

May 2024

# United Asian Bond Fund



## Why Invest?

- **Investment-grade (IG) focus:** The United Asian Bond Fund - SGD is actively managed with a focus on Investment Grade (IG) bonds. In the current volatile market, a preference for IG bonds could potentially reduce the volatility and enhance the risk-return profile of the Fund.
- **Attractive dividend payout:** For Class A SGD Dist (Hedged), the current distribution policy is 4.5 per cent per annum, paid out monthly, which may be suitable for investors who are seeking regular income<sup>1</sup>.
- **Stay defensive:** We remain cautious on China 's high-yield properties despite the recent short-term rally. We continue to maintain our defensive positioning with a preference for quality companies.
- **Lower interest rate risk:** Relative to IG bonds in the US, the duration of Asian IG bonds tends to be shorter. This means lower sensitivity to rising interest rates.
- **Recession hedge:** The investment grade focus and longer duration positioning will benefit from the falling interest rate in the event of a recession.

## Portfolio Positioning

We continue to stay up in credit quality, maintaining our preference for defensive sectors with resilient balance sheets, credits with leading market shares and of systemic importance. We remain defensive and cautious about hopping on the bandwagon into China's Properties yet, and this has continued to play out well year to date. While we are likely at the peak of the current rate tightening cycle, we are also wary of overly adding into duration as yields remain volatile from timing uncertainty in rate cuts. Instead, we continue to focus on corporate bonds with improving fundamentals and credit spread compression.

The Fund will: 1) Assess the relative value of bonds in the portfolio; 2) Focus on companies that have good access to capital markets and have defensive business models; 3) Benchmark duration along the curve relative to the benchmark to capture potential curve steepening; 4) Focus on credit spread compression by selecting corporates with improving fundamentals that have attractive yields/spreads but are not captured in their current pricing.

## May 2024 Portfolio Performance

The United Asian Bond Fund - SGD	+0.88 per cent <sup>2</sup>
Benchmark: JP Morgan Asia Credit Index Investment Grade Total Return	+0.19 per cent

Source: Morningstar, Performance from 30 April 2024 to 31 May 2024 in SGD terms

<sup>2</sup> Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

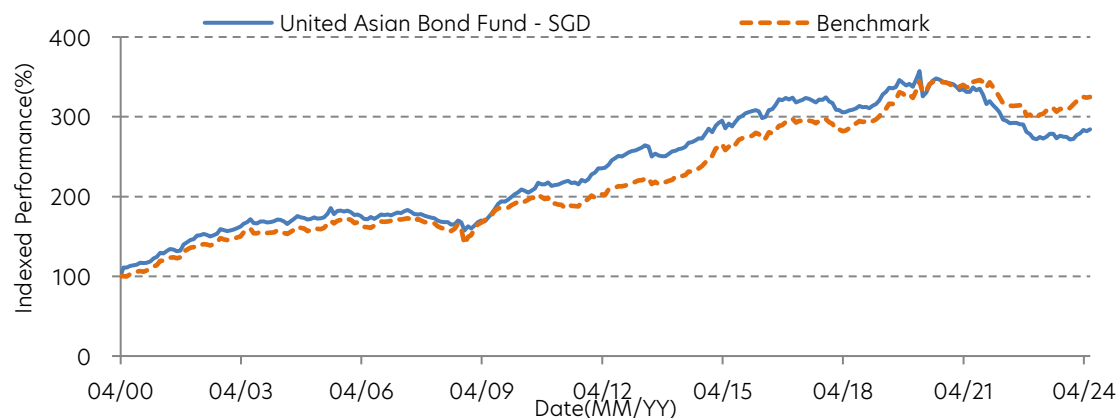
## Performance Review

The outperformance of the Fund in May 2024 came from overweighting BBB-rated bonds and Financials, as well as slightly overweighting duration. Year to date, the Fund returned 4.40 per cent versus the benchmark of 2.85 per cent.

<sup>1</sup> 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.

## Performance (Class SGD)

### Fund Performance Since Inception<sup>3</sup> in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: Apr 00 - Jul 03: JP Morgan Emerging Markets Bond Index Global Constrained Asia; Aug 03 - Dec 06: JP Morgan Asia Bond Total Return Composite; Jan 07 -3 Apr 22: JP Morgan Asia Credit Index Total Return Composite; 4 Apr 22 - Present: JP Morgan Asia Credit Index Investment Grade Total Return

Source: Morningstar. Performance as at 31 May 2024, SGD basis, with dividends and distributions reinvested, if any.

