UBS

Marketing material
For qualified investors only

Reserve Management Trends 2024

30th Reserve Management Seminar

Dr. Massimiliano Castelli PhD, MSc
Head of Strategy and Advice, Global Sovereign Markets

June 2024

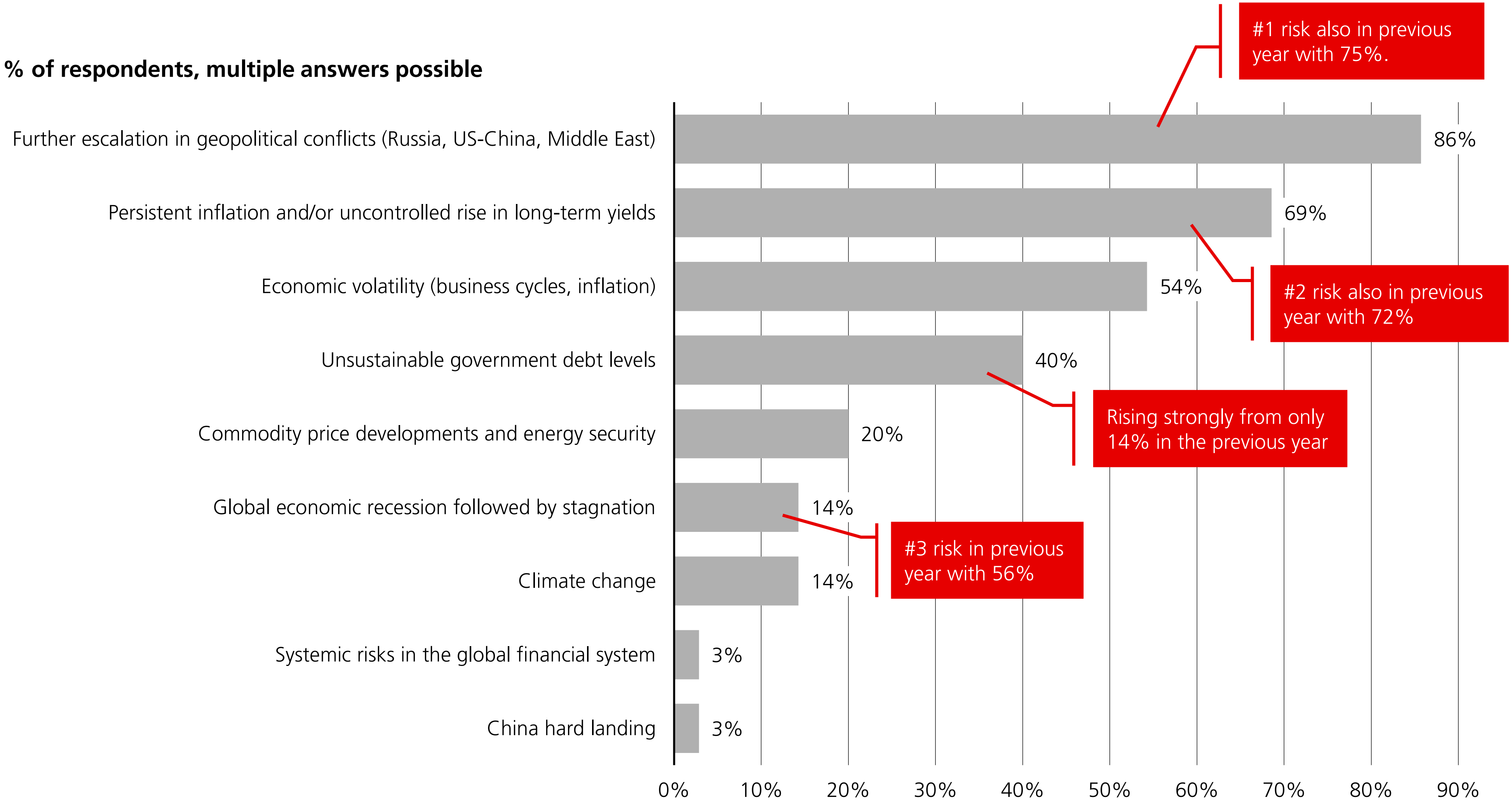
Overview

	UBS RMS Survey: 30th anniversary!
	Macro: It is soft landing in the end!
	Geopolitics: Are geopolitics impacting reserve management?
	Currency allocation: USD still strong
	Asset Allocation: Reserve diversification an irreversible trend
	80th Anniversary of Bretton Woods: Time to reform the global financial architecture?

UBS

Main concerns impacting the global economy

What are the main risks that the global economy is currently facing?



Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Economic scenarios – Growth/rates matrix

Uncertainty with regards to the possibility of a recession and where inflation will bottom out remain high, but the probability of a prolonged recession has fallen

Higher growth

Higher rates

Lower rates

- Despite higher interest rates, growth of around 3% over the next 5 years as healthy household and corporate balance sheets allow to overcome any slow down
- Inflation remains well above target despite further Fed tightening.
- Equity better than fixed income

Growth & Inflation: High growth and high inflation

US Inflation: 6.0% in 5 years

Cash Rate: 7.5% in 5 years

US 10-yr Yield: 7.7 % in 5 years

US EPS Growth: 2.7% (5-yr average)

Soft(ish) landing & return to moderate growth

US Inflation: 2.3% in 5 years

Cash Rate: 3.7% in 5 years

US 10-yr Yield: 4.2% in 5 years

US EPS Growth: 2.9% (5-yr average)

- The FED is able to achieve a soft landing and growth trends towards 2.5%, below the long-term average growth rate
- Inflation continues falling in 2024 but will remain slightly above target
- Real rates stay positive.

- Inflation remains very high at around 6% on average as a wage-price spiral pushes up costs for corporates that are forced to increase prices to maintain profitability.
- Stock-bond correlation turns positive impacting diversified portfolios negatively

Stagflation: Low growth and high Inflation

US Inflation: 6.0% in 5 years

Cash Rate: 7.2% in 5 years

US 10-yr Yield: 6.7% in 5 years

US EPS Growth: -2.8% (5-yr average)

Recession: Extended period of low growth and low rates

US Inflation: 1.5% in 5 years

Cash Rate: 2.0% in 5 years

US 10-yr Yield: 1.5% in 5 years

US EPS Growth: -4.9% (5-yr average)

- The Fed is forced to push the US into recession to put inflation under control. Unemployment rate rises significantly from historical lows. Growth remains well below potential in this scenario.
- High volatility for risky assets
- Negative stock-bond correlation protects diversified portfolios

Lower growth

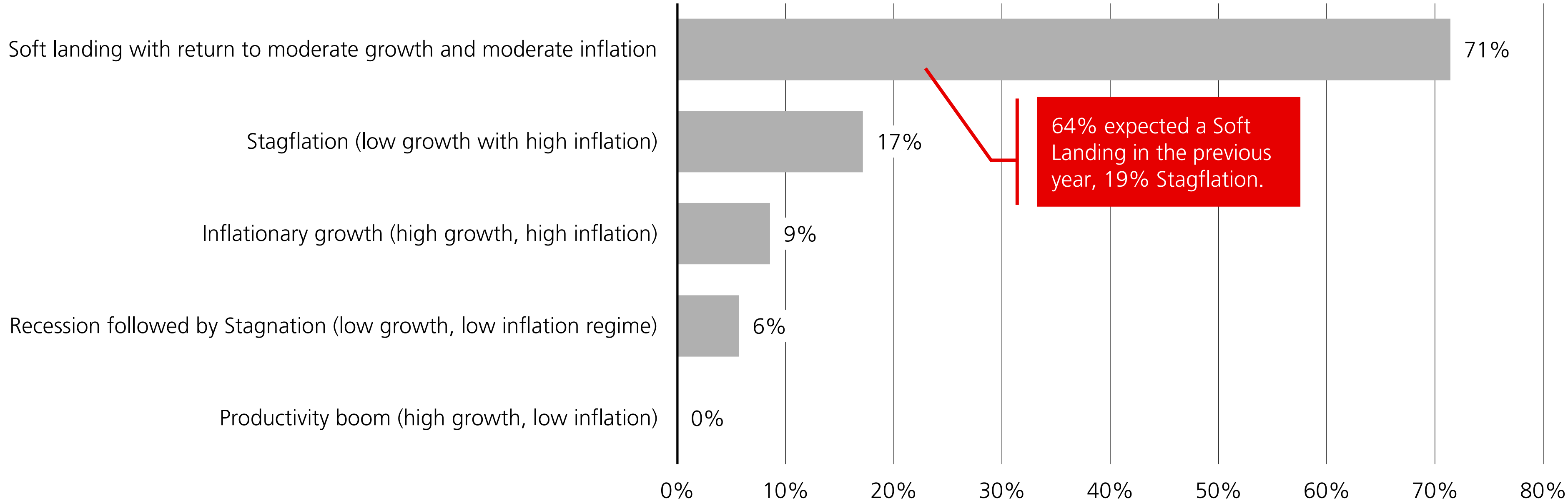
Source: UBS AM as of 2Q 2024. This does not constitute a guarantee by UBS AG, Asset Management. This does not constitute a guarantee by UBS AG, Asset Management

UBS

The investment environment ahead

Like in 2023, the vast majority of participants see a Soft Landing scenario with a return to moderate growth and moderate inflation as the most likely economic regime to materialize during the next 5 years.

Which economic regime is most likely to materialize over the next 5 years?

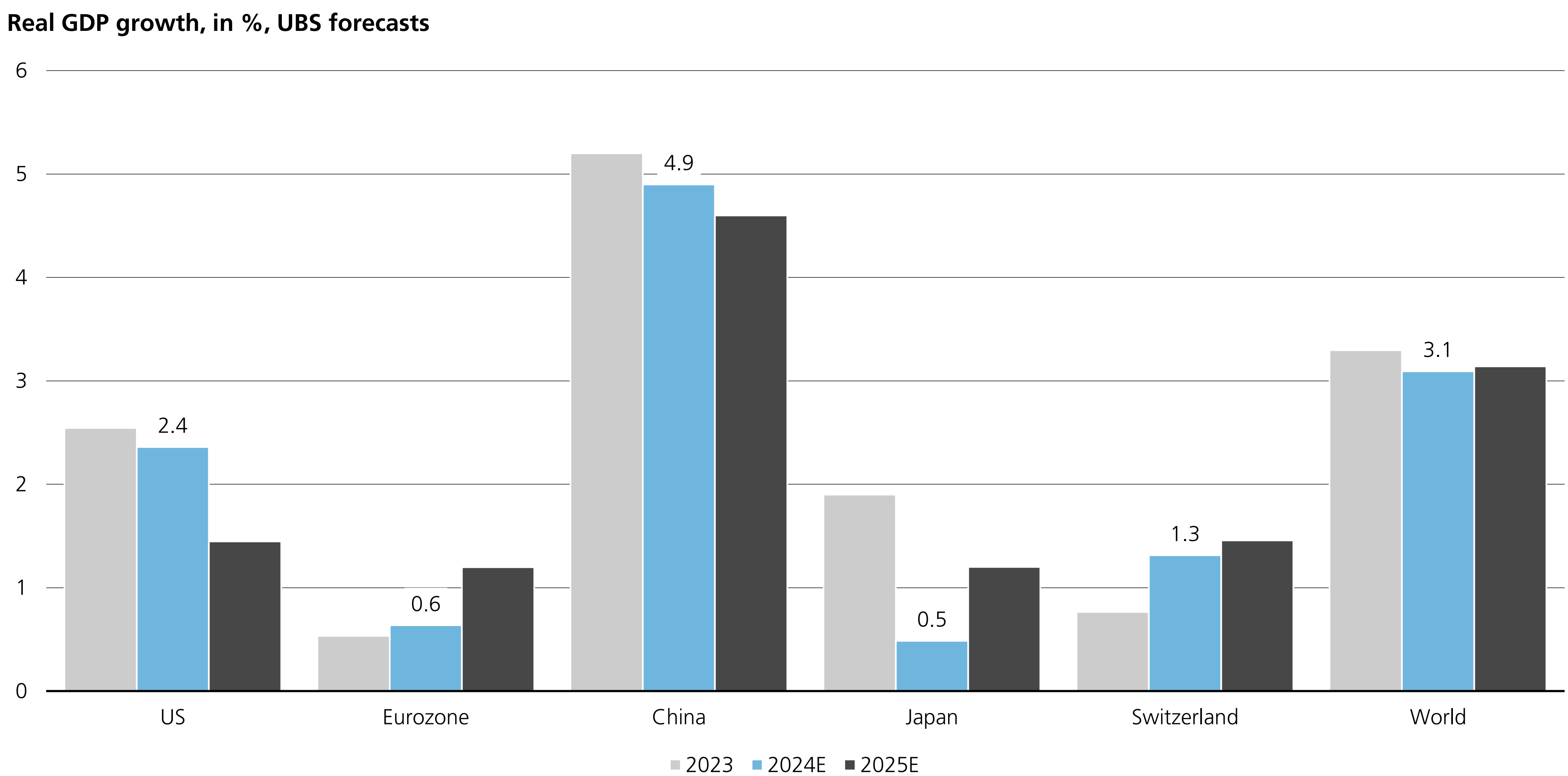


- 69% (2023: 73%) believe that we have entered a period of higher inflation that will persist for a longer period of time.
- 44% indicate that they are worried about declining demand for government bonds due to debt sustainability issues.
- In 2010, Reinhart/Rogoff argued economic growth slows sharply when debt is above 90% of GDP. 79% believe that this is no longer true.
- Will the Japanese economy reach "escape velocity" with higher economic growth and higher long-term interest rates over the next year? 55% of respondents think this will *not* happen.
- 34% think that the ECB's mandate should be rewritten to include full employment.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Soft landing: The US avoid a recession…

