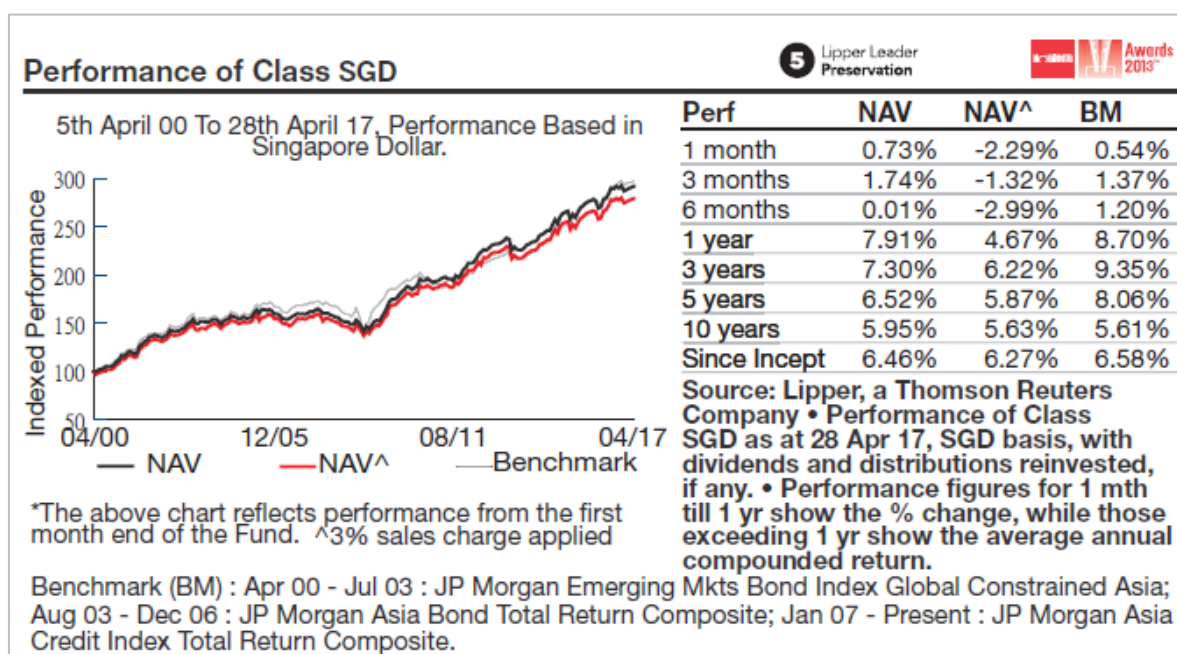


United Asian Bond Fund

Fund Performance

The performance of the United Asian Bond Fund (the "Fund") returned 0.73%¹ in April 2017 while its benchmark, the JP Morgan Asia Credit Index Total Return Composite (JACI), increased 0.54%² in SGD terms. During the period under review, the Fund had outperformed the benchmark by 19 basis points (bps).



Performance Attribution

During the period under review, the Fund had outperformed the benchmark by 19bps. The main contribution came from our defensive carry from the high yield segment and our tactical slight long duration. Our overweight position in Indonesia and underweight on South Korea and Philippines had continued to reap superior returns in addition to the positives from our active participation in primary market.

April 2017 was a month of increased uncertainty. Although the positive vibes from Trump-Xi meeting helped inject some calmness over the rising regional political tension, the continual tensions over North Korea remain a worrisome unresolved issue. On the economic front, talks of US treasury's balance sheet adjustment at this year-end, weaker than expected US economic data and further disappointment of Trump's tax reform were seen stirring up some nervousness in the market. Market started unwinding some of its previous bullish trades. Overall, the 10-year US treasury yield was 11 bps lower at 2.28% as at end April 2017. On the credit front, we saw issuers resumed their taps into the capital market. Facing a stretched valuation and continual supply, credit spreads reversed some earlier tightening moves. However, the persistent robust fund inflows into emerging market bond remains a support for credit spread. As such, the JP Morgan Asia credit composite spread only widened by 7bps from 221bps to 228bps in the month of April 2017.

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

² Source: Lipper, Performance from 31 March 2017 to 28 April 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 28 April 2017 unless otherwise stated.

United Asian Bond Fund

As at end April 2017, the weighted average duration of our underlying bonds within our Fund was 5.4 years, compared to 4.8 years for the benchmark. In terms of allocation, the Fund has 64.4% in investment grade (IG) credits, 20.4% in non-IG credits and 10.2% in unit trust funds (the Fund started the month with 69.0% in IG credits, 18.0% in non-IG credits, and 10.0% in unit trust funds). By comparison, the benchmark has a weight of 78.7% in IG credits and 21.3% in non-IG credits.

Outlook and Strategy

Moving ahead, we are inclined to stay neutral with focus to gather defensive carry. Increased caution in credit selection remains as valuation continues to head tighter. As at end April, the average Asian credit spread stood at about 228 bps which is about 34 bps narrower than its three-year historical average of 262 bps. On a longer historical basis, current spread is just 16 bps wide from its 2010's low.

Looking at recent weaker than expected US economic data against improved corporate earnings, there is a need for further analysis of the strength of this recovery. There may be more unwinding of the previous optimism priced in, if more unfavourable economic data starts to surface. Without much positivity from US fiscal policy, reducing accommodation of monetary conditions by global central banks and rising political tension, we prefer to stay more watchful and nimble in our positioning. Overall, we are inclined to stay overweight in the non-investment grade segment in the near term while continuing close monitoring of the eroding risk premium for the non-investment grade segment. Again, credit differentiation will be paramount. On the duration strategy, we will be more inclined to stay neutral in duration. That said we may tactically adjust duration positioning accordingly.

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