



United Japan Small and Mid Cap Fund

June 2023

Why Invest?

Exposure to the underrepresented universe of Japanese small and mid-cap sectors: Small and mid-cap companies represent more than 80 per cent of the Japanese universe but many are often under-researched. The Fund represents an attractive opportunity for investors to gain exposure to Japanese small and mid-cap equities.

Ride on Japan's equity market rally: Japan's Nikkei 225 and Tokyo Stock Price Index (TOPIX) indices have recently surged to 33-year highs¹, making it one of the world's best performing markets. With drivers such as improved corporate governance and positive earnings, we believe that Japan's equity market will continue to have upside potential over the next few months.

Attractive valuations: Japanese stocks have reached multi-decade highs but remains relatively inexpensive when compared to other markets. TOPIX price-to-book ratio of 1.3x is still well below the S&P 500 Index's 4x and STOXX Europe 600's 1.8x.

Focus on long-term capital growth: To achieve its objective, the Fund focuses on companies that are 1) growing in developing business sectors; 2) with unique business models or superior technologies; 3) in mature markets that are still able to grow earnings through innovations.

Investment Objective

To achieve long term capital growth through investing in securities of small and medium capitalisation corporations listed, domiciled, or having substantial operations, in Japan.

Fund Information

Morningstar Rating

★★★★

Fund Size

SGD 107.28 mil

Base Currency

SGD

Fund Manager

Sumitomo Mitsui DS Asset Management

¹ CNBC, "Foreign investors are back': Japan stocks surge to their highest since 1990", 16 May 2023

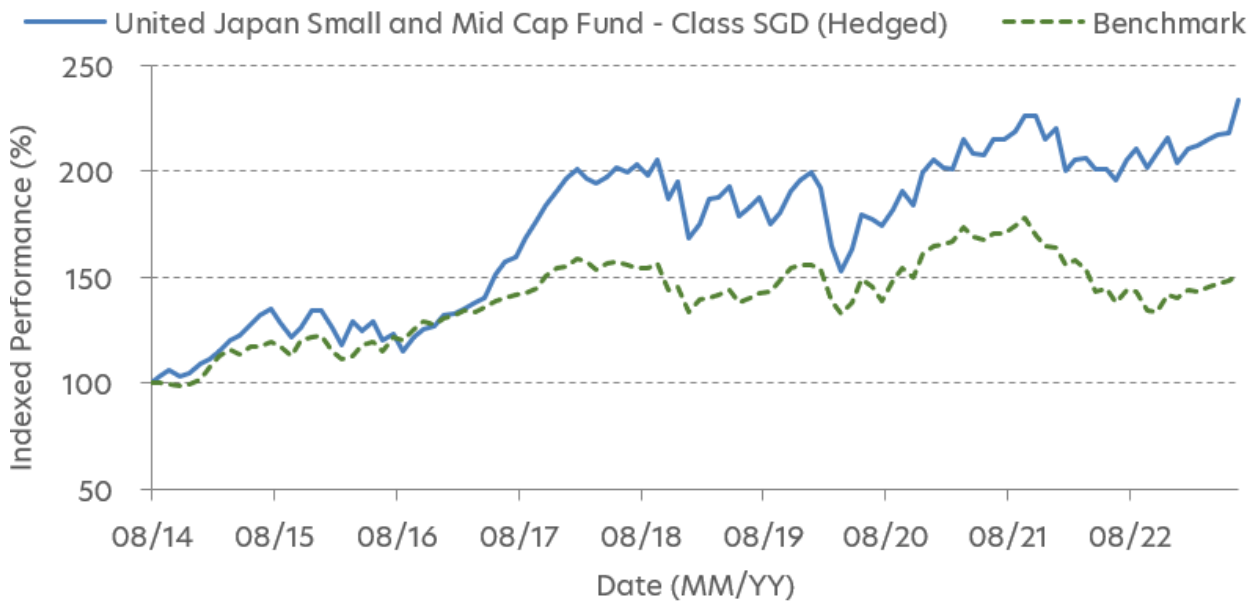


One Month Portfolio Review

For the month of June 2023, the United Japan Small and Mid Cap Fund - Class SGD (Hedged) (the "Fund") returned 7.32 per cent² in Singapore dollar (SGD) terms. Its benchmark, the MSCI Japan SMID Cap Index, returned 1.89 per cent³ in the same month.

