# UNITED FUND, INC.

**JUNE 2021**

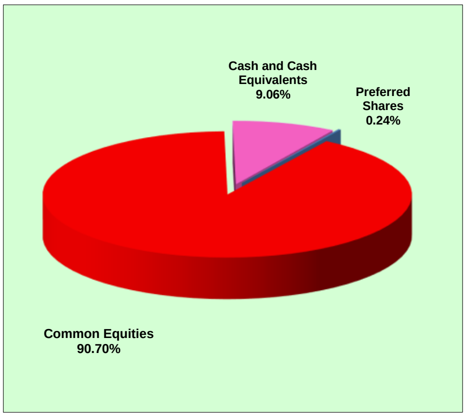
United Fund, Inc. is a growth-oriented mutual fund, which seeks to maximize income and maintain liquidity of investments, through a diversified portfolio of listed equity issues.

## FUND FACTS AND FIGURES

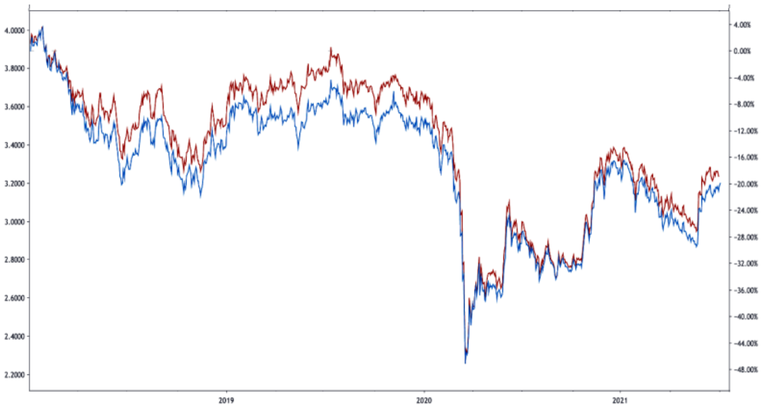
| | |
|---|---|
| **Launch Date** | 1993 |
| **Structure** | Mutual Fund |
| **Domicile** | Republic of the Philippines |
| **Currency** | Philippine Peso |
| **Minimum Initial Investment** | Php 1,000.00 |
| **Minimum Additional** | Php 500.00 |
| **Sales Load** | 2% of the NAVPS |
| **Redemption Fee** | |
| < 1 year from purchase date | 3.5% of NAVPS |

| | |
|---|---|
| **Fund Manager** | Cocolife Asset Management Co., Inc. |
| **Custodian Bank** | UCPB-TBD |
| **Transfer Agent** | UCPB-TBD |
| **External Auditor** | Punongbayan & Araullo |

## PORTFOLIO ALLOCATION




## UFI vs PSEi




| | 6/30/2021 | YTD Return |
|---|---|---|
| **UFI** | **3.2367** | **-2.47%** |
| **PSEi** | **6,901.91** | **-3.33%** |

| | Compounded Annual Return | Cumulative Return |
|---|---|---|
| **One-year** | **10.34%** | **10.34%** |
| **Three-year** | **-1.82%** | **-5.37%** |
| **Five-year** | **-1.30%** | **-6.33%** |

**Figures above were based on the fund's actual returns as of June 30, 2021. Note, however, that historical performance is not a guarantee of future results.**

## EQUITIES BY SECTOR

| | |
|---|---|
| Banks and Other Financial Institutions | 11.24% |
| Electricity, Energy, Power & Water | 5.92% |
| Food and Beverage | 6.44% |
| Holding Firms | 28.78% |
| Mining and Oil | 0.62% |
| Construction | 0.43% |
| Property | 24.77% |
| Services | 12.75% |
| | 90.94% |

## TOP 10 EQUITY HOLDINGS

| Issue | Sector | % of Fund |
|---|---|---|
| SM Prime Holdings, Inc. | Property | 12.52% |
| SM Investments Corp. | Holding Firm | 11.88% |
| Ayala Land, Inc. | Property | 10.28% |
| Ayala Corporation | Holding Firm | 7.14% |
| BDO Unibank, Inc. | Bank | 4.31% |
| Universal Robina Corp. | Food and Beverage | 3.68% |
| Manila Electric Co. | Electricity, Energy, Power & Water | 3.30% |
| Globe Telecom, Inc. | Telecommunications | 3.26% |
| Metropolitan Bank & Trust Co. | Bank | 2.85% |
| Bank of the Philippine Islands | Bank | 2.83% |

