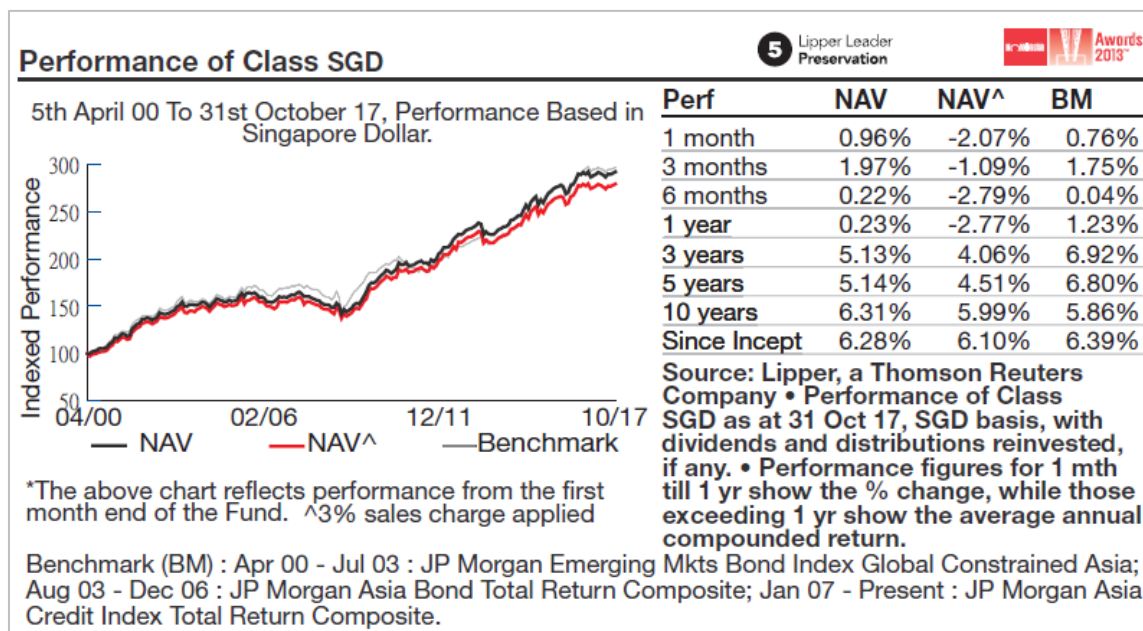


United Asian Bond Fund

Fund Performance

For the month of October 2017, the United Asian Bond Fund (the "Fund") delivered a return of 0.96%¹ while its benchmark, the J.P. Morgan Asia Credit Index Total Return Composite (JACI), rose by 0.76%².



Performance Attribution

During the period under review, the Fund had outperformed the benchmark by 20 basis points (bps). The main contributor came from our overweight position in the non-investment grade segment and Indonesia via the underweight on South Korea and Philippines. The overweight positions in consumer and industrials also added to the gains.

October brought relatively positive risk sentiment despite the lingering geopolitical risk from North Korea. Continual robust global macroeconomic data, coupled with the lack of surprise over policy from the European Central Bank (ECB), China National Party Congress and Japanese elections lent support for risk appetite. As expected, the ECB reduced the pace of quantitative easing to EUR 30 billion per month starting from January 2018 while President Xi unveiled China's top leadership for the new term. Over in Japan, the incumbent Liberal Democratic Party clinched a landslide victory and remained the ruling party in the house. Overall, 10-year US treasury yields were 5 bps higher at 2.39% as at end of the month, while the JP Morgan Asia credit composite spread narrowed by 8 bps to 222 bps for the same period.

As at end October, the weighted average duration of our underlying bonds within our Fund was 5.8 years, compared to 5.4 years for the benchmark. In terms of allocation, the Fund has 65.6% in investment grade (IG) credits, 18.5% in high yield (HY) credits and 10.0% in unit trust funds (the Fund started the month with

¹ Source: Lipper, Performance from 30 September 2017 to 31 October 2017 in SGD terms, on a NAV (Net Asset Value) basis, with dividends and distributions reinvested (if any).

² Source: Lipper, Performance from 30 September 2017 to 31 October 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 October 2017 unless otherwise stated.

United Asian Bond Fund

69.7% in IG credits, 18.6% in HY credits, and 10.0% in unit trust funds). By comparison, the benchmark has a weight of 77.3% in IG credits and 22.7% in HY credits.

Outlook and Strategy

Moving ahead, we are inclined to stay broadly neutral with focus to gather defensive carry due to stretched bond valuations, a higher than expected bond supply and rising US interest rates.

