Key notes

Right click during playback to select 'Full screen'- View video online: http://core.asset.tv/player?siteid=286&videoid=6939

Grant Bughman, client portfolio manager, UBS US Growth Fund

Fund has just reached three year anniversary

- Three years to 10 November 2011 Fund up 64.5%, against sector average rise of 36.5%[1]
- Based on a strategy that has run since 2000, outperforming in both rising and falling markets
- Portfolio invests in US stocks with $2.5bn market cap and above
- Look for stocks that can outperform the market over a full market cycle
- A strong core holding: the Fund has beaten both Russell 1000 Growth benchmark and the S&P 500 since launch[2]
- Portfolio typically has 45 stocks

Portfolio is built from the bottom up

- Team looks for stocks with growing market share or improving pricing power
- It focuses on stocks with high ROIC (Return On Invested Capital
- Particular focus on business models that have sustainable growth trends over the long-term
- Team diversifies across three different types of business
    - ◊ 'Classic' growth – market fluctuations create opportunities to purchase great businesses at attractive prices
    - ◊ 'Elite' growth – hyper growth phase can often lead to mispricing by the market
    - ◊ 'Cyclical' growth stocks - pricing anomalies occur when expected future value exceeds current market prices

Identifying and controlling risk – identifying stock risk is the key

- UBS examine worst case scenarios for its stocks, not just the upside
- A big focus is placed on having a disciplined sell process
- Risk is primarily examined at the stock level but the process also takes into account the macroeconomic environment
- Diversification across three separate types of growth stock groups to reduce volatility
- Relative to benchmark, Fund can have 15% over/underweight at sector and typically 5% over/underweight at stock level

Fund has a dedicated team of nine investment professionals on it, based in New York

- Fund is headed by lead portfolio manager Lawrence Kemp, supported by Grant Bughman and seven analysts
- Team operates as US Growth specialist boutique but able to draw on broader resources available at UBS

Fund has been actively managing its weights across the three different types of growth stock

- Currently has 48% exposure to 'elite' growth – particular focus on IT and consumer discretionary sectors[3]
- 43% exposure to 'classic' growth stocks[3]
- In last two months, the Fund has almost doubled exposure to cyclical growth stocks (now 9%), with particular focus on energy and materials stocks[3]
- Corporate America appears to have weathered the tough economic backdrop better than initially expected

A growth strategy makes sense in the current low growth economy

- Growth benchmark has low exposure to financials: a sector with no shortage of headwinds
- In an environment of low economic growth, investors are looking for stocks with sustainable earnings growth potential
- The US remains the world's largest economy: it has an entrepreneurial market and is global in outlook; therefore having exposure to growth within Asia and Emerging Markets
- For investors looking to invest in a US equity fund that is: mindful of risk, with the ability to outperform in both rising and falling markets, then the UBS Growth Fund is worth further attention and consideration

[1] Sector is (IMA) North America
[2] Fund launched 10 November 2008
[3] As at 31 October 2011

STANDARD & POOR'S AA FUND MANAGEMENT RATING

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