UBS

A UBS Asset Management
For Professional / Qualified / Institutional Investors only
All data as at 31 August 2023

UBS International Share Fund

August 2023

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.

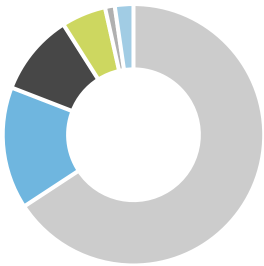
Investment objective

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

Fund information

Inception date	15 October 1992
Fund size	$ 78.2m
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 (%)



North America	65.7
Europe Ex UK	15.1
United Kingdom	10.1
Japan	5.5
Dev Asia Pac Ex Japan	1.2
Cash	2.3

Sector allocation (%)

Financials	17.0
Information Technology	16.3
Health Care	13.8
Consumer Staples	11.4
Communication Services	10.6
Consumer Discretionary	10.3
Industrials	9.5
Energy	6.0
Materials	1.9
Real Estate	0.9
Cash	2.3

Active security positions

Overweight	Underweight
Take Two Interactive Software	Apple Inc
Ingersoll-Rand Inc	Nvidia
Hess Corp	Alphabet Inc-Cl C
Koninklijke Philips Nv	Tesla Inc
Apa Corporation	Meta Platforms Inc

Active industry positions

Overweight	Underweight
Food, Beverage & Tobacco	Technology Hardware & Equipment
Media & Entertainment	Semiconductors & Semiconductor Equipment
Health Care Equipment & Services	Utilities
Banks	Materials
Consumer Discretionary Distribution & Retail	Capital Goods

Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.69	7.22	22.59	5.57	15.41	10.02	7.23
Benchmark**	1.60	6.96	22.62	5.27	13.34	10.81	8.22
Added Value	**(0.91)**	**0.26**	**(0.03)**	**0.30**	**2.07**	**(0.79)**	**(0.99)**

* 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.

Performance/attribution comments

In August, the International Share Fund underperformed the benchmark.

Stock selection in Information Technology and Communication Services detracted the most, while stock selection in Industrials and Consumer Discretionary contributed positively. As it relates to country attribution, the United Kingdom and United States detracted while our positioning in the Netherlands and Australia added value.

Largest stock contributors

- **Philips** shares rose during the month following the announcement of investment company Exor had taken a 15% stake in the company.
- **APA** shares rose following their post 2Q23 update, highlighting a positive outlook on oil growth into next year and encouraging progress on the Suriname project.
- **Ingersoll Rand** posted another quarter of strong results, with organic revenue growth at 12% year-on-year and almost 200bps of margin expansion.
- **TJX Cos** also outperformed the broader market as the company announced substantial upside to sales and gross margins, driven by higher customer traffic and basket size, in addition to lower freight costs. Overall, the market reacted positively as TJX continues to execute well amid a challenging macro environment, and the increase in EPS guidance reflects a favorable backdrop for off-price buying.
- **Bunge** shares gained after the company increased their full-year adjusted EPS outlook and reported strong figures across their Refined and Specialty Oils business, as well as their Agribusiness, in their second quarter results.

Largest stock detractors

- **Dollar Tree** detracted as investor confidence was undermined by elevated costs and disappointing margins in their quarterly results, despite performing on track with the initial stages of their turnaround plan.
- **IAC** shares sold off after Q2 results showed revenues and adjusted EBITDA well below consensus estimates for their Angi segment.
- **Five9** shares fell following the company's Q2 earnings which indicated pressure in their Consumer business.
- Not owning **NVIDIA** continued to detract from relative performance this month.
- Not owning **Eli Lilly & Co** was a detractor as shares rallied on the back of positive results from a competitor's phase 3 trial, demonstrating effectiveness of obesity drugs in reducing major adverse cardiovascular events.

Market Review

Global markets grappled with opposing forces in August. Treasury yields rising to fresh cycle highs across the curve amid continued strength in US production data, and more signs of economic weakness in China and global manufacturing. Global equities posted their first month of losses since May, with Chinese stocks the leading the way down due to concerns that not enough policy support is being delivered to stop the slide in economic growth. The US 10-year Treasury yield peaked above 4.36%, its highest level since 2007 as robust activity data overshadowed more evidence of a downshift in inflationary pressures. The Bloomberg Commodity Index fell 1.2% despite a 1.5% rise in Brent oil futures, which were bolstered by Saudi Arabia's extension of output curbs.

Outlook

Despite concerns over the macro environment and restrictive monetary policy, Q2 corporate earnings have shown to be fairly resilient and estimates have gradually improved over the course of this year. Against this backdrop, we remain cautiously optimistic that a soft landing scenario may be achievable, though we still expect higher interest rates for longer.

While there was a slight broadening out in the summer months, investors have faced a highly narrow market environment this year, much of which was driven by AI exuberance. We maintain our price to intrinsic value discipline and remain focused on valuations - taking advantage of price dislocations where we believe certain stocks have been penalized for short term headwinds, while avoiding pockets of the market where we believe enthusiasm is overextended. Currently, the portfolio's largest sector overweights are to Consumer Staples and Communication Services, while we are underweight to Information Technology and Utilities. Broadly speaking, we continue to be balanced in our positioning and focus on companies with strong cash flows, attractive valuations, and asymmetric risk/reward profiles.

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