February 2024

United Singapore Bond Fund

UOB Asset Management

Why Invest?

- **Defensive positioning:** The United Singapore Bond Fund – A SGD Acc (the "Fund") invests in quality credits that have a leading market share. The Fund is 41.23 per cent invested in Government Bonds (as of February 2024) which contributes to its strong credit rating of "A".
- **Singapore Dollars ("SGD") exposure:** The Fund is 85.86 per cent invested in Singapore (as of February 2024). 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:** We believe the stabilisation in the rates will reduce volatilities in Asian credit in 2024. The current all-in yield will provide a sufficient margin of safety against wider credit spreads.

MORNINGSTAR ★★★★

- **Highly rated:** The Fund currently holds a Morningstar four-star rating as of 29 February 2024.

February 2024 Portfolio Performance

The United Singapore Bond Fund – A SGD Acc	-0.74 per cent[2]
Benchmark: TR/SGX SFI Government Bond Index	-1.14 per cent

Source: Morningstar, Performance from 31 January 2024 to 29 February 2024 in SGD terms

[2] Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

Performance Review

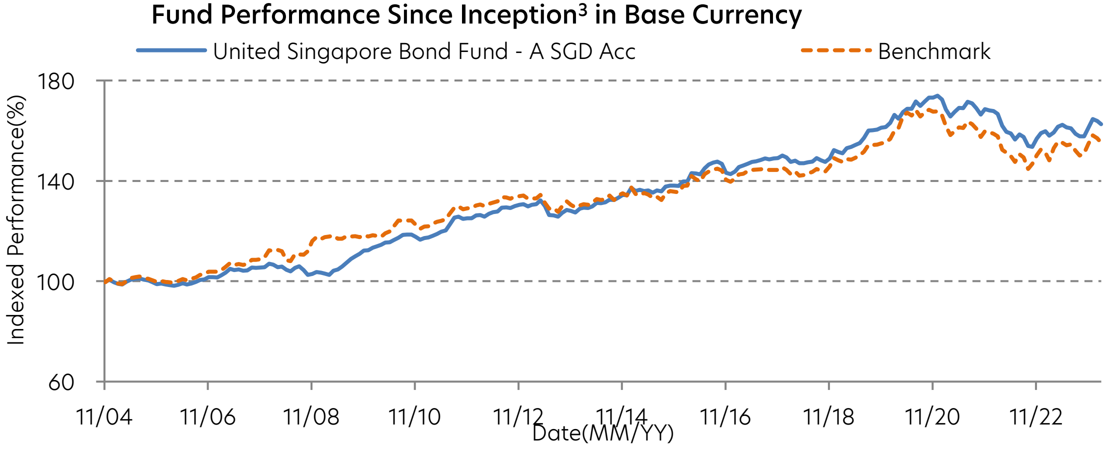
In February 2024, the outperformance of the Fund came from lower concentration in Singapore Government Securities (SGS), especially in the front to belly end of the yield curve, as higher carry from corporate credits helped to offset mark-to-market losses from rates.

Portfolio Positioning

The Fund continues to overweight corporate credits for the purpose of overall yield enhancement and keeps a neutral duration position relative to the benchmark. We will continue to lookout for relative-value trades.

[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.

Performance (Class A SGD Acc)



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

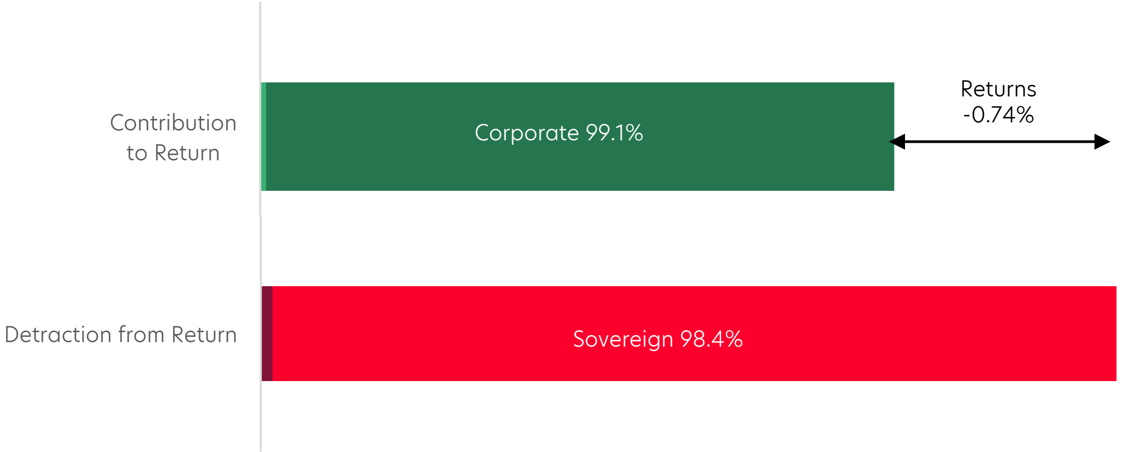
Benchmark: Since Inception – 31 May 17: Singapore Government Bond Index All UOB; 1 Jun 17 - Present: TR/SGX SFI Government Bond Index.

