UOBAM Ping An ChiNext ETF

July 2023

Why Invest?

Opportunities across multiple sectors: UOBAM Ping An ChiNext ETF SGD Class (the "Fund") seeks a wide range of innovative growth companies and sectors that may stand to ride on the materialisation of the megatrends of the future. This includes Electric Vehicles (EV), Clean Energy, Biotechnology and Cloud Computing.

Exposure to leading innovations: China leads in 5G/6G telecommunications and has a dominant global market share in EV, EV supply chain (including batteries), renewable energy such as solar and wind, and Artificial Intelligence (AI) development.

Pro-growth policy support: To reduce its reliance on foreign technologies, China is developing its own technology capabilities and is shifting its focus from consumer-focused tech to hard tech[1]. China has also pledged to scale up R&D investments, raising over 1,700 government guidance funds of nearly US$1 trillion[2] to support strategic industries.

Cheap valuations: China's equity market is currently trading at relatively low valuation and Price-to-Earnings (PER) ratio as of end-July 2023 was more than one standard deviation below its 5-year historical mean.

Investment Objective

The investment objective of UOBAM 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 12.40 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

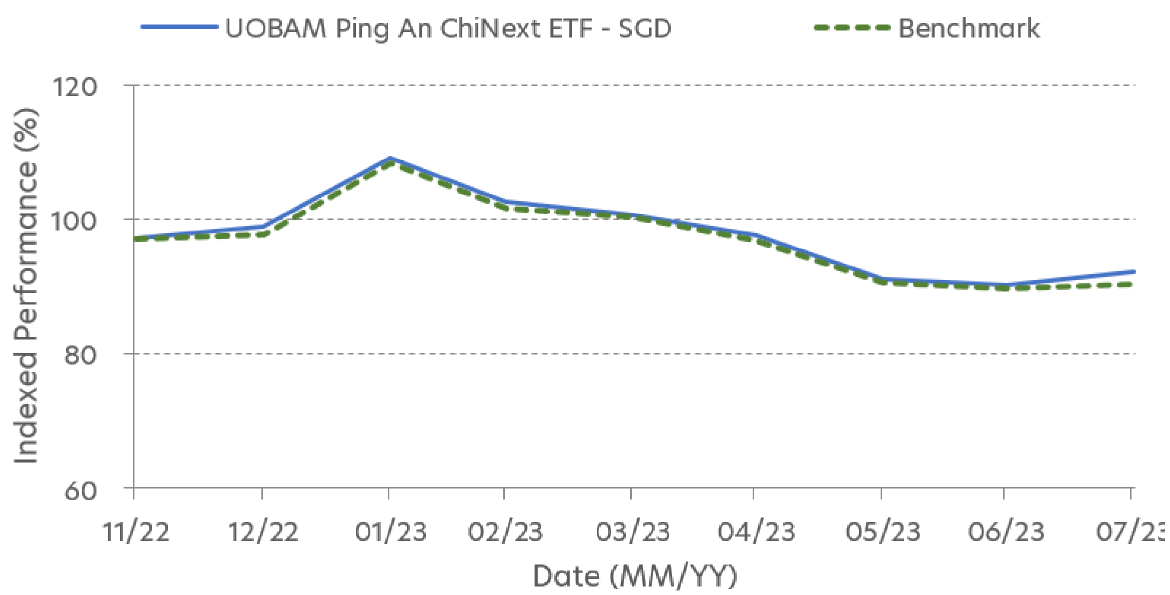
One Month Portfolio Review

From its inception on 14 November 2022, the UOBAM Ping An ChiNext ETF[3] - SGD tracked the ChiNext Index very closely with only very minor performance deviations that was a result of fees and initial deployment.

For the month of July 2023, the Fund returned 2.21 per cent[4] (in SGD terms). Its benchmark index returned 0.75 per cent[5].

Historical Performance

Fund Performance Since Inception[6] in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: ChiNext Index

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

[3] Exchange Traded Fund
[4] 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).
[5] Source: Morningstar, Performance from 30 June 2023 to 31 July 2023 in SGD terms.
[6] The UOBAM Ping An ChiNext ETF – Class SGD (ISIN Code: SGXC54700155) was incepted on 14 November 2022.

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 SGD)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 Month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	2.21	-	-	-	-7.77
Fund (Charges applied^)	2.21	-	-	-	-7.77
Benchmark	0.75	-	-	-	-9.65

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: 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)
Maxscend Microelectronics Company Limited	300782	24.59%
Beijing Compass Technology Development Co Ltd	300803	17.31%
Yunnan Botanee Bio-Technology Group Co Ltd	300957	16.93%
Huali Industrial Group Company Limited	300979	16.00%
Shenzhen Kangtai Biological Products Co Ltd	300601	15.36%

Source: Wind Information, Ping An Fund Management. Performance as at 31 July 2023, Chinese yuan basis.

Maxscend Microelectronics Company Limited was the top performer in July 2023 with 24.59 per cent gain. With ongoing localisation, the Radio Frequency (RF) front-end chip manufacturer has high potential of becoming one of the domestic leaders in Power Amplifier and Milimeter Wave Integrated Device (PAMiD), which opens a huge high-end RF front-end chip market for the company. In addition, both revenue and earnings saw significant quarter on quarter improvement in 2Q23 on the back of higher demand and lower destocking pressure, which could signal that 1Q23 was a cyclical trough.

Bottom 5 Performers

Securities Name	Code	Cumulative Performance (1 month)
Winning Health Technology Group Co Ltd	300253	-29.30%
Hubei Feilihua Quartz Glass Co Ltd	300395	-19.35%
Shenzhen Minglida Precision Technology Co Ltd	301268	-17.65%
Shenzhen S.C New Energy Technology Corporation	300724	-16.60%
Empyrean Technology Co Ltd	301269	-16.44%

Source: Wind Information, Ping An Fund Management. Performance as at 31 July 2023, Chinese yuan basis.

On the other hand, Winning Health Technology Group Co Ltd was the biggest laggard with 29.3 per cent decline in July 2023. The stock plunged in early July 2023 as the medical software developer's CEO was arrested by Chinese authority for bribery charges. This is against the background of a national campaign to clean up the healthcare sector in China.

Market Review

In terms of ChiNext index industry performance, Financials, Industrials and Healthcare were the biggest profit contributors while Information Technology was the primary laggard followed by Materials.

General equity market saw distinct contrast in performance before and after the July 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.

Outlook and Positioning

We remain optimistic about the fundamentals and prospects 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 expect monetary policy to remain accommodative to encourage economic recovery and further fiscal stimulus to support stable economic growth.

Thirdly, the market had 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 the US and China is a concern to the market and we remain cautious about any further development on this front.

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