Singlife

Singlife Model Portfolios

Quarterly Investment Review – Q3 2021

Model Portfolios advised by Aberdeen Standard Investments (Asia) Limited ("ASI Asia")

Asset Manager's Reflections

Risk assets dipped in the third quarter. Stocks gained in the first two months on the back of encouraging data, upbeat corporate results and easing restrictions. However, investor sentiment soured in September amid growing worries that inflation may persist and that global growth has peaked. Emerging markets were hit by regulatory concerns in China and worries about contagion risks arising from the potential default of troubled Chinese property group Evergrande. Japanese equities bucked the trend, however, advancing over the quarter as the former prime minister Yoshihide Suga, who was unpopular, stepped down.

In fixed income, global government and corporate bonds ended in the red as Treasury yields rose. The US Federal Reserve said it could begin reducing monthly bond purchases this year, but would not start raising interest rates too quickly thereafter. The central bank also reaffirmed its view that inflation is transitory. Near the end of the quarter, oil prices climbed above US$80 a barrel for the first time in three years on rising demand and supply disruptions in the Gulf of Mexico.

The outlook for the global economy is on balance at the moment. On the positive side, we expect above-trend global growth as more economies open up with support from fiscal and monetary stimulus. We also believe that the Covid-19 situation will continue to improve, with the fading delta wave likely marking an end to pandemic-related restrictions, especially in developed markets. This should support a cyclical recovery next year, given the multi-decade lows in capital spending and inventories, as well as healthier household finances.

Conversely, near-term demand strength amid an array of supply bottlenecks is generating a period of higher inflation that may affect corporate profit margins. Although we expect this inflationary impulse to be largely transitory, how long this lasts will be a concern for markets. Furthermore, the gradual tapering of asset purchases points to a slightly less supportive monetary backdrop over the next few quarters.

Given the balance of near-term positives and downside risks, we will maintain a neutral allocation in our portfolios for now.
We are cautiously optimistic on equities, and are watching valuations. The combination of reopening, higher yields and inflation, as well as rising energy prices should all support a rotation towards cyclicals. Once concerns on China growth and its property sector moderate, we see value in Asia stocks, with earnings growth there outpacing that of other regions. As such, should there be an unwarranted selloff in the equity markets, we will be buyers.

All portfolios were up in the first two months of the quarter before giving back some gains in September. We were cautious not to add to risk positions despite markets doing well in July and August. This was in view of the event risks in September, such as the Federal Reserve meeting, and the balance of near-term positives and downside risks.

The portfolios have been designed to benefit from multiple drivers of returns, as well as buffers to cushion downside risks under different conditions. In September, a month when both equities and bonds sold off, these protective mechanisms kicked in. Our holdings in low-volatility stocks, investment-grade bonds and ultra-short duration bonds held up much better than risk assets such as global equities.

The sell-off in Asia high yield bonds was predominantly driven by concerns over stress in the Chinese property sector. Our expectations are for Beijing to contain the risks in the sector and manage any spillover effects from an Evergrande default. The current situation, which has caused severe dislocation in spreads, presents opportunities for our Asian credit managers to add to their exposure.

Likewise, we are of the view that the Asian equity market has been unfairly affected in the risk-off environment, and expect markets to stabilise as existing concerns about China are priced in. We see pockets of opportunities for our Asian equity managers to pick up good bargains given the attractive valuations.

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Portfolios' Allocation (as of 30 September 2021)

	Singlife Conservative	Singlife Balanced	Singlife Dynamic
Fixed Income Funds			
Neuberger Berman Strategic Income Fund -SGD-H	50%	34%	12%
Blackrock USD High Yield Bond A2 SGD-H	10%	8%	4%
United SGD Fund Cl A Acc SGD	10%	0%	0%
United Asian High Yield Bond Acc SGD-H	10%	8%	4%
Total Fixed Income (%)	80%	50%	20%
Equity Funds			
United Global Quality Growth Fund –SGD	6%	12%	20%
Nikko AM Shenton Global Opportunities - SGD Class	6%	15%	22%
Fidelity World Acc SGD	6%	12%	20%
Eastspring Investments - Global Low Volatility Equity AS SGD	0%	4%	7%
JPMorgan Asia Pacific Equity Fund	2%	7%	11%
Total Equity (%)	20%	50%	80%

Source: ASI Asia. The portfolios allocation may change from time to time, at the discretion of the Asset Manager.
Figures may not always sum up to 100% due to rounding.

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