

# Wrap Fee Program Brochure

## Form ADV Part 2A

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### Discretionary programs

- UBS Portfolio Management Global Program (**PMGL**)
- UBS Portfolio Management International (**PMIN**)
- UBS Portfolio Management Choice (**PMC**)
- UBS Portfolio Management Prime (**PMP**)
- UBS Portfolio Management Asia Opportunities (**PMAO**)
- UBS Portfolio Management European Trade Opportunities (**PMETO**)
- UBS Portfolio Management Sustainable Investing (**PMSI**)
- UBS Managed Fund Portfolio (**MFP**)
- UBS Portfolio Strategy International (**PSIN**)

### Non-discretionary advisory programs

- UBS Investment Advisory Program (**UBS-IA**)
- UBS Investment Advisory Program Precious Metals (**UBS-IA PRM**)

This Form ADV wrap fee program disclosure brochure (**Disclosure Brochure**) provides information about the qualifications and business practices of UBS Swiss Financial Advisers AG (**UBS-SFA**) and our wrap fee investment advisory programs that you should consider before becoming a client of any of these programs.

If you have any questions about the contents of this Disclosure Brochure, please contact us from the United States (**US**) through our toll-free number at +1 855 853 4288, from Switzerland at +41-44-217 31 00 or at [sfa@ubs.com](mailto:sfa@ubs.com). The information in this Disclosure Brochure has not been approved or verified by the US Securities and Exchange Commission (**SEC**), any state securities authority, or any other governmental body.

Additional information about UBS-SFA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration with the SEC does not imply a certain level of skill or training.

This Disclosure Brochure is considered "Marketing Material" as defined by the Swiss Financial Services Act (**FINSA**).

This Disclosure Brochure applies to all of your wrap fee program advisory accounts at UBS-SFA, including any advisory accounts you may open in the future. We will not provide another copy of this Disclosure Brochure when you establish new advisory accounts unless there are material changes to the document we originally provided to you. We will provide you annually with a copy of our updated Disclosure Brochure or a summary of material changes from the Disclosure Brochure previously provided to you.

**Please retain this document for future reference as it contains important information if you decide to open new wrap fee program advisory accounts with our firm.**

**You may also obtain a copy of the current Disclosure Brochure at any time by contacting your Wealth Management Consultant.**

# 1. Material changes

We routinely make changes throughout our Disclosure Brochure to improve and clarify the descriptions of our and our affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices. We do not believe that these changes are material and are, therefore, not disclosed in this section of the Form ADV.

This section describes the material changes to our Disclosure Brochure since amended on August 25, 2020.

**Section 4.17 Complaints** has been added to provide information regarding the mediation agency (Ombudsman) responsible for UBS-SFA and its clients.

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## 3. Advisory services, fees, and compensation

### 3.1 About UBS Swiss Financial Advisers AG (UBS-SFA)

Since 2004, we have offered investment advisory services from our office in Zurich, Switzerland, employing approximately 60 staff. We are a registered investment adviser with the SEC (**RIA**) in the United States (**US**), and have a license in Switzerland from the Swiss Financial Market Supervisory Authority (**FINMA**) as a Wertpapierhaus (which roughly translates in English to "Securities Firm"). We are also a Qualified Intermediary under agreement (**QI Agreement**) with the US Internal Revenue Service (**IRS**). Our parent company, UBS AG, is a global integrated investment services firm and one of the world's leading banks.

As an RIA, we complete Part 1 of Form ADV, which contains additional information about our business and our affiliates. This information is publicly available through our filings with the SEC at <http://www.adviserinfo.sec.gov>.

This information is current as of the date of this Disclosure Brochure and is subject to change at our discretion.

#### 3.1.1. Our services as an investment adviser and relationship with you

**We believe that professional investment advisory programs can help investors pursue their investment objectives. However, the fees and expenses associated with advisory services may exceed those that apply to brokerage services. Advisory products are not for everyone. Please speak with your Wealth Management Consultant for additional information.**

In our capacity as an investment adviser, we offer a number of investment advisory programs, including discretionary investment management and non-discretionary investment advisory programs, and advice on the selection of mutual funds, exchange traded funds and other securities offered through our investment advisory programs.

The fees for these services and programs are calculated as a percentage of assets in the account and are charged on an ongoing basis.

When we act as your investment adviser, we will enter into a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our specific obligations to you. At the beginning of our advisory relationship, we will give you our Disclosure Brochure which provides detailed information about, among other things: the program(s) you select; the advisory services we provide; our fees, personnel, other business activities and financial industry affiliations; and conflicts between our interests and your interests.

#### 3.1.2. Our responsibilities as an investment adviser

When you participate in one of our investment advisory programs, we are considered to have a fiduciary relationship with you under the Investment Advisers Act of 1940. Our responsibilities include the obligation:

- to disclose all material facts, including conflicts between our interests and your interests, to you;
- to inform you if we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you;
- to seek best execution of your securities transactions; to obtain your informed consent before engaging in transactions with you for our own account or that of an affiliate or another client when we act in an advisory capacity (principal trades);
- to treat you and our other advisory clients fairly and equitably, without unfairly favoring one client to the disadvantage of another;
- to act in what we reasonably believe to be your best interests and in the event of a conflict of interest, place your interests before our own;
- to provide recommendations that we reasonably determine are suitable for you given your individual financial situation, investment objectives and goals (based on information you provide) and that are consistent with any restrictions you have placed on us.

### 3.2 About our investment advisory programs

This Disclosure Brochure describes our wrap fee investment advisory programs (**Programs**). To address different investment needs, we offer both discretionary and non-discretionary Programs generally available in three (3) Program currencies: US Dollar (**USD**), Swiss Francs (**CHF**), and Euro (**EUR**). Not all Programs are available in all program currencies. We do not hold ourselves out as specializing in a particular type of advisory service or strategy. Instead, our Programs offer a broad variety of strategies and asset allocations.

Although we are licensed to provide investment advisory services in the US as an RIA, we are not licensed to provide broker-dealer services, banking services or Commodity Futures Trading Commission (**CFTC**)-regulated derivatives services in the US.

Absent limited exceptions, as described further in the next paragraph, **we do not facilitate or carry out execution-only transactions**. Rather, for each non-discretionary Program, we provide you with personal investment advice and investment recommendations on an ongoing basis. For example, we advise you on the impact of a securities transaction considering:

- the asset allocation in relation to your stated risk profile and strategy and portfolio volatility;
- the liquidity of an investment instrument;
- the concentration risk by the counterparty;
- your stated personal and financial circumstances;
- the global economic financial market environment; and/or
- your stated investment restrictions, if any.

Our Programs offer wrap fee advisory services, which allow you to manage your account in a number of ways:

- You can delegate investment discretion to our investment professionals, UBS-SFA Investment Management (**Investment Management**). This type of account is sometimes referred to in this document as our “discretionary” Program.
- You can work with your Wealth Management Consultant (**WMC**) in combination with our Central Advisory Team (**CAT**) where you retain investment discretion. This type of account is sometimes referred to in this document as our “non-discretionary”, “client directed”, “or self-directed” Program.
- You can use a combination of the above.

Generally, our Programs are designed for clients who want:

- to implement a medium to long-term investment strategy;
- to receive advice and guidance from an investment professional on an ongoing basis, either in their self-directed accounts or by delegating management of their assets to a portfolio manager; and
- investment advice, custody, trading and execution services, performance reporting, and US tax reporting services in an all-inclusive account instead of accessing those services separately.

Our Programs may not be appropriate for you if you:

- have a short-term investment horizon;
- want to maintain consistently high levels of cash or money market funds in your account;
- want to maintain highly concentrated positions that will not be sold regardless of market conditions; and/or
- anticipate regular or continuous withdrawals from your account.

Our Programs offer personalized investment advice, ongoing portfolio monitoring, custody, trade execution and other services for a single wrap fee which is based on a percentage of the assets in your account. We earn more if the assets in your account increase; however, your wrap fee will remain the same regardless of how frequently you trade. Other fees may apply to certain transactions as described in section 3.8 (“Fees and other charges not covered by your Advisory Fees”). Depending on your desired services and expected trading activity, you may pay more or less to receive each of the services included in the wrap fee separately.

### 3.2.1 Provision of Services

We provide investment advisory services to our clients. All personnel providing investment advisory services for our clients are supervised persons, i.e. officers, directors or employees of UBS-SFA, and there are no external investment advisers nor affiliated entities (or employees of affiliates) that act as investment adviser (i.e. portfolio manager) on our behalf.

In limited cases, and only for persons domiciled outside the US, we facilitate or carry out execution-only transactions under our license as a FINMA-supervised Securities Firm in Switzerland. Such services are not part of the wrap fee programs described in this Disclosure Brochure, not included as part of any investment advisory agreement, and subject to separate agreements and fees. We neither provide investment advice, nor act in our capacity as a US-registered investment adviser in connection with such execution-only services. Additionally, if an eligible client domiciled outside the US gives purchase and sales orders without investment advice from us, we will not assess the appropriateness or the suitability of such transactions, unless required by law. This

information is only provided here and will not be repeated at the time such transactions occur.

### 3.2.2 US tax reporting

In line with US tax regulations and our QI Agreement, we are obligated to provide all relevant 1099 Forms to the IRS and to our clients subject to taxation in the US on an annual basis. We provide IRS Form 1042 reporting to the IRS and satisfy any withholding tax obligations on behalf of all non-US clients.

### 3.2.3 FATCA reporting

As a Participating Foreign Financial Institution under the US Foreign Account Tax Compliance Act (**FATCA**), we may be required to report some or all of the following information to the IRS: your name and address, beneficial ownership information, a copy of any IRS Form W-9 “Request for Taxpayer Identification Number and Certification” on file and/or some or all of the data contained in the IRS Form W-9, account statements, the amount of assets held with us, the amount of revenues and income, and any other information regarding the relationship which may be requested or required by the IRS.

## 3.3 Programs and investment strategy recommendations

Prior to recommending any service, specific Program or investment strategy, our WMCs make a reasonable inquiry into your financial situation. This includes, but is not limited to, reviewing your investment objectives and risk tolerance for the purpose of determining whether any service, Program and/or investment strategy presented to you is suitable.

Additionally, WMCs evaluate and discuss with you the Program’s fee structure and, specifically, whether an asset-based fee and advisory relationship is suitable for you.

When opening an account, WMCs use reasonable diligence to learn essential facts about you necessary to satisfy know your customer requirements as well as to establish your investor profile (**Investor Profile**).

### 3.3.1 Investor Profile

The Investor Profile is fundamental in order to understand the your needs and overall financial situation (inclusive of your personal loss capacity or risk tolerance), investment objectives, and your knowledge and experience.

Your Investor Profile helps us to determine whether any specific Program, strategy and investment objective recommendations are suitable for you.

An Investor Profile must be in place before any Program account is opened. Your WMC will work with you to complete an Investor Profile based on your stated financial situation, objectives, preferences and needs. An Investor Profile is composed of two basic parts, the client risk profile and, for each client account, a portfolio risk profile.

Client risk profile: As part of the investor profiling process, the following information is requested from the client in order to determine the client risk profile:

- Financial situation, for the purpose of calculating the client's risk tolerance considering free assets and cash/liquidity needs; and
- Knowledge and experience regarding asset classes and product groups as well as types of investment instruments and financial services.

Portfolio risk profile: As part of the investor profiling process, the following information is obtained from the client in order to determine the client's portfolio risk profile for each account the client has with us:

- Investment objectives and goals;
- Portfolio risk tolerance (i.e., modest, average, above average, etc.);
- Investment strategy (i.e., conservative, moderate, or aggressive);
- Target annual return;
- Volatility tolerance;
- Investment time horizon; and
- Portfolio loss tolerance.

Following the completion of the Investor Profile, the WMC is responsible for assessing that your portfolio risk tolerance for your Program account(s) is in line with your Investor Profile. The Investor Profile is reviewed with you during your annual WMC review, as discussed in greater detail in section 8.5 ("Review of client relationships ("client accounts")).

### 3.3.2 Program Specifications

In selecting a Program, you must define your program specifications (**Program Specifications**) for your account. The Program Specifications must be in line with your Investor Profile, including your portfolio risk tolerance for that account and your Client risk profile. The Program Specifications include, but are not limited to, program currency, reporting currency (as defined in greater detail below), target investment strategy, investment objective, and specific investment instructions (or restrictions), if any. After account opening, the applied Program Specifications are communicated to you in writing.

### 3.3.3 Review of Client Essential Facts, Investor Profile and Program Specifications

As explained in greater detail in section 8.5 ("Review of client relationships ("client accounts")), we diligence on at least an annual basis our essential facts and other records pertaining to you and review them for accuracy. We also re-evaluate, as appropriate, your Investor Profile and Program Specifications, to ensure our recommendations to you remain suitable.

## 3.4 Description of our discretionary Programs

The discretionary Programs described in this Disclosure Brochure offer you the portfolio management services of our Investment Management professionals. Our Investment Management team has the primary responsibility for the day-to-day management of discretionary Programs.

By selecting one of our discretionary Programs, you authorize us to act as your investment adviser and give us the power to execute transactions on your behalf (i.e., buy, sell, or to otherwise trade securities or other investments) for the assets held in your discretionary account without consulting you. We have sole authority to manage your account and to make all investment decisions for your account without discussing

these transactions with you. The assets in your discretionary account will be managed in accordance with your Program Specifications.

*Assets held by UBS-SFA in discretionary Programs as per December 31, 2020: USD 3,246,531,142.06* . Note that the above figures correspond to all of the assets held by clients in our discretionary Programs and are not limited to our "Regulatory Assets under Management" figures as disclosed in Form ADV Part 1A , Item 5.

### 3.4.1 UBS-SFA discretionary Programs

UBS-SFA offers a total of 9 discretionary Programs, of which there are:

- Six Programs that each offer 6 investment strategies (Fixed Income, Income, Yield, Balance, Growth, Equity), for a total of 36 alternatives; and
- Two Programs that focus on regionally tailored opportunities (Asia opportunities and, respectively, European opportunities), each offering an Equity only strategy; and

- One Program that focuses on Sustainable Investing, offering three strategies (Yield, Balanced, Growth)

The 41 base investment strategies can be further tailored to create an investment portfolio with individual specifications.

The following table provides an overview of the strategies and related investment objectives for each discretionary Program strategy

Strategy	Investment objectives	MFP	PMGL	PMIN	PMC	PMP	PMAO	PMETO	PMSI	PSIN
Fixed Income	To seek long-term capital preservation and regular interest income with minimal volatility.	√	√	√	√	√	n/a	n/a	n/a	√
Income	To seek long-term capital preservation, regular interest income, and very modest capital appreciation, with relatively low volatility.	√	√	√	√	√	n/a	n/a	n/a	√
Yield	To seek income generation and long-term capital appreciation with moderate volatility.	√	√	√	√	√	n/a	n/a	√	√
Balanced	To seek a balance of income and long-term capital appreciation generated by a broad mix of interest, dividends and capital gains, with medium volatility.	√	√	√	√	√	n/a	n/a	√	√
Growth	To seek significant long-term capital appreciation, with only modest interest income and dividend yield with above average volatility.	√	√	√	√	√	n/a	n/a	√	√
Equity	To seek substantial long-term capital appreciation with nominal dividend yield with high volatility.	√	√	√	√	√	n/a	√	n/a	√
Equity (special theme)	To seek substantial long-term capital appreciation in special themes and nominal dividend yield with significant volatility.	n/a	n/a	n/a	n/a	n/a	√	n/a	n/a	n/a

**Program currencies available for each discretionary Program:** The Program currency is the currency in which investment performance is measured over a specific period of time. The Program currency affects the portfolio composition and represents the largest currency allocation in the portfolio, but does not preclude investments in other currencies. See section 4.12 ("Changes in currency values; differences between "home" and "Program" currency") for more information regarding the risks associated with selecting a Program currency which is different from your "home" currency (i.e., the currency of your country of residence).

Discretionary Programs									
Program currency	MFP	PMGL	PMIN	PMAO	PMC	PMP	PMETO	PMSI	PSIN
USD	√	√	n/a	√	n/a	n/a	n/a	√	n/a
CHF	n/a	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EUR	n/a	√	√	n/a	n/a	n/a	√	n/a	√
Others	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Reporting currencies available for each discretionary Program:** The Reporting Currency is the currency in which you wish UBS-SFA to report the investment performance of your account. You have the possibility to select any major currency as Reporting Currency including, but not limited to, USD, CHF, EUR.

The Reporting Currency is not the Program Currency. You are aware that the portfolio performance, which is based on the Program Currency, may significantly deviate from the performance shown in the Reporting Currency due to exchange rate fluctuations. In case the Reporting Currency is not defined, the selected Program Currency will be applied as Reporting Currency. If the Reporting Currency for your account is not CHF, then the debiting of your Advisory Fee for your account will result in a foreign-exchange transaction. Specifically, CHF will be bought against the reporting currency and an FX transaction fee that is not part of the Advisory Fee will be charged. See section 3.6 ("Your Advisory Fee for all Programs").

**UBS Managed Fund Portfolio (MFP)** provides an "open architecture" platform which gives investors access to investment funds in the form of mutual funds and exchange traded funds (**ETFs**) from providers around the world. The main objective is to allocate assets to investment funds and to reduce the risk by diversifying the fund managers across assets classes and regions/currencies.

While the main objective of MFP is to provide access to investment funds, MFP will also invest in other securities such as structured products and certain fixed income securities.

**The UBS Portfolio Management Sustainable Investment (PMSI)** provides exposure to sustainable investment opportunities by investing in mutual funds, ETFs, and other instruments.

Flexibility and adherence to the principles of environmental, social and governance (**ESG**) investing are fundamental. The offering leverages content of an existing UBS Group offering, but can deviate in terms of content, performance, and/or fees and expenses.

**UBS Portfolio Management Global (PMGL)** provides access to markets and investment opportunities around the world (including the US) with a focus on your chosen Program currency (USD, EUR, CHF).

**UBS Portfolio Management International (PMIN)** provides access to investments opportunities outside of the US (i.e., Western Europe, Asia Pacific (**APAC**), emerging markets).

