



# **Nikko AM SGD Investment Grade Corporate Bond ETF**

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Singapore corporate bonds now made affordable  
for everyone

# Singapore's first investment grade corporate bond ETF

Companies issue bonds as a form of borrowing to fund business activities, expansion or new ventures. These corporate bonds typically trade in large blocks of at least SGD 250,000, and are not usually accessible to individual investors.

The Nikko AM SGD Investment Grade Corporate Bond ETF (the "Fund") is the first to offer investors easy access to SGD-denominated, investment grade corporate bonds in affordable units.

The Fund aims to replicate the performance of the iBoxx SGD Non-Sovereigns Large Cap Investment Grade Index (the "Index").

In Singapore, the Nikko AM SGD Investment Grade Corporate Bond Index Fund is classified as an Excluded Investment Product. This means that a Customer Account Review is not required before an investor transacts in the Fund.

The Fund is included under the CPF Investment Scheme ("CPFIS") – Ordinary Account and is classified under the Low to Medium Risk – Narrowly Focused – Country – Singapore category.

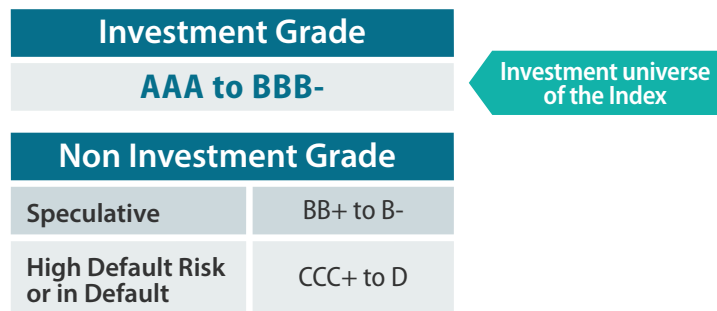
## Investment grade bonds

The Index enjoys an A+ average credit rating\* and invests in investment grade bonds. An investment grade rating shows that the corporate bond has a relatively lower risk of default, and are normally rated from AAA to BBB- (S&P).

Bonds with credit ratings lower than BBB- (S&P) are considered to have a lower credit quality. They are also commonly known as Junk Bonds, and subject investors to more uncertain coupon payments as well as higher default risk.

\*Nikko AM 30 Sep 2024

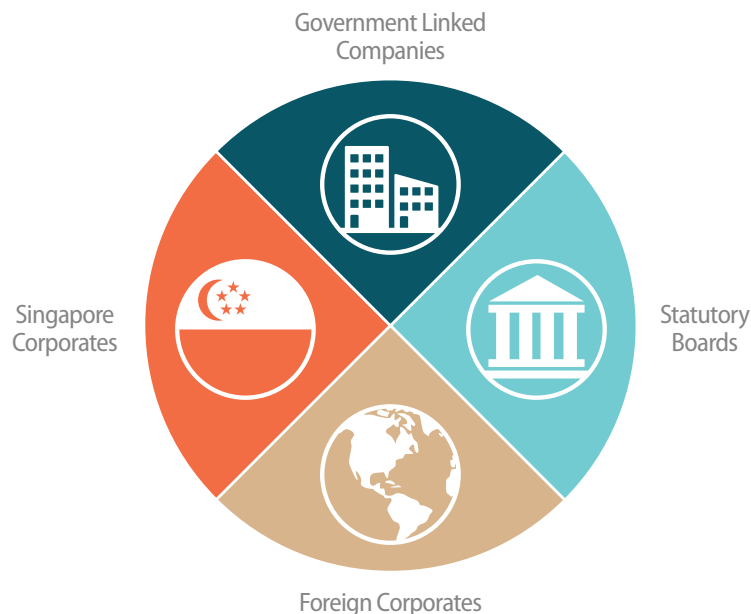
Figure 1:



## Investment grade issuers

The Index comprises bonds issued by established and credible institutions such as sovereign wealth fund **Temasek Financial I Limited** and statutory boards such as the **Housing Development Board (HDB)**, the **Land Transport Authority (LTA)**, and the **Public Utilities Board (PUB)**.

Figure 2:



For pictorial illustration only.

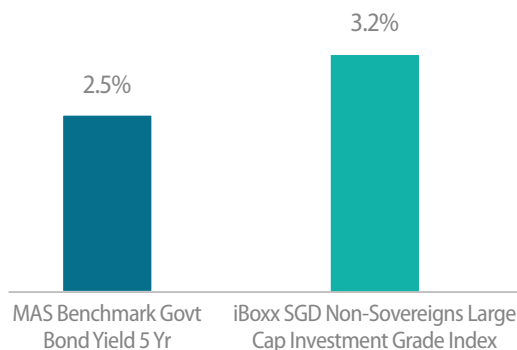
# Why invest in this ETF?

