United Smart Sustainable Singapore Bond Fund

March 2023

Why Invest?

- **Benefit from Singapore's sustainability journey**: This is the first-ever Singapore-focused Environmental, Social, and Governance (ESG) Fixed Income Fund. The Fund aims to allow investors to gather stable income via investing in bonds issued by Singapore (and Asian) companies that have strong forward-looking, sustainable mandates.

- **Asia-centric and Singapore-focused**: The Fund invests at least 65 percent in Singapore's fixed income and a maximum of 35 percent in Asia. This allows the Fund to benefit from the strength of the SGD and the stability of Singapore's capital markets.

- **Thematic Focus**: The Fund supports three core sustainable investing themes identified using the Singapore Green Plan 2030, i.e. 1) green, clean, and smart Singapore, 2) preparing for climate change, and 3) sustainable production.

- **Consistent Payout**: The Fund (Distribution Class) offers a monthly dividend income[1] as well as the potential for capital upside. As of March 2023, the annualized yield is at 1.67 percent.

Investment Objective

The investment objective of the United Smart Sustainable Singapore Bond Fund is seeking to provide stable income and capital appreciation over the medium to long term by investing predominantly in fixed income instruments focusing on Singapore. Investments will be selected following the Fund's investment focus and approach, which includes the consideration of Sustainability and Environmental, Social and Governance (ESG) factors.

Fund Information

Fund Size

SGD 53.35 mil

Base Currency

SGD

Fund Manager

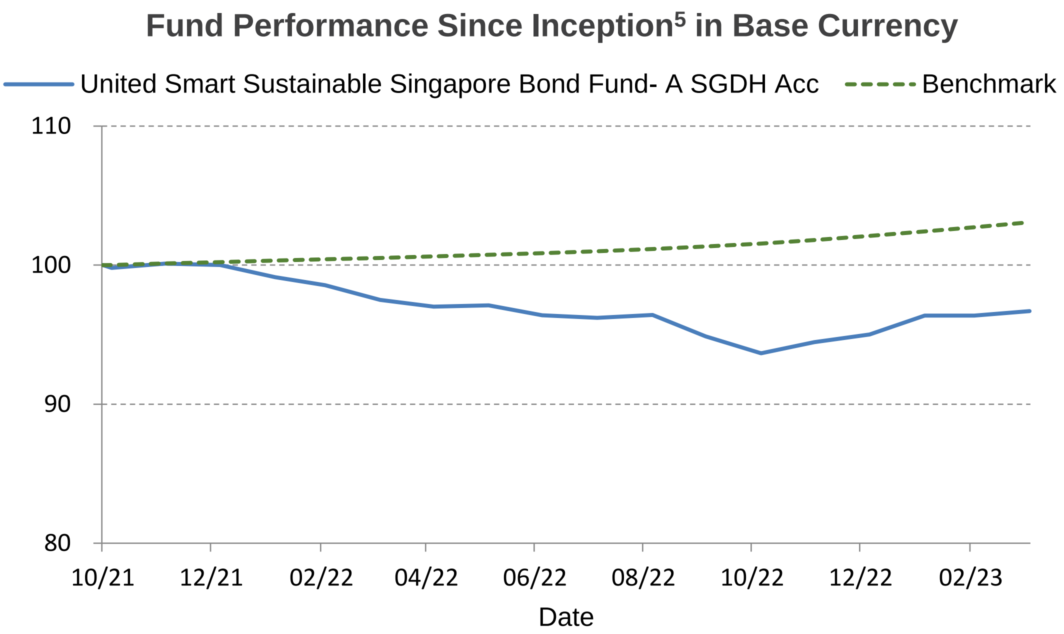
Koh Hwee Joo

[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 Smart Sustainable Singapore Bond Fund A SGD Acc (Hedged) (the "Fund") returned +0.33[2] percent in March 2023. The benchmark[3] returned +0.35[4] percent in SGD terms in the same month.

Historical Performance



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: Since inception -7 April 2022: 12-month Singapore dollar Fixed Deposit + 1 percent; 8 April 2022 - Present: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 percent

Source: Morningstar. Performance as at 31 March 2023, SGD basis, with dividends and distributions reinvested, if any.

