UOB Asset Management

United SGD Fund

February 2023

Why Invest?

- **Inflation hedge**: The United SGD Fund has generated an annualised return of 2.83 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 dividend distribution:** This Fund provides attractive levels of distribution. As of February 2023, the Fund offers investors an annualised dividend yield of 4.0% p.a., paid out quarterly, 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 1.10 years as of February 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 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 1705.58 mil

Base Currency

SGD

Fund Manager

Joyce Tan

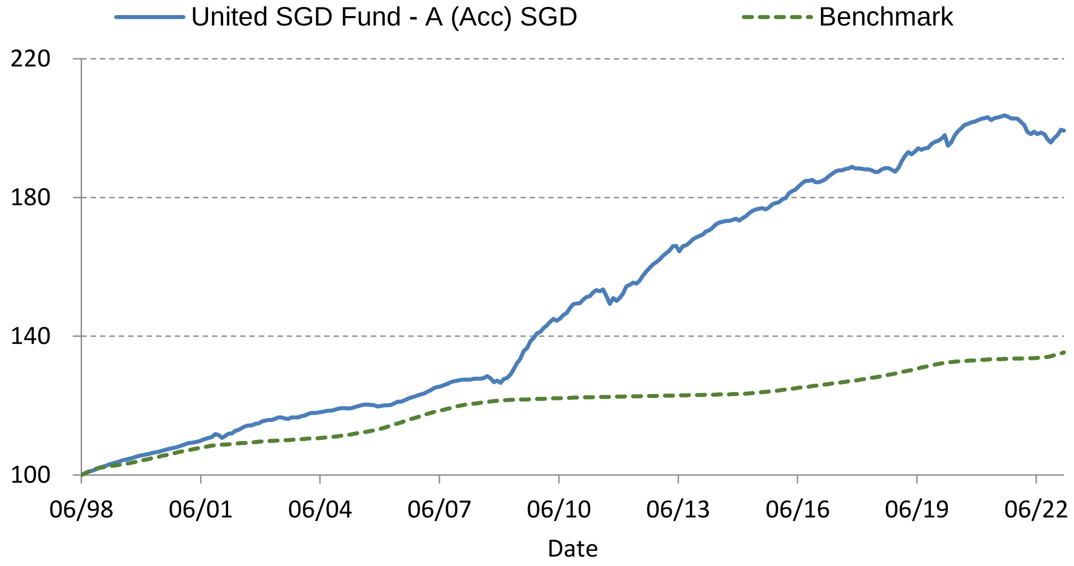
[1] *Distributions (in SGD) are not guaranteed. Distributions may be made out of income, capital gains and/or capital. This relates to the disclosed distribution policy as set out in the Fund's prospectus.*

One Month Portfolio Review

The United SGD Fund – A (Acc) SGD (the "Fund") returned -0.10 percent[2] in February 2023 in Singapore dollar (SGD) terms against the benchmark which returned +0.22 percent[3].

Historical Performance

Fund Performance Since Inception[3] in Base Currency



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

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[2] *Source: Morningstar, Performance from 31 January 2023 to 28 February 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).*
[3] *Source: Morningstar, Performance from 31 January 2023 to 28 February 2023 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 28 February 2023 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	-0.10	-0.81	0.22	1.16	2.83
Fund (Charges applied^)	-2.10	-2.79	-0.45	0.75	2.75
Benchmark	0.22	1.29	0.75	1.17	1.23

Source: Morningstar. Performance as at 28 February 2023, 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

The US Federal Reserve (Fed) raised the Federal funds rate by 25 basis points (bps) earlier in February 2023, in line with market expectations. However, concerns about longer and higher rate hikes dampened market sentiment after several US economic data came in much stronger than expected. The change in non-farm payrolls for January 2023 was much stronger than expected (actual: 517,000; consensus: 189,000), US retail sales increased 3 percent in January 2023 (consensus: +2 percent), and US initial jobless claims fell by 3,000 to 192,000, indicating that inflationary pressures remain. Traders have started to price in the chances of a 50bps rate hike in March 2023 and Federal funds futures are suggesting rates peaking at 5.4 percent by September 2023. The 2-year US Treasury (UST) yield hit a high of 4.82 percent (+62bps) and the 10-year UST yield closed at 3.93 percent (+41bps), its biggest monthly jump since September 2022.

New issues faltered in February 2023 amidst the return of rates volatility with only US$11.3 billion of Asia ex-Japan G3 currency bonds (bonds issued denominated in US Dollars, Japanese Yen, or Euros) priced. This was slower compared to the US$32.7 billion issued in January 2023 and US$16.3 billion in February 2022. That takes the year-to-date supply to US$44.0 billion (-8.7 percent year-on-year). JP Morgan Asia Credit Index (JACI) Investment Grade Spread tightened by 15bps to 169bps, fuelled by the relative scarcity of dollar bond supply. Supply was skewed towards quasi-sovereign and financial issuers, with benchmark deals from South Korea, China, India, and Thailand. Elsewhere, commodity prices finished generally lower (West Texas Intermediate (WTI) oil -2.3 percent, copper price -3.0 percent, iron ore price -2.4 percent, gold price -5.3 percent).

Outlook and Positioning

A tussle of wills between the market hopes for the Fed to start to cut interest rates later in 2023 versus the Fed's reiteration that rate cuts are premature since the inflation battle is not over. 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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