**UBS Portfolio Strategy International (PSIN)** provides access to investments opportunities outside of the US (i.e., Western Europe, APAC, emerging markets). Investments in equities are generally covered via mutual funds, ETFs, or other types of pooled vehicles (e.g. structured products), rather than in direct equity investments. Investments in bonds are made through direct bond investments, mutual funds, ETF or other types of pooled vehicles. The overall size of the portfolio will have an impact on the amount of investment instruments which can be held. There is a risk of higher volatility in portfolios with a small number of investment instruments.

**UBS Portfolio Management Asian Opportunities (PMAO)** provides access to investment opportunities outside the US with a focus on Asia. The main objective is to allocate your assets through direct access to equity securities and/or investment funds traded in local Asian markets and abroad (i.e., London, US, etc.), while at the same time benefiting from a geographically diversified investment program.

Asian equity markets are substantially less liquid than those in the US and in Europe. Furthermore, market and currency volatility is significantly higher. Transparency of company statements and management activities is lower than in the US and Europe. Political or regulatory changes can lead to unplanned transactions, costs, and losses. The limited spectrum of investment vehicles available within this region can result in concentrated asset class, market, sector, or security exposure. One or more of the risks mentioned above can individually or in combination result in you losing all or part of the invested assets.

**UBS Portfolio Management European Trade Opportunities (PMETO)** provides access to European equity markets such as the Eurozone, Nordic countries, Switzerland

and, eventually in the United Kingdom (**UK**) or other countries. The main objective is to allocate assets to European equities. PMETO offers investors an active stock selection strategy based on financial fundamentals and market data with diversification from pure asset allocation driven approaches. The portfolio can contain securities in the program currency and/or other currencies. The stock selection process per design results in higher turnover and holding periods for underlying investments of between one and 12 months on average.

**UBS Portfolio Management Choice (PMC)** is a tailor-made investment strategy with a variety of available models, markets, and currencies. You choose from the available models and strategies or markets (i.e., Europe, Asia, etc.) to define how the portfolio should be managed. The main objective is to allocate assets to investments according to your chosen investment models.

**UBS Portfolio Management Prime (PMP)** is a tailor-made discretionary program with dedicated UBS-SFA Investment Management oversight. With a PMP mandate, you define, together with the WMC and a member of the Investment Management team, your individual strategic asset allocation (**SAA**), the bandwidths for tactical moves, and the preferred investment instruments. Investment Management defines the individual SAA risk and return of the PMP program. The result is reflected in one of 6 investment strategies. The tactical asset allocation for each PMP account is reviewed separately on a regular basis and changes are made as appropriate.

### 3.4.2 Portfolio management models or building blocks

Our discretionary Programs, have three principal components: (i) allocations to equity securities and/or investment fund (including ETFs) for equity exposure, (ii) allocations to bonds and/or investment funds for fixed income exposure, and (iii) allocations to Other Investments (including precious metals and liquidity). The equity allocation of discretionary Program strategies is derived from existing equity models which are implemented across the discretionary Programs.

Each investment strategy in each discretionary Program is comprised of one or more models or building blocks which are managed by our Investment Management professionals. The same building blocks will be used across the discretionary Programs with varying allocations depending on the Program, investment strategy and/or Program account size.

Your costs of investing and the overall impact of those costs on the performance of the model portfolios will vary depending on your Program selection.

The Equity, Bond and Other Investments models which are employed by Investment Management are described below. Models may be changed or added from time-to-time in our absolute discretion.

Equity models	
<b>Switzerland equities model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks from companies and pooled investment vehicles in Switzerland.
<b>UK equities model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks from companies and pooled investment vehicles in the UK.
<b>Europe exUKexCH equities core model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks from companies and pooled investment vehicles in Europe excluding the United Kingdom and Switzerland.
<b>Europe exUKexCH equities dividend selection model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks and pooled investment vehicles in Europe excluding UK and Switzerland that offer above average dividend yields as well as strong and consistent dividend growth.
<b>Europe exUKexCH equities small/midcap model</b>	Seeks long-term capital appreciation through a portfolio constructed primarily of single stocks from small and mid-sized companies and pooled investment vehicles in Europe excluding the UK and Switzerland.
<b>North America equities core model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks from companies and pooled investment vehicles in the US and Canada.
<b>North America equities dividend selection model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks and pooled investment vehicles in the US and Canada that offer above average dividend yields as well as strong and consistent dividend growth.
<b>Asia Pacific developed equities model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of single stocks from companies in Japan and pooled investment vehicles in Australia, Hong Kong and Singapore. Country specific models for Japan or Australia, or a combination of both, can be included.
<b>Emerging market equities model</b>	Seeks a balance of income and long-term capital appreciation through a portfolio constructed primarily of pooled investment vehicles in the Emerging Markets.

Bond models	
<b>Bonds USD investment</b>	Seeks long-term capital preservation and regular interest income with minimal volatility. Primarily investing in single and

<b>grade intermediate term model</b>	mid-term bonds denominated in USD from governments, supranational and corporates with an investment grade. Pooled investment vehicles can be included.	
<b>Bonds USD investment grade short term model</b>	Seeks long-term capital preservation and regular interest income with minimal volatility. Primarily investing in single and short-term bonds denominated in USD from governments, supranational and corporates with an investment grade. Pooled investment vehicles can be included.	
<b>Bonds Investment grade models</b>	Seek long-term capital preservation and regular interest income with minimal volatility. Primarily investing in single bonds denominated in the respective currencies from governments, supranational and corporate issuers with an investment grade. Pooled vehicles can be included.	EUR
		CHF
		GBP
		SEK
		NOK
		AUD
<b>Bonds USD non-investment grade model</b>	Seeks a high level of current income through a portfolio constructed primarily of pooled investment vehicles. The module invests in high-yield and lower rated corporate bonds denominated in USD.	
<b>Bonds USD emerging market model</b>	Seeks a high level of current income with a secondary objective of capital appreciation through a portfolio constructed primarily of pooled investment vehicles in the Emerging Markets denominated in USD.	
Other investments models		
<b>Commodities broad model</b>	Seeks to provide exposure to commodities consumed in the global economy, primarily investing in pooled investment vehicles based on broader commodity indices including agriculture, energy and metals. Investments in commodities are speculative and involve a high degree of risk.	
<b>Commodities precious metals model</b>	Offers an efficient way to access physical precious metals, primarily investing in ounces, grams or bars.	
<b>Liquidity model</b>	Primarily invests in current accounts, money market instruments, fiduciaries and treasury bills denominated in the respective currencies. Optionally, pooled investment vehicles can be included. On the	USD
		CHF
		GBP
		SEK

	basis of additional investment restrictions we may construct a portfolio with fix-term-fiduciaries. These fix-term-fiduciaries cannot be liquidated prior to maturity	NOK
		AUD
		CAD
		JPY
		HKD
		SGD

### 3.4.3 Precious metals

Some of our discretionary Program strategies include an asset allocation to physical precious metals. **The value of precious metals cannot be used as security for a loan.** For more information see section 4.10 ("Investing in precious metals") below.

### 3.4.4 Monitoring and rebalancing

Our discretionary Programs employ both strategic and tactical asset allocation and financial instrument selection. Discretionary Program assets are evaluated as part of a regular (no less than monthly) monitoring and rebalancing process.

You are not allowed to direct the rebalancing frequency or methodology, or opt out of rebalancing on your account. The monitoring and rebalancing process considers:

- market movement;
- your contribution;
- any withdrawal requests; and/or
- strategy changes (i.e., SAA and tactical asset allocation) and instrument changes that have been directed by Investment Management.

### 3.4.5 Investment restrictions

Our discretionary Programs offer you the ability to impose reasonable investment restrictions on the management of your account including restrictions as to the permissible securities, asset classes (i.e., equities, regions), currencies, sectors and/or industries, or credit ratings depending on the Program selected. Investment restrictions are not applied on a look-through basis in the context of pooled investment vehicles.

These preferences will apply only to the account you designate and vary by type of Program, account or strategy. When you establish your accounts in these Programs, we will ask you if you want to impose any investment restrictions on the management of your account. We will seek to adhere to these restrictions on a reasonable basis. **However, we reserve the right to decline or terminate discretionary Programs and client accounts if we believe the restrictions and/or instructions imposed are not reasonable or otherwise inhibit our effective management of your account in a given Program.**

Accounts with investment restrictions can perform differently from accounts without restrictions and, as a result, performance can be higher or lower than like portfolios without restrictions.

To comply with your investment restrictions, we obtain and rely on information about company and industry

classifications, credit ratings, and industry groupings from third parties. If changes in an industry or credit rating of a security trigger a requirement for us to sell securities in your account in order to comply with the restrictions on your account, such sale may be at an inopportune time, possibly causing a taxable event to you.

Due to corporate actions at an issuer, including, but not limited to mergers, spin-offs and other types of reorganizations, new securities may be issued and/or certain securities will no longer exist following the corporate action and we may or may not restrict the security owned following a corporate action depending on the classification of those securities by the vendor.

### 3.4.6 Expressly requested investment instruments

From time-to-time and in our sole discretion, you may be permitted to hold an investment instrument in your discretionary account at your explicit request. Such expressly requested investment instruments, if permitted by us to be held in a Program account, will not be included in our regular monitoring and will not be sold or recommended to be sold without your express direction.

Expressly requested investment instruments will not be taken into consideration for the calculation of any issuer or concentrations risk. As a result, there is a risk your account may deviate from the diversification principles otherwise applied by Investment Management. If such risk materializes, we do not have a formal process for informing you.

While we do not monitor expressly requested investment instruments, clients entering into a discretionary Program agreement with us authorize us to make elections with respect to rights arising from corporate actions (such as tender or exchange offers, subscription rights, option and conversion rights, and redemption rights) in our discretion. As discussed in greater detail in Section 5.4 ("Voting client securities (proxy voting)") below, we do not, however, vote proxies solicited by, or with respect to, the issuers of any securities held for you in your Program.

Expressly requested investment instruments are included in your regular account statements and reporting, will be considered when managing other assets within your discretionary account, and are part of your total assets for the purposes of calculating your Advisory Fee.

Accounts with expressly requested investments can restrict our portfolio management services, can perform differently than accounts without restrictions, and, as a result, the performance of your portfolio can be higher or lower than like portfolios without restrictions.

### 3.4.7 Portfolio risk tolerance versus target investment strategy

You may deviate from your target investment strategy only by a pre-determined level based on your Investor Profile portfolio risk tolerance. We will notify you if the portfolio volatility caused by setting investment restrictions results in a more aggressive portfolio risk tolerance than the one you have selected for your account. Upon our notification, you are responsible for addressing any inconsistencies. For discretionary Program accounts, if you do not take action by contacting your WMC to update your Investor Profile and /or modify your Program Specifications (i.e., decrease the

portfolio volatility by adjusting the investment restrictions), we have the discretion to terminate your account if we believe UBS portfolio management is not suitable for you.

### 3.4.8 Portfolio suspension

You may from time-to-time instruct us to temporarily stop managing your discretionary Program account. A temporary suspension of our discretionary management services will restrict trading in your account (including regular rebalancing) which may result in losses due to an inability to react to market fluctuations and material market, economic or other developments. UBS-SFA will continue providing all other advisory and account services during any management suspension and you will continue to incur an Advisory Fee during such suspension period. We have the discretion to terminate your account in the event your account is not reactivated within a reasonable period of time.

### 3.4.9 UBS shares

Some of our discretionary Program strategies have an allocation to Swiss securities. We manage the allocation to Swiss securities by tracking the Swiss Leaders Index. UBS Group AG is represented in the financial sector in the Swiss Leaders Index, as well as all other Swiss indices. We have selected the Swiss Leaders Index because it is an index with the lowest concentration risk relative to comparable indices. We may, at our sole discretion, change the index selection from time-to-time without prior notification to our clients.

If your strategy has a Swiss security component, then you will be invested in UBS shares. In order to mitigate any potential conflicts presented by the direct purchase of UBS shares in your discretionary Program, we manage your direct investments in UBS shares based on independent third-party criteria such as a securities index developed by a non-affiliated index provider. Our trading in UBS shares tracks the changes in the index on a semi-annual basis. In order to mitigate conflicts to the fullest extent possible: (1) your exposure to

UBS shares is based on the percentage it represents in the index and is only changed based on corresponding changes in the index with a relative tolerance of +/- 50% to the model portfolio weight; and (2) UBS share positions are not included in the calculation of your Advisory Fee.

### 3.5 Description of our non-discretionary Programs: UBS-IA and UBS-IA PRM

UBS-SFA offers two non-discretionary Programs:

- UBS Investment Advisory Program (**UBS-IA**); and
- UBS Investment Advisory Program Precious Metals (**UBS-IA PRM**).

We make investment recommendations in accordance with your Program Specifications. You make all investment decisions with respect to the investments of your account.

The following services are delivered to clients with a UBS-IA or UBS-IA PRM account:

- General portfolio allocation guidance and investment advice on individual investments according to your risk profile;
- Advice with regard to economic outlook and tactical allocation in a broader context from Investment Management;
- Semi-annual portfolio review for UBS-IA accounts and an annual portfolio review for UBS IA-PRM; and
- Information about “sell” recommendations of invested assets.

*Assets held by UBS-SFA in non-discretionary Programs (including UBS-IA PRM accounts) as per December 31, 2020: USD 3'408'011'348.75.*

Note that the above figures correspond to all of the assets held by clients in our non-discretionary programs and are not limited to our “Regulatory Assets under Management” figures as disclosed in Form ADV Part 1A , Item 5.

### 3.5.1 UBS-IA

Strategy	Investment objectives	Equity and Other Investments (as defined below) allocation ranges
Conservative	The objective of the conservative strategy is to seek to preserve long term assets and to obtain recurrent income. Capital volatility is low.	0% to 40%; remaining range is allocated to liquidity and fixed income securities (bonds).
Moderate	The objective of the moderate strategy is to seek to achieve long-term appreciation of capital, recurrent income, and dividend yield, supplemented by capital gains. Capital volatility is medium.	0% to 70%; remaining range is allocated to liquidity and fixed income securities (bonds).
Aggressive	The objective of the aggressive strategy is to seek to achieve substantial long-term appreciation of capital. The major yield element is driven by capital gains, complemented by interest and dividends. Capital volatility is high.	0% to 100%; remaining range is allocated to liquidity and fixed income securities (bonds).

Equity and Other Investments are considered to be securities with respect to the asset allocation range as mentioned above; **Other Investments** can include ETFs/ETNs, physical precious metals, US-registered investment funds, or other funds. Other Investments normally entail a risk profile that is similar to, or higher than, the risk associated with an equity investment.

**Target asset allocation and volatility:** You may deviate from your target investment strategy only by a pre-determined level based on your risk tolerance. We will notify you if inconsistencies caused by asset allocation drift or portfolio volatility result in a more aggressive investment strategy than the one you have selected for your account. Upon our notification, you are responsible for addressing any inconsistencies. For UBS-IA accounts, if you do not take action

by contacting your WMC to update your Investor Profile and /or modify your Program Specifications (i.e., adjust your asset allocation or decrease the portfolio volatility), we have the discretion to terminate your account if we believe you are not adhering to our advice or otherwise believe UBS-IA is not suitable for you.

**Advised Transactions:** Taking advice on transactions: You may execute security transactions that we have recommended (**Advised Transactions**), as well as transactions you execute based on our negative recommendation (**Non-advised Transactions**). Non-advised Transactions are solely your responsibility and UBS-SFA does not monitor specific instruments purchased upon our negative recommendation.

The advice and guidance from CAT is a key service of the UBS-IA. A pattern of Non-advised Transactions is an indicative factor in determining whether UBS-IA is suitable for you as you may not be leveraging our advice. We will review such cases and we have the discretion to terminate your account if we believe you are not adhering to our advice or otherwise believe UBS-IA is not suitable for you.

When holding a position after completing a Non-advised Transaction, we will take that asset into consideration:

- as part of your overall account assets;
- when we give you periodic asset allocation advice;
- when we value your account holdings;
- when we provide you with analyses and reports on your account's performance; and
- we may, but we have no duty to, make recommendations that you consider selling the asset.

As a result, and with the exception of UBS shares (see below), we will include any instrument you acquire in a Non-advised Transaction as part of your account assets in calculating your Advisory Fee.

**Ineligible instruments in UBS-IA.** In our sole discretion, you may be permitted to hold, but not purchase, the following assets in your UBS-IA account: leveraged ETFs, equity syndicates, new issue securities, OTC derivatives, exchange traded derivatives (**ETDs**), conditional conversion (**CoCo**) bonds, non-US registered mutual funds and ETFs, Regulation S structured products, UBS-issued bonds, UBS structured

products, options, and warrants. **If these assets are held in your account, we will not monitor them at the instrument-level. They will, however, be subject to our ongoing advice at the portfolio level, and will therefore be included in the calculation of your Advisory Fee.**

A concentration of ineligible instruments in your UBS-IA account is an indicative factor in determining whether UBS-IA is suitable for you as you may not be leveraging our advice. We will review such cases and have the discretion to terminate your account if we believe you are not adhering to our advice or otherwise believe UBS-IA is not suitable for you.

**Securities concentration:** UBS-IA is not suitable for clients who want to maintain high levels of concentrated positions that will not be sold regardless of market conditions. If you continue to hold high levels of highly concentrated positions then you do so against our recommendation and with the understanding that the value of those securities is included for the purposes of calculating the Advisory Fee, resulting in a higher fee to us. If your account continues to be outside of the concentration guidelines over a specified period of time, we will continue to advise a reduction of these positions and have the discretion to terminate your account if we believe you are not adhering to our advice or otherwise believe UBS-IA is not suitable for you.

**Cash and non-securities concentration:** UBS-IA is not suitable for clients who want to maintain high levels of cash and/or precious metals positions. If you continue to hold high levels of cash and/or precious metals positions then you do so against our recommendation and with the understanding that the value of those securities will be included for the purposes of calculating the Advisory Fee, resulting in a higher fee to us. If your account continues to be outside of the concentration guidelines over a specified period of time, we will continue to advise a reduction of these positions and have the discretion to terminate your account if we believe you are not adhering to our advice or otherwise believe UBS-IA is not suitable for you.

**Reverse churning:** You will be informed if you do not engage in any transaction in your UBS-IA for an extended period of time. Even if your account remains inactive (i.e., no transactions), we will continue to charge an Advisory Fee. An inactive UBS-IA account is a factor in determining whether UBS-IA is suitable for you as you may not be leveraging our advice. We will review such cases and have the discretion to terminate your account if we believe UBS-IA is not suitable for you.

