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UOB's $177m Singapore bond fund ups allocation to SGS

By **Andrew Wong** / 30 Jun, 2020 at 07:01

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UOB Asset Management's United Singapore Bond fund has increased allocation to Singapore Government Securities since the crisis started, according to Joyce Tan, head of fixed income Singapore.

The fund currently ranks as the top performer in the Singapore fixed income sector tracked by *Citywire,* only to prove that the move is paying off.

'As the United Singapore Bond fund is benchmarked against the Singapore Government Securities Curve, an allocation to the SGS will always be one of the key building blocks of the fund,' Tan told *Citywire Asia*.

One key driver behind the performance is the fear surrounding markets pushing investors to safe-haven assets, particularly in government bonds.

Falling yields have also contributed to higher returns in the portfolio, Tan said. In fact, the increase in SGS exposure was done in response to a demand for more stability in light of the market volatility.

'In the past year, the significant fall in SGS yields in the uncertain environment helped drive returns for the fund,' she added.

Case in point, the fund's top holding, the Singapore government bond maturing in March 2046, has seen its yield dropped from 2.54% on 3rd June 2019 to 1.36% on 26th June 2020, data from the Singapore's central bank show.

On the longer end of the SGS bond curve, the 10-year and 30-year bond yields have dropped 84bps and 81bps year-to-date ending 26th June 2020, according to the Monetary Authority of Singapore.

At any rate, against a backdrop of near-zero interest rates coupled with a flood of liquidity, fixed income investments are set to continue providing stable, risk-adjusted returns, Tan said.

Outperformer

Earlier in June, *Citywire Asia* took a peek into the Singapore fixed income scene to look at the best performing funds in the city state.

UOB's SGD 246.66m ($177.06m) took the top spot recording 9% returns, over a year ending April. In fact, latest *Citywire* data shows that the fund has remained the top performer, returning 9.3% over a year ending May as well.

The fund's top sector exposures are 45.89% in government and 32.59% in real estate. It's top holdings are all Singapore government bonds with differing maturity dates in 2046, 2033 and 2029, making up a fifth of its holdings.

To that end, the fund allocates between 40% and 60% of the portfolio to corporate bonds at any given time, Tan said. Real estate remains a large allocation within the fund due to its nature as a key sector in the city-state.

While market volatility has subsided considerably in June, Tan still spots several significant uncertainties that could swing the balance. This includes the development of a vaccine, or a rise in second-wave infections globally.

In turn, the manager is sticking to its guns to keep its longstanding track record of zero credit defaults and restructurings since the fund's inception almost 16 years ago.

'We continue to take a long-term view on credits and will stay invested in quality bonds with the view to hold them till maturity,' she said.