UOB Asset Management

United Sustainable Asia Top-50 Fund

April 2023

Why Invest?

- **Net zero opportunities in Asia:** Asia is fast growing but is also more vulnerable to climate change than other parts of the world. This has prompted Asian governments to speed up their net zero commitments and policy initiatives, fostering growth opportunities for ESG-friendly companies.

- **Growth in Asia to accelerate in medium term:** We are positive on China as we expect its cyclical expansion to continue. Meanwhile private demand growth is set to drive the next phase of ASEAN's economic recovery. We are in more balanced positioning between North Asia and ASEAN.

- **Proprietary investment process**: The Fund adopts a proprietary investment framework for identifying profitable ESG-friendly companies. This framework is anchored by a 'Man-and-Machine' process i.e., a combination of artificial intelligence (AI) and on-the-ground ESG research.

- **Focus on innovation:** The Fund's investment focus is on company innovation. Aligning with megatrends that are prevalent now and expected in the future, the Fund invests in sectors such as renewables, electric vehicles, digital services, semiconductors, and smart consumables.

Investment Objective

To achieve long-term capital appreciation by investing, directly or indirectly, in Authorised Investments issued by not more than 50 in total of the top corporations or any other entities either unincorporated or incorporated in, or whose principal operations are in, Asia, as may from time to time be determined by us. These companies can be listed in any of the stock exchanges of the world. Investments will be selected following the Fund's investment focus and approach, which includes the consideration of Sustainability and Environmental, Social and Governance (ESG) factors.

Fund Information

Morningstar Rating

★★★

Fund Size

SGD 72.45 mil

Base Currency

SGD

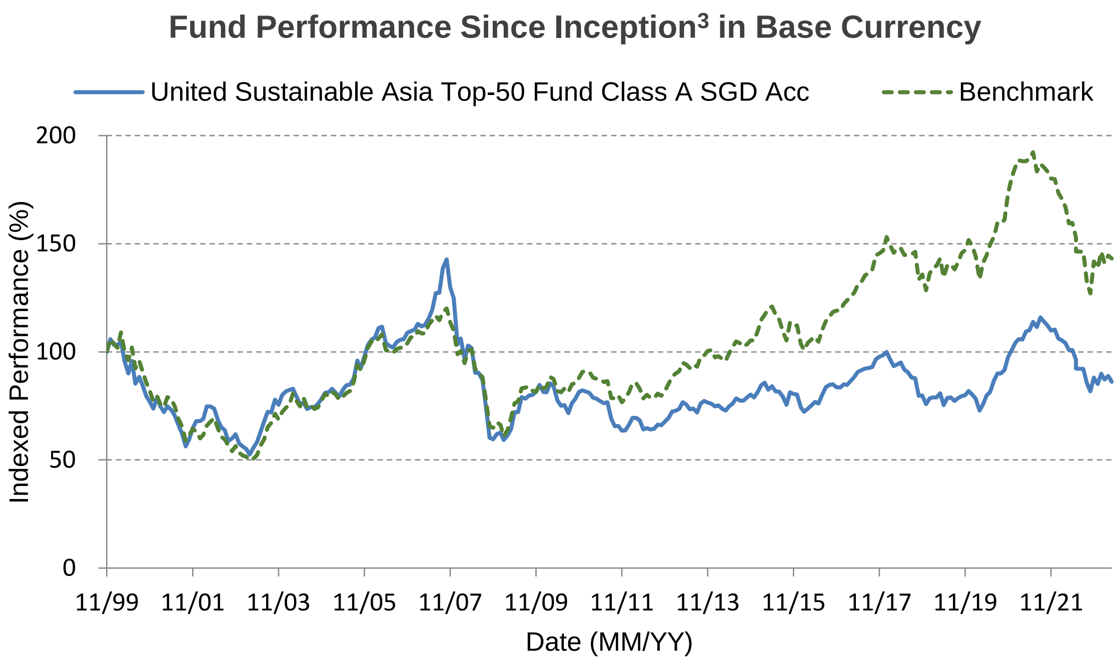
Fund Manager

Victor Wong

One Month Portfolio Review

For the month of April 2023, the United Sustainable Asia Top-50 Fund – A SGD (Acc) (the "Fund") returned -2.96 per cent[1] in April 2023 in Singapore dollar (SGD) terms. Its benchmark, the MSCI All Country Asia Index returned -0.85 per cent[2] in the same month.

Historical Performance



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: Since Inception – 30 September 2020: MSCI All Country Far East Index; 1 October 2020–Present: MSCI All Country Asia Index

Source: Morningstar. Performance as at 30 April 2023, SGD basis, with dividends and distributions reinvested, if any.

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[1] *Source: Morningstar, Performance from 31 March 2023 to 30 April 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).*
[2] *Source: Morningstar, Performance from 31 March 2023 to 30 April 2023 in SGD terms.*
[3] *The United Sustainable Asia Top-50 Fund – Class A SGD (Acc) (ISIN Code: SG9999001226) was incepted on 26 November 1999, and converted to an ESG (Environmental, Social, and Governance) fund on 1 October 2020.*

All statistics quoted in the write-up are sourced from Bloomberg as at 30 April 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	-2.96	-11.06	5.77	-0.98	-0.46
Fund (Charges applied^)	-7.81	-15.51	3.98	-1.99	-0.70
Benchmark	-0.85	-5.70	2.09	0.33	1.76

Source: Morningstar. Performance as at 30 April 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: Since inception – 30 September 2020: MSCI All Country Far East Index; 1 October 2020–Present: MSCI All Country Asia 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 equity markets extended their rally in April 2023 (MSCI All Country World Index: +1.8 per cent in SGD terms) as sentiments were lifted by earnings beats from big United States (US) technology companies. On the contrary, Asian equity markets declined 1.8 per cent in the same month, dragged by China and Taiwan. The escalation of geopolitical tension between the US and China was again in the spotlight with US President Joe Biden lobbying for Group of Seven (G7) support for his new investment curbs against China. On the positive side, Pakistan saw a good rebound with a 7.6 per cent gain in April 2023, followed by Indonesia and India.

