UOB Asset Management

United Global Financials Fund

Semi Annual Report

for the half year ended
31 December 2022

Right By You

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A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 12 July 1996 Ann Comp Ret
United Global Financials Fund	5.82	1.94	-21.90	-6.05	-2.70	3.87	3.77
Benchmark	6.87	3.68	-10.30	2.75	2.61	8.11	4.33

Source: Morningstar.

Note: The performance returns of the Fund are in Singapore Dollar based on a NAV-to-NAV basis, with dividends and distributions reinvested, if any.
The benchmark of the Fund: Jul 96 – May 20: MSCI World Financials Index; Jun 20 - Present: MSCI AC World Financials Index.

For the 6 months ended 31 December 2022, the Fund **returned 1.94%**, while the benchmark MSCI AC World Financials Index returned 3.68% in Singapore Dollar terms.

Looking back at the Fund's performance for second half of 2022, it is clear we lagged our benchmark by a margin. Our trend-based approach to investing in the financials universe has worked well for a long time, but 2022 was clearly a year of reversal. The main culprit in 2022 was our Digital Finance trend, one of our three core trends. Although we did not materially change the overall weight to this trend during 2022, we did adjust our exposures within the trend throughout the year in recognition of the fact that higher interest was impacting especially the long duration stocks in our portfolio. We for instance reduced exposure to high multiple stocks with deteriorating (operational) momentum like ***PayPal***, ***Fleetcor***, ***Adyen*** and ***Intuit***, while introducing quality growth companies at a reasonable price like ***Beazley***, ***London Stock Exchange*** and ***Factset***. Although this helped on the margin, it was not enough to offset major underperformance in stocks like ***Block***, ***Upstart***, ***PayPal*** and especially our Digital Asset exposure ***Coinbase*** and ***Signature Bank***. Especially for ***Signature Bank***, the exposure to crypto is indirect and limited although the stock was as weak as the underlying crypto market.

Our Aging Finance trend was the strongest trend in terms of attribution. This trend benefits from higher rates and our stock picking was strong, helped by insurers like ***AIA Group Ltd***, ***ASR***, ***Aegon***, ***Globe Life***, ***T&D*** and ***Allianz SE***. Although we had reduced our exposure to Alternative Asset Managers early in the year, our exposure to ***KKR***, ***Carlyle***, ***Macquarie*** and ***ESR*** still detracted but net-net Aging Finance was a clear positive.

Our third trend, Emerging Finance, was our best absolute return trend. Conventional wisdom would have expected emerging market bank stocks to be affected by averse risk appetite but the reverse was true. The combination of rising Net Interest Income, strong NPL management and attractive valuations formed a potent cocktail for returns. Banks like ***Standard Chartered*** (+34%), ***Bank Rakyat*** (+21%), ***Banorte*** (+27%), ***BBVA*** (+14%), ***DBS*** (+16%) and ***Bank Negara*** (+35%) all showed strong positive performance. We were however hit by our holding in ***TCS*** which is currently valued at zero post the outbreak of the Russia-Ukraine conflict, and the subsequent introduction of sanctions.

A) Fund Performance (continued)

We have seen that despite market volatility, fund performance was positive in 2H22, after a very weak 1H22. It gives us confidence that the underlying changes we have made are starting to contribute. We remain firmly committed to our three key trends and continue to see great appeal in all three. Coupled with the overall characteristics of the portfolio which now show a higher quality profile (in terms of ROA/ROE) in combination with a superior profit growth outlook trading at a valuation discount to the MSCI AC World Financials Index, we think the portfolio is well placed to weather whatever 2023 has in store.

