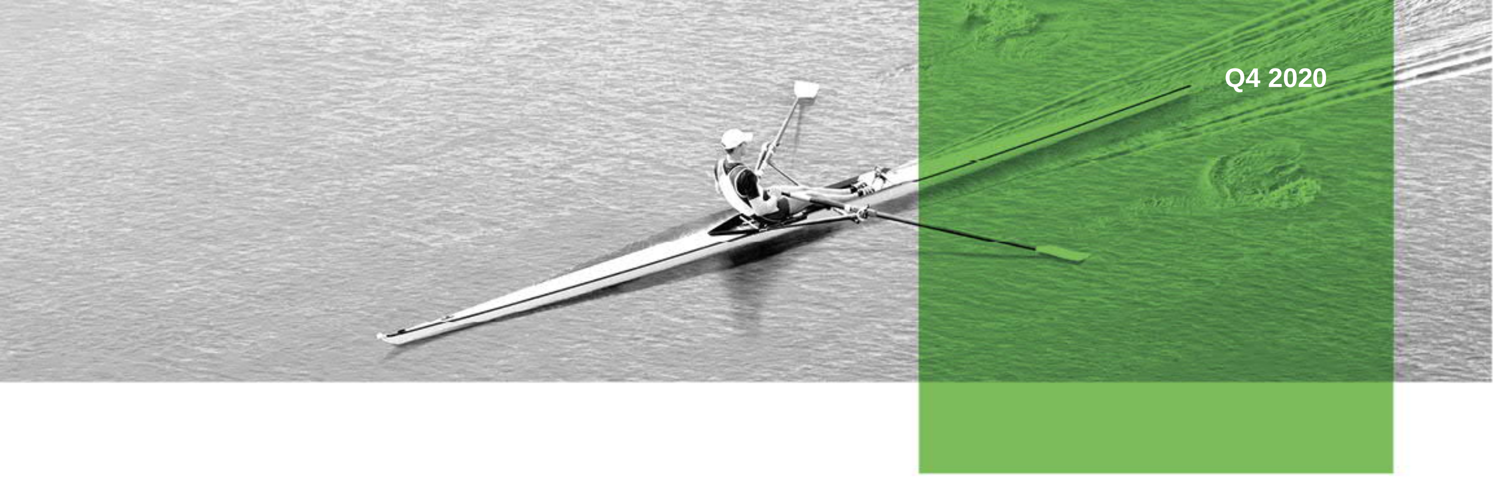


UBAM – best selection asia

Quarterly Comment | Q4 2020

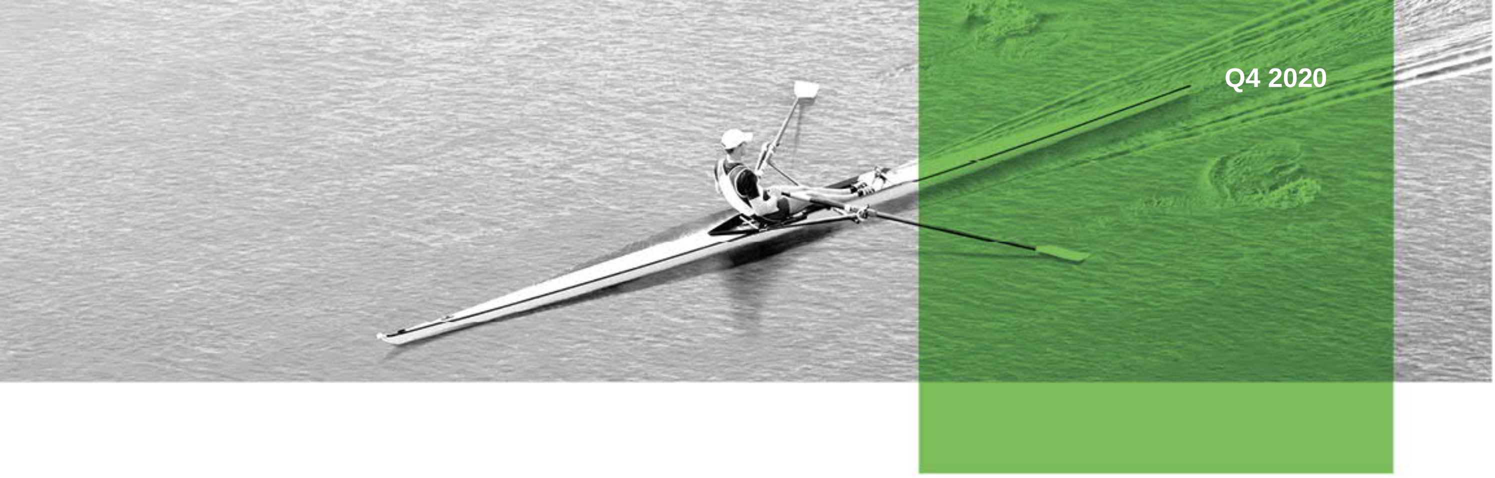
For Qualified Investors in Switzerland or Professional Investors or Eligible Counterparties as defined by the relevant laws.

