Singapore Fund Flow Report
Q4 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 727.74 million for the fourth quarter of 2022.

Breaking down the data by asset type, all three major asset classes reported an outflow, with fixed-income funds seeing the most net redemptions, which totaled SGD 194.53 million. Allocation funds saw redemption of SGD 113.12 million for the quarter. Equity funds posted mild outflows of SGD 48.09 million, after registering a small outflow of SGD 6.29 million in the third quarter.

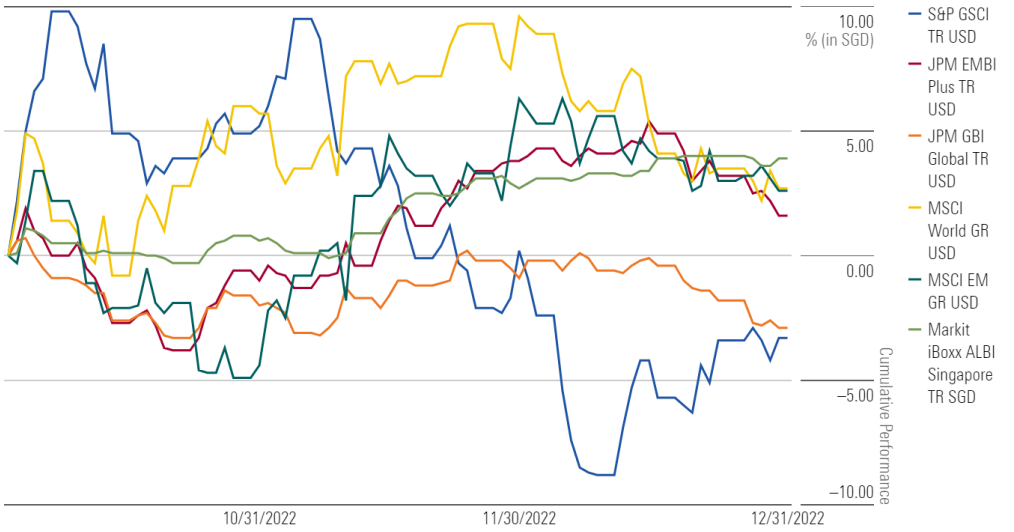
Money market funds continued to post net outflows during the fourth quarter. Investors' redemption of the cash management product led to an aggregate of SGD 365.90 million in net outflows.

Exhibit 1 Fund Flows by Major Asset Class for Q4 2022 (in SGD millions)

Asset Class	Inflow	Outflow	Net Flow
Allocation	547.08	660.21	-113.12
Alternative	1.40	6.83	-5.43
Commodities	4.99	5.64	-0.66
Convertibles	0.01	0.00	0.00
Equity	2,166.35	2,214.44	-48.09
Fixed Income	1,056.99	1,251.52	-194.53
Money Market	714.90	1,080.81	-365.90

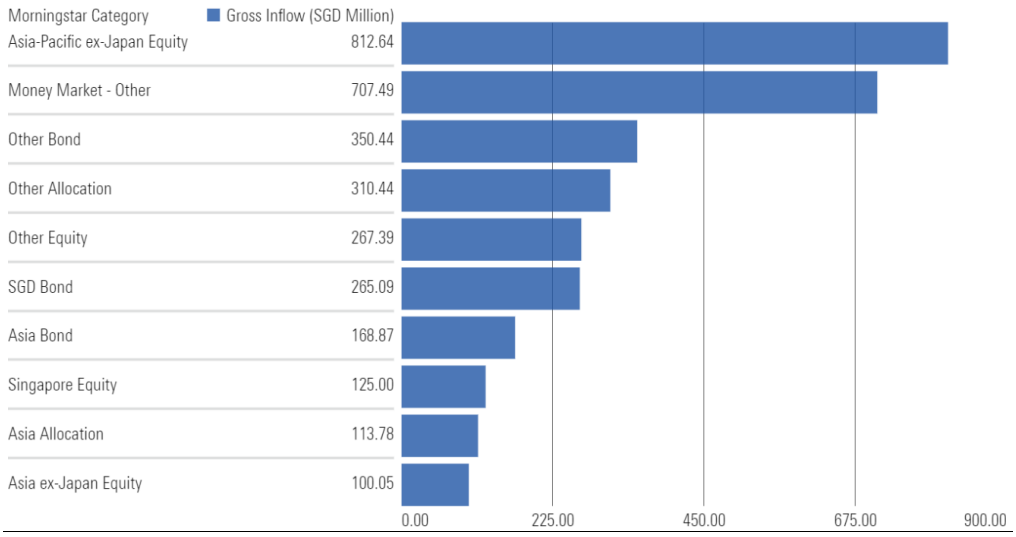
Source: Morningstar. Data as of 31/12/2022.

