

Singapore Fund Flow Report

Q3 2022

Morningstar

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Contents

1. Fund Flows Overview for Q3 2022
3. Equity Fund Flows Analysis
5. Bond & Money Market Fund Flow Analysis
6. US Government-Bond Market Movements
7. Allocation and 'Other' Fund Flow Analysis
8. Outlook
10. Appendix A—Data Sources

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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 906.55 million for the third quarter of 2022.

Breaking down the data by asset type, allocation funds were the only asset class that gathered positive net flows for the quarter, as it collected a net SGD 92.27 million. Gross inflows into allocation funds slowed to SGD 841.58 million, netting out the SGD 749.31 million outflow. However, the net flow reading was weaker than the previous quarter, where allocation funds gathered flows of SGD 364.24 million for the second quarter of 2022.

Equity funds posted mild outflows of SGD 6.29 million. This put an end to its net inflow momentum from the previous quarters. In the second quarter, equity funds collected a net SGD 1,047.52 million.

Across asset classes, fixed-income funds saw the most net redemptions, totaling SGD 609.03 million. Gross inflows into bond funds slowed to SGD 1,134.20 million from the second quarter's 1,359.81 million and from the first quarter's SGD 2,819.94 million. Gross outflows for the quarter were SGD 1,743.24 million.

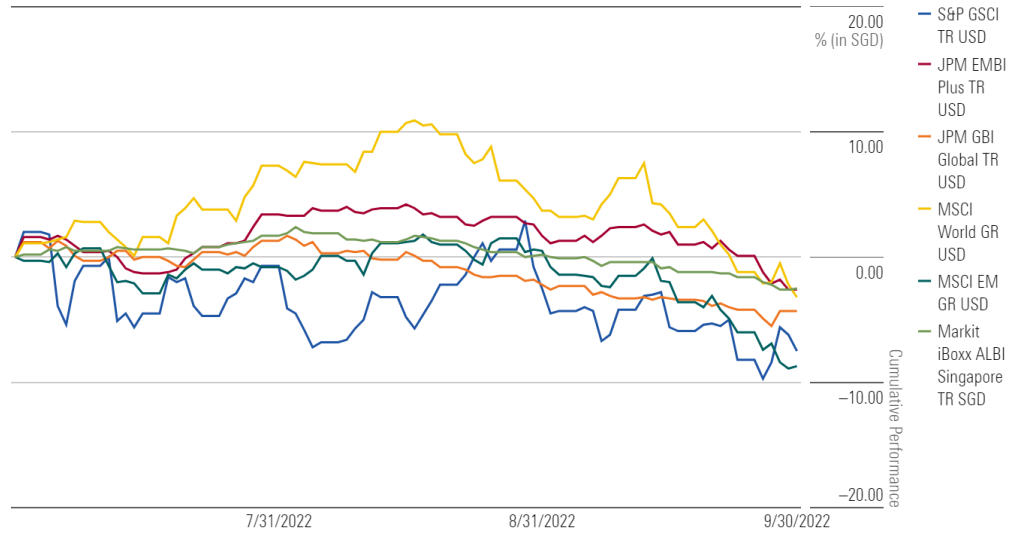
Money market funds continued to post net outflows during the third quarter. Investors' redemption of the cash management product led to an aggregate of SGD 361.77 million in net outflows.

Exhibit 1 Fund Flows by Major Asset Class for Q3 2022 (in SGD millions)

Asset Class	Inflows	Outflows	Net Flows
Allocation	841.58	749.31	92.27
Alternative	10.31	14.24	-3.93
Commodities	4.82	21.22	-16.40
Convertibles	0.01	0.84	-0.84
Equity	1,807.78	1,814.08	-6.29
Fixed Income	1,134.20	1,743.24	-609.03
Miscellaneous	0.13	0.69	-0.56
Money Market	1,505.74	1,867.51	-361.77

