United Singapore Bond Fund

May 2023

Why Invest?

Defensive positioning: This Fund invests in quality credits that have a leading market share. The Fund is 45.39 per cent invested in Government Bonds (as of May 2023) which contributes to its strong credit rating of "A-".

Singapore Dollars ("SGD") exposure: The Fund is 93.57 per cent invested in Singapore (as of May 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 185.75 mil

Base Currency
SGD

Fund Manager
Joyce Tan

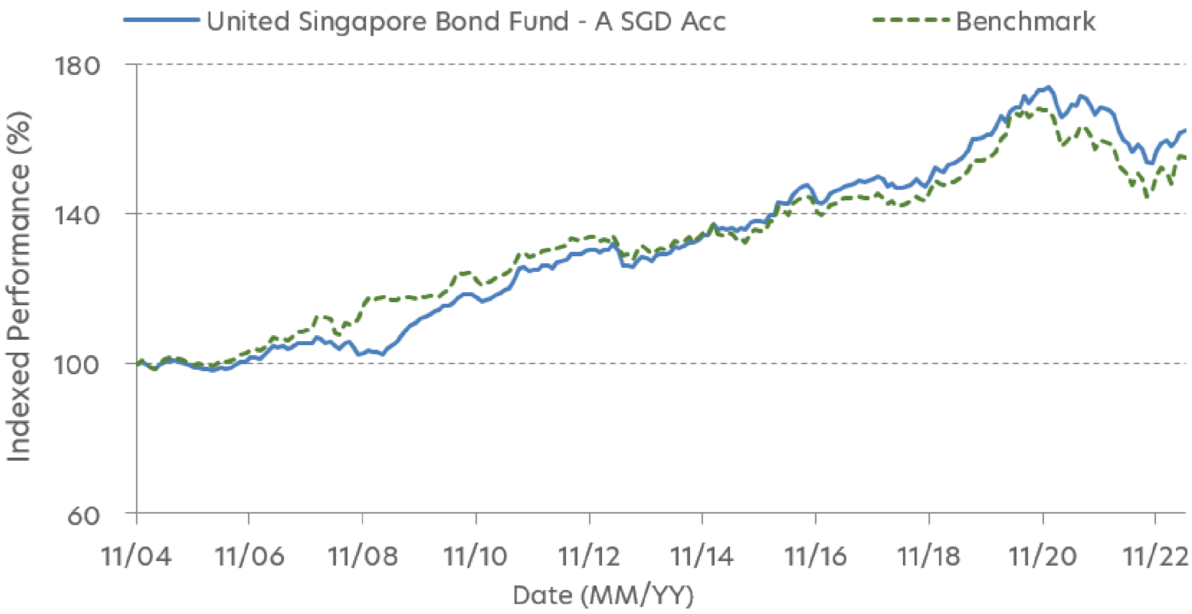
[1] Distributions (in SGD) are not guaranteed. Distributions may be made out of income, capital gains and/or capital. This relates to the disclosed distribution policy as set out in the Fund's prospectus.

One Month Portfolio Review

The United Singapore Bond Fund - A SGD Acc (the "Fund") returned +0.44 per cent[2] while its benchmark, the Thomson Reuters/SGX Singapore Fixed Income Government Bond Index (TR/SGX SFI) returned -0.21 per cent[3] in May 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 31 May 2023, SGD basis, with dividends and distributions reinvested, if any.

[2] Source: Morningstar, Performance from 30 April 2023 to 31 May 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[3] Source: Morningstar, Performance from 30 April 2023 to 31 May 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 31 May 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	0.44	2.17	-1.28	2.00	2.65
Fund (Charges applied^)	-1.57	0.13	-1.94	1.59	2.54
Benchmark	-0.21	3.28	-2.44	1.76	2.40

Source: Morningstar. Performance as at 31 May 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 final Gross Domestic Product (GDP) released in May 2023 showed the economy expanded by 0.4 per cent on a year-on-year (y/y) basis in the first quarter of 2023, higher than the 0.1 per cent advanced estimate and market forecast of -0.6 per cent y/y but is the slowest pace since the first quarter of 2021. The Ministry of Trade and Industry (MTI) maintained its growth forecast of 0.5-2.5 per cent y/y for 2023. Despite the weaker outlook, a technical recession (two successive quarters of contraction) is not expected in 2023.

Singapore's non-oil domestic exports (NODX) continued to decline for the seventh consecutive month at -9.8 per cent y/y in April 2023 (March 2023: -8.3 per cent y/y, market forecast: -9.7 per cent y/y), implying NODX fell by 16.2 per cent y/y in the first quarter of 2023. Consequently, Enterprise Singapore has expected NODX to shrink by 8.0 per cent to 10.0 per cent in 2023 due to the manufacturing downcycle and lower expected oil prices. This is against the previous forecast of -2 per cent to 0 per cent y/y.

Headline and core Consumer Price Index (CPI) inflation remained sticky. Headline CPI was +5.7 per cent y/y for April 2023, from +5.5 per cent in March 2023. Meanwhile, core CPI was +5.0 per cent y/y for April 2023, unchanged from March 2023 but higher than the consensus of +4.70 per cent y/y. The Monetary Authority of Singapore (MAS) and MTI noted that upside risks remain, including fresh shocks from global commodity prices and persistent tightness in Singapore's domestic labor market. On the flip side, a sharper downturn in advanced economies could induce an easing of inflationary pressures.

Interest Rates Review

We saw the US Federal Reserve (Fed) hike the rate by 25 basis points (bps) in the Federal Open Market Committee (FOMC) meeting in May 2023 as expected. However, the tone from the Fed was more dovish. In the statement released post-meeting, the language that signaled future hikes was noticeably omitted. As a result, the 10-year US Treasury (UST) yield hit an intra-month low of 3.30 per cent. However, the focus soon turn to the upside after debt ceiling talks turned more conciliatory. The sell-off in USTs continued after UK inflation came in higher than expected and after Fed Governor Christopher Waller stated that while skipping an interest rate hike at the FOMC meeting in June 2023 may be possible, an end to the hiking campaign isn't likely. This indicates future hikes remain on the agenda even if the Fed pauses in June 2023. Fears of increased UST supply after the authorities agreed to suspend the debt ceiling also kept yields at lofty levels. The 10-year UST yield reached a high of 3.82 per cent in the latter half of May 2023 but ended at 3.65 per cent.

Outlook and Positioning

We, therefore, expect lower yields to be justified over the long term. Our house view is for the 10-year UST yield to stay in the range of 3.25 per cent to 4.00 per cent. When the yield level moves near the top range, it would be the opportunity to add on the positions.

Singapore Government Securities (SGS) yields will continue to track closely that of UST yields. With the global economic situation getting more uncertain as 2023 wears on, coupled with many central banks reaching the end of their hiking cycle, the front end to the belly part of the yield curve should remain in demand in anticipation of potential monetary easing policies. The 10-year benchmark SGS 3.375 per cent (matures in September 2033) will re-open in June 2023. Last but not least, we continue to remain neutral in terms of duration positioning.

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