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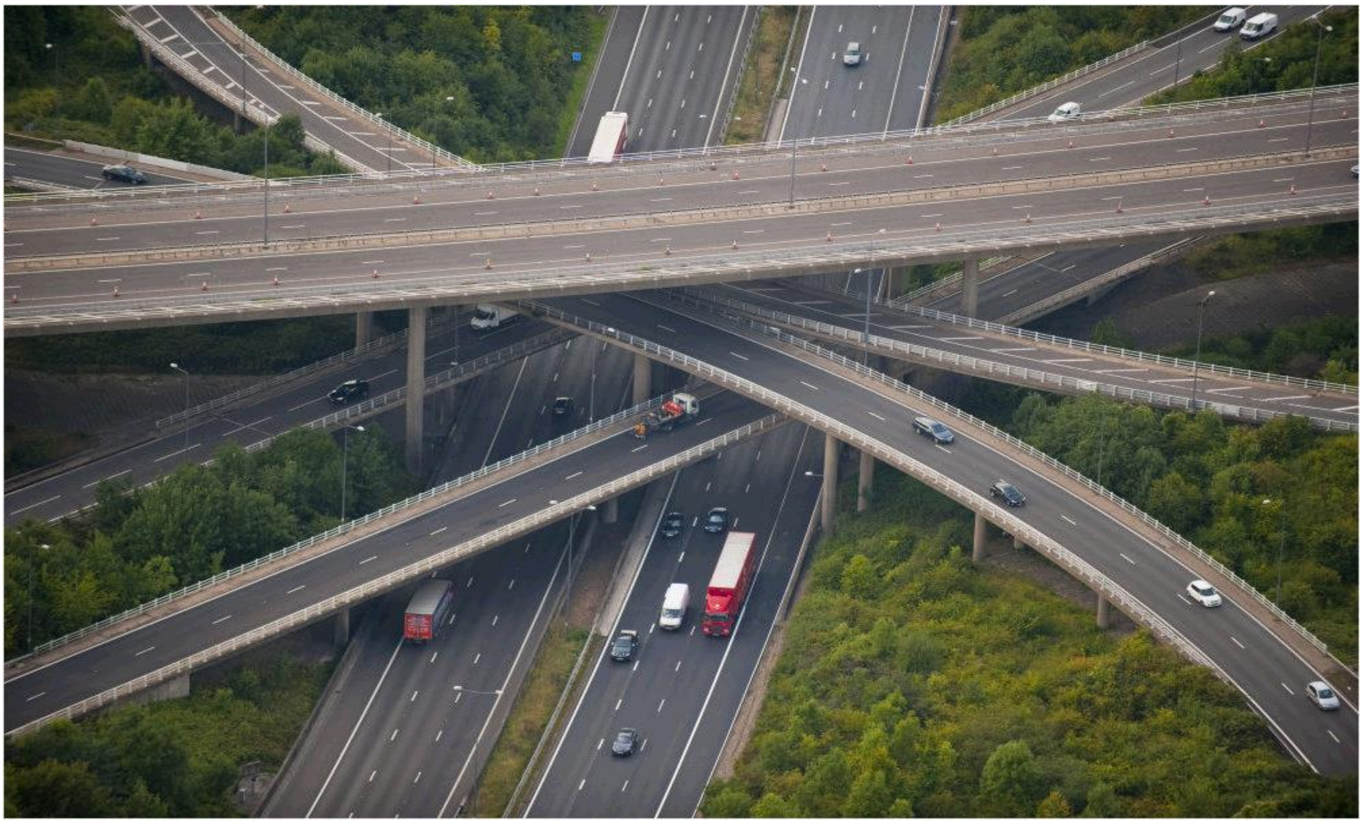
Chief Investment Office GWM
Investment Research

Yield & Income

Cross asset ideas for yield

Monthly — December 2021

Chief Investment Office GWM



What do you mean?

Pandemic-related distortions are creating uncertainty around inflation and employment trends.

We expect inflation and growth trends to "mean revert" and normalize as the new year progresses.

2022 will be a year of "two halves," calling for a mix of cyclical assets and defensive sectors.

UBS

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About this report
The objective of this report is to provide an analysis of various income-generating securities – sovereign, municipal and corporate bonds, equities, master limited partnerships (MLP), preferred securities, senior loans, real estate investment trusts and closed-end funds, – in the context of current economic, fixed income and equity market conditions.

This report represents a compendium of previously published views from UBS CIO Global Wealth Management. These publications are referenced in each section in order to obtain more information.

This report will be published approximately every four weeks. Please note that the views in this report may change with market conditions at some point between publications. Updates to the views in this report can be found in the referenced sections of the Online Services Research website.

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Market Commentary

Frank Sileo, CFA

What do you mean?

Mean reversion is an economic theory suggesting that, over time, trends revert back to long-term averages. This will be put to the test in the year ahead, after pandemic lockdowns and post-lockdown demand surges led to a number of distortions in 2020 and 2021. These distortions have created some uncertainty around the Federal Reserve's meaning of phrases like "transitory inflation" and "full employment."

The latest reading for the consumer price index (CPI) showed year-over-year growth of 6.2%, the largest increase in at least 30 years. Unlike earlier readings, price gains were seen from a broader range of sources. This suggests that inflationary pressures may persist longer than anticipated. Similarly, payrolls remain well below pre-pandemic levels. Yet the latest JOLTS survey showed a record 4.4mn workers quit their jobs. So investors are scrutinizing the Fed's meaning of full employment.

Comments from Fed Chair Jerome Powell at a 30 November Senate Banking Committee hearing reflect the ambiguity that investors have been wrestling with lately. After characterizing inflation as "transitory" for many months, Powell suggested it was "time to retire" that description, and that an acceleration in the tapering of monthly Fed asset purchases may be appropriate. This, while investor concern over COVID variants has risen again with the discovery of omicron.

These crosscurrents have whipsawed asset prices in November, and volatility indexes have risen. The 10-year Treasury yield dropped toward 1.4% on more dovish Fed messaging following the 3 November FOMC meeting, rose above 1.6% after the CPI release, and dropped back toward 1.4% at month end. Meanwhile, the S&P 500 fell by 2.3% on 26 November—its biggest one-day drop since February—after setting record highs eight days earlier. The performance of *Yield & Income* sectors reflects the latest challenges, with losses in equity markets across all regions (except US large cap growth), and in REITs, emerging market bonds, preferreds, and MLPs.

At CIO, we believe that several factors could contribute to an easing of inflationary pressure. But without material signs of improvement in the months ahead, the Fed may need to change course and begin considering policy tightening. Similarly, new COVID variants such as omicron are clouding the outlook and have the potential to affect the recovery. However, we believe that, while there is still much to be learned about omicron, individuals and institutions have become more adaptive to COVID waves as the virus becomes more endemic. So we expect "reopening" dynamics to continue driving growth in 2022. But, we expect inflation and growth rates to begin to "mean revert" as the year progresses. This backdrop supports a mix of cyclical assets (such as select commodities, Eurozone equities) and defensive sectors like healthcare.[1]

Widespread losses in November

Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
US Lg Cap Growth 6.3%	REITs 4.8%	US Lg Cap Growth 3.7%	MLPs 3.0%	US Lg Cap Growth 8.7%	Muni Bond 0.9%
MLPs 5.2%	US Lg Cap Growth 3.3%	Emerging Mkts 2.6%	Sr Loans 0.6%	REITs 7.6%	US Gov't 0.7%
REITs 2.6%	US Gov't 1.3%	US Lg Cap Value 2.0%	Preferreds 0.0%	US Lg Cap Value 5.1%	US Lg Cap Growth 0.6%
Preferreds 1.8%	IG Corps 1.3%	REITs 1.8%	High Yield 0.0%	MLPs 5.0%	IG Corps 0.1%
IG Corps 1.5%	Muni Bond 0.8%	Int'l DM Value 1.1%	Muni Bond -0.7%	Int'l DM Value 1.6%	Sr Loans -0.2%
High Yield 1.3%	US Lg Cap Value 0.8%	EM USD Bond 1.0%	US Gov't -1.1%	Emerging Mkts 1.0%	REITs -0.7%
EM USD Bond 0.7%	EM USD Bond 0.4%	EM Loc Bond 0.8%	IG Corps -1.1%	Preferreds 0.5%	High Yield -1.0%
US Gov't 0.6%	High Yield 0.4%	High Yield 0.5%	Int'l DM Value -1.8%	Sr Loans 0.3%	EM USD Bond -1.8%
Sr Loans 0.4%	Sr Loans 0.0%	Sr Loans 0.5%	EM USD Bond -2.1%	IG Corps 0.2%	Preferreds -2.3%
Muni Bond 0.3%	Preferreds -0.1%	US Gov't -0.2%	EM Loc Bond -3.4%	EM USD Bond 0.0%	EM Loc Bond -2.7%
Emerging Mkts 0.2%	Int'l DM Value -0.2%	IG Corps -0.2%	US Lg Cap Value -3.5%	US Gov't -0.1%	US Lg Cap Value -3.5%
US Lg Cap Value -1.1%	EM Loc Bond -0.4%	Preferreds -0.3%	Emerging Mkts -4.0%	High Yield -0.2%	Emerging Mkts -4.1%
EM Loc Bond -1.2%	MLPs -6.3%	Muni Bond -0.4%	REITs -5.4%	Muni Bond -0.3%	Int'l DM Value -6.0%
Int'l DM Value -2.3%	Emerging Mkts -6.7%	MLPs -2.3%	US Lg Cap Growth -5.6%	EM Loc Bond -1.3%	MLPs -7.5%

Source: Bloomberg, ICE, UBS. Returns as of 30 November 2021

Note: US Gov't – Bloomberg Barclays US Govt Index; Muni Bond – Bloomberg Barclays Muni Bond Index; IG Corporates – Bloomberg Barclays US Credit Index; High Yield – Bloomberg Barclays US Corp High Yield Index; EM USD Bond - JP Morgan EMBI Global Diversified Index; EM Local Bond - JP Morgan GBI-EM Global Diversified Index; Sr Loan – S&P / LSTA US Leveraged Loan Index; REITs – FTSE NAREIT Equity REIT Index; MLPs – Alerian MLP Index; Preferreds – ICE BofAML Core Plus Fixed Rate Preferred; US Large Cap Value – Russell 1000 Value Index; US Large Cap Growth – Russell 1000 Growth Index; Int'l Developed Market Value – MSCI EAFE Value USD Index; Emerging Markets – MSCI Emerging Market Index.
Note: Prior reports reflected EM USD Bond - Bloomberg Barclays EM USD Agg Index; EM Local Bond - Bloomberg Barclays EM Local Currency Gov't Index; and Sr Loan – S&P / LSTA US Leveraged Loan 100 Index

This will be the last ***Yield & Income*** report of 2021. The next report will be published in late January. Happy holidays!

