

Emerging Markets Debt Corporate

Investment profile | UBS Asset Management—Americas Institutional

Objective

The Emerging Markets Debt Corporate strategy seeks to outperform the total return of the benchmark on a risk-adjusted basis (gross of fees) over a full market cycle of three to five years. The strategy mainly invests in emerging markets corporate bonds denominated in USD, but may also invest in emerging markets sovereign and/or quasi-sovereign bonds should corporate bond risk premiums over sovereign bonds be deemed unattractive.

Investment philosophy and process

We employ top-down macroeconomic and bottom-up credit research to develop investment themes and select appropriate securities. By balancing top-down and bottom-up analysis, the investment process brings together extensive

experience as well as a diversity of thought and opinion from all involved: the fixed income investment committee, the emerging markets debt strategy team, and the credit research team. Their work and insights are supported by quantitative tools and models.

Top-down analysis focuses on the global macro framework. It explores global macroeconomic trends, examines macroeconomic factors, and scrutinizes the macroeconomic risk framework.

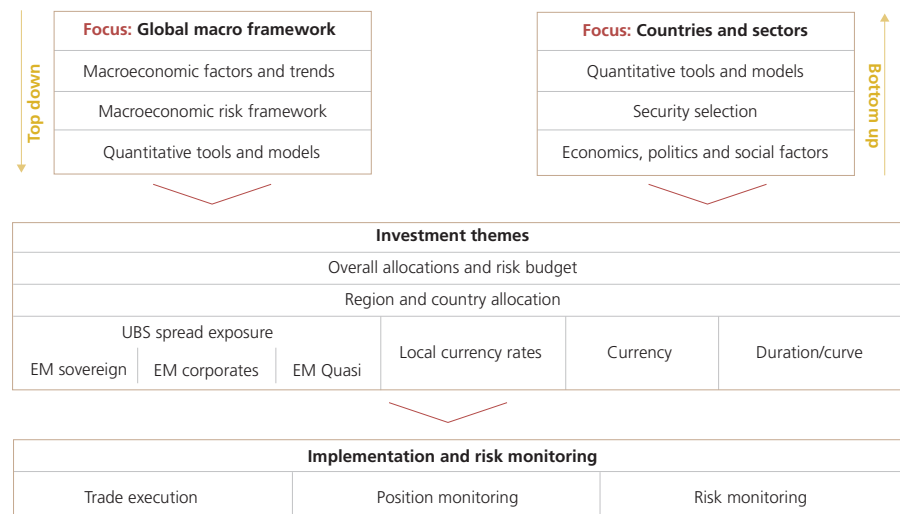
Bottom-up analysis focuses on countries and sectors, considering economic, political and social factors. Spanning over 70 countries and more than 400 emerging markets companies forms the basis for appropriate security selection.

Key points

- Clients benefit from our 20 year history of managing emerging market debt across hard currency, local currency and corporate strategies
- Our substantial emerging markets assets under management give us the resources to effectively manage client accounts
- With over two decades of average industry experience our senior investment team has the perspective to navigate various market environments
- A disciplined, balanced investment process can generate consistent returns over clients' investment horizons

Emerging Markets Debt Corporate investment process

Disciplined application of fundamental research



For illustrative purposes only.

For institutional investors only.

Based on the combined results, the overall allocations and risk budget are defined for the strategy, which is then implemented in specific portfolios with individual exposures to regions, countries, sectors, spreads, and currencies, as well as individual duration and yield-curve positioning.

Each portfolio is subject to continuous monitoring of positions and risks. Strategic themes and global risks are discussed on a quarterly basis. Thematic positioning and performance attribution are reviewed monthly. Weekly strategy meetings serve to present the latest research and decide on potential portfolio adjustments and tactical trades.

Why Emerging Markets Corporate Debt?

UBS Asset Management believes that emerging markets are stabilizing and that cyclical adjustments are reducing emerging market vulnerability. Structural drivers remain strong and valuations are attractive for a long-term investment case. Emerging market corporate bonds can benefit from an improving financial framework and the global economic recovery. The Emerging Markets Corporate Debt strategy seeks to capture this opportunity.

- Emerging economies and their companies set to benefit from global economic recovery – Political risk and economic adjustment seems to be manageable and the ongoing commodity price stabilization continues to lend support. Even in an environment in which the growth differential between emerging and developed markets remains low, emerging economies should benefit from increasing exports of goods and commodities.
- Improving financial framework – Fiscal adjustment and structural reforms should lead to a more solid financial framework. A solid fiscal stance reduces country vulnerability, and structural reforms can improve the long-term growth outlook. We see encouraging signs on both fronts in many emerging market economies.
- Attractive spreads – Emerging markets corporate bonds offer attractive risk premiums versus developed markets. An improving financial framework can lead to stronger corporate fundamentals and reduce credit risk. Plus, the favorable bond supply-demand balance and ongoing search for yield should further support spreads.

- Lower duration – Emerging markets corporate bonds are less sensitive to interest rate movements than emerging market sovereign bonds, helping to protect the portfolio against higher interest rates.

Team leadership

The dedicated and experienced investment team builds on a 20-year history of emerging market debt investing across hard currency, local currency and corporate strategies. The team includes senior professionals whose average industry experience counts more than two decades. They follow their balanced investment process with discipline and strive to achieve clients' investment objectives while delivering an outstanding service to them.

Federico Kaune, Ph.D.

- Managing Director, Head of Emerging Markets Fixed Income
- 24 years of investing experience

Vehicle availability¹

- Segregated account
- Commingled fund

¹ Certain vehicles may not be available to all investors. Please contact your local representative for more information.

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18-0211 03/18
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