UOB Asset Management

UOBAM Ping An ChiNext ETF

October 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-Oct 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 10.94 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

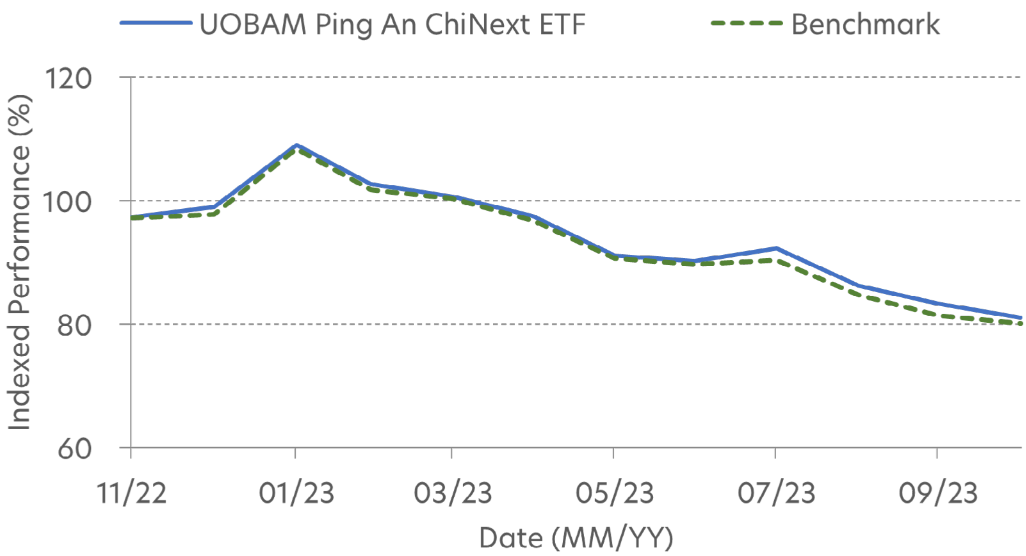
One Month Portfolio Review

From its inception on 14 November 2022, the UOBAM Ping An ChiNext ETF[3] - SGD Class 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 October 2023, the Fund returned -2.67 per cent[4] (in SGD terms). Its benchmark index returned -1.59 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 October 2023, SGD basis, with dividends and distributions reinvested, if any.

[3] Exchange Traded Fund
[4] Source: Morningstar, Performance from 30 September 2023 to 31 October 2023 in SGD terms, on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).
[5] Source: Morningstar, Performance from 30 September 2023 to 31 October 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 October 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	-2.67	-	-	-	-18.90
Fund (Charges applied^)	-2.67	-	-	-	-18.90
Benchmark	-1.59	-	-	-	-19.87

Source: Morningstar. Performance as at 31 October 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)
iSoftStone Information Technology (Group) Co Ltd	301236	34.42%
Shenzhen Sunway Communication Co Ltd	300136	32.69%
Maxscend Microelectronics Company Limited	300782	29.13%
Chongqing Zhifei Biological Products Co Ltd	300122	28.72%
Hangzhou Changchuan Technology Co Ltd	300604	21.74%

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

iSoftStone Information Technology (Group) Co Ltd was the top performer within ChiNext in October 2023, with a gain of 34.42%. The firm is a domestic leader in IT services, which benefits from import substitution policy tailwind. As the firm collaborates closely with Huawei and is a part of the software supply chain for major domestic brands, investors believe that iSoftStone could create full-stack solution from chips and operating systems to industry applications going forward.

Bottom 5 Performers

Securities Name	Code	Cumulative Performance (1 month)
Zhongji Innolight Co Ltd	300308	-24.22%
Centre Testing International Group Co Ltd	300012	-18.95%
Kunlun Tech Co Ltd	300418	-17.79%
Dongguan Yiheda Automation Co Ltd	301029	-16.59%
Yunnan Botanee Bio-Technology Group Co Ltd	300957	-15.40%

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

Zhongji Innolight Co Ltd was the biggest underperformer with -24.22% in October 2023. AI-related stocks came under pressure as US tightened export curb on China's access to advanced semiconductors and chipmaking gears during the month.

Market Review

On ChiNext index industry performance, Healthcare, Consumer Staples and Information Technology led gains while Industrials, Communication Services and Financials were the primary laggards.

In October 2023, the A-share market's decline was sharper-than-expected. Artificial intelligence hardware stocks and communications sector stocks fell by 7.5%, while real estate sector stocks related to the traditional economy fell by 6.5%. The decline was more significant for individual stocks. We believe these characteristics signaled the final wave of market decline.

The performance of major domestic asset classes in October 2023 can be summarized as the following: stock market has bottomed out, commodity prices generally declined, and the RMB has depreciated. In the stock market, the Shanghai Composite Index fell 2.9%, the Shenzhen Composite Index fell 2.4%, the ChiNext Index fell 1.8%, and the CSI 300 Index fell 3.2%. Sector wise, there were more declines than gains. Outperformers included electronics, automobiles, pharmaceuticals and biology, agriculture, forestry, animal husbandry, and fishery sectors. On the flip side, communications, beauty care, social services, real estate, and building materials sectors had the biggest declines.

With the introduction of relevant policies and their implementation, we expect to see further economic stabilisation and recovery. The central government will issue an additional RMB 1 trillion in government bonds in the fourth quarter of this year to ease local government financial pressure. China's GDP in the third quarter grew by 4.90% year-on-year, better than market expectations of 4.47%.

In terms of liquidity, The People's Bank of China (PBOC) stated that there is ample room and reserve for monetary policy to respond to unexpected challenges and changes, and will continue to make countercyclical adjustments. Both the 1-year Loan Prime Rate (LPR) and the 5-year LPR remain unchanged in October but there is scope to reduce 5-year LPR going forward. In September 2023, the central bank lowered the deposit reserve ratio of financial institutions by 0.25%, which is expected to release RMB 500 billion of liquidity. Further reserve requirement ratio (RRR) cuts and interest rate adjustments are expected in the fourth quarter.

Outlook and Positioning

We remain optimistic about the fundamentals and prospects of China 'A' shares.

Firstly, the strength of economic recovery has been weaker than expected, and market pessimism should be largely priced in. We need to wait for stronger macro data to increase market confidence.

Secondly, the US economy has experienced some volatility, but the current round of interest rate hike and balance sheet tightening are expected to come to an end soon.

Thirdly, Central Huijin Investment Ltd once again bought ETFs while the central government issued an additional trillion of treasury bond to boost market sentiment. This reflects the government's determination to maintain market stability and promote economic recovery. In addition, the China-U.S. Economic Working Group held its first meeting whereby Foreign Minister, member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, Wang Yi, met with US Secretary of State, Blinken, in Washington. This released a positive signal of easing Sino-US relations, and market sentiment improved.

Finally, we need to find investment opportunities within structural bright spots in the near term given the lack of catalyst in macro economy. In the medium term, we are still confident about economic recovery. With time, the economy will resume its cyclical uptrend and reverse market sentiment.

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