May 2025

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.

• **Historic rescue for property sector:** China unveiled wide-ranging measures to rescue its property sector in May 2024, including local governments buying unsold homes from developers and easing rules on purchases. The People's Bank of China (PBoC) will set up a nationwide program to provide 300 billion Chinese yuan in loans to fund state purchases of unsold homes.

• **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.

May 2025 Portfolio Performance

United China A-Shares Innovation Fund – A SGD Acc	-4.86 per cent[1]

Source: Morningstar, Performance from 30 April 2025 to 31 May 2025 in SGD terms

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

Performance Review

The top three contributors in May 2025 were **Eoptolink Technology Inc., Limited** (a core firm within the US computing power supply chain, whose earnings results have exceeded expectations), **Bank of Hangzhou Co., Limited** (low volatility defensive bank allocation), and **Bank of Chengdu Co., Limited** (low volatility defensive bank allocation).

The bottom three contributors in May 2025 were **Cambricon Technologies Corp. Limited** (risk exposure to the US), **Fortior Technology (Shenzhen) Co., Limited** (a supplier of Tesla robot components, stock performance is in line with broader robot sector retrace), and **3Peak Incorporated** (a stock that benefits from artificial intelligence chip domestic substitution.)

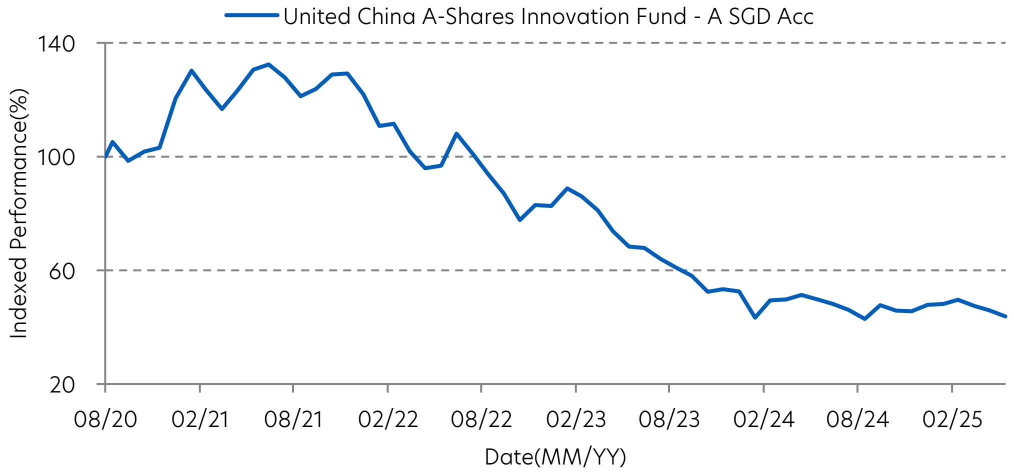
Portfolio Positioning

Our focus on AI showed a subdued performance in May 2025, which also weighed on the recent performance of our Fund. However, given the sustained strong demand for computing power in the overseas AI market, and the fact that some equities have seen significant corrections year-to-date, valuation opportunities are beginning to emerge. We have increased our exposure to selected names in this space accordingly.

The development of the AI industry has entered a transitional or "vacuum" phase, and domestic investment sentiment has, to some extent, slowed due to ongoing US-China technology tensions. That said, we believe that with the market adjusting, many names are beginning to offer attractive mid-term risk-reward profiles, both in terms of earnings outlook and valuation levels.

Performance (Class A SGD Acc)

Fund Performance Since Inception[2] in Base Currency



Past performance is not necessarily indicative of future performance.

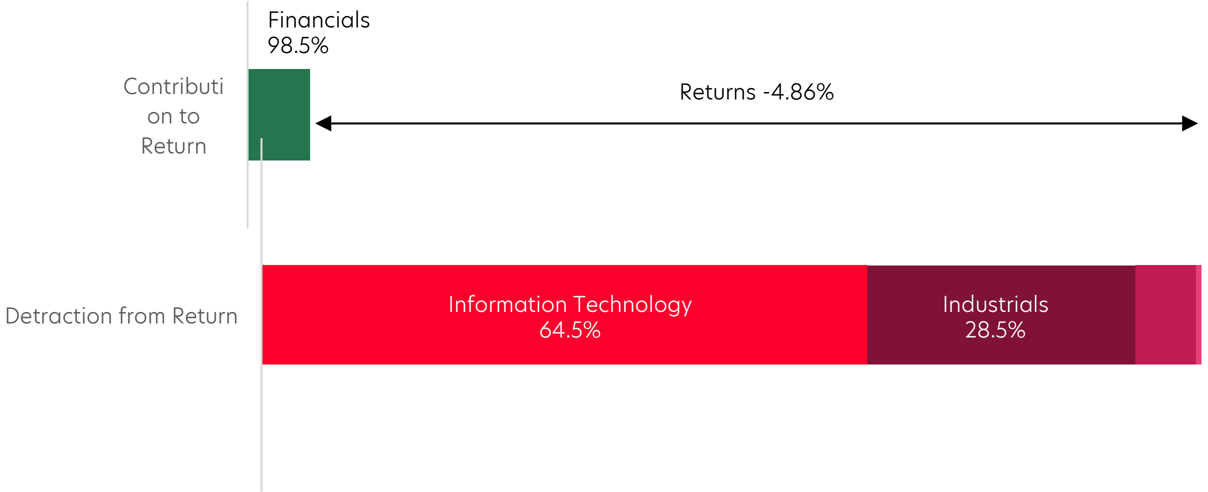
Fund performance is calculated on a NAV to NAV basis.

