

## **United Global Quality Equity Fund** As at 31 January 2023

### **Performance Update**

For the month of January, the Fund MYRH class registered a return of 4.84%.

Security selection was the primary driver of relative underperformance. Weak selection in information technology, consumer discretionary and communication services was partially offset by selection in industrials. Sector allocation, a result of our bottom-up stock selection process, contributed to returns. Allocation effect was driven by our lack of exposure to consumer staples, overweight to communication services and underweight to utilities, but partially offset by our overweight to health care and industrials and underweight to consumer discretionary.

At the issuer level, our top two relative contributors were an out of benchmark allocation to Builders FirstSource and an overweight to Ares Management, while our top two relative detractors were an overweight to Charles Schwab and not owning Amazon.com.

### **Strategy Moving Forward**

Markets rose in January as investors began to engage with the idea that inflation may have peaked, and that Central Banks will soon pause rate increases. As the year progresses, we expect inflation and interest rates to soften globally. In Europe, we anticipate the Central Bank will be under less pressure to maintain aggressive tightening measures as energy prices decelerate and for fiscal spending to support increased capital expenditure in the energy and capital goods sectors. In China, we maintain a positive outlook for economic activity this year supported by fiscal and monetary stimulus and economic reopening following the end of Zero Covid.

We anticipate that Wellington's Global Cycle Index will find a bottom in the near-term driven by the consumer impact from energy prices and food inflation on real income and high interest rates. However, excess savings and wage growth amidst a resilient labor market should continue to support consumer confidence. As inflation comes down, we expect Central Bank tightening to become less negative on the margin, paving the way for a reacceleration. Given this macroeconomic backdrop, we favor a more balanced positioning within the portfolio. The portfolio remains equal weight quality, growth, capital returns to shareholders, and valuation upside.

At the end of the period, our largest overweights were industrials and communication services. We were most underweight to energy and had no exposure to consumer staples. From a regional perspective, our largest overweights were Developed Europe & Middle East ex UK and United Kingdom. We were most underweight to Japan and Emerging Markets.

### Stock Commentary

Stocks	Country	Sector	Remarks
Builders FirstSource	United States	Capital Goods	<ul style="list-style-type: none"> <li>Builder FirstSource is a US based homebuilder. The company benefits from improving margins, reduced debt, and increased share buybacks.</li> <li>Shares of Builders FirstSource ended the period higher on the announcement that Dave Rush was named Chief Executive Officer. Mr. Rush held the position on an interim basis since November 2022 and has been with the company 23 years.</li> <li>The company ranks most attractively in our process for quality, organic revenue growth and valuation upside.</li> </ul>
Charles Schwab	United States	Diversified Financials	<ul style="list-style-type: none"> <li>Charles Schwab is a US-based financial services company offering brokerage, banking/commercial banking, investing, and wealth management services. Schwab is a high-quality capital compounder that is gaining market share.</li> <li>Shares of Charles Schwab traded lower after the company reported fourth-quarter EPS and revenue missed estimates on lower deposit account fees that suffered from a greater proportion of outflows from floating rate deposits.</li> <li>The company is well positioned to generate interest income in the higher rate environment in our view. The company ranks attractively in our process for organic quality and valuation upside.</li> </ul>

### Income Distribution

	Cumulative YTD
MYR Hedged Class	-
USD Class	-
SGD Hedged Class	-
AUD Hedged Class	-

\*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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UOB Asset Management (Malaysia) Berhad (Company No. 199101009166 (219478-X))