Singapore Fund Flow Report
Q3 2024

Morningstar
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Singapore Fund Flows Report for Third-Quarter 2024

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 3.1 billion in the third quarter of 2024, a record high so far.

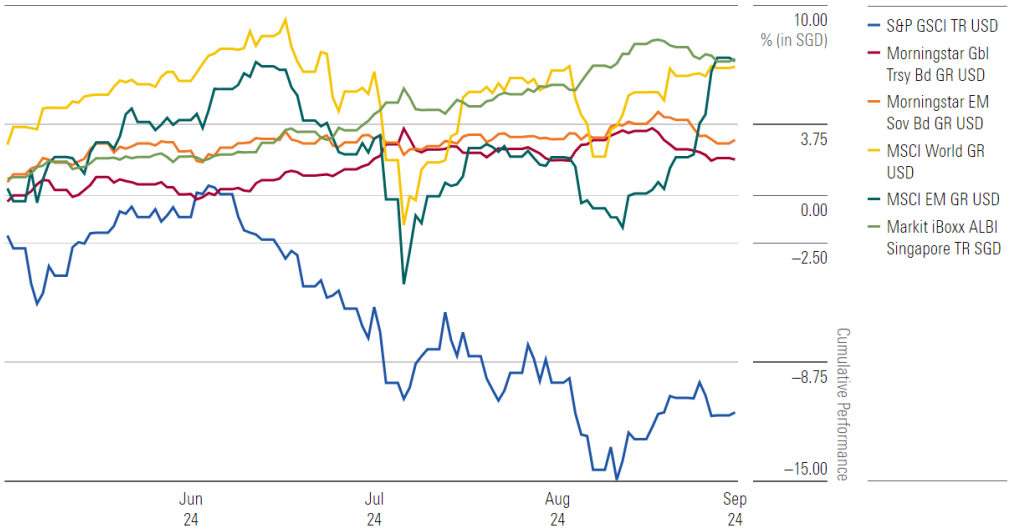
Breaking down the data by asset type, fixed income and money market funds attracted the most interest, with positive net flows of SGD 1.9 billion and SGD 1.5 billion respectively. Interest in equities waned, with SGD 436.52 million redeemed in the third quarter, a reversal of last quarter's inflow of SGD 261.16 million. Some slight gains were witnessed for convertibles, which attracted SGD 0.08 million, but alternative and commodities saw outflows of SGD 11.16 million and SGD 7.27 million respectively.

Exhibit 1 Fund Flows by Major Asset Class for Q3 2024 (in SGD millions)

Asset Class	Inflow	Outflow	Net Flow	Total Net Assets
Allocation	1,390.45	1,264.09	126.36	31,721.16
Alternative	1.81	12.96	-11.16	694.11
Commodities	2.43	9.70	-7.27	32.80
Convertibles	0.09	0.00	0.08	165.97
Equity	3,924.33	4,360.85	-436.52	119,543.79
Fixed Income	5,344.61	3,423.46	1,921.15	87,525.64
Money Market	6,030.37	4,530.85	1,499.52	9,253.96

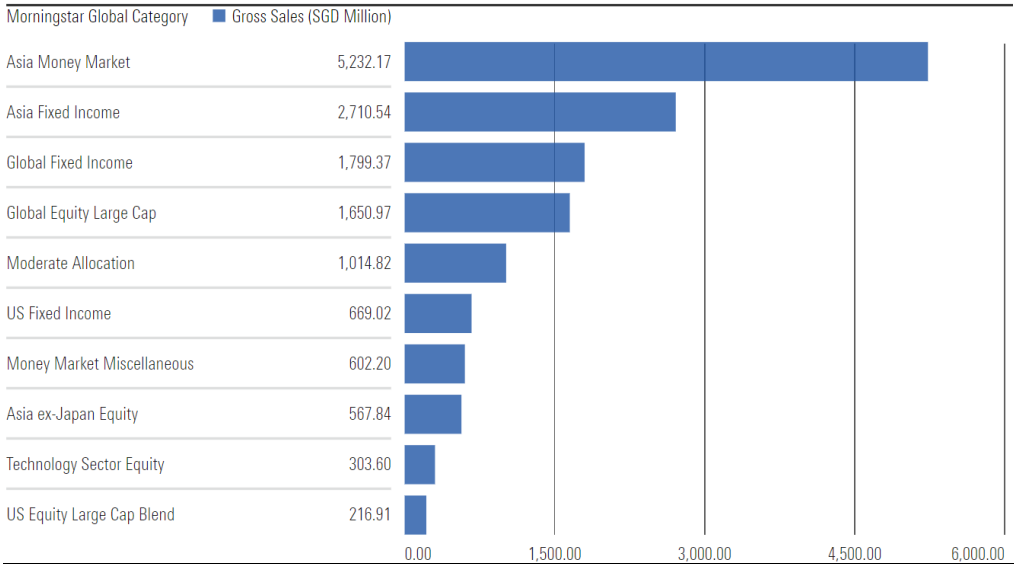
Source: Morningstar. Data as of 30/9/2024.

