United Greater China Fund

August 2023

Why Invest?

Artificial Intelligence Machine Learning (AIML)-and-analyst strategy: This is one of the first funds to apply UOB Asset Management's (UOBAM) AIML-and-analyst strategy, which harnesses technology to uncover hidden investment opportunities by optimising stock selection and allocation. This strategy helps to expand coverage of the investment universe, overcome human biases and helps analysts put together a risk-optimised portfolio.

Earlier this year, the United Greater China Fund - A SGD Acc's (the "Fund") AI indicators prompted a strategic shift towards reducing exposure to China and increasing allocation to Taiwan. This adjustment has proven beneficial with the Fund outperforming its peers[1].

Offers diversification benefits: The Fund's inclusion of China, Hong Kong and Taiwan markets provides diversification benefits. While China and Taiwan markets were historically highly interdependent, recent global geopolitical tensions and Taiwan's robust growth in advanced engineering have reduced their correlation.

Award winning: The Fund has received the Refinitiv Lipper Fund Awards Singapore 2023 Winner, Best Equity Greater China Fund Over 3 Years[2]. This prestigious accolade recognises the Fund in providing consistently strong risk-adjusted performance relative to its peers based on Lipper's proprietary performance-based methodology.

Investment Objective

The investment objective of the Greater China Fund is to achieve long-term capital growth primarily through investment in companies with assets or revenues being in or derived from the People's Republic of China, Hong Kong SAR and Taiwan.

Fund Information

Morningstar Rating
★★★★★

Fund Size
SGD 46.93 mil

Base Currency
SGD

Fund Manager
Colin Ng

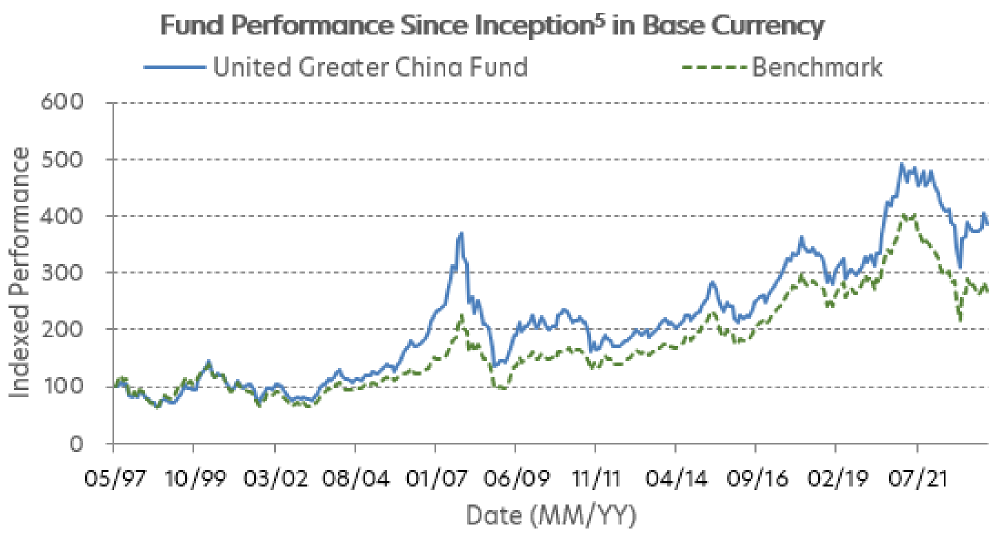
[1] United Greater China A SGD Acc, Morningstar, as of June 2023
[2] Refer to uobam.com.sg/awards for recent list of awards by UOBAM.

One Month Portfolio Review

The United Greater China Fund A SGD Acc returned -4.93 per cent[3] in August 2023. Its benchmark, MSCI Golden Dragon Index, returned -6.05 per cent[4] in SGD terms in the same month.

Historical Performance

Fund Performance Since Inception[5] in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: MSCI Golden Dragon Index

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

[3] 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).
[4] Source: Morningstar, Performance from 31 July 2023 to 31 August 2023 in SGD terms.
[5] The United Greater China Fund Class A SGD Acc (ISIN Code: SG9999001093) was incepted on 29 May 1997.

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	-4.93	0.38	-3.12	3.38	5.27
Fund (Charges applied^)	-9.68	-4.64	-4.77	2.32	5.11
Benchmark	-6.05	-6.78	-8.06	-0.52	3.79

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 percent change. Benchmark: MSCI Golden Dragon 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.

The Fund outperformed its benchmark in August 2023, thanks to both allocation and selection effects. Country allocation and stock selection for both China and Taiwan markets added value while FX was the main performance drag. In terms of sector, our stock selection within Consumer Discretionary, Communication Services and Financials were the top contributors to excess return while Healthcare was the primary laggard.

Market Review

In August 2023, global credit tightening and A-Share earnings disappointments triggered a round of A-Share selling. Chinese equity markets rebounded briefly in the last week of August 2023 as earnings season came to an end and stronger policy stimuli were launched. Nevertheless, main A-Share indices still ended the month with substantial losses. The Shanghai Composite Index fell 5.2% and the WIND All-A index declined 5.7 per cent. For style indices, STAR-50 had the smallest underperformance, falling just 2.7 per cent while CSI-1000 had the biggest drop with 6.3 per cent loss.