[1] "Year Ahead 2022," UBS CIO House View, 18 November 2021; "Omicron + taper = volatility," House View – CIO Alert, 30 November 2021

Asset Allocation Commentary

Jason Draho, PhD; Michael Gourd

COVID's 2021 curtain call

This month saw improving economic fundamentals collide head-on with the reality of life amidst a global pandemic. Through recent weeks we have been seeing brighter spots emerging in terms of the US economic recovery. The Atlanta Fed's GDP tracker had jumped to 8.5% growth for Q4 before the Thanksgiving holiday (Fig. 1). We also have seen signs that supply chain issues are easing with falling shipping freight rates, declining port backlogs, rising inventories, and manufacturing output rebounding strongly. But those economic improvements were all rendered moot to markets by the discovery of a new, WHO-designated "variant of concern" – omicron. While the idea of living with yet another variant is unsettling, we maintain our constructive outlook for 2022 for a few reasons: immunity levels are higher than earlier waves, and restrictions on activity will be less stringent. Both these factors should blunt any related economic weakness.

Given that outlook, we remain constructive over our tactical horizon and maintain the view that global growth will be above trend in 2022 and prefer market segments geared towards this growth outlook. With that, we keep equities as most preferred. We think the reflation trade still has room to run, supported by our outlook for higher interest rates, but we are selective on how to position for reflation. Credit is expensive and sensitive to higher rates. Commodities have been impacted by growth concerns but should continue to benefit from the global recovery, supply-demand imbalances, and inflation hedging demand.

Within equities we remain constructive overall, with our US equity positioning still exhibiting a value tilt versus growth. The case for value remains strong, based on faster earnings growth, likely further interest rate increases, and cheaper valuations relative to growth. We keep US mid-caps as most preferred.

Outside the US, we keep Japanese, Eurozone and Russian stocks as most preferred. Japanese stocks are levered to the global economic cycle, and the country is easing activity restrictions now that vaccination rates have hit high levels, which should support continued earnings growth. Eurozone stocks exhibit similar characteristics as Japanese equities, while Russian stocks are highly exposed to the price of oil and interest rates, both of which we expect to keep rising.

Among US equity sectors, we maintain our preferences from last month. Our most preferred sectors are financials, energy, healthcare and consumer discretionary. Our least preferred sectors are utilities and consumer staples.

US Treasury yields were volatile but rising through November until the post-Thanksgiving sell-off which saw the 10-year yield drop 16bps. We think this was a bit of an overreaction and expect the 10-year yield to move higher into 1Q22, but maintain our near-term range of 1.5%-1.9%.

Credit spreads have stayed tight and offer limited further compression. As such, we remain neutral toward credit.

Commodites and oil remain most preferred as demand should continue to improve. Oil prices collapsed due to omicron fears, but without knowing more about the variant, it is difficult to estimate potential demand destruction, so this immediate reaction looks overdone. Meanwhile, OPEC+ looks likely to maintain their planned monthly production increases of 400kbpd, keeping supply tight. We expect Brent crude prices to reach USD 90/bbl in the coming months. Gold remains least preferred as interest rates are expected to rise, though depending on the severity of disease associated with omicron, the shiny metal could maintain a safe haven bid.

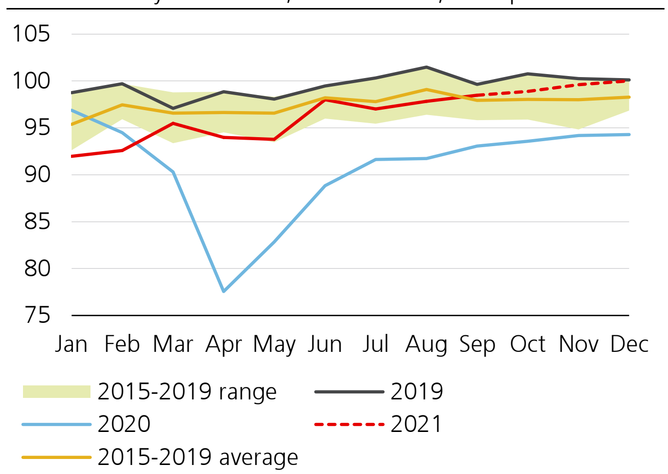
Fig. 1: GDP rebound looks likely

Atlanta Fed GDPNow GDP Forecast (%)

Source: Bloomberg, UBS, as of 24 November 2021

Fig. 2: Oil demand should remain firm through year-end

Global monthly oil demand, UBS forecasts, in mbpd



Source: IEA, EIA, UBS, as of November 2021

US Gov't Bonds

Leslie Falconio

US interest rates get whipsawed
If the omicron variant does not hugely curtail economic activity, then our expectation of a 1.75–1.8% on the 10-year yield by year-end remains intact. However, we cannot ignore a more cautious tone in the short term and if restrictions are unexpectedly heightened; then we would expect the 10-year yield to end the year at the lower end of our range or even around 1.5%. Again, this is not our base case, given the strong economic data we are expecting through year end.

The market sentiment that higher inflation will be longer lasting than previously expected—a scenario that could put pressure on the Federal Reserve to expedite the tapering of its asset purchases and hike rates—pushed expectations of the first rate hike to April 2022, followed by more than six hikes through 2023. The latest COVID variant, however, had slightly tempered this hawkish outlook, at least initially.

Despite the expectations for a series of rapid rate increases over the next two years, it's notable that the market is pricing in a lower longer-run fed funds rate than the Fed is. A low estimate of this "terminal rate" suggests investors don't believe economic growth will be strong enough on a sustained basis to warrant a policy rate much above 2%, which has been the peak in this cycle.

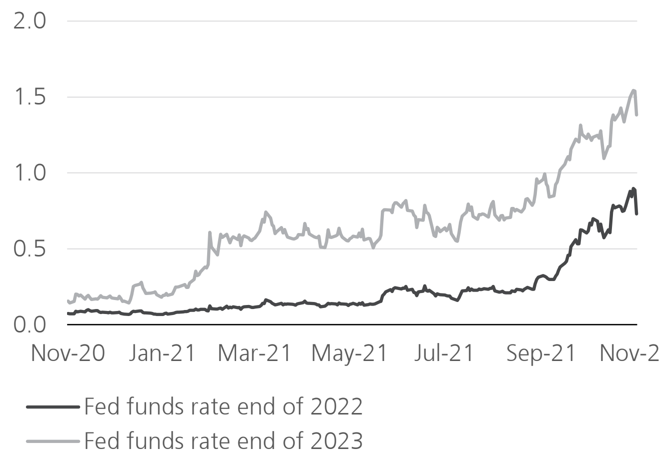
We continue to view the market's fed funds path as aggressive. The market continues to expect that the Fed will announce at the upcoming 15 December FOMC meeting that it will expedite the pace of tapering from USD 15bn a month to potentially USD 30bn a month. This faster taper will push the finish line near March 2022, leaving room for a June rate hike. Although we anticipate November's job report to be strong, with consensus running at 545,000 new jobs added, alongside another strong CPI print on 10 December, we do not expect the Fed to announce a faster taper in the upcoming meeting. The process of moving the taper forward despite the delta variant was required; a faster taper is not. The new variant will more than likely push any potential announcement to January regardless of the hawkish overtones in the recent Fed minutes.

RECOMMENDATIONS AND PREFERENCES

- **Treasuries**: Least preferred with a gradual rise in rates
- **Agency debt**: Least preferred with a preference for step up coupons
- **Mortgage-backed securities (MBS)**: Neutral with a preference for higher coupon 3% / 4% and 15-20yr collateral
- **Treasury inflation-protected securities (TIPS)**: Neutral

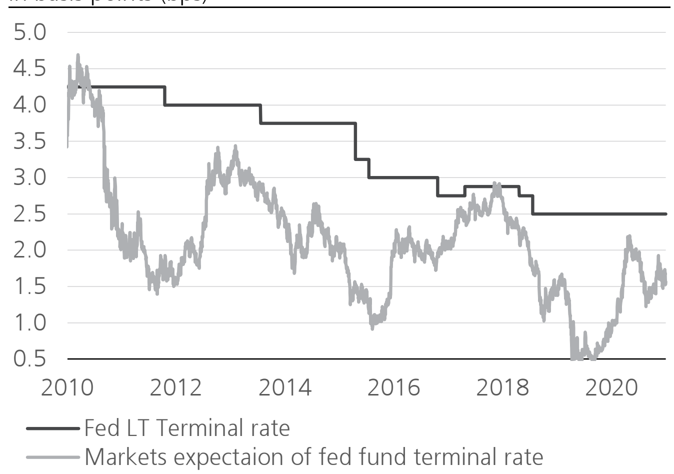
US 10yr Tsy yield: 1.5%
House View: US Gov't and Agency Debt: *Least preferred*
TIPS: *Neutral*
MBS*: *Neutral*

The market continues to price in an aggressive Fed in 2022 and 2023
In%



Source: Bloomberg; UBS as of 29 November 2021

The market may be pricing in faster rate hikes, but the terminal expected remains well below the Fed objective
In basis points (bps)



Source: Bloomberg; UBS 29 November 2021

* Agency MBS

For details, please see the *Fixed Income Strategist*., Falconio, L., et al., 10-NOV-21, UBS CIO. For updates, see the Fixed Income section of the UBS Online Services research for individuals' website.

US Municipal Bonds

Kathleen McNamara, CFA, CFP

Munis prove resilient

Tax-exempt paper has proved resilient thus far in 2021 despite a rising rate environment. The muni sector has posted a modest positive return (+1.5%). By contrast, an index of US Treasury securities (-2.1%) as well as investment grade corporate debt (-1.1%) have witnessed some losses over the same time frame. We attribute the better performance from tax-exempt bonds primarily to two reasons. First, favorable supply and demand dynamics. Second, noteworthy improvements in credit fundamentals. Between now and year-end, we expect technical factors to be supportive to muni prices. For example, net supply (bonds issued minus bonds matured and called) has been moving lower over the past month.

Credit quality spreads remain tight

Credit spreads on lower rated BBB munis witnessed further spread compression in 2021. Following 58bps of tightening in 2H 2020 for BBB munis at the 10-year spot, these spreads have narrowed by 39bps on a year-to-date basis. At present, spreads on 10-year BBB munis sit at only 57bps. By comparison, these spreads are now tighter than those (+61bps) seen immediately preceding the pandemic in February 2020 (see chart).

More upgrades on the way

Moody's upgrades outpaced downgrades by a 2.6 / 1 ratio in the first two quarters of this year. This is the largest ratio of upgrades to downgrades since 2008. With COVID-19 vaccinations readily available, international travel restrictions being relaxed, Federal COVID relief funds flowing into municipal issuer coffers, and forecasted growth in the US GDP and stock market indices, CIO believes state and local revenue will continue growing. Increased spending and positive economic indicators should help perpetuate the positive rating trends for issuers of all stripes in 2022 (see *Municipal Market Guide*, Muni view for 2022, 18 November 2021.

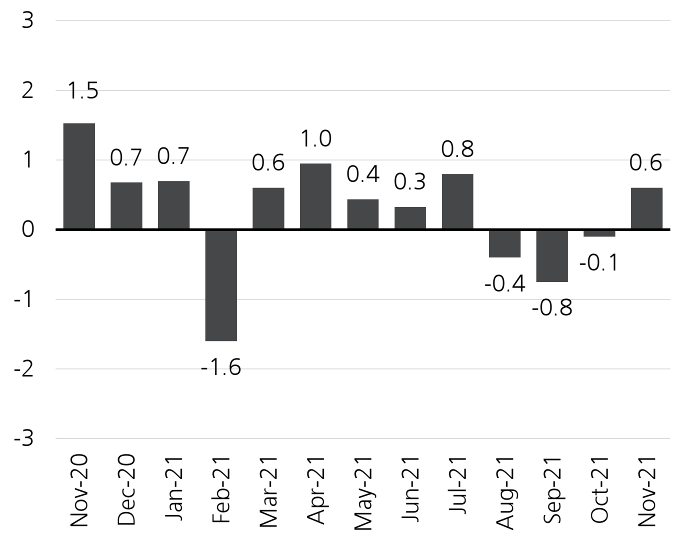
RECOMMENDATIONS AND PREFERENCES

- **Position in high coupon premium bonds**. We prefer high coupon bonds for their defensive characteristics. Premium bonds can offer greater price protection than par or discount bonds during periods of rising rates. By contrast, low coupon bonds are more sensitive to interest rate changes and will underperform as rates rise when all other factors are held constant.

