



UBS GWM CIO Global Investment Management – UBS Wealth Way Solutions

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UBS Financial Services Inc.

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How to build a Liquidity strategy

UBS GWM Chief Investment Office

27 January 2026

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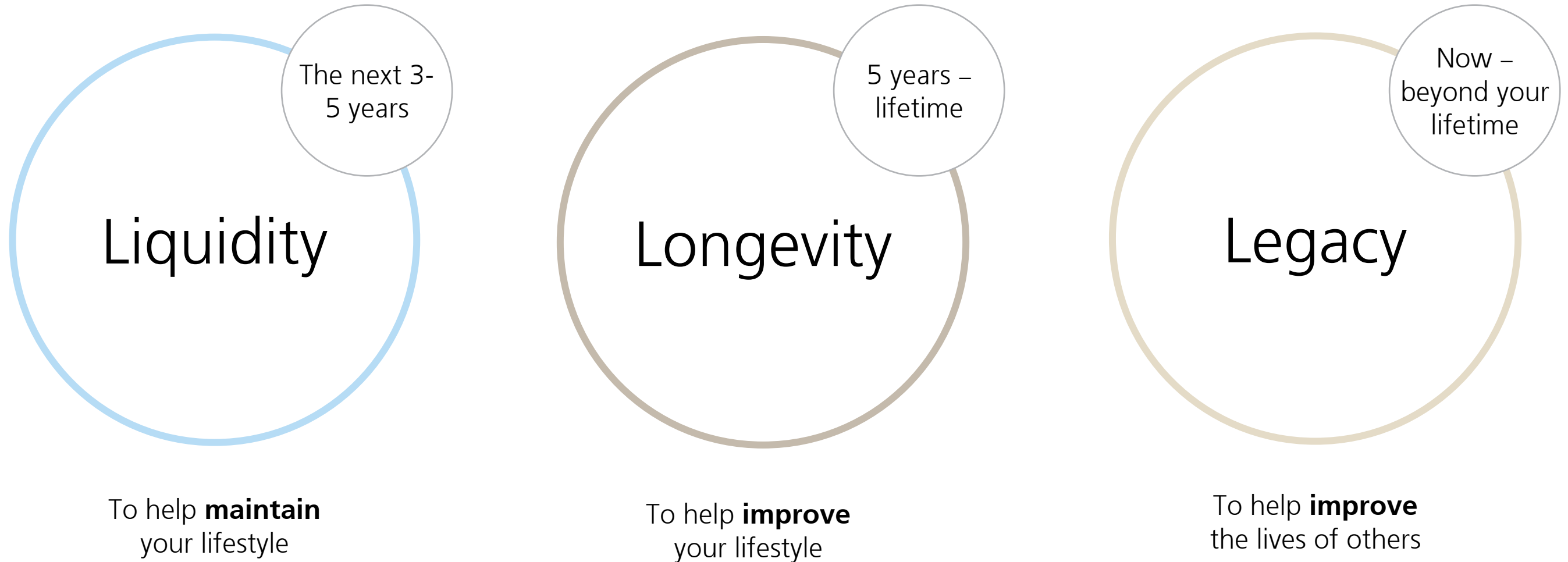


