

# UBS Tactical Beta Fund – Balanced



December 2020

## 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

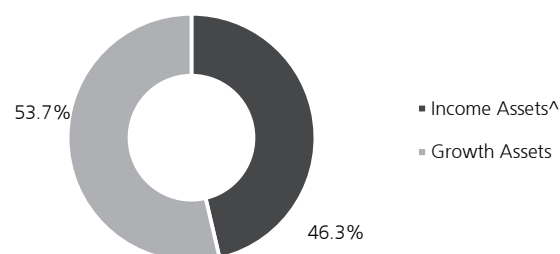
Our portfolio management team will build a diversified portfolio of income and growth assets, largely by using exchange traded funds (ETFs), both onshore and offshore, index funds, cash funds and derivatives. They will tactically allocate between asset classes and currencies based on their relative value, 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



<sup>^</sup> Includes cash

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	1.12	6.96	4.68	5.43	6.12	7.18
Benchmark**	1.22	6.73	5.52	6.42	7.47	7.88
<b>Added Value</b>	<b>(0.10)</b>	<b>0.23</b>	<b>(0.84)</b>	<b>(0.99)</b>	<b>(1.35)</b>	<b>(0.70)</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.

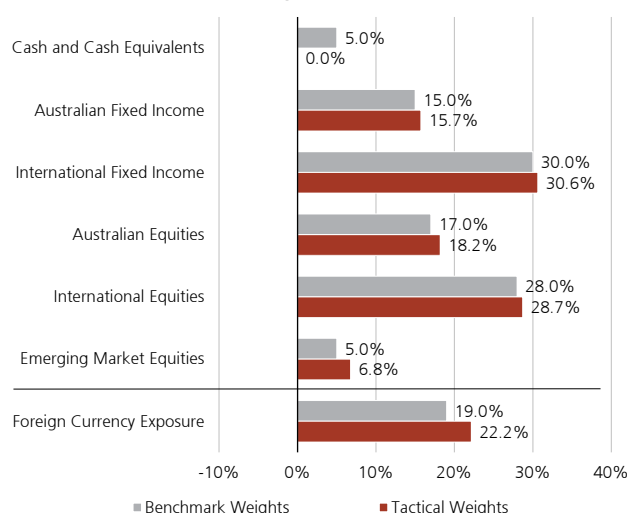
## Fund information

Inception date	12 October 2012
Fund size	\$164.9 m
Management fee	0.29% pa
Indirect costs	0.07% pa <sup>1</sup>
Minimum initial investment	\$10,000 (via mFund and online application \$5,000)
Distributions	Quarterly
Buy/sell spread <sup>2</sup> effective 29/06/20	+ 0.10% / - 0.10%
APIR code	UBS0041AU
mFund code	UAM07

<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](#).

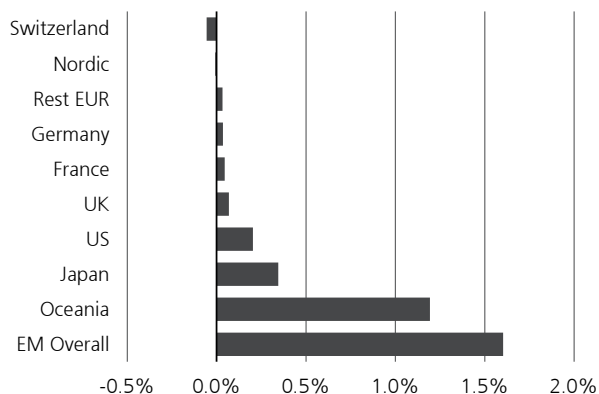
## Fund tactical and strategic allocations<sup>3</sup>



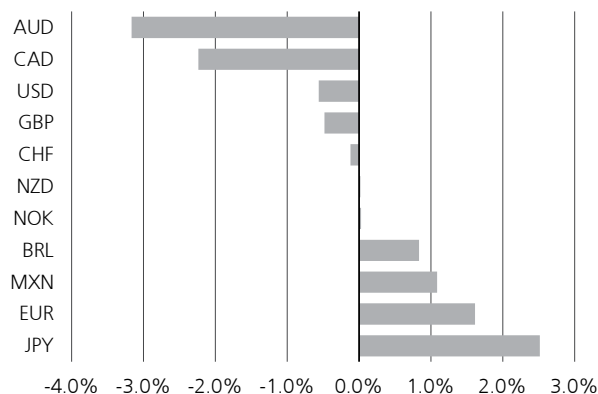
<sup>3</sup> Asset allocation includes derivatives used to hedge market exposures.

## Active portfolio positioning

### Equities (%)



### Foreign currency (%)



### Performance review

After fees and expenses, the portfolio increased by 1.12% over the month, underperforming the benchmark return by 10bps.

At the end of December, the Fund's equity weight was 3.7% 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, contributing a marginally overweight overall duration position. Duration from sovereign fixed income was approximately neutral with nominal yields anchored at low levels. Foreign currency exposure was at 22.2% with key underweights in USD, CAD and AUD and overweights in JPY, EUR, BRL and MXN.

In December, the portfolio was rebalanced to implement a new and simplified benchmark structure, effective from 15th December 2020.

### Asset allocation

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, and took the opportunity to reduce our duration in Australian sovereign yields. Credit spreads continued to narrow which meant our overweight position EM hard currency debt performed well, as did our IG Credit overweight which was closed in the rebalancing process to new benchmarks. 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.

### 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

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