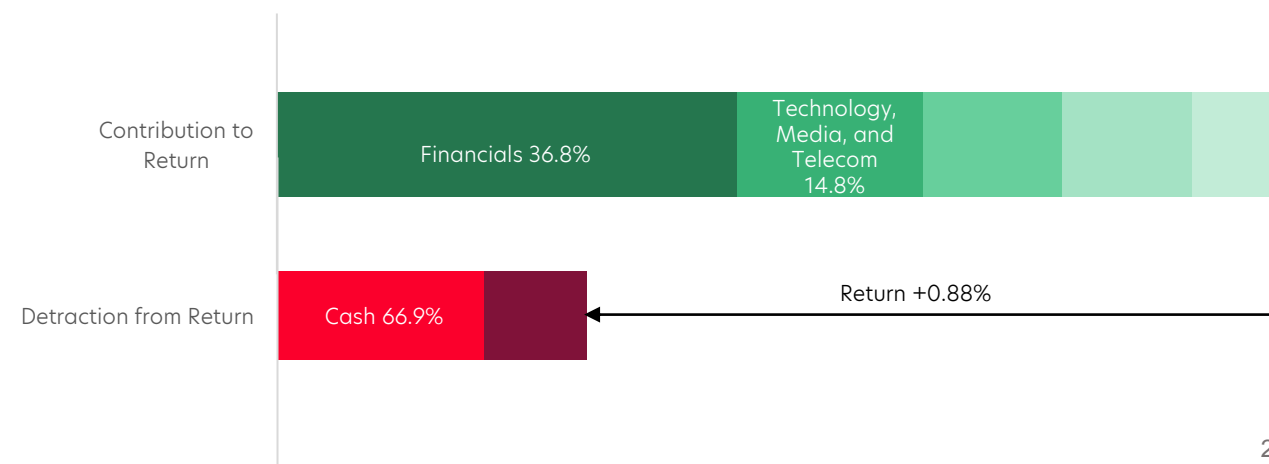
<sup>3</sup> The United Asian Bond Fund- SGD (ISIN Code: SG9999001416) was incepted on 5 April 2000.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 May 2024 unless otherwise stated.

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	0.88	1.99	-4.98	-3.33	3.96
Fund (Charges applied <sup>^</sup> )	-2.15	-1.07	-5.93	-3.91	3.83
Benchmark	0.19	4.20	-1.17	0.51	5.00

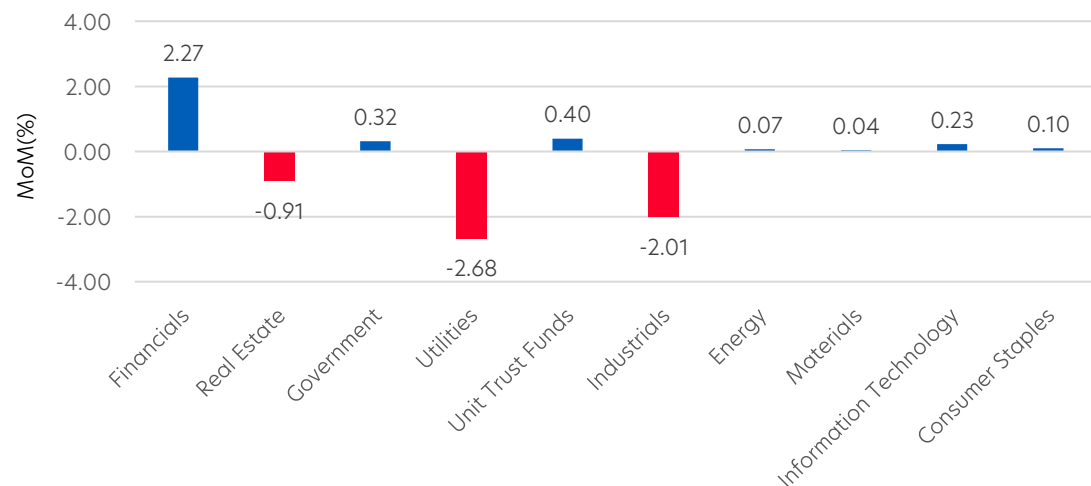
Source: Morningstar. Performance as at 31 May 2024, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Benchmark: Apr 00 - Jul 03: JP Morgan Emerging Markets Bond Index Global Constrained Asia; Aug 03 - Dec 06: JP Morgan Asia Bond Total Return Composite; Jan 07 -3 Apr 22: JP Morgan Asia Credit Index Total Return Composite; 4 Apr 22 - Present: JP Morgan Asia Credit Index Investment Grade Total Return. Past performance is not necessarily indicative of future performance. <sup>^</sup>Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

