UBS International Bond Fund

March 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

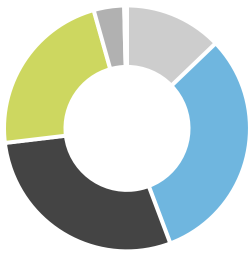
	Fund	Benchmark[1]
Modified duration (yrs)	6.67	6.56
Spread duration[2] (yrs)	4.22	4.01
Weighted avg maturity (yrs)	8.78	8.37
Average credit quality	A2	A1
Yield to maturity[3] (%)	4.22	3.73

[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	$ 201.0m
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	12.9
AA	31.7
A	29.1
BBB	22.7
BB or lower	4.0
Cash and other	-0.4

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]	3.10	3.93
Government inflation-linked	0.19	0.00
Government related	0.74	0.75
Corporates	1.88	1.10
Financials	0.76	0.34
Industrial	0.91	0.65
Utility	0.21	0.12
Securitised	0.76	0.78

By country	Fund	Benchmark
USA	3.42	2.72
Japan	0.34	0.93
Euro area	1.63	1.43
UK	0.38	0.33
Australia	0.06	0.08
Canada	0.12	0.19
New Zealand	0.19	0.01
China	0.43	0.55
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	0.93	(0.36)	2.08	(1.87)	(2.65)	(0.28)	5.12
Benchmark**	0.81	(0.31)	2.53	(1.55)	(2.38)	(0.13)	6.12
Added Value	**0.12**	**(0.05)**	**(0.45)**	**(0.32)**	**(0.27)**	**(0.15)**	**(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

In March, global Fixed Income markets saw their first positive monthly return in 2024 as major central banks are now pivoting toward rate cuts while still examining the right timing as the Fed, ECB and BoE all kept rates unchanged over the month. In the US, investors gained more confidence that the US policy rate has passed its peak and rate cuts could be seen this year. Yet, markets also continued to slightly trim back the excessive expectation on the timing and scale of rate cuts over the month. US government bond markets were tighter as the 5-year and the 10-year yield declined 3bps and 5bps respectively over the month. Rates markets in Europe also followed a similar pattern with the German Bund 10-year and UK Gilts 10-year yields falling 11bps and 19bps respectively. On the credit side, investment grade credits in the US and Europe outperformed their high yield counterparts. While spreads in the US high yield space tightened and delivered positive total return, spreads in the European high yield bond market widened and resulted in lower positive total return over the month.

Overweight duration in New Zealand and Eurozone contributed to benchmark relative performance. In corporate credit exposure to USD financials was also a contributor as spreads grinded tighter.

Outlook

After the sharp rally in November and December, it is natural for yield to back up slightly at the beginning of 2024 especially after the US reported a strong Q4 growth and payroll employment growth across Q1. We are still leaning towards bullish duration view as we see a high probability that monetary tightening cycle will become a major drag on growth as households and corporate 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. Overall, corporate fundamentals remain stable as low unemployment and strong wages have offset tightening financial conditions.

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