

## **United Global Quality Equity Fund**

**As at 31 August 2022**

### **Performance Update**

For the month of August, the Fund MYRH class registered a return of -2.62%.

Security selection was the primary driver of relative outperformance. Strong selection in financials, consumer discretionary and information technology was modestly offset by selection in industrials and utilities. Sector allocation, a result of our bottom-up stock selection process, detracted from returns. Allocation effect was driven by our underweight to energy, overweight to information technology and lack of exposure to consumer staples, but partially offset by our overweight to financials.

At the issuer level, our top two relative contributors were overweights to Li Ning and LPL Financial Holdings, while our top two relative detractors were an overweight to GSK and an out of benchmark allocation to Builders FirstSource.

Shares of GSK declined during the period amid heightened fears around the company's Zantac litigation. Lawsuits allege that Zantac caused cancer in some patients due to concerns that it contained small amounts of carcinogens.

### **Strategy Moving Forward**

Markets fell during the month of August as market volatility remains elevated given uncertainty surrounding the path of interest rates, the potential for a recession, and the timeline for China re-opening. We continue to anticipate weakness in sectors with high interest rate sensitivity and lingering effects of China COVID lockdowns and the war in Ukraine. However, we believe 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 inflation decelerates. Lastly, we expect a pickup in Chinese activity supported by fiscal and monetary stimulus.

Importantly, the labor market and consumer spending remain strong amidst central bank tightening. We continue to anticipate that Wellington's Global Cycle Index will stabilize over the quarter as leading economic indicators are beginning to bottom. Given this macroeconomic backdrop, we favor a more balanced positioning within the portfolio. The portfolio remains equal weight quality, growth, capital returns to shareholders, and valuation upside.

At the end of the period, our largest overweights were information technology and financials. We were most underweight to energy and had no exposure to consumer staples. From a regional perspective, our largest overweight was North America and we were most underweight to Japan and Emerging Markets.

### Stock Commentary

Stocks	Country	Sector	Remarks
Li Ning	China	Consumer Durables & Apparel	<ul style="list-style-type: none"> <li>China based maker of athletic shoes and sporting goods.</li> <li>Li Ning produces functional sportswear similar to Nike and has a strong brand focus which appeals to young people.</li> <li>Li Ning is expected to benefit from its China-focused business model as the country begins to recover from Covid related shutdowns</li> <li>Shares of Li Ning rose after the company reported first half year results for 2022 that beat consensus estimates, with revenue increasing by 22% and net profit increasing by 12% from the same period one year-ago.</li> <li>The company cited that they would continue to push forward business development and enhance retail operation capability to further promote the brand's experience value and the company's sustainable growth.</li> <li>The company ranks most attractively in our process for quality and organic revenue growth</li> </ul>
Builders First Source	United States	Capital Goods	<ul style="list-style-type: none"> <li>Builders First Source is a homebuilder company based in United States.</li> <li>The company benefits from improving margins, reduced debt, and increased share buybacks.</li> <li>The company currently has 10% share of total home building in the US and is expected to continue to gain share with growth driven by volume and pricing in core segments.</li> <li>The company ranks most attractively in our process for quality, organic revenue growth and valuation upside.</li> </ul>

### Income Distribution

	Cumulative YTD	25 March 2022	20 June 2022
MYR Hedged Class	0.89%	0.41%	0.48%
USD Class	0.96%	0.48%	0.48%
SGD Hedged Class	0.84%	0.36%	0.48%
AUD Hedged Class	0.49%	-	0.49%

\*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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