

## **Fund: United Income Plus Fund**

**As at 31 May 2022**

### **Performance Update**

For the month of May, the Fund in MYR Class registered a return of 0.06%.

Within the equity portfolio, stock selection contributed to outperformance. For this month, top equity contributors are namely Alibaba, Merck and Lockheed Martin.

On the other hand, lower portfolio valuation as credit spread.

### **Market Review**

#### **Equity**

In May, global equities were mostly mixed as investors focused on elevated inflation and tightening monetary policy. US inflation data for April came in at an annualized rate of 8.3%, indicating that prices for US goods and services increased at a slower rate mom but still remained elevated. At the same time, US Fed governor, Christopher Waller, advocated for the central bank to raise interest rates at every meeting until inflation is curbed.

The MSCI Developed Market Index (MXWO) posted a marginal decline of 0.2% to close at 2,791 points. The S&P500 Index closed largely unchanged at 4,132 points but the benchmark index hit a 52-week low in mid-May.

#### **Fixed Income**

US treasury yields ended broadly lower in May after concerns of the impact of aggressive monetary tightening on US economic growth. The US Federal Reserve hiked the policy rate by 50 bps to 0.75%-1.00% and signalled similar rate hikes at the next couple of meetings. Headline and core inflation rate in the US remain elevated at 8.3% and 6.2% respectively in April. Both the ISM manufacturing and non-manufacturing indices softened to 55.4 and 57.1 respectively in April (March: 57.1 and 58.3). US retail sales growth eased to 0.9% in April (March: 1.4%) while industrial production rose to 1.1% in the same month (March: 0.9%). At month end, the 2-, 5- and 10-year UST benchmark yields declined 9-16 bps to 2.55%, 2.80% and 2.83%, while the 30-year yield rose 5 bps to 3.03%.

Malaysian government bond yields trended lower in line with US yields. Bank Negara increased the policy rate by 25 bps to 2.00% in May on sustained domestic economic recovery and benign inflation. Malaysia's GDP recorded 5.0% yoy growth in 1Q 2022 (4Q 2021: +3.6%) mainly led by the rebound in private and public consumption with economic reopening. The country's retail sales and industrial production have continued their recovery momentum. Malaysia's headline CPI remains manageable at 2.3% in April (March: 2.2%) despite marginal uptick in food inflation. Foreign holdings of government securities recorded RM2.6 billion outflows in April and constituted 24.5% of total government securities. The Ringgit weakened 0.5% against the US Dollar to 4.3785 as at end May. At close, the 3-, 5-, 10-, 15- and 30-year MGS benchmark yields declined 6-30 bps to 3.46%, 3.71%, 4.16%, 4.50% and 4.82%.

For the month of May, the JP Morgan Asia Credit Index's composite blended spread widened by 9 bps to 304 bps.

## Strategy Moving Forward

### Fund

The fund's core portfolio to remain. We stay defensive while looking for opportunities to deploy the cash.

### Equity

Within equity portfolio, names of market leaders will continue to form as core of equity holdings. The fund target equity exposure around 20% due to heightened volatility and we prefer value/reopening over growth.

### Fixed Income

On the fixed income front, the fund continues to focus on high quality corporate credits for yield pickup and remain to be more stringent our credit selection.

## Income Distribution

Date	Yield
21 January 2022	0.55%
21 April 2022	0.56%

## Asset Allocation

Asset Class	% Wgt
Equity	21.87
Fixed Income	62.46
Cash	15.67

## Characteristic of Fixed Income Portfolio

Fixed Income	
Duration	4.3 years
Yield %	4.3
Avg credit rating	A1

## Fund Classes

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

## Top Holdings Commentary

Stocks	Country	Sector	Remarks
Lockheed Martin	United States	Industrials	<ul style="list-style-type: none"> <li>Lockheed Martin Corporation is a global aerospace, defense, security, and advanced technologies company.</li> </ul>
Raytheon Technology	United States	Industrials	<ul style="list-style-type: none"> <li>Raytheon Technology is an American aerospace and defence company.</li> <li>Beneficiary of a recovery in air traffic and higher defense spending.</li> </ul>
Merck & Co	United States	Healthcare	<ul style="list-style-type: none"> <li>Proxy to pharmaceutical sector, which is expected to be more defensive against a weakening economy.</li> </ul>

Fixed Income	Country	Sector	Remarks
United Asian Bond Fund - Class USD	Asia	CIS	<ul style="list-style-type: none"> <li>Diversified into Asian credits which offer relatively higher yields.</li> </ul>
Malayan Banking Bhd	Malaysia	Financial	<ul style="list-style-type: none"> <li>Maybank's profitability and funding profile are favourable against its peers, with adequate loan loss reserves and robust capitalisation to buffer asset quality concerns.</li> </ul>
UMW Holdings Bhd	Malaysia	Consumer	<ul style="list-style-type: none"> <li>UMW Holdings maintains a steady operating track record and market share in the domestic automotive industry.</li> <li>The company's profitability has strengthened following economic reopening with balance sheet stayed healthy.</li> </ul>

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