United Greater China Fund

June 2023

Why Invest?

Artificial Intelligence Machine Learning (AIML)-and-analyst strategy: This is one of the first funds to apply UOBAM's AIML-and-analyst strategy, which harnesses technology to uncover hidden investment opportunities by optimising stock selection and allocation. This strategy helps to expand coverage of the investment universe, overcome human biases and helps analysts put together a risk-optimised portfolio.

Earlier this year, the Fund's AI indicators prompted a strategic shift towards reducing exposure to China and increasing allocation to Taiwan. This adjustment has proven beneficial with the Fund outperforming its peers[1].

Offers diversification benefits: The Fund's inclusion of China, Hong Kong and Taiwan markets provides diversification benefits. While China and Taiwan markets were historically highly interdependent, recent global geopolitical tensions and Taiwan's robust growth in advanced engineering have reduced their correlation.

Award winning: The Fund has received the Refinitiv Lipper Fund Awards Singapore 2023 Winner, Best Equity Greater China Fund Over 3 Years[2]. This prestigious accolade recognises the Fund in providing consistently strong risk-adjusted performance relative to its peers based on Lipper's proprietary performance-based methodology.

Investment Objective

The investment objective of the Greater China Fund is to achieve long-term capital growth primarily through investment in companies with assets or revenues being in or derived from the People's Republic of China, Hong Kong SAR and Taiwan.

Fund Information

Morningstar Rating
★★★★★

Fund Size
SGD 47.09 mil

Base Currency
SGD

Fund Manager
Colin Ng

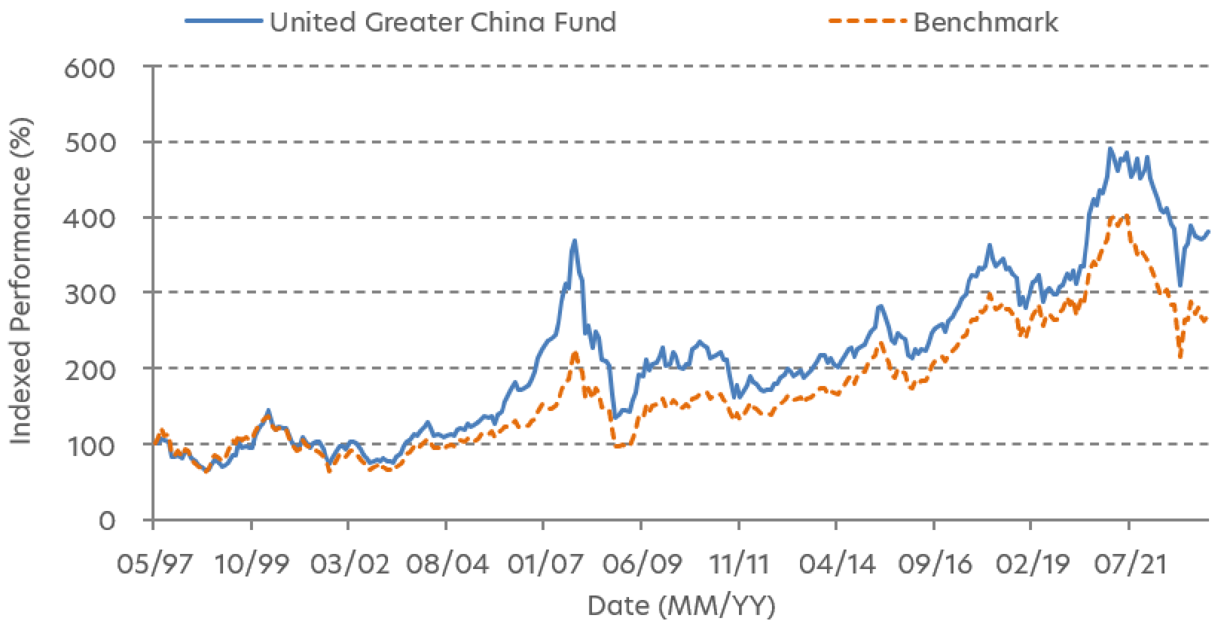
[1] United Greater China A SGD Acc, Morningstar, as of June 2023
[2] https://www.lipperfundawards.com/Awards/Singapore/2023/Certificate/65011/UnitedGreaterChinaFundASGDAcc.pdf | Refer to uobam.com.sg/awards for recent list of awards by UOBAM.

