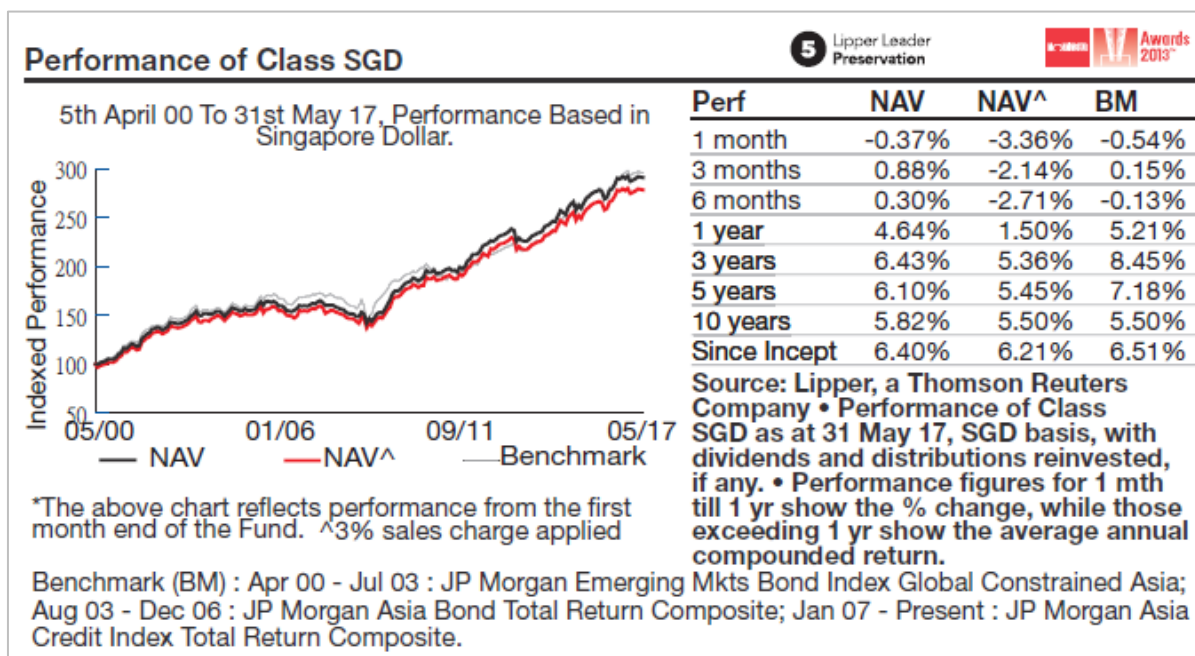


United Asian Bond Fund

Fund Performance

The performance of the United Asian Bond Fund (the "Fund") delivered a negative return of 0.37%¹ in May 2017 while its benchmark, the JP Morgan Asia Credit Index Total Return Composite (JACI), declined 0.54%².



Performance Attribution

During the period under review, the Fund had outperformed the benchmark by 17 basis points (bps). The main contribution came from our defensive carry from the high yield segment and superior credit selection and our tactical slight long duration. Our overweight in Indonesia and underweight in Philippines had also added positive contribution in addition to our active participation in primary market.

The markets were more risk averse for the month of May, with investors who were still cautious as North Korea remained a worrisome unresolved issue. To add to woes, soft US macroeconomic data cast doubts over a US-led recovery, alongside questions on the pace and magnitude of US in normalising interest rates. Meanwhile fund inflows into emerging markets continued. Overall, the 10-year US treasury yield was 12 bps lower at 2.20% as at end May while the benchmark spread widened by another 4 bps from 228 bps to 232 bps.

As of end May 2017, the weighted average duration of our underlying bonds within our Fund was 5.5 years, compared to 5.4 years for the benchmark. In terms of allocation, the Fund has 69.0% in investment grade (IG) credits, 18.0% in non-IG credits and 10.1% in unit trust funds (the Fund started the month with 64.4% in IG credits, 20.4% in non-IG credits, and 10.2% in unit trust funds). By comparison, the benchmark has a weight of 79.0% in IG credits and 21.0% in non-IG credits.

Source: Lipper, Performance 28 April 2017 to 31 May 2017 in SGD terms, on a NAV (Net Asset Value) basis, with dividends and distributions reinvested (if any).

² Source: Lipper, Performance from 28 April 2017 to 31 May 2017 in SGD terms.

Fund Award includes: Best Asia Bond Fund at Morningstar Singapore Fund Awards 2013, The Edge-Lipper SG UT Fund Awards 14, 13, 12, 11, 10, 03, SG Inv. Fund Awards 02

All statistics quoted in the write-up are sourced from Bloomberg as at 31 May 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. We view the recent spread widening (especially the non-investment grade segment) as manageable and healthy for the Asian market in a medium term. This again demonstrates the need and importance for credit differentiation.

As at end May, the average Asian credit spread stood at about 232 bps which is about 30 bps narrower than its three-year historical average of 261 bps. On a longer historical basis, current spread is just 17 bps wider from its 2010's low of 215 bps.

US economic data and improved corporate earnings remain our near-term focus. The markets seemed to have price in some weaknesses in US macroeconomic data, and pulled back from the previous positivity from Trump's campaign. Hence we prefer to stay more watchful and nimble in our positioning with the dearth of positivity from US fiscal policy, rising political tension and reduced accommodative monetary policy from global central banks. Overall, we are inclined to remain overweight on the non-investment grade segment in the near term, and credit differentiation will remain paramount. On the duration strategy, we will be more inclined to stay broadly neutral for duration.

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