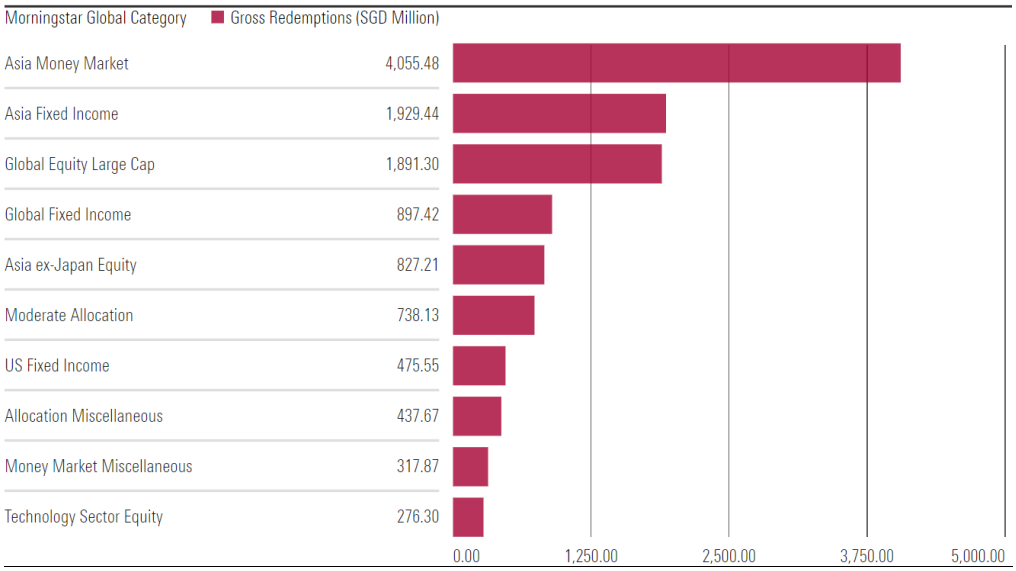
Exhibit 2 Performance of Key Technical Indicators During Q3 2024



Source: Morningstar. Data as of 30/9/2024.

Exhibit 3 Top 10 Inflows and Outflows by Morningstar Category for Q3 2024 (in SGD millions)





Source: Morningstar. Data as of 30/9/2024.

Equity Fund Flow Analysis

In the third quarter, the United States attracted USD 22.73 billion dollars' worth of fresh funds to equities. Large blend funds saw the most interest, with inflows of USD 60.84 billion, while large growth funds saw outflows of USD 19.78 billion at the other end of the spectrum. From a sector perspective, energy replaced healthcare as the worst performing fund, with USD 3.47 billion worth of funds redeemed, followed by healthcare and natural resources. The tech sector continued its path to recovery, with inflows of USD 1.26 billion.

While Europe registered outflows of EUR 221.14 million in the third quarter, this was a much-improved performance compared to the second quarter where the volume of net outflows was EUR 4.9 billion. With inflows of EUR 25.89 billion, global equity large-cap funds reflected investors' preference for well established companies with a proven track record. There was also a significant amount of interest shown in US equity large cap blend (EUR 3.32 billion) and India equity (EUR 2.36 billion), with Japan falling out of favour with outflows of EUR 151.28 million. UK equity large cap was the worst performing category, with EUR 9.88 billion worth of funds redeemed.

