

# UBS Australian Share Fund

April 2021

## Fund description

The Fund is an actively managed fund investing in a portfolio of 30–70 listed Australian equity securities listed on the Australian Securities exchange.

## Investment return objective

The Fund aims to outperform (after management costs) the S&P/ASX 300 Accumulation Index over rolling five year periods.

## Active security positions

Overweight	Underweight
Australia and NZ Banking	National Australia Bank
Aristocrat Leisure	CSL
BHP	Wesfarmers
Westpac Banking	Macquarie Group
Link Administration	Woolworths Group

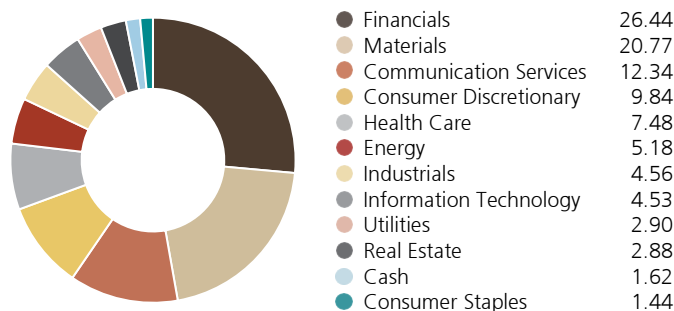
## Active industry positions

Overweight	Underweight
Telecommunications Services	Pharmaceuticals Biotechnology & Life Sciences
Media & Entertainment	Real Estate
Consumer Services	Diversified Financials
Banks	Food & Staples Retailing
Energy	Commercial & Prof Services

## Fund information

Inception date	15 July 1992
Fund size	\$373.0 m
Management fee	0.90% pa
Minimum initial investment	\$10,000 (via online application \$5,000)
Typical number of holdings	30 to 70
Distributions	Semi-annually
Buy/sell spread	+/- 0.25%
APIR code	SBC0817AU

## Fund positioning (%)



## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.64	9.52	34.12	5.89	6.49	9.76
Benchmark**	3.70	7.64	31.58	9.69	10.39	9.52
<b>Added Value</b>	<b>(1.06)</b>	<b>1.88</b>	<b>2.54</b>	<b>(3.80)</b>	<b>(3.90)</b>	<b>0.24</b>

\*The UBS Asset Management price/value equities process was adopted on 1 April 1996. \*\*S&P/ASX 300 Accumulation Index. All Ordinaries Accumulation Index prior to June 2000.

Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns.

## Portfolio review

After fees and expenses, the Portfolio rose by 2.64% during the month, underperforming its benchmark by 106 bps.

The largest positive contributors were Woolworths (not held), Aristocrat Leisure and Carsales.com. Woolworths announced 3Q21 sales, with the Australian Food division down 2.1% y/y as it cycled strong sales during the onset of COVID-19. Aristocrat Leisure continued to outperform following management's roundtable late in the prior month. Commentary suggested Land Based Gaming (40% of group EBIT) was tracking ahead of expectations, with 92% of venues now open, and Digital (51% of group EBIT) was benefiting from a permanent – rather than temporary – step-up in activity following COVID. Carsales.com outperformed during the period without any material news.

The largest negative contributors were Origin Energy, TPG Telecom and JB Hi-Fi. Origin Energy downgraded EBITDA guidance by 8% in its Energy Markets business during the period. Management lowered its range from \$940-1,020mn from \$1,000-1,040mn due to an adverse ruling on a gas dispute with Beach Energy (BPT) and ongoing electricity market weakness. TPG underperformed as the surprise resignation of the Chair, announced late in the previous month, continued to weigh on the stock. JB Hi-Fi underperformed after announcing a 3Q21 trading update and a CEO transition plan. Trading was largely in line with expectations but the transition – whereby The Good Guys managing director takes the helm in August – was a surprise and may have increased market uncertainty during what is an increasingly unpredictable sales environment.

## Market review

Australian equities continued to generate strong returns in April, rising above pre-pandemic levels for the first time.

The S&P/ASX 300 Accumulation Index returned +3.7% for the month, taking its 12-month return to +31.6%. The index lagged global indices, with the MSCI World Index climbing +4.1% and the S&P500 returning +5.3%.

Gold (+11.5%) and Information Technology (+9.8%) were among the top performing sectors as the 'reflation trade' partially reversed, with the Australian 10-year bond yield falling 10 bps to 1.69%. Within the former, Newcrest Mining (NCM, +8.6%), Northern Star (NST, +10.9%) and Evolution Mining (EVN, +13.5%) partially recovered declines from prior periods. Within tech, Afterpay (APT, +15.9%) announced +100% sales growth in 3Q21, largely driven by strong momentum in its US business.

Other strong performers were online services companies Domain Holdings (DHG, +21.0%), REA Group (REA, +11.7%) and Carsales.com (CAR, +11.7%), and waste management company Cleanaway Waste Management (CWY, +29.5%) after it announced the acquisition of Suez's recycling and recovery business in Australia for \$2.5bn.

Conversely, Energy (-4.7%) and Consumer Staples (-2.4%) weighed on the benchmark. In the former, Origin Energy (ORG, -11.3%) announced an 8% downgrade to earnings guidance in its Energy Markets business. In the latter, China-exposed companies A2 Milk (A2M, -7.8%), Treasury Wine Estates (TWE, -3.0%) and Blackmores (BKL, -10.2%) were among the worst performers.

## Outlook

The recovery in the Australian economy continues to exceed consensus expectations. The Australian economy contracted 2.5% in calendar 2020, however strong sequential growth in 2H2020 and positive momentum in early 2021 will see economic activity in 1Q2021 exceed pre-COVID levels.

The strength of the economic recovery is particularly evident via record levels for business conditions, business confidence and the strength in employment growth. The level of employment already exceeds pre-COVID levels, and after peaking at 7.5% in July 2020 the unemployment rate has declined sharply to 5.6% in March 2021.

Although wage rates remain subdued, the recovery in labour market income has been sufficient to offset the gradual withdrawal of temporary fiscal support. Moreover, the accumulation of \$125bn in excess household saving, in concert with strong asset price gains, leaves the consumer uniquely positioned to underpin economic growth in 2021-2022. Dwelling investment is set to provide solid support for economic growth over the next 18 months following a surge in demand for new housing construction, partly in response to the Government's Homebuilder subsidy. We expect the global economy to expand 6.5% and the Australian economy to expand 6% in 2021.

We continue to expect US inflation to surprise on the upside over the remainder of 2021 and for policy makers to resist pressure to normalise interest rates. This may see bond yields continue to rise at a moderate rate in coming months, however, we are cognisant that global business surveys will likely peak around mid-2021 which may limit the adjustment in bond yields, at least until the Federal Reserve signals it is preparing to taper its asset purchases. We do not expect this to happen until late 2021 at the earliest.

The A\$/US\$ should continue to be well supported by global reflationary forces, including robust commodity price trends. We continue to expect the A\$/US\$ to appreciate to the 81-83c range by the end of calendar 2021.

We are most overweight stocks within the Telecommunication Services, Media & Entertainment and Consumer Services sectors, and are underweight Real Estate, Consumer Staples and Financials.

## Client Services

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