UBS Annual Reserve Manager Survey 2020

26th Reserve Management Seminar

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September 2020
26th Annual Reserve Management Seminar Survey

With over 20 years of comprehensive surveys, we believe the following data is among the most authoritative depictions of official reserve management activities available. This year’s survey was conducted during July – September 2020 and collected responses from over 30 central banks from all regions globally. Results were presented at the 26th UBS Reserve Management Seminar, held virtually from September 28-30.

- In the face of the ongoing COVID-19 crisis, central banks and other sovereign institutions continued adjusting their reserve management practices to meet their goals while keeping a close eye on risks. Whilst a shift towards more defensive assets is visible in 2020, the “secular” trend towards more diversification remains intact with equities now being an eligible asset class at 43% of central banks, a new all-time high.

- Top concerns related to the investment of FX reserves are lower/negative yields mentioned by 69% of respondents. Inflation and rising US interest rates are a concern for only 6% of survey participants. 19% of respondents think that the US FED could turn to negative interest rates if needed. Interest rates are expected to remain low for a prolonged period of time.

- When it comes to more general concerns affecting the global economy, trade wars are still the #1 risk, unchanged from the previous year. Risks coming from political developments in the US moved up to second place and were mentioned by 72% of respondents, up from 30% in the previous year. Regarding the COVID-19 crisis specifically, 42% of participants expect further disruptions in major economies including new shutdowns until a vaccine is found.

- The global dominance of the USD remains intact despite falling yield differentials. Demand for euro denominated assets remains relatively low. The RMB continues its “marathon” of becoming a key reserve currency with the average long-term target allocation to the Chinese currency increasing to 5%.

- 50% of surveyed institutions reduced risks in their portfolios during the downturn in March. Of those central banks already invested in equities, 40% rebalanced (bought) during the decline.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
26th Annual Reserve Management Seminar Survey

Highlights from our 2020 survey: The impact of the COVID-19 crisis

In a special section of this year’s Reserve Management Seminar Survey, we explored how the ongoing COVID-19 crisis has affected reserve managers.

- While 58% of participants indicated that the crisis only had a “moderate” impact on their investment activities, 35% experienced severe (19%) or very severe (16%) consequences.

- A multi-year global economic slowdown is seen as the key longer-term risk resulting from the crisis, followed by unmanageable debt levels.

- When it comes to the global economic impact of the crisis, the vast majority of participants expects global GDP to contract by more than 6% for full-year 2020, followed by a U-shaped recovery.

- A high number of participants (90%) believe that Developed Economies will be better positioned in a post-Corona world.

- Half of the participants indicated that they reduced risk in their portfolio during the sell-off in March of this year. Among those that were already invested in equities, 40% rebalanced/bought equities during that downturn.

- For 16% of participants, the crisis has increased their interest in alternative asset classes (e.g. market-neutral hedge funds). Finally, 75% believe that the COVID-19 crisis will further support the trend towards ESG investing.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
For the third year in a row, **trade wars** ranked as the top concern among survey participants. For the second year in a row, the fear of a **global economic slowdown** with a return of **deflationary trends** ranked second. Political developments in the US now also tie second with 72% of participants concerned, while only 30% saw this as a key risk in the previous year.

Fears of a hard landing in China have fallen dramatically from third place in the previous year and are now seen as a key risk by only 6% of participants, reflecting the solid economic recovery and the ability of the Chinese to control the pandemic during the survey period.

When it comes to topics that are specifically related to the investment of FX reserves, the top concern which 69% of respondents cited is **lower and negative yields** in the fixed income markets. This was already the top concern in the previous year but was only mentioned by 50% of participants as concerns were less concentrated in 2019. Rising US interest rates are now only a concern for 6% of survey participants.

44% of participants expect the US FED to raise interest rates only in 2023 and a further 22% only later than 2023. In contrast, a majority of 61% of participants expect the ECB to only raise rates later than 2023.

19% of respondents think that the US FED could turn to negative interest rates if needed.
The global trend towards FX reserve diversification is continuing but the survey data hints to a slowdown in the overall speed as more conservative instruments (supranationals, sovereign Eurobonds or covered debt) were more frequently added on a net basis when compared with the previous year.

With central banks still diversifying away from more conservative fixed income assets, Passive Equity, Corporates, EM Local Currency Debt and Gold were the most frequently mentioned asset classes when it comes to expected net increases in the coming year.