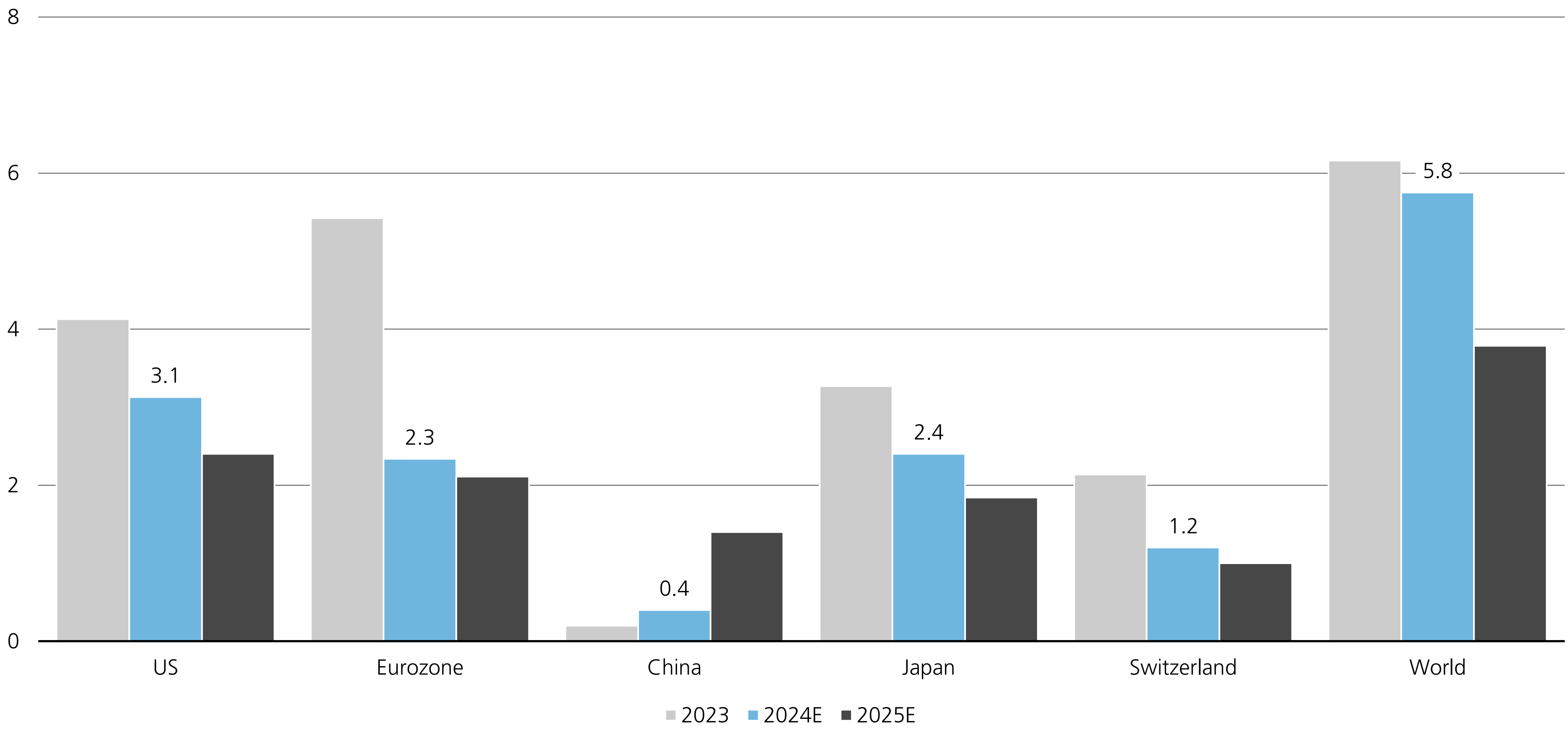
Macro



Source: UBS as of May 2024.

Soft landing: …and inflation falls close to targets

Consumer Price Index (average CPI), in %, UBS forecasts

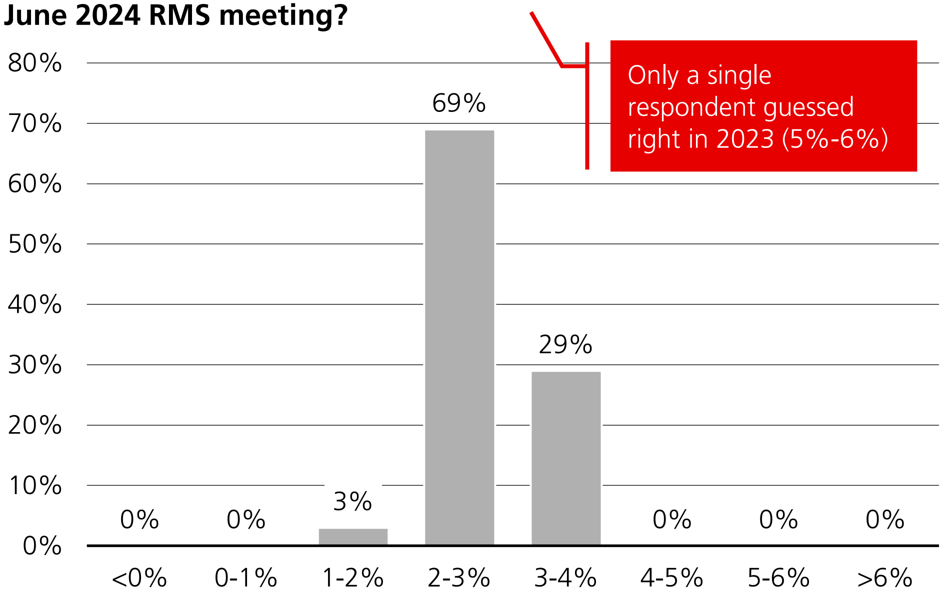


Source: UBS as of May 2024.

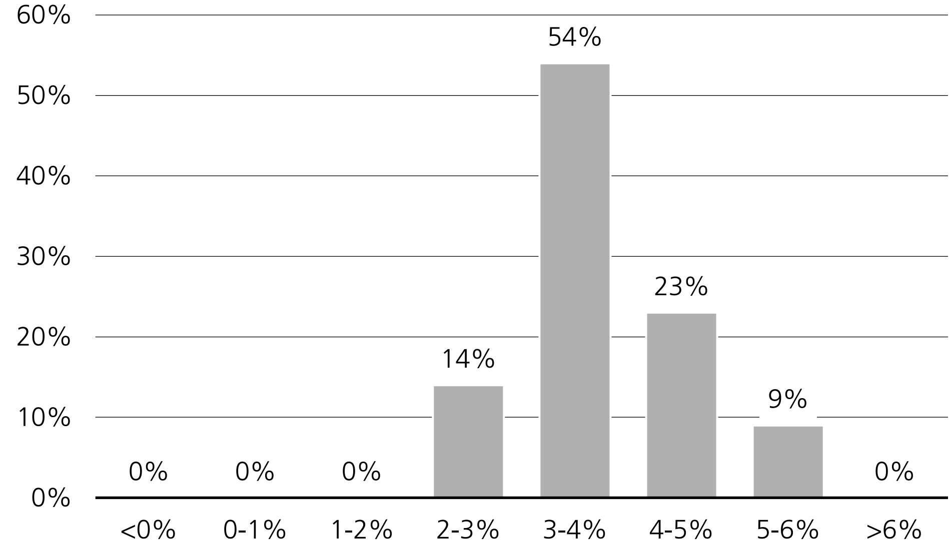
Inflation, growth and the response of central banks

Only 9% of survey participants believe that the US will experience a technical (or worse) recession in the next twelve months. Inflation and interest rates to fall from current levels

In which range do you see the US headline CPI in one year at the June 2024 RMS meeting?



In which range do you see the FED policy rate in one year at the June 2024 RMS meeting?



Long-term tracking of sentiment towards extraordinary measures

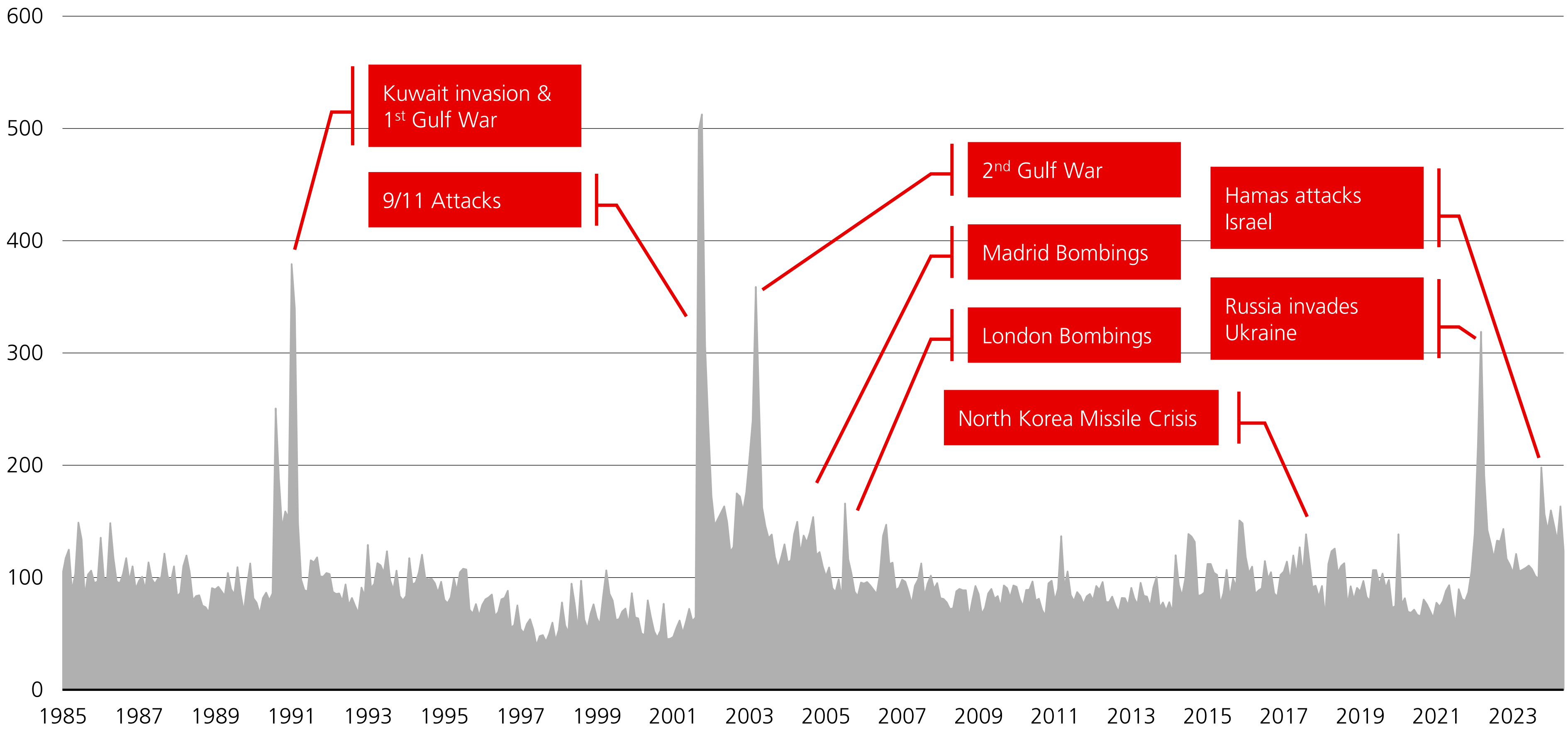
- 56% of survey participants think that the US Fed could turn to yield curve control if needed (2023:53%, 2022:62%, 2021: 58%).
- 26% of survey participants think that the US Fed could buy equities if needed (2023:39%, 2022:57%, 2021: 42%).
- 21% of survey participants think that the US Fed could adopt negative interest rates if needed (2023:22%, 2022:7%, 2021: 16%).