Economic and Market Review

Global equity markets ended the year on a low note, as the MSCI ACWI lost 3.9% in USD, while the MSCI ACWI Financials Index fell 2.4%. Global equity markets fell 18.4% in 2022, the worst year since the GFC in 2008, and the third worst year since 1987. Globally, surging inflation prompted central banks to aggressively raise short-term rates. **US** inflation hit a 40-year high and the US Fed hiked from 0% to 4.5%. The Russia-Ukraine War and **China**'s zero-COVID policy also weighed heavily on markets throughout the year. Regional performance differences were however minimal, but sector and style allocation were crucial as there were huge performance spreads. The standout sector in 2022 was **Energy** (+33%) while long-duration sectors like **Consumer Discretionary** and **Technology** declined 31.8% and 31.0% respectively. In terms of styles, the MSCI World Value Index was down 6.5% while the Growth equivalent declined almost 30%. In this context, the **Financials** sector proved to be 'defensive' as the MSCI ACWI Financials returned -9.8% in 2022 (all in USD).

In 2022 the landscape for the financial sector has fundamentally changed now that zero interest rate policies are in the rear-view mirror. In December, **Japan** joined the Zero Interest Rate Policy (ZIRP) normalisation pact, after an extended period of rate suppression. It is good to note that **Japan** has not escaped the global waves of inflation. Although lagging the rest of the world, **Japan**'s CPI has finally risen consistently above the BOJ's target of 2%. Clear changes have also started to emerge in how corporations pass through higher input costs to product prices. Unlike previous cycles, Japanese corporations are increasingly implementing price hikes, not only in the upstream areas of supply networks but also in midstream areas. On 20 December the BOJ made a surprise decision to expand the target range for Yield Curve Control (YCC) at the 10-year maturity to +50 bps from +25 bps. We think the BOJ's change in YCC policy – albeit marginal – is significant. It clearly opens the door to policy rate normalisation (still at -0.1% today) and this would be material for Japanese financials. These have suffered many years from Net Interest Income contraction and anemic growth, which has made them perennial pariahs of the investment world. Over the last couple of years, we have seen management teams adopting investor friendly policies with increased dividend payments and share buy backs which has supported stock performance. If now banks and insurers can look forward to increased interest income, investors are likely to underestimate the inherent profit leverage of these companies. Over the past months we had been building positions in Japanese life insurance on the view that higher long rates would benefit these firms, and we have continued to add to positions throughout December.

A) Fund Performance (continued)

Outlook and Fund Strategy

The new year starts with a looming recession as central banks tighten monetary policy into a global downturn which could weigh on equity market returns. So far, labor markets and earnings appear surprisingly resilient. The prospects for a sustained equity market rally may improve if central banks can contain inflation without triggering a significant economic downturn and **China** orchestrates a successful reopening. Both are very possible. From a macro point of view, following global liquidity conditions will be crucial as it may signal the return of risk appetite. At the moment liquidity conditions remain very tight. Whether we look at Goldman Sachs' Financial Conditions Index or at y-o-y changes in US M2 (broad money), which now is negative, the conclusion is that liquidity conditions are very tight, and this typically does not bode well for risk assets, including equities. The key question is when these conditions start to improve, but when they do, we think there are good reasons to be constructive on financials.

To qualify this rosy scenario, we are cognizant that the financial sector faces three major risks. First, the possibility of a deeper than expected global recession that hurts fee income for banks, increases NPL ratios, and reduces premium income for insurers. Second, the fear of contagion from some other kind of market shock related to tightening monetary conditions which then hurts the wider financial sector. Third, even if the top sector names perform well, regulatory measures may restrict the ability to return capital to shareholders, especially in **Europe**. However, we believe the balance of risk-reward favors this opportunity, especially as the path of policy rates has been clearly marked.

We think that with the era of the 'Zero Interest Rates Policy'(ZIRP) now over, many financials' business models are fundamentally much better placed to generate solid returns over the cost of capital and create Economic Value Add which can be returned to investors through dividends and buy backs. We believe an active investment strategy focusing on the best-managed banks and insurers will be the way to take advantage of this opportunity. Traditional banking franchises are already benefiting from rising net interest margins (NIMs) as policy rates rise, which will support earnings growth through 2023 and beyond if policy rates stay higher for longer. Moreover, after reinforcing their capital structure and undergoing an accelerated digital transformation during 2020 and 2021 as COVID hit, the best banks are very well-prepared for what seems an inevitable economic slowdown. We have consistently argued that strong net interest income provides a healthy operating buffer, and its impact is – in our view – still underappreciated. Coupled with high provision buffers, and strong capital positions, cost of risk would need to increase substantially to erode operating results. Valuations suggest a much worse outcome.

