

# UBS International Share Fund

August 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
Hess Corp	Apple Inc
Ameriprise Financial	Tesla Inc
Oci Nv	Alphabet Inc-CI A
Mondelez International	Alphabet Inc-CI C
Wells Fargo And Co	Johnson & Johnson

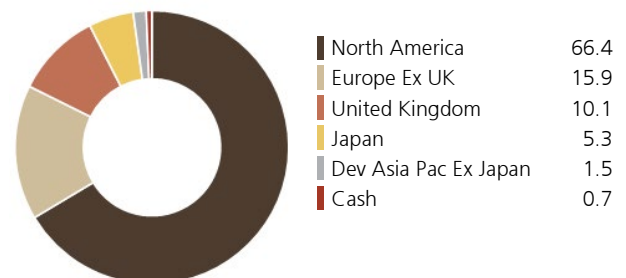
## Active industry positions

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

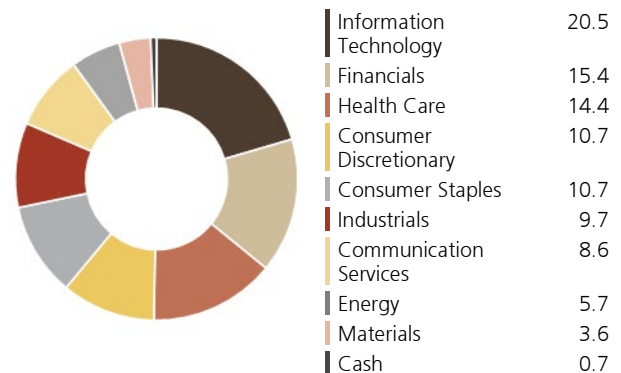
## Fund information

Inception date	15 October 1992
Fund size	\$ 70.9 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	(2.48)	(1.37)	(9.08)	8.40	10.30	6.75
Benchmark**	(2.54)	(1.11)	(9.62)	8.21	11.11	7.77
<b>Added Value</b>	<b>0.06</b>	<b>(0.26)</b>	<b>0.54</b>	<b>0.19</b>	<b>(0.81)</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

In August, the International Share Fund outperformed the benchmark.

Positive stock selection in Financials and Materials added value, while stock selection in Health Care and Information Technology detracted. As it relates to country attribution, our overweights and stock selection in France and the Netherlands contributed positively. Meanwhile, stock selection in Switzerland and the United Kingdom detracted the most.

### Largest stock contributors

- **Hess** contributed positively this month as the Energy sector outperformed the broader market. Overall, Hess' strong FCF and production outlook, with the ramping of Guyana, has also boosted its share price.
- **OCI** shares trended higher as rising natural gas prices continue to curb ammonia production in Europe.
- **Bunge** performed relatively well on the back of their Q2 results, as the agribusiness continued to benefit from strong demand and tight commodity supplies, as well as strong results in refined and speciality oils.
- **APA** shares increased in line with rising oil prices on the back of robust U.S. fuel consumption and tight supply outlook.
- Not owning **NVIDIA** also contributed positively to relative performance as shares were down on weak Q3 guidance.

### Largest stock detractors

- Despite reporting good Q2 comps and EPS slightly up, **Dollar Tree** shares sold off as the company reduced FY EPS guidance by nearly 10% due to planned pricing investments at Family Dollar, mix shift to lower-margin consumables, and continued investment in wages and stores, in addition to inflation pressures.
- **Spectris'** shares declined due to disappointment at the lack of margin leverage in first half of 2022 but management remains confident in the outlook. Overall, Spectris results were strong though with 11% organic growth and a 20% increase in orders.
- **Koninklijke Philips** shares traded lower after the CEO succession announcement came earlier than expected and fears that the Dreamstation issues may drag the margin recovery thesis for longer.
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- **Alcon** shares sold off despite stronger-than-expected Q2 earnings, after supply chain challenges and ongoing macroeconomic headwinds led to lower guidance for the year ahead.
- **Ocado Group** shares slumped as 1H losses were underpinned by a 4% decline in revenue. Broadly, the company has been impacted by softening consumer demand due to high inflation in the UK.

## Market review

The summer rally in stocks that started in mid-June went into reverse in August. While in July the MSCI AC World returned 7%, in August the index gave up 3.7%. The weakness stemmed largely from indications from the Federal Reserve that the task of curbing inflation was still far from accomplished. But worries in other parts of the world also contributed. Fears of a recession in the Eurozone were stoked by a further surge in natural gas prices, as Russia continued to restrict supplies—with the Nord Stream 1 pipeline running at around 20% of capacity for the month. The benchmark TTF gas price rose around 17% over the month, and 160% year-to-date, even after a sharp decline late on in the month on reports of European preparations for shortages. The president of the German network regulator said Germany was now better prepared for the outages as its gas storage was nearly 85% filled, and it was securing supplies from other sources, according to Reuters. The uncertain backdrop, however, explains why Eurozone equities were the worst performing major market in August, with a negative return of 5%. The Swiss market lost 3.1%, for a year-to-date negative return of 15.2%. China gained 0.6% on the month but remains the worst performing major market in 2022 so far with a loss of 18%, partly reflecting a slowing of economic momentum due to COVID-19 restrictions. At the other end of the spectrum, the defensive UK market has now returned 3.9% year to date, after dropping 1.3% in August. Japan was the major outperformer, with a gain of 1.1%.

## Outlook

The market volatility we have seen this year persisted into August where we saw equity markets retreat from a summer rally. We have witnessed rising correlations amid the volatility pose challenges to stock picking, but valuation spreads are currently wider than historic levels - an indicator of fear and dispute in the market which presents a compelling backdrop for active stock selection. Recession fears were exacerbated by clear signs of demand destruction, reflected in the most recent CPI print showing a modest deceleration in inflation.

While deteriorating economic conditions may lead to defensive positioning, it is important to note 1H 2022 was the worst first half for equity markets since the 1970s and it may be considered too late to now lean defensively. We do believe that markets are forward-looking and we anticipate equity markets to rebound at any sign of moderation of monetary policy. As a result, we are looking to position the portfolio to gain some uplift when we start to see a recovery in earnings and the economy by investing in high quality businesses that have sold off amid the volatility recently.

From a positioning standpoint, our largest sector overweight is to Consumer Staples and Financials, while we are underweight Utilities and Real Estate.

#### Client Services

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