Section I

Introduction

A Liquidity strategy can be a **buffer** between spending and market risk

The Liquidity. Longevity. Legacy. framework

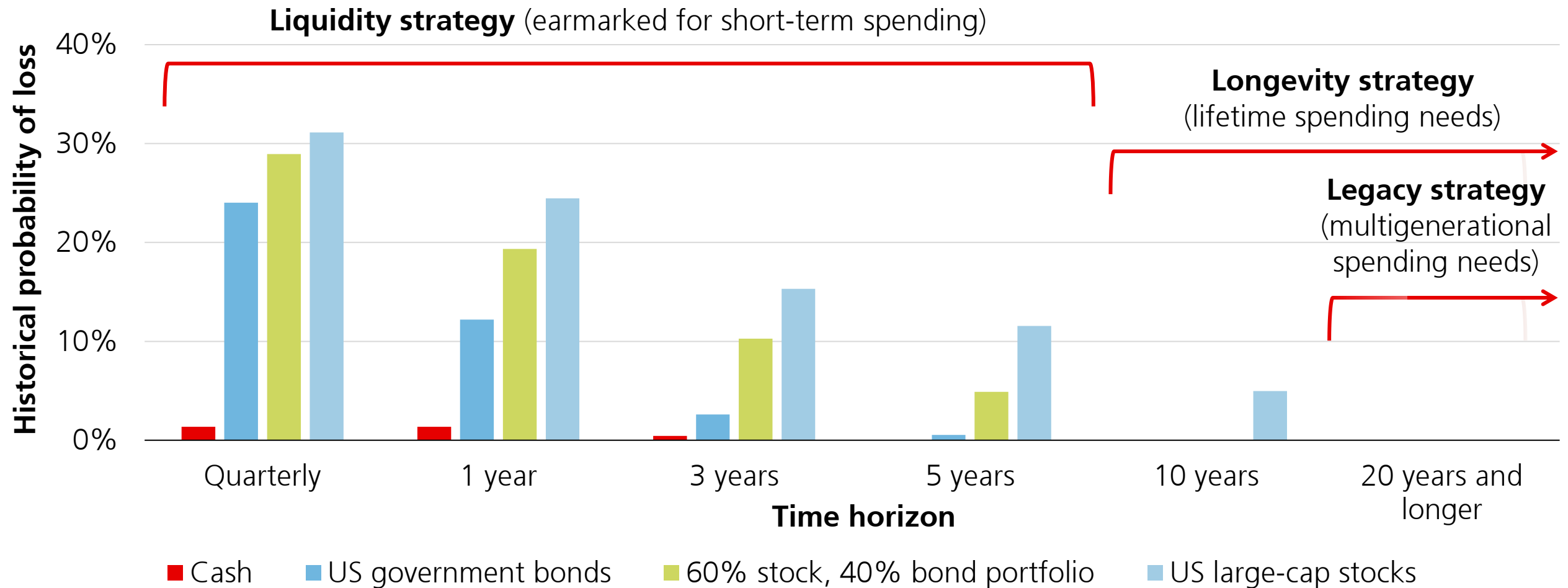


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Capital preservation is key for a Liquidity strategy

Historical probability of loss, by time-frame, for US large-cap stocks, US government bonds, cash (one- to three-month T-bills), and a 60/40 stock/bond portfolio, based on monthly returns since December 1945

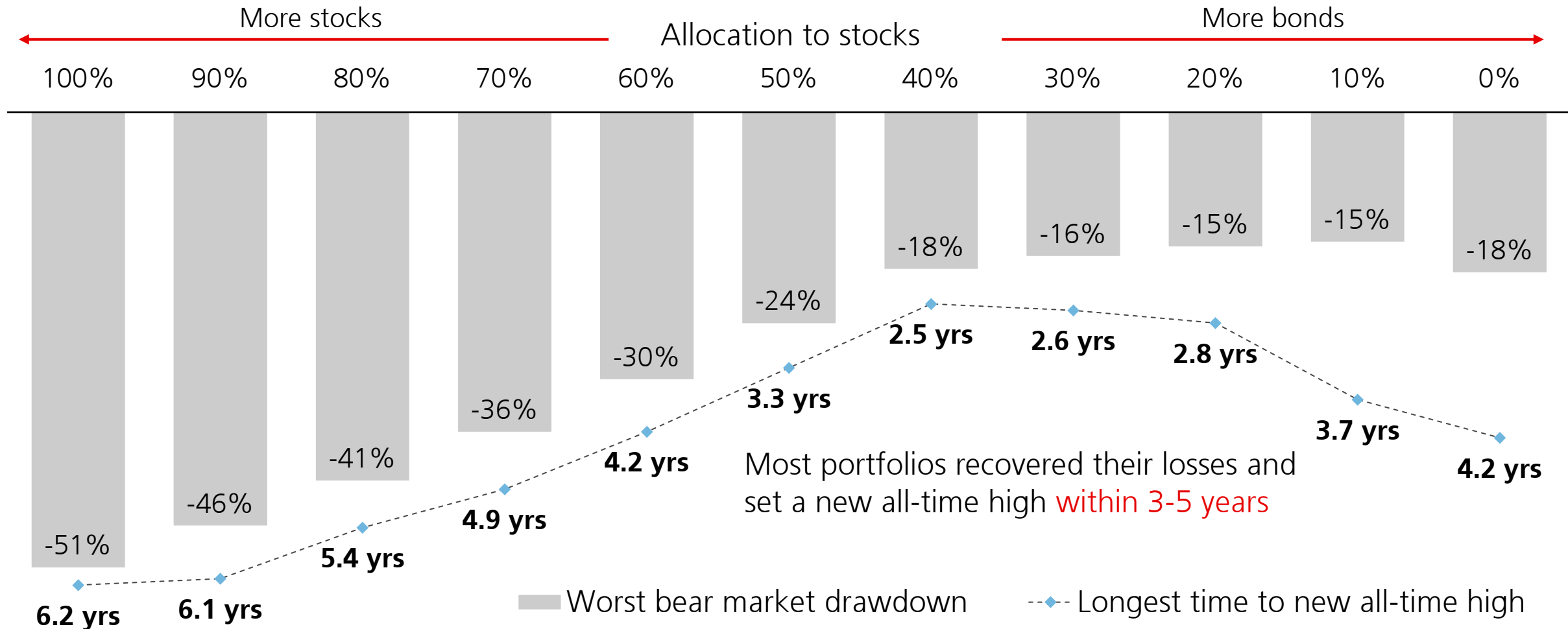


Strategies are subject to individual client goals, objectives and suitability.

