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INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE

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Singapore Fund Flow Report
Q1 2022

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Kate Lin
Data Journalist
+852 2973 4620
kate.lin@morningstar.com

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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 inflows of SGD 1,546.51 million for the first quarter of 2022, which is 64.91% less than the quarter prior to this.

Breaking down the data by asset type, equity funds continued an inflow momentum, posting the highest net inflows of SGD 1,047.52 million across all asset classes during the quarter. However, the reading was weaker than the previous quarter, where equity funds gathered a total of net new flows of SGD 1,900.74 million. This was because equity funds, like most other asset classes, were under bigger redemption pressure compared to the fourth quarter of 2021.

Fixed-income funds saw net redemption, amounting to SGD 408.37 million during the quarter. Gross inflows into bond funds slowed to SGD 2,819.94 million from the fourth quarter's SGD 4,295.45 million. However, gross outflows that totalled SGD 3,228.31 million more than offset the subscription.

Gross inflows into allocation funds were stable quarter on quarter. Inflows reduced by more than 40%, netting out the SGD 1,162.72 million outflow, for a net inflow of SGD 456.86 million in the first quarter.

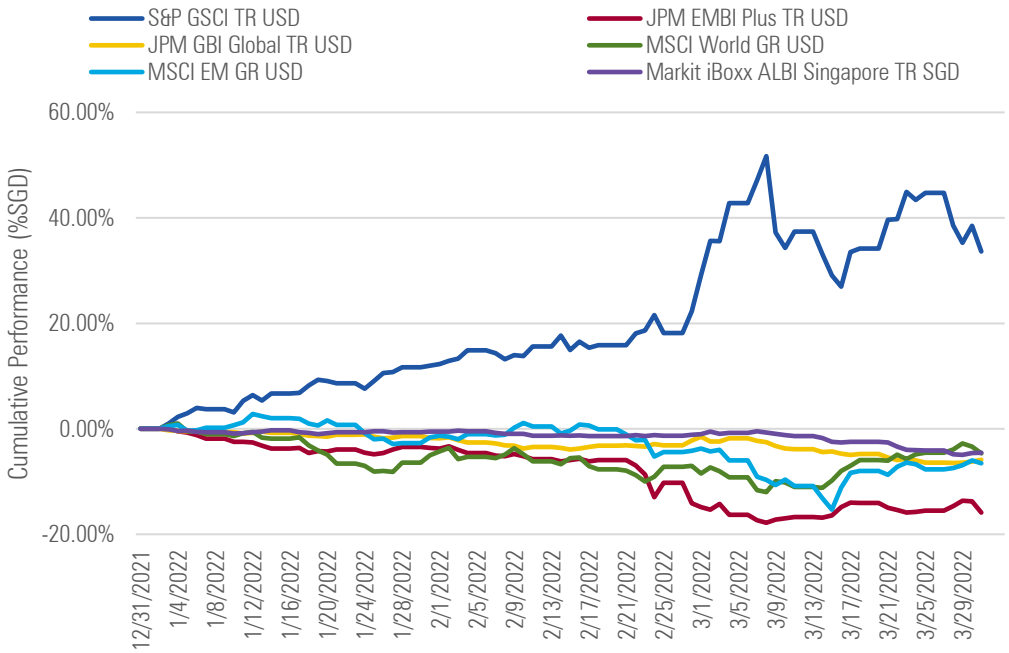
Money market funds posted net inflows during the first quarter. Investors' subscription of the cash management product led to an aggregate of SGD 446.31 million in net outflows.

Exhibit 1 Fund Flows by Major Asset Class for Q1 2022 (in SGD millions)

	Inflows (SGD Millions)			**Outflows** (SGD Millions)			
	CPF	Non-CPF	Total	CPF	Non-CPF	Total	**Net Flows**
Allocation	24.72	1,594.84	1,619.56	14.61	1,148.12	1,162.72	456.84
Alternative	0.00	9.33	9.33	0.00	23.96	23.96	–14.63
Commodities	0.00	37.99	37.99	0.00	9.98	9.98	28.01
Convertibles	0.00	0.02	0.02	0.00	8.41	8.41	–8.40
Equity	52.83	4,053.56	4,106.40	56.80	3,002.08	3,058.88	1,047.52
Fixed Income	19.59	2,800.35	2,819.94	17.42	3,210.89	3,228.31	–408.37
Miscellaneous	0.00	0.03	0.03	0.00	0.80	0.80	–0.77
Money Market	0.00	2,807.83	2,807.83	0.00	2,361.52	2,361.52	446.31

Source: Morningstar. Data as of 31/3/2022.