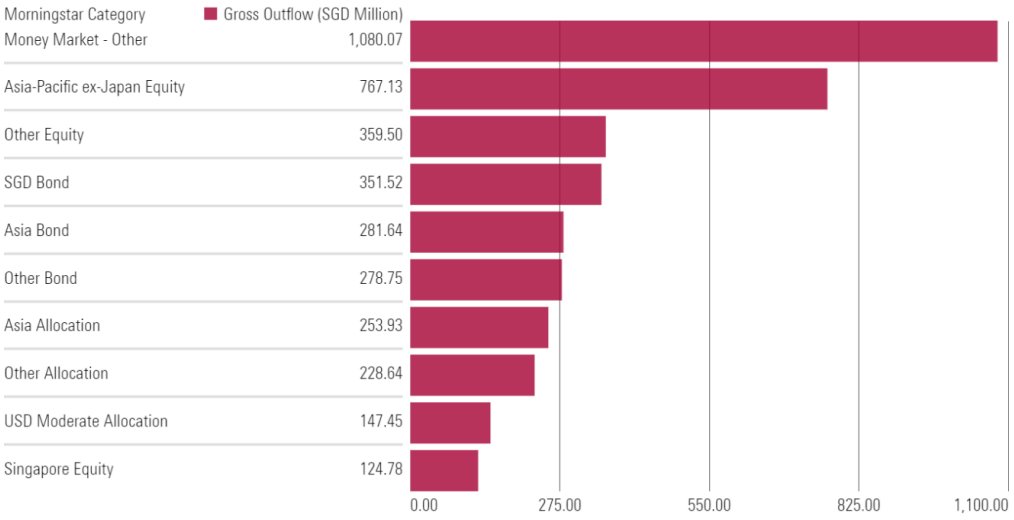
Exhibit 2 Performance of Key Technical Indicators During Q4 2022



Source: Morningstar. Data as of 31/12/2022.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q4 2022 (in SGD millions)





Source: Morningstar. Data as of 31/12/2022.

Equity Fund Flows Analysis

Globally, the fourth quarter fared much better than the earlier periods of 2022. The U.S. markets registered much stronger gains in the last quarter of the year, following indications that the pace of policy tightening would slow. The S&P 500 was up 7.08% in the fourth quarter and finished the year with a loss slightly shy of 20%. U.S. large-cap blend equity topped all other equity types in terms of net flows, collecting a net SGD 49.83 million.

China and Hong Kong markets were on a roller-coaster ride as the quarter started with gloomy sentiment against the outcomes from the National Congress of the Chinese Communist Party, pushing Hong Kong's Hang Seng Index to touch a new 13-year low. The long-awaited reopening announcements from Chinese officials flipped the markets back to positive terrain. The Hang Seng Index advanced 14.86% in the fourth quarter. The SSE Composite Index, tracking the largest caps listed on the Shanghai Stock Exchange, rose 2.14% for the quarter. During the quarter, across all equity types, Greater China equity and China equity–A-shares ranked three and four, respectively, by net flows. The former garnered net fund subscriptions of SGD 43.97 million and the latter collected SGD 29.40 million.

