

# UBS Market Pioneers Index

Two innovative approaches combined into a singular strategy.

## Index overview

Multi-asset indexing strategies can provide individuals in and near retirement with ways to address some of their key concerns, including managing short-term market volatility, capturing harder-to-find excess return, and keeping ahead of inflation.

By combining two specialized strategies, the UBS Market Pioneers Index ("the Index") seeks to address these concerns. The underlying strategies consist of two complementary component indices, one that invests in equities, the other in commodity futures. In addition, the Index includes exposure to fixed-income when the Index's equity and commodity volatility targets are exceeded.

The Index is a "long only" strategy with a total return objective, and it seeks to provide above-average returns with lower volatility over the long term.



### Equity component

The NYSE Zebra Edge U.S. Equity Index is an equal-weight, large-cap stock index. It is based on award-winning research by Roger Ibbotson, founder of Zebra Capital Management\*. His study of stock market trends found that investors are rewarded over longer-term investment horizons for removing stocks that are overly popular (defined as excessive turnover relative to the amount of shares outstanding) and overly volatile from their portfolio.



### Commodity component

The Jim Rogers Global Consumer Commodities Index™ is a diversified, low turnover index of 27 commodity futures contracts. Weights and futures contracts are selected based on global consumption patterns (i.e., demand) for the respective commodity, while taking into account the liquidity of the strategy. Through his extensive on-the-ground research into the market behavior of global commodities, veteran investor Jim Rogers has found that consumption-weighted commodity investing outperforms other forms of commodity investing over time.\*\*



### Fixed-income component

Fixed-income exposure is implemented using a tactical trend-following US 10-Year Treasury Futures Strategy.

Ticker: UBSMPI

Web site: [ubsmarketpioneers.com](http://ubsmarketpioneers.com)

The research and experience of two renowned market pioneers



**Roger Ibbotson**  
Founder and CIO,  
Zebra Capital  
Management



**Jim Rogers**  
Founder of  
the Rogers  
International  
Commodity  
Index (RICI)

Illustration credit: Jim Rogers: James Williams, Face to Face, FT.com, 01 April 2016. Roger Ibbotson: Sophia Grene, Face to Face, FT.com, 04 March 2016 © The Financial Times Limited 2016. All Rights Reserved.

\* "The Liquidity Style of Mutual Funds" Roger Ibbotson, Thomas Idzorek and James Xiong. Published in Financial Analyst Journal 2012.

\*\* "Hot Commodities: How Anyone Can Invest Profitably in the World's Best Market" James B. Rogers, Random House 2004.

# Index construction and methodology

To maintain return and volatility targets, the Index employs a three-step, dynamic allocation process.

## 1. Tactical Equity/Commodity Tilt

A tactical tilt strategy weights the NYSE Zebra Edge U.S. Equity Index component and Jim Rogers Global Consumer Commodities Index™ component in a 75/25 ratio, based on a 200-day rolling measure of relative strength. Rebalancing is executed quarterly.



 NYSE Zebra Edge U.S. Equity Index

 Jim Rogers Global Consumer Commodities Index

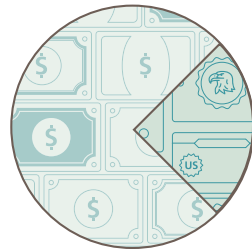
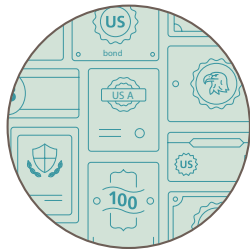
Rolling 200-day relative strength measure **favors equities**


Rolling 200-day relative strength measure **favors commodities**

An equity/commodity risk control targets a 5% annualized volatility, subject to a 100% maximum exposure. When exposure is below 100%, the remaining allocation tracks the Tactical US 10-Year Treasury Futures strategy described below. Rebalanced daily.

## 2. Tactical Treasury Futures allocation

The Index either fully tracks or maintains a 25% allocation to an index of US 10-Year Treasury Note Futures\* dependent on market conditions and the performance of that index.



 Index of US 10-Year Treasury Note Futures\*

 Interest-free Cash Account

**100% Exposure**  
Index of US 10-Year Treasury Note Futures **above** its 100-day moving average for 5 consecutive days


