Singapore Fund Flow Report
Q4 2023

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Singapore Fund Flows Report for Fourth-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 outflows of SGD 998 million for the fourth quarter of 2023.

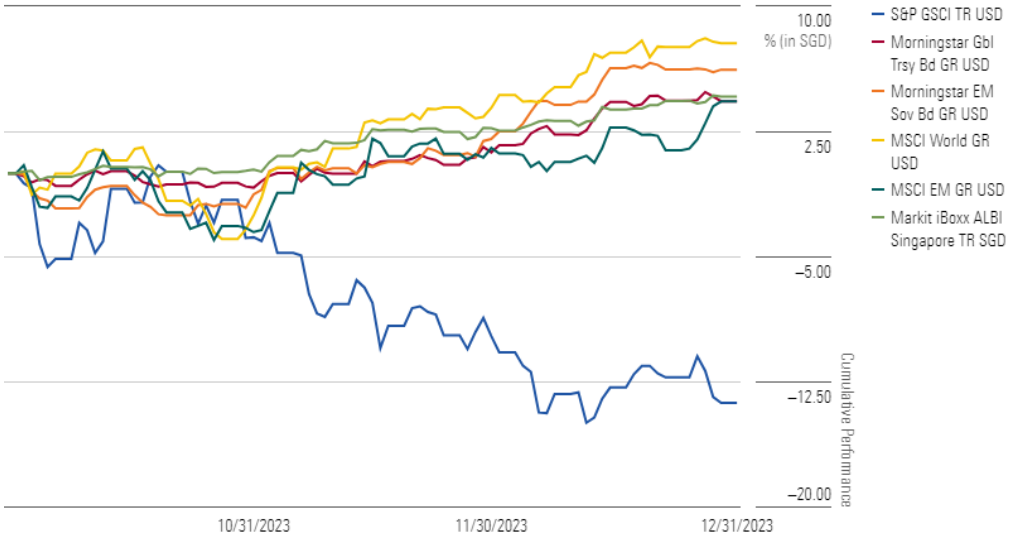
Breaking down the data by asset type, every asset class but convertibles reported outflows. Equities saw outflows of SGD 431.63 million, fixed income and money market funds saw combined outflows of SGD 354.14 million, and allocation funds saw outflows of SGD 195.2 million. Convertibles saw a minor inflow of SGD 0.02 million.

Exhibit 1 Fund Flows by Major Asset Class for Q4 2023 (in SGD millions)

Asset Class	Inflow	Outflow	Net Flow
Allocation	635.89	831.09	-195.20
Alternative	3.50	19.02	-15.52
Commodities	1.10	2.64	-1.54
Convertibles	0.08	0.06	0.02
Equity	1,705.61	2,137.24	-431.63
Fixed Income	1,867.68	2,071.95	-204.27
Money Market	828.55	978.42	-149.87

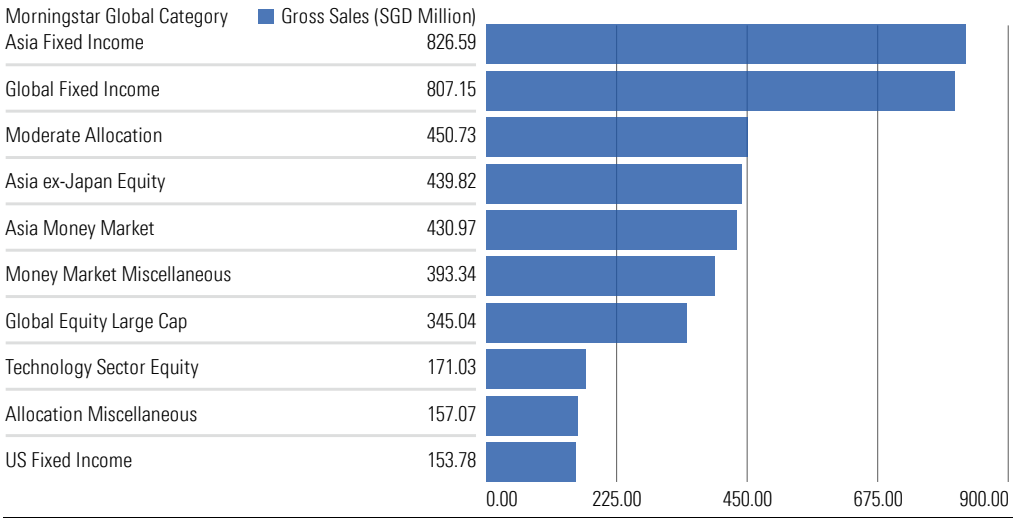
Source: Morningstar. Data as of 31/12/2023.