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Geopolitical risk

The Geopolitical Risk Index (GPR) is a measure of adverse geopolitical events and associated risks based on a tally of articles from 10 leading newspaper covering geopolitical tensions, and examines its evolution and economic effects since 1985

The Geopolitical Risk Index (GPR) since 1985

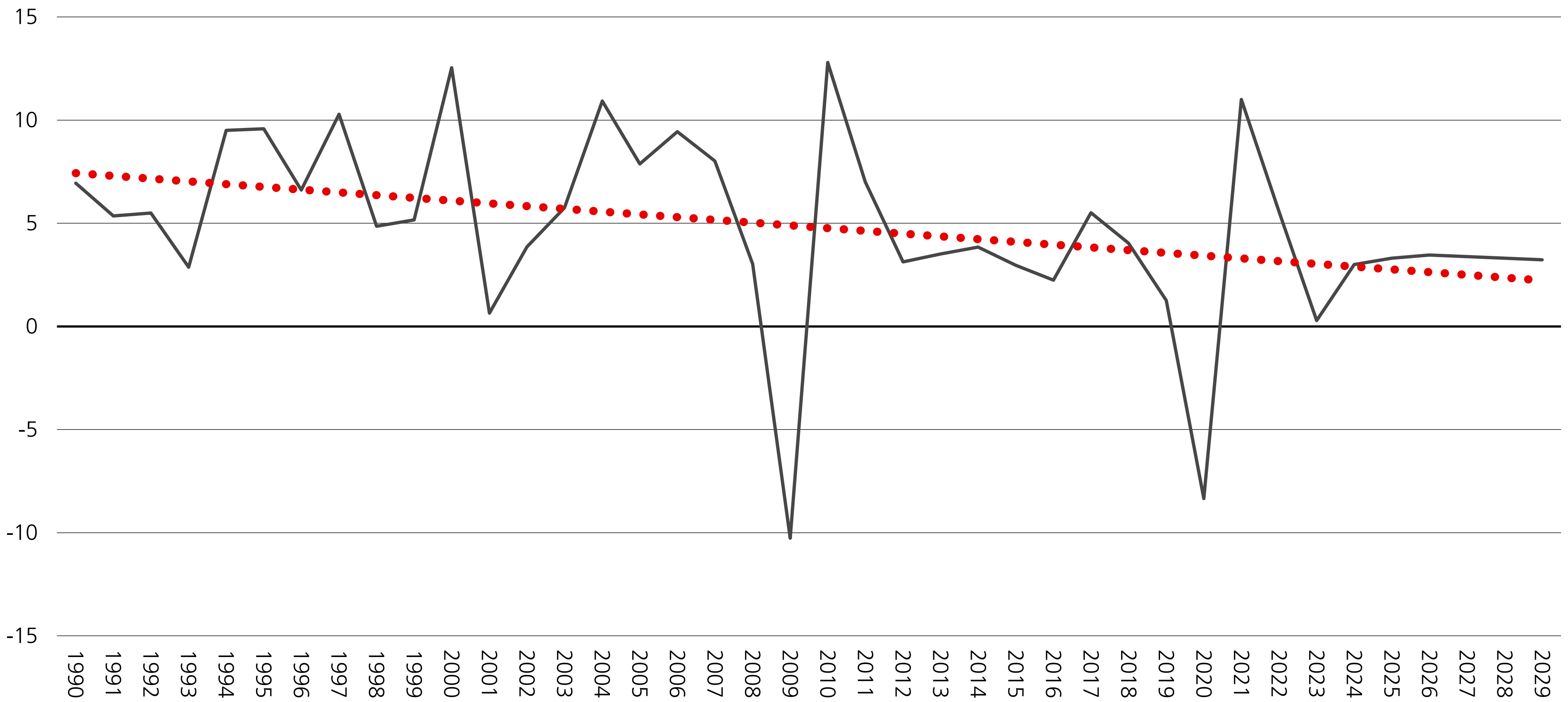


Source: Dario Caldara / Matteo Iacoviello (https://www.matteoiacoviello.com/gpr.htm), UBS Asset Management as of May 2024.

Globalization slowing down

International trade growth trending down but still positive

Trade Volume of Goods and Services, Percentage Change

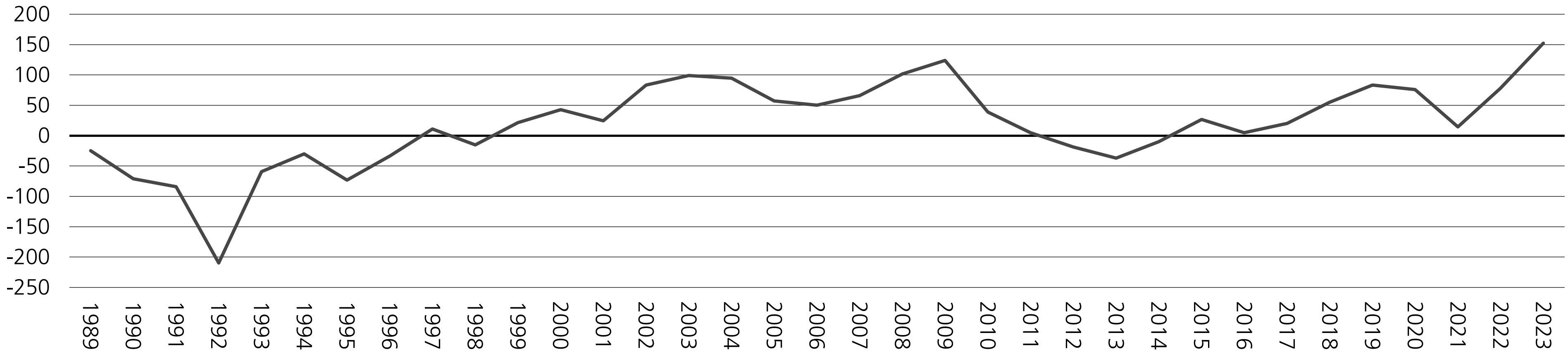


Source: IMF 2024

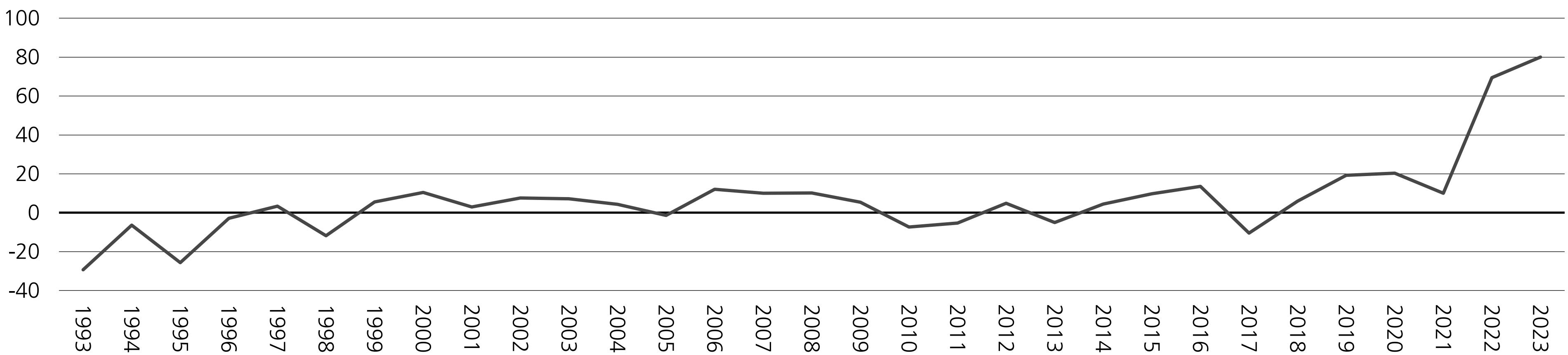
The end of the "peace dividend"

Change in Global military Expenditure, USD bn

Europe



Global



Source: Source: Stockholm International Peace Research Institute, 2024.

Do Geopolitics matter for investors?

			S&P 500 Price Return					
Closest market day	Event	Date	1 day	1 month	3 months	6 months	1 year	3 years
5/10/1940	Germany invades France	10 May 1940	-6%	-24%	-14%	-8%	-19%	2%
12/5/1941	Pearl Harbor Attack	7 Dec 1941	-4%	-2%	-10%	-12%	0%	39%
6/23/1950	N. Korea Invades S. Korea	25 Jun 1950	-5%	-9%	1%	4%	11%	25%
10/23/1956	Hungarian Uprising	23 Oct 1956	0%	-2%	-4%	-1%	-12%	23%
10/29/1956	Suez Crisis	29 Oct 1956	0%	-4%	-4%	-1%	-12%	24%
10/16/1962	Cuban Missile Crisis	16 Oct 1962	0%	5%	14%	21%	28%	60%
11/21/1963	JFK Assassinated	22 Nov 1963	-3%	3%	8%	12%	20%	12%
7/31/1964	Gulf of Tonkin Incident	2 Aug 1964	0%	-2%	2%	5%	3%	14%
6/5/1967	Six-Day War	5 Jun 1967	2%	3%	7%	8%	14%	-13%
1/30/1968	Tet Offensive	30 Jan 1968	-1%	-4%	5%	5%	10%	3%
9/5/1972	Munich Olympics	5 Sep 1972	-1%	-2%	6%	1%	-6%	-23%
10/5/1973	Yom Kippur War	6 Oct 1973	0%	-4%	-9%	-14%	-41%	-5%
3/30/1981	Reagan Shot	30 Mar 1981	1%	-1%	-2%	-14%	-16%	19%
8/2/1990	Iraq's Invasion of Kuwait	2 Aug 1990	-2%	-8%	-14%	-4%	10%	28%
8/19/1991	USSR Coup Attempt	19 Aug 1991	1%	3%	2%	8%	12%	23%
9/10/2001	9/11 Attacks	11 Sep 2001	-5%	-1%	4%	7%	-17%	2%
3/20/2003	Gulf War II	20 Mar 2003	2%	2%	15%	18%	27%	49%
3/11/2004	Madrid Bombing	11 Mar 2004	1%	3%	2%	1%	8%	27%
7/5/2005	London Subway Bombing	5 Jul 2005	-1%	3%	2%	5%	5%	4%
8/1/2008	Russia invades Georgia	1 Aug 2008	-1%	1%	-24%	-31%	-20%	2%
4/15/2013	Boston Marathon Bombing	15 Apr 2013	1%	7%	8%	10%	19%	34%
2/20/2014	Russia invades Crimea	20 Feb 2014	0%	1%	3%	8%	15%	29%
4/7/2017	Bombing of Syria	7 Apr 2017	0%	2%	2%	8%	11%	13%
7/28/2017	North Korea Missile Crisis	28 Jul 2017	0%	-1%	4%	15%	13%	31%
9/13/2019	Saudi Aramco Drone Strike	14 Sep 2019	0%	-1%	5%	-9%	13%	37%
1/3/2020	Iranian General Killed In Airstrike	3 Jan 2020	0%	0%	-22%	-4%	14%	18%
2/24/2022	Russia invades Ukraine	24 Feb 2022	2%	7%	-7%	-4%	-7%	?
10/6/2023	Hamas attacks Israel	7 Oct 2023	1%	1%	9%	?	?	?

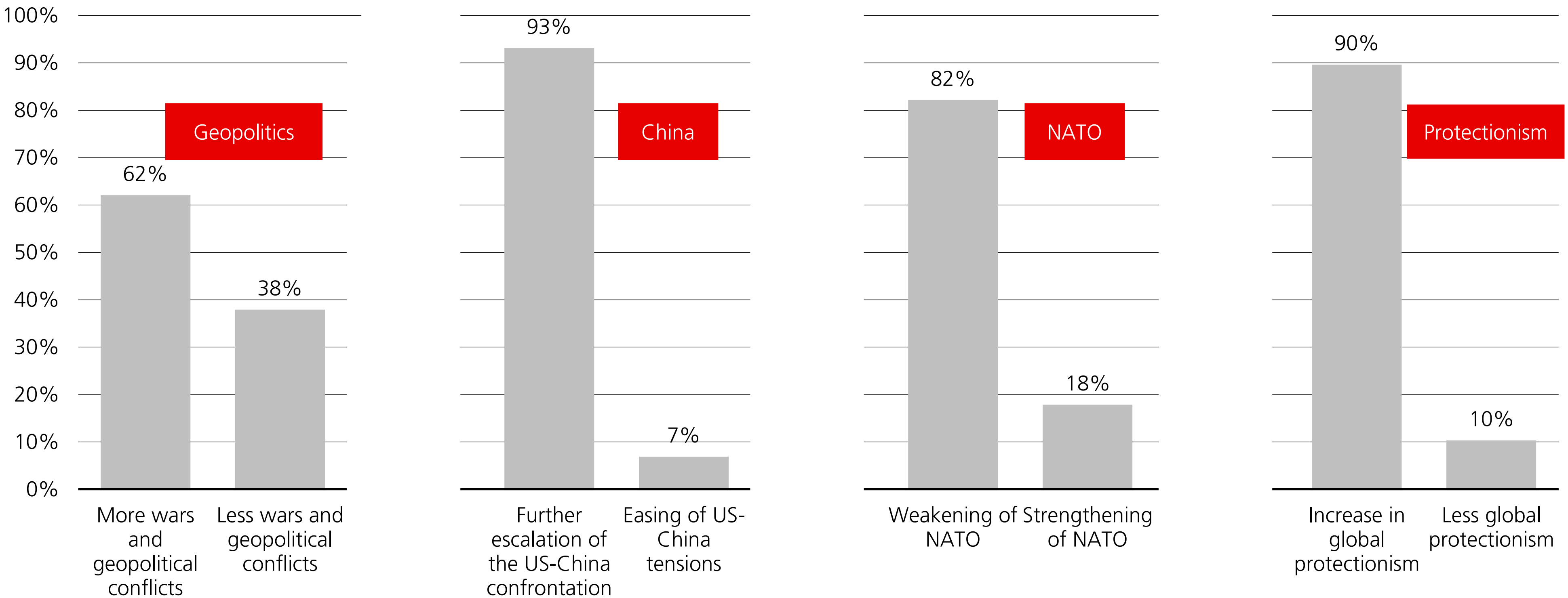
	1 day	1 month	3 months	6 months	1 year	3 years
Average	-1%	-1%	0%	1%	3%	18%
Median	0%	0%	2%	4%	10%	21%
% Positive	39%	50%	64%	59%	63%	88%

Source: Bloomberg, UBS, as of January 2024.

