



The third quarter (Q3) of 2021 has been a challenging one, especially for Asian market investors. On the equity front, the regulatory tightening by the Chinese government on various industries, including internet platforms, online games, private education and property companies, have led to a sell-off in China and Hong Kong, and depressed investors' sentiment for the rest of the region. The surge of Covid-19 cases in the South East Asian countries with the spread of the more virulent Delta variant also weigh down on economic activities in the region. This was in contrast to the continued re-opening of economies in Europe and the US, where Covid-19 restrictions were gradually lifted.

Within bond markets, US treasury yield initially fell during the quarter on the back of concerns over the Delta variant, mixed economic data and possible China slowdown. However, yield started rising in the later part of the quarter as uncertainties started abating, and the US Federal Reserve (Fed) communicated its plans to reduce bond purchases (also commonly known as "tapering".)

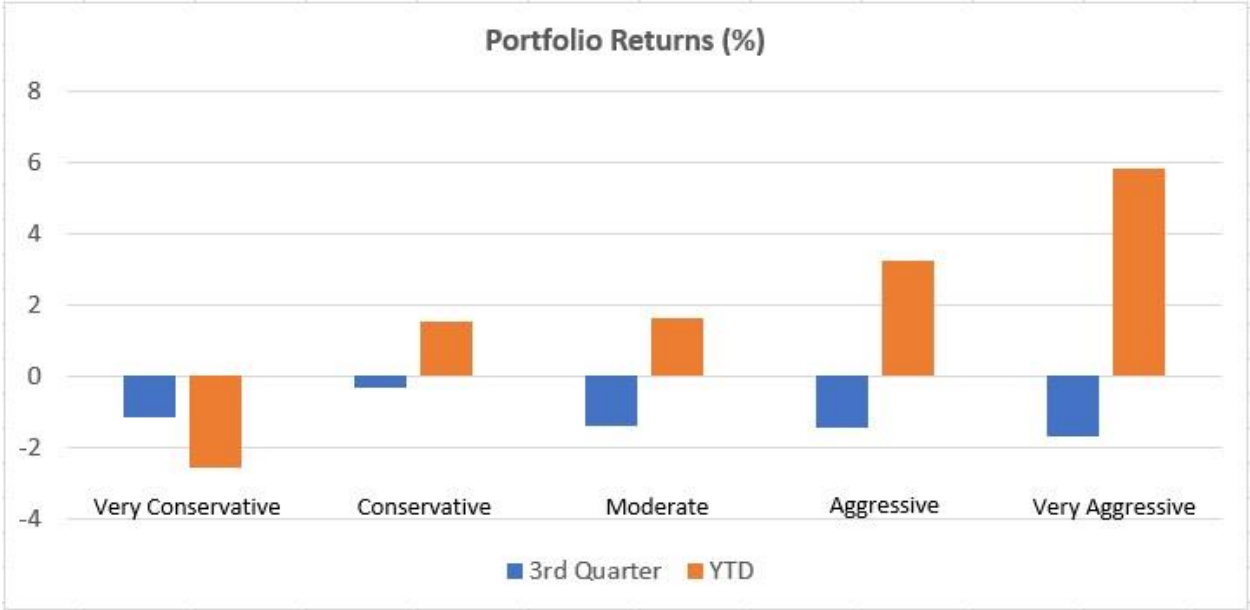
Asian bond market, on the other hand, saw greater volatility, as Chinese bond issuers such as Evergrande Group, Fantasia Holdings and China Huarong Asset Management,

either defaulted or threatened to default as a result of the government tightening financial conditions in the country to reduce borrowings. Evergrande was one of the largest property developers in China, and its default raised fear of the risk spreading to other property developers, or even possibly to the banking system. Huarong, a large Chinese government-owned asset management corporation who had over-extended itself, ultimately needed to be bailed out. In the meantime, credit spreads in Asia widened with the higher uncertainty and perceived credit risks. The JP Morgan Asia (JACI) Non-Investment Grade index fell 4.8% in Singapore Dollar term for the quarter, marking its worst performance post the Covid-19 pandemic.¹

¹Source: Bloomberg, 15 October 2021

Q3 2021 Digital Adviser Performance

Overall, UOB Asset Management’s (UOBAM) robo-adviser for corporates, UOBAM Invest Digital Adviser, has performed largely in line with the market. The Digital Adviser delivered 3-month returns of between -0.3% and -1.7% ranging from the Very Conservative to the Very Aggressive portfolio at 30 September 2021².



Source: UOBAM, 30 September 2021. Year-to-date (YTD) from 31 December 2020 to 30 September 2021. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast

on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM.

