Singapore Fund Flow Report
Q3 2023

Morningstar
10 Nov 2023

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Singapore Fund Flows Report for Third-Quarter 2023

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 263.18 million for the third quarter of 2023.

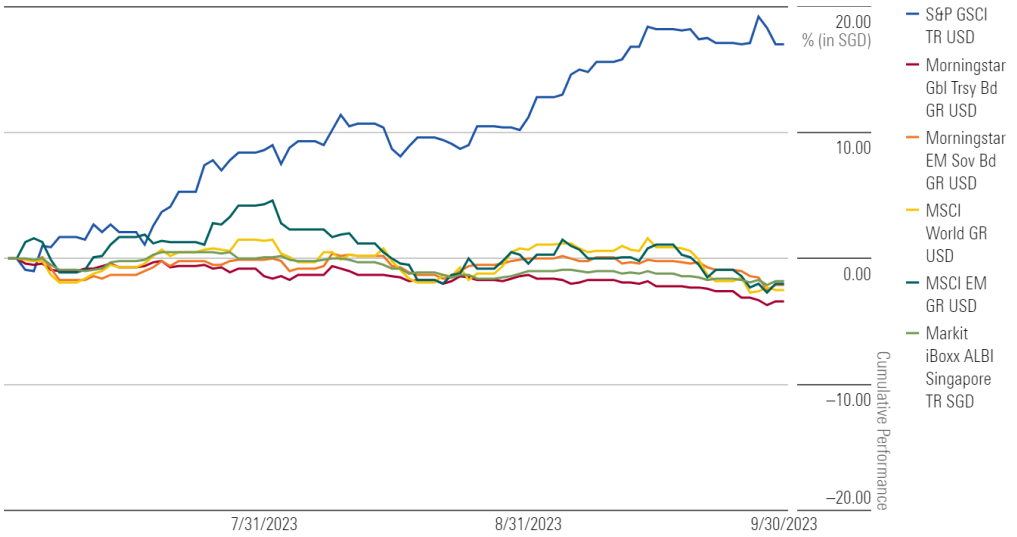
Breaking down the data by asset type, equity and fixed-income funds reported inflows, while alternative and allocation saw the most net redemptions of around SGD 22.00 million each. Fixed income attracted net fund sales of SGD 257.39 million. Cash management products continued to garner interest as investors bought SGD 43.55 million in money market funds.

Exhibit 1 Fund Flows by Major Asset Class for Q3 2023 (in SGD millions)

Asset Class	Inflow	Outflow	Net Flow
Allocation	924.73	946.88	-22.15
Alternative	19.39	41.93	-22.55
Commodities	0.94	3.21	-2.27
Convertibles	0.01	0.07	-0.06
Equity	1,861.41	1,852.14	9.27
Fixed Income	1,735.78	1,478.40	257.39
Money Market	451.78	408.22	43.55

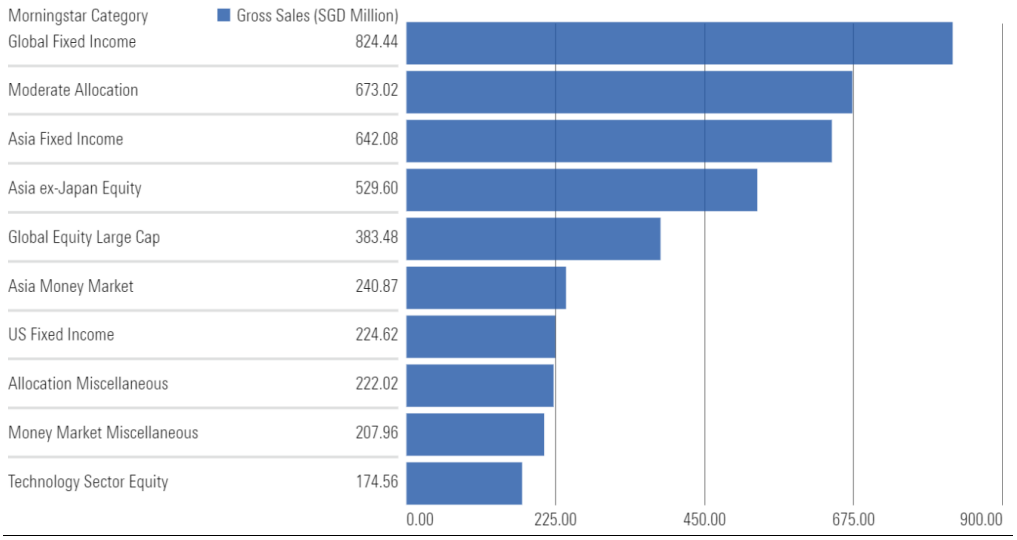
Source: Morningstar. Data as of 30/9/2023.

