

# UBS Tactical Beta Fund – Balanced

March 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

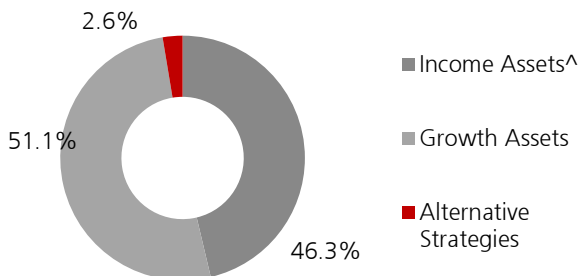
The Fund comprises a diversified portfolio of income and growth assets predominantly using index funds, exchange traded funds (ETFs), direct securities, cash, cash equivalents and derivatives. The Fund tactically allocates between asset classes and currencies based on their relative value, whilst managing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



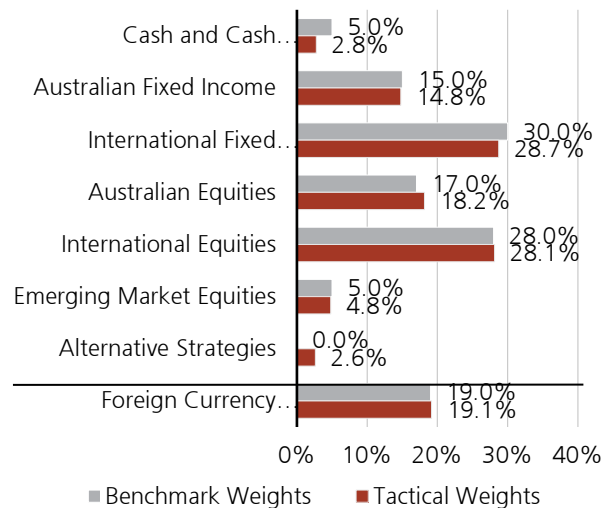
<sup>^</sup> includes cash

## Fund information

Inception date	12 October 2012
Fund size	\$ 54.4 m
Management fee	0.29% pa
Indirect costs	0.07% pa <sup>1</sup>
Minimum initial investment	\$50,000
Distributions	Quarterly
Buy/sell spread	+ 0.10% / - 0.10%

<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.

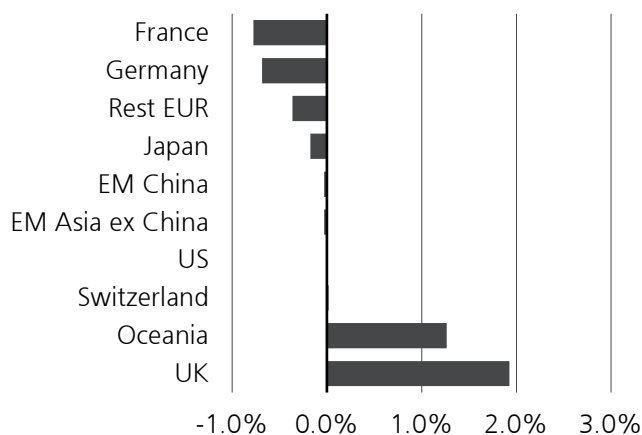
## Investment performance

Fund	1 month	3 months	1 year	3 years	5 years	Since inception*
	%	%	%	% pa	% pa	% pa
Total return	0.30	(4.20)	1.88	5.02	5.14	6.56
Benchmark**	0.00	(4.31)	3.13	5.97	6.09	7.32
<b>Added Value</b>	<b>0.30</b>	<b>0.11</b>	<b>(1.25)</b>	<b>(0.95)</b>	<b>(0.95)</b>	<b>(0.76)</b>

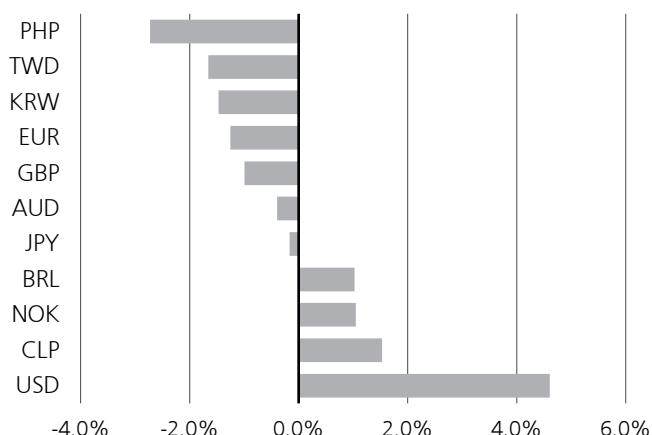
\*Inception date: 12 October 2012. \*\*Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns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

