UBS

UBS Asset Management

For professional / qualified / institutional investors only.

All data as at 31 January 2022

UBS International Share Fund

January 2022

Fund description

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

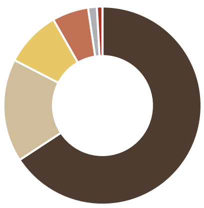
Investment strategy

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 (%)

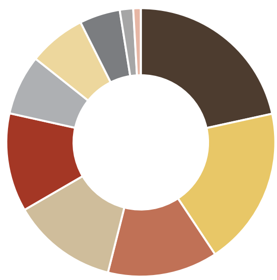


North America	65.8
Europe Ex UK	16.8
United Kingdom	9.2
Japan	5.9
Cash	1.4
Dev Asia Pac Ex Japan	0.9

Fund information

Inception date	26 November 1992
Fund size	$ 101.8 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	21.6
Financials	19.1
Health Care	13.2
Consumer Discretionary	12.7
Industrials	11.9
Communication Services	7.2
Consumer Staples	6.9
Energy	4.9
Materials	1.6
Cash	0.9

Active security positions

Overweight	Underweight
Ameriprise Financial	Apple Inc
Wells Fargo And Co	Alphabet Inc-Cl A
Dollar Tree	Tesla Inc
Ingersoll-Rand	Alphabet Inc-Cl C
Soc Generale	Meta Platforms

Active industry positions

Overweight	Underweight
Software & Services	Technology Hardware & Equipment
Banks	Utilities
Retailing	Real Estate
Diversified Financials	Materials
Food, Beverage & Tobacco	Semiconductors & Semiconductor Equipment

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(1.12)	2.47	27.56	17.72	14.09	7.32
Benchmark**	(2.20)	3.13	27.30	18.09	15.11	8.36
Added Value	**1.08**	**(0.66)**	**0.26**	**(0.37)**	**(1.02)**	**(1.04)**

*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 outperformed the benchmark to start the year.

Positive stock selection in Consumer Staples and Financials added the most value, while stock selection in Health Care and Information Technology detracted the most. In general, our positioning in Financials (0.55% total effect), Energy (0.39%) and Consumer Staples (0.31%) was the highest contributor to performance. Though Health Care (-0.33%), Utilities (-0.06%) and Communication Services (-0.05%) were key detractors. With regards to country attribution, United States and France were the top contributors to performance, while exposure to Japan and Canada detracted the most.

Largest stock contributors

- APA shares continued to rally on the back of accommodative oil prices.
- Hess' shares performed well this month as the company reported strong quarterly results and announced two significant discoveries in Guyana, boosting resource potential.
- Wells Fargo's shares traded strongly on the back of strong loan growth and net interest margin, exposure to rates, and improving cost control.
- SocieteGenerale's stock price was boosted by an extensive share buyback program starting in late December and announcement of ALD's planned acquisition of LeasePlan.
- Williams Cos shares were lifted on accommodative gas prices, which were driven up due to lower inventory of US natural gas coupled with elevated demand.

Largest stock detractors

- Snap's shares continued to face pressure into the start of the year due to persistent headwinds from Apple's app tracking transparency changes, as well as supply shortages impacting advertising revenues broadly.
- Maravai Lifesciences was under pressure alongside the Lifescience sector as the market rotated towards value and we saw a sharp sell-off in COVID-related companies as the Omnicron wave began to subside. Beyond the solid growth coming from COVID related mRNA vaccine sales, MRVI is well positioned to benefit from the development of next generation vaccines (from influenza to herpes zoster), and its siRNA platform to target rare, genetic condition is promising.
- Snowflake and Cadence Design Systems detracted amid weakness in Tech stocks more broadly. Investor sentiment on longer duration stocks have dampened due to the rising rate environment.
- Not owning Apple detracted from relative performance as shares rebounded on the back of strong quarterly results despite headwinds from sustained industry-wide supply constraints. Notably, Apple has seen growth in its services with expanding margins.