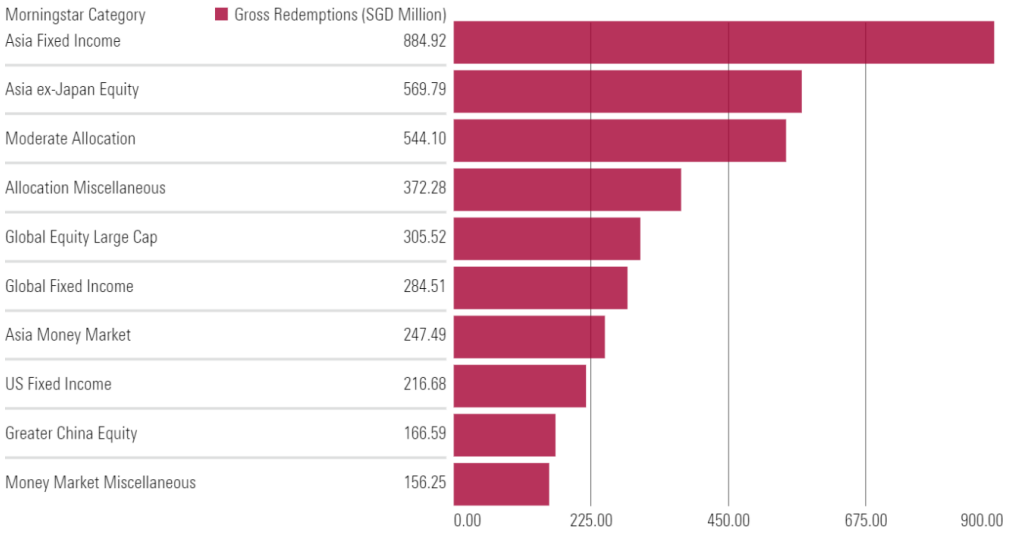
Exhibit 2 Performance of Key Technical Indicators During Q3 2023



Source: Morningstar. Data as of 30/9/2023.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q3 2023 (in SGD millions)





Source: Morningstar. Data as of 30/9/2023.

Equity Fund Flow Analysis

The third quarter marks the toughest period in 2023 for global equities, as only the United Kingdom and a small number of emerging Asian markets could escape a red figure.

The poorest performer was Hong Kong's Hang Seng Index, falling 5.85% over the quarter. The proximity to the disappointing economic rebound, sapped consumer and investor sentiment, and the returning troubles of the property market contributed to the underperformance. The onshore market performed slightly better as SSE Composite PR CNY declined 2.86% over the same period. Flows into the China categories were mixed. Greater China equity funds recorded mild inflows of SGD 6.98 million. This contrasts to the outflows registered in the China equity A-shares and China equity categories, which posted a net redemption of SGD 25.68 million and SGD 11.70 million, respectively.

