

UBS International Share Fund

February 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.

Active security positions

Overweight	Underweight
Ameriprise Financial	Apple Inc
Hess Corp	Nvidia
Ingersoll-Rand Inc	Tesla Inc
Spectris Plc	Alphabet Inc-Cl A
Mondelez International	Alphabet Inc-Cl C

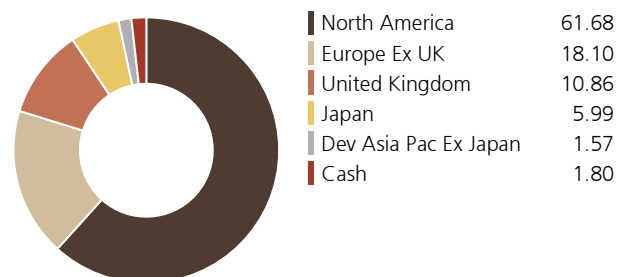
Active industry positions

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

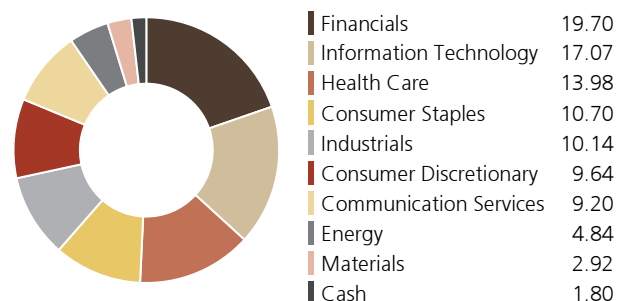
Fund information

Inception date	15 October 1992
Fund size	\$ 78.5m
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	1.12	0.58	1.51	9.80	9.95	6.93
Benchmark**	2.09	(0.65)	(0.48)	8.27	10.06	7.83
Added Value	(0.97)	1.23	1.99	1.53	(0.11)	(0.90)

* 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 February, the International Share Fund underperformed the benchmark.

Stock selection in Energy and Consumer Discretionary detracted the most, while stock selection in Health Care and Materials contributed positively. As it relates to country attribution, the US and Switzerland detracted, while on the other hand the UK and Ireland added value.

Largest stock contributors

- **Spectris** shares rose after reporting a 16% year-over-year increase in profit, strong full year sales growth and a record order book that has left investors feeling more confident about the 2023 outlook.
- Not owning **Alphabet** contributed positively to relative performance this month.
- **Regal Rexnord** shares trended higher post Q4 earnings release, as margin upside helped to offset lower sales growth for the year. We remain confident in RRX's organic portfolio enhancements and its ability to create meaningful value from its AIMC acquisition.
- **Cadence Design Systems** stock performed well this month on strong Q4 results, driven by outperformance in its hardware business, margin expansion, and secular tailwinds; and they had encouraging guidance for Q1 and FY23.
- **Ingersoll Rand** also outperformed the broader market as they delivered strong Q4 earnings, underpinned by a 5% sales beat and 15% EPS beat. The M&A pipeline remains 5x larger than 2020 and Ingersoll continues to demonstrate they can acquire business at attractive values and quickly improve them, leading to robust margin improvement.

Largest stock detractors

- Not owning **Apple** detracted from relative performance after reported earnings were much better than investors had feared.
- Not owning **NVIDIA** detracted from relative performance due to a strong quarterly earnings report and positive industry outlook from a competitor.
- **SLM** shares fell after Q4 earnings revealed a combination of elevated credit costs and seasonally lower loan originations. The 2021 vintage performance was worse than expected as it appears students who took loans during the pandemic tend not to pursue their studies and/or default more than in any other period. Management guidance indicated that near-term headwinds are manageable and that they expect to see an improved outlook going forward.
- **Hess** shares fell this month on declining oil prices.
- Not owning **Tesla** detracted from relative performance after shares rallied following positive reported earnings, posting record revenue.

Market review

After an upbeat start to the year, markets turned pessimistic again in February. The MSCI All Country World lost 2.9% over the month, after a total return of 7.2% in January – trimming the index's gain to 4.1% for 2023. The main concern was that stubbornly high US inflation and robust jobs data would force the Federal Reserve to raise rates higher than expected and keep monetary policy restrictive for longer. The month started with news that the US jobless rate in January had fallen to its lowest level since 1969, the year of the moon landing. Activity in the service sector - which has been the main driver of inflation in recent months - unexpectedly surged in January, based on the ISM nonmanufacturing survey. Finally, expectations for a swift and smooth decline in inflation were called into question. The core personal consumption expenditures price index, the Fed's favorite measure of inflation, showed prices excluding food and energy rising by 0.6% in January, up from 0.4% in December. Annual core inflation also accelerated to 4.7%, from an upwardly revised 4.6%, versus a consensus forecast of 4.3%. Meanwhile, the US fourth-quarter earnings season revealed a contraction in profits year-over-year, with much of the effect of last year's monetary tightening still to be felt. The potential for a steeper and longer rate cycle contributed to a 2.4% decline in the S&P 500 in February. It also boosted the US dollar, with the DXY index rising 3% to 104.4. That added to headwinds for emerging markets, reducing liquidity, and adding to the burden of dollar-denominated debt. The MSCI Emerging Market Index lost 6.5%, led by a 9.9% negative total return for MSCI China. This was despite further evidence that consumption in China is recovering faster than expected following the dismantling of pandemic restrictions.

Outlook

Looking ahead, we anticipate downside earnings risk will be a key focus for equity markets as stock correlations start to come down, and we are aiming to identify segments of the market where downside revisions are expected to moderate. We continue to focus on stock specific fundamentals, identifying companies with good earnings achievability in sight, despite macro uncertainty which looks set to persist.

Generally speaking, we believe that investors are not paid to take excessive factor risk in this environment, and we aim to construct a balanced portfolio that highlights idiosyncratic risk while muting common factor exposure. Currently, the portfolio's largest overweights are Financials, Consumer Staples, and Communication Services; and we are mostly underweight to Information Technology, Utilities, and Real Estate. Information Technology, 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/er/asset-management.html> or by calling (03) 9046 4041 or 1800 572 018.

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