United Greater China Fund

July 2023

Why Invest?

Artificial Intelligence Machine Learning (AIML)-and-analyst strategy: This is one of the first funds to apply UOBAM's 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 Fund's 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 49.99 mil

Base Currency
SGD

Fund Manager
Colin Ng

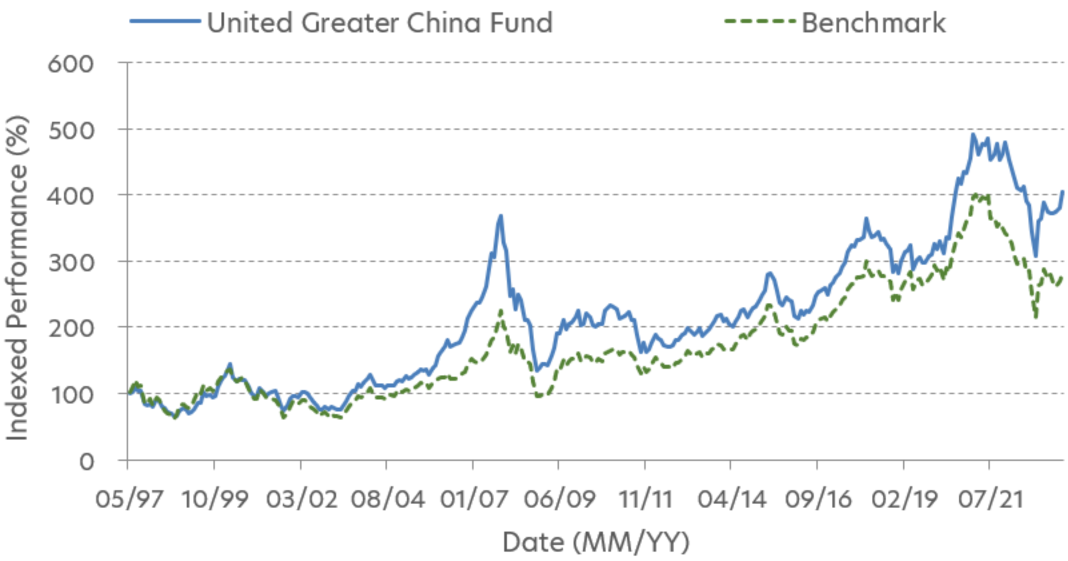
[1] United Greater China A SGD Acc, Morningstar, as of June 2023
[2] Refer to uobam.com.sg/awards for recent list of awards by UOBAM.

One Month Portfolio Review

The United Greater China Fund A SGD Acc (the "Fund") returned 6.57 per cent[3] in July 2023. Its benchmark, MSCI Golden Dragon Index, returned 4.78 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 July 2023, SGD basis, with dividends and distributions reinvested, if any.

[3] Source: Morningstar, Performance from 30 June 2023 to 31 July 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[4] Source: Morningstar, Performance from 30 June 2023 to 31 July 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 July 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	6.57	3.91	0.03	3.95	5.49
Fund (Charges applied^)	1.24	-1.28	-1.66	2.89	5.33
Benchmark	4.78	-0.57	-5.06	0.36	4.05

Source: Morningstar. Performance as at 31 July 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 July 2023, largely attributed to selection effect. Good stock picks within Hong Kong and Taiwan markets added value while China market was the primary detractor. In terms of sector, Information Technology was again the top contributor to excess return, followed by Financials and Consumer Staples, while Consumer Discretionary was again the key laggard.

Market Review

Equity market saw distinct contrast in performance before and after the July 2023 Politburo meeting. One week before the meeting, Wind All-China Index fell by 1.88 per cent with 21 out of 31 Shenwan industries experienced varying degrees of decline. After the Politburo meeting, investor confidence was boosted, and the market turned more optimistic with Wind All-China index rising 3.02 per cent after 24 July 2023.

Domestic economy showed marginal improvement and the trend of gradual recovery continued. In the second quarter of 2023, real gross domestic product (GDP) grew 6.3 per cent year-over-year (y/y), taking half year GDP growth to 5.5 per cent y/y. Although June 2023 Consumer Price Index (CPI) and Producer Price Index (PPI) extended decline, there is greater chance that we are close to the bottom and a rebound could be observed soon. Meanwhile, June 2023 manufacturing purchasing managers index (PMI) increased by 0.2 per cent month-over-month (m/m), highlighting improving supply and demand dynamics in the manufacturing sector. Macroeconomic data for the first half of this year exceeded expectations, import and export of goods rose 2.1 per cent y/y and exceeded RMB 20 trillion in value for the first time in history. The Politburo meeting did not mention "housing is for living, not for speculation" for the first time since 2018, and policies were initiated to expand domestic demand and stabilise consumption. These measures should help to boost China's economy. With the release of these positive signals, earnings are expected to recover in the second half of the year.

On liquidity, the July 2023 Politburo meeting called for "leveraging the role of aggregate and structural monetary policy tools," to "increase the strength of countercyclical adjustments," with an emphasis on "precision and effectiveness". These point to rising possibility of further interest rate cuts and loosening of reserve requirement. At the aggregate level, the window for rate cut in the second half of the year is still open and the main policy approach could be using deposit rate cut to guide down mortgage rates with a focus on interest rate reduction for existing mortgages. On a structural level, the government is providing strong support for technologically innovative companies, the real economy, and small and medium-sized enterprises (SMEs). With the implementation of easing measures, improvement in market expectations and moderation of external risks, we should see market sentiment recovering.

AI Insights

In the near term, our proprietary machine-learning model has turned more conservative on the artificial intelligence (AI) front, potentially due to the significant rally especially in some of the Taiwanese hardware firms and Chinese software application companies. We have decided to take profit on some of these names during the rebalancing.

As a result, we became heavily underweight Information Technology in July 2023.

Outlook and Positioning

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

In terms of sector allocation, we are overweighting Financials and Consumer Staples to position for improving macroeconomic condition and the implementation of consumption-related stimulus measures after the July Economic Politburo meeting.

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.

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