U.S. growth stocks also lost steam for the quarter and fell on the Federal Reserve's "higher for longer" attitude for interest rates. Nasdaq Composite fell 4.12% for the quarter. However, despite a setback, growth stocks have still been ahead of value stocks. Nasdaq ended the first nine months with an impressive 26.30% gain. This is in contrast with the S&P 500's 11.68% return and DJ Industrial Average's 1.09% flat return. In a quarter of strong returns from growth-titled stocks, investors in Singapore chose to take profit and reduce the exposure as U.S. large-cap growth equity funds posted net redemptions of SGD 29.83 million collectively, ranking second by equity outflows. U.S. large-cap blend equity and global large-cap growth equity ranked seventh and eighth, with net outflows of SGD 20.20 million and SGD 19.32 million, respectively.

Another year-to-date winner, Japan's Nikkei 225 Average, also retreated by 4.01% this quarter. Its returns for the year so far totaled 22.09% and ranked second among the major indexes. During the quarter, the Bank of Japan announced revisions to its Yield Curve Control policy, a move that would

endorse a gradual increase in government-bond yields. There were indications that the BoJ might announce to put an end to negative interest rates by the end of the year or before spring. Backed by robust domestic demand and a weakening Japanese yen, quarterly earnings announced during the quarter continued to show strong signs. Japan large-cap equity absorbed new assets of SGD 18.96 million, followed by Japan flex-cap equity funds' SGD 12.91 million inflows.

The best quarterly index performers also included Indonesia, Malaysia, and India. After the third quarter's rise of 1.71%, S&P BSE SENSEX India INR gained 8.20% for the first nine months of 2023. India equity funds collected a total of SGD 19.50 million new assets. Funds investing in Singapore equity received more flows, totaling SGD 31.67 million. In terms of flows, regional equity funds were mixed—Asia ex-Japan equity and ASEAN equity funds reported outflows, underperforming some of the single-country products.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q3 2023 (in SGD millions)

Top Equity Morningstar Category	Net Flow (SGD Million)
Global Large-Cap Blend Equity	85.09
Other Equity	38.04
Global Equity Income	34.72
Singapore Equity	31.67
Sector Equity Technology	25.39
India Equity	19.50
Japan Large-Cap Equity	18.96
Japan Flex-Cap Equity	12.91
Asia-Pacific ex-Japan Equity	11.83
Greater China Equity	6.98
Bottom Equity Morningstar Category	**Net Flow (SGD Million)**
Asia ex-Japan Equity	-39.04
US Large-Cap Growth Equity	-29.83
ASEAN Equity	-29.62
Sector Equity Healthcare	-27.88
China Equity - A Shares	-25.68
US Large-Cap Blend Equity	-20.20
Global Large-Cap Growth Equity	-19.32
Sector Equity Alternative Energy	-13.17
Europe Large-Cap Value Equity	-12.76
China Equity	-11.70

Source: Morningstar. Data as of 30/9/2023.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q3 2023 (in SGD millions)

Investment Area	Net Flow (SGD Million)
Asia Pacific	-112.19
Europe	-47.69
Global	291.26
Latin America	-0.20
Middle East	0.27
North America	270.00

Source: Morningstar. Data as of 30/9/2023.

Bond and Money Market Fund Flow Analysis

In the September meeting, the U.S. Federal Reserve held interest rates steady at its current target of 5.00%-5.25%. With high hopes that the combat against high inflation could be done without a recession, the institution stiffened a hawkish monetary policy approach by confirming its "higher for longer" stance on interest rates.

Yields on two- and 10-year Treasury rose to their highest levels seen in more than 15 years. Short-term yields rose to 5.03% from 4.87% during the third quarter. At the beginning of the third quarter, rates on 10-year Treasuries hovered around 4%. The rates then steadily picked up again to peak at 4.61% days before the quarter-end.