Source: Morningstar Direct, Bloomberg, UBS, as of 23 January 2026

A **three- to five-year** Liquidity strategy can help to buy time for a recovery

Maximum bear market drawdown and maximum time to full recovery, simple US stock/bond portfolios ranging from 100% US large-cap stocks to 100% intermediate US gov't bonds

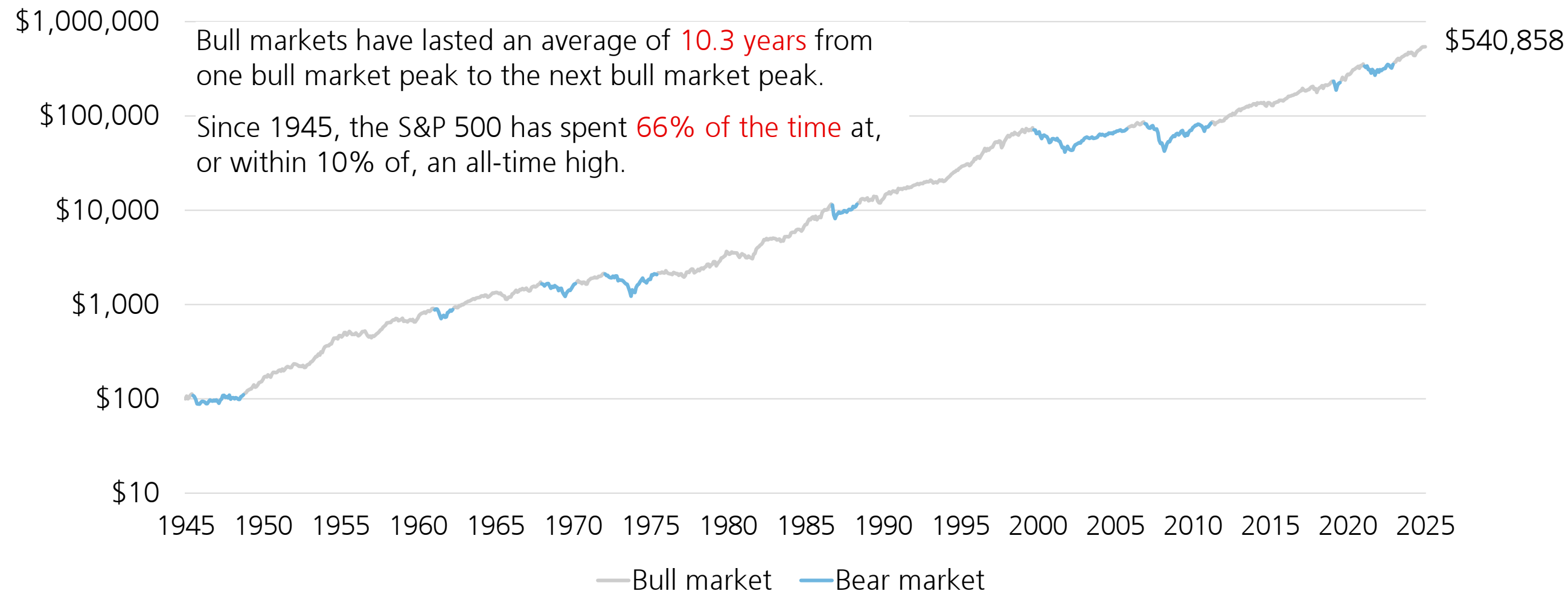


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Source: Morningstar Direct, Bloomberg, UBS, as of 23 January 2026. For more information, see www.ubs.com/bearmarketguidebook. **Note:** This data is based on monthly total returns since December 1945. The 100% bond, 0% stock portfolio has not fully recovered its losses yet, so that portfolio's "maximum time to full recovery" is an estimate.

With a Liquidity strategy to **manage risk**, the rest can go for growth

Growth of \$100 invested in US large-cap stocks on 31 December 1945, with market cycle details



Strategies are subject to individual client goals, objectives and suitability.

