

Singapore Fund Flow Report

Q2 2022

Morningstar

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Fund Flows Overview

Based on the data submitted by the participating members of the Investment Management Association of Singapore, or IMAS (see Appendix), the various authorized and recognized unit trusts registered for sale in Singapore posted net outflows of SGD 62.28 million for the second quarter of 2022.

Breaking down the data by asset type, equity funds still posted the highest net inflows of SGD 563.45 million. However, the reading was weaker than the previous quarters, where equity funds gathered flows of SGD 1,047.52 million for the first quarter of 2022 and SGD 1,900.74 million for the fourth quarter of 2021.

Fixed-income funds saw net redemptions amounting to SGD 873.67 million. Gross inflows into bond funds slowed to SGD 1,359.81 million from the first quarter's 2,819.94 million and from the fourth quarter's SGD 4,295.45 million. However, gross outflows were SGD 2,233.47 million.

Gross inflows into allocation funds were stable quarter on quarter. Inflows were SGD 1,162.00 million, netting out the SGD 797.75 million outflow, for a net inflow of SGD 364.24 million in the second quarter. Money market funds posted net outflows during the second quarter. Investors' subscription of the cash management product led to an aggregate of SGD 104.2 million in net outflows.

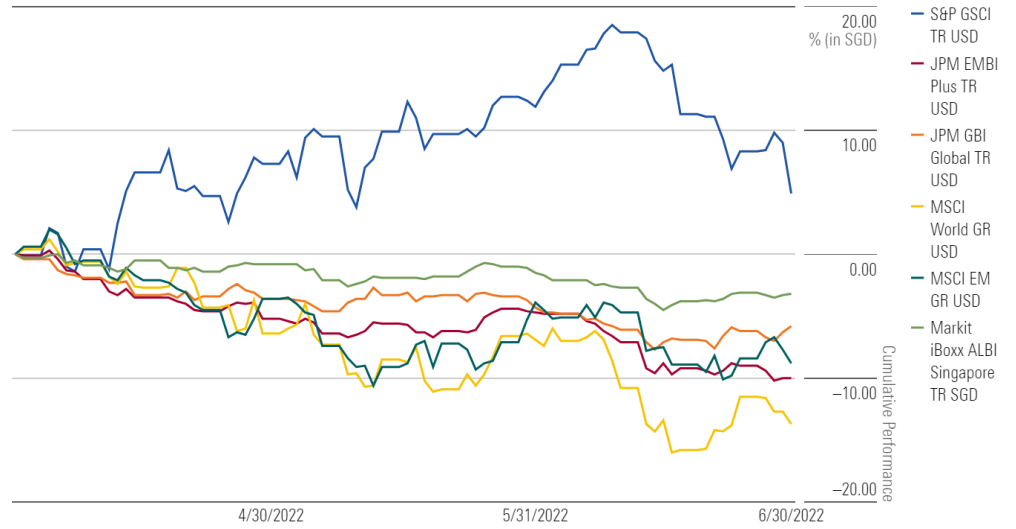
Money market funds posted net inflows during the first quarter. Investors' subscription of the cash management product led to an aggregate of SGD 446.31 million in net outflows.

Exhibit 1 Fund Flows by Major Asset Class for Q2 2022 (in SGD millions)

Asset Class	Inflow	Outflow	Net Flow
Allocation	1,162.00	797.75	364.24
Alternative	2.91	12.19	-9.28
Commodities	15.21	17.71	-2.50
Convertibles	0.01	0.28	-0.28
Equity	2,637.78	2,074.33	563.45
Fixed Income	1,359.81	2,233.47	-873.67
Miscellaneous	0.20	0.24	-0.04
Money Market	1,909.75	2,013.96	-104.20

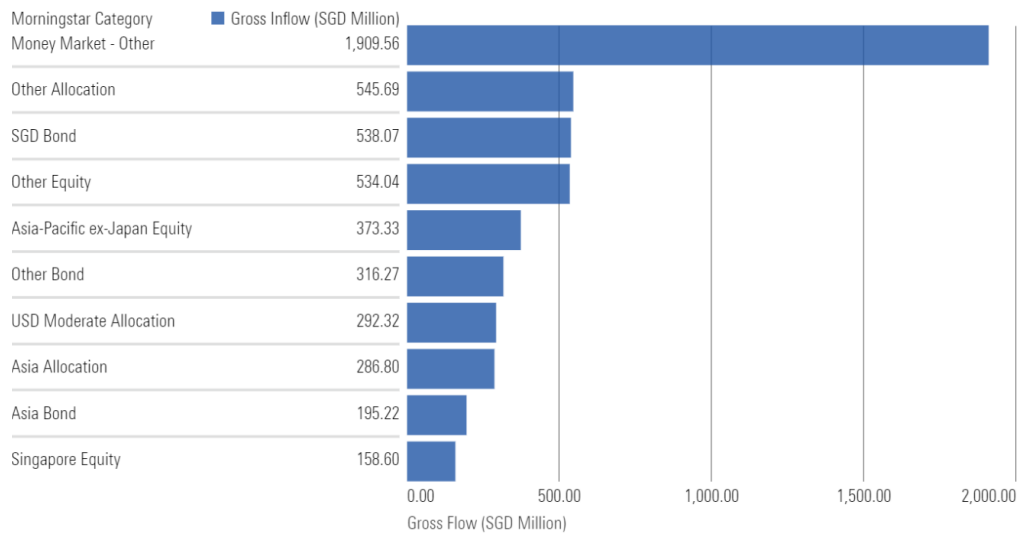
Source: Morningstar. Data as of 30/6/2022.

