February 2025

# 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[1] 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..

MORNINGSTAR ★★★★★ • **Highly rated:** The Fund currently holds a Morningstar five-star rating as of 28 February 2025.

## February 2025 Portfolio Performance

| | |
|---|---|
| The United Smart Sustainable Singapore Bond Fund – A SGD Acc (Hedged) | +1.01 per cent[2] |
| Benchmark: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 per cent | +0.31 per cent |

Source: Morningstar, Performance from 31 January 2025 to 28 February 2025 in SGD terms

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

## Performance Review

Fund performance in February 2025 registered a positive return due largely to the decline in the underlying interest rate. Our heavier exposure to good quality Singapore bonds had contributed as further risk extension waned. Defensive credit remained a strong anchor to our Fund's overall returns.

Our superior credit selection in the defensive non-investment grade bond was the other main contributor to overall returns. On our broad duration strategy, we kept our duration short in anticipation of the potential inflationary pressures and uncertainties brought about by the new US president and his administration.

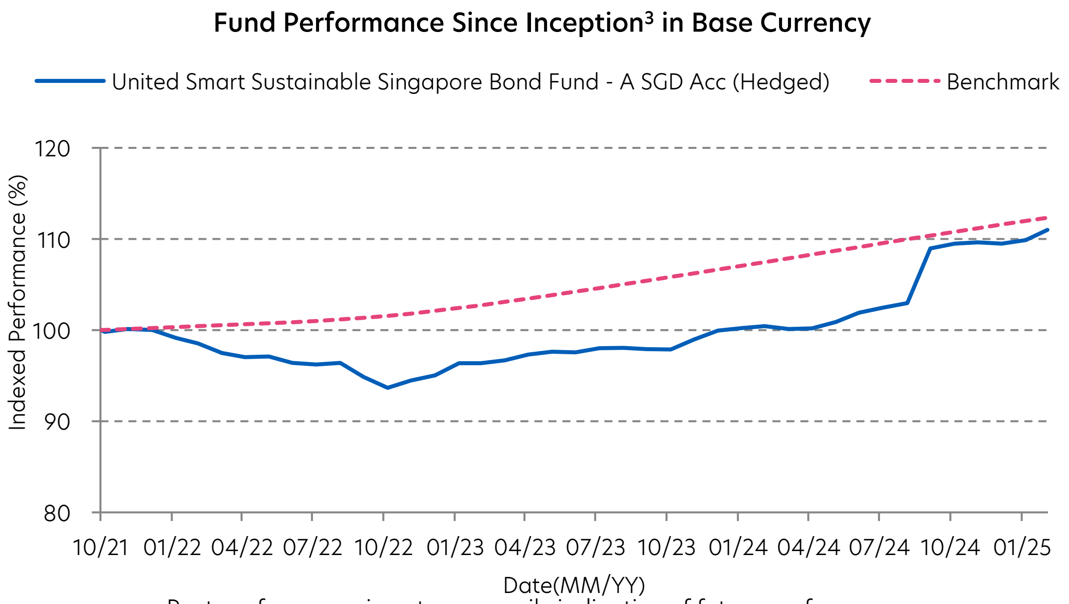
## Portfolio Positioning

Moving ahead, staying invested in quality assets remains key to gathering an attractive defensive carry. Despite the tariff and immigration policies uncertainties, our view was not to be overly alarmed as these are likely part of his negotiation tools, rather than a willingness to risk hurting the economy and financial markets. Continual economic expansion and contained inflation should remain intact. We see the core of US President Trump's policies as being pro-growth and US-centric which presents a good environment for risk taking.

Increased exposure in good quality credits, especially in the non-investment grade segment, will continue to reward us with higher carry and performance resiliency. On duration management, we will keep our duration short in view of the uncertainties from the new US presidency and administration but remain convicted to lock in the higher US rates due to the peaking of interest rates.

[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 (Hedged))




Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

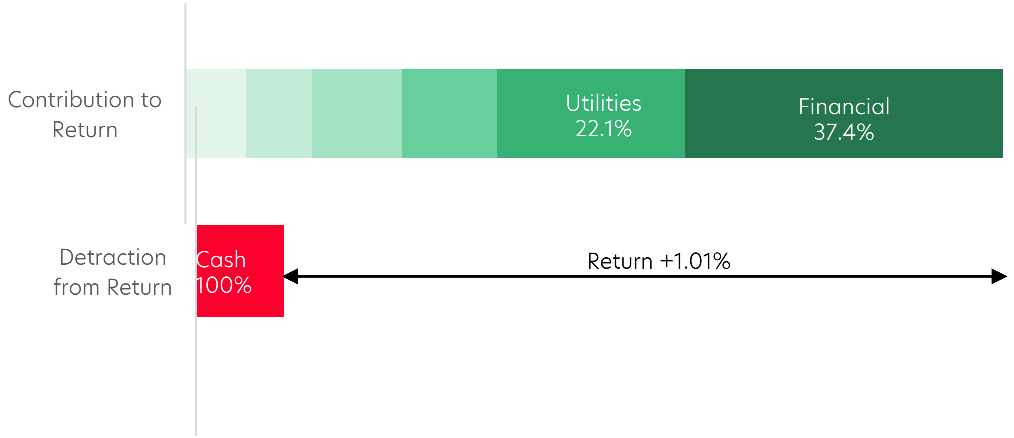
Benchmark: Since inception -7 April 2022: 12-month Singapore dollar Fixed Deposit + 1 per cent; 8 April 2022 - Present: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 per cent