While only a small number of sovereign institutions indicated that they were buying Green Bonds in the past year, a high number of 37% of participants expect to do so in the coming year. This shows that the interest of central banks for ESG strategies is still rising fast as shown in previous surveys.

In terms of eligible asset classes, the number of respondents that indicated that equities are an allowed asset class at their institution increased to a new all-time high of 43% compared with 39% in the previous year.

Overall, 50% of participants altered their Strategic Asset Allocation over the last 12 months and a further 56% indicated that they wish to implement further changes to their asset allocation in the next 12 months.

13% of respondents indicated that they recently moved or considered moving passively-managed assets to active management strategies. 91% responded that CLOs are not an eligible asset class at their institution and that they are also not planning to make them eligible. Finally, 41% of respondents indicated that they integrate gold holdings in the SAA of their reserve management portfolio, while 59% are treating gold separately.
26th Annual Reserve Management Seminar Survey

Highlights from our 2020 survey: FX Reserves

- **90%** of central banks consider their current level of reserves as **adequate**, up from 84% in the previous year.

- **87%** of the respondents say that their level of reserves **increased or remained stable** over the last 12 months, signaling that the period of stabilization in global FX reserves that we observed last year continued.

- Central banks use several measures to determine the **adequacy** of their reserves, with the majority measuring against **months of imports**.

- **58%** of respondents split their assets in different **tranches** to better tailor their asset allocation.

- **Five** surveyed entities have recently considered setting up a **Sovereign Wealth Fund**, up from three in the previous year.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
26th Annual Reserve Management Seminar Survey

Highlights from our 2020 survey: Currency management

- The average share of **USD holdings** among all the participants was **67%**, down from 71% in the previous year.

- The **US dollar** and the **Renminbi** were the most frequently mentioned currencies when it comes to the question which currencies were added by participating sovereign institutions during the past year.

- After a more positive trend over the past two years, the **Euro** was once again the biggest net loser (British Pound in 2019) in the currency composition of participating institutions. The **US dollar** and the **Renminbi** are the most frequently mentioned currencies that sovereign institutions expect to add in the future.

- Overall, **83%** of survey respondents answered that they are invested, or consider investing, in the **Renminbi**, another increase from 77% in the previous year.

- The average **long-term (10-year) target allocation to the RMB** increased to **5.0%** from 4.2% in the previous year, which implies further growth from levels currently reported to the IMF. **Four** participants indicated that they introduced the RMB as a new currency in their reserves.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Main concerns impacting the global economy

What are the main risks EXCLUDING the COVID-19 that the global economy is currently facing?

- **Trade wars (large-scale protectionist measures)**: 81%
- **Global economic slowdown & return of deflationary trends**: 72%
- **Political developments in the US (elections, social tensions)**: 72%
- **Government debt levels**: 41%
- **Political developments in the EU (breakup, € crisis, nationalism)**: 22%
- **Oil price development**: 9%
- **Wars / significant geopolitical developments (including terrorism)**: 9%
- **China hard landing**: 6%
- **Inflation and/or uncontrolled rise in long-term yields**: 0%

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Main concerns impacting the levels of FX reserves

What are your main concerns EXCLUDING the COVID-19 when it comes to the investment of FX reserves?

- Low and negative yields in fixed income markets: 69%
- Asset price valuations: 41%
- Falling liquidity in fixed income markets: 31%
- Asset price volatility across markets: 25%
- Exchange rate volatility: 19%
- Falling FX reserves: 16%
- Political influence: 13%
- Rising US interest rates / inflation: 6%
- Other: 0%

#1 concern for last 2 years: Low and negative yields in fixed income markets

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Timing the turning point in the interest rate cycle

By when do you expect the FED to raise interest rates?

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>3%</td>
</tr>
<tr>
<td>2022</td>
<td>31%</td>
</tr>
<tr>
<td>2023</td>
<td>44%</td>
</tr>
<tr>
<td>Later than 2023</td>
<td>22%</td>
</tr>
</tbody>
</table>

By when do you expect the ECB to raise interest rates?

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>3%</td>
</tr>
<tr>
<td>2022</td>
<td>13%</td>
</tr>
<tr>
<td>2023</td>
<td>23%</td>
</tr>
<tr>
<td>Later than 2023</td>
<td>61%</td>
</tr>
</tbody>
</table>

Will the Fed turn to negative interest rates if needed?

