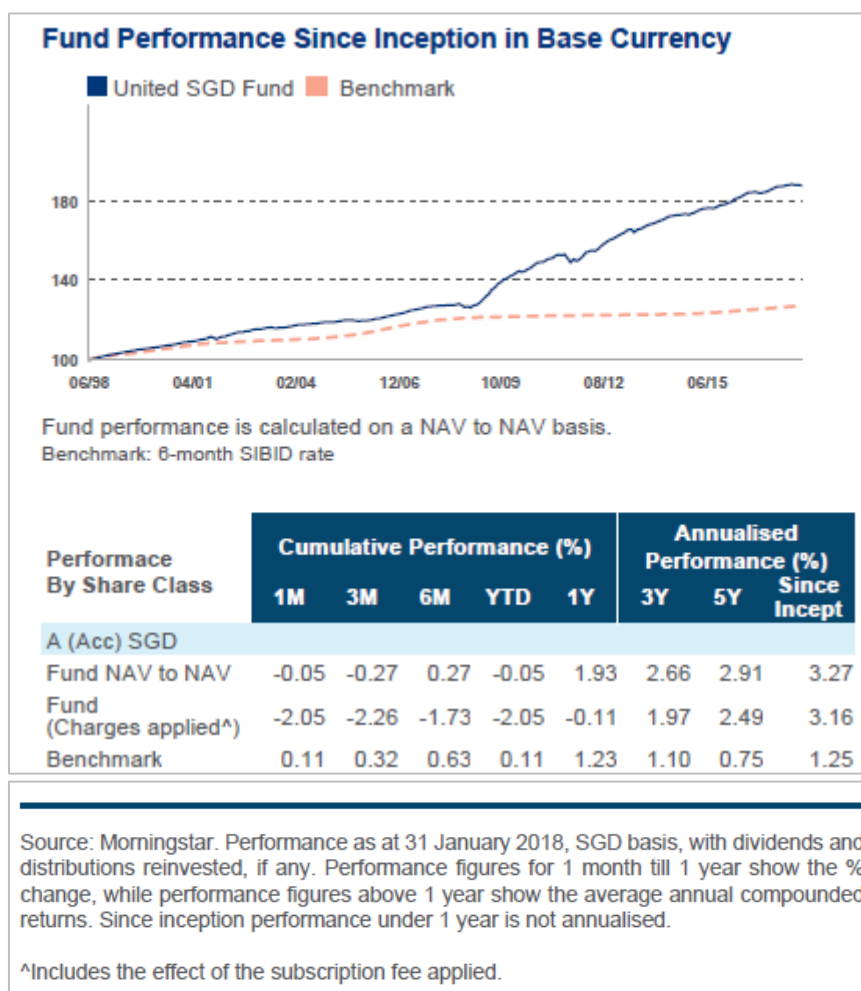


United SGD Fund

Fund Performance

The performance of the United SGD Fund Class A (Acc) SGD (the "Fund") dipped 0.05¹ in the month of January 2018. The Fund's benchmark, the 6-month Singapore Interbank Bid Rate ("SIBID rate"), gained 0.11%².



Market Review

While the US Federal Reserve (Fed) projects an upbeat view on the US growth outlook, the key takeaway from the Federal Open Market Committee (FOMC) was that the Fed was more hawkish on inflation expectations, raising concerns about a faster Fed policy normalization cycle in 2018. The FOMC kept US monetary policy unchanged and expanded the cuts to reinvestment (as scheduled) in the balance sheet reduction (BSR) program.

2-year US Treasury (UST) yields climbed another 26 basis points (bps) to close the month at 2.14%, a level not seen since September 2008. The current existing Fed rate at 1.5% implies the market is likely to have priced in three Fed rate hikes for 2018, as the official Fed rate was at 2.25% the last time 2-year USTs hit the same level in

¹ Source: Morningstar, Performance from 31 December 2017 to 31 January 2018 in SGD terms, on a NAV (Net Asset Value) basis, with dividends and distributions reinvested (if any).

² Source: Morningstar, Performance from 31 December 2017 to 31 January 2018 in SGD terms.

Fund Awards include: The Edge Lipper SGD Fund Awards (2010-2011, 2013-2015), SG Inv Fund Awards (2000-2001)

All statistics quoted in the write-up are sourced from Bloomberg as at 31 January 2018 unless otherwise stated.

United SGD Fund

September 2008. Meanwhile, 10-year UST yields began the month about 2.40%, and surged past 2.70% towards a near 4-year high of 2.73% on higher inflation expectations.

Although the US dollar turned weaker and oil prices trended higher, there had been no hard data showing a sharp upturn in inflation yet. As such, we would not be overly worried about the up move in yields for the time being, though we would be watching leading indicators very closely. Any further rise in yield should be capped, especially with issues over the debt ceiling which could induce some risk aversion in the market.

Outlook and Strategy

The Fund increased cash liquidity and added risk opportunistically to capitalise on higher yields. A higher interest rates environment will benefit the performance of the Fund as bonds are reinvested at higher interest rates via “laddering” process with rolling 3-year horizon yet limit any negative impact into portfolio due to low portfolio duration.

We continue to maintain 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. 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 puttable 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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