

UBS Balanced Investment Fund

April 2021

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.

Investment strategy

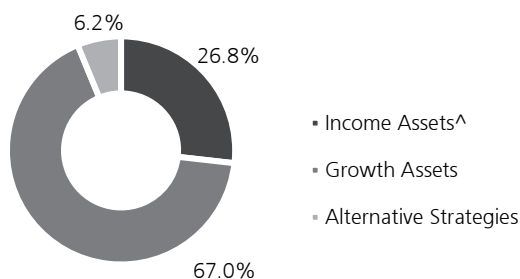
Our portfolio management team will build a diversified portfolio by allocating to differing asset classes anywhere within the allowable ranges by normally investing in other UBS managed funds, third party funds and through a range of instruments.

Investment 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



[^] Includes cash

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.26	6.16	20.19	5.91	7.12	7.86
Benchmark**	2.35	5.20	17.23	8.23	8.53	8.40
Added Value	(0.09)	0.96	2.96	(2.32)	(1.41)	(0.54)

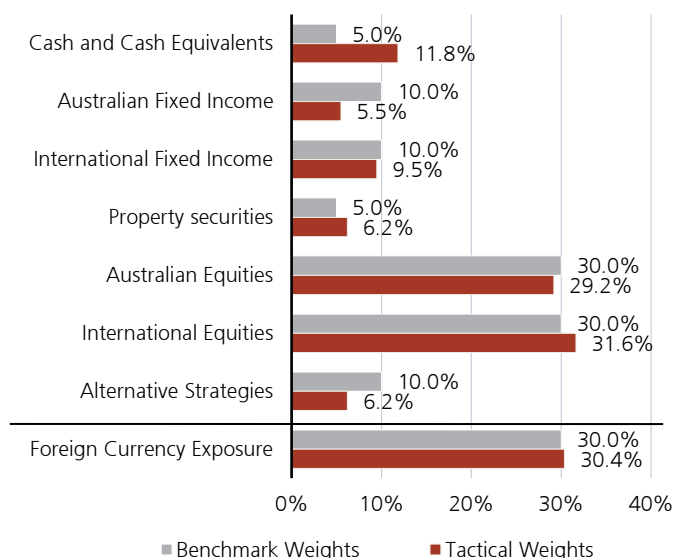
*Inception date: 3 November 1992. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns.

Fund information

Inception date	3 November 1992
Fund size	\$ 812.1m
Management fee	0.95% pa
Indirect costs	0.02% pa ¹
Minimum initial investment	\$10,000 (via online application \$5,000)
Distributions	Quarterly
Buy/sell spread	+ 0.20% / - 0.20%
APIR code	SBC0815AU

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.

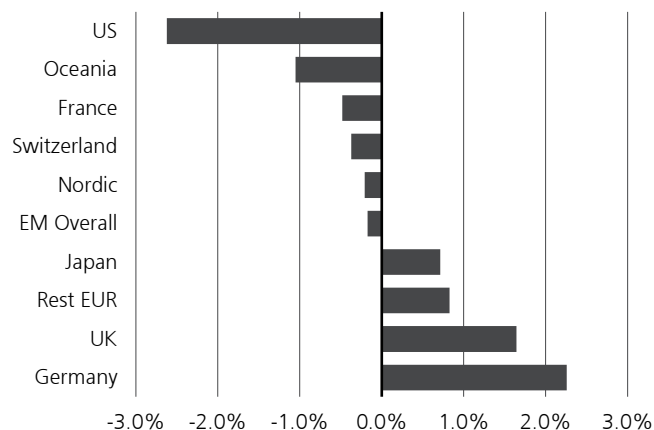
Fund tactical and strategic allocations²



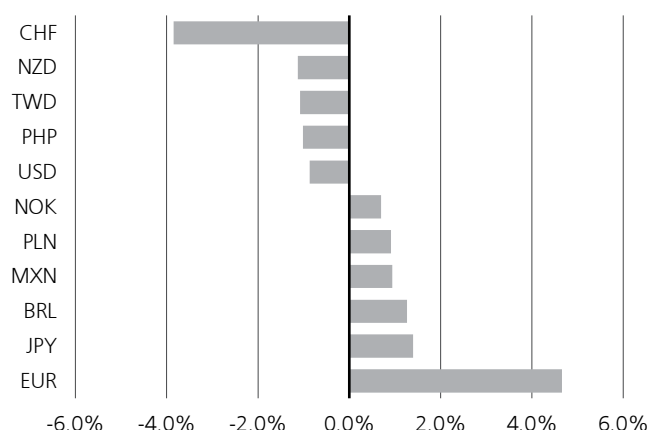
² Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Market review

Global equities reached record highs April led by US equities, supported by an accelerating US economic recovery and continuing support from fiscal and monetary policies. US treasury rates fell at the beginning of the month and then remained broadly range-bound for the rest of the month while German Bund yields moved up in the opposite direction. In credit markets, both IG and HY segments performed well as spreads narrowed further.

