UBS

US equities

Campaign Warriors

Chief Investment Office GWM | 4 March 2020 5:36 pm GMT+0:00
Laura Kane, CFA, CPA, Head Thematic Research Americas; **Michelle Laliberte**, CFA, Thematic Investment Associate

- With campaign season in full swing, stocks with relatively high exposure to policy changes will most likely experience higher volatility from now until Election Day in November.
- To weather potential election-related volatility, we recommend buying companies with less exposure to policy change proposals that could be discussed on the campaign trail.
- To identify these companies, we considered our CIO covered companies' exposure to several key policy issues including corporate taxes, healthcare reform, regulatory changes, environmental policies, and trade. We expect this stock list to perform in-line with the S&P 500 Index, with less election-related volatility.
- The time horizon for the corresponding stock list is 6-12 months, starting now through campaign season.
- This theme is focused on "sleeping better" during the campaign season, rather than attempting to identify winners/losers under various US Presidential election outcomes.

A version of this report is available with specific security recommendations for the US onshore investors. For a copy, please consult your UBS Financial Advisor.

Source: Getty Images

With roughly eight months to go until Election Day, investors are assessing the potential impact of proposed policy changes. The current political environment lends itself to deeply divergent views on either side of the aisle, leaving voters to weigh the impact of two extremes. While the proposals set forth during campaign season rarely come to fruition in their entirety, fear of sweeping changes can be reflected in stock prices during campaign season. As a result, we expect companies with greater exposure to key political issues to experience volatility as Election Day approaches. In this theme report, we highlight companies that we believe are relatively insulated (though not completely immune) from expected political noise. We expect these companies to perform in-line with the broader US equity market, while allowing investors to "sleep better" during campaign season. We do not attempt to identify winners/losers from either party's victory.

In composing our list, we considered companies' exposure to the following issues: corporate taxes, healthcare reform, regulatory changes in key sectors, environmental policies, and trade. In Fig 1, we provide an excerpt from the most recent Election Watch report that provides more detail on these topics and the potential investment implications.

Fig. 1. Key policies to consider

For investors wondering, "what does the US election mean for my portfolio?", we explore the following factors.

At a glance	Policy likelihood	Investment view
Corporate taxes		
The Trump administration lowered corporate taxes with the 2017 Tax Cuts and Jobs Act, but a Democratic administration would likely attempt to increase taxes.	If Trump is reelected, corporate taxes will likely remain the same—with an effort to make the cuts permanent. Democrats would try to raise additional revenue, but passing legislation could be difficult without a large majority in Congress.	Although hurdles exist, debates on the topic could raise volatility as Democratic proposals could cut earnings by up to 7%. We remain constructive on US equities but always recommend diversifying across regions to protect against local risks.
Redistribution		
While President Trump has proposed additional middle class tax cuts, a Democratic candidate would look to increase taxes on the wealthy. Democrats have also proposed changes to policies around minimum wage and social security.	Wealth tax proposals are unlikely to pass Congress, although estate taxes and capital gains taxes for high earners could be raised. Higher top tax rates and increases to the federal minimum wage are likely with a Democratic president.	When tax planning, maximizing flexibility can be more effective than trying to predict future tax rates. Investors can diversify savings across a mix of taxable, tax-deferred, and tax-exempt accounts.
Health reform		
While President Trump has weakened the Affordable Care Act, Democrats would likely look to preserve or expand public healthcare coverage. Both President Trump and Democratic candidates support drug pricing reform.	While "Medicare for All" would be difficult to pass, an expansion of public healthcare coverage would be more likely under Democrats. Some form of drug pricing restriction is possible under either administration.	Debates over coverage and drug pricing will likely spark volatility in the healthcare sector. Any disruption to private insurance markets and limiting the pricing power of healthcare companies could hurt the sector, although some legislative risk is included in current valuations. Investors should remain diversified across sectors.
Sector regulation (technology, communication, and financial)		
Both President Trump and Democratic candidates have increased scrutiny on technology giants amid antitrust and data privacy concerns. Within the financial sector, President Trump's regulatory appointees have eased Dodd-Frank Act rules somewhat, while Democrats would likely look to reverse more industry-friendly regulatory interpretations.	Regardless of the administration, breaking up tech companies is unlikely in the near term as antitrust cases can take a long time to be resolved. Exact financial regulatory proposals are still unclear. However, Democrat calls for breaking up big banks are not likely to lead to legislative changes.	Investors should prepare for greater volatility in election-sensitive sectors. The potential threats of increased regulation and breaking up larger companies would raise compliance costs and constrain profitability. Investors should remain diversified across equity sectors and hedge concerns by investing in companies with exposure to longer-term trends such as digital transformation.
Environmental policy		
The Trump administration has loosened environmental regulations, while Democratic candidates would almost certainly strengthen them.	While the ambitious proposal called the Green New Deal is unlikely to pass with a divided Congress, a Democrat in the White House could take measures to increase environmental regulation by executive order. President Trump would be likely to continue to loosen regulation.	Companies connected to clean energy, clean air, carbon reduction, and energy efficiency could benefit from regulatory action taken by a Democratic administration and could offer a hedge against the risk of more burdensome environmental legislation for the carbon-based energy sector.
Trade policy		
A reelected President Trump would likely continue his aggresive trade tactics. Democratic candidates are unlikely to adopt a more conciliatory approach.	Both President Trump and Democratic candidates are likely to maintain a hard stance on trade during negotiations with China. Democrats may take softer positions with allies, such as the EU.	Investors should continue to diversify globally and favor companies that are less trade- and investment-dependent.

