

May 2024

# United China A-Shares Innovation Fund



## Why Invest?

- **Opportunities across multiple sectors:** United China A-Shares Innovation Fund – A SGD Acc (the “Fund”) seeks cutting-edge companies not just in Technology but also in Consumer, Industrials, Healthcare, and Materials, including those benefitting from China’s extensive use of e-commerce and mobile applications.
- **Exposure to leading innovations:** China leads in 5G/6G telecommunications and has a dominant global market share in Electric Vehicles (EV), EV supply chain (including batteries), renewable energy such as solar and wind, and Artificial Intelligence (AI) development.
- **Historic rescue for property sector:** China unveiled wide-ranging measures to rescue its property sector in May 2024, including local governments buying unsold homes from developers and easing rules on purchases. The People’s Bank of China (PBoC) will set up a nationwide program to provide 300 billion Chinese yuan in loans to fund state purchases of unsold homes.
- **A blend of growth and value:** The Fund aims to invest in both growth and value stocks by maintaining a reasonable allocation in three directions 1) New Energy and Information Technology Innovation, 2) High-End Manufacturing Upgrades, and 3) Consumption Upgrades.

## May 2024 Portfolio Performance

United China A-Shares Innovation Fund – A SGD Acc	-2.89 per cent <sup>1</sup>
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Source: Morningstar, Performance from 30 April 2024 to 31 May 2024 in SGD terms

<sup>1</sup> Fund performance is on a Net Asset Value (“NAV”) basis, with dividends and distributions reinvested (if any).

## Performance Review

In May 2024, only the Financials and Utility sectors generated positive returns to the overall performance. Information Technology, Consumer Discretionary and Industrials were the top 3 detractors of the performance.

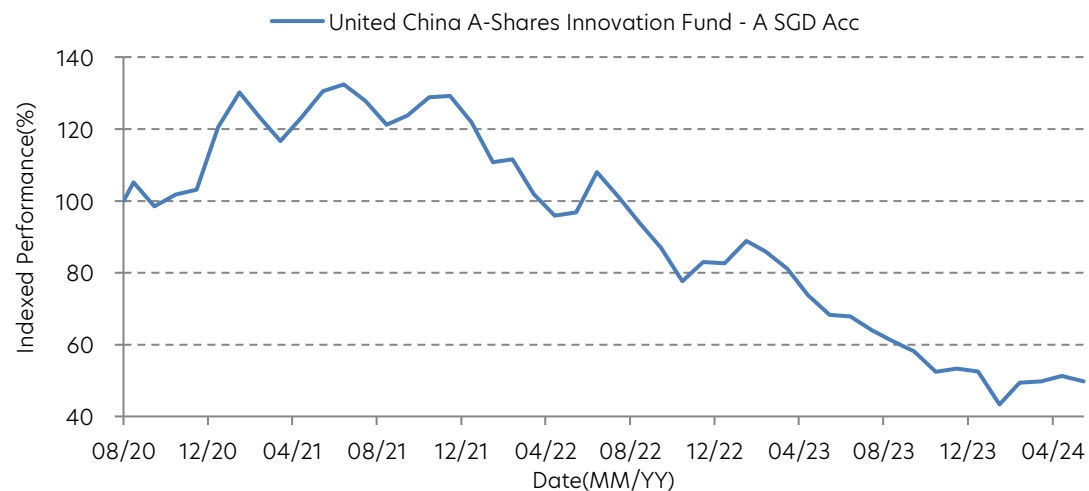
## Portfolio Positioning

We expect limited room for index adjustments and aim to seize structural opportunities in specific sectors. Currently, strong manufacturing exports and stabilization in real estate are the main macro trends in the short to medium term. At the industry level, momentum for innovation stock is weakening, and the global AI infrastructure cycle is entering its late stage, hence resulting in subdued investor sentiment for technologically innovative companies for the time being. In addition, due to the industrialization of emerging economies globally and the re-industrialization of developed countries, opportunities emerged for China’s manufacturing exports, and we expect this trend to continue in the long term.

We are bullish on investment opportunities brought about by traditional manufacturing industries venturing overseas, especially in sectors such as household appliances, commercial vehicles, and machinery companies with stable competitive landscapes.

### Performance (Class A SGD Acc)

#### Fund Performance Since Inception<sup>2</sup> in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Source: Morningstar. Performance as at 31 May 2024, SGD basis, with dividends and distributions reinvested, if any.