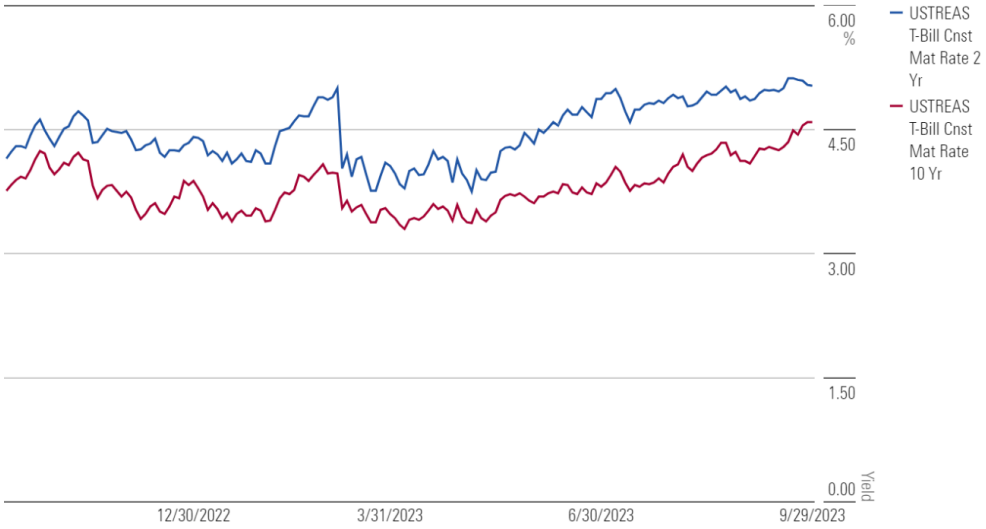
While the curve—the difference between shorter- and longer-term yields—has been inverted for months, the inversion started to narrow from the opening days of the third quarter. By the end of the period, the difference between shorter- and longer-term yields was negative 44 basis points, compared with 106 basis points at the end of June.

In terms of bond performances, interest-rate-sensitive Treasury bonds were beaten down. Long-term bonds—those due in 10 years or more, whose longer durations make them the most sensitive to interest rates—were hit hardest. Adding to the pressure on the Treasury market was the U.S. government's announcement at the end of July that it needed to sell substantially more debt than investors expected. The FTSE WGBI, which tracks investment-grade sovereign bonds issued by more than 20 countries, dropped 3.45% for the quarter (in U.S. dollars) versus a 0.03% decline from the first quarter.

On the flip side, high-yield bonds—which tend to be riskier and of lower quality than other kinds of fixed-income investments—made modest gains. High-yield bonds are generally less sensitive to changes in interest rates.

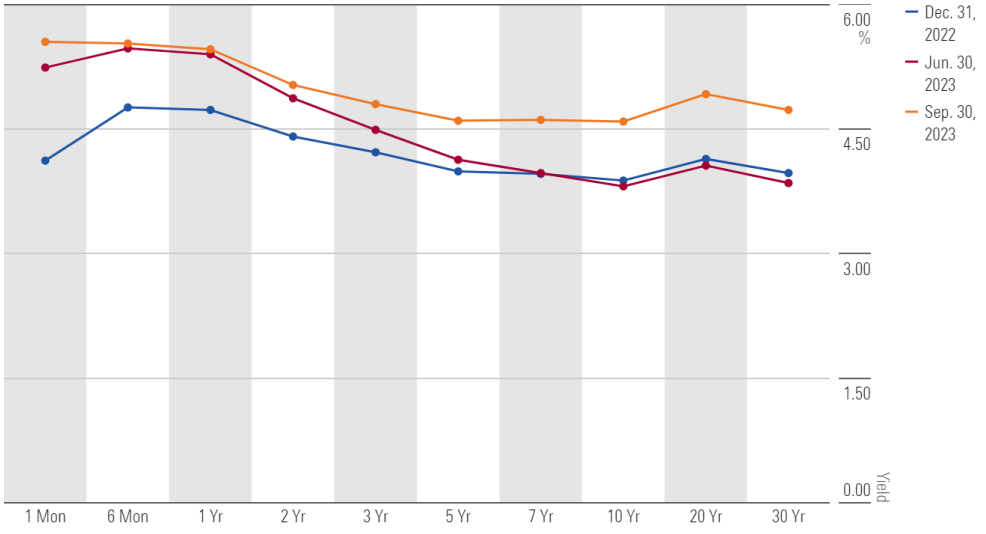
US Government-Bond Market Movements

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 30/9/2023.

