

## **Fund: United Global Emerging Markets Opportunity Fund**

**As at 31 May 2022**

### **Performance Update**

For the month of May, the Fund MYRH class registered a return of -0.91%.

On the sector level, our stock selection within IT and Materials added value. In contrast, stock selection within Consumer Discretionary detracted.

On the stock level, our holdings in Longi Green Energy, Bradesco and Mediatek contributed positively. Longi Green Energy rose on expectations that Europe's renewable energy development plans may be accelerated in reaction to Russia's invasion of Ukraine. Besides, MediaTek rebounded with investor interest returning to the technology stocks in Taiwan. It benefitted from its competitive product offering across its market segments, particularly in 5G.

In contrast, our holdings in MercadoLibre, Reliance Industries and Bank Mandiri detracted. Mercadolibre declined among higher rates on May. Reliance Industries and Bank Mandiri fell possibly on profit taking as the companies had done well in previous months.

### **Strategy Moving Forward**

Russia's invasion of Ukraine has become a key overhang for the global economy. In terms of contagion effect on the rest of EM, we believe that Eastern Europe is expected to be negatively impacted as the region closest to the war zone with relatively higher economic ties. In general, we would expect some negative impact on countries importing commodities and some positive impact on countries exporting commodities. As such, Middle East and Indonesia might be beneficiaries on a relative basis.

Another concern for investors is China and how much government support and easing will be forthcoming. Policy was key to last year's China market selloffs and could be key again for possible gains this year. We think the worst is possibly behind us but are waiting to see how the stimulus measures will be rolled out.

Elsewhere, investor concerns revolve around tighter Federal Reserve policy and sooner-than-expected interest rate hikes in Emerging Markets. However, data has shown that while average equity returns are negative a month after previous Fed rate hikes, returns tend to recover thereafter, especially in Emerging Markets. As for Fed tapering, we do not expect a repeat of 2013's 'taper tantrum', as EM economies are better positioned this time round, such as improved current account deficits for South Africa, Brazil and Indonesia and stronger macro stability.

Finally, we remain confident in fundamental, long-term changes playing out in emerging markets and our investments are focused on quality companies associated with them.

**Stock Commentary**

Stocks	Country	Sector	Remarks
Banco Bradesco Pn	Brazil	Financials	<ul style="list-style-type: none"><li>• Bradesco is among the largest Brazilian banks, holding market share in assets in the low-teen digits.</li><li>• The bank serves in Brazil and abroad to individuals, companies and important national and international societies and institutions.</li><li>• The stock rose along with the broader market. There were no stock specific drivers.</li></ul>
Reliance Industries	India	Energy	<ul style="list-style-type: none"><li>• Reliance Industries is an Indian conglomerate with diverse businesses, with consolidated turnover of Rs5.4trn in FY21.</li><li>• Oil-to-chemicals business includes crude refining and integrated petrochemicals, along with a petroleum retail marketing JV.</li><li>• Reliance Jio operates India's largest telecom network.</li><li>• Reliance Retail is India's largest retailer.</li><li>• Reliance's other business includes exploration and development and media &amp; entertainment.</li><li>• Shares of Reliance Industries fell possibly on profit taking as it had done well in previous months.</li></ul>

**Fund Classes**

Fund Classes		
MYR Hedged Class	USD Class	SGD Hedged Class

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