Political and Geopolitical Environment ahead

47% of respondents believe that the US-China relationship will deteriorate and 53% that it will remain stable. Nobody believes that it will improve.

What would be the global implications of a Trump election victory when compared with a Biden/Democrat victory?



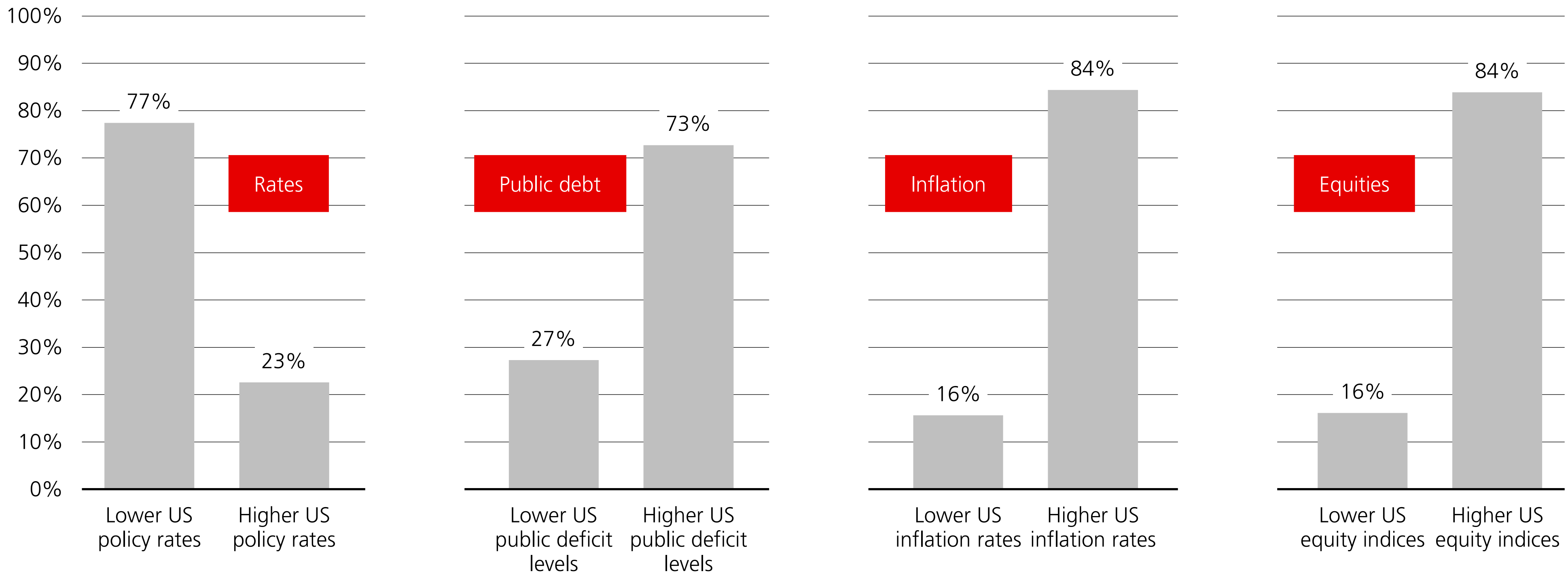
- 45% of respondents believe that the Russia-Ukraine war will only end after 2026, and only one participant (3%) that this will happen in 2024.
- 88% believe that there will be NO direct confrontation between NATO and Russia over the next 5 years.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Political and Geopolitical Environment ahead

97% of respondents believe that we are moving towards a multipolar world with US-, Europe- and China-led blocks

What would be the economic impact of a Trump election victory when compared with a Biden/Democrat victory??



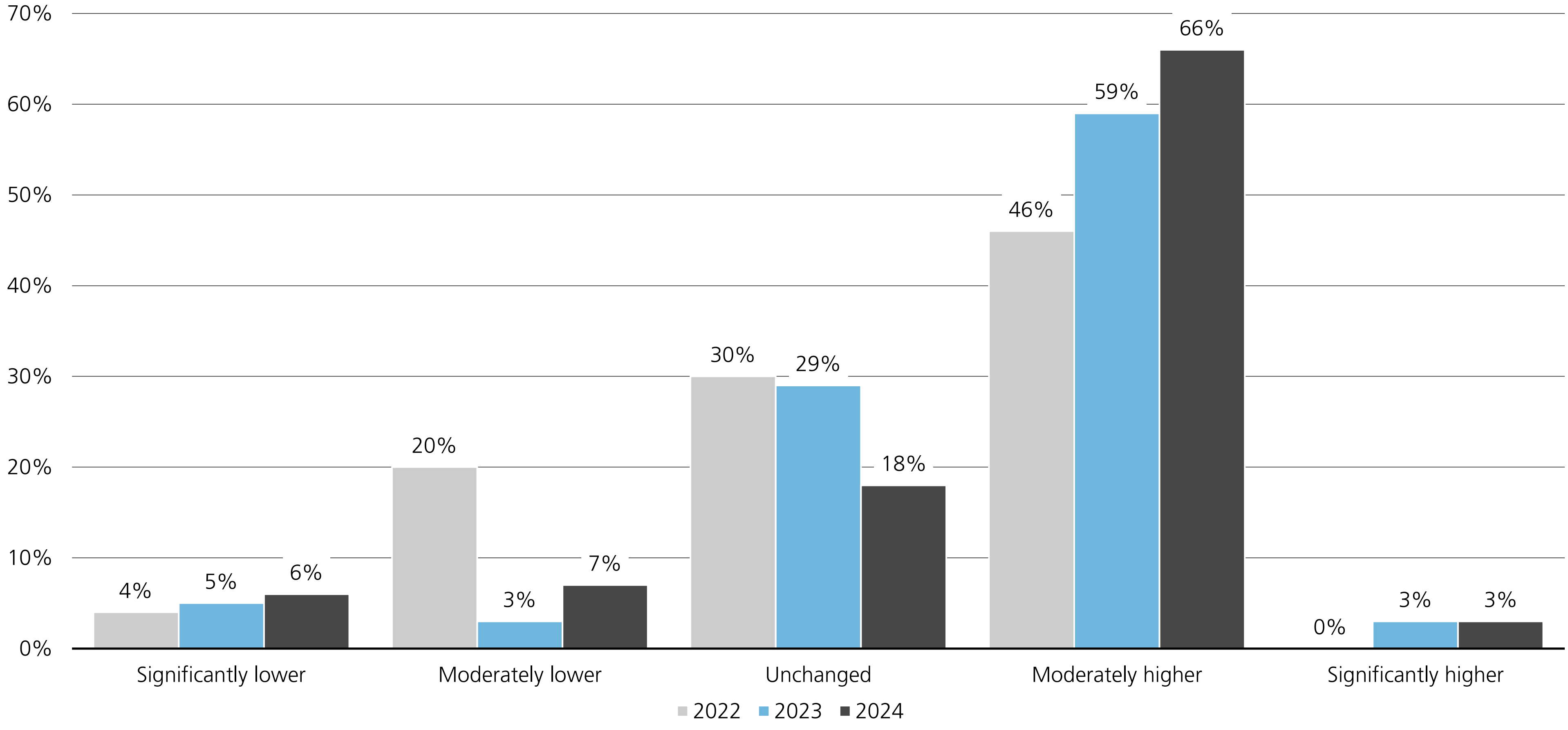
- 52% of respondents have taken no actions yet to prepare for the consequences coming out of an escalation of the US-China confrontation while 41% indicated that they are diversifying more across regions and currencies.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Has gold become a hedge against sanction risk?

Selected emerging markets are accumulating gold; will advanced economies' central banks follow? Not necessarily if the main driver is sanction risk

What proportion of total reserves (foreign exchange and gold) think will be denominated in gold 5 years from now?



Source: World Gold Council, 2024
2024 Base: All central banks (68); Advanced economy (23); EMDE (45). 2023 Base: All central banks (57); Advanced economy (13); EMDE (44). 2022 Base: All central banks (56); Advanced economy (13); EMDE (43).

Reserve Currency Composition: Stable USD share

By the end of 2020, the USD share of global reserves fell below 60% and is stabilizing at 58%.

IMF Cofer FX Reserve Currency Composition, %

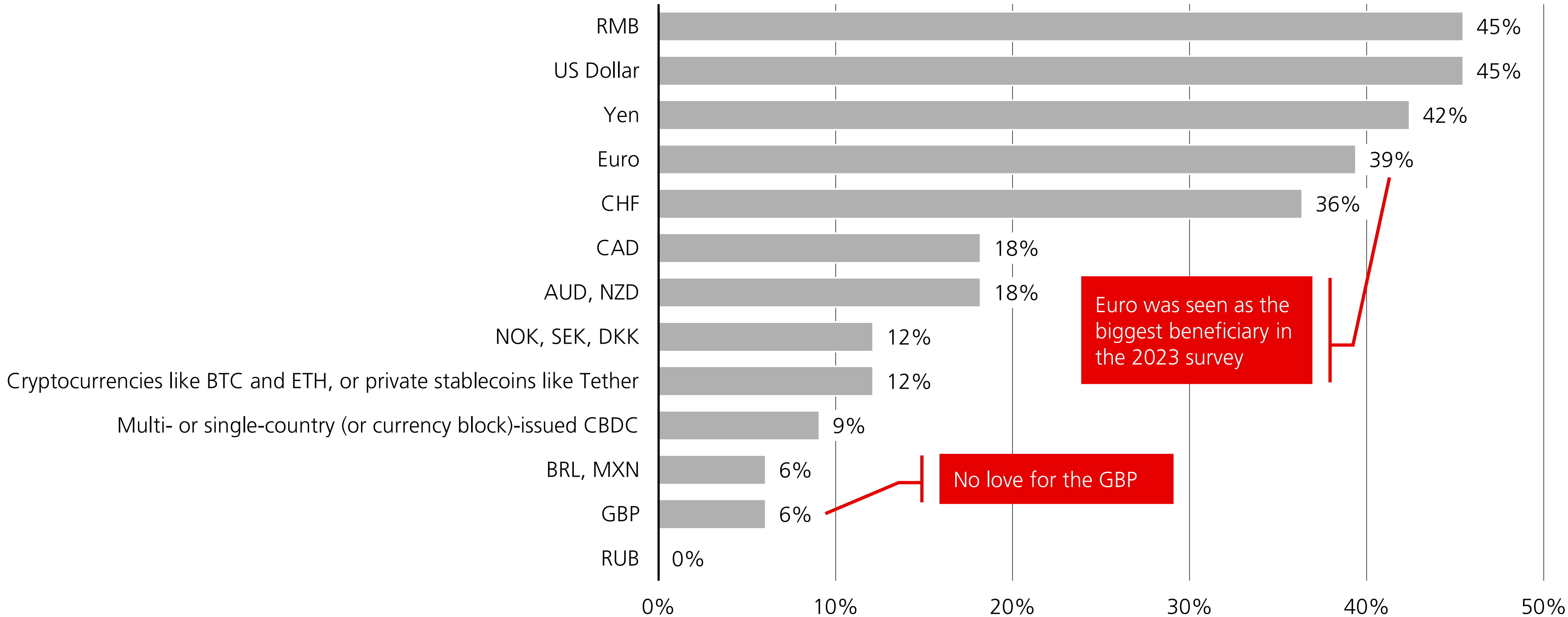
	1995	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021	2022	2023
US Dollar	61.9%	71.1%	66.5%	61.8%	64.1%	65.3%	62.7%	61.7%	60.7%	59.0%	58.8%	58.4%	58.4%
Euro[1]	28.4%	18.3%	23.9%	26.0%	19.9%	19.1%	20.1%	20.7%	20.6%	21.2%	20.6%	20.5%	20.0%
British Pound	2.2%	2.8%	3.7%	3.9%	4.9%	4.3%	4.5%	4.4%	4.6%	4.7%	4.8%	4.9%	4.8%
Japanese Yen	7.1%	6.1%	4.0%	3.7%	4.1%	3.9%	4.9%	5.2%	5.9%	6.0%	5.6%	5.5%	5.7%
Canadian Dollar	-	-	-	-	1.9%	1.9%	2.0%	1.8%	1.9%	2.1%	2.4%	2.4%	2.6%
Australian Dollar	-	-	-	-	1.9%	1.7%	1.8%	1.6%	1.7%	1.8%	1.8%	2.0%	2.1%
Renembi	-	-	-	-	-	1.1%	1.2%	1.9%	1.9%	2.3%	2.8%	2.7%	2.3%
excl. Chinese reserves	-	-	-	-	-	1.7%	1.8%	2.6%	2.7%	3.1%^	3.7%	3.7%	3.2%
Swiss Franc	0.4%	0.3%	0.1%	0.1%	0.3%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Other currencies	-	1.5%	1.7%	4.4%	3.0%	2.4%	2.5%	2.5%	2.5%	2.7%	3.0%	3.5%	3.9%

1 ECU and other European currencies before the introduction of the euro. Source: IMF COFER as of April 2024.

How do investors react – currency allocations

The RMB is expected to be a key net beneficiary of geopolitical shifts over the next 5 years.

Which reserve currencies or assets are most likely to benefit from macroeconomic and geopolitical shifts over the next 5 years?



