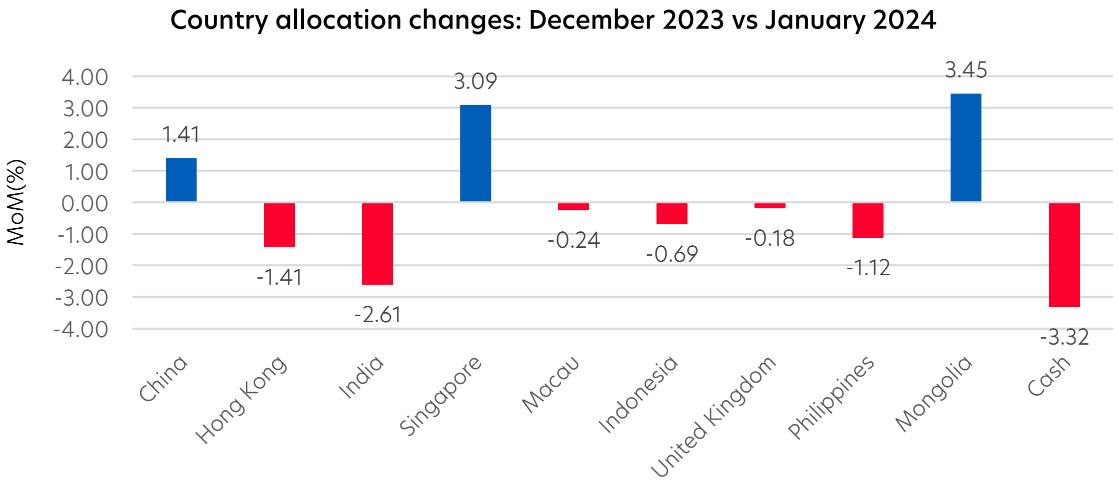



³ The United Asian High Yield Bond Fund- SGD Dist (ISIN Code: SG9999010029), SGD Acc (ISIN code: SG9999010011), A SGD Acc (Hedged) (ISIN Code: SG9999017628) and A SGD Dist (Hedged) (ISIN Code: SG9999017636) were incepted on 2 April 2013, 19 May 2015, 26 January 2018 and 18 December 2017 respectively.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 January 2024 unless otherwise stated.

## Portfolio Changes




Source: UOBAM

## Portfolio Review

### Analyst Insights

We remain defensive and cautious about hopping on the bandwagon into China's high-yield properties, and this has continued to play out well in the long term. While China's Government has announced policy measures to revive the sectors, the fundamentals of China's high-yield property market have not improved, and offshore bonds of the distressed names would be the last to benefit. That said, we are monitoring China's physical property market and may re-enter the sector if we see a sustained recovery. Aside from China Property, the rest of the space continues to hold up well. China's non-property, Macau Gaming, India and Indonesia's high-yield continue to grind tighter while the economic recovery in Pakistan, Sri Lanka, Maldives, and Mongolia appears to be on track, and Chinese increased spending both in terms of tourism as well as infrastructure spending.

As shown on the left charts, the biggest decrease in the sector allocation changes for January 2024 was Industrials (-2.45 per cent) and Communication Services (-1.65 per cent), whereas the most increase was in Utilities (+2.99 per cent) and Consumer Discretionary (+2.41 per cent). In terms of country allocation, the Fund has the biggest decrease in India (-2.61 per cent) and the most increase in Mongolia (+3.45 per cent) for January 2024.

## Market Review

**Government bonds:** The US economy showed strong resilience with its better-than-expected fourth-quarter 2023 Gross Domestic Product (GDP) growth, rebound in Purchasing Managers' Index (PMI) for January 2024, and robust labour market alongside easing inflation readings, which boosted hopes for a soft landing. The Federal Reserve (Fed) decided to hold interest rates unchanged at 5.25-5.50 per cent in the January Federal Open Market Committee (FOMC) meeting but pushed back the prospects of a March (2024) rate cut. The US Treasury (UST) curve steepened with the 2-year UST yield declining 4 basis points (bps) to 4.21 per cent while the 10-year UST yield increased by 3 bps to 3.91 per cent in January 2024. Oil prices rallied (West Texas Intermediate (WTI) oil price +5.9 per cent, Brent oil price +6.1 per cent) amid rising geopolitical tension in the Middle East/Red Sea. However, other commodities did not fare well (iron ore price of -6.4 per cent, copper price of +0.4 per cent) as China's growth concerns persisted. The Chinese government announced more supportive policies in January 2024, including a 50bps cut to the Reserve Requirement Ratio (RRR) following the release of a mixed set of economic data.

**Corporate bonds:** In the Asian high-yield dollar space, the JP Morgan Asia Credit Index (JACI) Non-Investment-Grade Index gained 2.67 per cent in January 2024. This was mainly due to a few factors: 1) Overall macro and risk sentiment has improved and investors are more constructive due to expectations of interest rate cuts by the US Fed. 2) China's high yield has rallied, led by China's high-yield Property as the Chinese Government was more accommodative and expressed more willingness to support the economy and the market, such as the cut in RRR. Also, the launch of project whitelists by local governments may stem some worries about private developers not being able to deliver on their projects. 3) Other positive news has also helped to improve sentiment of Asia high-yield, such as Macau Gaming saw strong Gross gaming revenue (GGR) growth which supported the sector and caused further spread tightening, Adani released its refinancing plans and Vedanta completed its restructuring of notes.

## Investment Objective

The investment objective of the United Asian High Yield Bond Fund is to seek to achieve a total return consisting of high income and capital appreciation by investing primarily in high yield fixed income or debt securities (including money market instruments) issued by Asian corporations, financial institutions, governments and their agencies.

## Fund Information

| Morningstar Rating | Base Currency | Fund Size | Fund Manager |
|---|---|---|---|
| ★★★★★ | SGD | SGD 36.65 mil | Melvin Chan |

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