

## DBS Solutions Q3 2021: Fund Insights

### Global Multi-Asset Strategy (Value)

This report has been prepared by the SG analysts and is issued by DBS SG

#### Overview

Global markets had been in a rollercoaster year in 2020 due to key events like Covid-19, coordinated central bank easing efforts as well as the US elections. Despite these, most risk assets ended the year with very positive returns, proving again that time in the market trumps timing the market.

Due to massive global stimulus, interest rates are at record lows and markets are experiencing reflationary pressures. In this environment, income investors can turn towards multi-asset funds that allocate to a diversified mix of assets to generate regular income. Additionally, these funds are managed by professionals that not only have the experience but also the temperament to invest throughout market cycles.

So, what would be one of our top conviction fund in the global multi-asset space?

#### First Eagle Amundi Income Builder +++

##### What are the Key Characteristics of this fund?

- A Value-oriented Balanced fund with a neutral risk budget of 50% Bonds / 50% Equities that focuses on minimising loss of capital.
- Well-diversified and spread out across four core asset classes: Equities, Credit, Cash & Gold, with a targeted pay-out of ~5.0% p.a.
- Managed by a large, experienced investment team focused on bottom-up research.

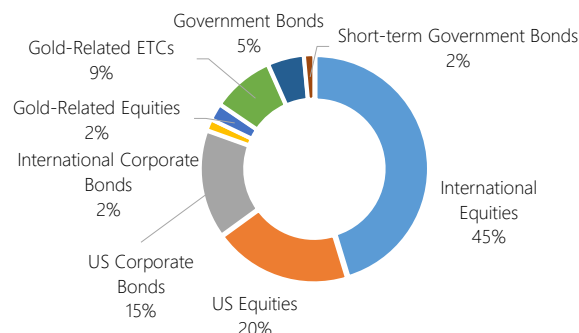
##### Why this Fund? 3 Reasons:

1. **Core Balanced Solution:** Split between Global Value & Income Equities, Fixed Income, and Gold, the fund provides one-stop solution to the DBS CIO's recent asset allocation views.
2. **Margin of Safety:** Translated as 'Making more by losing less', the fund's philosophy is centred on hedging away crisis correlation risks and minimising risks of permanent capital loss.
3. **Sustainable Income:** The fund pays out a sustainable quarterly distribution of 5.0% p.a., supported by its exposure to income equities & credit.

#### How is this fund positioned\*\*?

- The fund is well diversified with c.65% in Equities, c.24% in Fixed Income & c.11% in Gold.

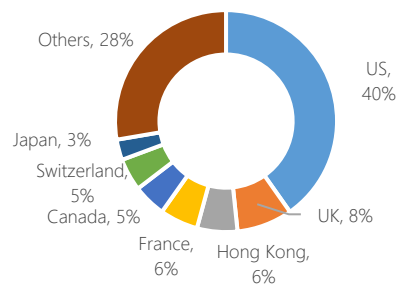
##### Asset Class Breakdown (%)



Source: Amundi, as of 31st May 2021

- Since Mar-2020, the team have added more risk to the portfolio by increasing the allocation to equities and high yield credit.
- Within Equities, they are well positioned to against rising inflation with sizable weights in Consumer Staples and Financials.
- In Fixed Income, they rotated their exposure from IG to HY credit, while preserving an average IG rating of BBB. Cognizant of inflation expectations, duration is at 2.9 years.
- To reduce systematic market risk, Gold remains as one of their allocations. They actively manage this exposure between miners and ETC depending on the market cycle.
- Geographically, the fund is well diversified with a sizable allocation to Europe and Asia.

##### Geographical Breakdown (%)



Source: Amundi, as of 31st May 2021

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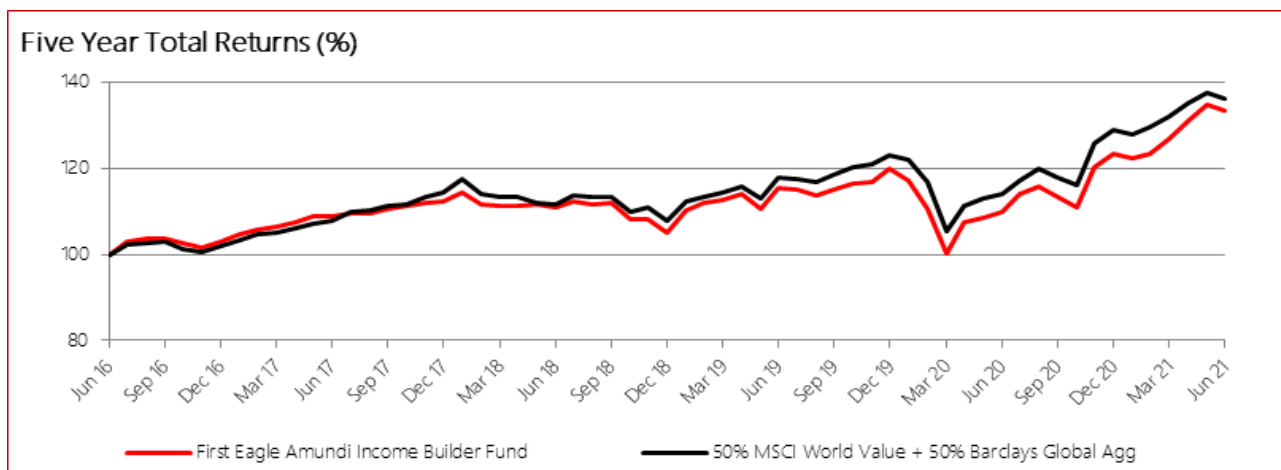


## How has the fund performed?

- During the past year, the fund has generated strong returns through the opportunistic positionings between its asset class buckets and increasing allocation to equities. It also benefited from the transition to value equities and its allocation to gold as a diversifier.
- Over the long term, the fund's deep value equity exposure, diversified with a mixed credit positioning and allocation to gold have provided a stable source of returns to investors.

Performance as of June 30 <sup>th</sup> , 2021 in US\$	1M	3M	6M	1YR	3YR <sup>^</sup>	5YR <sup>^</sup>
First Eagle Amundi Income Builder Fund	-1.13	4.98	7.96	21.13	6.26	5.90
50% MSCI World Value + 50% Barclays Global Agg	-1.13	3.01	5.51	19.41	6.78	6.34

Source: Morningstar ^Annualized



Source: Morningstar / DBS. As of June 30<sup>th</sup>, 2021

## What are the Key Risks of this fund?

- In the Fixed Income portion of the fund, the portfolio manager has discretion to invest in non-traditional asset classes which have both higher expected yield and higher potential credit risk.
- In the Equity portion of the fund, the portfolio manager has discretion to invest in Emerging Market Equities. These have higher potential risks compared to investing in Developed Market Equities.
- The fund is risk rated 3 on a 5-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
- For a comprehensive list of the fund's risks, please consult your RM or the fund's prospectus.

### DBS Fund Selection Proposition

At DBS, our goal is to provide our clients with a holistic approach to managing your wealth. As investors seek to preserve, diversify and build their wealth, for many, mutual funds can be integral tools. Funds are diversified, efficient tools to access different global markets with the guidance of professional asset managers.

DBS Fund Selection Team (FST) is a dedicated group of five professionals, committed to identifying high quality mutual funds which the team believes can add value for our clients. The team interviews the managers to form a research opinion on the funds and assigns a conviction rating to each of the funds reviewed. This is followed by on-going monitoring of the performance of the funds. The DBS FST Fund Rating encapsulates a qualitative assessment of the fund's competitive advantage relative to its peers.

### DBS FST Fund Ratings

The DBS FST currently has research opinions on over 300 funds. The team reviews and assigns a rating to each fund.

This rating reflects the team's assessment of the fund's competitive advantage and represents the level of conviction that the team has with respect to the fund performing well relative to its peers and its assigned asset class benchmark over the next 18 to 36 months.

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<u>Conviction Level</u>	<u>Rating</u>
Strong Positive	++++
Positive	+++
Neutral	++
Low Conviction	+

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## DBS Solutions Q3 2021: Fund Insights

## Asian Multi-Asset Strategy

## Overview

With short-term interest rates remaining at historic lows, investors requiring income for their spending needs, especially those in or approaching their golden years, may be better served by pivoting away from low-yielding cash and deposits to stretch their retirement savings.

Despite a deterioration in the COVID-19 situation, Asia remains poised to continue its sustainable, longer term growth path, supported by trends like favourable demographics, a rising middle class and high digital adoption.

So, how can investors receive a sustainable income stream while at the same time get exposure to a range of growth themes across Asia?

