# United Global Durable Equity Fund

**As at 31 January 2023**

## Performance Update

For the month of January, the Fund MYRH class registered a return of 3.22%.

Industrials and information technology were the top contributing sectors, while financials was the bottom contributing sector.

At the issuer level, our top two absolute contributors were Brenntag and ICU Medical, while our top two absolute detractors were Charles Schwab and Science Applications International.

Shares of Charles Schwab traded lower after the company reported fourth-quarter EPS and revenue missed estimates on lower deposit account fees that suffered from a greater proportion of outflows from floating rate deposits.

## Strategy Moving Forward

**Purchases**~ Our purchase criteria consists of: 1) potential for stable cash flows that are likely to demonstrate resiliency across the business cycle, 2) value creation primarily through the sensible use of free cash flow and 3) moderate valuation that may allow for attractive risk-adjusted returns over time. We had one addition to the portfolio during the month.

Molina Healthcare provides managed care services for government-sponsored programs, with a focus on Medicaid. The company receives a specific price per enrollee and bears the medical cost risk associated with their care. We think about durability in this industry as the ability to deliver high quality outcomes (good health), while also helping to bend the cost curve (deliver that care at a lower unit cost). Relative to peers, Molina has a unique ability to put capital to work on underperforming assets that can deliver a differentiated growth profile. We believe the management team is very strong and capable of delivering on the opportunity for growth. Based on our intrinsic return framework, we were able to initiate our position at a 14% annualized expected return.

**Sales**~ We sell stocks if 1) cash flows are less stable than we predicted, 2) stock valuation rises such that risk-adjusted returns no longer fall within our target range, or 3) some combination of lower stability and higher valuation. Consistent with our very long term investment horizon and residual low turnover, we did not eliminate shares in any businesses during the month.

At the end of the period, our largest exposures were financials and industrials and we were least exposed to consumer discretionary and consumer staples. We had no exposure to communication services, energy, and materials, among others. From a regional perspective, our largest exposures were North America and Developed Europe & Middle East ex UK and we were least exposed to United Kingdom. We had no exposure to Emerging Markets.


## Fund Classes

| Fund Classes | | | | |
|---|---|---|---|---|
| MYR Hedged Class | USD Class | AUD Hedged Class | SGD Hedged Class | GBP Hedged Class |

## Income Distribution

| | Cumulative YTD |
|---|---|
| MYR Hedged Class | - |
| USD Class | - |
| AUD Hedged Class | - |
| SGD Hedged Class | - |
| GBP Hedged Class | - |

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

## Stock Commentary

| Stocks | Country | Sector | Remarks |
|---|---|---|---|
| Brenntag | Germany | Capital Goods | • Brenntag is a Germany-based leader in the distribution of chemicals (specialty and commodity chemicals).<br>• The company released a great result in the third quarter.<br>• Brenntag shares rose in January after the company terminated discussions regarding the acquisition of Univar Solutions, a US-based chemical and ingredient company.<br>• In December, PrimeStone Capital (significant shareholder) cautioned against a takeover due to the increased regulatory scrutiny.<br>• We continue to believe that Brenntag will be able to navigate well through the current market environment of inflation and supply chain challenges that adversely affect many other companies. |
| Novartis | Switzerland | Pharma, Biotech & Life Science | • Novartis develops and manufactures healthcare products through two segments: Innovative Medicines and Sandoz.<br>• The company is on track to spin off its generics unit Sandoz in the second half of 2022, as part of its effort to sharpen its focus on its patented prescription medicines.<br>• We favour the company's reinforced focus on high margin, low generic-risk products. We think top line growth should remain strong, driven by a strong existing product line-up, a substantial pipeline of new high potential assets, stronger sales growth, and improving margins and cash conversion. |

**Important Notice and Disclaimers**

This information shall not be copied, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only.

These documents are for general information only and do not take into account your objectives, financial situations or needs. These slides are not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. The information contained in these slides, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of the document, all of which are subject to change at any time without notice.

You should be aware that investments carry risks. Please consider the fees and charges involved before investing. UOB Asset Management (Malaysia) Berhad does not guarantee any returns on the investments.

In preparing these slides, UOBAM(M) has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was otherwise reviewed by UOBAM(M). UOBAM(M) does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. UOBAM(M) and its employees shall not be held liable for any decision or action taken based on the views expressed or information contained within this publication. Any opinion, projection and other forward looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment product. Should you choose not to seek such advice, you should consider carefully whether the investment or product is suitable for you or your organization.

UOB Asset Management (Malaysia) Berhad (Company No. 199101009166 (219478-X))