

# UBS Balanced Investment Fund

August 2022

## 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

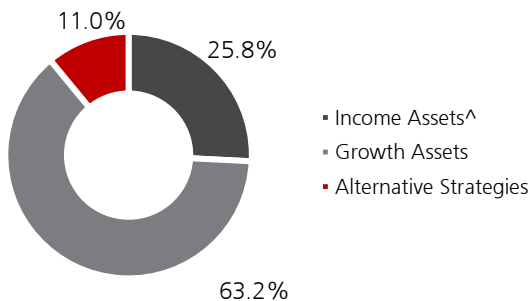
The Fund comprises a diversified portfolio through allocation to differing asset classes anywhere within the allowable ranges, by normally investing in other UBS managed funds, third-party funds and through a range of instruments.

## Investment 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



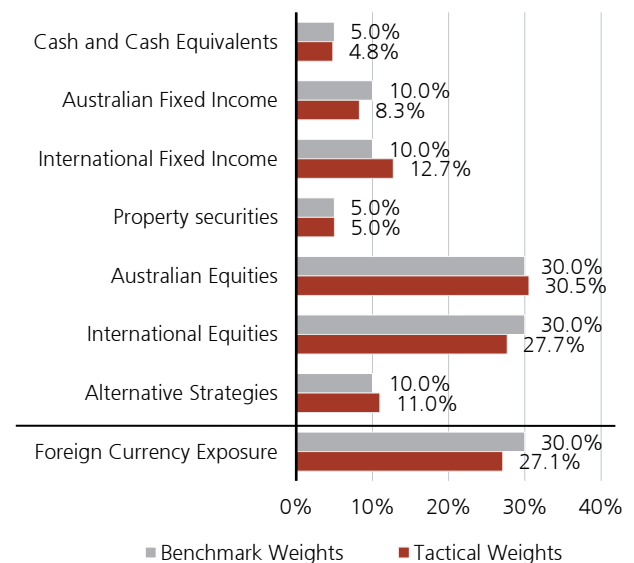
<sup>^</sup> includes cash

## Fund information

Inception date	3 November 1992
Fund size	\$ 617.8 m
Management fee	0.95% pa
Indirect costs	0.02% pa <sup>1</sup>
Minimum initial investment	\$50,000
Distributions	Quarterly
Buy/sell spread	+ 0.20% / - 0.20%

<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.

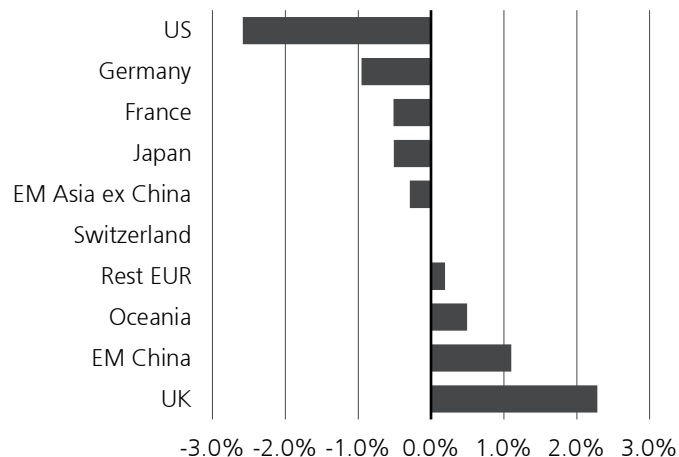
## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(0.86)	(2.93)	(10.24)	2.10	3.92	7.34
Benchmark**	(1.04)	(1.54)	(6.88)	3.64	6.16	8.00
<b>Added Value</b>	<b>0.18</b>	<b>(1.39)</b>	<b>(3.36)</b>	<b>(1.54)</b>	<b>(2.24)</b>	<b>(0.66)</b>

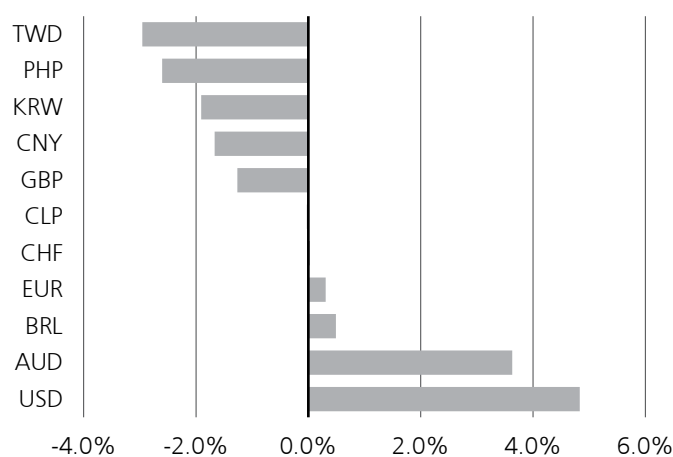
\*Inception date: 3 November 1992. \*\*Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns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