**Retention of UBS shares:** If you deliver or purchase UBS shares into your UBS-IA account, you direct UBS-SFA to receive and retain those UBS shares into your UBS-IA account. We do not give advice with respect to the purchase, sale, or retention of UBS shares. Clients who direct us to hold UBS shares in their UBS-IA accounts agree to accept full responsibility for the retention of such securities (including the voting of any proxies related thereto). UBS share positions are not included in the calculation of your Advisory Fee.

### 3.5.2 UBS-IA PRM

UBS-IA PRM's main objective is to help you achieve your investment objectives by providing you with investment advice and recommendations from CAT with regard to precious metals and cash alternatives. Only clients with an aggressive client risk profile are eligible for the UBS-IA PRM.

The investment universe consists of precious metals (gold, silver, platinum, and palladium) and money market funds, fiduciaries or any other approved cash alternative. Lending is not available for UBS-IA PRM accounts. For more information on investing in precious metals see section 4.10 ("Investing in precious metals") below.

UBS-IA PRM Strategy	Investment Objectives
Aggressive (UBS-IA PRM)	The objective of the aggressive UBS-IA PRM strategy is to seek a potential hedge against inflation risks, currency devaluation, and meltdown scenarios with high volatility.

### 3.5.3 Transactions for UBS-IA and UBS-IA PRM

We will execute transactions for your UBS-IA and UBS-IA PRM based solely upon your instructions; UBS-SFA will not have any discretion over the investment of your Program assets in these accounts. Due to the non-discretionary nature of these Programs, it is your responsibility to determine whether and how to implement your target asset allocation/investment strategy and to ensure that your asset allocation continues to be consistent with your investment objectives over time. Your asset allocation reflects only your assets invested in the respective UBS-IA or UBS-IA PRM account.

- custody account maintenance (including costs associated with the delivery of securities to us and corporate actions);
- trading, execution, and settlement of securities (including primary market transactions in investment fund units);
- money market and fiduciary deposit transactions, which are intended as cash management tools;
- payment services to UBS Switzerland AG (any currency);
- periodic client reporting (in electronic or paper form);
- regulatory tax reports (annual Form 1099, Swiss tax statement for Swiss-resident clients);
- periodic meetings with and access to investment advisory personnel; and
- transmittal of Form 1099 information to the IRS.

### 3.5.4 Portfolio monitoring for UBS-IA and UBS-IA PRM

Ongoing monitoring and guidance from the CAT is one of the key attributes of your UBS-IA or UBS-IA RPM account. The ongoing monitoring of your portfolio by the CAT includes (i) annual or semi-annual portfolio reviews to monitor whether your investments and investment allocation align with your risk profile and preferences; and (ii) ongoing review of covered investments and communication of sell recommendations, where appropriate. We also provide regular account statements and performance reporting to assist you in monitoring the investments in your non-discretionary portfolio.

Your Advisory Fee will not be adjusted for: (1) low or no trading activity, or (2) if you decide not to implement or follow the investment advice we provide to you, or if you decide to forego receiving reports delivered in the Programs. Depending on your desired services and expected trading activity, you may pay more or less to receive each of the available wrap services separately.

### 3.5.5 UBS-IA semi-annual review

CAT will provide UBS-IA clients with a semi-annual advisory review addressing topics such as deviations from target asset allocation and risk tolerance, as well as, portfolio volatility, adherence to advice, ineligible instruments, not covered instruments, bulk single and issuer concentrations, non-securities concentrations, and trading activity.

### 3.6.1 Fee Negotiation

All of our Programs offer the flexibility to negotiate either a flat fee or a tiered (break-point) fee schedule. With a flat fee option, the agreed upon annual Advisory Fee is a fixed percentage of the assets in the account; that percentage does not change as the value of your account changes. With break-points, the negotiated fee, also a percentage of the assets, varies based on asset levels and changes as you increase or decrease assets in your account. Specific "break-points" for each asset level are defined in section 3.7 ("Fee schedule and minimums") below.

### 3.5.6 UBS-IA PRM annual review

CAT will provide UBS-IA PRM clients with an annual portfolio review addressing topics such as adherence to suitability and program guidelines.

You can request to have two or more eligible Program accounts treated as related accounts to qualify for certain break-point discounts. If you negotiated a discount to the Advisory Fee schedule, this discount only applies to the break-point asset level (i.e., the asset level that qualifies for reduced fees). Doing so will result in a change to your Advisory Fee in the future as you increase the assets in your account and trigger the break points listed in your application.

## 3.6 Your Advisory Fee for all Programs

The Advisory Fee is a wrap fee at the maximum annual rates listed in the fee schedules below covering the following services:

- Ongoing personal investment advice and recommendations;
- Investment advice in the form of regular market outlook publications from our Investment Management team;

### 3.6.2 Advisory Fee Calculation

Your Advisory Fee is calculated monthly in CHF based on the market value (in CHF) of the assets under management five Swiss bank business days before month end and covers the services performed in the 30 days prior to the fee determination date. The market value (i.e., the valuation of

the investments in your account) is provided by SIX Financial Information Ltd., Zurich, Switzerland. At the end of each quarter (March, June, September and December), your Advisory Fees for the three months in that quarter are totaled and debited from the account in your reporting currency.

If the reporting currency for your account (i.e., the currency in which you wish the investment performance of your account to be reported to you by us) is not CHF, then the debiting of your Advisory Fee for that account will result in a foreign-exchange transaction. Specifically, CHF will be bought against the reporting currency (e.g., USD or EUR) and an FX transaction fee that is not a part of the Advisory Fee will be charged. As explained in greater detail in section 3.8.1 ("Foreign exchange (FX) related costs"), these FX transaction fees represent additional revenue for UBS-SFA and, under certain circumstances, for UBS AG.

### 3.7 Fee schedule and minimums

We have the right in our sole discretion to grant exceptions to required account minimums set out below. We have the right to terminate your participation in a Program if the assets in your account fall below the minimum size recommended by us as described below. Under normal circumstances, we will not do so if such decrease in value is attributable to the performance of the Program.

We reserve the right, in our sole discretion, to institute special pricing features, change account minimums for new accounts, impose higher account minimums for certain strategies that may be offered from time-to-time, terminate accounts that fall below the minimum account value requirements, or require that additional cash or securities be deposited to bring an account up to the required minimum.

#### 3.7.1 Non-discretionary programs

All rates listed below indicate the maximum annual fee in each Program.

##### UBS-IA Advisory Fees (per annum)

Assets under management (amount in CHF)	Advisory Fee
below 2.5 million	1.25%
2.5 to < 5 million	1.20%
5 to < 10 million	1.10%
10 to < 25 million	0.95%
25 to < 35 million	0.75%
35 million and above	personal quote upon request

**Minimum investment amount: CHF 1,000,000**

##### UBS-IA PRM Advisory Fee (per annum)

Assets under management (amount in CHF)	Advisory Fee
One fee regardless of assets under management	0.50%

**Minimum investment amount: CHF 1,000,000**

#### 3.7.2 Discretionary Programs

For services provided under discretionary Programs, we are compensated on the basis of an Advisory Fee calculated as a percentage of assets under management. The Advisory Fee is not only dependent on the amount of assets under management, but also the selected investment strategy. As a result, we earn more when your discretionary Program assets increase and when you select a more aggressive investment strategy with a higher fee and we and our financial professionals are incentivized to take actions that may result in increased compensation for UBS-SFA at the expense of the investor. We have mitigated these conflicts by adopting a code of ethics that requires each financial

professional to act in your best interest at all times in his or her professional interactions with you, by instituting training and affirmation programs on our Code of Ethics that are mandatory for all employees and by disclosing these conflicts to you. See also section 3.12.2 ("Conflicts of interest in regard to compensation of our financial professionals") for a description of conflicts of interest in regard to compensation of our financial professionals and how we have mitigated the conflicts discussed in this section. See also section 8.4 ("Code of ethics, participation or interest in client transactions, and personal trading").

##### PMGL, PMIN, PMC Advisory Fees (per annum)

Investment strategy	Fixed income	Income	Yield	Balanced	Growth	Equity
Assets in CHF						
below 2.5 million	1.10%	1.20%	1.30%	1.40%	1.50%	1.65%
2.5 to < 5 million	1.05%	1.15%	1.25%	1.35%	1.45%	1.60%
5 to < 10 million	0.95%	1.05%	1.15%	1.25%	1.35%	1.50%
10 to < 25 million	0.80%	0.90%	1.00%	1.10%	1.20%	1.35%
25 to < 35 million	0.60%	0.70%	0.80%	0.90%	1.00%	1.15%
35 million and above	personal quote upon request					

**Minimum investment amount: CHF 1,000,000**

##### PMP Advisory Fees (per annum)

Investment strategy	Fixed income	Income	Yield	Balanced	Growth	Equity
Assets in CHF						
below 35 million	0.60%	0.70%	0.80%	0.90%	1.00%	1.15%
35 million and above	personal quote upon request					

**Minimum investment amount: CHF 25,000,000**

**PMAO, PMETO Advisory Fees (per annum)**

Investment strategy	Equity
Assets in CHF	
below 1.0 million	1.95%
1.0 to < 2.5 million	1.85%
2.5 to < 5 million	1.80%
5 to < 10 million	1.70%
10 to < 25 million	1.55%
25 to < 35 million	1.35%
35 million and above	personal quote upon request

**Minimum investment amount: CHF 500,000****PMSI Advisory Fees (per annum)**

Investment strategy	Yield	Balanced	Growth
Assets in CHF			
below 2.5 million	1.30%	1.40%	1.50%
2.5 to < 5 million	1.25%	1.35%	1.45%
5 to < 10 million	1.15%	1.25%	1.35%
10 to < 25 million	1.00%	1.10%	1.20%
25 to < 35 million	0.80%	0.90%	1.00%
35 million and above	personal quote upon request		

**Minimum investment amount: CHF 500,000****MFP Advisory Fees (per annum)**

Investment strategy	Fixed income	Income	Yield	Balanced	Growth	Equity
Assets in CHF						
One fee regardless of assets under management	0.95%	1.05%	1.15%	1.25%	1.35%	1.50%

**Minimum investment amount: CHF 1,000,000****PSIN Advisory Fees (per annum)**

Investment strategy	Fixed income	Income	Yield	Balanced	Growth	Equity
Assets in CHF						
One fee regardless of assets under management	1.10%	1.20%	1.30%	1.40%	1.50%	1.65%

**Minimum investment amount: CHF 1,000,000****3.8 Fees and other charges not covered by your Advisory Fees**

You will pay other fees in addition to the Advisory Fee, some of which add to the compensation that we receive. Advisory Fees will not be reduced or offset by these charges. Instead, **these additional charges will reduce the overall return of your account.**

Our Advisory Fees do not include:

- specialized transaction-related charges, such as transfer taxes, and fees we charge to customers to offset fees we pay to exchanges and/or regulatory agencies on certain transactions;
- transaction-related fees associated with procurement, custody, delivery and conversion of precious metals imposed by our affiliates;
- costs charged by us and by UBS AG in connection with FX transactions (See section 3.8.1 ("Foreign exchange (FX) related costs"));

- costs charged by us and by UBS AG in connection with precious metals transactions (See section 3.8.2 ("Precious metals"));
- costs related to trading in and holding foreign securities (other than commissions otherwise payable to us); or
- revenue earned by UBS Switzerland AG and by us in connection with lending transactions executed on your behalf (See section 3.11.1 ("Loans")) and interest charges on any outstanding loan balances (including margin loans).

Additionally, you will also be charged additional fees for specific account services, such as:

- securities transfer fee;
- wire transfer charges;
- fees related to custody and transactions in physical securities; and
- certain payment services as specified in the table below.

### 3.8.1 Foreign exchange (FX) related costs

We buy/sell a currency on your behalf (i) when we execute an FX spot transaction for your account; (ii) when an instrument is purchased or sold for your account (e.g., equity, fiduciary deposit) and your account is denominated in a different currency than the instrument being purchased or sold; and (iii) if your reporting currency is not CHF, each time we debit your Advisory Fee from your account, as explained in section 3.6 ("Your Advisory Fee for all Programs") under "Advisory Fee Calculation" (collectively, **FX transactions**).

All FX transactions are executed exclusively through UBS AG's Investment Bank. When we buy/sell a currency on your behalf, we do so either at the so-called "system rate" or the UBS rate, depending on the size of the transaction, among other factors.

The system rate is an Interbank rate that is typically adjusted multiple times during the day. We generally buy/sell a currency on your behalf at the system rate when the order is relatively small (e.g., less than \$100,000) and can be bundled with other small orders. Because of the periodic updating of the system rate, it can be higher or lower than the market rate at the point of execution. The system rate does not include any spread charged by UBS AG.

The UBS rate is a proprietary rate that is generally used for larger currency transactions. Because UBS AG must lock in the offered rate while the transaction is being executed, UBS AG as execution broker is exposed to currency risk when executing a currency transaction at the UBS rate. The UBS rate reflects a spread charged by UBS AG as the execution broker.

In addition, regardless of whether the system rate or UBS rate is used for a currency transaction, UBS-SFA will charge an FX transaction fee for each FX transaction (see below). Depending on the type of FX transaction, the FX transaction fee may be negotiated by you at account opening or prior to an FX transaction, and we will agree to the fee to be applied in our sole discretion. You should be aware that the fee applied by us for FX transactions that we execute on your behalf may be more or less favorable to you than those from an unaffiliated third party.

**We and, in the case of FX transactions where the UBS rate is used, UBS AG, earn additional revenues from FX transactions executed on your behalf, which leads to a conflict of interest. The more FX transactions we execute on your behalf, the more revenues we and, in some cases, our affiliate UBS AG, will earn. This leads to a conflict of interest because there is an incentive for us to make recommendations resulting in FX transactions, even if such FX transactions are not in your best interest. The conflict is even greater when we exercise discretion over your account.** We have mitigated these conflicts by adopting a code of ethics that requires each financial professional to act in your best interest at all times in his or her professional interactions with you, by instituting training programs on our code of ethics that are mandatory for all employees and by disclosing these conflicts to you. See also section 3.12.2 ("Conflicts of interest in regard to compensation of our financial professionals") for a description of conflicts of interest in regard to compensation of our

financial professionals and how we have mitigated the conflicts discussed in this section

If you do not wish for us to use UBS AG to engage in FX transactions, we will likely not be able to service your Program accounts and, with limited exception, you would need to seek such services from a third party.

Additionally, in case of time differences between the trade and the settlement date of an FX transaction, you will be exposed to a currency risk for this period. See section 4.12 for more information on changes in currency.

### 3.8.2 Precious metals

All precious metals spot transactions are executed exclusively through UBS AG's Investment Bank. When we buy/sell precious metals on your behalf, we do so at the UBS rate. The UBS rate includes a spread or commission which is charged by UBS AG as the executing broker.

In addition to the amount charged by UBS AG, UBS-SFA charges a precious metals fee (see below). The precious metals fee may be negotiated by you at account opening or prior to a precious metals transaction, and we will agree to the fee to be applied in our sole discretion. You should be aware that the fee applied by us for precious metals transactions that we execute on your behalf may be more or less favorable to you than those from an unaffiliated third party.

Additionally, production costs, conversion costs and delivery costs payable to UBS AG and VAT are not included in your Advisory Fee (see below).

**We and UBS AG earn additional revenue from each precious metals transaction executed on your behalf, which leads to a conflict of interest. The more precious metals transactions we execute on your behalf, the more revenues we and our affiliate, UBS AG, will earn. Because there is an incentive for us to make recommendations resulting in precious metals transactions, even if such precious metals transactions are not in your best interest. The conflict is even greater when we exercise discretion over your account.** We have mitigated these conflicts by adopting a code of ethics that requires each financial professional to act in your best interest at all times in his or her professional interactions with you, by instituting training programs on our code of ethics that are mandatory for all employees and by disclosing these conflicts to you.

See also section 3.12.2 ("Conflicts of interest in regard to compensation of our financial professionals") for a description of conflicts of interest in regard to compensation of our financial professionals and how we have mitigated the conflicts discussed in this section

If you do not wish for us to use UBS AG to engage in precious metals transactions, we will not be able to provide precious metals transaction execution services to you and you would need to seek such services from a third party.

### 3.8.3 Supplementary Services Fee Schedule

Your Advisory Fee does **not** cover the supplementary service fees outlined below. The supplementary services fees are

**borne by you** and are charged separately, in addition to the Advisory Fee.

Service	Supplementary services fee		
Delivery of securities <b>to</b> UBS-SFA	Free of charge		
Delivery of securities <b>from</b> UBS-SFA	CHF 100 per security (third party fees not included)		
Payment services to a payee in Switzerland	CHF 35 per payment order		
Payment services to a payee outside of Switzerland	CHF 60 per payment order plus fees charged by financial institutions outside of Switzerland		
Checks: Deposit	CHF 50		
Checks: Issuing	CHF 50 Courier delivery fees are not included and can cost up to CHF 15		
Contremarque accounts	5% surcharge on Advisory Fee CHF 500 minimum per year		
US detailed tax statements See section 3.2 (under the sub-section "US tax reporting") for tax-related statements that are covered by the Advisory Fee	CHF 350 for annual detailed tax statement. CHF 100 for each quarterly or semi-annual detailed tax statement.		
Tax reclaim services	CHF 500 per country per tax year.		
Physical delivery of precious metals <b>from</b> UBS-SFA	CHF 250 per position (fees for insurance and shipping are not included)		
Production costs of precious metals	Production costs vary depending upon the type of metal, the form (i.e., coins, bars), the size of the amount to be produced, and the market rate for the precious metal.		
Precious metals fee <sup>+</sup>	<b>Transaction size (CHF)</b>	<b>All types</b>	
	CHF ≤ 60,000	1.20%	
	CHF 60,001 – 120,000	0.90%	
	CHF 120,001 – 600,000	0.45%	
	CHF 600,001 – 1,200,000	0.25%	
	CHF 1,200,001 – 2,500,000	0.10%	
	CHF > 2,500,000	0.06%	
Foreign Exchange transaction fee	<b>Transaction size (CHF)</b>	<b>Main currencies*</b>	<b>Other currencies**</b>
	CHF ≤ 100,000	1.10%	1.50%
	CHF 100,001-250,000	0.70%	1.00%
	CHF 250,001-500,000	0.50%	0.60%
	CHF 500,001-1,000,000	0.25%	0.30%
	CHF > 1,000,000	0.12%	0.20%

<sup>+</sup>The rates represent the maximum rate. They may be negotiated by you, subject to our agreement in our sole discretion.

