

## **United Japan Discovery Fund**

**As at 31 July 2022**

### **Performance Update**

For the month of July, the Fund registered a returned of 4.58%, which outperforming its benchmark of 3.34%. Last month, the top performers are Nihon M&A Center Holdings, Mani Inc, and SB Technology Corp.

By sectors, Marine Transportation, Services and Precision Instrument outperformed, while Insurance, Electric Power & Gas and Air Transportation underperformed.

As for size performance, large caps slightly outperformed. The return of TOPIX SMALL Index was 3.57% for last month while that of TOPIX Large 100 Index was 3.88%.

Looking at the MSCI Japan style indexes, large-cap growth stocks performed best, while small-cap growth stocks also started to outperform late in the month.

Our portfolio is well diversified with roughly 90 names. There have been no significant changes in sector allocation of the portfolio compared with the previous month. We have large exposure to Information & Technology sector such as software developers and system integrators, since we have been seeing the promising growth of the industry. This trend has accelerated triggered by COVID-19 pandemic and the demand for further DX (=Digital Transformation) in Japanese society. We also have a large position in staffing services companies in industrials sector, which could provide great solutions to Japanese companies. In the aging society like Japan, securing enough workforce is a big challenge for all the companies. Particularly, the demand for human resource with digital background is becoming stronger with DX expectation. Staffing service companies which are capable to meet such needs could benefit from the long-term social structural change in Japanese society.

### **Market Review on Japanese Equity Market**

In short term, Japanese stock markets are likely to remain volatile for a while influenced by overseas factors such as economic indicators, inflation data and monetary policies in the US.

However, there are some differences in monetary/ fiscal policies and directions of economies between Japan and the US/ Europe. In addition to divergences in inflation levels and monetary policies, Japan has an advantage of the weak yen as well as a larger room for the economic recovery from the coronavirus pandemic. Once market participants acknowledge these strengths of Japan, Japanese stocks should start to turn upward.

### **Major Change in Allocation**

In July, there were no new holdings.

### **Message from the Portfolio Management Team**

One thing we noticed recently looking at manufacturing companies' business results, is that inventory has sharply increased among many of them. It suggests that the companies worried about shortage of raw materials and parts and were pressed to secure them for full production. Rise in inventory is negative from a cash flow perspective. Increase in inventory by companies can be a factor that have led to material shortages and price rise. Furthermore, they may possibly face losses from inventory revaluation if the supply shortage of components is resolved with economic slowdown. Nobody knows what will happen in the future, but it seems better to at least recognize it as a "risk".

**Stock Commentary**

Stocks	Sector	Remarks
Nihon M&A Center Holdings	Services	<ul style="list-style-type: none"> <li>The company is an M&amp;A advisory firm especially for SMEs.</li> <li>Japan has falling birthrate and depopulation.</li> <li>In this society, a lot of SMEs are facing lack of successor.</li> <li>The revenue of the company has increased amid this structural change.</li> <li>The company is one of the typical growth names in Japan, and we saw buy-the-dip demand from the late June and the whole July, backed by the receding concerns of a further hawkish stance in the U.S. that lead to the rebound of growth stock</li> </ul>
Mani Inc	Precision Instruments	<ul style="list-style-type: none"> <li>MANI is a Japanese manufacturer of dental instruments and medical devices including surgical needles and surgical knives for eye surgeries.</li> <li>The company announced its Q3 (Mar. 1st 2022 – May. 31th 2022) earnings results with cumulative operating income up 6.4% y-o-y, and an upward revision of its full-year earnings forecast up 15.0% y-o-y.</li> <li>The favorable earnings driven by a recovery in demand from overseas together with the weak yen, has boosted its share price.</li> <li>Also, the announcement of a dividend increase was also favored by the market.</li> </ul>
SB Technology Corp	Information & Communication	<ul style="list-style-type: none"> <li>The company provides various IT solutions such as cloud system, security, internet of things and big data.</li> <li>The name is expected to benefit from the future trend and growing demand for Digital transformation (DX).</li> <li>Its strong-than-expected quarterly earnings result (April-June), which recorded historical high quarterly figures, triggered the rally of the company's share price.</li> </ul>

**Fund Classes****Fund Classes**

MYR Hedged 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))