

UBS Balanced Investment Fund

September 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

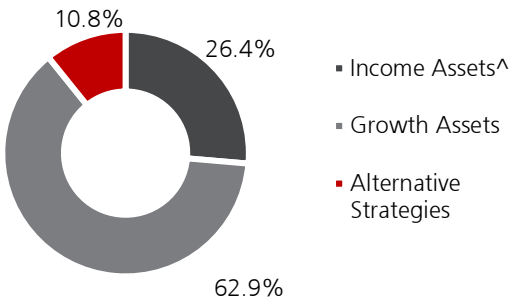
The Fund comprises a diversified portfolio through allocation to differing asset classes anywhere within the allowable ranges, by normally investing in other UBS managed funds, third-party funds and through a range of instruments.

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



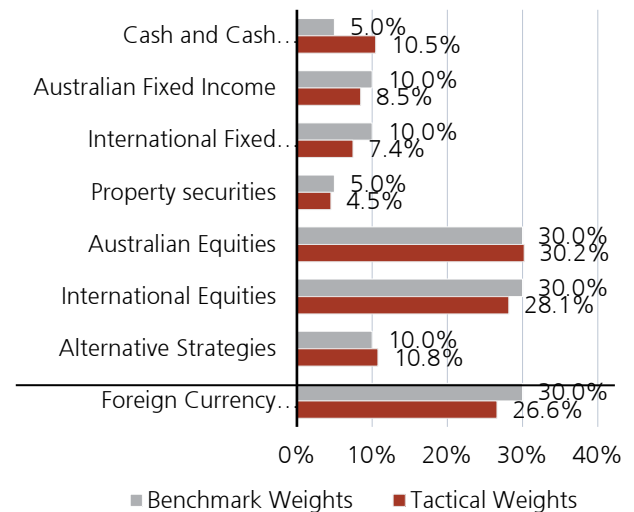
[^] includes cash

Fund information

Inception date	3 November 1992
Fund size	\$ 589.2 m
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.

Fund tactical and strategic allocations²



² Asset allocation includes derivatives used to hedge market exposures.

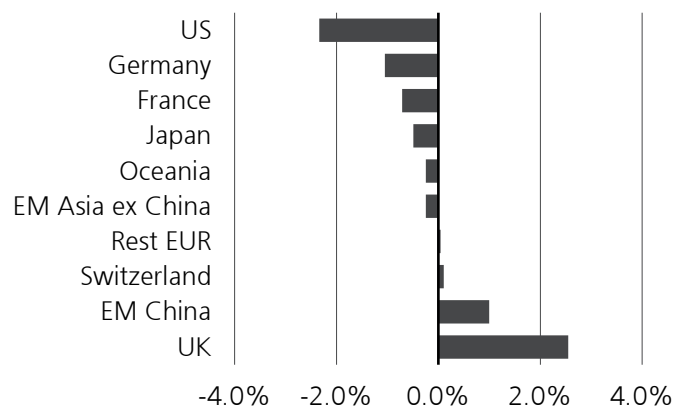
Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(4.04)	(1.88)	(12.31)	0.23	2.92	7.17
Benchmark**	(4.01)	(0.82)	(8.80)	1.83	5.11	7.83
Added Value	(0.03)	(1.06)	(3.51)	(1.60)	(2.19)	(0.66)

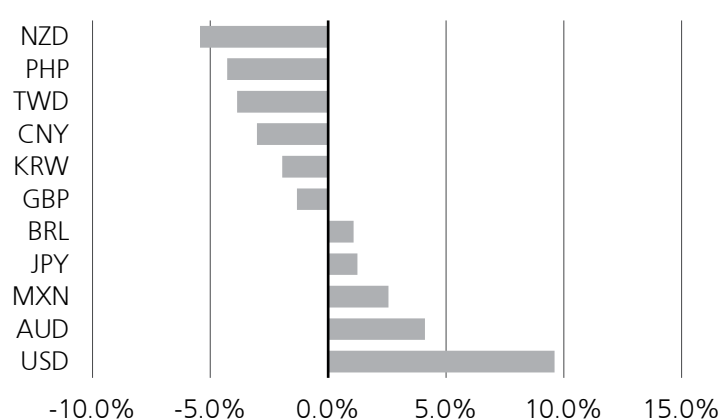
*Inception date: 3 November 1992. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume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

Equities and bonds continued to fall in tandem in September, amid persistent concern that stubbornly high inflation would lead central banks to continue raising rates at a rapid pace. Among the regions, emerging markets including China lagged the most, reflecting the diminishing hopes over the prospect for a vigorous economic recovery amid a property crisis and continued COVID-19 lockdowns. Even defensive markets retreated this month, including UK equities. Disappointment over the persistence of elevated inflation also hurt fixed income markets, with negative returns in all segments. Investor concern over fiscal sustainability in the UK - after the new government unveiled GBP 45 billion tax cuts - spilled over into global fixed income markets and led to an emergency program of long-dated Gilt purchases by the Bank of England. Yields of 2-year and 10-year US Treasury as well as European government bonds rose sharply, and the risk of recession and rising defaults caused a further widening of credit spreads across the board.