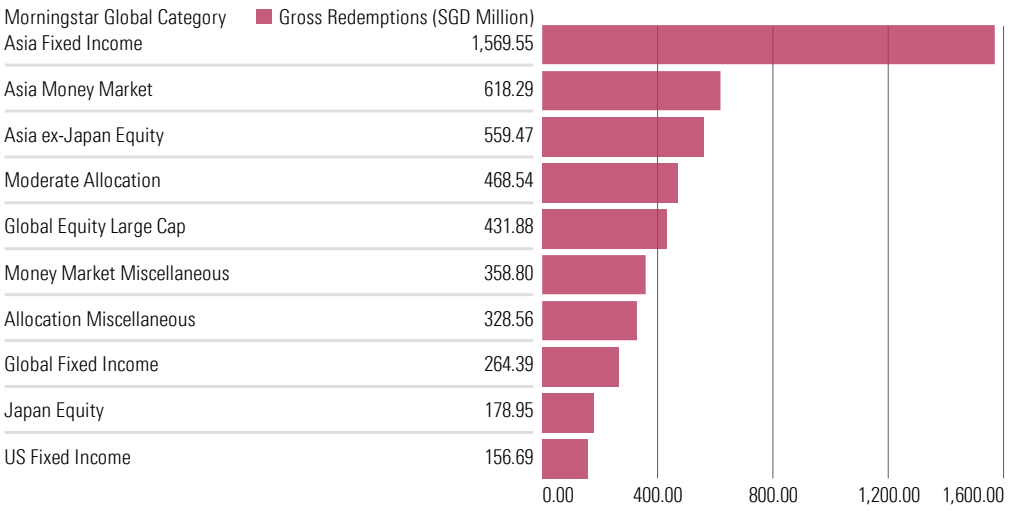
Exhibit 2 Performance of Key Technical Indicators During Q4 2023



Source: Morningstar. Data as of 31/12/2023.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q4 2023 (in SGD millions)





Source: Morningstar. Data as of 31/12/2023.

Equity Fund Flow Analysis

The U.S. stock market finished 2023 on a high note, as the rally in stocks broadened and long-term interest rates pulled back after signs that the Federal Reserve was finished raising interest rates. After a tough third quarter, most major markets climbed higher except Hong Kong, China, and Thailand.

The poorest performer was China's SSE Composite PR CNY, falling 4.36% over the quarter. Hong Kong's Hang Seng Index had a performance in line with the onshore market, with a 4.28% decline over the same period. Chinese stock markets have yet to shrug off the prolonged weakness because of a disappointing economic rebound, sapped consumer and investor sentiment, and the returning troubles of the property market. As a result, the Hong Kong stock index sits at the bottom of the performance chart for the trailing six months, nine months, and three years. The market slumped 14.45% each year in the past three years, while onshore stocks posted an annualized loss of 5.03%. Thailand's SET Index ended the month 3.86% lower, concluding the year with a 15.15% loss. Over the past three years, the return from the country was flat.

Turning to the winners, Brazil's Bovespa Index stood out in the fourth quarter as the market advanced 15.12%, driving its full-year return of 22.28%. Another winning market is the United States, with growth stocks leading the board. In November, long-term interest rates subsided. The rally continued and brought the indexes higher following the December Fed meeting. The bullish sentiment in the market reflects an interpretation that FedChair Jerome Powell's remarks indicated that not only is the Fed done hiking rates, but it is also now considering when to begin easing monetary policy. The Nasdaq Composite returned 13.56% for the quarter and ended the year posting a robust 43.42% growth. Quarterly returns in the S&P 500 and Dow Jones Industrial Average closely followed, also in the double digits. In the middle of persistent pressure in its consumer price index, Japan's Nikkei 225 Average's

28.24% surge was the market's best performance in a decade; the index closed the year at its 33-year high.

In terms of inflows, Singapore equity saw the highest net flows of SGD 57.90 million, followed by global large-cap blend equity with flows of SGD 36.68 million. India equity and tech sector equity both saw flows of a little under SGD 19 million, while global equity income saw flows of SGD 12.64 million. Asia-Pacific ex Japan saw the largest net outflows of SGD 142.39 million, followed by global large-cap growth equity shedding SGD 82.78 million. The healthcare sector equity funds saw outflows of SGD 57.48 million, while other equity lost SGD 56.08 million.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q4 2023 (in SGD millions)

Top Equity Morningstar Category	Net Flow (SGD Million)
Singapore Equity	57.90
Global Large-Cap Blend Equity	36.68
India Equity	18.87
Sector Equity Technology	18.72
Global Equity Income	12.64
Global Large-Cap Value Equity	11.34
Vietnam Equity	8.75
Global Emerging Markets Equity	5.66
Greater China Equity	5.36
Asia-Pacific ex-Japan Equity Income	3.88
Bottom Equity Morningstar Category	**Net Flow (SGD Million)**
China Equity	-21.71
Asia-Pacific Equity	-22.87
China Equity - A Shares	-23.78
Japan Flex-Cap Equity	-29.02
Asia ex-Japan Equity	-34.12
Japan Large-Cap Equity	-53.04
Other Equity	-56.08
Sector Equity Healthcare	-57.48
Global Large-Cap Growth Equity	-82.78
Asia-Pacific ex-Japan Equity	-142.39

Source: Morningstar. Data as of 31/12/2023.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q4 2023 (in SGD millions)

Investment Area	Net Flow (SGD Million)
Asia Pacific	-674.85
Europe	-41.39
Global	127.43
Latin America	-0.02
Middle East	0.14
North America	153.13
Total	-435.57

Source: Morningstar. Data as of 31/12/2023.

