

UBS Tactical Beta Fund – Balanced

May 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

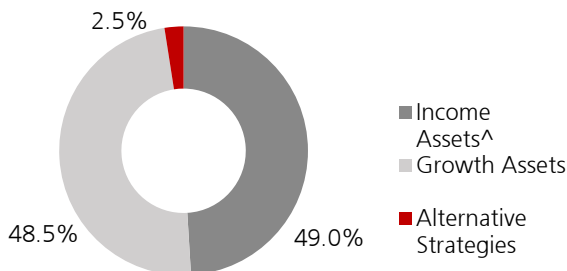
The Fund comprises a diversified portfolio of income and growth assets predominantly using index funds, exchange traded funds (ETFs), direct securities, cash, cash equivalents and derivatives. The Fund tactically allocates between asset classes and currencies based on their relative value, whilst managing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



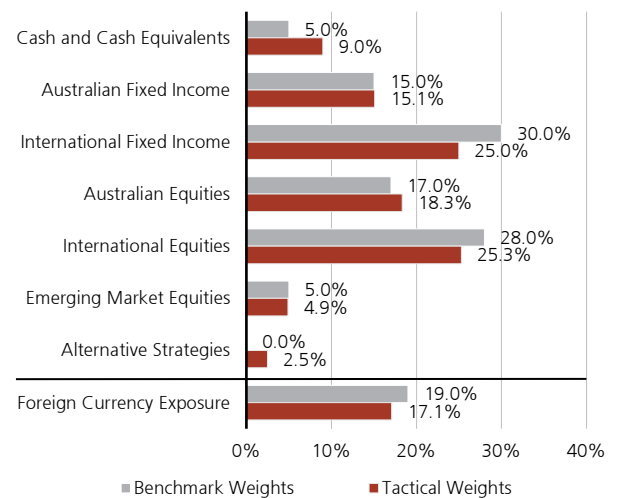
[^] includes cash

Fund information

Inception date	12 October 2012
Fund size	\$ 52.1 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.

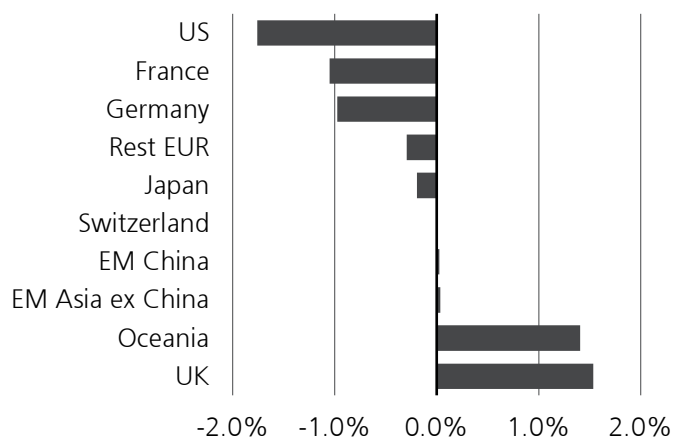
Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(0.73)	(2.82)	(4.04)	3.63	4.21	6.09
Benchmark**	(0.81)	(3.50)	(3.18)	4.34	5.08	6.79
Added Value	0.08	0.68	(0.86)	(0.71)	(0.87)	(0.70)

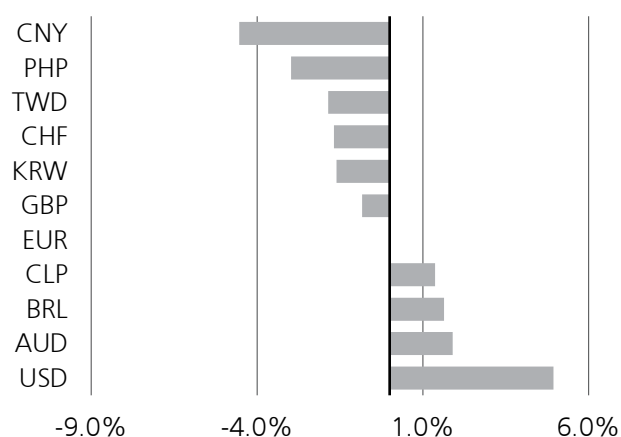
*Inception date: 12 October 2012. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume 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 witnessed another volatile month, sinking for most of May before a sharp rebound in the last week of trading. The intra-month recovery was mainly driven by the better-than-expected consumption data and increasing optimism that the US Federal Reserve can rein in inflation without pushing the US economy into recession. US Treasury yields fell over the month, with the 2-year US Treasury yield declining from 2.73% at the start of the month to close at 2.56% at the end of May. This came as markets priced in a more benign outlook for inflation and a moderation in the pace of the Federal Reserve tightening later in the year.

