United Sustainable Asia Top-50 Fund

August 2023

Why Invest?

Net zero opportunities in Asia: Asia is fast growing but is also more vulnerable to climate change than other parts of the world. This has prompted Asian governments to speed up their net zero commitments and policy initiatives, fostering growth opportunities for ESG-friendly companies.

Ride on Japan's equity market rally: United Sustainable Asia Top-50 Fund - Class A SGD Acc's (the "Fund") biggest country allocation is Japan (40.18 per cent as of August 2023). 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.

Proprietary investment process: The Fund adopts a proprietary investment framework for identifying profitable ESG-friendly companies. This framework is anchored by a 'Man-and-Machine' process i.e., a combination of AI and on-the-ground ESG research.

Focus on innovation: The Fund's investment focus is on company innovation. Aligning with megatrends that are prevalent now and expected in the future, the Fund invests in sectors such as renewables, electric vehicles, digital services, semiconductors, and smart consumables.

Investment Objective

The investment objective of the United Sustainable Asia Top-50 Fund is to achieve long-term capital appreciation by investing, directly or indirectly, in Authorised Investments issued by not more than 50 in total of the top corporations or any other entities either unincorporated or incorporated in, or whose principal operations are in, Asia, as may from time to time be determined by us. These companies can be listed in any of the stock exchanges of the world. Investments will be selected following the Fund's investment focus and approach, which includes the consideration of Sustainability and Environmental, Social and Governance (ESG) factors.

Fund Information

Morningstar Rating
★★★

Fund Size
SGD 67.82 mil

Base Currency
SGD

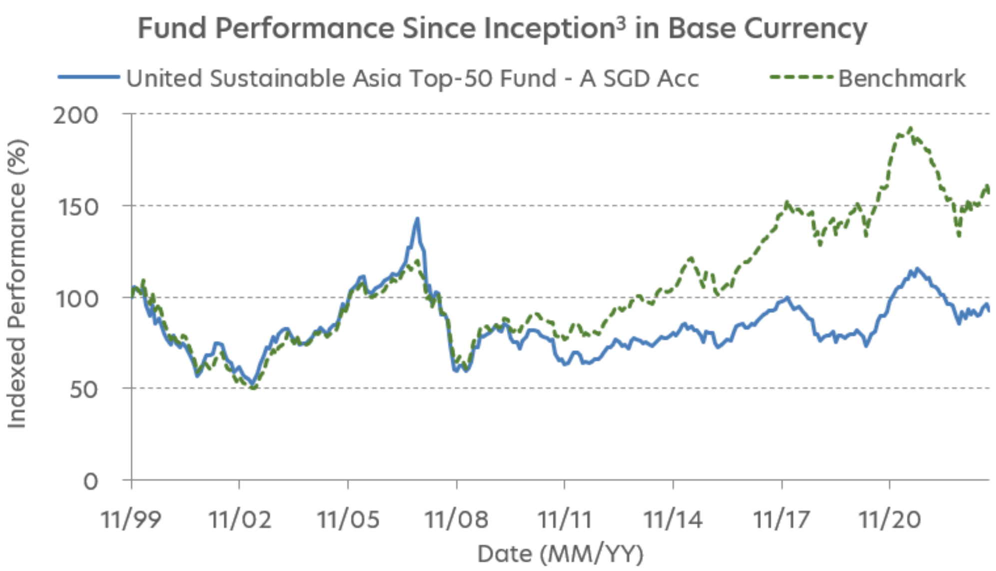
Fund Manager
Victor Wong

One Month Portfolio Review

For the month of August 2023, the United Sustainable Asia Top-50 Fund – A SGD (Acc) returned -3.83 per cent[1] in Singapore dollar (SGD) terms. Its benchmark, the MSCI All Country Asia Index returned -3.31 per cent[2] in the same month.

Historical Performance

Fund Performance Since Inception[3] in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: Since Inception – 30 September 2020: MSCI All Country Far East Index;
1 October 2020–Present: MSCI All Country Asia Index

Source: Morningstar. Performance as at 31 August 2023, SGD basis, with dividends and distributions reinvested, if any.

[1] Source: Morningstar, Performance from 31 July 2023 to 31 August 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[2] Source: Morningstar, Performance from 31 July 2023 to 31 August 2023 in SGD terms.
[3] The United Sustainable Asia Top-50 Fund – Class A SGD (Acc) (ISIN Code: SG9999001226) was incepted on 26 November 1999, and converted to an ESG (Environmental, Social, and Governance) fund on 1 October 2020.

All statistics quoted in the write-up are sourced from Bloomberg as of 31 August 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	-3.83	-3.52	0.89	0.96	-0.33
Fund (Charges applied^)	-8.64	-8.34	-0.82	-0.07	-0.57
Benchmark	-3.31	1.57	-0.79	1.47	1.89

Source: Morningstar. Performance as at 31 August 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: Since inception – 30 September 2020: MSCI All Country Far East Index; 1 October 2020–Present: MSCI All Country Asia 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

Global equity markets edged lower in August 2023 (MSCI All Country World Index: -1.0 per cent in SGD terms) as tighter global liquidity conditions put pressure on Growth stock. In addition, although higher oil prices benefited Energy companies, Utility stocks were weighed down in August 2023. For Asia, all markets were in red except for Indonesia and India. Asia's equity market was down -3.31 per cent, dragged by Pakistan, Philippines, and China. In China, despite slews of policy measures from the Chinese government, the market remained concerned about how effective these policy stimuli could stabilise the property market and boost consumption amid a weak confidence environment.