**Schroder Asia More + + + +****What are the Key Characteristics of this fund?**

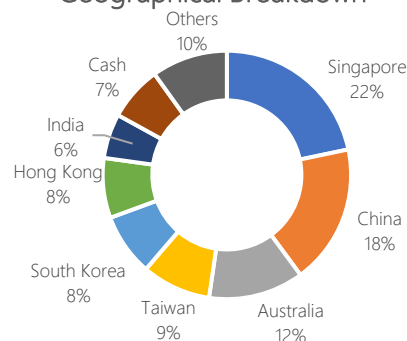
- This is an income-oriented, Asian multi-asset fund with modest capital appreciation potential.
- Designed with Singapore investors in mind, the fund may invest in Singapore-related securities and may hedge non-SGD FX exposures.
- Fund targets 4-5% p.a. distribution (paid monthly). Decumulation and accumulation share classes are also available.

**Why this Fund? 3 Reasons:**

1. **Schroders' core area of expertise:** Schroders is an established Asian multi-asset manager with flagship equities and multi-asset strategies.
2. **Diversified and broad exposures to Asia:** Investors gain access to a diversified portfolio comprising of the core asset classes of Asian Equities (including REITs) and Asian Fixed Income. The Income portion of the portfolio seeks to mitigate volatility and provide resilience over the long term.
3. **Low-cost, one-stop barbell solution:** The fund offers investors a relatively low-cost solution that caters to varying income needs while harvesting Asian growth.

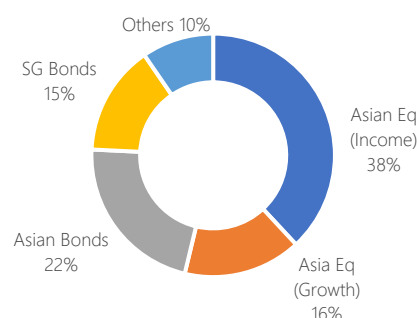
**How is this fund positioned\*\*?**

- The fund invests across Asia Pacific (ex-Japan). Diversified with key allocations being Greater China, Singapore, Australia, and S. Korea.

**Geographical Breakdown**

Source: Schroders as of 31st May 2021

- Fixed Income allocation is c.37%; The average credit rating of the Fixed Income sleeve is investment grade (BBB).

**Asset Class Breakdown**

Source: Schroders as 31st May 2021

- Asian bonds form the ballast of the portfolio's Fixed Income sleeve with Financials (c.22%) being the main issuers. The FX exposures arising from these are typically hedged to SGD.
- Equities has been slightly reduced to c.56%, of which c.8% are in REITs. In particular, the fund has trimmed exposure to Chinese tech names.
- Currently, the main sectors within the Equity sleeve are IT (including electronics / hardware manufacturers like Samsung and TSMC), REITs, Communications (Naver) and Financials.

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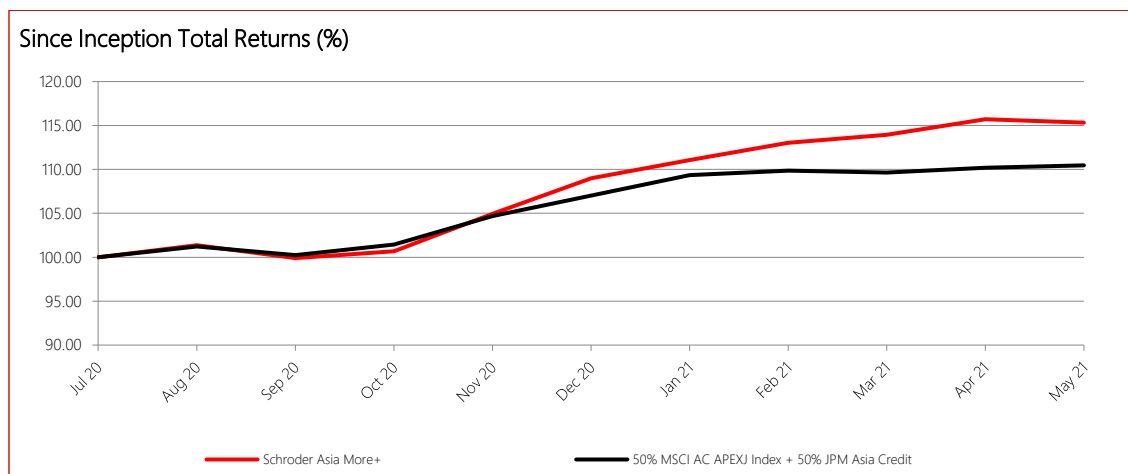
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## How has the fund Performed?

- As the fund is recently incepted (July 2020), performance data is not available for longer periods.
- Since inception, the strategy has fared well, outperforming the index by a wide margin. This is primarily down to asset allocation – i.e. overweighting equities over fixed income (although now reduced).
- Sector selection (exposure to REITs and Financials) has also benefited from the reflation trade.

As of May 31 <sup>st</sup> , 2021	1M	3M	6M	S.I.^
Schroder Asia More+	-0.34	2.01	9.89	16.70
50% MSCI AC APEXJ Index + 50% JPM Asia Credit	0.25	0.53	5.53	10.37
50% MSCI APxJ High Div Yield + 50% JPM Asia Credit Index	0.40	2.02	6.35	7.73

Source: Morningstar; Returns in SGD ^Since inception on 15<sup>th</sup> July 2020



Source: Morningstar / DBS. As of May 31<sup>st</sup>, 2021

## What are the Key Risks of this fund?

- Despite attractive past returns, Asia Pacific ex-Japan equities have historically been volatile (average standard deviation of 15%). Geopolitical risks like trade tensions as well as general economic slowdowns globally or even in Chinese economy could create headwinds.
- The fund is risk rated 3 on a five-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
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## DBS Solutions Q3 2021: Fund Insights

## China Bond Strategy

This report has been prepared by the SG analysts and is issued by DBS SG

## Overview

Globally, Chinese fixed income securities make up the majority of bonds yielding >2.5%. Despite China's onshore bond market being the second largest and continues to grow steadily, while foreign ownership of RMB bonds remains low at under 10%.

With the Federal Reserve not expected to taper aggressively, US interest rates should remain relatively in check. Hence, Chinese bonds remains attractive due to yield differentials. The inclusion of Chinese bonds in major bond indices has also boosted foreign investors' interest in Chinese bonds.

On the pandemic front, China has also handled the virus crisis well and economic growth is recovering, providing a support for the asset class.

So, what is our recommendation in this space?

**BGF China Bond Fund + + + +****What are the Key Characteristics of this fund?**

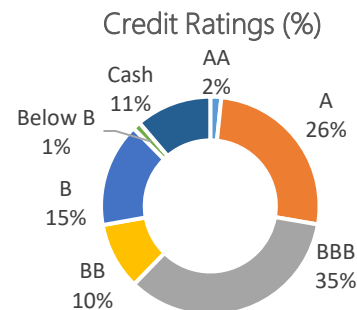
- One-stop solution to get access to RMB bonds.
- The Fund primarily invests in Chinese offshore USD bonds & onshore CNY credit bonds. The fund's base currency is CNH while USD exposure is hedged.
- An established strategy with over 5 years of history and more than US\$9bn in assets.
- Distribution of ~5-6% p.a., paid monthly.

**Why this Fund? Three Reasons:**

1. **Flexible Allocations between RMB & USD Bonds:** The fund adopts a "go-anywhere" approach and flexibly allocates to onshore (CNY) and offshore (USD) credit bonds. Typically, the range for USD bonds is between 30-70% range and vice versa.
2. **Asian Credit Specialists:** Considerable strength in credit selection by a well-resourced Asian Credit investment team that also runs the BGF Asian Tiger Bond fund. The team also has 5 onshore analysts based in Shanghai.
3. **Attractive Income Levels:** The portfolio has a yield of c.5.9% (in RMB terms) that supports the payout.

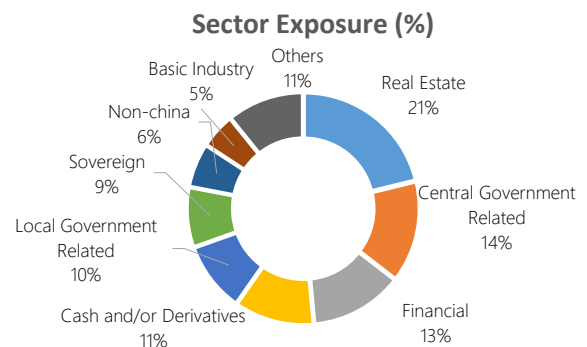
**How is this fund positioned\*\*?**

- The fund's average credit rating tends to be investment grade (currently BBB). The team uses ratings assigned by international rating agencies; unrated bonds are internally rated.



