

UBS Balanced Investment Fund

November 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.

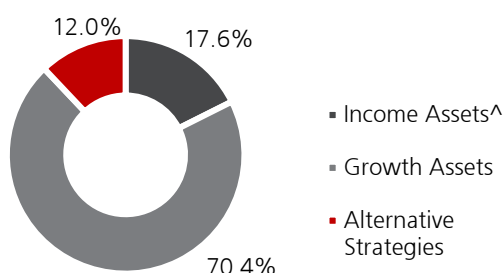
Investment strategy

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	(0.25)	(1.61)	12.13	8.73	7.33	7.87
Benchmark**	1.09	(0.67)	12.46	10.39	8.92	8.45
Added Value	(1.34)	(0.94)	(0.33)	(1.66)	(1.59)	(0.58)

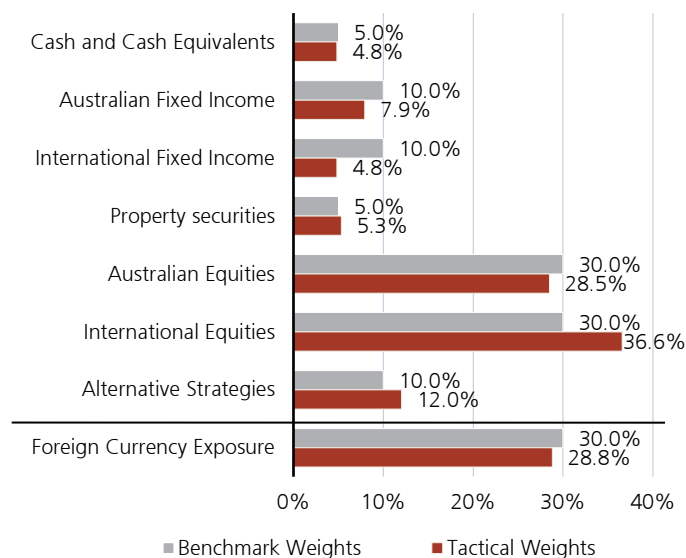
*Inception date: 3 November 1992. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume 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	\$ 770.4 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.

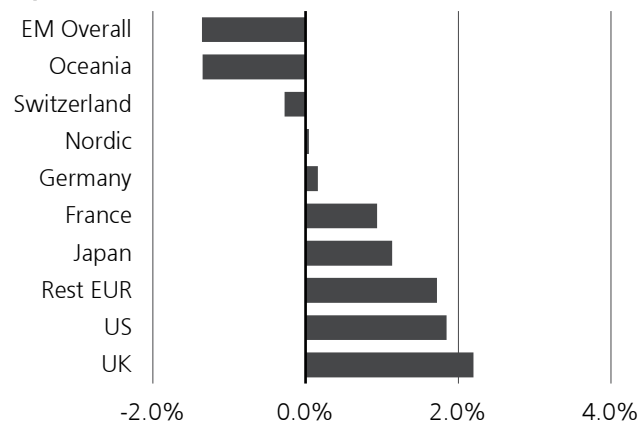
Fund tactical and strategic allocations²



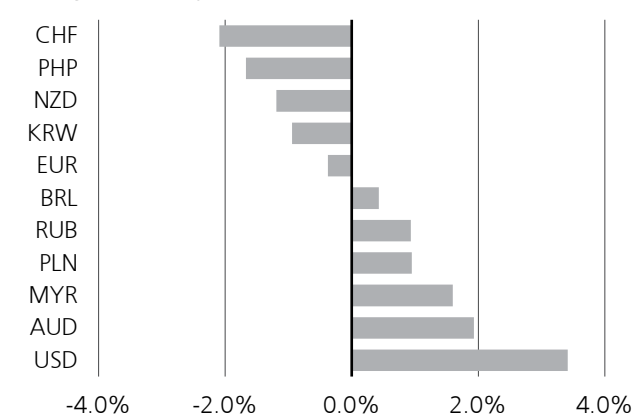
² Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Market review

Global equities came under pressure in November, after a strong October, amid concerns about the omicron variant of COVID-19 and the path of US Federal Reserve tightening. These worries more than offset a better than expected third quarter corporate earnings season and upbeat US economic data. Government bond yields trended lower over the month while credit spreads widened on the back of growing concerns over the omicron variant.

Locally, Australian equities finished the month marginally down but outperformed global equities in November. Australian government bond yields also finished the month down which was in line with the move in developed government bond yields, while the Australian dollar underperformed the US dollar.

Performance review

After fees and expenses, the portfolio return of -0.25% (gross of fees return of -0.18%) in November outperformed its benchmark return of 1.09% by 134bps. At the end of November, the Fund's equity weight was 5% overweight relative to the benchmark. We maintained our pro-cyclical relative value trades such as long European banks versus European equities and moderated US equal weight versus US equities and initiated an overweight to US small cap equities. We also maintained our exposure to long global financial versus global equities and long global healthcare equity and opened a long energy versus world equity. From a regional equity perspective, we maintained our overweight to the UK, and Europe and reduced our overweight to Japan as well as our allocation to EM this month. We also reduced our underweight to Australian equities. We also initiated a long position in commodities.

Duration remained short relative to the benchmark over the month. We remained neutral in Australian and US duration and underweight to Europe, UK and Japan. Maintained our overweight to Asia high yield hard currency.

Foreign currency exposure was at 28.8% 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 November. Our directional overweight to equities detracted from performance over what was a risk off month. From a relative value equity perspective, detractions mainly came from preference for US small cap, US equal weight, European banks and global financial equities. From a regional equity perspective, detractions mainly came from overweight Europe and UK while overweight to Japan versus world equities contributed positively for this month. Short duration positioning detracted from performance as global government bond yields fell over the month. Our overweight to Asia high yield hard currency also detracted from performance. An overweight to commodities, which was a new addition this month, also detracted from performance over the month.

Active currency trades had a mixed result this month. Key contributors to performance this month were overweight to USD and BRL and underweight to NZD, KRW and EUR. On the other hand, detractions came from overweight to RUB and PLN as well as underweight to CHF.

Security selection detracted in November. All equity strategies underperformed their respective benchmarks over what was a difficult month. Diversified Fixed Income Fund also lagged its benchmark. Allocations to alternatives also detracted in November.

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 in global equities despite elevated valuations.

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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