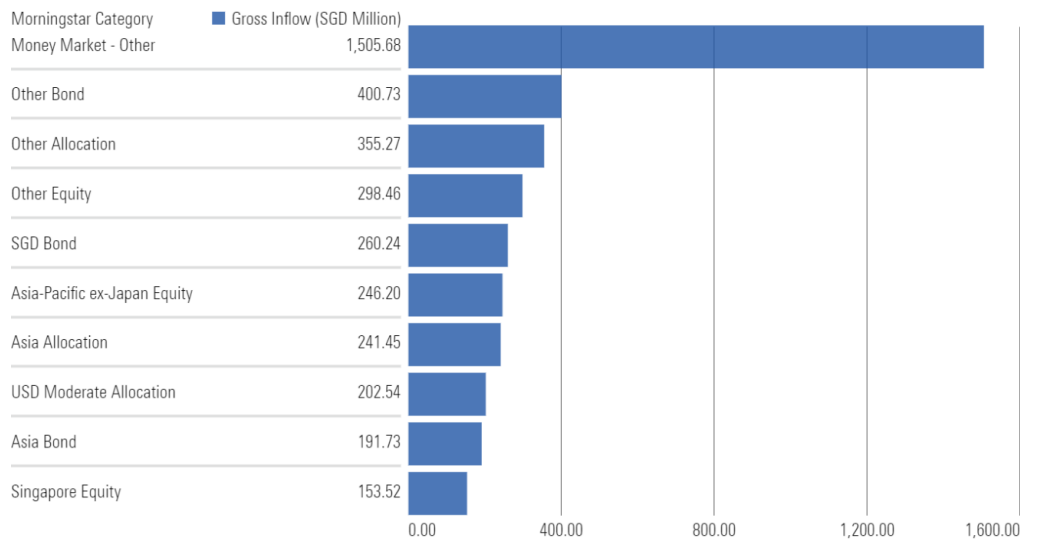
Source: Morningstar. Data as of 30/9/2022.

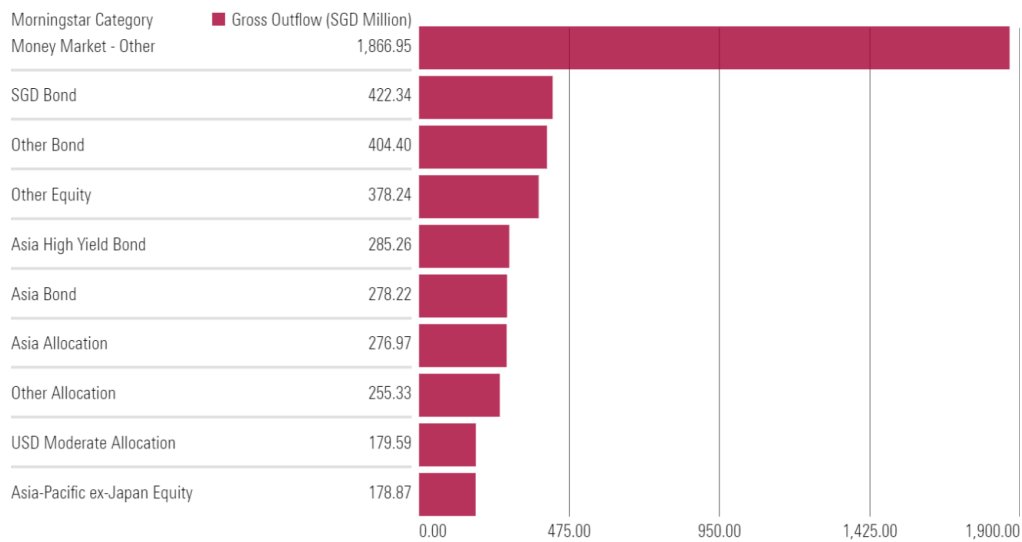
Exhibit 2 Performance of Key Technical Indicators During Q3 2022



Source: Morningstar. Data as of 30/9/2022.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q3 2022 (in SGD millions)





Source: Morningstar. Data as of 30/9/2022.

Equity Fund Flows Analysis

Inflation continued to run hot, and by September, a third consecutive aggressive interest-rate increase from the Fed and growing fears of recession sent stocks into another tumble.

Among all equity types, Asia-Pacific ex-Japan equity continued to draw the most net subscriptions, totaling SGD 67.33 million for the third quarter.

Hong Kong and China markets retreated alongside the global markets. Bearish views on China's coronavirus policy, recessionary fears, and yuan weakness against the greenback all weighed on the region's poor performance. The SSE Composite Index, tracking the largest caps listed on the Shanghai Stock Exchange, slid 11.01% for the quarter. Reacting negatively to U.S. inflation and rate cycle, Hong Kong stocks were particularly weak as the Hang Seng Index plunged 21.21% in the third quarter alone. During the quarter, across all equity types, China equity—A-shares and Greater China equity ranked four and seven, respectively, by net inflows. The former garnered net fund subscriptions of SGD 47.97 million and the latter collected SGD 18.50 million.

In the U.S., higher-than-expected inflation and weaker economic metrics in September sent markets back down to new lows. By the end of the third quarter, the S&P 500 was down 5.28% for the prior three months and 24.77% so far in 2022. The tech-heavy Nasdaq Composite posted a 4.11% loss for the quarter, which deepened the year-to-date loss to a whopping 32.40%. Both value- and growth-oriented U.S. equity strategies gained traction, posting positive net flows of SGD 17.34 million and SGD 15.41 million, respectively.