Historical Performance

Fund Performance Since Inception⁴ in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: MSCI Japan SMID Cap Index

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

² 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).

³ Source: Morningstar, Performance from 31 May 2023 to 30 June 2023 in SGD terms.

⁴ The United Japan Small and Mid Cap Fund - Class SGD (Hedged) (ISIN Code: SG9999012033) was inception on 11 August 2014.

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



Annualised and Cumulative Performance

Performance (Class SGD (Hedged))

	Cumulative Performance (%)	Annualised Performance (%)			
		1 Month	1 Year	3 Years	5 Years
Fund NAV to NAV	7.32	19.20	9.68	3.20	10.02
Fund (Charges applied [^])	1.96	13.24	7.82	2.15	9.39
Benchmark	1.89	9.48	1.26	-0.55	4.77

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 per cent change, while performance figures above 1 year show the average annual compounded returns. Benchmark: MSCI Japan SMID Cap 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.



Market Review

The Japanese equity markets advanced in June 2023.

The markets started the month with a rise, appreciating the resolution of the US debt ceiling issue. In the middle of the month, the US Federal Reserve skipped a rate hike at its Federal Open Market Committee (FOMC) meeting but signaled two more interest rate hikes this year. On the other hand, the Bank of Japan (BOJ) decided to maintain its easing monetary policy. The stock markets were underpinned by JPY's depreciation against USD following the decision. Then, the markets hit a fresh high since Japan's market bubble burst in the early 1990s, maintaining an upward trend towards the end of the month with expectations over the earnings recoveries of export-oriented companies due to further JPY depreciation against USD later in the month.

By sector, outperforming sectors were Wholesale Trade, Transportation Equipment, and Air Transportation while Pharmaceutical, Fishery, Agriculture & Forestry, and Pulp & Paper underperformed.



Outlook and Positioning

We anticipate the recovery pace of the global economy to remain slow due to caution over the fallout from the recent monetary tightening and banking turmoil, as well as the slow Chinese economic recovery, despite the recent resilient economy of developed countries, including European countries and the U.S. Furthermore, we anticipate the Japanese stock markets to be range bound.

We expect the Japanese government's economic measures to underpin the economy, and the effects from individual and inbound consumption to push up domestic demand in the post-Covid economic reopening, although the slow recovery of the global economy would weigh on stock prices. As a result, we expect the markets to continue rising further, keeping a keen eye on the inflation and employment picture. We think that this might happen when we start to see the end of the monetary tightening in Europe and the U.S., and the wariness caused by the financial system turmoil over the future of the global economy will ease.

We make an effort to directly touch the business performance trends of as many companies as possible by attending many financial results briefings and conducting interviews, even in June 2023, despite the fact that the announcement of earnings for January to March 2023 ended in mid-May 2023. During this time, the Nikkei 225 Index hit a fresh high, reaching a level not seen in around 33 years since 1990. Data indicates that foreign investors were significantly net buyers of Japan stocks, which further reinforces the major presence they have in Japanese stock markets.

Japanese equities have seen inflows year-to-date as investors have taken note of their relative attractiveness based on the current global and domestic macro situation. Japan-specific large and liquid constituents have been the initial beneficiaries of these early-stage flows. It is typical for these large index constituents to lead initially, and we expect interest to spread to small and medium-sized stocks. Looking ahead, we anticipate the shift towards individual names with strong fundamentals.



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