\*Main currencies: AUD, CAD, EUR, GBP, HKD, JPY, NOK, NZD, SEK, SGD, USD

\*\*Other currencies: BRL, CNY, CYK, DKK, HUF, ILS, INR, KRW, MXN, MYR, PHP, PLN, RUB, THB, TRY, TWD, YAR, AED

Fees not outlined above can arise in the course of transactions. We reserve the right to change the fees for supplementary services at any time in our sole discretion, upon notice to you.

### 3.9 Transaction-related taxes, stamp duties, and exchange fees

Your Advisory Fee does **not** cover third-party fees and duties, which are **borne by you** and are charged separately. Such fees and duties can come in many forms, but are most commonly assessed as a stamp duty, exchange fee, transactional tax, or withholding tax. A complete breakdown of such charges is included in the individual transaction advice. The descriptions below are for informational purposes only and additional fees may arise.

Switzerland levies a **Swiss stamp duty** on buy and sell transactions for a consideration of certain domestic securities or similar foreign instruments if a Swiss securities dealer is involved as a party or intermediary. The duty ranges from 0.00% to 0.150%. Additionally, Switzerland applies VAT to certain banking services for Swiss and Liechtenstein transactions.

**Transaction taxes, stamp duties, exchange fees and others** are also primarily assessed on the purchase and sale of investments from applicable countries/markets/exchanges. Rather than applying to the market of trade, they normally apply to the market of investment (e.g. Italian Financial Transaction Tax applies to transfer of Italian shares, Spanish Financial Transaction Tax applies to transfer of Spanish shares, UK stamp tax on UK securities purchase transactions, SEC fees on US sell transactions).

**Withholding taxes** are assessed based on the market of investment and are commonly applied to income payments such as dividends and interest, rather than transfers. Rates vary depending on the jurisdiction and some of this tax can be reclaimable depending on the terms of the tax treaty between the client's country of residence and country of investment.

### 3.10 Fees and expenses with regard to funds

You should be aware that fund shares can be purchased directly without being invested in one of our Programs or using our services.

#### 3.10.1 Fund share class selection; distribution and related fees received by UBS-SFA's affiliates

Because we sell a limited number of mutual funds, we do not typically have access to lower share classes which offer lower costs. Information about the mutual funds and share classes that are available through us, including their investment policies, restrictions, charges, and expenses, is contained in the mutual funds' prospectuses. We have the discretion to establish and change in our sole discretion at any time the different investment minimums and/or other requirements that will apply to the availability of mutual fund and share classes for an account based upon a variety of factors, including a client's overall relationship with us, type of account, legal or regulatory restrictions, or any other factors relevant to the relationship.

Although we do not serve as an investment adviser, principal underwriter, transfer agent, custodian, administrator or other service provider of any fund in which client assets are invested, an affiliate of ours may earn fees for providing services (such as investment advisory, distribution, transfer agency, administration or custody services) to funds in which we may invest your assets within a Program. These service arrangements and the fees paid by the funds for the services

provided are disclosed in the respective fund's prospectus. We do not directly or indirectly receive any portion of these fees. We may invest your assets in funds that are sponsored or managed by UBS AG or one of its affiliates (i.e. in UBS "proprietary" funds), and in such cases UBS AG or one of its affiliates may receive management or other fees for services they provide to such funds. For more information on UBS proprietary funds, see section 3.10.5 ("Recommendation of affiliated/proprietary securities and investments").

#### 3.10.2 Distribution fees received by UBS-SFA

**Treatment of 12b-1 fees: Beginning March 31, 2019, all Program clients receive a credit of all 12b-1 related fees as well as any other related fees received by UBS-SFA on or after January 1, 2019. This credit effectively eliminates the conflicts described in this section 3.10.2.**

We make available mutual fund share classes on our platform at our sole discretion. We will normally make available on our platform, to the extent permitted by law, a share class of a mutual fund that pays additional compensation to its distributors, including fees, for providing services (such as investment advisory, administration, transfer agency, distribution, and shareholder services) to the mutual fund. UBS-SFA receives a part of such compensation through our distribution chain. The additional compensation that we receive normally varies depending on the mutual fund and share class made available, and may be from the fund, the sponsor or the adviser to the extent permitted by applicable law. Although the additional compensation that we receive (and corresponding expense to a client) can vary by mutual fund, share class, and paying distributor, any such fees (and corresponding expense) typically will not exceed 120 basis points (or 1.2%).

#### 3.10.3 Total expense ratio

You can invest in funds (i.e., mutual funds shares or in shares of ETFs) within your Program. In such a case, you will, in addition to the Advisory Fee charged by us, also incur fees charged by the respective fund company (i.e., management fee, administration fee, performance fee) based on the net asset value (**NAV**) of the particular instrument. These fees will decrease your returns. Depending on the investment instrument, the total expense ratio typically will not exceed 300 basis points. **A breakdown of the total expense ratio of funds is shown below the detailed position descriptions on your asset statement.** We do not benefit from these fees and expenses which are charged at the fund level; however, we may invest your assets in funds that are sponsored or managed by UBS AG or one of its affiliates (i.e. in UBS "proprietary" funds) and in such cases UBS AG or one of its affiliates may receive management or other fees for services they provide to such funds. For more information on UBS proprietary funds, see section 3.10.5 ("Recommendation of affiliated/proprietary securities and investments").

#### 3.10.4 Redemption fees for active trading

Some mutual funds charge redemption fees if shares are sold within a certain period of time after they are purchased, also known as active trading. These fees can also apply to the redemption portion of an exchange transaction if shares are exchanged among funds (whether through direct exchanges or through sales and new purchases) in the same family of funds more frequently than is permitted by each fund's prospectus. The amount charged as a redemption fee, the length of time you must hold your shares to avoid a

redemption fee, and the number and frequency of exchanges among funds you may make without paying a redemption fee vary from one mutual fund to another. This information is included in each fund's prospectus. If you have questions about whether a redemption fee will apply to a transaction you wish to make, please ask your WMC for a prospectus for the applicable mutual fund. If charged, you are responsible for the payment of redemption fees, which are in addition to your Advisory Fee.

**Your Advisory Fee does not cover redemption fees/penalties which are borne by you, and are generally charged separately.** UBS-SFA does not receive any front-end or contingent deferred sales loads with respect to your investments in mutual funds.

### 3.10.5 Recommendation of affiliated/proprietary securities and investments

We may, after a review of your investment needs and available options, recommend, or in our Discretionary Programs select or purchase on your behalf, affiliated/proprietary money managers or securities. Recommending or selecting proprietary or affiliated products and managers raises a conflict of interest, because retaining those entities or purchasing those securities will result in increased compensation to UBS and/or a UBS affiliate. If you or we select funds, products or other investment vehicles that are managed or sponsored by us or our affiliates, the management fees will be payable to either UBS or the affiliated entities. Your Account's actual investment return will be reduced by those fees, plus any related expenses and the Advisory Fees. Please review the applicable prospectus and offering documents carefully for a detailed description of the additional fees associated with these securities.

We address the conflicts of interest presented by the recommendation of affiliated managers and application of different research standards by disclosing our practices to you to ensure you make fully informed decisions in your selection of investment strategies.

### 3.11 Revenue sharing arrangements with UBS Switzerland AG

The types of transactions or arrangements outlined in this section present a conflict between your interest and our interests, in that they provide us a direct or indirect financial or other incentive to recommend or effect a transaction when it may not be in your best interests to do so. We have mitigated these conflicts by adopting a code of ethics that requires each financial professional to act in your best interest at all times in his or her professional interactions with you, by instituting training and affirmation programs on our Code of Ethics that are mandatory for all employees and by disclosing these conflicts to you. See section 8.4 ("Code of ethics, participation or interest in client transactions, and personal trading").

Any compensation received by us as a result of the arrangement or investments made by you in the products discussed below is in addition to your Advisory Fee, and is paid directly or indirectly to us by you. **This additional compensation is not applied to reduce or offset any Advisory Fee or other fees paid by you.**

All of our Programs offer the flexibility to negotiate the compensation described below which is received by us.

### 3.11.1 Loans

From time-to-time, and subject to restrictions imposed by applicable laws and regulations, you may request lending assistance from UBS Switzerland AG in the form of a **Lombard Loan** (purpose or non-purpose) or mortgage. You must meet certain eligibility requirements and you will be required to execute separate agreements with us and with UBS Switzerland AG. UBS Switzerland AG would act as a lender to you and would charge interest on the loans it extends to you.

The interest rate charged in connection with a loan from UBS Switzerland AG includes a margin charged by UBS Switzerland AG and may be higher than that charged by other lenders. UBS Switzerland AG pays to us a servicing fee in connection with your loan in an amount equal to 50% of the margin charged by UBS Switzerland AG. The interest rate charged is the market rate and will fluctuate from time-to-time.

You are not required to use UBS Switzerland AG as lender, and the terms of loans offered by UBS Switzerland AG will be more or less favorable to you than those that may be obtained from an unaffiliated third party lender.

**Margin Stock Loan (or purpose loan):** The value of loans to US residents or citizens for the purpose of investing in "margin stock" (as defined below), where such loans are directly or indirectly secured by margin stock, cannot exceed the loan value of the collateral, as prescribed under regulations promulgated by the Board of Governors of the Federal Reserve System. Margin stock includes most equity security registered on a U.S. national securities exchange, debt security convertible into such securities and shares of most US mutual funds, among other instruments.

**Non-purpose loan (or credit line):** You may also apply to borrow money from our affiliate UBS Switzerland AG using eligible assets in your Program account as collateral. The proceeds of this loan cannot be used to purchase US securities.

You are responsible for independently evaluating if the loan is appropriate for your needs, if the lending terms are acceptable, and whether the loan will have potential adverse tax or other consequences to you. Your decision whether to arrange a loan or draw down on your loan and how you use your loan proceeds is not encompassed within our advisory relationship. The lending relationship is governed exclusively by the non-purpose loan agreement between you and UBS Switzerland AG.

Notwithstanding the service fee we receive from UBS Switzerland AG referenced above, we are compensated primarily through Advisory Fees paid on your account. Therefore, we benefit if you draw down on your non-purpose loan to meet liquidity needs rather than sell securities or other investments in your Program account, which would reduce our Advisory Fee. A draw down would preserve the Advisory Fee received by us and would generate additional loan-related compensation to us. This presents a conflict of interest for us when addressing your needs for liquidity. We mitigate this conflict by training and supervising our WMCs to ensure they are providing investment advice which is in your best interest.

**Margin:** Using margin in a Program account, or using advisory assets as collateral for margin used in another account, is a more aggressive, higher risk approach to

pursuing your investment objectives. Before you decide to use margin in your account or to use such assets as collateral, you must carefully consider:

- whether you can afford, and want, to assume the additional risks that losses in your account will be significantly greater than if you decide not to invest with borrowed funds (i.e., not to use leverage);
- that the use of leverage will increase your costs of investing, as well as your risks, and depending upon the return achieved through the use of margin, will make your investment objectives more difficult to realize; and
- you will pay UBS Switzerland AG interest on the outstanding loan balance, and since your Advisory Fee is calculated as a percentage of your assets under management, the use of margin to purchase securities in a Program account generally increases the amount of (but not the percentage of) the Advisory Fee that you pay.

**The decision to use leverage in a Program account or use those assets as collateral rests with you and should only be made if you understand:**

- the risks of margin borrowing and the impact of the use of borrowed funds on a managed account;
- how the use of margin can affect your ability to achieve investment objectives;
- **that you can lose more than your original investment;**
- that a positive or negative performance of a margined Program account, net of interest charges and other account fees, will be magnified by virtue of using borrowed money. As a result, gains or losses in leveraged Program accounts will be greater than would be the case with unleveraged Program accounts; and
- **you will not benefit from using margin in your Program account if the performance of your account does not exceed the interest expense being charged on the loan plus the additional Advisory Fees incurred by your account as a result of the deposit of the loan proceeds.**

**Defaults:** Lombard Loans are full recourse demand loans and you will need to deposit additional cash or collateral or repay part or all of the loan if the value of the portfolio declines below the required loan-to-value ratio. UBS Switzerland AG can demand repayment at any time. You are personally responsible for repaying the margin loan in full, even if the value of the collateral is insufficient. Failure to promptly meet a request for additional collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause us or our affiliate, at our discretion, to liquidate or instruct us to liquidate some or all of the collateral account or accounts to meet the Lombard loan requirements. It is possible that neither you nor your WMC will be provided advanced notice of a liquidation of securities that you have pledged as collateral. Furthermore, neither you nor your WMC may be entitled to choose the securities to be liquidated. Depending on market circumstances, the prices obtained for the securities can be less than favorable. Any required liquidations will disrupt your long-term investment strategies and could result in adverse tax consequences. We and our affiliates do not provide legal or tax advice. You should consult your legal and tax advisors regarding the legal and tax implications of Lombard loan borrowing and using securities as collateral for a loan.

The value of **physical precious metals cannot be used as security for a loan.** For more information on precious

metals, see section 4.11 ("Investing in precious metals") below.

Neither UBS-SFA, UBS Switzerland AG, nor our representatives will act as investment adviser to you with respect to the liquidation of securities held in your Program Account to meet a margin or purpose loan call or credit line loan demand. Because our affiliate, UBS Switzerland AG, acts as creditor, we and our affiliate may have interests that are adverse to you. UBS Switzerland AG has the right to protect its own commercial interests and take actions that adversely affect the management of your Program Account and related performance.

There are substantial risks associated with the use of borrowed funds for investment purpose and securities as collateral for a loan. For further information, please request the UBS Switzerland AG Loan Disclosure Statement from your WMC.

### 3.12 Compensation

#### 3.12.1 Conflict of interest in regard to compensation

We maintain investment policies reflecting a variety of factors used in assessing investment opportunities and making recommendations to you. These factors do not include, and we do not consider, the nature or amount of compensation to be received by us, or any financial or other interest held by, us or any affiliate in connection with any recommended transaction.

#### 3.12.2 Conflict of interest in regard to compensation of our financial professionals

Our financial professionals receive an annual fixed salary. In addition, they are eligible to receive an annual discretionary compensation award. This UBS-SFA incentive compensation plan is operated in UBS-SFA's sole and absolute discretion and may be amended or discontinued at any time. Eligibility and potential payout for the annual discretionary compensation award is calculated by taking into account a variety of factors, such as an employee's performance, UBS-SFA's overall performance and the revenues of UBS business group as a whole.

While the annual discretionary compensation award is not determined on the basis of the amount of net new money or return on investments, some factors have historically, and may in the future, incentivize a financial professional to take actions that would benefit the adviser at the expense of the investor, for example, by encouraging a client to increase the assets in his or her accounts with us when it is not in the client's best interest to do so, or to make investments with a higher risk-return profile than would be warranted if the investment opportunity were being assessed solely from the perspective of the client's best interest. We have mitigated these conflicts by adopting a code of ethics that requires each financial professional to act in your best interest at all times in his or her professional interactions with you, by instituting training and affirmation programs on our Code of Ethics that are mandatory for all employees and by disclosing these conflicts to you. See section 8.4 ("Code of ethics, participation or interest in client transactions, and personal trading").

## 4. Account requirements and types of clients

### 4.1 Types of clients

We serve natural persons who are subject to US federal income tax, i.e. US citizens, US permanent residents (green card holders), and persons who meet the “substantial presence” test. In addition to natural persons, we serve clients that are US trusts, estates, charitable organizations, and business entities such as corporations, limited partnerships, as well as limited liability companies. We do not serve nor do we provide investment advice to pension plans or profit sharing plans.

On a limited basis, we serve so-called offshore clients, i.e. non-US trusts, non-US foundations, non-US partnerships, non-operating non-US companies and non-US insurance companies where the ultimate beneficial owner(s), policy holder and/or beneficiary is/are a natural person(s) who is/are subject to US federal income tax as described above. Additionally, we can service non-US resident clients who are not subject to US tax, but seek investment advice while they are physically present in the US.

### 4.2 Account requirements

We reserve the right, in our sole discretion, to change account minimums for new accounts, impose higher account minimums for new accounts, impose higher account minimums for certain strategies or strategies that are offered from time-to-time, to terminate accounts that fall below certain thresholds that impact the management or servicing of your account, or require that additional monies or securities be deposited in the account in order to remain in the Program.

### 4.3 Video Identification through UBS Welcome app

When entering into a business relationship with UBS-SFA, you may decide to follow the identification process via video using the UBS Welcome app.

The UBS Welcome app is an application of UBS Switzerland AG. Using it for identification purposes involves the processing of your personal data by UBS Switzerland AG and its subsequent transmission to UBS-SFA. By using the UBS Welcome app, you understand that UBS Switzerland AG will process the personal data you are making available as part of the identification process, and that this data will be transmitted to us.

The use of the UBS Welcome app may not be available to you depending on the country where you reside and/or the passport you hold.

### 4.4 Verbal instruction after execution of a Program agreement

You may decide to take advantage of new services and account features in the future without signing additional documents or agreements. When that happens, we will confirm your instructions in writing and provide any relevant agreements and disclosures you have not already received. For certain account services, you will be required to sign additional documents and agreements. All of the agreements

and disclosures we send you are considered part of the Program agreement.

### 4.5 Confirmation of your account record

After a new account is opened or whenever your investment strategy or risk profile is updated, we confirm the changes to you in writing in order to verify that our records and our understanding of your investment objectives and risk tolerance for the assets in that account are correct. Please review those materials carefully and report any discrepancies to your WMC as soon as possible, **but in no event later than 30 business days**.

Updates to existing investment objectives and risk tolerance at both the client level and the individual Program level are confirmed to you in writing in your asset statements. Information for new accounts is confirmed and sent promptly after account acceptance. It is your responsibility to inform us of any material changes in your investment objectives, financial condition or other changes that could affect how recommendations are chosen for you.