Source: Morningstar. Performance as at 29 February 2024, SGD basis, with dividends and distributions reinvested, if any.

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-0.74	2.89	-1.16	1.49	2.56
Fund (Charges applied^)	-2.73	0.83	-1.82	1.08	2.45
Benchmark	-1.14	4.70	-1.40	1.00	2.31

Source: Morningstar. Performance as at 29 February 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: 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.

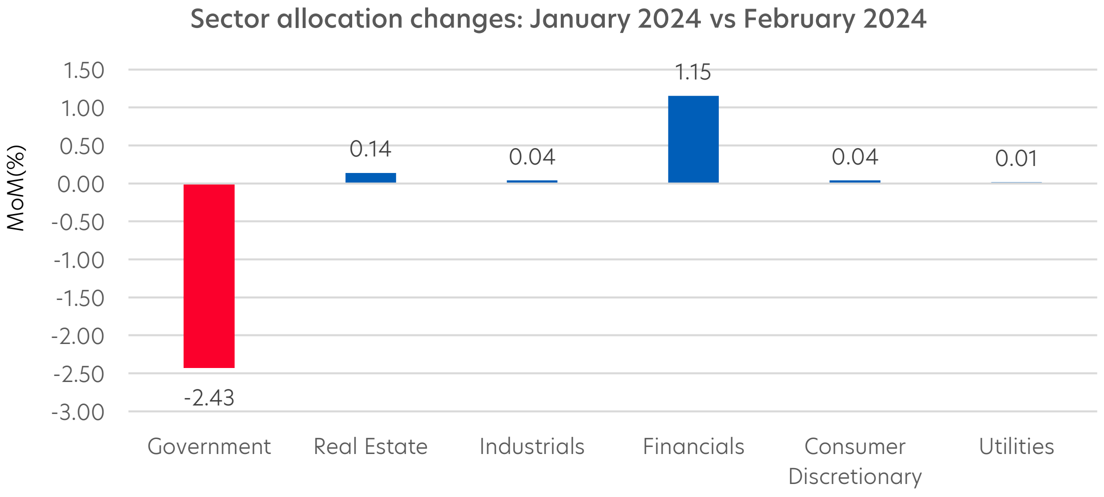
Performance Contributors/Detractors: February 2024

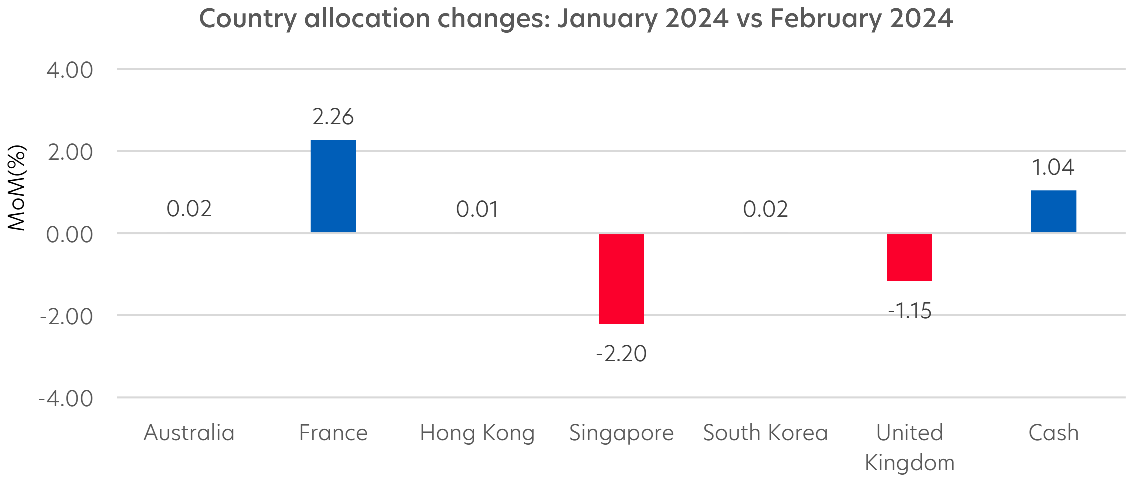


[3] The United Singapore Bond Fund A SGD Acc (ISIN Code: SG9999003412) and A SGD Dist (ISIN Code: SGXZ36402089) were incepted on 26 November 2004 and 4 January 2021 respectively.

