

UBS Balanced Investment Fund

June 2023

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 objective

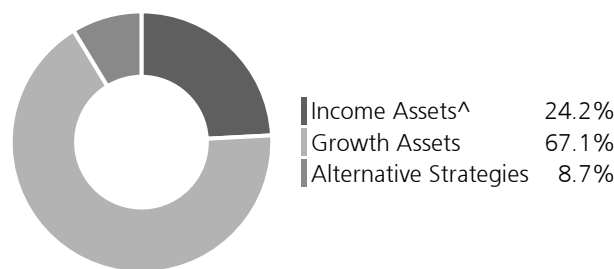
The Fund aims to outperform (after management costs) the Benchmark (see Investment guidelines) over rolling five year periods.

Fund information

Inception date	3 November 1992
Fund size	\$ 626.8m
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%

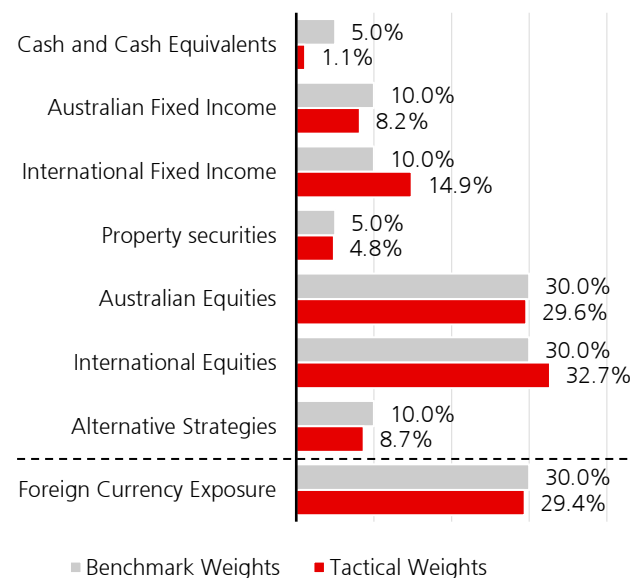
¹ Estimate of the fees the Fund will incur through the Fund's investment in underlying funds. These fees and expenses will vary from time to time.

Tactical asset allocations



[^] includes cash

Fund tactical and strategic allocations²



² Asset allocation includes derivatives used to hedge market exposures

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	1.16	1.31	6.15	(1.80)	4.83	3.14	7.26
Neutral**	1.36	2.21	10.53	1.54	6.65	5.75	8.01
Added Value	(0.20)	(0.90)	(4.38)	(3.34)	(1.82)	(2.61)	(0.75)

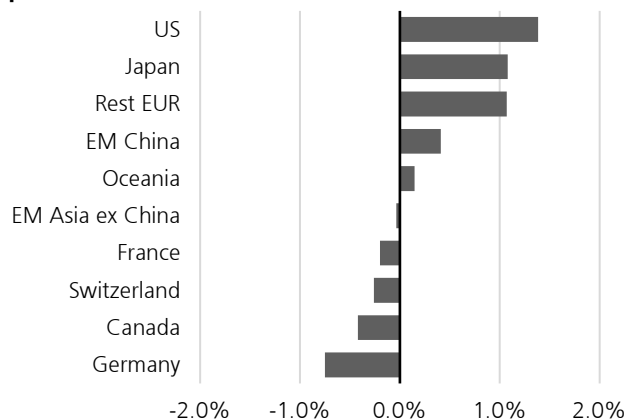
* Inception date: 3 November 1992.

** Neutral Allocation (refer to PDS).

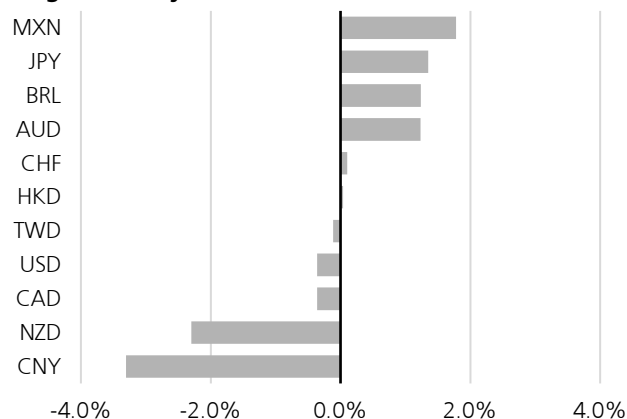
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile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

Investment strategy

Equities



Foreign currency



Market review

Global equities posted their best month since January, breaking out of their year-long range to the upside with strong breadth across regions. Japan equities were the top performer among major global markets, amid prolonged investor confidence in the outlook for improvements to shareholder return programs in Japan. US equities, unlike in May when US stock resilience was primarily a function of mega-cap tech due to AI optimism, delivered much broader gains in June, with S&P 500 equal weight index outperforming tech-heavy Nasdaq 100 over the month. Emerging market equities also rebounded in June but it was partially held back by the weakness in China equities in the second half of the month. Defensive markets like UK equities lagged among the major markets. In fixed income, the US 2-year and 10-year Treasury curve aggressively bear-flattened to near its flattest levels on record, below 100 basis points, as investors pushed back the timing for when and how much the US Federal Reserve might cut interest rates down the road. Longer-term government bond yields rose across developed-market economies, as central banks either continued tightening campaigns or warned that rates would stay at elevated levels or go even higher for a prolonged period.

