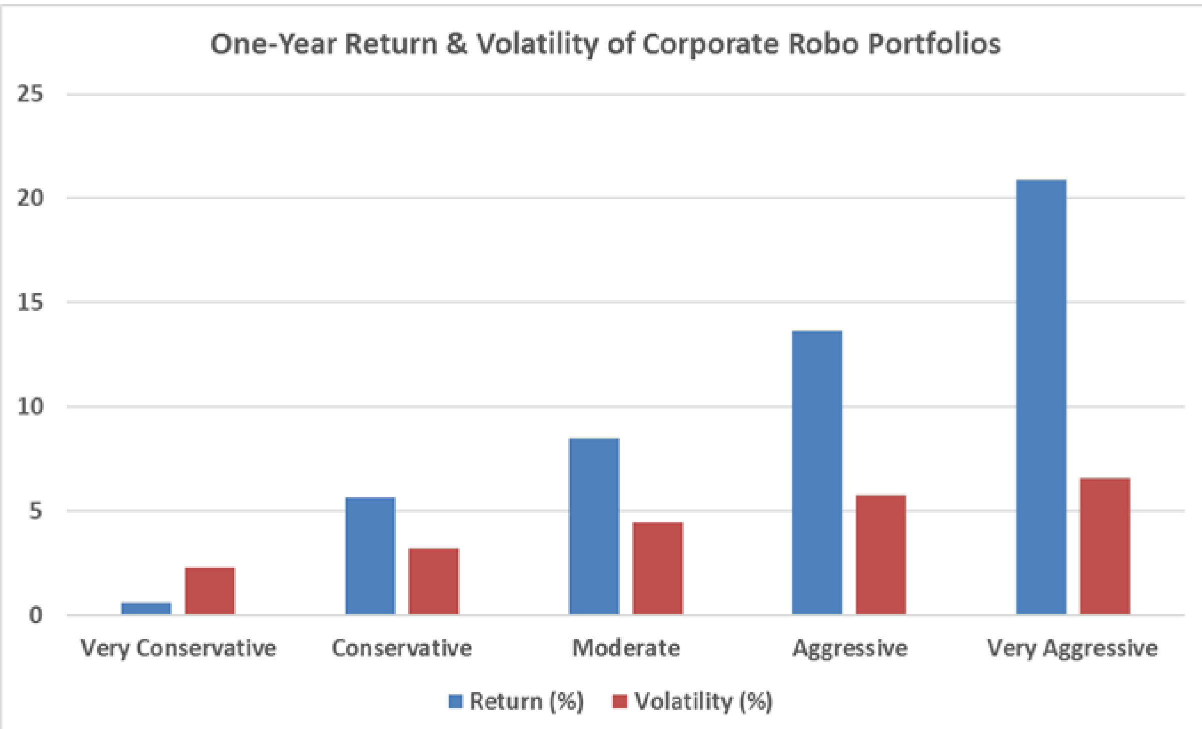
1H 2021 Market Review

The world entered 2021 with great optimism, as Covid-19 vaccines were gradually rolled out and people expected economies to re-open and life getting back to normal. However, as investors began to look forward to normalisation, the bond market began to price in the growth acceleration. 10-year US government bond yield began to climb from 0.9% at the beginning of the year to 1.75% at end March 2021. This jump in bond yield inflicted losses on bond investors, and also caused some volatility in the stock markets. Share investors began to sell stocks in technology companies that was seen to be winners during the Covid-19 lockdown, and started to buy stocks in companies that are seen to benefit from reopening, such as airlines and banks. The reopening trade also pushed commodities prices, such as oil and industrial metals, higher, which in turn drove up mining companies' share price as well.

As global economies rebounded, central banks began to signal the desire to reign in easy monetary policies that was instituted during the Covid-19 triggered recession in 2020. A few governors of the US Federal Reserve (Fed) spoke about the possibility of raising interest rate in 2022, earlier than when investors were expecting, and reducing its bond purchases in the market by the second half of 2021. In the meantime, the Chinese government also started to tighten regulations against its technology giants, citing abuse of monopoly powers, data security risks and concerns over social inequality. This led to a sell-off in Chinese stocks, which in turn depressed Asian equities. The heightened risks together with fear that the Fed may tighten too soon, thereby thwarting the economic recovery, caused the 10-year US Treasury yield to start falling, giving a slight lift to the bond market.

