

UBS International Share Fund

December 2020

Fund description

The Fund is an actively managed fund investing in a portfolio of 70–90 listed global equity securities.

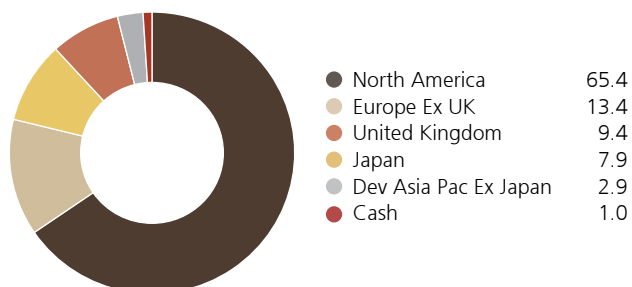
Investment strategy

The Fund seeks to invest across a wide number of countries and currencies in order to deliver a diversified investment strategy aimed at achieving the investment objective of the Fund. Currency exposure to each country may be fully hedged, partially hedged to \$A, or may exceed the Fund's securities exposure to that country.

Investment return objective

The Fund aims to outperform (after management costs) the MSCI World ex Australia net total return Index (unhedged)(\$A) over rolling five year periods.

Country/regional allocation (%)



Active security positions

Overweight	Underweight
AIA	Apple
Wells Fargo	Alphabet C
Ameriprise Financial	Tesla
Continental	Alphabet A
Dollar Tree	Johnson & Johnson

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.98	10.74	5.01	9.94	9.30	6.71
Benchmark**	(0.50)	5.68	5.73	11.15	10.93	7.79
Added Value	1.48	5.06	(0.72)	(1.21)	(1.63)	(1.08)

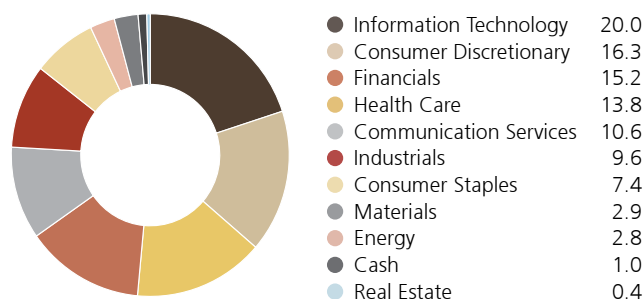
*The UBS Asset Management price/value equities process was adopted on 1 April 1996. **MSCI World ex Australia net total return Index (unhedged)(\$A).

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.

Fund information

Inception date	26 November 1992
Fund size	\$109.3 m
Management fee	1.00% pa
Minimum initial investment	\$10,000 (via online application \$5,000)
Typical number of holdings	70 to 90
Distributions	Annually
Buy/sell spread	+/- 0.25%
Currency management	Actively managed
APIR code	SBC0822AU

Fund positioning (%)



Active industry positions

Overweight	Underweight
Retailing	Utilities
Software & Services	Technology Hardware & Equipment
Telecommunication Services	Capital Goods
Consumer Services	Semiconductors & Semiconductor Equipment
Pharmaceuticals, Biotechnology & Life Sciences	Real Estate

Portfolio review

After fees and expenses, the portfolio increased by 0.98% over the month, outperforming its benchmark by 148bps. The portfolio continued to trade on positive momentum in December and closed off the last month of the year ahead of the benchmark. In December, higher beta and economically sensitive names within Industrials and Consumer sectors powered the outperformance in the portfolio.

Largest stock contributors

- **Lyft** Shares continued to rise following November momentum, the company reported in November that rides trended very well and the strong cost containment was leading to better than expected EBITDA guidance for Q420.
- **Palo Alto Networks** Shares of the software company further gained last month, closing off the year 50% up.
- **LiverRamp** Following a sharp correction in November triggered by Q2 release, shares of the IT company bounced back last month and ended the year with a significant gain of 53%.
- **Continental** News of Vitesco Spin-off lifted the performance over the quarter, the company also benefitted from the Growth to Cyclical rotation seen in Q4.
- **Bunge** Several positive news boosted share price of the agriculture company over the quarter.