### Performance Contributors/Detractors: May 2024

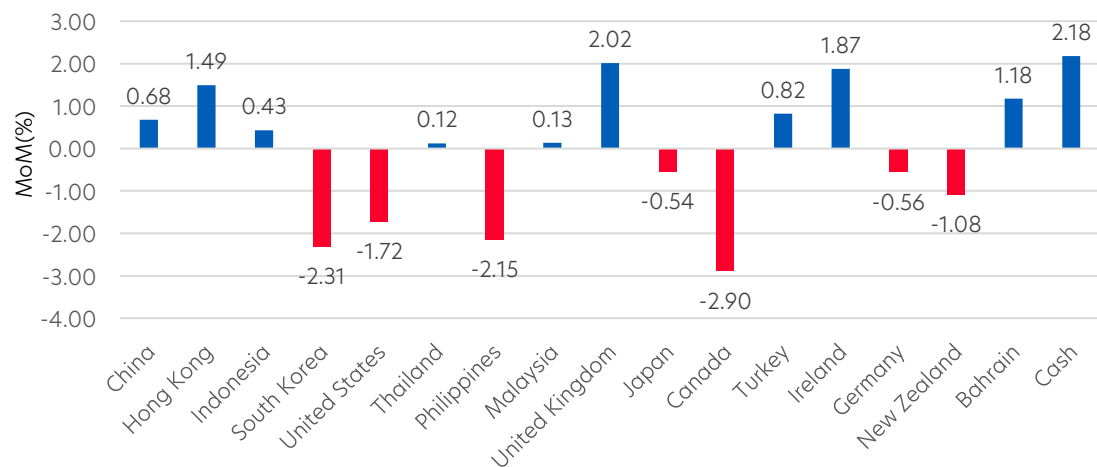


## Portfolio Changes

Sector allocation changes: April 2024 vs. May 2024



Country allocation changes: April 2024 vs. May 2024



Source: UOBAM

## Portfolio Review

### Analyst Insights

The new positions we added to the portfolio in May 2024 were quality Corporate Credit in the European Financials. Meanwhile, we sold positions in the Indian Financials.

As shown on the left charts, the biggest decrease in the sector allocation changes for May 2024 was in Utilities (-2.68 per cent), whereas the biggest increase was in Financials (+2.27 per cent). In terms of country allocation changes, the Fund has the biggest decrease in Canada (-2.90 per cent) and the most increase in the United Kingdom (+2.02 per cent) for May 2024.

## Market Review

**Government bonds:** In May 2024, US Treasury (UST) bonds rallied across the yield curve with the 2-year and the 10-year UST yields closing at 4.87 per cent (-16 basis points, bps) and 4.49 per cent (-18bps) respectively. Rates markets are now pricing in about 40bps of Federal funds rate cuts by the end of 2024.

Risk tone was firm post the soft US Consumer Price Index (CPI) and retail sales data for April 2024 and China's announcement of more policy support for the property sector. This was despite the hawkish US Federal Reserve (Fed) comments, stronger-than-expected economic data prints, and underwhelming UST auctions.

**Corporate bonds:** The aggressive compression of Asia credit spreads took a breather with the JP Morgan Asia Credit Index (JACI) Investment Grade credit spread closing flat at 120bps in May 2024 with year-to-date tightening at 27bps. Having said that, demand remained resilient, especially for the short tenors and new issues with on-market coupons.

The issuances of Asia ex-Japan G3 currency bonds (bonds issued in US Dollars, Japanese Yen, or Euros) gained steam and reached US\$16.8 billion in May 2024 (April 2024: US\$10.2 billion) on the back of lower interest rates and better global risk sentiment. Total issuances were US\$68.9 billion year-to-date in May 2024, marginally higher than US\$68.3 billion year-on-year (y/y). Fresh supply was well digested with strong demand in the primary market and good performance in the secondary market as investors looked to lock in the high on-market coupons. Top issuances were from China (39 per cent), followed by Indonesia (16 per cent) and the Philippines (14 per cent).

The continued rally in spreads in the first five months of 2024 has brought valuations to relatively tight levels since the Global Financial Crisis in 2008. That said, all-in yields are still attractive and the limited US-Dollar bond supply should act as a positive technical factor for Asia credit markets.

## Investment Objective

The investment objective of the United Asian Bond Fund seeks to provide stable current income and capital appreciation by investing primarily in debt securities issued by Asian corporations, financial institutions, governments and their agencies (including money market instruments).

## Fund Information

### Base Currency

SGD

### Fund Size

SGD 45.95 mil

### Fund Manager

Melvin Chan



### Important Notice and Disclaimers

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