



**BOS WEALTH  
MANAGEMENT**

*A subsidiary of Bank of Singapore*

# **BOSWM CORE GROWTH FUND**

**QUARTERLY REPORT**  
**For the financial period from**  
**1 January 2022 to 30 June 2022**



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**FUND INFORMATION**  
**As At 30 June 2022**

Name Of Fund (Feeder)	: BOSWM Core Growth Fund
Manager Of Fund	: BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)
Name Of Target Fund	: BOS International Fund – Growth
Investment Manager Of Target Fund	: Bank of Singapore Limited (197700866R)
Manager Of Target Fund	: UBS Fund Management (Luxembourg) S.A. (B 154.210)
Launch Date	: Class MYR-Hedged BOS – 30 April 2020 Class USD BOS – 30 April 2020 Class PP USD – 16 December 2021 Class PP MYR Non-Hedged – 16 December 2021  As at 30 June 2022, only units in Class MYR-Hedged BOS have been issued.  The Fund will continue its operations until terminated as provided under Clause 25 of the Deed.
Category Of Fund	: Feeder fund (wholesale)
Type Of Fund	: Growth and income
Investment Objective	: BOSWM Core Growth Fund aims to provide long-term capital growth and/or income return by investing into a collective investment scheme.  <i>Income is in reference to the Fund's distribution, which could be in the form of cash or unit.</i>
Performance Benchmark	: Nil – The Fund does not have a performance benchmark assigned.
Distribution Policy	: Incidental, subject to Manager's discretion.
Fund Size	: 5.42 million units

**FUND PERFORMANCE****For The Financial Period From 1 January 2022 To 30 June 2022****Market And Fund Review***Review Of BOS International Fund – Growth (Target Fund Of BOSWM Core Growth Fund)*January 2021

General:

The BOS International Growth Fund returned -2.40% in January.

Both equity and bond markets sold off in January, on the back of inflation, growth and interest rate concerns. With inflation remaining persistent, an interest rate hike from the US Federal Reserve in March seems increasingly certain. Rising rate expectations led to a material sell-off in longer duration bonds and within equity, high growth sectors such as Information Technology. Despite the volatility, we remain modestly “risk-on” at this point in the cycle.

Equities:

Inflation and interest rate concerns saw equity markets sell-off in January, led by the US market which fell by 5.7%. European (-4.6%), Japanese (-5.0%) and Asian (-3.5%) equity markets also all sold off in January (Source: Bloomberg; in USD terms). High growth / longer duration stocks sold off more aggressively, relative to value sectors, as higher long-term rates reduce the present value of future cash flows, making shares less valuable. Companies with higher portions of cash flows in the more distant future are more sensitive to this adjustment. Asian markets outperformed developed markets as more attractive relative valuations are starting to lend support. Asia continues to stabilise after the “common prosperity” and Chinese property related pressure points that defined 2021 for Asian markets.

Higher growth segments of the US market sold off more than the broader market as interest rate hike expectations strengthened. The tech heavy NASDAQ Composite was down 9 per cent for the month. Value (-2.5%) outperformed Growth (-8.9%) materially for January. Best performing sectors for January were energy (the only positive sector), financials and consumer staples, while the laggards were consumer discretionary, real estate and information technology. The ISM Manufacturing PMI for the US fell for a second straight month to 57.6 in January of 2022 from 58.8 in December, compared to market forecasts of 57.5. The US manufacturing sector remains in a demand-driven supply chain constrained environment, but January was the third straight month with indications of improvements in labour resources and supplier delivery performance.

Eurozone inflation rose to 5.1 per cent year-on-year in January, placing more pressure on the European Central Bank to respond with tighter monetary policy. Steeper increases in the price of energy and food were only partly offset by slower growth in prices of manufactured goods. The eurozone economy grew 0.3% in the final three months of 2021 returning the bloc to its pre pandemic level of output despite a sharp slowdown from the previous quarter as coronavirus infections hit record levels. Contractions of output in Germany and Austria were offset by quarter-on-quarter growth in countries including Spain, France and Italy. Full year GDP growth of 5.2 per cent in the Eurozone was the region's fastest expansion since 1971. Energy, financials and communication services were the best performing sectors in January, while information technology, industrials and health care were the laggards.

Most Asian economic numbers strengthened in the month of January. Taiwan exports numbers again hit new highs. Singapore's recovery also gained pace. China, however, was the big economy that showed signs of slowing. Against a backdrop of expected US Federal rate hikes, China has gone the opposite direction with a cut in its policy interest rate. The country has pledged to use more monetary policy to ease credit stress and to help push the economy forward. Earnings for some of the big companies continue to be downgraded ahead of results, although valuations are now much lower with 2021's negative returns. Singapore on the other hand is tightening to ward off inflation that could hamper economic health. We remain constructive in the region. While growth is slowing in China, we still see the region with favourable demographics for emerging Asia. It will continue to be one of the fastest growing regions in the world. With China embarking on an expansionary policy, we remain optimistic.

Looking into 2022, we remain constructive on equities, as expressed through our overweight position in the asset class. Valuations for Asian equities do look more attractive, compared with other markets and recent history. The sell-off we've seen so far in 2022 is starting to present valuations and entry points in certain sectors and segments of the market that we haven't seen in a long time.