Source: BGF as of 31st May 2021

- The portfolio is diversified with over 400 issuers.
- Current onshore to offshore bonds split is 55% - 45%, adopting a more cautious allocation (higher quality, defensive onshore bonds).
- The base currency portfolio yield is 5.9%.
- By sector, Real Estate is the largest exposure (albeit reduced). The team favours the larger firms with less leverage and leaning towards shorter duration papers.



Source: BGF, as of 31st May 2021

- Although constructive on the space, the team is very selective in terms of exposure to Local Government Financing Vehicles (LGFVs), sticking with strategically important onshore LGFVs that have strong financials.
- Portfolio's duration is 2.9 years. Contribution: c.1.2 years USD; c.1.7 years CNY bonds.

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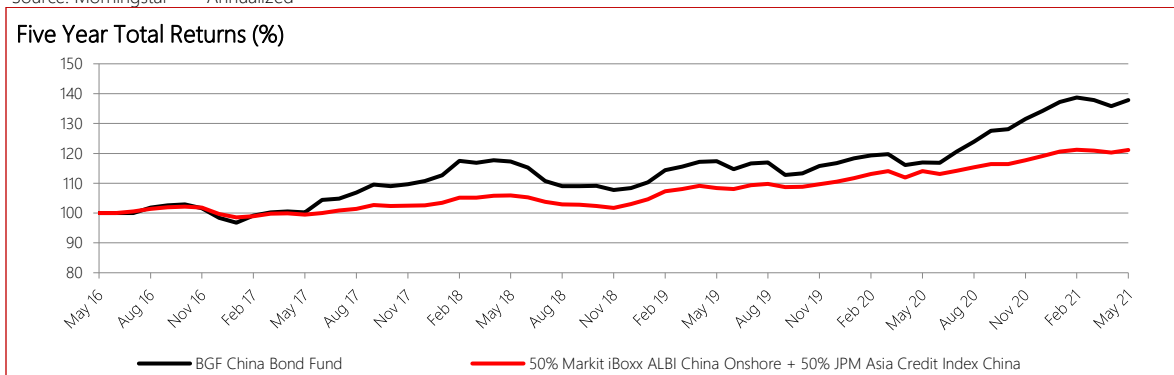


## How has the fund Performed?

- Due to the USD hedging at the fund level, performance comparison against the blended index is not like-for-like (i.e. the index's hedging treatment is not identical) – shareclass has benefitted from FX.
- That said, in RMB terms, the fund has generated positive returns in every calendar year since 2012.
- Historically, CNY credits has offered diversification benefits due to low correlations between CNY and USD bonds.

Performance as of May 31 <sup>st</sup> , 2021 in USD	1M	3M	6M	1YR	3YR <sup>^</sup>	5YR <sup>^</sup>
BGF China Bond Fund	2.28	2.28	5.06	20.71	6.94	7.11
50% Markit iBoxx ALBI China Onshore + 50% JPM Asia Credit Index China	1.36	1.54	3.13	8.65	5.26	4.20

Source: Morningstar ^ Annualized



Source: Morningstar / DBS. As of May 31st, 2021

## What are the Key Risks of this fund?

- Portfolio invests non-investment grade assets that are subjected to higher credit risk and volatility. With some EM FX exposure, the fund is also susceptible to FX risk.
- The fund is risk rated 3 on a 5-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
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Neutral	++
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## DBS Solutions Q3 2021: Fund Insights

## Global Aggregate Bonds

## Overview

For many investors, income continues to be sought-after. The income portion of the DBS Barbell Strategy advocates allocations to income-generating assets that can provide stability to portfolios, particularly so in this yield-starved environment that is expected to persist.

With market liquidity returning since the COVID-19 shock of March 2020, credit spreads have tightened considerably. Despite this, there remains some pockets of yield opportunities, particularly within non-traditional fixed income markets.

So, how can investors harvest non-traditional risk premiums to diversify their fixed income portfolios?

JPMorgan Income Fund **++++**

## What are the Key Characteristics of this fund?

- Flexible fixed income fund with a broad mandate. Seeks to provide predictable income of c.4.5-5% p.a.
- **3 core Fixed Income sleeves:** Securitized Credit, Corporate Credit and Emerging Markets (EMD). Securitized features prominently and offers diversification to traditional bond portfolios.
- Controlled risk profile, with the fund targeting an annual volatility of 4-6%. Historically, the fund has managed to keep within this level (2020 being an exception).

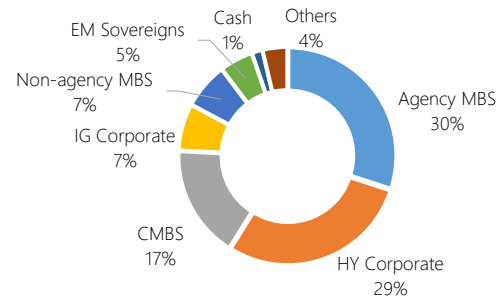
## Why this Fund? 3 Reasons:

1. **Diversified Risk Premiums:** The fund seeks to derive non-traditional risk premiums through US securitized credit exposure. This offers investors diversification from corporate bonds.
2. **Seasoned Managers:** Veteran co-managers Drew Headley, Andrew Norelli and Tom Hauser all have extensive experience, with over 24 years of average experience.
3. **JPM's Fixed Income capabilities:** The fund leverages JPM's vast fixed income resources (over 150 investment professionals). Several sub-teams are also involved in security selection for the JPM Global Income Fund **++++**.

## How is this fund positioned\*\*?

- The fund typically allocates c.40-55% to Securitized Credits such as mortgage-backed securities (MBS), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS). Current exposure is c.57%.

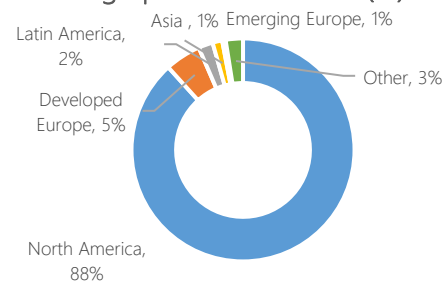
## Asset Class Breakdown (%)



Source: JP Morgan, as of 31st May 2021

- In terms of Corporate Credit, the fund now favours high yield (HY) over investment grade (IG) as above-trend growth should keep default rates manageable. HY also contributes lower duration to the portfolio.
- Geographically, the US dominates (c.88%), but the fund has flexibility to invest globally.

## Geographical Breakdown (%)



Source: JP Morgan, as of 31st May 2021

- Current portfolio's duration is 1.3 years with a YTM of 3.7%. Average credit rating is BBB+.

## Some of the key investment themes\*\*?

- **Unconstrained Approach:** Adopts a multi-sector approach across various fixed income sectors and countries to achieve consistent income.
- **Active Positioning and Duration Management:** The team has bought duration down over the past year. Currently keeping duration subdued at 1.3 years and maintaining high yield exposure.

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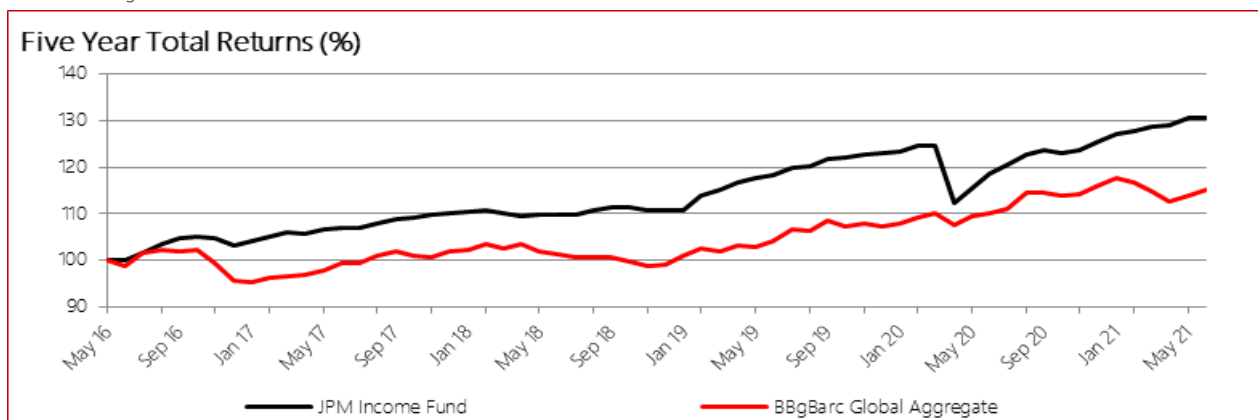
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## How has the fund Performed?