You are responsible for providing us with your current address. If we are unable to contact you by mail, we will be required to terminate your Program account. Upon termination, the assets will continue to be invested in the existing positions when permissible given the nature of the securities. If we are not given instructions, any securities positions will be liquidated at our discretion.

### 4.6 Outsourcing of operations and services

We outsource operations and services to UBS group entities and third parties within Switzerland and abroad.

In particular tax reporting, the administration of securities and other financial instruments, transactions and payment processing, compliance, data retention, IT (information and data processing, as well as computer software maintenance and development), risk management, master data management and accounting (financial accounting and controlling), marketing services, the internal money laundering office, and other back- and middle-office activities are out-sourced in whole or in part.

Outsourcing requires the transfer of data to affiliated or third party service providers, and third-party service providers can involve other third party service providers.

We are required to share your personal information with companies that we engage to perform services, which requires the transfer of your data cross-border. Specifically, the production of tax reports requires transfer of client data to a third party vendor in the US.

All service providers are required to comply with respective confidentiality obligations that limit their use of personal information only to those purposes for which it was provided and to sign an appropriate confidentiality agreement.

## 4.7 Data protection and banking secrecy

We are obliged by law to treat data related to our business relationship with you (**Client Data**) as confidential. You have authorized us to disclose Client Data to our affiliated "Group" entities within Switzerland for business purposes. This applies in particular for the benefit of holistic and efficient services provided to you, as well as information on product offering across Group entities. We ensure that recipients of Client Data are bound by applicable confidentiality and data protection obligations.

### 4.7.1 Transactions and services requiring disclosure of Client Data

In the context of transactions and services UBS-SFA performs for you (e.g., payments, securities, foreign exchange, custody services), in particular if they have a foreign connection, we are from time-to-time required by applicable laws, self-regulations, market practices and conditions of issuers, providers and other parties we depend on for the performance of such transactions and services, to disclose data related to the transaction or service, our clients and related persons (e.g., beneficial owner).

Not all recipients of the data are bound by either Swiss banking secrecy, or by Swiss data protection laws, and their use of the data is not controlled by us. We are not required to perform such transactions and services if you withdraw or refuse consent or cooperation.

Providers of financial investment instruments (e.g., issuers of structured products, investment companies, limited partnerships) whether they are UBS-SFA affiliates or not, require us from time-to-time to disclose your personal information. If applicable law allows for it, we require such providers to undertake to limit their use of the information only to the purposes for which it was provided and to sign an appropriate confidentiality agreement.

We are authorized to disclose to UBS AG and UBS Switzerland AG your name and account number to process cash transfers.

In the event of a transaction, e.g., wire transfer or transfer of securities out of UBS-SFA, anti-money laundering rules require UBS-SFA to disclose to the transferee (and therefore to the transferee's financial institution) your name, domicile address and portfolio number.

The US Securities and Exchange Commission (SEC) adopted Rule 22c-2 under the Investment Company Act to help address abuses associated with short-term trading of SEC registered open-end mutual fund shares. Rule 22c-2 requires most funds to enter into written agreements with financial intermediaries who hold fund shares on behalf of their clients. Under such shareholder information agreements, the financial intermediaries must consent to provide the funds upon request with certain client identity and transaction information. You hereby authorize UBS-SFA to disclose all information required under Rule 22c-2 to the funds or to any intermediary between UBS-SFA and the funds, such as SIX SIS AG. Such information includes, but is not limited to, your name, address, TIN, the number of fund shares held and dates of transactions therein (purchases, redemptions, transfers and exchanges).

## 4.7.2 Data sharing notification

It is our aim to deliver best quality services to our clients and to enable them to benefit from our capabilities and resources as a global financial services firm. We therefore use UBS employees and contractors on a global basis in connection with the services we provide to you. Accordingly, we need to share your business information, including, but not limited to, client details, transaction information and credit data, globally within UBS group and with selected third parties. This enables us to provide high quality advice and efficient execution and support to you, as well as information about financial services and products from us and third parties, which we believe are of interest to you.

We are also continuously striving to further enhance our quality standards, efficiency levels and cost effectiveness. Therefore, we outsource a range of services, including specific operational business and knowledge processes and training, as well as the development and support for existing and new IT applications. The services are performed by specialized service providers located in various countries. Within the outsourcing arrangements, the service providers generally need to have access to parts of our global databases and consequently to your business information, to allow them to fulfill their contractually agreed tasks. We remain fully committed to ensuring the confidentiality and security of your business information. Accordingly, any arrangements with service providers are made after a lengthy and in-depth assessment process in which we verify the suitability of the service provider and ensure that stringent confidentiality and security obligations are agreed to and that all necessary regulatory consents and approvals are obtained. Furthermore, we implemented processes reasonably designed to review whether service providers are meeting all agreed legal, regulatory, security and confidentiality requirements. Such outsourcing arrangements do not alter any existing contractual relationships between you and us.

As a consequence of the above, your business information is not subject to the applicable banking secrecy rules and regulations. It is nevertheless treated with strict confidentiality and security. Please be aware that local laws and regulations from time-to-time oblige us to provide access to your business information to relevant authorities.

## 4.8 Cross-border business

Cross-border business activities carried out by us and our employees in or into a country other than Switzerland or the US are restricted or limited as a result of certain licensing, legal, regulatory and/or tax considerations which are subject to change from time-to-time. As a result, we reserve the right to decline or terminate your account if we believe the cross-border considerations inhibit our effective management of your account in a given program.

## 4.9 Client reporting & performance reporting for your account

Your asset statements are available no-less than monthly. Asset statements list all positions held in your Program account as well as your performance information. You are responsible for reviewing these materials and promptly reporting any discrepancies to your WMC.

Unless you provide different instructions, we will deliver your asset statements quarterly. Additionally, we will send your

transaction confirmations at your request in the frequency specified by you. To the extent permitted by applicable law, we will, with your prior consent, deliver statements via electronic format via "UBS-SFA Online."

#### 4.10 Valuation of account assets

The market value of an instrument represents the price at which the instrument could be purchased or sold in a current transaction, on an active or secondary market, between willing parties on an arm's-length basis.

In exceptional instances, UBS-SFA will correct valuations received or, where no UBS internal (i.e., UBS AG) or external providers are available, conduct its own valuations to determine a fair valuation based on an examination of the nature and realizable value of an instrument. Such exceptions must be properly documented and are subject to enhanced review and approval by our Valuation Committee.

#### 4.11 Investing in precious metals

Precious metals purchased in one of our Programs are held in custody outside of the US at UBS Switzerland AG. You may only hold precious metals represented in the form of bullion, bars, and coins which are measured in kilograms or ounces. Precious metals derivatives, such as futures contracts, options on futures, options on physical swaps or forward contracts will not be transacted or held in custody by us. No interest will be paid to you in respect of the precious metals positions. We will not enter into transactions for the purchase/sale of precious metals on your behalf on a leveraged or financed basis.

The value of precious metals cannot be:

- used as security for a loan;
- eligible for consideration as a pledged asset; or
- considered when calculating the lending value of your pledged assets.

The foregoing is applicable at all times. Additionally, you cannot purchase precious metals with the proceeds of a loan.

We and our affiliates receive additional compensation when you purchase precious metals. Please see section 3.8.2 ("Precious metals") for a description of the additional compensation.

You may invest in precious metals in both our discretionary and non-discretionary Programs in either collective or segregated custody (each described below). Unless you specifically request to store your precious metals in segregated custody, your precious metals will be stored in collective custody.

##### 4.11.1 Collective custody

Your precious metals are stored by UBS Switzerland AG in a collective custody held in our name. You will be co-owner of the precious metals held in a collective custody account with us. Your right of co-ownership is measured according to the number of units or by weight. If UBS Switzerland AG were to declare bankruptcy, your right of co-ownership in the precious metals held in a collective custody account would be separated from the bankruptcy assets and credited to you. In the case of physical delivery, you do not have the right to specific numbers or denominations of bars, or to specific years or minting of coins, but UBS Switzerland AG will endeavor to

accommodate any reasonable specific requests of you in relation to sizes of the bars. You will still have to pay a surcharge representing the production costs for physical delivery. This surcharge is in addition to any delivery costs. At conversion, a conversion fee will be charged, as well as, the current production and delivery costs. In the case of white metals, 7.7% VAT is charged on the current total value. The conversion, production and delivery costs are in addition to your Advisory Fee.

##### 4.11.2 Segregated custody

Your precious metals are stored by UBS Switzerland AG in Switzerland in a separate individual custody account. You are the sole owner of this specific precious metal and you can request delivery at any time. If UBS Switzerland AG were to declare bankruptcy, the precious metals owned by you would be separated from the bankruptcy assets and credited to you. Precious metals must be procured and stored by UBS Switzerland AG. This generates production costs, which is not included in your Advisory Fee. The surcharges represent the production costs and are in addition to any delivery costs.

#### 4.12 Fixed term and call fiduciaries

You can authorize UBS-SFA to use all or part of the funds available at a given time in your Program account to make investments on a fiduciary basis with another bank or financial institution or with an affiliate (**Financial Intermediary**) in the name of UBS-SFA but for your account and at your own risk based on the terms and conditions of the Financial Intermediary.

In the event that UBS-SFA invests the funds through UBS Switzerland AG, you authorize UBS-SFA to transfer the funds to UBS Switzerland AG in order to place the said fiduciary investments in the name of UBS Switzerland AG, but for your account and at your own risk.

Irrespective of the fact that fiduciary investments are made in the name of UBS AG or UBS Switzerland AG, fiduciary investments are transactions and services which from time-to-time, by applicable laws, self-regulations, market practices and conditions of Financial Intermediaries, require the disclosure of data of the client itself and related persons (e.g. beneficial owner).

UBS-SFA will only make investments on a fiduciary basis once you have instructed us to do so, either by giving us discretion to make decisions for you in a discretionary Program account, or on a case-by-case basis in one of the non-discretionary Program accounts. For non-discretionary accounts, if you have so instructed us, but have not designated the Financial Intermediary and the other conditions of the investment at least five (5) days before a new investment or before maturity of the investment concerned, then we will repay the respective funds to your Program account. We have the sole obligation of paying to you such amounts as have been credited to us by the Financial Intermediary in its sole discretion.

The rates paid (or charged in the case of negative interest) by the selected UBS affiliate might be lower (or higher) than the rates paid (or charged) by other banks.

You will bear all economic and legal consequences of any measures taken by the relevant authorities (e.g. prohibition of repayment or transfer) which could affect your assets invested on a fiduciary basis in the respective country. Furthermore,

you bear the transfer, currency and country risk, as well as the risk of default on the part of the Financial Intermediary. In the event that an investment is placed with a foreign branch of an affiliate, the risk of default shall also cover the risk of default of UBS-SFA itself.

In case that fiduciary investments are made in the name of UBS Switzerland AG, you bear the risk of default of UBS Switzerland AG as well.

UBS AG maintains an up-to-date list of selected Financial Intermediaries who have good credit ratings and with whom it conducts fiduciary investment transactions. You can request the current list of selected Financial Intermediaries and the UBS AG credit rating principles at any time.

If the Financial Intermediary does not fulfil its commitments or only partially fulfills them (for example due to transfer restrictions and foreign exchange controls imposed in its own country of domicile or in the country of the investment currency), UBS-SFA is obligated solely to assign to you the claims against the Financial Intermediary, respectively against UBS Switzerland AG in case fiduciary investments are made in the name of UBS Switzerland AG, that have not already been transferred to the client in any other way. We will not be bound by any other obligation.

#### **4.13 Changes in currency values; differences between "home" and "Program" currency**

An account that invests in securities or other investments denominated in, and/or receiving revenues in, currencies other than one's "home" currency (i.e., the currency of your country of residence), will be subject to currency risk. For clients whose home currency is the US dollar, currency risk is the risk that foreign currencies will decline in value relative to the US dollar. In such event, the dollar value of an investment would be adversely affected. Currency exchange rates generally fluctuate in response to, among other things, changes in interest rates, intervention (or failure to intervene) by US or foreign governments, central banks or supranational entities, or by the imposition of currency controls or other political developments in the United States or abroad.

Additionally, you may have the option of selecting a Program currency that is different from your home currency. As a result your account values for your Program accounts will be reflected in your monthly and quarterly statements in your selected Program currency. When you select a Program currency which is different from your home currency, all of the assets in your UBS-SFA account will be converted to the selected Program currency for purposes of calculating your account's performance. If you select a Program currency other than your home currency, the performance shown in your account statements may not reflect the actual performance of your account due to changing currency rates.

#### **4.14 Brokerage practices**

##### **4.14.1 Brokerage practices, generally**

We normally use four firms to effect client transactions.

**Morgan Stanley** is used for equity security transactions, whereas Zurcher Kantonalbank (**ZKB**) is used for fixed income security (bond) transactions. For business contingency reasons, equity trades might also be routed through ZKB. Your advisory fee includes any so-called order ticket fee which Morgan Stanley or ZKB will charge us for the execution of

these transactions. ZKB has selected Toronto Dominion Bank of Canada to execute bonds in Mexican Peso or in some cases Mexican bonds in general. An additional broker can be selected in the future in case of markets where the liquidity is low or limited (a "sub-broker"). As a result of using such sub-broker, best execution cannot be evidenced due to the absence of other bids.

**SIX-SIS** is normally used for mutual fund shares transactions, generally on a net asset value (**NAV**) basis. **UBS AG** is used for transactions in precious metals and FX transactions.

In addition, certain financial products such as structured products, hedge funds, specific closed-end funds, interests in limited partnerships and limited liability companies and similar products are usually purchased directly from the issuer or its affiliate.

**Best execution:** We are obligated to seek "best execution" for client transactions. Best execution generally refers to the execution of transactions in such a manner that total cost or proceeds in each transaction are the most favorable under the circumstances. The SEC defines best execution as "best qualitative execution," not merely the lowest possible execution cost. In evaluating the quality of execution and selecting broker-dealers to execute client transactions, we will consider various factors, such as execution capability, commission rate (or spread), and responsiveness. We have adopted a best execution policy where our execution desk is responsible for weekly securities transactions checks on the execution of trades, taking into account execution time and price. On a monthly basis (or more often if significant issues arise), our execution desk reports its findings to our Best Execution Committee. Through these mechanisms, we seek "best execution" by monitoring Morgan Stanley's, ZKB's and our trading activity for clients, execution costs and quality obtained for clients, and our brokers' own best execution and related trading policies, procedures and practices. Consistent with seeking best execution, we selected Morgan Stanley, ZKB, and UBS AG to effect client transactions as described below. The best execution principle of having several prices from different brokers can be limited in markets with low liquidity, such as the Mexican bond market. In such markets the chosen broker can define a sub-broker for execution. Furthermore, limitation of best execution can also be a result of insufficient brokers in the market to offer a bid.

**While we are obliged under Swiss law to provide best execution to our clients, as a result of our obligations under US law as a registered investment adviser, we cannot engage in principal transactions without prior written client consent. If you have instructed us not to execute any trades that would result in a principal transaction, you acknowledge that we cannot guarantee best execution in situations where obtaining the best price would result in a principal transaction; you also acknowledge that if a trade would result in a principal transaction, we will not seek best execution with respect to that trade.**

**Selection of brokers:** Morgan Stanley and ZKB were chosen because we believe that they offered an attractive platform for our business model while, at the same time, providing competitive equity securities and fixed income securities (bonds) brokerage services. UBS AG and SIX-SIS were each chosen because we believe that their global reach in the funds business is advantageous to our clients. Mutual fund

shares are generally purchased and redeemed directly from the fund at NAV only.

#### **4.14.2 Research and other soft dollar benefits**

Soft dollar arrangements generally arise when an investment adviser obtains research or other products or services (other than securities execution) from a broker in return for directing securities transactions for its clients to the broker.

UBS AG, its affiliates, and third parties provide us with research material and/or services free of charge. This research may include written materials, bulletins, newsletters, daily emails, as well as conference calls and personal visits with analysts. We also have access to all research of UBS AG, including its internet research platform. Furthermore, we are involved in the voting process of external research providers at UBS AG and, as a result, are granted access to the research platforms of these providers. Although research providers do not receive trading flows from us, they may receive trading flows from UBS AG.

We do not consider the provision of research or other services when evaluating Morgan Stanley's, ZKB's, SIX-SIS or UBS Switzerland AG's transaction execution services.

#### **4.14.3 Brokerage for client referrals**

When selecting an executing broker, we do not consider whether we, or one of our affiliates, receive client referrals from such executing brokers. For example, as mentioned in section 8.6 ("Client referrals and other compensation agreements with affiliates") below, there is a referral arrangement with UBS Switzerland AG under which UBS Switzerland AG may refer clients to us. We do not consider these referrals in the selection of UBS Switzerland AG for services related to our Programs.

#### **4.14.4 Directed brokerage**

As explained in section 4.13.1 ("Brokerage practices, generally") above, we use Morgan Stanley, ZKB, SIX-SIS, or UBS Switzerland AG, and product issuers for execution of all client transactions. We do not permit clients to direct us to use any other specific broker for any client transaction as brokerage commissions or other transaction costs charged by that broker would not be included in the Advisory Fee.

#### **4.14.5 Aggregation and allocation**

We strive to aggregate trades for discretionary program accounts. However, it is not mandatory to aggregate trades and such aggregation is made at our full discretion. Aggregation of trades is a technique that seeks to increase the consistency in the execution process and support the quality and cost of execution. Execution of aggregated trades is generally completed by the end of the trading day. In some circumstances, an aggregated trade will be executed over a period of more than one day.

That said, we can always require immediate trade execution for a particular client's discretionary Program, without being part of the aggregation process, as we deem necessary or appropriate for that client's discretionary Program.

#### **4.14.6 Allocation of investment opportunities**

There are situations where a particular security must be purchased or sold for more than one Program or more than one client, but the investment opportunity is limited. In those situations, we will allocate the opportunities among eligible client accounts in a way that, over time, does not favor one client relationship over another. In principle, we will use a pro rata allocation method. For example: if clients A and B order 2,500 shares each and client C orders 5,000 shares (i.e., the total order is for 10,000 shares, of which clients A and B will have 25% and client C 50%) and only 4,000 share can be obtained on the market, the 4,000 shares will be allocated proportionally such that clients A and B each receive 1,000 shares (25% each) and client C receives 2,000 shares (50%). For possible side-by-side management issues, also see section 5.1 ("Performance-based fees and side-by-side management") below.

