United China A-Shares Innovation Fund

January 2023

Why Invest?

- **Opportunities across multiple sectors**: 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), and renewable energy such as solar and wind, and Artificial Intelligence (AI) development.

- **Pro-growth policy support:** China is set to benefit from enhancements in macro policy support and targeted fiscal measures. The People Bank of China has cut its five-year loan prime rate and announced infrastructure spending of 1 trillion yuan.

- **Cheap valuations:** China's equity market valuation may have bottomed in October 2022 according to its price-earnings ratio(PER) being more than one standard deviation below its mean. (January 2023 PER is slightly less than one standard deviation below its mean).

- **A blend of growth and value:** The Fund aims to invest in both growth and value stocks by maintaining a reasonable allocation in the three directions of 1) Energy and Information Technology Innovation, 2) High-End Manufacturing Upgrades, and 3) Consumption Upgrades.

Investment Objectives

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

Morningstar Rating

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Fund Size

SGD 405.46 mil

Base Currency

SGD

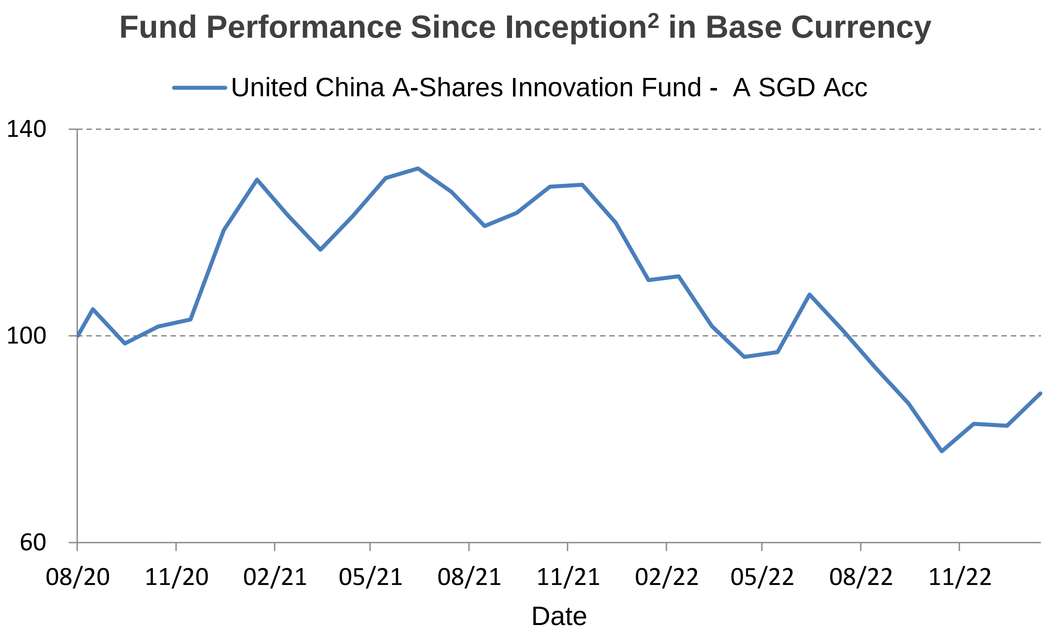
Fund Manager

Colin Ng

One Month Portfolio Review

The United China A-Shares Innovation Fund – A SGD Acc (the "Fund") returned +7.54[1] percent in January 2023.

Historical Performance



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 January 2023, SGD basis, with dividends and distributions reinvested, if any.

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[1] Source: Morningstar, Performance from 31 December 2022 to 31 January 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[2]The 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 January 2023 unless otherwise stated.

Annualised and Cumulative Returns

Performance (Class A SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	7.54	-19.80	-	-	-4.71
Fund (Charges applied^)	2.16	-23.81	-	-	-6.68

Source: Morningstar. Performance as at 31 January 2023, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the percent 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.

Market Review

In January 2023, the China Securities Index (CSI) 300 Index rose by 8.94 percent while the CSI Small Cap 500 Index rose by 7.27 percent in Chinese yuan renminbi (CNY) terms.

In January 2023, the China A-share market benefited from an improvement in risk appetite, with most major indices recording gains. The Growth Enterprise Market (GEM) index rose 10.0 percent as the best performer, followed by the Shanghai and Shenzhen 300 Index, which was up 7.4 percent, and the Shanghai Composite Index gained 5.4 percent. From a sector perspective, most sectors made positive gains, with the following as leaders: the non-ferrous metal sector (+27.80 percent), computer sector (+12.80 percent), electric equipment sector (+11.82 percent), automobile sector (+10.89 percent), and mechanical equipment sector (+9.72 percent). On detractors, only the trade and retail sector (-1.18 percent) and social services sector (-0.30 percent) had small declines.

China's economy recovers as economy regained vitality with the peaking of the COVID-19 infection rate. In January 2023, both the manufacturing Purchasing Managers' Index (PMI) and the services PMI returned to the expansionary territory at 50.1 and 54.4 respectively. Meanwhile, passenger count, movie box office, and tourist arrivals during the Lunar New Year have all recovered substantially, which pointed to an accelerated pace of consumption recovery. In addition, high-frequency data that track economic activities such as the Baidu Migration Index also strengthened significantly.

Monetary policy is expected to remain accommodative in 2023. The Central Economic Work Conference (the annual meeting where the top leadership of the Chinese Communist Party sets the economic policy agenda for the next year) in December 2022 extended the theme of "target and focused monetary policy" and "maintaining reasonable and sufficient liquidity" from 2022. In addition, support for small and micro enterprises, technology innovation, and green development were highlighted. The People Bank of China (PBoC) stated post-conference that the degree of monetary policy support should be at least on par with 2022 and will be strengthened if necessary. Unless economic growth and inflationary pressure exceeded expectations, liquidity conditions should remain accommodative.

Outlook and Positioning

Positioning

Since September 2022, we took the tactical approach and overweighting the companies with a good competitive advantage, but with average short-term growth prospects. We reduced the allocation towards companies with short-term growth prospects and overly high-profit expectations, and new-energy companies with high growth expectations and high valuations. We completed such an adjustment at the end of November 2022. The allocation in December 2022 remained unchanged, except for the fine-tuning in weights of individual stocks with large deviations in the price movements. The portfolio allocation in January 2023 has remained largely consistent with December 2022. We have made allocation adjustments to stocks that had significant gains or declines in the short term. The current portfolio consists of mainly Electronic and power core parts, Real estate chain, Financials, Consumer goods, Machinery, and Chemical companies. We will maintain the current asset allocation and make dynamic adjustments in line with changes in valuation.

Outlook

In 2023, China's economy will return to its normal business cycle and economic fundamentals could exceed expectations. For industries with a low valuation, there is potential to achieve both earnings and valuation re-rating in the future.

We will maintain the current asset allocation, with a focus on sectors that benefit from domestic demand recoveries such as retail consumption, food and beverages, and banks as well as high-end manufacturing industries represented by lithium battery manufacturing companies. The portfolio is dynamically adjusted to take into consideration company valuations.

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