- **Practice portfolio diversification.** CIO provides research coverage for 600 municipal obligors nationwide via our Municipal Risk Assessment Frameworks (representing 60% of the investment grade market). This framework uses a data-oriented approach to communicate CIO's independent view on relative credit quality, assigning a 1-5 risk category (1 representing lowest risk). Our coverage spans nine different sectors serving as a useful guide for investors seeking diversification within their muni portfolios.

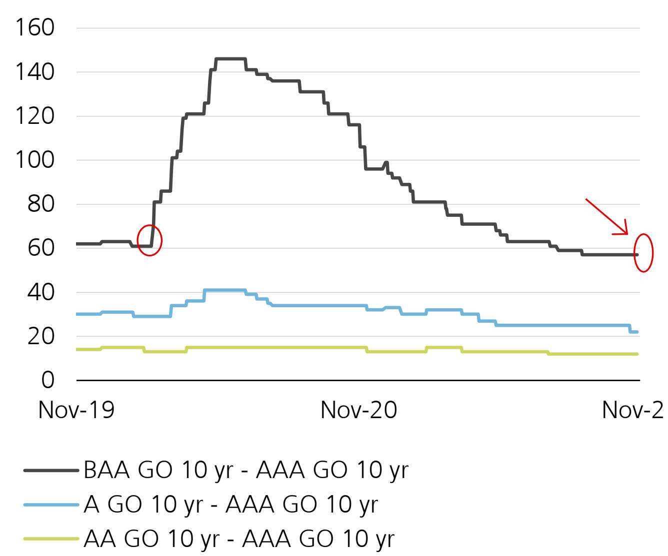
Average yield: 1.1%*
House View: *Neutral*

Municipal monthly total returns, Nov 2020 – Nov 2021
total return, in %



Source: ICE municipal index, UBS, as of 26 November 2021

Credit spreads remain tight
Spread, in bps



Source: MMD, UBS, as of 26 November 2021

* Based on the Bloomberg Barclays US Municipal Bond Index
For details, please see the Municipal Market Guide., McLoughlin, T., et al.,18 NOV-21, UBS CIO. For updates see the Fixed Income section of the UBS Online Services research for individuals' website.

US Investment Grade Credit

Barry McAlinden, CFA

Spreads break out of the range
IG credit spreads finally broke out of their narrow trading range, moving to 102bps (ICE BofA Index), as of 29 November). This stemmed from heavy new issue supply during the week of 15 November and the risk-off market swing brought on by the omicron variant. Despite the flight-to-safety decline in Treasury yields, the total return for IG stands at 0.1% in November with the widening in credit spreads offsetting lower rates. This stands in contrast to trend over the last several months where the performance of the IG asset class was driven mostly by interest rates.

Year-to-date, the best total returns for IG have come from BBB's with 1-3 year maturities (+0.4%) and BBB's with maturities longer than 15 years (-0.4%). But while a barbell of BBB's with both short and long maturities has worked to date in 2021, we don't think this will be the case next year. As monetary policy normalizes, CIO looks for longer-end rates to trend higher along with short-term interest rates. Even if IG credit spreads are likely to remain in a sideways trend, IG bonds with maturities beyond 10 years stand to suffer significant price losses. We therefore prefer IG maturities that are seven years or shorter as we await higher interest rates before becoming comfortable with longer duration.

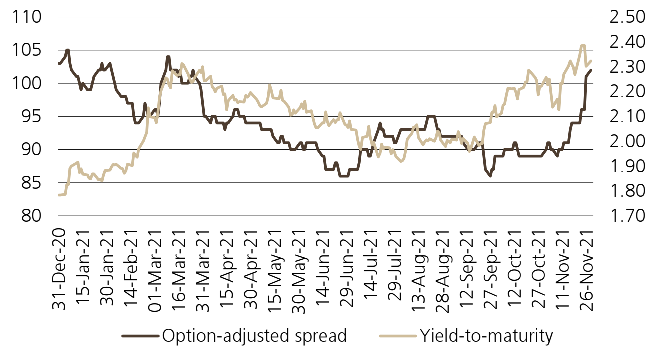
Technicals and fundamentals to be strong next year
A midcycle environment is still very supportive of credit, and global investor demand for IG should remain robust. IG gross issuance will likely again be well over USD 1tr in 2022, but net issuance will be much lower when considering bond maturities plus other opportunistic redemptions that companies will likely pursue. On the fundamental side, as earnings growth decelerates, more companies may be incentivized to adopt aggressive financial policies to drive growth. This may lead to some "voluntary" downgrades among issuers who are comfortable operating with higher leverage as priorities shift toward shareholder returns and M&A. But we believe these actions are most likely to occur in higher-rated A or high-BBB rated issuers that could easily absorb a one-notch credit rating hit. The trend should still be for positive rating transitions overall, as the ratings improve on many issuers in the large group of 2020 downgrades.

RECOMMENDATIONS AND PREFERENCES

- **BBB rated issuers:** Most issuers in this lower rating segment have exhibited both a willingness and ability to improve their balance sheet metrics that deteriorated during the pandemic.
- **Financials (US banks):** Increased capital returns do not detract from the very strong credit profiles of the US banks, in our view. New bond issuance should also slow from very high 2021 levels, helping to support spreads.

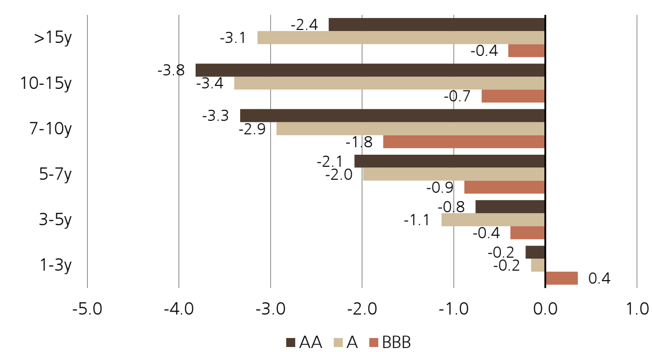
Average yield: 2.2%*
House View: *Least preferred*

IG spreads have moved back up over 100bps
Spread, left, (in bps) and yield-to-maturity, right, (in %)



Source: ICE BofA, UBS, as of 29 November 2021

Year-to-date IG return by rating and maturity segment
Total return, in %



Source: ICE BofA, UBS, as of 29 November 2021

* Based on the Bloomberg Barclays US Credit Index

For details and a list of individual CIO recommended bond issues, please see the Fixed Income Strategist., Falconio, L., et al., 10-NOV.-21, UBS CIO. For updates, see the Fixed Income section of the UBS Online Services research for individuals' website.

High Yield Credit

Alina Golant, CFA

The good with the bad

The continued rise in 5-yr Treasuries throughout this month caused weakness in the high yield market. Five-year Treasuries widened by 17bp so far in November and are now 43bp wider from the beginning of October. In turn, the ICE BofA HY index returned -0.56% month-to-date. As rates climbed wider, HY spreads, which have been remarkably resilient all year, weakened as well and are now 27bp wider than the lows reached in early November. The spread on the ICE BofA HY index currently sits at 332bp, and is only 14bp away from the wides of this summer. The good news that stems from such volatility is that the yield on the HY index is now approaching 4.75%. This is the highest yield on the index all year. With the higher yield come more opportunities for yield seeking investors, especially in an environment where default rates remain low and balance sheets and credit quality of HY corporates keep improving. For 2022, CIO targets some spread widening towards 350bp. Nevertheless, with the starting yield being higher than in the beginning of 2021 (4.6% vs. 4.3%), the high yield index should be able to provide a positive return through carry.

Fundamentals remain strong

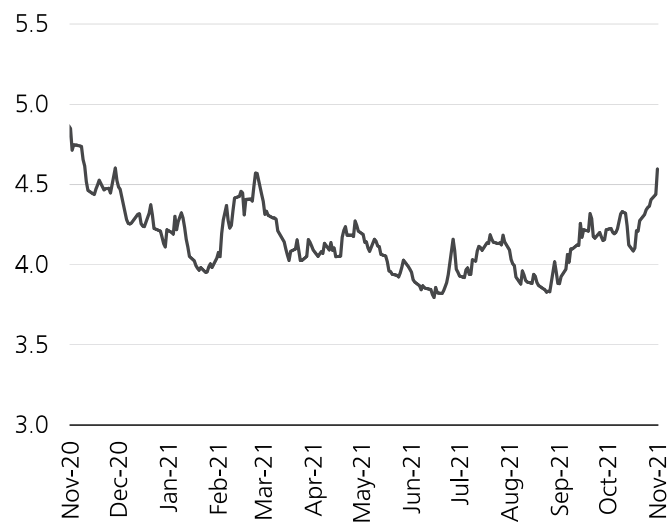
The fundamentals in HY remain strong. Default rates this year have been at their lows in the past 40 years. Year-to-date, there have been only 11 issuers that defaulted, resulting in a very low default rate of approximately 1.5%. Net leverage for the HY index is now 4.1x, down from 4.8x at the beginning of the year and below December 2019 levels. Additionally, HY companies took advantage of the low interest rate environment, pushing out maturities, while shoring up liquidity. The positive fundamentals are likely to continue in 2022. However, risks do exist and the tight spreads on high yield are not pricing in many exogenous hazards. Besides Covid resurgences that have the potential to de-rail the economic recovery, we view the fall-out from China as one of the main concerns going into 2022. Despite the risks, we are constructive on the fundamentals and maintain our neutral view on high yield with a preference toward senior loans.

RECOMMENDATIONS AND PREFERENCES

- **Rising stars:** BB credits that are likely to be upgraded to investment grade but currently trade with a spread discount to its BBB counterparts.
- **Quality carry:** In today's low-yielding environment, select quality carry investments with upside credit potential, such as reopening themes or deleveraging stories, are attractive.
- **Senior loans:** Senior loans offer floating-rate coupons with low correlation to other asset classes and lower volatility than high yield bonds. With our expectations of a rising rate environment and the relatively low return on high yield, we favor an allocation into loans.

