UOB Asset Management

United Global Financials Fund

Semi Annual Report

for the half year ended
31 December 2023

Right By You

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DIRECTORS OF UOB ASSET MANAGEMENT LTD
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Lim Pei Hong Winston (Appointed 14 August 2023)
Lam Sai Yoke (Resigned 15 March 2023)

TRUSTEE
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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	8.56	7.25	13.85	1.54	2.75	3.29	4.12
Benchmark	8.70	8.69	13.64	8.94	8.83	6.53	4.65

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 2023, the Fund returned 7.25%, while the benchmark MSCI AC World Finance Index returned 8.69% in Singapore dollar terms.

In July, the best contributors to performance were Upstart, PayPal, Ping An Insurance, Tradeweb, T&D Holdings, Resona, Julius Baer and Standard Chartered PLC. The biggest detractors were Equifax, AIA Group, Prudential PLC, and Bandhan Bank. The best performing trend was Digital Finance. Emerging Finance was second best. Aging Finance made the smallest but still positive contribution. The industry groups Financial Services, and Consumer Finance had the best positive contribution to performance while and Professional Services detracted the most.

In August, the best contributors to performance were MercadoLibre, Remitly, Fleetcor, Intercontinental Exchange, Allianz SE, Tradeweb, KKR and Equitable. The biggest detractors were Adyen, Ping An Insurance, PayPal and Block. The best performing trend was Emerging Finance with a very small negative contribution. Aging Finance and Digital Finance had almost equal negative contributions to performance. The industry groups Banks, Broadline Retail, Software and Capital Markets had the best positive contribution to performance while Financial Services, Insurance and Consumer Finance detracted the most.

In September, the best contributors to performance were Dai-Ichi Life, T&D Holdings, Bank Negara Indonesia, Resona, NU Holdings, Banco Bilbao Vizcaya Argentaria SA, Bajaj Finance, Endava, Standard Chartered and Hana Financial. The biggest detractors were Prudential PLC, ASR, AIA, StoneCo, Block and Julius Baer. The best performing trend was Emerging Finance. Digital Finance a slightly worse negative contributions to performance than Aging Finance. The industry groups Banks, Consumer Finance and IT Services had the best positive contribution to performance while Financial Services, Insurance, Capital Markets and Professional Services detracted the most.

A) Fund Performance (continued)

In October, the best contributors to performance were NU Holdings, T&D Holdings, Tradeweb Markets, AIA Group, Monex, Globe Life, Dai-Ichi Holdings and Voya Financial. The best performing trend was Aging Finance, followed closely by Digital Finance. The Emerging Finance trend was the worst contributor and only trend with a negative contribution to relative performance. The industry groups Banks and Capital Markets had the best positive contribution to performance while Financial Services, Insurance and IT Services detracted the most.

In November, the best contributors to performance were StoneCo, Adyen, Coinbase, MercadoLibre, KKR, Block, ASR Nederland, and Equifax. The biggest detractors to performance were Julius Baer, T&D Holdings, Ping An Insurance and Resona Holdings. The best performing trend was Digital Finance. Both Aging Finance and Emerging Finance contributed negatively with the Aging Finance trend a bit more negative. The industry groups Financial Services, Broadline Retail, Professional Services, and IT Services had the best positive contribution to performance while Insurance, Banks, Consumer Finance and Capital Markets detracted the most.

In December, the best contributors to performance were Coinbase, Morgan Stanley, Block, Intercontinental Exchange, FleetCor Technologies, Goldman Sachs, StoneCo, PagSeguro, Discover Financial Services and Equifax. The biggest detractors to performance were Tencent, Banco Bilbao Vizcaya Argentaria, Ping An Insurance, TradeWeb Markets, Resona and MercadoLibre. The best performing trend was Digital Finance followed by Aging Finance. Only Emerging Finance contributed negatively. The industry groups Financial Services, Capital Markets and Insurance had the best positive contribution to performance while Banks and Interactive Media & Services detracted the most.

Economic and Market Review

Looking back at Financials in 2023, it has been a rollercoaster with a crisis in US (regional) banks which saw several banks go under in a flash as rapid deposits outflows exposed an asset/liability mismatch that blew a hole in the balance sheet. As the fundamental reason for the banks' troubles was a liquidity issue rather than a credit quality issue, the Fed was able to contain damage through decisive policy action. 2023 was also the year that former powerhouse Credit Suisse succumbed to many years of flawed strategic choices and deficient risk management. Despite these 'distractions' many financials printed the highest profit levels in many years, helped by higher interest rates and benign credit cost both for banks and insurance companies. Overall banks (+15%) performed in line with MSCI AC World Financials although many European and EM banks did much better while US banks lagged. Insurance also lagged (+9%) while Consumer Finance and Capital Markets outperformed, mostly thanks to a 4Q23 rally.

