August 2024

United Singapore Bond Fund

UOB Asset Management

Why Invest?

• **Defensive positioning:** The United Singapore Bond Fund – A SGD Acc (the "Fund") invests in quality credits that have a leading market share. The Fund is 41.84 per cent invested in Government Bonds (as of August 2024) which contributes to its strong credit rating of "A".

• **Singapore Dollars ("SGD") exposure:** The Fund is 83.35 per cent invested in Singapore (as of August 2024). This allows the Fund to benefit from the strength of the SGD and the stability of Singapore's capital markets.

• **Attractive dividend payout:** For Class A SGD Dist, the current distribution policy is 2.0 per cent per annum, paid out quarterly, which may be suitable for investors who are seeking regular income[1].

• **Less volatile in Asian credit:** We believe the stabilisation in the rates will reduce volatilities in Asian credit in 2024. The current all-in yield will provide a sufficient margin of safety against wider credit spreads.

• **Highly rated:** The Fund currently holds a Morningstar four-star rating as of 31 August 2024.

August 2024 Portfolio Performance

The United Singapore Bond Fund – A SGD Acc	+1.14 per cent[2]
Benchmark: TR/SGX SFI Government Bond Index	+1.39 per cent

Source: Morningstar, Performance from 31 July 2024 to 31 August 2024 in SGD terms

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

Performance Review

In August 2024, the Fund underperformed the benchmark. While the Fund experienced negative alpha in August 2024 (-25 basis points, bps), that has nevertheless shrunken versus the performance in July 2024 (negative alpha: -67 bps) as yields on corporate bonds tightened in tandem.

This came despite the Fund's lower concentration in Singapore Government Securities (SGS) Treasury Bills and SGS in the front to belly part of the yield curve and the ensuing bull-steepening effect seen in the SGS curve over August 2024.

Meanwhile, the Fund's duration was kept in line with the benchmark.

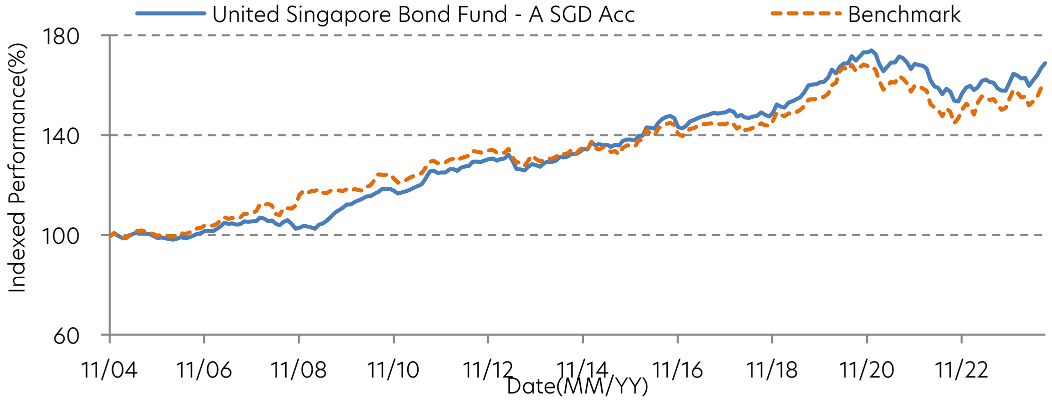
Portfolio Positioning

The Fund continues to overweight corporate credits for the purpose of overall yield enhancement and keeps a neutral duration position relative to the benchmark. We will continue to lookout for relative-value trades and bonds from good-quality issuers. We are unlikely to lower the weightage of SGS as it was about 40 per cent of the portfolio and especially at the intermediate to long end of the yield curve, given the neutral duration strategy relative to the benchmark.

[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 A SGD Acc)

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.

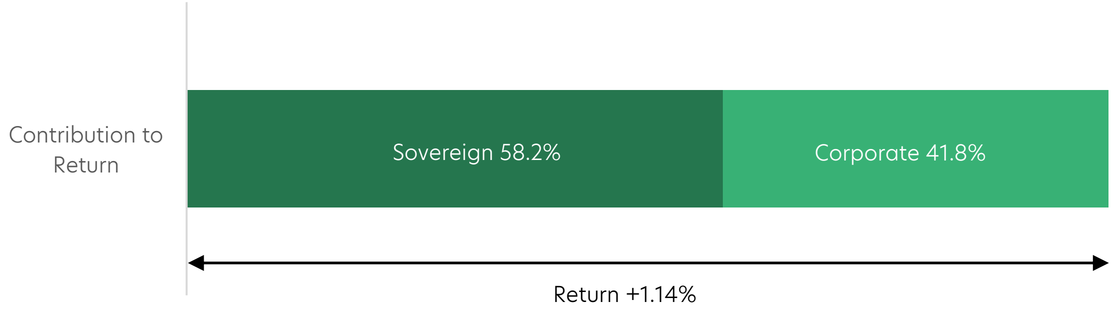
Benchmark: Since Inception – 31 May 17: Singapore Government Bond Index All UOB; 1 Jun 17 - Present: TR/SGX SFI Government Bond Index.

