

United Great Dragon Fund

As at 30 June 2022

Performance Update

For the month of June, the Fund MYRH class registered a return of 9.54%.

In June, the CSI 300 Index rose by 10.44% while the CSI Small Cap 500 Index rose by 8.03% in CNY terms. In JPY terms, the CSI 300 Index rose by 17.57% and the CSI Small Cap 500 Index rose by 15.01%.

With the improvement of the domestic Covid epidemic situation, the market continued to rebound. The Shanghai Composite Index was close to 3,400 points. As of June 30, the Shanghai Composite Index, Shenzhen Component Index and ChiNext Index were down 6.63%, 12.09% and 15.41% YTD respectively. In terms of sub-sectors, consumer services, electronics, automobiles, food and beverages, home appliances led the gains, while petroleum and petrochemical, construction, electricity, and construction sectors lagged.

Strategy Implemented

In 2019 and 2020, China's economy is at the beginning of an innovation-driven development cycle. It has been tested by the epidemic and external shocks. The resilience and potential of China's economy have been recognized by investors. We mainly invest in high-quality companies with large long-term growth potential.

Strategy Moving Forward

Since the beginning of this year, technological innovation, anti-monopoly policies and the epidemic have indeed had a negative impact on the profitability of some industries and companies, but the direction of policy adjustments is conducive to long-term sustainable economic development. Therefore, for long-term high-quality companies, although the short-term prosperity and performance may be lower than expected, the valuation level has also been adjusted significantly and at current level are considered attractive and we will increase positions in these companies.

On the other hand, for emerging growth companies, there is a lot of long-term space and many opportunities. This has been unanimously recognized by the market. However, there are also risks of excessive market expectations, periodic oversupply situations, and excessive valuation. Therefore, we will reduce our holdings of some companies with normal long-term profit models and adjust to companies with better profit models and company quality, especially high-quality companies that have suffered from upstream growth and supply shortages this year. At the same time continue to look for new innovation opportunities.

Therefore, we will adopt a balanced allocation strategy to maintain a reasonable allocation in the three directions of energy and information technology innovation, high-end manufacturing upgrades and consumption upgrades, and a balanced allocation of value growth and emerging growth. On the other hand, starting from the fourth quarter, we will gradually reduce performance growth expectations and high-value emerging growth stocks, increase stocks with fundamental turning points in 2022, reduce industry betas, and increase stocks' alpha opportunity in sub-sectors.

Fund Classes

Fund Classes		
RMB Hedged Class	MYR Hedged Class	USD Class

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