

Fund: United Global Emerging Markets Opportunity Fund

As at 30 September 2022

Performance Update

For the month of September, the Fund MYRH class registered a return -10.98%.

Stock selection within Financials and Consumer Discretionary added value. Our holdings in Eicher Motors, Bank Mandiri and Bank Central Asia contributed positively.

In contrast, stock selection within IT detracted. More specifically our holdings in MediaTek and SK Hynix underperformed.

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. In addition, the Nord Stream gas pipelines were damaged, resulting in gas leakage and putting further question marks on energy security for Europe going forward.

With respect to China, tensions with the US continued to dominate headlines. In August, Biden signed the US Chips and Science Act 2022 and the US is reportedly building a "Chip 4 Alliance" consisting of US, Japan, South Korea and Taiwan. Meanwhile, on the domestic front, all eyes are on the Party's 20th congress that starts on 16 October. Some investors are hoping that subsequently, there will be more clarity on how the zero-covid policy will evolve and what economic policies can be expected. On the troubled real estate sector, the government continued to announce new stimulus measures over the quarter but the positive trickle down to the economy is likely being hampered by continued targeted lockdowns related to the dynamic zerocovid policy.

Outside of China, Asian economies are re-opening and recovering. Some parts of Asia are 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 Southeast Asia and India.

Indonesia in particular has put in place reforms to position it to benefit from supply chain diversification. It is also well placed to benefit from higher energy and commodity prices, with Indonesia and Malaysia being the only two net commodity exporters in the region. In addition, Indonesia also has a large domestic economy which could act as a demand buffer in a global slowdown.

Outside Asia and EMEA, investors are looking towards the second round of presidential election in Brazil as neither candidate was able to secure enough votes in the first round. Lula remains the favorite, but a tighter margin may force him to move further to the center and clarify his economic agenda.

In terms of positioning it is worth noting that our process is primarily bottom up driven. Against this backdrop, our overweight in Financials and Indonesia is mainly a result of our bottom-up stock picking.

Stock Commentary

Stocks	Country	Sector	Remarks
Eicher Motors	India	Consumer Discretionary	<ul style="list-style-type: none"> • Outperformed as its new product launch, Hunter, was well received. • Its monthly sales/and production has improved as supply bottlenecks appear to be resolved.
SK Hynix	South Korea	Information Technology	<ul style="list-style-type: none"> • SK Hynix fell alongside the semiconductor sector globally with fears of a decline in demand and margins in the scenario of a severe economic slowdown. • In addition, concerns about rising geopolitical tensions have weighed on the stock, such as the US Chips and Science Act 2022 and Chip 4 Alliance may negatively impact its business with China, with China being the biggest market for South Korean semiconductor companies. • We believe the geopolitical impact is already priced in, meanwhile we need to ride through the economic downcycle for the sector to resume its long-term positive trajectory

Fund Classes

Fund Classes		
MYR Hedged Class	USD Class	SGD Hedged Class

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