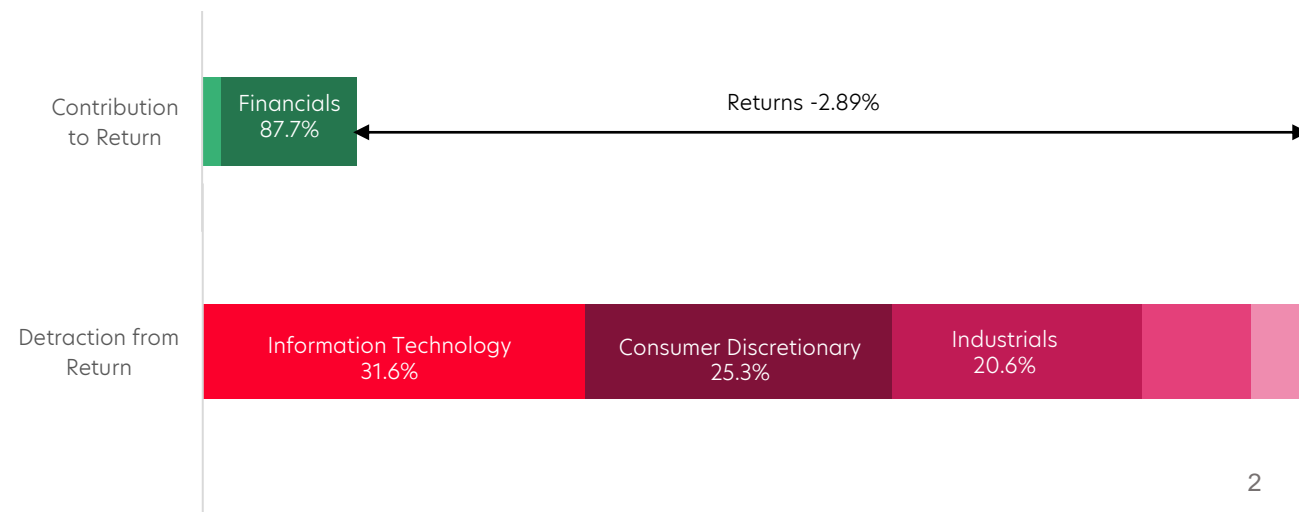
<sup>2</sup> The United China A-Shares Innovation Fund - Class A SGD Acc (ISIN code: SGXZ49509284) was inception on 17 August 2020.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 May 2024 unless otherwise stated.

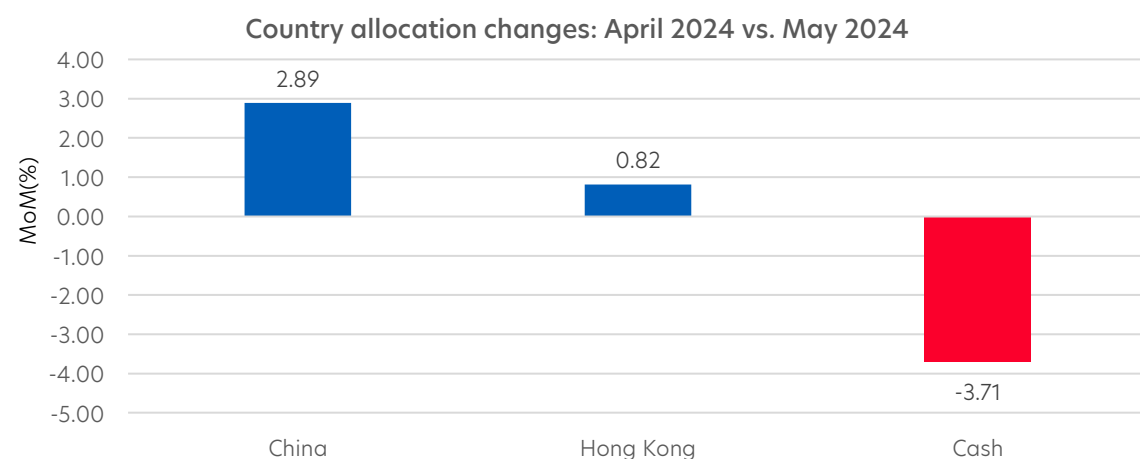
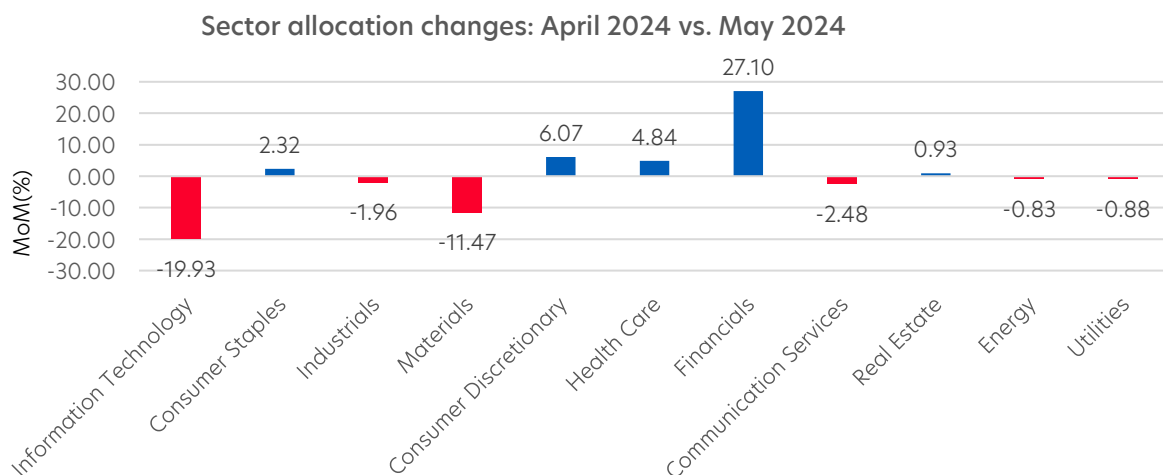
	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-2.89	-27.06	-27.47	-	-16.82
Fund (Charges applied <sup>^</sup> )	-7.75	-30.71	-28.70	-	-17.93

