

November 2024

# United Smart Sustainable Singapore Bond Fund



## 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:** United Smart Sustainable Singapore Bond Fund - A SGD Acc (Hedged) (the "Fund") invests at least 65 per cent in Singapore's fixed income and a maximum of 35 per cent 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 United Sustainable Singapore Bond Fund - A SGD Dist (Hedged) offers a monthly dividend income<sup>1</sup> as well as the potential for capital upside. The current distribution policy is to make regular monthly distributions of up to 2 per cent p.a..
- **Highly rated:** The Fund currently holds a Morningstar five-star rating as of 30 November 2024.



## Portfolio Positioning

Moving ahead, staying invested in attractive quality assets remains key. Heightened volatility and high financial asset valuation should reduce their attractiveness to investors amid the increasing uncertainties towards the year-end. On the other hand, potential growth stimulative measures are likely to be the catalysts to drive corporate earnings and in turn, better performance for riskier assets. All said, with a new highly unpredictable presidency and new administration, markets will be more prone to sudden event changes and high price swings in the near term.

Heavier positioned in good quality credits, especially in the non-investment grade segment has been the focus. This will continue to reward us with higher carry and performance resiliency. On duration management, we have shortened our duration given the uncertainties of the new US presidency and administration. We remain convicted to lock in the higher US rates due to the peak in interest rates.

## November 2024 Portfolio Performance

The United Smart Sustainable Singapore Bond Fund - A SGD Acc (Hedged)	+0.13 per cent <sup>2</sup>
Benchmark: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 per cent	+0.36 per cent

Source: Morningstar, Performance from 31 October 2024 to 30 November 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

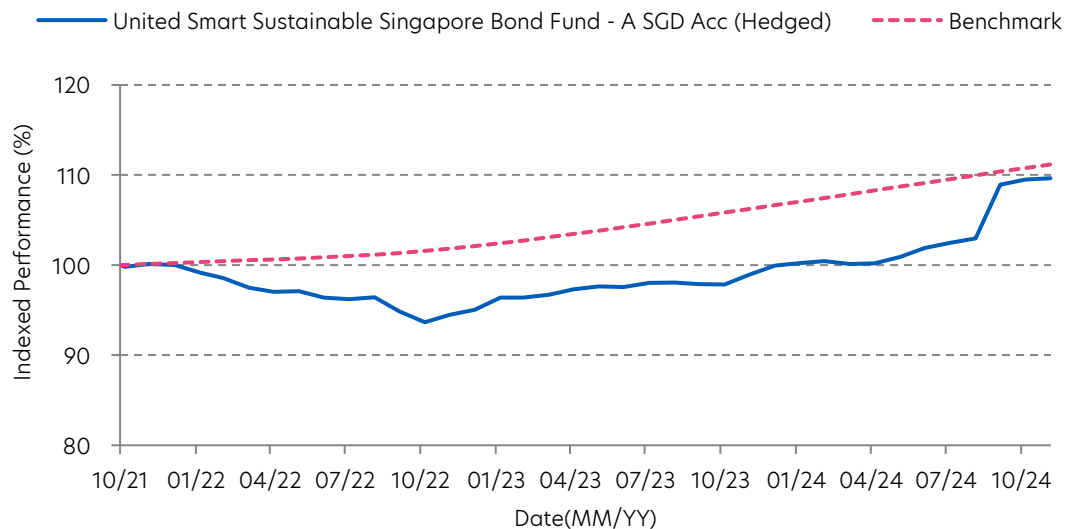
Fund performance in November 2024 registered a positive return due to the good yield carry. Our continual heavier exposure to good quality Singapore bonds and defensive credits had been strong anchors and contributed to our Fund's overall returns.

Adding to that was our exposure to defensive non-investment grade, which boosted the overall yield carry. On our broad duration strategy, we had tactically shortened our duration slightly in anticipation of the potential inflationary pressures and uncertainties brought forward by the new US president and his administration.

<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 A SGD Acc (Hedged))

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

Source: Morningstar. Performance as at 30 November 2024, SGD basis, with dividends and distributions reinvested, if any.

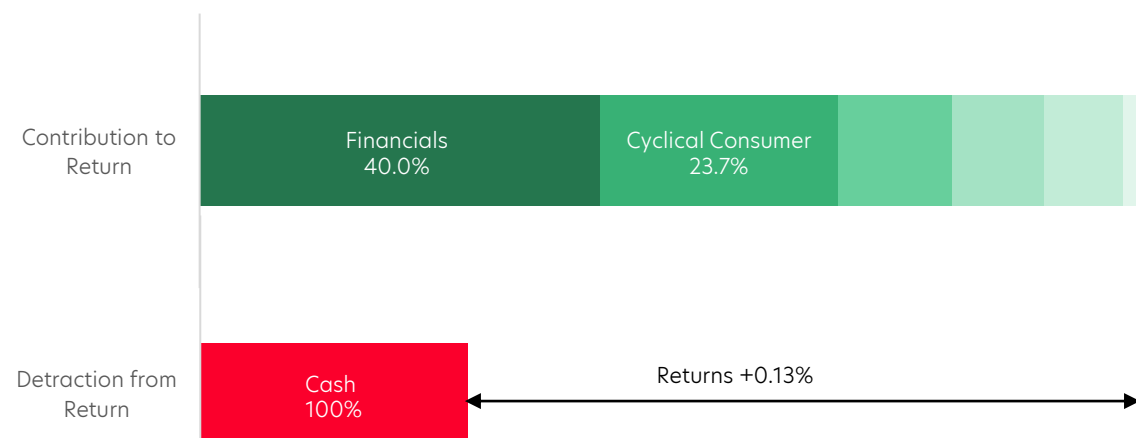
<sup>3</sup> The United Smart Sustainable Singapore Bond Fund Class A SGD Acc (Hedged) (ISIN Code: SGXZ18977330) was inceptioned on 26 October 2021.