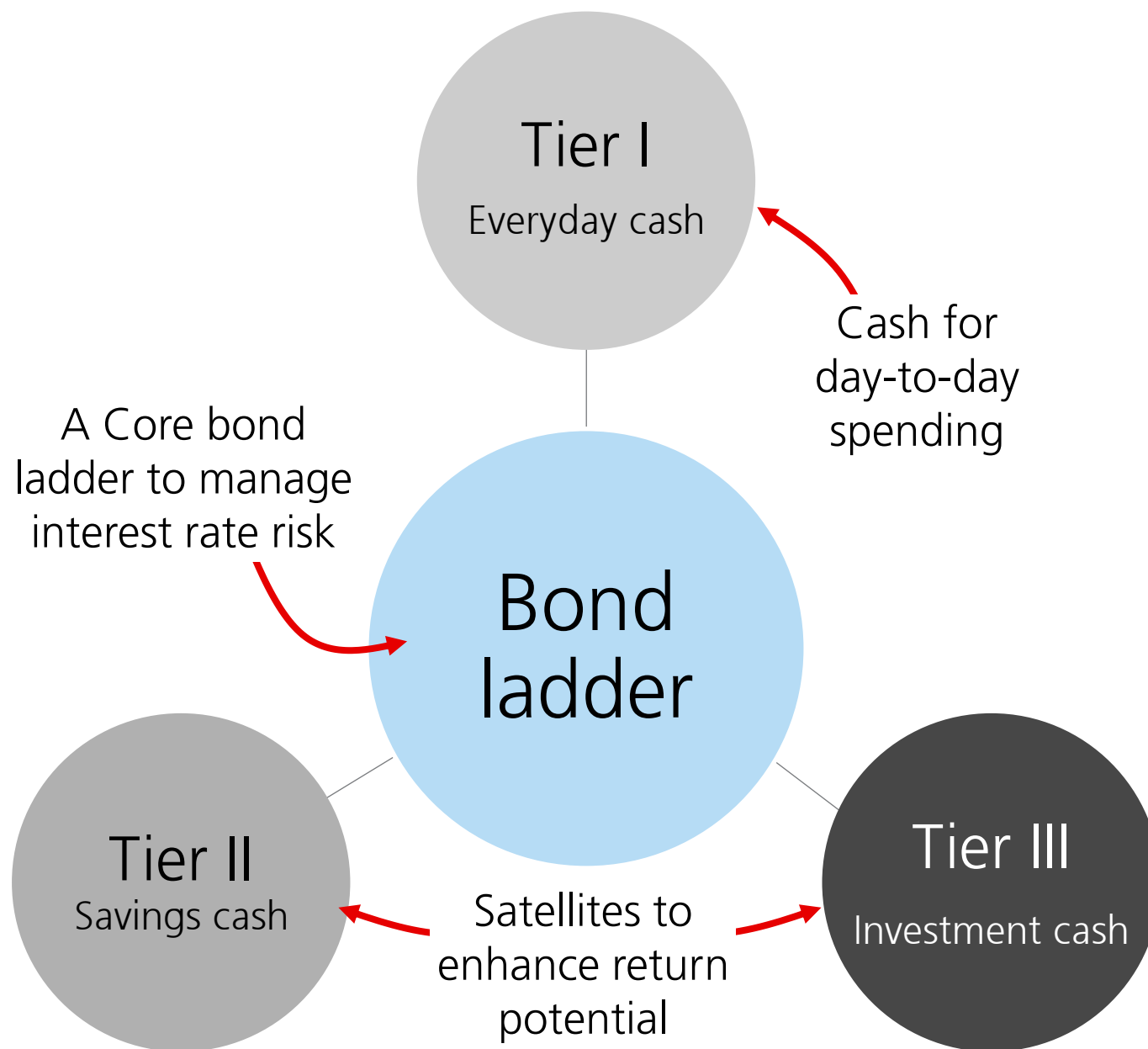


Source: Morningstar Direct, UBS, as of 31 December 2025. For more information, see www.ubs.com/bearmarketguidebook. **Note:** In this illustration, bear markets begin at a market peak that is followed by a 20%+ drop in the S&P 500, and end when the S&P 500 has reached a new all-time high (on a total return basis, using monthly closing levels).