Turning to laggards, Japan large-cap equity and India equity categories suffered net outflows for the third quarter, amounting to SGD 67.15 million and SGD 21.44 million, respectively. In terms of performance, Japan's JSX Composite, which gained 1.87% this quarter, is the best performer among

major markets so far this year. Despite a weakening yen, the market has risen 6.98% this year to date. This holds true for India, with S&P BSE SENSEX India up by 8.31% and narrowed its year-to-date loss to slightly less than 1.5%.

Categories that were among the bottom include thematic strategies. Sector equity healthcare, sector equity alternative energy, and sector equity natural resources recorded outflows of SGD 59.94 million, SGD 16.82 million, and SGD 16.38 million, respectively.

In Europe, the sluggish economic outlook, the Russia-Ukraine war, and the resultant energy shortage and supply chain difficulties remained sources of uncertainty. France's Euronext Paris CAC 40 is down 2.71% and Germany's FSE DAX is down 5.24%. Europe ex-U.K. equity and Europe large-cap growth equity recorded outflows of SGD 14.66 million and SGD 10.19 million, respectively.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q3 2022 (in SGD millions)

Top Equity Morningstar Category	Net Flow (SGD Million)
Asia-Pacific ex-Japan Equity	67.33
Singapore Equity	59.87
Sector Equity Technology	48.83
China Equity - A Shares	47.97
Global Equity Income	29.33
Global Emerging Markets Equity	19.33
Greater China Equity	18.50
US Large-Cap Value Equity	17.34
US Large-Cap Growth Equity	15.41
Vietnam Equity	8.45
Bottom Equity Morningstar Category	Net Flow (SGD Million)
Other Equity	-79.78
Japan Large-Cap Equity	-67.15
Sector Equity Healthcare	-59.94
US Large-Cap Blend Equity	-30.92
India Equity	-21.44
Sector Equity Alternative Energy	-16.82
Sector Equity Natural Resources	-16.38
Europe ex-UK Equity	-14.66
Asia-Pacific ex-Japan Equity Income	-12.15
Europe Large-Cap Growth Equity	-10.19

Source: Morningstar. Data as of 30/9/2022.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q3 2022 (in SGD millions)

Investment Area	Net Flow (SGD Million)
Asia pacific	-0.48
Europe	-124.21
Global	-59.98
Latin America	3.13
Middle East	0.09
North America	28.01

Source: Morningstar. Data as of 30/9/2022.

Bond and Money Market Fund Flow Analysis

In the quarter's opening days, bond yields declined amid hopes that inflation had passed its peak and that the Fed could cool its hawkish interest-rate increases. The yield increase in the U.S. Treasury 10-year bill eased through July, dipping below the 3% level. However, the market's relief proved to be short-lived as the inflation reading for August came shockingly high. At the latest policy meeting on Sept. 20, chairman Jerome Powell and the Federal Reserve board signaled more rate hikes ahead for the rest of the year, leading bonds — along with stocks — deep into a selloff that lasted through the final days of the quarter.

The FTSE WGBI fell 4.74% for the quarter (in U.S. dollars), widening the year-to-date loss to 16.21%. By quarter-end, bond yields — which move in the opposite direction of prices — were at their highest levels in years. At the shorter end of the curve, the U.S. Treasury two-year note rose to 4.22% from 2.92% at the end of June, and in the longer end of the curve, the yield on the 10-year ended the quarter at 3.83%, edging up from 2.98% from the previous quarter.