Consequences for FX reserve management

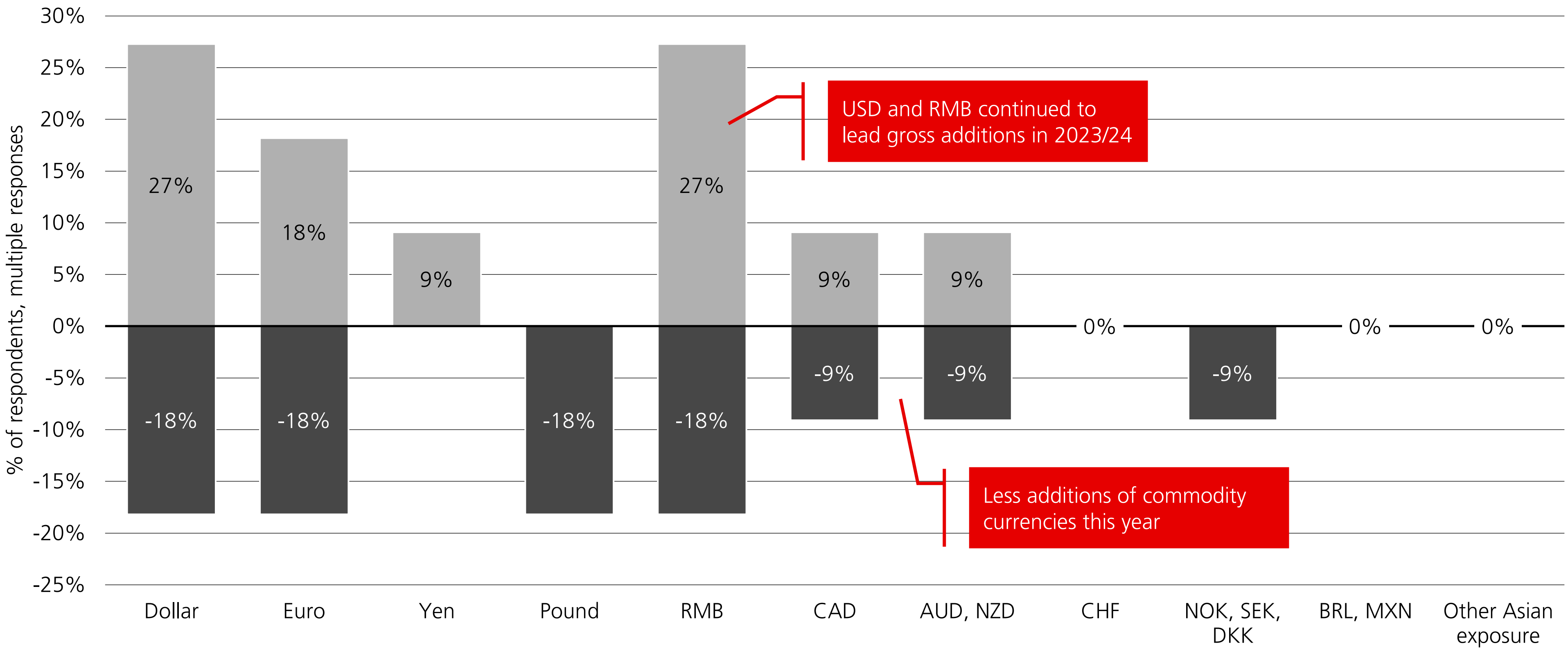
- 47% believe the US-China confrontation has *not* yet affected the internationalization trend of the RMB, while 38% believe it has slowed it down and 15% it has accelerated it.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Currency focus: Changes in 2023/24

Indicates the % of respondents that altered their allocations to each currency up or down.

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

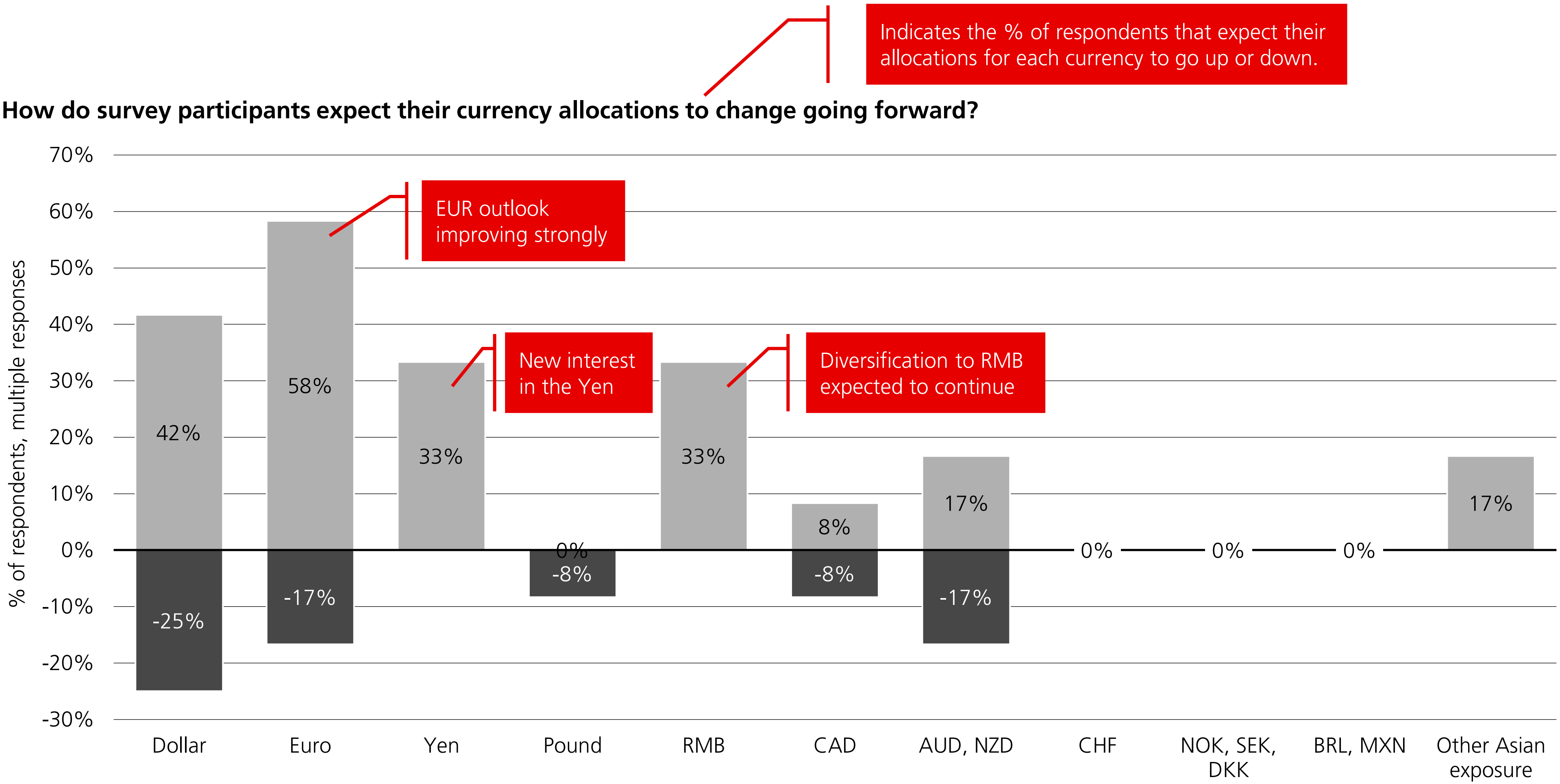


- The average share of USD holdings among all participants was at 58%, up from 56% in the previous year.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Currency focus: Outlook

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



How will the US dollar be affected by the emergence of regional economics blocks?

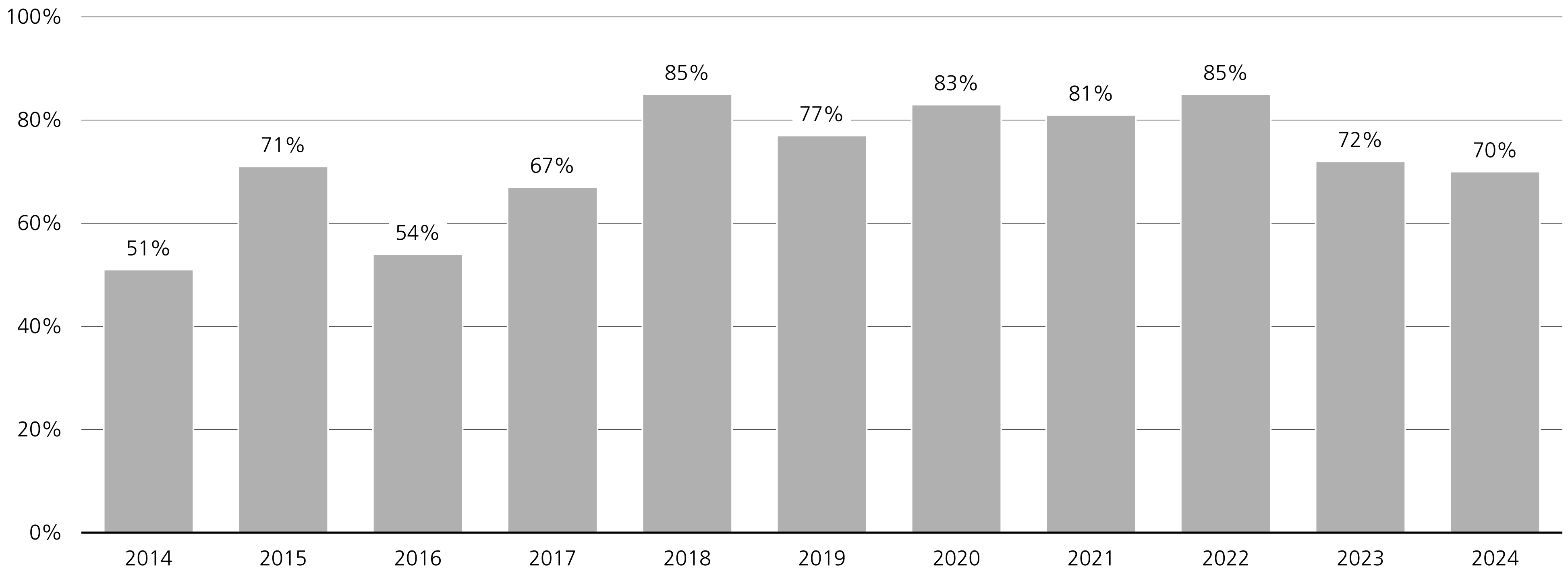
- 53% think we will see a gradual shift towards a multipolar currency system while 44% believe there will only be a limited impact with the US dollar remaining the key global currency. .

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Trends in currency diversification

38% of participants think that central bank currency diversification will remain USD-centric, while 28%believe we will move towards a less USD-centric multipolar setup with more concentration in the USD, EUR and RMB.

% of survey respondents that are invested, or consider investing, in the RMB



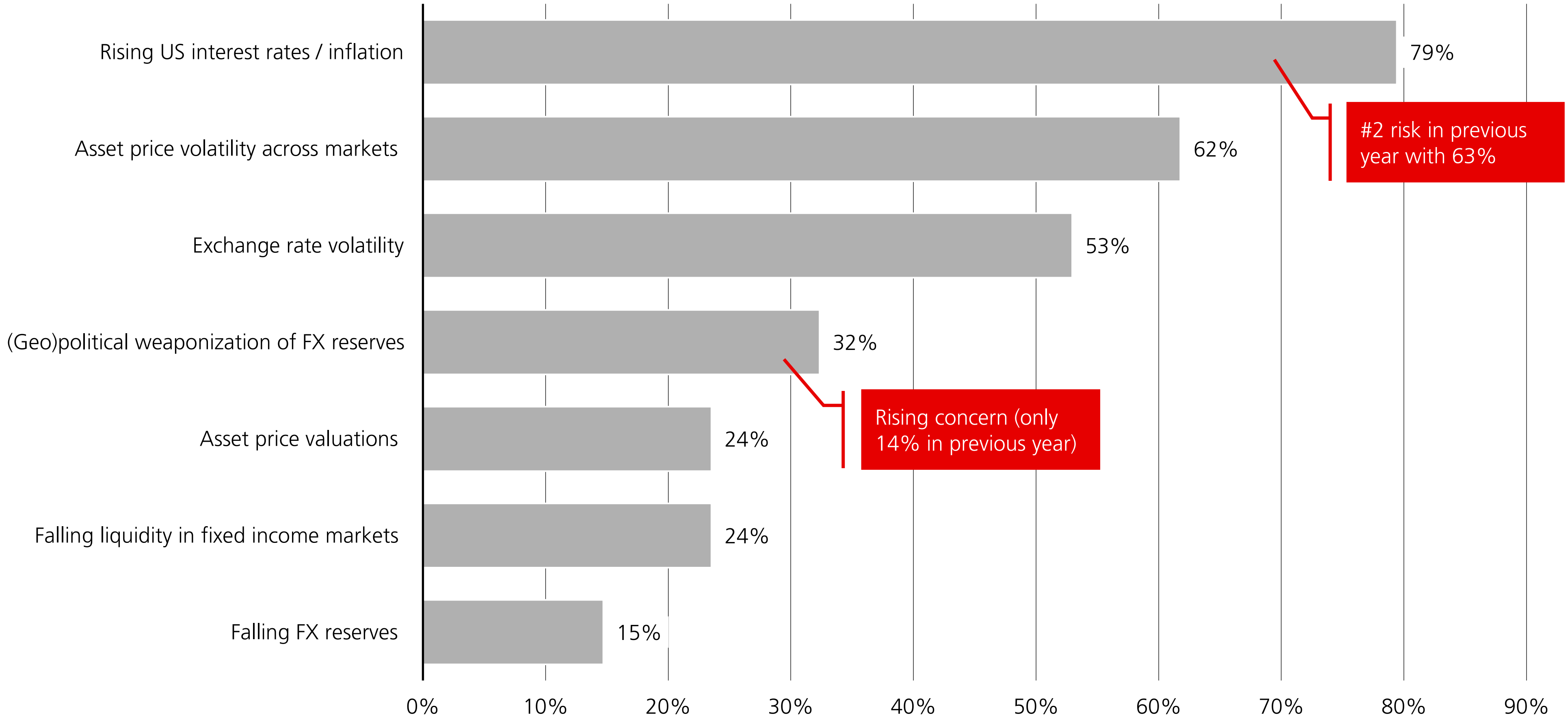
- The average long-term (10y) target allocation (not the actual allocations) to the RMB stands at around 5.3% among survey participants, up from 5.2% in the previous year.
- Four participants indicated that they introduced the RMB as a new currency in their reserves.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Main concerns impacting the levels of FX reserves

What are your main concerns when it comes to the investment of FX reserves?

