BOS WEALTH MANAGEMENT
A subsidiary of Bank of Singapore

BOSWM EMERGING MARKET BOND 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 Emerging Market Bond Fund
Manager Of Fund	:	BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)
Name Of Target Fund	:	Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund
Investment Manager Of Target Fund	:	Lion Global Investors Limited (198601745D) (formerly known as Lion Capital Management Limited)
Sub-Investment Manager Of Target Fund	:	Bank of Singapore Limited (197700866R)
Launch Date	:	Class MYR – 26 January 2016 Class MYR BOS – 12 September 2019 Class USD BOS – 12 September 2019 The Fund will continue its operations until terminated as provided under Part 11 of the Deed.
Category Of Fund	:	Fixed income – feeder fund (wholesale)
Type Of Fund	:	Growth and income□
Investment Objective	:	BOSWM Emerging Market Bond Fund aims to provide capital growth and income□ in the medium* to long term* by investing in the Target Fund □ *Income is in reference to the Fund's distribution, which will be in the form of cash or units.* * *Medium term is defined as a period of one to three years, and long term is a period of more than three years.*
Performance Benchmark	:	From 1 March 2021 onwards: Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund Prior to 1 March 2021 – Composite Benchmark: 45% JP Morgan Emerging Market Bond Index (EMBI) Corporate Bond High Grade Index 50% JP Morgan Emerging Market Bond Index (EMBI) Corporate High Yield Index 5% 1-month USD LIBOR

Distribution Policy	:	Subject to the availability of income, distribution of income will be on a quarterly basis.
Fund Size	:	25.69 million units

FUND PERFORMANCE
For The Financial Period From 1 January 2022 To 30 June 2022

Market And Fund Review
Review Of The Lion Capital Funds II – Lion-Bank Of Singapore Emerging Market Bond Fund (Target Fund Of BOSWM Emerging Market Bond Fund)

January 2022
The 10 Year US Treasury (UST) yield spiked above 1.7% during early January 2022 and range traded between 1.7% to 1.9% for the rest of the month. Overall, UST curves bear flattened with rate differential between 5 Year/10 Year touching a low of 14 basis points (bps). Recent economic data painted a mixed picture regarding impact of the Omicron wave where manufacturing survey showed declines while labour data continue to show signs of tightness. Global bond markets were pressured by rising Treasury yields and bouts of risk off sentiments, with idiosyncratic headlines in various Emerging Market (EM) countries. Returns for the month were -2.2% for JPM CEMBI High Yield (EMHY), -1.9% for JPM CEMBI Investment Grade (EMIG) and -4% for Bloomberg Barclays US (DMIG). With inflation likely to peak in the spring and start falling towards the Fed's 2% target, we expect the Federal Open Market Committee will stick to quarterly rate rises in 2022 and thus not shock investors.

EMIG bonds returns were -1.9% in January 2022 as the sector was hurt by a double whammy of spread widening and rates under performance due to concerns about the speed of monetary policy tightening. Regionally, Latin America (LATAM) saw stabilization in January 2022 as investors take comfort with better political developments in Brazil ahead of the 2022 elections.

Geopolitical uncertainty continued to dominate Central and Eastern Europe, Middle East and Africa due to Russia/Ukraine tensions, affecting both sovereign and corporate credits. In Asia, spreads across several sectors have corrected especially in India and Southeast Asia sub financials. Higher rates will remain a factor driving returns while this is balanced by a modestly healthy yield pickup of EM against Developing Markets (DM). We look for relative value opportunities amidst the continued and expected volatility.

EMHY bonds returns were -2.2% in January 2022 with Asia reversing some of its Q4 2021 underperformance. Positive headlines of potential easing for the Chinese property sector drove bond prices higher though some profit taking was seen ahead of Lunar New Year. Turkey outperformed on signs of currency stability while Russia and Ukraine were key underperformers as Russia continued to amass troops near Ukrainian border. Improving developments were seen in Brazil as the leading presidential candidate sought 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. In a year where markets could face volatility and drawdowns due to quantitative tightening, maintaining an allocation to shorter dated High Yield (HY) bonds amidst strong corporate earnings and cash flows, could improve portfolio returns.