Higher rates will also drive increased investment income for life insurance companies and allow them to match assets and liabilities more efficiently, improving solvency ratios. Higher future yields can help both product pricing and profitability, and with attractive dividends an *overweight* of life insurance companies makes sense at this point in the economic cycle.

A) Fund Performance (continued)

The Digital Finance trend traded into bubble territory through the COVID crisis but valuations are at much more realistic levels after a steep decline through 2022. Underlying trend growth has remained robust which gives us confidence that as time passes investors will start to re-appreciate these structural growth beneficiaries. Consider that the global e-commerce market is expected to total USD 5.7 trillion in 2022, a growth of 9.7% versus 2021. This is indeed a slowdown of growth rates versus 2021, when global e-commerce sales grew 17%. But the important point to make is that versus two years ago, when only 17.8% of sales were made from online purchases, this number has grown to 19.7% in 2022, and is expected to reach 20.8% in 2023, a three-percentage point increase in e-commerce market share versus the pre-pandemic era. Growth is expected to continue, reaching 23% by 2025. It implies that many FinTechs continue to be exposed to strong and structural growth dynamics. We expect modern payments, embedded finance and online lending solutions will continue to thrive. We are seeing an inflection point for many of our portfolio companies as their growth rates have started to re-accelerate. For many emerging markets (EM) digital native companies, the pandemic impact has even been starker, as the behavioral change has been more profound. Here we have seen a mobile only wave of consumers coming online for the first time, leapfrogging bricks and mortar infrastructure. It makes us medium-term very bullish on leading digital native EM companies.

B) Investments at fair value and as a percentage of net asset value ("NAV") as at 31 December 2022 under review classified by

i) Country

	Fair Value (S$)	% of NAV
Luxembourg	13,098,286	99.76
Portfolio of investments	13,098,286	99.76
Other net assets/(liabilities)	31,602	0.24
Total	**13,129,888**	**100.00**

ii) Industry

N/A

iii) Asset Class

	Fair Value (S$)	% of NAV
Quoted unit trusts	13,098,286	99.76
Other net assets/(liabilities)	31,602	0.24
Total	**13,129,888**	**100.00**

iv) Credit rating of quoted bonds

N/A

C) Top Ten Holdings

10 largest holdings as at 31 December 2022

	Fair Value (S$)	Percentage of total net assets attributable to unitholders %
ROBECO NEW WORLD FINANCIALS I USD	13,098,286	99.76

There was only 1 holding as at 31 December 2022.

C) Top Ten Holdings (continued)

10 largest holdings as at 31 December 2021

	Fair Value (S$)	Percentage of total net assets attributable to unitholders %
ROBECO NEW WORLD FINANCIALS I USD	16,813,712	97.77

There was only 1 holding as at 31 December 2021.

D) Exposure to derivatives

The global exposure relating to derivative instruments is calculated using the commitment approach:

(i) the absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements;

(ii) the absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and

(iii) the sum of the values of cash collateral received under certain cases.

i) Fair value of derivative contracts and as a percentage of NAV as at 31 December 2022

N/A

ii) There was a net realised gain of SGD 69 on derivative contracts during the financial period from 1 July 2022 to 31 December 2022.

iii) Net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2022

N/A

E) Amount and percentage of NAV invested in other schemes as at 31 December 2022

Please refer to the Statement of Portfolio.

