UBS International Share Fund

November 2021

Fund description

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

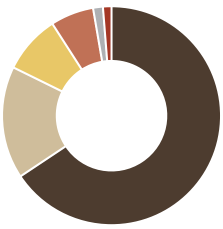
Investment strategy

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 (%)

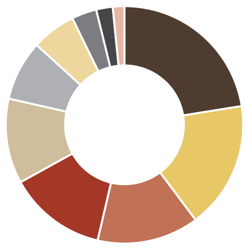


North America	65.7
Europe Ex UK	16.6
United Kingdom	8.6
Japan	6.4
Dev Asia Pac Ex Japan	1.5
Cash	1.3

Fund information

Inception date	26 November 1992
Fund size	$ 103.4 m
Management fee	1.00% pa
Minimum initial investment	$50,000
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	23.0
Financials	17.4
Consumer Discretionary	13.5
Health Care	13.5
Industrials	12.9
Communication Services	7.3
Consumer Staples	5.7
Energy	3.8
Materials	1.6
Cash	1.3

Active security positions

Overweight	Underweight
Ameriprise Financial	Apple Inc
Dollar Tree	Tesla Inc
Ingersoll-Rand	Alphabet Inc-Cl A
Wells Fargo And Co	Alphabet Inc-Cl C
Snowflake	Nvidia

Active industry positions

Overweight	Underweight
Software & Services	Technology Hardware & Equipment
Banks	Utilities
Retailing	Real Estate
Commercial & Professional Services	Materials
Diversified Financials	Media & Entertainment

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.47	2.03	27.90	17.55	14.71	7.36
Benchmark**	3.70	2.21	26.81	18.17	15.69	8.44
Added Value	**(1.23)**	**(0.18)**	**1.09**	**(0.62)**	**(0.98)**	**(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.

Portfolio review

The Global Equity strategy underperformed the benchmark in November.

Stock selection in Information Technology and Consumer Staples detracted the most, while stock selection in Consumer Discretionary and Financials added value. In general, Information Technology (-0.52% total effect), Consumer Staples (-0.36%) and Health Care (-0.33%) were key detractors. Meanwhile, our positioning in Consumer Discretionary (0.57%), Cash (0.04%) and Real Estate (0.02%) contributed positively. With respect to attribution by countries, exposure to Netherlands and United States detracted the most, while Austria and Australia added value.

Largest stock contributors

- The jump in Dollar Tree's shares was driven by excitement around the accelerated rollout of $1.25 price points across most items in their stores, which will help offset cost pressures and support gross margins of roughly 35% next year.
- Xilinx shares continued to gain this month on the back of strong earnings despite industry-wide supply chain challenges. Additionally, the CEO of AMD announced expectations for its acquisition of Xilinx to be finalized by the end of the year.
- Ford Motor's shares continued to trend higher this month, driven by the launch of Rivian's IPO which boosted the company's valuation to over $10 billion, of which Ford owns a 12% stake.
- Ingersoll Rand latest results showed strong momentum with orders up 37% year-on-year and the company reiterated they were on track to deliver USD 300 million in cost synergy capture. The company also signed a frame agreement to build New Zealand's first nationwide hydrogen refueling network, an order which doubles the size of its hydrogen business.
- Micron Technology's shares performed well this month as the company noted tailwinds including better cloud DRAM demand and strong cloud investments for FY22.

Largest stock detractors

- Not owning Apple detracted this month as shares rallied on news that it was pushing to accelerate its EV development and is focusing on self-driving capabilities.
- Not owning NVIDIA also detracted from performance as its stock was up due to earnings that exceeded expectations. Latest results showed strength in Data Center and Gaming and a positive outlook on supply and Omniverse/Metaverse opportunities.
- World Wrestling Entertainment's shares were soft as it reported a conservative Q4 outlook. However, we believe there are compelling catalysts on the pipeline, such as the opportunity to re-bid for their US TV deal prior to expiration in 2024, and their focus on increasing monetization options for WWE's own network.
- Koninklijke Philips shares sold off this month as reports around the FDA investigation of the DreamStation recall have fueled concerns that the punitive damages in the ongoing litigation may potentially be higher than initially expected. We believe the implications of the investigation are yet to be seen, and we maintain our thesis that Philips is uniquely positioned to be a market leader in healthcare equipment/services.
- Mowi detracted due to fairly neutral earnings results and the effect rising COVID-19 cases and Omicron detection in Norway could have on the restaurant trade.