#### **4.14.7 Trade error handling**

We have a trade error procedure, pursuant to which we endeavor to timely resolve any identified trading errors that occur from time-to-time for a client relationship. We strive to correct and otherwise resolve trade errors in a manner that does not adversely affect the client. Trade errors are neutralized (unwound) immediately after detection regardless of gain or loss for us. The correction takes place as quickly as possible after detection in an effort to avoid timing or speculation. The effect of the trade error correction is neutralization for the client as if the initial transactions never happened on the account(s). We maintain an error account to facilitate handling trading errors. Gains may be offset by losses in the error account and, at the end of the calendar year, if the net ending value of such error account is a gain, we donate the funds to charity without any benefit to us.

#### **4.14.8 Principal trades and cross trades**

We do not knowingly engage in principal trades for our clients without written disclosure and pre-trade consent to each transaction on a case-by-case basis.

It might be the case, however, that in a specific fixed income security (bond), UBS AG or another of our affiliate is a market maker offering the best execution price, and under such circumstances that specific bond would have to be purchased from or sold to UBS AG or its affiliate by us on your behalf in order to guarantee best execution. In such cases, we will not execute the transaction, because such a transaction would be considered a principal trade.

We do not "cross" client trades in any security, even if doing so would be beneficial for clients, as we do not currently have the operational ability to identify potential cross trades between clients. Similarly, neither we, nor any affiliate, engage in "agency cross" trades between our clients and brokerage clients of such affiliates.

#### **4.14.9 Trading conflicts**

Because most of a client's securities trading costs are included in the Advisory Fee we receive, we pay for most execution services ourselves. As a result, we have an incentive to minimize securities trading for clients (thereby reducing the amount of money we must pay for execution).

Conversely, trading costs for FX transactions and precious metal spot transactions are not included in your Advisory Fee. Instead, they are paid to us in addition to the Advisory Fee. As a result, we have an incentive to maximize trading in FX and physical precious metals for clients.

However, we believe that the conflicts presented by these incentives are addressed through our investment decision-making process. For example, we are responsible for the selection and monitoring of securities for client accounts, maintain a recommended list of securities (i.e., investment universe) and report large relative performance deviations against markets on a regular basis to our Investment Committee (**IC**). The IC takes note of such decisions and has the power to override them.

#### 4.15 Custody

**UBS-SFA is a “qualified custodian.”** As a Securities Firm licensed and supervised by FINMA, we are allowed, under Swiss law and applicable SEC rules, specifically Rule 206(4)-2 of the Investment Advisers Act of 1940 (**Custody Rule**), to hold in custody financial assets for our clients. We serve as the “Qualified Custodian” for all our clients. When investing in one of our Programs, you must establish a custody account with us. You should be aware that the fraud potential with an investment adviser having custody of client assets is higher than with an investment adviser that does not have custody of client assets.

**Ernst & Young Ltd** conducts an annual examination of the controls related to the custody function for our client assets and issues a report (so-called SOC-1 Report). We can provide you with a copy of the most recent SOC-1 Report as well as our most recent Annual Report upon your request.

UBS-SFA’s sub-custodians are:

- **SIX-SIS** for client assets (e.g. bonds, notes, structured products, funds, shares, rights, etc.) other than non-SIX-SIS-Eligible Securities, and precious metals; and
- **UBS Switzerland AG** for certain mutual fund shares, certain equity types (such as equities that are physically delivered and held in custody or shares that are registered in the shareholders' registry of the issuing company) and precious metals.

#### 4.16 Electronic delivery of documents

To the extent permissible by applicable law, we will, with your prior consent, deliver certain documents and notices that are available now and may be available in the future, via electronic format which include, without limitation, the following:

- account information (account value, holdings, securities transactions, trade confirmations, cash transactions, distributions received, and performance reports) relating to the Client's UBS-SFA accounts;
- any account agreements, and subsequent amendments, related to your relationship with us;
- Privacy Notice, and any other regulatory required notices and/or information;
- Disclosure Brochure, and any amendments and related documents;
- shareholder communications, including, without limitation, fund reports, prospectuses, and corporate actions;

- tax statement and other tax-related information;
- online account notifications or messages relating to your accounts, holdings, news, and research; and
- UBS-SFA Investment Outlook and similar market analysis, which may include UBS Research

We will deliver documents relating to your accounts to UBS-SFA Online or as an attachment in portable document format (PDF) to an email.

**If you are enrolled in UBS-SFA Online, you can change your delivery preferences at any time by contacting your WMC.**

#### 4.17 Complaints

As a client of a Swiss registered Securities Firm, if we fail to meet your expectations at any time and we are unable to find an amicable solution, you have the opportunity to bring your concerns to the attention of the Verein Ombudsstelle Finanzdienstleiter (OFD) (**Ombudsman**). OFD is our selected the independent Ombudsman service, and it acts as a free and neutral information and mediation agency. Such services are available to you in English.

As a general rule, the Ombudsman only gets involved after we have received and have had the opportunity to respond to your written complaint, and upon your request. Reaching out the Ombudsman does not affect any other legal recourses you may have against us.

Although we pay a yearly fee to OFD as our responsible Ombudsman, OFD is fully independent from us and our affiliates.

Contact information:  
Verein Ombudsstelle Finanzdienstleiter (OFD)  
Bleicherweg 10  
8002 Zurich  
Switzerland

[www.ofdl.ch/en/start/](http://www.ofdl.ch/en/start/)

#### 4.18 Conflict of laws disclosure

Our legal obligations to clients can vary under the laws of the various jurisdictions that apply to our business. Multiple factors determine which laws are applicable to us, including where we conduct business, the nature of the particular client and the laws that apply to the client or our relationship with the client. In order to address potential uncertainties in this area, our investment advisory client agreements generally stipulate the laws under which our agreements and client relationships are governed to the exclusion of other laws. Our stipulation of laws can have the effect of limiting our legal obligations or the rights a client enjoys in relation to other laws that might potentially apply.

In addition, there can be circumstances in which our relationship or a particular matter is governed by the laws of multiple jurisdictions whose requirements diverge or conflict. In such circumstances, we generally make our own determination of whether and to what extent these different laws and requirements apply to us based on our understanding of those laws and applicable legal principles. In making these determinations, we can face a conflict of

interest particularly when these determinations involve a choice among laws and requirements that impose greater restrictions or obligations or are otherwise less favorable to us even though they may be more favorable to clients.

Finally, there can be circumstances where the laws or requirements applicable to a given relationship, particularly with multiple clients (i.e., one joint account holder is resident in the US and the other is resident in Germany), present conflicts of laws and correspondingly present conflicts between and among the interests of various clients within a given relationship. In such situations, we will rely upon instructions given by any of the persons designated with authority over the account based upon the information provided to us by the client(s) without consideration to the potential conflicts of law in the clients' respective jurisdictions.

## 5. Portfolio manager selection and evaluation of portfolio managers

All investment advisory services for Program clients are provided by us and there are no external investment advisers or portfolio managers and no affiliates (such as UBS AG) that act as investment adviser or portfolio manager for our clients.

### 5.1 Performance-based fees and side-by-side management

We do not charge performance-based fees. However, we recognize that side-by-side management issues exist for other reasons.

We manage client accounts that have objectives that are similar to, or which overlap with, those of other clients. However, we strive to allocate investment opportunities among similarly-managed client accounts on a fair and equitable basis over time.

The investment strategies we use for certain clients could conflict with the transactions and strategies employed for other clients, which can have an effect on the prices and availability of securities and other financial instruments in which clients invest. For example, on a regular basis, and in particular after investment strategy changes have been approved by our IC, the Head of Investment Management informs the members of Investment Management (for discretionary Program accounts) and CAT (for non-discretionary Program accounts) of investment recommendations or changes in investment strategies. As a consequence, you should understand that transactions effected for one or more discretionary Programs will have already been recommended to clients of non-discretionary Programs prior to effecting any transactions for clients with a discretionary Program. These previous non-discretionary Program transactions can result in changes to the prices of instruments from those obtained in later transactions on behalf of discretionary Programs. Accordingly, the prices received for discretionary Programs, if UBS-SFA Investment Management implements the investment recommendations or changes in investment strategies provided by the IC over a certain period of time, can be disadvantaged relative to the prices previously received on behalf of non-discretionary Programs, or in general. The same applies to transactions effected by us on behalf of clients of non-discretionary Programs if such transactions are effected after UBS-SFA implements the investment recommendations or changes in investment strategies provided by the IC.

### 5.2 Discretionary programs

As described above, Investment Management and the IC use a variety of research sources in making their investment decisions for your account, including research issued by our affiliates and independent sources. **Investment Management and the IC are not required to follow UBS issued research except in limited circumstances and can, in their discretion, take positions for your account that contradict the research issued by our affiliates. You should be aware that our affiliates (or employees thereof) can have conflicts of interest in connection with the research reports they publish.**

Investment Management and IC compensation is not based on investment banking, sales and trading or principal trading revenues; however, their compensation relates to the revenues of the UBS business groups as a whole, of which investment banking, sales and trading and principal trading are each a part.

### 5.3 Rights arising from corporate actions

**UBS-IA Program:** In connection with investment instruments held in your UBS-IA account, you will be informed by us on rights arising from corporate actions, such as tender or exchange offers, subscription rights, option and conversion rights, and redemption rights.

If you have not elected to receive notifications as they become available electronically either via UBS-SFA Online, the application which gives you electronic access to your account and other information, or via an email notification, there is a risk that you will not receive the relevant information in a timely manner and you will therefore not have the opportunity to make an election within the prescribed timeframe.

In addition, we generally provide notice of the default election that will apply if we do not receive your response with respect to a notice of corporate action. In the event you do not provide an election within the required deadline, we will make an election in accordance with our notice of default election.

In order to deal with the complexity of our cross-border business, we will limit certain activities in or into certain countries. This means that if you live in a country where communication activities have been limited or prohibited, we will not be able to provide information about corporate actions, even upon your explicit request, and therefore, you will not have the opportunity to take action even if you have explicitly retained the right to make your own corporate action elections.

**Discretionary Program accounts:** By signing the discretionary Program account agreement, you grant us the authority to make elections based upon our investment judgment on behalf of your account arising from corporate actions, such as tender or exchange offers, subscription rights, option and conversion rights, and redemption rights.

**Limitations of our authority:** We will not make an election with respect to a corporate action, even if you have designated authority to us, if: (a) the securities are no longer held in your account; or (b) the relevant materials are not received in sufficient time to allow an appropriate analysis to allow an election to be made by the deadline.

### 5.4 Voting client securities (proxy voting)

We do not vote proxies solicited by, or with respect to, the issuers of any securities held for you in your Program. We will not provide you with information and/or advice regarding proxies unless specifically requested by you (and then, we will only do so to the extent permitted by applicable law), or

unless required by applicable law. Otherwise, we will not forward proxy related information or materials to your attention.

If you hold Swiss-registered shares or bearer shares in your own name, proxies will be sent to you directly from the issuer. With respect to proxies of non-Swiss registered shares and Swiss-registered or bearer shares held in the name of a nominee, you will be responsible for obtaining any applicable proxy information, and you can contact us for further information. Unless required by applicable law, proxy information received by us from the custodians will not be forwarded to you, and we do not monitor proxies solicited by issuers on an ongoing basis for your account and will not be responsible for sending proxy-related information to you. Because we do not vote proxies solicited by, or with respect to, the issuers of any securities, unless required by applicable law we do not provide you with information and/or advice

regarding proxies or forward proxy related information or materials to you so you can vote, there is the risk that the value of securities held in your account will be affected by matters that are submitted for approval by a companies' shareholders. These include corporate events (mergers and acquisition transactions, dissolutions, conversions, or consolidations), contested elections for directors or other matters the outcome of which might be material in terms of the value of or thesis for an investment.

Additionally, we do not make elections with respect to reorganizations, bankruptcy proceedings, and class action lawsuits involving an issuer whose equity or debt securities are held in your account, nor will we provide you with advice and/or information regarding the above unless specifically requested by you, and then, we will only do so to the extent permitted by applicable law.

# 6. Methods of analysis, investment strategies, and risk of loss

## 6.1 Methods of analysis and investment strategies

We use different methods of analysis that are tailored for each of the investment strategies we offer to clients. Set out below are the primary methods of analysis and investment strategies that we utilize in formulating investment advice or providing discretionary management services.

This section 6 includes a discussion of the primary risks associated with these investment strategies. However, it is impossible to identify all the risks associated with investing, and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held, as well as any restrictions imposed by the client. While we seek to manage accounts so that risks are appropriate to the strategy, it is often impossible or not desirable to fully mitigate risks. Any investment includes the risk of loss, and there can be no guarantee that a particular level of return will be achieved. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients should carefully read all applicable informational materials and offering or governing documents prior to retaining us to manage an account or prior to making any investment decisions.

It is of highest importance to us that we apply sound methods and analysis in formulating investment advice. We have adopted a "top-down" approach: the IC agrees on a global macro and market environment view by taking into account gross domestic product, inflation, short-term interest rates, currencies, long term interest rate level, and equities. Based on that, the IC formulates an asset allocation. Investment Management then selects individual securities (bonds, equities, mutual funds, structured products, etc.) to implement the asset allocation based on the client's risk profile and investment objectives. We use external, as well as UBS AG created, research for this decision-making process.

We obtain information from various sources, including:

- financial publications;
- inspections of corporate activities;
- company press releases and securities filings;
- research and due diligence material prepared by UBS AG, our affiliate, and third parties;
- rating or timing services;
- regulatory and self-regulatory reports;
- third-party data providers and research consultants;
- outside consultants, experts and other professionals; and
- other public sources.

In addition, we receive a broad range of research and information about the following:

- generic economic conditions;
- industries;
- groups of securities and individual companies;
- market data;
- accounting and tax law interpretations;

- political developments;
- pricing and appraisal services;
- credit analysis,
- risk measurement analysis, and
- other information affecting the economy.

Research can be received through various channels, including:

- written reports;
- telephone contacts and personal meetings with research analysts;
- economists;
- government representatives; and
- corporate and industry spokesmen.

## 6.2 Risk of loss

Investments in securities involve the risk of **financial loss** that you should be prepared to bear. Raising the awareness for this risk and discussing the factors that can potentially lead to such loss is therefore a key consideration when looking at the investment opportunities with you or a prospective client.

It all starts with working with you step-by-step identifying your financial objectives and risk profile. The purpose of this process is to determine your personal loss capacity, investment objectives, and knowledge and experience. Based on the information provided by you, the correct balance between the opportunity for financial gain and the capacity for financial loss can be determined. You should understand the following risks and discuss them with your WMC.

## 6.3 Material, significant or unusual risks relating to investment strategies

The selection of an appropriate investment strategy must fit your risk profile and investment objectives. In addition, each strategy involves investment in a certain type or types of securities, each of which have their own risks. Set forth below are some of the material risk factors that are often associated with the investment strategies and types of investments relevant to many of our clients. **This is a summary only.** The information included in this Disclosure Brochure does not include every potential risk associated with each investment strategy or applicable to a particular client account. You should not rely solely on the descriptions provided below. You are encouraged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific disclosures and determine whether a particular investment strategy or type of security is suitable for your account in light of your own specific circumstances, investment objectives and financial situation.

Your risk awareness is reviewed at least annually. For non-discretionary program accounts, you are informed of securities which are not within our recommended investment universe and therefore also not actively

monitored, bulk risks, and the overall allocation discrepancies that do not fulfil your stated investment objectives.

There is no assurance that any investment risk mitigation efforts undertaken by us will be successful or otherwise eliminate the relevant risk. Further, there is no assurance that you will achieve your stated investment objective.

### 6.3.1 Pandemic risk

We have a comprehensive Business Continuity Management (**BCM**) and Crisis Management framework in place designed to prevent a wide variety of events from impacting our critical operations. Its governance is maintained at the senior global management level through a pandemic steering committee reporting to the UBS Group Executive Board and regional working groups to implement and maintain precautionary actions for our staff to protect our franchise and clients. Preparation includes employee communications, facilities management, travel measures, human resources, medical measures and BCM.

#### **Coronavirus risk:**

Since the outbreak of novel coronavirus (COVID-19) was confirmed, UBS Group has been closely monitoring the situation as it develops. The measures we have implemented are aligned with the recommendations of the World Health Organization (WHO), local government and relevant health authorities as well as being appropriate to our position.

Based on the current situation we expect our business to continue operating at a normal level. However, the spread of the novel coronavirus worldwide has resulted in quarantines, border closings and other restrictions on travel, stress on the global healthcare system, disruptions to supply chains and business activities, including government mandated business closures, layoffs and disruptions to customer activities, increased market volatility and market declines, and, generally, widespread concern and uncertainty. Health crises and related political, social and economic disruptions caused by the spread of the coronavirus outbreak may also exacerbate other pre-existing political, social and economic risks in certain countries. It is not possible to know the extent of the impact of these disruptions on the performance of companies and other investment assets.

These disruptions may be short-term or may last for a more extended period. Despite governmental efforts to address market disruptions, these developments and related events could result in further market volatility and negatively affect financial asset prices, the liquidity of certain securities and the normal operations of trading firms and other intermediaries (including the ability to achieve best execution), securities exchanges and other markets.

Given how closely our revenues are tied to capital markets, market declines and lower asset prices will negatively impact our performance and put pressure on our business.

We may face challenges with respect to our day-to-day operations if our key personnel are unavailable due to health and safety issues, quarantines, travel or other restrictions. Moreover, we rely on a network of service providers to run our business. Disruptions to their operations, availability of key personnel, technology

infrastructure or finances caused by the recent coronavirus outbreak could have negative effects on our operations and business. As a result, the risk environment remains elevated.

### 6.3.2 General portfolio risks

#### **General market risk:**

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one strategy can under perform in comparison to general financial markets, a particular financial market or other asset classes, due to a number of factors, including inflation, interest rates, global demand for particular products or resources, natural disasters or events, terrorism, regulatory events and government controls.

#### **Currency risk:**

Currency exchange rates can be extremely volatile, particularly during times of political or economic unrest or as a result of actions taken by central banks, which are intended to directly affect prevailing exchange rates. A variance in the degree of volatility of the market or in the direction of the market from UBS-SFA's expectations can produce significant losses to a Program account.

