

# UBS International Share Fund

May 2022

## Fund description

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

## Target market

The Target Market Determination (TMD) for the UBS International Share Fund sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. For more information visit our [website](#).

## 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 objective

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

## Active security positions

Overweight	Underweight
Apa Corporation	Apple Inc
Hess Corp	Alphabet Inc-Cl A
Dollar Tree Inc	Alphabet Inc-Cl C
Ameriprise Financial	Tesla Inc
Mondelez International	Johnson & Johnson

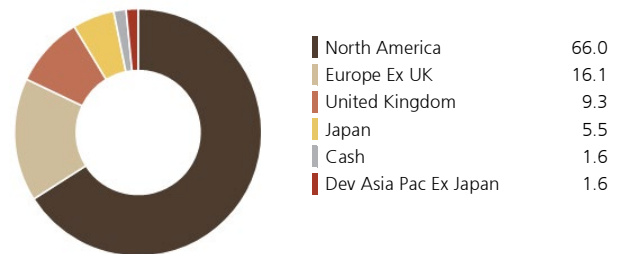
## Active industry positions

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

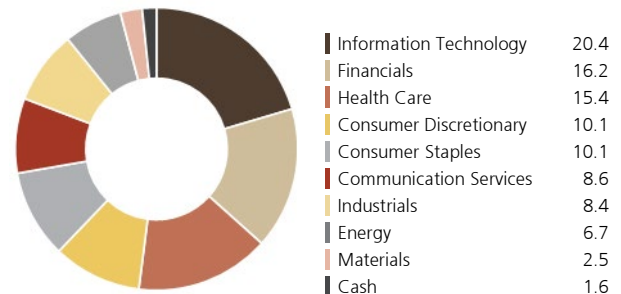
## Fund information

Inception date	15 October 1992
Fund size	\$90.0 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

## Country/regional allocation (%)



## Fund positioning (%)



## Investment performance

Fund	1 month %	3 months %	1 year % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.15	(5.25)	0.84	11.00	9.79	6.86
Benchmark**	(0.83)	(4.82)	2.64	11.43	10.57	7.88
<b>Added Value</b>	<b>0.98</b>	<b>(0.43)</b>	<b>(1.80)</b>	<b>(0.43)</b>	<b>(0.78)</b>	<b>(1.02)</b>

\*\*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 in May.

Positive stock selection in Information Technology and Financials added the most value, while stock selection in Industrials and Health Care was the most negative. In general, the best performing sectors were Information Technology (0.58% total effect), Financials (0.51%) and Consumer Staples (0.32%); while on the other hand Industrials (-0.37%), Health Care (-0.36%) and Materials (-0.22%) detracted. With regards to country attribution, the United States and Switzerland were the top contributors to performance, while the Netherlands and Norway detracted the most.

### Largest stock contributors

- **Hess** and **APA** were the top contributors to performance this month as shares continued to gain on the back of accommodative commodity prices.
- Not owning **Apple** in this strategy benefitted relative performance.
- In Q1, **SLM** recorded a 6% year-on-year growth in private education loan origination, and managed to sell ~\$2bn of loans to a third party. The capital return strategy is a positive backdrop.
- **SocieteGenerale** was a positive contributor following solid quarter results that revealed revenue momentum across the board. The Group is also benefiting from higher rates broadly in line with the sector.

### Largest stock detractors

- **Spirit AeroSystems Hldgs** was the main detractor this month. While Q1 results highlight 30% total sales growth and margins ahead of expectations, free cash flow (FCF) came in softer than expected due to supply chain issues, COVID and working capital investments; and the stock traded down primarily as a result of lowered FCF guidance for FY2022.
- **Snap** also declined this month as the company flagged several macro headwinds impacting the digital advertising space, such as rising inflation and interest rates, supply chain issues, labor disruptions, platform policy changes, and geopolitics.