Bond and Money Market Fund Flow Analysis

The difficulty in 2022's bond market set investor expectations low coming into 2023. However, despite the biggest story for the markets remaining Fed policy, it turns out that bonds performed well given the shift in Fed policy from interest-rate increases to interest-rate cuts for 2024.

As the year got underway, volatility was very high in bonds, with some parts of the bond market staging a round trip over the year. The yield on the U.S. Treasury 10-year note started and finished 2023 near 3.8% but during the year rose to a 17-year high near 5%.

Yields on two- and 10-year Treasuries moved upward toward mid-October, before the rates steadily decreased. While the curve—the difference between shorter- and longer-term yields—has been inverted for months, the inversion was at its narrowest for the second part of October. At that time, the difference between shorter- and longer-term yields was as narrow as negative 13 basis points, compared with 106 basis points at the end of June. The inversion moderately widened to a 35-basis-point level at the end of the quarter.

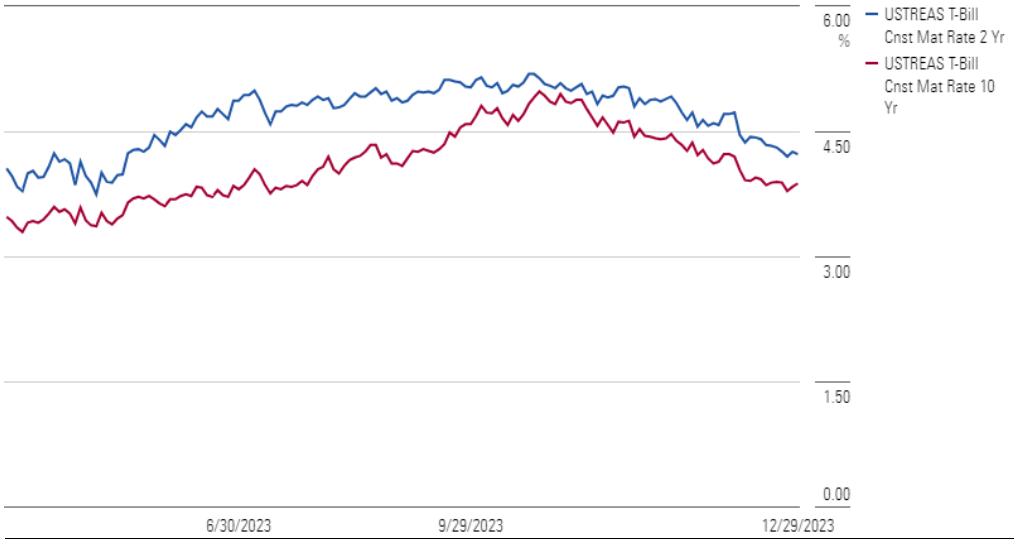
The FTSE WGBI, which tracks investment-grade sovereign bonds issued by more than 20 countries, rose 4.46% for the quarter (in U.S. dollars) and closed the year with a 3.45% gain.

The Singapore buying rates for 10-year Treasuries started the quarter at 3.4% and hovered around that level through the end of October. Yields then fell to end the quarter at 2.71%. The overall trend is similar to that of the U.S. 10-Year Treasury.

In terms of flows, global fixed income saw the highest flows of SGD 542.76 million. Miscellaneous fixed income followed, with flows of SGD 3.17 million. Asia fixed-income funds lost the most, seeing outflows of SGD 742.97 million. Asia money market funds lost SGD 187.31 million. Miscellaneous money market funds gained SGD 34.53 million.