Economic conditions weakened in July 2023 and downside pressure remained significant. On production, both industrial and services production declined. July industrial production fell 0.7 per cent to 3.7 per cent year-over-year (y/y) while service production came off 1.1 per cent to 5.7 per cent y/y. On fixed asset investment, all three subcomponents – real estate, manufacturing and infrastructure indices moderated. On a year-to-date basis, the Jan-Jul cumulative investment in real estate was -8.5 per cent (prev: -7.9 per cent), infrastructure was 9.4 per cent (prev: 10.2 per cent) and manufacturing was 5.7 per cent (prev: 6.0 per cent). On consumption, July 2023 retail sales came in weaker than expected with a print of 2.5 per cent y/y, down 0.6 per cent compared to the previous month. Notable, Consumer Goods sales moderated 0.7 per cent to hit 1 per cent y/y while Restaurant/Catering eased 0.3 per cent to reach 15.8 per cent y/y.

In terms of liquidity, monetary policy adopted a more proactive tone with both aggregate and structural measures proposed for use. After stronger than expected medium term lending facility (MLF) and reverse repo interest rate cuts, it is likely that the loan prime rates (LPR), mortgage rate and reserve ratio will be reduced. The second quarter monetary policy report continues to emphasise monetary policy loosening and ensure smooth operations in the credit market. We could expect additional support from the central bank to increase credit supply and utilise structural tools in response to changing market conditions which includes reducing deposit rate. The central bank will be providing more support to local government debts and property sector and has both the will and the toolkit to stabilise the exchange rate. With the implementation of policy easing measures, normalisation of economic expectations and moderating external risks, market sentiment should improve accordingly.

AI Insights

In August 2023, our proprietary machine-learning model has turned more defensive in Taiwan as the AI hype continues to wean. We have decided to reduce our Taiwan allocation by turning the overweight into an underweight. As a safe harbour, the model has suggested an overweight in Hong Kong. With tourism being one of the few bright spots in the Chinese economy, Hong Kong consumer firms should hold up well as they welcome more Chinese tourists to the island.

Outlook and Positioning

We remain optimistic about the fundamentals and long-term prospects of Greater China markets.

In terms of sector allocation, we have turned overweight for Industrials as August 2023 manufacturing Purchasing Managers Index (PMI) highlighted potential stabilisation of industrial activities. In addition, we have increased our positions in Consumer Discretionary as we expect consumption stimulus plans for White Goods, new energy vehicles (NEVs) and Sportswear to benefit the sector.

We will dynamically adjust the portfolio construction to capture key market themes and use bottom-up approach to identify alpha opportunities.

We remain cognizant of key risks in the market such as US/China/Taiwan geopolitics especially in the wake of escalating semiconductor tit-for-tat export control measures between China and US + Allies.

Important notice and disclaimers

MSCI Data are exclusive property of MSCI. MSCI Data are provided "as is", MSCI bears no liability for or in connection with MSCI Data. Please see complete MSCI disclaimer here.

All information in this publication is based upon certain assumptions and analysis of information available as at the date of the publication and reflects prevailing conditions and UOB Asset Management Ltd ("UOBAM")'s views as of such date, all of which are subject to change at any time without notice. Although care has been taken to ensure the accuracy of information contained in this publication, UOBAM makes no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for the accuracy or completeness of the information.

Potential investors should read the prospectus of the fund(s) (the "Fund(s)") which is available and may be obtained from UOBAM or any of its appointed distributors, before deciding whether to subscribe for or purchase units in the Fund(s). Returns on the units are not guaranteed. The value of the units and the income from them, if any, may fall as well as rise, and is likely to have high volatility due to the investment policies and/or portfolio management techniques employed by the Fund. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. An investment in the Fund(s) is subject to investment risks and foreign exchange risks, including the possible loss of the principal amount invested. Investors should consider carefully the risks of investing in the Fund(s) and may wish to seek advice from a financial adviser before making a commitment to invest in the Fund(s). Should you choose not to seek advice from a financial adviser, you should consider carefully whether the Fund(s) is suitable for you. Investors should note that the past performance of any investment product, manager, company, entity or UOBAM mentioned in this publication, and any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance of any investment product, manager, company, entity or UOBAM or the economy, stock market, bond market or economic trends of the markets. Nothing in this publication shall constitute a continuing representation or give rise to any implication that there has not been or that there will not be any change affecting the Funds. All subscription for the units in the Fund(s) must be made on the application forms accompanying the prospectus of that fund.

The above information is strictly for general information only and is not an offer, solicitation advice or recommendation to buy or sell any investment product or invest in any company. This publication should not be construed as accounting, legal, regulatory, tax, financial or other advice. Investments in unit trusts are not obligations of, deposits in, or guaranteed or insured by United Overseas Bank Limited, UOBAM, or any of their subsidiary, associate or affiliate or their distributors. The Fund(s) may use or invest in financial derivative instruments and you should be aware of the risks associated with investments in financial derivative instruments which are described in the Fund(s)' prospectus.

In the event of any discrepancy between the English and Mandarin versions of this publication, the English version shall prevail.

This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

UOB Asset Management Ltd Co. Reg. No. 198600120Z