China's equity market declined by 4.9 per cent in April 2023 as large-cap internet names took a hit on the back of heightened geopolitical tension while auto stocks were under pressure given the ongoing price war. Sector-wise, Energy, Financials, and Healthcare led gains while Consumer Discretionary, Communication Services, and Information Technology underperformed.

Hong Kong's equity market saw a modest gain of 0.9 per cent in April 2023. The Hong Kong government gave out the first batch of Consumption Vouchers to citizens in April 2023 to stimulate demand. Consumer Discretionary, Utilities, and Industrial outperformed while Consumer Staples, Communication Services, and Real Estate underperformed.

Taiwan's equity market declined 3.9 per cent in April 2023 as headwinds intensified for semiconductor companies with leading technology firms reporting significant revenue contractions. For sector performance within MSCI Taiwan Index, Communication Services, Energy and Financials outperformed while Healthcare, Information Technology, and Industrial underperformed.

Korean equity market sank into negative territory mainly on South Korean Won (KRW) depreciation (against US Dollar) as the Korean market index recorded a profit of 1.9 per cent in local currency in April 2023. Healthcare, Utilities, and Financials led gains while Energy, Communication Services, and Consumer Staples lagged.

Within the Association of Southeast Asian Nations (ASEAN), **Indonesia** was the best performer with a return of +6.9 per cent in April 2023, driven by foreign capital inflow and appreciation of Indonesian Rupiah. Easing headline inflation and strengthening currency saw Bank Indonesia putting an end to the current rate hike cycle, which is positive for economic growth. All sectors were in gains with Energy leading the pack followed by Consumer Discretionary and Communication Services.

Singapore's equity market was mildly negative at -0.3 per cent in April 2023. Underperformance from technology companies such as Sea Limited and Grab Holdings Inc was largely offset by Keppel Corporation Limited, which is reaping the benefits of its transformation efforts. At the sector level, Industrial, Real Estate, and Consumer Discretionary outperformed while Communication Services, Consumer Staples, and Information Technology underperformed.

Malaysia's equity market was down 1 per cent in April 2023, partly dragged by the Information Technology sector as semiconductor firms suffered contagion from Taiwanese companies' weak results given the highly globalized supply chain. Sector-wise, Materials, Communication Services, and Consumer Discretionary led gains while Information Technology, Financials, and Utilities lagged.

Thailand's equity market declined 3.2 per cent in April 2023 as Delta Electronics Thailand PCL, Thailand's largest electronics firm by market capitalization, staged a reversal in April 2023 with the stock plunging 36 per cent after the company's first quarter of 2023 earnings missed market expectations. From a sector perspective, Industrials, Financials, and Healthcare led gains while Information Technology, Utilities, and Energy underperformed.

The Philippines equity market saw a 1.2 per cent gain in April 2023 as investor sentiment improved with weaker oil prices and a stronger Philippine peso. For sector performance, Utilities, Financials, and Real Estate saw good returns while Communication Services, Consumer Staples, and Consumer Discretionary lagged.

India's equity market rose 4.6 per cent in April 2023 as real estate developers rallied after the Reserve Bank of India hit the pause button at the latest monetary policy meeting and Godrej Properties Limited reported a record sales performance. Consumer Discretionary and industrial sectors also saw good gains in April 2023 while Information Technology was the only sector in red.

Outlook and Positioning

We are positive about the outlook for Asia over the medium term as the region is on track to a growth acceleration. This will provide a balance against central banks' tightening bias in the near term. The macro backdrop remains favorable buoyed by further momentum in China's reopening, supporting a healthy recovery in China. In ASEAN, we see sustained private demand growth to help drive the next phase of economic recovery. This underscores our more balanced positioning between North Asia and ASEAN.

We maintain an overweight on China as cyclical expansion is set to continue driven by consumption-driven economic recovery whilst monetary and fiscal policies remain supportive. Nevertheless, we are cautious as renewed geopolitical tensions with the US could potentially weigh on China's equity market. We remain Neutral on Hong Kong as economic activities driven by reopening with mainland China are expected to accelerate but high interest rates and declining property prices remain headwinds.

We downgrade Taiwan from overweight to underweight. Valuation looks full after the recent rally in semiconductor stocks against a historically weaker second quarter. South Korea remains underweight as its valuation is unattractive amid a deteriorating corporate earnings backdrop. We continue to underweight India. Corporates' profitability is vulnerable to further downside risks although valuations are now less stretched.

Within ASEAN, Indonesia remains an overweight as our preferred market as private consumption remains resilient and likely to sustain its relatively strong Gross Domestic Product (GDP) growth. We turned less bullish and downgraded Singapore from overweight to neutral. We see limited catalysts in the near term against a muted domestic growth outlook. Likewise, we retain our neutral stance on Malaysia and Thailand. Malaysia is a relatively defensive and low beta market, while we expect the general election to be an overhang for Thailand in the near term.

We turned cautiously optimistic in our positioning and favour late-cycle defensive and value cyclical sectors such as Consumer Staples, Materials, Utilities and selective technology names. Companies that benefit from domestic demand opportunities, interest rate beneficiaries, inflation hedges, and commodities margin relief are also better positioned.

Key risks to our bullish outlook include a slower-than-expected rebound in China's economy, extended above-trend inflation, and worsening geopolitical risks between US/China.

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