

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

**As at 30 June 2022**

### **Performance Update**

For the month of June, the Fund in MYR Class registered a return of -1.08%.

Within the equity portfolio, stock selection contributed to outperformance. For this month, top equity contributors are namely Alibaba, Raytheon and Merck.

On the other hand, lower portfolio valuation amid rising bond yields.

### **Market Review**

#### **Equity**

In June, global equities were in negative territory as markets reacted towards the US Fed's decision to hike its benchmark interest rates by 75bps. US inflation data for May came in higher than market's expectations at 8.6% yoy as shelter, food and energy prices soared. The above fuelled investors' concerns of weaker global growth as central banks address elevated inflation. US Treasury yield closed above the 3% mark while the DXY Index gained 2.9%.

The MSCI Developed Market Index (MXWO) declined by 8.8% to close at 2,546 points. The S&P500 Index was down 8.4% in June, bringing its YTD returns to -20.1%. Besides the negative implications on markets from the US Fed's monetary tightening, the decline in US equities is partially owed to a high base effect. In 2021, the S&P500 Index rebounded swiftly from the effects of the pandemic as corporate earnings set new records.

#### **Fixed Income**

US treasury yields rose in June after the US Federal Reserve's 75 bps hike on the policy rate to 1.50%-1.75% to tame inflation. Headline and core inflation rate in the US remained high at 8.6% and 6.0% respectively in June. The US Fed revised its GDP forecasts for the US downwards to 1.7% for both 2022 and 2023 (previous: 2.8% and 2.2% respectively). US economic data releases were mixed with ISM manufacturing index strengthening to 56.1 in May (April: 55.4) whereas the non-manufacturing index softened to 55.9 in the same month (April: 57.1). While the unemployment rate in the US was unchanged at 3.6% in May, retail sales growth contracted by 0.3% in the same month (April: +0.7%). At month end, the 2-, 5-, 10- and 30-year UST benchmark yields increased 14-40 bps to 2.96%, 3.04%, 3.02% and 3.19%.

Malaysian government bond yields ended higher on market expectations of faster monetary policy tightening by BNM. Malaysia's headline inflation rate inched up to 2.8% in May (April: 2.3%) mainly on higher food and transport prices, but stayed benign with government subsidies. S&P revised the outlook on Malaysia's sovereign rating (A-) to stable from negative, premised on improved GDP recovery prospects despite the country's stretched fiscal metrics. Foreign holdings of government securities recorded RM0.4 billion inflows in May and comprised 24.2% of total government securities. The Ringgit weakened 0.7% against the US Dollar to 4.4075 as at end June. At close, the 3-, 5-, 10-, 15- and 30-year MGS benchmark yields rose 5-23 bps to 3.53%, 3.97%, 4.27%, 4.63% and 4.96%.

For the month of June, the JP Morgan Asia Credit Index's composite blended spread widened by 21 bps to 325 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%

## Asset Allocation

Asset Class	% Wgt
Equity	21.79
Fixed Income	63.67
Cash	14.54

## 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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