

# LionGlobal SGD Money Market Fund

The Fund aims to manage liquidity and risk while looking to provide a return which is comparable to that of SGD short-term deposits. The Fund will invest in high quality short-term money market instruments and debt securities. Some of the investments may include government and corporate bonds, commercial bills and deposits with financial institutions.

## Fund Manager's Commentary

In the US, the trend of weaker than market consensus economic data prints released in May 2021 contrasted April 2021 robust prints, and caught markets off-guard, with the notable misses from Institute of Supply Management (ISM Manufacturing) (60.7 vs (versus) 65.0 forecasted) and Nonfarm Payroll (NFP) (266 thousands (k) vs 1000k forecasted) precipitating a sharp knee-jerk reaction on the yields of 10y US treasury (UST) to a low of 1.46% amid a concerted push back in market-implied hiking expectations. The steep dive in 10y (year) UST yields post NFP were however short-lived, recovering back towards the 1.53% to 1.70% channel range by the end of the day, as Treasury Secretary Yellen reiterated her confidence for the US to reach full employment next year, albeit with more action needed to build back better. Separately, the miss in April 2021 retail sales also sought to dampen optimism from the incremental upward revision in March 2021 print which was heavily boosted by the stimulus handouts, further fueling investors' "wait and see" approach over the course of the month. As a result, yields on 10y USTs kept within its 1.53% to 1.70% range in May 2021, as prior conviction of a faster pace of federal reserve (Fed) normalization waned. Separately, President Biden's infrastructure plan continued to face obstacles amid the lack of support from bipartisan leaders, with a proposed USD6.0 trillion (trn) budget spending across education, transportation, and climate change that would take the US to the highest sustained levels of federal spending since the World War 2. President Biden's proposal is expected to be funded over the course of the next 15 years through higher taxes, although significant federal budget deficits of USD1.8trn could be reached in 2022, notwithstanding a strong rebound from the pandemic recession. In spite of this, long end UST rates remained unfazed, with yields on the 30y UST yields holding steady at 2.30%, as the spending is likely to be spread out over a number of years, contrasting the frontloaded USD1.9trn relief package signed in March 2021, which ultimately led to the rapid steepening of the UST curve in first quarter 2021. While the notional amount of the US infrastructure plan continues to grab the headlines, investors are likely to focus more on the manner in which the infrastructure is expected to be funded, and the proportion of it that is financed through new debt issuance, which would be another key catalyst in influencing the long end UST rates.

Over to the Eurozone, the bloc's Manufacturing purchasing managers index (PMI) prints posted a similarly mixed outlook, as the prints signaled a decent expansion in the manufacturing sector, albeit below consensus expectations of robust growth mirroring that was seen in March 2021 prints. Comparatively, the acceleration in the Eurozone aggregate Services PMI to 50.5 (March 2021: 49.6), outpacing consensus expectations of 50.3, was illustrative of the incremental hurdles from supply chain constraints faced by the manufacturing sector, alongside the optimism from reopening discussions that would favour the services sector. Notwithstanding the higher consumer price index (CPI) prints within the bloc alongside optimism from reopening plans in the region, European Central Bank's (ECB) Lagarde continued to anchor the central bank's dovish rhetoric, and advocate for continued policy support in the face of an uncertain recovery outlook during the Eurogroup meeting in Lisbon. Brushing aside speculations of a potential slowing of ECB's Pandemic Emergency Purchase Programme ("PEPP") over the near term, ECB's Lagarde comments spurred yields on the 10y Bunds to trend lower from its mid-month intraday high of -0.08%, back lower to the -0.18% handle.