#### Fixed income:

Global credit underperformed in January as investors grappled with increasing concerns of quantitative tightening and the sector was hurt by a double whammy of spread widening and rates underperformance. While credit fundamentals remain solid with healthy credit metrics and earnings across sectors, risk assets' volatility poses a headwind to any spread tightening, and we expect volatility to stay in the near term. As economies globally emerge from the pandemic two years on, supply constraints and labour market tightness introduced uncertainties about inflation and how Fed and ECB would react.

Regional themes such as the military situation between Ukraine and Russian, continued negative headlines that leaked into the higher quality space of Chinese property sector and Sri Lanka's fiscal difficulties have also added idiosyncratic volatility. Latin America's (Latam) forthcoming elections has created pockets of opportunities for the region. There are early signs of improving developments within Brazil as the leading presidential candidate seeks a more centre-right route despite a left-wing political background. The Brazilian Central Bank is also ahead of the curve compared with its peers on rate hikes and tackling inflation. We did see some confirmations of a policy easing tilt in Chinese real estate, though these are likely to only benefit higher quality developers and do not represent a reversal in China's stance. As active bond managers we view these as opportunities to capture alpha.

Fundamentally, many EM companies are in good shape bolstered by healthy earnings and are well positioned in a rising rates environment. However, higher rates will remain a factor driving returns and we favour owning shorter duration bonds unless curves are steep so as to better manage duration risk. Bank of Singapore's 12 month forecast for 10-year Treasuries is 1.9% (end-2021: 1.5%).

In a year where markets could face volatility and drawdowns due to quantitative tightening, maintaining an allocation to shorter dated HY bonds amidst strong corporate earnings and cashflows, could improve portfolio return profile. Our asset class preferences are neutral weight EM High Yield and underweight Investment Grade across Developed and Emerging Markets. We look to take advantage of recent and expected volatility for relative value opportunities.

### February 2021

#### General:

The BOS International Growth Fund returned -2.63% in February.

Geopolitics dominated sentiment in February, with Russia's invasion of Ukraine leading to risk-off conditions and falling equity and bond markets. Inflation is remaining persistent, with an interest rate hike from the US Federal Reserve in March looking increasingly certain.

#### Equities:

Russia's invasion of Ukraine saw equity markets sell-off in February, led by the Europe which fell by 4.6%. US (-3.6%) and Asian (-2.2%) markets also all sold off in February, while Japan was the relative outperformer (-1.6%). (Source: Bloomberg; in USD terms).

Despite geopolitical uncertainties, underlying economies and corporate earnings remain buoyant. Output in general remains high, and employment numbers remain generally strong as well. In short, the reopening trade remains well supported. Inflation however remains high and spiking energy prices will do little to reverse these pressures in the near-term.

Asian markets outperformed developed markets again in February as more attractive relative valuations continues to lend relative support. Asia continues to stabilize after the "common prosperity" and Chinese property related pressure points that defined 2021 for Asian markets.

In the US, the relative rotation from Growth (-4.1%) to Value (-1.9%) continued in February, with the latter outperforming. There was less divergence between the S&P500 (-3.0%), the Dow Jones (-3.3%) and the NASDAQ composite (-3.4%) in February. Best performing sectors for February were energy (the only positive sector), materials and health care, while the laggards were telecommunication services, information technology and real estate. The ISM Manufacturing PMI for the US rose for a second straight month to 58.6 in February of 2022 from 57.6 in January and compared to market forecast of 58. This latest rating showed that the overall economy expanded for the 21st consecutive month.

In Europe, the HIS Markit Eurozone Manufacturing PMI was revised lower to 58.2 in February of 2022, from an initial estimate of 58.4 and compared with January's final reading of 58.7. Driving this result was the suppliers' delivery times gauge, as the respective index recorded a notable increase since January. Ahead of the March policy meeting, European Central Bank officials said the crisis in Ukraine was likely to push up eurozone inflation from its already record levels by aggravating pressures in energy markets and could lower growth by disrupting trade and hitting confidence of businesses and households. Utilities, materials and health care were the best performing European sectors in February, while financials, consumer discretionary and information technology were the laggards.

The biggest question is how the Russian Ukraine War will affect Asia, particularly China. While any War is bad for risky assets, sanctions on Russia are now a big issue on fund management. Asia is slightly removed but not exempt from the fall out of the War. While China has better relations with Russia, this could be reason enough to be cautious. SWIFT ban on certain Russian banks is even more complicated and the increased in Russian interest rates cannot be good, even for Asia. It will be best to concentrate on what could be beneficiary. We know now that inflation will be persist, led by higher energy price. We also know that alternative energy sourced will almost certainly experience increase in investments. Sectors such as Solar, Wind, EV and battery technology are sectors of interests.

Looking ahead, while the geopolitical situation will lead to further short-term vitality, we do remain constructive on equities over a longer-term horizon, and seek to remain invested, in line with the current Bank of Singapore house view. Volatility is the friend of the long-term investor, and the sell-off we've seen so far in 2022 has presented appealing valuations and entry points that should prove attractive for long-term capital. We will continue to navigate short-term volatility and manage risk accordingly, whilst keeping our focus where we believe it should be - that is, over the longer term, where we aim to expose clients to longer-term winners at reasonable valuations, with our quality bias.

Fixed income:

February was a tale of two halves. Global credit underperformed earlier on as 10Y yield spike above 1.8% to breach 2% at one point. More hikes were being priced in rapidly and investors struggled with the potential impact of this on the overall bond market. Towards end of the month, the landscape changed drastically as the military conflict between Russia and Ukraine escalated into an actual invasion, with oil and commodity prices soaring while safe havens like treasuries and yen rallied. The general risk-off sentiment caused credit spreads to widen, even though credit fundamentals remain solid with healthy metrics and earnings across sectors. As global investors assessed the potential outcome of the Russia/Ukraine conflict, central banks have lesser room for error as they tread between weaker demand and potentially higher inflation, especially in the scenario of a prolonged conflict or protracted occupation.

