UNITED FUND, INC.

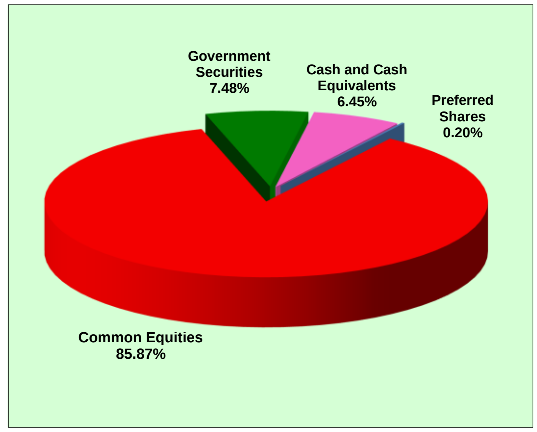
DECEMBER 2018

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	**Trasnfer Agent**	UCPB-TBD
Currency	Philippine Peso	**External Auditor**	Punongbayan & Araullo
Minimum Initial Investment	Php 5,000.00		
Minimum Additional Investment	Php 1,000.00		
Sales Load	2% of the NAVPS		
Redemption Fee			
< 1 year from purchase date	3.5% of NAVPS		

PORTFOLIO ALLOCATION



FUND PERFORMANCE

NAVPS 12/28/2018
3.5013

	Annual Return	Cumulative Return
One-year	**-10.09%**	**-10.09%**
Three-year	**3.82%**	**11.89%**
Five-year	**3.84%**	**20.76%**

EQUITIES BY SECTOR

Banks and Other Financial Institutions	12.32%
Electricity, Energy, Power & Water	4.03%
Food and Beverage	3.00%
Holding Firms	32.07%
Industrials	1.02%
Property	28.41%
Telecommunications	1.81%
Other Services	3.39%
	86.07%

TOP 10 EQUITY HOLDINGS

Issue	Sector	% of Fund
SM Investments Corp.	Holding Firm	13.75%
SM Prime Holdings, Inc.	Property	13.15%
Ayala Land, Inc.	Property	13.12%
Ayala Corporation	Holding Firm	8.50%
BDO Unibank, Inc.	Bank	4.82%
Metropolitan Bank and Trust Co.	Bank	3.17%
GT Capital Holdings, Inc.	Holding Firm	2.83%
Bank of the Philippine Islands	Bank	2.40%
Metro Pacific Investment Corp.	Holding Firm	2.21%
Alliance Global, Inc.	Holding Firm	2.18%

FUND MANAGER'S REPORT

The Philippine Stock Exchange Index (PSEi) climbed by 1.33% in December as it closed at 7,466 from end-November's finish of 7,368. Despite the upward run, the local index remained in a loss, slumping by 12.76% against 2017-finish of 8,558. Notably, this was the stock bellwether's sharpest annual downturn since the financial crisis in 2008, where a 48.29% decline was recorded. Although, this year's case has been different as it may have been not as good as initially projected where we saw a run-up to a record high of 9,000; but, it was also not as critical as some have feared as the bourse managed to recoup from its 52-week low of 6,790 to conclude the year above the 7,400 mark. Meanwhile, foreign selling in December alone has moderated to P733 million, bringing 2018's net outflows to P96.8 billion, skyrocketing 2015's P58.6 billion of funds exiting the country.