A) Fund Performance (continued)

Our trend-based approach to investing in financial services paid off in 2023 mostly on account of our Digital Finance exposure, which rebounded sharply after a weak 2022. FinTech names had been hurt by elevated expectations post the pandemic and the rapid rise in the global discount rate. The de-rating that followed has been dramatic, so some form of rebound was to be expected. Throughout the year we saw FinTech stocks outperforming that were showing strong structural growth momentum in an overall market bereft of (earnings) growth. Great examples are Latam platform company MercadoLibre (+85%) and Brazilian FinTech NU Holdings (+101%). Both companies operate in difficult macro circumstances yet showed strong and consistent growth and investors rewarded them. Later in the year, with the peaking of interest rates, we saw several payment companies joining the winning ranks. Brazilian payment solution provider StoneCo (+89%) showed solid execution throughout the year but was only rewarded in 4Q23 as risk appetite improved. Also, B2B payment company FleetCor (+52%) performed well as underlying trends remained solid and the company committed to a strategic review to unlock value. The strategic value of payments was also noticed by industry players/private equity as we saw several transactions throughout the year. One example is Network International, a Middle East/Africa payment company, which was acquired by Brookfield AM in 1H23. The Fund also benefitted from steady compounders like London Stock Exchange, Intercontinental Exchange and S&P Global and enjoyed the return of digital assets through our position in Coinbase (+338%). PayPal was the major detractor in Digital Finance as competition from ApplePay and a management re-shuffle keeps investors at bay.

Despite the rally into year end, Aging Finance detracted from performance in 2023. A major culprit was our China related exposure AIA (-27%), Prudential Plc (-24%) and ESR (-39%). All these stocks rallied hard into 2023 as investors positioned for a China re-opening rally that never materialised. Fundamentally we are convinced that these companies are exposed to strong underlying structural growth trends as the necessity for protection and pension products in the Asian market remains solid and underperformance is mostly explained by multiple de-rating. Julius Baer also detracted as the anticipated market share gains from the CS fall out have not yet translated into additional revenues. We did benefit from our Alternative Asset Manager exposure like KKR (+66%), Intermediate Capital (+62%) and Carlyle (+40%) which rebounded in 2023 on solid fund raisings and cheap valuations. Clearly, a lower interest rate environment has helped to improve investor sentiment. In Emerging Finance, many of our EM bank exposure really worked well in 2023. Banorte and BBVA (Mexico), Itau (Brazil), Bank Rakyat and Bank Negara (Indonesia), HDFC Bank and Bajaj Finance (India) all showed strong returns driven by solid earnings fundamentals. Despite a reputation of higher risk, we see these companies as high-quality compounders and the macro outlook for many emerging markets has just started to improve, which should continue to underpin these holdings. Major detractor was Ping An Insurance (-35%) which, like AIA Group and Prudential, could not escape the China market funk.

A) Fund Performance (continued)

Outlook and Fund Strategy

As we exit 2023 on a high note and we look into 2024, we note that equities markets in general, and financials equities in particular continue to be highly correlated with the direction of global liquidity indicators. The course of action in (real) interest rates, credit spreads and global central bank policies will continue to set the tone in our markets, but we should be mindful of some mean reversal as investors' expectations and reality can be temporarily out of step. We do however believe that in 2024 investment opportunities might display more persistence compared to 2023 which was a year full of volatility and rotations. Central banks in developed markets seem confident inflation is being tamed and are looking to ease policy, China seems increasingly determined to use policy stimulus to halt the downturn, and the global earnings cycle appears resilient. A more synchronized global cycle could drive longevity in performance trends.

Even though interest rates have peaked, we think that the era of the 'Zero Interest Rates Policy' (ZIRP) is over, and this implies that 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 have benefitted from rising net interest margins (NIMs) as policy rates have risen, but earnings are supported through 2024 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 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, especially for non-US financials.

Higher sustained 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.