Swathes of negative headlines continues continued to plague the Chinese property sector with many quality names that were once thought safe getting hit as well. There was a lack of any details or further confirmations on policy easing, which disappointed market as well. We continue to see encouraging developments within Brazil's political scene where the leading presidential candidate seeks a partnership with centrist politicians. While inflation remains stubbornly high in Brazil, the Brazilian Central Bank is ahead of the curve compared with its peers on rate hikes and tackling inflation. Asian credits, which is relatively cheap and distant from the conflict zone, is also starting to look interesting for countries looking to exit lockdown measures. As active bond managers we view these as opportunities to capture alpha.

Fundamentally, many EM companies are in good shape bolstered by healthy earnings and are well positioned in a rising rates environment. However, geopolitical risks and heightened commodity prices can drive returns in the near-term and we favour being defensive through credit selection. Band of Singapore's 12 month forecast for 10-year Treasuries is 2.35% (end-2021: 1.5%).

In a year where markets could face volatility and drawdowns due to quantitative tightening and geopolitical risk, maintaining an allocation to shorter dated HY bonds amidst strong corporate earnings and cashflows, could improve portfolio return profile. Our asset class preferences are neutral weight EN High Yield and underweight Investment Grade across Developed and Emerging Markets. We look to take advantage of recent and expected volatility for relative value opportunities.

### March 2022

#### General:

The BOS International Growth Fund returned -0.18% in March.

Persistently high inflation, and geopolitics dominated sentiment in March with Russia's ongoing invasion of Ukraine continuing to dominate headlines. Markets however stabilised somewhat in March. The persistent inflation conditions led to the US Federal Reserve to raise interest rates by 0.25% in March in a widely anticipated move.

Despite the volatility, the Bank of Singapore house view remains broadly neutral at this point in the cycle.

#### Equities:

While persistent inflation and Russia's invasion of Ukraine continued to dominate headlines, equity markets stabilized somewhat in March. The US market rose 3.5%. Europe and Japan were broadly flat (-0.1% and -0.7% respectively) while Asia ex Japan fell by 3.8% for the month. (Source: Bloomberg; in USD terms).

Despite geopolitical uncertainties, underlying economies and corporate earnings remain relatively buoyant for now. However, high energy prices and the war in Ukraine are causing negative revisions to forward-looking global growth expectations. Negative earnings revisions for corporate earnings are likely to follow suit. Inflation remains high and spiking energy prices will undermine consumer confidence in the near-term. Whilst earnings growth may come under pressure, current equity market valuations are more attractive, relative to recent history across the broad. The US market is trading on just under 20x forward earnings (vs. a range of 21-23x over the last 18 months) while Europe, Asia and are all trading below their 10-year averages on this measure.

In the US, Growth (+4.2%) outperformed Value (+2.9%) which is a reversal of the latter's outperformance in the earlier part of the year. The Dow Jones Industrial Average (+2.5%) underperformed both the S&P500 (+3.7%) and the NASDAQ composite (+3.5%) in March. Best performing sectors for the month were utilities, energy and real estate, while the laggards were consumer staples, telecommunication services, and financials. The ISM Manufacturing PMI for the US fell to 57.1 in March of 2022 from 58.6 in February, well below market forecasts of 59 and pointing to the slowest growth in factory activity since September of 2020. A slowdown was seen in new orders (53.8 vs 61.7), production (54.5 vs 58.5) and backlog of orders (60 vs 65) and price pressures intensified (87.1 vs 75.4) due to instability in global energy markets.

In Europe, the S&P Global eurozone manufacturing PMI was revised lower to 56.5 in March, from an initial estimate of 57 and compared with February's final 58.2. The latest reading signalled the slowest improvement in operating conditions faced by goods producers since the beginning of 2021, with a rise in geopolitical tensions mentioned as a factor weighing on demand, which also had a noticeable impact on business confidence which fell to its weakest level since May 2020. The annual inflation rate in the eurozone surged to an all-time high of 7.5% in March, compared with 5.9% in February and well above market forecasts of 6.6%. Inflation numbers broke a record for the fourth straight month, as the war in Ukraine and sanctions on Russia pushed fuel and natural gas prices to record levels, Health Care, energy and information technology were the best performing sectors in March, while utilities, real estate and consumer discretionary were the laggards.

In Asia, we have seen volatility and event risk increasing. While markets have dropped after the War started, the close relation between China and US became a bigger issue as regulatory risk and threat of possible sanctions drove Chinese equities down mid-month. Better earning results and China's announcement of its desire to avoid any sanctions and cooperation with US regulators, helped Asian markets recover into the quarter end. The biggest winner is Singapore with the index outperforming most major markets. Its safe-haven status and the country reducing Covid restrictions should drive up business activities and support growth. Earning results so far have been mostly better than expected. Major companies in the region had a better 4th quarter. Emerging Asia and countries like Indonesia performed well. Indonesia is a net exporter of oil and gas, minerals, palm oil and rubber products. While the geopolitical situation will lead to further short-term volatility, we remain constructive on equities over a longer-term horizon, and seek to remain invested, in line with the current Bank of Singapore house view. Volatility is the friend of the long-term investor, and the sell-off we've seen so far in 2022 has presented appealing valuations and entry points that should prove attractive for long-term capital. We will continue to navigate short-term volatility and manage risk accordingly, whilst keeping our focus where we believe it should be — that is, over the longer term, where we aim to expose clients to longer-term winners at reasonable valuations, while remaining true to our quality bias.

