

Singapore Bonds - A Safe Harbour in Turbulent Times

Prepared by: AHAM Asset Management

Against a backdrop of heightened volatility in markets, Singapore bonds have emerged as a beacon of stability for investors looking for a predictable income source as well as an effective portfolio diversifier.

With a positive outlook fuelled by robust economic indicators and a commitment to sustainable finance, Singapore bonds offer a compelling opportunity for investors seeking a blend of yield and capital growth

Economic Resilience & Healthy Capital Inflows

Singapore's bond market benefits from an influx of healthy capital, underpinned by the nation's resilient economic performance. Amidst robust system liquidity and heightened market confidence, the 10-Year Singapore Government Bond (SGS) experienced a notable rally of 50 bps in October, reaching 3.00%. With yields still at multi-year highs, this presents an opportune moment for investors to lock-in long-term bond yields prior to the next anticipated global monetary easing cycle.

The island-nation's economy grew at a faster than expected pace in the 3Q'2023 with GDP +0.7% yoy boosted by tourism activities and a recovery in the manufacturing sector. While full-year growth is expected to still taper off in 2023, the Monetary Authority of Singapore (MAS) believes the economy has reached a turning point in its slowdown. The central bank expects recovery will continue to gain traction as factory output picks up and interest rates peak.

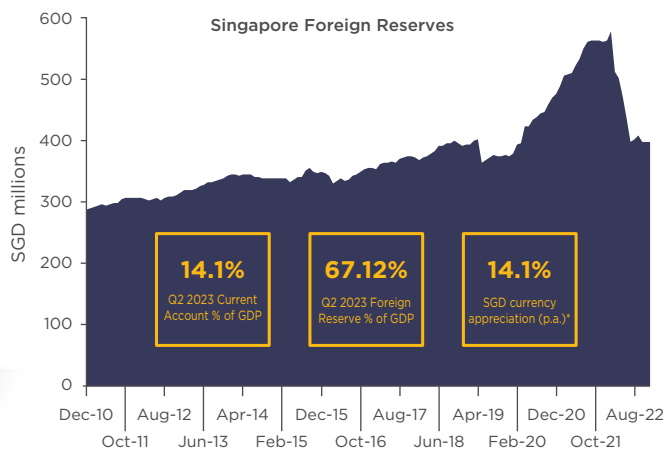
SGD Currency Strength

The strength of the Singapore Dollar (SGD) against other currencies adds an extra layer of appeal for bond investors.

The stability of the currency enhances the predictability of returns, making the SGD bond market an attractive proposition.

The SGD's resilience is backed by strong fundamentals. Notably, Singapore maintains a substantial pool of foreign reserves which swelled to 67.12% of its GDP in the 2Q'2023. This acts as a safeguard against external economic uncertainties, instilling confidence among bond investors who prioritise stability and predictability of returns in their portfolios.

Chart 1: SGD strength is supported by favorable fundamentals



*Singapore nominal effective exchange rate is a weighted average of the individual currency rate with its main trading partners, calculated from January 1999 to December 2022. Source: Bloomberg, Singapore Ministry of Trade and Industry, data as at 30 June 2023 unless stated otherwise.

Robust Credit Fundamentals with AAA Rating

Singapore government bonds boasts strong credit fundamentals, standing as the sole AAA-rated country among its Asian peers. This is underpinned by its robust institutions, disciplined fiscal policies and a greater resilience to cyclical shocks.

As investors tilt their portfolios towards higher quality assets in a slower growth environment, its sterling credit profile provides a buttress to investors' portfolio. Additionally, the yields on Singapore government bonds are some of the most attractive amongst the highest-rated sovereigns globally, further reinforcing its stature as a safe haven.

