March 2024

# UOBAM Ping An ChiNext ETF

UOB Asset Management

## Why Invest?

- **Opportunities across multiple sectors:** UOBAM Ping An ChiNext ETF SGD Class (the "Fund") seeks a wide range of innovative growth companies and sectors that may stand to ride on the materialisation of the megatrends of the future. This includes Electric Vehicles (EV), Clean Energy, Biotechnology and Cloud Computing.
- **Exposure to leading innovations:** China leads in 5G/6G telecommunications and has a dominant global market share in EV, EV supply chain (including batteries), renewable energy such as solar and wind, and Artificial Intelligence (AI) development.
- **Pro-growth policy support:** To reduce its reliance on foreign technologies, China is developing its technology capabilities and is shifting its focus from consumer-focused tech to hard tech[1]. China has also pledged to scale up R&D investments, raising over 1,700 government guidance funds of nearly US$1 trillion[2] to support strategic industries.
- **Cheap valuations:** China's equity market is currently trading at a relatively low valuation and the Price-to-Earnings (PER) ratio as of the end of March 2024 was more than one standard deviation below its 5-year historical mean.

## March 2024 Portfolio Performance

| | |
|---|---|
| UOBAM Ping An ChiNext ETF SGD Class | -1.00 per cent[3] |
| Benchmark: ChiNext Index | +0.53 per cent |

Source: Morningstar, Performance from 29 February 2024 to 31 March 2024 in SGD terms

[3] Fund performance is on a Net Asset Value ("NAV") basis, with dividends and distributions reinvested (if any).

## Performance Review

On ChiNext index industry performance, Industrials led gains followed by Communication Services. On the flip side, Healthcare, Financials and Materials were the primary laggards in March 2024.

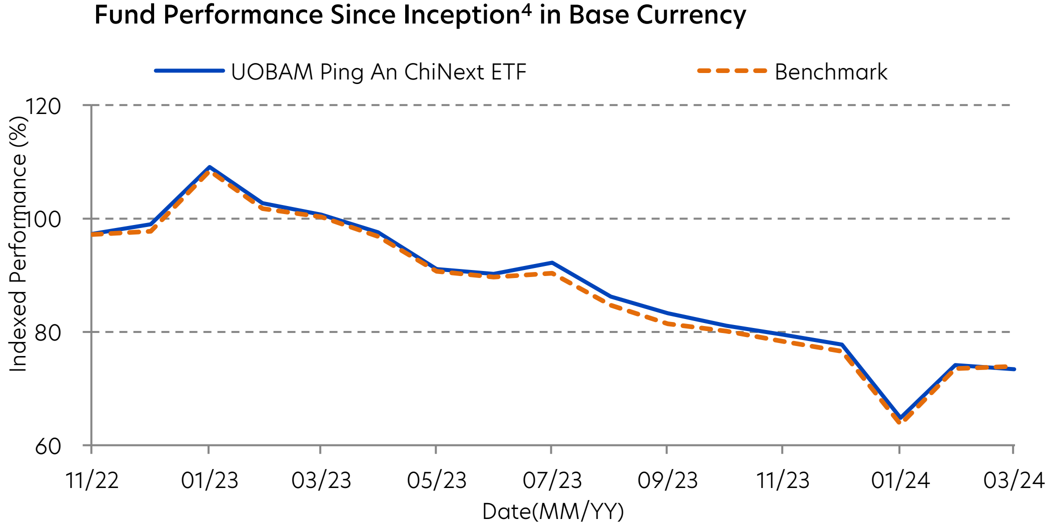
Sinofibers Technology Co Limited (Sinofibers Technology) was the best-performing stock within ChiNext in March 2024, recording a return of 26.55 per cent. As a producer of high-performance carbon fibre for the aviation and aerospace industry, the company is seen as a beneficiary of the Chinese government's pledge to develop the "low-altitude economy". Sinofibers Technology's carbon fibre is expected to see more downstream applications with the expansion of industry hence boosting revenue for the company.