Exhibit 2 Performance of Key Technical Indicators During Q1 2022



Source: Morningstar. Data as of 31/3/2022.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q1 2022 (in SGD millions)

Morningstar Category	**Total Inflows** (SGD Millions)	**Total Outflows** (SGD Millions)
Money Market–Other	2,807.27	2,360.20
SGD Bond	911.10	936.54
Other Equity	899.93	929.47
Asia High Yield Bond	783.93	678.46
Other Allocation	654.96	458.07
Other Bond	544.80	356.49
Asia ex-Japan Equity	493.18	326.27
Asia-Pacific ex-Japan Equity	486.78	287.00
USD Moderate Allocation	464.02	279.16
Asia Allocation	449.29	266.20

Source: Morningstar. Data as of 31/3/2022.

Equity Fund Flows Analysis

As we entered 2022, geopolitical tensions were simmering and the global stocks experienced a volatile start. This contrasts with a strong market rally in 2021, where global markets shook off the news of new variants of the coronavirus and soon reached new highs. In the past three months, global investors were taken on a wild ride that featured numerous risk factors rocking the capital markets around the world. Among all equity types, Asia ex-Japan posted the largest net inflows, absorbing a total of SGD 362.97 million in the quarter. Investors also showed interests in a similar group of funds, Asia-Pacific ex-Japan equity, which totalled new assets of SGD 160.51 million.

Other equity and sector equity technology followed, with net inflows of SGD 221.47 million and SGD 181.0 million, respectively. Global large-cap growth funds posted the biggest net outflows, with a net SGD 68.89 million redemption. Sector equity healthcare funds recorded the second biggest net redemption, concluding the quarter with SGD 43.55 million in outflows.

Russia's invasion of Ukraine dominated the headlines in the latter part of the quarter. The event roiled the Russian stocks, with Russia Trading System (RTS) Index falling 36%. Moreover, the Moscow exchange suspended trading in March, following a plunge in the ruble and sanctions imposed days after the invasion started. In Europe, France's Euronext Paris CAC 40 was down 6.89% and Germany's FSE DAX slid 9.25%. During the quarter, the Bank of England hiked rates twice, putting its bank rate at 0.75%. U.K.'s FTSE 100 Index had a relatively strong footing, ending the quarter with a 1.78% gain. Europe ex-UK Equity funds were among the bottom groups by net flows, ranking the third worst net flows.

Although some markets recovered from their year-to-date worsts in March, which helped narrow the losses, major indexes still recorded a quarterly loss. In the United States, the S&P 500 index fell 4.95%, while the Nasdaq Composite dipped 9.10%. US flex-cap equity funds were among the worst category with an SGD 13.4 million net redemption, while US large-cap blend equity absorbed SGD 92.77 in new assets for the period. Global equity funds also saw a mixed flow performance. Investors subscribed SGD 111.21 million in global large-cap blend equity while exiting both large-cap value and growth equity funds.

On the other hand, after a whopping loss amid regulatory crackdowns and the near default by major property developer Evergrande in 2021, China struggled to recoup much of its lost grounds in the new year. Worries about the impact of COVID-19 lockdowns in China were one major reason behind the selloff. Another was a growing conflict between U.S. and Chinese regulators, as the Securities and Exchange Commission warned it was closer to ordering the delisting of shares in 11 China-based companies that trade on the New York Stock Exchange and Nasdaq if those companies do not meet tougher accounting and disclosure rules, subject to the Holding Foreign Companies Accountable Act, or HFCAA. These listings are known as American depository receipts, or ADRs. While the markets rallied off their lows, Hong Kong's Hang Seng Index still lost 5.99% in the first quarter, while the SSE Composite Index, tracking the largest caps listed on the Shanghai exchange, took a harder hit as it fell 10.65%.

