

United Great Dragon Fund

As at 30 September 2022

Performance Update and Portfolio Review

For the month of September, the Fund MYRH class registered a return of -10.79%.

As of end September, the stock position remains at 90%. We started to overweight the portfolio towards companies which are competitive and has competitive advantage, but with average short-term growth prospects. We reduced the allocation towards companies with short-term growth prospects and overly high profit expectations. It is hoped that in the future, we can bring customers medium high yield and low volatility risk.

Market Review

In September, the CSI 300 Index fell by 6.05% while the CSI Small Cap 500 Index fell by 8.15% in CNY terms. In JPY terms, the CSI 300 Index fell by 5.04% and the CSI Small Cap 500 Index fell by 7.17%.

A sideways market was observed in the first half of September, and a general decline was observed in the second half. The major indices all fell, with the GEM index and the growth index falling the sharpest. In terms of industrial trends, only the coal industry saw a growth, while the real estate, banking and transportation industries fell slightly. The media, electronics, power equipment, automobile and agricultural industries fell sharply by more than 10%.

There is high overseas inflation following the pandemic, and the Russia-Ukraine war has boosted the energy sub-category. While inflation indicators in Europe and the United States has slowed down, they are still exceeding expectations. This, and rising core inflation reflects the strong resilience of endogenous inflation. Raising the interest rates to curb inflation has now become an inevitable option for most central banks. The European economy has shown signs of weakness due to the energy constraints, and the probability of a recession has greatly increased after the technical recession in the U.S. Countries globally will generally follow the order of an inflation, interest rate hike, and recession.

With the continuation of the domestic quantitative easing, the supply of special bonds has increased in the first half of the year, and stable growth continues. However, new changes in the pandemic situation and the interruptions in the supply of real estate has delayed the actual economic recovery process. Insufficient domestic demand is the key issue.

Market sentiments remain low, and there was an increase in global risks and tensions in mid- and late-September. Investors are worried about the impact of the Fed's unexpected rate hikes, the risks of U.S. and China decoupling, the European energy crisis and the global exchange market volatility on A-shares. In the short-term, although we must remain cautious because of the uncertainties, we should remain positive because of China's economic development outlook and the historically low prices of the broad-based indices.

Market Outlook and Strategy

For the mid- and long-term, the innovation capacity of the Chinese economy is stronger, and the competitive advantage of the Chinese economy has increased amidst global conflicts. At the same time, China's short- and mid-term economic recovery is better than that of overseas countries. Relatively speaking, China's stock assets are more attractive, and both domestic and global capitals will flow towards the Chinese market.

Since the third quarter, the pandemic has been going back and forth, and global inflation and interest rate hikes have exceeded expectations. The market has growing concerns regarding the penetration rate and competitiveness of growth industries, and is experiencing a large drawdown.

On one hand, thematic-driven companies with high short-term growth prospects have higher long-term valuations and unclear competitive landscapes. On the other hand, high-quality companies with poor short-term growth prospects, such as companies related to domestic demand and investments, have low valuations, and are increasing in number.

The pandemic will eventually pass, and the 20th National Congress of the Chinese Communist Party will be held in October. More attention will be focused towards economic development. Now is the time when economic fundamentals and expectations are at their worst.

In the future, we will pay more attention to the study of profit models and the matching of growth prospects and valuation. Combined with interim and quarterly reports, we will increase our holdings in high-quality companies that have been underweighted by the market, improve the long-term growth potential of the portfolio, and withstand short-term pressure. We will strive to bring medium high returns and low volatility risks to investors.

Fund Classes

Fund Classes		
RMB Hedged Class	MYR Hedged Class	USD Class

Important Notice and Disclaimers

This information shall not be copied, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only.

These documents are for general information only and do not take into account your objectives, financial situations or needs. These slides are not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. The information contained in these slides, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of the document, all of which are subject to change at any time without notice.

You should be aware that investments carry risks. Please consider the fees and charges involved before investing. UOB Asset Management (Malaysia) Berhad does not guarantee any returns on the investments.

In preparing these slides, UOBAM(M) has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was otherwise reviewed by UOBAM(M). UOBAM(M) does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. UOBAM(M) and its employees shall not be held liable for any decision or action taken based on the views expressed or information contained within this publication. Any opinion, projection and other forward looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment product. Should you choose not to seek such advice, you should consider carefully whether the investment or product is suitable for you or your organization.

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