

Flexible fixed income investing

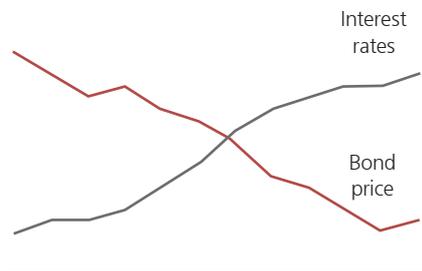
UBS **Global Dynamic** Bond Fund (USD)



Major challenges for fixed income investors

Challenges from fixed income investing

Vulnerable to rising interest rates



For illustrative purpose only

traditional fixed income funds tend to struggle as rates rise

Fixed income market risk has risen over time as sensitivity to interest rate changes (duration) has increased, whilst prospective returns (yields) have decreased

Example:
Global Aggregate duration = 7 years

Interest rate hike
+1%

+1%

leads to



Given a duration of 7 years, an interest rate hike of 1% leads to a 7% decrease in bond prices

-7% decrease in bond price

Big return differences across fixed income asset classes*



on average over past 21 years shows it pays to be nimble

Challenges from the market environment

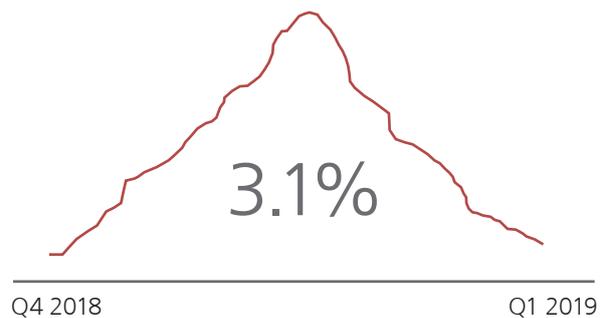
Historically low yields



For illustrative purpose only

of loose central bank policy has left bond yields at very low levels

Turbulent markets

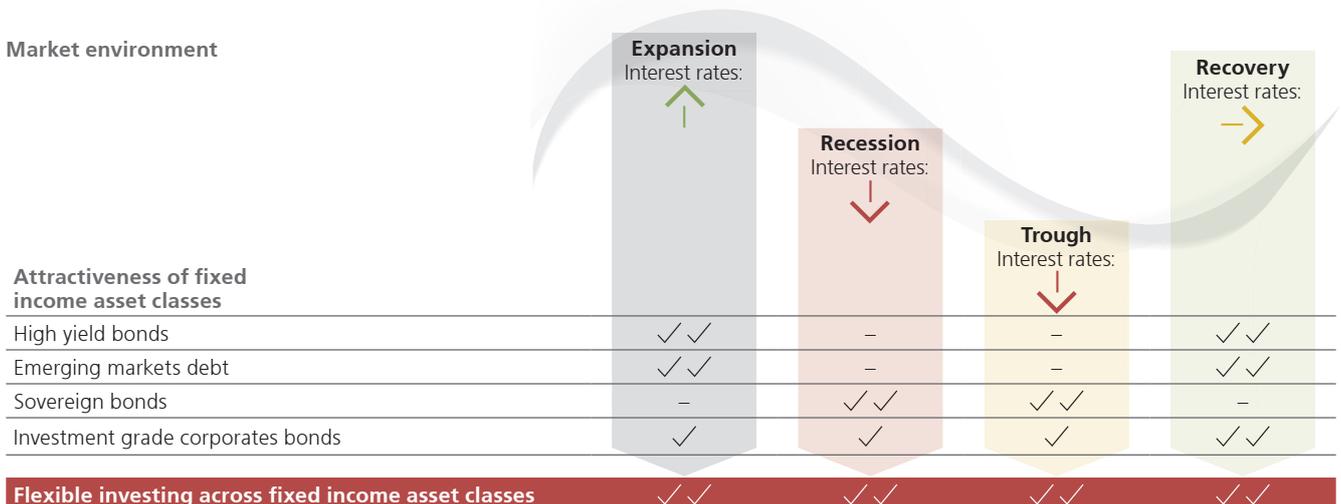


move in high yield market yields from Q4 18 to Q1 19

* Based on BofAML USD indices across Treasury, investment grade, high yield, emerging markets, mortgage backed and municipals
Source: UBS Asset Management, data as of 30.03.2019

Benefits of flexible investing across fixed income asset classes

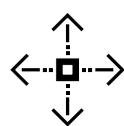
Market environment



For illustrative purposes only

Why invest in a flexible bond fund?

UBS Global Dynamic Bond Fund (USD)*



Flexible fixed income investing

- Balanced approach
- Truly global
- No sector bias
- No benchmark



Investment grade credit quality

- Emphasis on quality and liquidity
- Can be a core fixed income holding

0-10 years

Active duration management

- Combination of cash bonds and derivatives
- Ability to perform in both rising and falling rate environment

Diversification



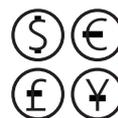
Diversified across the globe

- Developed markets
- Emerging markets



Diversified across asset classes

- High yield corporate bonds
- Sovereign bonds
- Securitized debt
- Emerging markets debt
- Investment grade corporate bonds

