

Fund Commentary

UOBAM Ping An ChiNext ETF

February 2023

Why Invest?

- **Opportunities across multiple sectors:** The UOBAM Ping An ChiNext ETF seeks a wide range of innovative growth companies that may stand to ride on the materialisation of the future megatrends. This includes Electric Vehicles (EVs), Clean Energy, Biotechnology, and Cloud Computing.
- **Exposure to leading innovations:** China leads in 5G/6G telecommunications and has a dominant global market share in EVs, EV supply chains (including batteries), renewable energy such as solar and wind, and Artificial Intelligence (AI) development.
- **Pro-growth policy support:** To reduce the dependence on foreign technology (tech), China is shifting its focus to hard tech¹. China also pledged to scale up R&D investments, raising over 1,700 government guidance funds of nearly US\$1 trillion² to support strategic industries.
- **Cheap valuations:** China's equity market valuation may have bottomed in October 2022 according to its price-earnings ratio (PER) being more than one standard deviation below its mean. (February 2023 PER is one standard deviation below its mean).

Investment Objectives

The investment objective of UOB Ping An ChiNext ETF is to provide investment results that, before fees, costs and expenses (including any taxes and withholding taxes), closely correspond to the performance of the ChiNext Index.

Fund Information

Fund Size

SGD 13.97 mil

Base Currency

SGD

Fund Manager

Colin Ng



¹ *Hard tech* refers to tech that requires continuous research and development (R&D) and advanced scientific and technological capabilities. It includes sectors such as semiconductors, new energy vehicles, renewable energy generation and healthcare.

² *American Affairs*, "Guiding Finance: China's Strategy for Funding Advanced Manufacturing", May 2022

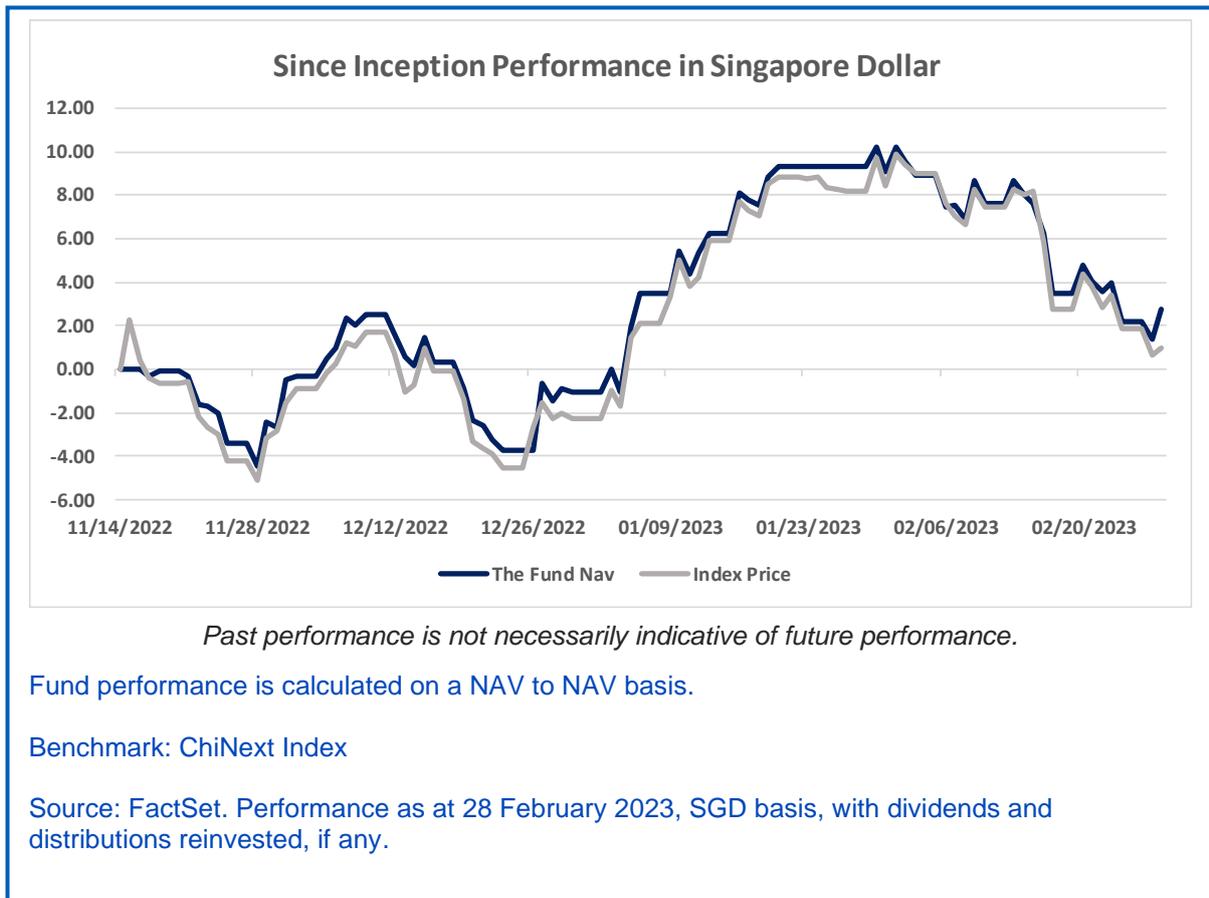


One Month Portfolio Review

From its inception on 14 November 2022, the UOBAM Ping An ChiNext ETF³ (the “Fund”) tracked the ChiNext index very closely with only very minor performance deviation that resulted from fees and initial deployment.