Locally, Australian equities also delivered positive return but to a lesser degree as compared to global equities. Australian 10-year government bond yield finished down which was similar to the move down in US Treasury yields over the month. The Australian dollar strengthened against the US dollar on the back of commodity strength as well as a dovish toned US Federal Reserve.

Performance review

After fees and expenses, the portfolio return of 2.26% (gross of fees return of 2.34%) in April underperformed its benchmark return of 2.35% by 9bps. At the end of April, the Fund's equity weight was 0.8% overweight relative to the benchmark. We've further trimmed the overall equities weight over the month in favor of REITs and Infrastructure on the back of strong earnings revisions and catch up potential relative to other defensive sectors.

We maintained our exposure to pro-cyclical relative value trades such as US equal weighted relative to the US market cap index and long Euro banks versus Euro equities. In terms of regional equity views, we continue to hold a preference for UK, German and Japanese equities. We've also added a preference for European equities over US and Australian equities over the month. Lastly we've partially rotated our Australian Broad cap exposure into Australian Small cap to diversify our underlying factor exposures within the Australian equity portion of the portfolio.

In fixed income, we continued to hold an overweight in US 2 year relative to US 10 year Treasury yields. Duration was kept short relative to the benchmark over the month. We remained broadly neutral in US dollar duration, underweight to Australia, Europe and Japan and added overweight to hard currency EMD in April.

Foreign currency exposure was at 30.4% with key underweights in CHF, NZD, PHP, TWD,, KRW and USD and overweights in BRL, EUR, JPY, SEK, MXN, NOK and PLN.

Asset Allocation and security selection

Asset Allocation and currency decisions in aggregate detracted this month. Our overweight to German and Japanese equities also detracted but it was partially offset by overweight to UK equities. A preference for European equities relative to US equities was opened mid-month, and was fairly neutral for performance in the second half of April. Our preference for value-oriented equities subtracted from the relative performance as growth regained some ground and outperformed value in April. We closed our overweight to the global value factor at the end of the month in preference for increasing the size of our European equity overweight relative to the US. A position opened to developed market listed property early in the month performed strongly and aided in reducing relative underperformance. Duration positioning was additive this month as our underweight to Europe was additive while underweight to Japan and our neutral stance in Australia and the US had a more muted impact. An addition of hard currency EMD to the portfolio in preference of core bonds earlier in April also contributed positively to performance.

Active currency trades in aggregate were additive this month driven by positive contributions from overweight to BRL and NOK as rise in commodity prices and hawkish central banks led to strengthening of both currencies. Overweight to MXN and PLN also contributed positively while overweight to SEK and JPY were neutral to the relative performance. This was partially offset by detractions from underweight to CHF, NZD, TWD, KRW and PHP. Over the month we closed our tactical overweight to USD in preference for EUR, trading both early and late in the month as our conviction strengthened, as well as JPY in the middle of the month. We also closed our overweight to GBP and opened an overweight in SEK.

Security selection was mixed this month. Australian Share Fund underperformed its benchmark which was partially offset by outperformance from Australian Small Companies Fund. International Share Fund and Global Opportunity strategy outperformed this month but the Emerging Markets Equity Fund underperformed. Diversified Fixed Income Fund outperformed its benchmark. Our allocation to alternatives

contributed positively this month, including from additions to our position in the UBS Clarion Global Infrastructure Securities Fund early in April.

Outlook

Our outlook for stocks over the next 12 months remains positive. However, we believe much of the equity market returns in 2021 have been front-loaded, particularly in the US. 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. Given the magnitude of the equity rally in recent months, we see more upside in relative value opportunities that offer attractively priced exposure to the turn in global growth. The long end of sovereign curves is serving as a release valve 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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