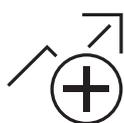
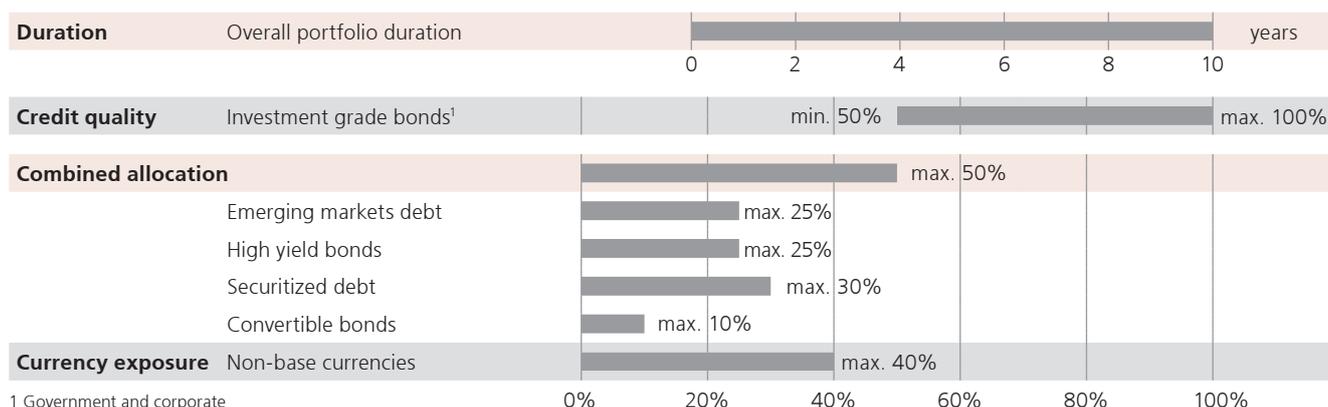


Diversified by strategy

- Duration/curve
- Relative value
- Security selection
- Active currency

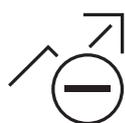
*UBS (Lux) Bond SICAV – Global Dynamic (USD)

Investment guidelines



Opportunities

- Diversification across geography, sub-asset class and issuer to mitigate risks such as liquidity and defaults
- Flexible duration management allowing portfolio managers to protect capital in rising rate environments or increase returns in anticipation of falling yields
- Focusing on high conviction trade ideas across interest rates, credit and currency markets
- Balanced approach without sector bias and with multiple performance drivers
- Greater emphasis on quality and liquidity, maintaining an investment grade rating
- Low to medium correlation to standard bond and equity indices and to peers
- Experienced team with extensive expertise drawing on local presence and knowledge of sector specialist teams located in the US, Europe, Australia and Asia that other managers may not have access to



Risks

- The fund may employ higher-risk strategies within fixed income and currency markets, and may take both long and short positions utilizing derivatives
- The use of derivatives may result in additional risks, particularly counterparty risk
- Increased portfolio flexibility may increase the risk of portfolio management decisions adversely affecting performance
- Changes in interest rates, credit spreads and exchange rates may have an impact on the fund's value
- Depending on the credit quality, default risk is higher with corporate bonds than with government bonds and higher with high-yield or emerging market bonds than with investment grade corporate and government bonds
- Emerging markets investing involves specific risks
- Every fund has specific risks, which can significantly increase under unusual market conditions

Characteristics and fees

Fund name	UBS (Lux) Bond SICAV – Global Dynamic (USD)					
Portfolio management	UBS Asset Management					
Custodian bank	UBS Europe SE, Luxembourg Branch					
Reference index	none					
Fund currency	USD; other currencies: EUR hedged, CHF hedged					
Accounting year end	31 May					
Subscriptions/redemptions	daily					
Distribution	distributing and accumulating share classes					
Lending Value	90%					
Share class	P-acc (USD)	P-acc (CHF hedged)	P-acc (EUR hedged)	P-dist (USD)	P-dist (CHF hedged)	P-dist (EUR hedged)
Launch date	31.05.2013	31.05.2013	31.05.2013	31.05.2013	31.05.2013	31.05.2013
ISIN	LU0891671751	LU0891672213	LU0891672056	LU0891671835	LU0891672304	LU0891672130
Management fee p.a.	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%
TER p.a. *	1.49%	1.48%	1.48%	1.49%	1.48%	1.51%

*Total Expense Ratio, as of 31 May 2018

For further information please contact your client advisor. Investors should not base their investment decisions on this marketing material alone.

Glossary

Correlation: Measures the degree to which two securities move in relation to each other.

Convertible bonds: Debt security that can be converted into a pre-determined amount of the underlying company's equity at certain times during the bond's life, usually at the discretion of the bondholder.

Currency risk: Fluctuations in exchange rates may result in losses.

Derivatives: Financial security with a value that is reliant upon or derived from an underlying asset or group of assets.

Duration: Measure of a bond's price sensitivity to changes in interest rates.

High yield bonds: Bond with a credit rating below investment grade.

Investment grade: Rating that indicates that a bond has a relatively low risk of default.

Risk: Exposure to damage or financial loss, e.g. a fall in the price of a security, or insolvency on the part of a debtor.

Securitized debt: Securitization is the financial practice of pooling various types of contractual assets and selling their related cash flows to third party investors.

Sovereign bonds: Are issued by governments. They can be either local-currency-denominated or denominated in a foreign currency.

Treasuries: Refer to all the tradable and negotiable debt obligations issued by a country's government. In general "Treasuries" are referring to U.S. Treasuries.

Unconstrained: Portfolio manager has the freedom to invest according to his own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Volatility: Measure of the fluctuations in the rate of return of a security within a specific period. Usually stated as an annualized standard deviation.

More explanations of financial terms can be found at ubs.com/glossary

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