% of respondents, multiple answers possible



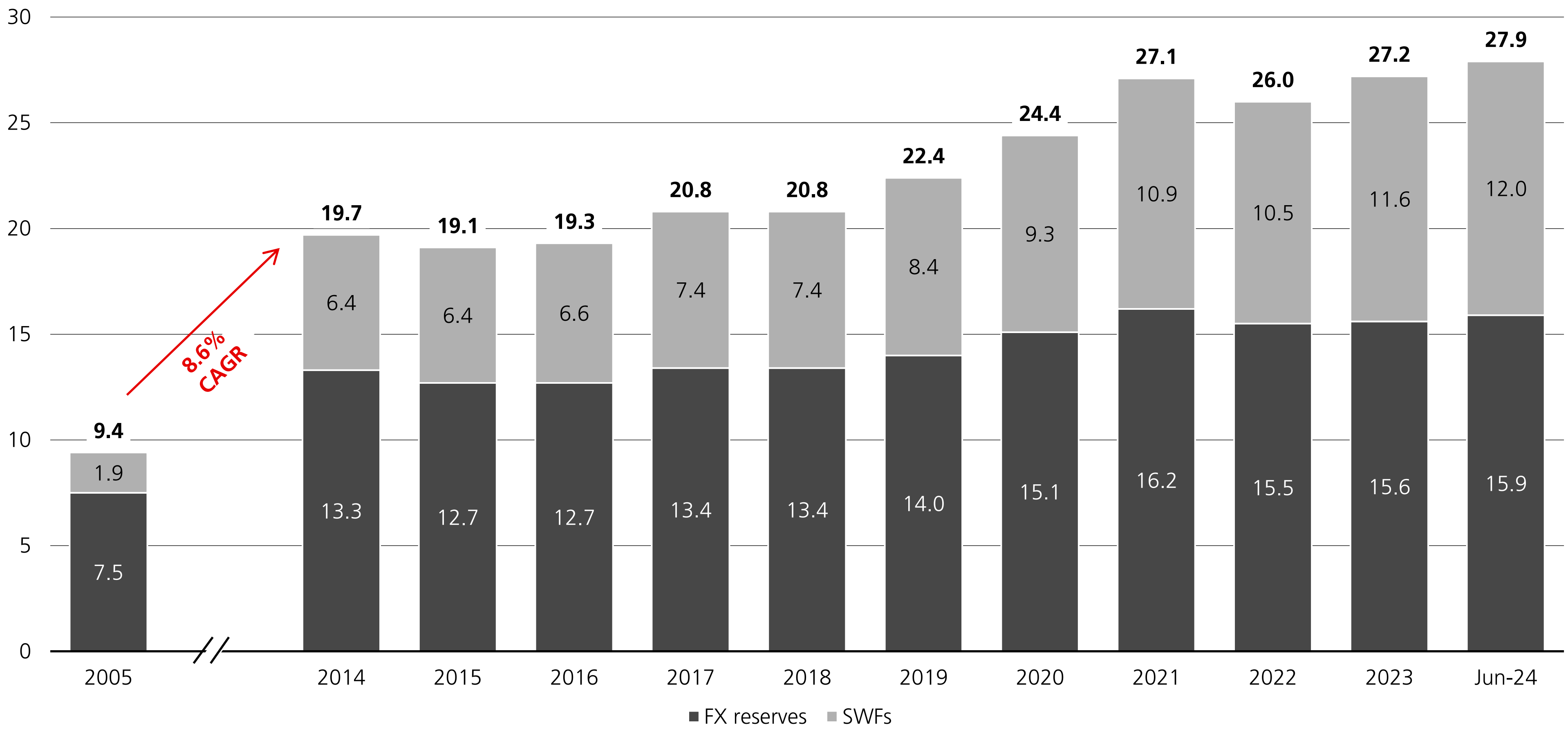
Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Sovereign Wealth

Asset Allocation

Back to record highs after a correction in 2022

FX total reserves and SWF assets, USD trillion



Source: World Bank, IMF and SWFGlobal. Data as of June 2023. Total reserves include gold, SDRs and IMF positions. To avoid double-counting, HKMA assets are counted within central banks.

UBS

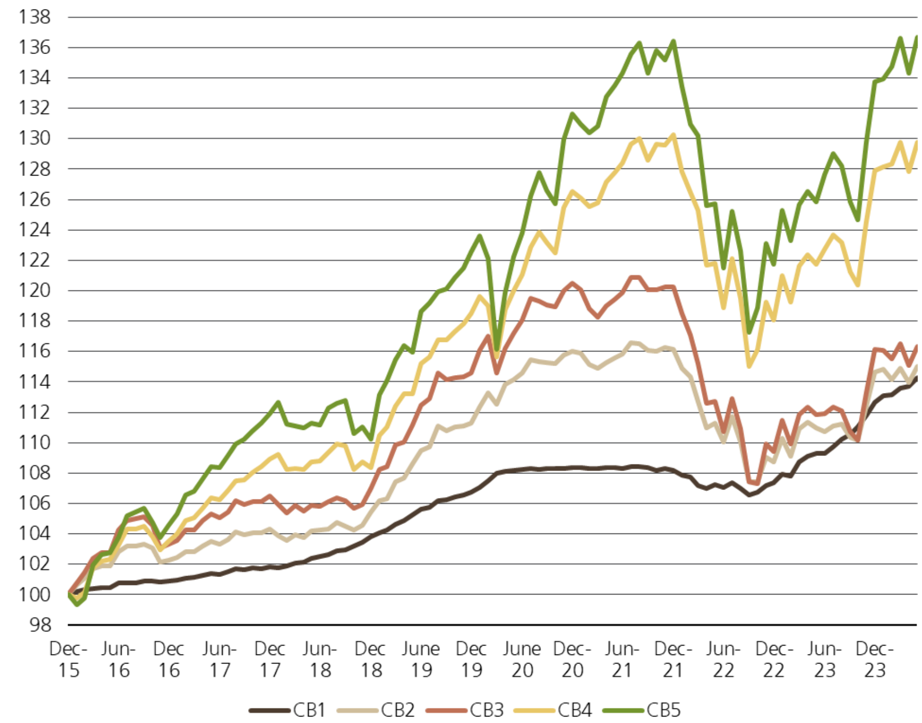
Central Bank portfolios: Recent market performance

Portfolios that included spread products or equities benefited from the rally in risk assets since April 2020, but fixed income heavy portfolios suffered some of the steepest losses in decades in 2022.

Sample central bank portfolios tracking model output

	CB1	*CB2*	*CB3*	*CB4*	*CB5*
2024 January	*0.4%*	*0.2%*	*-0.1%*	*0.2%*	*0.1%*
2024 February	*0.0%*	*-0.6%*	*-0.5%*	*0.1%*	*0.6%*
2024 March	*0.4%*	*0.6%*	*0.8%*	*1.1%*	*1.4%*
2024 April	*0.1%*	*-0.8%*	*-1.2%*	*-1.5%*	*-1.7%*
2024 May	*0.5%*	*0.9%*	*1.1%*	*1.5%*	*1.7%*
Performance 2024YTD	***1.4%***	***0.3%***	***0.1%***	***1.5%***	***2.2%***
Performance 2023	5.0%	5.4%	6.1%	8.3%	9.9%
Performance 2022	-0.7%	-6.4%	-9.0%	-9.4%	-10.8%
Performance 2021	-0.2%	0.1%	-0.2%	2.9%	3.7%
Performance 2020	1.5%	4.3%	5.1%	6.8%	7.4%
Performance 2019	2.8%	5.6%	7.1%	9.3%	11.2%
Performance 2018	2.0%	0.8%	1.0%	-0.3%	-0.7%
Performance 2017	0.9%	2.0%	3.1%	5.2%	7.0%
Performance 2016	0.9%	2.3%	3.3%	3.5%	4.6%
Performance 2015	0.5%	0.3%	0.4%	0.3%	0.4%
Performance 2014	0.5%	2.8%	4.1%	3.9%	4.3%
Performance 2013	0.3%	-1.1%	-1.9%	2.4%	3.3%
Performance 2012	0.5%	3.1%	5.0%	5.6%	7.6%
Performance 2011	0.9%	4.1%	5.4%	3.5%	3.1%
Performance 2010	1.2%	3.6%	4.9%	5.6%	6.9%
Performance 2009	1.2%	4.8%	7.0%	8.8%	12.5%
Performance 2008	4.9%	4.2%	2.9%	-3.7%	-7.9%
Performance 2007	6.0%	6.7%	6.7%	7.1%	7.1%
Performance 2006	4.6%	3.8%	4.3%	6.2%	7.8%

CB sample portfolio performance (indexed, 31.12.2015 = 100)



Source: UBS Asset Management model based on publicly available information, using broad indices and funds to Central Banks and Sovereign Wealth Fund's portfolios. For illustrative purposes only. Please see appendix for more information on portfolios. Please note that past performance is not a guide to the future.

SWF portfolios: Recent market performance

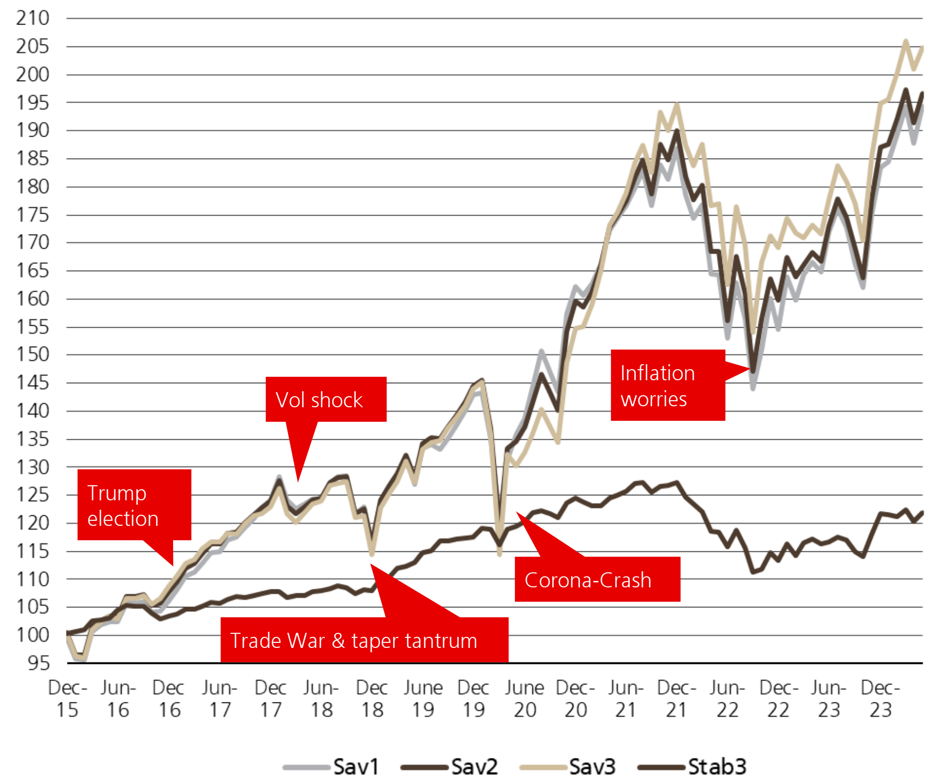
Asset Allocation

Our model portfolios replicating the Strategic Asset Allocations of Sovereign Wealth Funds (Sav1-3 as well as Stab3 for comparison) show that key saving funds performed well since April 2020 due to a dramatic recovery in risk assets, with funds mainly allocated to listed equity outperforming.