#### **Concentration and geographic risk:**

Concentration of a Program account's investments in securities of issuers located in a particular country or geographic region will subject the Program account, to a greater extent than if investments were less concentrated, to the risks of volatile economic cycles and/or conditions and developments that can be particular to that country or region, such as: adverse securities markets; adverse exchange rates; adverse social, political, regulatory, economic, business, environmental or other developments; or natural disasters. Finally, to the extent a Program account invests all or a large percentage of its assets in a single issuer or a relatively small number of issuers, or concentrates its assets directly or indirectly in investments in the same economic sector, asset class, or in one particular asset or security, it is subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by the Program account will affect the overall value of the account more than it would affect an account that holds more investments. In particular, the Program account is more susceptible to adverse developments affecting any single issuer in the Program and is susceptible to greater losses because of these developments.

#### **Non-US securities risks:**

Some non-US securities (including those of government issuers) are subject to heightened risk of loss because of more or less non-US government regulation (including with respect to settlement or custody), less public information, less liquidity and greater volatility (potentially as a result of the small size of the relevant securities market), and less economic, political and social stability in the countries of domicile of the issuers of the securities and/or the jurisdictions in which these securities are traded. Loss also results from, among other things, deteriorating economic and business conditions in other countries, including the United States, regional and global conflicts, adverse diplomatic developments, regime changes, the imposition

of exchange controls (including repatriation restrictions), trading controls, import duties or other protectionist measures, non-US taxes (including confiscatory taxes), sanctions, confiscations, trade restrictions (including tariffs), expropriations, nationalizations and other government restrictions by the United States or other governments, higher transaction costs, difficulty in repatriating funds or enforcing contractual obligations, or from problems in share registration, settlement or custody. A Program account is also subject to risks involving fluctuations in the rate of exchange between currencies, including the risk of negative non-US currency fluctuations which can cause the value of securities denominated in non-US currency (or other instruments through which the Advisory Account has exposure to foreign currencies) to decline in value, and costs associated with currency conversion. These risks and costs are generally greater in connection with a Program account's investment in securities of issuers located in emerging countries. In addition, a Program account will be subject to the risk that an issuer of non-US sovereign debt held by a Program account or the governmental authorities that control the repayment of such debt are unable or unwilling to repay the principal or interest when due, including as a result of levels of non-US debt or currency exchange rates. Furthermore, a Program account's purchase and sale of certain non-US securities will be subject to limitations or compliance with procedures imposed by non-US governments that restrict investment opportunities. For example, a Program account will be subject to limitations on aggregate holdings by non-US investors. Moreover, as a result of having to comply with such procedures, a Program account's ability to effect trades will be delayed, and a Program account's failure to comply with such procedures can result in failed trades, loss of voting or transfer rights or the forced sale of settled positions. These risks might be heightened if the Program account invests in emerging markets or growth markets.

#### **Trading on non-US exchanges:**

Some securities in your account are traded on exchanges located outside the United States. Some non-US exchanges, in contrast to US exchanges, are "principals' markets" in which performance is the sole responsibility of the executing broker and not that of an exchange or its clearinghouse, if any. In the case of trading on non-US exchanges, your account will be subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to contracts. Moreover, since there is generally less government supervision and regulation of non-US exchanges, clearinghouses and clearing firms than in the United States, your account is also subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses or clearing firms, and there is a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls. Your account will not be afforded certain of the protections that apply to US transactions, including with respect to margin. In addition, such trades will be affected by any fluctuation in the foreign exchange rate.

#### **Emerging markets risk:**

Investments in securities of issuers outside of the US: denominated in foreign currencies are subject to risks in addition to the risks of securities of US issuers. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity

risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in "emerging markets." These countries have relatively unstable governments and less-established market economies than developed countries. Emerging markets face greater social, economic, regulatory and political uncertainties. These risks make emerging market securities more volatile and less liquid than securities issued in more developed countries.

#### **High portfolio turnover risk:**

Certain strategies within the discretionary programs engage in active and frequent trading. Additionally, active and frequent trading in your non-discretionary Programs will lead to increased portfolio turnover, higher transaction costs, and the possibility of increased capital gains, including short-term capital gains that are generally taxable as ordinary income.

#### **Regulatory risk:**

There have been legislative, tax and regulatory changes and proposed changes that apply to our activities that require us to adapt and update our approach from a legal, tax and regulatory perspective, including requirements to provide additional information pertaining to a client account to the Internal Revenue Service or other taxing authorities. Regulatory changes and restrictions imposed by regulators, self-regulatory organizations, and exchanges vary from country to country and affect the value of your investments and your ability to pursue their investment strategies. Any such rules, regulations and other changes, and any uncertainty in respect of their implementation, result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which negatively impact performance.

#### **Cyber security risk:**

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. As the use of technology has become more prevalent in the course of business, we have become more susceptible to operational and financial risks associated with cyber security, including: theft, loss, misuse, improper release, corruption and destruction of, or unauthorized access to, confidential or highly restricted data relating to us and our clients, and compromises or failures to systems, networks, devices and applications relating to our operations and our service providers. Cyber security risks result in financial losses to us and our clients; our inability to transact business with our clients; delays or mistakes in materials provided to clients; the inability to process transactions with clients or other parties; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. Our service providers (including any transfer agent, and custodian or their agents), financial intermediaries, companies in which client accounts and funds invest and parties with which we engage in portfolio or other transactions are also adversely impacted by cyber security risks in their own businesses, which could result in losses to UBS-SFA or our clients. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective,

particularly since we do not directly control the cyber security defenses or plans of our service providers, financial intermediaries and companies in which they invest or with which they do business.

**Data sources risk:**

We subscribe to external data sources used to enforce investment restrictions, to assist in making investment decisions, for investment research, or for pricing information. If information that we receive from a third-party data source is incorrect, and your account is negatively impacted, it will not achieve its desired results. Although we believe these third-party data sources to be generally reliable, we typically receive these services on an "as is" basis and cannot guarantee that the data received from these sources will be accurate. We are not responsible for errors by these sources.

**Dependence on key personnel:**

Program accounts rely on certain key personnel of UBS-SFA. Accordingly, the success and failure of Program accounts will depend to a significant extent on the viability and performance of such key personnel. Certain key personnel, including members of Investment Management, may leave UBS-SFA or move to an affiliated entity within the UBS Group. The departure of any personnel for any reason, including relating to compensation or other factors, or the inability of such personnel to fulfill certain duties, will adversely affect the ability of UBS-SFA to effectively manage the Program accounts.

**Corporate event risks:**

Substantial transaction failure risks are involved in companies that are the subject of publicly disclosed mergers, takeover bids, exchange offers, tender offers, spin-offs, liquidations, corporate restructuring, and other similar transactions. Thus, there can be no assurance that any expected transaction will take place. Certain transactions are dependent on one or more factors to become effective, such as market conditions which lead to unexpected positive or negative changes in a company profile, shareholder disapproval, regulatory and various other third party constraints, changes in earnings or business lines or shareholder activism as well as many other factors. Certain investments need to be held for a considerable period of time before they will show any return. No assurance can be given that the transactions entered into will result in profitable investments for a Program account or that a Program account will not incur substantial losses.

**Bankruptcy:**

You may lose your entire investment or may be required to accept cash or other assets with a value less than its original investment if a company that is expected to be stable deteriorates and becomes involved in a bankruptcy or other reorganization or liquidation proceeding. Such proceedings are often lengthy and difficult to predict and could result in the loss of a company's market position and key personnel. The bankruptcy courts have extensive power and, under some circumstances, can alter contractual obligations of a bankrupt company. Stockholders, creditors and other interested parties are all entitled to participate in bankruptcy proceedings and will attempt to influence the outcome for their own benefit. In addition, certain claims, such as for taxes, will have priority by law over the claims of other interested parties, including the Program accounts. See section 5.4 ("Voting client securities (proxy voting)")

for more information regarding handling of bankruptcy proceedings.

**Interest rate risks:**

Interest rates can fluctuate significantly at any time and from time-to-time. As a result of such fluctuations, the value of securities or instruments held in your account will increase or decrease in value. For example, when interest rates increase, fixed-income securities or instruments held in a Program account will generally decline in value. Long-term fixed-income securities or instruments will normally have more price volatility because of this risk than short-term fixed-income securities or instruments. A wide variety of market factors can cause interest rates to rise, including central bank monetary policy, rising inflation and changes in general economic conditions. The risks associated with increasing interest rates are heightened given that interest rates are near historic lows (and in certain cases, negative), but are expected to increase in the future with unpredictable effects on the markets and your Program account investments. Fluctuations in interest rates also affect the liquidity of any fixed-income securities and other instruments held in your Program account such as equities and FX.

**Investment style risks:**

Different investment styles (e.g., "growth," "value" or "quantitative") tend to shift in and out of favor depending upon market and economic conditions as well as investor sentiment. Your Program accounts outperform or underperform other accounts that invest in similar asset classes but employ different investment styles.

**Restricted investments risks:**

Restricted securities are securities that cannot be sold to the public in the US without an effective registration statement under the 1933 Act, or, if they are unregistered, can be sold only in a privately negotiated transaction or pursuant to an exemption from registration, and will not be available to you if you are located in the US. These restrictions often apply to non-US securities. These restrictions could prevent you from promptly liquidating unfavorable positions and/or participate in a corporate action, and can subject such you to substantial losses. Further, when registration is required to sell a security, you will be obligated to pay all or part of the registration expenses, and a considerable period will elapse between the decision to sell and the time you are permitted to sell the security under an effective registration statement. If adverse market conditions developed during this period, you will likely obtain a less favorable price than the prevailing price when it decided to sell.

**Reliance on technology:**

We employ investment strategies that are dependent upon various computer and telecommunications technologies. The successful implementation and operation of such strategies could be severely compromised by telecommunications failures, power loss, software-related "system crashes," fire or water damage, or various other events or circumstances. Any such event could result in, among other things, our inability to establish, maintain, modify, liquidate, or monitor your investments, which could have an adverse effect on your account.

### 6.3.3 Risks that apply primarily to equity investments

#### Equity securities risk:

Investments in equity securities (such as stocks) are generally more volatile and carry more risks than some other forms of investment. The price of equity securities will generally rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements generally result from factors affecting individual companies, sectors or industries selected for a portfolio or the securities market as a whole, such as changes in economic or political conditions. US and non-US stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies are generally subject to more abrupt or erratic price movements and lack sufficient market liquidity, and these companies often face greater business risks.

#### ETF risks:

Program accounts invest in ETFs. Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. In addition to presenting the same primary risks as an investment in a conventional fund, an ETF can fail to accurately track the market segment or index that underlies its investment objective. Moreover, ETFs are subject to the following risks that do not apply to conventional funds: (i) the market price of the ETF's shares can trade at a premium or a discount to their net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; and (iii) there is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged.

#### Index related risk:

To the extent it is intended that your account track an index, your account may not match, and may vary substantially from, the index for a period of time, including as a result of your inability to invest in certain securities as a result of legal and compliance restrictions, regulatory limits or other restrictions applicable to your account and/or UBS-SFA, reputational considerations or other reasons.

The risk that a Program account or fund does not track the performance of its underlying index is generally heightened during times of increased market volatility or other unusual market conditions. Additionally, the index provider does not control or own index tracking accounts.

#### Growth investing risk:

Growth investing attempts to identify companies that we believe will experience rapid earnings growth relative to value or other types of stocks. The value of these stocks generally is much more sensitive to current or expected earnings than stocks of other types of companies. Short-term events, such as a failure to meet industry earnings expectations, can cause dramatic decreases in the growth stock price compared to other types of stock. Growth stocks generally trade at higher multiples of current earnings compared to value or other stocks, leading to

inflated prices and thus potentially greater declines in value.

#### Value investing risk:

Value investing attempts to identify companies that are undervalued according to our estimate of their true worth. We select stocks at prices that we believe are temporarily low relative to factors such as the company's earnings, cash flow or dividends. A value stock decrease in price or do not increase in price as anticipated by us if other investors fail to recognize the company's value or the factors that we believe will cause the stock price to increase do not occur.

#### Smaller companies risk:

Certain strategies invest in securities of smaller companies. Investments in smaller companies can be riskier than investments in larger companies. Securities of smaller companies tend to be less liquid than securities of larger companies. In addition, small companies are generally more vulnerable to economic, market and industry changes. As a result, the changes in value of their securities can be more sudden or erratic than in large capitalization companies, especially over the short term. Because smaller companies generally have limited product lines, markets or financial resources or depend on a few key employees, they can be more susceptible to particular economic events or competitive factors than large capitalization companies. This can cause unexpected and frequent decreases in the value of an account's investments. Finally, emerging companies in certain sectors may not be profitable and may not realize earning profits in the foreseeable future.

### 6.3.4 Risks related to fixed-income investments

#### Fixed-Income securities risks:

Investment in fixed-income securities offers opportunities for income and capital appreciation, and can also be used for temporary defensive purposes and to maintain liquidity. Fixed-income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes, and debentures issued by corporations; debt securities issued or guaranteed by the US government or one of its agencies or instrumentalities or by a non-US government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities typically pay fixed, variable, or floating rates of interest, and can include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (i.e., market risk). The credit quality of securities can deteriorate rapidly, which will impair liquidity in your account and cause significant value deterioration.

#### Floating and variable rate obligations risks:

You may invest in instruments that have floating and/or variable rate obligations. For floating and variable rate obligations, there can be a lag between an actual change in the underlying interest rate benchmark and the reset time for an interest payment of such an obligation, which could harm or benefit your account, depending on the interest rate environment or other circumstances. In a rising interest rate environment, for example, a floating or

variable rate obligation that does not reset immediately would prevent you from taking full advantage of rising interest rates in a timely manner. However, in a declining interest rate environment, you can benefit from a lag due to an obligation's interest rate payment not being immediately impacted by a decline in interest rates. Certain floating and variable rate obligations have an interest rate floor feature, which prevents the interest rate payable by the security from dropping below a specified level as compared to a reference interest rate. Such a floor protects your account from losses resulting from a decrease in the reference rate below the specified level. However, if the reference rate is below the floor, there will be a lag between a rise in the reference rate and a rise in the interest rate payable by the obligation, and you cannot benefit from increasing interest rates for a significant amount of time.

#### **Short duration fixed-income strategies:**

To the extent that your Program account employs a strategy focused on maintaining fixed-income securities of short duration, such a strategy generally will earn less income and, during periods of declining interest rates will provide lower total returns, than would have been the case had longer duration strategies been employed. Although any rise in interest rates is likely to cause the prices of debt obligations to fall, the comparatively short duration of an your portfolio holdings utilized in connection with such a strategy is generally intended to keep the value of such securities within a relatively narrow range.

#### **Sovereign debt risks:**

Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers. If an issuer of the debt or the governmental authorities that control the repayment of the debt is unable or unwilling to repay principal or interest when due in accordance with the terms of such debt, you will generally have limited recourse to compel payment in the event of a default. Any failure to make payments in accordance with the terms of the debt could result in losses to in your Program account. A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner can be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward international lenders and the political constraints to which a sovereign debtor is subject.

As with all fixed-income securities, investing in sovereign debt involves the risks of changes in the value of the instruments resulting from fluctuating interest rates. When interest rates decline, the market value of fixed-income securities tends to increase. Conversely, when interest rates increase, the market value of fixed-income securities tends to decline. In addition, short-term cash equivalent investments, such as commercial paper, bankers' acceptances, certificates of deposit, and repurchase agreements, are not guaranteed by any government and are subject to some risk of default.

#### **US government securities risks:**

The US government does not always provide financial support to US government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. US government securities, including those issued by the

Federal National Mortgage Association (**Fannie Mae**), the Federal Home Loan Mortgage Corporation (**Freddie Mac**), and the Federal Home Loan Banks are neither issued by nor guaranteed by the US Treasury and therefore are not backed by the full faith and credit of the United States. The maximum potential liability of the issuers of some US government securities held in your Program account can greatly exceed their current resources, including any legal right to support from the US Treasury. It is possible that issuers of US government securities will not have the funds to meet their payment obligations in the future. Fannie Mae and Freddie Mac have been operating under conservatorship, with the Federal Housing Finance Administration (**FHFA**) acting as their conservator, since September 2008. The entities are dependent upon the continued support of the US Department of the Treasury and FHFA in order to continue their business operations. These factors, among others, could affect the future status and role of Fannie Mae and Freddie Mac and the value of their debt and equity securities and the securities which they guarantee. Additionally, the US government and its agencies and instrumentalities do not guarantee the market values of their securities, which fluctuate.

#### **Corporate debt securities risks:**

Corporate debt securities are subject to, among other risks, the risk of the issuer's inability to meet principal and interest payments on the obligation and are also subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates decline, the value of debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. In addition, an investment in debt securities are typically subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Program account earlier than expected. This will happen when there is a decline in interest rates, or when the issuer's performance allows the refinancing of debt with lower cost debt. Early repayments of your investments can have an adverse effect on your account's investment objectives and the profits on invested capital.

#### **Bank obligations:**

You may invest in obligations issued or guaranteed by US or foreign banks. Bank obligations, including without limitation, time deposits, bankers' acceptances and certificates of deposit, can be general obligations of the parent bank or can be limited to the issuing branch by the terms of the specific obligations or by government regulations. Banks are subject to extensive but different governmental regulations which limit both the amount and types of loans which can be made and interest rates which are charged. In addition, the profitability of the banking industry is largely dependent upon the availability and cost of funds for the purpose of financing lending operations under prevailing money market conditions. Among the significant risks relating to bank obligations are adverse changes in general economic conditions as well as exposure to credit losses arising from possible financial difficulties of borrowers.

**Credit/default risk:**

An issuer or guarantor of fixed-income securities or instruments can default on its obligation to pay interest and repay principal or default on any other obligation. Additionally, if the credit quality of securities or instruments deteriorates rapidly, impairing liquidity and causing significant value deterioration.

You may invest in non-investment grade fixed-income securities (commonly known as "junk bonds") and leveraged loans that are considered speculative. Non-investment grade investments, leveraged loans and unrated securities of comparable credit quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities and loans will generally be subject to greater price volatility due to such factors as specific issuer developments, interest rate sensitivity, negative perceptions of the junk bond and leverage loan markets generally and less secondary market liquidity. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. Lower rated debt securities are typically junior to the obligations of companies to senior creditors, trade creditors and employees and therefore, the ability of holders of such lower rated debt securities to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors.