## 1. Higher yield backed by investment grade credit quality

With a yield of 3.2%, the Index offers higher yield as compared to the MAS Benchmark Government Bond Yield 5 Year at 2.5%. This is to compensate investors for taking on additional credit risk on top of interest rate risk.

Nevertheless, it should be noted that this Index focuses on investment grade issuers, which seeks to minimise credit risk exposure.

Figure 3: Yield (% p.a.)<sup>^</sup>



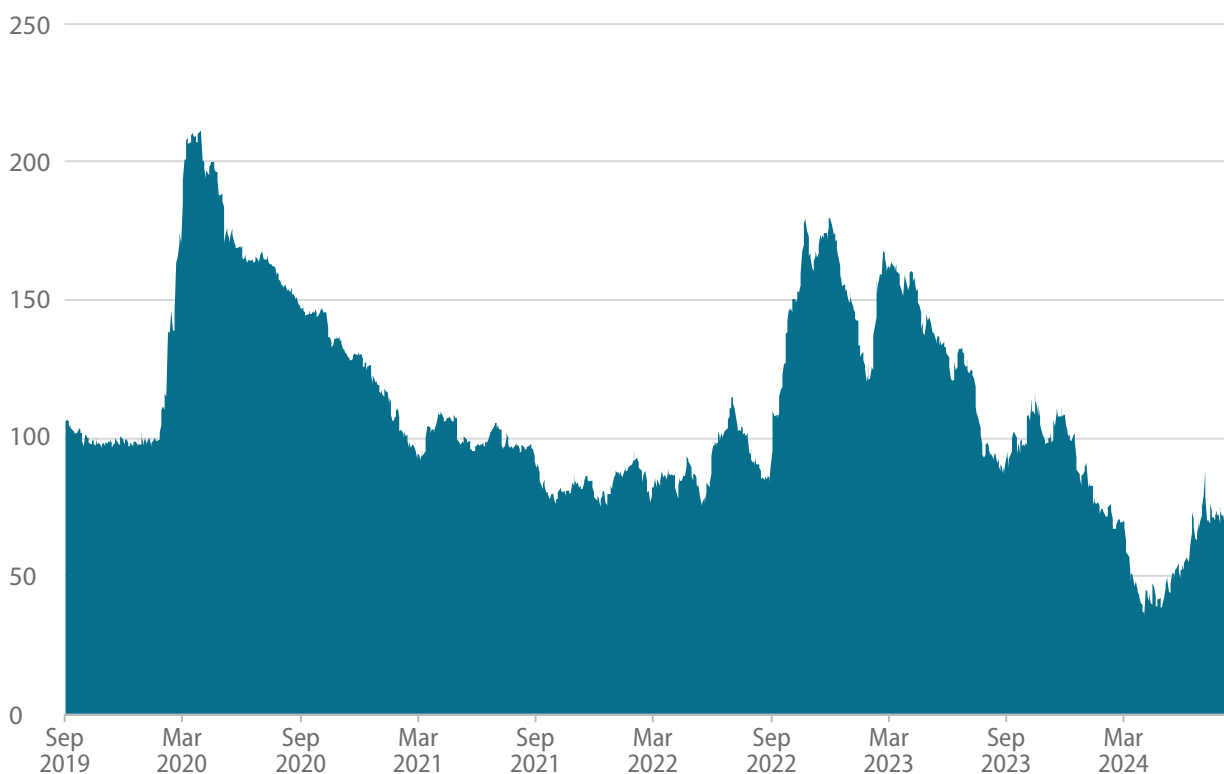
Source: S&P Global, MAS, Bloomberg, as of 30 Sep 2024. Past performance is not indicative of future performance.

<sup>^</sup>Yield comparison is based on the yield to maturity of the Monetary Authority of Singapore Benchmark Govt Bond 5 Year, as at 30 Sep 2024. The Index's yield to maturity is as of 30 Sep 2024, assuming no corporate default. This is calculated by weighting the yield of each bond held by the Index at the time of calculation with capitalization and duration. Yield of a bond is the interest rate used to bring all future cashflows of the bond to its present value. This number is for reference only and would vary according to market conditions and it does not represent the ETF's distribution yield or actual rate of return.

The chart below displays the difference in annual yield between the iBoxx SGD Non-Sovereigns Large Cap Investment Grade Index and Singapore Government bonds of similar maturities across time.

Figure 4:

bps (100bps = 1%)



Source: S&P Global, as of 30 Sep 2024. Past performance is not necessarily indicative of future performance. Index performance does not factor in any management fees, transaction costs or fund expenses of the ETF. Data of the Index presented here may not be exactly the same as that of the ETF.

## 2. Stability and strength of the Singapore Dollar

- For local investors, the Nikko AM SGD Investment Grade Corporate Bond ETF being SGD-denominated poses no currency risk.

**100%**  
SGD-denominated



- For foreign investors, the stability and strength of the Singapore Dollar is positive.

The Singapore Dollar is managed against a basket of currencies of its major trading partners along a typically appreciating path or crawl within a policy band.