## FUND MANAGER'S REPORT

The Philippine Stock Exchange index (PSEi) climbed by 4.12% to close at 6,901.91 last June 30 from the 6,6286 finish in May. The general sentiment of market participants has slightly turned upbeat alongside improving macroeconomic fundamentals and the easing figures of COVID-19 cases at home. Although, traders remained wary of the rising threat of the 'Delta' variant of the COVID-19. Accordingly, foreign flows registered a net outflow of P3.95 billion, narrowing further from the P11.51 billion in May. In turn, the first semester concluded with a net selling of P74.81 billion, below yet nearing the P118.85 billion for full-year 2020.

As the rainy season commenced, trading veered towards a more upbeat tone, flourishing from previous months of plummet. Early in the month, the market strutted into the green alongside the appeasing news of fresh economic relief bill. Traders spotlighted the House of Representatives' approval of a third stimulus package amounting to more than P400 billion to help boost the economy. Despite the budding optimism for the possible legislated decree, investors remained wary of the country's situation vis-à-vis the COVID-19 pandemic while digesting the government's decision to keep Metro Manila and nearby provinces under stern restrictive protocols for the entirety of June. The local market's appetite has ceded to slight losses as market players assessed the government's decision to keep the National Capital Region Plus (NCR+) under general community quarantine (GCQ). The market amassed losses after multinational lenders have trimmed and downwardly revised their growth projections for the country. The index has further pulled back as investors pocketed profits alongside multinational lender World Bank cut its gross domestic product (GDP) growth forecast for the Philippine economy this year to 4.7% from its 5.5% estimate in March due to the reimposition of lockdowns following the renewed surge in coronavirus cases in the country. Local shares shredded gains, posting slight corrections after the market also processed the International Monetary Fund's (IMF) growth forecast of the country. The IMF cut the Philippine economy's growth forecast this year to 5.4% from 6.9% after another surge of coronavirus disease 2019 (COVID-19) infections triggered the implementation of tight quarantine measures beginning late March, hampering economic recovery. The downgrade for the Philippine economic growth forecast to 6.4% this year by the ASEAN+3 Macroeconomic Research Office (AMRO) has pummeled and dragged back any momentum for the index. Despite being lower, AMRO's estimate is still within the 6-7% growth target of the government for 2021. Furthermore, the local bourse trailed the movement of its regional peers, as the latest developments with the Federal Reserve continued to weigh on investor sentiment especially with the latest resolved of the committee to move their first projected rate increases from 2024 into 2023, with 13 of 18 policymakers foreseeing a "liftoff" in borrowing costs that year and 11 seeing two quarter-percentage-point rate increases. Albeit the worrisome rhetoric from the US Fed, confidence was offset as the Bangko Sentral ng Pilipinas (BSP) assured the local investment front that the Fed's accelerated timetable for raising interest rates will be less of a threat to the Philippines vis-a-vis other emerging economies. BSP Governor Benjamin Diokno said emerging markets could experience capital flight once the US Federal Reserve lifts interest rates in 2023, coupled by the country's resilient and improving macroeconomic data. Towards the end of the month, momentum was relived as traders gauged optimism over fresh catalysts at home. Local stocks surged alongside the decision of the BSP keeping benchmark interest rates at record lows for a fifth straight meeting while vowing to maintain an accommodative stance to support economic recovery.

For July, we expect the local stock index to still stride towards a stringent and stubborn range, trailing along the 6,800 and 7,300 levels. Although the index has pierced its months-long resistance, the dry façade and the lack of key catalysts to prompt consistency for the index momentum could derail appetite for most investors. At home, the enduring rule of the government towards the quarantine scheme in the country remains a blockade especially for economic improvement despite being more laxed on tourism and travel-related activities. In our view, a noteworthy advancement of vaccine rollout and/or a significant statistic showing diminishing COVID-19 cases are some of the key factors towards building investors' stronghold for the local bourse vis-à-vis our Asian and global counterparts. Although tepid in impact, overseas external headwinds are still out in the open, frocking possible avenues for whammies that could complement distortions in confidence and distress potential momentum in the near-term future. These predicaments would include the US-China 'cold' trade war, the aftermath issues of the European Union and Great Britain since the Brexit, resurging friction among oil exporters in the Middle East, and the recurring threat of China across the Southeast Asian region.