Market review

After entering the year close to record highs, global and US equities came under pressure in January. The MSCI All Country World Index delivered a total return of -4.9% for the month, reversing much of the previous quarter's gains, while the S&P 500 returned -5.2%, recording its largest monthly decline since March 2020 and its worst January since 2009. Market volatility rose to the highest level in more than a year. At the S&P 500's lowest closing point on 27 January, the index was down 9% year-to-date, before a late-month rebound helped it regain 4% over the final two trading sessions.

The pullback in equities was driven primarily by the Federal Reserve's pivot to a more hawkish policy stance, reiterated throughout the month in the minutes of the December FOMC meeting, Fed Chair Jerome Powell's congressional testimony, and at the central bank's January policy meeting. This prompted concerns about whether policymakers can steer the economy to a soft landing by reining in inflation—which reached 7% year-over-year in December—without choking off growth. Markets are now pricing in between four and five Fed rate hikes this year, with the first move in March. The 10-year US Treasury yield rose 27 basis points on the month to 1.78%, while the 2-year yield climbed 43 basis points to 1.19%. Yields also rose in Europe, with 10-year Bund yields up 18 basis points. But China actively eased monetary policy, cutting key lending rates and boosting stimulus. The rise in US yields weighed on growth stocks in particular, as the present value of these companies' future profits declines as rates rise. This prompted investors to reassess their positioning in some of the more expensively valued parts of the equity market, like US mega-cap tech stocks. The Nasdaq fell 9% on the month, while value stocks outperformed.

The S&P 500 energy sector gained 19%, helped by a rally in oil prices to their highest level since 2014. Brent crude prices ended the month above USD 90/bbl. As markets adjusted to the prospect of faster Fed policy normalization, the spread of the omicron variant added to concerns about the near-term global growth outlook. While restrictions were eased in some countries, such as the UK, China maintained its zero-tolerance COVID-19 policy ahead of the Winter Olympics. In addition, the dispute between Russia and the West over Ukraine became an increasing concern for investors given the potential for a military conflict to disrupt global energy markets. Financial markets are likely to remain volatile as investors navigate the shift from a high-growth, high-inflation environment to one of more moderate growth and inflation in 2022. But despite a more uncertain backdrop, we expect the equity rally to resume. Strong economic and earnings growth should more than offset the negative impact of Fed policy tightening. At his press conference following the January FOMC meeting, Powell indicated that he saw "quite a bit of room" to raise rates without hurting the labor market. Corporate profits are showing resilience despite omicron. The S&P 500 fourth-quarter reporting season is now at the halfway point (based on market value), and while results and management guidance are not quite as strong as in recent quarters, 75% of companies are beating analyst sales and earnings estimates.

Outlook

Equity markets were off to a rocky start to 2022 as January posted the worst monthly performance since March of 2020. Heightened volatility with huge intraday swings was driven by the Fed's hawkish policy shift as FOMC minutes highlighted a preference to raise rates sooner and faster than previously anticipated, as well as an earlier balance sheet runoff to follow shortly after liftoff. Monetary tightening and rate backups were a notable headwind for liquidity and long duration plays, where big tech was weaker across the board.

While monetary policy dominated headlines, supply chain challenges dominated earnings calls: according to Bloomberg, supply chain issues were cited 1,117 times across earnings calls held in January, lagging only standard subjects of guidance, revenue, and M&A. Concerns over margins started to creep into investor sentiment as inflation remains a threat - particularly through wage cost pressures and increasing commodity prices - and higher rates, both of which may lead to multiple compression. We expect more volatility to come - however we anticipate some of the risks pervading the economy, particularly around supply chain pressures and inflation, to subside, alleviating potential impacts to corporate margins and providing a positive catalyst to supply and demand.

The portfolio's largest overweights are to Financials and Industrials while our largest underweights are to Utilities and Real Estate. From a country perspective, the largest overweights are to the United Kingdom and Ireland, while mostly underweight North America.

Client Services

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

UBS