#### Fixed income:

Global credit underperformed in March as investors grappled with the possibility of 50bps hikes and the sector was hurt by both credits spread widening and rise in interest rates. US 10Y yield breached 2.50% at one point after surging from below 1.80% and investors struggled with the potential impact of this on the overall bond market. After mid-month, credit spreads stabilized as more headlines of cease-fire and de-escalation came from the meetings between Russia and Ukraine, with the drop in energy prices at one point helping as well due to US seeking to release oil reserves. This was further supported by constructive policy tone from the Chinese authorities that lent support to Chinese tech and property sectors. As global investors assessed the possibility of a recession in the event of a more aggressive Fed, bonds have the potential for greater volatility as central banks tread between weaker demand and higher inflation. The Chinese property sector benefitted from several positive developments in March, ranging from local banks guaranteeing bond issuances through SBLC schemes, to Chinese policy-makers vowing to support growth target of around 5.5%. Issuers from both Middle East and Latin America continued to benefit from elevated energy prices while credits from net energy importing countries such as Turkey and India have underperformed. As active bond managers we view these as opportunities to capture alpha.

Fundamentally, many EM companies are in good shape bolstered by healthy earnings and are well positioned in a rising rates environment. However, heightened energy prices and a more aggressive Fed can pose risks to growth, and we favor being defensive through maintaining lower duration and being active in credit selection. Bank of Singapore's 12 month forecast for 10-year Treasuries is 2.55% (end-2021: 1.5%).

In a year where markets could face volatility and drawdowns due to uncertainties in inflation and the rate hike cycle, maintaining an allocation to shorter dated HY bonds amidst strong corporate earnings and cashflows, could improve portfolio return profile. Our asset class preferences are neutral weight EM High Yield and underweight Investment Grade across both Developed and Emerging Markets. We look to take advantage of recent and expected volatility for relative value opportunities.

#### April 2022

##### General:

The BOS International Growth Fund returned -5.56% in April.

Weaker than expected European growth, a stalling US and concerns over the Chinese economy led to further risk-off conditions in markets in April 2022. Ongoing heightened inflation continues to fuel hawkish monetary policy expectations with 50 and even 75 basis point interest rate hikes in the US distinct possibilities.

Despite the volatility, the Bank of Singapore house view remains broadly neutral at this point in the cycle.

##### Equities:

Persistent inflation and Russia's ongoing invasion of Ukraine saw equity markets sell-off further in April, led by Japan which fell by 9.7%. The US and Asia fell by 9.1% and 5.8% respectively, while Europe was the relative outperformer (-5.3%) for the month. (Source: Bloomberg; in USD terms).

Geopolitical events are starting to undermine the growth outlook with the IMF cutting its global growth forecast to 3.6% during the month – down 0.8 percentage points since the fund's January projections and 1.5 percentage points lower than six months ago. Negative earnings revisions for corporate earnings are likely to follow suit. High energy prices will undermine consumer confidence in the near-term. Equity market valuations remain attractive, relative to recent history. The US market is trading on just Under 20x forward earnings (vs. a range of 21-23x over the last 18 months) while Europe, Asia and are all trading below their recent, and 10-year averages.

In the US, Value continued to outperform growth in April with MSCI US Value (-5.0%) outperforming MSCI US Growth (-13.6%) significantly. The Dow Jones Industrial Average (-4.8%) outperformed the S&P500 (-8.7%), whilst the tech heavy NASDAQ composite (-13.2%) underperformed the broader market in April (Source: Bloomberg; in USD terms). Best performing sectors for April were consumer staples, energy, and materials, while the laggards were information technology, consumer discretionary and telecommunication services. The S&P Global Manufacturing PMI was revised lower to 59.2 in April of 2022 from a preliminary 59.7, but remained above 58.8 in March. Factory growth accelerated for the third month and was the strongest since September, driven by a quicker expansion in output, a softer deterioration in vendor performance and a series-record rise in pre-production inventories.

The S&P Global Eurozone Manufacturing PMI was revised higher to 55.5 in April of 2022, from an initial estimate of 55.3 and compared with March's final 56.2. Still, it remained the lowest reading since January 2021, as output increased only marginally and at the slowest rate in the current 22-month growth sequence. Due to ongoing supply constraints, many companies suffered further production curbs while new orders growth slowed. The annual inflation rate in the Euro Area rose to a fresh record high of 7.5% in April of 2022 from 7.4% in March, and mostly in line with market expectations, as the war in Ukraine and sanctions on Russia continued to push prices of commodities higher, preliminary estimates showed. All sectors were negative for April, with consumer staples, energy and utilities being the best performing sectors in April, while financials, real estate and information technology were the laggards. Asian equity markets returned to negative territory for the month of April. Led mostly by the strict lock down of major cities along the eastern coastal region of China. Shanghai was one of the major cities affected. Exports and manufacturing continue to be challenged with China's continued Covid zero policy. High food and energy prices persisted with Indonesia banning the export of palm oil until local prices stabilised. Given all the instability and expected lower growth in the region, markets corrected in the region. Only Singapore was stable, attracting foreign investments. Toward the end of the month, China Communist Party's Politburo announced its conviction to bolster the economy and the return to normal development of platform economy marking perhaps the end of tech regulations. Chinese markets promptly responded positively.