**25% Exposure**  
Index of US 10-Year Treasury Note Futures **below** its 100-day moving average for 5 consecutive days

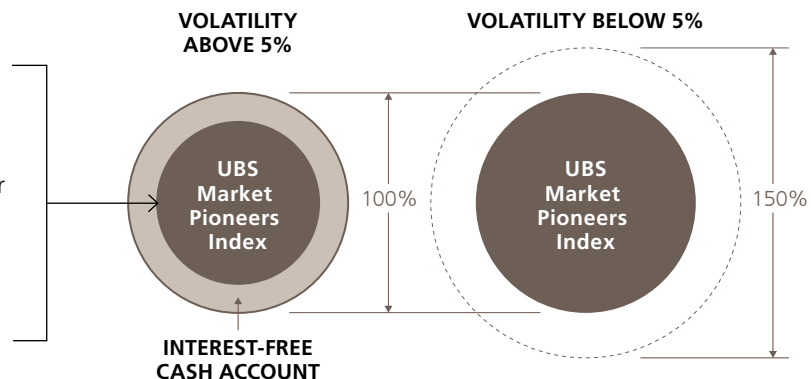
## 3. Portfolio-level risk control

A final risk control overlay is applied to the combined tactical allocations.

 NYSE Zebra Edge U.S. Equity Index

 Jim Rogers Global Consumer Commodities Index

 Index of US 10-Year Treasury Note Futures\*



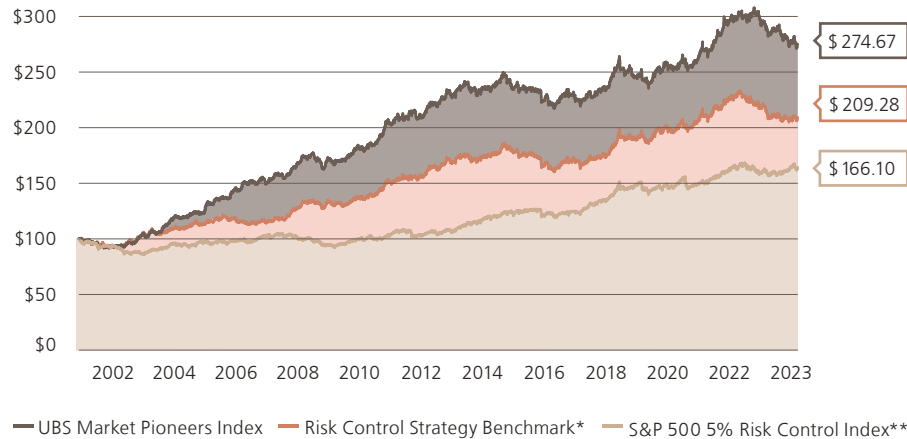
Portfolio level risk control manages exposure for the Tactical Equity/Commodity Tilt/ Tactical Treasury Futures allocation subject to a 150% maximum. The UBS Market Pioneers Index exposure is reduced pro-rata when necessary in order to target a 5% annualized volatility. Rebalanced daily. A 0.75% per annum fee is deducted from the Index.

\* The official name of the index of US 10-Year Treasury Note Futures referred to in this material is the Solactive 10-Year US Treasury Future Index.

The NYSE Zebra U.S. Equity Index fully re-invests dividends, but performance is reduced by an annualized ICE 3-month Libor rate.

# Results

## Backtested Performance



The term “backtested performance” refers to simulated performance data provided as an illustration of how the Index would have performed during the relevant period had the Index administrator been calculating the Index using the current Index methodology. Such simulated performance data has inherent limitations, as the simulated data is produced by the retroactive application of a backtested methodology. Simulated performance data is based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance, and may reflect a bias toward strategies that have performed well in the past. No future performance of the Index can be predicted based on the simulated performance described herein. Index performance is net of a 0.75% per annum index fee. **The UBS Market Pioneers Index went live on November 11, 2016. All Index data prior to that date is based on backtested performance.**

Range: February 6, 2001 – August 31, 2023.  
Source: Solactive, UBS, S&P Dow Jones and Bloomberg.

	UBS Market Pioneers Index	Risk Control Strategy Benchmark	S&P 500 5% Risk Control Index
Annualized Return	4.58%	3.33%	2.27%
Volatility	5.34%	5.24%	5.08%
Return/Risk	0.86	0.63	0.45
Maximum Drawdown	-12.94%	-13.95%	-14.00%
1 Year Return	-5.27%	-3.35%	3.73%
2 Year Annualized Return	-4.26%	-4.27%	-0.05%
3 Year Annualized Return	0.12%	0.94%	2.93%
5 Year Annualized Return	2.03%	1.63%	2.00%

