

UBS European Opportunity

Manager Commentary

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Name of fund

UBS (Lux) Equity Fund - European Opportunity (EUR)

ISIN

LU0964806797

Share class

UBS (Lux) Equity Fund - European Opportunity (EUR) (USD hedged)
P-acc

Reference Index

No representative reference index is available¹

¹ For relative performance comparisons between fund and reference index please refer to the respective base currency share class of this fund.

Past performance is not a reliable indicator of future results.

Performance in % (net of fees)¹

in %	2015	2016	2017	2018	2019 YTD ²	May 2019	5 years Ø p.a. 5 years
Fund (USD)	15.29	-6.48	9.82	-3.27	13.01	-3.11	31.21

The performance shown does not take account of any commissions, entry or exit charges.

¹ These figures refer to the past. Source for all data and charts (if not indicated otherwise): UBS Asset Management

² YTD: year-to-date (since beginning of the year)

Risks

UBS Opportunity Equity Funds invest in equities and may therefore be subject to high fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. As these UBS Funds pursue an active management style, each Fund's performance can deviate substantially from that of its reference index. All investments are subject to market fluctuations. Every Fund has specific risks, which can significantly increase under unusual market conditions. The fund can use derivatives, which may result in additional risks (particularly counterparty risk).

Portfolio manager summary & review (May 2019)

- Performance was negative in May amid a declining market.
- The majority of the sectors contributed positively to performance. In consumer staples, we benefited from our holdings in heavyweights Nestlé and Reckitt Benckiser, followed closely by the materials sector. The industrials sector was the largest detractor as positive sector allocation was outweighed by stock selection effects.
- During the month, we sold out of a plumbing and heating company and reinvested the proceeds into Schneider Electric in search of better risk/reward. Industrials remained our least preferred sector. We maintained our preference for IT stocks, where we trimmed our position in Amadeus IT, taking profits.

European equity markets fell in May, the first month of decline this year amid a volatile backdrop that saw large intra-month moves. The US-China trade dispute continued to weigh on sentiment and shifted to the tech sector after the US banned companies from doing business with China's Huawei.

All major sectors posted losses, but the flight to safety resulted in defensives faring better than cyclicals. Sectors such as utilities, healthcare and consumer staples led performance while consumer discretionary, financials and materials were the worst performing sectors.

Portfolio manager outlook (May 2019)

Looking ahead to the rest of 2019, the overall economic picture is less clear. We believe growth will continue to slow down, but there are no signs of a recession based on hard data. We expect earnings to grow in the low to mid-single digits this year. Following the multiple sharp contractions in 2018, current levels of below-average multiples should hold and stabilise. Furthermore, we expect greater volatility levels to persist on the markets.

We see reasonably priced growth opportunities mainly in the IT sector, where software and services companies are benefiting from strong structural growth trends and cash flow generation. We seek stable dividend payers in the insurance and healthcare sectors, while we see downside risk in capital goods and materials, where valuations appear stretched and the outlook is uncertain.

For more information

UBS Fund Infoline: 0800 899 899

Internet: www.ubs.com/funds

Contact your client advisor

Portfolio management representatives

Maximilian Anderl

Jeremy Leung

UBS European Opportunity

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