January 2024

United China A-Shares Innovation Fund

UOB Asset Management

Why Invest?

- **Opportunities across multiple sectors:** United China A-Shares Innovation Fund – A SGD Acc (the "Fund") seeks cutting-edge companies not just in Technology but also in Consumer, Industrials, Healthcare, and Materials, including those benefitting from China's extensive use of e-commerce and mobile applications.
- **Exposure to leading innovations:** China leads in 5G/6G telecommunications and has a dominant global market share in Electric Vehicles (EV), EV supply chain (including batteries), renewable energy such as solar and wind, and Artificial Intelligence (AI) development.
- **Pro-growth policy support:** China is set to benefit from enhancements in macro policy support and targeted fiscal measures. The People's Bank of China launched a 1.45 trillion Chinese yuan (CNY) one-year medium-term lending facility (MLF) loan, with a net injection of CNY 600 billion of fresh funds into the banking system.
- **A blend of growth and value:** The Fund aims to invest in both growth and value stocks by maintaining a reasonable allocation in three directions 1) New Energy and Information Technology Innovation, 2) High-End Manufacturing Upgrades, and 3) Consumption Upgrades.

January 2024 Portfolio Performance

United China A-Shares Innovation Fund – A SGD Acc	-17.48 per cent[1]

Source: Morningstar, Performance from 31 December 2023 to 31 January 2024 in SGD terms

[1] Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

Performance Review

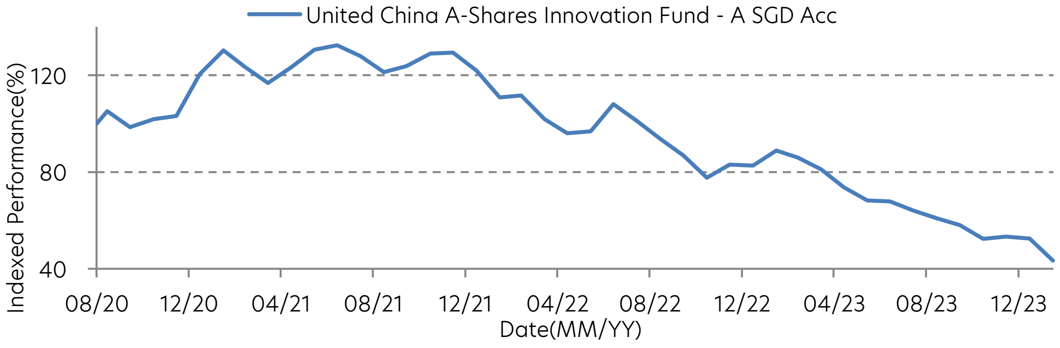
In January 2024, Core technology-related indices declined around -20 per cent on average, and the median decline for individual technology innovative stocks reached -27 per cent. As the Fund has the largest weighting in the Information Technology sector, that detracted heavily to the returns.

Portfolio Positioning

In the near term, market risks remain, and the timing of the market bottom needs to be observed through various indicators such as market liquidity and macro data. From a long-term perspective, our optimistic view on the development of the technology industry remains unchanged, and this view has been confirmed by the stellar performance of AI companies in the US. Our recent adjustments were based on our assessment of the near-term market conditions, i.e. overly pessimistic sentiment, irrational volatility, reduced risk appetite and market liquidity issues, hence requiring us to reduce volatility in our portfolio. From the three quadrants in our investment universe, i.e. technological innovation (30-60 per cent), traditional industry upgrading (20-40 per cent) and consumption upgrading (20-40 per cent), we have recently reduced our holdings in high-risk technological innovation and increased our holdings in the latter two quadrants. We believe there will be a gradual recovery in risk appetite, and we will allocate the sector weights reasonably based on this basis in the future.

Performance (Class A SGD Acc)

Fund Performance Since Inception[2] in Base Currency



Past performance is not necessarily indicative of future performance.

