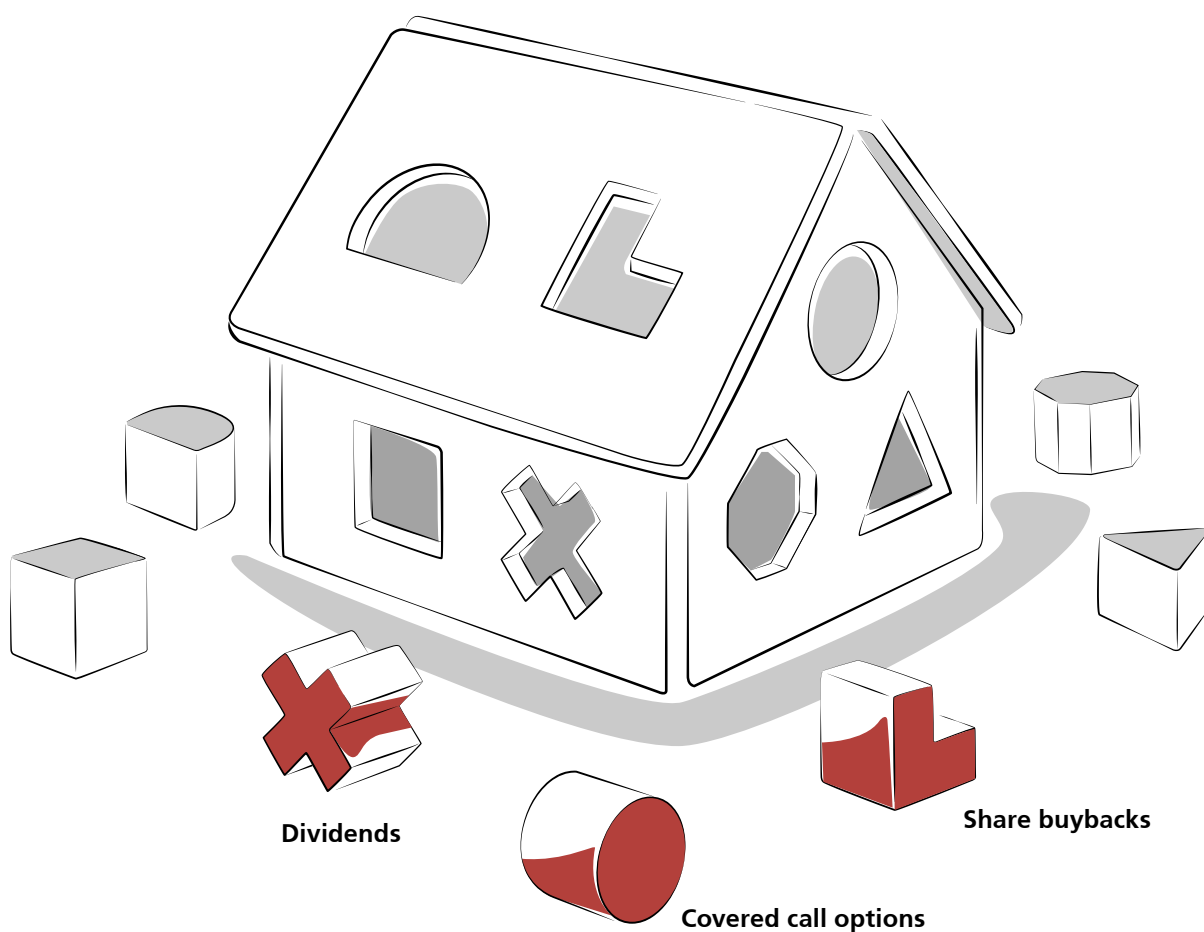


# Find the right fit

UBS Equity Income Funds aligning for more volatile markets



# Is your portfolio prepared for volatility?

Amid uncertainty over interest rate policy and geopolitical situation globally, investors relying only on standard equity and/or bond investments could experience higher portfolio volatility in a risk-off scenario where sell-off includes both equities and bonds

As a bond investor you should consider

Income from cash and government bonds **is lower than the long-term average** (in some cases sitting in negative territory – e.g. 10 year Swiss or Japanese government bonds)

With bond yields at historic lows and inflation rising, some bonds have **negative real returns**

The **indebtedness** of some countries seems **unsustainable**

**Interest rate unlikely to increase significantly** in the Eurozone as this would make it hard for certain Euro-zone members to serve their debt

As an equity investor you should consider

Current **equity market environment is challenging and uncertain** with regards to the rhythm at which the Fed will be raising interest rates

**Political risk is also high** with trade tensions between US and China and possible conflicts in the middle east and the Korean peninsula

**Simply buying equities** with the highest dividend yield might lead to **"value traps"** because high dividend yield may due to rapidly declining equity prices

**Simply buying the broader index** might **not yield a high enough yield**

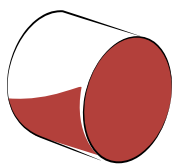


## Three sources to generate income



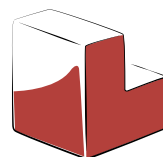
### Dividends

Companies around the world have deleveraged their balance sheets and accumulated high cash reserves thanks to increased efficiency and cost consciousness. We can therefore expect them to pay stable or even increased dividends in the future.



