December 2023

# United Global Quality Growth Fund

## Why Invest?

- **High exposure to "compounders":** The United Global Quality Growth Fund (the "Fund) invests in "compounders", which are quality companies that generate sustainably high returns on capital with the ability to reinvest at similarly high returns to drive future growth. We believe quality companies are likely to outperform in a high-rate world.
- **Invest in quality companies that "beat the fade":** Quality companies can generate high returns on capital over time and avoid the tendency for excess returns to be competed down to a just-adequate level. Hence, higher likelihood of outperformance.
- **Strategically diversified:** To ensure high quality, the Fund holds 40 to 50 names that are well-diversified across sectors. The size of any single holding ranges between 2 per cent to 5 per cent to minimize concentration risk. It is also well diversified with Information Technology, Industrials and Financials being the three largest allocations.
- **Experienced investment capabilities:** Lazard's team sub-managed the Fund, which is comprised of experienced professionals with over two decades of sector expertise, and focusing on high-quality companies with a sustainable competitive advantage.

[1] The United Global Quality Growth Fund- SGD Acc (ISIN Code: SG9999014880) was incepted on 11 November 2016.

## Investment Objective

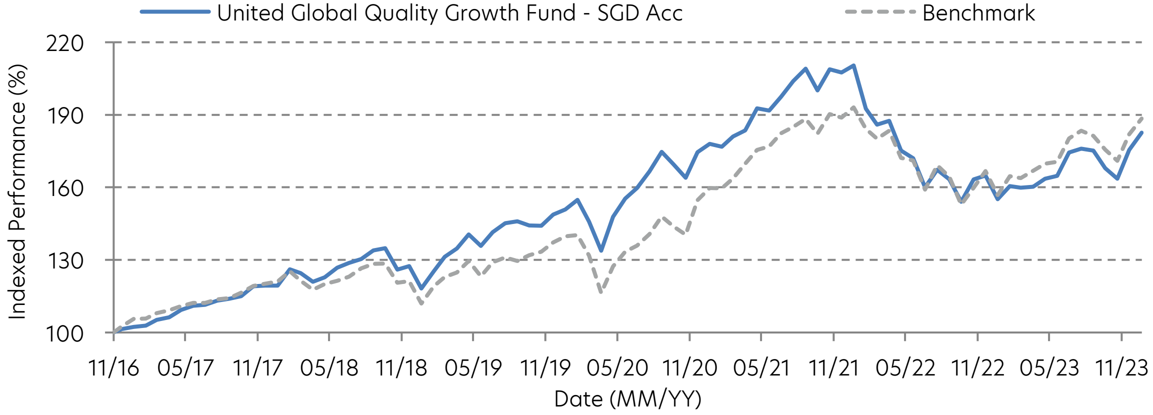
The investment objective of the United Global Quality Growth Fund is seeking to provide long-term total return by investing in equity and equity related securities of companies listed and traded on stock exchanges globally.

## Fund Information

| Base Currency | Fund Size | Sub-Manager |
|---|---|---|
| SGD | SGD 1107.43 mil | Lazard Asset Management |

## Historical Performance

**Fund Performance Since Inception[1] in Base Currency**




Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: MSCI All Country World Index.

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

## One Month Portfolio Performance

The United Global Quality Growth Fund - SGD Acc (the "Fund") returned +4.07 per cent in December 2023. Its benchmark, the MSCI All Country World Index, returned +3.59 per cent in the same month.. Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

Source: Morningstar, Performance from 30 November 2023 to 31 December 2023 in SGD terms.

Performance (Class SGD Acc)

| | Cumulative Performance (%) | Annualised Performance (%) | | | |
|---|---|---|---|---|---|
| | 1 month | 1 Year | 3 Years | 5 Years | Since Inception |
| Fund NAV to NAV | 4.07 | 17.79 | 0.88 | 9.09 | 8.81 |
| Fund (Charges applied^) | -1.13 | 11.90 | -0.83 | 7.98 | 8.03 |
| Benchmark | 3.59 | 20.19 | 5.68 | 10.99 | 9.29 |

Source: Morningstar. Performance as at 31 December 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 All Country World 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.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 December 2023 unless otherwise stated.