The Digital Finance trend traded into bubble territory through the Covid crisis, but valuations are at much more reasonable levels, also after the strong rebound in Q4 2023. Underlying trend growth has remained robust which gives us confidence that as time passes, investors will continue to re-appreciate these structural growth beneficiaries. Considering that the global e-commerce market growth is expected to continue, this implies that many FinTechs will be exposed to strong and structural growth dynamics. So, we expect modern payments, embedded finance and online lending solutions will continue to thrive. We are seeing an inflection point for many of our investments 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. We have seen a mobile only wave of consumers coming online for the first time, leapfrogging bricks and mortar infrastructure. Our outlook for the medium term is very bullish for leading digital native EM companies.

A) Fund Performance (continued)

Investment themes

Aging Finance

- Aging Finance is about the need for financial lifecycle planning. An important part is how to build enough savings to retire comfortably.

- Absolute return investing is increasingly gathering flows as larger numbers of people retire. Many of our investments are pension or life insurance related. For example, we invest in wealth managers with exposure to alternative assets. The demand for smart beta and ETFs is behind our investment in, for example S&P Global.

Digital Finance

- Digital Finance is first of all about changes in global payments. We are increasingly moving from paying with cash to paying with cards and electronic payments. Separately, mobile payments are growing very rapidly.

- More and more financials are outsourcing their IT including even the front office operations and software.

Emerging Finance

- The Emerging Finance trend focuses on the growth of the global middle class. In emerging markets, the middle class is growing fast while financial penetration is low.

- In developed markets we look for financials that can grow by providing often basic financial services in an innovative way or with limited competition.

B) Investments at fair value and as a percentage of net asset value ("NAV") as at 31 December 2023 under review classified by

i) Country

	Fair Value (S$)	% of NAV
Luxembourg	13,785,339	99.30
Portfolio of investments	13,785,339	99.30
Other net assets/(liabilities)	96,618	0.70
Total	**13,881,957**	**100.00**

ii) Industry

N/A

iii) Asset Class

	Fair Value (S$)	% of NAV
Quoted unit trusts	13,785,339	99.30
Other net assets/(liabilities)	96,618	0.70
Total	**13,881,957**	**100.00**

iv) Credit rating of quoted bonds

N/A

C) Top Ten Holdings

10 largest holdings as at 31 December 2023

	Fair Value (S$)	Percentage of total net assets attributable to unitholders %
ROBECO NEW WORLD FINANCIALS I USD	13,785,339	99.30

There was only 1 holding as at 31 December 2023.

C) Top Ten Holdings (continued)

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.

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 2023

N/A

ii) There was a net realised loss of SGD 1,271 on derivative contracts during the financial period from 1 July 2023 to 31 December 2023.

iii) Net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2023

N/A

E) Amount and percentage of NAV invested in other schemes as at 31 December 2023

Please refer to the Statement of Portfolio.

F) Amount and percentage of borrowings to NAV as at 31 December 2023

N/A

G) Amount of redemptions and subscriptions for the financial period from 1 July 2023 to 31 December 2023

Total amount of redemptions	SGD	702,165
Total amount of subscriptions	SGD	146,126

H) The amount and terms of related-party transactions for the financial period from 1 July 2023 to 31 December 2023

i) As at 31 December 2023, the Fund maintained current accounts with its related party as follows:

State Street Bank and Trust Company, Singapore Branch		
Cash and bank balances	SGD	159,576

ii) Investment in Initial Public Offerings managed by UOB Group

N/A

iii) As at 31 December 2023, there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

	2023	2022
	$	$
Total operating expenses	**261,684**	288,902
Average daily net asset value	**13,338,761**	14,378,590
Investee Fund's expense ratio	**0.94%**	0.93%
Expense ratio	**2.90%**	2.94%

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 2023 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, 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

	2023	2022
	$	$
Lower of total value of purchases or sales#	**727,815**	292,897
Average daily net assets value	**13,349,295**	13,277,883
Turnover ratio	**5.45%**	2.21%

 # There were no purchases during the financial period ended 31 December 2023 and 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 2023 and 31 December 2022

10 largest holdings as at 31 December 2023

	Robeco New World Financials I USD	
	Fair Value (USD)	Percentage of total net assets attributable to unitholders %
VISA INC	33,775,337	4.56
ALLIANZ SE	22,442,822	3.03
S&P GLOBAL INC	21,702,135	2.93
INTERCONTINENTAL EXCHANGE INC	20,887,379	2.82
THE GOLDMAN SACHS GROUP INC	20,591,104	2.78
PAYPAL HOLDINGS INC	19,628,211	2.65
MORGAN STANLEY	18,961,593	2.56
BANCO BILBAO VIZCAYA ARGENTARIA SA	17,998,699	2.43
AIA GROUP LTD	17,258,012	2.33
STANDARD CHARTERED PLC	16,443,256	2.22

