

Fund: United Income Plus Fund

As at 31 October 2022

Performance Update

For the month of October, the Fund in MYR Class registered a return of 1.20%.

Within the equity portfolio, stock selection contributed to outperformance. During the month, Merk, Lockheed and Raytheon were the top equity contributor.

Within the fixed income portfolio, there was lower portfolio valuation amid rising bond yields.

Market Review

Equity

October was a mixed month for global equities. Developed markets posted strong returns led by mean reversion while emerging markets underperformed due to declines seen in mainland China and Taiwan equities. The US 10-year Treasury yield rose to 4.05% in October ahead of the upcoming US FOMC meeting on 2nd November.

The MSCI Developed Market Index (MXWO) gained 7.1% to close at 2,548 points led by gains in the United States. The S&P500 Index rebounded 8% in October as corporate earnings came in better than consensus' estimates. For the month, energy, industrials and financials outperformed.

Fixed Income

US treasury yields rose in October with market anticipating continued policy rate hikes by the US Federal Reserve. Core inflation rate in the US remained elevated and inched up to 6.6% YoY in September (August: 6.3%), mainly driven by services. The US labour market remained strong with higher non-farm job creation and lower unemployment rate at 3.5% in September (August: 3.7%). The US economy expanded by 2.6% YoY in 3Q 2022 (2Q 2022: -0.6%) on resilient private consumption, higher exports and stronger business and government spending. Nonetheless, the ISM manufacturing and non-manufacturing indices declined to 50.9 and 56.7 respectively in September (August: 52.8 and 56.9). At month end, the 2-, 5-, 10- and 30-year UST benchmark yields rose 14-38 bps to 4.44%, 4.19%, 4.02% and 4.13%.

Malaysian government bond yields ended mixed. Prior to the dissolution of Parliament, the government tabled a growth-oriented budget for 2023 with a projected fiscal deficit of 5.5% of GDP (2022 forecast: -5.8%). The government revised its 2023 GDP growth target lower to 4.0%-5.0% (2022 forecast: 6.5%-7.0%) given the challenging external economic conditions and financial volatility. The Ringgit weakened 1.9% against the US Dollar to 4.7267 as at end October. At close, the 3- and 5-year MGS benchmark yields rose 3-16 bps to 3.76% and 4.15%, 10-year yield unchanged at 4.32%, while the 15- and 30-year yields declined 2 bps to 4.58% and 4.90%.

For the month of October, the JP Morgan Asia Credit Index's composite blended spread widened by 61 bps to 413 bps.

Strategy Moving Forward

Fund

The fund's core portfolio to remain. We stay defensive while looking for opportunities to deploy the cash.

Equity

Within equity portfolio, the market leaders will continue to form as core of equity holdings. We target equity exposure to be around 20% due to heightened volatility and we prefer value/reopening over growth.

Fixed Income

On the fixed income front, the fund continues to focus on high quality corporate credits for yield pickup and remain to be more stringent on our credit selection.

Income Distribution

| Date | Cumulative Yield | 21 January 2022 | 21 April 2022 | 20 July 2022 | 26 October 2022 |
|------------------|------------------|-----------------|---------------|--------------|-----------------|
| MYR Class | 1.87% | 0.55% | 0.56% | 0.57% | 0.19% |
| AUD Hedged Class | 0.22% | - | - | - | 0.22% |
| RMB Hedged Class | 0.21% | - | - | - | 0.21% |
| SGD Hedged Class | 0.22% | - | - | - | 0.22% |
| USD Hedged Class | - | - | - | - | - |

Asset Allocation

| Asset Class | % Wgt |
|--------------|-------|
| Equity | 23.62 |
| Fixed Income | 73.45 |
| Cash | 2.93 |

Characteristic of Fixed Income Portfolio

| Fixed Income | |
|--------------------|-----------|
| Duration | 3.9 years |
| Yield % | 4.9 |
| Avg. credit rating | AA3 |

Fund Classes

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

Top Holdings Commentary

| Stocks | Country | Sector | Remarks |
|---------------------|---------------|-------------|--|
| Lockheed Martin | United States | Industrials | <ul style="list-style-type: none"> Lockheed Martin Corporation is a global aerospace, defense, security, and advanced technologies company. |
| Raytheon Technology | United States | Industrials | <ul style="list-style-type: none"> Raytheon Technology is an American aerospace and defence company. Beneficiary of a recovery in air traffic and higher defense spending. |
| Merck & Co | United States | Healthcare | <ul style="list-style-type: none"> Proxy to pharmaceutical sector, which is expected to be more defensive against a weakening economy. |

| Fixed Income | Country | Sector | Remarks |
|------------------------------------|----------|-----------|--|
| United Asian Bond Fund - Class USD | Asia | CIS | <ul style="list-style-type: none"> Diversified into Asian credits which offer relatively higher yields. |
| Malayan Banking Bhd | Malaysia | Financial | <ul style="list-style-type: none"> Maybank's profitability and funding profile are favourable against its peers, with adequate loan loss reserves and robust capitalisation to buffer asset quality concerns. |
| UMW Holdings Bhd | Malaysia | Consumer | <ul style="list-style-type: none"> UMW Holdings maintains a steady operating track record and market share in the domestic automotive industry. The company's profitability has strengthened following economic reopening with balance sheet stayed healthy. |

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