All statistics quoted in the write-up are sourced from Bloomberg as at 29 February 2024 unless otherwise stated.

Portfolio Changes





Source: UOBAM

Portfolio Review

Analyst Insights

In February 2024, we participated in bond issues from European banks that gave a better yield pick-up over similar dated SGS, while maintaining Investment-grade credit exposure.

As shown on the left charts, the biggest decrease in the sector allocation changes for February 2024 was in Government (-2.43 per cent) whereas the biggest increase was in Financials (+1.15 per cent). In terms of country allocation, the Fund has the biggest decrease in Singapore (-2.20 per cent) and the most increase in France (+2.26 per cent) for February 2024.

Market Review

The macro releases in February 2024 provided optimism for the ongoing recovery in the manufacturing sector. The non-oil domestic exports (NODX) in January 2024 were +16.8 per cent year-on-year (y/y) (consensus: +4.3 per cent). Both electronics and non-electronics exports rose, suggesting broad-based improvements. The Industrial production for January 2024 came at +1.1 per cent y/y but below the consensus of +3.1 per cent y/y. The Monetary Authority of Singapore (MAS) shared that the official 2024 growth outlook was 1.0 to 3.0 per cent with growth supported by a turnaround in the electronics cycle. Inflation turned out to be softer for January 2024. Headline Consumer Price Index (CPI) was +2.9 per cent y/y due to lower core CPI and private transport prices. Core CPI slowed to +3.1 per cent y/y given declines in holiday-related expenses.

The SGD credit-related new issue remained active in February 2024, with SGD 2.86 billion issued (January 2024: SGD 2.72 billion). A variety of issuers tapped the market, from European banks to highly rated, Credit Guarantee & Investment Facility (CGIF) guaranteed papers to Temasek-linked corporates. UBS Group AG (UBS) issued SGD 650 million of Additional Tier 1 (AT1) bonds Non-call 5.5 years at a 5.75 per cent coupon while France’s BNP Paribas SA (BNP) (SGD 550 million) and BPCE SA (SGD 400 million) issued Tier 2 bonds with about 10-year maturities, callable around 5 years. BPCE SA was last active in the SGD public bond space in 2016. For domestic corporates, Mapletree Pan Asia Commercial Trust (Baa2 rated) issued an SGD 120 million 10-year green bond at a 3.9 per cent coupon. Else, the Singapore Exchange also issued SGD 300 million in a 3-year bond at a 3.45 per cent coupon. Both issues were well received in secondary trading given the rarity factor, tight valuations notwithstanding.

Bond markets delivered negative returns in February 2024 as yields rose significantly. The US Treasury (UST) curve is bear-flattened with yields rising 20-40 basis points (bps) along the curve. The SGS curve moved in tandem but underperformed in the long end. While front-to-belly-end SGS experienced only half the move versus USTs, long-end SGS moved in a similar magnitude with USTs in February 2024. This reflected the market’s anticipation of new supply as MAS issued SGD 2.1 billion in 20-year bonds (Coupon:2.75 per cent, matures in March 2046) and an SGD 1.5 billion 3-year mini-auction (Coupon:2.875 per cent, matures in Sep 2027) that was cut-off at 3.08 per cent and 3.09 per cent respectively. The 20-year bonds were drawing better demand.

As such, rate cut expectations for the US Federal Reserve (Fed) in 2024 fell to ~5.7 cuts as of the end of January 2024 (versus the ~6.5 rate cuts priced at the end of 2023). Risk premiums continued to decline across markets, with global investment grade corporate credit spreads tightening by 4 bps to 1.11 per cent in February 2024. SGS curve underperformed in contrast, with yields from the 3-year part of the curve increased by about 15-20 bps (versus flat to small bear-steepening pressure in USTs). This likely reflected tight valuations and relative illiquidity as attention was on the re-opening of the 2-year SGS issue (SGD 3 billion, matures in June 2026). The re-tap did well, however, with the cut-off yield at 3.04 per cent versus 3.06 per cent previously.

We continue to hold a positive view on global growth in 2024 due to supportive macro-fundamentals including healthy labour markets, an improving global manufacturing and trade cycle and continued strength in consumer sentiment and spending. This macro backdrop supports a view that the UST 10-year bond yield should trade within our expected range of 4.0-4.5 per cent in the first half of 2024. The next SGS supply will be a new 5-year issue. We expect front-end to intermediate SGS yields to track the UST market while long-end SGS yields to stay quiet/lag USTs given the relative quietness in that part of the curve.

Investment Objective

The investment objective of the United Singapore Bond Fund is to maximize 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	Base Currency	Fund Size	Fund Manager
★★★★	SGD	SGD 175.07 mil	Joyce Tan

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