Recent repricing also provides many opportunities to pick up quality names at cheaper valuations. Our asset class preferences are to maintain a neutral weight in EMHY and underweight IG across DM / EM. Regionally, LATAM elections provide good entry points for bond investors while Asia HY should benefit from incremental signs of government support within the Chinese property sector. Looking forward, credit selection and curve positioning are very important as global markets no longer benefit from a rising tide that lifts all boats. Even in a year of rate hikes, a well-positioned portfolio can generate positive returns from carry and spread tightening while limiting duration losses. In January 2022, the Fund continues to diversify across good quality assets ex-Asia, whilst monitoring for further contagion risk from the Chinese HY sectors.

February 2022

The 10-year US Treasury yield touched highs of 2.06% at mid-February 2022 then traded down rapidly to 1.80% as the conflict between Russia and Ukraine escalated. Overall, US Treasury curves bull flattened with rate differential between 2 year and 5 year touching lows of 27 basis points (bps) on full blown risk aversion as market pares bets for a more aggressive US Federal Reserve (Fed). The market now sees 4.8 hikes in 2022, down from the peak of 6.5 hikes before the war broke out.

Global bond markets were pressured by rising credit spreads amidst risk off sentiments as market worries about the possibility of stagflation and escalation of military conflict by Russia. Returns for the month were -6.4% for JPM CEMBI High Yield (EMHY), -4.4% for JPM CEMBI Investment Grade (EMIG) and -2.2% for Bloomberg Barclays US (DMIG). Bank of Singapore’s 12-month forecast for 10-year Treasuries is 2.35% (as of end February 2022). With inflation likely to peak in the spring and start falling towards the central bank’s 2% target, the Fed is likely to lift interest rates by 25bps each in March, May, June, September and December this year.

Volatility is likely to continue ahead as the Russia/Ukraine military conflict drags out, while the Fed’s reaction retains a degree of uncertainty as commodity prices spikes. Recent selloffs also provided many opportunities to pick up quality names at cheaper valuations. Our asset class preferences are to maintain a neutral weight in Emerging Market HY and underweight IG across Developing Markets and Emerging Markets. Regionally, Asia HY looks cheap and distant from the conflict in Ukraine while Latin America elections provide good entry points for bond investors. At the same time, the Fund maintains an allocation to shorter-dated bonds with strong corporate earnings and cashflows, which would improve portfolio return profile.

Looking forward, defensiveness in credit selection is key as markets witness a potential change in the current world order. Even amid geopolitical uncertainty, a well-positioned portfolio can generate positive returns from carry while limiting spread widening losses. In February 2022, the Fund continued to maintain diversification across good quality assets in ex-Asia, whilst monitoring for further contagion risk from the Russia-Ukraine crisis.

<u>March 2022</u>
Treasury yields rose significantly during 1st Quarter 2022, with 10-Year US Treasury yield having started the year at 1.50% and touching a high of 2.55% at end March 2022. Inflation expectations, US Federal Reserve (Fed) policy dynamics and concerns over energy/metals/food price increases driven by the Russian-Ukraine conflict are likely to remain key near term drivers of rates. Overall, US Treasury curves bear-flattened with rate differential between 5 to 10 year inverting to 12 basis points (bps) by end-March 2022.

Global bond markets suffered from both interest rate and credit spread selloffs during the quarter given increased market concerns about a more aggressive Fed. Quarterly returns were 10.6% for JPM CEMBI High Yield (EMHY), 9.5% for JPM CEMBI Investment Grade (EMIG) and 8.5% for Bloomberg Barclays US Developing Markets Investment Grade (DMIG). Bank of Singapore's 12-month forecast for 10-Year US Treasuries is 2.55%. The Fed is likely to continue with more hikes at upcoming meetings, and its hawkishness is set to keep pushing US yields higher.

Our asset class preferences are to Market Weight EMHY and Underweight IG across DM/EM. Regionally, we favour Gulf Cooperation Council and Latin America issuers on the basis that energy prices are likely to stay elevated in the longer term. Policy angle seemed to have turned for Chinese tech and real estate after Vice Premier Liu He's supportive speech. Credit selection is very important 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.