Market Comment

- Asia equity market advanced further in December quarter, outperformed other major markets again, and finished an eventful 2020 with 25% return. Europe and US new Covid-19 cases number started to pick up significantly since October, created a room for Asian equity to move ahead. Vaccine discovery news in November and the hope for the normalization conquered the news headlines including the worst ever cases in major countries and the US election news. Recovery expectation is a strong fuel for EM especially Asia, big enough to allure the long-waited money inflow into the region.
- Although it was peaceful on the surface or the index level, but the rotation underneath was brutal. Vaccine ignited expectations of inflation, change of the monetary policies, and interest rate hike. Subsequently, value factor outperformed growth, laggard outperformed leaders, poor quality outperformed good quality companies.
- Most of the countries marked good returns in 4Q except China, largely due to political noises. Ant Financial IPO was blocked by the regulator just two days before the listing date and anti-trust probe followed targeting internet giants. South Asian countries such as Indonesia, Thailand and Philippines moved up as their valuation attractiveness is highlighted post vaccine news.
- Sectoral moves showed a shuffled market sentiment post vaccine news. Materials, Industrials sector moved up the ladder, while communication services and consumer sector were pushed down. IT sector is on top thanks to Korea and Taiwan semiconductor names.

Sources: UBP, Bloomberg Finance LP.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

