UOB Asset Management

United SGD Fund

October 2023

Why Invest?

Inflation hedge: The United SGD Fund – A (Acc) SGD (the "Fund") has generated an annualised return of 2.85 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 payout: For Class S SGD Dist, the current distribution policy is 5.0 per cent per annum, paid out monthly, which may be suitable for investors who are seeking regular income[1].

Laddered investment strategy: By doing so, the 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. The Fund has an effective duration of 1.12 years as of October 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 1567.86 mil

Base Currency
SGD

Fund Manager
Joyce Tan

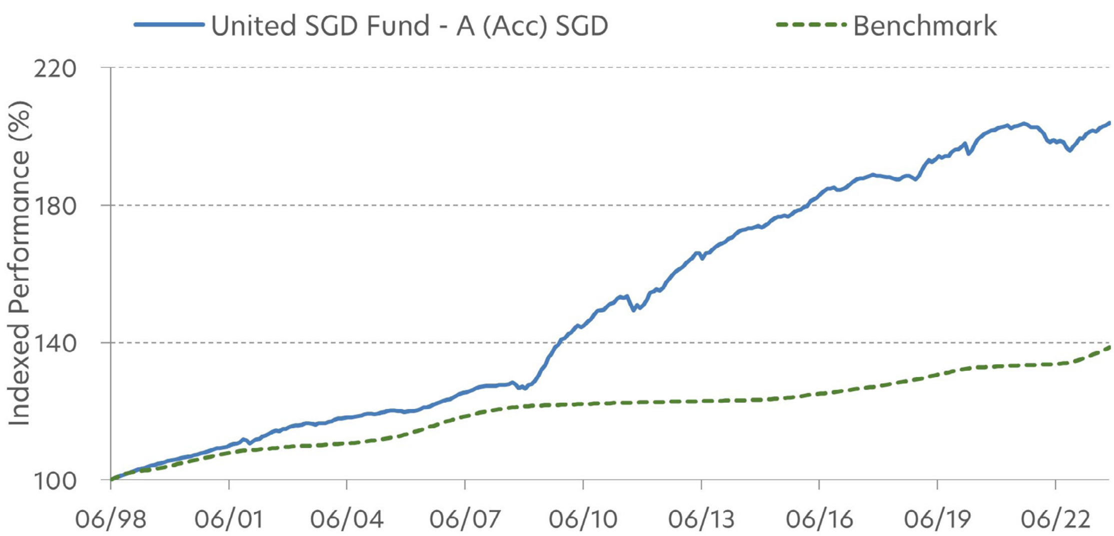
[1] Distributions (in SGD) are not guaranteed. Distributions may be made out of income, capital gains and/or capital. This relates to the disclosed distribution policy as set out in the Fund's prospectus.

One Month Portfolio Review

The United SGD Fund – A (Acc) SGD returned +0.30 per cent[2] in October 2023 in Singapore dollar (SGD) terms against the benchmark which returned +0.31 per cent[3].

Historical Performance

Fund Performance Since Inception[4] 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 31 October 2023, SGD basis, with dividends and distributions reinvested, if any.

[2] 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).
[3] Source: Morningstar, Performance from 30 September 2023 to 31 October 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 31 October 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	0.30	4.10	0.37	1.63	2.85
Fund (Charges applied^)	-4.71	-1.10	-1.33	0.60	2.64
Benchmark	0.31	3.19	1.37	1.42	1.29

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: 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

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.

JP Morgan Asia Credit Index (JACI) Investment Grade Spreads tightened to 167bps (-3bps) as sentiment improved on news of policy easing plans in China to raise the government's budget deficit for 2023 to 3.8 per cent of Gross Domestic Product (GDP) from 3 per cent set in March 2023. 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)). South Korean issuers were prominent with major deals from Korea Development Bank (KDB, US$2 billion), Hyundai Capital America (HYNMTR, US$1.5 billion), Industrial and Commercial Bank of China Limited (ICBCAS, US$1.5 billion), KEB Hana Bank (KEBHNB, US$500 million), Shinhan Bank Co. Limited (SHNHAN, US$500 million), Medco Platinum Road Pte Limited (MEDCIJ, US$500 million), Fujian Zhanglong Group Co. Limited (ZHANLO, US$500 million) and Korea Investment & Securities Co. Limited (DFHOLD, US$400 million).

Outlook and Positioning

Market volatilities are expected to ensue as investors grapple with the high-for-longer US Federal Reserve (Fed) narrative, US funding needs, and geopolitical tensions including the recent Israel-Hamas conflict and China's bumpy recovery. As these may create a potentially wide range of outcomes, we continue to stay up in credit quality, maintaining our preference for defensive sectors with resilient balance sheets, credits with leading market shares and of systemic importance.

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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