United Global Technology Fund

As at 30 September 2022

Performance Update and Portfolio Review

For the month of September, the Fund MYRH class registered a return of -16.25%.

Our stock choices in software detracted from relative returns the most. MongoDB is an open-source document-oriented database solutions firm that has emerged as a market leader in NoSQL databases, which leverage non-relational structures to store large amounts of data. Shares fell on investor concerns that weakening IT spend, particularly in software development, will impact the company's margins. However, we believe the company's expansion of its serviceable available market creates an underlying growth benefit in customer additions that can drive long-term profits and outweigh the near-term macro risks for the industry.

Our lack of exposure to IT services weighed on relative results as the subsector fared better than the broader index. Not owning Automatic Data Processing, a market leader in payroll processing, human resources, and human capital management, detracted from relative returns during the period as shares declined but fared better than the subsector. The company is coming off its best new-sales quarter in two decades but faces continued competitive pressure from disruptive software companies. A significant underweight position in hardware also hurt relative returns as the subsector outpaced the index.

Alternatively, security selection and an overweight position in industrials contributed to relative performance. Our position in Tesla, the leading manufacturer of electric vehicles (EV), benefited relative performance during the period as the stock fell but outperformed sector peers. Shares accelerated early in the month on the expected benefits of the Inflation Reduction Act for domestic EV production but pulled back late on macroeconomic concerns. We appreciate Tesla's ability to leverage its advantages in manufacturing, software, and brand, and we expect it to eventually be able to move down the cost curve and unlock new parts of the market while increasing unit margins. An overweight position in media and entertainment also aided relative results as the subsector fared better than all others in the index.

Strategy Moving Forward

Within the portfolio, we maintain a bias toward companies that we believe possess intrinsic growth drivers. During the recent earnings period, all companies acknowledged more uncertainty in the macroeconomic environment. Our positioning in the portfolio today is most concentrated in enterprise software, where we believe the secular trends around digital transformation and cloud computing are still early in their runway and are demonstrating resilient fundamentals as the economy digests reopening, inflation, and macro weakness.

In addition to the secular demand drivers, we build further conviction in our portfolio holdings based on a careful understanding of business models. Software businesses, for example, have largely transitioned from traditional license models to recurring models with very high retention rates. Moreover, these businesses have strong pricing power and high gross margins, which we believe should enable them to navigate the inflationary environment better than most industries in the broader economy.

We remain underweight in the semiconductor space as we believe there is high risk of significant inventory correction and most leading indicators we track on inventory are deteriorating. Given our defensive posture for the group, our positioning in semiconductors is centered on linchpin technology, where we expect growth through the cycle or where we have greater visibility on order books. We continue to hold meaningful positions in internet, and our holdings reflect our preference for companies most levered to offline-to-online share shift in retail spend and on premise to public cloud migration. Finally, we are also optimistic about the capital allocation decisions companies are making with strong balance sheets and board of director conviction to take advantage of share price dislocations. As we move forward, what we believe will matter most for this portfolio is the individual thesis of stocks playing out, not macro or factor bets.

Stock Commentary

Stocks	Country	Sector	Remarks
Okta	United States	Security Software	• Okta, Inc. is an independent identity provider. • The Company's Okta Identity Cloud is an independent and neutral cloud-based identity solution that allows its customers to integrate with nearly any application, service or cloud that they choose through its secure platform and cloud infrastructure. • Its Okta Identity Cloud is used as the central system for an organization's connectivity, access, authentication and identity lifecycle management needs spanning all of its users, technology and applications. • Its products can be used for both customer identity and workforce identity use cases. • Our position in Okta, a provider of software services for identity management solutions, pulled down relative performance during the period. • The company signaled weakening fundamentals by lowering forward billings guidance and financial targets as well as acknowledging heightened executive and workforce turnover. We eliminated our position as we believe the company’s ability to grow relative to industry peers has deteriorated when it comes to winning new customers.
Netflix	United States	Direct-To-Consumer Subscription Services	• Netflix, Inc. is an entertainment services company. • The Company has paid streaming memberships in over 190 countries, and it allows members to watch a variety of television (TV) series, documentaries, feature films and mobile games across a variety of genres and languages. • The Company offers its digital versatile disk (DVD) -by-mail service in the United States.

			• It offers a variety of streaming membership plans, the price of which varies by country and the features of the plan. • It acquires, licenses and produces content, including original programming. • Our exposure to Netflix was beneficial as shares rose sharply after the company told advertising executives that it expected to add 40 million new subscribers with its upcoming ad-supported tier, signaling to investors that they expect results within a year. • We see structure and urgency behind its plan to crack down on password sharing and introduce the ad-supported tier to continue to grow subscriptions long term to combat recent subscriber loss.

Fund Classes

Fund Classes			
MYR Class	MYR Hedged Class	USD Class	SGD Hedged Class

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