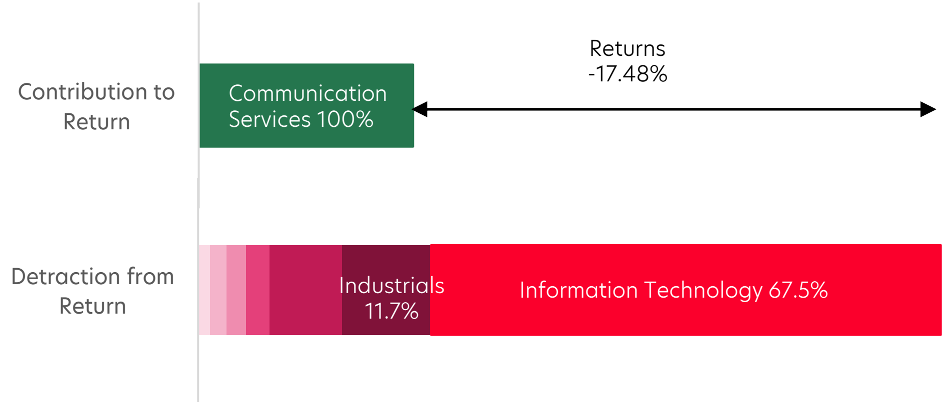
Fund performance is calculated on a NAV to NAV basis.

Source: Morningstar. Performance as at 31 January 2024, SGD basis, with dividends and distributions reinvested, if any.

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-17.48	-51.17	-30.68	-	-21.47
Fund (Charges applied^)	-21.61	-53.61	-31.87	-	-22.63

Source: Morningstar. Performance as at 31 January 2024, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Past performance is not necessarily indicative of future performance. ^Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

Performance Contributors/Detractors: January 2024

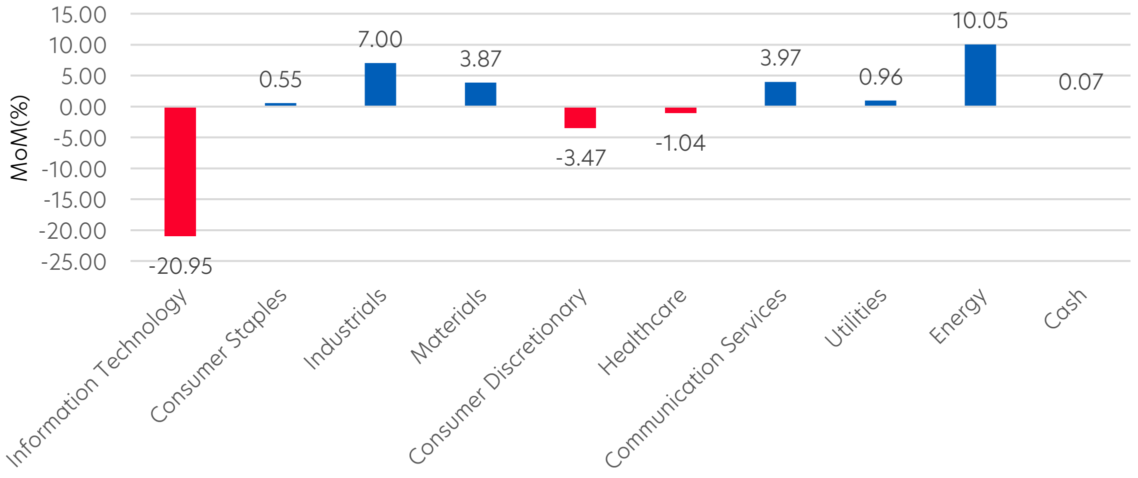


[2] The United China A-Shares Innovation Fund – Class A SGD Acc (ISIN code: SGXZ49509284) was incepted on 17 August 2020.

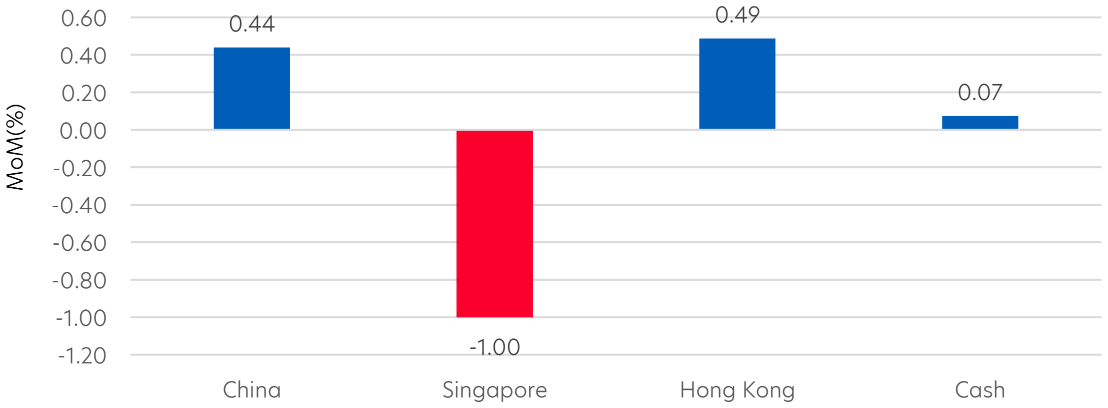
All statistics quoted in the write-up are sourced from Bloomberg as at 31 January 2024 unless otherwise stated.

