

# UBS Tactical Beta Fund – Growth

February 2022

## Fund description

The Fund is a diversified Australian and global portfolio with the long term neutral (or average) exposure to income and growth assets expected to be 30% / 70% respectively of the total portfolio.

## 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

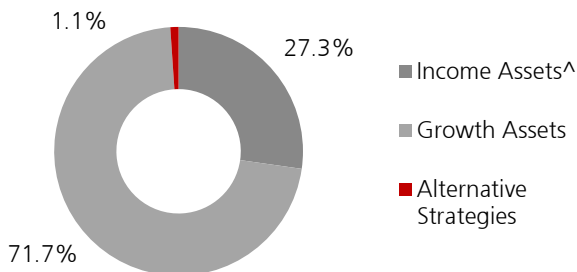
The Fund comprises a diversified portfolio of income and growth assets predominantly using passive funds, exchange traded funds (ETFs), direct securities, cash, cash equivalents and derivatives. The Fund tactically allocates between asset classes and currencies based on their relative value, in light of the overall risk and return of the portfolio. The Fund is not permitted to use leverage to amplify the exposure of the Fund to an investment.

## Investment return objective

The Fund aims to outperform (after management costs) the Benchmark (see investment guidelines) over rolling five year periods.

## Key statistics

Tactical asset allocations



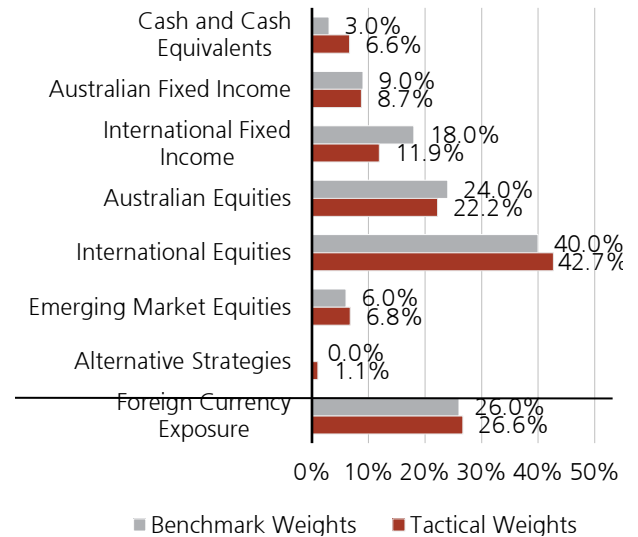
<sup>^</sup> includes cash

## Fund information

Inception date	14 May 2012
Fund size	\$ 72.0 m
Management fee	0.29% pa
Indirect costs	0.04% pa <sup>1</sup>
Minimum initial investment	\$50,000
Distributions	Quarterly
Buy/sell spread <sup>2</sup>	+ 0.09% / - 0.09%

<sup>1</sup> Estimate of the fees the Fund will incur through the Fund's investment in underlying funds. These fees and expenses will vary from time to time.

## Fund tactical and strategic allocations<sup>2</sup>



<sup>2</sup> Asset allocation includes derivatives used to hedge market exposures.

## Investment performance

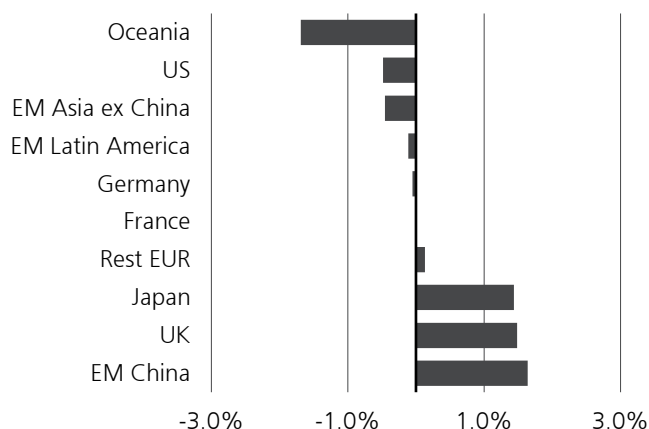
Fund	1 month	3 months	1 year	3 years	5 years	Since inception*
	%	%	%	% pa	% pa	% pa
Total return	(1.95)	(3.30)	6.33	7.06	6.82	8.27
Benchmark**	(1.82)	(3.51)	7.77	8.27	7.75	9.19
<b>Added Value</b>	<b>(0.13)</b>	<b>0.21</b>	<b>(1.44)</b>	<b>(1.21)</b>	<b>(0.93)</b>	<b>(0.92)</b>

\*Inception date: 14 May 2012. \*\*Neutral Allocation (refer to PDS).

