

Eastspring Investments Unit Trusts – Singapore Select Bond Fund



A member of Prudential plc (UK)

RATINGS^{AA} Class A Morningstar Overall Rating* ★★★★★

FUND DETAILS

Fund size (mil)	811.2
Fund base currency	SGD
Fund dealing frequency	Daily
Net asset value (Class A)	SGD 1.293
ISIN (Class A)	SG9999007454
Inception date (Class A)	08-Apr-11
Benchmark (BM)	Markit iBoxx ALBI Singapore Index

FUND MEASURES

3 year tracking error (Class A)	0.8
3 year sharpe ratio (Class A)	0.9
3 year volatility (Class A)	2.9

Source: Morningstar

SECTOR WEIGHTS (%)

Banks	22.9
Government	21.2
Real Estate Investment Trusts (REITS)	11.2
Real estate management & development	10.7
Diversified finance	6.7
Government agency	5.5
Insurance	3.1
Diversified telecom	3.1
Oil & gas	2.6
Cash and others	13.0

COUNTRY WEIGHTS (%)

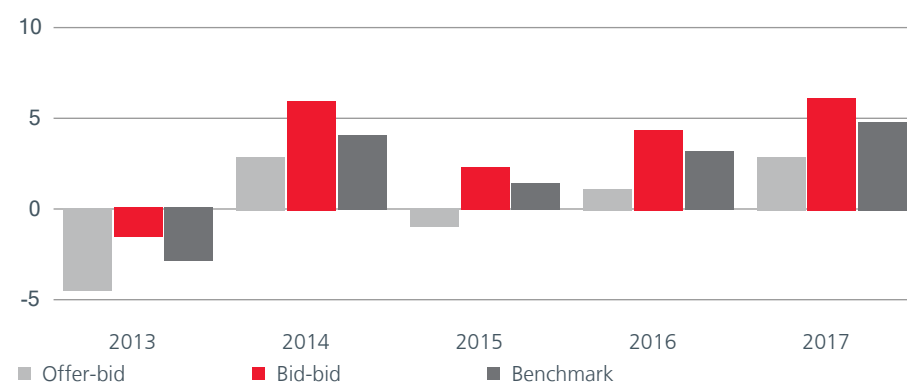
Singapore	56.0
Hong Kong	7.2
Australia	6.8
China	6.6
United Kingdom	3.8
Korea Republic of (South Korea)	2.6
Malaysia	2.1
Japan	2.0
Canada	1.6
Cash and others	11.3

INVESTMENT OBJECTIVE

The Eastspring Investments Unit Trusts - Singapore Select Bond Fund aims to maximise total returns over time by investing primarily in Singapore-dollar denominated debt securities and foreign currency debt securities which will be hedged back into Singapore Dollars.

PERFORMANCE

Calendar year returns (%) (Class A)



Returns (%)

Class A	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
Offer-bid	-4.1	-4.3	-4.7	-1.2	2.1	2.3	-	3.3
Bid-bid	-1.1	-1.3	-1.7	1.9	3.2	3.0	-	3.8
Benchmark	-1.0	-1.1	-1.6	0.8	2.3	1.8	-	2.5

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in SGD and computed on bid-bid basis with net income reinvested, if any. Offer-bid is inclusive of sales charge which is subject to changes. Since inception returns for periods less than a year are not annualised. From inception to 29-Apr-16, the benchmark was the HSBC Singapore Local Currency All Bond Index. Calendar year returns are based on the relevant class performance for the year, and if the relevant class was inception during a particular year, the returns shown relate to the performance of that class since its inception to the end of that calendar year.

TOP 10 HOLDINGS (%)

1.	SINGAPORE GOV'T 03.500% 03/01/2027	4.2
2.	SINGAPORE GOV'T 03.375% 09/01/2033	3.4
3.	SINGAPORE GOVERNMENT 2.875000% 09/01/2030	3.0
4.	SINGAPORE GOV'T 02.750% 03/01/2046	2.6
5.	SINGAPORE GOV'T 02.750% 04/01/2042	2.3
6.	SINGAPORE GOV'T 03.000% 09/01/2024	1.9
7.	WESTPAC BANKING 04.000% 08/12/2027	1.7
8.	STANDARD CHART 04.400% 01/23/2026	1.6
9.	SINGAPORE GOV'T 02.375% 06/01/2025	1.6
10.	NATL AUSTRALIABK 04.150% 05/19/2028	1.5

Eastspring Investments Unit Trusts – Singapore Select Bond Fund

RATINGS (%)

AAA	24.2
AA	2.2
A	15.3
BBB	33.8
BB	0.4
Cash and others	24.1

MATURITY (%)

0 - 1 year	2.3
1 - 3 years	5.7
3 - 5 years	11.1
5 - 10 years	49.2
10+ years	27.6
Cash and others	4.1

Credit ratings by S&P/Moody's/Fitch.