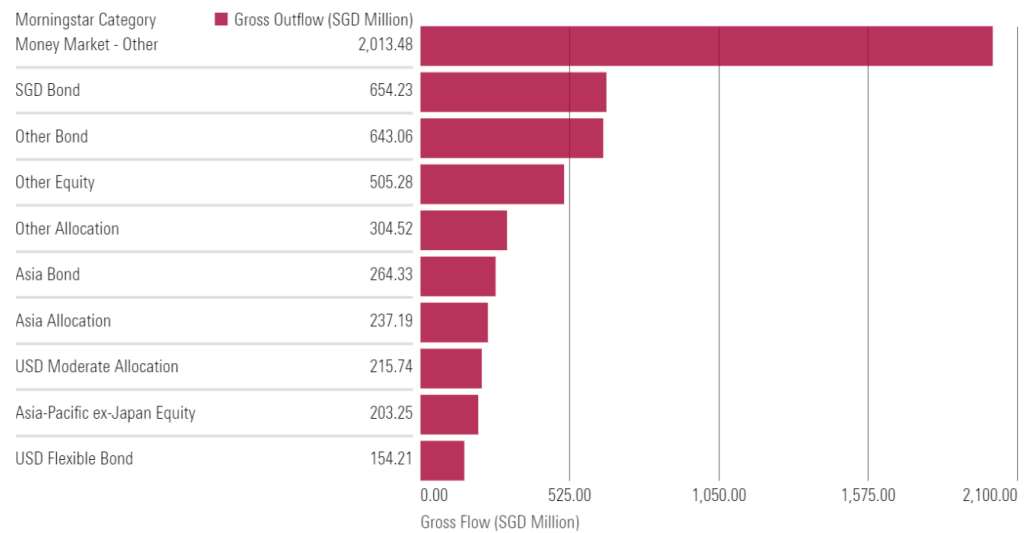
Exhibit 2 Performance of Key Technical Indicators During Q2 2022



Source: Morningstar. Data as of 30/6/2022.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q2 2022 (in SGD millions)





Source: Morningstar. Data as of 30/6/2022.

Equity Fund Flows Analysis

During the second quarter of 2022, rising interest rates and growing fears of a recession rattled the market, as it is a challenging task for central banks—the U.S. Federal Reserve in particular—to bring inflation down without triggering a recession.

Among all equity types, Asia-Pacific ex-Japan equity continued to draw the most net subscriptions, totaling SGD 170.09 million for the second quarter. Singapore investors continued to find the appeal of broad market strategies. Amid a market downdraft, US large-cap blend equity and global large-cap blend equity continued to gather assets, absorbing SGD 73.12 million and SGD 65.39 million in new subscriptions, respectively.

With policy support and easing lockdowns, China staged a relief rally in the second quarter. Among the 22 major market indexes, the SSE Composite Index, tracking the largest caps listed on the Shanghai exchange, returned 4.50% and became the only major stock market gauge that avoided a negative return during the quarter. Hong Kong's Hang Seng Index came second, posting a negative return of 0.62%. During the quarter, Greater China equity and China equity—A-shares ranked seven and nine by net inflows. The former garnered net fund subscriptions of SGD 49.12 million and the latter collected SGD 33.12 million. Hong Kong's Hang Seng Index came second, posting a negative return of 0.62%. The markets may have emerged from their worst, but both benchmarks still ended the first half with an approximately 6% loss.

Inflation continued to simmer, as the annual inflation rate in the U.S. accelerated to 9.1% in June, the highest since November 1981. The pace of rising costs also quickened from 8.6% in May. Facing stubbornly high inflation, the Fed took increasingly aggressive moves by hiking rates twice during the quarter, and the 75-basis-point raise in June was the biggest increase since 1994. Worries continued to loom as the rate hike environment will make unfavorable to valuations of companies with already-high

equity multiples. The growth-tilted Nasdaq Composite marked a whopping loss of 22.44% for the quarter, compared with the S&P 500's 16.45% loss. During the quarter, global large-cap growth equity saw redemptions of SGD 42.54 million, while investors pulled SGD 13.39 million from US large-cap growth equity and SGD 9.10 million from Europe large-cap growth equity.