For the month of February 2023, the Fund fell 5.81 percent⁴ (in SGD terms). Its benchmark index fell by 6.88 percent⁵.

Historical Performance



³ Exchange Traded Fund

⁴ Source: Factset. Performance from 31 January 2023 to 28 February 2023 in SGD terms, on a Net Asset Value (“NAV”) basis, with dividends and distributions reinvested (if any).

⁵ FactSet, 28 February 2023



Performance (Class SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-5.81	-	-	-	2.73
Fund (Charges applied [^])		-	-	-	
Benchmark	-6.88	-	-	-	0.94

Source: Morningstar. Performance as at 28 February 2023, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the percent change. Benchmark: ChiNext 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.

Top 5 performers:

Securities Name	Code	Cumulative Performance (%)
		1 month
Zhonghang Electronic Measuring Instruments Co Limited	300114	+395.09
Fujian Wanchen Biotechnology Co Limited	300972	+62.39
GI Technologies Group Co Limited	300309	+59.52
Shijiazhuang Tonhe Electronics Technologies Co Limited	300491	+57.08
Linktel Technologies Co Limited	301205	+53.77

Source: Wind Information, Ping An Fund Management. Performance as at 28 February 2023, Chinese yuan basis.

Zhonghang Electronic Measuring Instruments Co Limited (Zhonghang Electronic) was the best performer within ChiNext Index with a 395.09 percent gain in February 2023. The strong rally was fueled by the company's announcement to acquire 100 percent of AVIC Chengfei Commercial Aircraft Company Limited's (AVIC Chengfei) equity. As an aircraft engine manufacturer with strategic value in the supply chain, the acquisition of AVIC Chengfei is believed to enhance Zhonghang Electronic's competitive advantage and improve profitability.

Bottom 5 performers:

Securities Name	Code	Cumulative Performance (%)
		1 month
NanJing AoLian AE&EA Co Limited	300585	-35.59
Shanghai Allied Industrial Co Limited	301419	-23.04
ZENNER Metering Technology (Shanghai) Limited	301303	-20.02
Pharmaron Beijing Co Limited	300759	-19.45
Suzhou SLAC Precision Equipment Co Limited	300382	-18.61



Source: Wind Information, Ping An Fund Management. Performance as at 28 February 2023, Chinese yuan basis.

On the flip side, NanJing AoLian AE&EA Co Limited was the biggest laggard with 35.59 percent decline in February 2023 as the company was suspected of violating laws and regulations in information disclosure and is currently under investigation by the China Securities Regulatory Commission.

Market Review

In terms of the industry performance, Real Estate is the top return contributor followed by Communication Services and Consumer Discretionary. On the flip side, Industrial, Healthcare, and Financials underperformed.

Global equity markets were volatile in February 2023 with more declines seen than gains. The Shanghai Composite Index fluctuated in February 2023 and ended with a small gain while other broad-based A-Share indices generally saw declines, especially the ChiNext index. In terms of industries, communications (+8.59 percent), light industry (+6.68 percent), and computer (+5.69 percent) saw positive returns while power equipment (-6.02 percent), banks (-3.80 percent) and nonferrous metals (-3.58 percent) underperformed.

Economic recovery is taking shape after the COVID-19 infection rate peaked in China. Both manufacturing and services Purchasing Managers' Index (PMI) continue to improve in February 2023, highlighting supply and demand recovery across sectors. In addition, new loans rose by 17.3 percent in January 2023 while the average new home price for 70 medium and large cities did not decline in January 2023 for the first time since August 2021, signaling that growth recovery is on track. Meanwhile, 2023 economic targets released in the National People's Congress (NPC) annual Government Work Report (GWR) further anchored market expectations. To highlight the key takeaways from the 2023 GWR, the Gross Domestic Product (GDP) growth for 2023 is expected to be +5 percent, the Consumer Price Index (CPI) is to be maintained at about 3 percent, the unemployment rate is to be below 5.5 percent, creating 12-million of new urban jobs and scaling up special local government debt quota to 3.8 trillion yuan.

Monetary policy is likely to remain accommodative in 2023. The Central Economic Work Conference (the annual meeting where the top leadership of the Chinese Communist Party sets the economic policy agenda for the next year) in December 2022 extended the theme of "target and focused monetary policy" and "maintaining reasonable and sufficient liquidity" from 2022. In addition, support for small and micro enterprises, technology innovation, and green development were highlighted. Meanwhile, in the fourth quarter of the 2022 monetary policy report released by the People's Bank of China (PBOC), it continued the theme from the Central Economic Work Conference to "focus on domestic demand expansion and provide more support to the real economy". Concerns over inflationary pressure appear to have eased and monetary policy is likely to stay loose.



Outlook and Positioning

We remain positive about the fundamentals and the outlook of China 'A' shares.

Firstly, China's economy is likely to recover gradually post-zero-COVID-19 era. Nevertheless, there are some uncertainties regarding the strength of the recovery, as it would depend on the extent of economic stimulus from the government and the evolution of the COVID-19 situation.

Secondly, government policies would likely favour equity markets. We believe monetary policy to remain accommodative to encourage economic recovery and further fiscal stimulus to support stable economic growth.

Thirdly, the market experienced a significant decline in 2022 and broad-based indices are still hovering near low levels, hence we see a smaller probability of an extended decline in 2023. If economic recovery is mild in 2023, the full-year return is unlikely to be exceptionally high.

Finally, geopolitical risk between US and China is a concern to the market and we remain cautious about any further development on this front.



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