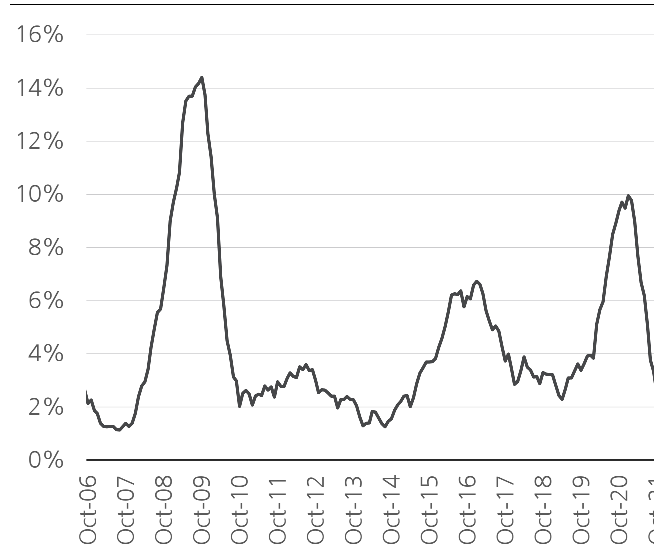
Average HY yield: 4.8%*
House View: High Yield: *Neutral*
Senior Loans: *Most preferred*

The yield on the HY index is at a YTD high
Yield to worse on the ICE BofA HY Index in percent



Source: ICE BofA, UBS, as of 24 November 2021

LTM issuer weighted default rates
Issuer weighted default rate on the ICE BofA HY index in percent



Source: BofA, UBS, as of 24 November 2021

* Based on the Bloomberg Barclays US Corporate High Yield Index
For details, please see the *Fixed Income Strategist*., Falconio, L., et al., 10-NOV-21, UBS CIO. For updates, see the Fixed Income section of the UBS Online Services research for individuals' website.

Emerging Market Debt

Alejo Czerwonko, PhD

Discover and discern

Emerging markets are wrapping up a year to be forgotten. Despite enjoying a strongly supportive external backdrop—with a broadly diversified commodity basket up over 30%, solid global demand for exports, and very generous liquidity conditions—every single major emerging market asset class, from equities, to bonds, to currencies, is exhibiting negative year-to-date total returns at the time of writing.

China's deep and unexpected regulatory changes and the troubles in its real estate sector were major factors for this underperformance, but many other countries also experienced homegrown challenges that caused them to miss the opportunities afforded by the favorable external conditions. Brazil's fiscal profligacy, Turkey's monetary unorthodoxy, and Peru's discouraging change in political regime are just some examples.

Looking ahead into the Year of Discovery, the global fixed income universe will remain challenged by a combination of likely higher US Treasury rates and tight credit spreads across the board. Spreads on emerging market bonds in US dollars should trade sideways to slightly wider next year, translating into flat to slightly negative total returns at the asset class level. Selective exposure is appropriate in this context. Our "Yield opportunities in Latin America" theme presents a list of companies from the region that we believe offer decent yield and have low probabilities of default. Green, social, and sustainability bonds from emerging markets are also attractive options for investors interested in the space, given the rising trend of issuance of such bonds.

Our latest Investing in Emerging Markets report presents our vision for emerging markets in the year ahead, starting with a summary of what's in store at a regional level: China and Asia; Latin America; and Emerging Europe, the Middle East, and Africa. We then exhibit some charts that we think best describe the outlook for emerging market equities, bonds, and currencies, as well as the opportunities within each asset class.

RECOMMENDATIONS AND PREFERENCES

- We maintain a neutral outlook on US dollar and local currency-denominated emerging market bonds, yet continue to highlight the importance of these asset classes in contributing to a fixed income portfolio's yield and diversification.

Don't miss our **Emerging Markets Bond List**, featuring individual bond ratings for hundreds of sovereign and corporate bonds from the emerging markets available for purchase by US investors

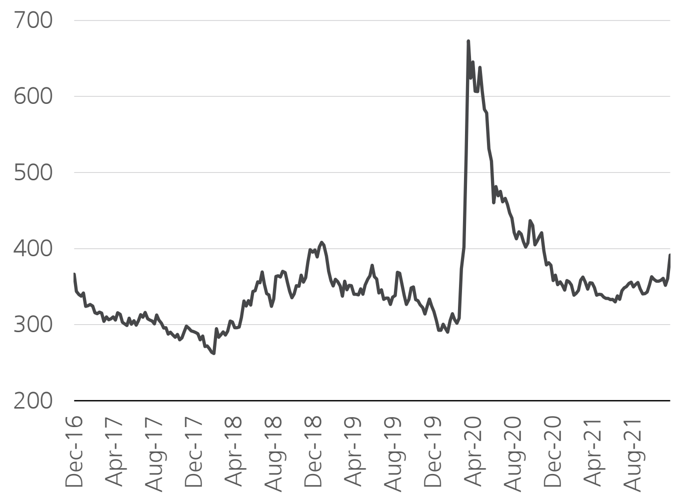
CIO theme - **Yield opportunities in Latin America**: This theme features a selection of our highest conviction investment ideas in Latin America, a region offering relatively plentiful yield opportunities. We think investors can collect attractive interest rates in a carefully crafted list of names, which in our view exhibit very low probabilities of default.

EM hard currency (USD) average yield: 5.4%*
House View: *Neutral*

EM local currency average yield: 5.7%**
House View: *Neutral*

Spread of EM sovereign bonds in USD

Sovereign credit spreads, in bps*



Source: Bloomberg, UBS, as of 29 November 2021

Yield of EM sovereign bonds in local currencies

Bond yields, in %**

Source: Bloomberg, UBS, as of 29 November 2021

* Based on the JP Morgan EMBI Global Diversified Index
** Based on the JP Morgan GBI-EM Global Diversified Index

For details, please see the latest Investing in Emerging Markets monthly report. For updates, see the Emerging Markets section of the UBS Online Services research for individuals' website.

US Equity

David Lefkowitz, CFA; Nadia Lovell; Matthew Tormey

Bull market intact

In November, US stocks made fresh all-time highs on the heels of a solid earnings season. We believe equity markets have further room to run due to healthy household finances and a very strong labor market, both of which should support consumer spending. Business spending should also remain solid driven by easy access to capital and needs to expand capacity. While the Fed is beginning to withdraw accommodation, it will still be some time before monetary policy gets tight.

Inflationary pressures have surprised to the upside, and this is a risk to the outlook. However, still-low labor force participation suggests that there is slack in the labor market that should keep wage growth from becoming problematic. The new omicron COVID-19 variant bears watching. But vaccine manufacturers believe they can have new formulations available (if needed) in early 2022. Plus, new anti-viral medications should still prove to be effective. These should limit downside market risks.

Third-quarter earnings results were solid. Corporate profits grew by nearly 40% and beat expectations by 10%. Revenues grew by more than 17%. Strong demand and pricing power offset much of the negative impact from supply chain and wage cost pressures. With this in mind, we recently raised our S&P 500 EPS estimates and price targets. We expect earnings to grow 47% in 2021 (USD 210) and 11% in 2022 (USD 233). Higher earnings expectations drove the increase in our S&P 500 price targets. We pulled forward our 5,000 target to June 2022 and increased our December 2022 target to 5,100.

RECOMMENDATIONS AND PREFERENCES

- **Sector positioning:** We maintain a cyclical tilt in our sector preferences. The global economic recovery is unfolding in fits and starts, but sectors with greater exposure to the recovery should be poised to outperform. We have most preferred views on consumer discretionary, energy, financials, and healthcare, offset by least preferred views on consumer staples and utilities.
- **Size and style:** We maintain our preference for value over growth. The case for value outperformance remains intact based on faster earnings growth and further increases in long-term interest rates. We maintain our preference for mid-caps relative to large-caps. Mid-caps are higher quality relative to small-caps, but more cyclical than large-caps. This balance of attributes should still generate outperformance but without taking on as much risk.

House View: *Neutral*

S&P 500 dividend yield: 1.3%

Companies on CIO Most Preferred lists with attractive dividend yields

Ticker	Company	Sector	Price (USD)	Yield
T	AT&T*	Communication Services	23.89	8.7%
PAA	Plains All American Pipeline	MLP / Energy Infrastructure	9.70	7.4%
ET	Energy Transfer	MLP / Energy Infrastructure	8.61	7.1%
VLO	Valero Energy	Energy	68.17	5.8%
XOM	Exxon Mobil	Energy	61.59	5.7%
WPC	W. P. Carey	Real Estate	78.75	5.3%
PSX	Phillips 66	Energy	69.86	5.3%
ABBV	AbbVie	Health Care	116.89	4.8%
HIW	Highwoods Properties	Real Estate	43.95	4.6%
O	Realty Income Corp.	Real Estate	69.80	4.2%
SPG	Simon Property Group	Real Estate	159.94	4.1%
BRX	Brixmor Property Group	Real Estate	23.39	4.1%
ETR	Entergy Corp.	Utilities	105.07	3.8%
AEP	American Electric Power	Utilities	83.31	3.7%
BMY	Bristol-Myers Squibb	Health Care	54.64	3.6%
SRE	Sempra Energy	Utilities	124.20	3.5%
MRK	Merck & Co.	Health Care	74.89	3.5%
AMGN	Amgen	Health Care	203.47	3.5%
D	Dominion Energy	Utilities	74.42	3.4%
LMT	Lockheed Martin	Industrials	341.23	3.3%

Source: Bloomberg, UBS, as of 29 November 2021

Companies in the table above are the highest yielding in the CIO Most Preferred universe and have payout ratios of 75% or less (excluding Real Estate) based on 2022 earnings estimates. For diversification, no more than 5 companies from any sector are included.

*Note: AT&T yield will decline after the WarnerMedia spin-off in mid-2022

Int'l Developed Market Equity

Michael Gourd

The next act
Foreign developed market stocks continued to grind higher until news of the latest COVID variant propagated in the last week of November. Even in the face of this uncertainty and initial mobility restrictions, we stick to a positive outlook for equities, although we expect smaller gains and higher volatility ahead as the cycle matures and EPS growth moderates from very strong levels.

The fiscal and monetary backdrop remains supportive in most markets. Tapering by major central banks could bring some volatility to the market, but should not derail the overall trend. Valuations are elevated in absolute terms, but an improving earnings outlook should pave the way for further gains in global equities.

While economic fundamentals remain incredibly positive in most major markets, this will only remain the case so long as populations worldwide reach herd immunity levels before increasingly mutated and vaccine-resistant variants emerge.