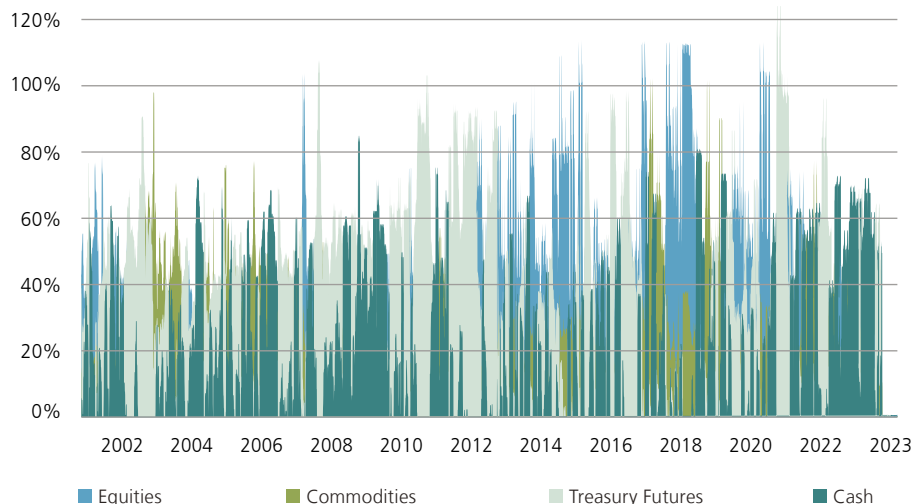
\*The Risk Control Strategy Benchmark makes the following changes within the UBS Market Pioneers Index in order to replicate how a similar 5% risk control strategy tracking major benchmarks would have performed:

- The equity component is replaced with the S&P 500 ER Index
- The commodities component is replaced with the S&P GSCI ER Index
- The Tactical Treasury Futures Allocation is replaced with the Solactive U.S. 10-Year Treasury Future Index

**All Risk Control Strategy Benchmark data is based on backtested performance.** Performance is net of a 0.75% per annum index fee.

\*\*The S&P 500 5% Risk Control Index (“SPRCI”) tracks an excess return index. **The SPRCI went live on September 9, 2009. All data prior to that date is based on backtested performance.** Performance does not include any deduction of fees.

## Backtested Allocations



The term “backtested allocations” refers to simulated Index asset allocations provided as an illustration of the Index’s asset allocations during the relevant period had the Index administrator been calculating the Index using the current Index methodology. Simulated Index data has inherent limitations, as the simulated data is produced by the retroactive application of a backtested methodology. This data does not reflect the Index’s actual asset allocations over the relevant period. No future asset allocations of the Index can be predicted based on the simulated asset allocations described herein. **The UBS Market Pioneers Index went live on November 11, 2016. All Index data prior to that date is based on backtested simulations.**

Range: February 6, 2001 – August 31, 2023.  
Source: Solactive.

# Selected Risk Considerations

## **UBS Market Pioneers Index**

- The Index is not guaranteed to succeed at meeting its objectives.
- The Index has exposure to equities, commodities and fixed income markets.
- Financial products linked to the Index will be exposed to the risks of those products.
- Relative strength and trend-following strategies could underperform in a choppy or range bound market.
- The Index relies on risk control methodology, and could underperform indices that do not have a risk control overlay.
- Changes in allocations between equities, commodities and US 10-Year Treasury Futures are based on rolling historical market data.
- The Index is an excess return index and will not earn any cash re-investment return.
- The Index has a limited operating history and may perform in unanticipated ways.
- Backtested performance and backtested allocations of the Index should not be taken as an indication of the future performance of, or future allocations of, the Index.
- Index performance is reduced by a 0.75% per annum index fee.

## **NYSE Zebra Edge U.S. Equity Index**

- Exposure to equities market risk.
- Applying a volatility and popularity filter may cause the index to underperform other indexing strategies.
- Equal weighting of the equity index components may underperform indices that use other weighting methodologies.
- Excess return indices will underperform if 3-month Libor rates experience a significant and consistent increase.
- The NYSE Zebra Edge U.S. Equity Index fully reinvests dividends, but performance is reduced by an annualized ICE 3-month Libor rate.

## **Jim Rogers Global Consumer Commodities Index**

- The Jim Rogers Global Consumer Commodities Index weights commodities based on global consumption patterns. In certain market environments, a consumption weighted index may underperform indices that utilize other component weighting methodologies.
- The Jim Rogers Global Consumer Commodities Index tracks commodities with further-dated maturities. This enhanced roll methodology may cause the index to underperform indices or strategies that are composed of commodity futures with shorter-dated maturities.
- Commodity indexes may lose value for the following reasons:
  - The effects of weather.
  - The impact of government programs and policies.
  - National and international political, military, or economic events.
  - Increases in interest and exchange rates and other factors that may affect the supply of and demand for global commodities.
- Strategies linked to commodity indices composed of futures contracts, such as the Jim Rogers Global Consumer Commodities Index, may be impacted by the following:
  - Storage costs
  - Interest rates
  - Seasonality
  - Cost to roll futures

## **US 10-Year Treasury Note Futures Index**

- Subject to interest rate risk.
- May be impacted by cost to roll futures.
- The index is an excess return index and does not include exposure to an interest-bearing cash account.

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