

UBS International Share Fund

September 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.

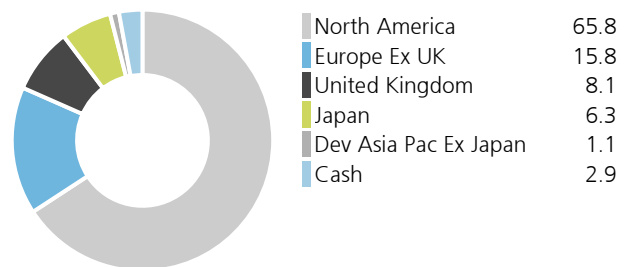
Investment objective

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

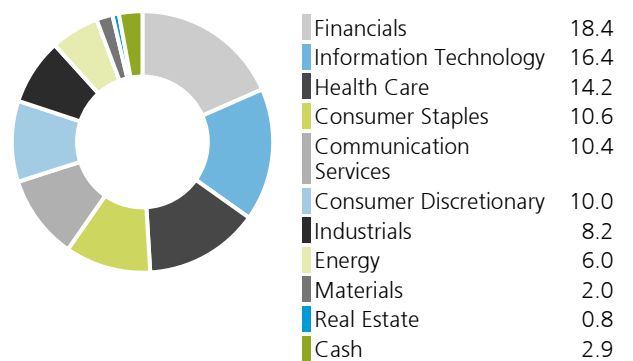
Fund information

Inception date	15 October 1992
Fund size	\$ 73.1m
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 (%)



Sector allocation (%)



Active security positions

Overweight	Underweight
Take Two Interactive Software	Apple Inc
Servicenow Inc	Microsoft Corp.
Hess Corp	Nvidia
Ingersoll-Rand Inc	Tesla Inc
Unitedhealth Group Inc	Alphabet Inc-CI C

Active industry positions

Overweight	Underweight
Food, Beverage & Tobacco	Technology Hardware & Equipment
Health Care Equipment & Services	Capital Goods
Media & Entertainment	Utilities
Banks	Semiconductors & Semiconductor Equipment
Household & Personal Products	Materials

Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	(3.63)	0.35	22.28	4.00	13.87	9.27	7.09
Benchmark**	(4.01)	(0.43)	21.64	4.75	11.92	9.79	8.05
Added Value	0.38	0.78	0.64	(0.75)	1.95	(0.52)	(0.96)

* 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 September, the International Share Fund outperformed the benchmark.

This is led primarily by positive stock selection in Information Technology and Financials. On the other hand, stock selection in Industrials and Energy detracted. As it relates to country attribution, Japan and Netherlands were the top contributors to performance, on the other hand Australia and United Kingdom detracted the most.

Largest stock contributors

- Not owning **Apple** contributed to relative performance as the share price continued to trend downward after reports that China, which accounts for almost 20% of the company's revenue, banned government workers from using iPhones.
- **OCI** shares rallied as nitrogen fertilizer prices increased 25% due to low inventories, notably in China, and emergence of new demand in major markets like India.
- Not owning **NVIDIA** also contributed positively amid the technology sector performing poorly due to the expectation that the Fed will keep interest rates higher for longer persisted.
- **UnitedHealth Group** shares rebounded in September, moving higher alongside other managed care providers that are expected to be safe havens in a higher-for-longer inflationary environment. Investors have also become increasingly comfortable that managed care companies can effectively reprice moving into 2024.
- **HSBC Holdings** shares bounced back following the negative reaction to second quarter results announced last month.

Largest stock detractors

- **Ocado Group** detracted as shares were weighed by the company's latest trading update where revenue growth and average selling price for the period were slightly softer than expected.
- **Philips** shares dropped after a settlement agreement was reached to resolve one category of legal claims against them following their voluntary recall of sleep and respiratory care devices. This follows 5 months of strong performance.
- **Dollar Tree** share price weakness continued as investor confidence was undermined by elevated costs and disappointing margins in their quarterly results recently, despite performing on track with the initial stages of their turnaround plan.
- Despite witnessing strong momentum for much of this year with demand across majority of its products, **MSA Safety** shares pulled back this month given its sensitivities to a high interest rate environment.
- **Ashtead Group** shares sold off as the company noted a softer outlook on revenue growth in the UK market, though maintained confidence in their momentum in North American end markets.

Market Review

Good news on the US economy was bad news for risk assets in September. Resilient activity data and increasing supply put sharp upward pressure on bond yields, which challenged equity valuations and contributed to some widening in credit spreads in the final third of the month. Global equities posted their biggest monthly losses in a year, with US equities leading the way down on multiple compression. The US 10-year Treasury yield peaked at 4.68%, its highest level since 2007. The Bloomberg Commodity Index fell 1.1% despite a fourth month of gains in Brent oil futures, which rose to fresh 2023 highs. Gold futures suffered their worst monthly losses since June 2021, with potent headwinds coming from rising US real yields and a strengthening dollar.

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. Looking ahead, our base case remains that we will see higher interest rates for longer as central banks continue to focus on combating inflation.

While investors have faced a highly narrow market environment earlier this year driven by AI exuberance, Q3 saw a slight broadening out in stock performance and there were signs of increasing company specific risk – an environment where we believe our strategy is positioned to perform well. We maintain our price to intrinsic value discipline and remain focused on valuations - taking advantage of price dislocations where we think 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 Financials and Consumer Staples, 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.

Client Services

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