All statistics quoted in the write-up are sourced from Bloomberg as at 30 November 2024 unless otherwise stated.

	Cumulative Performance (%)	Annualised Performance (%)			
		1 month	1 Year	3 Years	5 Years
Fund NAV to NAV	0.13	10.78	3.07	-	3.01
Fund (Charges applied <sup>^</sup> )	-1.87	8.57	2.38	-	2.34
Benchmark	0.36	4.67	3.56	-	3.48

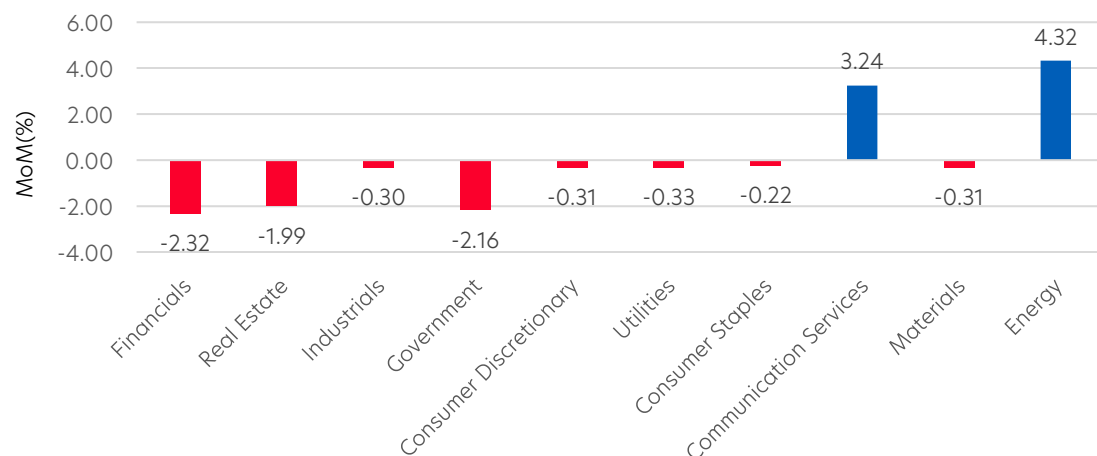
Source: Morningstar. Performance as at 30 November 2024, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Since inception performance under 1 year is not annualized. Benchmark: Since inception -7 April 2022: 12-month Singapore dollar Fixed Deposit + 1 per cent; 8 April 2022 - Present: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 per cent. 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: November 2024

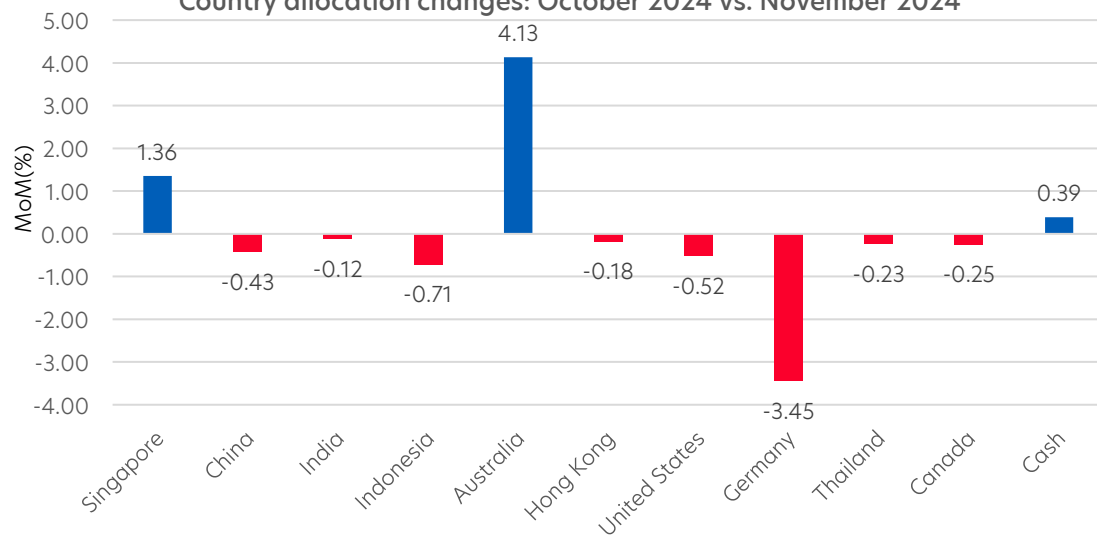


## Portfolio Changes

Sector allocation changes: October 2024 vs. November 2024



Country allocation changes: October 2024 vs. November 2024



## Portfolio Review

### Analyst Insights

The Fund has adopted an overall defensive carry strategy and remains well-positioned. Asia's credit investment grade spread had slightly widened while its developed market peers had narrowed somewhat. Broad Asian credit spread trades very near to the narrowest level within its 5-year historical period. However, the absolute yield of Asian credit remained attractive, hovering close to around 0.8 per cent above its 5-year historical average. This continues to make Asian credit the preferred asset class of many investors, especially investment-grade names.

