UNITED FUND, INC.

DECEMBER 2020

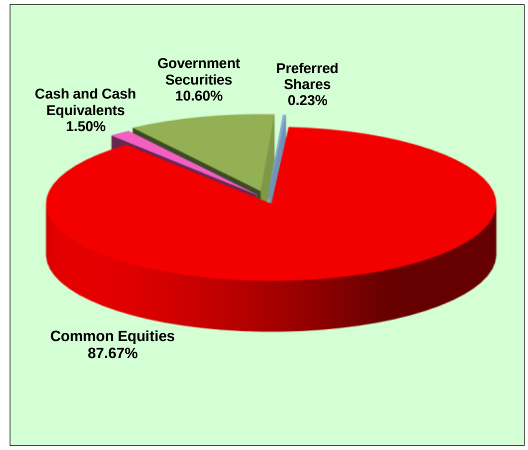
United Fund, Inc. is a growth-oriented mutual fund, which seeks to maximize income and maintain liquidity of investments, through a diversified portfolio of listed equity issues.

FUND FACTS AND FIGURES

Launch Date	1993	**Fund Manager**	Cocolife Asset Management Co., Inc.
Structure	Mutual Fund	**Custodian Bank**	UCPB-TBD
Domicile	Republic of the Philippines	**Transfer Agent**	UCPB-TBD
Currency	Philippine Peso	**External Auditor**	Punongbayan & Araullo
Minimum Initial Investment	Php 1,000.00		
Minimum Additional	Php 500.00		
Sales Load	2% of the NAVPS		
Redemption Fee			
< 1 year from purchase date	3.5% of NAVPS		

UFI vs PSEi

PORTFOLIO ALLOCATION



EQUITIES BY SECTOR

Banks and Other Financial Institutions	10.99%
Electricity, Energy, Power & Water	5.61%
Food and Beverage	5.25%
Holding Firms	27.48%
Construction	0.49%
Property	25.54%
Services	12.55%
	87.90%

	12/29/20	YTD Return
UFI	**3.3192**	**-9.14%**
PSEi	**7,139.71**	**-8.64%**

	Compounded Annual Return	Cumulative Return
One-year	**-9.14%**	**-9.14%**
Three-year	**-5.19%**	**-14.77%**
Five-year	**1.19%**	**6.07%**

Figures above were based on the fund's actual returns as of December 29, 2020. Note, however, that historical performance is not a guarantee of future results.

TOP 10 EQUITY HOLDINGS

Issue	Sector	% of Fund
SM Prime Holdings, Inc.	Property	12.70%
SM Investments Corp.	Holding Firm	11.82%
Ayala Land, Inc.	Property	11.16%
Ayala Corporation	Holding Firm	6.44%
BDO Unibank, Inc.	Bank	4.25%
International Container Terminal Services Inc.	Transportation	3.21%
Bank of the Philippine Islands	Bank	3.14%
Globe Telecom, Inc.	Telecommunications	3.13%
Universal Robina Corp.	Food and Beverage	2.81%
Metropolitan Bank & Trust Co.	Bank	2.76%

FUND MANAGER'S REPORT

The Philippine Stock Exchange index (PSEi) has climbed by 5.13% to finish at 7,139.71 last December 29. The continuing momentum of the index was observed in the last trading month of the year, rekindling positivity across markets coming from the earlier disturbed pandemic-stricken months of 2020. However, the local index still recorded a downside of 8.64% yet has narrowed from November's 13.10% as against end-2019 level. Furthermore, foreign flows persisted with the bloodbath, registering P8.2 billion foreign outflows for the month. Accordingly, the full-year tally recorded a net selling of P118.9 billion, higher than the P11.7 billion in 2019 and broader than the record-high P96.8 billion outflows in 2018.

Trading in December has been upbeat on vaccine news after the economic crumble brought about by the COVID-19 whammy and restrictive quarantine lockdown measures. The month commenced on a positive note alongside developments in the coronavirus vaccine candidates. The results from Moderna's COVID-19 vaccine, showing that it is more than 94% effective, and its plans to ask the United States Food and Drug Administration (FDA) for emergency clearance has pushed the index to rally anew. Investor optimism has propelled further with the announcement of the rollout of the first COVID-19 vaccine in the UK. Britain approved Pfizer, Inc.'s vaccine last December 2, jumping ahead of the rest of the world in the race to begin the most crucial mass inoculation program in history. Improvement in local data also supported the index's upward trend, including factory activity which inched closer to stabilization in November and with the rate of job losses slowing further. The country's joblessness data fell to single digit at 8.7%, coming from a high of 17.7% in the second quarter. Markedly, the index pushed its way past the 7,300 level as investors felt euphoric for the slew of positive catalysts both at home and abroad. However, the appetite was shortly lived as investors commenced profit-taking alongside market sentiments affected by the revised gross domestic product (GDP) forecast of the World Bank for the Philippines. The World Bank once again lowered its GDP forecast this year to an 8.1% contraction from the 6.9% slump penciled in last October. The confidence has further waned as market participants started to express concerns that the COVID-19 transmission rate may increase over the upcoming holidays with the uptick on foot traffic in malls and other establishments. Selling pressures carried on along the Christmas holiday breather, with investors continuing to cash in gains, preparing for any portfolio rebalancing moving toward the fresh year. Souring bets also ignited further as sentiments reeled down on recent discovery of a COVID-19 strain in Britain. With its fresh threat, the Philippines has joined the growing list of countries that have issued a ban on all flights from countries that has recorded the new strain of virus. The aversive stance of most investors was slightly heaved, though, on the last day of trading year as investor sentiments were uplifted by the signing of the 2021 national budget. The fears about a reenacted budget for the coming year was impeded as the President ensured the approval of the said bill to support the economy from the downfall caused by the pandemic. Duterte has inked the P4.5 trillion budget, giving education, infrastructure, and health the biggest shares.