Below we briefly discuss our stock selection rationale for each sector represented in our stock list.

Communication Services
The communication services sector has three key drivers: content, connectivity, and advertising, which are exposed to strong secular trends regardless of the election outcome. The sector also has a relatively low international revenue mix, reducing the downside risk related to tariff concerns. The most prominent risk for the sector is regulatory risk. Large internet companies in this sector are highly exposed, with both Democrats and Republicans voicing their concerns on data privacy and monopolistic powers. When selecting companies for this list, we attempted to avoid the companies most heavily exposed to these policy risks. Instead, we preferred companies with diverse revenue streams or diversified content as it pertains to streaming.
Authors: Kevin Dennean & Reid Gilligan

Consumer Staples & Consumer Discretionary
Generally, the consumer sectors are somewhat insulated from political noise. More specifically, the consumer discretionary sector is more exposed to the overall economic environment rather than policy changes. The notable exception for both consumer staples and discretionary companies is trade policy. With the US and China having signed a Phase 1 deal, the downside risk for increased tariffs has momentarily subsided, but related headline risk could persist. In our view, consumer companies with strong brands should be able to better withstand any potential flare-up of tensions throughout campaign season. We also took company pricing power into consideration, as it relates to the companies' ability to withstand tariffs. In addition, the Democratic party has not yet voiced any extreme views on the matter, which should reduce the possibility of extreme binary outcomes on either side. Finally, we expressed a preference for consumer staples companies in our selection, since these stocks tend to be more defensive.
Author: Robert Samuels

Energy
In the energy sector, companies are exposed to political rhetoric on both sides of the aisle. The Democratic candidates favor tighter environmental regulations that, if instated, would be a headwind for the US oil and gas industry, particularly those with fracking exposure. A Republican victory, while more positive, may imply potential headwinds from a failure of execution of phase-one commitments regarding oil, natural gas, and or refined products exported from the US, and/or further escalation of trade tensions with China or elsewhere. As a result, we did not include any energy companies on our stock list.
Author: Nicole Decker

Financials
The election poses two main risks for US Financials, in our opinion, including regulatory risk and headline risk. While legislative changes are less likely due to Congressional checks and balances, regulations and rule interpretations can change based on the ideologies of a given candidate. Also, negative news reports pose broad risks for the sector as candidates' more jaundiced views are revealed. That said, certain pockets of the sector are less exposed than others and could even benefit from heightened uncertainty. In fact, increased

uncertainty as we approach election day could drive increased market volatility which could in turn drive higher volumes for the major exchanges.