As shown on the left charts, the biggest decrease in the sector allocation changes for November 2024 was in Financials (-2.32 per cent). On the contrary, the largest increment was in Energy (+4.32 per cent). In terms of country allocation changes, the Fund had the highest decline in Germany (-3.45 per cent) and the highest increase in Australia (+4.13 per cent) during November 2024.

## Market Review

Positive risk sentiment drove broad flows into riskier asset classes in November 2024. That said, the “red wave” resultant from the US election and Fed speak advocating a patient approach to further rate cuts contributed to a volatile November (2024) in rates markets. US interest rates initially rose on inflationary fears associated with Trump’s Presidential win but corrected as swiftly after the appointment of Scott Bessent for Treasury Secretary, who is perceived to be more market-oriented. US Personal Consumption Expenditures (PCE) price data for October 2024 came broadly in line with expectations, coupled with slightly soft consumption data that tilted the market more towards a December rate cut. Outside of the US, China’s easing measures implemented since September 2024, and the debt swap program was announced in November 2024. To maintain a growth target of “around 5 per cent” for 2025, the government is expected to set a significantly higher fiscal deficit aimed at bolstering domestic consumption. The debt swap program will convert the Renminbi (RMB) 5.6 trillion of hidden local debt over the next 13 months should enhance local fiscal conditions and provide local governments with more resources to tackle their domestic economic challenges. Overall, the 10-year US Treasury (UST) yield fell by 12 basis points (bps) to 4.17 per cent in November 2024, while the 5-year UST yield also fell by 11bps to 4.05 per cent.

On the Singapore front, growth momentum continued to remain strong in November 2024. The Gross Domestic Product (GDP) growth for the third quarter of 2024 was revised upwards significantly to +3.2 per cent quarter-on-quarter (q/q) (previously +2.1 per cent q/q), enabling GDP growth for 2024 to track closer to +3.5 per cent. This was driven by an upturn in the electronics and manufacturing sector and the continued resilience of consumer spending, although overall industrial production and non-oil domestic exports (NODX) showed continual weaknesses. Industrial production growth slowed to +1.2 per cent year-on-year (y/y) in October 2024, while the NODX fell to -4.6 per cent y/y, driven by the volatile pharmaceutical sub-segment. The headline consumer price Index (CPI) in October 2024 cooled to +1.4 per cent y/y. Similarly, the core inflation fell sharply to +2.1 per cent y/y in October 2024. Overall, the 5-year Singapore government bond yield underperformed the UST as it rose by 5bps to 2.72 per cent in November 2024.

On the Asia credit market, credit spreads widened as US underlying rates fell to their recent lows. Despite the supportive efforts by Chinese authorities, concerns about structural issues such as the local debts and property crisis remained, prompting more to adopt a wait-and-see approach amid approaching the close of the year. In addition, the Asian market also saw a risk dampener – Adani’s founder was charged by the US Securities and Exchange Commission (SEC) for the bribery scheme. In late November 2024, the green energy division under Adani Group (Adani Green Energy Limited) priced a US\$600 million bond. However, the bond offering was withdrawn after US prosecutors charged Gautam Adani (the group founder) with participation in an alleged bribery. Although Adani Group denied the bribery allegations, there was a massive sell-off in the Adani dollar bonds. On the supply front, the pace of issuance slowed slightly in November 2024 as the market took a breather on US political uncertainties. Primary issuance in the SGD bond market quietened down in November 2024. Eyes were more on the major US election coupled with the thinning of market liquidity as we approached the year-end festive season. Overall, the Asian credit spread performance was weaker as both investment and non-investment credit spreads had widened. This was largely driven by the decline in underlying interest rates as investors stayed on the sidelines. Looking at credit spread performance, riskier frontiers Sri Lanka and Pakistan outperformed amid favourable refinancing news, while most segments saw wider spreads. In USD terms, the JP Morgan Environmental, Social, and Governance (ESG) Composite regained 0.54 per cent in November 2024, largely driven by the decline in underlying interest rate, which more than offset the widening of credit spread. Specifically, the investment grade segment saw a gain of 0.57 per cent while the non-investment grade segment also saw a gain of +0.37per cent in November 2024.

## 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

<b>Morningstar Rating</b> ★★★★★	<b>Base Currency</b> SGD	<b>Fund Size</b> SGD 7.80 mil	<b>Fund Manager</b> Koh Hwee Joo
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