

# UBS International Share Fund

May 2024

## 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.

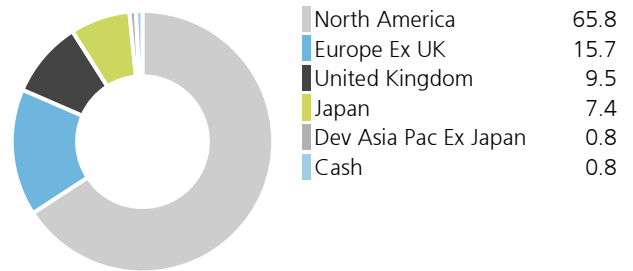
## Investment objective

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

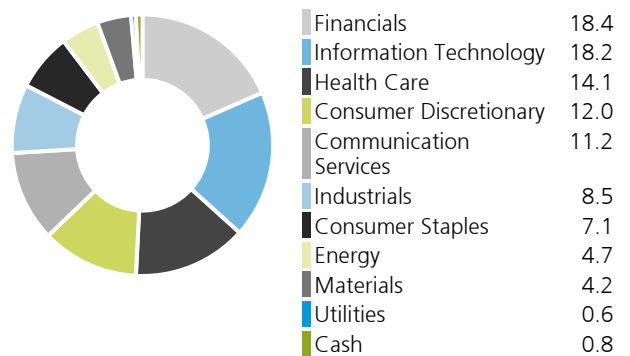
## Fund information

|                            |                  |
|----------------------------|------------------|
| Inception date             | 15 October 1992  |
| Fund size                  | \$ 73.7m         |
| 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 Softwre | Apple Inc          |
| Fidelity National Info Serv  | Nvidia Corp        |
| Aib Group Plc                | Microsoft Corp.    |
| Servicenow Inc               | Meta Platforms Inc |
| Koninklijke Philips Nv       | Alphabet Inc-CI C  |

## Active industry positions

| Overweight                       | Underweight                                  |
|----------------------------------|--|
| Media & Entertainment            | Capital Goods                                |
| Banks                            | Semiconductors & Semiconductor Equipment     |
| Health Care Equipment & Services | Technology Hardware & Equipment              |
| Transportation                   | Utilities                                    |
| Consumer Durables & Apparel      | Equity Real Estate Investment Trusts (Reits) |

## Investment performance

| Fund               | 1 month<br>%  | 3 months<br>% | 1 year<br>%   | 2 years<br>% pa | 3 years<br>% pa | 5 years<br>% pa | Since inception*<br>% pa |
|--------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|--------------------------|
| Total return       | 1.01          | 0.82          | 16.62         | 14.65           | 9.85            | 12.45           | 7.34                     |
| Benchmark**        | 2.02          | 1.67          | 21.70         | 17.44           | 12.29           | 13.79           | 8.46                     |
| <b>Added Value</b> | <b>(1.01)</b> | <b>(0.85)</b> | <b>(5.08)</b> | <b>(2.79)</b>   | <b>(2.44)</b>   | <b>(1.34)</b>   | <b>(1.12)</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.

Stock selection in Information Technology and Consumer staples detracted, while positive stock selection in Health Care and Consumer Discretionary added value. In terms of country attribution, Ireland and Switzerland contributed positively to relative performance while the US and Japan detracted.

## Largest stock contributors

- **Moderna** shares rose after positive Q1 results, with both earnings and revenue exceeding estimates. Performance driven by receiving FDA approval for RSV Vaccine, Mresvia, and Moderna expecting to have vaccine available in the US by 2024/2025 virus season.
- **Take-Two Interactive** shares performed well after their Q4 print, with an adjusted EPS beat and revenue exceeding estimates at \$1.4bn.
- **Fidelity National Info** shares jumped on positive Q1 results, aided by resilient consumer spending driven by rising wages and tight labour market in the US. The company's adjusted net income from continuing operations (excluding Worldpay merchant solutions business), rose 49% to \$635 million for the quarter.
- **International Flavors** shares rose on positive Q1 results on the back of strong consumer demand for high end food ingredients, as well as the completion of the company's divestment from their pharmaceutical, Savory Solutions and cosmetic ingredients businesses.
- **Alcon** shares rose on solid margin outperformance in first quarter earnings, driven by a material inflection in Vision Care; Contact Lenses continued to see record sales, driven by product innovation, while the portfolio of eye drops benefitted the Ocular Health segment.

## Largest stock detractors

- Not owning **NVIDIA** detracted from relative performance as shares rallied on strong revenue, bullish forward guidance in its quarterly results and a liquidity-raising 10-for-1 stock split. Data center revenue was up 427% year on year, driven by strong demand for current generation Hopper GPUs, while shipments of the new Blackwell chip are expected to start this quarter and contribute to further growth.
- Not owning **Apple** contributed negatively to relative performance after the company delivered strong Q1 results, achieving revenue records across more than two dozen countries and regions, with strong double-digit growth in emerging markets.
- **Estee Lauder** shares fell on news that forecast annual organic sales would fall to 2% following continued weakness in Chinese consumer consumption on premium products.
- **ServiceNow** shares declined following lower than expected financial results for Q1 amongst software stocks, driven by high cost input to generative AI impacting gross margins.
- **Regal Rexnord** shares were weighed as the company lowered their full year revenue guidance, mainly in the Power Efficiency Solutions. Weak demand was noted in residential HVAC and factory automation markets; however, this was guided to improve in the second half of the year.

## Market review

Macro data published in May generally supported the outlook for a US soft landing and has lifted both global stocks and US bonds. For the first time, the Dow Jones topped 40'000 and S&P 500 topped 5'300, though both experienced some softening afterwards. European equities lagged this month despite further improvement in growth data, as the dominant US Tech sector saw stellar performance of roughly 10% in May. Chinese stocks outperformed significantly in the first half of the month as newly announced government measures to support the property sector lifted sentiment; but doubts about the sufficiency of these measures to improve the growth outlook caused a pullback later in May. US 10-year Treasury yields ended the month 18bps lower, but government bonds in Europe and Japan weakened in May. US credit spreads remained relatively stable around historically tight levels.

## Outlook

Coming into 2024, our base case was that we would witness a broadening out in market returns as inflation slows and we approach the end of the rate hiking cycle. While Q1 of this year saw a retreat to much of the narrow leadership witnessed in 2024, we have since seen early signs of a broadening out of equity markets which we expect to persist through this year. In particular, we believe the portfolio is well positioned to benefit from a reversal in earnings momentum as we see an acceleration in 2025 earnings growth and positive earnings revisions in areas of the market that have lagged in 2023 and year-to-date 2024. In this environment, we continue to focus on earnings achievability and a margin of safety across our holdings and aim to build a portfolio where we believe there is asymmetric risk/reward.

Currently, our largest overweights are to Communication Services and Financials and we are underweight to Information Technology and Financials.

## Client Services

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