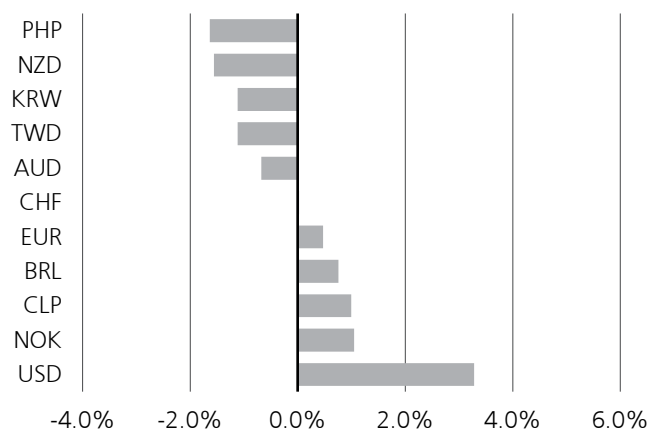
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns.

## Active portfolio positioning

### Equities (%)



### Foreign currency (%)



## Market review

Global equities fell for a second straight month in February, as the conflict in Ukraine added to worries about the outlook for growth, inflation, and central bank policy. Government bond yields rose in the first half of the month as investors priced in a more hawkish central bank policy stance in response to elevated inflation. But yields declined in the latter half of the month and credit spreads also widened as investors' focus shifted to Russia/Ukraine tension which promoted a risk-off move.

Locally, Australian equities posted a positive return in February and outperformed global equities over a risk off month. The rise in Australian government bond yields was much larger in magnitude as compared to US treasury yields. Australian dollar depreciated against the US dollar over the month.

February witnessed another boost to commodity prices amid the backdrop of rising interest rates, weaker equity markets, and mounting geopolitical risks.

## Performance review

After fees and expenses, the portfolio return of -1.95% (gross of fees return of -1.92%) in February underperformed the benchmark return of -1.82% by 13bps. At the end of February, the Fund's equity weight was 1.7% overweight relative to the benchmark as we reduced our directional equity risk and made various tactical adjustments to our relative value trades over the month. We retained our overweight positions in the UK and Japan equities, as well as an underweight to Australia. We reduced our underweight to EM equities at the start of the month which was funded out of US and Japanese equities. We closed our overweight to European equities in favor of US and China H equities at the end of the month. We maintained our relative value trades such as long European banks versus European equities and US equal weight versus US equities. We also retained our sector equity preferences for global financial, healthcare and energy equities, as well as our long position in commodities.

Duration remained short relative to the benchmark. We maintained our underweight to Europe, UK and Japan. We also kept our neutral stance on US duration while we sold Australian duration from overweight back to neutral early in the month and took partial profit on our short UK duration position. We continued to maintain a small overweight to Asia high yield hard currency.

Foreign currency exposure was at 26.6% with key underweights in PHP, NZD, TWD and KRW and AUD and overweight in USD, NOK, CLP, BRL and EUR. Our overweight to CLP was added early in the month, funded out of AUD, while after reducing our USD overweight early in the month in preference for EUR, we finished February less overweight European FX by reducing EUR and closing our PLN overweight in favour of USD.

### Asset allocation and security selection

Asset Allocation decisions marginally detracted from relative performance in February. Our directional overweight to equities which we reduced over the month detracted amid the risk-off market over the month. From a relative value equity perspective, key positive contributions came from our sector overweight to energy, healthcare, and financials equities, which was partially offset by our overweight to EMU banks. Our regional overweight to Japan equities contributed positively to performance this month followed by US equal vs US equity which was also additive. This was partially offset by our overweight to European equities and underweight to Australian equities.

Short duration positioning made a strong positive contribution as developed government bond yields generally rose over the month which was partially offset by our overweight to Asia high yield which detracted from performance. Our overweight to commodities also made a positive contribution driven by the pickup in commodity prices over the month.

Active currency trades in aggregate detracted this month. Contributors to performance this month were overweight to BRL followed by overweight to NOK, CLP and underweights to PHP, TWD and KRW. This was more than offset by detractions from our overweight to EUR, PLN and underweights to AUD and NZD

### Outlook

We changed our outlook for stocks over the next 12 months to neutral. The economic recovery is likely to continue in 2022 on the back of strong starting points for consumer and business balance sheets, still accommodative financial conditions, and improving public health outcomes. The direct impacts from Russia's invasion of Ukraine on economic activity are manageable at the macro level but may keep the equity risk premium relatively elevated.

Long-term bond yields are slated to continue trending higher as the above-trend growth outlook stays largely intact, inflationary pressures linger with risks tilted to the upside, and most global central banks withdraw monetary stimulus. We expect rises in real rates to be the key contributor to higher long-term yields, even after their recent surge. Global yields have increased even as risks to activity from Omicron have flared, a sign that central bank policy is a more important driver. Sovereign fixed income remains as an important diversifier in portfolios and effective in hedging downside in procyclical relative value equity positions.

### Client Services

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