United Asian High Yield Bond Fund

October 2023

Why Invest?

Flexible duration: The United Asian High Yield Bond Fund – SGD Acc (the "Fund") maintains a nimble effective duration positioning of 1.90 years as of October 2023. 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 while riding on the China reopening theme. The Fund favours shorter-dated high-yielding bonds with more certainty of refinancing and companies with good access to capital markets.

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.

High performance: Compared to its peers, the Fund has a high quartile ranking of 1[2], indicating strong performance.

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
★★★★★

Fund Size
SGD 30.83 mil

Base Currency
SGD

Fund Manager
Melvin Chan

[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.

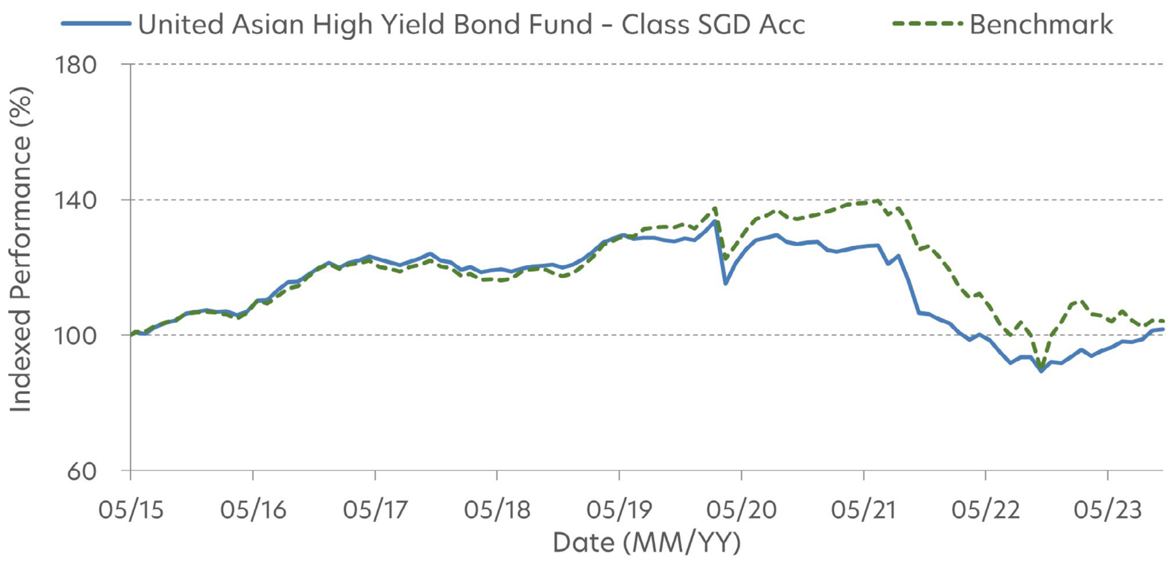
[2] Source: Morningstar, as at 31 October 2023. Quartile rankings show the fund's position as compared to its peers. Peers are determined by the manager through the use of objective filters from Morningstar. A peer group percentile is obtained for each fund and funds are ranked as follows: Quartile 1: <=25%, Quartile 2: <=50% and >25%, Quartile 3: <=75 and >50%, Quartile 3: >75%

One Month Portfolio Review

The United Asian High Yield Bond Fund – SGD Acc (the "Fund") returned +0.49 per cent[3] in October 2023. Its benchmark, the J.P. Morgan Asia Credit Index (JACI) Non-Investment Grade Total Return Index, returned -0.14 per cent[4] in the same month.

Historical Performance

Fund Performance Since Inception[5] in Base Currency



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 October 2023, SGD basis, with dividends and distributions reinvested, if any.

[3] Source: Morningstar, Performance from 30 September 2023 to 31 October 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[4] Source: Morningstar, Performance from 30 September 2023 to 31 October 2023 in SGD terms.
[5] 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: SG999901766) 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 of 31 October 2023 unless otherwise stated.

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	0.49	13.83	-7.07	-3.36	0.21
Fund (Charges applied^)	-2.53	10.41	-8.01	-3.95	-0.15
Benchmark	-0.14	16.33	-8.12	-2.53	0.48

Source: Morningstar. Performance as at 31 October 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: 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.

The Fund returned 0.49 per cent in October 2023. During the month, the outperformance against the benchmark was mainly due to the Fund's continued underweight in China Property (+0.78 per cent performance difference SGD terms) while underweight in Sri Lanka was the major detractor (-0.36 per cent performance difference SGD terms). Year to date, the Fund returned +10.88 per cent versus the benchmark of +0.18 per cent.

