

May 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 income¹ 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..

Portfolio Positioning

Moving ahead, it remains critical to stay invested to gather good returns since the current market yield remains high. The Fund has been adopting an overall defensive carry strategy and remains well-positioned amid the uncertainties. Lower China growth, and high leverage trajectory alongside structural Chinese real estate woes may present tail risk to Asian assets.

In the near term, exposure to good quality non-investment grade exposure will be rewarded with higher carry and potential capital gains from market rallies, if any. On duration management, we prefer to pause to monitor global economic health and continue to stay nimble. We remain convicted to lock in the higher US rates in anticipation of recession risk and a peak in interest rate. All said as we enter into a new normal world while living with COVID-19, credit selection and portfolio diversification are critical amid rising idiosyncratic risks.

May 2024 Portfolio Performance

The United Smart Sustainable Singapore Bond Fund – A SGD Acc (Hedged)	+0.72 per cent ²
Benchmark: 6-Month Compounded Singapore Overnight Rate Average (SORA) + 1 per cent	+0.39 per cent

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

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

Performance Review

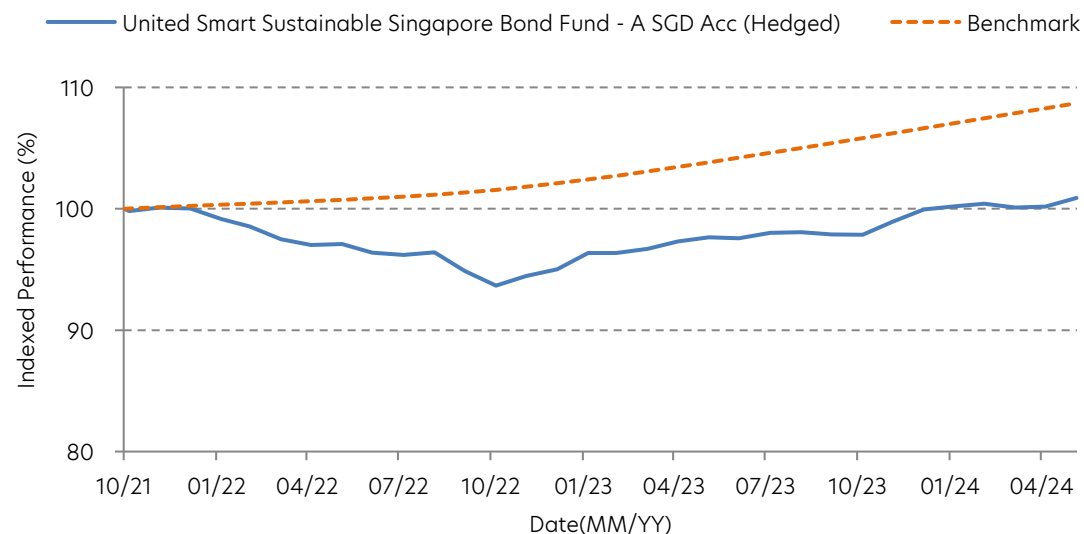
Fund performance in May 2024 registered a positive return and outperformed the benchmark, due to the fall in interest rate coupled with the good yield carry.

Our continual heavier exposure to good quality Singapore bonds and defensive credits had remained a good anchor and continued to contribute to our Fund's overall returns. The riskier segment had done well as investors chased for their higher carry. On our duration strategy, we have kept our duration short and remained unchanged from April 2024.

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))

Fund Performance Since Inception³ 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 31 May 2024, SGD basis, with dividends and distributions reinvested, if any.

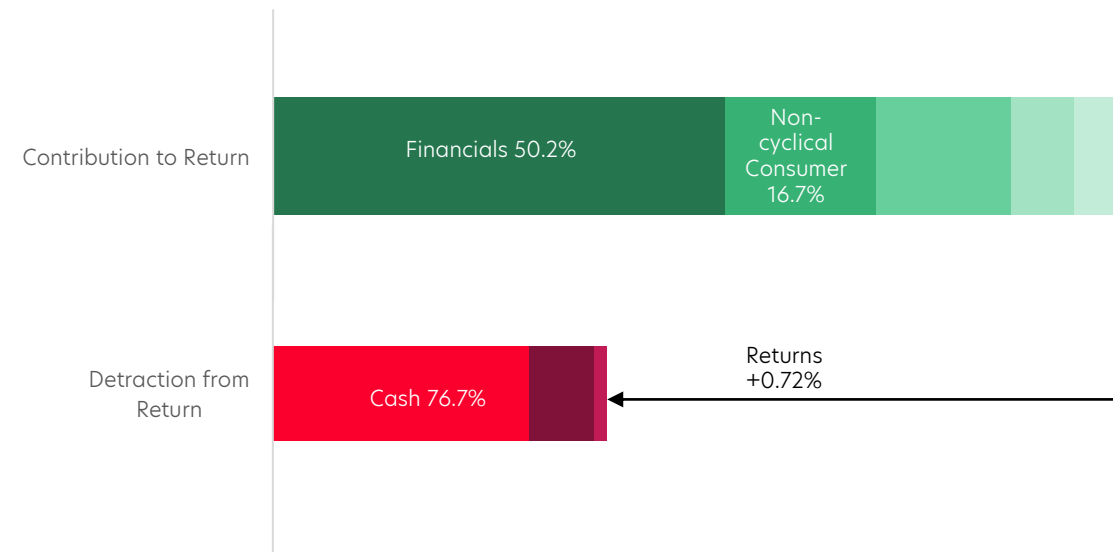
³ The United Smart Sustainable Singapore Bond Fund Class A SGD Acc (Hedged) (ISIN Code: SGXZ18977330) was inception on 26 October 2021.