Author: Bradley Ball

Healthcare

The healthcare sector is perhaps one of the most exposed sectors to political rhetoric we've seen so far in this election cycle. In our view, the extreme policy proposals we've seen from the left are unlikely to be passed in their entirety. However, there is large headline risk associated with any potential for regulatory changes. The talk of Medicare for All has weighed on HMOs, and drug pricing scrutiny from both parties has weighed on pharmaceutical companies. We expect these headwinds to persist throughout the election season, and we have not included any healthcare companies on this stock list.

Information Technology

Similar to the communication services sector, regulatory risk is a key risk factor for companies in the information technology sector. Trade policy will also be a significant factor for the group moving forward. Of the group, we prefer companies that have thus far remained out of the regulatory spotlight. We also have a favorable view of companies with pricing power, or with exposure to longer term secular drivers, such as digital data or cloud services.

Authors: Kevin Dennean & Reid Gilligan

Industrials & Materials

Both the industrials and the materials sectors are without a doubt exposed to trade policy, as well as tax flows and regulatory changes. Of the group, we view companies with pricing power favorably as well as companies with defensive growth characteristics. These characteristics should act as a relative buffer for the companies on this list as it relates to trade and other policy risks.

Author: Adam Scheiner

Real Estate

Potential changes to monetary and fiscal policy could occur depending upon the outcome of the election which could put upward pressure on interest rates. Historically REITs have not fared well in a rising rate environment. However, we believe that the widespread adoption of 5G and continued growth of the mobile-centric world will continue irrespective of the election outcome. We view the wireless towers as well positioned to benefit from what will be a strong secular trend, both domestically and globally.

Author: Jonathan Woloshin

Utilities
Utilities tend to be a defensive sector by nature, but they are exposed to policy risk. That said, the improving economics of renewables provide support for utilities with renewable exposure, even in the event of continued support for fossil fuels from the right. The renewal of the solar tax incentive last year also suggests a Republican win would not be damaging for the group. Should a Democrat gain in popularity, this would be generally positive for electric utilities with renewable exposure. State regulation of utilities should balance the risks that could develop if Democrats push against fossil fuels. For this reason, we have narrowed our selection for this list to regulated utilities with a diverse electricity mix including renewables, and minimum natural gas distribution exposure.
Author: James Dobson

Valuation & time horizon

The stock list has traded at a premium to the S&P 500 over the past five years, on average. Currently, the list is trading roughly one standard deviation above its average premium on a price-to-earnings basis (Fig. 2). The higher than average premium is in part due to recent rotation into defensive sectors in the face of market uncertainty.

Over the past 30 days, our stock list has experienced less volatility than the broader S&P 500 Index. We expect these companies to experience less election-related volatility in the coming months and expect the list to perform roughly in line with the broader US equity market.

The time horizon for the list intends to capture the period of uncertainty during campaign season. We do not attempt to predict a winner of the election, and the list is not positioned to benefit from either candidate's victory.

Risks

Our list includes a number of companies that have sector-related risk exposure to the election. We have attempted to mitigate that by selecting the companies with less policy risk than their industry peers. For example, the financial sector is undoubtedly exposed to "anti-Wall St." rhetoric, as well as sweeping regulatory changes, but the companies we have included, in our view, carry less regulatory risk relative to the larger banks, and we believe any increase in market volatility could drive higher volumes for major exchanges.

Another risk lies in the market discounting the chances of a democratic victory. Currently, market expectations are pricing in a Trump victory. If this sentiment is unwavering throughout campaign season, that would in turn diminish the relative volatility-adjusted performance of the stock list. If the Presidential race is not viewed as competitive, the sensitivity of the broader index to campaign headlines could be low. This would detract from the relative advantage we expect our stock list to enjoy.

The sector allocation of the list poses a risk as well, since we do not have any companies from some sectors like energy and healthcare. The list could underperform the broader market if the energy sector experiences a swift recovery after its recent underperformance. A sharper recovery from the coronavirus than expected by the market could be a tailwind for energy companies, and thus, a headwind for the relative performance of the stock list. Similarly, if the market begins to heavily discount the chances of a Democratic victory, the healthcare sector could pick up some lost ground, detracting from the relative performance of our list.

