

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

**As at 30 September 2022**

### **Performance Update**

For the month of September, the Fund in MYR Class registered a return of -2.70%.

Within the equity portfolio, stock selection contributed to outperformance. For this month, Merk is the top equity contributor.

Within the fixed income portfolio, there was lower portfolio valuation amid rising bond yields.

### **Market Review**

#### **Equity**

It was a negative month for global equities with both DM and EM reporting negative returns. The US Fed raised its benchmark interest rates by 75bps to a range of 3.00-3.25% and lifted its terminal rate forecast for 2022/2023 to 4.40% and 4.60% respectively. The DXY index gained 3.1% while the US 10-year Treasury yield rose to 3.83% from 3.19% in August.

The MSCI Developed Market Index (MXWO) declined 9.5% to close at 2,379 points dragged by the United States. The S&P500 Index was down 9.3% in September, bringing its YTD returns to -24.8%. Following the conference in Jackson Hole in August, investors continued to be cautious in September as the US Fed could continue to hike rates well into 2023.

#### **Fixed Income**

US treasury yields climbed in September after the US Federal Reserve hiked its policy rate by another 75 bps to 3.00%-3.25%. The Fed signalled more rate hikes ahead to stem inflation and revised its projection on the US GDP growth lower at 0.2% (previous: +1.7%) in 2022. US headline and core inflation rates remained elevated at 8.3% and 6.3% respectively in August (July: 8.5% & 5.9%) mainly driven by services. Meanwhile, non-farm job creation softened and unemployment rate inched up to 3.7% in August (July: 3.5%). At month end, the 2-, 5-, 10- and 30-year UST benchmark yields rose 49-79 bps to 4.28%, 4.09%, 3.83% and 3.78%.

Malaysian government bond yields rose along with higher interest rates in Malaysia and abroad. BNM increased the Overnight Policy Rate by 25 bps to 2.50% in September premised on Malaysia's sustained GDP recovery and labour market conditions. BNM's policy stance remains accommodative and any future policy adjustments would be gradual and measured. While Malaysia's headline inflation rate inched up to 4.7% in August (July: 4.4%), BNM expects inflation to peak in 3Q 2022 and contained by existing price controls and subsidies. The Ringgit weakened 3.6% against the US Dollar to 4.6375 as at end September. At close, the 3-, 5-, 10-, 15- and 30-year MGS benchmark yields rose 31-46 bps to 3.76%, 4.02%, 4.35%, 4.65% and 4.97%.

For the month of September, the JP Morgan Asia Credit Index's composite blended spread widened by 25 bps to 353 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. We 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	20.70
Fixed Income	70.24
Cash	9.06

## Characteristic of Fixed Income Portfolio

Fixed Income	
Duration	3.9 years
Yield %	4.8
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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