While the geopolitical situation will lead to further short-term volatility, we remain constructive on equities over a longer-term horizon, and seek to remain invested, in line with the current Bank of Singapore house view. Volatility is the friend of the long-term investor, and the sell-off we've seen so far in 2022 has presented appealing valuations and entry points that should prove attractive for long-term capital. We do however remain cognisant of moderating growth conditions, and stick with our quality and value discipline, during these volatile times. DPM will continue to navigate short-term volatility and manage risk accordingly, whilst keeping our focus where we believe it should be – that is, over the longer term, where we aim to expose clients to longer-term winners at reasonable valuations, while remaining true to our quality bias.

Fixed income:

Treasury yields continued to march higher in April, with 10-year US Treasury yield gaining 60bps to end the month at 2.93% as market embraced 50bps hike each in May and June. Rates volatility, coupled with uncertainty of Russia-Ukraine conflict and record high inflation roiled the market. The spread between US Treasury 10-year yield and 2-year yield briefly inverted at the start of April before quickly turning positive, averaging 20bps differential since.

April monthly returns were -1.43% for JPM CEMBI High Yield (EMHY), -2.53% for JPM CEMBI Investment Grade (EMIG) and -6.58% for Bloomberg Barclays US IG (DMIG).

Fundamentally, we see corporates are well positioned, bolstered by lower leverage, healthy earnings and asset-liability management in the last 6-9 months allowed corporates to extend maturity profile, easing near-term liquidity needs. However, heightened energy prices and a more aggressive Fed can pose risks to growth. We expect this will have differentiated impact on various parts of the world as producers and exporters of commodities could stand to benefit while importers will have to fight an upheaval battle going forward.

We believe a defensive play is optimal amid more uncertainties ahead. Markets are rapidly repricing rate hike expectation with every new Fed rhetoric and developments on Russia-Ukraine conflict. We would prefer keeping a higher allocation of cash holdings in general but could use selloffs to pick up quality names at cheap valuations. Credit selection is paramount as rate hike concerns and elevated commodity prices can affect issuers differently. Performance dispersion will continue amidst geopolitical uncertainty and a well-positioned portfolio can generate positive returns from carry while limiting spread widening losses.

Our asset class preferences are to market weight Emerging Market High Yield and underweight Investment Grade across Developed and Emerging Markets. Regionally, we favour Middle East and Latin America (LatAm) issuers on the basis that energy prices are likely to stay elevated over the medium term. Policy stance appeared to have turned for Chinese tech and real estate while the market bottom may not be necessarily behind us yet.

Bank of Singapore's 12 month forecast for 10-year Treasuries is 2.95%. The Fed is likely to raise with 50bps each at upcoming meetings in May and June, with market closely monitoring if 10-year Treasury yield will cross 3% psychological barrier.

### May 2022

#### General:

The BOS International Growth Fund returned 0.28% in May.

Despite ongoing heightened inflation, and hawkish monetary policy expectations – with the US Federal Reserve (Fed) guiding the market toward further 50 basis points (bps) interest rate hikes – risk assets stabilized somewhat in May. More attractive valuations and less incremental bad news have attracted buyers back into the markets.

Despite the volatility, the Bank of Singapore house view is moderately defensive at this point in the cycle.

#### Equities:

A rally into month-end led to more stable equity market returns for May compared to prior months. Asia-ex Japan (+1.6%) and Europe (+1.1%) led the way. Japan returned +0.9%, while the US (-0.2%) was the laggard for the month. (Source: Bloomberg; in USD terms).

While corporate earnings remain generally resilient for now, forward guidance is less certain given ongoing inflation, supply chain issues, and uncertainty around the impact of higher interest rates going forward. Equity market valuations remain attractive, relative to recent history. The US market is trading at roughly 17.5x forward earnings (vs. a range of 21-23x over the last 18 months) while Europe, Asia and Japan are all trading in the 11.5x to 12.5x range – below both their recent and longer-term averages.

In the US, value again outperformed growth with MSCI US Value (+1.8%) outperforming MSCI US Growth (-2.3%) for the month of May. The Dow Jones Industrial Average (+0.3%) and S&P500 (+0.2%) were slightly positive, whilst the tech heavy NASDAQ composite (-1.9%) underperformed the broader market in May (Source: Bloomberg; in USD terms). Best performing sectors for May were energy, utilities and financials, while the laggards were consumer staples, information technology and consumer discretionary. The US ISM Manufacturing PMI unexpectedly rose to 56.1 in May 2022 from 55.4 in April, beating market forecasts of 54.5. Faster increases were seen for new orders (55.1 vs 53.5), production (54.2 vs 53.6) and inventories (55.9 vs 51.6). Also, price pressures eased for a second month (82.2 vs 84.6) while employment contracted (49.6 vs 50.9), although Companies improved their progress on addressing moderate-term labour shortages at all tiers of the supply chain.

