

UBS Balanced Investment Fund

August 2023

Fund description

The Fund is a diversified portfolio of growth and income assets, with a long term neutral (or average) exposure expected to be around 65% and 25% respectively of the total portfolio. The remaining 10% is expected to be allocated to various alternative asset strategies, which are likely to provide a combination of both income and growth potential.

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 through allocation to differing asset classes anywhere within the allowable ranges, by normally investing in other UBS managed funds, third-party funds and through a range of instruments.

Investment objective

The Fund aims to outperform (after management costs) the Benchmark (see Investment guidelines) over rolling five year periods.

Fund information

Inception date	3 November 1992
Fund size	\$ 632.8m
Management fee	0.95% pa
Indirect costs	0.02% pa ¹
Minimum initial investment	\$ 50,000
Distributions	Quarterly
Buy/sell spread	+ 0.20% / - 0.20%

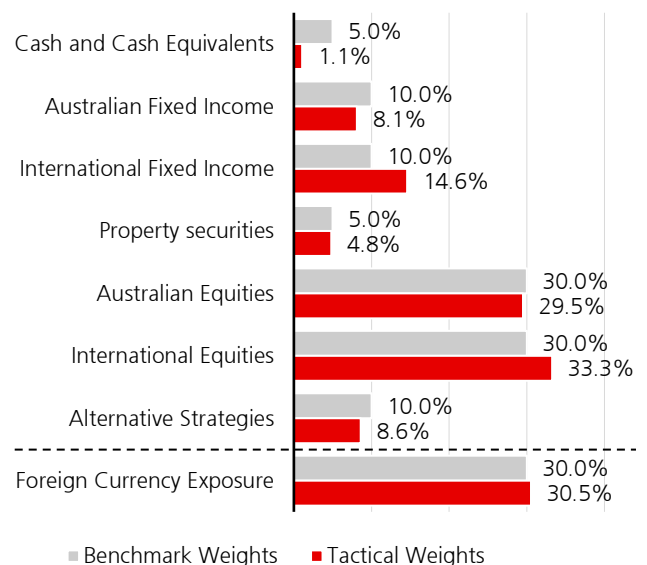
¹ Estimate of the fees the Fund will incur through the Fund's investment in underlying funds. These fees and expenses will vary from time to time.

Tactical asset allocations



[^] includes cash

Fund tactical and strategic allocations²



² Asset allocation includes derivatives used to hedge market exposures

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	(0.44)	2.66	5.34	(2.76)	4.63	3.06	7.27
Neutral**	0.09	3.32	9.05	0.77	6.46	5.54	8.03
Added Value	(0.53)	(0.66)	(3.71)	(3.53)	(1.83)	(2.48)	(0.76)

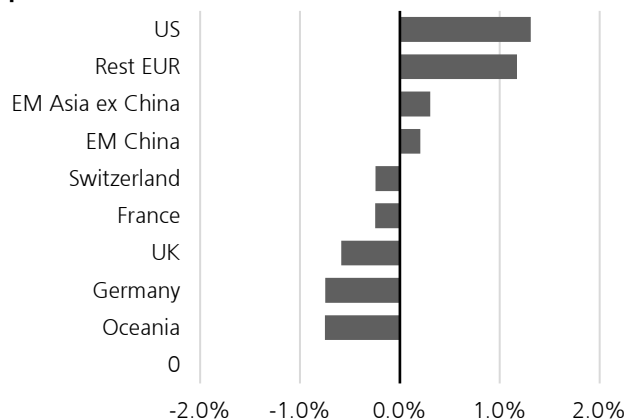
* Inception date: 3 November 1992.

** Neutral Allocation (refer to PDS).

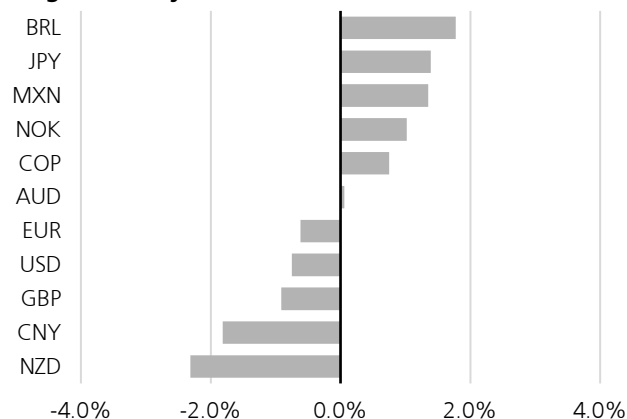
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile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

Investment strategy

Equities



Foreign currency



Market review

Global markets grappled with opposing forces in August with treasury yields rising to fresh cycle highs across the curve amid continued strength in US production data, and more signs of economic weakness in China and global manufacturing.