- Despite a modestly higher volatility profile, the fund has managed to generate meaningful alpha against the index over most periods. The fund also ended calendar year 2020 in the positive.
- YTD in 2021, the fund's lower duration positioning has helped. Allocation to spread sectors like high yield corporates, securitized markets has also benefitted as spreads have compressed.

Performance as of May 31 <sup>st</sup> , 2021 in US\$	1M	3M	6M	1YR	3YR <sup>^</sup>	5YR <sup>^</sup>
JPM Income Fund	0.88	1.51	4.06	10.20	5.95	5.47
BBgBarc Global Aggregate	0.94	0.25	-1.03	4.47	4.38	3.11

Source: Morningstar ^Annualized



Source: Morningstar / DBS. As of May 31st, 2021

## What are the Key Risks of this fund?

- Fixed-income securities are subject, among other things, to the risk of the issuers or a guarantor's inability to meet principal and interest payments on its obligations as well as to price volatility.
- The Fund may invest in EM, securitized and global debt securities issued by governments, government-related or corporate entities and may use derivatives. These have historically been subject to price movements, generally due to interest rates, currency and/or bond markets.
- The fund is risk rated 3 on a 5-point scale. Risk rating 1-5 indicates the relative loss potential; "1" being the lowest and "5" being the highest.
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## Global Aggregate Bonds

### Fund Selection Team

Kenneth Teow, CFA (SG analyst)

Ting Hock Kiat, CFA (SG analyst)

Dharit Shah (SG analyst)

William Yu (HK analyst)

John Ng (Team lead)

This report has been prepared by the SG analysts and is issued by DBS SG

### Overview

The global bond market has been weighed down by higher inflation expectations and rising rates as the world embarks on its road to recovery.

It may be tempting to hold cash for safety, but as it is with inflation, holding cash may not be the ideal investment decision. As an alternative, credit markets offer investors an avenue to generate positive returns if risks are managed adequately. In such an environment, diversified and actively managed funds are the perfect tools to get an exposure to the global credit market.

So, what would be our top conviction within the global bond fund universe?

### PIMCO Diversified Income Fund +++++

#### What are the Key Characteristics of this fund?

- Fund has a broader mandate relative to typical credit funds, which is important for a one-stop, diversified global credit solution.
- 3 core Fixed Income sleeves: Global Investment Grade (IG); Global High Yield (HY); Emerging Market (EM) Bonds. This potentially offers less-correlated fixed income exposure for investors.
- Targets higher returns relative to IG credit but lesser volatility than a pure high yield strategy.

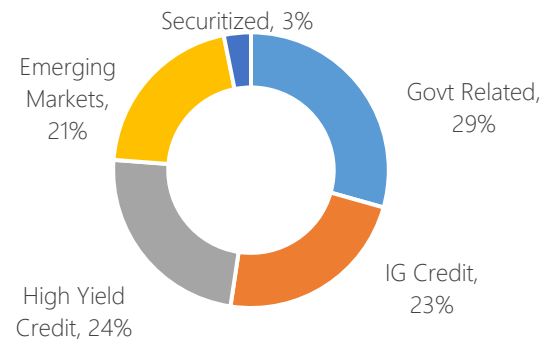
#### Why this Fund? 3 Reasons:

1. **Unconstrained and Flexible:** While the fund has 3 main alpha sleeves, the PMs have leeway to seek opportunities in other sub-asset classes (e.g. loans, securitized, municipals) to generate alpha and enhanced returns for clients.
2. **PIMCO's Fixed Income capabilities:** The fund leverages on PIMCO's global credit expertise (macro views and bottom-up credit selection) and vast resources to flexibly and tactically access the broad global credit opportunity set.
3. **Total Return with income:** Fund adopts a total return approach while providing some distribution yield from the underlying bonds.

### How is this fund positioned\*\*?

- While the fund's neutral allocation is an equal split between EM, IG & HY, the fund is not shy to allocate to Gov Bonds or securitized credit.

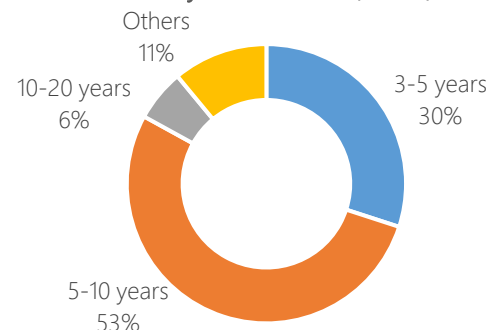
#### Sector Breakdown (%MV)



Source: PIMCO, as of 31st May 2021

- Fund has a well-diversified regional allocation.
- Fund's duration is currently in-line with the benchmark but managed flexibly based on PIMCO's macro views.

#### Maturity Breakdown (%MV)



Source: PIMCO, as of 31st May 2021

### Some of the key investment themes\*\*?

- **Allocation to Fallen Angels:** Selectively investing in Fallen Angels that are potential upgrade candidates given positive rating momentum.
- **Opportunities within COVID-impacted sectors:** Focusing on with have strong balance sheet to weather through a stressed environment.

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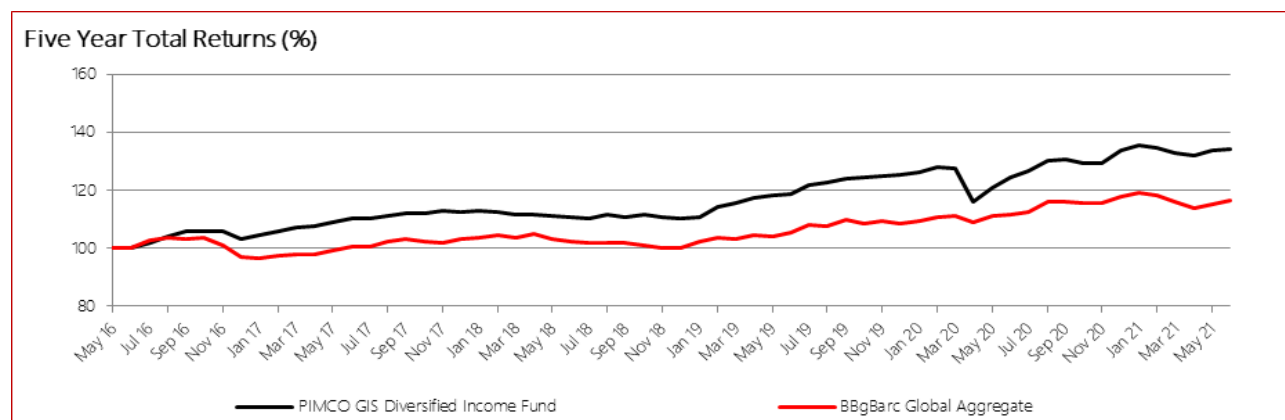


## How has the fund Performed?

- Despite having a slightly higher volatility profile than the index, the fund has managed to generate meaningful alpha against the index over most time periods.
- We feel that the diverse allocation has helped reduce cross-asset correlations to deliver a superior risk reward profile.

Performance as of May 31 <sup>st</sup> , 2021 in US\$	1M	3M	6M	1YR	3YR <sup>^</sup>	5YR <sup>^</sup>
PIMCO GIS Diversified Income Fund	0.60	1.22	0.55	8.05	6.64	6.11
BBgBarc Global Aggregate	0.94	0.25	-1.03	4.47	4.38	3.11

Source: Morningstar ^ Annualized



Source: Morningstar / DBS. As of May 31<sup>st</sup>, 2021

## What are the Key Risks of this fund?

- Fixed-income securities are subject, among other things, to the risk of the issuers or a guarantor's inability to meet principal and interest payments on its obligations as well as to price volatility.
- The Fund may invest in EM and global debt securities issued by governments, government-related or corporate entities and may use derivatives. Such securities and derivatives have historically been subject to price movements, generally due to interest rates, currency or bond markets.
- The fund is risk rated 3 on a 5-point scale. Risk rating 1-5 indicates the relative loss potential; "1" being the lowest and "5" being the highest.
- For a comprehensive list of the fund's risks, please consult your RM or the fund's prospectus.

### DBS Fund Selection Proposition

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Conviction Level	Rating
Strong Positive	++++
Positive	+++
Neutral	++
Low Conviction	+

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## DBS Solutions Q3 2021: Fund Insights

## Global Dividend Equity

## Overview

With interest and saving rates likely to remain ultra-low, the demand for income will continue to remain strong and this should provide support for income/ dividend paying equities.

