UBS International Bond Fund

May 2024

Fund description

The Fund is an actively managed and globally diversified portfolio of largely investment grade fixed income securities.

Target market

The Target Market Determination (TMD) for the 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. To access to the TMD and other Fund documentation visit our website.

Investment strategy

The Fund is actively managed, based on fundamental research that draws upon the investment insights of our fixed income teams. The approach employs both "top-down" research and "bottom-up" research in respect of particular securities, including analysis of earnings and cash flow stability, balance sheet strength, industry and valuation. The Fund actively allocates across sectors and regions in seeking to maximize returns, while minimising risk.

Investment objective

The Fund aims to outperform (after management costs) the Bloomberg Barclays Global Aggregate Index ($A hedged) over rolling three year periods.

Key statistics

	Fund	Benchmark[1]
Modified duration (yrs)	6.01	6.47
Spread duration[2] (yrs)	3.76	4.00
Weighted avg maturity (yrs)	7.91	8.32
Average credit quality	A1	A1
Yield to maturity[3] (%)	4.31	3.96

[1] Benchmark statistics do not reflect month end rebalancing for new issues and reinvestment of coupons.
[2] Option adjusted spread duration ex Treasury.
[3] Yield to maturity (YTM) is not a distributed yield nor reflects anticipated income to be earned by the fund. It may include the effect of some derivatives, including swaps and FX forwards, which can form a significant part of the investment strategy but do not pay a regular income. It is in the base currency of the master fund and not specific to a share class.

Fund information

Inception date	22 September 1993
Fund size	$ 188.7m
Management fee	0.49% pa
Minimum initial investment	$ 50,000
Distribution frequency	Quarterly
Buy/sell spread	+0.15% / -0.15%
Currency management	Hedged to AUD
APIR code	SBC0819AU

Credit quality (%)

AAA	11.4
AA	30.1
A	25.5
BBB	22.0
BB or lower	3.7
Cash and other	7.3

Note: Credit ratings for physical holdings only, 'cash and other' includes the effect of derivatives.

Fund positioning – modified duration contribution (yrs)

By sector	Fund	Benchmark
Government nominal[4]	2.89	3.84
Government inflation-linked	0.12	0.00
Government related	0.64	0.76
Corporates	1.67	1.09
Financials	0.65	0.34
Industrial	0.85	0.63
Utility	0.18	0.12
Securitised	0.69	0.78

By country	Fund	Benchmark
USA	2.84	2.71
Japan	0.28	0.86
Euro area	1.68	1.42
UK	0.38	0.32
Australia	0.06	0.07
Canada	0.10	0.19
New Zealand	0.20	0.01
China	0.37	0.57
Other	0.09	0.32

[4] Includes derivatives

Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.94	(0.14)	1.36	(0.76)	(3.22)	(0.75)	5.06
Benchmark**	0.77	(0.14)	1.71	(0.48)	(2.83)	(0.59)	6.06
Added Value	**0.17**	**0.00**	**(0.35)**	**(0.28)**	**(0.39)**	**(0.16)**	**(1.00)**

* Inception date: 22 September 1993.
** Bloomberg Barclays Global Aggregate Index ($A hedged). From Fund inception to 31 May 2001 Benchmark was Salomon Smith Barney World Government Bond Index ex-Australia ($A hedged). Effective 1 June 2001 Benchmark changed to the Bloomberg Barclays Global Aggregate Index ($A hedged).
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

Global Fixed Income markets had a positive month of May as macro data supported the US soft-landing narrative. April US Consumer Price Index (CPI) data moderated to a monthly 0.3% after holding steady at 0.4% in recent months. Hopes of a soft economic landing in the US were also lifted by data on economic growth, service sector activity, retail sales, and employment. US government bond markets ended the month tighter with 5-year and the 10-year yields declining by 21 and 18 basis points, respectively. Rates markets in Europe also followed a similar pattern but with a slight twist. 10-year German Bunds were wider by 8 basis points on the back of an improving growth outlook while 10-year UK Gilts were tighter by 3 basis points given the lowe r inflation print. On the credit side, US and European high-grade and high yield all generated positive returns with US investment grade and European high yield outperforming. Within emerging markets, spread return for both, sovereigns and corporates, continues to be the dominant driver of year-to-date total returns with the outperformance most notable in high yield rated sovereigns.

Within duration management, underweight positioning in Japan and overweight positioning in the US contributed positively to performance. In corporate credit, overweight positioning across financial corporates was a positive contributor.

Outlook

After the sharp rally in late 2023, yields have reversed higher year-to-date, especially following slower-than-expected progress on disinflation, particularly in the US. We are still leaning towards bullish a duration view as we continue to expect policy rate cuts to materialise this year. Additionally, we see a high probability that monetary tightening cycle will become a major drag on growth as households and corporates have to roll their mortgage and debt into new debt at much higher interest rates. We believe risk reward for fixed income has shifted in a more positive direction outside of Japan as real bond yields have risen to sufficiently high level with prospect for rate cuts.

We continue to believe corporate bonds are attractive from both an income/carry, and total return perspective. We have a neutral position in the front-end of the credit curve, and are overweight the intermediate part of the credit curve, (5-10 years). Overall, corporate fundamentals remain stable as low unemployment and strong wages have offset tightening financial conditions.

Client Services **www.ubs.com/am-australia**

Telephone: +612 9324 3034 Freecall: 1800 075 218 Email: clientservices-ubsam@ubs.com

UBS