Source: Morningstar. Performance as at 31 August 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	1.14	6.32	-0.40	1.08	2.69
Fund (Charges applied^)	-0.88	4.19	-1.07	0.67	2.58
Benchmark	1.39	6.08	-0.28	0.89	2.45

Source: Morningstar. Performance as at 31 August 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: Since inception – 31 May 2017: Singapore Government Bond Index All UOB; 1 June 2017 – Present: TR/SGX SFI Government Bond 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.

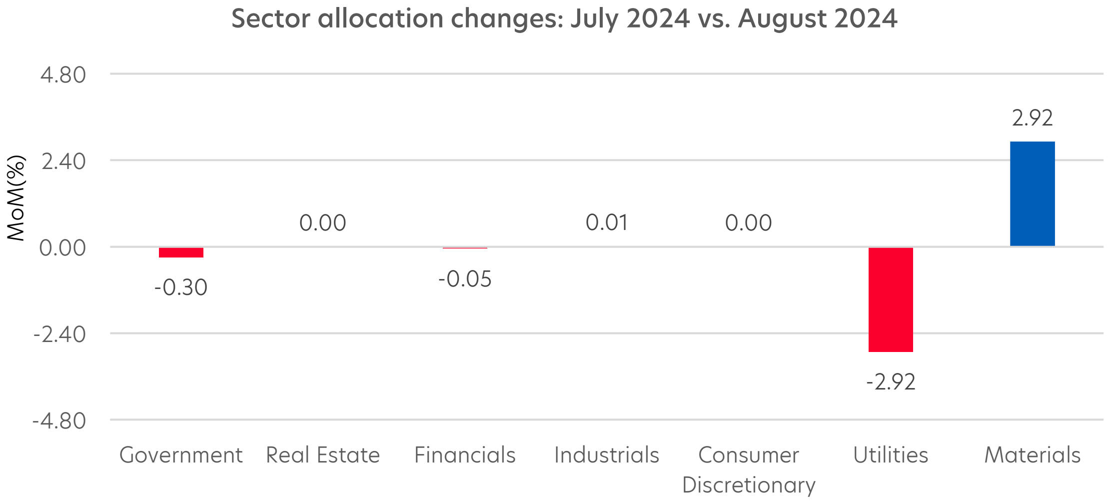
Performance Contributors/Detractors: August 2024

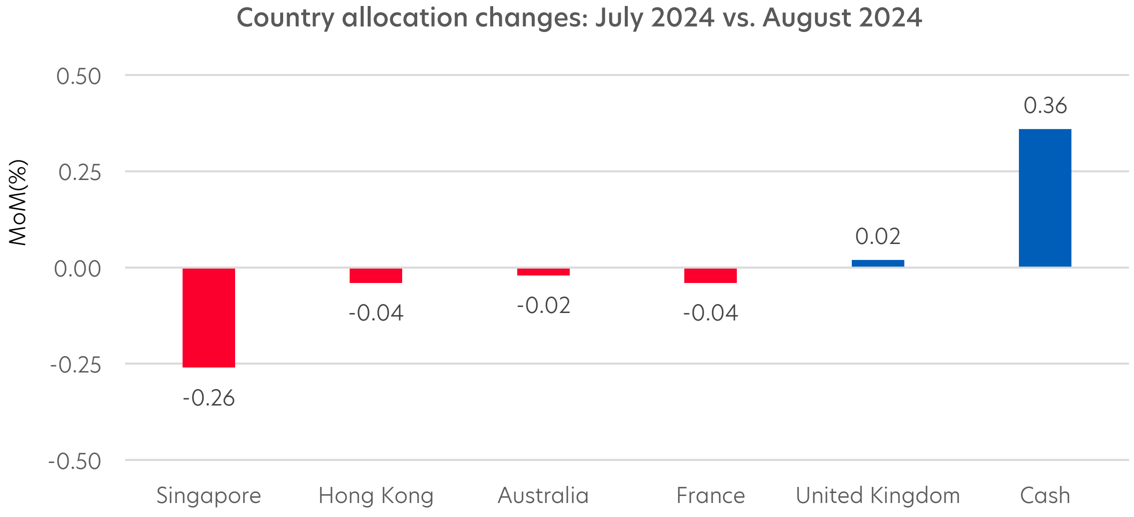


[3] The United Singapore Bond Fund A SGD Acc (ISIN Code: SG9999003412) and A SGD Dist (ISIN Code: SGXZ36402089) were incepted on 26 November 2004 and 4 January 2021 respectively.

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

Portfolio Changes





Source: UOBAM

Portfolio Review

Analyst Insights

In August 2024, we added corporate credits in Real Estate Investment Trusts (REITs) and sold positions in Financials.