Section II

Liquidity strategy implementation

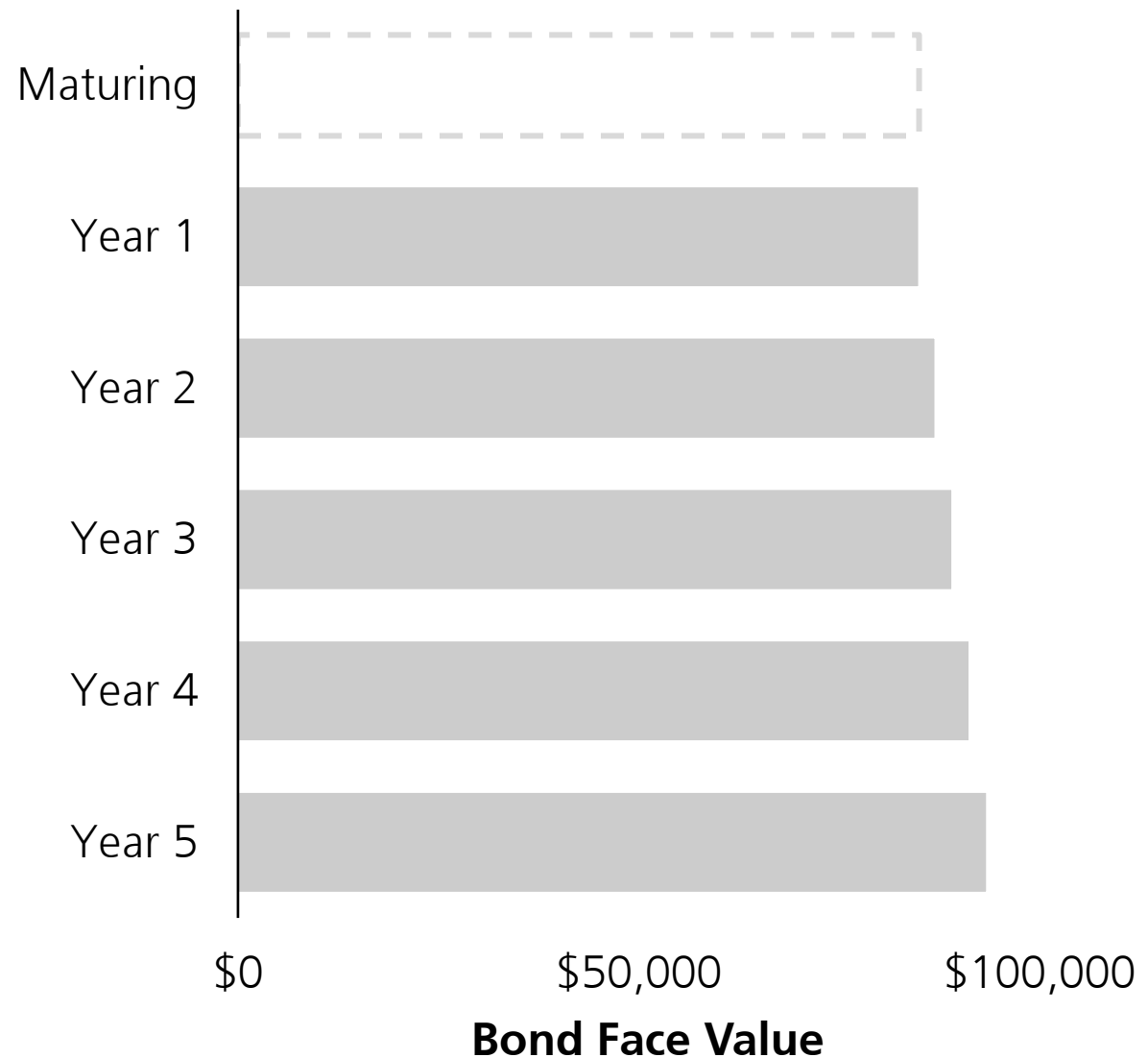
A “Core-Satellite” approach may help offer a balance of risk and return



A **Core bond/CD ladder** can help match cash flow to spending needs

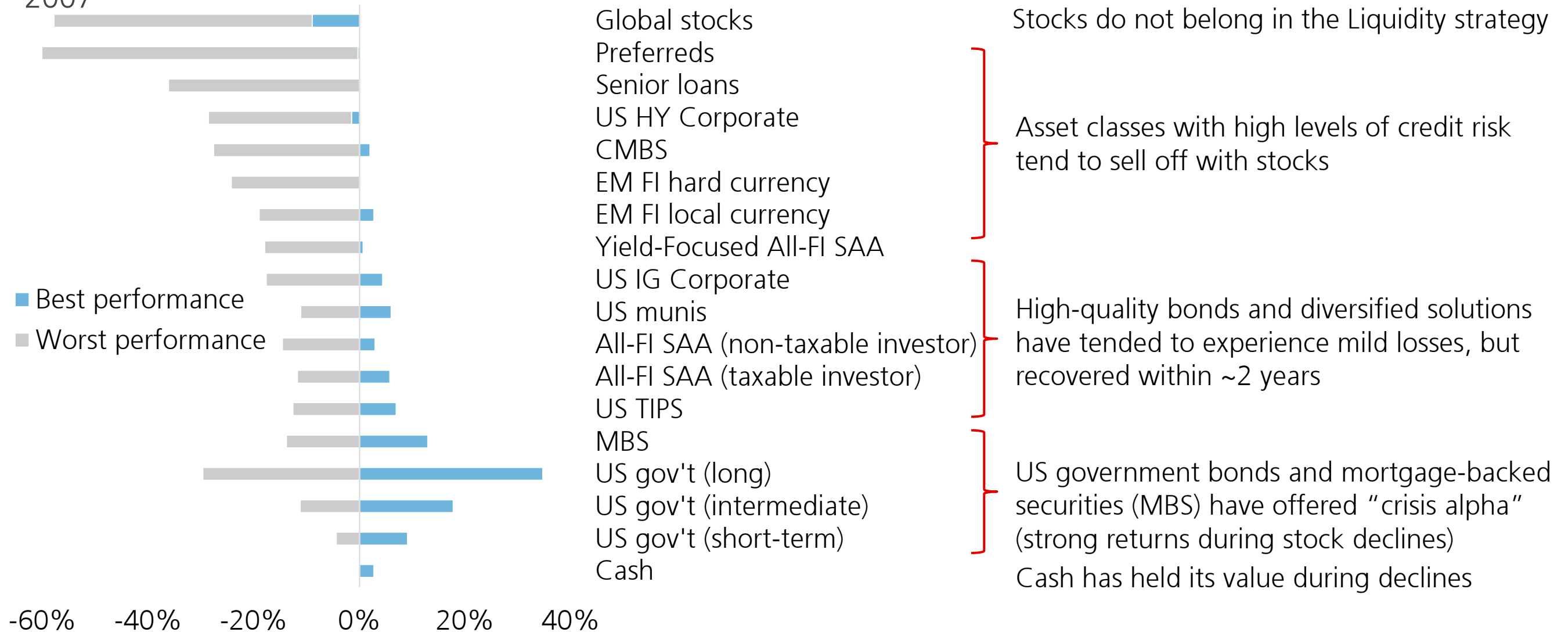
- At its heart, the Liquidity strategy is designed to embrace an institutional approach known as “liability matching,” which aims to align future growth and income with the timing of expected spending.
- **Bond ladders** work by aligning the size and duration of individual bonds with the amount and timing of your planned withdrawals.
- Bond ladders help to manage interest rate and market risk, putting capital preservation ahead of return potential.

