



**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 31 March 2022**



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**FUND INFORMATION****As At 31 March 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 <sup>□</sup>
Investment Objective	: BOSWM Emerging Market Bond Fund aims to provide capital growth and income <sup>□</sup> in the medium* to long term* by investing in the Target Fund.  <sup>□</sup> Income is in reference to the Fund's distribution, which could 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	: 25.80 million units

**FUND PERFORMANCE****For The Financial Period From 1 January 2022 To 31 March 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.

### March 2022

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.

**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 Year's Period (1.4.2021 To 31.3.2022)	-10.64%	-9.94%	-10.52%	-9.94%	-11.55%	-11.19%
3 Years' Period (1.4.2019 To 31.3.2022)	-4.71%	-0.55%	-	-	-	-
Financial Year-To-Date (1.1.2022 To 31.3.2022)	-7.59%	-7.29%	-7.43%	-7.29%	-7.93%	-8.14%
Since Investing Date To 31.3.2022	9.57%	16.20%	-8.09%	-5.63%	5.17%	-6.50%

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 31 March 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)	98.69%
Cash And Liquid Assets	1.31%
	<u>100.00%</u>

**Income Distribution**

	<b>Class MYR</b>	<b>Class MYR BOS</b>	<b>Class USD BOS</b>
<b>Gross distribution per unit</b>	-	-	-
<b>Net distribution per unit</b>	-	-	-

**NAV per unit**

(as at 31 March 2022)

Class MYR	RM0.9845
Class MYR BOS	RM0.8927
Class USD BOS	USD1.0517

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**As At 31 March 2022**

	<b>31.3.2022</b>
	<b>RM</b>
<b>Assets</b>	
Investments	23,922,202
Interest receivable	11
Other receivables	42,286
Financial derivatives	49,072
Cash and cash equivalents	278,655
<b>Total Assets</b>	<u>24,292,226</u>
<b>Liabilities</b>	
Amount due to Manager	26,752
Tax payable	8,541
Other payables	17,250
<b>Total Liabilities</b>	<u>52,543</u>
<b>Net Asset Value Of The Fund</b>	<u>24,239,683</u>
<b>Equity</b>	
Unitholders' capital	28,441,033
Accumulated losses	(4,201,350)
<b>Net Asset Value Attributable To Unitholders</b>	<u>24,239,683</u>
<b>Total Equity And Liabilities</b>	<u>24,292,226</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION (continuation)**  
**As At 31 March 2022**

	<b>31.3.2022</b>
	<b>RM</b>
<b>Net Asset Value Attributable To Unitholders</b>	
- Class MYR	12,847,268
- Class MYR BOS	11,381,368
- Class USD BOS	11,047
	<u>24,239,683</u>
<b>Number Of Units In Circulation (Units)</b>	
- Class MYR	13,049,623
- Class MYR BOS	<u>12,749,720</u>
- Class USD BOS	<u>2,500</u>
<b>Net Asset Value Per Unit (MYR)</b>	
- Class MYR	0.9845
- Class MYR BOS	<u>0.8927</u>
- Class USD BOS	<u>4.4189</u>
<b>Net Asset Value Per Unit In Respective Currencies</b>	
- Class MYR	<u>RM0.9845</u>
- Class MYR BOS	<u>RM0.8927</u>
- Class USD BOS	<u>USD1.0517</u>

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Financial Period From 1 January 2022 To 31 March 2022**

	<b>1.1.2022 to 31.3.2022 RM</b>
<b>Investment Loss</b>	
Gross dividends from financial assets at fair value through profit or loss	284,709
Interest income	2,262
Net gains on investments	
- Financial assets at fair value through profit or loss	(49,899)
- Foreign exchange	(26,713)
- Financial derivatives	117,224
Net unrealised loss on changes in value of financial assets at fair value through profit or loss	(2,293,383)
	<u>(1,965,800)</u>
<b>Expenses</b>	
Audit fee	1,899
Tax agent's fee	635
Manager's fee	39,794
Trustee's fee	2,494
Administration expenses	15,391
	<u>60,213</u>
<b>Net Loss Before Taxation</b>	(2,026,013)
<b>Taxation</b>	(8,541)
<b>Net Loss After Taxation</b>	<u>(2,034,554)</u>
<b>Total Comprehensive Loss</b>	<u>(2,034,554)</u>
<b>Total Comprehensive Loss Is Made Up As Follows:</b>	
Realised income	258,829
Unrealised loss	(2,293,383)
	<u>(2,034,554)</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 . Alternatively, you may call us as above.