Locally, Australian equities lagged the global equities, nevertheless posted a positive return in June. Reserve Bank of Australia (RBA) raised the cash rate by 25 bps at its June meeting, and the Australian yield curve remained inverted. The Australian dollar appreciated against the US dollar over the month.

Broad commodities reversed its declining trend over the past few months and posted positive monthly gains in June.

Performance review

After fees and expenses, the portfolio returned 1.16% (gross of fees return of 1.24%) in June which underperformed its benchmark return of 1.36% by 20bps. At the end of June, the Fund's equity weight was 2.3% overweight relative to the benchmark as we introduced an overweight position to equity in mid June.

Foreign currency exposure was at 29.4% with key underweight in CNH, NZD and USD as well as overweight in MXN, JPY, BRL and AUD.

Positioning review

We introduced a directional overweight to equities via opening an overweight to US midcap and equal weight equities in the middle of the month, which remained cheaper relative to the broader market weighted S&P index and were geared to a US economy that should continue to surprise to the upside relative to downbeat expectations. Within equities, we trimmed our overweight to emerging market equities in two tranches over the month, amid recent market headwinds brought by a recovery in the US dollar and dimming hope for imminent and sufficient stimulus in China. We also reduced our underweight to US equities in early June as the economic resilience continued with a solid labor market and rebounding housing activity. We opened an overweight position to Japan equities funded out of the UK and Europe ex UK equities as our conviction to Japan equities grew. At the same time, we further added to our overweight position to US midcap and equal weight equities in the second half of the month. From an equity

sector perspective, we retained our pro-cyclicality in Europe through our overweight to European banks.

We ended the month with a marginal overweight to duration in our portfolio. We closed our overweight to emerging market debt hard currency against our underweight to US high yield bonds in early June, amid the headwinds brought by a stronger US dollar over the month. We further removed our overweight position to Canadian duration against US duration on the same week as the conviction in further upside had waned. We retained our overweight position to short-term US IG credit on the back of attractive yield pickup and underweight to 5-year US treasury bonds.

In terms of our active currency trade, we moderated our overweight to JPY and added to our underweight to NZD in early June, with both funded out of USD.

Asset Allocation

Asset allocation contributed positively to performance in June, with our equity allocations and currency trades adding the most value, while our positions in fixed income marginally detracted from the relative performance.

Our overweight to equity in aggregate contributed positively to relative performance over the month. Our newly opened overweight to US midcap and equal weight equities as well as our overweight to European banks and Japan equities also added value in June. On the other hand, our overweight position to China was the only detractor over the month, as weak market sentiments driven by soft economic data prints and weak consumer confidence de-rated the Chinese equity market.

Fixed income positions marginally detracted from relative performance in June. Negative contribution mostly came from our aggregate overweight tilt to duration as well as our overweight to emerging market bonds prior to closure. Our overweight position to Canadian duration against US duration, which we closed during the month, was close to flat over the period. On the other hand, our overweight position in short-dated US IG credit delivered a positive contribution to our relative performance.

Active currency trades in aggregate contributed positively this month. Positive contributions came from our overweight to BRL, MXN and AUD. This was partially offset by our underweight to CNH and NZD. Our overweight to JPY, which was moderated over the month, did not contribute meaningfully to our relative performance over the month.

Security selection detracted from the relative performance this month. Global Opportunity, Diversified Fixed Income as well as Australian Share Funds lagged their benchmarks, while Australian Small Companies and Emerging Market Equity Funds outperformed their respective benchmarks in June. International Share Fund was broadly in line with its benchmark over the month. Our alternatives allocations did not contribute meaningfully to the performance in June.

Asset Allocation and Currency Strategy

The resilience in the global economy spurred equity markets higher in June, with most of the major markets posting positive returns over the month. Japan and US equities continued to outperform the rest of the major markets, while emerging market lagged due to weakness in China. US 10-year Treasury yields were largely rangebound through most of June, before rising briskly in the final sessions of the month on enhanced confidence that the move higher in initial jobless claims seen earlier in the month was an aberration and a reaffirmation of the Federal Reserve's intention to raise policy rates further.

Market outlook

In our view, the risk-reward proposition for global equities is attractive. The probability of a soft landing for the US economy has increased meaningfully. Decelerating inflation has reduced a chief threat to the expansion and asset valuations, while tight labor markets may continue to support solid growth in consumer spending. Risks to global activity are still present following banking stress and the lagged impact of the significant global monetary tightening delivered since the start of 2022. Long-term bonds play an important role in balanced portfolios in hedging against downside risk to the economic cycle. Yields should be volatile and rangebound as robust labor market data and resilient economies square up against the fact that central bank tightening cycles are well advanced and disinflation is finally beginning to set in.

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