[2] *Source: Morningstar, Performance from 28 February 2023 to 31 March 2023 in SGD terms, on a NAV (Net Asset Value) basis, with dividends and distributions reinvested (if any).*
[3] *Benchmark: Since inception -7 April 2022: 12-month Singapore dollar Fixed Deposit + 1 percent; 8 April 2022 - Present: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 percent*
[4] *Source: Morningstar, Performance from 28 February 2023 to 31 March 2023 in SGD terms.*
[5] *The United Smart Sustainable Singapore Bond Fund Class A SGD Acc (Hedged) (ISIN Code: SGXZ18977330) was incepted on 26 October 2021.*

All statistics quoted in the write-up are sourced from Bloomberg as of 31 March 2023 unless otherwise stated.

Annualised and Cumulative Performance

Performance (Class A SGD Acc (Hedged))

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	0.33	-0.83	-	-	-2.33
Fund (Charges applied^)	-1.68	-2.81	-	-	-3.71
Benchmark	0.35	2.54	-	-	2.15

Source: Morningstar. Performance as at 31 March 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. Since inception performance under 1 year is not annualized. Benchmark: Since inception -7 April 2022: 12-month Singapore dollar Fixed Deposit + 1 percent; 8 April 2022 - Present: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 percent. 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.

Fund performance in March 2023 registered positive gains largely due to the sharp massive decline in interest rate, offsetting the widening in credit spread. The Fund's position is heavily anchored in quality Singapore bonds which contributed to the overall portfolio stability. Light exposure to the non-investment grade segment and the heavy focus on defensive carry names (names that provide attractive yield without compromising credit and sustainability quality) had provided resilience to the portfolio amid the massive negative risk sentiment. Our strategy remains to position in defensive credits, and heavier exposure in Singapore bonds continued to anchor our Fund with resiliency. On our broad short duration strategy, it had not contributed much gains from the recent drastic sharp decline in interest rates. That said, again, our tactical positioning in the 10-year US Treasury (UST) had brought some gains to overall performance.

Market Review

It was an eventful month in March 2023 as liquidity crises threatened the survival and resilience of the financial sector globally. Several US regional banks such as Silicon Valley Bank, Signature Bank, First Republic Bank, and major Swiss-based global bank Credit Suisse Group AG were seen raising the white flags and these drastically soured risk sentiment, bringing a major sell-off across almost all banking equities and bonds. Swift government interventions managed to stave off concerns of further contagion and brought some stability back to the overall market. Alongside, US Federal Reserve (Fed) had also unanimously agreed to lift the Federal Funds Target Rate to 4.75 percent to 5.00 percent - the highest since September 2007, citing their concerns on inflation pressures amid the modest growth and robust employment condition. Overall, the 10-year UST yield reversed its climb and ended the month of March 2023 at 45 basis points (bps) lower at 3.47 percent while the 5-year UST yield also fell significantly by 61bps to 3.57 percent.

On the Singapore front, leading economic indicators continued to disappoint the market in March 2023. Non-oil domestic exports (NODX) continued to fall significantly in February 2023, for the fifth straight month, by another -15.6 percent year-on-year (y/y) as both electronics and non-electronics fell. Inflation showed some respite as core inflation came in at 5.5 percent y/y in February 2023, lower than the 5.8 percent y/y consensus. Similarly, headline inflation also edged lower to 6.3 percent y/y given lower service inflation (which also came lower than the consensus of 6.40 percent y/y). Official projections for 2023 remain unchanged at between 5.50 to 6.50 percent y/y for headline inflation, with core inflation at between 3.50 percent to 4.50 percent y/y. In addition, the Monetary Authority of Singapore (MAS) has said that core inflation was likely to stay at about 5 percent for the early part of 2023. Overall, Singapore government securities (SGS) had underperformed its UST peer with a 5-year tenor bond yield falling by 43bps to 2.94 percent as at end-March 2023.

