

UBS Balanced Investment Fund

October 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.

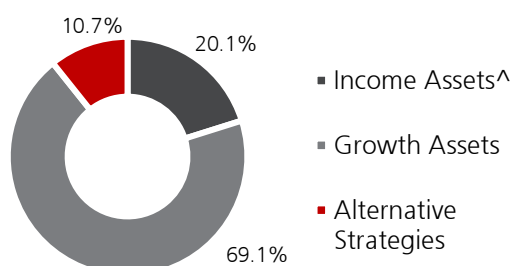
Investment strategy

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



[^] Includes cash

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.42	0.81	20.29	8.34	7.67	7.90
Benchmark**	0.26	0.01	17.70	9.69	9.03	8.44
Added Value	0.16	0.80	2.59	(1.35)	(1.36)	(0.54)

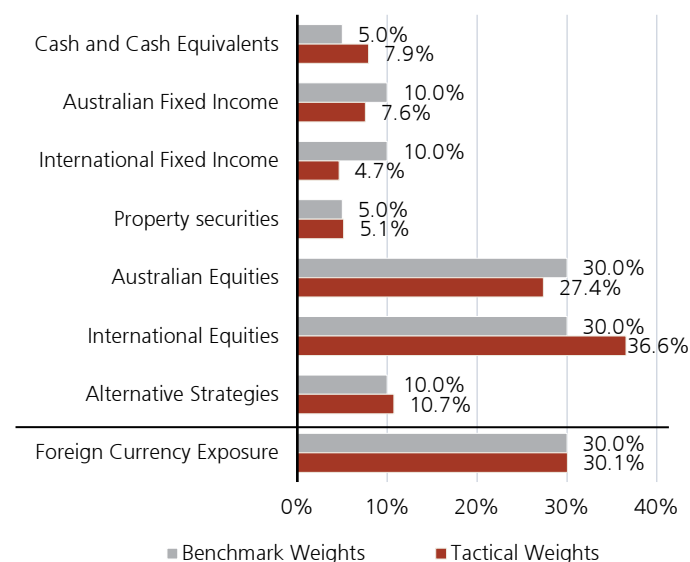
*Inception date: 3 November 1992. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume 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	\$ 794.5 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%
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.

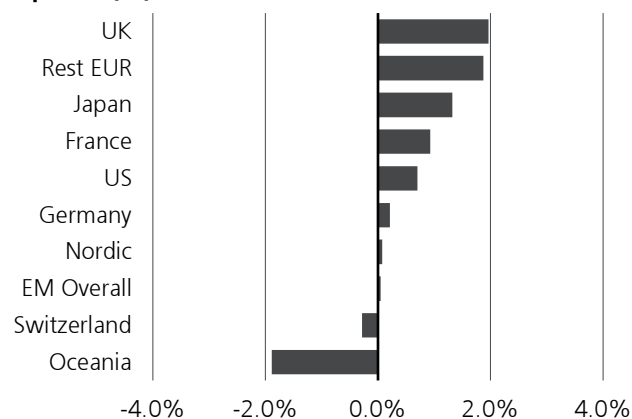
Fund tactical and strategic allocations²



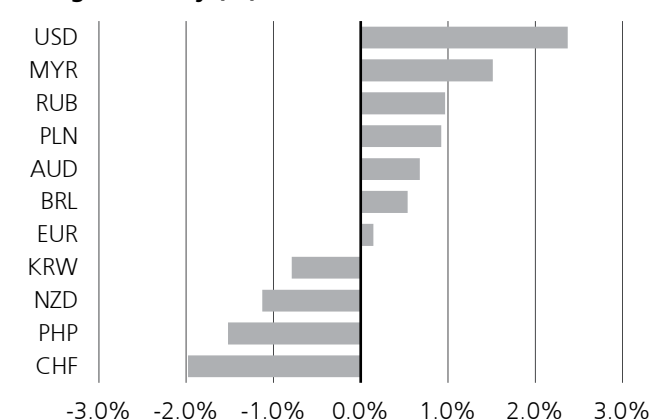
² Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Market review

Global equities delivered a positive return in October on the back of strong start to the third quarter earnings season with profit margins remaining high despite increased prices and supply bottlenecks in some industries. While some backward-looking economic data such as weak GDP releases from both the US and China disappointed, forward looking releases pointed to a modest re-acceleration in growth as we entered the final quarter of 2021. Market sentiment held up despite worries that central bank tightening could come sooner than previously expected. The Bank of Canada ended its bond purchasing program earlier than expected and moved forward the projected timing of its first rate hike which triggered a global spike in short term yields and flattening of yield curves.