### Covered call options

The fund sells to an external party the right to buy stocks that it owns, should the stock price reach a pre-defined level (higher than current price). This sale generates a steady flow of income which supports the performance of the fund. In exchange the fund forgo a part of the stock price appreciation on those stocks whose price reaches the pre-defined buy level.



### Share buybacks\*

Share-buyback is a mechanism for a listed company to return money to shareholders. It uses the profits it makes to buy-back its own shares and this leads to an increase in the share price through the demand it creates for the shares. The volume of share buybacks in the US has risen steadily since 2009.

\* Buyback is explicitly taking into consideration for the indicative income yield calculation for US Income given the structurally low dividend yield in the US compared to the rest of the world.

# Fitting income sources to your needs

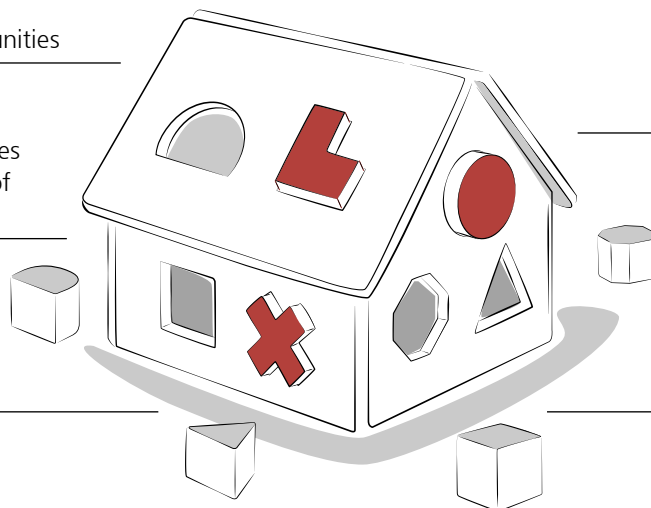
UBS Equity Income Funds aim to reduce portfolio volatility while staying invested

## UBS Equity Income Funds

Capture high dividend opportunities





Focus on high quality companies for stability and sustainability of dividends

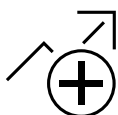
Aimed at higher income and lower risk than the broader market



Built with defensive nature in mind, in order to reduce volatility of overall portfolio

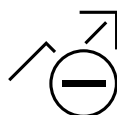
Call-overlay on most stocks to provide additional income and smoothens portfolio returns

	Global	USA	Europe	Switzerland
<b>Fund name</b>	UBS Global Income (USD)	UBS US Income (USD)	UBS Euro Countries Income (EUR)	UBS Swiss Income (CHF)
<b>Portfolio holdings</b>	60 to 100 shares	60 to 80 shares	60 to 80 shares	25 to 45 shares
<b>Individual stock share</b>	max 4%	max 4%	max 4%	max 10%
<b>Investment style</b>	quantitative	quantitative	quantitative	fundamental
<b>Income source</b>				



### Opportunities

- The funds generate income from different sources: dividend payments, premiums from the sale of call options and share buyback yield (US Income only)
- Companies whose shares are invested in must meet strict quality criteria with regard to their financial situation
- Defensive elements can help cushion price losses during market corrections



### Risks

- As the funds invest in equities, major price fluctuations are likely. They are therefore only suitable for investors with an investment horizon of at least five years and a corresponding risk tolerance and capacity
- Because of their defensive elements the funds can lag behind the general equity market development in positive market phases
- The funds use derivatives. They involve additional risks (e.g. counterparty risks)

