

DBS Solutions Q3 2020: Fund Insights

Asian Multi-Asset Strategy

Overview

With interest rates near 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.

While global growth has taken a beating, Asia remains poised to continue its sustainable growth path once the COVID-19 pandemic abates, 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 investment growth themes across Asia?

Schroder Asia More+ **+++**

What are the Key Characteristics of this fund?

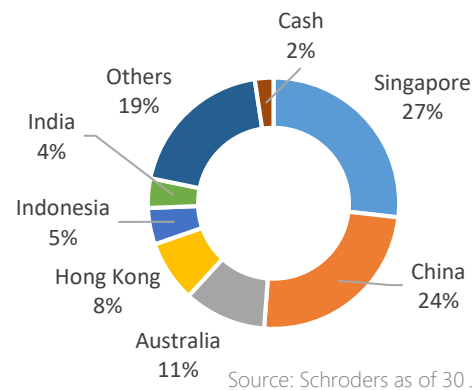
- This is an income-oriented, Asian multi-asset fund with modest capital appreciation potential.
- Designed with the Singapore investor in mind: The fund can invest in Singapore securities and hedges a portion of FX back to SGD.
- Fund targets 5% p.a. distribution (paid monthly). Decumulation and accumulation shareclasses are also available.

Why this Fund? 3 Reasons:

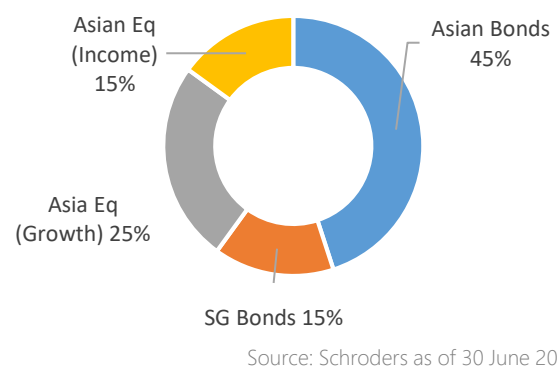
1. **Schroders' core area of Expertise:** Schroders is an established Asian multi-asset manager with flagships in equities and multi-asset strategies.
2. **Diversified and broad exposures to Asia:** Investors gain access to a diversified portfolio comprising of the core asset classes of 40% Equities (including REITs) and 60% Fixed Income. The Income portion of the portfolio seeks to mitigate volatility and provide resilience over the long term.
3. **Low-cost, One-stop solution:** The fund offers investors a relatively low-cost solution that caters to varying income needs of investors.

How is this fund positioned**?

- The fund invests across Asia Pacific (ex-Japan). Diversified with key allocations being to Singapore, China, Australia and Hong Kong.

Geographical Breakdown
(model portfolio)

- Fixed Income allocation is c.59%; Equities c.38%, of which 8% are REITs.
- The average credit rating of the Fixed Income sleeve is investment grade.
- In terms of asset breakdown, Asian bonds form the ballast of the portfolio. The FX exposures arising from these are typically hedged to SGD.

Asset Class Breakdown
(model portfolio)

- **Key Themes:** Currently, the main growth themes range across technology, logistics, real estate, consumption, manufacturing and financial services.

**Funds are actively managed, positions may change.

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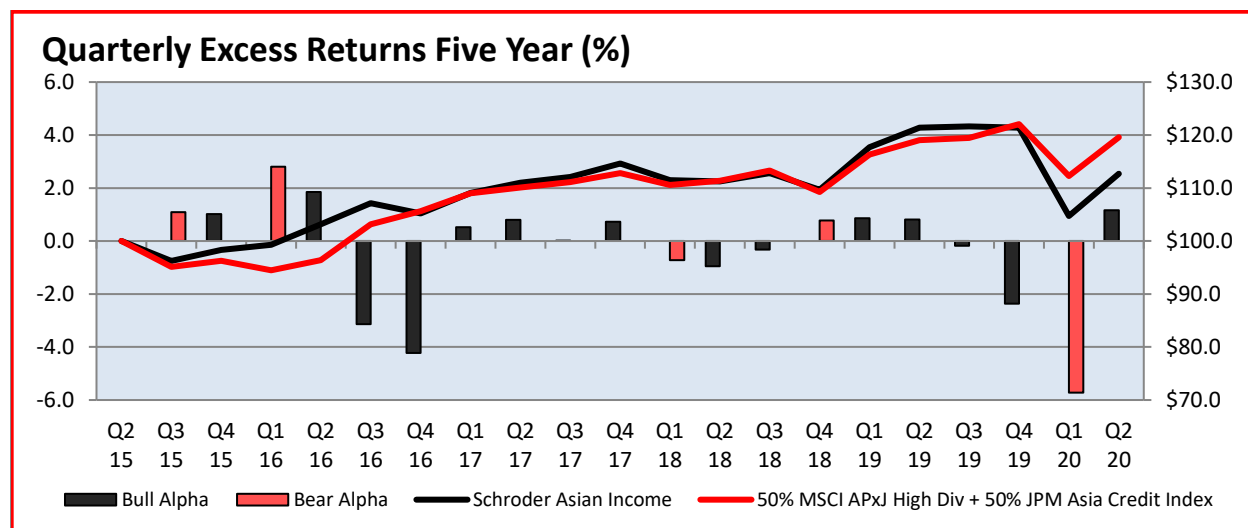
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How has the fund Performed?

- As the fund has not been incepted, we use the Schroder Asian Income fund as a proxy. While the strategy had fared well historically, the underweight to China and overweight to REITs had hurt performance in Q4 2019 and Q1 2020 respectively. We view this as a temporary setback and expect performance to recover.

As of June 30 th , 2020	1M	3M	6M	1YR	3YR [^]	5YR [^]
Schroder Asian Income (proxy strategy)	1.30	7.67	-7.13	-7.14	0.51	2.42
50% MSCI APxJ High Div Yield + 50% JPM Asian Credit Index	1.90	6.51	-2.04	0.45	2.79	3.64

Source: Morningstar; Returns in SGD [^]Annualized



Source: Morningstar / DBS. As of June 30th, 2020

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.
- 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. With over 300 funds under coverage, the team meets the managers, writes an assessment of the fund and assigns a conviction rating to each. This is followed by on-going monitoring of the performance of the fund. 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 covers 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 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 performance.

Conviction Level	Rating
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 31st December 2019, 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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