Global equities regained ground in March despite continued uncertainty over the war in Ukraine, increasingly hawkish central bank policy and concerns about the economic growth outlook in light of elevated inflation and commodity prices. The 2-year/10-year portion of the US yield curve inverted briefly in late March which is seen by some investors as a recession signal. The US Federal Reserve raised interest rates by 25bps in March as expected, and markets are currently pricing in around eight 25bps increases for the remainder of 2022.

Locally, Australian equities strongly outperformed global equities as risk sentiments gradually improved over the month. Australian 10-year government bond yields increased steeply which was in line with US 10 year treasury yields which also rose over the month which reflected an expected rate hikes by developed central banks.

Commodity prices were also volatile in March, though the asset class remained the standout performer of the first quarter. Brent crude prices spiked to almost USD 140 in early March—their highest level since 2008—as investors awaited details of sanctions against Russian energy in response to the invasion of Ukraine. By the end of March, Brent crude prices had fallen to USD 108, but were still up more than 30% since the start of the year.

## Performance Review

After fees and expenses, the portfolio return of 0.30% (gross of fees return of 0.32%) in March, outperformed the benchmark return of 0% by 30bps. At the end of March, the Fund's equity weight was 1.1% overweight relative to the benchmark as we further neutralized our directional equity risk and made various tactical adjustments to our relative value trades over the month. We retained our regional preference for UK which we added to over the month and closed our overweight to China and Japan equities.

In addition, we moderated our underweight to Australia equities and reduced our exposure to European equities at the start of the month. In addition, we moderated our underweight to Australia equities and reduced our exposure to European equities at the start 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've reduced our sector preference for financials equities in favor of healthcare equity and initiated a new overweight to agriculture equities. We also maintained our overweight to energy equities, as well as our long position in commodities. Over the month we also added a position in gold, which we partially trimmed at the end of the month.

We have closed our short duration position on government bonds following a sharp rise in yields. We continued to maintain a small overweight to Asia high yield hard currency.

Foreign currency exposure was at 19.1% with key underweights in PHP, TWD, KRW, EUR and GBP and overweight in USD, NOK, CLP and BRL. We reduced our AUD underweight and added to CLP (on the back of commodity strength) and USD which was funded out of EUR as well as cyclical Asian currencies such as TWD and KRW and PHP.

### **Asset Allocation and security selection**

Asset Allocation decisions contributed positively to the relative performance in March. Our directional overweight to equities which we reduced considerably early in the month, detracted. From a relative value equity perspective, key positive contributions came from our sector overweight to energy, healthcare, while our preference financials equities marginally detracted. Our regional overweight to Japan and China which we closed through the month detracted, as did our preference to the UK as well as our preference for EMU banks and US equal weight equities in March.

Short duration positioning which we closed at the end of the month and our allocation to Asia high yield both contributed positively to performance. Our overweight to commodities made a positive contribution driven by the pickup in commodity prices over the month. On the contrary, our overweight to Gold detracted from performance this month.

Active currency trades in aggregate made a positive contribution this month. Contributors to performance this month was mainly driven by overweight to BRL, which we added to marginally over the month, and underweight to KRW and TWD followed by overweight to PHP which also marginally positive. This was partially offset by marginal detractions from overweight to NOK as well as underweight to AUD and NZD.

### **Outlook**

Our outlook for stocks over the next 12 months is neutral. We believe global stocks are closer to the top than the bottom of their near term range. We prefer relative value opportunities that have strong structural upside, undervalued cyclicals that have price in too much of growth deceleration and higher quality and defensive segments that we expect to continue to post robust profit growth if activity moderates but remains above-trend.

The risks to long term bond yields are well-balanced after the markets have priced in aggressive central bank tightening over the coming year. We expect real rates to rise as inflation peaks and the Federal Reserve tightens policy even more in the coming months, but for this to be offset by decrease in market based measures of inflation compensation.

## 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)

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