## Characteristics and fees

Fund name	UBS (Lux) Equity SICAV – Global Income (USD)		UBS (Lux) Equity SICAV – US Income (USD)		UBS (Lux) Equity SICAV – Euro Countries Income (EUR)	
Fund domicile	Luxembourg		Luxembourg		Luxembourg	
Fund currency	USD; other currencies: CHF hedged, EUR hedged		USD; other currencies: CHF hedged, EUR hedged		EUR; other currencies: USD hedged, CHF hedged	
Fund type	open end		open end		open end	
Portfolio management	UBS Asset Management		UBS Asset Management		UBS Asset Management	
Custodian bank	UBS Europe SE, Luxembourg Branch		UBS Europe SE, Luxembourg Branch		UBS Europe SE, Luxembourg Branch	
Accounting year	31 May		31 May		31 May	
Issue/redemption	daily		daily		daily	
Distribution	acc-share class: none; dist-share class: yes		acc-share class: none; dist-share class: yes		acc-share class: none; dist-share class: yes	
Benchmark	MSCI All Country World Index (net div. reinv.) (hedged USD)		MSCI USA (net div. reinv.)		MSCI EMU (Nettdiv. reinv.)	
Further share classes	Q-share classes available		Q-share classes available		Q-share classes available	
Share class	<b>P-acc (USD)</b>	<b>P-dist (USD)</b>	<b>P-acc (USD)</b>	<b>P-dist (USD)</b>	<b>P-acc (USD hedged)</b>	<b>P-dist (USD hedged)</b>
ISIN	LU1013383713	LU1013383804	LU1149724525	LU1149724798	LU1121265620	LU1121265893
Launch date	25.02.14	25.02.14	04.03.15	04.03.15	28.01.15	28.01.15
Management fee p.a.	1.44%	1.44%	1.28%	1.28%	1.28%	1.28%
TER* p.a. (31.05.2018)	1.87%	1.87%	1.67%	1.67%	1.68%	1.68%
Share class	<b>P-acc (EUR hedged)</b>	<b>P-dist (EUR hedged)</b>	<b>P-acc (EUR hedged)</b>	<b>P-dist (EUR hedged)</b>	<b>P-acc (EUR)</b>	<b>P-dist (EUR)</b>
ISIN	LU1013383986	LU1013384018	LU1149724871	LU1149724954	LU1121265208	LU1121265380
Launch date	25.02.14	25.02.14	04.03.15	04.03.15	28.01.15	28.01.15
Management fee p.a.	1.44%	1.44%	1.28%	1.28%	1.28%	1.28%
TER* p.a. (31.05.2018)	1.88%	1.88%	1.67%	1.66%	1.68%	1.68%
Share class	<b>P-acc (CHF hedged)</b>	<b>P-dist (CHF hedged)</b>	<b>P-acc (CHF hedged)</b>	<b>P-dist (CHF hedged)</b>	<b>P-acc (CHF hedged)</b>	<b>P-dist (CHF hedged)</b>
ISIN	LU1013384109	LU1013384281	LU1149725092	LU1149725175	LU1121265463	LU1121265547
Launch date	25.02.14	25.02.14	04.03.15	04.03.15	28.01.15	28.01.15
Management fee p.a.	1.44%	1.44%	1.28%	1.28%	1.28%	1.28%
TER* p.a. (31.05.2018)	1.87%	1.88%	1.67%	1.67%	1.68%	1.68%
Fund name	<b>UBS (CH) Equity Fund – Swiss Income (CHF)</b>					
Fund domicile	Switzerland		Share class	<b>P</b>		
Fund currency	CHF		ISIN	CH0017043958		
Fund type	open end		Launch date	28.11.03		
Portfolio management	UBS Asset Management		Management fee p.a.	1.20%		
Custodian bank	UBS Switzerland AG		TER* p.a. as of 31.10.2017	1.50%		
Accounting year	31 October			0.89%		
Issue/redemption	daily					
Distribution	yes					
Benchmark	SPI TR					

\*Total Expense Ratio

**For further information, please contact your client advisor. Investors should not only base on this marketing material alone to make investment decision.**

## Glossary

**Call option:** A call option is an agreement that gives the buyer of this option the right, but not the obligation, to buy a stock, bond, commodity or other instrument at a specified price within a specific time period

**Out of the money (OTM):** A call option with a strike price that is higher than the market price of the underlying asset. An out of the money option has no intrinsic value, but only possesses extrinsic or time value

**In the money:** In the money means that a call option's strike price is below the market price of the underlying asset. Being in the money does not mean you will profit, it just means the option is worth exercising

**Covered call strategy:** Call options are used to generate income through a covered call strategy. This strategy involves owning an underlying stock while at the same time selling a call option, or giving someone else the right to buy your stock. The investor collects the

option premium and hopes the option expires worthless. This strategy generates additional income for the investor but can also limit profit potential if the underlying stock price rises sharply

**Dividend:** A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders

**Premia:** An option premium is the income received by an investor who sells an option contract to another party

**Maturity:** Maturity is the date on which the life of a financial instrument (e.g. an option) ends, after which it must either be renewed or it will cease to exist

**Strike price:** A strike price is the price at which a specific derivative contract can be exercised. The term is mostly used to describe stock in which strike prices are fixed in the contract. For call options, the strike price is where the security can be bought (up to the expiration date)

For any further explanations of financial terms please refer to [ubs.com/glossary](http://ubs.com/glossary)

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