However, assets continued to flow into categories like China equity – A shares and China equity, each gathering new assets of more than SGD 30 million for the quarter.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q1 2022 (in SGD millions)

Morningstar Category	**Net Flows** (SGD Millions)
Asia ex-Japan Equity	362.97
Other Equity	221.47
Sector Equity Technology	181.00
Asia-Pacific ex-Japan Equity	160.51
Global Large-Cap Blend Equity	111.21
US Large-Cap Blend Equity	92.77
Global Equity Income	37.55
China Equity - A Shares	36.67
China Equity	30.20
Sector Equity Alternative Energy	25.40
US Flex-Cap Equity	–13.40
Global Large-Cap Value Equity	–14.92
Eurozone Large-Cap Equity	–18.41
Sector Equity Energy	–20.97
Sector Equity Biotechnology	–22.13
Singapore Equity	–29.21
Latin America Equity	–30.39
Europe ex-UK Equity	–32.38
Sector Equity Healthcare	–43.55
Global Large-Cap Growth Equity	–68.89

Source: Morningstar. Data as of 31/3/2022.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q1 2022 (in SGD millions)

Investment Area	**Net Flows** (SGD Millions)
Asia Pacific	524.68
Global	165.69
North America	133.43
Middle East & Africa	-0.56
Latin America	-30.51
Europe	-59.29
Total	**733.44**

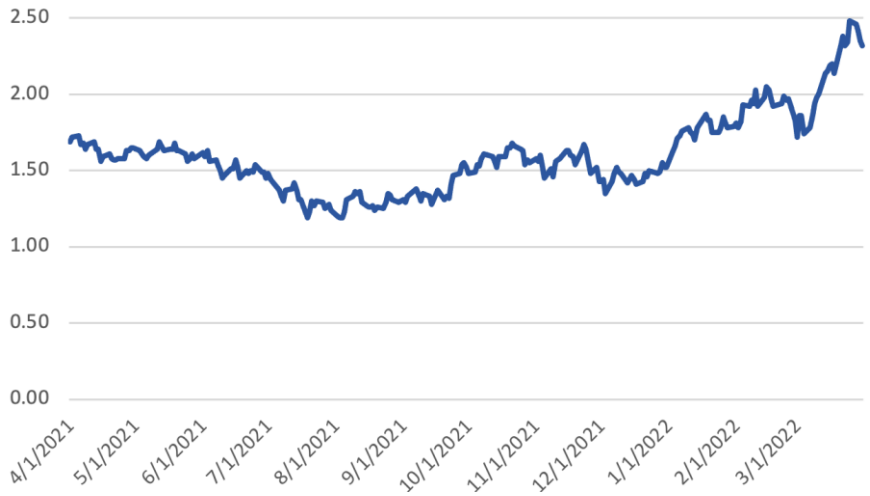
Source: Morningstar. Data as of 31/3/2022.

US Government-Bond Market Movements

As stubbornly high inflation had the Federal Reserve embarking on a path of more aggressive rate increases than was expected at the start of the year, bond investors faced some of their worst losses in years. Another aspect of the bond market's first-quarter selloff was a shrinking gap between long- and short-term Treasury yields. The difference between the two began to level out in a trend known as a "flattening yield curve." The FTSE WGBI fell 6.10% for the quarter (in US dollars).

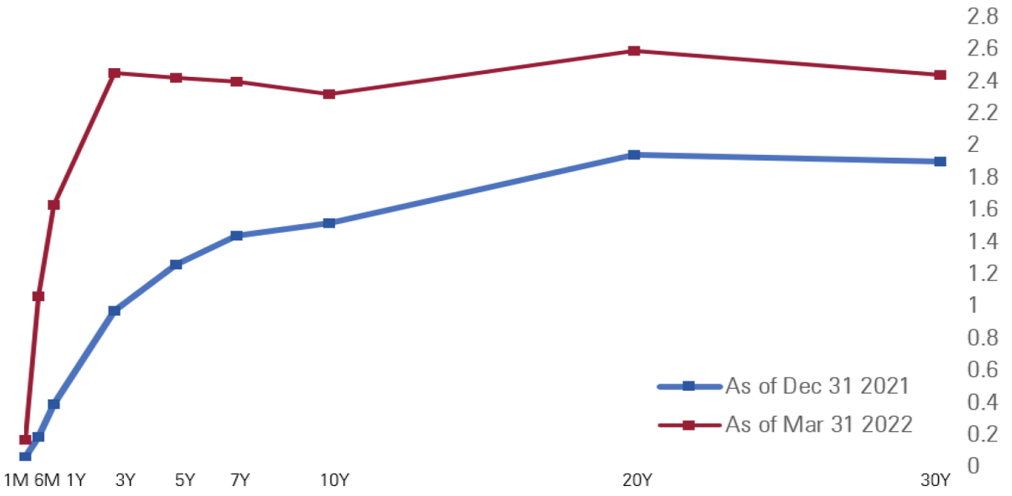
The continued upward pressure on inflation remained the big issue for the bond market as the Consumer Price Index registered its biggest increases in 40 years. With inflation well above the Fed's 2% target rate, policymakers raised the federal-funds rate by a quarter point. Yields on both short- and long-term bonds jumped to their highest level in years. The U.S. Treasury two-year note rose to 2.28% from 0.73% at the end of 2021, while the yield on the 10-year rose to 2.32% from 1.5%. The 10-year yield reached a high in March at 2.46%, which was also the quarter-high. In March, Fed policymakers said they expected rates to climb to nearly 2% on average by the end of this year, and close to 3% by the end of 2023.

