

United Global Quality Equity Fund

As at 30 June 2022

Performance Update

For the month of June, the Fund MYRH class registered a return of -8.20%.

Sector allocation, a result of our bottom-up stock selection process, was the primary driver of relative outperformance. Allocation effect was driven by our overweight to health care and underweight to energy, but offset by our underweight to consumer staples and overweight to information technology. Stock selection was neutral to returns. Weak selection in materials, consumer staples and energy was offset by selection in information technology, health care and consumer discretionary.

At the issuer level, our top two relative contributors were overweights to Vertex Pharmaceuticals and Li Ning, while our top two relative detractors were an overweight to Anglo American and an out of benchmark allocation to Ares Management.

Strategy Moving Forward

Markets fell during the month of June as persistent inflation, supply chain disruptions, and labor shortages weighed on full-year guidance. Despite initial measures by global central banks, higher food and energy prices continue to drive up headline inflation. We expect persistent inflation through at least the end of the year and for central banks to continue to tighten until more concrete evidence of a growth slowdown emerges.

At this time, we continue to anticipate a challenging market environment in the second half of the year driven by peak inflation, monetary tightening, impacts from the war in Ukraine, and lingering effects of Chinese COVID lockdowns. That being said, 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 the year progresses. 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 shifted our factor positioning to be equal weight quality, growth, capital returns to shareholders, and valuation upside.

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

Stock Commentary

Stocks	Country	Sector	Remarks
Vertex Pharmaceuticals	United States	Health Care	<ul style="list-style-type: none"> Vertex Pharmaceuticals is a US-based pharmaceuticals company. In our view, Vertex trades at a discount to the market on a cash flow basis with higher revenue generation.

			<ul style="list-style-type: none"> • Shares of Vertex Pharmaceuticals rose in June. The US FDA granted pipeline therapy inaxaplin Breakthrough Therapy Designation for the treatment of APOL1-mediated chronic kidney disease. • The European Medicines Agency designated it a Priority Medicine. • Vertex also shared strong efficacy data on exagamglogene autotemcel, in development with CRISPR Therapeutics, for transfusion-dependent beta thalassemia or sickle cell disease. • The company ranks attractively in our process for quality and valuation upside.
Anglo American	United Kingdom	Materials	<ul style="list-style-type: none"> • Anglo American is a US-based diversified mining company that dominates in copper and rare earth materials used in renewables. • Shares fell on lowered production guidance. This year's costs will be higher than expected as inflation and COVID-19 continue to weigh on the global mining industry. • Anglo American has improved quality significantly over the last eight years. • We continue to believe that Anglo American is improving on the cost curve, which translates into structurally higher FCF and returns going forward. • Anglo American ranks attractively in our process for capital returns to shareholders and valuation upside. • Shares of diversified mining company Anglo American ended the month lower along with other metals and mining stocks as rising inflation in the US added to concerns that interest rates are heading higher and will slow the economy. • Shares continued to fall later in the month as a selloff in iron ore worsened amid signs of weakening global demand.

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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