- 19% of survey participants think that the US FED will adopt negative interest rates if needed

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Level and adequacy of FX reserves

Do you see your current level of FX reserves as adequate?

- Yes: 90%
- No: 10%

How has the amount of your FX reserves changed over the last 12 months?

- Increased: 40%
- Stable: 47%
- Decreased: 13%

How do survey participants assess their FX reserves?

- The percentage of survey participants that see their level of FX reserves as not adequate has decreased to 10% from 16% last year.
- The number of participants who reported increased FX reserves is down to 40% from 45% last year.
- The majority of participants uses several measures to determine the adequacy of their reserves, but the majority is measuring against months of imports (most frequent answer with 79%), short-term external debt as well as monetary aggregate.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Tranching and institutional setup

Do you segment / tranche your reserves (e.g. in liquidity, liability and saving/total return/wealth portfolios)?

- Yes: 58%
- No: 42%

Has your institution recently considered setting up a separate entity (e.g. Sovereign Wealth Fund) to manage assets?

- Yes: 16%
- No: 84%

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Key asset allocation objectives

What are your primary investment objectives?

- 75% of all replies, multiple responses
- 50% of all replies, multiple responses
- 43% of all replies, multiple responses
- 7% of all replies, multiple responses

- Capital preservation
- Liquidity
- Return maximisation
- Support monetary policy

What is your investment horizon?

- 60% of all replies, multiple responses
- 55% of all replies, multiple responses
- 13% of all replies, multiple responses
- 26% of all replies, multiple responses

- less than 1y
- 1y-3y
- 3y-5y
- 5y+

- Overall, 50% of participants altered their Strategic Asset Allocation over the last 12 months (previous year: 45%) and a further 56% (previous year: 45%) indicated that they wish to implement further changes to their asset allocation in the next 12 months.

- Only 3% of respondents indicated that they consider investing in illiquid asset classes (for example infrastructure or real estate) to enhance returns, compared with 24% in the previous year.

- 13% responded that they recently moved or considered moving passively-managed assets to active management strategies compared with 19% in the previous year.

- 91% responded that CLOs are not an eligible asset class at their institution and that they are not planning to make them eligible.

- 41% of respondents indicated that they integrate gold holdings in the SAA of their reserve management portfolio, while 59% treat gold separately.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.

UBS
## Trends in approved asset classes

Which of the following instruments are approved at your institution?

<table>
<thead>
<tr>
<th></th>
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<tbody>
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<td>Bank debt</td>
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<td>Corporates</td>
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<td>28</td>
<td>22</td>
<td>20</td>
<td>15</td>
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<td>MBS / ABS</td>
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<td>57</td>
<td>52</td>
<td>40</td>
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<td>25</td>
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<td>Equities</td>
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<td>Hedge Funds</td>
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</tr>
</tbody>
</table>

*In percent of total respondents, multiple responses possible.*

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Trends in approved asset classes

Which of the following instruments are approved at your institution?

In % of total respondents, multiple responses possible.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
## Key changes in asset allocation

### Which of the following instruments have you increased/decreased in your portfolio in the past year?

<table>
<thead>
<tr>
<th>Instrument</th>
<th>% of respondents that reported a decrease in the past year</th>
<th>% of respondents that plan a decrease in the coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supranationalsoverbonds</td>
<td>-16%</td>
<td>-5%</td>
</tr>
<tr>
<td>Sovereign eurobonds</td>
<td>-5%</td>
<td>-11%</td>
</tr>
<tr>
<td>US agencies</td>
<td>-16%</td>
<td>-5%</td>
</tr>
<tr>
<td>Inflation-protected bonds</td>
<td>-21%</td>
<td>-5%</td>
</tr>
<tr>
<td>Covered bonds</td>
<td>-11%</td>
<td>0%</td>
</tr>
<tr>
<td>Green Bonds</td>
<td>0%</td>
<td>11%</td>
</tr>
<tr>
<td>Bank debt</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Corporates</td>
<td>-21%</td>
<td>-5%</td>
</tr>
<tr>
<td>ABS</td>
<td>-11%</td>
<td>0%</td>
</tr>
<tr>
<td>Covered bonds</td>
<td>-5%</td>
<td>0%</td>
</tr>
<tr>
<td>MBS (RMBS, CMBS, CMO)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>CDO (CBO, CLO)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>EM hard currency debt</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>EM local currency debt</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Equities passive</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td>Equities active</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Multi-asset products</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Gold</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Infrastructure (equity &amp; debt)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Commodities (excl. Gold)</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Which of the following instruments would you want to own more or less over the next year?