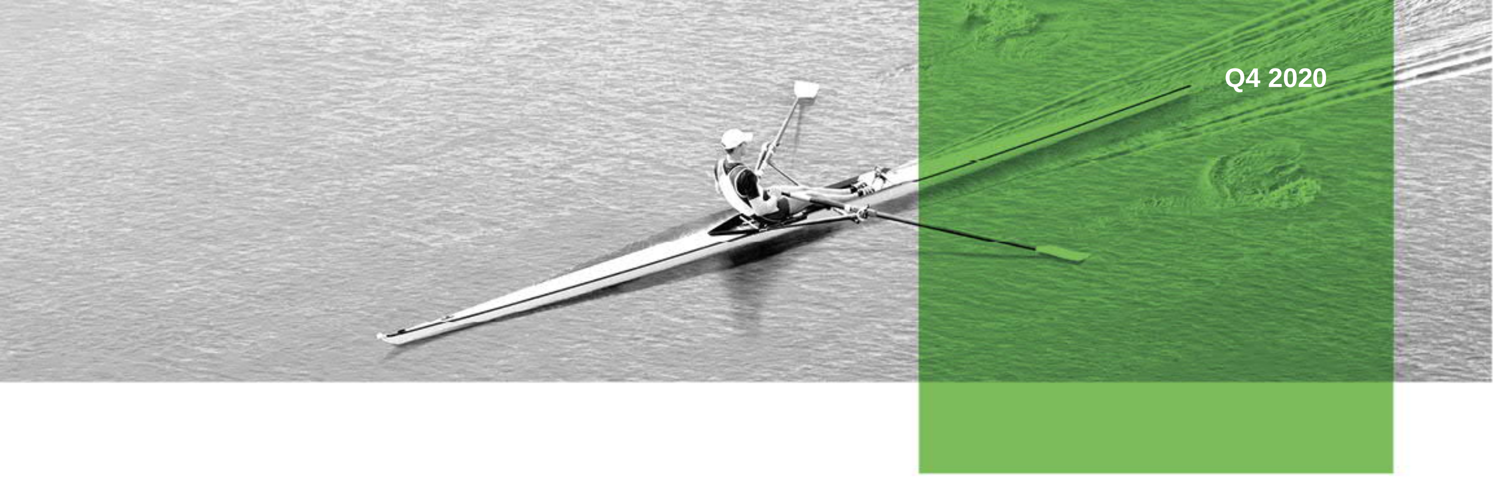


Performance Review

- The portfolio underperformed the MSCI Asia ex Japan (NR). Stock selection was negative while asset allocation did only contribute marginally to performance.
- Attractive valuation, underweight position by institutional investors, and weak USD were the trigger of South Asia market performance last quarter. In India, banking sector (HDFC Bank) performed thanks to NPL recovery expectation and reviving the loan growth. UPL was accused with accounting firm change and internal whistle blower but firm change was well communicated with the market participants and company is recovering from the whistle blower accusation already. Reliance Industries took a pause post good rally.
- DBS in Singapore participated the reflation rally. Local investors don't have many options to play with the recovery trade.
- Malaysian market was weak, but V.S. Industry stood out. We like the company from the angle of factory relocation out of China and it recently added a Covid-19 disinfectant sprayer as a new client.
- In Indonesia, Indofood Sukses finished the earnings accretive acquisition of MENA affiliate in the group that has faster growth.
- Hong Kong was the only market that underperformed among North Asian countries mainly because of tourism absence. Macau casinos are literally blocked since Covid-19 breakout and shopping malls or Real Estate sector shows slow progress. Our stock picks (Man Wah, Techtronic) are more exposed to outside of Hong Kong.

Portfolio Activity

- Convenient store chain CP All in Thailand and Bangkok Expressway were sidelined as high frequency number disappoints the market. We have switched to Siam Cement during the last quarter for cyclical exposure.
- Bought Samsung SDI for pure battery exposure from the proceeds of Largan.
- Throughout the quarter we kept on increasing new economy names (JD.Com and Naver Corp) and reduced financials and old economy names (Ping An Insurance and China Construction Bank for example).
- Within the e-commerce, we switched to larger upside potential names and took some profit of Dada Nexus and bought Meituan.
- During the rebalancing, we added Guangzhou Auto as an unrecognized EV beneciary. We also added ASE for order inflow expectation from the tight semi supply environment, Finally we added Crompton Greaves for materializing urbanization in India.



Outlook

- The China's FDI inflow scores 8-month growth streak. Foreign direct investment into the Chinese mainland, in actual use, expanded year on year to 98.7 billion yuan (14.38 billion U.S. dollars) in November, according to the Ministry of Commerce. It marked the eighth consecutive month that the country has witnessed FDI growth. In the first 11 months, FDI rose 6.3% year on year, data shows. Foreign investment in the service industry came in at 704.46 billion yuan during the January-November period, up 16% year on year and accounting for 78% of the country's total FDI. The high-tech services sector saw its FDI climb 32% year on year in the first 11 months, with investment in design services, and research and development surging 93.6 percent.
- Appetite for RMB denominated assets should continue to grow as China will further optimize cross-border Renminbi (RMB) policies and stabilize foreign trade and investment. According to a circular posted on the website of the People's Bank of China, China will promote the facilitation of RMB settlement, simplify the cross-border RMB settlement process, optimize the management of cross-border RMB investment and financing, and facilitate overseas institutions' use of RMB settlement accounts.
- For their part, markets continue to look broadly beyond the immediate term challenges of combating COVID-19, whilst additionally remaining buoyed by unprecedented liquidity from the world’s central banks and governments. The much talked about degree of pent-up demand also remains a key support to economies once reopening ensues. In the US for instance, it is estimated that the consumer has an additional $1.4tr in excess savings since the crisis began. The key question to perhaps answer is by how much has this already been priced into markets?
- The added benefit for equities today is the advantage of lower fixed cost bases which has certainly supported margins. Through furlough and other government support schemes, companies have been able to swiftly and aggressively cut fixed headline costs, far quicker than they have been able to during past recessions. The operating leverage that now resides in companies leaves them well positioned for an economic recovery which often correlates with increasing corporate revenue. The convexity to a normalising growth backdrop is perhaps the greatest in cyclical equities today.

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