

# UBS Balanced Investment Fund

October 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

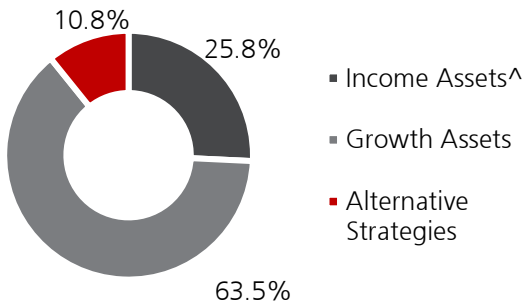
The Fund comprises a diversified portfolio through allocation to differing asset classes anywhere within the allowable ranges, by normally investing in other UBS managed funds, third-party funds and through a range of instruments.

## 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



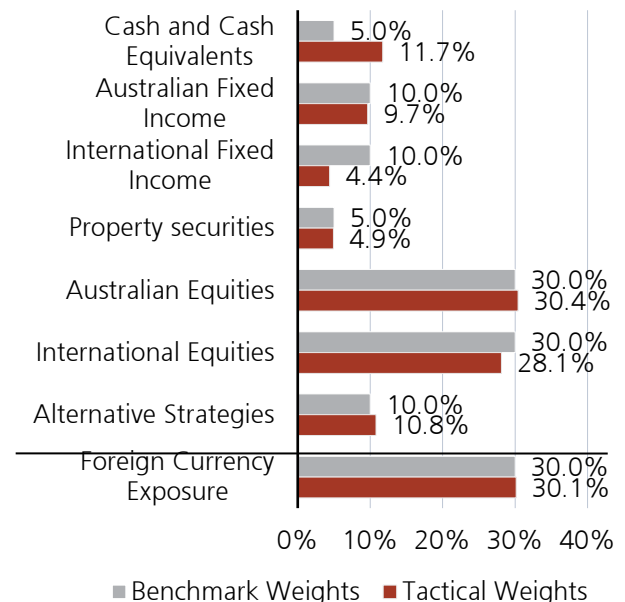
<sup>^</sup> includes cash

## Fund information

Inception date	3 November 1992
Fund size	\$ 608.2 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.

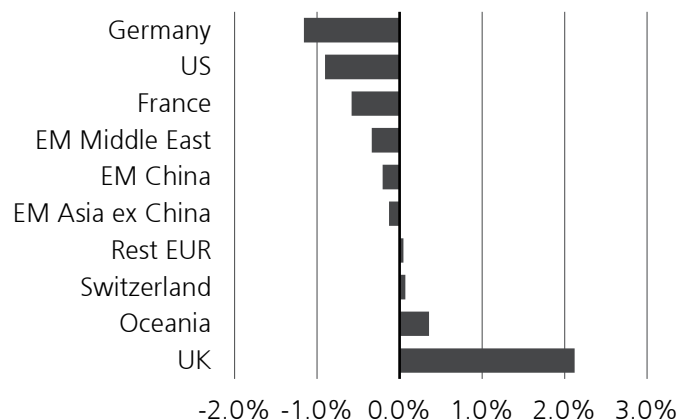
## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	3.95	(1.11)	(9.24)	1.40	3.17	7.28
Benchmark**	4.02	(1.18)	(5.38)	3.15	5.37	7.95
<b>Added Value</b>	<b>(0.07)</b>	<b>0.07</b>	<b>(3.86)</b>	<b>(1.75)</b>	<b>(2.20)</b>	<b>(0.67)</b>

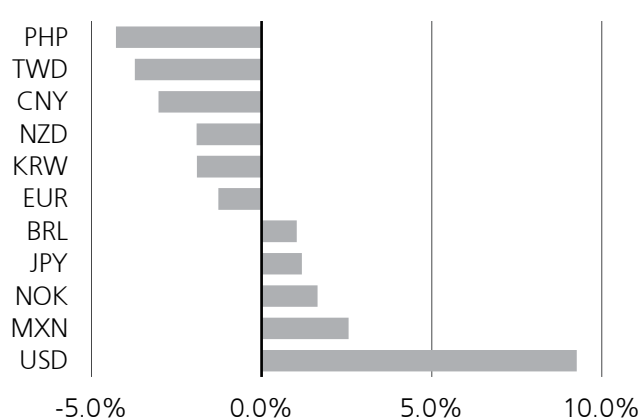
\*Inception date: 3 November 1992. \*\*Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns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