A defensive play is optimal as we head into a period of uncertainty. Markets are rapidly repricing the number of hikes with every new Fed rhetoric and potential resolution between Russia and Ukraine. We would use recent selloffs to pick up quality names at cheap valuations but would prefer to increase weights on cash holdings overall. In March 2022, the Fund reduced risk by trimming some Middle Eastern and Latin American exposures, whilst monitoring for further contagion risk from the evolving Russia-Ukraine crisis.

April 2022
Treasury yields continued to march higher in April 2022, with 10-Year US Treasury yield gaining 60 basis points (bps) to end the month at 2.94%. With the Fed hiking rates by 50 bps in May 2022 and market pricing in a 50 bps hike in June 2022, 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 2022 before quickly turning positive, averaging 20bps differential since. 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 (DMIG). Bank of Singapore’s 12-month forecast for 10-Year Treasuries is 2.95%. The US Federal Reserve (Fed) is likely to raise rates by 50 bps each at upcoming meetings in June 2022 and July 2022, with market closely monitoring if 10-Year Treasury yield will cross 3% psychological barrier.

April 2022 marked a new era where Russian bonds are removed from the major credit indices globally. But what happened in Russia / Ukraine have repercussions elsewhere, as importers generally underperformed amid high energy/commodities/ food prices. In terms of region, Latin America (Latam) underperformed due to its highest duration in Emerging Markets. Albeit lockdowns in some parts of China to combat Covid-19, China Investment Grade remained relatively resilient as the country continued to ease fiscal and monetary policies. Within Asia, the Chinese High Yield (HY) space initially saw some recovery after more easing policies in China to counter Covid-19 induced economic slowdown but pared back the gains towards the end of the month amid continued local lockdowns. China HY ended the month 0.1%, which still outperformed the broad market. Latam underperformed due to the region's longer duration, as well as negative sentiment on Mexican Petroleum (PEMEX) from headlines of potentially less-than-expected support from the state.

Higher rates will remain a factor driving returns though this is balanced by a modestly healthy yield pickup to Developed Markets (DM) and shorter duration to DM. EMIG selectively continue to offer value especially in countries/sectors that have repriced in valuations. Overall, we prefer to maintain underweight EMIG and positive stance towards EMHY.

Given that most surviving corporates are experiencing healthy cash flows stepping out of Covid-19 shadow, short-dated HY bonds should do well in a year where both risk assets and interest rates are volatile. Similarly, credit selection remains 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. In April 2022, the Fund reduced risk by trimming some Asian and Latam exposures, whilst monitoring for further contagion risk from the evolving Russia-Ukraine crisis.

May 2022

Treasury yields stabilised in May 2022, with the US Treasury 10-Year yield falling from 2.94% to 2.84% over the month. Risk sentiment saw some recovery after more dovish-than-expected US Federal Reserve (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 2022, after briefly inverting a month ago. May 2022 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). The Fed is expected to raise rates by 50 basis points (bps) each at upcoming meetings in June 2022 and July 2022, with the market closely monitoring if US Treasury 10-Year yield will stay around 3% area.

Asia Investment Grade (IG) generally outperformed while Latin America (LATAM) and Central and Eastern European Middle East and Africa underperformed. Politics were another factor as Colombia and Chile underperformed in the face of politics. China outperformed amid fiscal and monetary easing to counter the economic impact of lockdown. Within Asia, the Chinese High Yield (HY) space underperformed amid depressed sales and lockdowns but with some green shoots as selected better quality developers managed to issue debt onshore with some form of credit enhancement features. Debt extension by Greenland shocked the market, which turned more skeptical about the benefits of state ownership. Elsewhere, Turkey, Colombia and Chile underperformed while Middle East continued to outperform on the back of strong energy prices.

We anticipate that the combination of aggressive hiking by central banks to combat inflation coupled with the Fed balance sheet reduction is likely to increase volatility into the second half of this year as overall financial conditions become tighter. We remain alert to a potential policy misstep by the Fed that results in a hard landing but this is not our base case as the US economy has strong tailwinds from reopening and a strong labour market. Our asset class preferences stay with Market Weight Emerging Market High Yield and Underweight IG across Developing Markets/Emerging Markets. Regionally, we favour Gulf Cooperation Council and LATAM issuers on the basis that energy prices are likely to stay elevated over the medium term.

