UBS

UBS Asset Management
For Professional / Qualified / Institutional Investors only
All data as at 31 March 2024

UBS Global Dynamic Bond Fund

Hedged Unit Class

March 2024

Fund description

The Fund is a "feeder fund" that invests substantially all its assets in an Australian Dollar (AUD)-Hedged, Institutional, quarterly distributing share class of the UBS (Lux) Bond SICAV – Global Dynamic USD (ISIN: LU2561993515) ('**Underlying Fund'**).

Investment objective

The Fund aims to generate a total return broadly in line with global fixed income markets over the medium term through its investment in the Underlying Fund.

Investment strategy

The Underlying Fund's investment thesis seeks to invest into global bond markets while managing the overall portfolio risk. The Underlying Fund is not managed to a benchmark. The investment process seeks to spread capital across fixed income investment strategies that offer the best opportunities at any given time and on any given market or sector. It is anticipated that the exposure to worldwide bond and currency markets may change over time at the discretion of the Portfolio Manager.

The Underlying Fund invests in different types of fixed-income securities, including government, corporate, high-yield, emerging market and convertible bonds as well as Asset Backed Securities (ABS), Retail and Commercial Mortgage-Backed Securities (RMBS,CMBS), Collateralised Debt Options and Collateralised Loan Obligations.

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 the TMD and other Fund documentation visit our website.

Fund information

Inception date	20 December 2022
Fund size	$ 1.6m
Management fee	0.60% pa
Indirect costs	0.02% pa
Minimum initial investment	$ 50,000
Distribution frequency	Quarterly
Buy/sell spread	+ 0.20% / – 0.20%
APIR code	UBS7109AU

Fund allocation (%)

UBS Global Dynamic (AUD hedged) I-X-qdist	96.9%
Cash	3.1%

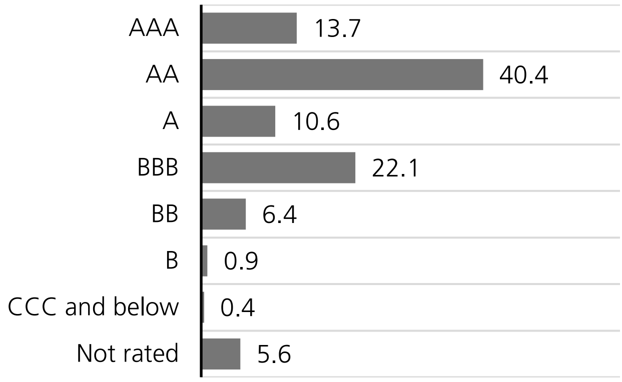
Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.83	0.02	3.77	-	-	-	1.94
Performance Benchmark**	0.81	(0.31)	2.53	-	-	-	3.18
Added Value	**0.02**	**0.33**	**1.24**	**-**	**-**	**-**	**(1.24)**

* Inception date: 20 December 2022.
** Bloomberg Aggregate Index ($A hedged).
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.

Details of the Underlying Fund: UBS Global Dynamic (AUD hedged) I-X-qdist
ISIN: LU2561993515

Credit quality (%)



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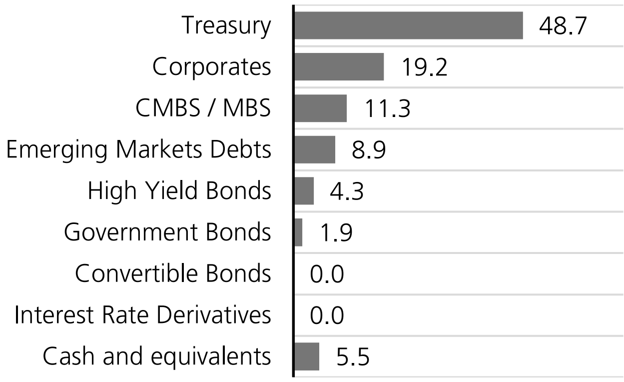
Investment instrument exposure (%)



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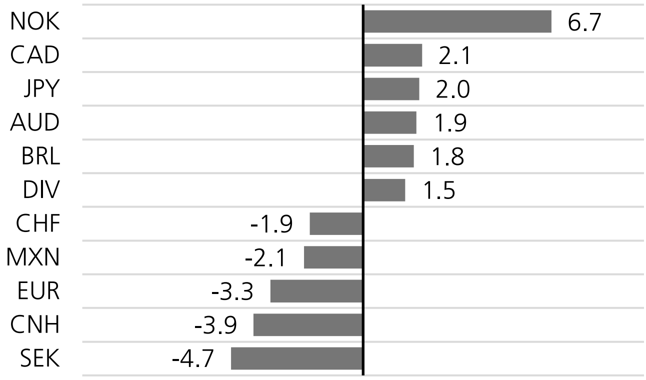
Currency over and underweights (%)



