

# UBS Balanced Investment Fund

March 2024

## 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.

## Target market

The Target Market Determination (TMD) for the Fund sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. To access to the TMD and other Fund documentation visit our website.

## Investment strategy

The Fund comprises a diversified portfolio through allocation 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 objective

The Fund aims to outperform (after management costs) the Benchmark (see Investment guidelines) over rolling five year periods.

## Fund information

Inception date	3 November 1992
Fund size	\$ 650.7m
Management fee	0.95% pa
Indirect costs	0.02% pa <sup>1</sup>
Minimum initial investment	\$ 50,000
Distributions	Quarterly
Buy/sell spread	+ 0.20% / - 0.20%

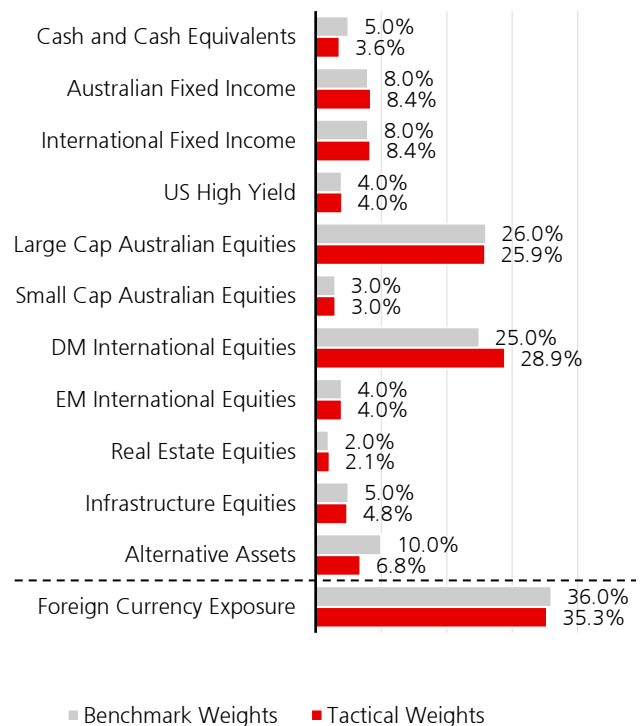
<sup>1</sup> Estimate of the fees the Fund will incur through the Fund's investment in underlying funds. These fees and expenses will vary from time to time.

## Tactical asset allocations



<sup>^</sup> includes cash

## Fund tactical and strategic allocations<sup>2</sup>



<sup>2</sup> Asset allocation includes derivatives used to hedge market exposures

## Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.62	5.74	10.60	3.06	3.54	4.88	7.38
Neutral**	2.30	5.99	13.38	6.39	6.59	6.98	8.17
<b>Added Value</b>	<b>0.32</b>	<b>(0.25)</b>	<b>(2.78)</b>	<b>(3.33)</b>	<b>(3.05)</b>	<b>(2.10)</b>	<b>(0.79)</b>

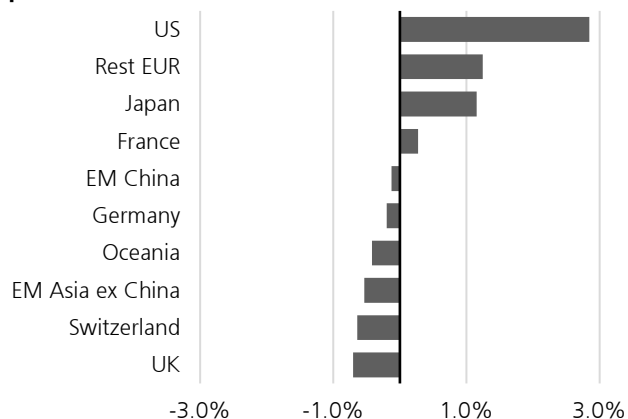
\* Inception date: 3 November 1992.

\*\* Neutral Allocation (refer to PDS).

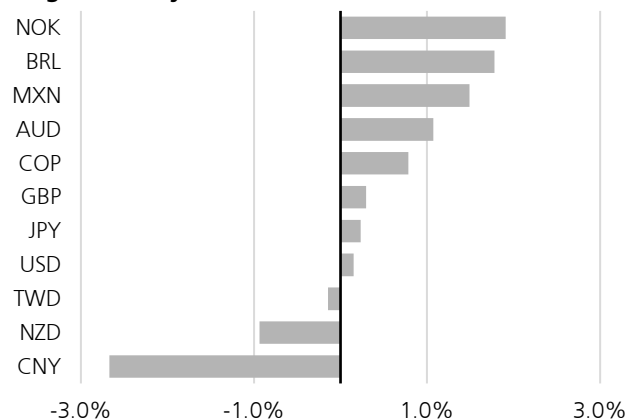
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns

## Investment strategy

### Equities



### Foreign currency



## Market review

Global equities delivered their fifth straight month of gains in March as implied volatility in bonds declined to its lowest level since the US Federal Reserve's tightening cycle began and economic data continued to signal a broadening of growth. All major regional equity indexes rose in March, with outsized strength in the UK and Europe.

