UBS

UBS Asset Management
All data as at 30 April 2021

UBS International Share Fund

April 2021

Fund description

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

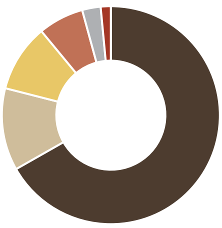
Investment strategy

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 (%)

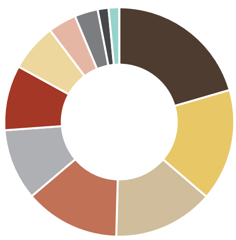


North America	66.8
Europe Ex UK	12.2
United Kingdom	10.0
Japan	6.8
Dev Asia Pac Ex Japan	2.7
Cash	1.5

Fund information

Inception date	26 November 1992
Fund size	$112.5m
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 (%)



Information Technology	20.5
Financials	15.8
Consumer Discretionary	14.1
Health Care	13.4
Communication Services	10.0
Industrials	9.2
Consumer Staples	6.7
Materials	4.0
Energy	3.3
Real Estate	1.5
Cash	1.5

Active security positions

Overweight	Underweight
Wells Fargo	Apple
Ameriprise Financial	Alphabet – CL C
Southwest Airlines	Alphabet – CL A
Hess Corp	Tesla
Anglo American	JP Morgan Chase

Active industry positions

Overweight	Underweight
Software & Services	Utilities
Telecommunication Services	Capital Goods
Retailing	Technology Hardware & Equipment
Food, Beverage & Tobacco	Semiconductors & Semiconductor Equipment
Consumer Services	Media & Entertainment

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	3.15	12.82	29.30	13.00	13.67	7.05
Benchmark**	3.18	10.21	23.03	13.31	13.84	8.05
Added Value	**(0.03)**	**2.61**	**6.27**	**(0.31)**	**(0.17)**	**(1.00)**

*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.

Portfolio review

The performance was slightly behind the benchmark in April.

Positive stock selection in Financials and Health Care added the most value, however stock selection in Information Technology and Industrials was the most negative. In general, our positioning in Financials (0.22% total effect), Health Care (0.19% total effect) and Energy (0.11% total effect) was the highest contributor to performance. On the other hand Information Technology (-0.42% total effect), Industrials (-0.27% total effect) and Communication Services (-0.15% total effect) had a negative impact. With respect to stock contribution, Wells Fargo (0.2% total effect, 15.31% port total return), Ameriprise Financial (0.11% total effect, 11.16% port total return) and PPD (0.1% total effect, 22.09% port total return) contributed positively to performance. On the other hand Alphabet (-0.24% total effect), Lyft (-0.17% total effect, -11.9% port total return) and TechnoPro Holdings (-0.15% total effect, -11.95% port total return) had the most negative impact on performance. As for attribution by countries, Denmark and Sweden were the top contributors to performance, though exposure to United Kingdom and France detracted the most.

Largest stock contributors

- Wells Fargo Wells Fargo beat Wall Street profit expectations in recent earnings release as it reduced bad loan provisions and reined-in costs, signaling the bank may finally be emerging from a sales practices scandal that has troubled it for nearly five years.
- Ameriprise Financial Over the month, the announcement of increased dividend boosted shares. The announcement of acquisition of BMO's EMEA franchise to accelerate Ameriprise's core strategy also helped the performance.
- PPD shares of the biopharmaceutical company PPD surged as Medical device company Thermo Fisher Scientific is nearing a deal to buy contract research firm PPD for more than $20 billion.
- LivaNova LIVN reported 1Q21 sales of $247.6MM ahead of consensus $232.3MM and EPS of $0.35 (+2%), ahead of consensus $0.15. Shares rose.
- Fortinet The company amplified CY20's momentum into CY21, with key 1Q business metrics accelerating YoY and QoQ to mid-high 20s% levels, or the best growth in 5 years. Strong, broad-based execution across use case, market segment, and geographies was accentuated by healthy transactional and large deal activity.