As the darling mega-cap technology stocks continue to mark new highs, investors may also look to diversify their equity risks. With higher quality and less stretched valuations relative to high growth stocks, income equities tend to have defensive properties that can lead to lower drawdown characteristics during challenging markets.

So, what would be one of our top picks within the global equity income space?

**Fidelity Global Dividend Fund +++++****What are the Key Characteristics of this fund?**

- Global equity fund offering an attractive dividend – targeting to achieve at least 25% higher dividend yield than the MSCI AC World Index.
- Seeks to identify to companies that offer dividend income with long term capital growth: (1) Attractive Value, (2) Better Quality, and (3) Consistent and Growing Dividends
- Employs disciplined bottom-up fundamental research to avoid ‘value traps’ – i.e. poor quality cyclicals with unsustainable dividends.

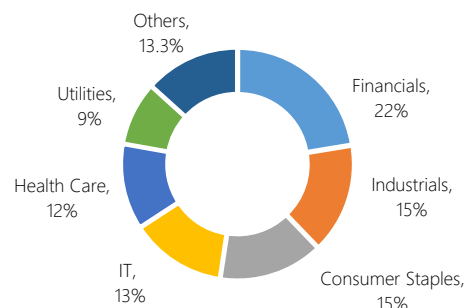
**Why this Fund? 3 Reasons:**

1. **Stable Income & Lower Drawdowns:** The fund's investment approach has allowed it to consistently increase its dividend and shown more resilience in the face of market volatility. Current payout: c.2.7%
2. **The People:** PM Daniel Roberts has been at the helm of the fund since its launch in 2012. He is part of the Equity Income team and is supported by Fidelity's global pool of over 150 research analysts.
3. **Consistent track record:** Relative to global income equity peers, the fund has been a standout since launch, outperforming by ~43% since 2012.

**How is this fund positioned\*\*?**

- Notably, the allocation is differentiated (reversed) from growth-styled strategies.
- The top three sector overweights are to Financials, Utilities and Consumer Staples while the key underweights are to IT, Communication Services and Consumer Discretionary.

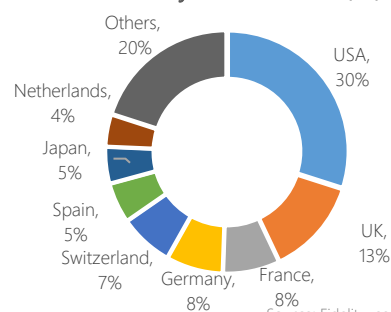
## Sector Breakdown (%)



Source: Fidelity, as of 31st May 2021

- Cash holdings at c.4.5%.
- In terms of geographical opportunity set, the fund has a truly global remit. Europe ex-UK features prominently at c.41% (+20% O/W), followed by US at c.30% (-7% U/W) while UK is c.13% (+5% O/W).

## Country Breakdown (%)



Source: Fidelity, as of 31st May 2021

**Key investment themes\*\*?**

- Staying disciplined, looking for leading dividend stocks with valuation discounts (e.g. J&J, Unilever, P&G, Deutsche Borse).
- Avoiding high growth companies with stretched valuations that offer low to no dividends.

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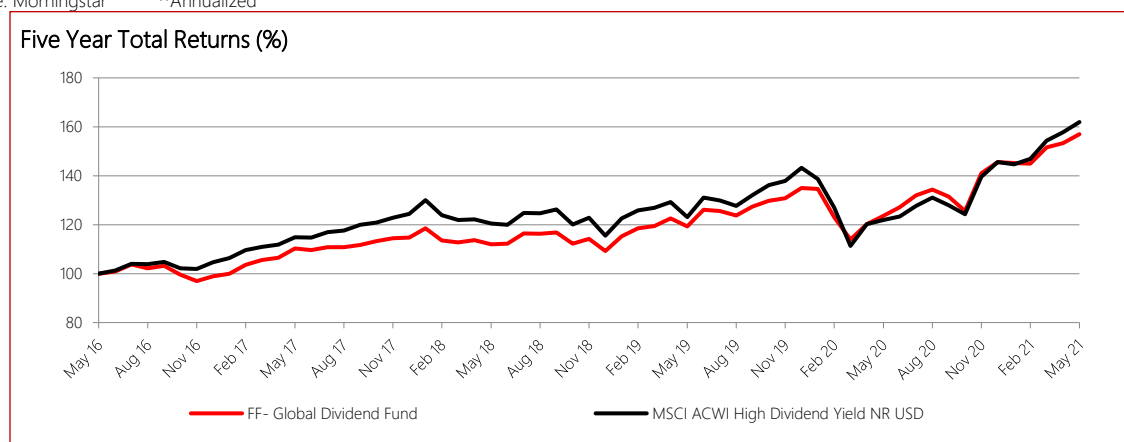
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## How has the fund Performed?

- Relative to global income equity peers, the fund has had an admirable track record. Since inception in 2012, it has also generated c.+1.2% alpha p.a. relative to the High Dividend Yield index.
- In the past year, being underweight to cyclical/recovery and IT/Comm, Services sectors has detracted. The fund has stuck to favouring defensive sectors like consumer staples, which has not fared as favourably.

Performance as of May 31 <sup>st</sup> , 2021 in US\$	1M	3M	6M	1YR	3YR <sup>^</sup>	5YR <sup>^</sup>
Fidelity Global Dividend Fund	2.42	8.29	11.35	27.05	11.93	9.44
MSCI ACWI High Dividend Yield NR USD	2.64	10.28	16.05	32.83	10.37	10.12
MSCI ACWI All Cap NR USD	1.51	8.63	16.99	43.95	13.54	14.12

Source: Morningstar <sup>^</sup>Annualized



Source: Morningstar / DBS. As of May 31<sup>st</sup> 2021

## What are the Key Risks of this fund?

1. The portfolio typically holds 40-60 high conviction stocks and is more concentrated than the index.
2. The fund is risk rated 4 on a 5-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
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## DBS Solutions Q3 2021: Fund Insights

## Global Thematic Equity

## Overview

In this age of unprecedented innovation and digital disruption, a wealth of opportunities is emerging globally. Notwithstanding, investors seeking to capitalise on these trends through narrow themes or sectors may expose themselves to disappointing outcomes. Instead, a prudent manner would be to adopt a diversified, dynamic approach and investing in innovative companies that are well-placed to capture growth in this evolving global economy while employing fundamental bottom-up research and strong valuation discipline.

So, what is one of our top global equity convictions within the innovation space?

Capital Group New Economy Fund +++++

## What are the Key Characteristics of this fund?

- All-cap, diversified growth-styled equity strategy.
- Seeks to identify Successful and Innovative Businesses. There exists a positive link between companies that innovate and/or disrupt and profitability/growth.
- Invests in companies, not themes across all sectors and geographies to identify hidden opportunities in new economy.

## Why this Fund? 3 Reasons:

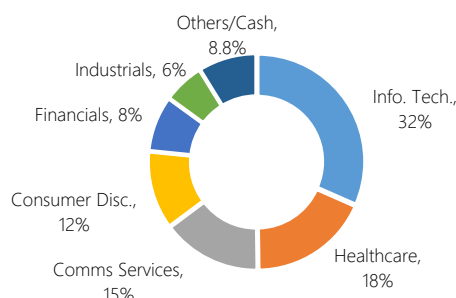
1. Multi-theme, dynamic approach: The fund's multiple themes evolves as new trends emerge. This enables the fund to remain relevant after almost 3 decades and reduces concentration risks.
2. The People: The fund is co-managed by seven portfolio managers with median experience of c. 24 years and a large pool of research analysts (who also invest). The investment team has experience investing through various market cycles.
3. Consistent track record: Since its launch in 1983, the strategy has returned 11.0% pa vs 9.8% p.a. for MSCI ACWI (as at 31 May 2021). We observe that alpha is well diversified across different sectors.

## About Capital Group

The firm is a leading global active manager overseeing over US\$2.5 trn of assets.

## How is this fund positioned\*\*?

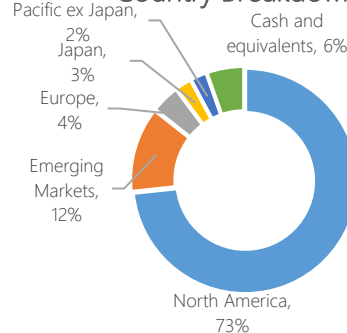
## Sector Breakdown (%)



Source: Capital Group, as of 31st May 2021

- The top three sector overweights are to Information Technology, Health Care and Communication Services while the key underweights are to Financials, Industrials and Consumer Staples.
- Cash holdings at c.5%. Some PMs may opt to use cash to reduce their beta exposure.
- In terms of geographical opportunity set, the fund has a global remit. US exposure is now overweight at the expense of Europe and Asia (including Japan).