In Europe, the S&P Global Eurozone Manufacturing PMI fell to 54.6 in May, compared with April's 55.5. Still, it remained the lowest reading since November 2020 as new orders fell for the first time since June 2020. Business confidence was among the lowest seen over the past two years amid sustained concerns surrounding the outlook for prices, supply chains and demand. Eurozone annual inflation increased to 8.1% in May, a fresh record high, from 7.4% in each of the previous two months and above forecast of 7.7%. Preliminary estimates showed energy prices Continue to record the biggest increase (39.2% vs 37.5% in April) although there is a widespread price increase, including for food, alcohol and tobacco (7.5% vs 6.3%), non-energy industrial goods (4.2% vs 3.8%) and services (3.5% vs 3.3%). Energy, telecommunication services and financials were the best performing sectors in May, while health care, consumer staples and real estate were the laggards. Asian markets were soft at the start of May before recovering toward the end. Top of the news were Shanghai's tough lock-down measures and the possibility of Beijing following the same. Higher consumer prices did not help with the weaker economy. But it was the Chinese government's several announcements of expansionary policies that helped stabilised the market. China cut mortgage and key rates to boost the property market and the weak economy. There was also the intention to increase infrastructure expenditure to jump start demand. Shanghai eased some restrictions during the month, as Covid-19 numbers dropped. Company results were affected by the prolonged lockdowns with big tech companies announcing weaker numbers. Elsewhere in Asia, emerging markets again started to ease as commodity prices seem to be peaking. Singapore continues to attract foreign direct investments and interest while facing higher import costs leading to inflationary pressure.

While the geopolitical situation and rising rate environment may lead to further short-term volatility, we were encouraged by the stabilisation in markets in May and remain constructive on equities over the longer-term horizon, and seek to largely stay invested, albeit with a slightly Underweight tilt, in line with the current house view. Volatility presents opportunity for the true long-term investor, and the sell-off we have seen so far in 2022 has presented appealing valuations and entry points that should prove attractive for long-term capital. We do however remain cognisant of moderating growth conditions, and stick with our quality and value discipline, during these volatile times. We will continue to navigate short-term volatility and manage risk accordingly, whilst keeping our focus where we believe it should be – that is, over the longer-term, where we aim to expose clients to longer-term winners at reasonable valuations, while remaining true to our quality bias.

#### Fixed income:

Treasury yields stabilised in May, with 10-year US Treasury yield falling from 2.93% to 2.84% over the month. Risk sentiment saw some recovery after more dovish than expected Fed rhetoric and easing measures in China. The spread between US Treasury 10-year yield and 2-year yield stayed in positive territory in May, after briefly inverting a month ago.

Credit markets continued to take direction from Treasury yields, which stabilized in May and provided supportive backdrop. Credit whipsawed initially after 10-year US Treasury yield spiked sharply to breach 3.1% amid fears of inflation and weak market sentiment. Credit recovered the lost ground subsequently as yield fell to the low of 2.73% and sentiment stabilised.

Monthly returns were -1.35% for JPM CEMBI High Yield (EMHY), -0.02% for JPM CEMBI Investment Grade (EMIG) and +1.32% for Bloomberg Barclays US (DMIG).

Despite many reasons to be bearish such as sustained inflation, aggressive Fed and slowdown in China, we see corporates are fundamentally well positioned, bolstered by lower leverage, healthy earnings and asset-liability management in the last 6 - 9 months. Moreover, valuations are becoming more attractive from a through-the-cycle perspective. While it may be too early to buy the dip, we believe the opportunity will emerge in time to come for investors to take advantage and generate value over the long term. For now, we believe a defensive play is optimal and we prefer keeping a higher allocation of cash holdings in general but would use selloffs to pick up quality names at cheap valuations.

Our asset class preferences are to market weight EMHY and underweight IG across DM/EM. We are generally neutral across regions but have slight preference for energy related credits as energy prices are likely to stay elevated over the medium term. Despite ongoing crackdowns and lockdowns, Chinese investment grade credits have been largely stable, outperforming the broad market amid easing measures, while Chinese distressed real estate credits are still not seeing light at the end of the tunnel. We expect the bifurcation to continue and will appropriately position our exposure.

Bank of Singapore's 12 month forecast for 10-year Treasuries is 2.95%. The Fed is likely to raise with 50bps each at upcoming meetings in June, with market closely monitoring if 10-year Treasury yield will stay around 3% area.

### June 2022

#### General:

The BOS International Growth Fund returned -6.92% in June.

Persistent inflation, interest rate hikes and hawkish monetary policy commentary undermined near-term growth outlooks globally and caused risk assets to sell off in June. More attractive valuations may start to attract buyers back into the markets, although for now, sentiment remains fragile.

During these volatile times, the Bank of Singapore house view remain defensive at this point in the cycle, particularly within Fixed Income.

#### Equities:

Equity markets resumed their sell-off in June, after May's stabilisation. Asia-ex Japan (-4.1%) was the relative outperformer, while Japan (-7.8%), the US (-8.3%) and Europe (-9.8%) all fell by high single digit percentages for the month (Source: Bloomberg; in USD terms).

While corporate earnings remain generally resilient for now, forward guidance is less certain given ongoing inflation, supply chain issues, and uncertainty around the impact of higher interest rates going forward. Equity market valuations remain attractive relative to recent history. The US market is trading at roughly 16x forward earnings (vs. highs of 21-23x over the last 18 months) while Europe, Asia and Japan are all trading in the 11.5x to 12.5x range - below both their recent and longer-term averages.

In the US, Value only marginally outperformed growth with MSCI US Value delivering -8.3% for the month versus MSCI US Growth -8.4% in June. The Dow Jones Industrial Average (-6.5%) and S&P500 (-8.3%) again outperformed the tech heavy NASDAQ composite (-8.7) in June (Source: Bloomberg; in USD terms). Best performing sectors for June were health care, consumer staples and utilities, while the laggards were financials, materials, and energy. The S&P Global Flash US Manufacturing PMI fell to 52.4 in June 2022 from 57 in May, well below market expectations of 56 and pointing to the slowest growth in factory activity for almost two years as contractions in output and new orders weighed. Production and new sales declined for the first since the depths of the pandemic in mid-2020 driven by weak client demand, as inflation, material shortages and delivery delays led some customers to pause or lower their purchases of goods.