Chart 2: Only AAA rated country amongst Asian peers

Global	S&P	Moody's	Asia	S&P	Moody's
Australia	AAA	Aaa	China	A+	A1
Canada	AAA	Aaa	India	BBB-	Baa3
Luxembourg	AAA	Aaa	Indonesia	BBB	Baa2
Norway	AAA	Aaa	Malaysia	A-	A3
Singapore	AAA	Aaa	Philippines	BBB+	Baa2
Sweden	AAA	Aaa	Singapore	AAA	Aaa
			Thailand	BBB+	Baa1
			Vietnam	BB+	Ba2

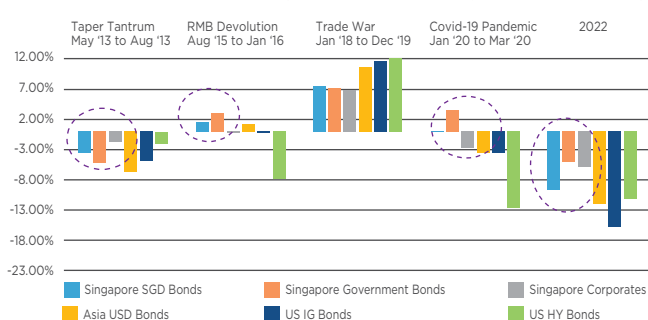
Source: Bloomberg, S&P, Moody's, updated as at 30 June 2023.

A Defensive Stronghold

Singapore bonds stand out for their resilience in turbulent times. Historical data paints a consistent picture of stability, showcasing that Singapore bonds have delivered steadfast returns when markets faced volatility.

In the tumultuous market correction of 2015 triggered by China's renminbi devaluation, while various assets experienced sharp declines, Singapore bonds held its ground. This resilience was even more pronounced during the onset of the COVID-19 outbreak in 2020, where Singapore bonds not only weathered the storm, but outperformed with notable strength.

Chart 3: SGD bonds are relatively more resilient during periods of volatility



Source: Bloomberg, as of 4 January 2023. Singapore SGD bonds represented by Markit iBoxx SGD Overall Index, Singapore Government Bonds represented by Markit iBoxx ALBI Singapore Government Bond Index, Singapore Corporates represented by Markit iBoxx ALBI Singapore Corporates Bond Index, Asia USD bonds represented by Bloomberg EM Asia USD Credit TRI, US IG Bonds represented by Bloomberg US Corporate TRI, US HY Bonds represented by US Corporate HY TRI.

Sustainable Investing and ESG Integration

Another exciting dimension of the Singapore bond market also lies in its embrace of sustainable investing. Increasingly popular amongst SGD corporate bond issuers are ESG-labelled bonds including:-

- i) Green bonds where proceeds are specifically directed to financing green projects; and
- ii) Sustainability-linked bonds which incorporate sustainability key performance indicators (KPIs) within the bond structure.

This growing trend aligns seamlessly with the prevailing global movement towards sustainability in delivering better outcomes and shaping a more equitable future. For investors seeking avenues to align their portfolios towards financing assets that positively impact environmental and social causes, the Singapore bond market offers a rich landscape of opportunities.

How to Invest

With a clear focus on quality, the AHAM ESG SGD Bond Fund (formerly known as Affin Hwang SGD Bond Fund) provides a gateway for investors to tap into the vibrant landscape of the Singapore bond universe.

As a certified Sustainable and Responsible Investment (SRI), the Fund employs a negative screening process to exclude companies that are not positioned well for the future, while integrating material ESG factors in the assessment and securities selection.

Fuelled by robust credit fundamentals, healthy capital inflows and currency strength, Singapore bonds stands tall as a defensive asset class through its lower drawdowns and its ability to generate a consistent income stream.

Recognition



The Edge ESG Awards 2023
Best Fund Based on Asset Class | Fixed Income



The Edge ESG Awards 2022
Best Fund Based on Asset Class | Fixed Income

Scan the QR code or visit the link below to learn more:
<https://aham.com.my/funds?q=SGDBFHCF>



Warning Statement: A copy of the Prospectus and Product Highlights Sheet ("PHS") can be obtained at AHAM Asset Management's sales offices or at aham.com.my. Investors are advised to read and understand the contents of AHAM ESG SGD Bond Fund (or the "Fund") Prospectus dated 29 September 2023 and the corresponding PHS before investing. There are fees and charges involved when investing in the fund stated herein. Investors are advised to consider and compare the fees and charges as well of the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and past performance of the fund should not be taken as indicative of its future performance. The Securities Commission Malaysia has not reviewed this marketing/promotional material and takes no responsibility for the contents of this marketing/promotional material and expressly disclaims all liability, however arising from this marketing/promotional material.