United Singapore Bond Fund

June 2023

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 43.89 per cent invested in Government Bonds (as of June 2023) which contributes to its strong credit rating of "A-".

Singapore Dollars ("SGD") exposure: The Fund is 89.25 per cent invested in Singapore (as of June 2023). 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: Relative to 2022, we believe the stabilisation in the rates will reduce volatilities in Asian credit in 2023. The current all-in yield will provide a sufficient margin of safety against higher interest rates and wider credit spreads.

Investment Objective

The investment objective of the United Singapore Bond Fund is to maximise 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 183.41 mil

Base Currency
SGD

Fund Manager
Joyce Tan

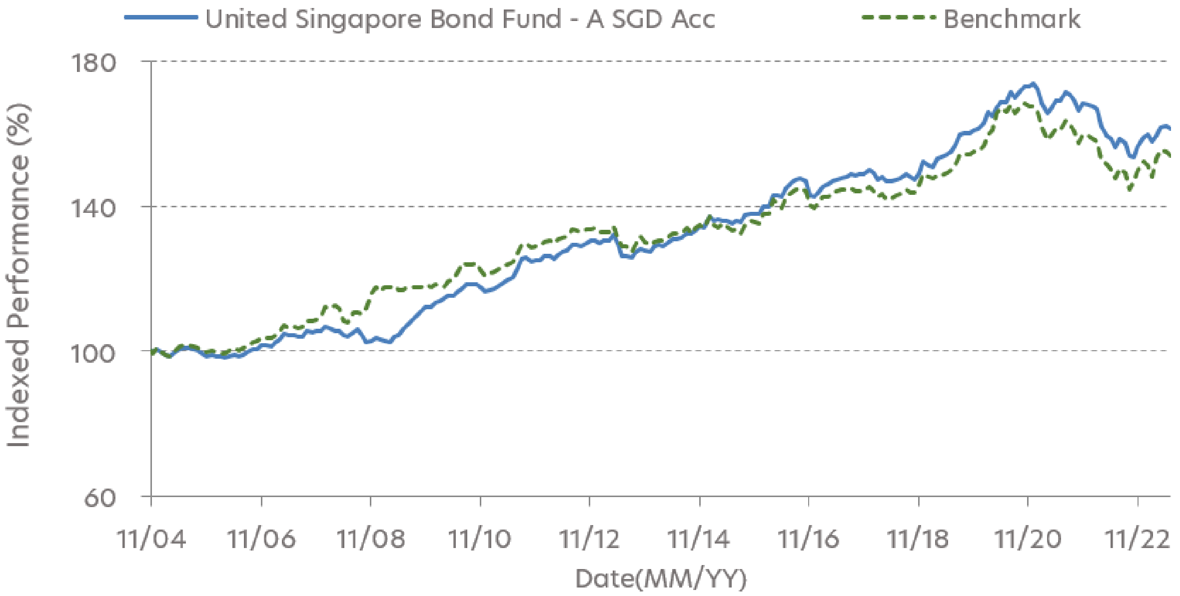
[1] Distributions (in SGD) are not guaranteed. Distributions may be made out of income, capital gains and/or capital. This relates to the disclosed distribution policy as set out in the Fund's prospectus.

One Month Portfolio Review

The United Singapore Bond Fund – A SGD Acc (the "Fund") returned -0.63 per cent[2] while its benchmark, the Thomson Reuters/SGX Singapore Fixed Income Government Bond Index (TR/SGX SFI) returned -0.68 per cent[3] in June 2023.

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

Source: Morningstar. Performance as at 30 June 2023, SGD basis, with dividends and distributions reinvested, if any.

[2] Source: Morningstar, Performance from 31 May 2023 to 30 June 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[3] Source: Morningstar, Performance from 31 May 2023 to 30 June 2023 in SGD terms.
[4] 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 30 June 2023 unless otherwise stated.

Annualised and Cumulative Performance

Performance (Class A SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 Month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-0.63	3.11	-1.49	1.82	2.61
Fund (Charges applied^)	-2.61	1.05	-2.15	1.41	2.49
Benchmark	-0.68	4.45	-2.44	1.52	2.36

Source: Morningstar. Performance as at 30 June 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 – 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

Singapore Fixed Income

The downward trend in economic indicators continued through June 2023. The non-oil domestic exports (NODX) for May 2023 continued to decline for the eighth consecutive month at -14.7 per cent year-on-year (y/y) from -9.8 per cent for April 2023, worse than the consensus of -7.70 per cent y/y. Chances of a technical recession in the second quarter of 2023 have increased considerably and Enterprise Singapore is likely to lower its NODX forecast from -8.0 per cent to -10.0 per cent for 2023. Adding to the risks of a recession is also the poor industrial production print for May 2023 which also slumped for the eighth consecutive month, at -10.8 per cent y/y (April 2023: -6.90 per cent y/y).

Inflation remains elevated even as recession risks increased but saw the silver lining in moderation. The headline Consumer Price Index (CPI) inflation for May 2023 was +5.1 per cent y/y, slightly down from +5.7 per cent in April 2023. Core inflation was +4.7 per cent y/y, lower than +5.0 per cent in April 2023 and in line with consensus. According to the Monetary Authority of Singapore (MAS) and the Ministry of Trade and Industry (MTI), the core inflation is expected to moderate further in the second half of 2023. This contrasts with the previous concern (expressed in May 2023) about lingering upside risks in core inflation, such as fresh shocks to global commodity prices and persistent tightness in the domestic labour market. MAS has said the core inflation for 2023 is expected to average 3.5 per cent to 4.5 per cent, while headline inflation range from 5.5 per cent to 6.5 per cent.

SGD corporate bond issuance pipeline in June 2023 was even slower versus an already sluggish May 2023. The market only saw SGD 400 million of the green bond issue (May: SGD 853 million) by CapitaLand Integrated Commercial Trust, with a tenor of 7 years and a 3.938 per cent coupon. Despite tight pricing, the price level in the secondary market held up well. In contrast, the SGD 2.7 billion re-opening of Singapore government securities (SGS) with a 3.375 per cent coupon, which matures on 1 September 2033 did not fare well due to the wider US Treasury yields environment in June 2023. The auction drew only a bid-to-cover ratio of 1.75 and with cut-off yield of 3.05 per cent versus 2.98 per cent pre-auction.

Interest Rates Review

US activity data continued to surprise on the upside and pushed US Treasury (UST) yields higher even as inflation showed signs of slowing. Also, most Group of Ten (G10) central banks had delivered hawkish surprises while risk sentiment continued to improve in the market. Both the Reserve Bank of Australia (RBA) and Bank of Canada delivered surprise rate hikes in June 2023 while the Bank of England (BoE) hiked 50 basis points (bps) instead of the expected 25 bps. Such a surprise gave upside support to the Group of Seven (G7) yields. The US Federal Open Market Committee (FOMC) meeting in mid-June had also delivered hawkish dot plot estimates for 2023, pointing to two more hikes by the end of 2023 against market pricing for just one hike. 10-year UST yields ended June at 3.84 per cent. The SGD Fixed Income space is similarly affected, with yields

Outlook and Positioning

In the SGD market, corporate issues will likely remain sparse as issuers remain sensitive to the marginal funding costs between banks and bond funding. Meanwhile, in the SGS space, the market will see a new 5-year auction end July 2023, with interest to remain dictated by the wider developed market bond environment. Last but not least, we continue to remain neutral in terms of duration positioning.

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