- **Lyft** share price declined following their latest earnings results due to ongoing driver supply headwinds, resulting in a less robust Q2 outlook.
- **Akamai Technologies** also detracted as earnings were impacted by FX headwinds, the war in Ukraine and a growth slowdown in gaming and video due to economic reopening.
- **OCI** detracted this month as shares corrected slightly following recent outperformance year-to-date.

### Market review

Global stocks had a volatile month, sinking for most of May before recouping much of the loss in the last days of trading. The week ending 20 May marked the seventh consecutive weekly decline in the S&P 500, the longest losing streak since the dotcom bubble burst in 2000. But there was a sharp rebound in the last full week of trading in May, with the index rising 6.6%-the largest gain since April 2020. Overall, in May, US equities were up 0.2%, helping global stocks to recoup losses from earlier in the month to end 0.1% higher. US Treasury yields fell over the month, with the 2-year US Treasury yield declining from 2.73% at the start of the month to close at 2.56% at the end of May. This came as markets priced in a more benign outlook for inflation and a moderation in the pace of Federal Reserve tightening later in the year.

Overall, May ended with renewed optimism that an economic soft landing remains possible. That followed encouraging US inflation and spending data, kindling hopes that the Federal Reserve may feel ready to slow or pause tightening later in the year. The minutes of the Federal Reserve's meeting in early May showed that many officials hoped that front-loading rate hikes would put the Fed in a position to assess and adjust to economic conditions later this year.

Uncertainty remains elevated regarding the outlook for rates, recession, and geopolitical risk. Markets appear to be gaining confidence in the Fed's ability to contain inflation, with the 10-year breakeven inflation rate falling to 2.62% by the end of May, down from 3.0% earlier in the month. The April PCE data-the year-on-year increase in the core measure, 4.9%, was the smallest rise since December, with pandemic bottlenecks easing and year-over-year comparisons becoming more favorable. But worries about a possible wage-price spiral will likely persist until investors see further evidence of a cooling labor market. Initial jobless claims have started to rise, and high frequency job postings have been pointing to a fall in openings.

However, the three-month moving average of the median wage increase ran at 6% in April, up from 3.2% a year earlier, based on the Atlanta Fed's wage tracker. On recession risks, recent data has also been positive. But consumer sentiment could remain fragile, especially as inflation raises the cost of living. Households appear to be dipping into reserves to fund spending, with the savings rate falling to 4.4% in April, the lowest rate since September 2008, from 5% in March. Finally, geopolitical risks continue to linger. Russia's invasion of Ukraine looks increasingly set to turn into a prolonged conflict, adding to the potential for more severe disruptions of energy and food supplies and thus higher commodity prices. Last week, EU Energy Commissioner Kadri Simson warned that any given EU country was at risk of losing access to Russian energy. Russia's Gazprom has already cut supplies to Poland, Bulgaria, and Finland. Headlines from China pointed to more progress in reducing mobility curbs. Shanghai said it will ease many restrictions on business resumption from 1 June and roll out some stimulus measures, and Beijing restarted some public transport and is allowing more recreational activities.

## Outlook

We continue to anticipate further volatility in the markets, driven by inflationary pressures, central bank tightening and continued geopolitical risks around the war in Ukraine which looks increasingly set to turn into a prolonged conflict. This would likely add to the potential for more severe disruptions of energy and food supplies and thus higher commodity prices. Inflation has been persistent and we continue to monitor the impact inflationary pressures have on securities within our portfolio. As such, we continue to screen for high quality, cash generative companies that are resilient amid an environment where margins are coming under pressure. We believe the market volatility presents compelling investment opportunities where share prices have been dislocated from underlying fundamentals. As we remain active in such a market environment, we are looking to upgrade the quality of the portfolio and increase exposure to companies with strong earnings that can withstand a potential economic slowdown.

In terms of positioning, we continue to focus on constructing a well-balanced portfolio that maximizes stock specific risk where possible. The portfolio's largest overweights are to Consumer Staples and Financials, while we are underweight Real Estate and Utilities.

## Client Services

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