Data as at 31 March 2024

5 largest positions (%)

NEW ZEALAND GOVERNMENT 2.75 15 Apr 2037	6.3
US TREASURY N/B 2.875 15 Aug 2045	6.2
UK TSY GILT 3.75 22 Oct 2053	4.8
NEW ZELAND GOVERNMENT 1.5 15 May 2031	3.0
NEW ZEALAND GOVERNMENT 1.75 15 May 2041	2.4

Data as at 31 March 2024

Market update

- In March, global Fixed Income markets saw their first positive monthly return in 2024 as major central banks are now pivoting toward rate cuts while still examining the right timing as the Fed, ECB and BoE all kept rates unchanged over the month.
- In the US, investors gained more confidence that the US policy rate has passed its peak and rate cuts could be seen this year. Yet, markets also continued to slightly trim back the excessive expectation on the timing and scale of rate cuts over the month. US government bond markets were tighter as the 5-year and the 10-year yield declined 3bps and 5bps respectively over the month.
- Rates markets in Europe also followed a similar pattern with the German Bund 10-year and UK Gilts 10-year yields falling 11bps and 19bps respectively.
- On the credit side, investment grade credits in the US and Europe outperformed their high yield counterparts. While spreads in the US high yield space tightened and delivered positive total return, spreads in the European high yield bond market widened and resulted in lower positive total return over the month.
- The US dollar performance was mixed among G10 currencies. Stronger than expected data supported the US dollar, but dovish US fed projections weighed on it's performance.

March strategy performance review

For the month of March, the UBS Global Dynamic Bond Strategy delivered a positive total return (0.82% USD, gross of fees), driven by positive duration and credit exposures.

Key performance drivers for March

Positive contributors:

- Positive duration in the US, New Zealand, Slovenia and UK as yields moved lower
- Exposure to IG Corporate credit

Detractors:

- Negative duration in Sweden
- Positive duration in Mexico and Brazil

Notable portfolio changes

- Increased overall duration from 4.03 to 4.39 years.
- Covered small negative duration position in Canada, reduced the extent of negative duration in Japan and increased the extent of negative duration in Switzerland.
- Increased the extent of positive duration in the UK and added small positive duration position in Hungary.
- Marginally increased allocation to corporates primarily through new issues.

Strategy and outlook

Running a large budget deficit in a strong economy was probably the main reason for US growth resilience and 10yr US Treasury yield topping almost 5% in late 2023. After the sharp rally in November and December, it is natural for yield to back up at the beginning of 2024 especially after the US reported a strong Q4 growth and payroll employment growth so far in 2024. In the coming years the fiscal deficit is likely to go into reverse due to divided government and significant capital gain tax from rising stock markets. Historically countries with government debt above 100% GDP and real interest rate above potential growth experienced falling growth rates in following decades. Now countries from the US and Canada to the UK, France and Spain have joined this 100% group of Italy, Greece, Portugal and Japan.

Going forward we are leaning towards bullish duration view outside Japan versus negative duration view on Japan driven by monetary policy divergence. We see a high probability that monetary tightening cycle in the US, Eurozone, UK, New Zealand and Canada will be followed by weaker growth, lower inflation and policy easing. We believe risk reward for fixed income has shifted in a more positive direction outside of Japan as real bond yields have risen to sufficiently high level combined with rising prospect for central bank rate cuts in 2024 and 2025. In contrast, the BoJ has taken first steps to exit its extraordinarily accommodative monetary policy stance of NIRP, QQE and YCC as core inflation has stayed above its 2% target, nominal GDP and wage have risen at the fastest pace in 30 years on top of record weak currency and sharply rallying stock market

In the near-term, we are focused on tactically trading the yield range with preference to buying on sell offs, tactical and relative value opportunities and diversification across non-government bond sectors. Based on our experience over several market cycles, positioning the strategy 3-6 months ahead of either central bank tightening or easing has typically been an effective approach of generating positive total returns. We believe the restrictive Fed and ECB policy combined with quantitative tightening and renewed credit tightening should lead to some volatility in developed credit markets and will present an attractive entry point going forward.

Our strategy continues to balance long-term strategic themes that reflect our highest conviction ideas with many highly diversified tactical positions that allow us to take advantage of short-term opportunities across markets.

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