

United Great Dragon Fund

As at 31 July 2022

Performance Update and Portfolio Review

For the month of July, the Fund MYRH class registered a return of -5.56%.

As of the end of July, the fund's stock position was lower than that at the end of June, focusing on three directions: energy and information technology innovation, high-end manufacturing upgrades and consumption upgrades. On the whole, the balanced allocation of emerging growth and value growth has been maintained.

At the individual stock level, on the one hand, the market rebounded rapidly in June, especially for emerging growth companies. Some companies' expectations are overly optimistic, and valuation levels are also slightly higher. There are also some companies whose fundamentals are lower than previously expected, and the holdings of these growth companies have been reduced.

At the level of individual stocks, in July, due to concerns about the downward pressure on the economy and overseas interest rate hikes, the market adjusted, and the overall valuation level corrected, especially in emerging growth directions such as new energy vehicles. We adopted the contrarian approach with increasing our holdings of growth companies that had suffered a large decline and reduced the allocation of low-value stocks such as real estate with relative returns.

On the other hand, as the epidemic improves, inflationary pressures are gradually easing. For some companies in the direction of high-end manufacturing upgrades, the profit trend is expected to rise, and market expectations and valuation levels are lower than the historical averages, so they have increased allocations.

Market Review

In July, the CSI 300 Index fell by 3.64% while the CSI Small Cap 500 Index rose by 0.03% in CNY terms. In JPY terms, the CSI 300 Index fell by 5.77% and the CSI Small Cap 500 Index fell by 2.18%.

As of the close on July 29, the Shanghai Composite Index, the Shenzhen Composite Index and the ChiNext Composite all closed down, with a cumulative drop of 4.28%, 1.93% and 1.67% respectively within the month. Sector indices were mixed, with environmental protection, machinery and automobiles leading the month gainers, while construction materials, food and beverages and banking were among the biggest losers.

On the macro level, the Politburo meeting emphasized "keeping the economy operating within a reasonable range" and downplayed the economic growth target, but the major economic provinces should bear the main responsibility and try their best to achieve the greatest economic growth. The current economic recovery continues the positive trend, but the manufacturing PMI in July fell again to below the line of prosperity and decline. This shows that the foundation for recovery still needs to be solid, and the follow-up policy is also expected to focus on stability. The Politburo meeting in July emphasized that "fiscal and monetary policy should effectively make up for insufficient social demand", "monetary policy should maintain reasonable and sufficient liquidity, increase credit support for enterprises", "make good use of policy banks' new credit and infrastructure investment funds". ". Compared with "making good use of various monetary policy tools" in April, the government's position has gradually changed from focusing on accommodative monetary policy to implementation of credit easing. Under the background that the current economy still has room for repair and the overall demand side is weak, the follow-up monetary policy will most likely remain dovish.

Market Outlook and Strategy

For the medium and long-term dimension, the innovation vitality of the Chinese economy is stronger, and the competitive advantage of the Chinese economy has been improved in overseas conflicts. At the same time, the short- and medium-term economic recovery is better than that of overseas countries. Relatively speaking, China's stock assets are more attractive, and long-term capital at home and abroad will increase the allocation to the Chinese market.

In the direction of consumption upgrade, the overall valuation is reasonable and slightly lower, and it is necessary to track the impact of performance and the epidemic, especially the short-term impact of the start of real estate sales on the prosperity of related industries. In the long run, there is still a lot of room for China's domestic demand to upgrade.

There are still many new opportunities in the direction of energy innovation. The expectations of some companies are overly optimistic, and the valuation level is slightly higher, so it is necessary to track performance and digest valuations. At the same time, it is also necessary to actively research new opportunities and eliminate the risk of disrupting changes to old companies.

In the direction of high-end manufacturing, the valuation level is relatively low. Once the domestic economy recovers beyond expectations, there will be opportunities for performance and valuation to be repaired. It may become an area that may exceed expectations in the second half of the year.

Fund Classes

Fund Classes		
RMB Hedged Class	MYR Hedged Class	USD Class

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