Global credit spreads continued to compress even closer towards their tightest levels in the past 15 years. The Bloomberg Commodity Index rose over the month, with robust monthly gains in gold and oil driving returns.

Locally, Australian equities continued to climb, led by REITs, on par with global peers. Australian 10-year yields declined in March, more than that of US treasuries, while the Australian dollar appreciated against the US dollar.

## Performance review

After fees and expenses, the portfolio returned 2.62% (gross of fees return of 2.70%) in March which outperformed its benchmark return of 2.30% by 32bps. At the end of March, the fund's equity weight was 3.7% overweight relative to the benchmark.

Foreign currency exposure was at 35.3% with key underweights in CNH, CAD, NZD, and EUR as well as overweights in MXN, NOK, BRL, COP.

## Positioning review

In equities, we modestly increased our overweight position at the beginning of the month as the market has factored in the repricing of the US Federal Reserve's potential rate cuts. This increase was done through initiating an overweight position to the US and Italy as well as reducing our underweight to Australian equities, this was funded out of UK equities as they are less exposed to the rebound in global manufacturing activities. Meanwhile, we continued to maintain our regional preference for Japan as we see earnings outperformance and ongoing corporate reform.

In fixed income, we initiated an overweight to European High Yield due to two reasons. Firstly, leading indicators are now positioned close to the bottom with room to advance, and secondly, with the European Central Bank set to ease rates this summer, there are limited near term triggers of default.

In FX, we took profit from our overweight to MXN and rotated our position into BRL as we continued to maintain our overweight to EM Latin America theme. We also closed our underweight to GBP which was funded out of CHF. Moreover, we continued to maintain our underweights in CNH, CAD, NZD, and EUR as well as overweights in NOK and COP.

## Asset allocation

Asset allocation made positive contributions over the month. This was driven by our equities allocations and active currency positions, both of which were additive to the overall performance, while fixed income allocations were flat in March.

In equities, the largest contribution was from our overweight to European banks on the back of strong fundamentals and surging profits, followed by our overweight to US equities where we saw continued solid growth as well as good earnings potential. This was partially offset by detractions from our underweight to UK equities.

Active currency trades in aggregate were also additive to performance over the month. The key positive contribution came from our short CHF and long MXN trades. Our long COP and short CNH positions also contributed but to a lesser extent. This was partially offset by minor detraction from our overweight to the NOK.

Security selection contributed positively to performance this month. The largest contributor was the Australian Share fund followed by the Diversified Fixed Income fund, both of which outperformed their respective benchmark. The Emerging Market Equities fund was also a contributor but to a lesser degree. This was partially offset by negative detractions from the Global Opportunity fund. In alternatives, both the Income Solution fund and the Neutral Alpha Strategy were largely flat over the month.

## Asset allocation and currency strategy

In our view, being overweight global stocks is the best way to benefit from the current macro environment. We have found that when the MSCI World forward P/E multiple is above 18, as it is now, forward returns tend to slow but remain positive. We maintain exposure to the US, where equities are expensive but the macro backdrop and earnings outlook remain very healthy. But we also continue to like Europe and Japan which stand to benefit from improving economies, better global manufacturing and cheaper valuations. We are underweight the more defensive markets such as Switzerland and the UK.

We believe credit markets should hold up well with solid nominal growth and a return to more subdued bond volatility. However, with spreads this tight, returns may be confined to carry, so equities offer more potential upside. For portfolios that trade FX, we are long carry in the MXN and BRL, funded by the CHF and CNH.

Bonds remain an important recession hedge for portfolios in the event of an unexpected negative shock to global growth. But even in our base case of a soft landing, it is an open question as to whether there is much or any downside in yields from current levels. Given the solid starting point, not much easing from central banks may be warranted – or desirable – as this could potentially risk another wave of inflationary pressures.

## Market outlook

We remain vigilant in monitoring the potential for this positive macro backdrop to fray at the edges – particularly because elevated valuations leave markets more vulnerable to negative shocks. Our optimism on the economy relies on the view that the labor market continues to cool, but doesn't break. The broad set of labor market indicators we study suggest a slowdown in hiring, but no meaningful uptick in layoffs. We remain watchful of these data points, along with indicators of a more cautious consumer. As of now, a normal step down after a particularly strong run of consumption looks likely.

On the other side of the risk spectrum, US inflation has run unexpectedly hot so far this year, but the US Fed believes these readings are just a bump in the road along a disinflationary path. Further upside surprises may shake this confidence, and in turn, generate volatility. Still, we view the risk of less dovish central banks as surmountable because it would likely come in the context of an ongoing healthy nominal GDP and earnings outlook. A sharp slowdown and hit to earnings expectations would be more damaging to risk assets than a delay in rate cuts.

## Client Services

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