United Great Dragon Fund

As at 31 December 2022

Performance Update and Portfolio Review

For the month of December, the Fund MYRH class registered a return of 1.46%.

As of the end of December 2022, the equity holding in the Fund remained at 94.9%.

Since September 2022, we took the tactical approach and overweighting the companies with a good competitive advantage, but with average short-term growth prospects. We reduced the allocation towards companies with short-term growth prospects and overly high-profit expectations, and new-energy companies with high growth expectations and high valuations. We completed such an adjustment at the end of November 2022. As a result, the Fund's exposure in the Materials and Financial Sector was raised significantly while lowering the Fund's holding in Information Technology Sector. The allocation in December 2022 remained unchanged, except for the fine-tuning in weights of individual stocks with large deviations in the price movements.

Market Review

In December 2022, the China Securities Index (CSI) 300 Index rose by 0.37 percent while the CSI Small Cap 500 Index fell by 4.96 percent in Chinese yuan renminbi (CNY) terms.

The trend of equity markets diverged in December 2022. The Shanghai Composite Index fell1.97 percent, while the Growth Enterprise Market (GEM) index rose slightly by 0.06 percent. In terms of industry, the consumer sector rose in December 2022, led by the food and beverage industry (+10.8 percent month-on-month (m/m)), followed by the beauty care industry (+10.3 percent m/m), social services, and retail trade industry (+6.5 percent and +3.6percent respectively). Cyclical sectors were generally weaker, with the coal sector down 10.9percent, the real estate sector down 9.1 percent, and the construction and decoration, and automotive sectors down 7.0 percent and 6.4 percent, respectively.

Although China's economy is still under pressure in the short-term COVID-19 shock, the pace of the economic recovery is expected to accelerate in 2023. On the one hand, the Purchasing Managers' Index in December 2022showed the overall prosperity level of China's economy was falling due to a surge in COVID-19 cases, but on the other hand, from 8 January 2023, under the new COVID-19 policy, the focus is shifted to "health protection and severe case prevention", and the closed borders will reopen to those with work and study visas or seeking to visit family. The follow-up policies of "stabilizing growth" and "increasing domestic demand" are expected to accelerate the economic recovery in 2023.

Monetary policy continues to be accommodative. The Central Economic Work Conference(CEWC) continued the theme of "precise and powerful monetary policy" and "maintaining reasonable and sufficient liquidity" in previous years, and continued to highlight the support for small and micro enterprises, technology innovation, and green development and infrastructure.

After the CEWC, the central bank stated that the strength of monetary policy for2023 should not be smaller than 2022 and should be further increased if needed, unless economic growth and inflation exceed expectations. The People Bank of China (PBoC) will maintain reasonably ample liquidity in financial markets, preventing big fluctuation in the price of capital. After the CEWC, the market expectations for policy easing have materialized, while short-term uncertainty still exists due to the impact of COVID-19. It is expected that the market sentiment will gradually recover as the number of COVID-19 infections declines from the peak, the residents' lives will be further normalized, and policies are relaxed.

Market Outlook and Strategy

For the medium to long-term dimension, the innovation vitality of the Chinese economy is stronger, and the competitive advantage of the Chinese economy has improved. At the same time, the short- and medium-term economic recovery is in better shape than the other markets. In comparison, China's stock valuations are more attractive, and long-term capital at home and abroad is likely to increase the allocation to the Chinese market.

China's current pace of COVID-19 control is similar to that of Japan and South Korea in 2021.Both Japan and South Korea began to relax the restriction around October 2021, the number of infected cases peaked at the junction of winter and spring in the following year and then began to decline. We believe the pandemic will eventually pass, and following the 20th National Congress of the Chinese Communist Party in October 2022, new measures to support the property sectors and ease the COVID-19 restriction reflect the priority to revive the economic growth by the government.

Therefore, we believe China's economy will return to normal cycles in the near future. The economic fundamentals in 2023 are expected to exceed expectations. In particular, sectors with low expectations are likely to outperform. We will maintain the current allocation and make dynamic adjustments in line with changes in the valuation level.

Fund Classes

Fund Classes		
RMB Hedged Class	MYR Hedged Class	USD Class

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