## Active portfolio positioning

### Equities (%)



### Foreign currency (%)



## Market Review

The summer rally in stocks that started in mid-June went into reverse in August, with global equity ending the month with a negative return over the month. The weakening sentiment was mostly driven by the fading market perceptions that central banks were on the brink of a more dovish turn. The fears of Eurozone recession due to further restricted natural gas supply by Russia also added to the weaker sentiment. The US Federal Reserve clarified that the encouraging US inflation data for July was not sufficient to conclude that the threat to price stability had passed, and this was echoed by European Central Bank as well. As a result, yields of 2-year and 10-year US Treasury as well as European government bonds rose sharply over the month against the renewed pressure from central banks. China market, however, presented a diverging performance from the global market in August. Chinese equity concluded the month with a marginal positive return, however, this didn't change the market perception that China's economic outlook was not as optimistic as before.

Locally, Australian equity posted a positive return over the month and outperformed global equity. Australian 10-year government bond yield also rose over the month, given the hawkish stance of Reserve Bank of Australia. The Australian dollar depreciated against the US dollar over the month.

Commodities ended August nearly unchanged. This was driven by a mixture of rising agriculture sector and decreasing precious metals and energy sector over the month.

## Performance Review

After fees and expenses, the portfolio returned -0.86% (gross of fees return of -0.78%) in August which outperformed its benchmark return of -1.04% by 18bps. At the end of August, the Fund's equity weight was -1.8% underweight relative to the benchmark as we brought equity to neutral in the middle of the month. We retained our regional preference for UK, while reduced our overweight position to China at the beginning of the month given higher anticipated sensitivity to geopolitical flash points. We remained underweight to Europe over the month. From an equity sector perspective, we opened a position in World IT at the beginning of the month to diversify the sources of interest rate sensitivity in the portfolio, funded partly out of world minimum volatility. We retain our preference for healthcare and energy equities and further reduced our overweight position in commodities in the face of short-term headwinds.

At the end of August, we held a duration overweight after adding to duration in early August. We closed our short bund position, funded out of US treasuries whilst retaining an overweight to USD duration. We remain duration neutral in other developed markets including Australia. We also closed

an underweight to US high yield expressed via credit default swaps to moderate active risk taken in the face of elevated volatility.

Foreign currency exposure was at 27.1% with key underweights in CNY, TWD, PHP, NZD, KRW, and GBP and overweight in USD, AUD, MXN, HKD, and NOK. We further increased our underweight to TWD and slightly reduced overweight to USD, funded by adding position to CNY, BRL and AUD in mid August.

### Asset Allocation and security selection

Asset Allocation contributed negatively to performance in August, with our fixed income trades detracting the most, while active currency trades and equities contributed. Our allocation to alternatives was flat over the month.

Our active bets within equity contributed positively to the relative performance this month. Our preference to energy equities contributed the most, followed by our overweight to UK equities and world minimum volatility. This was partly offset by our newly opened trade of overweight to information technology, and our overweight to China equities and healthcare equities.

Our overweight to commodities detracted slightly from relative performance this month.

Our call to long global duration in early August did not deliver positive contribution to our performance.

Active currency trades in aggregate delivered positive contribution this month. Our underweight to Asia cyclical currency basket including CNY, TWD and KRW contributed the most, followed by overweight to MXN and EUR as well as underweight to PHP and GBP. Our overweight to NOK modestly detracted to the relative performance.

Security selection added value this month. Australian Share, Emerging Market Equities, Global Opportunity, International Share and Diversified Fixed Income outperformed their respective benchmarks over the month, while Australian Small Companies underperformed its benchmark. Our alternatives allocation detracted from performance in August.

### Outlook

In our view, there is no strong tactical case to be either overweight or underweight global equities. Stocks remain expensive versus bonds based on the equity risk premium, and earnings estimates have started to come under mild pressure. However, sentiment and positioning appear extremely depressed, and the prospect of peak inflation in the US may be a sufficient catalyst for a further squeeze upwards in global equities. Long-term bond yields should be biased lower due to enduring recession risks and ebbing inflationary pressures. Central banks' commitment to tightening should lead to flatter curves and prompt investors to price in easing, down the road, to counter the ensuing economic weakness. Sovereign fixed income continues to play a diversifying role in portfolio construction by hedging downside in cyclical positions.

### Client Services

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