United Global Quality Equity Fund

As at 31 May 2022

Performance Update

For the month of May, the Fund MYRH class registered a return of -1.13%.

Security selection was a driver of relative underperformance. Weak selection in information technology, communication services and consumer discretionary was partially offset by selection in materials, financials and utilities. Sector allocation, a result of our bottom-up stock selection process, also detracted from returns. Allocation effect was driven by our underweight to energy, but partially offset by our underweight to consumer staples and overweight to financials.

At the issuer level, our top two relative contributors were an overweight to Schlumberger and not owning Tesla, while our top two relative detractors were an overweight to Airbnb and an out of benchmark allocation to B&M European Value Retail.

Shares of Airbnb ended the period lower despite reporting both first-quarter revenue and second-quarter guidance above expectations. The vacation rental company also announced it is shutting down operations in China, choosing instead to focus on outbound Chinese tourism in the Asia-Pacific region, as the country continues its aggressive Zero-COVID policy. Rentals in China account for just 1% of Airbnb's revenue.

Strategy Moving Forward

Markets ended May roughly flat after experiencing a dip at the start of the month as persistent inflation, supply chain disruptions, and labor shortages weighed on full-year guidance. Investor sentiment became moderately less negative as the month wore on as demand looks to be softening on the back of rising rates. While we expect sticky inflation through at least the end of the year, we believe we are near peak inflation in the US and that international markets are not far behind. That being said, the path of inflation over the next few quarters will depend on the degree of consumer fall back, as central banks raise interest rates and consumer confidence in most countries hooks down, and the extent to which the weakness in China is exported.

At this time, we continue to anticipate a challenging second quarter market environment driven by peak inflation, monetary tightening, impacts from the war in Ukraine, and lingering effects of Chinese COVID lockdowns. However, some of these effects may start easing in the second half of the year, particularly in Europe, where we remain overweight versus the benchmark, as fiscal stimulus from the war kicks in. We also anticipate that most emerging markets will benefit from a positive commodity cycle, and we are not discounting the possibility for Central Bank tightening to become less negative on the margin as the year progresses. Lastly, we expect a pickup in Chinese activity in the fourth quarter supported by fiscal and monetary stimulus.

Given the macroeconomic backdrop, our factor positioning remains overweight quality and capital returns to shareholders (at 30% each) and underweight growth and valuation upside (at 20% each).

At the end of the period, our largest overweights were health care and information technology. We were most underweight to consumer discretionary and consumer staples. From a regional perspective, our largest overweights were North America and United Kingdom. We were most underweight to Emerging Markets and had no exposure to Japan.

Stock Commentary

Stocks	Country	Sector	Remarks
Schlumberger	United States	Energy	• Schlumberger is a US based oilfield services company and it is well-positioned to emerge an industry leader in the energy transition. • The company has restructured their business towards higher value-adding services through long-term investments in renewables and decarbonization services to customers. • We expect these moves to lead to continued margin expansion and higher free cash flow generation. • Shares of Schlumberger rose over the period along with other oil producer and services companies. • The industry has been supported by rising demand for oil, soaring commodity prices and geopolitical uncertainty regarding Russia's invasion of Ukraine, all of which should support elevated margins and earnings.
Amazon.com	United States	Retailing	• Amazon is e-commerce and cloud computing company in US. • The stock has been a weak performer year to date driven by disappointing first quarter earnings and weaker second quarter guidance, a trend we are seeing across the ecommerce industry as the Fed continues to pursue restrictive policy through rate hikes in an effort to tame inflation. • We therefore trimmed our position size during the period. • However, we continue to like Amazon in the context of the longer term theme of accelerating digital transformation. • The company has high free cash flow margins and continues to rank attractively in our process for organic revenue growth.

Income Distribution

	Cumulative YTD	25 March 2022
MYR Hedged Class	0.41%	0.41%
USD Class	0.48%	0.48%
SGD Hedged Class	0.36%	0.36%
AUD Hedged Class	-	-

*Bonus / Special Income Distribution
Source: UOBAM(M) Fund Factsheet

Fund Classes

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

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