UOB Asset Management

Fund Commentary

United CIO Income Fund

February 2025

How did the Fund perform?

The United CIO Income Fund – Class A SGD Dist (Hedged) (the "Fund"), declined 0.50%[1] in February 2025, underperforming its composite benchmark, which rose 0.16%.

	1-month	3-month	6-month	1-year	Year to Date	Since Inception
Fund	-0.50	-0.15	1.63	6.66	1.80	1.54
Fund (Charges applied^)	-5.48	-5.14	-3.45	1.32	-3.29	0.33
Benchmark	0.16	0.48	2.80	8.82	1.72	4.48*

[1]Source: Morningstar, as of 28 February 2025, in SGD terms, based on Class A SGD Dist (Hedged), with dividends and distributions (if any) reinvested. The above table performance figures for 1 month till 1 year show the % change, while performance figures above 1 year show the average annual compounded returns. Past performance is not indicative of future performance. Class A SGD Dist (Hedged) Inception Date: 12 November 2020. Benchmark: Inception – 3 May 2022: No benchmark, 4 May 2022 – 5 March 2023: 50% MSCI AC World Index and 50% Bloomberg Barclays Global Aggregate Index, 6 March 2023 – Present: 45% MSCI AC World Index, 50% Bloomberg Barclays Global Aggregate Index and 5% SORA 1M Compounded.

^Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

**Since Inception Benchmark Returns are from the date the benchmark was incorporated on 04 May 2022.*

The Fund underperformed the benchmark led by negative asset allocation. The Fund was overweight equities and underweight fixed income while equities underperformed bonds during the month. Sub-asset class allocation also detracted from performance. Allocation to US equities, particularly to NASDAQ 100 ETF, S&P 500 ETF, and US Mega-Cap more than offset positive contribution from Europe and China equities. Within fixed income, the allocation to shorter duration bonds via the Short and Ultrashort Duration Bond ETFs detracted from performance. Fund selection was negative as the allocation to the PIMCO Income Fund and Neuberger Berman Strategic Income Fund underperformed the Bloomberg US Aggregate Index.

Fund adjustments: During the month, we increased our exposure to bonds and trimmed our equity exposure to improve the resilience of the portfolio amid concerns over Trump's tariffs. This was done by buying the Bloomberg Global Aggregate Bond ETF and reducing our holdings in the MSCI ACWI ETF. In addition, we increased our European equities weight by adding to the iShares Euro STOXX 50 ETF. This was funded by reducing our US equity allocation by selling the position in the iShares S&P 500 Equal Weight ETF. Lastly, we tactically trimmed our gold miners allocation to take some profit after the strong rally. These were some of the adjustments made during the month:

Key Buys	Rationale
Euro STOXX 50 ETF	Reducing underweight to Europe on signs of economic stabilisation and more attractive valuations relative to US
US Medical Devices ETF	Medical devices provide defensive exposures with lower exposure to policy risks
Bloomberg Global Aggregate Bond ETF	Increased fixed income exposure as high quality fixed income serves as a good portfolio stabiliser

Key Sells	Rationale
VanEck Gold Miners ETF	Profit taking
S&P500 Equal Weight ETF	Reducing overweight to US due to policy uncertainty
MSCI ACWI ETF	Reducing overall equity exposure on concerns that Trump's tariffs may weigh on equities in the near term

At the end of February 2025, the top ten holdings of the United CIO Income Fund are as follows[2]:

Holdings	(%)
Cash	7.79%
Invesco S&P 500 Top 50 ETF	5.66%
iShares Ultrashort Bond UCITS ETF	5.52%
iShares NASDAQ 100 UCITS ETF	5.33%
iShares 5-10 Year Investment Grade Corporate Bond ETF	4.99%

iShares MSCI ACWI UCITS ETF	4.96%
iShares USD Short Duration Corp Bond UCITS ETF	4.93%
PIMCO Capital Securities Fund	4.87%
PIMCO GIS Income Fund	4.65%
Neuberger Berman Strategic Income	4.63%

Source: UOB Asset Management, 28 February 2025

[2]The Fund is rebalanced on a regular basis to ensure that the asset allocation is aligned to the views of the fund manager. Thus, the underlying funds selected here are subject to changes depending on the manager's discretion.

What happened in February 2025?

Global equities fell in February as uncertainty over the impact of the US administration's policy agenda weighed on investor sentiment while concerns over US growth started to emerge amid the release of softer economic data. Amongst regions, European equities outperformed US equities, while Asia equities rose modestly led by strong China and Hong Kong performance. Tariff tensions and fears of lower economic growth weighed on sentiment and drove government bond yields lower. Credit spreads widened, leading most spread sectors to underperform government bonds.

What to expect going forward?

We remain cautiously optimistic on markets over the medium term, supported by relatively resilient growth outlook and expectation that inflation would continue to trend lower albeit at a modest pace on the back of potential headwinds from tariffs. We anticipate heightened market volatility in the near term, exacerbated by softening economic data, ongoing geopolitical tensions, and uncertainties over Trump's policy. That said, there is ample room for the central banks to cut interest rates more aggressively if global growth deteriorates.

What is the Fund's strategy?

In anticipation of heightened market volatility in the near term, we reduced our equity overweight, increased our allocation to fixed income assets and held slightly higher levels of cash.

Within geographical sectors, we increased our allocation to Europe equities bringing the overall allocation in line with the benchmark. European equity valuations appear relatively attractive compared to US equities as earnings expectations for the region is low and there are signs of stabilisation in the Euro area labour market. In addition, a possible end to the war in Ukraine seemed to help lift sentiment in the region. The increase in Europe equities was partly funded by reducing our overweight exposure to the US.

We have also kept our overweight exposure to China as we maintain a constructive view on the market, in particular within the technology and internet space where sentiment has been buoyed by improving dividend payouts, ongoing cost reductions, share buybacks, and more recently increased support from the central government.

Within our sector allocation, we remain overweight to financials, which will benefit from net interest margin improvements, favourable regulatory environment, and modest earnings expectations, and to industrials where valuations are fair. We also increased our defensive positioning to the healthcare sector through medical devices ETF and maintained allocation to gold miners to buffer near-term volatility.

Within our fixed income portfolio, high quality fixed income remains an important stabiliser within the portfolio to cushion against recession risk. The elevated all-in yields remain attractive and are likely to continue provide income to the portfolio. The disinflation path may be bumpy and hence we maintain our tactical underweight to duration. We continue to be active in our asset allocation and duration management and would adjust the portfolio according to changes in the macro environment.

All statistics quoted in the write-up are sourced from Bloomberg as of 28 February 2025 unless otherwise stated.

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