Source: Morningstar. Performance as at 28 February 2025, 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 | 1.01 | 10.53 | 4.04 | - | 3.17 |
| Fund (Charges applied^) | -1.01 | 8.32 | 3.34 | - | 2.55 |
| Benchmark | 0.31 | 4.53 | 3.80 | - | 3.54 |

Source: Morningstar. Performance as at 28 February 2025, 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. ^Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

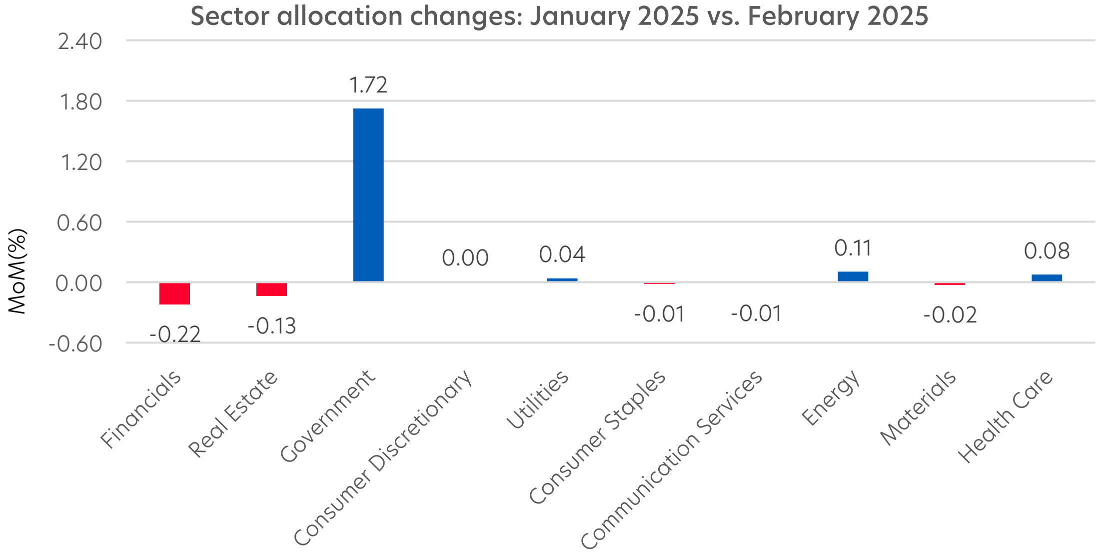
## Performance Contributors/Detractors: February 2025

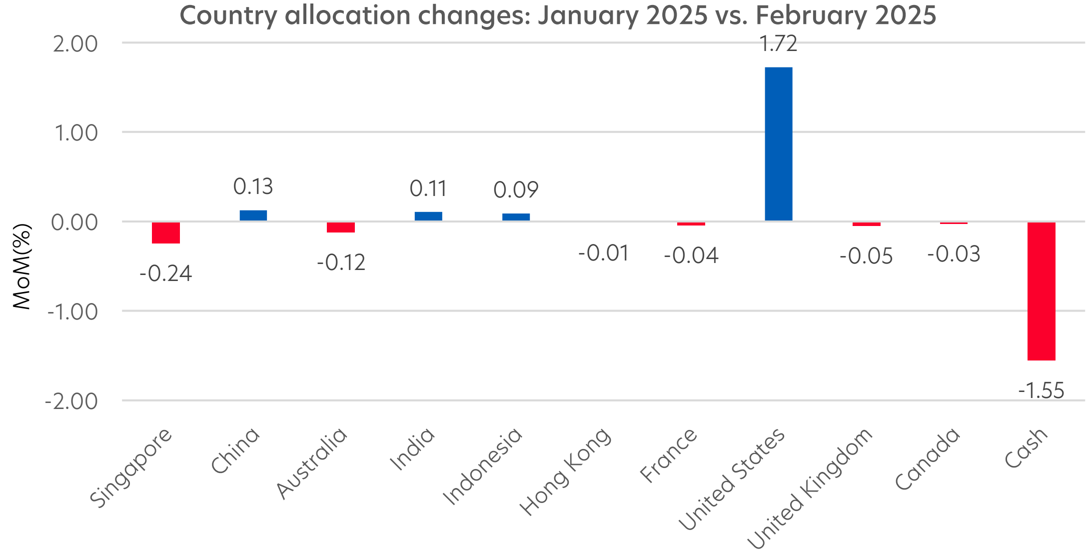



[3] The United Smart Sustainable Singapore Bond Fund Class A SGD Acc (Hedged) (ISIN Code: SGXZ18977330) was incepted on 26 October 2021.