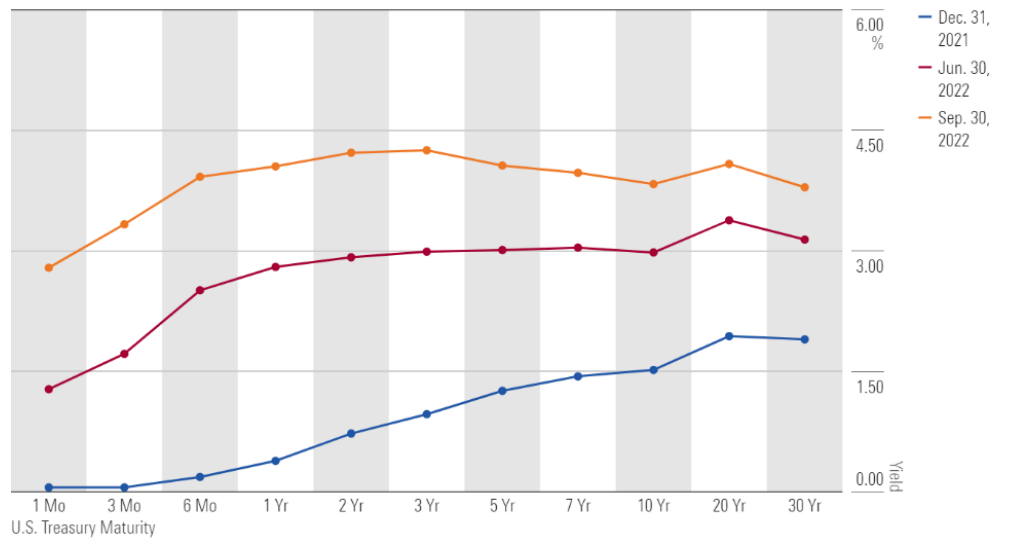
US Government-Bond Market Movements

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 30/9/2022.

Exhibit 7 Shifts in US Benchmark Yields During Q3 2022



Source: Morningstar. Data as of 30/9/2022.

Against the backdrop, excluding global fixed-income funds, 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 666.48 million, after the second quarter’s 520.41 million outflows. U.S. and Europe fixed-income funds posted negative flows of SGD

31.76 million and SGD 15.0 million, respectively. Investors also withdrew SGD 2.27 million from emerging markets.

Outflows from Asia money market funds amounted to SGD 253.95 million and investors pulled SGD 107.35 million from money market miscellaneous.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q3 2022 (in SGD millions)

Fixed Income Category	Net Flow (SGD Million)
Global Fixed Income	108.25
Fixed Income Miscellaneous	-1.77
Emerging Markets Fixed Income	-2.27
Europe Fixed Income	-15.00
US Fixed Income	-31.76
Asia Fixed Income	-666.48
Money Market Category	Net Flow (SGD Million)
US Money Market	-0.50
Money Market Miscellaneous	-107.35
Asia Money Market	-253.95

Source: Morningstar. Data as of 30/9/2022.

Allocation and 'Other' Fund Flow Analysis

Allocation funds posted net inflows of SGD 92.27 million for the third quarter and were the only asset type that garnered positive net flows. The majority of the inflows went to the moderate-allocation category. Cautious-allocation funds posted little inflows, as well. Meanwhile, investors withdrew SGD 86.55 million from allocation miscellaneous 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 commodities broad basket, as investors pulled SGD 16.40 out of funds in that category.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q3 2022 (in SGD millions)

Allocation and "Other" Category	Net Flow (SGD Million)
Moderate Allocation	177.81
Market Neutral	0.62
Cautious Allocation	0.20
Alternative Miscellaneous	-0.01
Target Date	-0.32
Aggressive Allocation	-0.48
Capital Protected	-0.56
Flexible Allocation	-0.57
Convertibles	-0.84
Global Marco	-1.44
Multialternative	-3.10
Commodities Broad Basket	-16.40
Allocation Miscellaneous	-86.55

Source: Morningstar. Data as of 30/9/2022.

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. Over the next six to 12 months, Morningstar's equity research analysts expect the markets to remain under pressure and volatility to remain high. The slowing rate of economic growth, the Federal Reserve tightening monetary policy, soaring inflation, and expectations of rising long-term interest rates remain the main headwinds for 2022.

In the U.S. stock market, the equity market is significantly undervalued and is trading at over a 20% discount to fair value. To establish a bottom, analysts believe that the markets will need clarity as to when economic activity will make and maintain a meaningful rebound, and evidence that inflation will begin to trend downward and return to the Fed's 2% target.

The current level of undervaluation is the greatest discount to Morningstar's long-term, intrinsic valuations since the emergence of the COVID-19 pandemic in March 2020. On a longer historical time frame, there have only been a few other instances when our price/fair value metric had dropped to similar levels. In particular, growth stocks are now the most undervalued, as they are priced at a 25% discount to fair value at the quarter-end.

For inflation, the consensus has largely given up on the "transitory" story. Morningstar analysts think most of the sources of today's high inflation will unwind in impact over the next few years. This includes

energy, autos, and other durables. Morningstar analysts project that U.S. inflation will average 6.0% over 2022 and will begin to decrease later this year, to 2.3% in 2023, and bottom out at 1.3% in 2024.

With a selloff in stock markets, the average Asian stock under Morningstar's coverage traded at a 28% discount to its fair value as of the end of the quarter, at a level suggesting possible downside is priced in when looking through the cycle. However, volatility is expected to persist in the near term. Over a three-year horizon, analysts believe that high-quality names abound at attractive prices at present and advocate being selective with a preference for deeply discounted names that come also with an economic moat. Ahead, analysts continue to expect fewer worries about interest-rate hikes by the end of the first quarter of 2023, which should allow the appetite for equities to return.

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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