***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.*

# ECONOMIC AND MARKET UPDATE

**JUNE 2021**

**Inflation eases to 4.1% in June**. According to the Philippine Statistics Authority (PSA), the country's inflation rate grew by 4.1%, slower than the 4.5% recorded last May. The latest figure, although settling at a slower pace, is still above the 2% to 4% target band of government. Analysts cited the prices of basic goods increased at a slower pace in June, giving some purchasing power for Filipinos amid the pandemic-induced recession. This was slightly offset by the higher power rates and the peso's slightly weaker performance which put upward pressures on inflation. Accordingly, the first semester concluded with average inflation of 4.4%.

**International agencies downplay PH GDP outlooks**. The World Bank (WB) has further slashed its growth outlook for the Philippines to 4.7% this year, even as the multilateral lender remained optimistic that the ongoing mass inoculation against COVID-19 would allow consumer spending and businesses to rebound in the near term. The World Bank's latest gross domestic product (GDP) growth forecast for 2021 was not only a downgrade from the 5.5% projection in March but also way below the government's downscaled target range of 6.0-7.0%. Nevertheless, World Bank senior economist Kevin Chua was optimistic that progress on the nationwide vaccination program, especially expectations of faster rollout during the second half of 2021, would boost the confidence level of businesses as well as consumers. He added that this would allow a 5.9% GDP growth in 2022 and a faster 6.0% in 2023. Meanwhile, the International Monetary Fund (IMF) sharply cut its growth forecast for the Philippines this year, after a fresh wave of COVID-19 infections slowed the economy's recovery. The Philippine economy is now forecasted to grow by 5.4% this year, lower than its previous 6.9% projection. The lender's new growth projection is also less optimistic than the 6-7% target set by the government for this year. On the other hand, for next year, the IMF raised its GDP forecast to 7% from the previous projection of 6.5%. The IMF also expects inflation to reach 4.2% this year, beyond the 2-4% target and the 3.9% forecast of the Bangko Sentral ng Pilipinas (BSP).

**BSP keeps policy rate at a record low**. The BSP kept its key interest rate at a record low for a fifth straight meeting, as it vowed to maintain an accommodative stance to support economic recovery. The BSP left the rate on the overnight reverse repurchase facility at 2%, widely expected by most economic analysts in the country. Interest rates on the overnight deposit and lending facilities were also kept at 1.5% and 2.5%, respectively. BSP Governor Benjamin Diokno cited the Monetary Board also observed that economic activity has improved in recent weeks, but the overall momentum of the economic recovery remains tentative as the threat of COVID-19 infections continues. The central bank reiterated its support for the Philippine economy "for as long as necessary to ensure its strong and sustainable recovery". Meanwhile, BSP Deputy Governor Francisco Dakila said the central bank raised the inflation outlook for this year to 4%, from the previous forecast of 3.9%, matching the upper end of the BSP's 2-4% target. If realized, this would be much faster than 2.6% in 2020.

**May unemployment rate falls as lockdown curbs ease**. According to the PSA, the country's unemployment rate improved in May as the ranks of unemployed and underemployed Filipinos fell after lockdown curbs were eased. The preliminary results of the May 2021 round of the Labor Force Survey put the country's unemployment rate at 7.7%, down from the 8.7% recorded in April. This was the second-lowest unemployment rate recorded since the start of the year, following the 7.1% posted in March. This was equivalent to 3.730 million jobless Filipinos in May, down from 4.138 million in April. Meanwhile, the size of the labor force was approximately 48.446 million in May, up from 47.407 million in April. This brought the labor force participation rate to 64.6% of the country's working-age population in May from 63.2% the previous month.

**Money supply jumps by 4.7% in May**. The country's money supply grew by 4.7% year on year to P14.3 trillion in May. This latest reading would register a slower pace than the 5.2% in April. The BSP said domestic claims in May rose by 2.6% from the 1.9% in April, due mainly to the expansion in net claims on the central government although it has noted that bank lending to the private sector remained tepid. On a monthly basis, Month on month, the country's domestic liquidity inched up just by 0.3%.