Closer to home, Thailand improved its performance substantially, reversing its outflows from the second quarter to post a net gain of THB 39.19 billion, with global equity comprising almost half of the net figure with THB 17.67 billion. In Malaysia, interest in equity funds recovered to attract inflows of MYR 833.98 million, a stark reversal of fortune considering this asset class witnessed outflows of MYR 1.99 billion in the previous quarter. A key driving factor of this was the performance of sector equity funds, with MYR 660.97 million worth of funds invested in the third quarter.

In Singapore, US large-cap blend equity was the best performing category with inflows of SGD 75.37 million. This was followed closely by India equity with SGD 74.51 million. Singapore equity, having

ranked top in terms of inflows in the second quarter featured at the bottom of the best performing categories with SGD 3.57 million gained. Japan also fell out of favour with Singaporean investors, with only Japan flex-cap equity featuring in the top ten with inflows of SGD 5.23 million. In terms of the worst performing ones, China featured prominently, with China equity and China equity - A Shares posting outflows of SGD 28.75 million and SGD 80.67 million respectively. However, the worst performing one was Asia-Pacific ex-Japan equity, with outflows of SGD 138.19 million.

Exhibit 4 Top and Bottom Equity Morningstar Categories by Net Flows for Q3 2024 (in SGD millions)

Top Equity Morningstar Category	Net Flow (SGD Million)
US Large-Cap Blend Equity	75.37
India Equity	74.51
Global Emerging Markets Equity	25.67
Sector Equity Technology	25.07
Islamic Global Equity	10.93
GBP Allocation 40-60% Equity	7.17
US Large-Cap Value Equity	6.04
Japan Flex-Cap Equity	5.23
US Large-Cap Growth Equity	3.99
Singapore Equity	3.57

Bottom Equity Morningstar Category	Net Flow (SGD Million)
China Equity	-28.75
Europe Equity Income	-32.23
ASEAN Equity	-32.63
Sector Equity Alternative Energy	-33.23
Asia ex-Japan Equity	-69.81
Global Large-Cap Growth Equity	-76.39
China Equity - A Shares	-80.67
Global Large-Cap Blend Equity	-87.21
Other Equity	-87.89
Asia-Pacific ex-Japan Equity	-138.19

Source: Morningstar. Data as of 30/9/2024.

Exhibit 5 Estimated Equity Fund Flows by Investment Area for Q3 2024 (in SGD millions)

Investment Area	Net Flow (SGD Million)
Asia Pacific	345.57
Europe	-89.43
Global	1,055.85
Latin America	-2.13
Middle East	-0.10
North America	510.79
Total	1,820.55

Source: Morningstar. Data as of 30/9/2024.

Bond and Money Market Fund Flow Analysis

In the U.S., the fixed income market (excluding municipal bonds) grew significantly in the third quarter, attracting USD 123.67 billion worth of funds, compared to last quarter where inflows of USD 23.43 billion were tracked. Intermediate core bonds and multisector bonds made up approximately a third of all inflows, with money market funds increasing six-fold to USD 263.39 billion compared to the previous quarter.

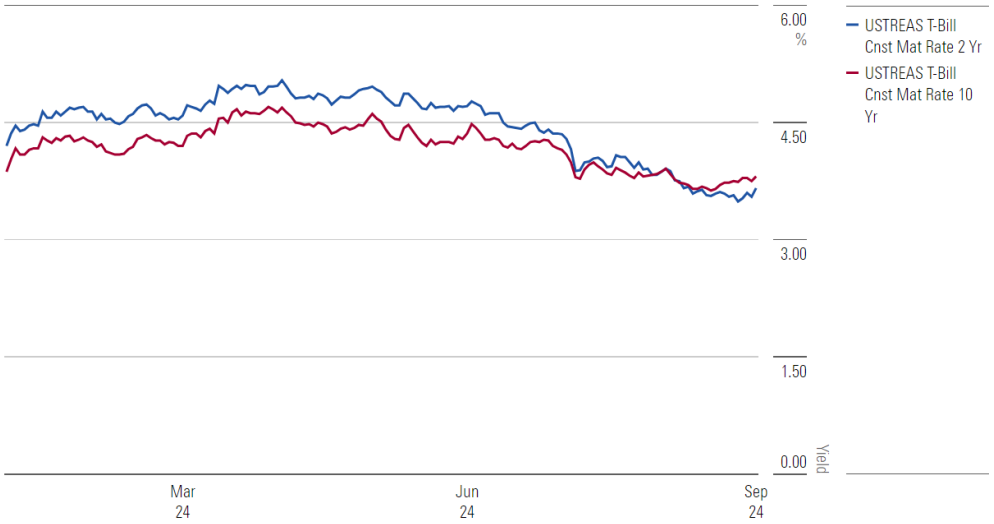
In Europe, the demand for fixed income funds grew slightly when compared to the previous quarter, with EUR 76.39 billion worth of fresh funds recorded. Demand for Europe fixed income remained unchanged (EUR 29.10 billion), followed by global fixed income with EUR 18.73 billion. Asia fixed income replaced emerging markets fixed income as the worst performing category, with the highest outflows at approximately EUR 1.70 billion. Money markets doubled their inflows to hit EUR 88.13 billion in the third quarter.