Source: Morningstar. Performance as at 31 May 2025, 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	-4.86	-12.16	-23.27	-	-15.87
Fund (Charges applied^)	-9.61	-16.56	-24.57	-	-16.76

Source: Morningstar. Performance as at 31 May 2025, 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.

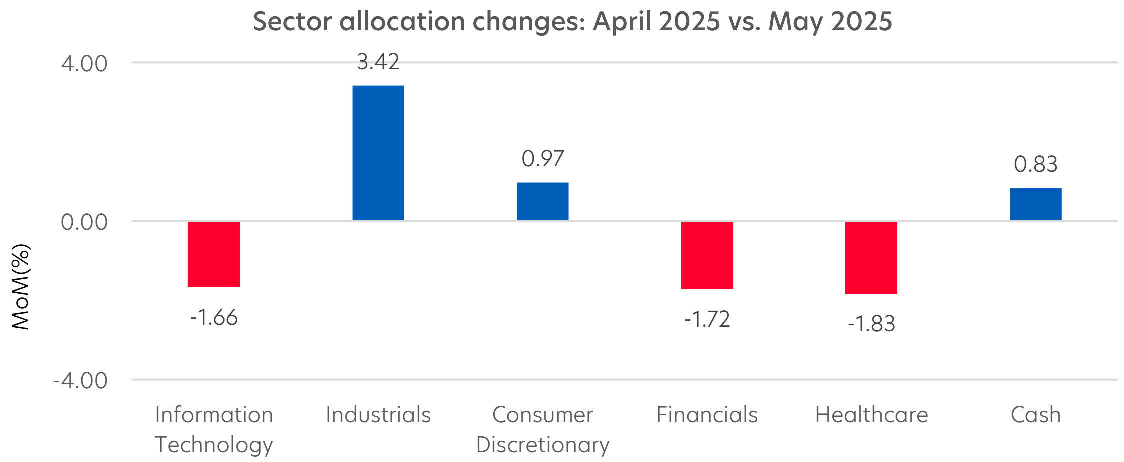
Performance Contributors/Detractors: May 2025

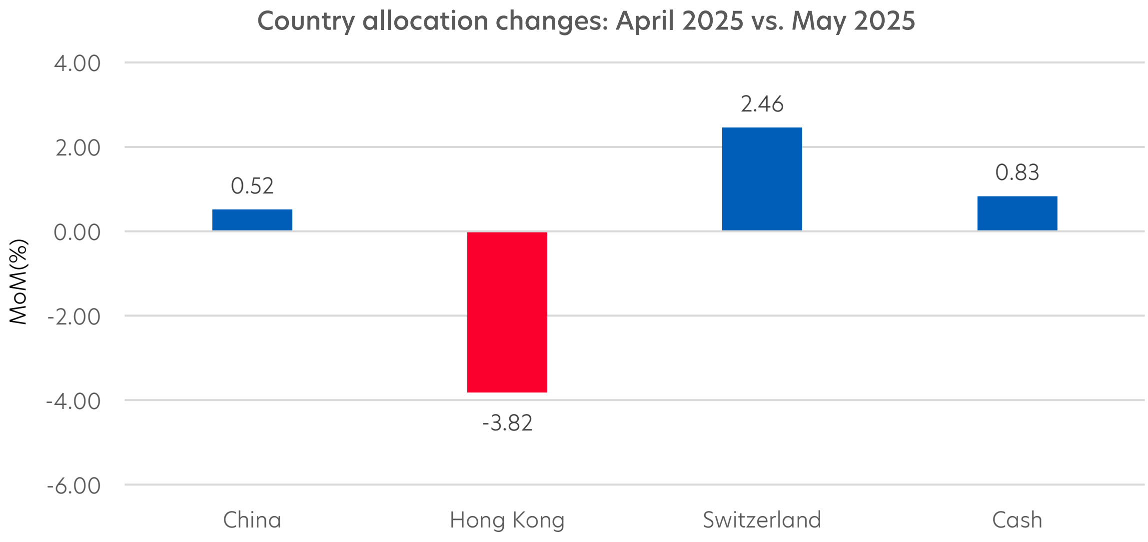


[2] The United China A-Shares Innovation Fund – Class A SGD Acc (ISIN code: SGXZ49509284) was incepted on 17 August 2020.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 May 2025 unless otherwise stated.