## Country Breakdown (%)



Source: Capital Group, as of 31st May 2021

## Key investment themes\*\*?

- Through the fund's bottom-up portfolio construction, several themes emerge. These are: Health-tech, E-commerce, Digital Data, Fintech and New Media / Entertainment.
- Within these themes, key holdings are companies such as Netflix, Amazon, Alphabet, Thermo Fisher, Abbott Laboratories and Broadcom.

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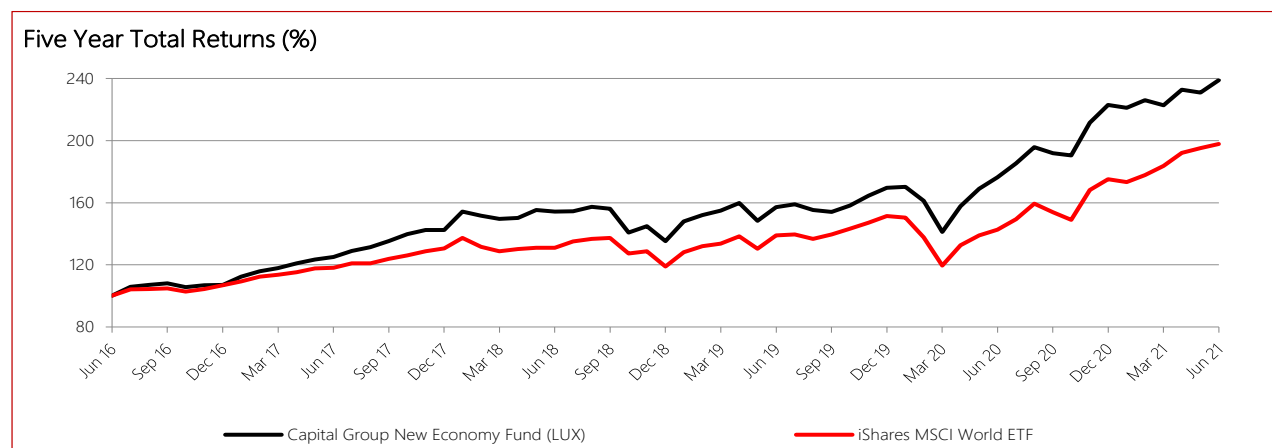
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## How has the fund Performed?

- The fund's strategy\* has an admirable track record of outperforming its benchmark over most time periods. Since the Luxembourg vehicle's launch in Nov 2019, it has continued to generate alpha.
- This year, the cyclical/value rotation has impacted performance (fund has a growth style bias), but we see this as being transient.

Performance as of June 30 <sup>th</sup> , 2021 in US\$	1M	3M	6M	1YR	3YR <sup>^*</sup>	5YR <sup>^*</sup>
Capital Group New Economy Fund (LUX)	3.40	7.18	7.11	35.39	15.68	19.03
iShares MSCI World ETF	1.32	7.67	12.90	38.65	14.74	14.61
MSCI ACWI All Cap	1.19	7.16	12.75	41.14	14.23	14.56

Source: Morningstar    <sup>^</sup>Annualized    \*The Lux vehicle was incepted in November 2019. Prior performance references that of the US vehicle (fee-adjusted)



Source: Morningstar / DBS. As of June 30<sup>th</sup>, 2021

## What are the Key Risks of this fund?

1. The portfolio manager has discretion to invest in Emerging Market Equities. These have higher potential risks compared to investing in Developed Market Equities.
2. The fund is risk rated 4 on a 5-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
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Strong Positive	++++
Positive	+++
Neutral	++
Low Conviction	+

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## DBS Solutions Q3 2021: Fund Insights

## Sector Asia Pacific REITs

## Overview

This is a quality offering for clients who are looking to access the Asia Pacific ex-Japan property market for both income and potential upside opportunities. REITs allow investors the opportunity to obtain regular cash flows from a wide range of properties such as malls, offices, hotels or serviced apartments, managed by professionals.

On top of income, exposure to real estate-related equities such as developers allows for potential capital appreciation and diversification. With savings rate anchored at new lows, REITs stand out as quality dividend plays. In particular, Singapore REITs is one of the highest and most resilient yielding sectors globally, well supported by recurring income streams from commercial properties.

So, what would be our recommendation in the Asian properties space?

**Manulife Asia Pacific REIT Fund +++**

## What are the Key Characteristics of this Fund?

- The fund will invest >70% of its net assets in Asian REITs to generate sustainable income.
- The rest can be invested in real estate-related equities (e.g. property developers) that offer exposure to commercial and residential spaces. This provides both income & potential for price upside.
- Key markets: Singapore, Hong Kong and Australia.
- Experienced co-PMs based in SG and HK, and today manage a separate pure-REIT offering.

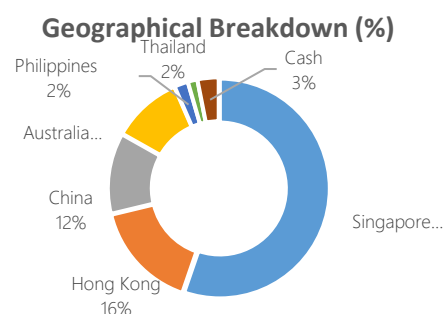
## Why this Fund? Three Reasons:

1. **Access to diversified and high-quality property portfolios:** Asia Pacific offers a diverse mix of high-quality retail and commercial assets. This provides opportunities for income and capital appreciation.
2. **Defensiveness in dovish rate environment:** In periods of benign interest rate trajectories, REITs may exhibit defensiveness by virtue of investors' continued need for income/yield.
3. **Sustainable Dividend Yield:** Fund aims to invest in quality asset managers with diversified portfolios and strong balance sheets. This increases the

potential to obtain good and sustainable dividend yields from high quality companies.

## How is this fund positioned\*?

- **Industry allocation:** The fund is heavily exposed to the Retail REITs sector which is poised to benefit and recover lost ground as vaccination rate continues to progress and as economic sectors remain functional across the region. The fund favours Industrial REITs and retail REITs in SG, which have shown faster recovery in tenant sales and foot traffic.
- **Geographical allocation:** Singapore accounts for over 50% of the portfolio, with the remaining 40% invested overseas, largely in Hong Kong and Australia.



Source: Manulife, as of 31st May 2021

- **Property developers:** The fund has exposure to selective asset-light Chinese property management companies for their long-term growth prospect. This off-benchmark sector accounts for c.6% of the portfolio.

## Some of the key investment themes\*\*?

- **Relative Income Attractiveness:** Dividend yielding equities like REITs remain attractive as global government bond yields stay lower for longer.
- **REITs Increasingly Relevant:** REITs are becoming an increasingly important component of Asia's stock markets. S-REITs account for around 10% of the Singapore's stock market capitalisation.
- **Potential Beneficiaries of Social Distancing easing:** The managers have taken positions in names that could benefit from easing of Covid-19 measures (e.g. Diversified REITs and Retail REITs).

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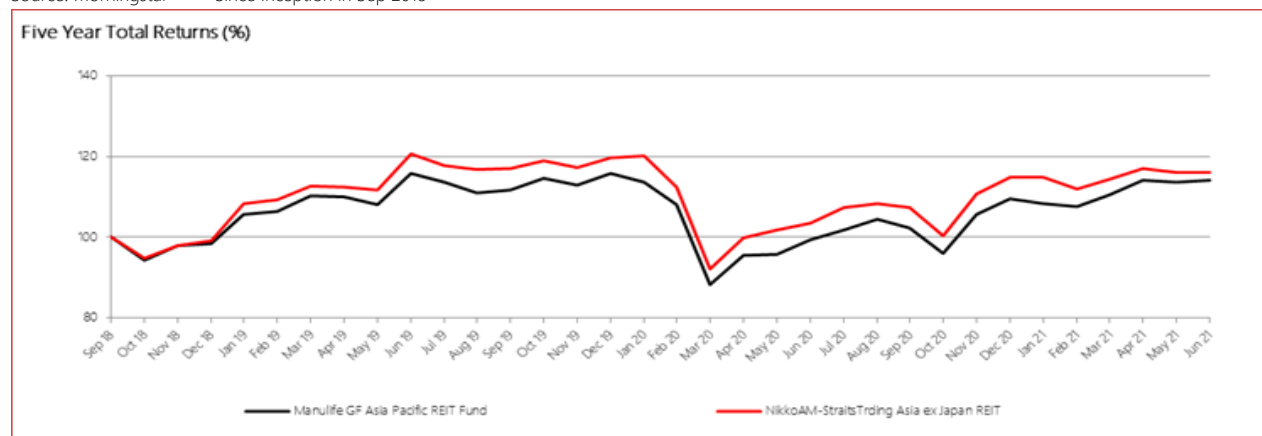
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## How has the fund Performed?