F) Amount and percentage of borrowings to NAV as at 31 December 2022

N/A

G) Amount of redemptions and subscriptions for the financial period from 1 July 2022 to 31 December 2022

Total amount of redemptions	SGD	374,459
Total amount of subscriptions	SGD	157,361

H) The amount and terms of related-party transactions for the financial period from 1 July 2022 to 31 December 2022

i) As at 31 December 2022, the Fund maintained current accounts with its related party as follows:

State Street Bank and Trust Company, Singapore Branch		
Cash and bank balances	SGD	114,856

ii) Investment in Initial Public Offerings managed by UOB Group

N/A

iii) As at 31 December 2022, there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

	2022	2021
	$	$
Total operating expenses	**288,902**	304,763
Average daily net asset value	**14,378,590**	16,391,239
Investee Fund's expense ratio	**0.93%**	0.93%
Expense ratio	**2.94%**	2.79%

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the Fund's expense ratio at 31 December 2022 was based on total operating expenses divided by the average net asset value respectively for the financial period. The total operating expenses do not include (where applicable) brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

J) Turnover ratios

	2022	2021
	$	$
Lower of total value of purchases or sales#	**292,897**	329,044
Average daily net assets value	**13,277,883**	16,966,807
Turnover ratio	**2.21%**	1.94%

 # There were no purchases during the financial period ended 31 December 2022. Therefore, the total value of sales is used in the calculation of portfolio turnover ratio.

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments divided by the average daily net asset value.

K) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts

N/A

L) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme ("the underlying scheme")[1] should be disclosed as well

i) Top 10 holdings at fair value and as percentage of NAV as at 31 December 2022 and 31 December 2021

10 largest holdings as at 31 December 2022

	Robeco New World Financials I USD	
	Fair Value (USD)	Percentage of total net assets attributable to unitholders %
ALLIANZ SE	40,738,000	3.01
AIA GROUP LTD	40,592,188	3.00
S&P GLOBAL INC	38,518,100	2.84
PRUDENTIAL PLC	37,297,418	2.75
MORGAN STANLEY	36,133,500	2.67
BANCO BILBAO VIZCAYA ARGENTARIA SA	34,574,097	2.55
PING AN INSURANCE GROUP CO OF CHINA LTD	33,087,976	2.44
THE CHARLES SCHWAB CORP	32,055,100	2.37
STANDARD CHARTERED PLC	31,819,111	2.35
THE GOLDMAN SACHS GROUP INC	31,762,650	2.34

L) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme ("the underlying scheme")[1] should be disclosed as well (continued)

i) Top 10 holdings at fair value and as percentage of NAV as at 31 December 2022 and 31 December 2021 (continued)

10 largest holdings as at 31 December 2021

	Robeco New World Financials I USD	
	Fair Value (USD)	Percentage of total net assets attributable to unitholders %
MORGAN STANLEY	91,643,025	3.45
AIA GROUP LTD	77,298,899	2.91
BNP PARIBAS SA	74,908,211	2.82
BARCLAYS PLC	66,407,989	2.50
BANCO BILBAO VIZCAYA ARGENTARIA SA	66,142,357	2.49
GOLDMAN SACHS GROUP INC/THE	63,751,669	2.40
GRUPO FIANCIERO BANORTE SAB DE CV	62,157,878	2.34
INTERCONTINENTAL EXCHANGE INC	62,157,878	2.34
BANK RAKYAT INDONESIA PERSERO TBK PT	61,095,350	2.30
KBC GROUP NV	60,564,086	2.28

ii) Expense ratios for the financial period ended 31 December 2022 and 31 December 2021

Robeco New World Financials I USD

31 December 2022	0.93%
31 December 2021	0.93%

iii) Turnover ratios for the financial period ended 31 December 2022 and 31 December 2021

Robeco New World Financials

31 December 2022	-14.85%
31 December 2021	15.41%

[1] *Where the underlying scheme is managed by a foreign manager which belongs to the same group of companies as, or has a formal arrangement or investment agreement with, the Singapore manager, the above information should be disclosed on the underlying scheme. In other cases, such information on the underlying scheme should be disclosed only if it is readily available to the Singapore manager.*

M) Soft dollar commissions/arrangements

UOB Asset Management has entered into soft dollars arrangements with selected brokers from whom products and services are received from third parties. The products and services relate essentially to computer hardware and software to the extent that they are used to support the investment decision making process, research and advisory services, economic and political analyses, portfolio analyses including performance measurements, market analyses, data and quotation services, all of which are believed to be helpful in the overall discharge of UOB Asset Management's duties to clients. As such services generally benefit all of UOB Asset Management's clients in terms of input into the investment decision making process, the soft credits utilised are not allocated on a specific client basis. The Manager confirms that trades were executed on a best execution basis and there was no churning of trades.

