

UBS Tactical Beta Fund – Balanced

July 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 50% / 50% 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

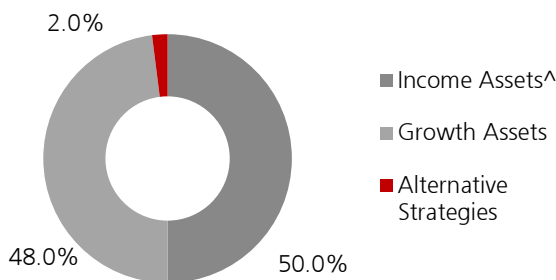
The Fund comprises a diversified portfolio of income and growth assets predominantly using index funds, exchange traded funds (ETFs), direct securities, cash, cash equivalents and derivatives. The Fund tactically allocates between asset classes and currencies based on their relative value, whilst managing 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



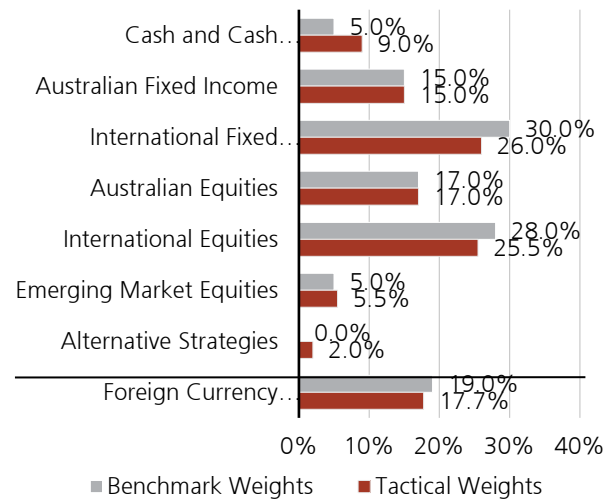
[^] includes cash

Fund information

Inception date	12 October 2012
Fund size	\$ 44.5 m
Management fee	0.29% pa
Indirect costs	0.07% pa ¹
Minimum initial investment	\$50,000
Distributions	Quarterly
Buy/sell spread	+ 0.10% / - 0.10%

¹ 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 allocations²



² Asset allocation includes derivatives used to hedge market exposures.

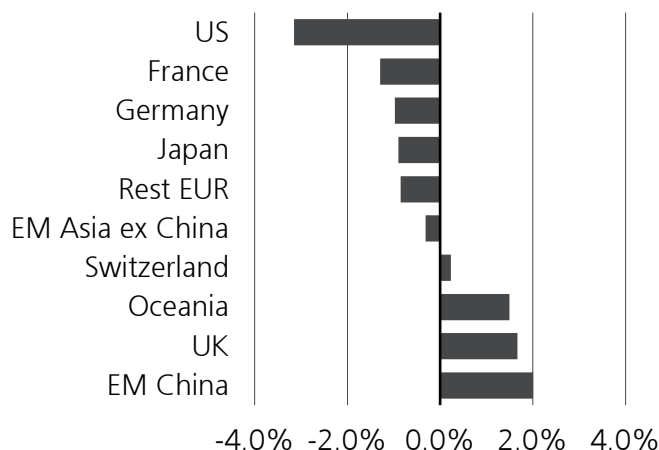
Investment performance

Fund	1 month	3 months	1 year	3 years	5 years	Since inception*
	%	%	%	% pa	% pa	% pa
Total return	3.01	(2.09)	(7.31)	1.82	3.81	5.84
Benchmark**	4.19	(0.97)	(6.34)	2.86	4.92	6.65
Added Value	(1.18)	(1.12)	(0.97)	(1.04)	(1.11)	(0.81)

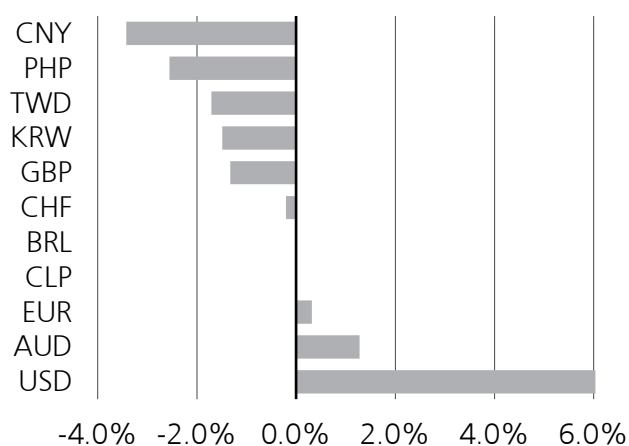
*Inception date: 12 October 2012. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume 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