Global equities rose in October amid renewed hopes of a dovish pivot from the Federal Reserve. Investors were cheered by comments from top Fed officials that discussions had started over pausing rate hikes. Perceptions of global financial risks also abated after the UK government abandoned plans for an unfunded fiscal expansion. Gains were broad based in developed markets, among which UK equities lagged both global and European equities relatively in October. Nevertheless, UK equities still delivered a positive return in October, and retained one of the few major markets that offered a positive return year to date. China equities remained a concern for global investors and was the worst performing major market in October, with the 20th National Party Congress failing to provide any hints of a relaxation of the nation's zero-COVID policy. The rise in 10-year US Treasury yield slowed over the month. While the yield on the 10-year Gilt was volatile over the month, as investors continued to process swings in UK fiscal policy. Concerns over the sustainability of UK fiscal policy calmed over the course of the month, after the government of Liz Truss abandoned plans for GBP 45 billion in unfunded tax cuts and a costly plan to cushion higher energy prices.

Locally, Australian equity matched the developed market posting a positive return in October. In contrast to the global rates market, the 10-year Australia government bond yield fell in October because of the slowdown in the pace of rate hikes by the Reserve Bank of Australia. The Australian dollar was relatively flat against US dollar over the month.

Commodities broadly recovered in October, majorly driven by the energy sector.

## Performance Review

After fees and expenses, the portfolio returned 3.95% (gross of fees return of 4.02%) in October which underperformed its benchmark return of 4.02% by 7bps. At the end of October, the Fund's equity weight was -1.5% underweight relative to the benchmark as we retained our neutral view towards equity beta over the month. We retained our regional preference for UK while reduced its size at month end. Nevertheless, we still favoured UK for its mix of defensive and commodity characteristics to allow it to serve as an attractive hedge in the late cycle environment with higher real rates. At the same time, we kept underweight to Europe ex UK over the month. We closed our overweight position in China after the latest National People Congress in end October, amid a higher level of volatility brought by the uncertainty on policymaking in the near term. From an equity sector perspective, we retained our preference for defensive sectors such as healthcare equities. We kept our overweight to IT equities for diversification benefits, while reduced our position to world minimum volatility towards the month end. We also retained preference for energy equities, and maintained exposure in broad commodities over the month.

At the end of October, we held an underweight tilt in aggregate duration positioning. We closed the pair trade of underweight UK Gilts and overweight German bunds in mid October as we see more stabilization in the UK rates and FX market. We opened an overweight to Canada and Australia

duration against an underweight to US duration at month end as we see potential opportunity brought by the diverging pace of rate hikes. We retained our underweight to European duration over the month.

Foreign currency exposure was at 30.1% with key underweights in PHP, CNY, TWD, KRW and NZD and overweight in USD, MXN, NOK, BRL and JPY. We closed our underweight to GBP and reduced the scale of underweight to NZD, funded out of closing our overweight to AUD and reducing overweight to EUR towards the end of the month.

### Asset Allocation and security selection

Asset allocation detracted the performance in October, with our equity allocations detracting the most, our fixed income positioning dragged the performance slightly on a net basis while our currency was a small net contributor to relative performance. Our allocation to alternatives also served as a partial offset.

Underperformance from equities this month was mainly driven by our defensive relative value trades such as our preference to UK equities, minimum volatility and healthcare sector. Our overweight to IT sector as well as our overweight to China equity which we closed over the month, also made detractions. This was partially offset by positive contribution from our overweight to energy equities. Our overweight to commodities contributed positively to relative performance this month.

Our fixed income positioning detracted modestly in October. The newly opened overweight Australia and Canada duration against US duration contributed positively, while this was offset by our underweight position to UK Gilts against German Bunds before closing the position amid the UK rates stabilization.

Active currency trades in aggregate contributed this month. Our underweight position to cyclical Asian currencies including CNY, TWD and KRW added the most value, followed by our overweight to NOK, MXN and BRL. Our underweight to NZD and PHP, overweight to JPY, as well as our underweight to GBP which we closed over the month detracted from relative performance in October.

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

### 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

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