N) Where the scheme offers pre-determined payouts, an explanation on the calculation of the actual payouts received by participants and any significant deviation from the pre-determined payouts

N/A

STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2022 (Un-audited)

	31 December 2022 $	31 December 2021 $
Income		
Interest	**408**	-
Other income	**23**	1,255
Total	**431**	1,255
Less: Expenses		
Management fee	**100,361**	128,285
Less: Management fee rebate	**(13,180)**	(16,759)
Trustee fee	**2,514**	2,578
Audit fee	**7,217**	6,871
Registrar fee	**7,531**	7,562
Valuation fee	**8,364**	10,690
Custody fee	**3,383**	5,480
Other expenses	**22,934**	15,537
Total	**139,124**	160,244
Net income/(losses)	**(138,693)**	(158,989)
Net gains/(losses) on value of investments and financial derivatives		
Net gains/(losses) on investments	**570,598**	352,996
Net gains/(losses) on financial derivatives	**69**	(184)
Net foreign exchange gains/(losses)	**(4,817)**	3,909
	565,850	356,721
Total return/(deficit) for the financial period before income tax	**427,157**	197,732
Less: Income tax refund	**9,465**	24,280
Total return/(deficit) for the financial period	**436,622**	222,012

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (Un-audited)

	31 December 2022 $	30 June 2022 $
Assets		
Portfolio of investments	**13,098,286**	12,820,585
Receivables	**15,933**	18,743
Cash and bank balances	**114,856**	165,071
Total assets	**13,229,075**	13,004,399
Liabilities		
Payables	**99,187**	94,035
Total liabilities	**99,187**	94,035
Equity		
Net assets attributable to unitholders	**13,129,888**	12,910,364

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the half year ended 31 December 2022 (Un-audited)

	31 December 2022	30 June 2022
	$	$
Net assets attributable to unitholders at the beginning of the financial period/year	**12,910,364**	16,140,688
Operations		
Change in net assets attributable to unitholders resulting from operations	**436,622**	(3,973,966)
Unitholders' contributions/(withdrawals)		
Creation of units	**157,361**	3,576,131
Cancellation of units	**(374,459)**	(2,832,489)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	**(217,098)**	743,642
Total increase/(decrease) in net assets attributable to unitholders	**219,524**	(3,230,324)
Net assets attributable to unitholders at the end of the financial period/year	**13,129,888**	12,910,364

STATEMENT OF PORTFOLIO

As at 31 December 2022 (Un-audited)

	Holdings at 31 December 2022	Fair value at 31 December 2022 $	Percentage of total net assets attributable to unitholders at 31 December 2022 %
By Geography - Primary			
Quoted unit trusts			
LUXEMBOURG			
ROBECO NEW WORLD FINANCIALS I USD	58,974	13,098,286	99.76
Portfolio of investments		**13,098,286**	**99.76**
Other net assets/(liabilities)		**31,602**	**0.24**
Net assets attributable to unitholders		**13,129,888**	**100.00**

STATEMENT OF PORTFOLIO

As at 31 December 2022 (Un-audited)

	Percentage of total net assets attributable to unitholders at 31 December 2022 %	Percentage of total net assets attributable to unitholders at 30 June 2022 %
By Geography - Primary (Summary)		
Quoted unit trusts		
Luxembourg	**99.76**	99.30
Portfolio of investments	**99.76**	99.30
Other net assets/(liabilities)	**0.24**	0.70
Net assets attributable to unitholders	**100.00**	100.00

As the Fund is invested wholly into quoted unit trusts, it is not meaningful to classify the investments into industry segment.

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