

# UBS International Share Fund

May 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
Take Two Interactive Software	Apple Inc
Mondelez International	Nvidia
Spectris Plc	Alphabet Inc-Cl C
Ingersoll-Rand Inc	Meta Platforms Inc
Amazon.Com Inc	Tesla Inc

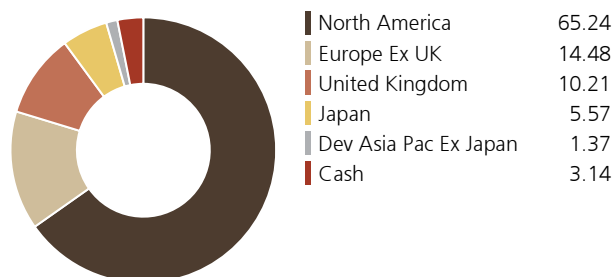
## Active industry positions

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

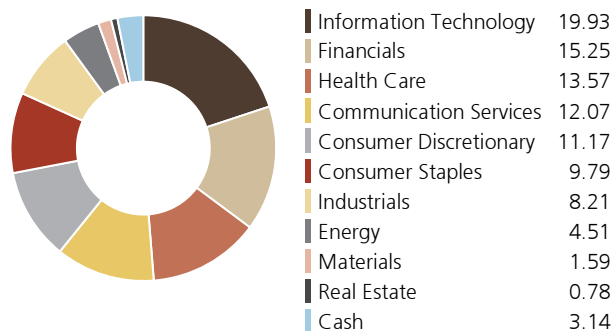
## Fund information

Inception date	15 October 1992
Fund size	\$ 79.2m
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 (%)



## Fund positioning (%)



## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.78	5.26	12.76	12.51	10.46	7.05
Benchmark**	1.18	8.43	13.37	11.90	11.28	8.05
<b>Added Value</b>	<b>(0.40)</b>	<b>(3.17)</b>	<b>(0.61)</b>	<b>0.61</b>	<b>(0.82)</b>	<b>(1.00)</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.

## Performance/attribution comments

In May, the International Share Fund underperformed the benchmark.

Our underweight to Information Technology and our overall positioning in Consumer Staples detracted the most, while stock selection in Communication Services and Industrials contributed positively. From a country perspective, the Netherlands and Ireland weighed on relative performance while the United States and Germany added value.

### Largest stock contributors

- **Take-Two Interactive** contributed to relative performance after shares surged following their Q4 earnings announcement; management expressed confidence in their pipeline, with 12 titles planned for fiscal 2024 and 36 in the following two years.
- **Amazon** shares gained on the back of better-than-expected results, and markets responded well to the potential for profit margin improvement from cost reductions within its retail operations, rapid growth in its advertising segment, and strategic investments in artificial intelligence and machine learning capabilities.
- Despite mixed quarterly results, **AMD** was the top positive contributor as shares rallied on optimism around the company's push into AI processors.
- **Netflix** shares traded up as the company announced their ad supported subscription tier attracted 5 million monthly active users.
- **Cadence Design Systems** shares rose after the company reported strong Q1 results with growth being driven by rising hardware demand. Investors remained confident that chip design activity is accelerating despite a semiconductor downcycle.

### Largest stock detractors

- Not owning **NVIDIA** was the main detractor as the stock price jumped on strong results and significantly higher guidance, where the CEO highlighted a surge in demand for AI processors.
- Not owning **Apple** also detracted as upside in iPhone demand and improving supply dynamics boosted their quarterly results.
- **Hess** underperformance was driven by falling oil prices.
- Not owning **Tesla** detracted from relative performance as shares performed well on the back of Elon Musk's recent meetings in China, a market that accounts for ~1/5 of sales; and additionally, Tesla's partnership with Ford for access to their EV chargers also boosted their share price.
- **OCI** shares trended lower on the back of declining commodity prices.

## Market review

Global markets wrestled with the dichotomies of continued strength in services versus weakness in factory activity, as well as receding US recession risk occurring alongside a loss of economic momentum in China. But the month of May was marked by the ascendance of stocks linked to artificial intelligence. Global equities posted modest declines amid major variation between regions, sectors, and factors, but remained near the top of their year-to-date range. Longer-term government bond yields rose in the US and UK, as relatively robust data in both countries prompted traders to price out central bank rate cuts and add additional hikes, respectively. Broad commodities declined for the sixth consecutive month, with the Bloomberg Commodity Index ending May at its lowest level since 2021.

## Outlook

Year-to-date we have seen limited breadth in equity markets with mega cap tech stocks driving the majority of market returns in 2023, and more recently in May with the AI rally. Against this backdrop, we remain disciplined in our price-to-intrinsic value investment philosophy, identifying companies that we believe are attractively valued. Our base case remains that this year the market will be driven by heightened earnings risk, where we are seeing volumes start to be pressured due to pricing, and as a result, margin compression. As such, we continue to be balanced in our positioning and focus on companies with strong cash flows, attractive valuations, and asymmetric risk/reward profiles - in particular, those that have the ability to reset their cost structures and deliver on earnings in what is likely to be a challenging economic environment. Currently, the portfolio's largest overweights are to Communication Services and Consumer Staples, while we are underweight to Information Technology and Utilities.

## Client Services

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