

UBS Balanced Investment Fund

August 2021

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.

Investment strategy

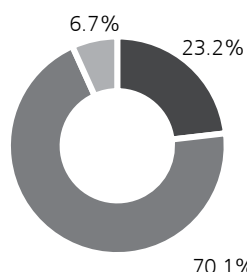
Our portfolio management team will build a diversified portfolio by allocating to differing asset classes anywhere within the allowable ranges by normally investing in other UBS managed funds, third party funds and through a range of instruments.

Investment return objective

The Fund aims to outperform (after management costs) the Benchmark over rolling five year periods. The Benchmark is based on the return on the market indices based on the Neutral Allocation of assets (refer to the individual asset class benchmark weights opposite in the 'Fund tactical and strategic allocations' graph).

Growth income asset split strategy

Tactical asset allocations



- Income Assets[^]
- Growth Assets
- Alternative Strategies

[^] Includes cash

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.20	5.42	21.12	7.13	7.83	8.00
Benchmark**	1.78	5.81	18.82	8.85	9.05	8.56
Added Value	0.42	(0.39)	2.30	(1.72)	(1.22)	(0.56)

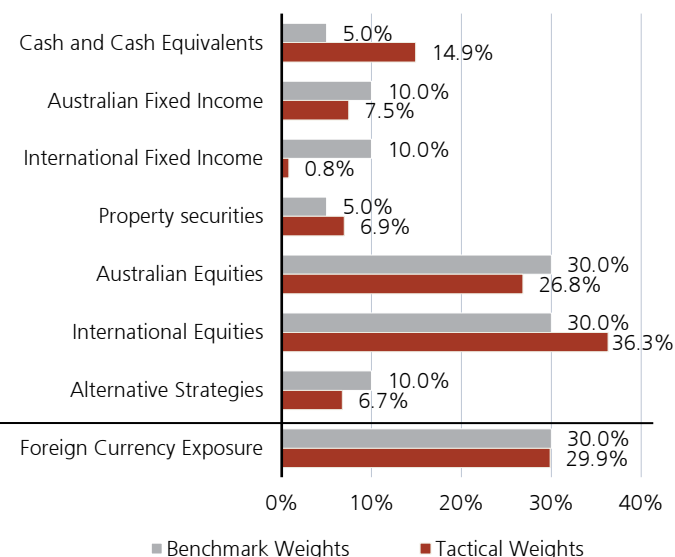
*Inception date: 3 November 1992. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume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

Fund information

Inception date	3 November 1992
Fund size	\$ 812.6m
Management fee	0.95% pa
Indirect costs	0.02% pa ¹
Minimum initial investment	\$10,000
Distributions	Quarterly
Buy/sell spread	+ 0.20% / - 0.20%
APIR code	SBC0815AU

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.

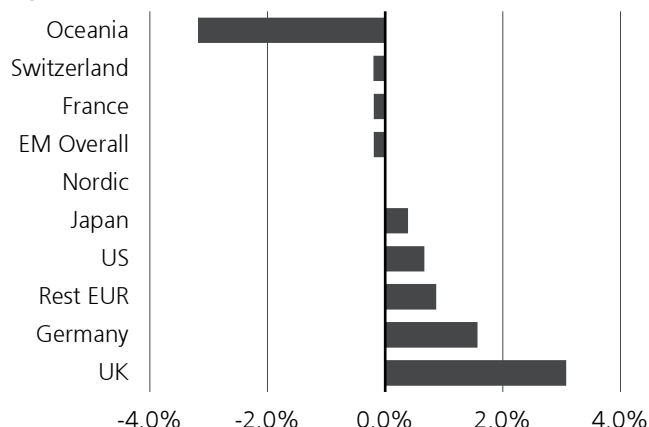
Fund tactical and strategic allocations²



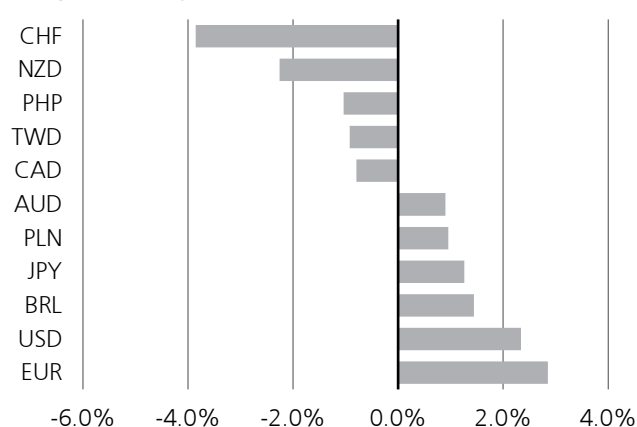
² Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Market review