Market Review

US consumer confidence slipped to a five-month low in October 2023 even as employment costs unexpectedly accelerated in the third quarter of 2023 (the Employment Cost Index rose by 1.1 per cent in the third quarter, faster than the 1 per cent gain registered in the second quarter). The resilient US data and the language to relax the Yield Curve Control from the Bank of Japan (BOJ) (calling its 1 per cent ceiling on 10-year Japanese government yields a reference point rather than a hard cap) saw US Treasury (UST) yields surge higher and steeper. The 2-year and 10-year UST yields bear steepened (long-term interest rates increasing at a faster rate than short-term rates) to 5.08 per cent (+4 basis points (bps)) and 4.93 per cent (+36bps) respectively. Federal Open Market Committee (FOMC) meeting on 1 November 2023 is widely tipped to stay on hold till the end of 2023 while advocating patience and maintaining policy optionality. Commodity prices were mixed (West Texas Intermediate (WTI) oil price -10.8 per cent, copper price -2.4 per cent, iron ore price +3.7 per cent) despite rising tension in the Middle East. Both Gold price (+7.3 per cent) and BitCoin price (+28.8 per cent) were higher in October 2023.

In the Asian high-yield dollar space, the JACI Non-Investment Grade (non-IG) Total Return deteriorated -0.14 per cent in October 2023. There were still no signs of improvement in China Property. Country Garden Holdings Company Limited (Country Garden) has officially defaulted after its non-payment of interest on a US Dollar (USD) bond by a final deadline of 18 October 2023 (end of the 30-day grace period), triggering the payout of credit default swap tied to Country Garden's debt. The weak sentiment spilt over to other property names, affecting even investment-grade China property developers. The credit rating of three major investment-grade developers in China (that were long perceived as stronger issuers), China Vanke Company Limited (China Vanke), and Poly Developments and Holdings Group Company Limited were downgraded by one notch. Gemdale Corporation, which is already in high-yield space, was further downgraded by three notches. The bonds issued by China Vanke and matures in 2024 and 2025 fell 10 points (pts) to 20pts in October 2023. This fall is a symbolic event for China's property sector as China Vanke is viewed as one of the strongest and safest property developers in China, due to the solid credit fundamentals and shareholders background which were partly owned by Government related entities. Away from China, Vedanta Limited (Vedanta) continued to be in the headlines, with Chief Financial Officer (CFO), Sonal Shrivastava, stepping down just months after she joined in June 2023, highlighting some governance issues. It was reported that Ajay Goel will be re-joining Vedanta as CFO. On a positive note, San Miguel Corporation's dollar bonds rallied 4 pts after comments by the group's finance chief that they would redeem their perpetual notes on time.

The primary issuance of Asia ex-Japan G3 currency bonds (bonds issued denominated in US Dollars, Japanese Yen, or Euros) were US$8.8 billion in October 2023 (September 2023: US$14.4 billion, October 2022: US$6.9 billion). Year-to-date supply was US$119 billion (-22 per cent year-on-year (y/y)). A notable high-yield issuer came to the market: Medco Energi Internasional Tbk PT, an Indonesian oil and gas company, priced a USD 500 million 5.5NC2Y (5.5-year maturity, not callable for 2 years) senior unsecured note.

Outlook and Positioning

We remain defensive and cautious about hopping on the bandwagon into China's high-yield properties, and this has continued to play out well so far. While China's Government intends 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. In the Asia high-yield market, other than China's high-yield properties, the rest of the space continues to hold up well, especially from the economic recovery since COVID-19. Macau Gaming, India, and Indonesia's high-yield continue to grind tighter while the economic recovery in Pakistan, Sri Lanka, Maldives, and Mongolia appear to be on track. We also saw fundamental improvement in China's non-property high-yield credits.

Defensive Credit selection and portfolio diversification are critical in light of rising idiosyncratic risks and a tougher environment for high-yield corporates to refinance given the higher interest rates. The strategy of the Fund is to continue underweighting Chinese property while riding on the recovery in consumption, specifically in Financials, China consumers, and Macau gaming. Given the economic recovery in high-yield sovereigns such as Mongolia, Maldives, Sri Lanka, and Pakistan, there could be a long-term play as well.

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,
4. Strategic positioning for the years ahead, while maintaining stable risk-adjusted returns.

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