As shown on the left charts, the biggest decrease in the sector allocation changes for August 2024 was in Utilities (-2.92 per cent) whereas the biggest increase was in Materials (+2.92 per cent). In terms of country allocation, the Fund had the biggest decrease in Singapore (-0.26 per cent) for August 2024.

Market Review

The Manufacturing Purchasing Managers' Index (PMI) rose slightly from 50.7 to 50.9 in August 2024 with strength in the Electronics sub-segment. This recovery was in line with Asia ex-China trends but in contrast with the global manufacturing cycle where the recovery appeared to have stalled. Industrial production rebounded to +3.9 per cent year-on-year (y/y) in July 2024 (June 2024: -4.3 per cent y/y) while the non-oil-domestic exports (NODX) was up 15.7 per cent y/y (June 2024: -8.8 per cent y/y). The disinflationary trend continued in July 2024. The headline Consumer Price Index (CPI) in July 2024 was unchanged at +2.4 per cent y/y as lower accommodation cost was offset by higher private transport costs. Core inflation highlighted the disinflationary trend at 2.5 per cent y/y (June 2024: +2.9 per cent y/y) with several key components of the CPI basket seeing declines. The latest guidance for core inflation in 2024 from the Monetary Authority of Singapore (MAS) remained at 2.5-3.5 per cent (excluding Goods and Services Tax basis) but we think there is scope for inflation to go lower given current trends.

The new issuance of the SGD credit was quiet in August 2024, with SGD 0.75 billion being issued (July 2024: SGD 2.5 billion), in line with the summer lull seen in other bond markets. The lower yield environment continued to see issuers issue perpetual bonds (perpetuals) in August 2024. ESR-Logos Real Estate Investment Trust (EREIT) conducted a par-exchange of its EREIT 6.632 per cent Perpetuals (original SGD 150 million issued) with a new EREIT 6 per cent Perpetuals NC5 (noncallable for 5 years) and raised another SGD 100 million of new money while SGD 74.75 million of the old 6.632 per cent Perpetuals holders opted for the exchange (with $1 premium). Within the property space, we also have Temasek-linked CapitaLand Investment Limited issuing SGD 350 million 10.5-year (matures in 2035) senior bonds, and MapleTree Logistic Trust issued SGD 130 million of Perpetuals NC5 at 4.3 per cent coupon (BBB- rated by Fitch Ratings) while CapitaLand India issued SGD 150 million 3-year senior at 3.70 per cent (BBB- rated by Fitch Ratings). There was also the SGD 2.8 billion Singapore Government Securities (SGS) bond reopening of 2.875 per cent July-2029 issue, with the cut-off yield at 2.56 per cent, and a bid-to-cover ratio of 3.88.

US Treasury (UST) yields declined in August 2024 as global investors sought the greater safety of bonds relative to other fixed assets. The 10-year UST yield fell from 4.03 per cent to 3.90 per cent. Data releases in August 2024 affirmed the ongoing narrative of a slowdown in growth, especially in the labour market. US Nonfarm payrolls declined significantly while the unemployment rate rose in July 2024, contributing to greater concerns over a recession. Leading indicators like PMIs remained subpar, as manufacturing PMIs across the US, Europe and China saw little improvement and remained in contractionary levels. That said, macro releases such as retail sales and jobless claims suggested that consumption was still healthy and we have yet to see a spike in job losses. We believe that global growth is unlikely to turn recessionary over the next 6-12 months. On inflation, we think the inflation is likely to move closer to the 2 per cent target by 2025. The current backdrop supports our view that the 10-year UST yield is likely to trade at our expected range of 3.8 per cent to 4.3 per cent, implying that the current 10-year UST yield of 3.90 per cent was close to the lower end of our expected trading range.

The next SGS supply will be the reopening of the 50-year August 2072 issue at the end of September 2024. We expect demand to remain strong, given the last auction of 2024 and anticipated rate cuts. While the SGS bonds experienced outperformance in August 2024 versus UST, we believe the trend might continue given supply constraints and rate-cut expectations. We expect MAS to begin policy normalization by reducing the slope in the next Monetary Policy Statements (MPS) as more central banks would have cut rates and allow for a slower appreciation of SGD.

Investment Objective

The investment objective of the United Singapore Bond Fund is to maximize returns over the longer term by investing mainly in bonds denominated in Singapore Dollars (issued by entities incorporated or domiciled globally) and bonds denominated in foreign currencies (issued by entities incorporated or domiciled in Singapore). Apart from investments in bonds, the Fund may also invest in money market instruments (denominated in SGD or foreign currencies), bond funds (including funds managed by the Managers) and time deposits in any currency. Investments shall be made in accordance with the CPF Investment Guidelines. There is no target industry or sector.

Fund Information

Morningstar Rating	Base Currency	Fund Size	Fund Manager
★★★★	SGD	SGD 169.72 mil	Joyce Tan

Important Notice and Disclaimers

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