For January 2021, the local stock index may trade within 6,800-7,200 as sentiments may improve alongside the progress of the COVID-19 vaccine. With the rollout of vaccines continuing, we expect recovery could be underway simultaneously. While side effect issues are linked to the vaccine alongside the new strain of virus, many are still hopeful with the expanded immunization campaigns internationally. Furthermore, the ongoing quarantine scheme on the 'new normal' is gradually adapting a laxer approach to businesses, bringing more mobility as well as productivity in workforce. However, as the new strain of COVID-19 puts up blockage for any imminent rebound, especially with the imposition of travel bans to several countries, we expect momentum to be marginal until resolve to the predicament comes up immediately. For the whole of 2021, we expect economic recovery in general, coming from the slower-than-initially-expected 2020 figure. Note that Development Budget Coordination Committee (DBCC) projects GDP growth for 2021 to settle between 6.5% to 7.5% as long as some form of quarantine restrictions are still imposed; an improvement from the likely contraction of 8.5% to 9.5% in 2020, that was worse than their estimate last July of about 5.5%.

RISK DISCLOSURE. *The value of investments in mutual funds is not guaranteed and will vary from day to day depending on the market value of the individual securities in its portfolio. Factors that can affect the value of these securities include economic conditions, interest rates, government regulations and taxations, and corporate performance.*

RISK MANAGEMENT. *Equity risk will be managed through prudent selection and avoidance of speculative and doubtful securities as well as portfolio diversification to reduce the impact of possible risks. The company shall manage interest rate risk by actively monitoring the prevailing interest rates. The fund maintains sufficient liquidity in the form of short term deposits which may be withdrawn anytime at minimal cost. Loans to private corporations will be limited only to high credit quality Philippine companies that meet the set standards.*

Inflation picks up in December at 3.5%. The country's inflation rate rose by 3.5% in December, quickening from the 3.3% in November and the 2.5% in the comparable print from a year ago. Notably, this is the fastest annual pickup since February 2019's 3.8%, and marks the fourth straight month of an uptrend. According to the Philippine Statistics Authority (PSA), the upshot in prices were attributed by food and drinks. Accordingly, the January to December tally averaged at 2.6%, hovering within the government's 2-4% target band as well as faster than the 2.5% print in 2019. Core inflation settled at 3.3% in December, coming from the 3.2% in November and 3.1% from a year ago. In turn, this brought the 2020 average to 3.2%, unchanged from the rate in 2019.

BSP holds key interest rate steady. The BSP kept its benchmark interest rate steady, a move widely expected amid the recent uptick in inflation alongside some signs of economic recovery. During their seventh and final policy-setting meeting for the year, the Monetary Board (MB) maintained the BSP's overnight reverse repurchase, lending and deposit facilities at all-time lows of 2%, 2.5%, and 1.5%, respectively. For the year alone, the central bank has cut rates by a cumulative 200 basis points (bps) this year, the latest of which was the 25-bp reduction during its November meeting.

Unemployment rate eases in October. According to the PSA, the country's unemployment rate further eased in October from record levels in April, as the economy continued to gradually reopen. The PSA's October round of the Labor Force Survey (LFS) recorded joblessness rate at 8.7%, equivalent to 3.813 million jobless Filipinos in October. This is lower than the 10% unemployment rate in July, equivalent to 4.571 million jobless workers, but higher than the 4.6% in October 2019, which translated to 2.045 million. Nevertheless, the October data showed a move towards recovery in the job market following the peak of unemployment rate of 17.6% in April, which is equivalent to 7.228 million individuals unemployed. Meanwhile, the underemployment rate was 14.4% in October, down from July's 17.3%, but worse than the 12.8% a year ago. This is equivalent to 5.747 million underemployed Filipinos compared with 7.137 million and 5.438 million in July 2020 and October 2019, respectively. The decrease in underemployment rate in October from July means the quality of jobs is improving.