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	0.72	3.34	-	-	0.35
Fund (Charges applied [^])	-1.30	1.27	-	-	-0.43
Benchmark	0.39	4.70	-	-	3.27

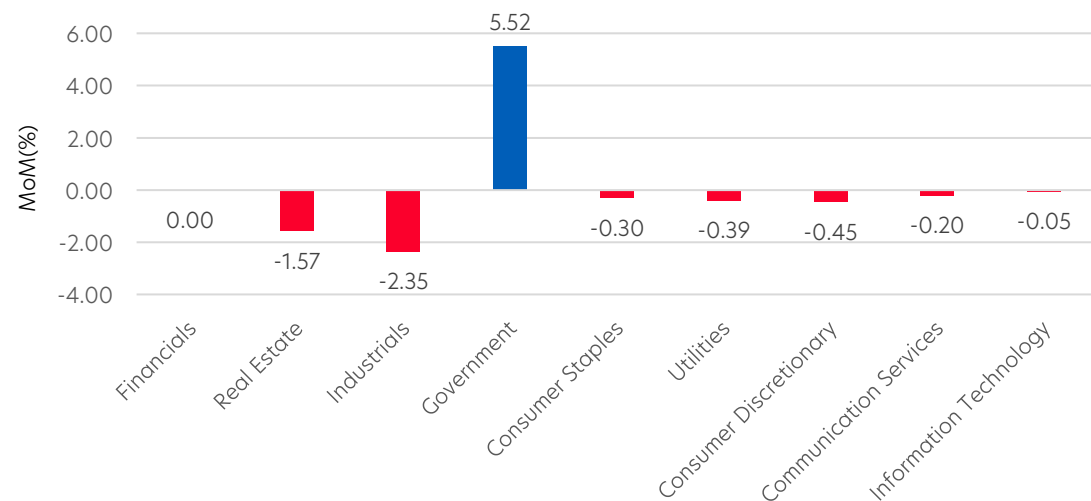
Source: Morningstar. Performance as at 31 May 2024, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Since inception performance under 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: May 2024

