# iFAST-Eastspring Lion Bond Fund

## FUND DATA

### Investment Policy

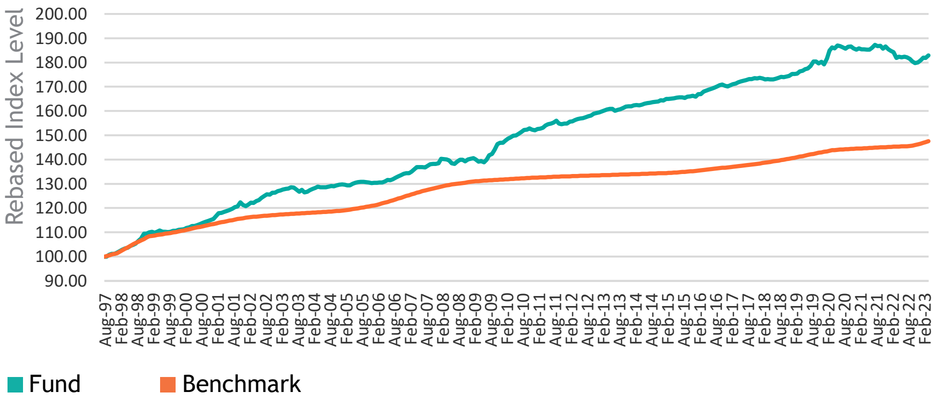
The investment objective of the fund is to achieve an attractive return by investing in assets which are in the Managers' opinion, equivalent to or better than single A quality investment grade bonds of Singapore and major bond markets such as the G7 countries, Australia, New Zealand, Hong Kong and South Korea. The G7 countries are Canada, France, Germany, Italy, Japan, U.K. and U.S.A.

### Fund Information

| | |
|---|---|
| Bloomberg | A(SGD) : DBLBDFI SP<br>A(USD) : DBLBDFU SP |
| Management Fee | 0.5% p.a. |
| Initial Charge | Up to 2% |
| Minimum Initial Investment | SGD 1,000 |
| Fund Denomination | SGD |
| Dealing Currency | SGD / USD |
| Subscription Type | Cash / SRS |
| Total Fund Size | SGD 28.89 m |
| Unit fund Hotline | (65) 6439 3821 |
| Launch Date | 11-Aug-1997 |

## PERFORMANCE

### Fund Performance A(SGD)




| | Cumulative Return | | | | | | Annualised Return | | | Calendar Years Return | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A(SGD) | 1m | YTD | 1y | 3y | 5y | S. Launch | 3y | 5y | S. Launch | 2022 | 2021 | 2020 |
| NAV to NAV* | 0.56 | 1.14 | 0.54 | -1.80 | 5.66 | 82.88 | -0.60 | 1.11 | 2.38 | -2.50 | 0.09 | 3.39 |
| Benchmark# | 0.27 | 0.73 | 1.54 | 2.63 | 6.31 | 47.59 | 0.87 | 1.23 | 1.53 | 0.93 | 0.47 | 0.90 |

* Returns are calculated based on NAV to NAV basis (without adjustments).
# Compounded SORA Avg 6 Months
Past performance is not indicative of future returns.

## PORTFOLIO ANALYSIS

### Top 10 Holdings

(by issuer, in % of fund volume)

| | |
|---|---|
| Housing & Development Board | 13.67 |
| Indorama Ventures Investments & Holdings Pte Ltd | 6.92 |
| CMT MTN Pte Ltd | 6.84 |
| Profesional Telekomunikasi Indonesia PT | 6.79 |
| BNP Paribas SA | 5.13 |
| Industrial Bank of Korea | 4.38 |
| Cagamas Global PLC | 4.33 |
| ST Engineering RHQ Ltd | 4.31 |
| Temasek Financial IV Pte Ltd | 3.95 |
| Standard Chartered Bank | 3.44 |
| **Total** | **59.76** |

### Portfolio Characteristics

| | |
|---|---|
| Average Coupon Rate | 3.08% |
| Effective Duration | 1.34 years |
| Yield to Worst | 4.12% |

## PORTFOLIO ANALYSIS

### Breakdown by Country

(in % of fund volume)

| | |
|---|---|
| Singapore | 38.31 |
| Korea | 11.69 |
| Great Britain | 8.70 |
| Japan | 7.19 |
| Indonesia | 6.79 |
| Hong Kong SAR | 5.84 |
| France | 5.13 |
| Malaysia | 4.33 |
| Cayman Islands | 3.31 |
| USA | 1.74 |
| China | 1.70 |
| Cash | 5.27 |
| **Total** | **100.00** |

