

UBS Balanced Investment Fund

December 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

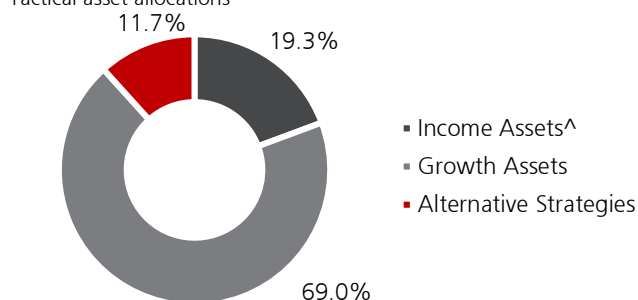
Our portfolio management team will build a diversified portfolio by allocating to differing asset classes anywhere within the allowable ranges by normally investing in other UBS managed funds, third party funds and through a range of instruments.

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



Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	1.92	2.09	13.66	10.41	7.21	7.92
Benchmark**	1.48	2.85	13.57	11.36	8.64	8.48
Added Value	0.44	(0.76)	0.09	(0.95)	(1.43)	(0.56)

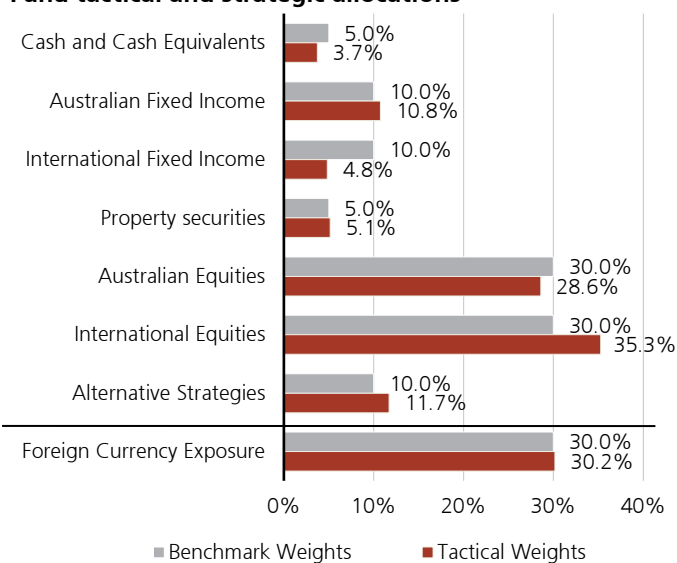
*Inception date: 3 November 1992. **Neutral Allocation (refer to PDS). Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume 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	\$ 781.4 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.

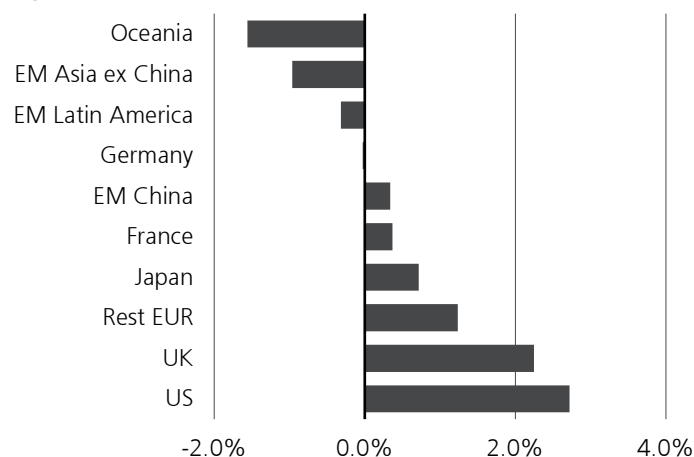
Fund tactical and strategic allocations²



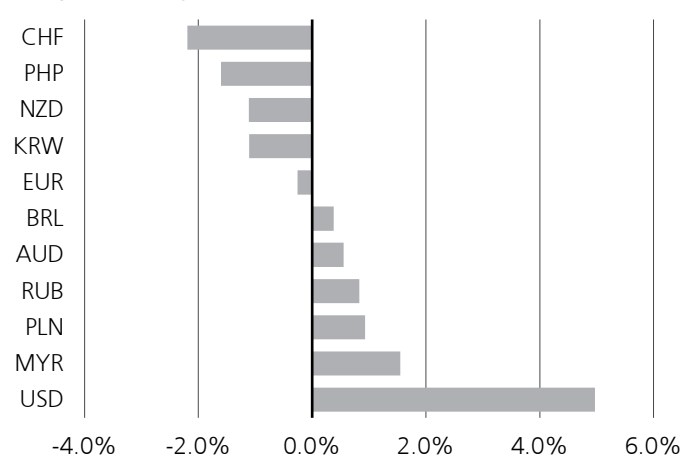
² Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Market review

Global equities rebounded in December amid optimism that the Omicron variant of COVID-19 is less harmful than initially feared. Developed government bond yields rose and credit spreads narrowed over the month, reflecting a risk-on mood among investors. But there were some areas of weakness particularly in Chinese equities which also negatively impacted emerging market equities which lagged its developed market counterparts.

Locally, Australian equities finished the month in the positive territory but underperformed global equities this month. Australian government bond yields also finished the month down which was contrary to move in developed government bond yields which rose over the month. The Australian dollar strengthened versus the US dollar in December.

Performance review

After fees and expenses, the portfolio return of 1.92% (gross of fees return of 2%) in December outperformed its benchmark return of 1.48% by 44bps. At the end of December, the Fund's equity weight was 3.8% overweight relative to the benchmark. We maintained our pro-cyclical relative value trades such as long European banks versus European equities, US equal weight versus US equities as well as an overweight to US small cap equities. We also maintained our preference for long global financial, healthcare and energy equity. From a regional equity perspective, we increased our overweight to the US at the start of the month which was funded from our existing overweights in Europe and Japan. We maintained our overweight to UK over the month as well as our underweight to Australian and EM equities but neutralized China equities. We maintained our long position in commodities.

Duration remained short relative to the benchmark. We added an overweight to Australia duration over the month, while maintaining our neutral stance to USD duration and our underweight to Europe, UK and Japan.

We also maintained our overweight to Asia high yield hard currency.

Foreign currency exposure was at 30.2% with key underweights in CHF, PHP, NZD, EUR and KRW and overweight in USD, RUB, PLN and BRL. KRW and overweight in USD, RUB, PLN and BRL.

Asset Allocation and security selection

Asset Allocation decisions contributed positively to relative performance in December. Our directional overweight to equities was additive over what was a risk on month. From a relative value equity perspective, positive contributions came from overweight to healthcare, European banks as well as our regional overweights, particularly in the UK and Europe. This was partially offset by detractions from our preference for US small-cap and energy equities. Short duration positioning contributed from performance as developed government bond yields generally rose over the month and our decision to add to Australia duration was additive as Australian yields bucked the trend and fell in December. Our overweight to Asia high yield hard currency detracted from performance. An overweight to commodities, contributed positively to performance this month.

Active currency trades in aggregate had a positive contribution this month. Key contributors to performance this month were overweight to BRL, PLN, underweight to PHP and KRW while detractions came from overweight to RUB, underweight to CHF and NZD. Underweight to EUR and overweight to USD did not make a meaningful contribution to performance.

Security selection contributed positively in December. Australian Small Companies Fund strongly outperformed its benchmark while the Australian Share Fund around its benchmark level. However Global Opportunity, International Share and Emerging Market Equity Funds lagged their benchmarks this month. Diversified Fixed Income Fund outperformed and allocations to alternatives was additive to the relative performance in December.

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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