



# UBS Tactical Beta Fund – Conservative

May 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 70% / 30% respectively of the total portfolio.

## Investment strategy

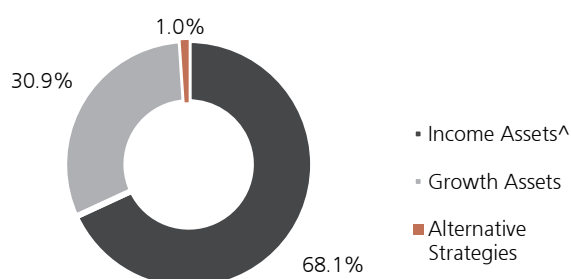
Our portfolio management team will build a diversified portfolio of income and growth assets, largely by using exchange traded funds (ETFs), both onshore and offshore, index funds, cash funds and derivatives. They will tactically allocate between asset classes and currencies based on their relative value, 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	0.84	3.23	9.22	5.55	5.19	6.10
Benchmark**	0.65	2.92	9.30	6.39	6.02	6.87
<b>Added Value</b>	<b>0.19</b>	<b>0.31</b>	<b>(0.08)</b>	<b>(0.84)</b>	<b>(0.83)</b>	<b>(0.77)</b>

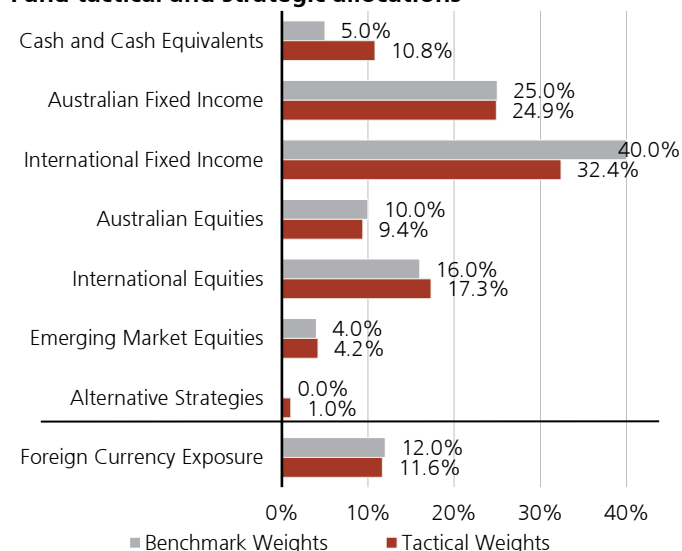
\*Inception date: 14 May 2012. \*\*Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns.

## Fund information

Inception date	14 May 2012
Fund size	\$80.0 m
Management fee	0.29% pa
Indirect costs	0.08% pa <sup>1</sup>
Minimum initial investment	\$10,000 (via mFund and online application \$5,000)
Distributions	Quarterly
Buy/sell spread <sup>2</sup>	+ 0.12% / - 0.12%
APIR code	UBS0036AU
mFund code	UAM09

<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.

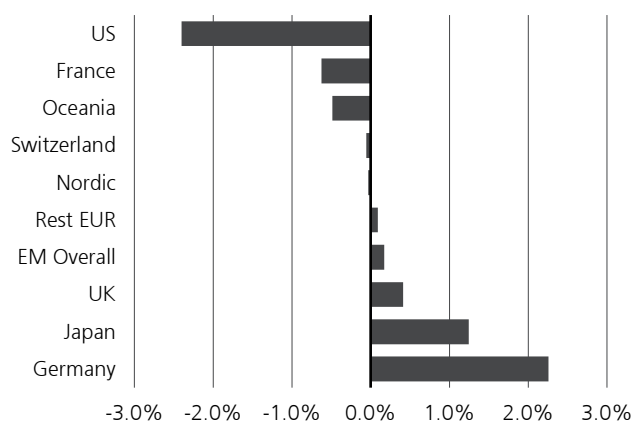
## Fund tactical and strategic allocations<sup>2</sup>



