

# UBS Balanced Investment Fund

November 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

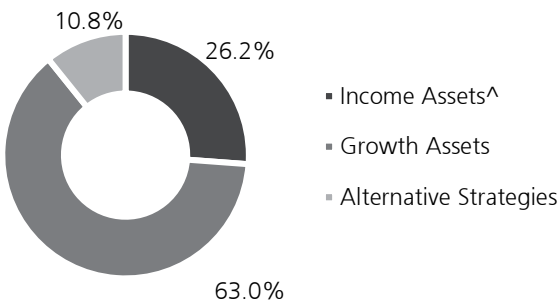
The Fund comprises a diversified portfolio through allocation to differing asset classes anywhere within the allowable ranges, by normally investing in other UBS managed funds, third-party funds and through a range of instruments.

## 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



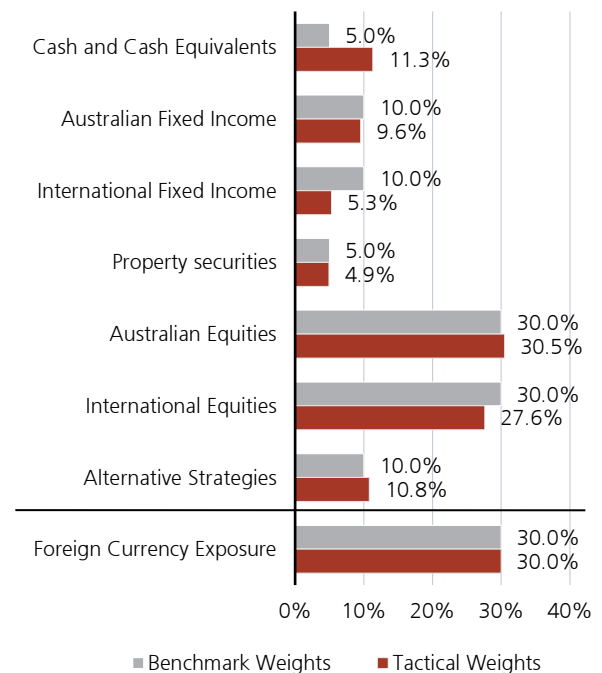
<sup>^</sup> includes cash

## Fund information

Inception date	3 November 1992
Fund size	\$ 620.6m
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	5 years	Since inception*
	%	%	%	% pa	% pa	% pa
Total return	2.70	2.44	(6.55)	1.56	3.38	7.36
Benchmark**	3.47	3.32	(3.15)	3.54	5.74	8.05
<b>Added Value</b>	<b>(0.77)</b>	<b>(0.88)</b>	<b>(3.40)</b>	<b>(1.98)</b>	<b>(2.36)</b>	<b>(0.69)</b>

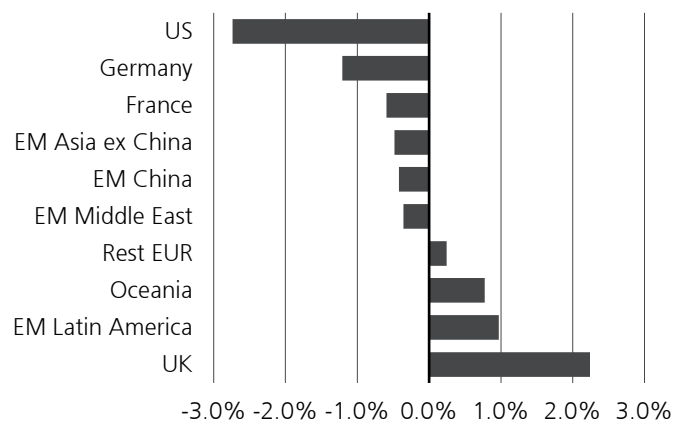
\* Inception date: 3 November 1992.

\*\* Neutral Allocation (refer to PDS).

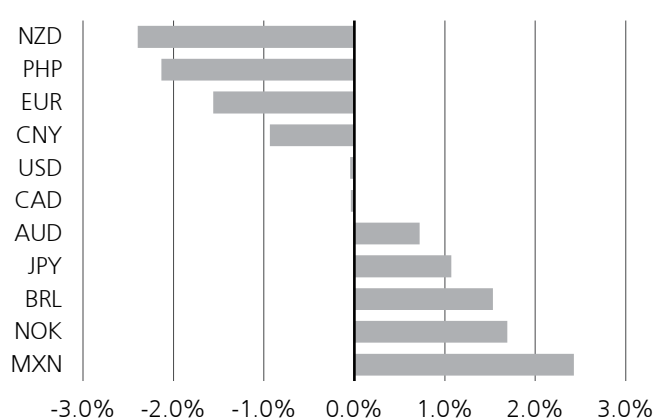
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile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