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 31/3/2022.

Exhibit 7 Shifts in US Benchmark Yields During Q1 2022



Source: Morningstar. Data as of 31/3/2022.

Among bond categories, Asia fixed income recorded positive net inflows of SGD 433.23 million. Same as the previous quarter, Asia fixed income was the only category that received net subscription, but the net flows significantly slowed from SGD 1,933.53 million of the fourth quarter. Global fixed-income and US fixed-income funds were the worst bond categories, posting negative flows of SGD 482.46 million and SGD 289.87 million, respectively. Emerging-markets fixed income and Europe fixed income both saw net outflows, with investors withdrawing SGD 25.32 million and SGD 29.12 million, respectively.

For the money market fund groups, Asia money market posted positive net flows of SGD 446.25 million. Other money market groups recorded a nearly muted flow activity for the period.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q1 2022 (in SGD millions)

Fund	**Net Flows** (SGD Millions)
Bond Funds	
Asia Fixed Income	433.23
Fixed Income Miscellane-ous	–14.83
Emerging Markets Fixed Income	–25.32
Europe Fixed Income	–29.12
US Fixed Income	–289.87
Global Fixed Income	–482.46
Money Market Funds	
Asia Money Market	446.25
Money Market Miscellane-ous	0.81
Euro Money Market	0
US Money Market	–0.76

Source: Morningstar. Data as of 31/3/2022.

Allocation and 'Other' Fund Flow Analysis

Allocation funds posted net inflows of SGD 456.84 million for the first quarter. The majority of the inflows went to the moderate-allocation category. Meanwhile, investors withdraw SGD 5.47 million from cautious-allocation funds, making it the worst allocation category by net flows.

In "Other" fund groups, commodities broad basket recorded net inflows during the quarter, with SGD 28.01 million net subscriptions. The outflows came from global macro and convertibles funds, as investors pulled SGD 8.54 million and SGD 8.40 million out of funds in the respective category.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q1 2022 (in SGD millions)

Global Category	**Net Flows** (SGD Millions)
Moderate Allocation	383.99
Allocation Miscellaneous	74.82
Commodities Broad Bas-ket	28.01
Flexible Allocation	3.17
Aggressive Allocation	0.94
Alternative Miscellaneous	-0.06
Market Neutral	-0.4
Target Date	-0.61
Capital Protected	-0.77
Cautious Allocation	-5.47
Multialternative	-5.63
Convertibles	-8.4
Global Macro	-8.54

Source: Morningstar. Data as of 31/3/2022.

Outlook

Into 2022, there are four main headwinds that the markets were going to have to contend with: the slowing rate of U.S. economic growth, tightening monetary policy, rising interest rates, and inflation. Research conducted by Morningstar analysts does not indicate that the humanitarian crisis happening in Ukraine will have a significant, long-term impact on the U.S. markets. The likelihood of a financial contagion from potential debt defaults of Russia and/or Russian and Ukrainian corporations to global markets is believed to be capped, as current foreign holdings of Russian debt are not globally significant and exposures are a relatively small percentage of European bank capital levels. Morningstar analysts believe that inflation would stay higher for longer. While the inflation the U.S. has experienced is due to factors that analysts think are temporary, it will begin to moderate in the second half of the year.

Across U.S. stocks, value stocks remain 5% undervalued, pricing lower than the broad-market average of a 2% undervaluation. Following the downturn in growth stocks, the category now trades at the low end of our fair value range.

Closer to home, the average stock in the Morningstar Asia Large-Mid Cap Index traded at a 14% discount to its fair value as of the end of the quarter. The attractive level of valuation reflects that risks from slower demand growth in China are largely factored in. Moreover, the recent rhetoric from the government is supportive and regulatory concerns are also being softened. Key risks continue to be coming from a prolonged Russia-Ukraine war and the resultant inflation hike for a longer period. China's monetary cycle is running counter to that in the U.S. and a number of other global economies. Our analysts believe this should help lift the attraction of China securities, especially as regulatory risks diminish.

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



Unit 6807-09, The Center
99 Queen's Road Central
Hong Kong

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