

Phillip Model Bond Portfolio

Ceasing coverage



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24 June 2021

- Our Phillip model bond portfolio has returned 4.72% since our last update in October 2020, outperforming the benchmark index by 3.9% within the 8-month period and by 6.1% on an annual basis.
- We are ceasing coverage of our model bond portfolio to reallocate our research resources.

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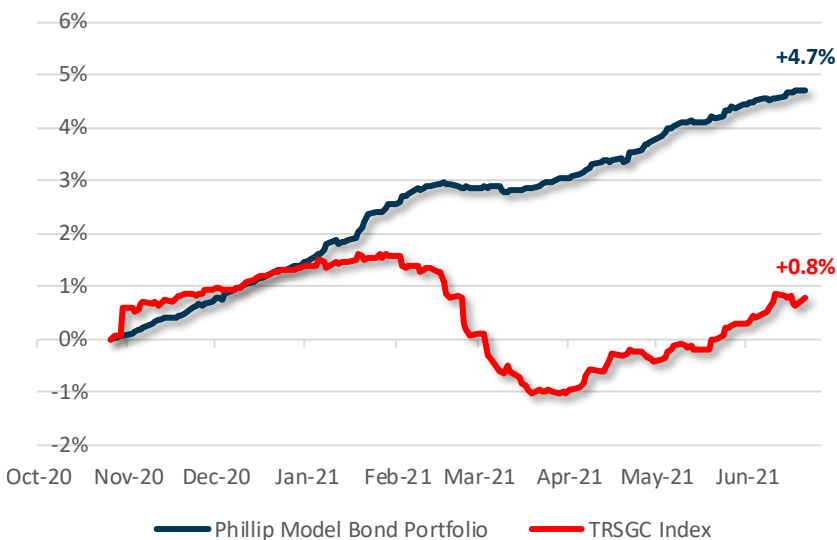
Background

Our Phillip model bond portfolio was launched on 18 August 2020. It consisted of 10 wholesale corporate bonds diversified across industries and tenures. The bonds were also chosen based on their attractive valuations to bond peers in Singapore.

Outperformed since last update. As at 21 June 2021, our portfolio returned 4.72% since our last update on 26 October 2020 on a total return basis. Its return was 3.96% more than the 0.8% returned by its benchmark Thomson Reuters/iEdge Singapore Fixed Income Corporate Index for the period. Returns were also more stable than the benchmark's (Figure 1).

Ceasing coverage. Since our portfolio's outperformance, higher bond valuations, coupled with a change in the macro environment arising from rising interest rates and higher inflation, call for a shift in strategy to selective bond picks. We are shifting resources to focus on individual bond coverage. The portfolio may be reinstated in the future. Till then, investors should no longer depend on it for making investment decisions.

Figure 1: Our portfolio outperformed the Thomson Reuters/iEdge SFI Corporate Index from 26 October 2020 to 21 June 2021 by 3.9%



Source: Bloomberg, POEMS

Figure 2: Phillip Model Bond Portfolio

| Bond | Maturity/Call Date | Ask Px | YTW% | YTC% | Industry | Features* |
|-------------------------------|--------------------|--------|--------------|-------------|-------------------|--|
| 1. TMGSP 4.8% | 18-Jul-22 | 103.15 | 1.81 | - | Healthcare | 1. Cessation Put |
| 2. ARASP 4.15% | 23-Apr-24 | 102.95 | 3.03 | - | Real Estate | 1. Change of Control Put |
| 3. ESRCAY 5.1% | 26-Feb-25 | 104.05 | 3.91 | - | Logistics E-comm | - |
| 4. OLAMSP 4% | 24-Feb-26 | 99.60 | 4.10 | - | Commodities | - |
| 5. FPLSP 4.25% | 21-Apr-26 | 106.55 | 2.79 | - | Real Estate | 1. Make Whole Call |
| 6. ARASP 5.2% Perp | 19-Jul-22 | 101.15 | 4.10 | 4.10 | Real Estate | 1. Change of Control Call 2. Cumulative Deferral 3. Dividend Stopper 4. Dividend Pusher (12M) |
| 7. MLTSP 3.65% Perp | 28-Mar-23 | 101.40 | 2.81 | 2.81 | REIT - Logistics | 1. Non-cumulative Deferral 2. Dividend Stopper |
| 8. SPHRSP 4.1% Perp | 30-Aug-24 | 101.50 | 3.57 | 3.57 | REIT - Retail | 1. Non-cumulative Deferral 2. Dividend Stopper |
| 9. UBS 4.85% Perp | 04-Sep-24 | 104.25 | 3.41 | 3.41 | Banking | 1. Loss Absorption 2. Non-cumulative Deferral 3. Dividend Stopper |
| 10. AAREIT 5.65% Perp | 14-Aug-25 | 105.75 | 4.11 | 4.11 | REIT - Industrial | 1. Optional Payment 2. Non-cumulative Deferral 3. Dividend Stopper |
| Total Portfolio Yield: | | | 3.36% | | | |

Source: Bloomberg, indicative pricing as at 21 June 2021

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