UBS
Balanced Investment Fund

June 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

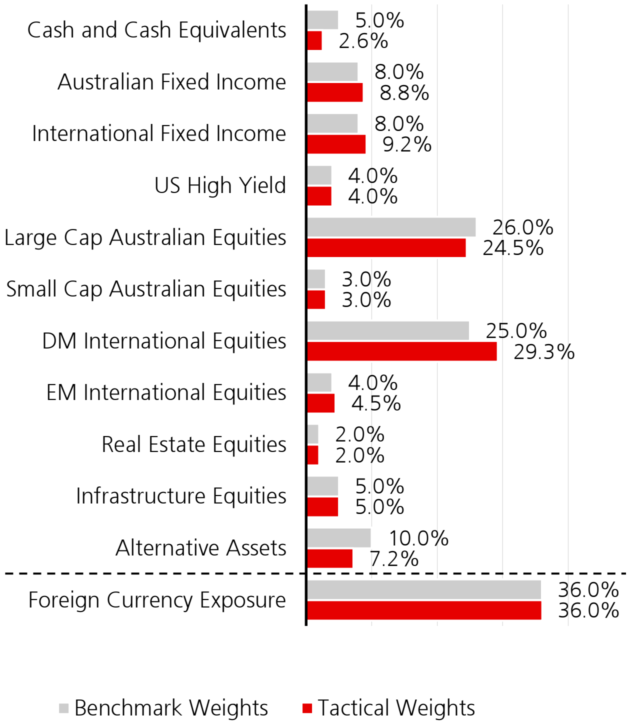
Inception date	3 November 1992
Fund size	$ 605.4m
Management fee	0.95% pa
Indirect costs	0.08% pa[1]
Minimum initial investment	$ 50,000
Distributions	Quarterly
Buy/sell spread	+ 0.20% / - 0.20%

[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.

Tactical asset allocations

^ includes cash

Fund tactical and strategic allocations[2]



[2] Asset allocation includes derivatives used to hedge market exposures

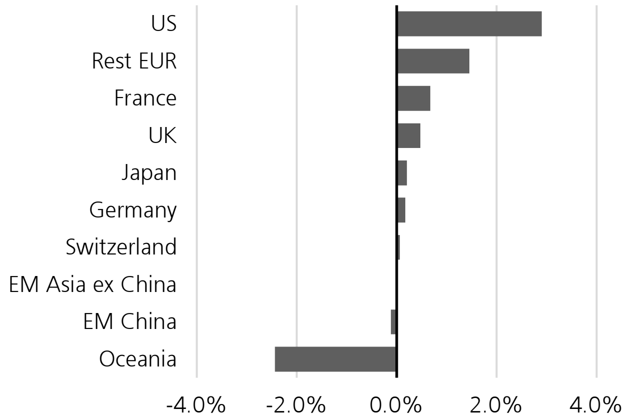
Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.22	(1.46)	7.58	6.86	1.23	3.74	7.27
Neutral**	0.80	(0.31)	10.59	10.54	4.46	5.98	8.09
Added Value	**(0.58)**	**(1.15)**	**(3.01)**	**(3.68)**	**(3.23)**	**(2.24)**	**(0.82)**

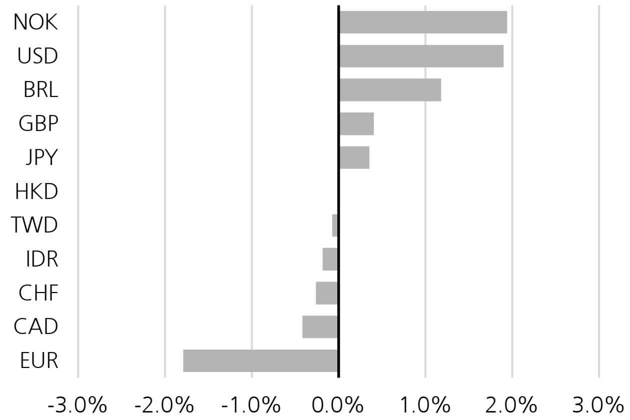
* Inception date: 3 November 1992.
** Neutral Allocation (refer to PDS).
Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns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

Encouraging inflation prints in the US and the ongoing AI theme lifted up global stocks in June. The SPX made new all-time highs before pulling back slightly to end the month. Technology stocks continued to lead the market higher. Nasdaq was up strong over the month. European stocks underperformed driven by the ongoing uncertainties around the French election. US Treasury yields ended the month lower compared to last month, depressed by the lower inflation readings and relatively disappointing economic data.

Locally, Australian equities rose over the month, driven by the financial sector and consumer staples, but still lagged behind international peers. The Australian 10-year yield fell in June on par with US treasury, meanwhile, the Australian dollar appreciated against the US dollar.