Portfolio Changes





Source: UOBAM

Portfolio Review

Analyst Insights

In May 2025, we reduced our holdings in stocks with unrealised profits and made small adjustments between sectors. The overall portfolio structure has not undergone significant changes. We have increased allocations to the US computing power supply chain.

As shown in the left charts, the largest decrease in sector allocation changes for May 2025 was in Healthcare (-1.83 per cent). On the contrary, the largest increment was in Industrials (+3.42 per cent) in May 2025.

Market Review

In the first half of May 2025, the equity market rebounded on easing tariff tensions and supportive signals from the "Stabilising the Market and Expectations" press conference (held by the State Council Information Office). However, in the second half of May 2025, equity indices moved sideways amid a lack of macroeconomic drivers. Sector rotation remained swift throughout May 2025. Among the major broad-based equity indices, the China Securities Index (CSI) 300 rose 1.85 per cent, the Shanghai Composite gained 2.09 per cent, and the ChiNext Index advanced 2.32 per cent.

During the May Day holiday, positive signals emerged from US-China trade negotiations. The Ministry of Foreign Affairs announced that Vice-Premier He Lifeng would meet US Trade Representative Scott Bessent in Switzerland for preliminary talks, boosting sentiment around tariff expectations. On 7 May 2025, three major Chinese ministries held a press conference aimed at stabilising market sentiment. Key outcomes included monetary and regulatory support measures, such as targeted interest rate and reserve requirement ratio cuts. The China Securities Regulatory Commission (CSRC) also released new rules for public mutual funds, which temporarily lifted risk appetite in the market. Subsequently, on 12 May 2025, the US and China issued a joint statement announcing the suspension of all additional reciprocal tariffs imposed since April 2025, retaining only a 10 per cent baseline tariff. With most of the positive news largely priced in, the market shifted to high-level consolidation and accelerated sector rotation. Meanwhile, the new mutual fund regulations sparked concerns that active equity funds may adjust holdings to better match performance benchmarks. In addition, broader economic concerns persisted. The Manufacturing Purchasing Managers' Index (PMI) for April 2025 declined more than expected, beyond seasonal norms, and the drag from earlier tariffs had yet to fully materialise. These factors weighed on expectations for a fundamental recovery. At month-end, a US International Trade Court ruling declared the Trump-era tariffs overreaching, though the Federal Appeals Court temporarily halted implementation. The renewed uncertainty around US tariff policy once again pressured market risk appetite.

On the global front, the US Federal Reserve (Fed) held interest rates steady at 4.25 per cent–4.5 per cent in early May 2025, marking its third consecutive pause. However, the Fed added a note of caution, citing rising risks of both unemployment and inflation, hinting at growing stagflation concerns. This cautious stance helped stabilise near-term market expectations. Strong US new home sales in April 2025 supported the ongoing rebound in US equities. Mid-month, President Trump embarked on a three-country Middle East visit and signed over US$ 2 trillion in commercial deals with Saudi Arabia, Qatar, and the United Arab Emirates. On 23 May 2025, Trump announced plans to impose a 50 per cent tariff on European Union goods and floated a potential 25 per cent tariff on Apple and Samsung smartphones, sparking investor worries and triggering modest pullbacks across major equity indices.

In terms of sector Performance in May 2025, Environmental Protection gained +6.83 per cent, Pharmaceuticals & Biotech rose +6.42 per cent, and Defence & Military advanced +6.34 per cent. These sectors led the market, buoyed by domestic demand resilience following the tariff shock. Technology and real estate underperformed. The environmental sector benefited from policy upgrades by the Ministry of Ecology and Environment, alongside China's push toward green development. Defensive assets such as Utilities and Waste-to-energy operations attracted long-term capital due to their stable cash flows and growth prospects. In pharmaceuticals, innovative drug companies stood out with strong research and development pipelines and exclusive products under a centralised procurement policy, highlighting market preference for innovation-driven, policy-resilient plays. The defence sector was bolstered by the better-than-expected performance of Chinese military equipment during border tensions between India and Pakistan. Overall, May 2025 marked a shift from an offensive to a defensive posture. Capital flowed into low-volatility assets, driven by policy support, risk aversion, and event-based factors.

Looking forward, tariff uncertainty continues to pressure China's economic growth, necessitating further policy support to drive a stable domestic recovery. Historically, June sees a slowdown in sector rotation, creating conditions for new structural themes to emerge. Over the past decade, the technology sector has shown higher win rates in June. June is typically the strongest month for the US technology sector, which tends to reflect positively on China A-shares. Current investor positioning in China's technology sector has eased from previous highs, leaving room for capital reallocation.

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 104.52 mil	Colin Ng

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