

## **Fund: United Income Plus Fund**

**As at 31 August 2022**

### **Performance Update**

For the month of August, the Fund in MYR Class registered a return of 0.04%.

Within the equity portfolio, stock selection caused the underperformance. For this month, top equity contributors are namely JD.com, Lockheed Martin and Alibaba.

Within the fixed income portfolio, there was higher portfolio valuation on the back of declining bond yields and tighter credit spreads.

### **Market Review**

#### **Equity**

It was a mixed month for global equities with declines skewed to the United States and mainland China. US equities declined in August after Jerome Powell's hawkish comments at the Jackson Hole conference. Meanwhile, mainland China's south-western metropolis of Chengdu placed 21m people under lockdown as the country continues to practise its stringent zero-COVID policy. In August, the US 10-year Treasury yield rose to 3.19% from 2.65% in July.

The MSCI Developed Market Index (MXWO) fell 4.3% to close at 2,627 points dragged by the United States. The S&P500 Index was down 4.2% in August, bringing its YTD returns to -17.0%. Selling pressure accelerated towards the end of August as Powell's comments dashed the hopes by some investors for a Fed pivot in the near term.

#### **Fixed Income**

US treasury yields climbed in August in view of the US Federal Reserve's aggressive policy stance to reduce inflation despite potential risks of economic slowdown. The US headline inflation rate eased slightly to 8.5% in July (June: 9.1%) while core inflation rate was unchanged at 5.9% in July. US economic data were mixed with the ISM manufacturing index declining to 52.8 in July (June: 53.0) while the non-manufacturing index strengthened to 56.7 in the same month (June: 55.3). Meanwhile, the US labour market remained healthy with non-farm job creation in July exceeding consensus estimate and lower unemployment rate at 3.5% in the same month (June: 3.6%). At month end, the 2-, 5-, 10- and 30-year UST benchmark yields rose 28-67 bps to 3.49%, 3.35%, 3.19% and 3.29%.

Malaysian government bond yields were broadly higher on market expectations of further rate hikes amid strong economic performance. Malaysia's GDP growth accelerated to 8.9% yoy in 2Q 2022 (1Q 2022: +5.0%) with stronger private consumption and investment, driven by economic reopening and EPF withdrawals. The country's headline inflation rate rose to 4.4% in July (June: 3.4%) on higher prices for essential food items, transport, utilities and services. Foreign holdings of government securities recorded RM4.7 billion outflows in July and comprised 23.0% of total government securities. The Ringgit weakened 0.6% against the US Dollar to 4.4760 as at end August. At close, the 3-year MGS benchmark yield declined 19 bps to 3.31%, 5-, 10- and 15-year yields increased 3-10 bps to 3.72%, 3.99% and 4.25%, while the 30-year yield was unchanged at 4.56%.

For the month of August, the JP Morgan Asia Credit Index's composite blended spread narrowed by 28 bps to 332 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, names of market leaders will continue to form as core of equity holdings. We target equity exposure 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 our credit selection.

## Income Distribution

| Date            | Yield |
|-----------------|-------|
| 21 January 2022 | 0.55% |
| 21 April 2022   | 0.56% |
| 20 July 2022    | 0.57% |

## Asset Allocation

| Asset Class  | % Wgt |
|--------------|-------|
| Equity       | 21.83 |
| Fixed Income | 68.90 |
| Cash         | 9.27  |

## Characteristic of Fixed Income Portfolio

| Fixed Income      |           |
|-------------------|-----------|
| Duration          | 4.1 years |
| Yield %           | 4.6       |
| 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"> <li>Lockheed Martin Corporation is a global aerospace, defense, security, and advanced technologies company.</li> </ul>                                         |
| Raytheon Technology | United States | Industrials | <ul style="list-style-type: none"> <li>Raytheon Technology is an American aerospace and defence company.</li> <li>Beneficiary of a recovery in air traffic and higher defense spending.</li> </ul> |
| Merck & Co          | United States | Healthcare  | <ul style="list-style-type: none"> <li>Proxy to pharmaceutical sector, which is expected to be more defensive against a weakening economy.</li> </ul>                                              |

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

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