Portfolio Changes

Sector allocation changes: December 2023 vs January 2024



Country allocation changes: December 2023 vs January 2024



Source: UOBAM

Portfolio Review

Analyst Insights

The A-share market tends to be more volatile in the first quarter of each year due to position adjustment by institutional investors, uncertainty about market themes, and unclear economic expectations. As we were concerned about increased volatility in the China A-share market, we gradually added positions in the defensive sectors at the end of 2023 to reduce the volatility of our portfolio. However, the market declined in January 2024 exceeding our expectations. Core technology-related indices declined around -20 per cent on average, and the median decline for individual technology innovative stocks reached 27 per cent. The defensive stocks we added are concentrated in traditional industries. Stocks were selected from industries with good supply-demand dynamics, attractive valuations with consistent growth rates and reasonable dividend yield. This includes telecommunications operators, utilities, resource and consumer goods companies as these sectors are also part of the traditional industries and consumer upgrade sector within our investment universe.

Meanwhile, we reduced positions in overvalued, small and medium-sized market capitalisation stocks within the technology sector. We increased the allocation of defensive sub-sectors, including the solar panels related supply chain. The panel industry is defensive with low Price to Book multiples and currently, there are only Chinese and Korean players on the supply side with a potential price hike in the first quarter of 2024. We see the valuation of optical modules below 20x price-to-earnings ratio, though the growth rate is over 50 per cent, making this sub-sector defensive with potential upside.

As shown on the left charts, the biggest decrease in the sector allocation changes for January 2024 was Information Technology (-20.95 per cent). On the contrary, the largest increments were in Energy (+10.05 per cent). In terms of country allocation changes, the Fund has the most decline in Singapore (-1.00 per cent) for January 2024.

Market Review

In January 2024, the China Securities Index (CSI) 300 Index fell by 4.96 per cent while the CSI Small Cap 500 Index fell by 10.55 per cent in Chinese yuan renminbi (CNY) terms. Shanghai Composite Index fell by 6.27 per cent, Shenzhen Component Index fell by 13.77 per cent, indicating a broad-based decline in the market.

The economy is still in modest recovery, and policy signals have been less positive than expected. Production activities have steadily increased, and the added value of industrial enterprises above designated size increased by 4.6 per cent year-on-year in 2023, an improvement of 1 percentage point from 2022. The overall scale of the manufacturing industry has remained the world's largest for 14 consecutive years. As of November 2023, industrial profits of enterprises above the designated size have achieved positive growth for four consecutive months, providing financial support for production expansion.

In terms of liquidity, the Central Economic Work Conference emphasised strengthening countercyclical and cross-cycle adjustments while placing equal emphasis on the use of fiscal and monetary policies. The market was disappointed when Medium-Term Loan Facility (MLF) rates were maintained in mid-January 2024. This made the market doubt the strength of China’s growth stabilisation policies. Nevertheless, the subsequent reserve requirement ratio (RRR) reduction of 50bps exceeded expectations, hence releasing positive policy signals. In addition, policymakers emphasized that "the difference in monetary policies between China and the United States is inclined to converge", which provided cues for further monetary policy easing in the future.

Investment Objective

The investment objective of the United China A-Shares Innovation Fund is to achieve long-term capital appreciation by investing primarily in A-Shares of companies listed in the People’s Republic of China which are beneficiaries of technology, innovation and trends.

Fund Information

Base Currency	Fund Size	Fund Manager
SGD	SGD 164.51 mil	Colin Ng

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