Global equities posted their first month of losses since May, with Chinese stocks the leading the way down due to concerns that not enough policy support is being delivered to stop the slide in economic growth. The US 10-year Treasury yield peaked above 4%, its highest level since 2007 as robust activity data overshadowed more evidence of a downshift in inflationary pressures.

The Bloomberg Commodity Index fell despite a rise in Brent oil futures, which were bolstered by Saudi Arabia's extension of output curbs.

Locally, Australian equities also fell alongside international equities with August earnings dulling out market performance. Australian 10-year yields ended the month marginally lower than July relative to US Treasury yield which ended higher. The Australian dollar depreciated against the US dollar.

Performance review

After fees and expenses, the portfolio returned -0.44% (gross of fees return of -0.36%) in August which underperformed its benchmark return of 0.09% by 53bps. At the end of August, the Fund's equity weight was 2.6% overweight relative to the benchmark.

Foreign currency exposure was at 30.5% with key underweight in CNH, NZD, AUD, GBP, and EUR as well as overweight in MXN, JPY, BRL, COP and NOK.

Positioning review

We maintained our directionally overweight position in equities and continue to favor more cyclical parts of the US equity market, including mid-caps and US equal weight index. This is based on our expectation that growth will continue to be resilient even as inflation comes down. Our overweight US equity exposure is funded out of European equity (including the UK) which remained our key underweight on the back of soft manufacturing and stubborn inflation, as well as China weakness. Within Europe, we also have a pro-cyclical preference for European banks. We maintained our overweight to Japan equities which still looks attractive from a valuation perspective even after the recent gains, solid earnings and ongoing corporate reforms. We also remained marginally overweight to EM equities as Asia excluding China remains supported by technology sector rebound.

Overall duration exposure was marginally long relative to the benchmark as bonds continue to play an important role in diversifying against our procyclical positioning in risk assets. We retained our overweight position to short-term US IG credit despite relatively narrow spreads due to attractive carry opportunities.

In foreign exchange, we removed our overweight to Australian dollars to neutral and reduced our existing overweight to Japanese yen following the recent BOJ meeting earlier in the month. We also moved to take the US dollar to neutral as we see disinflation offsetting resilient US growth. In addition, we increased to our Latin America FX exposure via adding to our existing overweight in BRL. We retained our underweight to the New Zealand dollar, British pound, and Chinese yuan as well as our overweight to Mexican peso, Columbian peso, and Norwegian krone.

Asset allocation

Asset allocation detracted slightly from performance in August, with our currency trades detracting the most. Both our positions in fixed income and equities didn't make meaningful contributions this month.

As the equity market underperformed in August, our aggregate overweight position to equity detracted from the relative performance over the month as well as our overweight to US equal weight index. This was mostly offset by positive contributions from our preference for European banks and US midcap and regional preference for Japan which were key contributors to performance in August the key contributors to performance in August.

In fixed income, our marginal overweight to duration detracted but it was mostly offset by positive contributions from our preference for short-dated US IG bonds.

Active currency trades in aggregate detracted this month. Key detractions came from our underweight position to Chinese yuan as well as our overweight position to Brazilian real and Norwegian krone which was partially offset by our underweight position in New Zealand dollar, British pound and the euro.

Security selection contributed negatively to performance this month. The main detractor was the Australian Share Fund, however, this is giving back alpha it has gained over the past few months; International Share Fund was also a detractor but to a lesser degree. The key positive contributors in August were the Global Opportunity Fund, followed by marginal contributions from Diversified Fixed Income Fund, Emerging Market Equities Fund and Australian Small Companies Fund. In our alternatives allocation, Income Solution Fund contributed positively over the month, however, this was more than offset by the underperformance of Global Infrastructure Securities Fund.

Asset allocation and currency strategy

Global equities declined in August as higher interest rates challenged valuations and the deterioration in the world's second-largest economy weighed on cyclical segments of the market, excluding energy stocks which is the best-performing sector. US Treasury bonds underperformed on mounting evidence of strength in domestic activity. 10-year yields were up nearly 40 basis points on the month at their highs before paring some of that rise on weaker global activity and signs of US labor market cooling.

Market outlook

We maintain the view that the US and global economy will be resilient and avoid recession over the coming months. Nonetheless, the US economy is likely to slow, which the Fed views as necessary to bring inflation back to target. We continue to favor more cyclical parts of the US equity market, including mid-caps and the S&P 500 equal weight index. Maintaining a neutral weighting on government bonds is an appropriate way to balance the potential that investors' faith in the durability of the economic expansion may be shaken relative to our base case. In constructing robust portfolios for the long term, we have high conviction that allocations to government bonds will help smooth returns by remaining an effective offset at times when risk assets come under stress because the growth outlook has darkened.

Client Services

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