The S&P Global Eurozone Manufacturing PMI dropped to 52 in June of 2022, from 54.4 in May, the lowest in 22 months and below market expectations of 53.9, flash estimates showed. Output fell for the first time in two years and the rate of decline looks set to accelerate in July given a steepening loss of new orders received during the month. Annual inflation rate in the Euro Area was confirmed at a record-high of 8.1% in May of 2022, above 7.4% in each of the previous two months and four times higher than a year earlier. There was a broad-based increase in prices, with energy (39.1%), food, alcohol & tobacco (7.5%), services (3.5%) and non-energy industrial goods (4.2%) making the biggest upward pressure. Health care, consumer staples and telecommunication services were the best performing sectors in June, while information technology, materials and real estate were the laggards.

In Asia, as per globally equity markets, inflation and rate hikes dominated sentiment for the month of June increased volatility adding to the already weak sentiment. While the reaction has been negative, Asia presents a peculiar case of changing sentiment towards investments especially in China. China's stringent lockdowns have started to ease with shops and even food and beverage outlets slowly re-opening. Inbound travellers' quarantine periods were also cut. China's interest rate is still heading in the opposite direction with the People's Bank of China Pledging to keep monetary policy supportive. China entertainment regulators approved a list of games, signalling a possible end to regulatory clamp down on the sector. we are also expecting additional fiscal stimulus. China's non-manufacturing PMI climbed to 54.7, signalling expansion and above expectations of 50.5. As such, China equity markets have had positive reaction attracting more investors.

The geopolitical situation and rising rate environment are undermining the near-term economic growth outlook. That said, valuations are increasingly attractive, and we remain constructive on equities over the longer-term horizon, and seek to largely stay invested, albeit with an underweight tilt, in line with the current house view. Volatility presents opportunity for the true long-term investor, and the sell-off we have seen so far in 2022 has presented appealing valuations and entry points that should prove attractive for long-term capital. We do however remain cognisant of moderating growth conditions, and stick with our quality and value discipline, during these volatile times. We will continue to navigate short-term volatility and manage risk accordingly, whilst keeping our focus where we believe it should be – that is, over the longer-term, where we aim to expose clients to longer-term winners at reasonable valuations, while remaining true to our quality bias.

#### Fixed income:

Treasury yields increased in June, with 10-year US Treasury yield rising as high as 3.49% before retreating to 3.01% over the month. Risk sentiment turned south after 75bps rate hike by the Fed followed by hawkish comments from Chairman Powell.

Inflation print remained stubbornly high, with CPI print in US came in at 8.6%, a 40-year high. Fed reiterated its commitment to arrest inflation, which worried investors with increased possibility of economic recession. This spurred the front-end yield to sell off as much as 40bps as markets priced in an aggressive Fed. The spread between 2year and 10year yield briefly inverted again in June.

Global risk assets were volatile. Credit markets continued to take direction from Treasury yields and suffered another disappointing quarter, largely driven by both interest rate duration and credit spread selloffs during the quarter amid increasing fear of aggressive Fed potentially pushing the economy in a recession in 2023.

Monthly returns were -5.05% for JPM CEMBI High Yield (EMHY), -1.65% for JPM CEMBI Investment Grade (EMIG) and -3.37% for Bloomberg Barclays US (DMIG).

While there are many reasons to be bearish such as elevated inflation, aggressive Fed and a potential recession looming in the horizon, we see most corporates fundamentally well-positioned, bolstered by low leverage, healthy earnings, and well-executed asset-liability management in the last 6-9 months. Moreover, valuations are becoming more attractive from a longer-term perspective. That said, we think it is too early to buy the dip, but the opportunity will eventually emerge for investors to take advantage of and generate value over the longer term. For now, adopting a defensive stance is optimal and we prefer keeping higher cash holdings in general but would opportunistically nibble quality names at cheap valuations.

Our asset class preferences are to underweight both IG and HY across DM/EM. We are generally neutral across regions but have slight preference for energy-related credits as energy prices are likely to stay elevated over the medium term due to years of lack of investments. China is currently on the easing path while regulatory crackdowns seemed to take a breather for the moment, which should support the economy and a potential recovery. That said, Chinese distressed real estate credits are still not seeing light at the end of the tunnel. We expect the bifurcation to continue and will appropriately position our exposure. In terms of duration, we favor a barbell approach. We like short dated HY which offer attractive return with limited default risk, while we turn more constructive on longer duration but lower spreads assets, such as A rated and above long-dated paper or even US Treasuries which should outperform in a recession scenario.

Bank of Singapore's 12 month forecast for 10-year Treasuries is 4.0%. The Fed is committed to aggressive rate hike path to arrest inflation and will likely be nimble and data-dependent when determining if it would be 50bps or 75bps hikes at up-coming meetings.

