

UBS International Share Fund

November 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	Alphabet Inc-Cl A
Mondelez International	Alphabet Inc-Cl C
Oci Nv	Tesla Inc
Tjx Cos.	Exxon Mobil Corporation

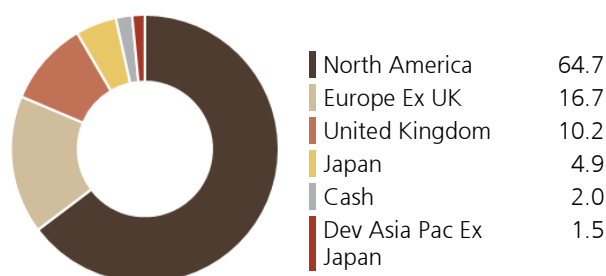
Active industry positions

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

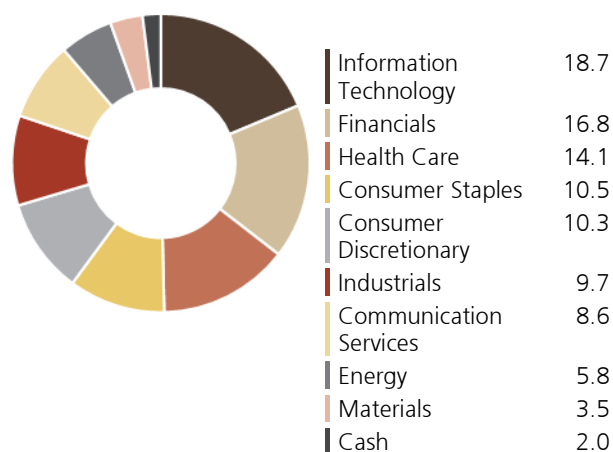
Fund information

Inception date	15 October 1992
Fund size	\$ 74.9m
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 %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.77	8.00	(3.77)	8.17	9.89	6.97
Benchmark**	2.02	6.43	(5.89)	7.92	10.11	7.92
Added Value	0.75	1.57	2.12	0.25	(0.22)	(0.95)

* 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 November, the International Share Fund outperformed the benchmark.

Positive stock selection in Information Technology and Health Care contributed positively to relative performance, while stock selection in Communication Services detracted the most, followed by our overall positioning in Materials.

Largest stock contributors

- Not owning **Apple** contributed positively to relative performance after its share price faced downward pressure following potential production disruption from lockdown protests in China.
- **AIA Group** outperformed the broader market as the company remains resilient relative to other insurers with only single digit annualized premium equivalents (APE) declines in Q3 2022. AIA also performed better than peers in the longer-term insurance segment, which is typically higher margin.
- Not owning **Tesla** also benefitted relative performance as shares declined on concerns over Musk's capacity in light of his recent purchase of Twitter.
- **Las Vegas Sands** share price increased in response to signs of easing Covid restrictions in China, which renewed optimism of recovery in its Macau casinos.
- **Metso Outotec** performed well as recent earnings showed strong operational performance with a full order book, acceleration in sales growth, and adjusted EBITDA margins up year-on-year.

Largest stock detractors

- **Take-Two Interactive** detracted from performance this month mainly as a result of weaker than expected net bookings and reduced FY23 EPS and net bookings guidance. They faced FX and macro headwinds, with inflation dampening consumer spending; though noted mobile engagement remains robust.
- **Dollar Tree** shares lagged due to continued macro headwinds, though Q3 earnings held up to expectations with robust margins in Dollar Tree – in fact better than consensus – offsetting Family Dollar weakness.
- **Lyft's** Q3 results had a few bright spots, such as revenues roughly in line with expectations and EBITDA beating consensus estimates, but weaker active rider growth and disappointing Q4 guidance weighed on its share price.
- **UnitedHealth Group** detracted as their share price pulled back amid weakness in managed care stocks more broadly.
- **Hess** underperformed the broader market with oil prices down this month.

Market review

Investors were in a risk-on mood for a second consecutive month in November, amid rising hopes that the worst of the inflation scare has passed and central banks will soon slow the pace of rate rises. Global stocks returned 7.8% for the month, adding to the 6% gain in October. The S&P 500 built on its 8.1% gain in October, returning 5.6% in November. Positive news on US inflation drove continued gains worldwide. The core rate of consumer inflation, excluding volatile food and energy, rose 0.3% month-over-month in October, half the rate of prior months. Investor sentiment was also encouraged by the minutes of the Federal Reserve's November policy meeting, which indicated a substantial majority of policymakers believed a slower pace of rate rises would be appropriate following four consecutive 75-basis point hikes. The advance in equities was broad based, with all major markets producing positive returns. But the biggest gain was in China – rising 28.4% and halving the year-to-date decline – with hopes for an eventual end to pandemic restrictions more than outweighing rising case counts and protests. Rising optimism dented the US dollar, with a reversal of safe-haven flows. The dollar's 4% decline based on the DXY index was also driven by hopes that rate rises will decelerate, as the Fed takes stock of the lagged impact of prior hikes. Meanwhile, hopes that inflation has passed the peak supported fixed income, with gains across the asset class.

Outlook

We continue to see an environment of unusually elevated market and macroeconomic volatility as markets grapple with inflationary pressures and tightening monetary policy. Over the year, we gradually reduced our risk budget and while there is no shortage of risks in the market currently, we continue to look for tactical opportunities in this environment by focusing on areas of the market where we have seen weakness. We remain disciplined in our investment process identifying companies that have strong free cash flow and earnings potential that will remain robust.

As of end November 2022, the largest sector overweights are to Consumer Staples and Financials. We have been incrementally adding to Technology, focused on companies with strong free cash flow generation that are trading at reasonable valuations that have seen sell-offs year-to-date. We are also seeing compelling opportunities in Health Care which has good pricing power in this inflationary environment. The largest underweights in the portfolio are currently to Utilities and Real Estate.

Client Services

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Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer of the Fund. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund are contained in the Product Disclosure Statement dated 26 September 2022. Any potential investor should consider the relevant product disclosure statement (PDS) in deciding whether to acquire, or continue to hold, units in a fund. UBS has also issued a target market determination (TMD) that describes the class of consumers that comprises the target market for each UBS fund and matters relevant to their distribution and review. A copy of the PDS, PDS addition information and TMD is available from UBS Asset Management (Australia) Ltd, the issuer of the UBS Funds, on our website <https://www.ubs.com/au/en/asset-management.html> or by calling (03) 9046 4041 or 1800 572 018.

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