## Portfolio Positioning

We remain optimistic about the fundamentals and prospects of China A shares. Although the strength of economic recovery is weaker than expected, market pessimism is largely priced in. We need to wait for stronger macro data to increase market confidence. Recent Purchasing Managers' Index (PMI) data have boosted confidence slightly, but more confirmation is needed to ensure the sustainability of the economic recovery. As the A-share market enters the earnings release period, some investors are more cautious given the current fundamentals. Market sentiment remains under pressure, but overall systemic risk is limited. During the quarterly reporting period, companies with impressive earnings performance are expected to achieve good returns.

[1] Hard tech refers to tech that requires continuous research and development (R&D) and advanced scientific and technological capabilities. It includes sectors such as semiconductors, new energy vehicles, renewable energy generation and healthcare.
[2] American Affairs, "Guiding Finance: China's Strategy for Funding Advanced Manufacturing", May 2022.

## Performance (Class SGD)




Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: ChiNext Index

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

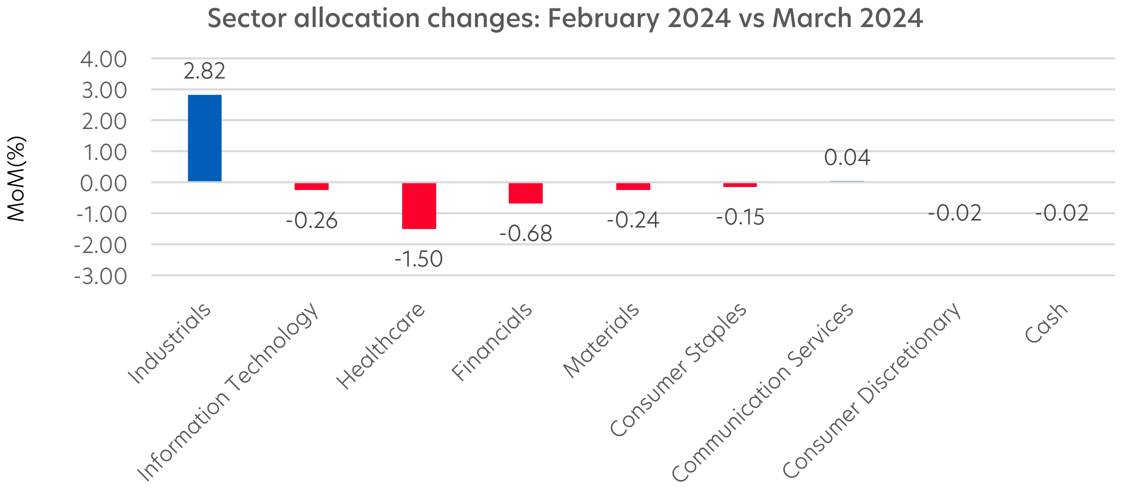
| | Cumulative Performance (%) | Annualised Performance (%) | | | |
|---|---|---|---|---|---|
| | 1 month | 1 Year | 3 Years | 5 Years | Since Inception |
| Fund NAV to NAV | -1.00 | -27.08 | - | - | -20.11 |
| Fund (Charges applied^) | -1.00 | -27.08 | - | - | -20.11 |
| Benchmark | 0.53 | -26.30 | - | - | -19.72 |