Lastly, the companies on this list are by no means exempt from other systematic risks. The list is especially exposed to a slowdown in consumer spending, given the tilt towards consumer-based companies. If consumers crimp spending to wait for election clarity, that could pose a risk to positive fundamental backdrop that we currently see. Similarly, a broad based slowdown due to the coronavirus or other macro-impactful events would be a negative for the list as a whole.

Appendix

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"). The investment views have been prepared in accordance with legal requirements designed to promote **the independence of investment research.**

Generic investment research – Risk information: This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.

In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit the portfolio manager's ability to participate in certain investment opportunities that otherwise would be consistent with its investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by the portfolio manager, and the investment opportunities available to such portfolios may differ. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.

Distributed to US persons by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS Securities Japan Co., Ltd, UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.

Austria: This publication is not intended to constitute a public offer under Austrian law. It is distributed only for information purposes to clients of UBS Europe SE, Niederlassung Österreich, with place of business at Wächtergasse 1, A-1010 Wien. UBS Europe SE, Niederlassung Österreich is subject to the joint supervision of the European Central Bank ("ECB"), the German Central Bank (Deutsche Bundesbank), the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), as well as of the Austrian Financial Market Authority (Finanzmarktaufsicht), to which this publication has not been submitted for approval. UBS Europe SE is a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the ECB. **Bahrain:** UBS is a Swiss bank not licensed, supervised or regulated in Bahrain by the Central Bank of Bahrain and does not undertake banking or investment business activities in Bahrain. Therefore, clients have no protection under local banking and investment services laws and regulations. **Brazil:** This publication is not intended to constitute a public offer under Brazilian law or a research analysis report as per the definition contained under the Comissão de Valores Mobiliários ("CVM") Instruction 598/2018. It is distributed only for information purposes to clients of UBS Brasil Administradora de Valores Mobiliários Ltda. and/or of UBS Consenso Investimentos Ltda., entities regulated by CVM. **Canada:** In Canada, this publication is distributed to clients of UBS Wealth Management Canada by UBS Investment Management Canada Inc.. **China:** This report is prepared by UBS Switzerland AG or its offshore subsidiary or affiliate (collectively as "UBS Offshore"). UBS Offshore is an entity incorporated out of China and is not licensed, supervised or regulated in China to carry out banking or securities business. The recipient should not contact the analysts or UBS Offshore which produced this report for advice as they are not licensed to provide securities investment advice in China. UBS Investment Bank (including Research) has its own wholly independent research and views which at times may vary from the views of UBS Global Wealth Management. This report shall not be regarded as providing specific securities related analysis. The recipient should not use this document or otherwise rely on any of the information contained in this report in making investment decisions and UBS takes no responsibility in this regard. **Czech Republic:** UBS is not a licensed bank in the Czech Republic and thus is not allowed to provide regulated banking or investment services in the Czech Republic. Please notify UBS if you do not wish to receive any further correspondence. **Denmark:** This publication is not intended to constitute a public offer under Danish law. It is distributed only for information purposes to clients of UBS Europe SE, Denmark Branch, filial af UBS Europe SE, with place of business at Sankt Annae Plads 13, 1250 Copenhagen, Denmark, registered with the Danish Commerce and Companies Agency, under No. 38 17 24 33. UBS Europe SE, Denmark Branch, filial af UBS Europe SE is subject to the joint supervision of the European Central Bank ("ECB"), the German Central Bank (Deutsche Bundesbank), the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), as well as of the Danish Financial Supervisory Authority (Finanstilsynet), to which this publication has not been submitted for approval. UBS Europe SE is a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the ECB. **France:** This publication is distributed by UBS (France) S.A., French "société anonyme" with share capital of € 132.975.556, 69, boulevard Haussmann F-75008 Paris, R.C.S. Paris B 421 255 670, to its clients and prospects. UBS (France) S.A. is a provider of investment services duly authorized according to the terms of the "Code Monétaire et Financier", regulated by French banking and financial authorities as the "Autorité de Contrôle Prudentiel et de Résolution". **Germany:** This publication is not intended to constitute a public offer under German law. It is distributed only for information purposes to clients of UBS Europe SE, Germany, with place of business at Bockenheimer Landstrasse 2-4, 60306 Frankfurt am Main. UBS Europe SE is a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the European Central Bank ("ECB"), and supervised by the ECB, the German Central Bank (Deutsche Bundesbank) and the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), to which this publication has not been submitted for approval. **Greece:** UBS Switzerland AG and its affiliates (UBS) are not licensed as a bank or financial institution under Greek legislation and do not provide banking and financial services in Greece. Consequently, UBS provides such services from branches outside of Greece, only. This document may not be considered as a public offering made or to be made to residents of Greece. **Hong Kong:** This publication is distributed to clients of UBS AG Hong Kong Branch by UBS AG Hong Kong Branch, a licensed bank under the Hong Kong Banking Ordinance and a registered institution under the Securities and Futures Ordinance. UBS AG Hong Kong Branch is incorporated in Switzerland with limited liability. **India:** UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Number INZ000259830; merchant banking services bearing SEBI Registration Number: INM000010809 and Research Analyst services bearing SEBI Registration Number: INH000001204. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/