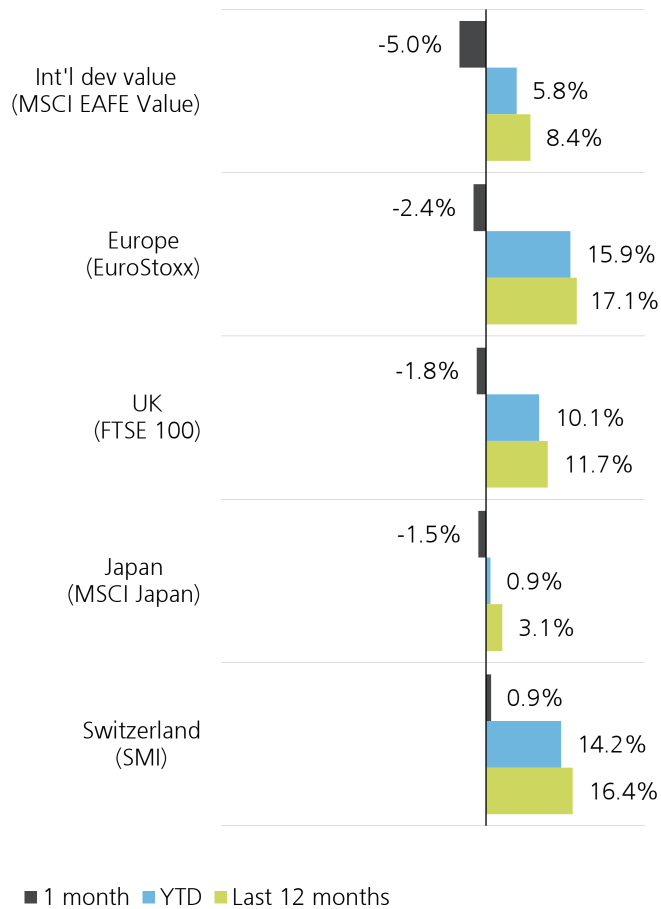
RECOMMENDATIONS AND PREFERENCES

- **We are most preferred on Eurozone equities.** The growth outlook remains supportive, driven by economies reopening, inventories restocking, and government infrastructure investment plans. Monetary policy should remain accommodative. We see further upside for Eurozone shares over the next 6-12 months mainly driven by further earnings growth (+70% in 2021 and +8% in 2022).
- **We are neutral on UK equities.** UK equites have underperformed global equites this year. Despite the strong earnings recovery, the UK equity market continues to trade at a large discount to global stocks. Recent rise in energy prices supported UK equities given energy weighs 10% in the FTSE 100 index.
- **We are neutral on Swiss equities.** We believe valuation looks elevated, but low bond yields are supportive of defensive characteristics of the Swiss market. The market continues to trade at an elevated valuation premium to global equities.
- **We are most preferred on Japanese equities.** With vaccinations continuing apace, Japan is likely to become one of the highest vaccinated countries among developed markets within a few months. In our view, this development will likely support the reopening of the country's economy, allowing consumer spending to recover into next year.

Average yield: 4.2%*
House View: *Neutral*

Strong earnings recovery remain supportive of equity markets, while progress on vaccination campaigns bodes well for the economic recovery to continue into 2022. Impact of the latest variant is still uncertain, though we expect it to be less impactful than previous waves of infection.

Omicron stokes setbacks
Total return for select international developed markets



Source: Bloomberg, UBS, as of 29 November 2021

* Based on the MSCI EAFE Value Index
For updates, see the Equities section of the UBS Online Services research for individuals' website

Emerging Market Equity

Xingchen Yu

Opportunities in the year ahead

We see a mixed backdrop for emerging market equities despite their attractive 12-month forward P/E valuation at 40% and 34% discounts to US and developed market peers.

The near-term performance of the asset class is likely to be held back by the reining-in of excess liquidity by the Federal Reserve and other global central banks, China's slowing economy, and rising inflation across emerging markets. In addition, after delivering a double-digit percentage earnings recovery this year, led by cyclical and value sectors, we think profit growth will dip to mid-single-digit rates in 2022 and 2023. We therefore think it is essential to be selective when investing in EM stocks next year.

RECOMMENDATIONS AND PREFERENCES

- As economic growth and earnings momentum are expected to moderate, we think it's time to re-position in select earnings growth leaders such as the internet and e-commerce players across emerging markets (See "Emerging market internet and e-commerce: Switch back to structurally attractive winners," published 18 November 2021). We continue to believe that ESG leaders index will continue to offer better risk-adjusted returns than the broader emerging markets benchmark (See "ESG matters in emerging market," published 18 October 2021). In an environment of elevated energy prices and thanks to its high dividend yield, Russian stocks remain among the most preferred within the emerging world.
- Within emerging markets, aside from **Russia**, we remain positive on **Taiwan** given its relatively visible earnings prospect. This month, we also upgraded the **Philippines** to most preferred and Thailand to neutral due to their notable progress on local vaccinations and economic recovery. We downgraded **Singapore** and **Hong Kong** to least preferred given their limited upside potential compared to Southeast Asian peers, in light of Singapore's strong year-to-date performance and Hong Kong's slow reopening progress amid a low-tolerance policy against COVID-19. Finally, we also downgraded **Malaysia** to neutral as we see limited scope for the market to outperform its peers in the near term given the potential earnings impact of the recent prosperity tax.

Average yield: 2.5%*
House View: *Neutral*

We remain neutral on emerging market (EM) equities in our global asset allocation. We project EM equities to deliver positive total return in 2022, but believe the asset class will find it challenging to outperform their global peers such as Eurozone and Japanese equities.

Emerging Markets geographic preferences

	Least preferred	Neutral	Most preferred
Asia ex-Japan			
China		⊖	
India		⊖	
Indonesia		⊖	
South Korea		⊖	
Malaysia		⊖ ←	←
Philippines	→	→	→ ⊕
Taiwan			⊕
Hong Kong*	⊖ ←	←	
Singapore*	⊖ ←	←	
Thailand	→	→ ⊖	
LatAm		⊖	
Brazil		⊖	
Chile		⊖	
Colombia		⊖	
Mexico		⊖	
Peru		⊖	
EMEA			
Czech Republic		⊖	
Hungary		⊖	
Poland		⊖	
Russia			⊕
South Africa		⊖	
Turkey		⊖	

Source: UBS, as of November 2021

*Singapore and Hong Kong are not constituents of MSCI EM

Preferred Securities

Frank Sileo, CFA

The home stretch for preferreds
Coming into 2021, the preferred securities sector looked as though it was facing a difficult set up. After plunging to historic lows in 2020, Treasury rates looked set to begin rising, especially after the Fed's introduction of its average inflation targeting policy in August. Meanwhile, preferred yield premiums heading into the year were close to multi-year averages so there was limited capacity for spreads to absorb rapidly rising rates. But after the 10-year Treasury yield reached a closing peak of 1.74% on 31 March, rates became more subdued for most of the year. The retracement in Treasury yields reignited a reach for yield among investors, driving credit spreads lower.

Technical factors added to the summer's placid rates and accommodative spreads. Driven by lower rates, companies have been very active in issuing lower-coupons to a highly receptive investor base. While refinancing activity has provided some technical underpinnings to the preferred market, ETF flows have also been supportive, especially to the USD 25 par sector (where preferred ETFs primarily invest). Mild outflows in mid-May and in early October were short-lived, shifting back to strong inflows averaging over USD 200mn per week.

In recent months, interest rate volatility has produced wide swings in preferred yield premiums. The USD 25 par preferred sector returned –2.3% in November as yield spreads widened by roughly 100bps. However, since they began the month at historic lows, yield premiums remain below historical averages. So far in 2021, USD 25 par preferreds have returned 0.8%.

Outlook
The ability for yield spreads to absorb a further rise in rates remains limited. Additionally, concerns regarding the pace of global economic growth and persistent inflation pressures, as well as event risks related to COVID variants and monetary policy debates, all have the potential to push credit spreads higher. Overall, we continue to expect just flat to modest returns in 2021, although we could volatility in the weeks ahead. We recommend that investors leg into the market with averaging-in purchase strategies.

RECOMMENDATIONS AND PREFERENCES

- Fixed rate: We favor seasoned issues with coupons close to or above 5% that retain some call probability but with good call protection and attractive yield-to-call (YTC). Higher coupons could mitigate relative price volatility brought on by higher yields (higher rates or spreads).
- Fixed-to-floating rate (F2F): We favor F2Fs with, high coupons, high reset spreads and more call protection.
- Fixed-rate reset: FRRs will retain more duration relative to F2Fs. We favor those with high back-end reset spreads.

Average yield: 3.8%*
House View: *Neutral*

Highlighted Attractive List selections **

Security Name	Symbol/ CUSIP	Last Price	Next Call Date	YTC (%)[1]
Brighthouse Financial Inc 6.75% perpetual	BHFAO	$27.50	6/2025	4.0%
Capital One Financial 4.80% perpetual	COF pr J	$25.70	6/2025	4.0%
Citizens Financial 5.0% perpetual	CFG pr E	$25.90	1/2025	4.20%
Wells Fargo & Co. 4.75% perpetual	WFC pr Z	$25.50	3/2025	4.1%

Source: UBS, Bloomberg, as of 30 November 2021

[1]YTC = Yield-to-call

*Based on the adjusted yield-to-worst / current yield of the BofAML Core Plus Fixed Rate Preferred Index

**Prices and yields are indicative and subject to change

For details, please see the *Preferred Securities Valuation Weekly* and *Preferred Securities Top Picks Portfolios*, Sileo, F., et al., 18-NOV-21, UBS CIO. For updates, see the Preferred Securities section of the UBS Online Services research for individuals' website.

Real Estate Investment Trusts (REITs)

Jonathan Woloshin, CFA

REITs & rates: Through the fire and the flames

The past 18 months have been an incredibly challenging time and the REIT sector has been no exception. REITs came under tremendous selling pressure in the early days of COVID as the future of the global economy was clearly in flux. Given the economic sensitivity of commercial real estate, virtually all REIT shares sold off accordingly. However, there were two subsectors in particular that we believed were, and continue to be, well positioned to succeed in a COVID world.

The industrial/warehouse sector has been a clear beneficiary of a number of trends including e-commerce, near-shoring, multi-shoring, moving from just-in-time inventory to just-in-case inventory and more retailers adopting omnichannel operations. Demand continues to outstrip supply, particularly for infill, last mile locations and pricing remains very strong. The rental housing sector – multifamily, single family and manufactured housing have, and continue to benefit from strong demographic trends, relative affordability given the strong run-up in home prices and the desire for a more flexible lifestyle. In addition to strength in the sunbelt markets, core coastal cities are experiencing a resurgence in rental apartment demand.

Our positioning within the sector: We continue to believe the multifamily / single family / manufactured home and industrial sectors are best positioned to capitalize on strong operating fundamentals. We are also constructive on towers, data centers and select office markets.

RECOMMENDATIONS AND PREFERENCES

- **Prologis Inc. (PLD)** - Fundamentals in the industrial sector remain strong and PLD is the largest owner of industrial properties in the world. PLD has a three-prong operating model consisting of owned and operated real estate, development, and strategic capital management that provides multiple avenues of value-creation potential.
- **American Tower Corp (AMT)** – AMT's business model boasts significant operating leverage and high barriers-to-entry. AMT has the largest global tower footprint, low maintenance CAPEX, a well-covered dividend with substantial growth potential, a strong balance sheet and liquidity profile with well-laddered debt maturities, and strong, long-duration contracts with annual rent escalators. In addition, the eventual migration to 5G should provide the next leg of growth for the sector, particularly as data centers and wireless tower remand converges.
- **Alexandria Real Estate (ARE)** – ARE has a very strong balance sheet with limited near-term debt maturities, a well-covered dividend and broad access to capital. ARE has a demonstrated history of developing assets that are strongly pre-leased and has a well-diversified, strong credit tenant base in the strong growth field of life sciences.

Average yield: 2.8%*
House View: *Neutral*

Highlighted REIT recommendations

Company	Ticker	Last Price (USD)	Dividend Yield
Prologis Inc	PLD	150.75	1.6%
American Tower	AMT	262.48	2.0%
Alexandria Real Estate	ARE	200.07	2.2%

Source: UBS, Bloomberg, as of 30 November 2021

* Based on the FTSE NAREIT Equity REIT Index

For details, please see recent *US REITs: Equity preferences* publications. For updates, please see the Real Estate section of the UBS Online Services research for individuals' website.

The "Highlighted REIT recommendations" are extracted from US REITs: Equity preferences.