## Active portfolio positioning

### Equities (%)



### Foreign currency (%)



## Market Review

Investors were in a risk-on mood for a second consecutive month in November, as global equities continued the rising trend across both developed and emerging markets. Investor sentiment was encouraged by the US Federal Reserve's November policy meeting, which indicated a majority of policymakers believed a slower pace of rate rises would be appropriate following four consecutive 75-basis point hikes. China equities led the gains among the markets, halving the year-to-date decline with the hopes for an eventual end to pandemic restrictions. The sentiment was brightened as the government recalibrated its zero-COVID approach, announced further measures to support the property sector, and restarted dialogue with the Biden administration at top-level summits. Eurozone and UK equities also posted positive returns respectively, helped by signs of economic resilience and an easing of imminent concerns about energy supplies. As the fears over the pace of Federal Reserve rate rise shifted over the month, the yield on both 10-year and 2-year US Treasury bonds declined by the end of November, while the inverted yield curve reflected concerns over a slowing US growth and possibility of a US recession.

Locally, Australian equity followed the trend of developed market posting a positive return in November. The Reserve Bank of Australia increased policy rate by 25bps in November, delivering a more dovish message compared with Federal Reserve and Bank of England which hiked the rates by 75bps. The 10-year Australia government bond yield fell in November amid the smaller rate hike. The Australian dollar appreciated against a weak US dollar over the month.

November was another good month for broad commodities, as the reopening story of China lifted the demand prospect, and the growth concerns in Europe and the US weighed on oil and oil product prices.

## Performance Review

After fees and expenses, the portfolio returned 2.70% (gross of fees return of 2.78%) in November which underperformed its benchmark return of 3.47% by 77bps. At the end of November, the Fund's equity weight was -2.0% underweight relative to the benchmark as we retained our neutral view towards equity beta over the month. We retained our regional preference for UK as 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 opened a trade to overweight Brazil equities early in the month, funded out of broad EM equities. From an equity sector perspective, we retained our preference for defensive sectors such as healthcare equities, as well as world minimum volatility. We closed our overweight to IT equities as we see less favorable signals from demand slowdown and declining earnings. We also retained preference for energy equities and maintained exposure in broad commodities over the month.

At the end of November, we tilted slightly underweight in aggregate duration positioning. We added to Canada and Australia duration against an underweight to US duration at early November as we would like to benefit from the 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 30.0% with key underweights in NZD, PHP, EUR and CNY and overweight in MXN, NOK, BRL and JPY. We added an overweight to BRL at early November funded out of USD. We took profits on our overweight USD against Asian cyclical currencies as well as PHP at the second week of the month, and further neutralized USD position by closing our TWD underweight, moderating our CNY underweight, and selling our NZD in the middle of November.

### Asset Allocation and security selection

Asset allocation detracted from performance in November, with our equity allocations detracting the most, followed by our active bets in currency. Fixed income positioning did not contribute meaningfully this month, and our allocation to alternatives added marginal value.

Underperformance from equities this month was mainly driven by our defensive equity relative value trades such as our preference to healthcare sector, UK equities, and minimum volatility. Our overweight to IT sector which we closed over the month also detracted from performance slightly. Our newly opened trade to overweight Brazil equities also contributed to underperformance this month.

Our overweight to commodities contributed positively to relative performance this month.

Our fixed income positioning didn't deliver a meaningful contribution in November. Our overweight Australia and Canada duration against US duration contributed positively, which we added over the month. However, our slight aggregate underweight to duration detracted the performance.

Active currency trades in aggregate detracted this month. Our underweight position to cyclical Asian currencies including CNY, TWD and KRW detracted the most this month, which were moderated during the month. Our underweight position to NZD and PHP also detracted. This was partially offset by our overweight to JPY and MXN.

Security selection in aggregate contributed this month. Australian Share, Australian Small Companies, International Share Funds, Emerging Market Equities, and Diversified Fixed Income outperformed their respective benchmarks over the month, while Global Opportunity underperformed its respective benchmark. Our alternatives allocation significantly contributed to performance in November and reversed some of the deduction from previous months.

### Outlook

In our view, equities are likely to remain in a volatile range, and we are closer to the top of that range than the bottom. 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 resilience in economic conditions as inflation rolls over with 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 – albeit at a slower pace – should drive even more flattening of yield curves.

### Client Services

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