Turning to Singapore, the higher uptick in Covid-19 incidences compelled the government to pare back its reopening plans and shift the country back from phase 3 to phase 2 (heightened alert) for 1 month, beginning 16th May 2021. Restrictions under the phase 2 (heightened alert) mirrored most of the strict safe distancing measures seen for Singapore's 2020 Circuit Breaker period that was tailored to reduce exposures, albeit with most of the retailers retaining their ability to operate. That said, the daily Covid-19 incidences print remained in the low double digit figures, underscoring confidence of a potential loosening of the brief transition to phase 2 (heightened alert) after a month. On the economic data front, Singapore's retail sales, Non-Oil Domestic Exports (NODX), and PMI continued to paint a decent growth, albeit below consensus expectations, mirroring the downward economic surprises globally. Over the course of May 2021, yields on 2y and 10y Singapore Government Securities edged lower by 8 basis points (bps) and 11bps to 0.35% and 1.48% respectively, outperforming the USTs, alongside a meaningful appreciation in the SGD vs USD. On the very short end of the curve, the 3-month Singapore swap offer rate (SOR) dived lower by 7bps to 0.23% month-over-month (M-o-M), mirroring the downward push in 3-month London Interbank Offered rate (LIBOR) which spotted a 5 bps decline M-o-M to 0.13%, as incremental excess liquidity continued to dominate the USD funding markets. The flushed liquidity environment, driven by recent stimulus payments, Fed's quantitative easing (QE), and debt limit induced paydown of the US Treasury cash balance, has also weighed on the US Treasury Bill (T-Bill) auctions, where the latter 3 out of 4 weekly 4-week Treasury Bill (T-bill) auction in May 2021 stopped out at 0bps; while the US Treasury auction rules prevent T-bill auctions from cutting off below zero, the 4-week T-bill rates dipped into negative yields in secondary markets. Furthermore, demand for the Fed's overnight reverse repurchase facility surged to the highest since its launch in 2013, with 50 participants parking a total of USD485.3 billion (bn) with the central bank for 6bps on 27th May 2021. With the reduction of the US Treasury balance poised to last through end July 2021, the backdrop of excess USD liquidity is likely to persist over the coming months, keeping the SOR and LIBOR heavily anchored. Separately, the 3-month Singapore Interbank Offered Rate (SIBOR) remained sticky at 0.44%, bucking the trend of lower rates, as the SGD liquidity remained well managed.

Inflation remained a key topic of interest to investors, as the tangible surge in hard and soft commodity prices alongside supply chain disruptions, as well as increasing anecdotal evidence of labour shortages and rising labour costs continued to run counter to Fed Powell's assurance of a transitory inflationary pressures. While the supply chain disruptions and higher commodity prices can be viewed as contributory factors to the transitory higher inflation prints over the near term, rising labour costs pass through seen in the US services sector could be a key data print that investors may fixate on over the coming months given the sticky nature of wages, and as higher wages may also incentivize a stronger pace of increase in workforce participation and ultimately help to reduce unemployment rate, which would cement the case for Fed's normalization agenda. To that end, the Fed took baby steps to signal the markets on its tapering plans, beginning with the slight amendment in the end April 2021 Federal Open Market Committee (FOMC) meeting statement as they dropped the word "considerable" when describing risks to the economic outlook, and subsequently through a number of Fedspeak and FOMC minutes, which discussed the possibility of scaling back its Large Scale Asset Purchase ("LASP") program. On 2nd June 2021, Fed took a step further, announcing the wind-down of the Secondary Market Corporate Credit Facility (SMCCF) program, totaling USD4.9 bn of 0 to 4.5 year bonds as well as USD8.6bn worth of Exchange Traded Funds (ETF). While keen eyes fixate on the 15th to 16th June 2021 FOMC meeting for more normalization cues, investors remain assured of a gradual normalization for now, with yields on 2y USTs remaining within its tight range of 0.14% to 0.18%.

# LionGlobal SGD Money Market Fund

LION  
GLOBAL  
INVESTORS

## Performance (%)

		1- year	3- years p.a.	5-years p.a.	10- years p.a.	Since Inception p.a.
<b>SGD Class<sup>1</sup></b>	NAV	0.8	1.3	1.1	0.9	1.2
	Benchmark <sup>#</sup>	0.01	0.9	0.8	0.5	0.8

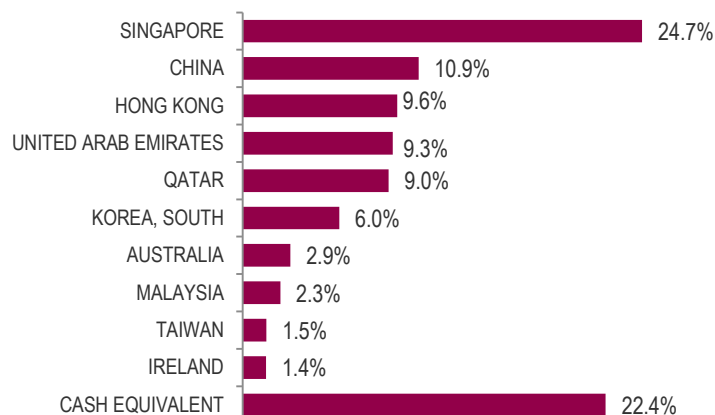
**Past performance is not necessarily indicative of future performance**

Source: Lion Global Investors Ltd / Morningstar

## Fund Facts

Fund Inception Date:	1 November 1999
Subscription Mode:	Cash, SRS <sup>5</sup>
Minimum Investment:	S\$ 1,000
Initial Charge:	Currently NIL Maximum 5%
Management Fee:	Currently 0.25% p.a. Maximum 2.0% p.a.
Valuation Dealing:	Every dealing day
NAV Price:	S\$1.3333
Fund Size:	S\$586.6 million
Weighted Yield to Maturity <sup>2</sup> :	0.86 %
Weighted Duration <sup>3</sup> :	0.47 years
Weighted Credit Rating <sup>4</sup> :	A

