

# UBS International Share Fund

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

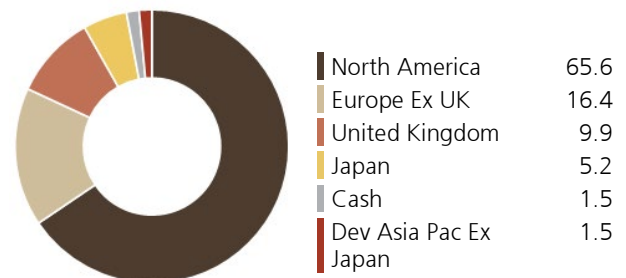
## Active industry positions

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

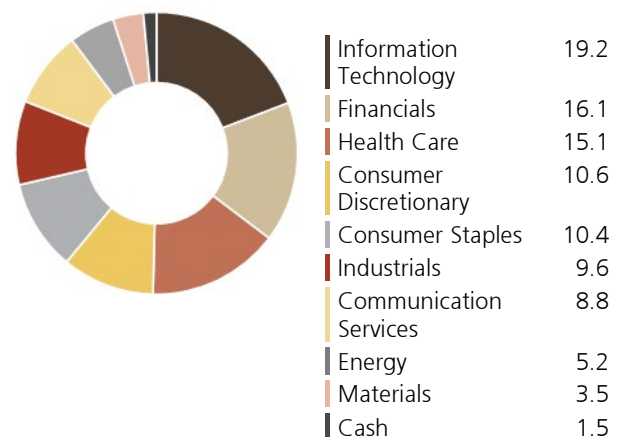
## Fund information

Inception date	15 October 1992
Fund size	\$ 67.9 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	(3.38)	0.32	(11.54)	6.59	8.88	6.61
Benchmark**	(3.23)	0.35	(9.79)	6.32	9.64	7.63
<b>Added Value</b>	<b>(0.15)</b>	<b>(0.03)</b>	<b>(1.75)</b>	<b>0.27</b>	<b>(0.76)</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 September, the International Share Fund underperformed the benchmark.

Stock selection in Communication Services added the most value, followed by our overall positioning in Information Technology. Meanwhile, stock selection in Consumer Staples and Health Care detracted the most. From a country perspective, stock selection in the US and Netherlands contributed positively, while Norway and the UK detracted the most.

### Largest stock contributors

- **World Wrestling Entmt** shares were up on the announcement of a multi-year agreement with Foxtel, which was perceived by the market as a positive step as WWE looks to expand its international network subscriber base.
- **AIB Group** shares continue to outperform on the back of solid results in H1, which showed a 20% increase in new lending ahead of rate rises. The bank should benefit from the current rising rate environment, with a solid CET1 ratio of 15.3%.
- **Maravai LifeSciences** performed well as management updated the market on R&D funding and mRNA prospects, with expectations that the CDMO part of the business could grow 30-35% post-COVID.
- **TJX Cos** also contributed positively as off-price retailers outperformed the broader market, in addition to the company being a likely beneficiary of excess apparel inventory, notably flagged by Nike recently.
- **Dollar Tree** shares bounced slightly in September, following a sharp sell-off the previous month. Despite reporting good Q2 comps and EPS slightly up, DLTR shares declined 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.

### Largest stock detractors

- **Mowi** shares fell following the announcement that the parliament would review a proposed 40% resource tax on salmon and trout farming in Norway which could impact Mowi's profitability in the future. The proposal is out for consultation currently and historically, we have typically seen such taxes come in much smaller in the end. To weigh in on the argument, Mowi and the other two majors announced in early October the cancellation of their biomass growth purchases.
- **Ocado Group** share price came under pressure as inflation impacted their retail results, though customer numbers continue to grow >20%; and their Solutions business continues to progress, which in our view is the main value driver in the long term.
- **Spirit AeroSystems** shares were weighed by uncertainty around 737 MAX production levels given supply chain pressures, but the company remains positive on the broader demand outlook for both their commercial aerospace and defense products.
- **Bunge** detracted as although last month's Q2 results were solid, higher input costs and rising inflation weighed on the agricultural business.
- **Avantor** recent share price weakness driven by recent FX headwinds and a faster-than-expected decline in Covid-related demand.

## Market review

Equities and bonds continued to fall in tandem in September, amid persistent concern that stubbornly high inflation would lead central banks to continue raising rates at a rapid pace. Global stocks lost 9.6% and have now more than reversed a rally earlier this summer for a year-to-date negative return of 25.6%. The S&P 500 ended the month with a loss of 9.2% for the month and 4.9% for the quarter - marking the longest run of quarterly losses since 2009. Even defensive markets retreated, with the MSCI UK down 5% and the MSCI Switzerland down 5.8%. The largest decline was in the MSCI China, which lost 14.1%, for a negative return in the third quarter of 29.5%. That reflected diminishing hopes over the prospect for a vigorous economic recovery amid a property crisis and continued COVID-19 lockdowns. For the quarter as a whole, global equities returned - 6.8%, with weak performance in August and September outweighing a bright July. Chinese equities delivered a total return of -21.7% as zero-COVID restrictions and the property crisis weighed on sentiment. Emerging market equities were down 11.6%, with a hawkish Fed, strong US dollar, and geopolitical uncertainty among the headwinds. Rising bond yields weighed on Swiss and Eurozone equities, which lost 4.9% and 4.5%, respectively, during the quarter. The S&P 500 returned -4.9%, recording its third consecutive quarterly decline for the first time since the global financial crisis. UK equities lost 2.9%, while Japanese stocks were down just 1.6% on the quarter.

## Outlook

We expect market volatility to persist as investors weigh the current economic and geopolitical risks against a backdrop of elevated inflation and tightening monetary policy.

While the current market backdrop may lend itself to defensive positioning, it is important to note that the first half of the year was the worst 6 months 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 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.

Ultimately, in this context we aim to seize opportunities to buy quality companies at reasonable prices and continue to focus on constructing a well-balanced portfolio that maximizes stock specific risk where possible. Currently, our largest sector overweights are to Consumer Staples and Financials, while we are underweight Utilities and Real Estate. From a country perspective, our largest overweights are to the UK and Ireland, while we are mostly underweight North America.

## Client Services

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