China's equity market reversed most gains from July 2023 as a combination of macro data disappointment, potential default from Country Garden Holdings Co Limited and Trust industry turmoil put a dampener on the policy-driven rally. Foreign outflow was heavy in August 2023 as investors sold on rallies. The selling was well-reflected in sector performance, where all sectors were in losses, especially for Utilities, Industrials and Real Estate.

Similar picture in **Hong Kong** with equity market down 7 per cent in August 2023 as investors feared contagion spreading from China property sector. Real Estate was the biggest sector laggard followed by Consumer Discretionary and Industrials.

Taiwan's equity market came off 2.8 per cent as Healthcare rally was more than offset by losses in Consumer Discretionary and Industrials sectors.

South Korea's equity market declined by 6.1 per cent, mainly dragged by Energy, Materials and Utilities companies. Consumer Staples and Financials were the only sectors in gain.

The Association of Southeast Asian Nations (ASEAN) markets were largely beaten down in August 2023 except for Indonesia. **Indonesian equities** managed to record a positive print of 0.4 per cent as commodity price rebound in August 2023 provided support to Energy and Materials sectors.

Singapore's equity market declined 6.9 per cent in August 2023 with Sea Limited plunging 42 per cent on earnings miss. All sectors were in losses led by Communication Services, Information Technology and Consumer Discretionary.

Malaysia equity market was down 1.6 per cent despite the clearing of political overhang with the election in 6 states yielding status quo results. Sector wise, Information Technology, Industrials and Utilities posted gains while Energy, Consumer Staples and Healthcare led decline.

Thailand's equity market ended August 2023 with just 1.3 per cent loss as the market recovered after Srettha Thavisin from Pheu Thai Party was named the Prime Minister by Parliament, paving the way for Cabinet formation. In terms of sector, Healthcare led gains, followed by Consumer Staples and Financials while Materials, Information Technology and Communication Services underperformed.

The Philippines equity market was the biggest underperformer within ASEAN, recording a -7.9 per cent decline in August 2023. The suspension of reclamation projects in Manila Bay weighed on sentiments and the weak second quarter of 2023 earnings results from consumer and retail companies added to investor concerns. All sectors were in red, led by Communication Services, Consumer Staples and Consumer Discretionary.

India's equity market flatlined in August 2023 as the market digested an in-line Gross Domestic Product (GDP) print and a growing food inflation risk on the back of El Nino. From a sector perspective, Information Technology, Consumer Discretionary and Industrials led gains while Real Estate, Energy and Communication Services saw losses.

Outlook and Positioning

We remain cautious in the near term as growth expectation for the Asian region continues to moderate. Our expectation of a slower economic recovery in China filtering into the Asian business cycles is being played out. This underpins our continued defensive positioning.

We turn less bearish but retain our underweight in China. Policy momentum is picking up with multiple policy measures to support the property sector but uncertainty of its efficacy remains. Valuation is attractive but the upside is likely capped pending a sustainable turnaround of the housing sector. We downgrade Taiwan from overweight to neutral as the valuation has turned unattractive against a still sluggish corporates' earnings backdrop. Likewise, South Korea remains an underweight. The battery-related plays driving the domestic market rally year to date lack breadth and appear vulnerable to a market pullback.

On a more positive note, we upgraded Hong Kong from underweight to overweight. Private consumption strength and continued momentum in inbound tourism are likely to sustain the pace of economic recovery. We also upgraded India from underweight to overweight. India's GDP growth is the highest in the Asia region. Supply reform along with the government's focus on macro stability is supportive of a strong capital expenditure (capex) cycle and corporates' profitability outlook.

Within ASEAN, Singapore and Malaysia remain our preferred overweight. Singapore is a relatively safe harbour and valuation is attractive against a positive earnings momentum. Likewise, Malaysia is a relatively defensive and low-beta market. The lifting of the overhang from recent State elections could spur renewed foreign interest. We remain neutral on Thailand and Indonesia. In Thailand, valuations are uncompelling though the appointment of Prime Minister Srettha Thavisin has removed the short-term overhang and there is potential for government stimulus in the near term. Indonesia's domestic market has outperformed year to date and strength in GDP growth appears partly discounted. Potential pre-election goodies could drive spending and support private consumption. We retain underweight in Vietnam due to dual headwinds from the risk of corporate bond default and a stagnant domestic property market.

Our defensive positioning is tilted towards sectors such as Consumer Staples and Utilities. We are selective in the Consumer Discretionary and Industrials space. On the other hand, we reduced exposure to the Technology sector.

Key risks to our cautious outlook include a stronger-than-expected rebound in China's economy, extended above-trend inflation, and reduced geopolitical tensions between the US/China.

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