Recent progress with US tax reform and the appointment of Jerome Powell, a relatively less hawkish candidate, removed much uncertainty and brought along an increased risk appetite. With President Trump's visit to the Asia in early November, geopolitical risk should somewhat stabilise in the near term. However, close monitoring of how events unfold remains warranted as this tail risk stays with high significance to all markets. The markets remain watchful on the persistently lower than expected inflationary pressures while global economic growth is likely to continue to stay robust at current levels.

On the Asian bond front, the bond valuation and supply pipeline will likely drive the performance of the market. As at end October, the average Asian credit spread stood at about 222 bps which is about 37 bps tighter than its three-year historical average of 259 bps. On a longer historical basis, current spread is a mere 7bps wide from its 2010's low of 215 bps. Overall, we are inclined to reduce but still stay overweight on the non-investment grade segment as the need for yield remains. We opined that recent spread tightening trend may start to consolidate as the robust macroeconomic had been mostly priced in. We look to only add post spread widening so as to cherry pick names which we like for medium term positioning. Credit differentiation will remain paramount. On the duration strategy, we will be staying broadly neutral in duration. That said, we may engage in tactical duration positioning.

Contact Details

SINGAPORE

UOB Asset Management Ltd

Address 80 Raffles Place UOB Plaza 2 Level 3 Singapore 048624
Tel 1800 222 2228 (Local) • (65) 6222 2228 (International)
Fax (65) 6532 3868
Email uobam@uobgroup.com
Website uobam.com.sg

MALAYSIA

UOB Asset Management (Malaysia) Berhad

Address Level 22, Vista Tower, The Intermark
No. 348 Jalan Tun Razak, 50400 Kuala Lumpur
Tel (03) 2732 1181
Fax (03) 2732 1100
Website uobam.com.my

THAILAND

UOB Asset Management (Thailand) Co., Ltd

Address 23A, 25 Floor, Asia Centre Building, 173/27-30, 32-33
South Sathon Road, Thungmahamek, Sathon, Bangkok 10120, Thailand
Tel (66) 2786 2000
Fax (66) 2786 2377
Website uobam.co.th

BRUNEI

UOB Asset Management (B) Sdn Bhd

Address FF03 to FF05, The Centrepoin Hotel, Gadong,
Bandar Seri Begawan BE 3519, Brunei Darussalam
Tel (673) 2424806
Fax (673) 2424805

TAIWAN

UOB Asset Management (Taiwan) Co., Ltd

Address Union Enterprise Plaza, 16th Floor, 109 Minsheng East Road, Section 3,
Taipei 10544
Tel (886)(2) 2719 7005
Fax (886)(2) 2545 6591

JAPAN

UOB Asset Management (Japan) Ltd

Address 13F Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku,
Tokyo 100-6113 Japan
Tel (813) 3500-5981
Fax (813) 3500-5985

Important Notice and Disclaimers

All information in this publication is based upon certain assumptions and analysis of information available as at the date of the publication and reflects prevailing conditions and UOB Asset Management Ltd (“UOBAM”)’s views as of such date, all of which are subject to change at any time without notice. Although care has been taken to ensure the accuracy of information contained in this publication, UOBAM makes no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for the accuracy or completeness of the information.

Potential investors should read the prospectus of the fund(s) (the “Fund(s)”) which is available and may be obtained from UOBAM or any of its appointed distributors, before deciding whether to subscribe for or purchase units in the Fund(s). Returns on the units are not guaranteed. The value of the units and the income from them, if any, may fall as well as rise. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. An investment in the Fund(s) is subject to investment risks and foreign exchange risks, including the possible loss of the principal amount invested. Investors should consider carefully the risks of investing in the Fund(s) and may wish to seek advice from a financial adviser before making a commitment to invest in the Fund(s). Should you choose not to seek advice from a financial adviser, you should consider carefully whether the Fund(s) is suitable for you. Investors should note that the past performance of any investment product, manager, company, entity or UOBAM mentioned in this publication, and any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance of any investment product, manager, company, entity or UOBAM or the economy, stock market, bond market or economic trends of the markets. Nothing in this publication shall constitute a continuing representation or give rise to any implication that there has not been or that there will not be any change affecting the Funds. All subscription for the units in the Fund(s) must be made on the application forms accompanying the prospectus of that fund.

The above information is strictly for general information only and is not an offer, solicitation advice or recommendation to buy or sell any investment product or invest in any company. This publication should not be construed as accounting, legal, regulatory, tax, financial or other advice. Investments in unit trusts are not obligations of, deposits in, or guaranteed or insured by United Overseas Bank Limited, UOBAM, or any of their subsidiary, associate or affiliate or their distributors. The Fund(s) may use or invest in financial derivative instruments and you should be aware of the risks associated with investments in financial derivative instruments which are described in the Fund(s)’ prospectus.

UOB Asset Management Ltd Co. Reg. No. 198600120Z