On the Asia credit market, all risk-taking was off the table as markets were struggling to cope with the various fallouts in the banking sector and deciphering the hawkish stances of global central banks. Credit spreads were seen widening across all sectors, led by the financials and real estate names. Investors were scrutinising every investment as confidence was shaken. The sentiment was dented by Sino-Ocean Group Holding Limited's flip-flopped decision in deferring its perpetual bond payment given still challenging refinancing conditions, and news of ongoing debt restructurings of Logan Group Co Limited and China Evergrande Group. In addition, state-run asset manager, the announcement of China Huarong Asset Management reporting a net loss of 27.6 billion yuan (US$4 billion) for 2022 also kept investors cautious. In March 2023, new issuance activity remained muted as the pace of issuance continued to dip further. That again provided some support to the already weak market.

The space for primary bond issuances in Singapore Dollars (SGD) slowed as the traditionally active European banks stayed out given the stress in the financial sector that had spread from the US to Europe. Lower rates and the relative supply vacuum had thus provided some local entities to issue. Sembcorp Industries Limited and Mapletree Pan Asia Commercial Trust issued 7-year SGD bonds at 4.60 percent and 4.25 percent respectively while City Developments Limited issued S$470 million of 5-year bonds at 4.139 percent which was in line with the Temasek-Linked names. There was also a total of S$2.2 billion reopening of the 15-year SGS (coupon rate 2.375 percent and maturing in 2039) issue and a mini-auction of the 20-year SGS (coupon rate 2.75 percent and maturing in 2042) issue. The auction came mixed, with the 15-year cut-off of 2.80 percent in line with pre-auction while the 20-year's cut-off (also 2.80 percent) came 20 bps wider versus pre-auction.

Overall, the Asian credit spread had substantially widened amid the fallouts in financial sectors as well as the negative headlines from Chinese real estate and asset management names. Investment grade credit had widened less than its non-investment grade peers. In US Dollar terms, JP Morgan Environmental, Social, and Governance (ESG) Asia Credit Index returned +0.86 percent for March 2023, largely driven by the +1.49 percent gain by the investment grade segment as interest rate fell. That said, the -2.25 percent loss suffered by the non-investment grade segment had also managed to undermine some of the returns amid a wider credit spread.

Outlook and Positioning

Despite the heightening concerns about growth, the inflation trend remains a key focus for investors as it seems to dictate the monetary policy stance of the global central bank and in turn, the interest rate trajectory. Recent fallouts in the financial sector were definitely a wake-up call to many that pockets of weaknesses in the economy will need to be addressed. The market will be eager to observe the employment condition and companies' profit releases in the near term. Any surprise misses will likely be adding pressure on the stress points and lead the market to price in a severe recession, potentially pushing interest rates lower amid the more hawkish than dovish global central banks. To reiterate, with central banks' mandate of inflation targeting, chances of policy missteps remain and extra caution is crucial to avoid pushing the global economy into an ugly recession.

Looking at the credit spread valuation, Asia's credit investment grade spread had underperformed against its developed market peers in March 2023. This was led by the Fund's outflow from emerging markets as risk sentiment soured. Asian credit spread was currently slightly wider than the 5-year historical average, largely due to the much wider non-investment grade segment, making it rather fair now. Nonetheless, Asian credit remains very attractive relative to its historical level on an absolute yield basis, which makes it the preferred asset class of many investors.

Moving ahead, the Fund remains well-positioned with a preference for defensive carry names. On Chinese real estate developers, we remain cautious but are inclined to monitor for better entry level and only to get involved in the quality investment grade names if the valuation is compelling. That is so as we believe that while the Chinese officials have an intention to save this sector, the fundamentals of the China High Yield Property market have not improved, and offshore bonds of the distressed names would be the last to benefit if anything. Within the non-investment grade segment, we prefer to stay cautious and keep a light exposure in view of unattractive valuation. On duration management-wise, despite our opinion that we are not too far from the peaks in interest rates, the need to stay optimistically cautious is warranted as inflationary pressures may prove to be much more stubborn than expected. Staying nimble in duration management will be crucial during this transition. All said, as we enter into a new normal world while living with COVID-19, credit selection and portfolio diversification are critical amid rising idiosyncratic risks.

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