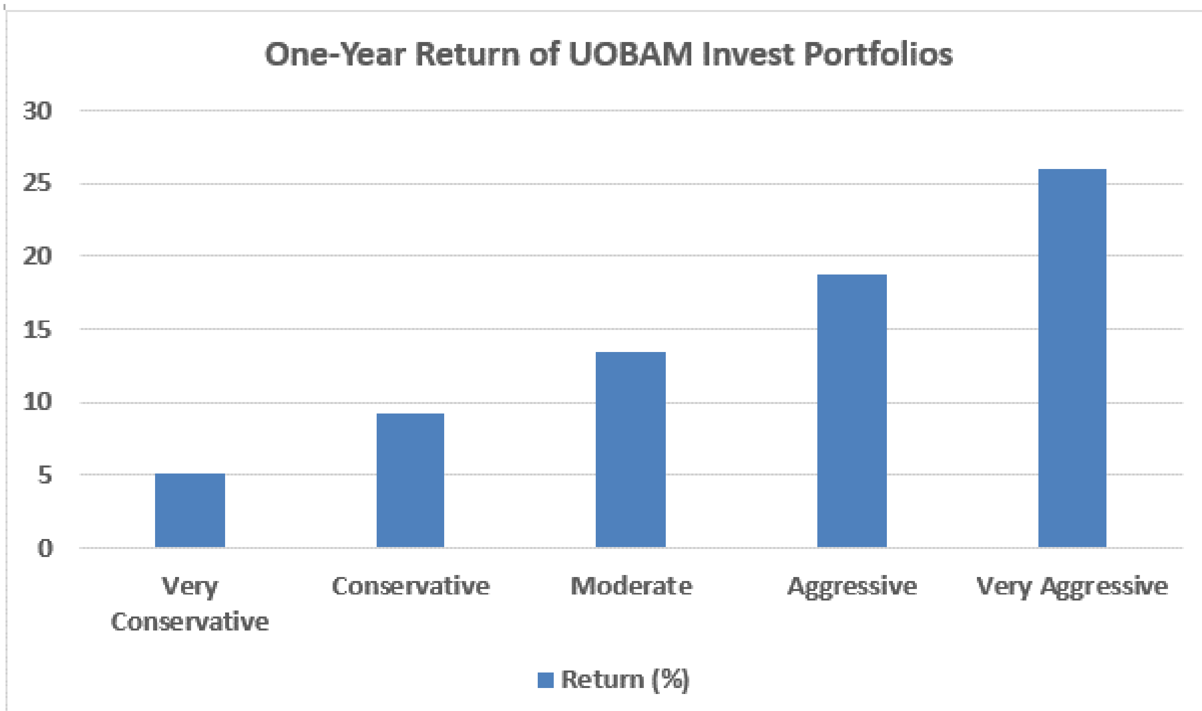
1H 2021 Market Review

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 retail investors, UOBAM Invest, delivered 1-year returns of between 5.1% and 26.0% ranging from the "Very Conservative" to the "Very Aggressive" portfolio by 30 July 2021.[1]

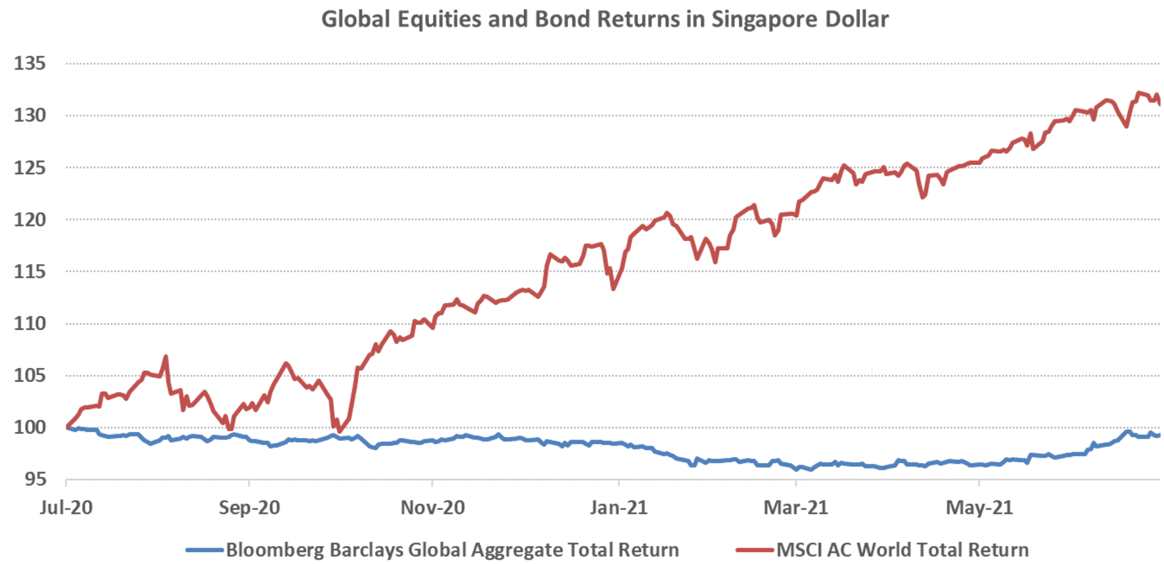


Source: UOBAM, 30 July 2021. Past performance of the portfolio or UOBAM and any past performance, prediction, projection or forecast on the economy or markets are not necessarily indicative of the future or likely performance of the portfolio or UOBAM.

These were better than what we projected based on the various asset allocations of each risk profile, despite a volatile bond market over this period which saw the Barclays Global

Aggregate Index, the benchmark for global bonds, posting a loss of 0.7% in Singapore Dollar (SGD) term for the 12-month to 30 July, 2021.

Meanwhile, a buoyant equity market helped to drive most of the gains in all portfolios. The MSCI All Country World Index, the global equity benchmark, returned 31.2% in SGD term over the same period of time. That explains the better performance of the most aggressive portfolio – which has mostly equity allocation – over the more conservative ones during this time.



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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 has shifted portfolio allocations in June 2021, reducing exposures to bond exchange traded fund

(ETF), and increased weights in US Equity and US Real Estate Investment Trust ETFs across the board. For the most aggressive portfolio, we have also added US Growth Stock ETF, as the correction in the first half of 2021 makes the asset class attractively valued again. We believe bond yield will ultimately start rising gradually, but would be manageable for our portfolios.

Conclusion

We believe the performance of UOBAM Invest 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. We thank you for putting your trust in us to manage your investments and we look forward to continue supporting you to achieve your 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 31 July 2020 to 30 July 2021 in SGD terms, on a Net Asset Value basis, before fees.
[2]Projected annual portfolio return based on UOBAM's in-house proprietary market assumptions and the historical performance of various asset classes. Past performance is not a guarantee of future return and figures stated above should only be used as a reference.

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