

Fund: United Global Emerging Markets Opportunity Fund

As at 31 October 2022

Performance Update

For the month of October, the Fund MYRH class registered a return -2.63%.

Stock selection within Energy added value. Our holdings in Ptt Exploration & Prod contributed positively. Outside the sector mentioned above, our holdings in Banorte added value.

In contrast, our holdings in Moutai, China Merchants Bank and JD.COM detracted as well. Despite positive Q3 earnings results, Kweichow Moutai still fell due to concerns surrounding weak consumer demand and negative sentiments post the 20th Party Congress. China Merchants Bank fell sharply after its ex-President was found guilty for his corrupt behavior under the guise of a 'market-based operation' or 'wealth management business development'. At this point, we believe this is more related to the individual behavior and does not reflect CMB's market based operations. CMB announced later that

Strategy Moving Forward

Looking ahead, the geopolitical and macro environment remains volatile. There doesn't seem to be a quick resolution to the Russia/Ukraine conflict despite some advances by the Ukrainian side. Also for China, geopolitical concerns will remain as a swing factor. On one hand, we saw a step forward on the ADR issue in Aug when the two countries signed a cooperation Statement of Protocol (SoP) in a joint auditing supervision. On the other, further technology restrictions such as the US Chips and Science Act 2022 and Chip 4 Alliance will add to unpredictability.

On the domestic front in China, investors seemed disappointed at the outcome of the 20th Party Congress as the Chinese markets fell in the later part of the month. We feel it is too early to draw definitive conclusions. We believe that the Chinese government responses—e.g. COVID policy and property market crisis—have been on hold in many ways until after the top level leadership shuffle that took place during the 20th Party Congress. Now that these top positions have been filled, the focus on getting the economy back on track might increase. The next key event to watch will be the "Two Sessions" in March 2023, where government positions will be officially unveiled at the National People's Congress.

Outside of China, Asian economies are re-opening and recovering and expected to benefit from the outsourcing story brought about by the China-plus-one and to some extent, also as European industry and manufacturing get impacted by energy shortages. Supply chain shifts are typically gradual but we are already seeing the emerging effects of this in India and Southeast Asia.

With respect to India, rural demand appears to have bottomed and business sentiments on the ground are positive. The government has also put in place certain initiatives such as production-linked incentive scheme and corporate tax cuts to capture some of the manufacturing diversification out of China.

Indonesia is another country that has put in place reforms to position it to benefit from supply chain diversification. Compared to other Asia ex Japan markets, it is also better placed to benefit from higher energy and commodity prices. Indonesia also has a large domestic economy which could act as a demand buffer in a global slowdown. Our

team was in Indonesia over the month and witnessed buoyant economic activity with the post-covid recovery underway.

Beyond Indonesia, we also conducted field research in Taiwan and Korea: Our tech analyst visited these markets last month and his research showed the industry dynamics for semiconductors remains positive, though moderated by geopolitical developments. We believe we need to ride through the economic downcycle for the sector to resume its long term positive trajectory.

Outside of Asia, Lula won the presidential election in Brazil with 50.9% of valid votes (60 million votes) vs 58 million for Bolsonaro. The 2 million difference is the smallest in Brazil's history in terms of valid votes at 1.8%. As of now, we would not expect major changes as voting for the Lower House and Senate reinforced moderation in Congress and moved it a little more to the right, meaning that checks and balance are in place to limit what Lula can do. Approval from the Legislative will often be required to implement the new President's agenda, which offers some protection against a large populist push.

In terms of positioning, we continue to overweight Financials as a result of our bottom-up stock picking. Elsewhere, we continue to overweight Indonesia as we see further upside from our bottom-up stock picks in a favourable environment describe earlier.

Stock Commentary

Stocks	Country	Sector	Remarks
Ptt Exploration & Prod	Thailand	Energy	<ul style="list-style-type: none"> PTTEP outperformed mainly on resilient oil prices during the period, but also due to solid, above expected, earnings release for the 3Q22.
JD.COM	China	Consumer Discretionary	<ul style="list-style-type: none"> JD underperformed on concerns over Q3, brought about by macro weakness and Covid lockdowns in a few tier-two cities since the second half of August. This means sales might potentially fall in the lower end of the company's previous guidance. Meanwhile, JD continues to be confident about margin expansion even with a slightly weaker macro environment in the short term.

Fund Classes

Fund Classes		
MYR Hedged Class	USD Class	SGD Hedged Class

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