Locally, Australian equities underperformed global equities as risk sentiments weakened over the month. Australian 10-year government bond yields marginally declined in the middle of the month but continued the hiking trend in the month end in reaction to the Reserve Bank of Australia's rate hike. The Australian dollar appreciated against the US dollar over the month.

May was another good month for commodities, driven by the expectation of demand recovery from China due to gradual easing from mobility restrictions, as well as continuous disruption of energy and food supplies due to the prolonged Russia-Ukraine conflict and slower-than-expected production from OPEC.

Performance Review

After fees and expenses, the portfolio return of -0.73% (gross of fees return of -0.71%) in May, outperformed the benchmark return of -0.81% by 8bps. At the end of May, the Fund's equity weight was -1.5% underweight relative to the benchmark as we made various tactical adjustments to our relative value trades over the month. We retained our regional preference for UK and Australia, as well as underweight to Europe and US. We closed the long world financials equity position and added to our pro-cyclical positions such as European banks and US equal weight trades. We also added to the energy sector and agriculture equities, reflecting our current relative preference for the commodity complex. Amid the backdrop of rate hikes and inflation, we have reduced our long gold position in favor of broad commodities.

We continue to remain slightly underweight duration at the end of May. We maintained our underweight position to European duration, and neutral position in developed market duration including Australia. We also continue to hold a small overweight to Asia high yield hard currency funded out of US Treasuries.

Foreign currency exposure was at 17.1% with key underweights in CNY, PHP, TWD, CHF, KRW and GBP and overweight in USD, BRL, CLP, MXN and AUD. We closed underweight positions in EUR over the month and moderated our underweight in GBP. We also added to existing positions in MXN and BRL funded out of USD at the end of the month.

Asset Allocation

Asset Allocation decisions contributed positively to performance in May. Our active currency trades added the most value this month followed by equity trades which were partially offset by fixed income and alternative allocations which detracted marginally from relative performance this month.

Our underweight to equity did not make a meaningful contribution to the relative performance this month. From a relative value equity perspective, the long energy equity trade drove most of the relative outperformance followed by our preference for EMU banks which was also additive. This was partially offset by detractions from our overweight to Australian equity, healthcare equities and preference for US equal weight equities.

Our overweight to commodities contributed positively this month but was more than offset by detractions from our overweight to Gold.

Short duration positioning was marginally positive over the month. This was more than offset by our long position in Asian hard currency which detracted from the relative performance.

Active currency trades in aggregate made a strong positive contribution this month. The outperformance was predominately driven by our overweight to selective EM currencies such as CLP, BRL, CNY and MXN. Our underweight to GBP also contributed positively. However, some detraction this month came from our underweight to Asia Cyclical FX, in particular KRW and TWD.

Outlook

Our outlook for stocks over the next 12 months is cautious. In our view, global equities are tactically unattractive. The equity risk premium implies stocks are still expensive relative to bonds. Equities are likely to face valuation pressures from central bank tightening, while slowing growth also raises downside risks to earnings estimates. We prefer relative value opportunities within equities, and are staying cautiously positioned with a preference for sectors like healthcare and regions such as the UK, which has a more defensive composition. We also are selectively long cyclical via commodity-linked stocks.

We believe the risks to long-term bond yields are well-balanced as traders 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 decreases in market-based measures of inflation compensation.

Client Services

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

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