The Very Conservative portfolio posted -1.3% return for the quarter, worse than the Conservative portfolio. This portfolio is an all-bond portfolio, hence its meaningful allocation to our Asian bond fund, which returned -3.4% for the period.² On the other hand, the Conservative portfolio has some allocation to US equity exchange-traded funds (ETFs) whose gains helped offset some the losses. Those allocation also meant that the allocation to Asian bonds were significantly lower.

With the Moderate to the Aggressive portfolios, the exposures to Asia High Yield Bond Fund began to weigh on performances, while with the Very Aggressive portfolio, a small allocation to Asian equities was a further drag.



Source: UOBAM, 30 September 2021. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM.

Q4 2021 Market Outlook & Strategy

The fourth quarter (Q4) has traditionally been positive for equity markets as consumers in US and Europe increase their spending during the year-end holiday season. However, the situation may be more convoluted this year as we see sharp jump in prices of many things, including natural gas, coal, semiconductors and shipping rates, as supply side bottlenecks led to shortages. In some countries, labour market is also tightening as some workers shun frontline service jobs for fear of the Covid-19. These lead to fears that inflation may be higher and persist longer than most people were expecting. US government bond yields have begun to react with the 10-year yield rising from 1.2% in early August to more than 1.6% by mid-October.¹ In the past, rapid rise in bond yields tend to trigger equity market volatility.

We believe that the global economic cycle is still in its early phase. Historically, cycles last for between 5 and 10 years, with the average being approximately 8 years. We are only in the second year of the current post-Covid recovery. There would be anxiety at this stage as growth begins to slow from its initial spurt and investors take check on valuation after the strong market rally. We believe in long-term investment goals and staying the course by remaining invested to ride through the short-term market jitteriness.

¹Source: Bloomberg, 15 Oct 2021.

²Source: UOBAM. Performance from 1 July 2021 to 30 September 2021 in SGD terms, on a Net Asset Value basis, before fees.

We encourage you to take this opportunity to review your investment objective and portfolio. Should you require any assistance, please do not hesitate to contact usatUOBAMInvest@UOBGroup.com.

¹Source: UOBAM. Performance from 1 July 2020 to 30 June 2021 in SGD terms, on a Net Asset Value basis, before fees.

Important Notice & Disclaimers

This document is for your general information only. It does not constitute investment advice, recommendation or an offer or solicitation to deal in Exchange Traded Funds (“ETFs”) or in units in any Unit Trusts (“Unit Trusts”, ETFs and Unit Trusts shall together be referred to as “Fund(s)”) nor does it constitute any offer to take part in any particular trading or investment strategy. This document was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. The information is based on certain assumptions, information and conditions available as at the date of this document and may be subject to change at any time without notice. If any information herein becomes inaccurate or out of date, we are not obliged to update it. No representation or promise as to the performance of the Fund or the return on your investment is made. **Past performance of any Fund or UOB Asset Management Ltd (“UOBAM”) and any past performance, prediction, projection or forecast of the economic trends or securities market are not necessarily indicative of the future or likely performance of the Fund or UOBAM. The value of any Fund and the income from them, if any, may fall as well as rise, and may have high**

volatility due to the investment policies and/or portfolio management techniques employed by the Fund. Investments in any Fund involve risks, including the possible loss of the principal amount invested, and are not obligations of, deposits in, or guaranteed or insured by United Overseas Bank Limited (“UOB”), UOBAM, or any of their subsidiary, associate or affiliate (“UOB Group”) or distributors of the Fund. Market conditions may limit the ability of the platform to trade and investments in non-Singapore markets may be subject to exchange rate fluctuations. The Fund may use or invest in financial derivative instruments and you should be aware of the risks associated with investments in financial derivative instruments which are described in the respective Fund’s prospectus. The UOB Group may have interests in the Funds and may also perform or seek to perform brokering and other investment or securities-related services for the Fund. Investors should read the Fund’s prospectus, which is available and may be obtained from UOBAM or any of its appointed agents or distributors, before investing. **You may wish to seek advice from a financial adviser before making a commitment to invest in any Funds, and in the event that you choose not to do so, you should consider carefully whether the Fund is suitable for you.** Any reference to any specific country, financial product or asset class is used for illustration or information purposes only and you should not rely on it for any purpose. We will not be responsible for any loss or damage arising directly or indirectly in connection with, or as a result of, any person acting on any information provided in this document. Services offered by UOBAM Invest are subject to the UOBAM Invest Terms and Conditions.

UOB Asset Management Ltd Co. Reg. No. 198600120Z