Locally, Australian equity posted a negative return over the month, nevertheless outperformed global equity. Australian 10-year government bond yield also rose sharply in September given the hawkish stance by the Reserve Bank of Australia. The Australian dollar continued to depreciate against US dollar over the month.

September was another difficult month for commodities due to the intensifying global risks including aggressive monetary policy tightening in the US and Europe which sparked recession fears.

Performance Review

After fees and expenses, the portfolio returned -4.04% (gross of fees return of -3.97%) in September which marginally underperformed its benchmark return of -4.01% by 3bps. At the end of September, the Fund's equity weight was -2.1% underweight relative to the benchmark as we retained our neutral view towards equity beta over the month. We kept our regional preference for UK as we favoured its defensive nature against current volatile market backdrop as well as our modest overweight to China and underweight to Europe over the month. From an equity sector perspective, we reduced our position in the IT sector in mid-September in the face of short-term headwinds, while adding to world minimum volatility and healthcare sector at the same time. We retained our preference for energy equities and commodities.

At the end of September, we held a neutral duration position, after decreasing aggregate duration in the middle of the month by reducing EUR and USD duration. We opened an underweight to UK Gilts and overweight to German bunds trade in mid-September amidst the Gilts sell off. We further added to this relative value trade over the month and took partial profits towards the month end given large moves in the market.

Foreign currency exposure was at 26.6% with key underweights in NZD, PHP, TWD, CNY, KRW and GBP and overweight in USD, AUD, MXN, NOK, JPY and BRL. We increased the sizing of currency bets in mid-September, primarily by increasing overweight to USD and secondarily AUD, NOK and BRL, as well as underweight to NZD, CNY, TWD and PHP. We opened a small overweight to JPY and further increased underweight NZD position funded out of USD at the end of the month.

Asset Allocation and security selection

Asset Allocation contributed positively to performance in September, with our currency trades contributing the most, and our equity allocations also contributing positively. Our allocation to alternatives marginally detracted while our fixed income positioning detracted on a net basis.

Our active trades within equity contributed positively to the relative performance this month. This emanated primarily from our defensive relative value trades such as our preference to healthcare sector which contributed the most, followed by our overweight to world minimum volatility. This was partly counterbalanced by our overweight to information technology as well as energy equities. Our preference to UK equities was broadly neutral for performance in September, while our preference for onshore China equities, which outperformed broader China equities, also made a small positive contribution this month.

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

Our call on overweight global duration detracted from relative performance, until we neutralized the duration in mid-September. This was partially offset by our relative trade of underweight to UK duration while overweight to Euro bonds, which contributed positively over the month.

Active currency trades in aggregate added the most value this month. This was driven by our strong overweight to the USD, paired against cyclical Asian currencies including CNY, TWD and KRW, and other currencies such as to PHP and NZD. Our overweight to MXN also contributed positively. This was partially offset by our overweight to NOK and BRL.

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

Outlook

In our view, equities are likely to remain in a volatile range. Stocks remain expensive versus bonds based on the equity risk premium, and earnings as well as revenue estimates are biased lower from here, in our view. However, sentiment and positioning appear extremely depressed, and the potential that economic conditions have not deteriorated as quickly as feared may be a sufficient catalyst for a squeeze upwards in global equities. Long-term bond yields should be rangebound due to the combination of enduring recession risks, sticky-high inflationary pressures, and US labor market resilience. Central banks' commitment to tightening should drive even more flattening of yield curves.

Client Services

Telephone: (03) 9046 4041 Freecall: 1800 572 018 Email: ubs@unitregistry.com.au www.ubs.com/am-australia

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The PDS for this fund is only available to persons receiving the PDS (electronically or otherwise) while physically in Australia, unless expressly authorised by us in writing. The offer does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This Fund (or the PDS) has not been registered under the laws of any jurisdiction outside Australia. The Fund may not be offered or sold in the United States of America or to 'U.S. Persons' (as defined in 'Regulation S' of the Securities Act of 1933, as amended). This document may not be reproduced or copies circulated without prior authority from UBS Asset Management (Australia) Ltd.

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