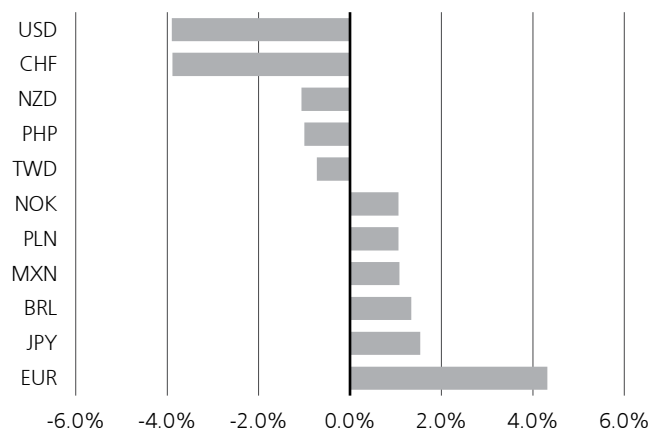
<sup>2</sup> Asset allocation includes derivatives used to hedge market exposures.

## Active portfolio positioning

### Equities (%)



### Foreign currency (%)



## Market review

Equities continued to rally in May while bond yields held relatively steady. Concerns that higher inflation could lead the US Federal Reserve to withdraw monetary stimulus brought intra-month volatility. The equity rally over the month was mainly driven by reflation trades and value stocks which have outperformed the technology sector and growth equities more broadly. We think the reflation trade has further room to run as there is more evidence of the broadening economic recovery and policy remains supportive. Government bond yields had a more muted month as compared to equities. IG corporate and high yields bonds produced positive returns and fared better than treasury bonds. EM debt also produced positive returns as commodity prices continued to rise.

Locally, Australian equities outperformed global equities and delivered positive return. Australian 10-year government bond decreased marginally over the month which was in line with the movement in US Treasury yields over the month. The Australian dollar strengthened against the US dollar aided by the US dollar weakness.

## Performance review

After fees and expenses, the portfolio return of 0.84% (gross of fees return of 0.86%) in May outperformed the benchmark return of 0.65% by 19bps. At the end of May, the Fund's equity weight was 0.9% overweight relative to the benchmark. We maintained our exposure to pro-cyclical relative value trades such as US equal weighted relative to the US market cap index and increased our existing exposure to long European banks versus European equities earlier in the month. In addition, we added long global financial equities versus global equities which was a new trade we introduced toward the end of the month. In terms of regional equity views, we continue to hold a preference for UK, Germany, Japan and Europe over the US and Australian equities.

Duration was kept short relative to the benchmark over the month. We remained broadly neutral in Australian and US dollar duration and underweight to Europe and Japan and overweight to hard currency EM debt.

Foreign currency exposure was at 11.6% with key underweights in CHF, NZD, PHP, TWD, KRW, AUD and

USD and overweights in BRL, EUR, JPY, SEK, MXN, NOK and PLN.

## Asset allocation and security

Asset Allocation and currency decisions in aggregate contributed positively to the relative performance this month. Our preference for Europe versus the US and long European banks versus European equities, which we've added exposure to at the beginning of the month, both had a standout month followed by long US equal weighted relative to the US market cap index which also outperformed this month. This was partially offset by detraction from regional overweights to the UK and German equities. Long global financial equities versus global equities and overweight to Japan equities had a muted impact on relative performance this month. Duration positioning did not make a meaningful impact this month as rates volatility remained low. Overweight hard currency EM debt made a positive contribution to performance in May.

Active currency trades in aggregate were additive this month driven by positive contribution from our overweight to BRL as a rise in commodity prices facilitated its strengthening through May. Overweight to MXN, PLN and EUR also contributed positively while overweight to SEK and JPY and underweight to AUD and CHF did not make a meaningful impact to relative performance. This was partially offset by detractions from underweight to NZD, TWD, KRW and PHP. Lastly, our opportunistic exposure to REITs also contributed positively to the relative performance.

## **Outlook**

Our outlook for stocks over the next 12 months remains positive. The economic recovery is likely to continue this year on the back of additional global fiscal stimulus, still accommodative financial conditions, and progress on the broad administration of effective COVID-19 vaccines. However, we believe much of the equity market returns in 2021 have been front-loaded, particularly in the US. The belly and long end of sovereign curves are serving as release valves for any signs of economic optimism as central bank commitments to keep policy rates low remain credible. We expect both increases in real rates and market-based measures of inflation compensation to contribute to further increases in yields.

## Client Services

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