**Net exports widen in April**. Exports went up by 72.1% year on year to $5.71 billion in April, compared with a revised 33.3% expansion in March and a 41.3% decline in April 2020. Meanwhile, imports grew by 140.9% to $8.45 billion versus the 22% year-on-year expansion in March and the 62.9% decline in April last year. For the same four-month period, exports and imports grew by an annual 19% (to $23.37 billion) and 21.9% (to $34.46 billion), respectively. These surpassed the Development Budget Coordination Committee's revised growth targets for exports and imports at 8% and 12% for the year. Accordingly, the trade balance swung to a deficit that stood at $2.73 billion in April. This was a tad smaller than the $2.75-billion shortfall in March but was bigger than the $187.10-million gap in April 2020. Year to date, the trade balance widened to an $11.09-billion deficit, from the $8.64-billion trade gap in 2020's comparable four months.

**Remittances grow to its fastest since 2016**. Remittances rose to $2.305 billion in April from $2.046 billion a year earlier, earmarking the fastest since November 2016 and reflecting the global economic recovery amid a coronavirus pandemic. The remittance growth in April came from a low base in April last year, when cash remittances fell by 16.2% as migrant workers lost their jobs amid a coronavirus lockdown in many countries. Year-to-date, remittances have risen by 4.8% to $9.898 billion from a year earlier.

**Dollar reserves dip in May**. The country's gross international reserves (GIR) declined by 0.67% to $106.978 billion in May, from the $107.705 billion lodged in April. However, this was 14.7% higher than the $93.288 billion in foreign exchange buffers recorded in May 2020. The month-on-month decrease in the latest GIR level reflected outflows mainly from the foreign currency withdrawals of the national government from its deposits with the BSP to pay its foreign currency debt obligations and various expenditures. The Philippine dollar reserves are enough to cover 12.2 months' worth of imports of goods and payments of services and primary income.

**May budget deficit narrows to P200B**. The country's fiscal balance settled at a deficit in May despite the double-digit surge in revenues outpaced spending on base effects. The Treasury reported fiscal gap fell by 1% to P200.30 billion in May from P202.10 billion a year ago. However, this was nearly five times larger than the P44.00 billion deficit in April. The government has been running on a budget deficit as it spends more than the revenues it generates to boost growth. It borrows from local and foreign lenders to plug this fiscal gap that started to widen since last year after the pandemic-induced recession pulled down tax collections and bloated spending. Year to date, the budget deficit edged up by 0.7% to P566.2 billion in the five months to May.

**Balance of payments back to deficit**. The Philippines' balance of payments (BoP) position swung to a deficit of $1.39 billion in May, as the government repaid some of its foreign debt obligations. The latest reading was a reversal from the $2.43-billion surplus in May 2020 and the $2.614-billion surplus in April. Markedly, May's deficit is also the biggest since the $2.019-billion shortfall in February.

**FDI inflows more than double in March**. Foreign direct investments (FDI) surged in March, largely due to the low base effect from last year's slump as well as an improvement in investor sentiment. According to the BSP, FDI inflows in March more than doubled to $808 million from $337 million in the same month last year. March FDI inflows were also a third bigger than the $608 million in February, but 16% smaller than the $961 million in January. As such, this helped fuel a 45% rise in first-quarter FDI inflows to $2.377 billion, from $1.638 billion in the same period of 2020.

**$417-M in 'hot money' entered PHL in May**. Foreign portfolio investments, also known as 'hot money', yielded a net inflow in May, reflecting renewed optimism in the local economy as restriction measures were gradually lifted during the month. Hot money posted a net inflow of $416.74 million in May, a turnaround from the $1.01 billion in net outflow in the same month of 2020 as well as the $373.95 million in net outflow logged in April. For the first five months of 2021, hot money posted a net outflow of $441 million, dropping by 85.8% from the $3.1 billion in the same period of 2020.

**Peso ends June with a slight beating**. The Philippine peso closed at P48.80/dollar last June 30, slumping after earmarking its best reading in May. The peso fell to a crippling bloodbath alongside the lackluster positive catalysts at home. The peso retreated further as players remained cautious after the US Federal Reserve hinted at a possible tightening of its easy monetary policy. Markedly, the downward trend of the local currency is still imminent albeit the government eased quarantine restrictions in Metro Manila and nearby provinces for the rest of the month as the menace being prompted by the Delta variant of the COVID-19 spoiled investors' appetite. More so, the souring bets towards the local currency stemmed from the confidence towards the greenback, engaging with the more flourishing economy amidst hopes for an earlier rebound in the year. In turn, the local currency ended June on the negative territory after months of momentum buildup and flirting within the P47/$ level. Of which, the peso recorded a downside of 1.62% from end-2020's close of P48.02/$.