UOB Asset Management

United Singapore Bond Fund

January 2023

Why Invest?

- **Defensive positioning**: This Fund invests in quality credits that have a leading market share. The Fund is 43.70 percent invested in Government Bonds (as of January 2023).

- **Singapore Dollars (“SGD”) exposure:** The Fund is 93.95 percent invested in Singapore (as of January 2023). This allows the Fund to benefit from the strength of the SGD and the stability of Singapore’s capital markets.

- **Attractive yields:** Given the recent sharp rise in interest rates, medium-duration bonds now provide an attractive level of yields. This Fund offers a weighted average yield to maturity of 4.13 percent as of January 2023.

Investment Objectives

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

★★★★

Fund Size

SGD 190.07 mil

Base Currency

SGD

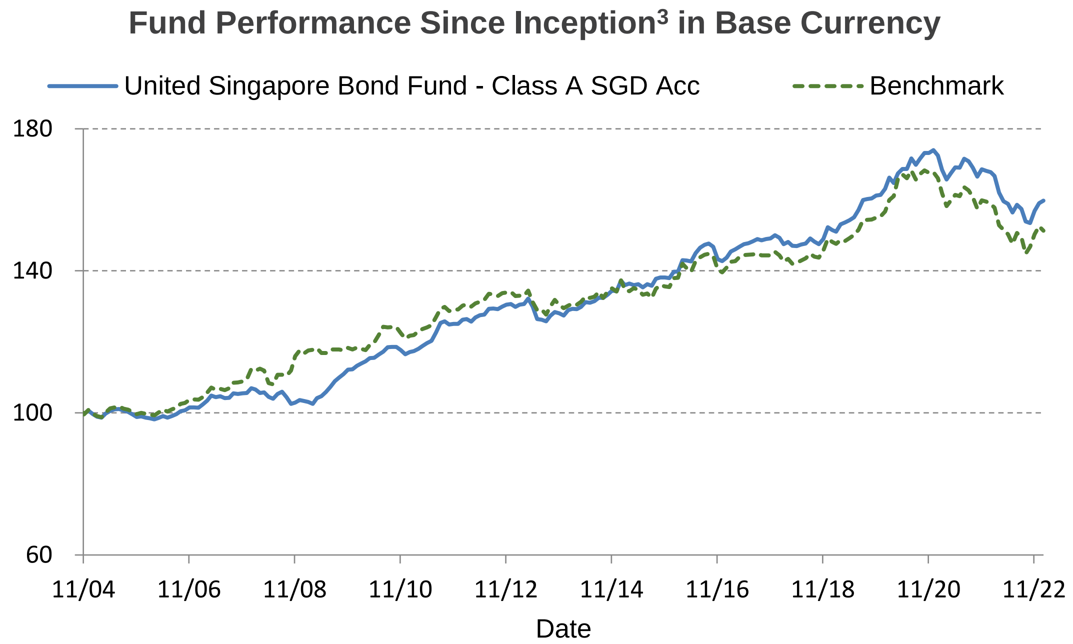
Fund Manager

Joyce Tan

One Month Portfolio Review

The United Singapore Bond Fund – A SGD Acc (the "Fund") returned +0.45[1] percent while its benchmark, the Thomson Reuters/SGX Singapore Fixed Income Government Bond Index (TR/SGX SFI) returned -0.81[2] percent in January 2023.

Historical Performance



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

[1] *Source: Morningstar, Performance from 31 December 2022 to 31 January 2023 in SGD terms, on a Net Asset Value (NAV)basis, with dividends and distributions reinvested (if any).*
[2] *Source: Morningstar, Performance from 31 December 2022 to 31 January 2023 in SGD terms.*
[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 of 31 January 2023 unless otherwise stated.

Annualised and Cumulative Returns

Performance (Class A SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	0.45	-4.78	-0.69	1.36	2.61
Fund (Charges applied^)	-1.56	-6.68	-1.36	0.95	2.50
Benchmark	-0.81	-4.70	-1.16	0.94	2.30

Source: Morningstar. Performance as at 31 January 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 – 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.

Market Review

The advance Gross Domestic Product (GDP) for Singapore in the fourth quarter of 2022 might be stronger than expected at 2.20 percent year-on-year (y/y) (Previous quarter: 4.20 percent y/y), but data prints over December 2022 were generally gloomy, which meant that final GDP figure for the fourth quarter of 2022 might probably be disappointed. The official GDP growth outlook from the Ministry of Trade and Industry (MTI) and the Monetary Authority of Singapore (MAS) is expected to rise between 0.50 percent and 2.50 percent in 2023. Although initial market estimates were at the higher end of the range, the International Monetary Fund (IMF) recently lowered its 2023 growth forecast for Singapore to 1.50 percent, along with its Association of Southeast Asian Nations (ASEAN) neighbors as slowing global growth will outweigh the positive impact from China's economic reopening.

Singapore's non-oil domestic exports (NODX) continued to fall for a third straight month in December 2022, by -20.60 percent y/y as both electronics and non-electronics exports declined on a y/y basis. This came worse than Bloomberg's forecast for a -16.80 percent y/y drop and a -14.70 percent decrease in November 2022. Although the decline in NODX was attributable to the high base effects, the full-year NODX grew by 3.00 percent in 2022 – half of the official forecast for around 6.00 percent growth.

For 2022, Singapore's headline inflation rose 6.10 percent (2021: 2.30 percent), while core inflation at 4.10 percent (2021:0.90 percent). Official projections for headline inflation in 2023 remain unchanged at between 5.50 percent to 6.50 percent, while core inflation ranging 3.50 percent to 4.50 percent, after accounting for the increase in Goods and Service Tax (GST).

Outlook and Positioning

Global bonds rallied in January 2023 as the 10-year US Treasury (UST) yield opened at 3.87 percent. Despite continued hawkish US Federal Reserve (Fed) comments, markets took their cue from slowing wage growth in December's Non-farm payroll data and caused the 10-year UST yield to drop by 20 basis points (bps). Speculation on the Bank of Japan changing policy parameters came to nothing, which further depressed global bond yields. Also, the Bank of Canada issued a conditional pause after hiking policy rates by another 25 bps, pledging to hold rates if economic developments are in line with their outlook. The focus thus turned to the end cycle narrative with the 10-year UST yield ending January 2023 at 3.50 percent.

Besides the focus on developed markets near the end of the current hiking cycle, high bases effects for inflation prints may see inflation moving lower, possibly at sub-4 percent before the first half of 2023 is over. Our house view for the 10-year UST yield has shifted lower to 3.25-4.00 percent for the first half of 2023, before falling to 3.00-3.75 percent for the second half of 2023. We would position to buy during pull backs in the 10-year UST, with yields above 3.60 percent seen as attractive. While we think Singapore Government Securities (SGS) bond yields will maintain their tight correlation with USTs into 2023, tight valuations and the strong run in 2022 might mean less room for SGS outperformance versus USTs. Last but not least, we continue to remain neutral in terms of duration positioning.

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