

1 September 2020

Dear Unitholder

UNITED GLOBAL DIVIDEND EQUITY FUND, A SUB-FUND OF UNITED CHOICE PORTFOLIOS

- **CHANGE IN INVESTMENT FOCUS AND APPROACH**
- **TERMINATION OF THE APPOINTMENT OF THE SUB-MANAGER**
- **USE OF FINANCIAL DERIVATIVE INSTRUMENTS (“FDIs”)**

Thank you for investing in the United Global Dividend Equity Fund (the “Sub-Fund”), a sub-fund of United Choice Portfolios (the “Fund”).

We, UOB Asset Management Ltd (the “Managers” or “UOBAM”), the managers of the Sub-Fund, are writing to inform you of certain changes to the Sub-Fund which will take effect from 1 October 2020 (the “Effective Date”).

Background Information

The investment objective of the Sub-Fund is to offer investors a source of income and capital appreciation by investing in a globally diversified portfolio of equity securities of companies that offer attractive dividend yields, combined with sound operating fundamentals, and consistent earnings growth. It is the Sub-Fund’s objective to make distributions on a regular basis (semi-annual) to the investors.

As a continuous effort to rationalise the Managers’ resources and in view of the fact that we have ready expertise in-house which we have built over the years, with effect from the Effective Date, we will discontinue the appointment of the Sub-Manager. The Sub-Fund will continue to be managed by us.

Change in investment focus and approach

As we will terminate the appointment of the Sub-Manager and align the investment management of the Sub-Fund under our management, the investment focus and approach of the Sub-Fund will be changed with effect from the Effective Date to the following:

“The Sub-Fund is managed based on a systematic approach that maximises returns while managing risk (delivering a return-risk profile more attractive than that offered by broad capitalisation-weighted indices) and aims to deliver dividend yield higher than the MSCI AC World Index, which is the benchmark of the Sub-Fund. UOBAM uses risk models and optimisation processes to ensure the Sub-Fund stays disciplined about finding the best balance between return and risk.

The philosophy is based on the premise that quality stocks with sustainable dividends is an effective indicator of high-quality, shareholder-oriented companies. The major strategy features are:

1. Focuses on Quality, Sustainable Dividends

The Sub-Fund focuses on “Quality” and “Sustainable Dividends” factors as historical evidence shows that high-quality companies with sustainable dividends can usually generate better returns over time. The “Quality” factor tilts the Sub-Fund towards companies with healthier profit margins, stronger balance sheets and good secular growth prospects, while the “Sustainable Dividend” factor tilts the Sub-Fund towards companies that have the earnings profile to support their dividend payout.

2. Resilient to downside risks

Concurrently, a top-down approach is used to insulate the Sub-Fund against downside risks typically associated with dividend-focused stocks (e.g. market drawdowns stemming from interest rate risks). Specifically, the investment approach is strengthened through incorporating other factor/s that are least correlated with dividend-focused stocks.

3. A disciplined, systematic approach

Behavioural finance theory suggests that due to behavioural biases, investors are either too slow when reacting to new information or do not fully update their beliefs about companies sufficiently. As such, a systematic process of synthesizing factor exposures is key towards exploiting market inefficiencies.

A summary of the Sub-Fund's investment approach is as follows:



- **Investment research**

Our research team systematically maintains a universe of approved global equities that are analysed before being approved for inclusion in portfolios firm wide.

- **Fundamentals, bottoms-up selection process**

The approved list of global equities is then selected for their Quality, Sustainable Dividends factors, and other factor/s that are least correlated with Quality and Sustainable Dividends. In addition, a valuation filter is applied to exclude overvalued stocks and stocks whose liquidity is too low. Overall, the Sub-Fund gravitates towards relatively large cap stocks with sustainable dividends (i.e. stocks that have the earnings profile to support their dividend payout).

- **Optimisation process**

UOBAM's risk models and optimisation processes are deployed to derive and combine the optimal set of exposures, so as to achieve the best balance between return and risk. Some of the embedded considerations include the minimization of excessive deviations of market risk exposures (represented by the benchmark), as well as the transaction costs from trading turnover.

- **Fundamental checks**

We remove excessive concentration and other risks to maintain a well-diversified portfolio. Such other risks may include:

(i) risks not reflected in the volatility of price returns (e.g. risks relating to corporate governance and merger and acquisition); and

(ii) risk that the portfolio's holdings are highly correlated to external events (e.g. political risk, currency devaluation or over-crowded trades).

FDIs may be used or invested in for the purposes of hedging existing positions, efficient portfolio management, optimising returns, or a combination of such purposes.

In the event of extreme market conditions or severe market stress or disruptions, or if there are no suitable investment opportunities for the Sub-Fund at any time, the Sub-Fund may temporarily invest up to 100% of its assets into cash and/or cash deposits, money market instruments and/or short-term debt securities. A portion of the Sub-Fund's assets may also be retained in liquid investments or cash for liquidity purposes."

For the avoidance of doubt, there is no change to the investment objective of the Sub-Fund.

Termination of the appointment of the sub-manager

Currently, Wellington Management Singapore Pte Ltd ("**Wellington**") is appointed as the sub-manager of the Sub-Fund. As a result of our decision to manage the Sub-Fund in-house, Wellington will cease to sub-manage the Sub-Fund and we will solely manage the Sub-Fund from the Effective Date.

Use of FDIs

Currently, the Sub-Fund may use FDIs for the purposes of hedging existing positions in a portfolio, for efficient portfolio management ("**EPM**") or a combination of both purposes. With effect from the Effective

Date, the Managers intend to use FDIs for the purposes of hedging, EPM, optimising returns or a combination of all three purposes.

Notwithstanding the above changes, the global exposure of the Sub-Fund to FDIs or embedded FDIs will not exceed 100% of the net asset value of the Sub-Fund.

The above changes (together with consequential and other amendments) will be reflected in a replacement prospectus of the Fund to be lodged with the Monetary Authority of Singapore on or around the date of this notice. Thereafter, you may obtain a copy of the replacement prospectus from us or any of our authorised agents or distributors, or from our website at uobam.com.sg.

We look forward to your continued support. Should you have any queries, please call our hotline number at 1800 222 2228 from 8 a.m. to 8 p.m. daily (Singapore time) or email us at uobam@uobgroup.com.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Faizal Gaffoor', with a horizontal line extending to the right.

Faizal Gaffoor
Managing Director | CMO