Replicated Sovereign portfolios tracking model output

	Stab3	*Sav1*	*Sav2*	*Sav3*
2024 January	*-0.14%*	*0.61%*	*0.33%*	*0.37%*
2024 February	*-0.34%*	*2.65%*	*2.44%*	*2.35%*
2024 March	*1.05%*	*2.62%*	*2.71%*	*2.88%*
2024 April	*-1.75%*	*-3.37%*	*-3.07%*	*-2.41%*
2024 May	*1.33%*	*3.55%*	*2.76%*	*1.90%*
Performance 2024YTD	***0.1%***	***6.0%***	***5.2%***	***5.1%***
Performance 2023	7.5%	18.6%	17.1%	15.2%
Performance 2022	-11.0%	-17.3%	-15.9%	-13.1%
Performance 2021	2.2%	15.2%	19.1%	25.8%
Performance 2020	5.9%	13.5%	10.5%	7.5%
Performance 2019	8.8%	22.5%	24.1%	25.9%
Performance 2018	0.0%	-5.0%	-5.1%	-5.8%
Performance 2017	4.2%	16.7%	15.0%	12.9%
Performance 2016	3.1%	6.7%	7.4%	8.5%
Performance 2015	0.4%	-0.3%	0.5%	0.4%
Performance 2014	4.7%	5.9%	7.3%	7.1%
Performance 2013	1.8%	17.6%	17.2%	17.4%
Performance 2012	5.2%	13.6%	15.2%	16.2%
Performance 2011	3.9%	-1.6%	-3.1%	-6.0%
Performance 2010	6.1%	11.2%	14.1%	18.3%
Performance 2009	6.5%	23.6%	26.2%	29.7%
Performance 2008	-1.5%	-30.3%	-34.6%	-40.5%
Performance 2007	6.3%	8.0%	5.2%	2.4%
Performance 2006	6.8%	16.1%	17.3%	17.2%

SWF sample portfolio performance (indexed, 31.12.2015 = 100)



Source: UBS Asset Management model based on publicly available information, using broad indices and funds to Central Banks and Sovereign Wealth Fund's portfolios. For illustrative purposes only. Please see appendix for more information on portfolios. Please note that past performance is not a guide to the future.

Diversification trend intact but evolving

Broader diversification across fixed income as reserve managers take advantage of opportunities in this asset class

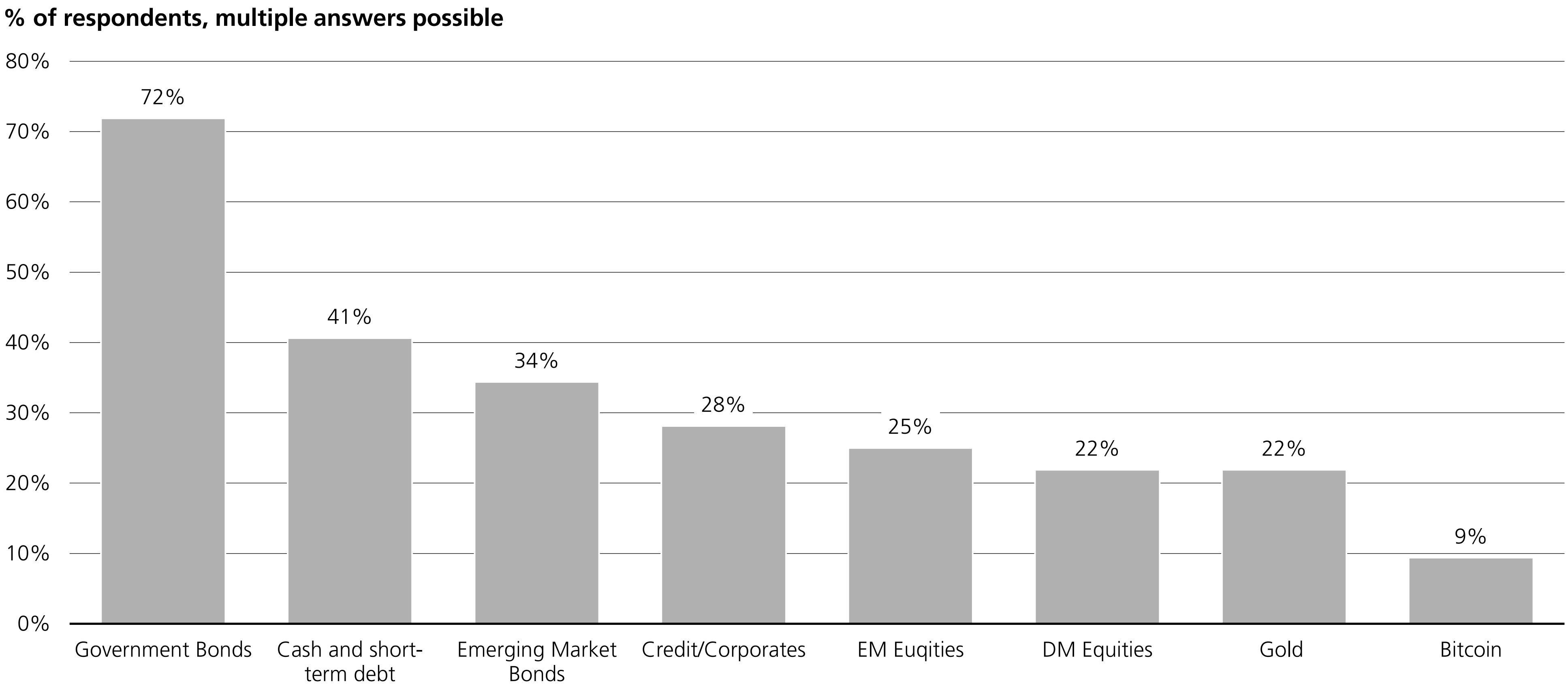
In % of total respondents, multiple responses possible.

Asset Class	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Supranationals	100	94	97	100	100	94	95	93	90	89	94	82	87	76	70	68	70	72	70	74	63	62	60	62	54	63	60
Sovereign Eurobonds	93	94	87	100	100	85	86	89	93	92	90	78	73	64	68	65	66	66	64	60	60	58	58	61	60	66	66
US agencies	93	83	93	100	93	85	76	74	83	74	49	54	69	55	65	71	84	86	84	82	76	78	75	71	62	68	54
Inflation-protected bonds	87	83	83	88	77	73	62	76	70	61	49	48	40	44	47	45	38	33	28	16	9	na	na	na	na	na	na
Covered bonds	73	72	60	65	50	45	43	48	53	34	43	40	45	30	38	40	53	58	50	48	44	38	35	37	34	28	12
Bank debt	73	78	67	62	63	45	43	48	40	42	41	26	33	20	31	29	48	44	48	41	21	24	21	26	20	16	4
Corporates	70	61	67	73	60	61	57	56	48	42	43	34	33	31	29	26	38	41	40	38	38	32	28	22	20	15	10
MBS / ABS	50	44	60	69	57	58	57	52	40	39	25	20	22	37	27	38	46	52	44	39	39	27	22	17	19	12	2
Emerging Market debt	43	39	50	54	33	36	24	26	30	21	18	12	11	22	24	16	16	10	na	na	na	na	na	na	na	na	na
Equities	40	33	50	42	43	39	24	30	33	26	18	16	24	18	19	14	18	22	18	5	3	2	na	na	na	na	na
Private Equity	3	0	10	15	7	18	5	19	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Hedge Funds	3	0	7	12	0	15	0	11	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Best-performing assets going forward

Which asset class will perform best in risk-adjusted terms over the next 5 years?



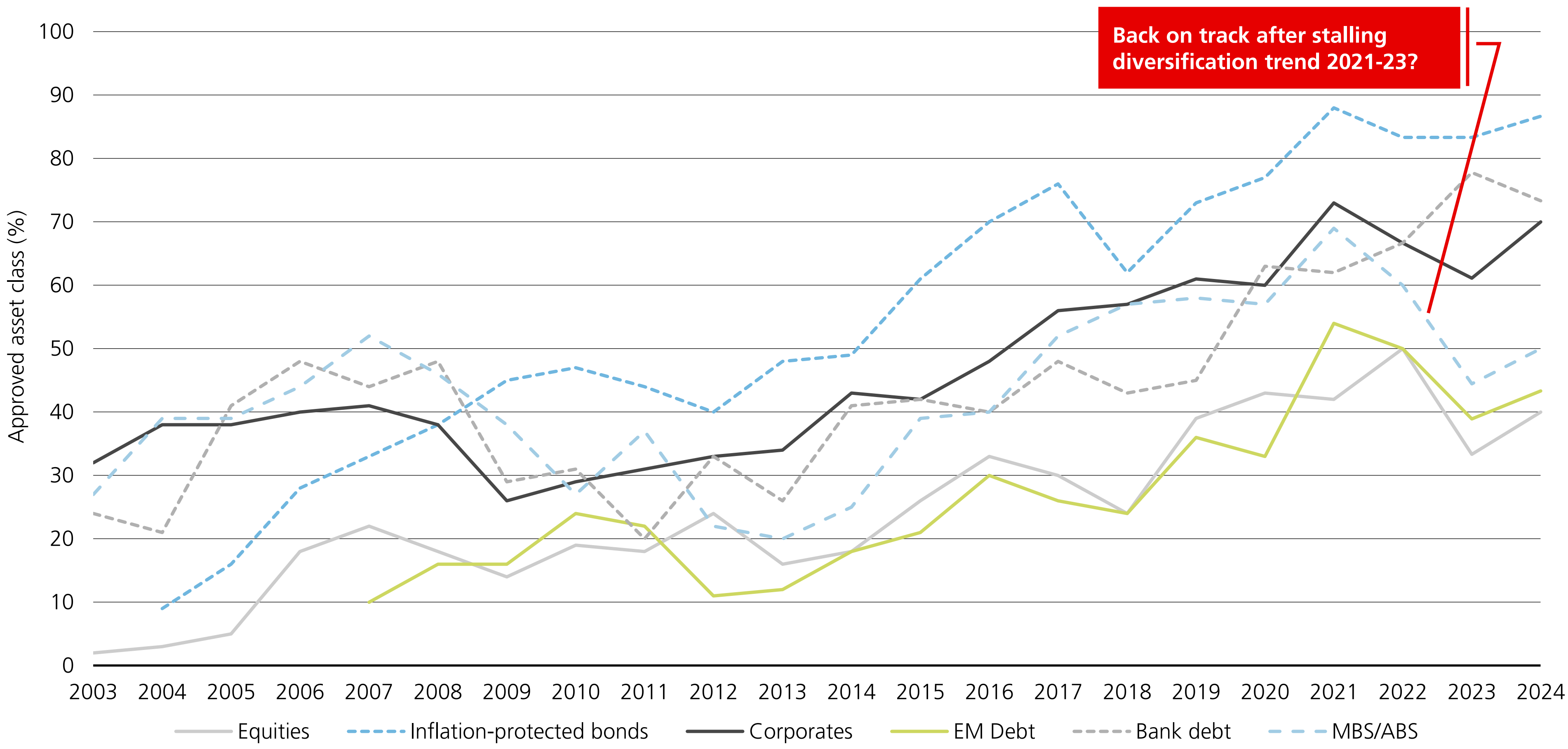
- 91% of respondents believe that the interest in digital currencies will *not* diminish the appeal of gold as a store of value.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

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 June 2024.

Key changes in asset allocation

Which of the following instruments have you increased/decreased in your portfolio in the past year?
Which of the following instruments would you want to own more or less of over the next year?

% of respondents that plan a **decrease** in the **coming year**	% of respondents that reported a **decrease** in the **past year**		% of respondents that reported an **increase** in the **past year**	% of respondents that plan an **increase** in the **coming year**
-5%	-4%	Supranationals	52%	52%
-10%	-11%	Sovereign eurobonds	37%	52%
-10%	-15%	US agencies	22%	24%
0%	-4%	Inflation-protected bonds	26%	33%
0%	-4%	Covered bonds	15%	33%
0%	-4%	Green bonds	37%	57%
-19%	-11%	Bank debt	15%	10%
-5%	-4%	Corporates	30%	33%
-5%	-15%	MBS/ABS	33%	24%
-5%	-7%	EM hard currency debt	4%	19%
0%	-15%	EM local currency debt	4%	5%
-5%	-7%	Equities passive	19%	19%
0%	0%	Equities active	11%	10%
0%	0%	Multi-asset products	4%	0%
0%	0%	Gold	22%	24%
0%	0%	Commodities (excl. gold)	4%	5%
0%	0%	Infrastructure (equity & debt)	4%	5%
0%	-4%	Real Estate	7%	5%
0%	0%	Hedge Funds	0%	0%

Green bonds a key asset class

Move into equities continues at moderate pace

Ongoing demand for inflation hedges

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

UBS

New Investment paradigm for Reserve Management

FX Reserve portfolio

Capital Protection
Working capital

Fixed Income
- Government Bonds
- Corporate Bonds
- Agency Bonds

Asset appreciation
Saving assets

Equity
Fixed Income
Emerging Market Bonds (Hard/local currency)

Macro risk hedging
Hedging assets

Duration management
TIPS
Direct Real Estate
Gold / Commodities

ESG consideration: Green Bonds, Sustainable Equity

Benchmark and governance considerations, e.g. Reference Portfolio

SAA Framework

- Articulate the objectives for overall investment management and the eligible investment universe
- Specify the risk measures used to define the tolerance for investment risk
- Define the investment horizon over which the risk profile and success of SAA in meeting the objectives will be assessed
- Formalize the methodology for SAA including the determination of capital market assumptions for each asset class and rely on scenario analysis to build portfolios resilient across alternative states of the world
- Operationalize the SAA by setting up weights to each of the eligible asset classes, appropriate benchmarks, the rebalancing strategy, and the overall budget for active risk

