

UBS Balanced Investment Fund

February 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

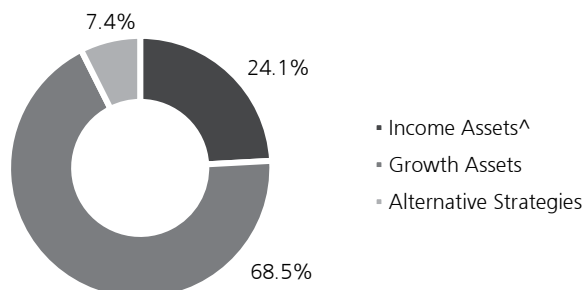
Our portfolio management team will build a diversified portfolio by allocating to differing asset classes anywhere within the allowable ranges by normally investing in other UBS managed funds, third party funds and through a range of instruments.

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



[^] Includes cash

Investment performance

| Fund | 1 month % | 3 months % | 1 year % | 3 years % pa | 5 years % pa | Since inception* % pa |
|--------------------|-------------|-------------|---------------|---------------|---------------|-----------------------|
| Total return | 1.05 | 1.64 | 4.29 | 4.46 | 6.82 | 7.72 |
| Benchmark** | 0.54 | 1.03 | 4.84 | 6.96 | 8.31 | 8.28 |
| Added Value | 0.51 | 0.61 | (0.55) | (2.50) | (1.49) | (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.

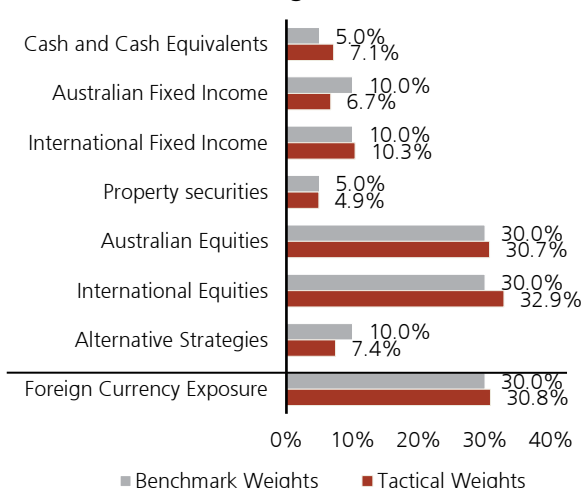
Fund information

| | |
|------------------------------|--|
| Inception date | 3 November 1992 |
| Fund size | \$ 776.6 m |
| Management fee | 0.95% pa |
| Indirect costs | 0.02% pa ¹ |
| Minimum initial investment | \$10,000 (via online application \$5,000) |
| Distributions | Quarterly |
| Buy/sell spread ² | + 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.

² Due to increased volatility in the markets resulting from COVID-19, the buy/sell spreads for certain funds may have varied. For more information, please download our latest Buy/sell spreads from our [website](#).

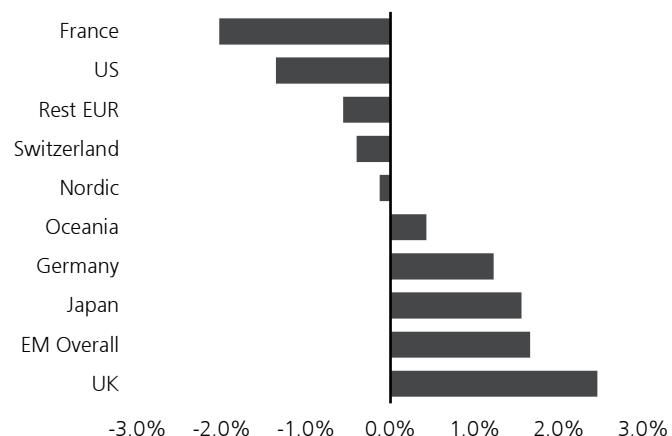
Fund tactical and strategic allocations³



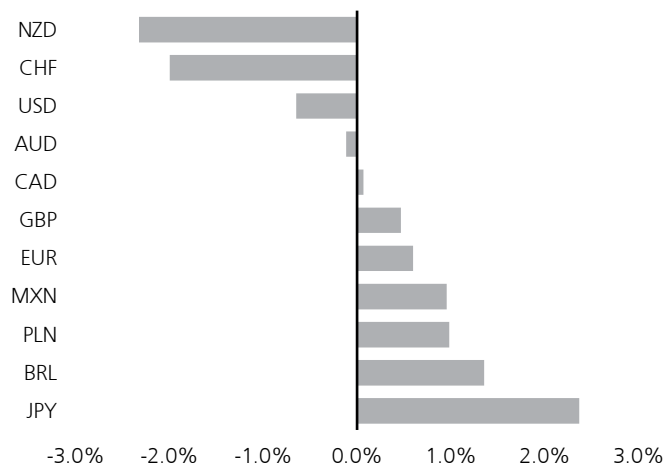
³ Asset allocation includes derivatives used to hedge market exposures.

Active portfolio positioning

Equities (%)



Foreign currency (%)



Performance review

After fees and expenses, the portfolio return of 1.05% (gross of fees return of 1.13%) in February outperformed its benchmark return of 0.54% by 51bps. At the end of February, the Fund's equity weight was 3.6% overweight relative to the benchmark with a preference to be overweight emerging market versus developed market equities. We continue to hold a preference to value-oriented relative to growth-oriented equities and US equal weighted relative to the US market cap index. In terms of regional equity views, we hold a preference for UK, German and Japanese equities.

In fixed income, we continued to hold an overweight in US 2 year relative to US 10 year Treasury yields. Duration remained short versus the benchmark with sovereign nominal yields anchored at low levels. Foreign currency exposure was at 30.8% with key underweights in USD, NZD, AUD and CHF and overweights in JPY, EUR, GBP, BRL, MXN and PLN.

Asset Allocation and security selection

Asset Allocation and currency decisions in aggregate detracted in February. Overweight to EM versus DM, overweight to Japan and overweight to UK versus European trades detracted from performance. On the other hand, our directional overweight as well as preference for value-oriented equities was additive to relative performance. Treasury bond yields nudged higher over the month and our positioning in duration which was marginally reduced over the month relative to the benchmark was slightly additive to performance. We initiated a number of relative value equity trades in February. First, we opened an overweight to Japanese equities followed by a long US Equal weighted versus S&P 500 and long German versus European equities positions. Active currency trades also detracted this month driven by detractions from overweight to BRL, JPY and MXN, NZD and AUD. This was partially offset by a positive contribution from underweight to CHF. We reduced our underweight to AUD toward the end of the month.

Security selection, especially in equities, had a strong month and more than offset the detractions from asset allocation and currency in February. Both International and Australian Share Funds strongly outperformed their

benchmarks which were partially offset by detractions from Emerging Market Equity Fund which underperformed its benchmark. Global Opportunity strategy also marginally outperformed its benchmark. Diversified Fixed Income Fund marginally underperformed its benchmark and our allocation to alternatives detracted this month.

Outlook

Our outlook for stocks over the next 12 months remains positive. The global economic recovery to date has been stronger than expected, which we believe is not fully reflected in the performance of more economically-sensitive segments of the equity market. Given the magnitude of the equity rally in recent months, we see more upside in relative value opportunities that offer attractively priced exposure to the turn in global growth compared to beta exposures. The long end of sovereign curves is serving as a release valve for any signs of economic optimism as central bank commitments to keep policy rates low remain credible. We expect both increases in real rates and market based measures of inflation compensation to contribute to further increases in yields.

Client Services

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