Performance review

After fees and expenses, the portfolio returned 0.22% (gross of fees return of 0.29%) in June which underperformed its benchmark return of 0.80% by 58bps. At the end of June, the fund's equity weight was 3.3% overweight relative to the benchmark.

Foreign currency exposure was at 36% with key underweights in EUR, CAD, CHF, and IDR as well as overweights in JPY, GBP, BRL, USD, and NOK.

Positioning review

In equities, we modestly took profit from our European banks overweight at the beginning of June and partially rotated US equities into broad European equities as leading indicators suggest an improving regional growth outlook. By mid-month, we closed our overweight to Japanese equities, following a strong rally over the past year, valuations have become less supportive with weakened growth and earnings prospect. This was funded out of US equities where we still see room to advance as earnings continue to grow and rates volatility calm. At the end of the month, we added back to European banks exposure where we see extended potential for growth, tethered to the regional economic recovery.

In fixed income, we added to our overweight position to European High Yield ahead of the ECB's rates decision. We continue to see ongoing signals of room to advance, attractive all-in yields and limited near term triggers of default.

In FX, we started the month by halving our long MXN position ahead of the Mexican presidential election and resized our long Latin American currencies positions by partially rotating out of the BRL to trim risk concentration. We then closed our long MXN position to curb risks of further MXN depreciation after the surprise election results. By the middle of the month, we modestly added to our EUR underweight, funded out of the CHF, ahead of the French parliamentary election. Meanwhile, we maintained our key underweights in CAD and IDR as well as our overweights in JPY, GBP, USD and NOK.

Asset allocation

Asset allocation was additive to performance over the month. This was driven by positive contributions from our equities allocations, while active FX positions negatively detracted and fixed income allocations were flat over the month.

In equities, the positive contributions to performance was largely driven by our world quality exposure and long US equities position as the market continued to rally in June. This was partially offset by our European and Japanese equities exposures which detracted from overall performance.

Active FX trades in aggregate were negative detractors to performance over the month. This was driven by all our short dollar positions, notably the long Latin American currencies vs USD trades, given the rise in US rates after the US presidential debate. This was partially offset, in contrary, by contributions from our long USD positions.

Security selection detracted from overall performance this month. The largest detractors were from our equity managers, notably the International Share fund, Australian Share fund, the Global Opportunities sleeve, and the emerging markets equity fund. The Global Property and Global Infrastructure funds also negatively detracted from the portfolio's performance. This was partially offset by the Diversified Fixed Income strategy which positively contributed to overall performance. In alternatives, the Income Solution fund was largely flat over the month.

Asset allocation and currency strategy

In the coming months, we expect a benign slowdown in growth and inflation to kick start Fed easing and reinforce faith in cycle extension. Economic narratives have switched frequently this cycle and there is potential for a growth scare, but we think inflation data will cooperate enough for the Fed to get ahead of the curve. We also expect investor attention on the US election to rise following the June debate. But we do not expect to make significant election-driven changes to allocations in the coming months. The impact of the election result on stocks and bonds will depend a great deal on whether the winning candidate's party also takes Congress and is able to enact their desired fiscal program.

We still favour equities over fixed income, but we do recognize the balance of risks have shifted away from an inflation acceleration and towards slower growth. Bonds have a role to play in balanced portfolios as a diversifier; we believe bonds will rally meaningfully if the economy deteriorates more sharply than we expect. The US dollar also plays a role in portfolios, either via FX overlay or hedging of existing positions. USD has been very dependable in hedging balanced portfolios against upside inflation and rate surprises. We expect it will play an increasingly important role in hedging the potential of tariff risks ahead of the US election.

Market outlook

The US economy is cooling and the unemployment rate is gradually ticking higher. The labour market has unwound pre-pandemic distortions, suggesting that further softening in the labour market may not just mean fewer hires but also a rise in layoffs. The housing market, lower income consumers, and small businesses are feeling the pressure of higher rates. At the same time, the underlying fundamentals of the economy are still quite healthy. Real incomes continue to grow at a healthy pace, balance sheets in aggregate are in good shape, and manufacturing numbers are coming in stronger. So as much as the economy is losing momentum, it seems that real GDP growth is now in the process of shifting from a 3% annualized rate in 2023 to a trend-like 2%. Meanwhile, the rest of the world (and Europe in particular) looks set to provide more support for global growth.

In general, we believe equities should outperform bonds for as long as the expansion is ongoing. But with growth and inflation losing momentum, bonds should perform better relative to cash than they did in the first half of 2024. Most importantly, the shifting balance of risks has given us more faith that the stock-bond correlation will shift negative should growth meaningfully deteriorate. The diversifying properties of bonds reinforces their value in a balanced portfolio.

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