



United Global Quality Growth Fund

October 2023

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.

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.

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

Fund Size
SGD 988.20 mil

Base Currency
SGD

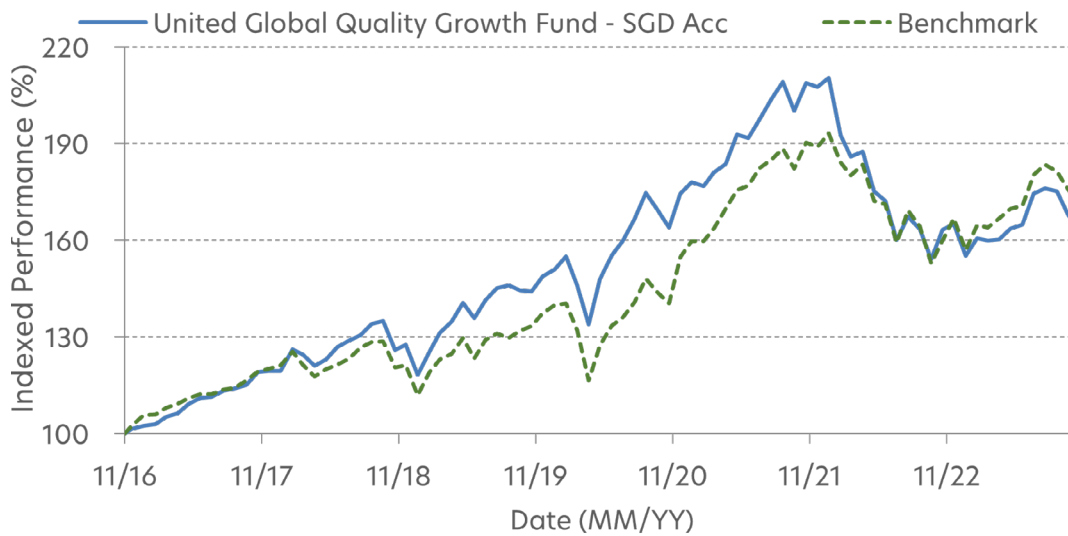
Fund Manager
Lazard Asset Management

One Month Portfolio Review

The United Global Quality Growth Fund – SGD Acc (the “Fund”) returned -2.58 per cent¹ in October 2023. Its benchmark, the MSCI All Country World Index, returned -2.64 per cent² in the same month.

Historical Performance

Fund Performance Since Inception³ 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 October 2023, SGD basis, with dividends and distributions reinvested, if any.

¹ Source: Morningstar, Performance from 30 September 2023 to 31 October 2023 in SGD terms, on a Net Asset Value (“NAV”) basis, with dividends and distributions reinvested (if any).

² Source: Morningstar, Performance from 30 September 2023 to 31 October 2023 in SGD terms.

³ The United Global Quality Growth Fund- SGD Acc (ISIN Code: SG9999014880) was inception on 11 November 2016.

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



Contributors

Stock selection in the industrials sector contributed to performance in October 2023. Shares of Booz Allen Hamilton Holding Corporation (Booz Allen Hamilton), a leading provider of high-end management and technology consulting services catering to the US government, rose on reports of new contract wins. The company also reported solid earnings for the latest quarter and management raised guidance for 2024. We continue to like the company due to its high returns and asset-light business model, which has grown organic revenue in excess of the industry's average for several years.

Stock selection in the consumer discretionary sector also contributed to performance in October 2023. Shares of Japanese bicycle maker Shimano Inc (Shimano) rose. Management raised operating profit guidance and investors viewed this favourably, given the recent muted bicycle demand. We believe Shimano will be able to capitalize on the long-term structural increase in cycling with high financial productivity and net cash.

Detractors

In contrast, stock selection in the healthcare sector detracted from performance in October 2023. Shares of Thermo Fisher Scientific Inc (Thermo Fisher) fell. The company has seen a more constrained outlook for biotech spending, given an ongoing weak funding environment and shares fell after management commented on the company's 2024 outlook. Thermo Fisher, which makes essential life science tools used in research, drug development, manufacturing, and clinical applications, is a leader in cell culture and single-use technologies within bio-production, where demand has been negatively impacted over the past few quarters by an industrywide customer destocking that we believe is coming to an end. Thermo Fisher has consistently gained market share, and we expect that to continue despite a challenging macroeconomic environment.

Stock selection in the communication services sector also detracted from performance. Google-parent Alphabet Inc (Alphabet) reported solid earnings, as the core Search business is accelerating, and profitability remains attractive. However, shares were weak on investor concerns over Cloud slowing, as optimizations among enterprises continued, despite it being a small portion of earnings. There were also incremental concerns that the company's cost containment efforts may be waning and more of those savings will be reinvested into artificial intelligence (AI) initiatives. We continue to own Alphabet as the company is innovating at a scale that is driving growth, building competitive barriers, and creating new adjacent opportunities. The company is well-positioned to sustain its high levels of returns driven by sustained growth and profitability in core Search, with additional growth and value creation levers across many of its more nascent businesses.

Annualised and Cumulative Performance

Performance (Class A (SGD) Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
		1 Month	1 Year	3 Years	5 Years
Fund NAV to NAV	-2.58	0.19	-0.08	5.36	7.32
Fund (Charges applied [^])	-7.45	-4.82	-1.78	4.28	6.53
Benchmark	-2.64	6.98	6.80	7.24	8.00

Source: Morningstar. Performance as at 31 October 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.



Market Review

Global equities fell in October 2023 amid investors' attempts to demystify central banks' interest rate trajectory. With interest rates at a 22-year high in the US, investors expected the US Federal Reserve (Fed) to hold rates steady in November, but the longer-term outlook remained uncertain. Stocks worldwide struggled in October 2023, as bond yields continued to rise after key central banks warned earlier that they were prepared to keep interest rates at elevated levels for a protracted period to quell inflation.

Against this backdrop, equities in both the developed and developing markets retreated in October 2023. In the US, equities declined, as the combination of elevated US Treasury (UST) yields and earnings reports from some heavyweight technology companies weighed on investor sentiment. In Europe, equities also fell due to worries about economic growth and interest rates staying higher for longer. In Japan, stocks pulled back on concerns that the Bank of Japan (BOJ) would veer from its ultra-low interest rate policy path following ongoing Japanese yen weakness. In China, equities trailed the broader global market due to concerns about China's slower than expected post-pandemic recovery.



Outlook and Positioning

We believe volatility to continue as the US Fed and other central banks seek to balance the goals of maintaining financial stability and controlling inflation. While 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 a majority of the portfolio in quality companies (Compounders) that can sustain elevated levels of financial productivity. Our fundamental research keeps us focused on the relationship between financial productivity and valuation to identify companies that can sustain high returns for longer than the market anticipates, and we seek to take advantage of volatile periods to add capital to Compounders trading at attractive valuations that may be out of favour.



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