

# UBS Defensive Investment Fund

December 2020

## Fund description

The Fund is a diversified portfolio of growth and income assets, with a long term neutral (or average) exposure expected to be around 30% and 60% respectively of the total portfolio. The remaining 10% is expected to be allocated to various alternative asset strategies, which are likely to provide a combination of both income and growth potential.

## Investment strategy

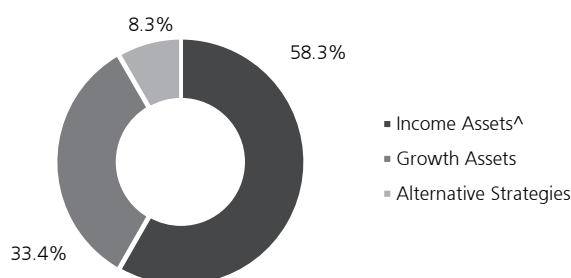
Our portfolio management team will build a diversified portfolio by allocating to differing asset classes anywhere within the allowable ranges by normally investing in other UBS managed funds, third party funds and through a range of instruments.

## Investment return objective

The Fund aims to outperform (after management costs) the Benchmark over rolling five year periods. The Benchmark is based on the return on the market indices based on the Neutral Allocation of assets (refer to the individual asset class benchmark weights opposite in the 'Fund tactical and strategic allocations' graph).

## Growth income asset split strategy

Tactical asset allocations



<sup>^</sup> Includes cash

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.41	4.75	2.79	3.97	4.24	6.86
Benchmark**	0.23	3.55	4.29	5.69	5.79	7.25
<b>Added Value</b>	<b>0.18</b>	<b>1.20</b>	<b>(1.50)</b>	<b>(1.72)</b>	<b>(1.55)</b>	<b>(0.39)</b>

\*Inception date: 15 June 1992. \*\*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.

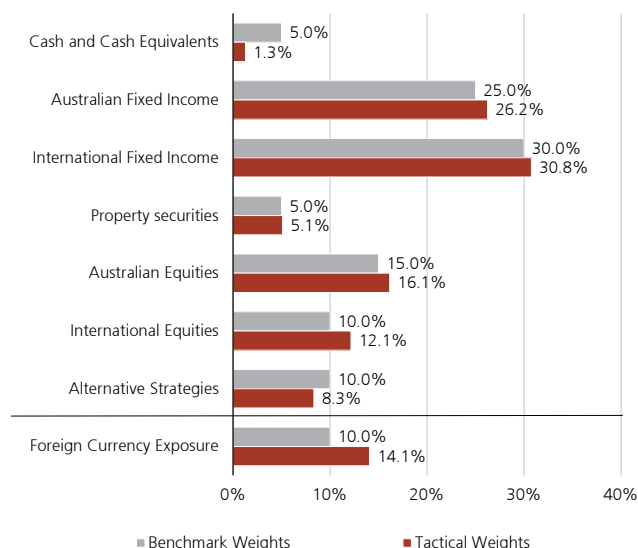
## Fund information

Inception date	15 June 1992
Fund size	\$128.4 m
Management fee	0.85% pa
Indirect costs	0.03% pa <sup>1</sup>
Minimum initial investment	\$10,000 (via online application \$5,000)
Distributions	Quarterly
Buy/sell spread <sup>2</sup> effective 29/06/20	+ 0.15% / - 0.15%
APIR code	SBC0814AU

<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.

<sup>2</sup> Due to increased volatility in the markets resulting from COVID-19, the buy/sell spreads for certain funds may have varied. For more information, please download our latest Buy/sell spreads from our [website](#).

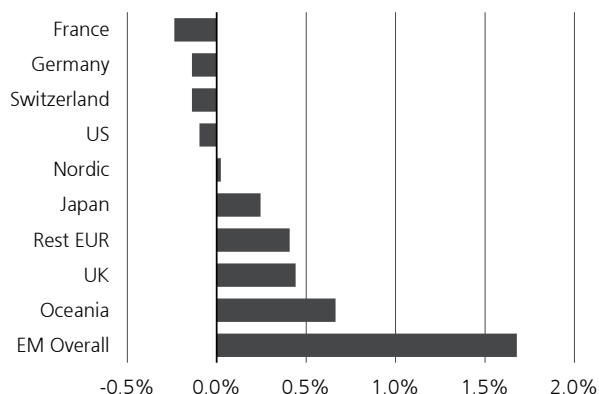
## Fund tactical and strategic allocations<sup>3</sup>