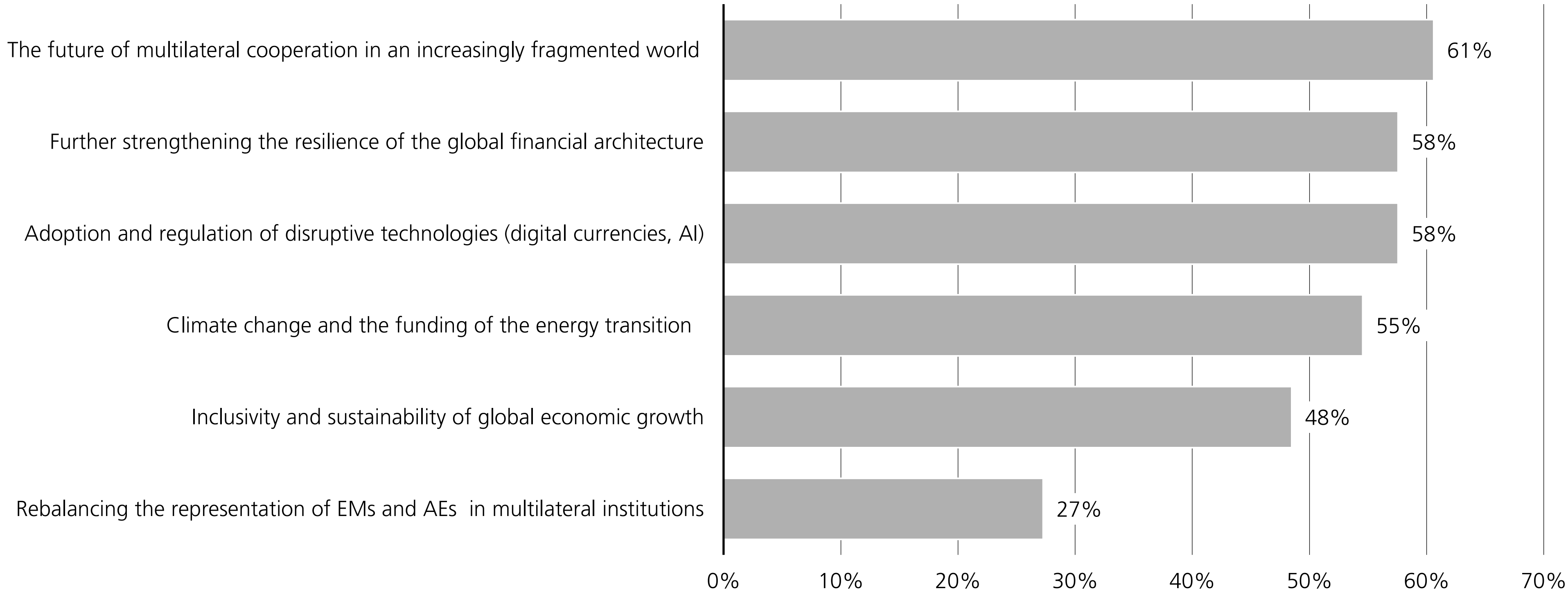
Source: UBS Asset Management as of 1Q 2024. For illustrative purposes only. This does not constitute a guarantee by UBS AG, Asset Management.

The international financial architecture I

80 years of Bretton Woods

80 years after Bretton Woods – The future of the international financial system

Which fundamental issues should a reform of the current international financial system address?



Assessment of the international financial architecture

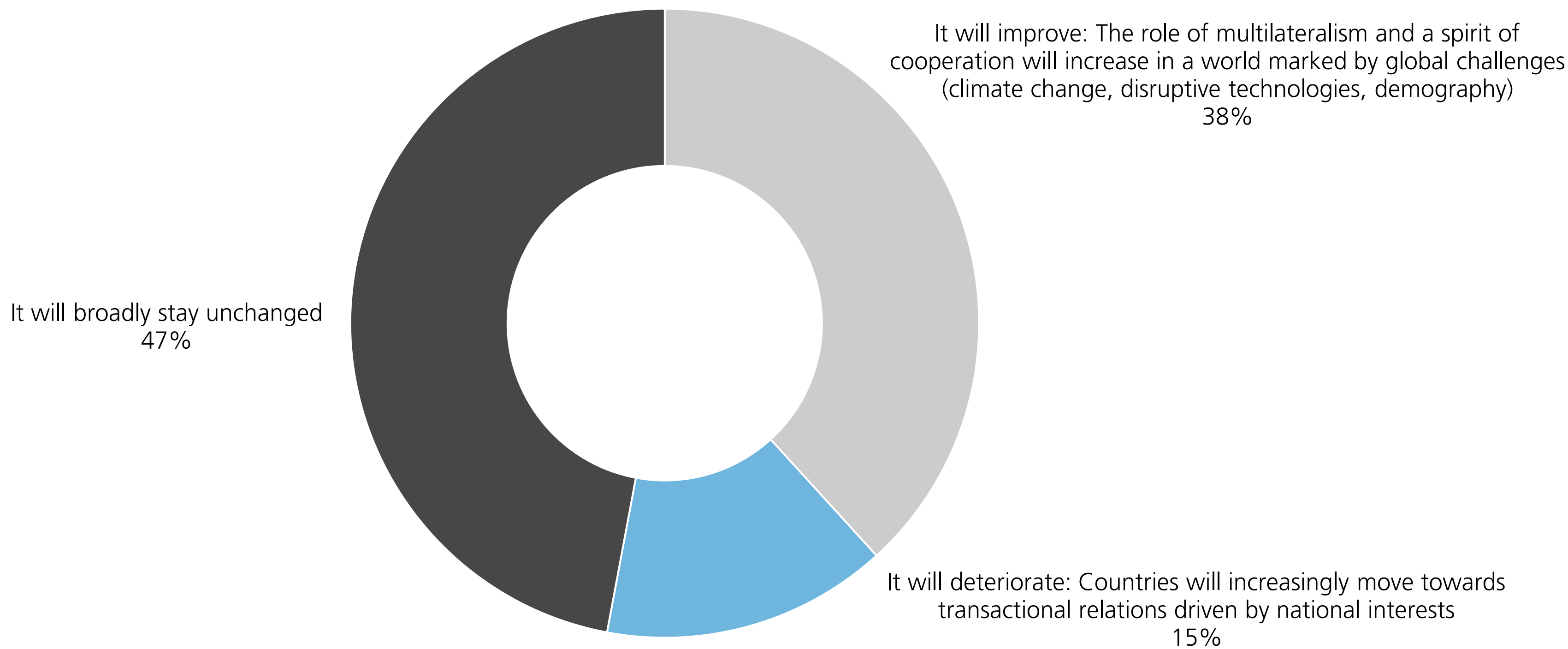
- 64% of survey respondents think that the 80-year old Bretton Woods institutions are obsolete without reforms when it comes to dealing with current global challenges (income equality, debt growth, climate change).
- Only 30% believe that the current international financial architecture is resilient enough to survive current challenges without reforms.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

UBS

The international financial architecture II

Will multilateralism and cooperation in international bodies like the IMF or World Bank improve or deteriorate over the next years?



How will recent developments change the ability of the international financial architecture to solve problems?

- On an optimistic note, 88% see more net positives and opportunities to solve problems than negatives and challenges coming out of recent developments surrounding disruptive technologies and the rise of new economic powers.

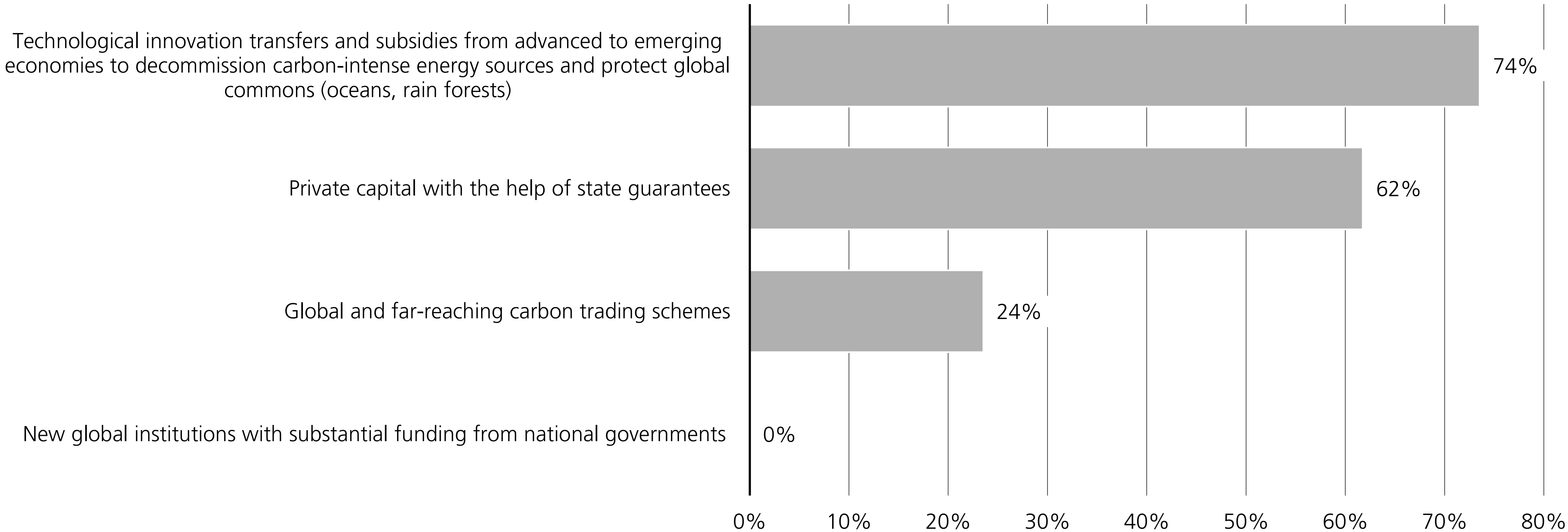
Source: UBS Annual Reserve Manager Survey, results as of June 2024.

The international financial architecture - Climate

80 years of Bretton Woods

What can be done to address climate change?

What are the most effective tools for financing the global climate transformation?



Climate Change

- 94% believe that climate change should be considered macro-critical in the context of the work of the IMF and World Bank and become part of their surveillance process.
- 52% believe that SDRs are NOT an effective tool to address the climate financing needs of developing nations.
- 50% think that sovereign bonds should be screened according to Net Zero alignment in terms of decarbonization performance, carbon reduction targets set by issuing governments, supportive policies and legislation.

Source: UBS Annual Reserve Manager Survey, results as of June 2024.

Contact information

Dr Massimiliano Castelli
Head of Strategy & Advice
Global Sovereign Markets
Tel: + 41 79 84 99 448
massimiliano.castelli@ubs.com

Philipp Salman
Strategy & Advice
Global Sovereign Markets
Tel: + 41 44 234 66 27
philipp.salman@ubs.com

Disclaimer

For marketing and information purposes by UBS. For professional / qualified / institutional clients and investors only.

This document does not replace portfolio and fund-specific materials. Commentary is at a macro or strategy level and is not with reference to any registered or other mutual fund.

Americas

The views expressed are a general guide to the views of UBS Asset Management as of June 2024. The information contained herein should not be considered a recommendation to purchase or sell securities or any particular strategy or fund. Commentary is at a macro level and is not with reference to any investment strategy, product or fund offered by UBS Asset Management. The information contained herein does not constitute investment research, has not been prepared in line with the requirements of any jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. All such information and opinions are subject to change without notice. Care has been taken to ensure its accuracy but no responsibility is accepted for any errors or omissions herein. A number of the comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results, however, may prove to be different from expectations. The opinions expressed are a reflection of UBS Asset Management's best judgment at the time this document was compiled, and any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise is disclaimed. Furthermore, these views are not intended to predict or guarantee the future performance of any individual security, asset class or market generally, nor are they intended to predict the future performance of any UBS Asset Management account, portfolio or fund.

EMEA

The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. UBS AG and / or other members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document.

Before investing in a product please read the latest prospectus carefully and thoroughly. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient.

The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS AG.

This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

UK

Issued in the UK by UBS Asset Management (UK) Ltd. Authorised and regulated by the Financial Conduct Authority.

APAC

This document and its contents have not been reviewed by, delivered to or registered with any regulatory or other relevant authority in APAC. This document is for informational purposes and should not be construed as an offer or invitation to the public, direct or indirect, to buy or sell securities. This document is intended for limited distribution and only to the extent permitted under applicable laws in your jurisdiction. No representations are made with respect to the eligibility of any recipients of this document to acquire interests in securities under the laws of your jurisdiction.

Using, copying, redistributing or republishing any part of this document without prior written permission from UBS Asset Management is prohibited. Any statements made regarding investment performance objectives, risk and/or return targets shall not constitute a representation or warranty that such objectives or expectations will be achieved or risks are fully disclosed. The information and opinions contained in this document is based upon information obtained from sources believed to be reliable and in good faith but no responsibility is accepted for any misrepresentation, errors or omissions. All such information and opinions are subject to change without notice. A number of comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results may prove to be different from expectations and any unforeseen risk or event may arise in the future. The opinions expressed are a reflection of UBS Asset Management's judgment at the time this document is compiled and any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise is disclaimed.

You are advised to exercise caution in relation to this document. The information in this document does not constitute advice and does not take into consideration your investment objectives, legal, financial or tax situation or particular needs in any other respect. Investors should be aware that past performance of investment is not necessarily indicative of future performance. Potential for profit is accompanied by possibility of loss. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Australia

This document is provided by UBS Asset Management (Australia) Ltd, ABN 31 003 146 290 and AFS License No. 222605.

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

UBS