Master Limited Partnerships (MLPs)

Jay Dobson

Energy fundamentals support MLP outlook

With a positive outlook for the energy sector, we believe MLP and energy infrastructure stocks should also benefit. We expect modest growth in operating cash flow for MLP and energy infrastructure companies in 2021 and 2022, but we also expect a decline in capital spending, which will drive free cash flow higher. Rising free cash flow should complete balance sheet improvement, and drive additional share repurchases and distribution/dividend increases. Overall, with capital spending likely to remain muted for midstream MLPs, rising free cash flow should be an ongoing trend and facilitate various opportunities for improving shareholder returns.

Year to date, MLP and energy infrastructure stocks are up 39% on a total return basis. This compares with 54% for the S&P energy sector, but 26% for the S&P 500. For comparison, WTI crude oil prices have risen 44% year to date in 2021, while natural gas prices are up 92%.

Recall that MLP and energy infrastructure companies provide essential services to the US energy industry under long-term contract. These services include hydrocarbon (oil, natural gas, and natural gas liquids) transportation, storage, and processing along the way from the wellhead to the wholesale market world-wide. Therefore, the outlook for the MLP sector is tied to the outlook for the broader energy industry, which we see as positive. CIO has a most preferred view of the energy sector and a neutral view of the MLP sector.

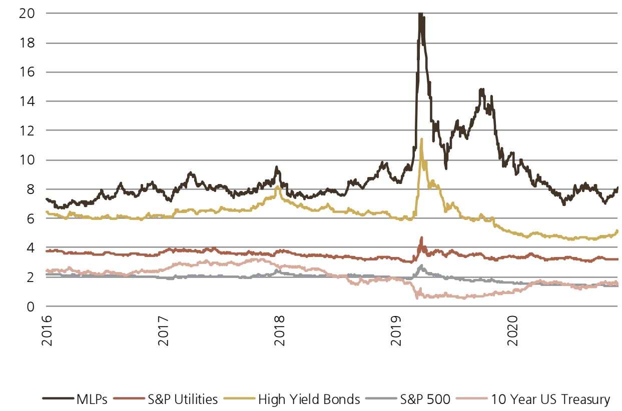
The S&P energy sector is benefiting from increasing capital discipline, higher oil and natural gas prices, and the industry's leverage to any cyclical improvement in the economic outlook for the US (for additional details, please see *Energy EPL* dated 5 October 2021). Improving economic activity is increasing crude oil demand and should continue the rebalancing of global oil supply and demand. Though MLPs have less leverage to rising oil and natural gas prices, many of the same trends that are driving energy stocks are benefiting MLP and energy infrastructure stocks. With elevated oil and natural gas prices currently, we believe this environment is more positive for upstream energy companies, but still supportive of MLPs and energy infrastructure stocks.

RECOMMENDATIONS AND PREFERENCES

Our Top Picks in the MLP and energy infrastructure sector are **Energy Transfer** (ET), **Enterprise Products Partners** (EPD), and **MPLX LP** (MPLX). All three of these ideas are structured as master limited partnerships (MLPs), providing investors with a K-1 annually. **Kinder Morgan** (KMI) and **Williams Cos.** (WMB) are structured as c-corps and pay common dividends to investors.

Average yield: 8.3%*
House View: *Neutral*

Yields: MLPs compared to other income-oriented securities
Yield, in %



Source: FactSet, UBS, as of 29 November 2021

Highlighted MLPs for yield

Company	Ticker	Last Price USD	Distrib'n Yield
MPLX LP	MPLX	29.98	9.6%
Enterprise Products Partners	EPD	21.68	8.5%
Energy Transfer LP	ET	8.61	7.4%
Kinder Morgan	KMI	16.01	7.0%
Williams Cos.	WMB	28.01	6.0%

Source: Bloomberg, UBS, as of 29 November 2021

* Based on the Alerian MLP Total Return Index

For details, please see *US MLPs & Energy Infrastructure:* Equity preferences, Dobson, J., 30-SEP-2021.

For energy sector preferences, please see energy equity preference list, Dobson, J., 05-OCT-2021 and 12-AUG-2021.

For best equity ideas, please see US Equity Sector Strategists Top Picks, 18-NOV-2021.

For energy sector positioning, please see *Upgrade US Energy: Free Cash Flow Gusher*, Lefkowitz, D., 11-FEB-2021.

For background on the MLP sector, please see the *Master Limited Partnership (MLP) Primer* Dobson, J., 26-JAN-2018

Closed-end funds

Sangeeta Marfatia, CPA

Access to equities and fixed income

The Calamos Strategic Total Return Fund (CSQ) invests in equities, convertibles and fixed income securities as shown in accompanying chart. The top sectors which are also preferred by CIO include: consumer discretionary (based on strong consumer balance sheets, a broadening economic recovery, and secular trends in e-commerce should benefit consumer discretionary), healthcare (as the business cycle matures, higher-quality areas of the market, such as healthcare, should garner investor interest) and Financials (fundamentals are healthy and earnings growth and profitability should benefit from an accelerating economic rebound and higher long-term rates). The two other major sectors, communication services and information technology are rated neutral by CIO. CSQ focuses primarily on North America with some minimal exposure to Europe. CIO has a neutral view on HY corporate bonds.

CSQ has paid a steady distribution and as such trades at a slight premium to net asset value. The fund provides access to equities and fixed income, which may drive both capital appreciation and income. This is a leveraged fund and it uses variable rate bank debt and fixed rate Mandatory Redeemable Preferred Shares (MRPS) for leverage. Roughly 20% of the leverage is set at a fixed rate. The interest rate for the bank loan on 30 April 2021 was 0.59%. YTD CSQ's price is up 26% while its net asset value (NAV) is up 24%. CSQ's valuations are in line with the one and two-year averages.

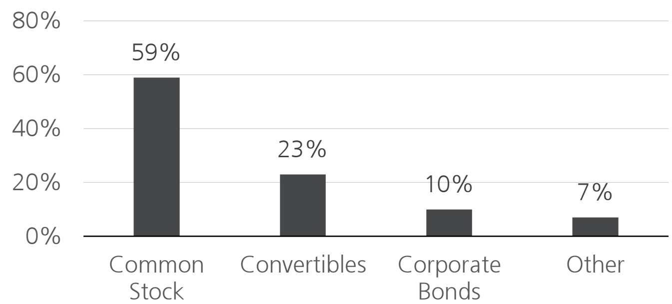
Another Calamos fund we cover, Calamos Convertible Opportunity & Income fund (CHI), includes convertibles and high yield assets. The fund is trading at a 3% premium and pays 6.5% distribution on a monthly basis. Fund also invests in combination of convertible and high yield securities. Please refer to Closed-End Fund Coverage Universe for additional information.

Key Facts

Ticker symbol	CSQ
WMR rating	Buy
Share price	USD 18.83
Net asset value	USD 18.25
Premium	3.2%
Distribution Rate*	6.5%
Total Assets	USD 4.1 mm
Leverage	29%

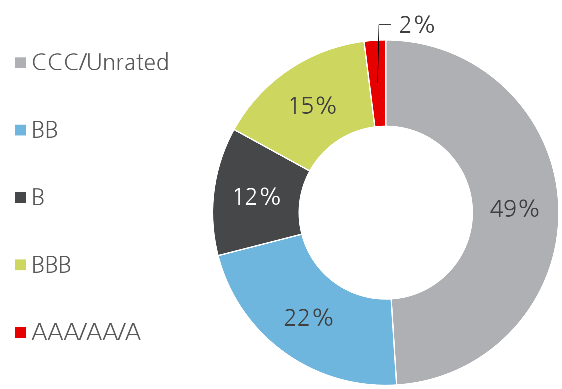
Source: UBS, Calamos, Bloomberg, as of 30 Nov 2021

Portfolio Asset Allocation



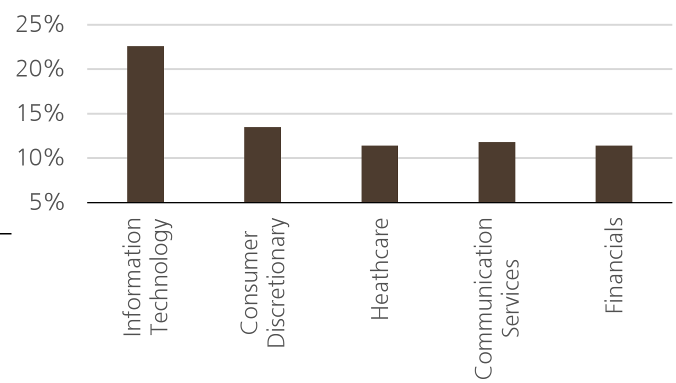
Source: Calamos, UBS, as of 31 Oct 2021

Credit Quality



Source: Calamos, UBS, as of 31 Oct 2021

Top five sectors



Source: Calamos, UBS, as of 31 Oct 2021

Please see recent *Closed-End Fund Universe* publications, as well as the Closed-end Fund section of the UBS Online Services research for individuals' website for more information.

* Distribution Rate: Annualized based on most recent monthly/quarterly distribution rate, as declared by the fund, divided by the current price. The rate may include investment income, short term capital gain, long term gain and/or return of capital.

Portfolio yield monitor

For House View Yield-focused portfolio

Trailing 12-month indicated yields by asset class**

Asset Class	Yield as of 30 November 2021	Percentile rank (since December 2007)	Yield change from 1 month ago (bps)	Yield change from 12 months ago (bps)
Portfolio*	**4.0%**	**10%**	**-7**	**-166**
Cash	**0.0%**	**6%**	**0**	**-72**
Fixed Income				
US Government	1.7%	45%	0	0
US Gov't short	0.2%	5%	-2	-83
US Gov't intermediate	0.8%	6%	1	-36
US Gov't long	1.5%	7%	2	-1
TIPS	4.1%	69%	4	189
MBS	1.4%	9%	-7	-80
Municipal Bond	1.5%	4%	-2	-30
US IG Corp FI	2.3%	4%	-4	-62
US HY Corp FI	4.1%	6%	-7	-95
CMBS	1.9%	18%	-3	-34
EM FI - Hard Currency	3.8%	11%	-1	-31
EM FI - Local Currency	4.3%	11%	-2	-34
Equities	0.0%	0%	0	0
US equity	2.9%	40%	-3	-56
US Large cap Growth	0.6%	5%	-1	-32
US Large cap Value	1.7%	5%	-1	-92
International Equity	4.1%	70%	8	59
Emerging Markets	1.4%	28%	0	-78
Yield Assets	0.0%	0%	0	0
Senior Loans	3.5%	6%	-1	-72
Preferreds	4.9%	3%	-2	-30
MLPs	8.3%	60%	-48	-1185
US Real Estate	3.4%	35%	-3	-19

* Moderate (tax-exempt) SAA, yield-focused
Source: UBS, Bloomberg, as of 30 November 2021

** Based on 12-month trailing average indicated yield of specific fund proxies that we believe are representative of the asset class. While the yield statistics used in the rest of the report are appropriate for the individual asset classes, the Yield Monitor uses fund proxies that we believe are representative of the asset class. These fund yields (12-month trailing average indicated yield) enable cross-asset comparisons, and we believe they more accurately reflect the actual investor experience. For details, please see the Appendix 1: Yield Estimation section of "Yield-Focused Portfolios: Efficiently generating income and returns," Draho, J., et al., *Investment Insights*, UBS, 21 Mar 2018.