Categories that were among the top include thematic strategies. Sector equity technology and sector equity biotechnology recorded inflows of SGD 15.74 million and SGD 11.92 million, ranking seven and eight, respectively.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q4 2022 (in SGD millions)

Top Equity Morningstar Category	Net Flow (SGD Million)
US Large-Cap Blend Equity	49.83
Asia-Pacific ex-Japan Equity	45.51
Greater China Equity	43.97
China Equity - A Shares	29.40
Global Emerging Markets Equity	23.68
Global Large-Cap Blend Equity	19.40
Sector Equity Technology	15.74
Sector Equity Biotechnology	11.92
Vietnam Equity	9.36
ASEAN Equity	8.38
Bottom Equity Morningstar Category	**Net Flow (SGD Million)**
Other Equity	-92.11
Sector Equity Healthcare	-75.85
Global Large-Cap Growth Equity	-21.45
Latin America Equity	-18.83
Sector Equity Alternative Energy	-13.63
Global Flex-Cap Equity	-9.54
Sector Equity Natural Resources	-8.92
Thailand Equity	-8.89
Sector Equity Energy	-8.00
Europe Equity Income	-7.98

Source: Morningstar. Data as of 31/12/2022.

Turning to laggards, investors pulled SGD 75.85 million from sector equity healthcare funds. Global large-cap growth equity and global flex-cap equity categories also suffered net outflows for the fourth quarter, amounting to SGD 21.45 million and SGD 9.54 million, respectively.

Emerging market equity groups were mixed. Vietname equity and ASEAN equity collected SGD 9.36 million and SGD 8.38 million, respectively. Net redemptions from Latin America equity and Thailand equity amounted to SGD 18.83 million and SGD 8.89 million, respectively.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q4 2022 (in SGD millions)

Investment Area	Net Flow (SGD Million)
Asia Pacific	-69.19
Europe	-66.81
Global	-215.71
Latin America	-18.75
Middle East	-0.18
North America	168.49

Source: Morningstar. Data as of 31/12/2022.

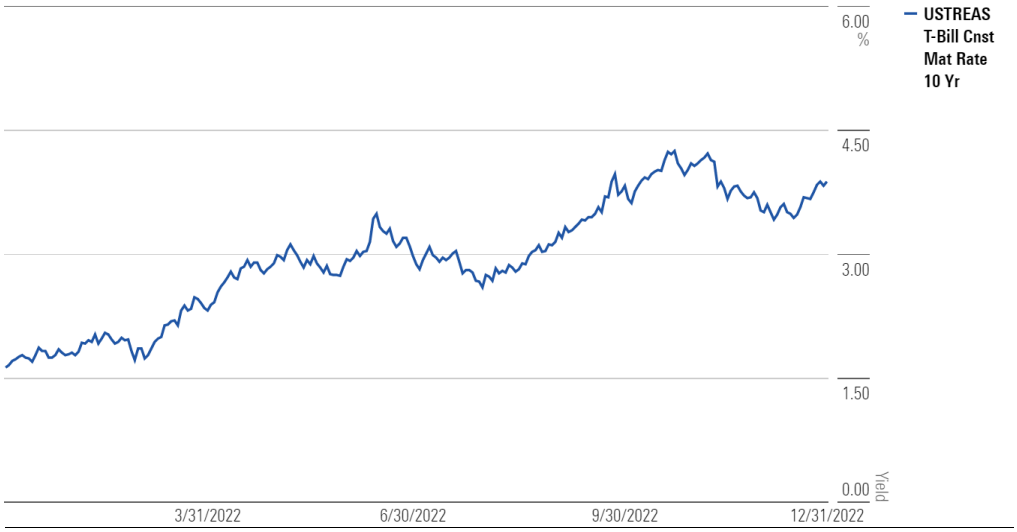
Bond and Money Market Fund Flow Analysis

The fourth quarter brought some relief to fixed-income investors, which narrowed the yearly losses. The yield increase in the U.S. Treasury 10-year bill eased into November, dipping below the 4% level. Including the rate hike in November, the Fed had deployed 0.75-percentage-point increases for four consecutive prior meetings, a pace of rate hikes that hadn't been seen since 1994. At the latest rate-setting Federal Open Market Committee on Dec. 14, the federal-funds rate was increased another 50 basis points. Up from zero at the start of 2022, the fed-funds rate rose to a target range of 4.25%-4.50% by the end of December. The new level marks the highest the fed-funds rate has been since December 2007.

