

## **Fund: United Income Plus Fund**

**As at 31 July 2022**

### **Performance Update**

For the month of July, the Fund in MYR Class registered a return of 0.85%.

Within the equity portfolio, stock selection contributed to outperformance. For this month, top equity contributors are namely Amazon, Macquarie, American Express.

On the other hand, higher portfolio valuation on the back of declining bond yields.

### **Market Review**

#### **Equity**

In July, global equities were mostly in positive territory with the exception of mainland China and Hong Kong. Markets rebounded from June lows underpinned by a more dovish US Fed in the July meeting. Meanwhile, the US GDP declined 0.9% in 2Q22, representing two consecutive quarters of contraction. This has fueled some investor expectation for a more dovish monetary policy from the US Fed going forward. The US 10-year Treasury yields retraced to 2.65% from 3.01% in June.

The MSCI Developed Market Index (MXWO) gained 7.9% to close at 2,746 points. The S&P500 Index was up 9.1% in July, bringing its YTD returns to -13.3%. The US kicked off its 2Q earnings season with big banks reporting numbers that generally beat expectations, offering some respite to investors who were concerned about weak corporate earnings caused by inflation and a slowdown in economic activity.

#### **Fixed Income**

US treasury yields declined in July on heightened risks of economic recession amid high inflation and aggressive monetary tightening by the US Federal Reserve. The US Fed hiked its policy rate by 75 bps to 2.25%-2.50% in July and reiterated its focus on curbing inflation. US headline inflation rate advanced to 9.1% in June (May: 8.6%) while core inflation rate eased slightly to 5.9% in the same month (May: 6.0%). US GDP growth contracted 0.9% qoq in 2Q 2022 (1Q 2022: -1.6%) on weaker consumption and investments by both the private and public sectors. This represented two consecutive quarters of contraction for GDP of the US. Nonetheless, the US labour market remains broadly healthy with stable wage growth, job creation and unemployment rate that was unchanged at 3.6% in June. At month end, the 2-, 5-, 10- and 30-year UST benchmark yields decreased 7-37 bps to 2.89%, 2.68%, 2.65% and 3.01%.

Malaysian government bond yields trended lower along with global yields and cautious sentiment. BNM increased the Overnight Policy Rate by 25 bps to 2.25% in July and affirmed its gradual monetary tightening that remains supportive of growth. Malaysia's headline inflation rate inched up to 3.4% in June (May: 2.8%) on higher food and transport prices, but contained by price controls and government subsidies. Foreign holdings of government securities recorded RM4.3 billion outflows in June and comprised 23.4% of total government securities. The Ringgit weakened 1.0% against the US Dollar to 4.4508 as at end July. At close, the 3-, 5-, 10-, 15- and 30-year MGS benchmark yields declined 3-42 bps to 3.50%, 3.68%, 3.89%, 4.21% and 4.56%.

For the month of July, the JP Morgan Asia Credit Index's composite blended spread widened by 35 bps to 360 bps.

## Strategy Moving Forward

### Fund

The fund's core portfolio to remain. We stay defensive while looking for opportunities to deploy the cash.

### Equity

Within equity portfolio, names of market leaders will continue to form as core of equity holdings. The fund target equity exposure around 20% due to heightened volatility and we prefer value/reopening over growth.

### Fixed Income

On the fixed income front, the fund continues to focus on high quality corporate credits for yield pickup and remain to be more stringent our credit selection.

## Income Distribution

Date	Yield
21 January 2022	0.55%
21 April 2022	0.56%
20 July 2022	0.57%

## Asset Allocation

Asset Class	% Wgt
Equity	21.78
Fixed Income	67.60
Cash	10.62

## Characteristic of Fixed Income Portfolio

Fixed Income	
Duration	4.0 years
Yield %	4.5
Avg credit rating	AA3

## Fund Classes

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

**Top Holdings Commentary**

Stocks	Country	Sector	Remarks
Lockheed Martin	United States	Industrials	<ul style="list-style-type: none"> <li>Lockheed Martin Corporation is a global aerospace, defense, security, and advanced technologies company.</li> </ul>
Raytheon Technology	United States	Industrials	<ul style="list-style-type: none"> <li>Raytheon Technology is an American aerospace and defence company.</li> <li>Beneficiary of a recovery in air traffic and higher defense spending.</li> </ul>
Merck & Co	United States	Healthcare	<ul style="list-style-type: none"> <li>Proxy to pharmaceutical sector, which is expected to be more defensive against a weakening economy.</li> </ul>

Fixed Income	Country	Sector	Remarks
United Asian Bond Fund - Class USD	Asia	CIS	<ul style="list-style-type: none"> <li>Diversified into Asian credits which offer relatively higher yields.</li> </ul>
Malayan Banking Bhd	Malaysia	Financial	<ul style="list-style-type: none"> <li>Maybank's profitability and funding profile are favourable against its peers, with adequate loan loss reserves and robust capitalisation to buffer asset quality concerns.</li> </ul>
UMW Holdings Bhd	Malaysia	Consumer	<ul style="list-style-type: none"> <li>UMW Holdings maintains a steady operating track record and market share in the domestic automotive industry.</li> <li>The company's profitability has strengthened following economic reopening with balance sheet stayed healthy.</li> </ul>

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