## Country Allocation (% of NAV)



## Codes

<b>SGD Class</b>	SG9999002760
	OCBSGDM

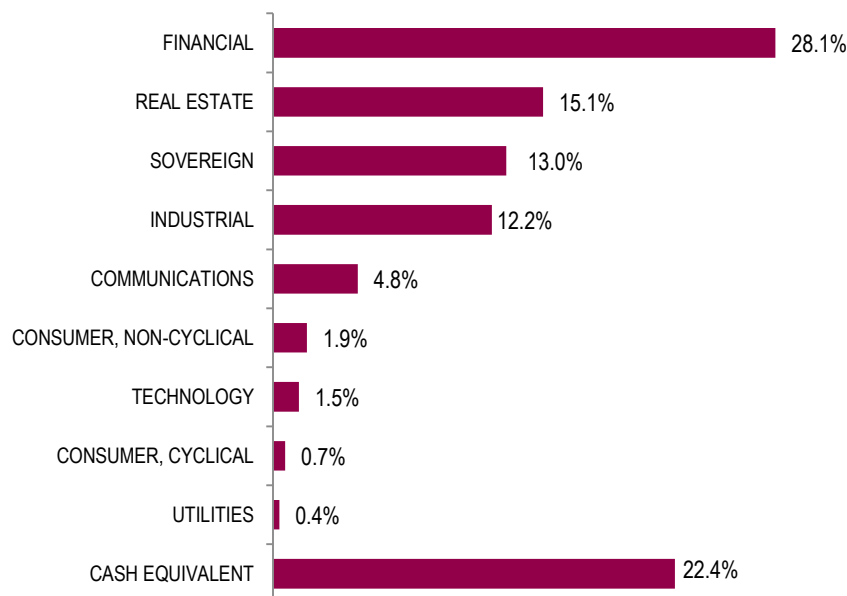
## Currency Exposure (% of NAV)

<b>SGD</b>	99.12
<b>USD</b>	0.63
<b>Others</b>	0.26
	<b>100.0</b>

## Credit Rating<sup>4</sup> (% of NAV)

<b>Investment Grade</b>	100.0
	<b>100.0</b>

## Sector Allocation (% of NAV)



## Top 10 Holdings (% of NAV)

DOOSAN POWER SYSTEM (REG S) (REG) VAR 25/10/2048	4.9
ABQ FINANCE (SER EMTN) (REG) (REG S) 3.5% 22/02/2022	3.4
WHEELLOCK FINANCE LTD (SER EMTN) (BR) (REG S) 4.5% 02/09/2021	3.4
QIIB SENIOR SUKUK LTD (SER EMTN) (R EG) (REG S) FRN 30/09/2022	3.4
OPTUS FINANCE PTY LTD (SER EMTN) (R EG) (REG S) 3.24% 29/09/2022	2.9
ADCB FINANCE CAYMAN LTD (SER MTN) (REG) FRN 25/10/2022	2.9
ASCENDAS REAL ESTATE INVESTMENT TR (SER 4) (REG S) 4% 03/02/2022	2.9
EMIRATES NBD BANK PJSC (REG) (REGS) (SER MTN) 4.75% 18/02/2022	2.9
UNITY 1 SUKUK LIMITED (REG) (REG S) 3.86% 30/11/2021	2.8
MAPLETREE TREASURY SVCS (SER MTN) (REG) (REG S) 2.888% 21/06/2021	2.6

## # Benchmark:

From 23 Jan 2003: 1 Month SGD Interbank Bid Rate.

From 1 May 2014: 1 Month SGD Interbank Offered Rate -0.25%.

<sup>1</sup>Returns are based on a single pricing basis.

Return periods longer than 1 year are annualized. Dividends are reinvested net of all charges payable upon reinvestment and in respective share class currency terms.

<sup>2</sup> Amortised cost basis. Hedged back to Singapore dollar basis. Inclusive of cash & equivalents at a yield of 0%.

<sup>3</sup> Inclusive of cash & equivalents which are assumed to be zero duration.

<sup>4</sup> Includes cash & equivalents @ AA, takes the worst of S&P, Moody's, Fitch or Internal ratings and based on a straight-line model.

<sup>5</sup> Supplementary Retirement Scheme ("SRS")

The above is based on information available as of 31 May 2021 unless otherwise stated. The bonds referenced are not intended as recommendations to buy or sell. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice.

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