Exhibit 7 Shifts in US Benchmark Yields During Q3 2023



Source: Morningstar. Data as of 30/9/2023.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q3 2023 (in SGD millions)

Fixed Income Category	Net Flow (SGD Million)
Global Fixed Income	539.93
US Fixed Income	7.93
Europe Fixed Income	-1.43
Emerging Markets Fixed Income	-12.40
Fixed Income Miscellaneous	-33.82
Asia Fixed Income	-242.84
Money Market Category	**Net Flow (SGD Million)**
Money Market Miscellaneous	51.71
US Money Market	-1.54
Asia Money Market	-6.62

Source: Morningstar. Data as of 30/9/2023.

Against the backdrop, investors continued to allocate to global and U.S. fixed-income funds, with all other bond categories recording outflows for the quarter. Global fixed income recorded SGD 539.93 million in inflows, while inflows into U.S. fixed-income funds were relatively smaller. Asia fixed-income funds became the largest redemptions, as the category group ended the quarter with negative net flows of SGD 242.84 million, after the second quarter's 278.59 million in inflows.

Inflows from money market miscellaneous supported the overall category's strong inflows for the quarter. Meanwhile, U.S. and Asia money market products saw minimal outflows of SGD 1.54 million and 6.62 million, respectively.

Allocation and 'Other' Fund Flow Analysis

Allocation funds collectively posted net outflows of SGD 22.15 million for the third quarter. Strong inflows into moderate-allocation, which amounted to SGD 128.92 million, weren't enough to cancel out the SGD 150.26 million in outflows from the allocation miscellaneous category.

In "Other" fund groups, the most outflows came from global macro, as investors pulled SGD 21.94 million out of funds in that category.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q3 2023 (in SGD millions)

Allocation and "Other" Category	Net Flow (SGD Million)
Moderate Allocation	128.92
Flexible Allocation	0.75
Market Neutral	0.00
Convertibles	-0.06
Aggressive Allocation	-0.43
Multialternative	-0.61
Cautious Allocation	-1.13
Commodities Broad Basket	-2.27
Global Macro	-21.94
Allocation Miscellaneous	-150.26

Source: Morningstar. Data as of 30/9/2023.

The Outlook

In this cycle, monetary policy tightening has been the fastest and the steepest tightening cycle that we've been through until looking back all the way to the 1970s and 1980s. Our view is that, despite the "higher for longer" stance communicated by the institution, the Federal Reserve will not be raising rates and that its next move will be cutting rates next year.

The economy is likely to start slowing in the fourth quarter and is expected to bottom out in the second quarter of 2024. While the market may have already taken this into consideration with a negative view, the market has been pushed down enough at about a 10% discount, which presents attractive opportunities in select names, for long-term investors.

In China, economic growth is anticipated to remain sluggish, especially as consumers remain wary of what comes after the Country Garden default. Under this environment, cash flow is still tight among some businesses, and collecting from customers is a challenge, resulting in poor business confidence as well. While the government has room to act with policy support, for the time being, investor inertia built on fear still clouds the Chinese equity markets. This is despite the fact that another round of selloffs is putting valuations to historically attractive levels.

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. Pimco Asia
16. PineBridge Investments Singapore
17. Schroder Investment Management (Singapore)
18. Singapore Consortium Investment Management
19. Templeton Asset Management
20. UBS Asset Management (Singapore)
21. UOB Asset Management
22. Western Asset Management



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