RELEVANT CLASS DETAILS

Class	Currency	Net asset value	Bloomberg ticker	ISIN	Inception date	Subscription method	Initial sales charges% (max)	Annual management fee % (Current)
A	SGD	1.293	PRUSSBD SP	SG9999007454	08-Apr-11	Cash, CPFIS-OA#, CPFIS-SA#, SRS	5.000 CPF - 3.00	0.500
A_D	SGD	1.026	ESSBAD SP	SG9999007462	09-Nov-12	Cash, CPFIS-OA#, CPFIS-SA#, SRS	5.000 CPF - 3.00	0.500

Class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per unit
A	SGD	Nil	SGD 1,000	SGD 100	N.A.	N.A.	N.A.
A_D	SGD	Nil	SGD 1,000	SGD 100	Quarterly	02-Jan-18	0.0240273

Distributions are not guaranteed. Distributions may be paid out of distributable income, capital or both. Important Notes: (i) Payment of distributions out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment; and (ii) Any distributions involving payment out of the Fund's capital may result in an immediate reduction of the net asset value per unit. "N.A." means that the relevant class does not distribute dividends.

Returns (%)

Class / currency	Returns (%)								Calendar year returns (%)				
	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)	2017	2016	2015	2014	2013
A / SGD													
Offer-bid	-4.1	-4.3	-4.7	-1.2	2.1	2.3	-	3.3	2.8	1.1	-0.8	2.7	-4.5
Bid-bid	-1.1	-1.3	-1.7	1.9	3.2	3.0	-	3.8	6.0	4.2	2.2	5.9	-1.5
Benchmark	-1.0	-1.1	-1.6	0.8	2.3	1.8	-	2.5	4.7	3.1	1.3	4.0	-2.8
A_D / SGD													
Offer-bid	-4.1	-4.3	-4.7	-1.3	2.1	2.3	-	2.2	2.6	1.2	-0.9	2.8	-4.5
Bid-bid	-1.2	-1.4	-1.7	1.8	3.1	3.0	-	2.8	5.8	4.3	2.2	5.9	-1.5
Benchmark	-1.0	-1.1	-1.6	0.8	2.3	1.8	-	1.6	4.7	3.1	1.3	4.0	-2.8

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in the relevant class currency and computed on bid-bid basis with net income reinvested, if any. Offer-bid is inclusive of sales charge which is subject to changes. Since inception returns for periods less than a year are not annualised. The benchmark for the hedged classes, if any, is also calculated on a hedged basis. From inception to 29-Apr-16, the benchmark was the HSBC Singapore Local Currency All Bond Index. Calendar year returns are based on the relevant class performance for the year, and if the relevant class was incepted during a particular year, the returns shown relate to the performance of that class since its inception to the end of that calendar year.

Commentary sources

1. Eastspring Investments (Singapore) Limited

COMMENTARY

Market Review

In February, the SGD bond market delivered a -1.05% return, as represented by the Markit iBoxx ALBI Singapore index.

Even as global economic momentum continued to gather strength over the month, investor risk aversion returned, with investors focusing on signs of inflation and potential rate hikes. The month started with a higher-than-expected reading on the US average hourly earnings measure, raising concerns about possible wage-push inflation, while January's CPI reading also came in above expectations. Jerome Powell was sworn in as the 16th Chairman of the US Federal Reserve, and painted a fairly robust picture of US economic growth in his first testimony to Congress, an indication that the Federal Reserve would stay the course to normalise rates in 2018. Minutes from the January 2018 Federal Open Market Committee meeting also corroborated this, with "a majority of participants" noting that "a stronger outlook for economic growth raised the likelihood that further gradual policy firming would be appropriate".

Against this backdrop of rising inflation scrutiny by investors, yields traded in a more volatile fashion, with the 2-year, 5-year and 10-year US Treasury yields finishing the month between 11 and 16 bps higher. The 10-year US Treasury yield, a bellwether for longer term US rates, surged to an intra-month high of 2.95% in February, the highest level since January 2014, before easing marginally lower to close the month at 2.86%.

SGD rates tracked their US counterparts higher over the month, with the 2-year, 5-year and 10-year SGS benchmark yields rising 14 bps, 14 bps, and 20 bps to 1.66%, 2.02% and 2.39% respectively by end-February 2018. With risk aversion on the rise, the USD recovered lost ground against Asia ex-Japan currencies in the month of February – the SGD posted a -0.96% loss against the USD.