Credit selection remains key as rising rate concerns and elevated commodity prices can have divergent impact across the board. Performance dispersion will continue amidst geopolitical uncertainty and a well-positioned portfolio can generate positive returns from carry while limiting spread widening losses. In May 2022, the Fund reduced risk further by lowering exposure to central Asia, whilst monitoring for further contagion risk from the Eastern European conflict.

June 2022

Treasury yields rose sharply during 2nd Quarter 2022. US10-Year Treasury yield started at 2.35%, reaching 3.44% at peak in June 2022 before retracing to 3.01%. Inflation print remained stubbornly high, as the US Federal Reserve (Fed) hiked 50 basis points (bps) in May 2022 and 75 bps in June 2022. Global risk assets continued to be highly volatile, as bond markets suffered another disappointing quarter, largely driven by both interest rate duration and credit spread selloffs, amid increasing fear of aggressive Fed potentially pushing the economy in a recession in 2023. 2nd Quarter 2022 returns were 7.67% for JPM CEMBI High Yield (EMHY), 4.16% for JPM CEMBI Investment Grade (EMIG) and 8.53% for Bloomberg Barclays US (DMIG). Bank of Singapore's 12-month forecast for US10-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 whether it will be 50 bps or 75 bps hikes at upcoming meetings.

Regionally, Asia generally outperformed Central, Eastern Europe, Middle East and Africa and Latin America (LATAM). China remained resilient in the Investment Grade (IG) space as it is one of the few countries who are on an easing path in contrast to most of major economies globally. Major rating agencies revised India's sovereign rating outlook to stable, reducing the fallen angel risk of Indian IG. Within Asia, the Chinese Property High Yield space continued to see volatility amid negative headlines despite China being on a broad-based easing mode. Several rating actions, such as the downgrade of Country Garden to HY and Fosun placed on review for downgrade by Moody's added volatility. Commodities-related names were not spared from the sell-off, as outlook for commodities prices turned murky due to increased possibility of a recession leading to weaker demand.

In terms of asset class, we prefer to Underweight EMIG. Higher rates will remain a factor driving returns though this is balanced by a modestly healthy yield pick up to Developed Markets (DM). EMIG selectively continue to offer value especially in countries/sectors that have repriced in valuations. Regionally, we favour Middle Eastern and LATAM issuers as energy prices are likely to stay elevated in the longer term. Policy stance appeared to have turned in China but more time is needed for a market bottom to form. We also turn more constructive on high grade longer duration bonds, and even US Treasuries which should outperform in a recession scenario. Credit selection is paramount. We would stay nimble to strive for a well-positioned portfolio that can generate positive returns from carry while limiting spread widening losses. In June 2022, the Fund reduced LATAM risk further, whilst monitoring for further contagion risk from Asia HY and Eastern Europe.

Fund Returns

	Total Returns					
	Class MYR		Class MYR BOS		Class USD BOS	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
1.1.2022 To 31.3.2022	-7.59%	-7.29%	-7.43%	-7.29%	-7.93%	-8.14%
1.4.2022 To 30.6.2022	-8.25%	-4.10%	-8.42%	-4.10%	-8.59%	-8.51%
1 Year's Period (1.7.2021 To 30.6.2022)	-19.20%	-15.05%	-19.27%	-15.05%	-20.16%	-19.98%
3 Years' Period (1.7.2019 To 30.6.2022)	-14.83%	-8.24%	-	-	-	-
5 Years' Period (1.7.2017 To 30.6.2022)	-8.12%	-4.49%	-	-	-	-
Financial Year-To-Date (1.1.2022 To 30.6.2022)	-15.21%	-11.09%	-15.23%	-11.09%	-15.84%	-15.96%
Since Investing Date To 30.6.2022	0.53%	11.43%	-15.82%	-9.50%	-3.86%	-14.46%

Note:
- BOSWM Emerging Market Bond Fund Class MYR – Launch date: 26.1.2016; Investing date: 2.3.2016
- BOSWM Emerging Market Bond Fund Class MYR BOS – Launch date: 12.9.2019; Investing date: 12.9.2019
- BOSWM Emerging Market Bond Fund Class USD BOS – Launch date: 12.9.2019; Investing date: 12.9.2019