## Portfolio Review

Stock selection in the healthcare sector contributed to performance in December 2023. Shares of animal health company Zoetis Inc (Zoetis) rose. Investors showed growing enthusiasm for its most recently launched Companion Animal product, Librela, which treats osteoarthritis pain in dogs. Field checks during the month supported strong uptake of the treatment, which followed positive commentary from management during the quarterly earnings call in November 2023. We believe the company has the potential to build on its favourable positioning within the animal health space by leveraging its existing manufacturing facilities, broad marketing and sales footprint, and leading research and development pipeline. Stock selection in the communication services sector also contributed to performance in December 2023. Toei Animation Co Limited (Toei Animation), a Japanese animation company with valuable proprietary content, rose. We continue to see upside as Toei Animation owns valuable Intellectual property (IP) which it can increasingly monetize in a digitalising world, and its market position is protected by strong relationships with key stakeholders.

In contrast, stock selection in the financials sector detracted from performance in December 2023. Shares of Aon PLC (Aon), a global insurance broker and consultant, fell after the company announced plans to acquire NFP Corp (NFP), a US-centric risk and benefits broker, for US$14.3 billion, in December 2023. As a broker and an asset-light company, Aon generates strong returns on capital, which we believe can be sustained due to strong pricing power (particularly in its insurance brokerage business) and cash flow generation and may benefit from margin expansion opportunities.

Stock selection in the industrials sector also detracted from performance in December 2023. Shares of Verisk Analytics Inc. (Verisk), a provider of predictive analytics and data that help corporations evaluate risk, lagged following strong year-to-date earnings. The company reported strong quarterly earnings in November 2023, though investors pulled back on expectations of more normalised growth rates following a period of elevated growth. Verisk was a first mover in the property and casualty insurance analytics industry, giving the company a library of non-replicable historical data and proprietary client relationships. Verisk also has deep expertise in analytics and forecasting as a pioneer in the field of probabilistic catastrophe modelling. We continue to like this best-in-class company due to its data-driven business model with high barriers to competition and high recurring revenue.

## Market Review

Global equity markets rose for a second consecutive month in December 2023, as investor optimism shifted amid encouraging inflation data and a changing outlook for interest rates.

In the US, stocks continued to rally as a sustained slowdown in inflation sparked hopes that the US Federal Reserve (Fed) would end its rate-hiking campaign and perhaps even begin cutting rates in 2024. Investors cheered when the Fed hinted that its rate-hiking campaign had reached its conclusion and forecast that it could reduce interest rates three times in 2024. In Europe, the European Central Bank (ECB) left interest rates unchanged amid signs that the eurozone central bank's efforts to reduce inflation had made significant progress. Despite the ECB's vow to maintain a restrictive monetary policy for a sustained period, investors nevertheless anticipated it would reduce rates in 2024. Similarly, with price pressure in the UK easing materially, the Bank of England (BOE) kept its interest rates steady. However, data suggesting that the UK was headed for a period of economic stagnation sparked speculation that the British central bank would cut rates in the first half of 2024.

Equity markets in both the developed and developing worlds advanced in December 2023, with the former outperforming the latter. The US market rose, though performed roughly in line with the broad market following strong performance throughout the year. European equities outperformed the broader global market. In Japan, equities gained on the news that the Bank of Japan (BoJ) would keep its main policy rate unchanged. Meanwhile, in emerging markets, China stocks declined due to concerns over property companies and the country's slower-than-expected economic recovery.

## Outlook and Positioning

We expect to see continued volatility as the US Fed and other central banks seek to balance the goals of maintaining financial stability and controlling inflation. While artificial intelligence (AI) has the potential to transform the way companies operate over the long term, we are cautious that the exuberance surrounding the technology has the potential to drive valuations in certain stocks to unsustainable levels in the short term. We remain focused on our philosophy of investing in quality companies that can sustain elevated levels of financial productivity. Broadening out-of-index participation presents a better environment for quality investing, as we started to see toward the end of 2023..

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