One Month Portfolio Review

The United Greater China Fund A SGD Acc (the "Fund") returned +1.79 per cent[3] in June 2023. Its benchmark, MSCI Golden Dragon Index, returned +3.08 per cent[4] in SGD terms in the same month.

Historical Performance

Fund Performance Since Inception[5] in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: MSCI Golden Dragon Index

Source: Morningstar. Performance as at 30 June 2023, SGD basis, with dividends and distributions reinvested, if any.

[3] Source: Morningstar, Performance from 31 May 2023 to 30 June 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[4] Source: Morningstar, Performance from 31 May 2023 to 30 June 2023 in SGD terms.
[5] The United Greater China Fund Class A SGD Acc (ISIN Code: SG9999001093) was incepted on 29 May 1997.

All statistics quoted in the write-up are sourced from Bloomberg as of 30 June 2023 unless otherwise stated.

Annualised and Cumulative Performance

Performance (Class A SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 Month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	1.79	-7.62	1.32	2.75	5.25
Fund (Charges applied^)	-3.03	-12.24	-0.40	1.71	5.09
Benchmark	3.08	-11.00	-4.20	-0.63	3.87

Source: Morningstar. Performance as at 30 June 2023, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the percent change. Benchmark: MSCI Golden Dragon Index. 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.

The fund underperformed its benchmark in June 2023, with positive contribution from allocation offset by selection and currency effects. Good stock picks within Hong Kong and Taiwan markets added value while China market was the primary detractor. In terms of sector, Information Technology was again the top contributor to excess return, followed by Energy and Materials, while Consumer Discretionary was the main underperformer.

Market Review

Equities market saw divergence in June 2023. From a style perspective, large-cap stocks outperformed small-cap. On industry performance, home appliances, communications, and automobiles led gains while pharmaceutical, transportation, retail and banking were the primary laggards. On the one hand, market participants were focused on policy guidance in June 2023 especially given weaker-than-expected macroeconomic data. On the other hand, AI and robotics continued to be a core investment theme. Against the backdrop of a lackluster market, enthusiasm for technology stocks appears exceptionally high.

Domestic economy improved marginally though overall recovery trend remain weak. In June 2023, China's manufacturing purchasing managers index (PMI) rose 0.2 per cent month-on-month, indicating better supply and demand dynamics in the manufacturing industry. The total profit for industrial enterprises above designated size was RMB 635.81 billion in May 2023, down 12.6 per cent year-on-year. The decline has narrowed 5.6 per cent compared to April 2023, the third consecutive month of decline contraction. On the whole, China's economic recovery remains moderate. May Consumer Price Index (CPI) and Producer Price Index (PPI) came in lower than expected and total social financing data extended decline. Nevertheless, as we enter June 2023, we are seeing more positive signals from macroeconomic indicators.

In terms of liquidity, we expect to see more monetary policy actions to stabilise growth. Against the backdrop of recent interest rate cut, the Monetary Policy Committee of the Central bank highlighted in the Q2 regular meeting that it is necessary to strengthen macroeconomic policy regulation, implement prudent, effective, and consistent monetary policy to serve as counter-cyclical measures. The committee will tap on all available monetary policy tools while considering their structural functions to stabilise growth, employment and prices as well as stimulate domestic demand and encourage consumption. At this juncture, it is still advisable to observe the development trajectory and pace of economic recovery objectively and rationally without excessive pessimism.

Outlook and Positioning

We remain optimistic about the fundamentals and long-term prospects of Greater China markets.

In the near term, our proprietary machine-learning model has highlighted artificial intelligence (AI) as a strong focus area, hence we will be tapping on the AI trend by overweighting Taiwan while defensively positioned in China. As Taiwan is the home to many AI hardware companies, we believe these firms should benefit from demand increase on the back of rising AI usage.

In terms of sector, we are overweighting non-cyclical industries such as Financials and Consumer Staples while underweights are seen in Consumer Discretionary and Industrials.

We will dynamically adjust the portfolio construction to capture key market themes and use bottom-up approach to identify alpha opportunities.

We remain cognizant of key risks in the market such as US/China/Taiwan geopolitics especially in the wake of escalating semiconductor tit-for-tat export control measures between China and US + Allies. In addition, we will be monitoring the July Politburo meeting for stimulus policies that could support China's macroeconomic recovery.

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