Largest stock detractors

- **Tesla** Not owning this tech name again detracted from the performance, but we believe the extremely high valuations are running mean- reverting risks.
- **Sage** Shares lowered sharply as the Software company said increased investment in cloud products would squeeze its profit margin and wipe 60 million pounds from annual earnings.
- **Vmware** With the German software giant SAP losing nearly a quarter of its market valuation after the company issued a sobering update to its financial forecast for the rest of the year, the news weighed on shares of hardware and software companies with substantial exposure to enterprise information-technology spending.
- **Koninklijke Ahold Delhaize** Defensive stock suffered in the recent risk-on environment where cyclicals outperformed the broader market.
- **Fidelity Natl Info Svcs** Shares were weak in December and underperformed the broader market.

Market review

The US economy slowed as new COVID-19 cases surged to a record high and many social distancing restrictions were imposed, impacting both supply and demand. Fading fiscal support has also been a drag on growth, but a new package worth around USD 900bn was signed into law on 29 December, which will inject money into the economy early in the new year. Vaccinations are underway, with more than 2 million doses administered so far. Non-farm payrolls increased by 245,000 in November, a much smaller increase than in previous months, and rising jobless claims in December suggest a further slowdown. Personal spending, which has been the primary driver of the economic recovery, fell in November as lower government transfer payments caused income to decline. Purchasing Manager Indexes (PMI) fell in November, while remaining solidly above 50. Housing-related data has been strong, with robust demand spurring more new construction and driving prices higher. At the FOMC meeting on 16 December, the Fed changed its forward guidance, promising to continue buying at least USD 120bn of bonds per month "until substantial further progress has been made

toward the Committee's maximum employment and price stability goals." There was mixed news on the Eurozone economy in December. Sentiment surveys for December showed renewed weakening in sentiment in the services sector, as increasing restrictions on activity to combat the second wave of the coronavirus were felt. The manufacturing sector remained a bright spot. Several developments in December pointed to a broadening recovery over the coming few months. First, vaccine deployment began in the EU on 26 December, which should allow economic activity to normalise further. While it may take several weeks before we start to see a rollback of restrictions, the outlook remains positive. Second, the ECB stepped up stimulus again in December, increasing the size of the Pandemic Emergency Purchase Program by EUR 500bn, and extending the purchase window by nine months through to March 2022. The TLTRO operations were also extended in order to support bank lending. Finally, potential risks to Eurozone trade also abated in December. The Trade and Cooperation Agreement (TCA) was signed with the UK, avoiding the potential disruption of a no-deal Brexit. In addition, after seven years of negotiations, the EU and China signed an investment agreement. The deal tackles a number of grievances for the EU which it is hoped will provide a level playing field for EU companies investing in China; China benefits from increased access to EU markets. China's economic recovery showed further signs of broadening out in December, with a continued pickup in consumption and positive signs for services. Fourth-quarter GDP is tracking at +5.5% year over year, an improvement on the 4.9% reading in 3Q. The NBS official manufacturing PMI softened slightly to 51.9 from 52.1, and the non-manufacturing measure eased to 55.7 from the eight-year high in November. Yet trade data continues to improve, with 20%+ export growth. Other signs of strength include retail sales growth hitting 5%, fixed-asset investment up almost 10%, and industrial production maintaining 7%. Policy signals remained unchanged in December after the Central Economic Work Conference in December, which reiterated flexible monetary policy, but a controlled withdrawal from pandemic-related stimulus with more sustainable fiscal policy to keep macro leverage stable. In our view COVID-19 uncertainty and the global recovery support additional Reserve Requirement Ratio cuts this year and continued support for interbank liquidity. Pressure from the outgoing Trump administration remains with recently announced measures. But on the plus side, China has joined the 15-nation Regional Comprehensive Economic Partnership trade pact, which includes Japan, South Korea, and Australia.

Outlook

From a sector perspective, we are currently overweighting more economically sensitive sectors as we believe the recent optimism supported by the passage of fresh Covid-19 relief in the US, as well as the agreement of a post-Brexit trade deal between UK and the EU will hopefully help for a return to relative normality soon. This global portfolio allows us to take access a wider range of companies and industries where valuations are typically much lower than the US. Also, while the US has been quite resilient during the pandemic, areas such as Europe have been more badly hit and therefore offer more recovery potential. We can also find some exciting businesses in areas such as Asia where there is much stronger long term growth potential.

Our process has been in place for 40 years, and our PMs have invested through many short term dislocations, and it is crucial during such periods to stick to our disciplined process and take

advantage of panic selling to invest in companies at cheap levels. Valuation spreads remain wide versus history, providing excellent opportunities going forward and it is likely that activity levels in the portfolio will continue to be high as we take advantage of the increased level of volatility in the market.

Client Services

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