United Great Dragon Fund

As at 31 May 2022

Performance Update

For the month of May, the Fund MYRH class registered a return of 1.29%.

In May, the CSI 300 Index rose by 3.66% while the CSI Small Cap 500 Index rose by 9.75% in CNY terms. In JPY terms, the CSI 300 Index fell by 1.52% and the CSI Small Cap 500 Index rose by 7.48%.

Covid-19 situation in China has improved with production resuming in most affected areas. The market ushered in a rebound after a sustained period of correction. All three major indices have stabilized and recovered near month end as positive policy signals were released during important government meetings such as the National Standing Committee meeting and the National Video Conference on Stabilizing the Economic Market. The positive market sentiment saw Shanghai Composite Index rising close to 3200 points. As of 31 May, the Shanghai Composite Index, Shenzhen Component Index and ChiNext Index gained 4.57%, 4.59% and 3.71% respectively.

At sector level, most sectors were in gains. Automobile, Petroleum and Petrochemical, Power Equipment, Defense and Military industry, Basic chemical industry and other industries displayed strong positive trends wile Banking and Real Estate suffered losses.

Strategy Implemented

2019 and 2020 marked the beginning of China's innovation-driven development cycle. While It has been tested by the epidemic and external shocks, the resilience and potential of China's economy have been recognized by domestic and foreign investors. The main strength of Chinese companies was the ability to continuously grow revenue. In this context, we mainly invest in high-quality companies with large long-term growth potential, and we have a layout in both emerging growth and value growth. We believe this template would allow us to achieve good performance. At present, the overall asset allocation is relatively balanced.

Strategy Moving Forward

Since the beginning of the year, regulations on technological innovation, anti-monopolistic policies and the epidemic have had a negative impact on the profit models of some industries and companies. While they have caused concerned in the near-term, we believe the direction of policy adjustments is conducive to long-term sustainable economic development. Therefore, for long-term high-quality companies in this direction, although the short-term prosperity and performance may be lower than expected, the valuation levels have also adjusted significantly. There will also be an upward turning point in 2022, and we will increase positions in these companies.

On the other hand, for emerging growth companies, there is a lot of long-term potential and opportunities that have been unanimously recognized by the market. However, because of the higher volatility and pace of price movements, there are also risks of excessive market expectations, periodic oversupply, and excessive valuations. 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 innovative opportunities.

We will maintain 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. 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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