UOB Asset Management

United SGD Fund

April 2023

Why Invest?

- **Inflation hedge**: The United SGD Fund – A (Acc) SGD has generated an annualised return of 2.86 per cent 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 dividend distribution:** For Class S SGD Dist, the latest annualised dividend yield is at 3.18 per cent, paid out monthly, which may be suitable for investors who are seeking regular income[1].

- **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 1.14 years as of April 2023.

- **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 Objective

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 1678.73 mil

Base Currency

SGD

Fund Manager

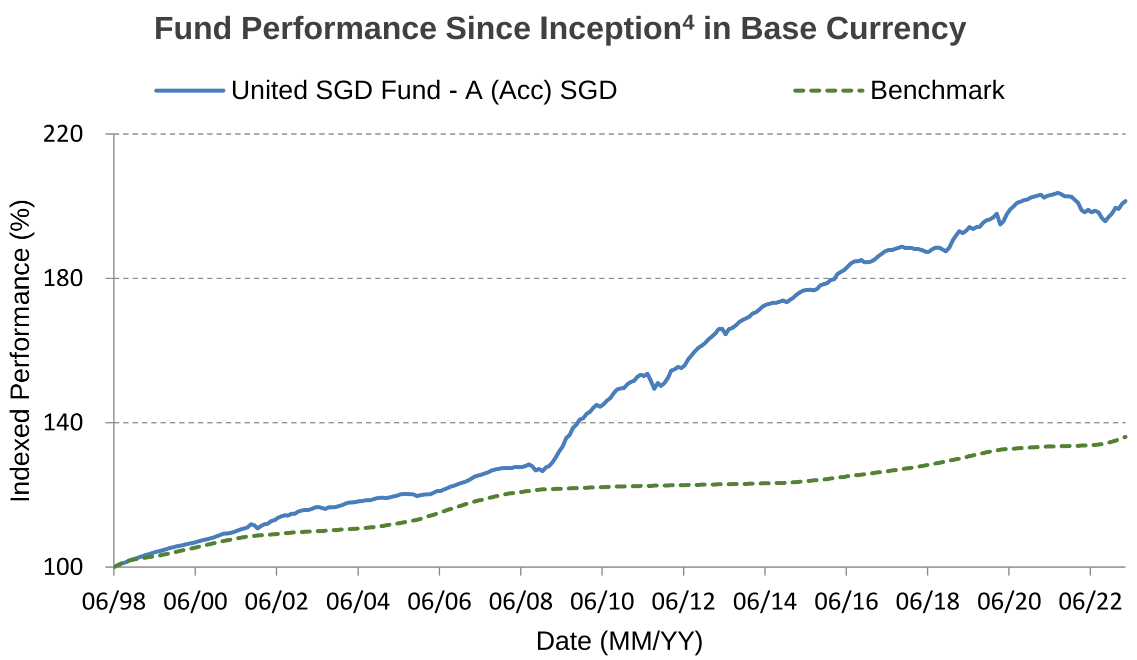
Joyce Tan

[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 SGD Fund – A (Acc) SGD (the "Fund") returned +0.35 per cent[2] in April 2023 in Singapore dollar (SGD) terms against the benchmark which returned +0.27 per cent[3].

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

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[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] *Source: Morningstar, Performance from 31 March 2023 to 30 April 2023 in SGD terms.*
[4] *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 30 April 2023 unless otherwise stated.

Annualised and Cumulative Performance

Performance (Class A (Acc) SGD)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	0.35	1.59	0.94	1.41	2.86
Fund (Charges applied^)	-1.65	-0.44	0.27	1.00	2.77
Benchmark	0.27	1.80	0.86	1.23	1.25

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 per cent 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

Global macro conditions were relatively stable in April 2023 despite continued concerns surrounding US banks and the recent failure of First Republic Bank. The US Treasury (UST) markets pared down their aggressive rate cut expectations for 2023 after the release of resilient US economic data against market fears of a sharp economic slowdown. The futures market assigned a high probability of another 25 basis points (bps) rate hike at the 2-3 May 2023 Federal Open Market Committee (FOMC) meeting, and the odds of a further 25bps at the 13-14 June 2023 FOMC is creeping higher, it is also pricing in the likelihood of up to 50bps cut by the end of 2023. Meanwhile, US Senate Republicans and Democrats continued their squabble over the debt ceiling as the deadline (early June 2023) nears. The 2-year and 10-year UST yields were down -3bps at 4.01 per cent and -5bps at 3.43 per cent respectively in April 2023.

Bond market volatility receded and offered a favourable backdrop for credit markets in April 2023. Most credit sub-sectors in Asia held up well and JP Morgan Asia Credit Index (JACI) Investment Grade Spread tightened by 9bps to 186bps. However, sentiment towards China's property sector was dented by credits such as Dalian Wanda Group, Sino Ocean Group, and Global Logistic Properties (GLP). The recent default of KWG Group Holdings Limited is likely to shift the focus back on stressed but not-yet-defaulted credits such as Agile Group Holdings Limited and Country Garden Services Holdings Company Limited (COGARD).

Primary issuance activity remained muted in April 2023, with just US$5.7 billion (March 2023: US$7.9 billion, April 2022: US$21.0 billion) of Asia ex-Japan G3 currency bonds (bonds issued denominated in US Dollars, Japanese Yen, or Euros) priced. That takes year-to-date supply to US$59.5 billion (-35 per cent year-on-year (y/y)). April's supply was driven by financial issuances from South Korea, China, and India. Elsewhere, oil gained post the Organization of the Petroleum Exporting Countries (OPEC) production cuts (West Texas Intermediate (WTI) oil price +1.5 per cent), but prices of industrial metals fell amid growth concerns (e.g. copper price -5.5 per cent, iron ore price -18.6 per cent).

Outlook and Positioning

We believe Asian credit markets to exhibit a mild spread-widening bias near-term due to tightening credit conditions, still-high inflation, and weakening growth trends. Hawkish US Federal Reserve (Fed) concerns and heightened recession fears are likely to move the markets amid the ongoing US earnings season. Current valuation also lacks attractiveness as most of the good-quality credits are rich, while most of the cheap credits have fundamental problems. 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 per cent cash for liquidity; and
5. Hedge foreign currency risk to Singapore Dollar.

Important Notice and Disclaimers

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