

UBS US Total Yield Equity Fund

High quality yields American style

Investors are continuing to look for yield beyond traditional sources. Typically, yield from equities comes from dividends. However, dividend yields in the US are traditionally lower because many firms also return profits to shareholders via share buybacks. In the US, total yield – capturing the yield from share buybacks and dividends – is more attractive than dividend yield alone.

What is share buyback yield?

- Essentially, share buyback yield is the expected long-term appreciation in stock price as a result of buybacks (excluding other impacts to stock price such as changes in company sales and profits, news, broad macroeconomic factors, equity market volatility, etc.).

Why do companies buy back shares?

- By repurchasing its own shares, a company reduces the number of publicly held shares outstanding. Assuming constant earnings, this increases earnings per share (EPS), which can lead to a higher stock price in the medium to long run.
- Share buybacks allow companies to have increased flexibility when making decisions about how to return profits to shareholders.



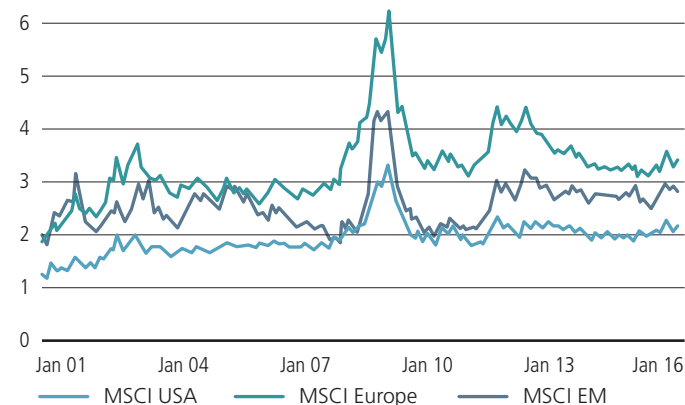
Jeremy Raccio
Portfolio Manager

- 15 years of investment industry experience
- 8 years of experience with UBS
- Responsible for portfolio management and quantitative analysis within the Applied Research Group



Dividend yields are lower in the US ...

Annual dividend yield in %

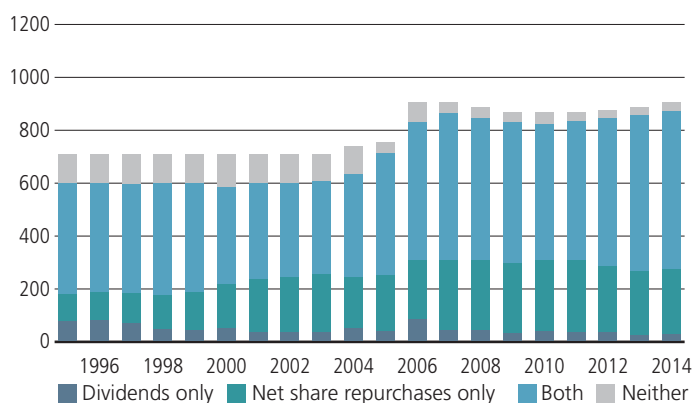


Data as of 31 December 2015

Source: UBS Asset Management, Factset (MSCI net div. reinv.)

... because US companies return profit in two ways

Number of firms



Data as of end of July 2015

Universe is union of S&P 500, S&P 400, Russell 1000 and MSCI USA

MSCI USA data is available starting in November 2003;

Russell 1000 data is available starting in October 2005

Source: UBS Asset Management, MSCI, Compustat



Investment Solution

US Total Yield Equity Fund invests in a diversified set of quality US companies that are expected to deliver above-average total yields. Total yield is the sum of yields from dividend distributions and from company profits returned to shareholders via share buybacks.

Yield

Access to US stocks with above-average total yields

Quality

Stocks fulfill high quality criteria such as strong balance sheet, strong and stable earnings, lower expected volatility

Diversification

No large single stock weights, but about 100 equally weighted stocks, diversified across different sectors

Investment objective

The investment objective is to combine high total yield and high quality characteristics in a diversified portfolio.

High yields

Seeks to capture high total yield opportunities including dividends and share buybacks

High quality

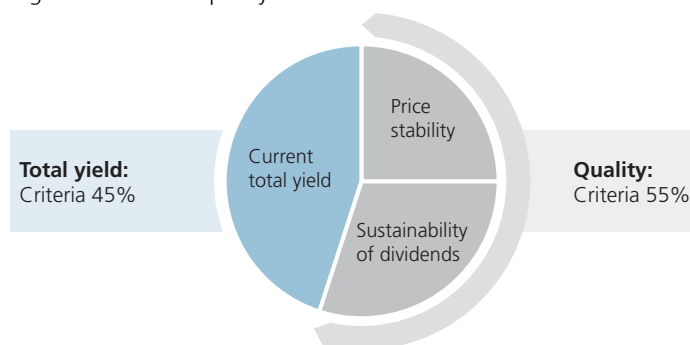
Focus on the companies' stability and sustainability of dividends

Highly diversified

100 equally weighted stocks, across sectors and other factors

Investment criteria

The portfolio management team aims at identifying stocks with high dividend and quality characteristics.



Source: UBS Asset Management

Investment process

The investment process consists of three steps:

US large and mid-cap stock universe of ~1,200 stocks

Criteria: high total yield / high quality

Both of these criteria are weighted and applied to the full universe

Ranking from 1 to ~1,200 stocks

Constraints to balance portfolio

Takes ranking as well as sector and factor constraints into account for optimal results

Plausibility checks

Data quality checks for each stock

Results in a portfolio with a high equity yield

- 100 equally weighted stocks
- diversified across sectors and factors

Source: UBS Asset Management



Risks

This fund invests in equities that may be subject to high fluctuations in value. The fund focuses intentionally on the US market and US economy, which may entail additional risks and volatility. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions. The fund can use derivatives, which may result in additional risks (particularly counterparty risk).

For complete information about the fund, including the risks of investing, applicable fees and other important information, prospective investors are advised to read the Key investor information and full prospectus.

Fund details

Fund name:	UBS (Lux) Equity SICAV – US Total Yield (USD)	
Fund type:	SICAV, UCITS IV	
Fund domicile:	Luxembourg	
Portfolio management:	UBS Asset Management	
Custodian:	UBS (Luxembourg) S.A.	
Reference index:	MSCI USA (net div. reinv.)	
Fund currency:	USD	
Share class inception:	P-acc: 15 February 2013	Q-acc: 30 April 2015
Accounting year ends:	31 May	
Management fee:	P-acc: 1.20% p.a.	Q-acc: 0.67% p.a.
Total expense ratio (TER) ¹ :	P-acc: 1.55% p.a.	Q-acc: 0.85% p.a.
Subscriptions / redemptions:	daily	
Distribution:	none; reinvestment	
Swing pricing:	yes	
EU savings tax:	not affected at distribution, not affected at redemption	
Securities no. / ISIN:	P-acc: 20 240 339 / LU0868494617	Q-acc: 27440529 / LU1207007581
There are different share classes available. Some of them may not be eligible for sale in all jurisdictions or to certain categories of investors. For more details please visit www.ubs.com/fundgate or contact your UBS client advisor.		

¹ as at 31 May 2015

For explanations on financial wordings please refer to the glossary at www.ubs.com/glossary or contact your UBS client advisor for further information.

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Source for all data and charts (if not indicated otherwise): UBS Asset Management.

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