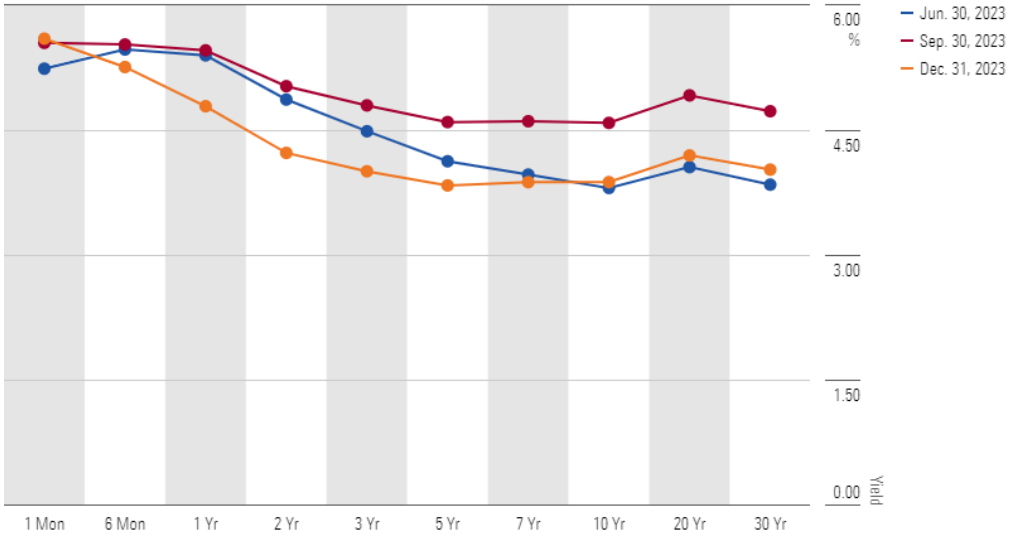
US Government-Bond Market Movements

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 31/12/2023.

Exhibit 7 Shifts in US Benchmark Yields During Q4 2023



Source: Morningstar. Data as of 31/12/2023.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q4 2023 (in SGD millions)

Fixed Income Category	Net Flow (SGD Million)
Global Fixed Income	542.76
Fixed Income Miscellaneous	3.17
Emerging Markets Fixed Income	-1.60
Europe Fixed Income	-2.72
US Fixed Income	-2.91
Asia Fixed Income	-742.97
Money Market Category	**Net Flow (SGD Million)**
Money Market Miscellaneous	34.53
US Money Market	2.89
Euro Money Market	0.02
Asia Money Market	-187.31

Source: Morningstar. Data as of 31/12/2023.

Allocation and 'Other' Fund Flow Analysis

Allocation funds collectively posted net outflows of SGD 195.2 million for the fourth quarter. The allocation miscellaneous category saw the most outflows of SGD 171.49 million. Moderate allocation, global macro, flexible allocation, multi-alternative, aggressive allocation, and cautious allocation all saw net outflows. Convertibles saw small inflows of SGD 0.02 million.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q4 2023 (in SGD millions)

Allocation and "Other" Category	Net Flow (SGD Million)
Convertibles	0.02
Market Neutral	-0.55
Cautious Allocation	-0.81
Aggressive Allocation	-1.02
Commodities Broad Basket	-1.54
Multialternative	-1.68
Flexible Allocation	-3.84
Global Macro	-13.29
Moderate Allocation	-17.81
Allocation Miscellaneous	-171.49

Source: Morningstar. Data as of 31/12/2023.

The Outlook

As we entered 2023, investors were concerned about inflation and anticipated a recession in the latter half of the year. However, contrary to expectations, inflation cooled down, and the economy remained robust despite the regional banking crisis in the first quarter, which initially raised concerns about a credit crunch.

Although the Fed increased interest rates four times throughout the year, officials indicated during their December meeting that further rate hikes were unlikely, and there might even be a reduction in the upcoming year.

In 2024, the focus of debates revolves around whether the economy will continue to avoid a recession, whether inflation will continue its moderating trajectory, and whether the Fed will cut interest rates to the extent anticipated by investors. Despite heightened risks, we maintain a cautious optimism for both stocks and bonds in the coming year. The key risks faced by investors can be summarized as moderate valuations, a softening economy, weakening fundamentals, and external shocks.

The surge in valuations has mainly been concentrated in AI stocks, while second-derivative AI stocks have not enjoyed the same level of growth. After some superior gains compared with other major markets, the U.S. market carries certain sectors with high valuations and concentration risks, but there are opportunities to be found in global equities. Additionally, in relation to the economy, if high interest rates persist, they can erode consumer demand, which in turn can have repercussions on corporate earnings and the labor market.

In terms of fundamentals, the U.S. maintains manageable overall corporate leverage, but the costs of debt are increasing. While corporate profitability remains high, it is not immune to vulnerabilities on the margin. Sectors that rely heavily on capital investment are particularly susceptible to the potential risks associated with a continued rise in debt costs.

Turning to external shocks, geopolitical tensions are running high in regions such as Ukraine, Israel, and China, posing significant risks. An oil market shock has the potential to inflict harm on the global economy. Last, a sudden surge in long-term yields could have unintended effects that reverberate throughout various sectors of the economy.

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. Manulife Investment Management (Singapore)
14. Nikko Asset Management Asia
15. NN Investment Partner (S)
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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