- Fund has delivered a stable and attractive yield (~4.5%) since inception. On a total return basis, the Fund has fared better relative to the benchmark; attributed to its diversified exposure to Specialized and Industrial REIT (e.g. logistic warehousing, data centers), which are structural trends catalyzed by Covid-19.

Performance as of June 30 <sup>th</sup> ,2021 in US\$	1M	3M	6M	1YR	SI <sup>^</sup>
Manulife Investment Asia Pacific REIT	0.48	3.29	4.32	14.82	5.29
NikkoAM-Straits Trading Asia ex Japan REIT	0.12	1.63	1.08	12.22	6.31

Source: Morningstar ^Since Inception in Sep 2018



Source: Morningstar / DBS. As of May 31<sup>st</sup> 2021

## What are some Key Risks of this fund?

- The strategy may invest in securities of REITs, real estate companies and other entities affected by the risks associated with the direct ownership of real estate. The major risks can be attributed to a decline in real estate values, the possibility that the owners of real estate could default on mortgage payments resulting in the loss of property and environmental liability and rise of interest rates.
- The fund is risk rated 4 on a 5-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
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## DBS Solutions Q3 2021: Fund Insights

## Global Thematic Equity – Environmental (ESG Fund)

This report has been prepared by the SG analysts and is issued by DBS SG

## Overview

In 2020, Environmental, Social & Governance (ESG) related investments received record inflows as the COVID-19 crisis reminded policymakers and investors of the importance of long-term sustainable goals, on top of financial profits. With this paradigm shift, the sustainable investing trend is here to stay – in 2021 and beyond.

Within sustainable investing, the environmental space features companies providing new solutions to the growing needs for energy transition and sustainable resources. They are in a good position to benefit from the increasing support from policymakers and rapid technology advancements.

Investors may consider the [Ninety One fund as a satellite allocation in a diversified portfolio to gain exposure to the space.](#)

**Ninety One Global Environment +++**

## What are the Key Characteristics of this fund?

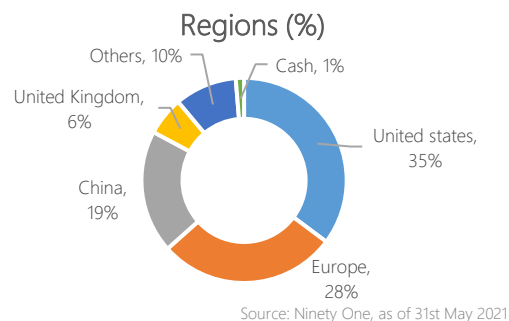
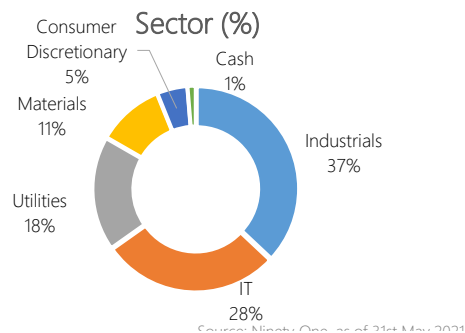
- Actively managed, high conviction portfolio of 20-40 companies which aim to contribute positively to the environment through **Decarbonization**.
- Renewable Energy, Electrification & Resource Efficiency are the key investment themes.
- Geographically diversified to capture the best opportunities around the world.

## Why this Fund? 3 Reasons:

- Comprehensive ESG process:** In addition to the vigorous review of ESG factors during the bottom-up stock selection process, the team also actively engages with all portfolio companies to monitor and improve their environmental impact.
- Complementary Managers:** Graeme Baker has is experienced in the conventional energy sector while Deirdre Cooper focused on sustainable investing in her previous roles.
- Strong performance with positive impact:** Since inception in 2019, the fund has outperformed MSCI ACWI by over 10% on an annualized basis with measurable carbon emissions avoided.

## How is this fund positioned\*\*?

- The fund is concentrated with about 20-40 holdings and maintains a large active share as well as numerous off-benchmark positions.
- Under the three key themes, the holdings are diversified across 8 sub-themes, of which Water & Land Efficiency (21%), Clean Power (21%) and Electric Vehicles (19%) are the ones with the largest weights.
- Instead of EV manufacturers, the PMs have been more interested in the other parts of the value chain (e.g. battery technology) due to competitive advantage and better valuations.
- Sector wise, Industrials accounts for 37% of the fund, followed by IT (28%) and Utilities (18%).
- Geographically underweight the US (35%), and overweight Europe and Asia. China is an important allocation (close to 20%).



- Top holdings include Waste Management (leader in waste collection in N. America), NextEra Energy (US renewable), and Lead (Chinese automated battery equipment)

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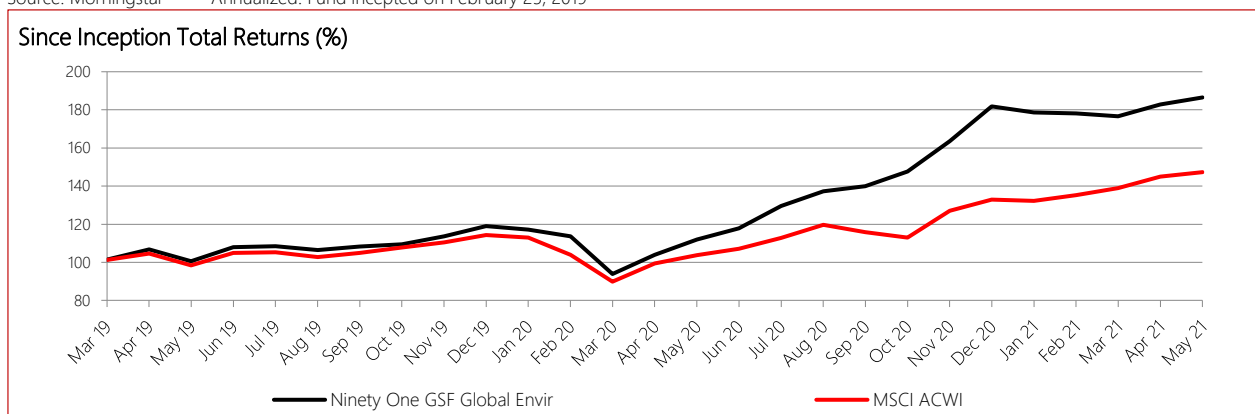


## How has the fund Performed?

- Since inception, the fund has outperformed the MSCI AC World Index, demonstrating that with the right managers, ESG investing can also be a rewarding investment.
- After a very strong year in 2020, especially through its renewable energy holdings (e.g. solar and wind energy technology providers), the fund has underperformed the broader market this year as the renewable sector pulled back and the overweight in China dragged.

Performance as of May 31 <sup>st</sup> , 2021 in US\$	1M	3M	6M	1YR	SI <sup>^</sup>
Ninety One GSF Global Environment	2.05	4.71	14.07	66.65	31.07
MSCI AC World Index	1.56	8.83	15.99	41.85	18.46

Source: Morningstar ^ Annualized. Fund inception on February 25, 2019



Source: Morningstar / DBS. As of May 31<sup>st</sup>, 2021

## What are the Key Risks of this fund?

- Concentration Risk: Fall in the value of a single investment may have a significant impact on the value of the Fund because it typically invests in a limited number of investments. Depending on individual risk appetite, thematic funds should act as a complement to a broader, diversified portfolio.
- Environmental Sector Risk: The fund may be negatively impacted resulting from adverse conditions in the environmental sector, e.g. changes in government's environment-related policies, changes in energy prices, etc.
- The fund is risk rated 4 on a 5-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
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## DBS Solutions Q3 2021: Fund Insights

## Alternatives: Gold Equities

## Overview

Despite the reversal of prices in 2Q21 and uptick in volatility, we reinforce our constructive stance medium-term outlook for Gold. On the contrary, we believe the recent correction has made it more compelling and reinforces the narrative to hold gold as a hedging tool in portfolios.

Today, while yields retreat, the fears of reflation continue to linger. We hence expect gold prices to remain supported and for the asset class to remain in favour. Accelerating demands for Gold from retail investors and central banks are other drivers that support the price of Gold. Investors looking for a higher beta play may wish to consider Gold Miners.

So, what is a simple and diversified approach to obtain broad exposure to Gold Equities?