Illustration of a bond ladder



Liquidity strategy solutions should hold up during market drawdowns

Select asset classes, ranked by performance during 10%-plus peak-to-trough drawdowns in the S&P 500 since 2007



A “three tier” Satellite framework may help enhance return potential

Tier I (Everyday cash): Cash earmarked for day-to-day expenses, or as an emergency fund (six to 12 months of spending for “rainy day” needs). Because of the immediacy of these needs, investors should plan for a very short holding period for these funds.

*Tier I solutions aim to minimize market, liquidity, and credit/counterparty risks. **Example:** Checking account.*

Tier II (Savings cash): Funds that are needed for known expenses in the near future, but not immediately.

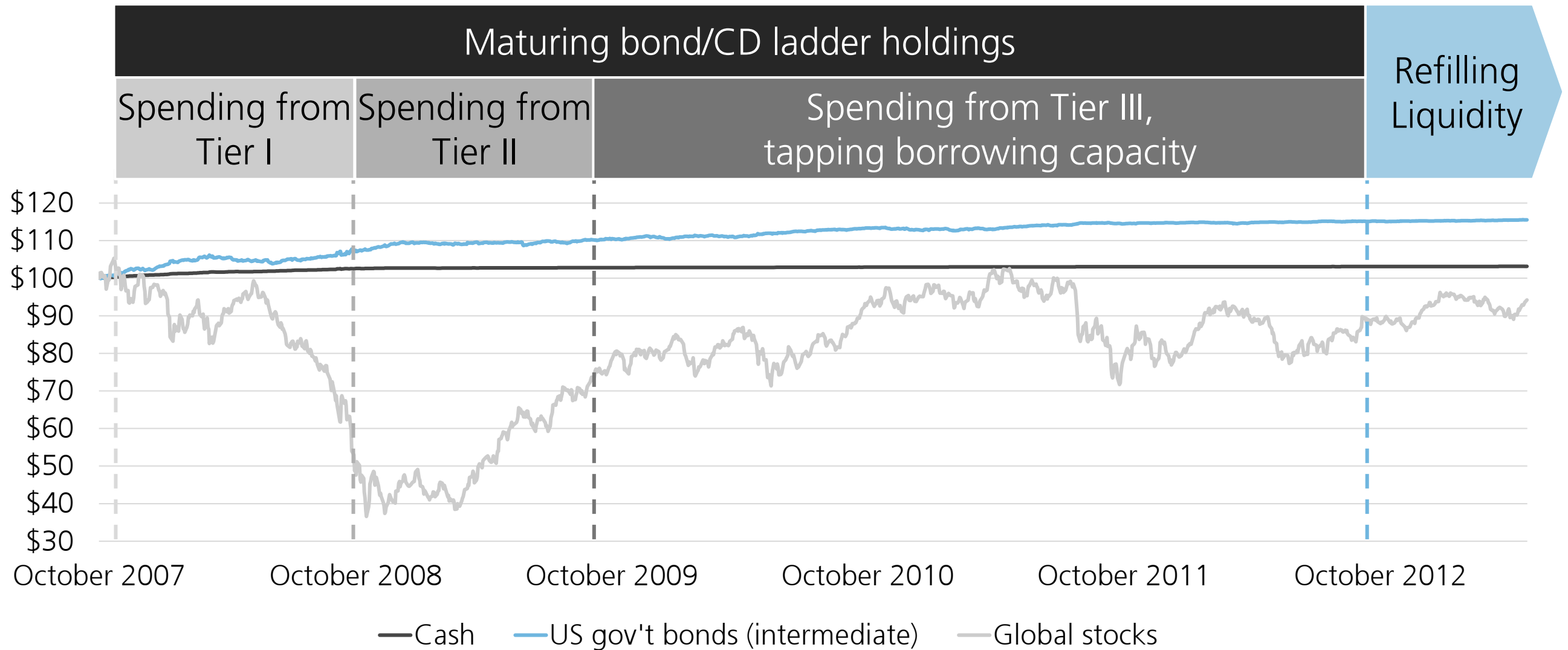
*Tier II solutions help tap into a small amount of market and liquidity risk (while strictly limiting credit and counterparty risks) to boost return potential. **Example:** Savings account.*