Largest stock detractors

- Alphabet Not owning Alphabet detracted as the company continued to benefit from cyclic advertising recovery, secular shift to connected TV boosting YouTube advertising, and stronger enterprise cloud adoption.
- Lyft's underperformance was driven by comments made late in the month by the new US Secretary of Labor that indicated the government will press "Gig Economy" companies like Lyft and Uber to treat its drivers as employees as opposed to contractors. This change, if implemented, would lower the profitability of these companies to a degree.
- TechnoPro Holdings Although shares were weak over the month, Q3 (January-March) OP came in at ¥5.2bn (+7% yoy), and exceeded consensus (¥4.7bn). Sales per engineer beat our forecast, suggesting a demand recovery and strong execution ability.
- Barclays shares of the UK lender underperformed the market in April as growth regained some ground.
- Takeda Pharmaceutical share price pulled back following March gains in part due to ongoing concerns around increased R&D spend to fund their mid-to-late-stage pipeline.

Market review

In the US, the economy reached an inflection point in March. Nonfarm payrolls increased by 916,000, retail sales jumped by 9.8% m/m, and the ISM Services Index hit a record high of 63.7. GDP growth accelerated to a 6.4% annualized pace in 1Q21, led by consumption and business investment. More than half of the adult population has received at least one dose of COVID-19 vaccine. Social distancing restrictions continue to be eased and mobility indicators have improved. While employment is still far below pre-pandemic levels, labor shortages have emerged and unfilled job openings are near record highs. The combination of strong demand and supply-side bottlenecks is causing inflationary pressure, especially at the producer level. The producer price index rose by 1.0% m/m in March, while the headline CPI was up by 0.6% m/m. Biden has proposed additional spending of around USD 4tr over 10 years, focused on broadly defined infrastructure, healthcare, and education. Tax hikes on corporations and wealthy individuals would offset much of the cost. Negotiations with Congress are underway, but the timing, size, and composition of a final deal remain uncertain.

At the 28 April FOMC meeting, Powell acknowledged the improvement in economic conditions but indicated that it was still too early for the Fed to consider cutting the pace of its asset purchases. Eurozone first-quarter GDP showed the economy contracted by -0.6% q/q. While this was better than expected, it highlights the divergent fortunes of the Eurozone and the US, which enjoyed robust expansion over the first three months of the year. As lockdowns ease, and the Recovery Fund monies start to flow later this year, we expect the gap to close. Eurozone PMI numbers show that businesses are becoming more confident in the outlook. Manufacturing remains the strong point, helped by external demand. The ECB left policy unchanged, as expected, but expectations are now focused on the next policy move. ECB President Christine Lagarde highlighted that the US and the Eurozone are "not on the same page" and any talk of policy tightening remains premature. China's economy has continued to rebound swiftly, with data showing first quarter growth of 18.3% y/y after a contraction of 6.8% y/y in the same period in 2020. We expect full-year growth to surpass 8.5%.

Meanwhile, a 34.2% y/y rise in retail sales in March, after a 15.8% y/y contraction in March 2020, indicated that domestic demand has revived. We expect monetary policy to support this recovery. While the authorities are likely to tighten credit conditions in the property sector in the second half of the year, in our view, the People's Bank of China has indicated there will be no hasty withdrawal of stimulus. Equally, despite the imposition of a record USD 2.8 billion fine on tech firm Alibaba for market abuses, we don't expect a broader regulatory crackdown that would undermine growth or markets. Rivalry with the US remains a potential threat. On 9 April, more Chinese entities, including seven supercomputing companies, were added to the US entity list, barring US companies from exporting technology to them without a license. But there were also signs of the potential for improved collaboration. The first China-US climate working group meeting took place during 15–16 April and concluded on a positive note.

Outlook

We enjoyed success in our procyclical positioning in the second half of 2020, as we expected investors to be able to look through near-term difficulties to the broadening, durable recovery around the corner. Looking into 2021, from a sector perspective, we are currently overweighting more economically sensitive sectors such as Energy, Consumer stocks and Financials 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

Telephone: (03) 9046 4041 Freecall: 1800 572 018 Email: ubs@unitregistry.com.au www.ubs.com/am-australia

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