### Breakdown by Sector

(in % of fund volume)

| | |
|---|---|
| Government Agencies | 16.32 |
| Banks | 8.93 |
| Real Estate | 8.55 |
| Diversified Banks | 7.94 |
| Financial Services | 7.39 |
| Government Development Banks | 7.21 |
| Chemicals | 6.92 |
| Industrial Other | 6.79 |
| Consumer Finance | 6.16 |
| Aerospace & Defense | 4.31 |
| Metals & Mining | 3.43 |
| Supermarkets & Pharmacies | 3.08 |
| Others | 7.70 |
| Cash | 5.27 |
| **Total** | **100.00** |

## PORTFOLIO MANAGER'S COMMENTARY

### Market Review

Financial markets had an eventful month in March. Singapore dollar denominated bonds tracked by the Markit iBoxx ALBI Singapore Index closed with a 2.93% gain, despite initial concerns and uncertainty in the financial sector. Short term rates such as the 6-month compounded SORA meanwhile climbed 24 bps to 3.33%. The month started on a downbeat note as the collapse of Credit Suisse and several US banks dampened confidence. Risk off sentiment drove investors to the safety of US Treasuries following the failure of Signature Bank and Silicon Valley Bank. However, the Federal Reserve, US Treasury and FDIC soon took decisive actions to protect depositors and strengthen public confidence in the banking system.

On 22 March, the Federal Reserve increased rates for the ninth consecutive time on the back of high inflation and a tight US job market. With job vacancies at an elevated level, US labour demand continues to exceed the supply of available workers. Additionally, the unemployment rate remained near its lowest level in five decades, having dropped to 3.5% in March from 3.6% in February.

In the meantime, consumer prices are still increasing above the Fed's long-term target. Inflation has slowed since the middle of 2022 but headline CPI rose 5.0% YoY in March and core CPI grew 5.6% YoY. The US Treasury yield curve flattened as yields on two-year notes fell by 79 bps while yields on five and ten-year Treasury notes declined by 61 bps and 45 bps to 4.03%, 3.57% and 3.47% respectively. In the same manner, the Singapore government securities (SGS) yield curve flattened, as long-end rates declined on current growth concerns. The 10-year SGS yield fell 40 bps to 2.94%, while the 2-year yield decreased 60 bps to 3.11%. At the 15-year and 20-year bond auctions, the cutoff yields for both issuances were both 2.80% with a bid to cover ratio of 2.1 and 1.89 respectively.

On the macro front in Singapore, the manufacturing sector displayed signs of weakness in the first two months of the year. In February, industrial production fell by 11.7% MoM, from a revised 0.4% drop in January. The key drivers were lower outputs in the electronics and chemical clusters, although the transport engineering delivered a higher output backed by improved shipyard activity and oil & gas equipment demand. Separately, the manufacturing purchasing managers' index recorded a contractionary reading of 49.9 in March, after a brief reprieve of 50 in the prior month. Further, Singapore's disinflationary pressures lingered as headline CPI dropped to 6.3% YoY in February compared to 6.6% YoY in January. The latest prints imply sequential inflation were soft despite the GST hike. With regard to the CPI outlook, MAS maintained that inflation is projected to average between 5.5% and 6.5% in 2023.

## PORTFOLIO MANAGER'S COMMENTARY (CONTINUED)

### Performance Attribution

The Fund rallied in March with a gain of 0.79% (gross of fees), exceeding the benchmark return of 0.27%. Duration was a key contributor to performance which was partially offset by wider credit spreads. Quasi-sovereigns, financial and industrials were the top return contributors on a weighted basis, while exposures to the TMT and Diversified sectors registered losses. Positions in the high quality segment of the financial sector were additive to returns despite of the disorder in bank instruments over the month.

### Positioning

Since the emergence of the banking crisis, the market pricing of Fed Fund terminal rate has turned sharply. The Fed Fund rate is priced to top out at around 5% and the Fed to cut rates as soon as third quarter this year. SGD rates have rallied in tandem with USD rates and fallen to the lows of the year. While valuation has turned less attractive, the uncertain macro back-drop is likely to cap the upside to rates sell-off and turn more sensitive to negative developments. At the margin, the Fed is likely close to the end of its hiking cycle.

In such an environment, quality issuers can be expected to perform relatively well. The Fund will continue to tactically add longer dated bonds in anticipation of a peak in central bank tightening cycle while maintaining overall portfolio duration to around 1.5 years with a barbell strategy.