On the domestic front, economic data remained robust, with an upward-revision to 4Q 17 GDP growth to 3.6% YoY (from 3.1% in the advance estimate) on the back of better-than-expected growth in the Services segment. This brought the 2017 full-year growth figure to 3.6%, an acceleration from the 2.4% growth rate in 2016. Going forward, the Ministry of Trade and Industry (MTI) forecasts 2018 growth between "1.5 to 3.5 per cent", which represents a moderation from 2017. This is predicated on a slightly weaker external demand outlook (on an anticipated moderation in growth for the Eurozone and China), while the MTI cited a potential "increase in trade barriers" as well as an "upside surprise in inflation" as two key downside risks for the global economy.

On the inflationary front, January's headline inflation was unchanged YoY, with conservancy charges rebates (disbursed in the month) depressing the housing and utilities component, while higher electricity and gas prices were a positive contributor. Core inflation (which excludes accommodation and private road transport inflation) rose to 1.4% YoY in January, up slightly from the 1.3% rate in December. The Monetary Authority of Singapore retained its view of "relatively restrained" cost pressures in the economy, and maintained its forecasts for 0-1% headline inflation rate and 1-2% core inflation for 2018.

Fund Review

Month-to-date, the Fund posted a -1.15% return (Class A, bid-bid), underperforming the benchmark; the rise in interest rates was a key driver of overall negative portfolio returns over the month. The Fund's overweight in corporate bonds added value as the segment outperformed on higher coupon accrual, although the Fund's exposure to longer-dated SGS within the sovereign segment of the portfolio hurt relative performance.

Year-to-date, the Fund delivered a -1.75% return (Class A, bid-bid), underperforming the benchmark by 10 basis points. A key detractor has been the Fund's overweight in USD-denominated bonds (which are hedged back to the SGD), following the more sizable increases in US Treasury yields as compared to the more modest increases for Singapore Government Bond yields on a year-to-date basis.

Outlook

With ongoing monetary policy tightening in the US, we expect global rates to rise going forward, albeit in a gradual fashion, given that inflationary pressure still remains benign. The possibility of tighter domestic monetary policy (via a stronger SGD) may also help to cushion some of the impact of rising global interest rates on domestic SGD interest rates. Under such an environment, we maintain an overweight to corporate bonds for higher carry; we expect that prevailing corporate bond valuations will continue to be supported by tight supply conditions and strong structural demand, although returns are likely to be driven by interest income rather than further spread tightening.

IMPORTANT INFORMATION

Investment manager -
**Eastspring Investments (Singapore)
Limited**

^^ Rating should not be taken as a
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Morningstar Category: SGD Bond



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The Fund/ underlying Fund(s) may use derivative instruments for efficient portfolio management and hedging purposes.

Distributions are not guaranteed and may fluctuate. Past distributions are not necessarily indicative of future trends, which may be lower. Distribution payouts and its frequency are determined by the Manager, Eastspring Singapore, and can be made out of (a) income; or (b) net capital gains; or (c) capital of the Fund or a combination of (a) and/or (b) and/or (c). The payment of distributions should not be confused with the Fund's performance, rate of return or yield. Any payment of distributions by the Fund may result in an immediate decrease in the net asset value per unit.

The preceding paragraph is only applicable if the Fund intends to pay dividends / distributions.

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In case of discrepancy between the English and Chinese versions, the English version shall prevail.

Notes:

#The CPF interest rate for the Ordinary Account (OA) is based on the average 12-month fixed deposit and savings rates published by the major local banks. Under the CPF Act, the CPF Board pays a minimum interest of 2.5% p.a. when this interest formula yields a lower rate. The interest rate for the Special Account (SA) and Medisave Accounts (MA) is pegged to the 12-month average yield of 10-year Singapore Government Securities (10YSGS) plus 1%, or 4% whichever is the higher. The interest rate to be credited to the Retirement Account (RA) will be the weighted average interest of the entire portfolio of Special Government Securities (SSGS) which the RA savings are invested in, which earn a fixed coupon equal to the 12-month average yield of the 10YSGS plus 1% at the point of issuance, or 4%, whichever is the higher. As announced on 22 September 2017, the Government will maintain the 4% p.a. minimum rate for interest earned on all RA monies until 31 December 2018. In addition, the CPF Board will pay an extra interest rate of 1% p.a. on the first S\$60,000 of a CPF member's combined balances, including up to S\$20,000 in the OA. Only monies in excess of S\$20,000 in the OA and S\$40,000 in the Special Account can be invested.