Other categories that were among the bottom include thematic strategies. Sector equity healthcare, sector equity natural resources, and sector equity energy recorded outflows of SGD 72.02 million, SGD 39.91 million, and SGD 19.30 million, respectively.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q2 2022 (in SGD millions)

Top Morningstar Category	Net Flow (SGD Million)
Asia-Pacific ex-Japan Equity	170.09
US Large-Cap Blend Equity	73.12
Global Large-Cap Blend Equity	65.39
Global Emerging Markets Equity	59.40
Sector Equity Technology	58.20
Global Equity Income	50.15
Greater China Equity	49.12
Singapore Equity	48.97
China Equity - A Shares	33.12
Other Equity	28.76
Bottom Morningstar Category	Net Flow (SGD Million)
Sector Equity Healthcare	-72.02
Global Large-Cap Growth Equity	-42.54
Sector Equity Natural Resources	-39.91
Europe ex-UK Equity	-31.21
Latin America Equity	-19.93
Sector Equity Energy	-19.30
US Large-Cap Growth Equity	-13.39
Europe Large-Cap Growth Equity	-9.10
Asia-Pacific ex-Japan Equity Income	-7.03
Global Flex-Cap Equity	-5.47

Source: Morningstar. Data as of 30/6/2022.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q2 2022 (in SGD millions)

Investment Area	Net Flow (SGD Million)
Asia Pacific	-108.19
Europe	-53.47
Global	37.53
Latin America	-20.06
Middle East	-0.11
North America	155.43

Source: Morningstar. Data as of 30/6/2022.

Bond and Money Market Fund Flow Analysis

Fixed-income securities were unable to provide investors any refuge from losses during the second quarter. The US market faced an unusual combination of losses in both stock and bond markets, as the year-to-date period marked the third time in more than four decades where stocks and bonds both posted losses for two consecutive quarters. The last time investors saw back-to-back down quarters for stocks and bonds was in 2008, and before that, 1981. The FTSE WGBI fell another 6.32% for the quarter (in US dollars), after the first quarter's 6.10% loss.

Behind the market woes was the stubbornly high inflation, which had the Fed responding with monetary-tightening actions, including one rate hike in each of its May and June meetings. Rates have risen across the entire yield curve from a confluence of factors. In the shorter end of the curve, the US Treasury two-year note rose to 2.92% from 2.28% at the end of March, and at the longer end of the curve, the yield on the 10-year ended the quarter at 2.98%, edging up from 2.32% from a quarter back.

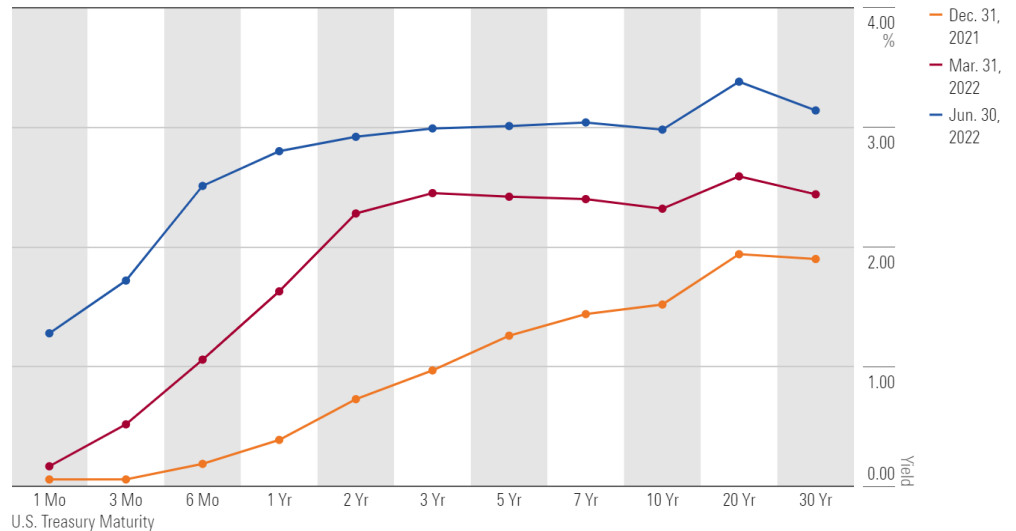
US Government-Bond Market Movements

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 30/6/2022.

Exhibit 7 Shifts in US Benchmark Yields During Q2 2022



Source: Morningstar. Data as of 30/6/2022.

