

UBS Tactical Beta Fund – Balanced

August 2021

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.

Investment strategy

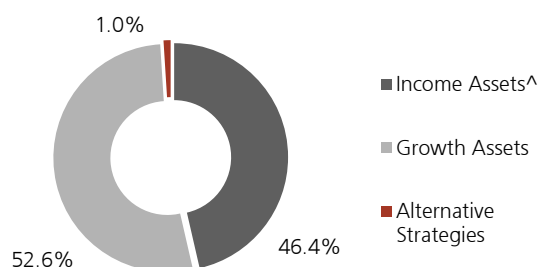
Our portfolio management team will build a diversified portfolio of income and growth assets, largely by using exchange traded funds (ETFs), both onshore and offshore, index funds, cash funds and derivatives. They will tactically allocate between asset classes and currencies based on their relative value, whilst managing the overall risk and return of the portfolio. Currency exposure is actively managed through an overlay strategy to take advantage of mis-valuations that arise.

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



[^] Includes cash

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	1.38	3.52	13.69	7.25	6.99	7.54
Benchmark**	1.33	4.59	14.79	8.30	7.84	8.32
Added Value	0.05	(1.07)	(1.10)	(1.05)	(0.85)	(0.78)

*Inception date: 12 October 2012. **Neutral Allocation (refer to PDS).

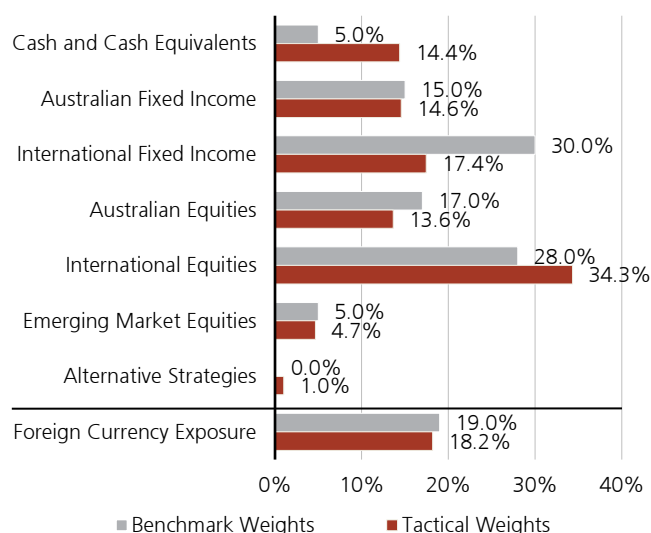
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile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

Fund information

Inception date	12 October 2012
Fund size	\$ 151.7 m
Management fee	0.29% pa
Indirect costs	0.07% pa ¹
Minimum initial investment	\$10,000
Distributions	Quarterly
Buy/sell spread	+ 0.10% / - 0.10%
APIR code	UBS0041AU

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.

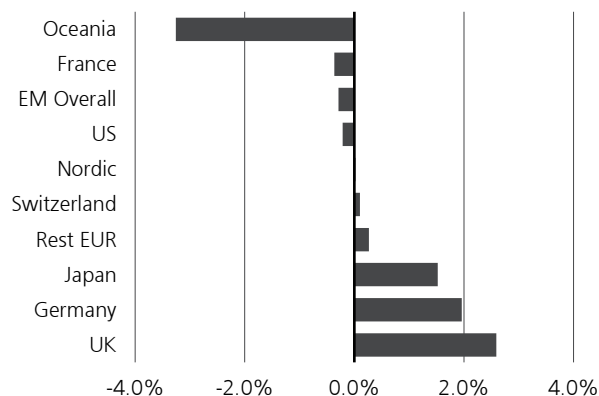
Fund tactical and strategic allocations²



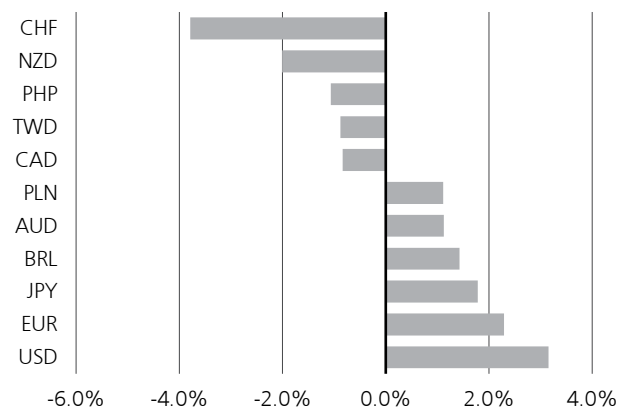
² Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Market review

Global equities continued its rally in August led by Japan and US equities marking the seventh consecutive monthly gain and hitting fresh record highs. The rise came despite the continued increase in COVID-19 infections and mixed economic data with disappointing US retail sales and further evidence of slowing in China. Despite the data disappointments, the global economic recovery should remain on track and there could be further upside for equities. Developed government bonds traded in a narrow range in August which partly reflected the continued confidence that the recent rise in inflation will prove to be transient and will not force a premature tightening by the central banks which was echoed by the US Federal Reserve which reassured markets that there are no plans of premature tightening in policy. Credit spreads tightened moderately in August as investors appeared confident that the course of global economic recovery would stay on course and earnings growth would stay strong.

Locally, Australian equities delivered a positive return despite lagging behind US and Japanese equity. Australian government bonds traded in a narrow range and finished the month broadly flat while the Australian dollar finished the month slightly weaker driven by concerns over the expected weakness on the back of domestic COVID lockdowns and restrictions.

Performance review

After fees and expenses, the portfolio return of 1.38% (gross of fees return of 1.41%) in August outperformed the benchmark return of 1.33% by 5bps. At the end of August, the Fund's equity weight was 2.6% overweight relative to the benchmark excluding opportunistic exposure to Global REITs. We maintained our exposure to pro-cyclical relative value trades such as long European banks versus European equities and long global financial equities versus global equities. We added long Global Healthcare equity which should serve as a diversifier without materially diluting our existing high conviction positions.

In terms of regional equity views, we continue to hold a preference for UK, Germany, Japan and Europe over the US and Australian equities. We partially took profit and reduced our overweight to Global REITs over the month.

Duration was kept short relative to the benchmark over the month. We remained broadly neutral in Australian and underweight to Europe, US, UK and Japan duration.

Foreign currency exposure was at 18.2% with key underweights in CHF, NZD, PHP, TWD, KRW, AUD, CAD and overweights in USD, BRL, EUR, JPY and PLN.

Asset Allocation

Global equities continued to hit record highs in August with the US leading as the top performing market followed by the rest of the developed markets with Japan leading while the UK lagged. Emerging markets also had a good month despite the weakness in the Chinese market which was flat over the month amid continued worries over tightening of business regulation coupled with softer economic data.

Developed market government bonds had a quiet month trading in a narrow range in August. This was despite the inflation data prints that remained elevated and growth indicators that were above trend. The lack of movement partly reflected the continued confidence that the recent rise in inflation will prove to be transitory and will not force central banks to tighten policy prematurely.

Outlook

Our market outlook is cautiously optimistic. Momentum towards curbing the pandemic continued along with the broad trend towards economic normalization. While infection rates rose throughout August, the pace of the speed slowed. Economic growth may have passed the peak but remains healthy and inflation still looks to be transient which requires further monitoring in the coming months. In addition, central banks and policy has broadly remained supportive and profit growth has been robust according to the data release in August and looks to remain so in the near future.

Client Services

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

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