Tier III (Investment cash): Investments dedicated to finance medium-term spending (generally, years 3-5).

*Tier III solutions are the broadest category, with a variety of market, liquidity, and credit risk characteristics. Can take on duration risk to boost return/income potential, because interest rates tend to fall during bear markets. **Example:** High-quality bond strategy.*

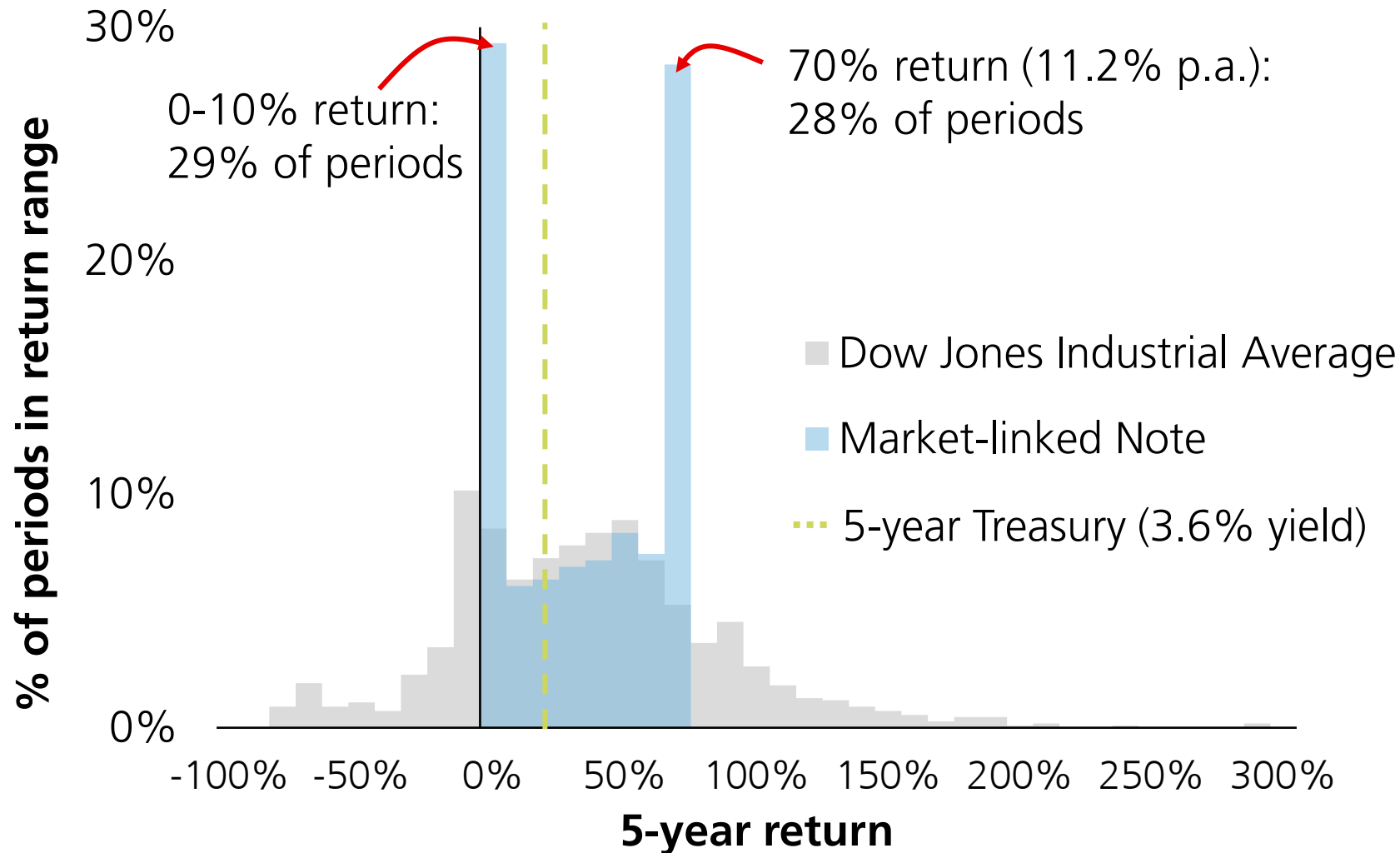
A Liquidity strategy can help to **buy time** for a Longevity strategy recovery