Source: Morningstar. Performance as at 31 May 2024, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Past performance is not necessarily indicative of future performance. <sup>^</sup>Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

### Performance Contributors/Detractors: May 2024



## Portfolio Changes



Source: UOBAM

## Portfolio Review

### Analyst Insights

After a significant rebound in the market in February 2024, stock valuation has risen considerably in various industries. Meanwhile, momentum is weakening in innovative industries. Within the technology innovation, we have seen a strong rally in global equities linked to the theme of AI. Valuations have reached relatively reasonable levels. We believe that the peak of the first round of the six AI revolutions—the infrastructure cycle—has taken place during these two years. Nevertheless, we have not yet seen the emergence of blockbuster applications.

Therefore, we have made some adjustments to our portfolio in May 2024, increasing our positions in local commercial banks (i.e. Financials sector) with strong fundamental improvements and traditional manufacturing sectors with strong export data, while reducing our allocation to the technological innovation (i.e. information technology) sector.

As shown on the left charts, the biggest decrease in the sector allocation changes for May 2024 was in Information Technology (-19.93 per cent). On the contrary, the largest increment was in Financials (+27.10 per cent) in May 2024.

## Market Review

In May 2024, the China Securities Index (CSI) 300 Index fell by 0.52 per cent while the CSI Small Cap 500 Index fell by 2.61 per cent in Chinese yuan renminbi (CNY) terms.

China's A-share index moved lower in May 2024. The Shanghai Composite Index fell by 0.58 per cent, the Shanghai Stock Exchange (SSE) 50 Index fell by 0.08 per cent, and the ChiNext Index fell by 2.87 per cent in CNY terms. During early May 2024, China's equity market continued the uptrend from April 2024. However, factors such as weaker-than-expected economic data, fluctuations in global commodity prices, and stricter stock exchange regulations caused the equity market to reverse by mid-month. Overall, there was a significant difference in market performance between the first and second halves of May 2024, impacting the Fund's overall performance.

Industry performance was mixed with the market mainly focusing on leading companies with low valuations, high dividend yields, and improved cash flow. As a result, high dividend-yield sectors such as coal and banking led gains. Additionally, sectors benefiting from favourable industrial policies such as defence, real estate, power, and power equipment also performed relatively well. On the other hand, media, computers, and communications, experienced larger declines in May 2024 due to pessimistic sentiments.

The nationwide real estate policies announced on 17 May 2024 lifted the expectations of economic stabilisation in the near term. However, with the release of more policy details and high-frequency economic data, there was a significant divergence in the market views. The market remained defensive with the lower trading volume, leading to significant pullbacks in stocks later in May 2024. The Shanghai Composite Index closed below 3100 points. Further stimulus from industrial policies and monetary easing will be needed to reverse the market's pessimistic outlook on the economy and stabilise the equity market around the 3100-point mark.

## Investment Objective

The investment objective of the United China A-Shares Innovation Fund is to achieve long-term capital appreciation by investing primarily in A-Shares of companies listed in the People's Republic of China which are beneficiaries of technology, innovation and trends.

## Fund Information

Base Currency	Fund Size	Fund Manager
SGD	SGD 173.18 mil	Colin Ng



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