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 2023 and 31 December 2022 (continued)

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	41,103,408	3.01
AIA GROUP LTD	40,966,852	3.00
S&P GLOBAL INC	38,781,953	2.84
PRUDENTIAL PLC	37,552,948	2.75
MORGAN STANLEY	36,460,498	2.67
BANCO BILBAO VIZCAYA ARGENTARIA SA	34,821,824	2.55
PING AN INSURANCE GROUP CO OF CHINA LTD	33,319,706	2.44
THE CHARLES SCHWAB CORP	32,363,813	2.37
STANDARD CHARTERED PLC	32,090,701	2.35
THE GOLDMAN SACHS GROUP INC	31,954,145	2.34

ii) Expense ratios for the financial period ended 31 December 2023 and 31 December 2022

Robeco New World Financials I USD

31 December 2023	0.94%
31 December 2022	0.93%

iii) Turnover ratios for the financial period ended 31 December 2023 and 31 December 2022

Robeco New World Financials I USD

31 December 2023	22.73%
31 December 2022	-14.85%

[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 2023 (Un-audited)

	31 December 2023 $	31 December 2022 $
Income		
Interest	**778**	408
Other income	**-**	23
Total	**778**	431
Less: Expenses		
Management fee	**100,707**	100,361
Less: Management fee rebate	**(13,282)**	(13,180)
Trustee fee	**2,513**	2,514
Audit fee	**7,393**	7,217
Registrar fee	**7,540**	7,531
Valuation fee	**8,392**	8,364
Custody fee	**2,546**	3,383
Other expenses	**19,041**	22,934
Total	**134,850**	139,124
Net income/(losses)	**(134,072)**	(138,693)
Net gains/(losses) on value of investments and financial derivatives		
Net gains/(losses) on investments	**881,098**	570,598
Net gains/(losses) on financial derivatives	**(1,271)**	69
Net foreign exchange gains/(losses)	**(2,222)**	(4,817)
	877,605	565,850
Total return/(deficit) for the financial period before income tax	**743,533**	427,157
Less: Income tax refund	**-**	9,465
Total return/(deficit) for the financial period	**743,533**	436,622

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 (Un-audited)

	31 December 2023	30 June 2023
	$	$
Assets		
Portfolio of investments	**13,785,339**	13,632,055
Receivables	**25,100**	21,357
Cash and bank balances	**159,576**	120,011
Total assets	**13,970,015**	13,773,423
Liabilities		
Payables	**88,058**	78,960
Total liabilities	**88,058**	78,960
Equity		
Net assets attributable to unitholders	**13,881,957**	13,694,463

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the half year ended 31 December 2023 (Un-audited)

	31 December 2023	30 June 2023
	$	$
Net assets attributable to unitholders at the beginning of the financial period/year	**13,694,463**	12,910,364
Operations		
Change in net assets attributable to unitholders resulting from operations	**743,533**	1,381,947
Unitholders' contributions/(withdrawals)		
Creation of units	**146,126**	540,093
Cancellation of units	**(702,165)**	(1,137,941)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	**(556,039)**	(597,848)
Total increase/(decrease) in net assets attributable to unitholders	**187,494**	784,099
Net assets attributable to unitholders at the end of the financial period/year	**13,881,957**	13,694,463

STATEMENT OF PORTFOLIO

As at 31 December 2023 (Un-audited)

	Holdings at 31 December 2023	Fair value at 31 December 2023 $	Percentage of total net assets attributable to unitholders at 31 December 2023 %
By Geography - Primary			
Quoted unit trusts			
LUXEMBOURG			
ROBECO NEW WORLD FINANCIALS I USD	53,689	13,785,339	99.30
Portfolio of investments		**13,785,339**	**99.30**
Other net assets/(liabilities)		**96,618**	**0.70**
Net assets attributable to unitholders		**13,881,957**	**100.00**

STATEMENT OF PORTFOLIO

As at 31 December 2023 (Un-audited)

	Percentage of total net assets attributable to unitholders at 31 December 2023 %	Percentage of total net assets attributable to unitholders at 30 June 2023 %
By Geography - Primary (Summary)		
Quoted unit trusts		
Luxembourg	**99.30**	99.54
Portfolio of investments	**99.30**	99.54
Other net assets/(liabilities)	**0.70**	0.46
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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