<table>
<thead>
<tr>
<th>Instrument</th>
<th>% of respondents that reported an increase in the past year</th>
<th>% of respondents that plan an increase in the coming year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supranationalsoverbonds</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Sovereign eurobonds</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>US agencies</td>
<td>26%</td>
<td>21%</td>
</tr>
<tr>
<td>Inflation-protected bonds</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Covered bonds</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Green Bonds</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Bank debt</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Corporates</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>ABS</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>MBS (RMBS, CMBS, CMO)</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>CDO (CBO, CLO)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>EM hard currency debt</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>EM local currency debt</td>
<td>21%</td>
<td>11%</td>
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<tr>
<td>Equities passive</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Equities active</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Multi-asset products</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Gold</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Infrastructure (equity &amp; debt)</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Commodities (excl. Gold)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>11%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: UBS Annual Reserve Manager Survey, results as of September 2020.

[UBS]
Currency focus: Changes in 2019/20

How have survey participants altered their currency allocation during the past year?

The average share of USD holdings among all participants was at 67%, down from 71% in 2019.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Currency focus: Outlook

How do survey participants expect their currency allocations to change going forward?

Indicates the % of respondents that expect their allocations for each currency to go up or down.

Long-term (10 year) target allocation for RMB in total reserves among participants now at 4.9%

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Currency focus: RMB

Please describe your attitude towards the RMB!

% of survey respondents that are invested, or consider investing, in the RMB (last 6 surveys)

The average long-term target allocation (not the actual allocations) to the RMB is around 5.0% among survey participants, another increase from 4.2% in the previous year.

- 4 participants reported that they introduced the RMB this year in their reserve portfolio (after 5 participants in the previous year).
- The number of participants that are invested, or consider investing, in the RMB increased again from slightly lower levels last year but did not surpass the high level of 85% reached in 2018.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Performance and Risk management

How do you measure risk in your portfolios?

- **VaR**: 72%
- **Tracking error**: 63%
- **CVaR**: 47%
- **Max Drawdown**: 16%

Do you take any tactical positions compared to benchmark?

- **Yes**: 84%

Risk and performance measurement

- **56%** of the survey respondents review their investment policy in intervals of a quarter or longer, while 44% are using more frequent intervals or review on an ad-hoc basis.
- **No** survey participant increased maximum drawdown levels to enhance returns over the past year.
- **48%** of survey respondents indicated that no negative returns are tolerated in their investment policy. Only **16%** indicated that they tolerate a maximum drawdown of up to 5% in their investment policy.
- The number of participants that indicated that they are taking tactical positions compared to the benchmark has again increased, reaching **84%** after 70% in the previous year.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
Derivatives

Do you use derivatives within your reserve portfolio?

- Yes: 69%
- No: 31%

82% in the previous year

If you use derivatives, what are the main objectives for using them?

- Hedging: 88%
- Trading: 54%
- Yield Enhancement: 42%
- Leverage: 4%

Additional survey participants reported the use of derivatives to reduce FX risk, but not to manage reserve assets.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
External asset management

What percentage of your reserves are currently externally managed?

- 24% in the previous year

What asset classes of external fund management interests you the most?

- Equities (Developed Markets): 32%
- Short-term liquidity products: 32%
- Emerging market sovereign debt: 27%
- Total-return of return in fixed income: 27%
- Developed market corporate debt: 27%
- Equities (Emerging Markets): 14%
- Inflation-protected bonds: 9%
- Absolute return products: 9%
- Derivatives: 9%
- Private equity: 5%
- Emerging market corporate debt: 5%

What assets are externally managed?

- External mandates currently exist mainly in the area of DM sovereign and corporate debt, MBS as well as inflation-protected bonds, short-term liquidity products and developed market equities.
- 25% of respondents indicated that they are currently looking into tail-risk hedging strategies, up from 6% in the previous year.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
COVID-19 crisis special: Summary

The impact of the COVID-19 crisis on Reserve Managers

• In a special section of this year’s Reserve Management Seminar Survey, we explored how the ongoing COVID-19 crisis has affected reserve managers.