Global equities continued its rally in August led by Japan and US equities marking the seventh consecutive monthly gain and hitting fresh record highs. The rise came despite the continued increase in COVID-19 infections and mixed economic data with disappointing US retail sales and further evidence of slowing in China. Despite the data disappointments, the global economic recovery should remain on track and there could be further upside for equities. Developed government bonds traded in a narrow range in August which partly reflected the continued confidence that the recent rise in inflation will prove to be transient and will not force a premature tightening by the central banks which was echoed by the US Federal Reserve which reassured markets that there are no plans of premature tightening in policy. Credit spreads tightened moderately in August as investors appeared confident that the course of global economic recovery would stay on course and earnings growth would stay strong.

Locally, Australian equities delivered a positive return despite lagging behind US and Japanese equity. Australian government bonds traded in a narrow range and finished the month broadly flat while the Australian dollar finished the month slightly weaker driven by concerns over the expected weakness on the back of domestic COVID lockdowns and restrictions.

Performance review

After fees and expenses, the portfolio return of 2.20% (gross of fees return of 2.28%) in August outperformed its benchmark return of 1.78% by 42bps. At the end of August, the Fund's equity weight was 3.1% overweight relative to the benchmark excluding opportunistic exposure to Global REITs. We maintained our exposure to pro-cyclical relative value trades such as long European banks versus European equities and long global financial equities versus global equities. We added long Global Healthcare equity which should serve as a diversifier without materially diluting our existing high conviction positions. In terms of regional equity views, we continue to hold a preference for UK, Germany, Japan and Europe over the US and Australian equities.

We partially took profit and reduced our overweight to Global REITs over the month.

In fixed income, duration was kept short relative to the benchmark over the month. We remained broadly neutral in Australian duration, underweight to US, UK, Europe and Japan.

Foreign currency exposure was at 29.9% with key underweights in CHF, NZD, PHP, TWD, KRW, AUD, CAD and overweights in USD, BRL, EUR, JPY and PLN.

Asset Allocation and security selection

Asset Allocation decisions contributed positively to relative performance in August. Our directional overweight to equities, expressed against an underweight position in investment grade credit was additive to performance. Our pro-cyclical relative value equity trades such as long European Banks versus EMU equity and preference for global financial equities, which we trimmed in favor of moderating our US equity underweight, outperformed this month in addition to our regional overweight to Japan. This was partially offset by our regional preference for European equities most notably UK, which is held against a short position in Australian equities, and German equities. During the month we also added a position in global healthcare equities which contributed positively to performance late in the month. Short duration positioning was additive for performance as global government bond yields rose moderately. Overweight to REITs contributed positively to performance this month, which we trimmed towards the end of August.

Active currency trades were mixed this month. Positive contributions came from our overweight to BRL, PLN, EUR and USD as well as our underweight to AUD, CAD, and CHF. Detractions came from underweight to NZD, which we added to in favor of AUD given attractive levels, as well as PHP and cyclical Asian FX such as TWD and KRW. Overweight to JPY did not have a meaningful impact on performance this month.

Security selection made a positive contribution in August. Australian Small Companies and Global Opportunity Funds had standout months and strongly outperformed their benchmarks this month and Emerging Market Equity Fund also marginally outperformed its benchmark. On the contrary, Australian and International Share Funds underperformed their benchmark. Diversified Fixed Income Fund finished the month flat but outperformed its benchmark which finished slightly down. Allocations to alternatives made a positive contribution to performance.

Outlook

Our market outlook is cautiously optimistic. Momentum towards curbing the pandemic continued along with the broad trend towards economic normalization. While infection rates rose throughout August, the pace of the speed slowed. Economic growth may have passed the peak but remains healthy and inflation still looks to be transient which requires further monitoring in the coming months. In addition, central banks and policy has broadly remained supportive and profit growth has been robust according to the data release in August and looks to remain so in the near future.

Client Services

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

Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer of the Fund. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund are contained in the Product Disclosure Statement dated 30 November 2020. The PDS is available from our website www.ubs.com/am-am-pds or by calling (03) 9046 4041.

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.