Appendix

annualreporting.html **Indonesia, Malaysia, Philippines, Thailand:** This material was provided to you as a result of a request received by UBS from you and/or persons entitled to make the request on your behalf. Should you have received the material erroneously, UBS asks that you kindly destroy/delete it and inform UBS immediately. Any and all advice provided and/or trades executed by UBS pursuant to the material will only have been provided upon your specific request or executed upon your specific instructions, as the case may be, and may be deemed as such by UBS and you. The material may not have been reviewed, approved, disapproved or endorsed by any financial or regulatory authority in your jurisdiction. The relevant investments will be subject to restrictions and obligations on transfer as set forth in the material, and by receiving the material you undertake to comply fully with such restrictions and obligations. You should carefully study and ensure that you understand and exercise due care and discretion in considering your investment objective, risk appetite and personal circumstances against the risk of the investment. You are advised to seek independent professional advice in case of doubt. **Israel:** UBS is a premier global financial firm offering wealth management, asset management and investment banking services from its headquarters in Switzerland and its operations in over 50 countries worldwide to individual, corporate and institutional investors. In Israel, UBS Switzerland AG is registered as Foreign Dealer in cooperation with UBS Wealth Management Israel Ltd., a wholly owned UBS subsidiary. UBS Wealth Management Israel Ltd. is a Portfolio Manager licensee which engages also in Investment Marketing and is regulated by the Israel Securities Authority. This publication is intended for information only and is not intended as an offer to buy or solicitation of an offer. Furthermore, this publication is not intended as an investment advice and/or investment marketing and is not replacing any investment advice and/or investment marketing provided by the relevant licensee which is adjusted to each person needs. The word "advice" and/or any of its derivatives shall be read and construed in conjunction with the definition of the term "investment marketing" as defined under the Israeli Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995.**Italy:** This publication is not intended to constitute a public offer under Italian law. It is distributed only for information purposes to clients of UBS Europe SE, Succursale Italia, with place of business at Via del Vecchio Politecnico, 3-20121 Milano. UBS Europe SE, Succursale Italia is subject to the joint supervision of the European Central Bank ("ECB"), the German Central Bank (Deutsche Bundesbank), the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), as well as of the Bank of Italy (Banca d'Italia) and the Italian Financial Markets Supervisory Authority (CONSOB - Commissione Nazionale per le Società e la Borsa), to which this publication has not been submitted for approval. UBS Europe SE is a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the ECB. **Jersey:** UBS AG, Jersey Branch, is regulated and authorized by the Jersey Financial Services Commission for the conduct of banking, funds and investment business. Where services are provided from outside Jersey, they will not be covered by the Jersey regulatory regime. UBS AG, Jersey Branch is a branch of UBS AG a public company limited by shares, incorporated in Switzerland whose registered offices are at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH 8001 Zurich. UBS AG, Jersey Branch's principal place business is 1, IFC Jersey, St Helier, Jersey, JE2 3BX. **Luxembourg:** This publication is not intended to constitute a public offer under Luxembourg law. It is distributed only for information purposes to clients of UBS Europe SE, Luxembourg Branch, with place of business at 33A, Avenue J. F. Kennedy, L-1855 Luxembourg. UBS Europe SE, Luxembourg Branch is subject to the joint supervision of the European Central Bank ("ECB"), the German Central bank (Deutsche Bundesbank), the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), as well as of the Luxembourg supervisory authority (Commission de Surveillance du Secteur Financier), to which this publication has not been submitted for approval. UBS Europe SE is a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the ECB. **Mexico:** This information is distributed by UBS Asesores México, S.A. de C.V. ("UBS Asesores"), an affiliate