Taxable Yield-Focused SAAs

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	All equity	All fixed income
Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Income	62.0%	49.0%	34.0%	24.0%	10.0%	0.0%	76.0%
US Fixed Income	55.0%	38.0%	26.0%	16.0%	10.0%	0.0%	60.0%
US Gov't FI (short)	7.0%	3.0%	2.0%	0.0%	0.0%	0.0%	4.0%
US Gov't FI (intermediate)	4.0%	3.0%	2.0%	0.0%	0.0%	0.0%	8.0%
US Gov't FI (long)	0.0%	2.0%	2.0%	0.0%	3.0%	0.0%	2.0%
US Municipal FI	31.0%	19.0%	6.0%	4.0%	3.0%	0.0%	34.0%
US IG Corp FI	6.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
US HY Corp FI	7.0%	9.0%	12.0%	12.0%	4.0%	0.0%	12.0%
US CMBS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Int'l Fixed Income	7.0%	11.0%	8.0%	8.0%	0.0%	0.0%	16.0%
EM FI (Hard)	7.0%	7.0%	5.0%	6.0%	0.0%	0.0%	10.0%
EM FI (Local)	0.0%	4.0%	3.0%	2.0%	0.0%	0.0%	6.0%
Equity	10.0%	16.0%	24.0%	31.0%	52.0%	73.0%	0.0%
US Equity (sum)	6.0%	9.0%	13.0%	17.0%	26.0%	42.0%	0.0%
US Equity	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	0.0%
US Large cap Growth	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%
US Large cap Value	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%
International Equity	4.0%	7.0%	11.0%	14.0%	26.0%	31.0%	0.0%
Yield Assets	26.0%	33.0%	40.0%	43.0%	36.0%	25.0%	22.0%
Senior Loans	8.0%	8.0%	8.0%	6.0%	3.0%	0.0%	10.0%
Preferreds	10.0%	12.0%	12.0%	13.0%	8.0%	0.0%	12.0%
MLPs	4.0%	6.0%	11.0%	14.0%	15.0%	15.0%	0.0%
US Real Estate	4.0%	7.0%	9.0%	10.0%	10.0%	10.0%	0.0%
Estimated yield	3.67%	4.18%	4.78%	5.05%	4.40%	4.77%	3.74%
Estimated return	2.70%	3.59%	4.63%	5.35%	6.06%	6.98%	1.96%
Yield/Return ratio	136%	117%	103%	94%	73%	68%	190%
Estimated risk	5.34%	7.29%	9.34%	10.69%	12.40%	14.76%	4.46%

Source: UBS US Investment Strategy Committee as of 27 April 2020. See the Appendix sections for information regarding sources of strategic asset allocations and their suitability and investor risk profiles.

Non-taxable Yield-focused SAAs

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	All equity	All fixed income
Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Income	66.0%	56.0%	41.0%	30.0%	15.0%	0.0%	78.0%
US Fixed Income	56.0%	43.0%	26.0%	15.0%	10.0%	0.0%	60.0%
US Gov't FI (short)	22.0%	7.0%	2.0%	0.0%	0.0%	0.0%	7.0%
US Gov't FI (intermediate)	10.0%	8.0%	2.0%	0.0%	0.0%	0.0%	11.0%
US Gov't FI (long)	0.0%	4.0%	2.0%	0.0%	5.0%	0.0%	6.0%
US Municipal FI	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US IG Corp FI	13.0%	9.0%	5.0%	0.0%	0.0%	0.0%	12.0%
US HY Corp FI	11.0%	15.0%	15.0%	15.0%	5.0%	0.0%	16.0%
US CMBS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%
Int'l Fixed Income	10.0%	13.0%	15.0%	15.0%	5.0%	0.0%	18.0%
EM FI (Hard)	8.0%	9.0%	10.0%	10.0%	5.0%	0.0%	12.0%
EM FI (Local)	2.0%	4.0%	5.0%	5.0%	0.0%	0.0%	6.0%
Equity	10.0%	16.0%	24.0%	30.0%	50.0%	73.0%	0.0%
US Equity (sum)	6.0%	9.0%	13.0%	16.0%	25.0%	42.0%	0.0%
US Equity	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	0.0%
US Large cap Growth	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%
US Large cap Value	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%
International Equity	4.0%	7.0%	11.0%	14.0%	25.0%	31.0%	0.0%
Yield Assets	22.0%	26.0%	33.0%	38.0%	33.0%	25.0%	20.0%
Senior Loans	7.0%	8.0%	7.0%	5.0%	4.0%	0.0%	10.0%
Preferreds	9.0%	9.0%	10.0%	10.0%	4.0%	0.0%	10.0%
MLPs	3.0%	5.0%	11.0%	13.0%	15.0%	15.0%	0.0%
US Real Estate	3.0%	4.0%	5.0%	10.0%	10.0%	10.0%	0.0%
Estimated yield	3.73%	4.26%	4.95%	5.13%	4.46%	4.77%	4.08%
Estimated return	2.92%	3.62%	4.72%	5.50%	6.12%	6.98%	2.28%
Yield/Return ratio	128%	118%	105%	93%	73%	68%	179%
Estimated risk	5.52%	7.24%	9.14%	10.91%	12.35%	14.76%	5.28%

Source: UBS US Investment Strategy Committee as of 27 April 2020. See the Appendix sections for information regarding sources of strategic asset allocations and their suitability and investor risk profiles.

Investment committee

Global Investment Process and Committee description
The UBS investment process is designed to achieve replicable, high-quality results through applying intellectual rigor, strong process governance, clear responsibility, and a culture of challenge.

Based on the analyses and assessments conducted and vetted throughout the investment process, the Chief Investment Officer (CIO) formulates the UBS Wealth Management Investment House View at the Global Investment Committee (GIC). Senior investment professionals from across UBS, complemented by selected external experts, debate and rigorously challenge the investment strategy to ensure consistency and risk control.

Global Investment Committee composition
The GIC comprises top market and investment expertise from across all divisions of UBS:

- Mark Haefele (Chair)
- Solita Marcelli
- Min Lan Tan
- Themis Themistocleous
- Paul Donovan
- Bruno Marxer (*)
- Adrian Zuercher
- Mark Andersen

US Investment Strategy Committee description
We recognize that a globally derived house view is most e ective when complemented by local perspective and application. As such, UBS has formed a Wealth Management Americas US Investment Strategy Committee.

US Investment Strategy Committee

- Solita Marcelli
- Jason Draho (chair)
- Leslie Falconio
- David Le kowitz
- Brian Rose
- Daniel Scansaroli

*Business area outside of the Chief Investment Of ce

Explanations about asset classes

Our preferences represent the longer-term allocation of assets that is deemed suitable for a particular investor and were developed and approved by the US Investment Strategy Committee. Our preferences are provided for illustrative purposes only and will differ among investors according to their individual circumstances, risk tolerance, return objec-tives and time horizon. Therefore, our preferences in this publication may not be suitable for all investors or investment goals and should not be used as the sole basis of any investment decision. Minimum net worth requirements may apply to allocations to non-traditional assets. As always, please consult your UBS Financial Advisor to see how our preferences should be applied or modified according to your individual profile and investment goals.

Our preferences does not assure profits or prevent against losses from an investment portfolio or accounts in a declining market.

Appendix

Emerging Market Investments

Investors should be aware that Emerging Market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and sociopolitical risk, interest rate risk and higher credit risk. Assets can sometimes be very illiquid and liquidity conditions can abruptly worsen. CIO Americas, WM generally recommends only those securities it believes have been registered under Federal US registration rules (Section 12 of the Securities Exchange Act of 1934) and individual State registration rules (commonly known as "Blue Sky" laws). Prospective investors should be aware that to the extent permitted under US law, CIO Americas, WM may from time to time recommend bonds that are not registered under US or State securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

For more background on emerging markets generally, see the CIO Americas, WM Education Notes "Investing in Emerging Markets (Part 1): Equities," 27 August 2007, "Emerging Market Bonds: Understanding Emerging Market Bonds," 12 August 2009 and "Emerging Markets Bonds: Understanding Sovereign Risk," 17 December 2009.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment-grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Subinvestment-grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher-yielding bonds for shorter periods only.

Nontraditional Assets

Nontraditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments; there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund, and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Real Estate**: There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Foreign Exchange/Currency Risk**: Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in US dollars, changes in the exchange rate between the US dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a US investor.

Required Disclosures

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Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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Municipal bonds - Although historical default rates are very low, all municipal bonds carry credit risk, with the degree of risk largely following the particular bond's sector. Additionally, all municipal bonds feature valuation, return, and liquidity risk. Valuation tends to follow internal and external factors, including the level of interest rates, bond ratings, supply factors, and media reporting. These can be difficult or impossible to project accurately. Also, most municipal bonds are callable and/or subject to earlier-than-expected redemption, which can reduce an investor's total return. Because of the large number of municipal issuers and credit structures, not all bonds can be easily or quickly sold on the open market.

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Municipal Credit Views General Methodology Description

The following are the key steps underlying the general methodology of the framework:

1. **Identify Risk Drivers:** Identify broad factors that impact credit quality in a given sector (Risk Drivers). For example, the Local Government framework utilizes three Risk Drivers; Economy & Tax Base, Financial Performance, and Long-term Liabilities whereas the Airport framework uses Service Area and Market, Financial Performance and Leverage & Coverage.
2. **Select metrics** (usually ratios and growth rates) that best represent each Risk Driver (typically 3-5 metrics per Risk Driver).
3. **Assign a weight to each metric** representing its relative importance. The sum of all metric weights equals 100%.
4. **Source relevant economic and financial data** (from 3rd parties) and calculate each metric for each covered obligor in the sector.
5. **Score each metric for each covered obligor on 1-5 scale** (1 representing lowest risk). This involves the following: setting thresholds corresponding to scores 1-5 based on subjective judgment informed by median value of the metric.
6. **Calculate a weighted average risk score** for each covered obligor using individual metric weights and scores. This weighted average score also lies between 1 and 5.
7. **Compute a final risk score** for each covered obligor by making quantitative adjustments to the weighted average score (per specified criteria) to reflect "outlier risk": a) Reward/penalty for very strong or very adverse performance on any Risk Driver, b) This typically affects a small number of covered obligors in a sector.
8. Compare the risk score (1-5) for each covered credit to a pre-specified scale to **assign a Quantitative Risk Assessment** to each obligor. The Quantitative Risk Assessment is a number from 1-5.
9. **Assign a CIO Risk Category** (1-5) to each obligor reflecting CIO s overall view of the obligor. The respective definitions are shown in the next section. The CIO Risk Category is: a) based on Quantitative Risk Assessment + Qualitative factors, b) the same as the Quantitative Risk Assessment for the vast majority of covered obligors.
10. Prepare a table of key results of the framework. For each covered obligor the table shows: a) A description on how it performed on each risk driver, b) The Quantitative Risk Assessment, c) The CIO Risk Category, d) An explanation if the CIO Risk Category differs from the Quantitative Risk Assessment.

CIO Risk Category Definitions

Category 1 (Lowest): We believe borrowers in this top tier are well-insulated from adverse credit developments in the near term. These bond issuers are characterized by having access to sufficient financial resources to withstand recessionary pressure without degradation in credit quality, in our view.