### Market Outlook

The market outlook has taken another swift and dramatic turn in March. During the month, turbulence in the banking sector has dominated headlines, investors have assessed the aftershock and recalibrated the implications for monetary policy. History has shown that there is likely to be tightening of lending standards in the coming quarters post episodes of banking stress. Small businesses are poised to face a tighter credit environment as smaller/community banks, which played a major role in providing financing to SMEs, face higher cost of capital. This should in turn lead to slower activities in the service sector related to small businesses, which provide a significant part of the service economy and account for roughly half of employment, and increase the downward pressure on core prices which lowers the need for a high level of restriction in the economy from the Fed. While the March non-farm payroll still pointed to a solid US labor market, recent US economic data have begun to display noticeable moderation. The ISM report, in particular, were both interesting and important with a large fall in ISM Services to 51.2 from 55.1 as it was mainly due to a 10-point drop in the New Orders sub-index. On the other hand, growth momentum in China and Eurozone have generally stayed positive. China continues to ride on the positive impact of re-opening while European economies are enjoying the reprieve from lower gas prices. Nonetheless, the latter is too facing uncertainty from its banking sector after the recent collapse of Credit Suisse. In addition, the surprise decision by OPEC to cut production has introduced potential volatility and upside risk to energy prices, further raising uncertainties about global growth and the disinflation path.

Despite the increased growth risk, the US Federal Reserve has maintained its commitment to fight inflation without committing to future hikes while acknowledging the potential tightening of lending conditions and the spillover impact. The March dot plot showed the Fed Fund rate topping out at the median 5.1% which implies a further 25bps hike remains on the table. In addition, the FOMC does not see a rate cut till 2024 as inflation is expected to remain sticky at a level well above its target for longer. The Fed also appears to have adopted the view that sufficient action has been taken to reinforce confidence in the banking system, including the introduction of the Bank Term Funding Program (BTFP) and reassurances by the Treasury that depositors will be made whole in the event of a bank run. In contrast, the market is only partially pricing for further hikes and is expecting the Fed to ease as soon as June 2023.

Post the banking turmoil in the US and Europe, the downside risk to the outlook for Singapore' growth has increased at the margin. However, with policy makers having moved swiftly to contain the crisis, it is unlikely to derail MAS' focus on managing elevated inflation amid the tight labour market. Henceforth, further tightening of the SGD NEER policy remains the more likely outcome though the risk is non-negligible that MAS decides to stay on hold considering the lingering growth uncertainty. To be sure, core inflation is expected to remain elevated and ease only discernibly from 2Q'23, and MAS will maintain a strong SGD NEER policy and preferably with it trading at the upper half of the policy band.

## KEY RISKS

The value of the fund and its distributions (if any) may rise or fall. You should consider the risks of investing in the fund, which are detailed in the Prospectus. Generally, some of the risk factors that should be considered are economic, interest rate, political, liquidity, default, foreign exchange, regulatory, repatriation and other risks. You may lose some or all of your investment. Past performance is not indicative of future performance.

### Market and Credit Risks

- **You are exposed to market risks in the global markets.**
  - The value of your investment may be affected by political and economic developments as well as exchange controls, changes in taxation, foreign investment policies and other restrictions and controls which may be imposed by the relevant authorities.
  - Counterparty (or credit) risk is generally the risk that a counterparty may be unable to act in accordance with the contract and default. Such risk may arise at any time and is basically independent of market activity and developments.

### Liquidity Risks

- **The fund is not listed and you can redeem only on Dealing Days.**
  - There is no secondary market for the fund. All realisation requests should be made to the Managers or their authorised distributors.

### Product-Specific Risks

- **You are exposed to the risk of investing in fixed income securities and debt securities.**
  - The prices of fixed income securities are subject to interest rate fluctuations and the maturities of the investments. When interest rates rise the price of fixed income securities tends to fall and vice versa. Longer term bonds are typically more sensitive to changes in interest rates than other types of securities.
  - The risk of issuer default cannot be eliminated and may arise at any time independent of market activity.

- **You are exposed to liquidity risks.**
  - Investments and positions held may not always be liquidated or closed at fair market value. There are many reasons, such as legal restrictions, unconventional settlement terms, shortage of buyers and many more for a security to be illiquid.
  - In addition, sudden interest rate changes or severe market disruptions can cause an otherwise liquid security to suddenly and unexpectedly become illiquid.

- **You are exposed to currency risks.**
  - The value of the fund may be affected by exchange rate risks and changes in currencies and exchange control regulations. The Managers may fully or partially hedge the foreign currency exposure.

- **You are exposed to financial derivatives risks.**
  - The fund may use financial derivatives from time to time and these may negatively impact the value of the fund. The fund may suffer greater losses than if it had not used financial derivatives.

- **You are exposed to other risks.**
  - The fund is exposed to settlement, operational and legal risks.
  - Actions of institutional investors substantially invested in the fund (e.g. large realisations) may adversely affect the return to other investors in the fund.
  - Uncertainty in market conditions cannot be eliminated and could have an adverse impact on the fund’s performance.

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## ADDRESS

10 Collyer Quay #26-01
Ocean Financial Centre
Singapore 049315

Tel: +65 6439 3821
Fax: +65 6223 4839

https://www.ifastfm.com
Company Registration No. 200000231R