

UBS International Share Fund

October 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
Hess Corp	Apple Inc
Ameriprise Financial	Tesla Inc
Mondelez International	Alphabet Inc-Cl A
Oci Nv	Alphabet Inc-Cl C
Wells Fargo And Co	Exxon Mobil Corporation

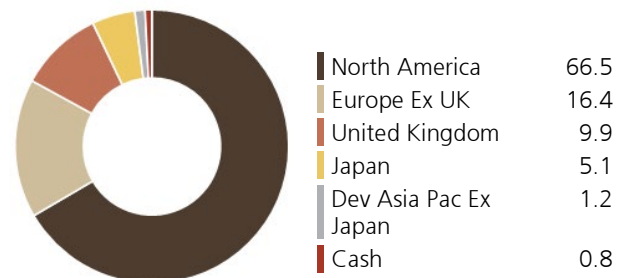
Active industry positions

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

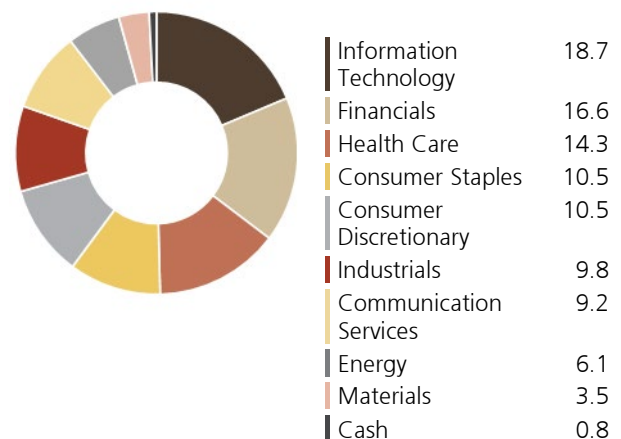
Fund information

Inception date	15 October 1992
Fund size	\$ 73.5 m
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 % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	8.76	2.48	(4.05)	9.25	9.97	6.89
Benchmark**	7.81	1.68	(4.33)	8.87	10.38	7.87
Added Value	0.95	0.80	0.28	0.38	(0.41)	(0.98)

**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 October, the International Share Fund outperformed the benchmark.

Positive stock selection in Communication Services and Consumer Discretionary added the most value, however stock selection in Health Care and Information Technology was the most negative. As it relates to attribution by countries, United States and Ireland were the top contributors to performance, while the Netherlands and Hong Kong detracted the most.

Largest stock contributors

- **Hess** and **APA Corporation** were the top contributors for the portfolio as shares rallied on the back of accommodative oil prices.
- **Ameriprise Financial** gained post 3Q22 earnings release, citing strong performance in Wealth Management and Retirement & Protection Solutions as the key contributors. The bank is a beneficiary of widening spreads and rising rates which continue to drive upside in margins.
- Not owning **Tesla** contributed positively to relative performance after the company posted disappointing Q3 results and weakness in deliveries this quarter.
- Not owning **Meta Platforms** contributed positively to relative performance as shares fell sharply on an operating profit miss, driven by higher opex. Broadly, investors are concerned about what appears to be an investment-heavy year ahead, in addition to their focus on the metaverse moving forward.

Largest stock detractors

- **Maravai LifeSciences Holdings** share price decreased as the co-founder announced it was stepping down as Chairman and for a new CEO to come – which was later caught up by a non-compete claim by his former employer. The 2023 outlook also disappointed investors.
- **Cadence Design Systems** shares fell amid concerns over US trade restrictions on Chinese companies and any further disruptions this will have on the semiconductor industry. However, Cadence reported strong quarterly results and indicated that any impact of its business from the recent changes in trade restrictions will be limited and manageable.
- **Koninklijke Philips** shares declined following the issuance of a profit warning mid-month as the company faces prolonged operational and supply challenges. We continue to closely monitor the evolution of the investment thesis since the product recall triggered a succession of disappointing announcements. We recently engaged with the newly appointed CEO to understand his approach and priorities.
- The Wall-Street Journal reporting of rumors of **Bio-Rad Laboratories** being in talks to acquire Qiagen for a \$10bn deal, which sent the share price plummeting.
- **AIA Group** underperformed as Covid lockdowns weighed on the stock.

Market review

Equities climbed in October, with global stocks gaining 6% following a negative return of 9.6% in September. The rise was mostly driven by an 8.1% return on the S&P 500. The momentum came partly from indications that Federal Reserve officials had started to discuss a potential pause in rates. Even so, investors were still expecting the central bank to raise rates by 75-basis points at its meeting on 2 November. Hopes of a Fed pivot helped improve sentiment globally, with the MSCI EMU returning 7.9%. The Swiss market was also positive, returning 4.8%. The mood in global equity markets was also improved by the UK government's decision to abandon plans for a large fiscal expansion, which had heightened concerns over financial stability. The main exception to the positive trend in global stocks was China, with MCSI index falling 16.4%. This followed the outcome of the 20th Party Congress, which failed to produce indications that the government is willing to temper its zero-COVID policy. The gathering also consolidated the authority of President Xi, raising concerns about the increased potential for policy errors.

Outlook

The level of uncertainty about the outlook for the global economy remains elevated as markets grapple with inflationary pressures and tightening monetary policy. Broader macro concerns and factor rotations have been overwhelming stock specific fundamentals this year – a challenging environment for stock pickers. However, it is our view that markets are forward-looking and as a result, we continue to construct a balanced portfolio which takes advantage of opportunities to invest in attractively valued businesses that have sold off amid this price volatility. Ultimately, we are long term investors and are seeking to position the portfolio to gain some uplift when we start to see a recovery in earnings and the economy. Currently, our largest sector overweights are to Consumer Staples and Financials, while we are underweight Utilities and Information Technology.

Over the span of this year we gradually reduced our risk budget and while there are no shortage of risks in the market currently, we remain tactical in this environment by focusing on areas of the market with attractive long term value - and as such, avoid companies with unattractive risk/reward profiles. Overall, we maintain our price discipline and through our intrinsic value approach, underweight stocks trading at elevated multiples.

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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