

United Global Quality Equity Fund

As at 31 July 2022

Performance Update

For the month of July, the Fund MYRH class registered a return of 5.12%.

Security selection was the primary driver of relative underperformance. Weak selection in industrials, consumer discretionary and information technology was partially offset by selection in financials and real estate. Sector allocation, a result of our bottom-up stock selection process, also detracted from returns. Allocation effect was driven by our underweight to consumer discretionary and overweight to communication services and financials, but partially offset by our underweight to consumer staples and overweight to information technology.

At the issuer level, our top two relative contributors were an out of benchmark allocation to Ares Management and an overweight to LPL Financial Holdings, while our top two relative detractors were an underweight to Amazon.com and an overweight to Rheinmetall.

Shares of Amazon rose during the period after the e-commerce giant reported better-than-expected second-quarter results and provided an upbeat forecast. Amazon Web Services grew 33% year-over-year, while overall revenues grew by 7% from the same quarter a year ago.

Strategy Moving Forward

Markets rose during the month of July on improving sentiment as signs emerged that the labor market and consumer spending remain strong amidst central bank tightening. That being said, market volatility remains elevated given uncertainty surrounding the path of interest rates, the potential for a recession, and the timeline for China re-opening. We continue to anticipate weakness in sectors with high interest rate sensitivity and lingering effects of China COVID lockdowns and the war in Ukraine. However, we believe most emerging markets will benefit from a positive commodity cycle, and we are not discounting the possibility for Central Bank tightening to become less negative on the margin as inflation decelerates. Lastly, we expect a pickup in Chinese activity supported by fiscal and monetary stimulus.

We anticipate that Wellington's Global Cycle Index will stabilize over the quarter as leading economic indicators are beginning to bottom, suggesting an acceleration in the second half of the year. Given this macroeconomic backdrop, we are equal weight quality, growth, capital returns to shareholders, and valuation upside.

At the end of the period, our largest overweights were information technology and financials. We were most underweight to consumer discretionary and had no exposure to consumer staples. From a regional perspective, our largest overweights were North America and United Kingdom. We were most underweight to Japan, which we had no exposure to.

Stock Commentary

Stocks	Country	Sector	Remarks
Ares Management	United States	Diversified financials	<ul style="list-style-type: none"> Ares Management is a US based private equity and private capital investment services firm. Shares of Ares Management rose during the period. The company reported second-quarter assets under management that beat consensus estimates which grew 35% year-over-year to \$334 billion. Additionally, the alternatives investment manager accelerated its pace of commitments as they see opportunity amid turbulent markets. Ares invested \$24 billion in the quarter, up 46% from the same period one year ago. The company has strong performance fee revenue, a 10-year investment horizon and high margins. Ares ranks attractively in our process for quality, growth, and valuation upside.
Rheinmetall	Germany	Capital Goods	<ul style="list-style-type: none"> Rheinmetall is a German conglomerate with defence (land vehicle, ammunition, and electronic systems) and automotive components exposure. Shares of Rheinmetall declined in July due to potential delivery delays. We believe that Rheinmetall will still be able to fulfil the orders and deliver growth. The industrial group has significant exposure to German defense budgets as well as auto manufacturing. Increased defense budgets are expected to drive 20% growth and margin expansion for the next several years. The company ranks most attractively in our process for organic revenue growth and valuation upside.

Income Distribution

	Cumulative YTD	25 March 2022	20 June 2022
MYR Hedged Class	0.89%	0.41%	0.48%
USD Class	0.96%	0.48%	0.48%
SGD Hedged Class	0.84%	0.36%	0.48%
AUD Hedged Class	0.49%	-	0.49%

*Bonus / Special Income Distribution
Source: UOBAM(M) Fund Factsheet

Fund Classes

Fund Classes			
MYR Hedged Class	USD Class	AUD Hedged Class	SGD Hedged Class

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