UBS Balanced Investment Fund

July 2020

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

<table>
<thead>
<tr>
<th>Fund</th>
<th>1 month</th>
<th>3 months</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
<th>Since inception*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>% pa</td>
<td>% pa</td>
<td>% pa</td>
</tr>
<tr>
<td>Total return</td>
<td>0.56</td>
<td>4.32</td>
<td>(3.97)</td>
<td>3.28</td>
<td>2.43</td>
<td>7.53</td>
</tr>
<tr>
<td>Benchmark**</td>
<td>0.71</td>
<td>3.81</td>
<td>(1.35)</td>
<td>6.42</td>
<td>5.46</td>
<td>8.16</td>
</tr>
<tr>
<td>Added Value</td>
<td>(0.15)</td>
<td>0.51</td>
<td>(2.62)</td>
<td>(3.14)</td>
<td>(3.03)</td>
<td>(0.63)</td>
</tr>
</tbody>
</table>

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.

UBS Asset Management
All data as at 31 July 2020
Performance review

After fees and expenses, the portfolio increased by 0.56% over the month, underperforming its benchmark return by 15bps. Through the month equity exposure was tilted long and was reduced to a small overweight relative to the benchmark by month end. Key overweight equity positions are held in emerging market versus developed market equities.

Tactical fixed income strategies included an overweight to investment grade credit across Australian and global markets as well as an overweight to EM hard currency debt and high yield credit. Duration remained long with a preference for $-bloc countries versus the Euro area where nominal yields remain anchored at zero or negative levels. Foreign currency exposure was at 29.7% with key underweight in CHF, CAD and USD and overweight in JPY, EUR and BRL.

Asset Allocation and security selection

Asset Allocation contributed positively over the month. With a bottoming in global growth this is expected to benefit EM markets along with policy support, relatively attractive valuations and the weakness in the EM dollar. We added to our existing overweight in EM and reduced exposure to European markets. This was additive to performance as EM outperformed all markets in July. We also increased our overweight to EM hard currency debt and US high yield which along with IG credit contributed positively as spreads to Treasury bonds continued to narrow. The moderately long duration position was additive as Treasury yields fell over the month. FX performance was mixed. We opened a tactical underweight to USD and overweight to EUR at the start of the month to reflect our relative preference for European currencies. This was additive for performance as agreements by EU leaders on fiscal support and positive coronavirus vaccine news contributed to broad USD weakness. We also took profit and closed our long SEK (vs. GBP) position following a period of strong performance. Overweight to JPY and BRL also contributed positively this month. This was partially offset by short positions held against the USD, such as CAD and AUD. We closed our short AUD position and added to our existing shorts in GBP and CHF in the latter half of the month.

Security selection was a drag to performance this month. Equity strategies had a challenging month as Australian and International Share Funds underperformed their respective benchmark returns. This was partially offset by the Emerging Market Equity Fund which outperformed its benchmark. Fixed Income strategies on the other hand had a good month as Diversified Fixed Income and Global Credit Funds both outperformed their benchmarks. Alternative strategies also made a positive contribution to performance.

Outlook

Global equities continue to price in a brisker economic normalization and associated earnings recovery than we think is likely. We are cognizant of the possibility that risk assets become divorced from fundamentals and overshoot to the upside amid an inflection point in economic activity. However, structurally higher multiples may ultimately be warranted should governments and central banks successfully implement countercyclical macroeconomic policy. We are neutral global equities and focused on relative value opportunities that offer attractively priced exposure to the turn in global growth.

The long end of sovereign curves can serve as a release valve for any signs of economic optimism as central bank commitments to keep policy rates low remain credible. Nonetheless, sovereign fixed income continues to play an important diversifying role in portfolio construction. IG credit and EMD hard debt is preferred to Treasury bonds as central banks and policy makers are increasingly coordinating to increase lending and credit support to the economy.
Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer of the Fund. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund are contained in the Product Disclosure Statement dated 29 August 2019. The PDS is available from our website www.ubs.com/am-am-pds or by calling (03) 9046 4041.

The PDS for this fund is only available to persons receiving the PDS (electronically or otherwise) while physically in Australia, unless expressly authorised by us in writing. The offer does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This Fund (or the PDS) has not been registered under the laws of any jurisdiction outside Australia. The Fund may not be offered or sold in the United States of America or to “U.S. Persons” (as defined in ‘Regulation S’ of the Securities Act of 1933, as amended).

This document may not be reproduced or copies circulated without prior authority from UBS Asset Management (Australia) Ltd.