All statistics quoted in the write-up are sourced from Bloomberg as at 28 February 2025 unless otherwise stated.

## Portfolio Changes




Source: UOBAM

## Portfolio Review

### Analyst Insights

The Fund has been adopting an overall defensive carry strategy and remains well-positioned. Looking at the credit spread, both the investment grade spread of Asia and its developed market peer had widened. Broad Asian credit spread currently trades near to its narrowest level within its 5-year historical period. However, the absolute yield of Asian credit remained attractive, hovering close to around 0.4 per cent above its 5-year historical average. This continues to put Asian credit as the preferred asset class of many investors especially the investment grade names.

As shown on the left charts, the largest increment in the sector allocation changes for February 2025 was in Government (+1.72 per cent), and the largest decrement was in Financials (-0.22 per cent). In terms of country allocation changes, the Fund had the highest decline in Singapore (-0.24 per cent) and the highest increase in the United States (+1.72 per cent) in February 2025.

## Market Review

Fears of tariff-led recession clouded the market. Risk appetite diminished as investors were wary of tariffs not targeting only China but across many others. Recent economic data had also shown softness while inflation remained sticky, giving rise to renewed talks of potential stagflation. Whereas in the US interest rate futures market, the first rate cut in 2025 was expected to resume when the US Federal Reserve (Fed) committee members meet in June 2025. Over in Asia, recent economic data releases were rather resilient from China amid her readiness to tackle any new tariffs. Overall, the 10-year US Treasury (UST) yield fell by 33 basis points (bps) to 4.21 per cent in February 2025, while the 5-year UST yield also fell by 31bps to 4.02 per cent. On the Singapore front, recent economic data releases indicated signs of weakness. Singapore Electronics Purchasing Managers' Index (PMI) declined slightly to 51.1 in January 2025 (December 2024: 51.4), with rising concerns over the impact of impending tariffs and a peak in the semiconductor cycle. Industrial production growth picked up to +9.1 per cent year-on-year (y/y) in January 2025 (December 2024: +5.2 per cent y/y), but the strength was likely led by the front loading of purchases amidst tariff uncertainties.  On the other hand, growth in the electronics non-oil-domestic exports (NODX) moderated to +9.6 per cent y/y in January 2025 (December 2024: +18.6 per cent y/y), in line with declining semiconductor exports seen from technology-heavy Asian exporters, such as South Korea and Taiwan. Inflation-wise, the disinflation trend continued as a broad-based slowdown across most categories was observed. Adding to this was also the change in index contributors as categories with higher inflation, e.g. transport, saw their index weightage reduced and balanced with other categories with moderate inflation. Overall, the 5-year Singapore government securities bond yield underperformed the UST as it fell by 20bps to 2.63 per cent in February 2025.

On the Asia credit market, credit spreads were largely unchanged on the composite level, with investment grade credit spread slightly wider and non-investment grade credit spread narrower. Positive headlines were seen in the stressed New World Development and the Chinese real estate market with high-yield Chinese developer Greentown China Holdings Limited (Greentown). In addition, China Vanke's ability to refinance its debts had helped to undermine any negative risk sentiment. Overall, Asian credit was supported by still reasonable absolute yield levels and smaller-than-expected new bond supply, leading to stronger demand for higher-yielding credits in this period. However, the market appears to have paused to add further after the rally of USTs and lower overall yields by the end of February 2025. On the supply technical front, the primary issuance market plunged on a seasonally shorter month in February. Notable issuers include Bank of China, Hutchison Port Holdings, Mongolia Sovereign, Greentown and Varanasi Aurangabad. Primary issuance in the SGD bond market slowed in this seasonally shorter month. Real estate companies dominated the issuance market. Notable issuances include Developer GuocoLand Limited, which issued SGD 180 million Perpetuals (Perp) NC5 (non-callable for the first five years after issuance) at a 4.35 per cent coupon after calling back its previous SGD 400 million GUOLSP 4.6 per cent Perp in January 2025.  Lendlease Global Commercial REIT soon followed with SGD 120 million of Perp NC5 issued at 4.750 per cent to refinance the SGD 200 million 5.25 per cent Perp callable in April 2025.

Overall, the Asian credit spread performance was positive due largely to the gains from the massive decline in underlying interest rates, especially the investment grade segment, as the credit spread of the investment grade segment slightly widened. Whereas for the non-investment grade segment, the gains came from a decline in interest rate, credit spread narrowing and higher yield carry. Positive refinancing news from Chinese real estate developers had also contributed. In USD terms, the JP Morgan Environmental, Social, and Governance (ESG) Composite gained +1.67 per cent in February 2025. The investment grade segment saw a gain of +1.61 per cent, while the non-investment grade segment also saw a gain of +2.05 per cent.

## 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

| Morningstar Rating | Base Currency | Fund Size | Fund Manager |
|---|---|---|---|
| ★★★★★ | SGD | SGD 7.71 mil | Koh Hwee Joo |

**Important Notice and Disclaimers**

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