Locally, Australian equities finished the month broadly flat and lagged global equities in October. Shorter end of the Australian government 2-year bond yields rose sharply in line with other markets on the back of hawkish rate hike outlooks. Longer end 10-year government bond yields also rose over the month but to a lesser degree as compared to the shorter end which led to flattening of the yield curve. Australian dollar strengthened against the US dollar as markets factored in the possibility of rate hikes and tighter monetary policy.

Performance review

After fees and expenses, the portfolio return of 0.42% (gross of fees return of 0.50%) in October outperformed its benchmark return of 0.26% by 16bps. At the end of October, the Fund's equity weight was 4% overweight relative to the benchmark. We recalibrated our exposure to pro-cyclical relative value trades this month by partially taking profit on long European banks versus European equities and re-introducing US equal weight versus US equities. We maintained our exposure to long global financial versus global equities. We've reduced our exposure to long global healthcare equity at the end of the month and opened a long energy versus world equity.

From a regional equity perspective, we maintained our overweight to the UK, Japan and Europe. Australian equities remained as our key regional equity underweight.

Duration remained short relative to the benchmark over the month. We remained neutral in Australian duration and underweight to Europe, UK and Japan. We reduced our short duration exposure by buying back our existing underweight in US duration over the month. We closed the existing overweight to EM debt hard currency and opened long Asia high yield hard currency.

Foreign currency exposure was at 30.1% with key underweights in CHF, PHP, NZD, EUR and KRW and overweight in USD, RUB, PLN and BRL.

Asset Allocation and security selection

Asset Allocation decisions detracted from relative performance in October. While our directional overweight to equities contributed positively, our relative value equity trades such as preference for Healthcare and EMU Banks detracted from performance. Preference for US equal weight that was introduced in early October and world energy equity that we added near month end both did not make a meaningful contribution to performance. Our regional preference for Europe and Japan detracted from performance of October while overweight to UK contributed positively albeit at a lesser extent. Short duration positioning was additive for performance as global government bond yields rose over the month. Our overweight to EM debt hard currency contributed positively which we closed towards the end of the month in favor of Asia high yield hard currency which detracted from performance.

Active currency trades detracted from performance this month. Our existing underweight to NZD and PHP detracted from performance. We reduced our overweight to BRL and underweight to CHF with both trades detracting from performance. We also closed our underweight to CAD and overweight to JPY which detracted and reopened our underweight to KRW which did not make a meaningful impact to performance. We also opened a new position in long RUB which contributed to performance.

Security selection performance was positive in October. Global Opportunities and Emerging Market Equity Fund outperformed their benchmark while International Share, Australian Share, Australian Small Companies Funds lagged their benchmarks over the month. Diversified Fixed Income Fund underperformed its benchmark this month. Allocations to alternatives made a positive contribution in October.

Outlook

Our outlook for stocks over the next 12 months remains positive. The economic recovery is likely to continue this year on the back of robust global growth, still accommodative financial conditions, and progress on the broad administration of effective COVID-19 vaccines. Improving earnings expectations are likely to underpin continued gains despite elevated valuations. We see more upside in relative value opportunities that offer attractively priced exposure to re-accelerating activity in developed markets compared to beta exposures.

Long-term bond yields have risen well off their year-to-date lows as major central banks begin to signal the withdrawal of policy support. Inflation risks remain tilted to the upside and global economic activity is poised to remain robust well into 2022. We expect increases in real rates as well as measures of inflation compensation, to contribute to this renewed rise in yields. Global yields have increased even as macroeconomic risks increased, a sign that there was previously too much pessimism priced in.

Client Services

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