Against the backdrop, all bond categories recorded fund outflows this quarter. In particular, the largest scale of redemption was in Asia fixed-income funds, as the category group ended the quarter with negative net flows of SGD 520.41 million. In the previous three quarters, Asia fixed-income funds recorded the strongest inflows compared with the rest of the bond groups.

During the second quarter, global fixed-income and US fixed-income funds posted negative flows of SGD 202.64 million and SGD 91.73 million, respectively. Investors withdrew SGD 19.90 million from emerging-markets fixed income and SGD 15.47 million from Europe fixed income.

Outflows from Asia money market funds amounted to SGD 66.61 million and investors pulled SGD 37.31 million from money market miscellaneous.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q2 2022 (in SGD millions)

Fixed Income Category	Net Flow (SGD Million)
Europe Fixed Income	-15.47
Emerging Markets Fixed Income	-19.90
Fixed Income Miscellaneous	-23.52
US Fixed Income	-91.73
Global Fixed Income	-202.64
Asia Fixed Income	-520.41
Money Market Category	Net Flow (SGD Million)
Asia Money Market	-66.61
Money Market Miscellaneous	-37.31
US Money Market	-0.28
Euro Money Market	0.00

Source: Morningstar. Data as of 30/6/2022.

Allocation and 'Other' Fund Flow Analysis

Allocation funds posted net inflows of SGD 364.24 million for the second quarter. The majority of the inflows went to the moderate-allocation category. Meanwhile, investors withdraw SGD 0.99 million from cautious-allocation funds, making it the worst allocation category by net flows.

In "Other" fund groups, market neutral was the only category that recorded net inflows. The most outflows came from multialternative and commodities broad basket, as investors pulled SGD 7.83 million and SGD 2.5 million out of funds in those respective categories.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q2 2022 (in SGD millions)

Global Category	Net Flow (SGD Million)
Moderate Allocation	289.51
Allocation Miscellaneous	63.88
Flexible Allocation	12.44
Market Neutral	0.24
Alternative Miscellaneous	0.00
Capital Protected	-0.04
Target Date	-0.14
Convertibles	-0.28
Aggressive Allocation	-0.46
Cautious Allocation	-0.99
Global Macro	-1.69
Commodities Broad Basket	-2.50
Multialternative	-7.83

Source: Morningstar. Data as of 30/6/2022.

Outlook

The volatile market environment continues to underscore the importance for investors to have a plan that balances their long-term investment goals with their risk tolerances.

In the US stock market, the current level of undervaluation is the greatest discount to Morningstar's long-term, intrinsic valuations since the emergence of the pandemic in March 2020 and the growth scare that sent stocks lower in December 2018. Across the US market, growth stocks are the most undervalued, as they were priced at a 22% discount to fair value at quarter-end. Value stocks were in line with the broader market average, which was trading at a 17% discount to fair value. Analysts deem the valuations to be a sign of the market being overly pessimistic regarding the economic outlook.

The current credit spread levels represent that the markets are pricing in a relatively high probability of a near-term recession in the United States. Considering that Morningstar analysts do not expect that the United States will enter a recession, spread levels provide investors with an attractive yield pickup for the added credit risk. As the economy expands, it will help limit defaults, resulting in fewer rating downgrades, and lead to ratings upgrades.

Morningstar analysts project that the US inflation will average 5.2% over 2022 and begin to decrease later this year, dropping to 1.7% in 2023 and bottoming out at 1.3% in 2024 before normalizing a little

over 2.0% thereafter. This outlook owes greatly to the unwinding of price spikes caused by supply constraints in durables, energy, and other areas.

Closer to home, the average stock in the Morningstar Asia Index traded at 16% discount to its fair value as of the end of the quarter. The attractive level of valuation reflects that the worries have kept a lid on any optimism. Volatility may remain in third-quarter 2022 as the "zero-COVID" policy is maintained in China amid rising new cases and capital markets are pricing in higher inflation and interest rates. Downside risks from a European energy crisis remain a key uncertainty.

Appendix—Data Sources

Data and analyses are based on information provided by the following IMAS Members:

1. Aberdeen Standard Investments (Asia)
2. AllianceBernstein (Singapore)
3. Allianz Global Investors Singapore
4. Amundi Singapore
5. BlackRock (Singapore)
6. Eastspring Investments (Singapore)
7. FIL Investment Management (Singapore)
8. First Sentier Investors (Singapore)
9. iFAST Financial
10. Janus Henderson Investors (Singapore)
11. JPMorgan Asset Management (Singapore)
12. Lion Global Investors
13. Nikko Asset Management Asia
14. NN Investment Partner (S)
15. Phillip Capital Management (S)
16. Pimco Asia
17. PineBridge Investments Singapore
18. Schroder Investment Management (Singapore)
19. Singapore Consortium Investment Management
20. Templeton Asset Management
21. UBS Asset Management (Singapore)
22. UOB Asset Management
23. Western Asset Management



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