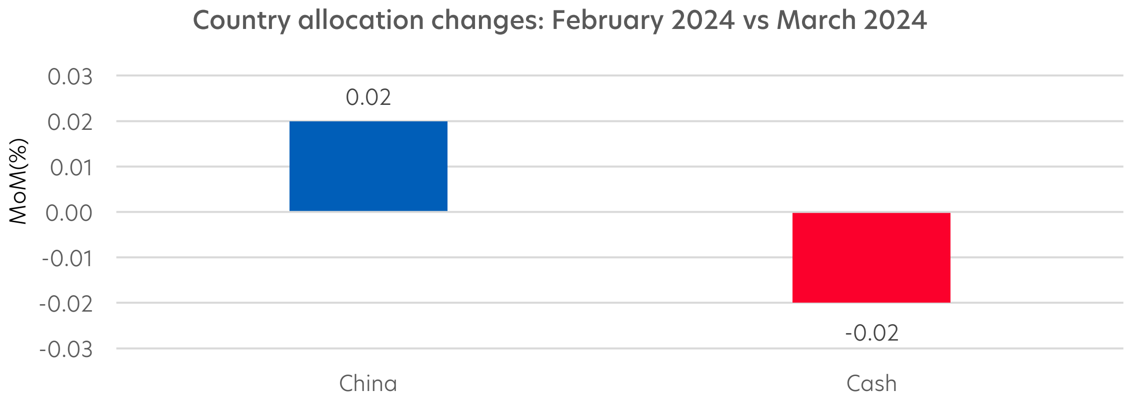
Source: Morningstar. Performance as at 31 March 2024, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the per cent change, while performance figures above 1 year show the average annual compounded returns. Since inception performance under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

[4] The UOBAM Ping An ChiNext ETF – Class SGD (ISIN Code: SGXC54700155) was incepted on 14 November 2022.

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

## Portfolio Changes




Source: UOBAM

## Portfolio Review

### Analyst Insights

As shown on the left charts, the biggest decrease in the sector allocation changes for March 2024 was in Healthcare (-1.50 per cent). On the contrary, the largest increase was in Industrials (+2.82 per cent).

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## Market Review

In March 2024, major A-share stock indices showed mixed performance. Shanghai Stock Exchange (SSE) Science and Technology Innovation Board 50 Index experienced the largest decline (-5.57 per cent), followed by the CSI 500 Index (-1.13 per cent). On the other hand, the ChiNext Index and the CSI 300 Index rose by 0.62 per cent and 0.61 per cent respectively, while the Strategic Emerging Industries Index gained 1.57 per cent. The market continued the path of modest recovery and has entered a relatively stable state. Nevertheless, it should be noted that small and medium-sized stocks as represented by the CSI 2000 Index have seen high levels of activity, with the CSI 2000 Index rising 6.21 per cent in March 2024. We believe that the reason behind it was the growing risk appetite and high speculative interest for specific investment themes.

In terms of industry performance in March 2024, more first-tier industries saw gains than losses, with non-ferrous metals (+12.73 per cent), petroleum and petrochemicals (+6.22 per cent), and automobiles (+4.92 per cent) leading the pack. On the flip side, comprehensive finance (-9.14 per cent) and non-bank finance (-5.96 per cent) experienced the largest declines, followed by coal (-3.98 per cent).

At present, economic fundamentals are improving moderately. With the continuous release of positive policy signals and the implementation of relevant policies, the economy is expected to remain stable. Over January-February 2024, the nationwide total profits for industrial enterprises above the designated size recorded positive growth, mainly due to strong consumer demand during the Spring Festival. In addition, the profits of industrial enterprises above the designated size have continued to grow on a year-on-year (y/y) basis since August 2023. Economic fundamentals are expected to recover further with the State Council promoting urban real estate financing and multiple government departments releasing positive policy signals in diverse areas including production, import/export and consumption.

In terms of liquidity, there is room for improvement. In February 2024, the social financing and loan balance increased by 9 per cent month-on-month (m/m) and 10.1 per cent y/y respectively, recording the lowest growth in history, with a decrease of 0.5 and 0.3 percentage points compared to January 2024. The social financing and credit data from the past few months signalled that the weak economic recovery has not fundamentally changed. Based on the money supply indicators such as M1/M2, social financing, and credit growth rate, we noted the phenomenon of idle funds and insufficient market vitality. The central bank previously stated that it still has abundant monetary tools and there is still room for reserve requirement reduction, indicating that monetary policy remains on an easing bias.

## Investment Objective

The investment objective of UOBAM Ping An ChiNext ETF is to provide investment results that, before fees, costs and expenses (including any taxes and withholding taxes), closely correspond to the performance of the ChiNext Index.

## Fund Information

| Base Currency | Fund Size | Fund Manager |
|---|---|---|
| SGD | SGD 7.83 mil | Colin Ng |

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