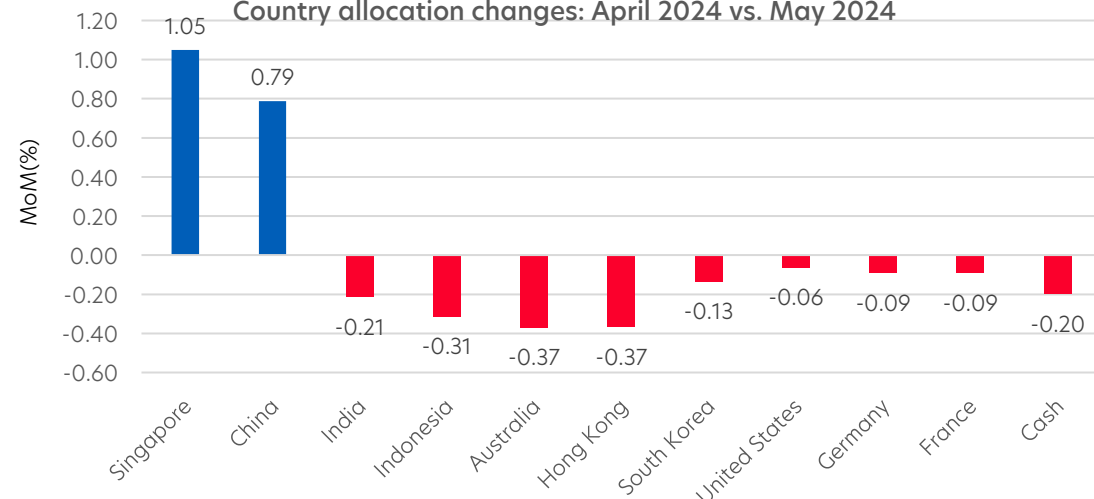


Portfolio Changes

Sector allocation changes: April 2024 vs. May 2024



Country allocation changes: April 2024 vs. May 2024



Portfolio Review

Analyst Insights

The Fund has adopted an overall defensive carry strategy and remains well-positioned amid the uncertainties. The Asia investment grade spread had slightly underperformed its developed market peers as its spread had stayed flat while its peer's spread slightly narrowed. Broad Asian credit spreads currently trade at its narrowest level within its 5-year historical period. However, the absolute yield of Asian credit remained attractive, hovering close to around 1.3 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 biggest decrease in the sector allocation changes for May 2024 was Industrials (-2.35 per cent). On the contrary, the largest increment was in Government (+5.52 per cent). In terms of country allocation changes, the Fund had the highest decline in Australia and Hong Kong (-0.37 per cent) and the highest increase in Singapore (+1.05 per cent) during May 2024.

Market Review

All focus on interest rates in May 2024 with a muted stance on risk extension. The US Federal Reserve (Fed) kept the rate unchanged in May 2024, in line with the expectations, alongside the announcement of a tapering of the quantitative tightening in June 2024. US Fed was seen to be more dovish as the Chairman, Jerome Powell, dispelled the possibilities of any potential rate hike. Slightly weaker-than-expected US macroeconomic data fuelled investors' expectation for more US rate cuts in early May 2024. Subsequent strength in macroeconomic data moderated the US rate cut expectation. Inflationary pressures trended largely in line with expectations and brought some calmness to the market. Overall, the 10-year US Treasury (UST) yield fell by 18 basis points (bps) to 4.50 per cent in May 2024, while the 5-year UST yield also fell by 21bps to 4.51 per cent.

Growth data for Singapore remained choppy in May 2024 though there were greater signs to be more optimistic as electronics production and exports recovered. The Manufacturing Purchasing Managers Index (PMI) fell slightly to 50.5 with weakness in the non-electronics sub-segment. Both industrial production and exports recovered in April 2024 after a disappointing March 2024. In April 2024, Industrial production expanded +7.1 per cent month-on-month (m/m), translating to -1.6 per cent year-on-year (y/y) (March 2024: -9.2 per cent y/y), while the non-oil domestic exports (NODX) were +7.6 per cent m/m or -9.3 per cent y/y (March 2024: -20.8 per cent y/y). The sequential recoveries in both indicators were driven by the electronics sector, though we would wait for further affirming data points before gaining more confidence in the manufacturing recovery story. Headline Consumer Price Index (CPI) was +2.7 per cent y/y for April 2024 as softer rents were offset by higher private transport prices. Core CPI was +3.1 per cent y/y as food services prices moderated but utilities prices rose due to a hike in water tariffs. The disinflation trend also appeared to be broadening across items as the share of items with annual inflation greater than 2 per cent continued to fall. The latest guidance for core inflation in 2024 from the Monetary Authority of Singapore (MAS) remained at 2.5-3.5 per cent (excluding Goods and Services Tax basis).

On the Asia credit market, investors' appetite was muted in May 2024. There were also more announcements on policy support for the real estate market from the Chinese government but it remains to be seen whether this market has reached its trough. In May 2024, issuances continued to slow. Fresh supply was well digested with strong demand in the primary and good performance in the secondary as investors looked to lock in the high coupon level. Top issuances were from China issuers such as Ping An Insurance (Group) of China, China Cinda Asset Management Co. Limited, China Shandong Hi-Speed Financial Group Limited and followed by other issuers such as Philippines Sovereign etc.

Primary issuance in the SGD space was more active in May 2024 as we saw issuances from a wide spectrum of issuers. There was an issuance of SGD 2.5 billion for a 30-year Green SGS (Infrastructure) syndicated issue, which was priced at 3.30 per cent. Besides, other issuers also include the Housing and Development Board (HDB) which issued an SGD 900 million 7-year bond with a 3.46 per cent coupon, SGD 155 million 3-year bond from Thomson Medical Group with a 5.25 per cent coupon, SGD 300 million A-3 rated 10-year bond from CapitaLand Ascendas REIT at 3.73 per cent coupon and SGD 180 million 3-year bond from Guocoland Limited at 4.05 per cent coupon. Overall, the Asian credit spread performance was mixed with the investment grade credit spread slightly wider while the non-investment grade credit spread was substantially narrower. Better non-investment grade performance was largely led by the announcement of more supportive Chinese real estate policies while frontier sovereigns such as Sri Lanka and Pakistan had also done well. In USD terms, the JP Morgan Environmental, Social, and Governance (ESG) Asia Credit Index reversed its loss and gained +1.33 per cent in May 2024, largely driven by the fall in underlying interest rate. Specifically, the investment grade segment saw a gain of +1.09 per cent while the non-investment grade segment also saw a gain of +2.66 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

Base Currency	Fund Size	Fund Manager
SGD	SGD 35.93 mil	Koh Hwee Joo



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