• While 58% of participants indicated that the crisis only had a “moderate” impact on their investment activities, 35% experienced severe (19%) or very severe (16%) consequences.

• A multi-year global economic slowdown is seen as the key longer-term risk resulting from the crisis, followed by unmanageable debt levels.

• When it comes to the global economic impact of the crisis, the majority of participants expects global GDP to contract by more than 6% for full-year 2020, followed by a U-shaped recovery.

• A high number of participants (90%) believe that Developed Economies will be better positioned in a post-Corona world.

Behavior during the crisis

• Exactly half of participants indicated that they reduced risk in their portfolio during the sell-off in March of this year. Among those that were invested in equities and responded to the respective question, 40% rebalanced/bought equities during that phase.

• For 16% of participants, the crisis has increased their interest in alternative asset classes (e.g. market-neutral hedge funds). Finally, 75% believe that the COVID-19 crisis will further support the trend towards ESG investing.

How severe do you consider the impact of the COVID-19 crisis on your investment activities?

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
COVID-19 crisis special: The long-term impact of the crisis

What do you think are the key long-term risks from the Corona crisis?

<table>
<thead>
<tr>
<th>Risk</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-year global economic slowdown</td>
<td>78%</td>
</tr>
<tr>
<td>Unmanageable debt levels</td>
<td>66%</td>
</tr>
<tr>
<td>Deflationary trends and ‘lower forever’ investment environment</td>
<td>59%</td>
</tr>
<tr>
<td>Trade wars, protectionism and nationalism</td>
<td>56%</td>
</tr>
<tr>
<td>Slowbalization (less global trade and reshoring to DM)</td>
<td>47%</td>
</tr>
</tbody>
</table>

When asked about the key long-term risks from the COVID-19 crisis, a multi-year global economic slowdown was seen as the key longer-term risk resulting from the crisis, followed by unmanageable debt levels. In addition, several participants used the free text field to indicate that their top worries include a dramatic resizing of certain industries that are of significance for their host country, including travel, tourism and leisure.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
When it comes to the global economic impact of the crisis, the majority of participants expects global GDP to contract by more than 6% for full-year 2020. Regarding the total global fiscal stimulus that will be deployed over full year 2020 to tackle the crisis, 10%-15% of global GDP received the highest amount of votes (47%).

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
COVID-19 crisis special: The path out of the crisis

What "letter" will ultimately represent the type of recovery of the global economy?

- L-shaped recovery: 11%
- V-shaped recovery: 4%
- U-shaped recovery: 64%
- W-shaped recovery: 21%

Of those participants that used the free text field instead, 2 expected a "Nike" recovery and one participant a "square root" recovery.

Will we see substantial second and third waves of infections?

- Yes, we will see further disruptions in major economies including new shutdowns until a vaccine is found: 42%
- Yes, but we will see only smaller localized or rolling outbreaks: 31%
- No, the major wave is over and will not come back to levels that would require new shutdowns: 27%

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
COVID-19 crisis special: Market activity

Did you reduce risk in your portfolio during the sell-off in February/March?

No 50%
Yes 50%

In case you are invested in equities, did you rebalance (i.e. bought) during the February/March decline?

Yes 40%
No 60%

Exactly half of participants indicated that they reduced risk in their portfolio during the sell-off in March of this year. Among those that were invested in equities and responded to the respective question, 40% rebalanced/bought equities during that phase.

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
COVID-19 crisis special: Impact on asset classes

What asset classes will gain relatively more importance in central bank portfolios after the COVID-19 crisis?

In a free text field, we asked participants to indicate which asset classes have gained in relative importance for them due to the COVID-19 crisis.

- **Safe haven assets** (Gold, Government bonds, Supras) were mentioned most frequently. Also, several participants stressed the need for liquid assets.
- Within **fixed income**, China Government and Policy Bonds as well as Sustainable Bonds were mentioned.
- Within **equities**, defensive and counter-cyclical sectors (telecommunication, health care) were mentioned several times.
- Instead of mentioning specific asset classes, several participants indicated that the crisis stressed the need for diversification.

Has the crisis increased your interest in alternative asset classes (e.g. market neutral hedge funds)?

- **Yes**: 16%
- **No**: 84%

Source: UBS Annual Reserve Manager Survey, results as of September 2020.
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