An appreciating trajectory for the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) helps to contain inflationary pressures, and Singapore believes that a strong S\$NEER is one of the several prime indicators of a highly-competitive economy.

Source: MAS FAQ on Singapore's Monetary Policy Framework, 21 Apr 2023

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## 3. Diversification value

During the period from Sep 2014 to Sep 2024, Singapore corporate bonds displayed low correlation to Singapore equities.

**Figure 5:**

| Correlation<br>Period: Sep 2014 - Sep 2024 (10 Years) | Singapore<br>Equities |
|---|-----------------------|
| <b>SGD Investment Grade Corporate Bonds</b>           | <b>0.21</b>           |

Source: Nikko AM, Bloomberg, as of 30 Sep 2024 (based on internal calculation)

## Who is the Fund suitable for?

The Fund is only suitable for investors who:

- Seek medium to long-term capital appreciation
- Believe that the Index will increase in value
- Are willing and able to accept that their principal will be at risk
- Seek an “index-based” approach to investing in a portfolio of SGD-dominated Investment Grade Bonds in a cost effective and easy to access manner

**You should consult your financial advisers if in doubt about whether this product is suitable for you.**

## What are the key risks of this Fund?

- Market and credit risks
- Liquidity risks
- Product-specific risks
  - Interest rate risk and credit risk
  - Tracking error risk
  - Risk associated with the investment strategy of the Fund / lack of discretion by Manager to adapt to market changes

**You should be aware that investment in the Fund may be exposed to other risks of an exceptional nature from time to time. Please refer to the Fund Prospectus and Product Highlights Sheet for further details.**

## Fund information

|  |  |
|--|--|
| <b>Benchmark</b>                       | iBoxx SGD Non-Sovereigns Large Cap Investment Grade Index      |
| <b>Listing Date</b>                    | 27 August 2018   |
| <b>Fund Structure</b>                  | Open-ended Listed Unit Trust traded on Singapore Exchange      |
| <b>Lot Structure</b>                   | 1 unit per lot   |
| <b>Dividend Distribution Frequency</b> | Semi-annually <sup>^</sup>                                     |
| <b>Manager</b>                         | Nikko Asset Management Asia Limited                            |
| <b>Trustee</b>                         | DBS Trustee Limited  |
| <b>Management Fee</b>                  | 0.15% p.a.   |
| <b>Total Expense Ratio</b>             | 0.26% p.a. (Audited as of financial period ended 30 June 2024) |
| <b>Designated Market Makers</b>        | Flow Traders Asia Pte. Ltd. / Phillip Securities Pte. Ltd.     |
| <b>SGX Stock Code</b>                  | MBH  |
| <b>SGX Trading Name</b>                | NikkoAM SGD IGBond ETF   |
| <b>Bloomberg Ticker</b>                | NIKIGCB SP   |
| <b>ISIN Stock Code</b>                 | SGXC70121915   |

<sup>^</sup> Distributions are not guaranteed and are at the absolute discretion of the Managers. If the investment income is insufficient to fund a distribution for the Fund, the Managers may determine that such distributions should be paid from the capital of the Fund. Any distribution is expected to result in an immediate reduction of the Fund's net asset value per unit. Please refer to the Fund prospectus and Product Highlights Sheet for further details.



Find out more on [nikkoam.com.sg/igcb](http://nikkoam.com.sg/igcb)

Tel: +65-6500 5700, 1-800-535-8025 | Email: [AsiaETF@nikkoam.com](mailto:AsiaETF@nikkoam.com)

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**Important information:** The Central Provident Fund ("CPF") Ordinary Account ("OA") interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks' interest rates, whichever is higher, reviewed quarterly. The interest rate for Special Account ("SA") is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whichever is higher, reviewed quarterly. Only monies in excess of \$20,000 in OA and \$40,000 in SA can be invested under the CPF Investment Scheme ("CPFIS"). Please refer to the website of the CPF Board for further information. Investors should note that the applicable interest rates for the CPF accounts and the terms of CPFIS may be varied by the CPF Board from time to time.

The performance of the ETF's price on the Singapore Exchange Securities Trading Limited ("SGX-ST") may be different from the net asset value per unit of the ETF. The ETF may also be suspended or delisted from the SGX-ST. Listing of the units does not guarantee a liquid market for the units. Investors should note that the ETF differs from a typical unit trust and units may only be created or redeemed directly by a participating dealer in large creation or redemption units.

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**Past performance or any prediction, projection or forecast is not indicative of future performance.** The Fund or any underlying fund may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. **Investments in the Fund are subject to investment risks, including the possible loss of principal amount invested.** You should read the relevant prospectus (including the risk warnings) and product highlights sheet of the Fund, which are available and may be obtained from appointed distributors of Nikko AM Asia or our website ([www.nikkoam.com.sg](http://www.nikkoam.com.sg)) before deciding whether to invest in the Fund.

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