

## **Fund: United Global Emerging Markets Opportunity Fund**

**As at 31 August 2022**

### **Performance Update**

For the month of August, the Fund MYRH class registered a return of 0.74%, outperforming its benchmark of 0.42%.

Performance was positively impacted by stock selection in Financials and Energy while IT and Materials detracted. On the stock level, our holdings in Bank Central Asia, Eicher Motors and Petrobras added value.

In contrast, our holdings in Longi, Anglo American and China Merchants Bank detracted. China Merchants Bank fell due to the macro concerns surrounding the property market and the lack of larger scale government stimulus for property developers after the Politburo meeting.

### **Strategy Moving Forward**

Geopolitical tensions between the US and China moved up a notch over the month with Biden signing the US Chips and Science Act 2022 and reportedly building a “Chip 4 Alliance” consisting of US, Japan, South Korea and Taiwan. However, there was positive news on the ADR delisting issue, with preliminary agreements allowing US authorities access to Chinese ADRs’ audit papers. While it is still too early to tell whether the inspection can satisfy the SEC/PCAOB requirements, we think this is a meaningful step forward between the two parties after years of negotiation. Meanwhile, on the domestic front, the next event that market participants are closely watching for is the Chinese Communist Party’s 20th congress, now scheduled for 16 October. Within the economy, China’s real estate troubles continue to worry investors while we are seeing signs of stabilization in the regulatory environment in other sectors, and believe Chinese equities are likely past the turning point in terms of policy risk. Stimulus measures have been rolled out but the positive trickle down to the economy is likely being hampered by continued targeted lockdowns as China holds fast to the dynamic zero-covid policy. As for the ADR risk, we maintain that it is manageable as many major Chinese companies with ADRs have already started listing in HK and several like Alibaba may be working on a primary listing in HK too.

Russia’s invasion of Ukraine and structurally higher commodity prices has generally had some negative impact on countries importing commodities and some positive impact on countries exporting commodities. In Asia, Indonesia and Malaysia are the only two net commodity exporters in the region. Indonesia is especially attractive on a topdown level. Beyond commodities, Indonesia has put in place reforms to position it to benefit from supply chain diversification. It also has a large domestic economy which could act as a demand buffer in a global slowdown. Ex-Asia, the combined Middle East weight in the index has risen to 7.8%. We believe that change is also underway in domestic activity, with construction picking up in Saudi Arabia. However, valuations remain elevated in the region.

Elsewhere, investor concerns revolve around tighter Federal Reserve policy and sooner-than-expected interest rate hikes in Emerging Markets. However, data has shown that while average equity returns are negative a month after previous Fed rate hikes, returns tend to recover thereafter, especially in Emerging Markets. As for Fed tapering, we do not expect a repeat of 2013’s ‘taper tantrum’, as EM economies are better positioned this time round, such as improved current account deficits for South Africa, Brazil and Indonesia and stronger macro stability.

We remain confident in fundamental, long-term changes playing out in emerging markets and our investments are focused on quality companies associated with them.

### Stock Commentary

Stocks	Country	Sector	Remarks
Petrobras Pn	Brazil	Energy	<ul style="list-style-type: none"> <li>• There were no stocks specific newsflow around Petrobras.</li> <li>• Energy stocks in general have done better than the broader index.</li> </ul>
Longi Green	China	Information Technology	<ul style="list-style-type: none"> <li>• Longi's underperformance followed Tongwei's results announcement in which the company indicated its determination to become a more integrated producer similar to LONGi.</li> <li>• The two companies are currently JV partners and have a supplier-client relationship.</li> <li>• Tongwei is among the world's largest polysilicon suppliers</li> </ul>

### Fund Classes

Fund Classes		
MYR Hedged Class	USD Class	SGD Hedged Class

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