Market review

Stocks came under pressure in November, after a strong October, amid concerns about the omicron variant of COVID-19 and the path of Federal Reserve policy tightening. These worries more than offset a better-than-expected third-quarter corporate earnings season and upbeat US economic data. While volatility is likely to persist in the near term, we believe robust growth should support further upside for global equities. Global equities delivered a total return of -2.4% in November, trimming gains so far this year to 14%, as concerns about the omicron variant of COVID-19 and the path of Federal Reserve policy tightening unsettled markets. The S&P 500 returned -0.7% for the month, taking year-to-date gains to 23.2%.

The pullback came after stocks had reached record highs earlier in November, boosted by better-than-expected third-quarter corporate earnings and upbeat US economic data. In late November, concerns about the emergence of a new COVID-19 variant-omicron, which early signs suggest may be more effective at evading vaccines-and the path of Federal Reserve policy tightening prompted a pullback in risk assets globally and a spike in volatility. On 26 November, as investors learned of the new variant, the S&P 500 declined 2.3%, its largest one-day fall since October 2020; the Stoxx Europe 600 fell 3.7%; the 10-year US Treasury yield declined 16 basis points; and the VIX index of implied US stock volatility rose 10 points to 28, its highest level since February. Oil prices also fell as several countries introduced restrictions on international travel in an effort to slow omicron's spread. The emergence of the omicron variant came at a time when markets were also digesting signs of tightening global financial conditions, which were in evidence for much of the month. In early November, the Federal Reserve announced that it would begin tapering its USD 120bn per month asset purchases at a rate of USD 15bn per month, under a plan that would end the program by mid-2022. President Joe Biden nominated Jerome Powell for a second four-year term as Fed chair, ahead of the more dovish Governor Lael Brainard, who is set to become vice chair. The minutes of the November FOMC meeting indicated that some participants favored a faster pace of tapering. Elevated inflation remained a concern, The US headline consumer price index (CPI) rose 6.2% year-over-year in October, the fastest pace in over 30 years. Stripping out volatile food and energy prices, the core CPI was up 4.6%.

In congressional testimony in late November, Powell expressed the view that it was "probably a good time" to retire the word "transitory" with regard to inflation, and said it would be appropriate to discuss "wrapping up the taper" of asset purchases several months sooner than currently planned. US labor market and consumption data were strong through the month. Corporate earnings have shown resilience. S&P 500 3Q earnings were up more than 38% year-over-year, about 10ppts better than expected. Robust demand is making it easier for companies to handle cost pressures, 3Q S&P 500 profit margins stayed flat at an all-time high. In Europe, around 70% of companies beat 3Q earnings forecasts. While the Fed is on track to normalize policy, it's likely to remain wary of a premature tightening that might choke off growth. Market volatility is likely to persist in the near term as investors await greater clarity on the omicron variant's potential impact on the economic growth outlook, and on the likely path of Fed policy. In the weeks ahead, we will be monitoring the rise in cases of the new variant and the severity of the resulting disease while awaiting efficacy data from vaccine producers

Outlook

The strategy is overweight Financials and Industrials while our largest underweights are to Consumer Staples and Communication Services. In terms of countries, the portfolio's largest overweights are to the United Kingdom and Austria and the largest underweights are to the US and Canada.

While investor concerns over slowing growth in the Eurozone and the UK linger, we believe this renders attractive catch-up potential for earnings growth in the medium-to-long term as GDP still has room to recover to pre-pandemic levels. In fact, these markets have shown improvements in economic growth over the last months and there have been indications of continued fiscal support for industries impacted by the pandemic. However, in light of the recent spike in cases and hospitalizations in parts of Europe, as well as the emergence of the omicron variant, we are mindful of potential lockdowns in the short-term as more countries may impose restrictions to curb further hospital burden.

With the emergence of the new variant and signs of tightening global financial conditions, the situation remains fluid and we remain vigilant as we expect markets to be volatile over the next few months. We are looking to take advantage of price opportunities, especially in cyclical names that are more affected by increased lockdowns. Broadly speaking, we remain focused on fundamentals and expect to see continued strength in high quality companies that create shareholder value.

Client Services

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