United SGD Fund

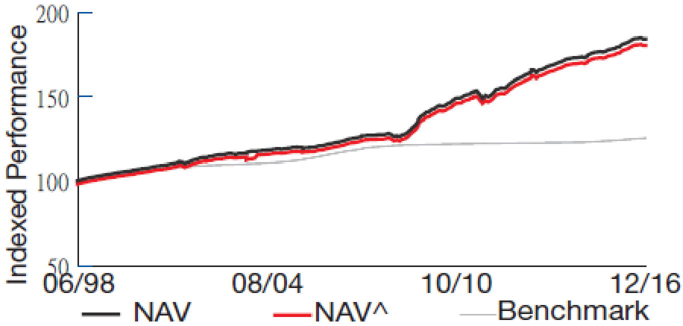
Fund Performance

The performance of the United SGD Fund Class A (Acc) SGD (the "Fund") was flat[1] in the month of December 2016. The Fund's benchmark, the 6-month Singapore Interbank Bid Rate ("SIBID rate"), rose by 0.10%[2].

Performance of Class SGD Acc

5 Lipper Leader Preservation

19th June 98 To 30th December 16, Performance Based in Singapore Dollar.



*The above chart reflects performance from the first month end of the Fund. ^2% sales charge applied.

Benchmark (BM) : 6-month SIBID rate.

Perf	NAV	NAV^	BM
1 month	0.00%	-2.00%	0.10%
3 months	-0.17%	-2.16%	0.28%
6 months	0.67%	-1.35%	0.55%
1 year	3.25%	1.18%	1.16%
3 years	2.98%	2.29%	0.74%
5 years	4.08%	3.66%	0.52%
10 years	4.11%	3.90%	0.73%
Since Incept	3.35%	3.24%	1.24%

Source: Lipper, a Thomson Reuters Company • Performance of SGD Acc as at 30 Dec 16, SGD basis, with dividends and distributions reinvested, if any.
• Performance figures for 1 mth till 1 yr show the % change, while those exceeding 1 yr show the average annual compounded return.

Market Review

The Fund had a NAV at $1.813 as at end December 2016. The Fund returned +3.25% for 2016. Credit valuations declined on the back of higher US treasuries (USTs). 2 USTs and 10 year USTs rose 27 basis points (bps) and 55 bps respectively post Donald Trump's victory in the US Presidential Election on 8 November 2016.

In a widely anticipated move, US Federal Reserve (Fed) raised the policy rate by 25 bps to 0.5-0.75% in December in an unanimous decision. The Federal Open Market Committee (FOMC) statement provided a more positive outlook on the US economy, labour market and inflation even as the Fed maintained its cautious stance about risks to the US outlook. Fed chair Yellen added during the press conference that it was far too early to know how fiscal policy changes will unfold. UST 10-year hit intra-month high of 2.60 % as the market was surprised by the first upward revision of the median policy rate forecasts (aka the dot-plot chart) since December 2014. The FOMC raised its expectations to three rate hikes in 2017 (up from two) and another 3 hikes in 2018. UST 2-year and 10-year UST closed 8 bps and 6 bps higher for the month at 2.19% and 2.44% respectively.

Donald Trump's win of the US presidential election has prompted a major shift for interest rates trajectory into 2017 and beyond. We identify three important factors that may chart higher bond yields and steeper curve: (1) The Republican sweep with Trump heading to the White House and the Republicans retaining control of both houses of Congress means the US has elected a unified government for the first time since 2006 midterms. The fiscal stimulus proposed by Trump would represent the first tangible shift away from very accommodative monetary policy; (2) History indicated that US debt increased far more on a percentage basis under Republican Presidents

[1] Source: Lipper, Performance from 30 November 2016 to 30 December 2016 in SGD terms, on an NAV (Net Asset Value) basis, with dividends and distributions reinvested (if any).
[2] Source: Lipper, Performance from 30 November 2016 to 30 December 2016 in SGD terms.
All statistics quoted in the write-up are sourced from Bloomberg as at 30 December 2016 unless otherwise stated.

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Reagan, Bush (Senior) and Bush (Junior) than under Democratic Presidents Clinton and Obama since 1981. Given Trump's campaign rhetoric of overall lower taxes and infrastructure spending, some of these are likely to be funded via increased US Treasury issuances; and (3) In the midst of intensive debate on what "Trumponomics" means to the markets, the uncertainties entailed in the next few years will inevitably lead to an increase in the term premium that has been languishing at historical lows on complacent inflationary outlook.

Outlook and Strategy

Despite the sharp correction in interest rates since November, the seismic shift triggered by Trump that altered interest rate outlook may still have some room to run into 2017. Bonds had become a very popular asset class through years of strong returns. With bond performance likely curtailed on expected rising interest rates, outflows will likely ensue. Bond issuers had taken advantage of the low level of long rates and of the investor hunt for yield to lengthen the profile of their debt over the last years. Coupled with planned reduction of oil production from Organization of the Petroleum Exporting Countries (OPEC) by 1.2 million barrels per day (mb/d) to 32.5 mb/d effective on 1st January 2017, this will further anchor inflation expectations. The adjustment to overall portfolio duration will take time and thus we expect more selling of bonds with longer duration.

Given generally rich valuations and expectations for an increase in market volatility with several potential risk events on the horizon, we have maintained our defensive positioning with preference for quality credits with leading market share, of systemic importance, in defensive sectors and which are professionally managed. We continue to invest up the credit rating scale and increase exposure to developed markets, to insulate the portfolio against spurts of volatility. Oxymoronically, rising interest rates environment will likely benefit the performance of the Fund as bonds are reinvested at higher interest rates via a "laddering" process with rolling 3-year horizon yet potentially limit any negative impact into portfolio performance due to low portfolio duration.

The Fund will continue to buy fairly priced bonds and sell/take-profit on expensive bonds based on relative value. We will focus on companies that have good access to capital markets and have defensive business models. We will also continue to invest in bonds that are maturing, callable or putable up to 3 years to enhance overall return. The Fund will maintain 3% to 5% in cash for liquidity purposes and hedge foreign currency risk to the Singapore dollar.

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