Money supply hits multi-year lows. Money supply eased further in October as credit expansion slumped to its slowest in nearly 14 years amid continued cautiousness among banks and consumers due to the ongoing pandemic. Domestic liquidity expanded by 11.8% in October, easing from the downwardly revised 12.2% growth the prior month. Markedly, money supply has been gradually slowing for five consecutive months since June's 14.9%. According to the BSP, going forward, they will remain vigilant in monitoring domestic liquidity and credit dynamics.

Net exports continue decline in October. Exports in October contracted by 2.2% year on year to $6.202 billion, compared with a revised 2.9% growth in September and a flat 0.5% growth in October 2019. On a cumulative basis, outbound payments also fell by 12.5% to $52.113 billion compared with the Development Budget Coordination Committee (DBCC) projection of a 16% fall for the year. Meanwhile, imports shrank for the 18th straight month in October by 19.5% to $7.979 billion. This was worse compared with the 15.3% and 7.6% contractions logged in September 2020 and October 2019, respectively. In turn, imports in the January-October period amounted to $70.038 billion, lower by 25.2% from last year's $93.605 billion. This exceeded the DBCC's revised target of a 20% contraction for 2020. As such, the country's trade balance swung to a deficit for the month at $1.777 billion, lower than $1.783 billion in September 2020 and $3.573 billion in October 2019. Year to date, the trade balance amounted to a $17.924-billion deficit, narrower than the $34.052-billion trade gap in 2019's comparable 10 months.

Remittances up for 2nd straight month. Remittances rose by 2.9% in October to $2.747 billion from $2.671 billion a year ago. This is the second straight month of year-on-year growth of remittances after the 9.3% recorded in September. The latest reading was also higher by 5.6% than the $2.601 billion in September. The recovery of inflows is a welcome development to temper the impact of weaker incomes in the recession-stricken local economy. On a year to date basis, remittances for the 10 months to October slipped 0.9% to $24.633 billion from $24.858 billion in the same period of 2019.

GIR hit new record in November. The country's gross international reserves (GIR) stood at $104.51 billion in November, increasing by 21.2% from its $86.227-billion level a year ago and up 0.68% from end-October's $103.802-billion-dollar stash. Markedly, this is the third consecutive month that the GIR level is beyond the $100-billion projection by the central bank. The BSP noted the month-on-month uptick in the dollar buffers got a boost from inflows from its foreign exchange operations and income from overseas investments. The latest figure is equivalent to 11.2 months' worth of imports of goods and payments of services and primary income.

November budget gap swells. The country's fiscal balance swung to a deficit in November. According to the Bureau of Treasury (BTr), fiscal gap worsened 2.5 times to P108.2 billion from a year earlier due to higher spending, while tax collections dropped. Government expenditures rose by 2.3% year on year to P374.1 billion after it released cash subsidies to the poor and funded its national health insurance program. This brought the year-to-date spending to P3.686 trillion, 11.59% higher than a year earlier. Meanwhile, revenue collections dropped for the eighth straight month to P245.8 billion in November, almost a fifth lower than a year earlier, bringing 11-month revenues to P2.617 trillion, a tenth lower than a year ago. In turn, this brought the 11-month budget gap to P1.069 trillion, up from the ₱409.1 billion posted the year before.

FDI net inflows slide in September. Foreign direct investments (FDI) to the Philippines slumped in September after the four straight months of year-on-year growth, as uncertainty over the COVID-19 pandemic weighed on investor sentiment. Inflows in September stood at $523 million, dropping by 12.3% from $596 million in the same month in 2019. This was also 17% lower than the $637 million in FDI net inflows logged in August. The BSP said the two-week Modified Enhanced Community Quarantine (MECQ) in Metro Manila and surrounding areas in the first half of August may have dampened investor sentiment on prospects of the economy's reopening. Accordingly, the FDI net inflows in the nine months to September was down 8.6% to $4.832 billion from $5.289 billion in the same period of 2019. The central bank expects FDI inflows to reach $5.6 billion this year.

'Hot money' registers inflows of $227M. Foreign portfolio investments, also known as "hot money", settled at a net inflow of $227 million in November, marking the second straight month of inflows. This is narrower than the $439 million in October, yet, it is a reversal of the $354 million net outflows in November 2019. The BSP attributed the surge of hot money outflows this year to the continued impact of the COVID-19 pandemic on the global economy and financial system. Accordingly, the November tally brought the 11-month total net outflow to $3.7 billion, more than double the $1.6 billion net outflow during the same period in 2019. The BSP expects hot money to yield net inflows worth $2.4 billion for the year and $3.5 billion in 2021.

Peso ends 2020 with a bang. The Philippine peso closed at P48.023/dollar last December 29. The local currency appreciated further for the last trading day of the year, backed by year-end flows and positive market sentiment on the legislation of the 2021 budget. Accordingly, the peso has strengthened by P2.612 or 5.52% from its finish of P50.635/$ on December 27, 2019. The timely approval of the P4.5 trillion national budget has boosted market sentiments. In 2020, the confidence was mainly supported by the accommodative stance of the BSP after the aggressive policy rate cuts, coupled by the monetary policy and various lending programs from the US Federal Reserve.