Trading in December was tattered with external headwinds, inhibiting the index to showcase an upward climb. Local shares have timidly traversed the 7,300-7,700 range at par with the seesaw movement of world markets' counterpart. Early on the month, the trade conflict between superpowers United States and China continued to cloud market sentiments. While both governments agreed on a 90-day ceasefire in their ongoing trade war during the Group of 20 (G20) summit in Argentina, investors remained skeptic with prospects of an impasse in the Sino-American economical tie. Note that US President Donald Trump pledged to leave tariffs steady for the $200-billion worth of Chinese imports at 10% beginning January 2019, as against its plan to raise tariffs by 25%. Meanwhile, central bankers unanimously agreed to lift the federal funds rate by 25 basis points to a range of 2.25% and 2.5% during their last Federal Open Market Committee (FOMC) meeting for the year. Although expected, concerns of a weakening economy have been raised with President Donald Trump also criticizing the Fed on hiking interest rates too rapidly, hurting the US stock market. Furthermore, markets were stirred by the partial shutdown of the US government after its Congress failed to pass spending legislation. Market decline, likewise, banked on the postponement of the Brexit deal final vote on expectations that British Prime Minister Theresa May's EU withdrawal agreement may not get support in the parliamentary. The index also skidded amid worries over the Chinese economy and its potential upshots being the country's trading partner following disappointing Chinese retail sales and industrial output reports. Meanwhile, local market movers resurfaced, particularly prospects of strong macroeconomic space and easing inflation pressures alongside the Bangko Sentral ng Pilipinas' announcement of an unchanged policy rate. While the Santa Claus rally and year-end window dressing did not materialized at all, investors have generally picked up the slack and supported the market, preventing it from a total meltdown.

Moving forward, we see 2019 as a better and a cautiously optimistic year for the stock markets. Sentiments appear to be generally bullish amid possibilities of improved macro backdrop alongside moderating headwinds, particularly instigated by easing local inflation pressures. Also, this year is steered with high hopes of a doable 7-8% GDP expansion backed by internal demand like Build Build Build, staying resilient despite the looming economic slowdown. This year's key focus also include the passage of the remaining tax packages, May election results and BSP policy moves. However, we still expect a lot more volatility ahead as uncertainties that emanated in 2018 drags into the new year. Overseas, there are certainly clouds on the horizon as prospects for global growth remains on the downside, along with economic deceleration projections in DMs. Further causing disruptions are the Brexit deal scheduled to happen in March and the Sino-American trade stand-off, which remains obscure but is fairly improving with talks underway. As for January, the local index may trade within the 7,700-8,000 range, with investors cautiously waiting for the 4Q18 GDP release on the 24th.

2018 records 10-year high inflation. The country's inflation rate eased to 5.1% in December, slower than November's 6.0% and was the first time since August that inflation fell below the 6%. The Philippine Statistics Authority (PSA) attributed the slowdown to slower annual increments in the indices of food and non-alcoholic beverages at 6.7% and transport at 4% from 8% and 8.9%, respectively in November. Accordingly, full-year inflation averaged to 5.2%, above the government's 2-4% official target range or what was considered as moderate price increases. The 2018 average rate was notably the highest since 2008's 8.2% year-on-year increase in prices, making it a 10-year high.

BSP keeps policy rates unchanged, lowers inflation forecasts. The Bangko Sentral ng Pilipinas (BSP) voted to keep policy rates unchanged during its December 13 Monetary Board meeting, keeping the range at a nine-year high. Rates remained at 4.25-5.25% range with overnight borrowing rate at 4.75%, overnight lending rate at 5.25% and overnight deposit rate at 4.25%. The policy path break comes in the wake of five straight rate increases totaling to 175 basis points (bps) since May, with two consecutive hikes of 50 bps in August and September as inflation surged to the highest level in nearly a decade. The central bank also gave lower inflation forecasts until 2020, noting that risks to the outlook have been easing to return rates within the 2-4% target. BSP's Department of Economic Research said inflation will average to 3.18% in 2019 (from 3.5%) and to 3.04% (from 3.3%) by 2020.

PH registers 5.1% unemployment rate in October. According to the PSA Labor Force Survey (LFS), the country's unemployment rate for October stood at 5.1%, inching up from the 5% of October 2017. This is equivalent to 2.2 million unemployed Filipinos. Meanwhile, the employment rate slightly went down to 94.9% from 95%, reflecting 41.3 million employed people in the country. The underemployment rate also went down to 13.3%, lower than the 15.9% posted in October 2017. National Statistician Lisa Grace Bersales said underemployment is at its lowest since 2003.