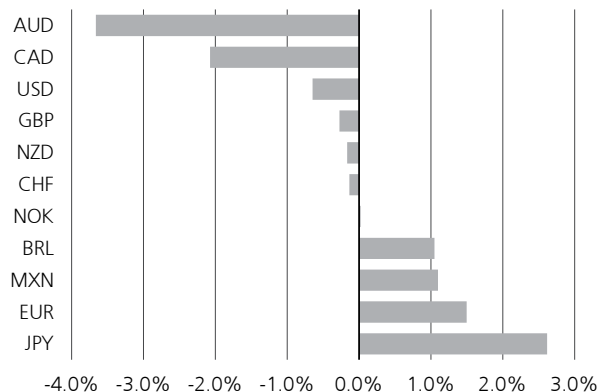
<sup>3</sup> Asset allocation includes derivatives used to hedge market exposures.

## Active portfolio positioning

### Equities (%)



### Foreign currency (%)



### Performance review

After fees and expenses, the portfolio increased by 0.41% over the month, outperforming its benchmark return by 18bps.

At the end of December, the Fund's equity weight was 3.3% overweight relative to the benchmark with a preference to be overweight emerging market versus developed market equities. We also hold a preference to value-oriented relative to growth-oriented equities and preference for US small caps over US large caps.

Tactical fixed income strategies included an overweight to emerging market hard currency debt and an overweight in US 2 year vs. US 10 year Treasury yields. Duration remained broadly in line with the benchmark with nominal yields are anchored at low levels. Foreign currency exposure was at 14.1% with key underweights in USD, CAD and AUD and overweights in JPY, EUR, BRL and MXN.

### Asset Allocation and security selection

Asset Allocation decisions in equity and fixed income contributed positively this month while active currency positions had a mixed month. Overweight to EM (versus DM) and US small cap (versus US large cap) made strong positive contributions as emerging markets and small caps led the rally over a risk-on month. Treasury bond yields nudged higher over the month and our positioning in duration did not make a significant impact this month. Credit spreads continued to narrow which meant our overweight to EM hard currency debt performed well. Our active currency positions had a mixed month. Key detractors this month was underweight to AUD and CAD.

This was partially offset by overweight to BRL, MXN and JPY which contributed positively. We closed our overweight to GBP toward the latter half of the month due to uncertainties facing the Brexit outcome at the time.

Security selection made a negative contribution this month. This was mainly driven by detraction from Australian Share and Emerging Market Equity Funds which underperformed their respective benchmarks this month. This was partially offset by the International Share Fund which outperformed its benchmark. Diversified Fixed Income Fund marginally outperformed its benchmarks in December. Allocation to alternatives made a positive contribution to performance this month.

### Outlook

Our outlook for global equities over the next 12 months remains positive. The economic recovery is likely to continue this year on the back of additional global fiscal stimulus and still accommodative financial conditions. The global economic recovery to date has been stronger than expected, which we believe is not fully reflected in the performance of more economically sensitive segments of the equity market. We remain focused on relative value opportunities that offer attractively priced exposure to the turn in global growth. Outlook for global duration remains negative. Nonetheless, sovereign fixed income continues to play an important role in portfolio construction. The long end of the sovereign curves can serve as release valves for any signs of economic optimism as central banks commit to keep policy rates lower for longer remains credible.

## Client Services

Telephone: (03) 9046 4041    Freecall: 1800 572 018    Email: [ubs@unitregistry.com.au](mailto:ubs@unitregistry.com.au)    [www.ubs.com/am-australia](http://www.ubs.com/am-australia)

Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer of the Fund. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund are contained in the Product Disclosure Statement dated 30 November 2020. The PDS is available from our website [www.ubs.com/am-am-pds](http://www.ubs.com/am-am-pds) or by calling (03) 9046 4041.

The PDS for this fund is only available to persons receiving the PDS (electronically or otherwise) while physically in Australia, unless expressly authorised by us in writing. The offer does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This Fund (or the PDS) has not been registered under the laws of any jurisdiction outside Australia. The Fund may not be offered or sold in the United States of America or to 'U.S. Persons' (as defined in 'Regulation S' of the Securities Act of 1933, as amended).

This document may not be reproduced or copies circulated without prior authority from UBS Asset Management (Australia) Ltd.