In Southeast Asia, Thailand recorded positive net inflows for its fixed income (THB 38.17 billion), but money market funds continued to bleed with outflows of THB 30.09 billion, almost a four-fold increase compared to the second quarter. Malaysia's performance in fixed income categories also mirrored its neighbour to the north, registering net inflows of MYR 2.70 billion, a substantial increase compared to the previous quarter's gains of MYR 684.19 million, while inflows to money market funds rebounded to MYR 3.35 billion.

For Singapore, fixed income saw a net inflow of SGD 1.92 billion, a marked improvement from the previous quarter. Global fixed income was the most popular category (SGD 901.95 million), followed by Asia fixed income with inflows of SGD 781.10 million. In terms of the worst performing categories, Europe fixed income was the only one to post outflows of SGD 6.98 million. Money market funds also performed well with net inflows of SGD 1.50 billion, with the bulk of it coming from Asia money market funds.

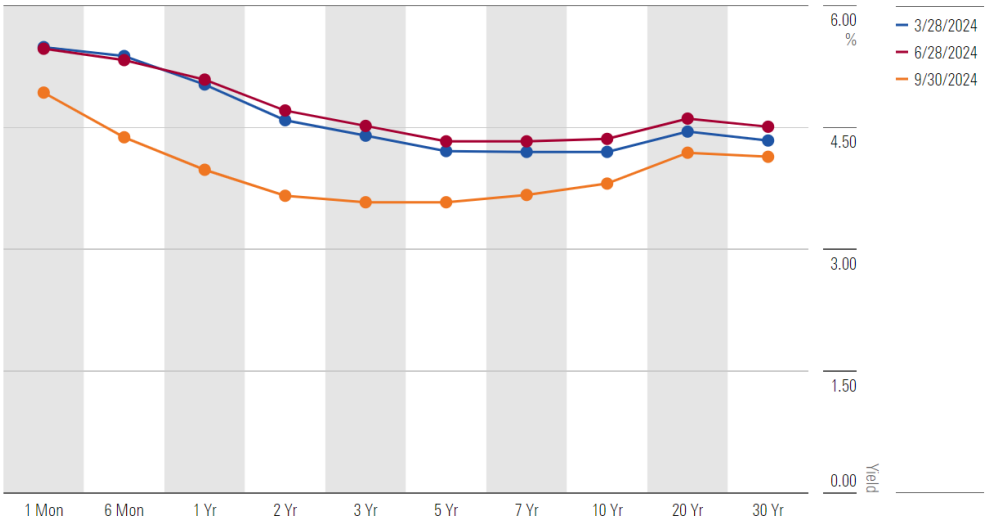
US Government-Bond Market Movements

Exhibit 6 10-Year US Treasury Constant Maturity Rate



Source: Morningstar. Data as of 30/9/2024.

Exhibit 7 Shifts in US Benchmark Yields During Q3 2024



Source: Morningstar. Data as of 30/9/2024.

Exhibit 8 Net Flows Into Bond and Money Market Funds for Q3 2024 (in SGD millions)

Fixed Income Category	Net Flow (SGD Million)
Global Fixed Income	901.95
Asia Fixed Income	781.10
US Fixed Income	193.47
Fixed Income Miscellaneous	30.07
Emerging Markets Fixed Income	21.54
Europe Fixed Income	-6.98
Money Market Category	**Net Flow (SGD Million)**
Asia Money Market	1,176.69
Money Market Miscellaneous	284.33
US Money Market	38.49

Source: Morningstar. Data as of 30/9/2024.