In the bond market, the FTSE WGBI fell 2.96% for the quarter (in U.S. dollars), concluding 2022 with a 18.68% loss. Bond yields—which move in the opposite direction of prices—touched its peak in 2022 at 4.25% on Oct. 25 before it fell to 3.88% at the end of 2022. At the shorter end of the curve, the U.S. Treasury two-year note rose further to 4.72% from 4.22% at the end of September.

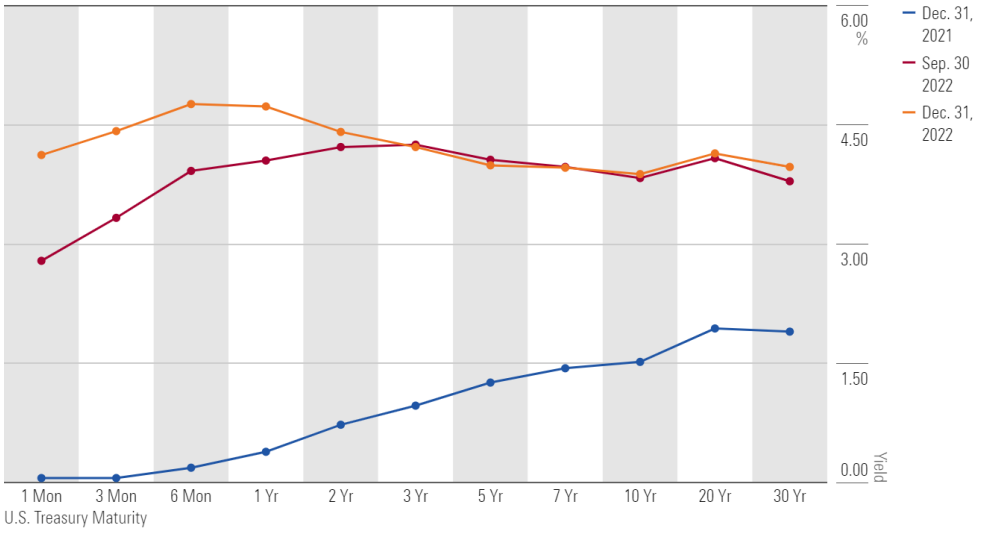
US Government-Bond Market Movements

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 31/12/2022.

Exhibit 7 Shifts in US Benchmark Yields During Q4 2022



Source: Morningstar. Data as of 31/12/2022.

Against the backdrop, excluding global and U.S. fixed-income funds, all bond categories recorded fund outflows this quarter. Asia fixed-income funds continued to record the largest scale of redemption, as the category group ended the quarter with negative net flows of SGD 327.98 million, after the third quarter's 666.48 million outflows. Emerging markets and Europe fixed-income funds posted negative flows of SGD 15.93 million and SGD 6.15 million, respectively.

Meanwhile, investors pulled SGD 202.01 million from money market miscellaneous and outflows from Asia money market funds amounted to SGD 170.57 million.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q4 2022 (in SGD millions)

Fixed Income Category	Net Flow (SGD Million)
Global Fixed Income	125.43
US Fixed Income	43.96
Europe Fixed Income	-6.15
Fixed Income Miscellaneous	-13.85
Emerging Markets Fixed Income	-15.93
Asia Fixed Income	-327.98
Money Market Category	**Net Flow (SGD Million)**
US Money Market	6.68
Asia Money Market	-170.57
Money Market Miscellaneous	-202.01

Source: Morningstar. Data as of 31/12/2022.