Performance & Positioning

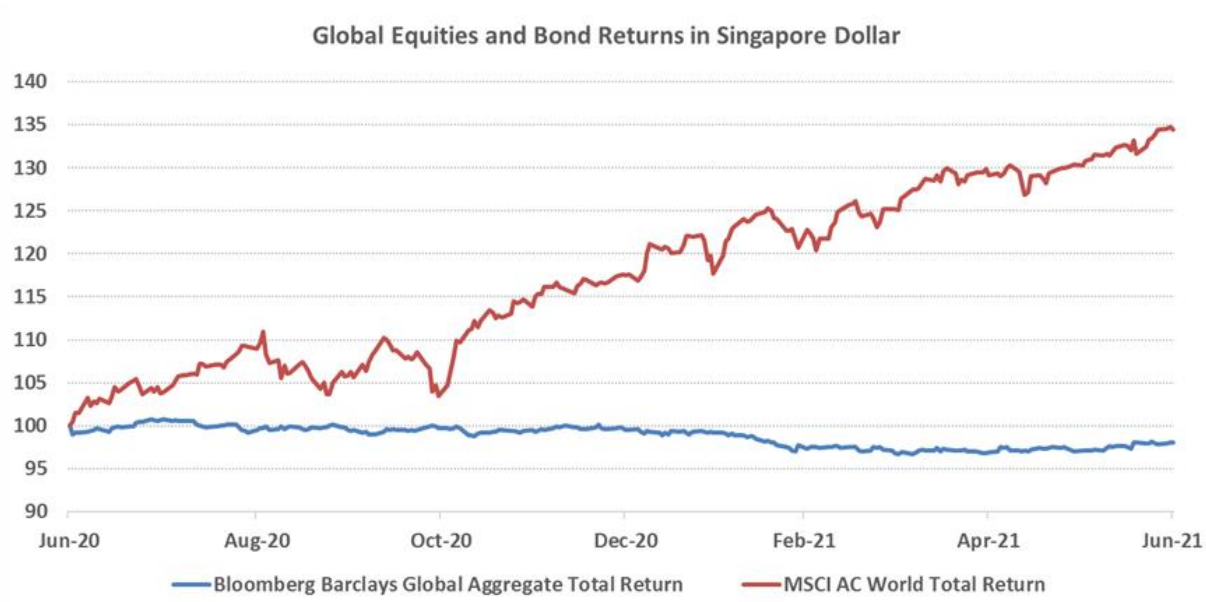
UOB Asset Management's robo-adviser for corporates, UOBAM Invest Digital Adviser, delivered 1-year returns of between 0.6% and 20.9% ranging from the "Very Conservative" to the "Very Aggressive" portfolio by 30 June 2021.[1]



Source: UOBAM, 30 June 2021. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM.

While the return for the "Very Conservative" portfolio may seem low, this came on the back of a 0.8% rise in 10-year US government bond yield, which caused a drop in most bond prices globally, and an appreciation in the Singapore dollar over this period, which would lower returns from global investments. Moreover, the robo-adviser for corporates was designed with a strong focus on risk management rather than stretching for returns, taking into account companies' desire for liquidity and low volatility in their portfolios.

As a comparison, the Barclays Global Aggregate Index, the benchmark for global bonds, posted a loss of 1.9% in Singapore Dollar (SGD) term for the year ended 30 June 2021. Meanwhile, the MSCI All Country World Index, the global equity benchmark, returned 34.4% in SGD term over the same period of time. That explains the better performance of the more aggressive portfolio over the more conservative one during this time.



Source: UOBAM, 30 June 2021. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM.

2H 2021 Market Outlook and Strategy

We remain positive on stock markets for the rest of this year, as economies continue to pick up steam with vaccines roll-out globally, and many countries, such as the United Kingdom, begin to re-open. In a few regions, such as the US and Europe, we are starting to see the service economy taking over from manufacturing as the engine of growth, as people begin to travel and dine out again. Housing markets have been generally strong in many countries as well given the low interest rate environment, further fueling the economic expansion. With the continued down drift in bond yields in spite of the economic recovery, UOBAM Invest Digital Adviser has shifted portfolio allocations in June 2021, reducing exposures to money market and bonds funds, and added weights in equity funds across the board. We believe bond yield will ultimately start rising gradually, but would be manageable for our portfolios.

Conclusion

We believe the performance of UOBAM Invest Digital Adviser is a testament to our robo investment strategy of incorporating the investment expertise and experience that UOB Asset Management has built over more than 30 years in Asia. Recently, we had announced that the asset under management (AUM) from corporate investors have crossed S$1billion on our digital platform. We thank you for putting your trust in us to manage your investments and we look forward to continue supporting you to achieve your corporate financial goals.

We encourage you to take this opportunity to review your investment objective and portfolio. Should you require any assistance, please do not hesitate to contact us at UOBAMInvest@UOBGroup.com.

[1]Source: UOBAM. Performance from 1 July 2020 to 30 June 2021 in SGD terms, on a Net Asset Value basis, before fees.

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