

# Unit Trust

## Principal Heritage Balanced Fund

### Why this fund?

- SGD retirement solution for balanced mandates
- For investors who seek to benefit from a balanced approach between capital growth and income payout
- Target distribution: up to 3.5% p.a., paid monthly

### What is this fund all about?

- **An SGD Balanced Portfolio:** The Strategic Asset Allocation of the fund comprises 25% each to Singapore (SG) bonds, Asian bonds, S-REITs/high dividend SG equities, and Asian equities. The strategy aims to uncover the best opportunities and has the flexibility to allocate  $\pm 15\%$  to its equity/bond sleeves. The bonds in the sleeve would provide a stable and predictable level of income, while the equity sub-portfolio comprises components of both growth and yield provided by Asia ex Japan equities and REITs respectively.
- **Capture upside returns while mitigating drawdowns:** The strategy aims to capture upside potential from multiple sources and reduces overall portfolio risk through broader diversification. The S-REITs and Asia ex-Japan equity allocations allow it to achieve capital growth, while the SG and Asian bond allocations offer stable income and downside protection.
- **Benefit from Singapore REITs for retirement portfolios:** S-REITs tend to offer stable and predictable yield, as well as potential for capital gains. Though more volatile than bonds, they provide portfolio diversification.

### What is the key risk?

The key risks of the fund include market risk, small/mid cap risk, interest rate risk, credit risks, regional risk (Asia), and illiquidity risk.

### Performance contributors

	YTD Contributors	YTD Detractors
<b>Sector/Asset Class</b>	<ul style="list-style-type: none"> <li>• Asian Equities</li> <li>• Fixed Income</li> <li>• Cash and equivalents</li> </ul>	<ul style="list-style-type: none"> <li>• REITs</li> </ul>

### What the target manager says

In November 2020, the fund returned 3.2%. Both Fixed Income and Equities delivered positive returns. Within the Equities sub-portfolio, Singapore REITs outperformed Asia Equities. Singapore REITs recovered strongly in November 2020 after the sharp sell-off in October 2020. On the Fixed Income sub-portfolio, the fund is cautious on duration as it expects US Treasury yields to drift higher due to larger US Treasury issuances, stronger US macro data, and rising inflation expectations. The fund expects the rise to be orderly and manageable as the Fed remains committed to bond purchases. In terms of the credit view, it continues to favour High Yield over Investment Grade. It sees some room for spread compression, led by the high yielders from vaccine optimism and with the US election uncertainty largely behind the fund. The fund is positioned in the structural winners in a post Covid world. It expects increase demand in logistics as well as data centres due to the digitization trends accelerated by the Covid-19 pandemic. Increase in tech companies setting up office in SG over the medium term could benefit the business part segment as these companies may start with a front office function in an office block before some of the other functions move to Singapore which can be housed within a business park/high tech building. The fund remains constructive on Asian equities as it expects Asian equities to benefit from the tailwinds of USD weakness, abundant liquidity and improving risk appetite. The fund remains positive on the Technology sector, although it expects the pace of outperformance of the Technology sector

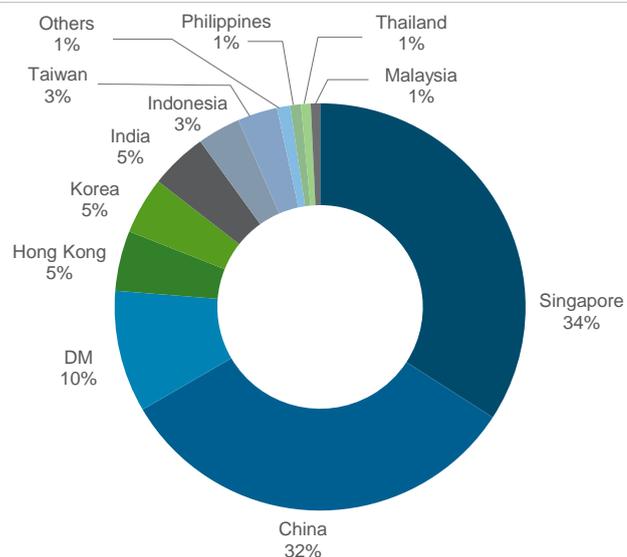
against the broad market to be less steep compared to earlier this year. With the broadening out of the rally, some of the laggards thus far could play catch up and that would provide another anchor to the overall Asian equities complex.

## PERFORMANCE (%)

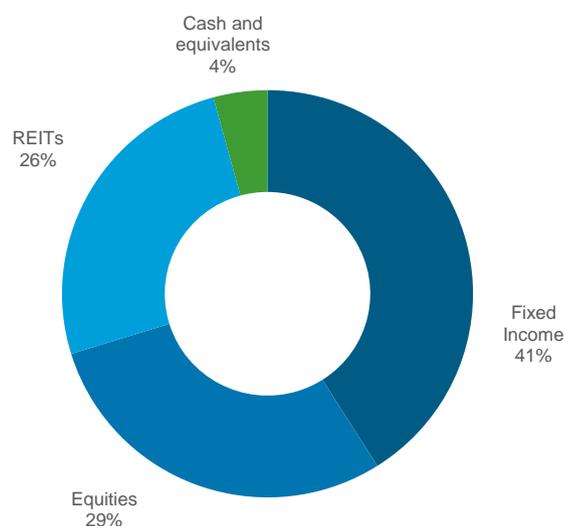
	2020*	2019	3Y (ann.)
<b>Principal Heritage Balanced Fund</b>	5.10	NA	NA

Source: Morningstar. Performance in SGD NAV-to-NAV with dividends reinvested. \*Since feeder fund inception on 10<sup>th</sup> July 2020.

## COUNTRY ALLOCATION



## ASSET ALLOCATION



## KEY FUND CHARACTERISTICS

<b>Target Manager Name</b>	Vincent Chan, Lee Guoquan
<b>Benchmark</b>	No Benchmark
<b>Standard Deviation (since inception)</b>	11.18%
<b>Sharpe Ratio (since inception)</b>	0.63
<b>Product Risk Rating</b>	3

All data are extracted from the target fund as of 31-December-2020 unless otherwise stated.

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