Ninety One GSF Global Gold Fund +++++

## What are the Key Characteristics of this fund?

- This strategy invests in Gold Mining stocks, with up to a third of the fund invested in other precious metals miners and Exchange Traded Commodity funds in Gold and Silver bullion.
- Concentrated fund with roughly 30 holdings.
- When selecting securities, they consider medium term commodity prices and the company's ability to generate superior Return on Capital.

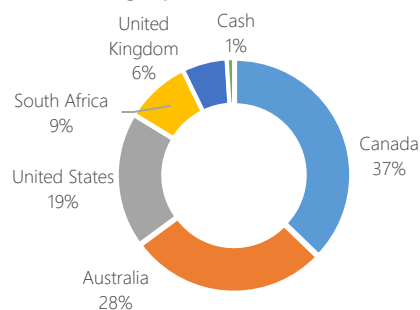
## Why this Fund? 3 Reasons:

1. **Portfolio diversifier:** Historically, Gold prices are positively correlated to US inflation and tend to perform in periods of sustained volatility.
2. **Experienced PM with specialized team:** Ninety One is a leader in the space. Veteran George Cheveley manages the fund and is supported by 2 analysts, with significant industry experience.
3. **Actively managed:** The team actively adjusts the portfolio. When anticipating down markets, they will allocate more to royalty streamers and larger caps. With a bullish view they will favour higher beta junior miners which are more sensitive to rises in Gold prices.

## How is this fund positioned\*\*?

- Majority of the fund is now in Gold miners (c.95%), with some tactical positions in silver miners and Exchange Traded Commodity funds. PM rotated out of royalty and streaming into some second tier miners last year as he is bullish on Gold.
- Geographically, a significant proportion of the mines are in N. America, but they also invest in some companies mining in Australia and Africa. There is c.5% exposure to Silver.

## Geographical Allocation (%)



Source: Ninety One; as of 31st May 2021

- Fund size is at ~\$900mn, allowing the PM to flexibly allocate across the the market cap, depending on where the best opportunities lie, including smaller cap juniors.

## Some of the key investment themes\*\*?

- **The Majors:** Major benchmark constituents like Newmont, Barrick and Agnico typically make up ~25% of the portfolio to provide cushion in down-turns. If the PM has a bearish view on Gold, this portion would typically be higher to dampen risks.
- **The Juniors:** Roughly a quarter of the fund is in smaller caps (under US\$2bn in market cap). These smaller operating miners tend to operate in developing jurisdictions. These companies are very sensitive to rising Gold prices and may become targets for acquisition if Gold rises.
- **Bullish on Gold:** The exposure to royalty companies is minimal currently, but this was at c.15% in Mar 2020 and did well to buffer losses due to their diversified business model.

\*\*Funds are actively managed, positions may change.

## Important Notice and Disclaimer

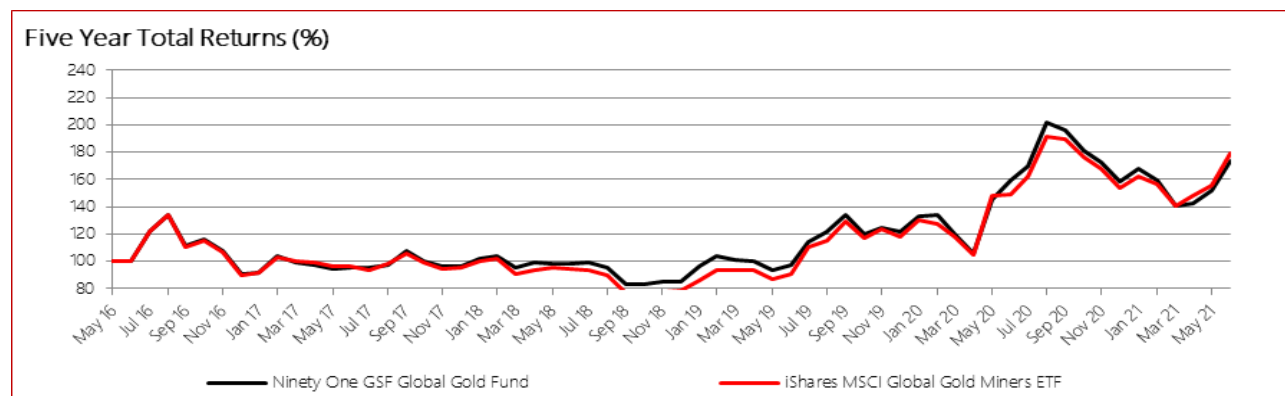
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## How has the fund Performed?

- After a very strong recovery in 2020, the fund has experienced some corrections along with the consolidation of Gold prices. This may present an opportunity for investors.
- Given the underweight in the more defensive large caps and royalty and streaming companies, the fund has underperformed its benchmark in Q2 2021.

Performance as of May 31 <sup>st</sup> , 2021 in US\$	1M	3M	6M	1YR	3YR <sup>^</sup>	5YR <sup>^</sup>
<b>Ninety One GSF Global Gold Fund</b>	13.82	23.47	9.46	8.48	20.81	11.62
<b>iShares MSCI Global Gold Miners ETF</b>	15.10	27.21	16.90	20.05	23.87	12.39

Source: Morningstar ^ Annualized



Source: Morningstar / DBS. As of May 31<sup>st</sup>, 2021

## What are some Key Risks of this fund?

- Investing primarily in a single sector, the fund is subjected to higher concentration risks.
- Commodity Equities have been a historically volatile asset class, mostly more volatile than their underlying commodities and less beneficial as diversifiers.
- The fund is risk rated 5 on a five-point scale. Risk rating 1-5 indicates the relative rating of potential loss; "1" being the lowest and "5" being the highest.
- For a comprehensive list of the fund's risks, please consult your RM or the fund's prospectus.

### DBS Fund Selection Proposition

At DBS, our goal is to provide our clients with a holistic approach to managing your wealth. As investors seek to preserve, diversify and build their wealth, for many, mutual funds can be integral tools. Funds are diversified, efficient tools to access different global markets with the guidance of professional asset managers.

DBS Fund Selection Team (FST) is a dedicated group of professionals, committed to identifying high quality mutual funds which the team believes can add value for our clients. The team interviews the managers to form a research opinion on the funds and assigns a conviction rating to each. This is followed by on-going monitoring of the performance of the funds. The DBS FST Fund Rating encapsulates a qualitative assessment of the fund's competitive advantage relative to its peers.

### DBS FST Fund Ratings

The DBS FST currently has research opinions on over 300 funds. The team will review and assign an appropriate rating to each fund.

This rating reflects the team's assessment of the fund's competitive advantage, and represents the level of conviction the team has with respect to the fund performing well relative to its peers and its assigned asset class benchmark over the next 18 to 36 months.

Investors should, however, note that the DBS FST Fund Rating is not a view on funds as an asset class nor is it a guarantee of a fund's performance.

<u>Conviction Level</u>	<u>Rating</u>
Strong Positive	++++
Positive	+++
Neutral	++
Low Conviction	+

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## Notes:

1. A qualitative approach is used to systematically analyse each fund's characteristics, risk and performance attributes to identify funds we believe could add value. Through interviews that we conduct with respective fund managers, 5 key areas are reviewed: People, Product, Process, Portfolio and Performance.
2. Fund performance are sourced from Morningstar Direct workstations and/or Bloomberg Terminals. 3-months, 6-months and 1-year performance returns are cumulative, while 3 and 5-years' performance returns are annualized. All data presented are as of 31<sup>st</sup> May 2021, or the closest available NAV date prior. Cumulative and annualized performance data are bid-to-bid, in USD terms, unless specified otherwise. The funds' relative performance against their appropriate benchmarks are provided, where applicable.
3. Standard deviation is a statistical measure of risk. The higher the standard deviation, the greater the volatility, therefore, the higher the potential risk. Approximately 68% of the annual total return of the fund is expected to range between +1 and -1 standard deviation from the annual average return, assuming a fund's return falls in a standard normal distribution.
4. Ratings assigned by DBS Fund Selection Team is on the basis of the team's assessment of the fund's competitive advantage and represents the level of conviction that the team has with respect to the fund performing well relative to its peers and its assigned asset class benchmark over the next 18 to 36 months. Investors should, however, note that the DBS FST Fund Rating is not a view on funds as an asset class nor is it a guarantee of a fund's future performance. A fund with high rating does not mean that it is suitable for all investors, and should not be considered as recommendations to buy or sell the relevant funds. Prospective investors should seek advice from a financial advisor regarding the suitability of the funds, taking into account their specific investment objectives, financial situation or particular needs before committing to invest in or purchase in any of the funds mentioned.

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