July witnessed a rebound for global assets, including both equity and fixed income. The improvement reflected a sense among certain investors that the market had become oversold, despite continued tough talk by central bankers on inflation, as worries about inflation gave way to increased concerns over the risk of overtightening and recession. China equity, however, was the main outlier and delivered a negative return in July, amid worries that a mortgage boycott among buyers of unfinished homes could offset early signs of improving economic growth. In terms of fixed income, despite continued hawkish rhetoric from central banks along with larger-than-expected rate increases, investors moved to price in a slower pace of monetary tightening in July, hence contributed to a fall in the yield on 10-year US. Returns were positive across the broader fixed income, particularly for European government bonds and US high yield. Asian high yield was an exception and posted negative return, as it was depressed by worries over China's property market.

Locally, Australian equities posted a positive return along with the global equities over the month. Australian 10-year government bond yields followed the same trend as US treasury yields, driven by the improvement in investor sentiment. The Australian dollar appreciated against the US dollar over the month.

July was a mixed month for commodities, suffering from global growth concerns in the first half then recovering in the second half.

Performance Review

After fees and expenses, the portfolio returned 3.01% (gross of fees return of 3.03%) in July which underperformed the benchmark return of 4.19% by 118bps. At the end of July, the Fund's equity weight was -2.0% underweight relative to the benchmark as we remained our directional underweight to equity over the month. We retained our regional preference for China and UK as well as underweight to Europe and the US, while closed our overweight to Australia at the end of the month. We closed the trade of overweight European Banks and US equal weight in the middle of the month. We opened the trade of world minimum volatility in mid July, while reduced the scale coming to the end of the month.

From an equity sector perspective, we further added to our overweight healthcare position in mid July given its defensive nature and relatively attractive valuation. We closed our overweight to agriculture equity position at the end of the month considering the potential for supply shock easing, while we maintained our preference for energy equities. We reduced our overweight position in commodities in the face of short-term headwinds.

We continue to remain slightly underweight duration at the end of July. We maintained our underweight position to European duration, and neutral position in developed market duration including Australia. We closed the overweight position to Asia high yield hard currency in mid July.

Foreign currency exposure was at 17.7% with key underweights in CNY, PHP, TWD, NZD, KRW and GBP and overweight in USD, NOK, AUD and MXN. We closed the overweight position to BRL and CLP funded out of USD in mid July, and added to MXN at the end of the month.

Asset Allocation

Asset Allocation contributed negatively to performance in July against the headwinds in global assets, with our equity trades detracting the most, followed by fixed income and alternatives. Our active currency trades were flat over the month.

Our directional underweight to equity detracted the most to relative performance as the equity market rallied over the month. Our overweight to China equity detracted along with the market correction in July. In addition, our newly opened trade of world minimum volatility detracted, followed by our overweight to healthcare equities. Our overweight to energy equities and UK equities were smaller detractors in July.

Our overweight to commodities detracted slightly from relative performance this month.

Overall short duration positioning also made a negative contribution in July. Our overweight to Asian hard currency credit was underperforming through July until we closed the position in the middle of the month on further developments related to China's real estate market. Our underweight to European duration also detracted.

Active currency trades in aggregate were flat this month. Our underweight to KRW, TWD, PHP and CNY contributed the most, followed by overweight to NOK and AUD. This was partly offset by negative contributions from overweight to BRL and CLP, which we closed over the month. Underweights to NZD and GBP also detracted the performance but to a lesser degree.

Outlook

In our view, global equities are tactically unattractive at the index level. The equity risk premium implies stocks are still expensive. Equities are likely to face valuation pressures from central bank tightening, while slowing growth also raises downside risks to earnings estimates. Long-term bond yields should be biased lower in light of rising recession risks and ebbing inflationary pressures. Central banks' commitment to tightening should lead to flatter curves and prompt investors to price in easing, down the road, to counter the ensuing economic weakness. Sovereign fixed income continues to play a diversifying role in portfolio construction by hedging downside in cyclical positions.

Client Services

Telephone: (03) 9046 4041 **Freecall:** 1800 572 018 **Email:** ubs@unitregistry.com.au 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 29 September 2021. Any potential investor should consider the relevant product disclosure statement (PDS) in deciding whether to acquire, or continue to hold, units in a fund. UBS has also issued a target market determination (TMD) that describes the class of consumers that comprises the target market for each UBS fund and matters relevant to their distribution and review. A copy of the PDS, PDS addition information and TMD is available from UBS Asset Management (Australia) Ltd, the issuer of the UBS Funds, on our website <https://www.ubs.com/au/en/asset-management.html> or by calling (03) 9046 4041 or 1800 572 018.

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).

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