of UBS Switzerland AG, incorporated as a non-independent investment advisor under the Securities Market Law due to the relation with a Foreign Bank. UBS Asesores is a regulated entity and it is subject to the supervision of the Mexican Banking and Securities Commission ("CNBV"), which exclusively regulates UBS Asesores regarding the rendering of portfolio management, as well as on securities investment advisory services, analysis and issuance of individual investment recommendations, so that the CNBV has no surveillance faculties nor may have over any other service provided by UBS Asesores. UBS Asesores is registered before CNBV under Registry number 30060. You are being provided with this UBS publication or material because you have indicated to UBS Asesores that you are a Sophisticated Qualified Investor located in Mexico. The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management of any entity of UBS Group to which such analyst(s) render services. **Nigeria:** UBS Switzerland AG and its affiliates (UBS) are not licensed, supervised or regulated in Nigeria by the Central Bank of Nigeria or the Nigerian Securities and Exchange Commission and do not undertake banking or investment business activities in Nigeria. **Portugal:** UBS Switzerland AG is not licensed to conduct banking and financial activities in Portugal nor is UBS Switzerland AG supervised by the portuguese regulators (Bank of Portugal "Banco de Portugal" and Portuguese Securities Exchange Commission "Comissão do Mercado de Valores Mobiliários"). **Singapore:** This material was provided to you as a result of a request received by UBS from you and/or persons entitled to make the request on your behalf. Should you have received the material erroneously, UBS asks that you kindly destroy/delete it and inform UBS immediately. Clients of UBS AG Singapore branch are asked to please contact UBS AG Singapore branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or report. **Spain:** This publication is not intended to constitute a public offer under Spanish law. It is distributed only for information purposes to clients of UBS Europe SE, Sucursal en España, with place of business at Calle María de Molina 4, C.P. 28006, Madrid. UBS Europe SE, Sucursal en España is subject to the joint supervision of the European Central Bank ("ECB"), the German Central bank (Deutsche Bundesbank), the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), as well as of the Spanish supervisory authority (Banco de España), to which this publication has not been submitted for approval. Additionally it is authorized to provide investment services on securities and financial instruments, regarding which it is supervised by the Comisión Nacional del Mercado de Valores as well. UBS Europe SE, Sucursal en España is a branch of UBS Europe SE, a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the ECB. **Sweden:** This publication is not intended to constitute a public offer under Swedish law. It is distributed only for information purposes to clients of UBS Europe SE, Sweden Bankfilial, with place of business at Regeringsgatan 38, 11153 Stockholm, Sweden, registered with the Swedish Companies Registration Office under Reg. No 516406-1011. UBS Europe SE, Sweden Bankfilial is subject to the joint supervision of the European Central Bank ("ECB"), the German Central bank (Deutsche Bundesbank), the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), as well as of the Swedish supervisory authority (Finansinspektionen), to which this publication has not been submitted for approval. UBS Europe SE is a credit institution constituted under German law in the form of a Societas Europaea, duly authorized by the ECB. **Taiwan:** This material is provided by UBS AG, Taipei Branch in accordance with laws of Taiwan, in agreement with or at the request of clients/prospects. **UAE:** UBS is not licensed in the UAE by the Central Bank of UAE or by the Securities & Commodities Authority. The UBS AG Dubai Branch is licensed in the DIFC by the Dubai Financial Services Authority as an authorised firm. **UK:** This document is issued by UBS Wealth Management, a division of UBS AG which is authorised and regulated by the Financial Market Supervisory Authority in Switzerland. In the United Kingdom, UBS AG is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of regulation by the Prudential Regulation Authority are available from us on request. A member of the London Stock Exchange. This publication is distributed to retail clients of UBS Wealth Management.
Version 06/2019. CIO82652744