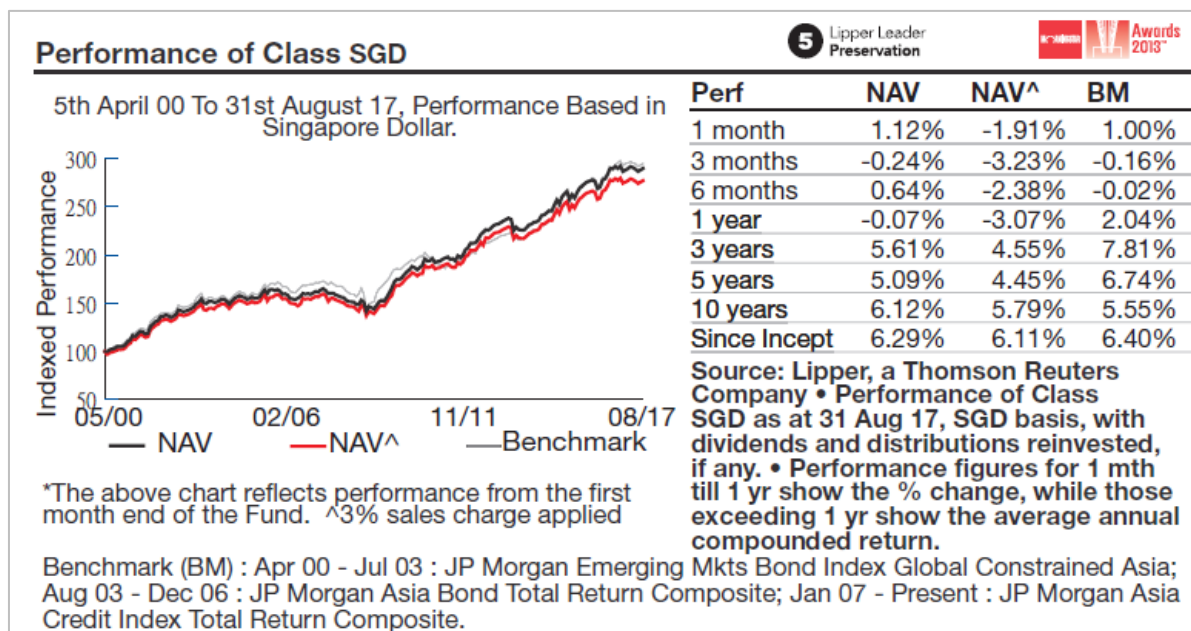


United Asian Bond Fund

Fund Performance

For the month of August, the United Asian Bond Fund (the "Fund") delivered a positive return of 1.12%¹ while its benchmark, the J.P. Morgan Asia Credit Index Total Return Composite (JACI), posted a gain of 1%².



Performance Attribution

During the period under review, the Fund had outperformed the benchmark by 12 basis points (bps). The main contributors came from our overweight positions in high yield as both credit spread tightening and high carry added to the overall gain. Tactical slight long duration had also worked well. Nevertheless, underweights on lower rated sovereigns undermined some of our outperformance.

The month of August saw intensified geopolitical unrest with North Korea's missile testing adding tensions between US and China. Meanwhile the US grappled with devastation from Harvey, the most severe hurricane since Katrina in 2005. The dampened risk sentiment led to lower US Treasury yields and wider Asian credit spreads. As of end August, the 10-year US treasury yield was 17 basis points (bps) lower at 2.12% while the JP Morgan Asia credit composite spread widened slightly by 3 bps to 237 bps.

As at end August, the weighted average duration of our underlying bonds within the Fund was 5.6 years, compared to 5.4 years for the benchmark. In terms of allocation, the Fund has 71.5% in investment grade (IG) credits, 17.3% in high yield (HY) credits and 9.8% in unit trust funds (the Fund started the month with 69.7% in IG credits, 18.4% in HY credits, and 9.9% in unit trust funds which includes exposure to HY credits). In comparison, the benchmark has a weight of 77.7% in IG credits and 22.3% in HY credits.

¹ Source: Lipper, Performance from 31 July 2017 to 31 August 2017 in SGD terms, on a NAV (Net Asset Value) basis, with dividends and distributions reinvested (if any).

² Source: Lipper, Performance from 31 July 2017 to 31 August 2017 in SGD terms.

Fund Award includes: Best Asia Bond Fund at Morningstar Singapore Fund Awards 2013, The Edge-Lipper Singapore Unit Trust Fund Awards 2014, 2013, 2012, 2011, 2010, 2003, Singapore Investment Fund Awards 2002

All statistics quoted in the write-up are sourced from Bloomberg as at 31 August 2017 unless otherwise stated.

United Asian Bond Fund

Outlook and Strategy

Moving ahead, we are inclined to stay neutral with focus to gather defensive carry. Despite the heightened risk of military conflict after the missile testing from North Korea, our main view remains that a military conflict is not desired. Both the US and China will need to concurrently cope with their domestic events – US will be managing Hurricane Harvey and the impending debt ceiling while China continues to prepare for one of its most important plenary meetings. As such, more dialogues and sanctions may be imposed on North Korea. We opined that the recent slight spread widening should again be seen as another opportunity for us to select names which we like for medium term positioning.

Having said that, Asian credit spread levels are generally stretched on historical trend basis and any potential sharp rally in the near term will be undermined by the continuing supply. Higher than initially expected supply should come through as approvals from authorities gather pace. As at end August, the average Asian credit spread stood at about 237 bps which is about 23 bps narrower than its three-year historical average of 260 bps. On a longer historical basis, current spread is about 22 bps wider from its 2010's low of 215 bps.

From the fundamental perspective, we prefer to monitor and remain skeptical on the strength of recent macroeconomic data as some signs of weakness was observed while inflationary pressures seems lacking. With global central banks focusing on normalization of their interest rate and balance sheets, any robust growth may be constrained. In addition, political struggles likely to stay as the hurdle for more fiscal stimulus. Overall, we are inclined to stay overweight in the non-investment grade segment. Credit differentiation will remain paramount. On the duration strategy, we will be staying broadly neutral on duration. That said, we may engage in tactical duration positioning.

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