Allocation and 'Other' Fund Flow Analysis

The performance of allocation and "other funds" had a more subdued performance compared to other asset classes, with inflows of SGD 108.21 million in the third quarter, although this was still double the amount in the previous quarter. Moderate allocation and flexible allocation led the pack with SGD 276.70 million and SGD 60.61 million respectively, with allocation miscellaneous faring the worst with outflows of SGD 232.79 million.

Exhibit 9 Net Flows Into Allocation and "Other" Funds for Q3 2024 (in SGD millions)

Allocation and "Other" Category	Net Flow (SGD Million)
Moderate Allocation	276.70
Flexible Allocation	60.61
Aggressive Allocation	24.21
Multialternative	0.52
Convertibles	0.08
Alternative Miscellaneous	-0.01
Market Neutral	-0.21
Cautious Allocation	-2.17
Commodities Broad Basket	-7.27
Global Macro	-11.46
Allocation Miscellaneous	-232.79

Source: Morningstar. Data as of 30/9/2024.

The Outlook

Moving into the final quarter of 2024, a few key things are expected to weigh heavily on investors' minds. The upcoming U.S. Presidential Election in November and China's ever-evolving attempts to jumpstart economic growth will play a key role in shaping investor sentiment in Q4 and well into 2025. From a market perspective, it has been a bumpy third quarter. The quarter began with a long-awaited rotation out of big-cap growth and AI stocks and into value and smaller company names in the U.S. stock market. Then came a brutal selloff in August, with Japan and India continuing to fall out of favour with investors.

As we look towards the next round of rate cuts by the Federal Reserve, the European Central Bank and the Bank of England, others have been more reticent – with Japan, India and Australia being noteworthy for preaching a more measured approach to monetary policy. Clearly, the fate of the world's major economies is expected to take divergent paths, and this will present further challenges for investors looking to position their portfolios over the next few months.

As of Sept. 23, the US market was trading at 1.03 on a price/fair value metric, meaning that the market was trading at a 3% premium over composite of Morningstar's fair values, compared to what other strategists often say with regards to the market being 8% to 10% undervalued. In Asia, equity gains were still largely led by the financial services and utilities sectors for the year to Sept. 23 if we exclude market reaction to the positive moves by the Federal Reserve and the People's Bank of China to loosen monetary policy made in the last 10 days of September. The latter is a beneficiary of interest-rate cuts alongside anticipated higher demand for power for artificial intelligence and cloud needs. And while banks are normally sensitive to lower interest rates leading to a fall in net interest margin, banks appear to have managed their capital costs, leading to a more benign margin outlook. Insurers are also benefiting from repricing.

With the twin loosening moves, we expect investors to start increasing their appetites for more cyclical sectors and beneficiaries of lower funding costs in Asia. So, we could start to see strengthening performances in sectors that have lagged—namely, the consumer cyclical, healthcare, and real estate sectors. We also anticipate dividend yield plays to continue to benefit, with more room for REITs to move higher.

However, China markets are no longer cheap as of October 15. In the first two weeks of October, Morningstar's China coverage universe has moved from a discount of 21% to our fair value estimate to just 4% now. As China had been underweight by most, the impact of the buying has led to huge price moves given limited selling. At this stage we do believe some companies have more than factored in any potential positives. If there is a lack of sustained policy support or positive market sentiment, it is likely that we could see some steep retracements.

Regarding fixed income, their performance through Sept. 23 was relatively well. The US Core Bond Index was up 4.7%. The Core Bond Index is Morningstar's proxy for the broad overall bond market. Within that,

things like corporate bonds and high-yield bonds have also done relatively well thus far this year. A lot of that was because the US Treasury had tightened 14 basis points through the 23rd to 3.74. However, since the Fed cut by 50bps, we have seen a backup in long-term yields, with the 10-year now slightly over 4%. Based on our outlook with the US Treasury going down to that 3% level by 2027, we continue to look to say more overweight, long duration bonds, and it is worth locking in those rates while one can still do so.

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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