Source: Lipper, Bloomberg

Asset Allocation

	As At 30 June 2022
Collective Investment Scheme:	
Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund USD Class C (Distribution) and/or USD Class C (Accumulation)	98.01%*
Cash And Liquid Assets	1.99%
	100.00%

** Inclusive of forward contracts.*

Income Distribution

	Class MYR	Class MYR BOS	Class USD BOS
Gross distribution per unit	-	29.4.2022: 0.20 sen	-
Net distribution per unit	-	29.4.2022: 0.19 sen	-

Net Asset Value (NAV) Per Unit

(as at 30 June 2022)

Class MYR	RM0.9033
Class MYR BOS	RM0.8185
Class USD BOS	USD0.9614

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 Manager's corporate information, the Costs for Investing in the Target Fund by the Fund as well as the disclosure pertaining to potential US Person subscribers of the Fund and the Fund's price for subscription and redemption after the initial offer period. These amendments were reflected in the Fund's First Supplementary Replacement Master Information Memorandum dated 31 March 2022.

UNAUDITED STATEMENT OF FINANCIAL POSITION
As At 30 June 2022

	30.6.2022 RM
Assets	
Investments	22,230,915
Interest receivable	21
Other receivables	81,802
Cash and cash equivalents	416,680
Total Assets	22,729,418
Liabilities	
Amount due to Manager	24,586
Tax payable	16,309
Other payables	17,169
Financial derivatives	536,221
Total Liabilities	594,285
Net Asset Value Of The Fund	22,135,133
Equity	
Unitholders' capital	28,327,394
Accumulated losses	(6,192,261)
Net Asset Value Attributable To Unitholders	22,135,133
Total Equity And Liabilities	22,729,418

UNAUDITED STATEMENT OF FINANCIAL POSITION (continuation)
As At 30 June 2022

	30.6.2022 RM
Net Asset Value Attributable To Unitholders	
- Class MYR	11,668,234
- Class MYR BOS	10,456,306
- Class USD BOS	10,593
	22,135,133
Number Of Units In Circulation (Units)	
- Class MYR	12,918,741
- Class MYR BOS	12,775,878
- Class USD BOS	2,500
Net Asset Value Per Unit (MYR)	
- Class MYR	0.9033
- Class MYR BOS	0.8185
- Class USD BOS	4.2371
Net Asset Value Per Unit In Respective Currencies	
- Class MYR	RM0.9033
- Class MYR BOS	RM0.8185
- Class USD BOS	USD 0.9614

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

	1.1.2022 to 30.6.2022 RM
Investment Loss	
Gross dividends from financial assets at fair value through profit or loss	543,619
Interest income	3,724
Net loss on investments	
- Financial assets at fair value through profit or loss	(5,096,497)
- Foreign exchange	121,810
- Financial derivatives	(324,136)
Net unrealised gain on changes in value of financial assets at fair value through profit or loss	854,196
	(3,897,284)
Expenses	
Audit fee	3,819
Tax agent's fee	1,276
Manager's fee	69,445
Trustee's fee	4,832
Administration expenses	7,839
	87,211
Net Loss Before Finance Cost And Taxation	(3,984,495)
Finance Cost - Distribution	
- Class MYR BOS	(24,661)
Net Loss Before Taxation	(4,009,156)
Taxation	(16,309)
Net Loss After Taxation, Representing Total Comprehensive Loss For The Period	(4,025,465)
Total Comprehensive Loss	(4,025,465)
Total Comprehensive Loss Is Made Up As Follows:	
Realised loss	(4,879,661)
Unrealised gain	854,196
	(4,025,465)

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

	1.1.2022 to 30.6.2022 RM
Distribution For The Financial Period	
Net distribution - Class MYR BOS	24,661
Gross distribution per unit in sen	
Class MYR BOS	0.20
Net distribution per unit in sen	
Class MYR BOS	0.19

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BOS WEALTH MANAGEMENT MALAYSIA BERHAD 199501006861 (336059-U)
A subsidiary of Bank of Singapore

09-02, Level 9, Imazium
No. 8 Jalan SS 21/37
Damansara Uptown
47400 Petaling Jaya, Selangor
Tel: 03-7712 3000
customercare@boswm.com
www.boswealthmanagement.com.my

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

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, and e-mail to customercare@boswm.com. Alternatively, you may call us as above.