

United Great Dragon Fund

As at 31 October 2022

Performance Update and Portfolio Review

For the month of October, the Fund MYRH class registered a return of -9.74%.

As of end October, the stock position remained at 95.9%. Since September, we have started to take tactical trading approach, overweighting the portfolio towards companies which are competitive and has 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 higher expectations and valuations.

We also strengthened our benchmarking and industrial analyses, reducing the allocation towards pharmaceutical companies with high valuations, and increased allocation in sectors such as automotive parts and home furnishing. We hope to bring customers medium high returns and low volatility risks in the future.

Market Review

We continue to observe market adjustments in October. The Shanghai Composite Index fell 4.33%, the Shenzhen Stock Exchange Index fell 3.54%, the Shanghai and Shenzhen 300 Index fell 7.78%, and the Growth Enterprise Market Index fell 1.04%. In terms of U.S. stocks, the Dow Jones Industrial Average rose 13.95% this month and the NASDAQ Index rose 3.90%. The overseas market saw a rebound this month as market expectations regarding the Fed's consecutive interest rate hikes were met. The domestic market, affected by the pandemic situation and exchange rate fluctuations, will continue to adjust. In terms of industrial trends, we saw the highest increase in computer science, national defense, machinery equipment, medicine, telecommunication, and electronic industries. Cyclical industries such as food and beverages, real estate, household appliance and the coal industry fell sharply.

Fluctuations in the pandemic situation has led to a slowdown in demand, and the manufacturing PMI has fallen below the boom and bust line in October. Both supply and demand slowed down, implying that the foundation for economic recovery and development needs to be strengthened. Following the earlier issuance of special debt next year, Vice Premier Liu He published an article emphasizing the importance of boosting domestic demand and making supply-side reforms. He mentioned that economic growth is in sight should the pandemic situation be effectively controlled. Macro-liquidity continues to be abundant. Maintaining a reasonable level of liquidity is the prerequisite for credit easing, supporting economic recovery, and stable growth. It also aids financial institutions in supporting real economies.

Lowered levels of overseas risks and the market's improved expectations towards economic situations and policies has caused the outflow of foreign capital to slow down and the resumption of multi-channel asset holdings, pushing the market towards recovery. Currently, the market is still at the bottom. Overall, considering fundamentals, capital, policies, valuation and others, the long-term allocation value of A-shares has been highlighted.

Market Outlook and Strategy

For the mid- and long-term, the innovation capacity of the Chinese economy has strengthened, and the competitive advantage of the Chinese economy has increased amidst global conflicts. At the same time, China's short- and mid-term economic recovery is better than that of overseas countries. Relatively speaking, China's stock assets are more attractive, and both domestic and global capitals will flow towards the Chinese market.

Since the third quarter, the pandemic situation has been going back and forth, and global inflation and interest rate hikes have exceeded expectations. The market has growing concerns regarding the penetration rate and competitiveness of growth industries and is experiencing a large drawdown.

On one hand, thematic-driven companies with high short-term growth prospects have higher long-term valuations and unclear competitive landscapes. On the other hand, high-quality companies with poor short-term growth prospects, such as companies related to domestic demand and investments, have low valuations, and are increasing in number.

The pandemic will eventually pass and following the 20th National Congress held in October, more attention will be focused towards economic development. Now is the time when economic fundamentals and expectations are at their worst.

In the future, we will pay more attention to the study of profit models and the matching of growth prospects and valuation. Combined with interim and quarterly reports, we will increase our holdings in high-quality companies that have been underweighted by the market, improve the long-term growth potential of the portfolio, and withstand short-term pressure. We will strive to bring medium high returns and low volatility risks to investors.

Fund Classes

Fund Classes		
RMB Hedged Class	MYR Hedged Class	USD Class

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