**Fund Returns**

	Total Returns			
	Class MYR-Hedged BOS		Class USD BOS	
	Fund	Target Fund	Fund	Target Fund
1.1.2022 To 31.3.2022	-3.98%	-4.25%	-	-
1.4.2022 To 30.6.2022	-11.26%	-7.60%	-	-
1 Year's Period (1.7.2021 To 30.6.2022)	-16.07%	-12.00%	-	-
Financial Year-To-Date (1.1.2022 To 30.6.2022)	-14.79%	-11.52%	-	-
Since Investing Date To 30.6.2022	-16.86%	-12.07%	-	-

	Total Returns			
	Class PP USD		Class PP MYR	
	Fund	Target Fund	Fund	Target Fund
1.1.2022 To 31.3.2022	-	-	-	-
1.4.2022 To 30.6.2022	-	-	-	-
1 Year's Period (1.7.2021 To 30.6.2022)	-	-	-	-
Financial Year-To-Date (1.1.2022 To 30.6.2022)	-	-	-	-
Since Investing Date To 30.6.2022	-	-	-	-

Notes:

- BOSWM Core Growth Fund Class MYR-Hedged BOS – Launch date: 30.4.2020; Investing date: 14.6.2021
- BOSWM Core Growth Fund Class USD BOS – Launch date: 30.4.2020; Investing date: -
- BOSWM Core Growth Fund Class PP USD – Launch date: 16.12.2021; Investing date: -
- BOSWM Core Growth Fund Class PP MYR – Launch date: 16.12.2021; Investing date: -

Source: Lipper, Bloomberg

**Asset Allocation**

**As At 30 June 2022**

Collective Investment Scheme: BOS International Fund – Growth (Class Retail C USD)	95.29%
Cash And Liquid Assets	<u>4.71%</u>
	<u>100.00%</u>

**Income Distribution**

Nil

**Net Asset Value (NAV) Per Unit**

(as at 30 June 2022)

Class MYR-Hedged BOS	RM0.8314
Class USD BOS	-
Class PP USD	-
Class PP MYR Non-Hedged	-

**Significant Changes In The State Of Affairs Of The Fund**

Amendments were made on the Target Fund's share class(es) invested by the Fund, the removal of the Fund's performance benchmark, the Fund's price for subscription in different scenarios, and the Costs for Investing in the Target Fund by the Fund. These amendments were reflected in the Fund's Third Supplementary Replacement Master Information Memorandum dated 30 May 2022.

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**As At 30 June 2022**

	<b>30.6.2022</b> <b>USD</b>
<b>Assets</b>	
Investments	974,920
Interest receivable	4
Other receivable	8,272
Financial derivatives	2,718
Cash and cash equivalents	41,528
<b>Total Assets</b>	<u>1,027,442</u>
<b>Liabilities</b>	
Amount due to Manager	899
Other payables	3,418
<b>Total Liabilities</b>	<u>4,317</u>
<b>Net Asset Value Of The Fund</b>	<u>1,023,125</u>
<b>Equity</b>	
Unitholders' capital	1,300,508
Accumulated losses	(277,383)
<b>Net Asset Value Attributable To Unitholders</b>	<u>1,023,125</u>
<b>Total Equity And Liabilities</b>	<u>1,027,442</u>
<b>Net Asset Value Attributable To Unitholders</b>	
- Class MYR-Hedged BOS	<u>1,023,125</u>
<b>Number Of Units In Circulation (Units)</b>	
- Class MYR-Hedged BOS	<u>5,424,242</u>
<b>Net Asset Value Per Unit (USD)</b>	
- Class MYR-Hedged BOS	<u>0.1887</u>
<b>Net Asset Value Per Unit In Respective Currency</b>	
- Class MYR-Hedged BOS	<u>RM0.8314</u>

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Financial Period From 1 January 2022 To 30 June 2022**

	<b>1.1.2022 to 30.6.2022 USD</b>
<b>Investment Loss</b>	
Interest income	284
Net loss on investments	
- Financial assets at fair value through profit or loss	(191,868)
- Foreign exchange	(2,184)
- Financial derivatives	(38,420)
Net unrealised loss on changes in value of financial assets at fair value through profit or loss	(10,219)
	<u>(242,407)</u>
<b>Expenses</b>	
Audit fee	895
Tax agent's fee	299
Manager's fee	2,082
Trustee's fee	230
Administration expenses	1,802
	<u>5,308</u>
<b>Net Loss Before Taxation</b>	(247,715)
<b>Taxation</b>	-
<b>Net Loss After Taxation, Representing Total Comprehensive Loss For The Period</b>	<u>(247,715)</u>
<b>Total Comprehensive Loss</b>	<u>(247,715)</u>
<b>Total Comprehensive Loss Is Made Up As Follows:</b>	
Realised loss	(237,496)
Unrealised loss	(10,219)
	<u>(247,715)</u>



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**Institutional Unit Trust Advisers (IUTA)**

For more details on the list of appointed IUTA (if any), please contact the Manager. Our IUTA may not carry the complete set of our funds. Investments made via our IUTA may be subject to different terms and conditions.

**IMPORTANT NOTICES**

**Beware of phishing scams**

Kindly be alert of any email or SMS that requires you to provide your personal information and/or to login to your account via an unsolicited link. Do not click on email links or URLs without verifying the sender of the email. Please ensure the actual internet address is displayed i.e. [www.boswealthmanagement.com.my](http://www.boswealthmanagement.com.my)

If you suspect your account may be compromised and/or would like to seek clarification, please contact us as above.

**Update of particulars**

Investors are advised to furnish us with updated personal details on a timely basis. You may do so by downloading and completing the Update of Particulars Form available at [www.boswealthmanagement.com.my](http://www.boswealthmanagement.com.my), and e-mail to [customercare@boswm.com](mailto:customercare@boswm.com). Alternatively, you may call us as above.