**High yield debt securities risks:**

You may also invest in high yield debt securities, which have historically experienced greater default rates than investment grade securities. The ability of holders of high yield debt to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. In addition, high yield debt can also be subject to additional liquidity and volatility risk. In addition, certain types of fixed-income securities can be subject to additional risks. For example, mortgage-backed securities and asset-backed securities are also subject to call risk, extension risk and prepayment risk, as well as substantial structural, legal, operational and liquidity risks.

**Municipal obligations risk:**

The risk of direct or indirect (i.e., fund) investment in a municipal obligation generally depends on the financial and credit status of the issuer. Changes in a municipality's financial health can make it difficult for the municipality to make interest and principal payments when due. A number of municipalities have had significant financial problems recently, and these and other municipalities could, potentially, continue to experience significant financial problems resulting from lower tax revenues and/or decreased aid from state and local governments in the event of an economic downturn. Under some circumstances, municipal obligations might not pay interest unless the state legislature or municipality authorizes money for that purpose. Some securities, including municipal lease obligations, carry additional risks. For example, they can be difficult to trade or interest payments can be tied only to a specific stream of revenue.

Municipal bonds can be more susceptible to downgrades or defaults during recessions or similar periods of economic stress. Factors contributing to the economic stress on municipalities include lower property tax collections as a result of lower home values, lower sales tax revenue as a

result of consumers cutting back spending, and lower income tax revenue as a result of a higher unemployment rate. In addition, since some municipal obligations are secured or guaranteed by banks and other institutions, the risk to an investor could increase if the banking or financial sector suffers an economic downturn and/or if the credit ratings of the institutions issuing the guarantee are downgraded or at risk of being downgraded by a national rating organization. If such events were to occur, the value of the security could decrease or the value could be lost entirely, and it can be difficult or impossible for an investor to sell the security at the time and the price that normally prevails in the market. Interest on municipal obligations, while generally exempt from federal income tax, is not also automatically exempt from federal alternative minimum tax.

**Asset-backed, mortgage-related and mortgage-backed securities risk:**

The value of mortgage related and asset-backed securities held directly or indirectly (i.e., fund) will be influenced by the factors affecting the property market and the assets underlying such securities. As a result, during periods of difficult or frozen credit markets, significant changes in interest rates, or deteriorating economic conditions, mortgage-related and asset-backed securities will decline in value, face valuation difficulties, be more volatile and/or be illiquid. Since mortgage borrowers have the right to prepay principal in excess of scheduled payments, there is a risk that borrowers will exercise this option when interest rates are low to take advantage of lower refinancing rates. When that happens, the mortgage holder will need to reinvest the returned capital at the lower prevailing yields. This prepayment risk, as well as the risk of a bond being called, can cause capital losses. Conversely, when rates rise significantly, there is a risk that prepayments will slow to levels much lower than anticipated when the mortgage was originally purchased. In this instance, the risk that the life of the mortgage security is extended can also cause capital losses, as the mortgage holder needs to wait longer for capital to be returned and reinvested at higher prevailing yields. Mortgage-related and asset-backed securities decline in value, face valuation difficulties, be more volatile and/or be illiquid. The risk of default for "sub-prime" mortgages is generally higher than other types of mortgage-back securities. The structure of some of these securities are typically be complex and there is generally less available information than other types of debt securities.

**Exchange-traded notes:**

You may invest in exchange-traded notes (ETNs), which are senior, unsecured, unsubordinated debt securities issued by a sponsoring financial institution. The returns on an ETN are linked to the performance of particular securities, market indices, or strategies, minus applicable fees. ETNs are traded on an exchange (e.g., the New York Stock Exchange) during normal trading hours; however, investors may also hold an ETN until maturity. At maturity, the issuer of an ETN pays to the investor a cash amount equal to the principal amount, subject to application of the relevant securities, index or strategy factor. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the sponsoring institution. ETNs are subject to credit risk. The value of an ETN is generally influenced by, among other things, time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying assets, changes in the applicable

interest rates, changes in the issuer's credit rating, and economic, legal, political or geographic events that affect the underlying assets. When you invest in ETNs, you will bear your proportionate share of any fees and expenses borne by the ETN. Although an ETN is a debt security, it is unlike a typical bond, in that there are no periodic interest payments and principal is not protected.

#### **Fixed term and time deposit fiduciary deposits:**

When you instruct us to place a deposit with a particular counterparty bank, we will do so by paying the amount into a pooled client account held in the name of UBS Switzerland AG with the counterparty bank. The treatment of client monies will depend on the laws and regulations of the jurisdiction in which the deposit is placed. You should take your own legal advice in this regard. There is a risk that the counterparty bank will default or enter into arrangements with its creditors and in this event some or all of your deposit monies are held by UBS Switzerland AG (a) before placement with the counterparty bank; (b) when returned to UBS Switzerland AG upon maturity; and (c) in the event of a delay or a default at settlement; that same risk of default shall apply in respect of UBS Switzerland AG.

In the event of UBS Switzerland defaulting or entering into an arrangement with its creditors while your deposit was held by a counterparty or during the period when your deposit is returned to UBS Switzerland AG upon maturity, your deposit would continue to be held separately from UBS Switzerland AG assets although there will be a delay in you receiving your deposit at maturity.

#### **6.3.5 Physical precious metal risk**

The value of precious metals is generally affected by various and often unpredictable factors, including, but not limited to, the economic, financial, social and political conditions globally and in particular countries. A precious metal's market price and the liquidity and trading values of precious metals will be affected by, retail markups, safekeeping charges, shipping costs, the actions of sovereign governments that directly or indirectly impact the price of a precious metal. Precious metals markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulations and intervention.

#### **6.3.6 Risks that apply primarily to investments in funds**

##### **Multiple levels of fees and expenses:**

Subject to applicable law, in circumstances in which you invest in funds, your account will bear any asset-based fees and performance-based fees or allocations and expenses at the Program account level, in addition to any asset-based fees and performance-based fees or allocations and expenses (including organizational and offering expenses, operating costs, sales charges, brokerage expenses and administrative fees) at the fund adviser level. Advisory Fees will be charged on all assets in your Program account, including cash or cash equivalents.

#### **6.4 Event of bankruptcy of UBS-SFA**

The information contained in this section a highly technical summary of your rights and obligations in the event of the bankruptcy of UBS-SFA. If you have any questions, or have

difficulty understanding the language which follows, please get in touch with your WMC.

In the event of bankruptcy of a Swiss based financial institution like UBS-SFA, generally all assets form part of the debtor's (the financial institution's) estate and are appropriated for the payment of its creditors (art. 197 para 1 of the Swiss Debt Enforcement and Bankruptcy Act ("Bankruptcy Act").

**Securities:** Securities belonging to customers do not form part of the debtor's estate and will not be used to satisfy the financial institution's creditors. Instead, the administrators of the debtor's estate will hand over such securities to the owner (art. 242 para 1 Bankruptcy Act).

Additionally, Art. 37d in connection with art. 16 of the Swiss Federal Banking Act ("Banking Act") and Art. 17-19 of the Federal Intermediated Securities Act ("FISA"), further strengthen the position of customers demanding segregation of their assets from the debtor's estate. The privilege extends to customers' securities held at the bankrupt financial institution and those held by such financial institution with a third party custodian. This means that the securities will be handed over to the customers provided that they have fulfilled all their obligations towards the bankrupt financial institution in connection with the assets in question. Further, securities held in the name of the bankrupt financial institution with a third party custodian are by law deemed securities of the customers of the bankrupt financial institution.

**Cash:** With respect to cash, the restitution is limited by the bankruptcy laws affecting the rights of creditors against the bank. In any event, clients of Swiss Securities Firms registered with FINMA, like UBS-SFA, benefit of a **deposit insurance** that guarantees their cash holdings up to a maximum of CHF 100'000.- per client and financial institution. Such deposit insurance scheme is called "esisuisse" and more information, including the list of the member institutions, can be found under [www.esisuisse.ch/en](http://www.esisuisse.ch/en). It is important to point out that any cash claims above this amount would have to be claimed within the regular claim process against the debtor's estate as a so-called "3rd class claim" and pay-out would depend on the overall bankruptcy dividend. UBS-SFA is not required to be, and is not, SIPC insured.

**Precious Metals:** Metal held in physical form (e.g., gold bullions) are segregated and do not form part of the debtor's estate and will not be used to satisfy the financial institution's creditors (art. 37d in connection with art. 16 of the Banking Act).

**Fiduciary deposits:** Any fiduciary deposits with third party borrowers would continue to be held separately, and would not form part of the debtor's estate. Therefore, fiduciary deposits with third parties borrowers will not be used to satisfy the financial institution's creditors (art. 37d in connection with art. 16 of the Banking Act). It is however important to note that there can be a delay in you receiving your deposit at maturity.

## 7. Client information provided to managers

Because there are no external investment advisers or portfolio managers and no affiliates (such as UBS AG) that act as investment adviser or portfolio manager for Programs clients, we are already in possession of all client information. All of our employees have at least limited access to client information.

### **7.1 Client contact with portfolio managers**

There are no restrictions on you contacting your WMC. For information about investments in your Program, you can also contact a member of Investment Management (i.e., portfolio manager or CAT) through your WMC.

## 8. Additional information

### 8.1 Disciplinary information

There is no disciplinary information regarding UBS-SFA to report.

### 8.2 Other financial industry activities and affiliations

#### 8.2.1 General remarks

As explained in section 3.1 ("About UBS Swiss Financial Advisers AG (UBS-SFA)") above, UBS-SFA is a wholly-owned subsidiary of UBS AG, an internationally diversified organization with operations in many areas of the financial services industry. UBS AG is a bank licensed and supervised in Switzerland by FINMA. We are a part of UBS AG's Global Wealth Management division.

There are various forms of relationships and cooperation between us and our parent company UBS AG and affiliated or third party companies. While section 8.2.2 lists services which have been outsourced to UBS AG and its divisions or affiliates, section 8.3.2 describes various functions which have been outsourced to third parties. Section 8.3 explains potential conflicts of interest and issues which arise out of additional compensation.

#### 8.2.2 Relationships with UBS-affiliated entities

As stated above, the revenue sharing and other arrangements described in this Disclosure Brochure provide us with an incentive to engage UBS AG or other affiliates to provide certain services to, or enter into certain transactions with, with our clients.

**Fiduciary deposits:** Unless otherwise instructed by the client, we place fiduciary deposits with our affiliates, which are subsidiaries of UBS AG. Such placement exposes the client to the credit risk of the affiliate and therefore ultimately of UBS AG.

**Cash:** Except for such amounts which are held with SIX-SIS and the Swiss National Bank, a Swiss-based bank, your cash positions held with us are deposited by us in our name for your benefit, in an omnibus cash account with UBS Switzerland AG. We and ultimately you are exposed to UBS Switzerland AG's credit risk.

**Client loans:** Subject to restrictions from applicable laws and regulations, UBS Switzerland AG provides loan services to our clients. For that purpose, our clients must maintain a separate and independent client relationship with UBS Switzerland AG.

**Foreign exchange and precious metals services:** UBS AG's Investment Bank division provides us with foreign exchange and precious metals execution services.

**Research:** UBS Switzerland AG provides us with research material or services free of charge. This research may include written materials, bulletins, newsletters, daily emails, as well as conference calls and personal visits with analysts. We also have access to all research of UBS AG, including its internet research platform. Furthermore, we are involved in the voting process of external research providers at UBS AG and, as a result, are granted access to the research platforms of these

providers. Research providers do not receive trading flows from us, however, they may receive trading flows from UBS AG.

**Wealth planning services:** In limited cases, and only for clients domiciled outside the US, and subject to restrictions from applicable law and regulations (including cross-border restrictions as explained in section 4.8), UBS Switzerland AG provides wealth planning services to our clients. In such cases, our clients would enter into a separate and independent wealth planning services agreement with UBS Switzerland AG.

### 8.3 Potential conflicts of interest and additional compensation

#### 8.3.1 Potential conflicts with affiliates in general

Except as prohibited by law or written client instruction, we, our personnel, and our affiliates will purchase, sell or recommend for purchase or sale to and for our clients, securities issued by companies:

- for which our respective affiliates act as an investment banker or financial adviser;
- with which our respective affiliates have business or other relationships;
- in which our respective affiliates have a financial interest or other interest, through ownership of securities, loan arrangements, or otherwise;
- for which our respective affiliates act as a market maker or maintain a position; or in which our respective officers, directors, or employees, or those of our respective affiliates own securities or otherwise have an interest.

We may give investment advice and take action in the performance of our duties for you that differ from the advice given, or the timing and nature of actions taken, for other client accounts which invest in some of the same securities recommended to you. In addition, investment advice provided by us can differ from investment advice given by our affiliates.

#### 8.3.2 Potential conflicts with SIX-SIS

The vast majority of equity and bond trades for our clients are settled through SIX-SIS. SIX-SIS's core business, as a central securities depository, is the settlement and custody of Swiss securities, as well as securities from the rest of the world. To enable settlement against payment, we are required to hold cash accounts in different currencies with SIX-SIS. Furthermore, we are required to maintain sufficient cash balances on these accounts.

The cash in these accounts belongs to our clients and not to us. However, interest paid or charged on the cash balance SIX-SIS inure to the benefit or detriment of UBS-SFA. We will not pass on to you any income derived from positive interest rates. Conversely, your account will not be debited for the amount which is deducted by SIX-SIS in the form of a negative interest charge.

This results in a conflict of interest in that we have incentive, depending on market conditions, to advise you to hold

greater or lesser amounts of cash in your portfolio. We have mitigated these conflicts by adopting a code of ethics that requires each financial professional to act in your best interest at all times in his or her professional interactions with you, by instituting training programs on our code of ethics that are mandatory for all employees and by disclosing these conflicts to you.

### **8.3.3 Potential conflicts with UBS-SFA employees**

From time-to-time our directors, officers and employees have acquired or sold, or can subsequently acquire or sell, for their personal accounts, securities that are also held or have been purchased or sold, for the accounts of clients. The below section 8.4 ("Code of ethics, participation or interest in client transactions, and personal trading") explains the precautions taken in an effort to prevent conflicts of interest in this area.

## **8.4 Code of ethics, participation or interest in client transactions, and personal trading**

We have adopted a Code of Ethics which (1) sets forth standards of conduct that apply to all of our employees and reflect our fiduciary obligations towards our clients, and (2) addresses prevention of conflicts of interest associated with the personal trading activities of our employees and certain members of their families.

In an effort to prevent such conflicts, all employees and certain family members (referred to as access persons) are prohibited from conducting any transaction or issuing any recommendation, investment advice or instruction to any third-party (including but not limited to spouses, partners and children) with the aim to circumvent the personal account dealing rules. Specifically, access persons must:

- submit their securities holding reports;
- avoid trading in securities that are on the "Restricted List" (a list of securities and issuers that are subject to restrictions in trading for employees);
- obtain pre-approvals before trading in certain securities; and
- observe stated holding periods.

We also have policies and procedures that are designed to prevent the misuse of material, non-public information which may become available to us through our client relationships or for any other reason and will not knowingly be passed on to our clients or used for their benefit, or for any other purpose. As a result, we will be prohibited from recommending that you purchase or sell such an effected instrument even when you might otherwise do so.

We can provide you with a copy of our current Code of Ethics upon request.

## **8.5 Review of client relationships (client accounts)**

We have various policies and procedures applicable to the review and supervision of client accounts in our Programs. Those policies are designed to comply with the requirements of the Advisers Act of 1940, as well as, other applicable rules and regulations.

There are general policies applicable to all Program accounts, as well as, individually tailored guidelines for each of the Programs described in this Disclosure Brochure. Because the Programs offer different services and/or have different features, the guidelines for supervision vary by Program.

Accounts are reviewed periodically (at least annually), although certain guidelines for specific Programs are reviewed daily (for example, principal trades and trading errors). Items generally reviewed include, but are not limited to the following (as applicable given Program features and services):

- consistency of the client's Investor Profile with their selection of an investment strategy (annually);
- risk situations (e.g., bulk positions, deviations between risk tolerance, asset allocation, and portfolio volatility) (semi-annually);
- compliance with best execution requirements (daily);
- compliance with principal trade restrictions where those trades are not permitted (daily); and
- levels of non-advised transactions in UBS-IA (semi-annually).

## **8.5.1 Annual WMC review**

WMCs are required to conduct an internal annual review of all accounts enrolled in the Programs. All Programs will receive an annual review of their account for the purpose of ensuring all know your customer information remains accurate and up to date. The obligation to know your customer includes the requirement to update our records when your circumstances change and to exercise due diligence in determining whether any essential facts relating to you should be adjusted. Changes in your circumstances would include, but not be limited to, marriage, divorce, birth of a child, death of a family member, loss or change of employment, or receipt of an inheritance or other income. These changes could impact your financial situation and risk tolerance. A WMC would, as appropriate, re-evaluate your Investor Profile and any client-related risks (i.e., vulnerability) and your Program Specification to ensure recommendations remain suitable.

## **8.5.2 Other reviews**

Selected client relationships are also periodically reviewed by WMCs and their supervisors, as well as compliance officers and business risk, in connection with other risk- and policy-related controls of various aspects of the client relationship (e.g. unusual events in a client's account, suitability, know your client information, etc.). On a regular basis, internal and external audit will also select client relationships for review in connection with topical audits.

## **8.6 Client referrals and other compensation arrangements with affiliates**

We have referral agreements with our affiliates that outline:

- how we refer clients to them;
- how they refer clients to us;
- how we act as solicitor for their advisory services and/or Programs; and
- how we refer clients to them for services other than advisory services.

Under those agreements, we share fees with or receive fees from our affiliates for the referral or solicitation of clients or for services provided to the clients. These payments will vary, depending on the type of agreement, product or the nature and extent of the services provided, and can continue as long as the client account is maintained with us or our affiliate or for an agreed upon period. Arrangements will also be based on a percentage of revenue received.

## **8.7 Financial information**

UBS-SFA is a qualified custodian (as defined in SEC Rule 206(4)-2). As a result, we have not included our balance sheet. Further, as of this Disclosure Brochure's date, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitment to our clients, nor have we been the subject of a bankruptcy petition at any time during the last ten years.