Allocation and 'Other' Fund Flow Analysis

Allocation funds posted net outflows of SGD 113.12 million for the fourth quarter. The majority of the outflows came from the allocation miscellaneous category, as investors withdrew SGD 181.64 million the group. Moderate-allocation funds posted inflows of SGD 72.36 million.

In "Other" fund groups, the most outflows came from multi-alternative, as investors pulled SGD 3.85 million out of funds in that category.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q4 2022 (in SGD millions)

Allocation and "Other" Category	Net Flow (SGD Million)
Moderate Allocation	72.36
Aggressive Allocation	0.48
Alternative Miscellaneous	0.01
Convertibles	0.00
Market Neutral	0.00
Target Date	-0.37
Commodities Broad Basket	-0.66
Cautious Allocation	-1.25
Global Macro	-1.59
Flexible Allocation	-2.70
Multialternative	-3.85
Allocation Miscellaneous	-181.64

Source: Morningstar. Data as of 31/12/2022.

Outlook

Tightening monetary policy, a weak economy, high inflation, and rising interest rates took their toll on the markets in 2022. Yet, while near-term dynamics remain challenging, according to our long-term intrinsic valuations, the market is trading deep into rarely seen undervalued territory. Since the end of 2010, the market has traded at or below the current discount only 5% of the time.

The Fed is expected to hike the fed-funds rate once or twice more in the beginning of 2023 but will halt additional tightening thereafter. Considering that the economic activity is expected to be stagnant or recessionary in the first half and forecast inflation will continue to moderate, the Fed may reverse course and begin to ease monetary policy in the second half of the year. Inflation was concentrated mainly in a few categories; as oil prices rolled over in the second half of 2022 and supply chains normalized, inflation has begun to decelerate. This deceleration is expected to continue in 2023, averaging 2.9%, and should continue to decline into 2024.

The about-face in China's coronavirus policies paved the path for a stock market recovery from early November 2022 lows. As of January, some stocks are back to year-ago share prices after posting robust rebounds. In contrast, the surprise move by the Bank of Japan to allow the 10-year JGB yield to rise has led to a pullback in some Japanese equities, although banks there have gotten a lift. Overall, we think opportunities remain, with our coverage universe trading at an average 0.81 times to estimated fair value. As policy moves to support the real estate industry help lift consumer confidence, we should see healthier activity growth in the second half of 2023.

Countering this, the risk of a global recession remains. Morningstar believes there is a high possibility of a U.S. recession, but that it should be mild. We think the cyclical slowdown is already largely reflected in our Asian coverage universe valuations. However, an uptick in China spending and investment is expected to help mitigate easing in U.S. business investment for Asian companies. We are also optimistic that the Fed will reverse course on interest rates before the end of 2023.

Looking ahead, moat-y companies continue to be in favor, given the risk of slower global growth and if inflation should remain more stubborn than expected. We like select consumer cyclical and technology names as well as better-positioned banks and China real estate companies. China is preferred over other Asian equities presently as well because of the divergent monetary policy to the Fed, and thus less sensitivity to U.S. rate decisions. However, much of the China reopening upside is already reflected in the share prices of travel-related entities.

Appendix—Data Sources

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

1. abrdn Asia
2. AllianceBernstein (Singapore)
3. Allianz Global Investors Singapore
4. Amundi Singapore
5. BlackRock (Singapore)
6. Eastspring Investments
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. Manulife Investment Management (Singapore)
14. Nikko Asset Management Asia
15. NN Investment Partner (Singapore)
16. Phillip Capital Management (S)
17. PIMCO Asia
18. Pinebridge Investments Singapore
19. Schroder Investment Management (Singapore)
20. Singapore Consortium Investment Management
21. Templeton Asset Management
22. UBS Asset Management (Singapore)
23. UOB Asset Management
24. Western Asset Management



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