Category 2 (Low): These borrowers are highly regarded and exhibit excellent credit profiles but are not quite as well-positioned as those in our first category. However, the credit risk posed by the obligors in this category remains very low.

Category 3 (Moderate): While we view the obligors classified in the prior two categories to pose the lowest credit risks, the borrowers in Category 3 should still exhibit resilience in the face of future financial stress. Credit risk remains relatively low, though not as low as those obligors in Category 1 and 2.

Category 4 (High): We believe that obligors placed in this category, while possessing some desirable credit attributes (e.g., a commanding market position or an exclusive right to provide service) also have identifiable credit challenges such as high leverage and/or low coverage that could lead to a weaker credit profile over time and will require closer surveillance.

Category 5 (Highest): We view the obligors placed in this category to exhibit material weakness in credit quality due to adverse financial and economic conditions or idiosyncratic risks. The debt of obligors placed in this category may not be appropriate instruments for investors with conservative investment risk profiles.

Terms and Abbreviations

GO: General Obligation Bond

MMD: Municipal Market Data

TEY: Taxable Equivalent Yield (tax free yield divided by 100 minus the marginal tax rate)

	Rating Agencies			Credit Ratings
	S&P	Moody's	Fitch/IBCA	Definition
Investment Grade	AAA	Aaa	AAA	Issuers have exceptionally strong credit quality. AAA is the best credit quality.
	AA+	Aa1	AA+	Issuers have very strong credit quality.
	AA	Aa2	AA	
	AA-	Aa3	AA-	
	A+	A1	A+	Issuers have high credit quality.
	A	A2	A	
	A-	A3	A-	
	BBB+	Baa1	BBB+	Issuers have adequate credit quality. This is the lowest Investment Grade category.
	BBB	Baa2	BBB	
	BBB-	Baa3	BBB-	
Non-Investment Grade	BB+	Ba1	BB+	Issuers have weak credit quality. This is the highest Speculative Grade category.
	BB	Ba2	BB	
	BB-	Ba3	BB-	
	B+	B1	B+	Issuers have very weak credit quality.
	B	B2	B	
	B-	B3	B-	
	CCC+	Caa1	CCC+	Issuers have extremely weak credit quality.
	CCC	Caa2	CCC	
	CCC-	Caa3	CCC-	
	CC	Ca	CC+	Issuers have very high risk of default.
	C		CC	
			CC-	
	D	C	DDD	Obligor failed to make payment on one or more of its financial commitments. this is the lowest quality of the Speculative Grade category.

Statement of Risk

Preferred securities - Prospective investors should consult their tax advisors concerning the federal, state, local, and non-US tax consequences of owning preferred stocks. Preferred stocks are subject to market value fluctuations, given changes in the level of interest rates. For example, if interest rates rise, the value of these securities could decline. If preferred stocks are sold prior to maturity, price and yield may vary. Adverse changes in the credit quality of the issuer may negatively affect the market value of the securities. Most preferred securities may be redeemed at par after five years. If this occurs, holders of the securities may be faced with a reinvestment decision at lower future rates. Preferred stocks are also subject to other risks, including illiquidity and certain special redemption provisions.

Preferred Securities Ratings Definitions

Rating	Definition
Attractive	Preferred securities on the Attractive List are those that we view favorably based on (1) fundamental credit quality, (2) valuation and (3) structure (security characteristics).
Neutral	We believe that issuers of preferreds on the Neutral List are likely to meet the coupon payment but we do not deem the preferreds to fit the definition of our Attractive or Unattractive Lists.
Unattractive	We may deem these preferred securities to be Unattractive for fundamental reasons, for valuation reasons, or because of their structure. In the case of fundamental drivers, we have concerns that the credit profile may deteriorate. Sector considerations may also be a factor. In the case of valuation, we believe that price/yield levels do not adequately compensate investors for the risks.

Issuer credit risk rating definitions

The UBS CIO issuer credit risk rating reflects the opinion of the relevant UBS CIO analyst regarding an issuer's risk of a near- to intermediate-term dividend deferral on preferred securities, and/or issuer payment default on debt obligations.

Low Risk: The issuer is considered to be in solid financial condition with strong credit fundamentals and low likelihood of a near- to intermediate-term dividend deferral, and/or issuer payment default. The issuer's securities are of generally high quality.

Medium Risk: The issuer is considered to be in adequate financial condition with satisfactory credit fundamentals relative to the near- to intermediate-term dividend deferral, and / or issuer payment default. The issuer's securities are of medium to weaker credit quality and may have higher volatility than those of Low Risk issuers. These instruments should therefore only be held by risk tolerant investors.

High Risk: The issuer is considered to be in weak financial condition with deteriorating credit fundamentals or the state of the issuer's financial condition and credit fundamentals may be uncertain due to volatile market conditions. Sector considerations may be a dominating factor. There is a high likelihood of a near- to intermediate-term dividend deferral, and / or issuer payment default. The issuer's securities are speculative.

Note: Distinctions in the credit quality of individual security instruments may vary based on the maturity of the instrument, as well as the relative priority within an issuer's capital structure. These distinctions will be discussed in our future credit reports, as applicable. In regions outside the United States, the UBS CIO office will map these distinctions to security-level risk flags.

IG (investment grade) securities are those rated Baa3 or above by Moody's and BBB- or above by S&P and Fitch. HY (high yield) securities are those that are rated below investment grade (or are unrated) by the major ratings agencies.

Statement of Risk

Fixed income - Bond market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables. Corporate bonds are subject to a number of risks, including credit risk, interest rate risk, liquidity risk, and event risk. Though historical default rates are low on investment-grade corporate bonds, perceived adverse changes in the credit quality of an issuer may negatively affect the market value of securities. As interest rates rise, the value of a fixed-coupon security will likely decline. Bonds are subject to market value fluctuations, given changes in the level of risk-free interest rates. Not all bonds can be sold quickly or easily on the open market. Prospective investors should consult their tax advisors concerning the federal, state, local, and non-US tax consequences of owning any securities referenced in this report.

Issuer credit risk rating definitions
The UBS CIO issuer credit risk rating reflects the opinion of the relevant UBS CIO analyst regarding an issuer's risk of a near- to intermediate-term dividend deferral on preferred securities, and/or issuer payment default on debt obligations.
Low Risk: The issuer is considered to be in solid financial condition with strong credit fundamentals and low likelihood of a near- to intermediate-term dividend deferral, and/or issuer payment default. The issuer's securities are of generally high quality.
Medium Risk: The issuer is considered to be in adequate financial condition with satisfactory credit fundamentals relative to the near- to intermediate-term dividend deferral, and / or issuer payment default. The issuer's securities are of medium to weaker credit quality and may have higher volatility than those of Low Risk issuers. These instruments should therefore only be held by risk tolerant investors.
High Risk: The issuer is considered to be in weak financial condition with deteriorating credit fundamentals or the state of the issuer's financial condition and credit fundamentals may be uncertain due to volatile market conditions. Sector considerations may be a dominating factor. There is a high likelihood of a near- to intermediate-term dividend deferral, and / or issuer payment default. The issuer's securities are speculative.
Note: Distinctions in the credit quality of individual security instruments may vary based on the maturity of the instrument, as well as the relative priority within an issuer's capital structure. These distinctions will be discussed in our future credit reports, as applicable. In regions outside the United States, the UBS CIO office will map these distinctions to security-level risk flags.
IG (investment grade) securities are those rated Baa3 or above by Moody's and BBB- or above by S&P and Fitch. HY (high yield) securities are those that are rated below investment grade (or are unrated) by the major ratings agencies.

Issuer credit outlook
We complement the instrument-specific risk information of the credit risk flags by indicating our outlook for the credit quality of an issuer over the next 12 months. Depending on instrument pricing, all combinations of an issuer credit outlook and relative valuation recommendations are possible.
Improving: We expect the credit profile of the issuer to improve, to an extent that may result in upgrades by rating agencies.
Stable: We do not expect the credit profile of the issuer to change meaningfully.
Deteriorating: We expect the credit profile of the issuer to deteriorate, to an extent that may result in downgrades by rating agencies.

Required Disclosures
For a complete set of required disclosures relating to the companies that are the subject of this report, please mail a request to UBS CIO Global Wealth Management Business Management, 1285 Avenue of the Americas, 8th Floor, Avenue of the Americas, New York, NY 10019.

Equity selection system

(For US sector Equity Preferences)
US equity sector strategists provide three equity selections:
Most Preferred*: We expect the stock to outperform the benchmark in the next 12 months.
Least Preferred*: We expect the stock to underperform the benchmark in the next 12 months.
*A stock cannot be selected as Most Preferred if it is rated Sell by UBS Investment Bank, while a Buy-rated stock by UBS Investment Bank cannot be selected as Least Preferred.
Bellwether: Stocks are of high importance or relevance to the sector and which the equity sector strategist expects to perform broadly in line with the sector benchmark in the next 12 months (not rated as Most Preferred or Least Preferred). Equity Prefernces prepared by ex-US analysts don't have stocks with a Bellwether designation.
Securities in the US versions of the Equity Preference List have been removed from distribution outside the US if the security is Bellwether or if UBS Research doesn't cover the security or if the sector is covered by an analyst outside of the US.
Restricted: Issuing of research on a company by CIO GWM can be restricted due to legal, regulatory, contractual or best business practice obligations which are normally caused by UBS Investment Bank’s involvement in an investment banking transaction in regard to the concerned company.
The sector views represent degrees of preference relative to the S&P 500 benchmark allocation: - = moderately less preferred, - - = less preferred, - - - = least preferred, + = moderately preferred, ++ = preferred, +++ = most preferred

Equity selection: An assessment relative to a benchmark

Equity selections in Equity Preferences lists (EPLs) are assessments made relative to a sector/industry, country/regional or thematic benchmark. The chosen benchmark is disclosed on the front page of each EPL. It is also used to measure the performance of the EPL owner(s). Including a stock in the EPL constitutes neither a view on its expected, standalone absolute performance nor a price target. Rather, EPLs are meant to support the UBS House View, with the stocks included in them selected for their superior risk/return profiles.

Our selection is based on an assessment of the company's fundamental outlook and valuation, the risks owning the stock entails, including material sustainability risks and the diversification benefits it provides in an investment portfolio, among many other factors. UBS GWM CIO's selection methodology enables wealth management clients to invest in a specific investment theme or focus on a sector/industry or country/region.

The lead strategist is responsible for the CIO view on a stock, while the EPL owner(s) is/are responsible for the stock selection within an EPL. Stocks can be selected for multiple EPLs. For consistency's sake, a stock can only be selected as either Most Preferred or Least Preferred, not both simultaneously. As EPL benchmarks differ, stocks do not need to be included on every list to which they could theoretically be added.

The country EPL is a list of Most Preferred recommended stocks that our US Equity Sector Strategy team feels are best positioned within their respective sector coverage to outperform their respective sector benchmark over a 12-month investment horizon. These selections should not be viewed as a portfolio as they represent a current snapshot of our views. In the event that a recommended stock is no longer Most Preferred, the list will be updated in the next monthly publication. As such, these recommendations are only valid as of the date of the report and performance for this list will not be calculated. For updates to the views on these names, please consult the most recent Equity Preferences List (EPL) for the relevant sector, which may be obtained from your Advisor.

Statement of Risk

Equities - Stock market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables.

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