Trade deficit widens to $34B in October. Exports grew by 3.3% to $6.1 billion in October from the $5.9 billion recorded a year ago as the decline in Philippine-made electronics pulled the growth in other shipped commodities. Accordingly, total goods exports for the first 10 months contracted by 1.2% to $57.1 billion from $57.7 billion a year ago. On the other hand, imports continued to grow in October, climbing by 21.4% to $10.3 billion from the 8.5 billion of the comparable month a year ago. Year-to-date, imports tallied to P90.9 billion, up 16.8% from the $77.9 billion a year ago. In turn, the January-October tally trade-in-goods deficit was recorded at $33.9 billion, wider than the $20.1 billion of a year ago.

Remittances climb by 8.7%. The country's remittances climbed in October to reach $2.474 billion, up by 8.7% from the $2.275 billion a year ago. Month-on-month, the latest inflows were also 10.59% more than the $2.237 billion in September. October data brought year-to-date cash remittances to $23.768 billion, 3.1% more than the $23.06 billion recorded in last year's comparable 10 months.

Budget deficit balloons in November to P39.1B. The government's budget balance widened by 354% in November, registering P39.1 billion from P8.6 billion in the same month last year. Broken down, overall revenues increased by 7% to P259.7 billion last month from P243.5 billion in November 2017. Meanwhile, national government disbursements increased by 19% to P298.8 billion in November from P252.1 billion in the same month last year, even as last month's increase slowed from October's 35% growth rate. Accordingly, the 11-month fiscal deficit stood at P477.2 billion, 96% wider than the P243.5 billion shortfall recorded in the same period last year. The latest year-to-date fiscal gap was 91% of the P523.7-billion full-year deficit ceiling for 2018.

November GIR recovers at $75.49B. The country's gross international reserves (GIR) slightly rose in November to $75.49 billion, alongside the relative strength in the local currency coupled by the central bank's aggressive string of rate hikes which pushed many dollar holders to liquidate positions. The latest data was higher than the $74.71 billion recorded in October 2018 due to inflows arising from the BSP's foreign exchange operations and its income from its investments abroad. The latest dollar buffer is equivalent to 6.9 months' worth of imports of goods and payments of services and primary income. It is also equivalent to 5.8 times the country's short-term external debt based on original maturity and 4.1 times based on residual maturity.

BoP swings to a surplus of $847M. The country's balance of payments (BoP) registered a surplus of $847 million in November, reversing the $44 million deficit recorded in the comparable 2017 period. Inflows in November 2018 stemmed mainly from the BSP's foreign exchange operations and its income from its investments abroad during the month. These were partially offset, however, by the payments made by the national government (NG) for its foreign exchange obligations and its net foreign currency withdrawals during the month in review. Notwithstanding the surplus posted in November, the cumulative BOP position for the period January-November 2018 registered a deficit of $4.75 billion, higher than the $1.78 billion BOP deficit recorded in the comparable period in 2017.

FDI records $569M inflows in September. Foreign direct investments (FDI) registered $569 million in September, dropping lower from the $807 million net inflows in the same month last year. According to the central bank, the continued inflows were buoyed by investor confidence in the Philippine economy on the back of strong macroeconomic fundamentals and high growth prospects. For the first three quarters of the year, FDI net inflows grew by 24.2% to $8 billion from $6.5 billion last year.

Hot money records $832M inflows in November. Foreign portfolio investments, also known as hot money, registered $832.07 million net inflows in November, reversing the two-month losing streak of $67.83 million in October and $440.3 million in September. November's net inflows were also the biggest in eight months, or since March's $1.132 billion. The BSP attributed the turnaround of hot money to investors' positive reaction on decreasing oil prices. Year-to-date, the latest data tallied to $925.95-million net inflows, turning around from the year-ago $634.53-million net outflows, which exceeded the BSP's $900-million projection for 2018.

**Peso finishes 2018 at P52.58/$**. The Philippine peso finished December at P52.58/$, sliding by 0.25% from the P52.45 close in November. The slight decline of the peso was attributed to the 'mixed investors' sentiments' over the greenback on weaker fundamentals of the US economy. The local currency's finish, nonetheless, was its best since December 4, where the peso stood at P52.52. However, year-to-date, the peso weakened by 5.31% from its 2017 close of P49.93.