Illustration of Liquidity strategy spending cascade during a bear market (ex: the Global Financial Crisis)



Structured solutions may be a safer way to tap in stock returns

5-year rolling returns since 1926 for the DJIA, and an example DJIA-linked MLN, compared with the five-year Treasury return

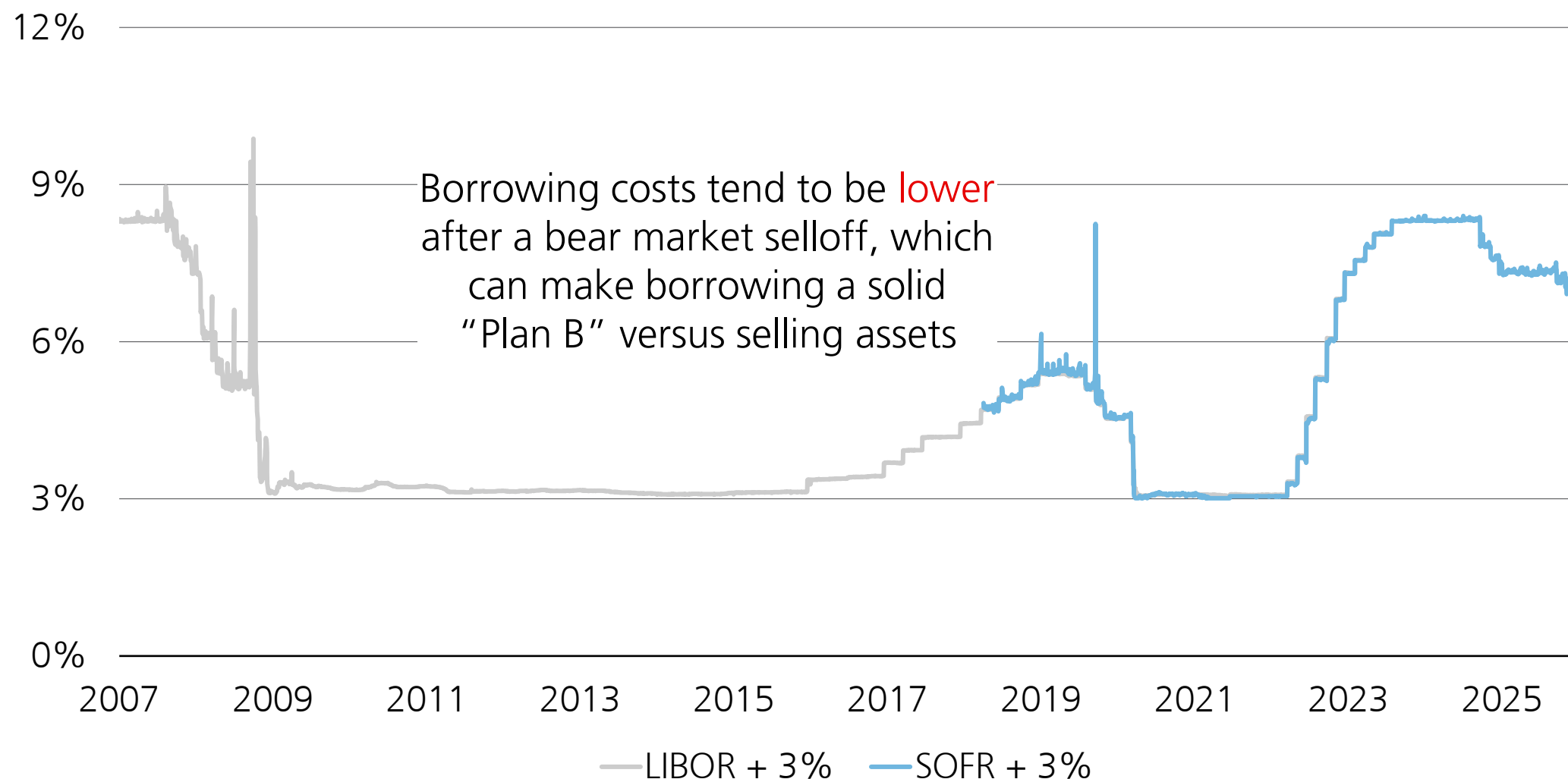


Example:

- **Structure:** Market-linked note
- **Time to maturity:** 5 years
- **Underlying index:** Dow Jones Industrial Average (DJIA)
- **Downside participation:** Full principal protection at maturity
- **Upside participation:** 110% of the underlying index's price return at maturity, subject to a cap of 70%

The Liquidity strategy may also be funded with **borrowing capacity**

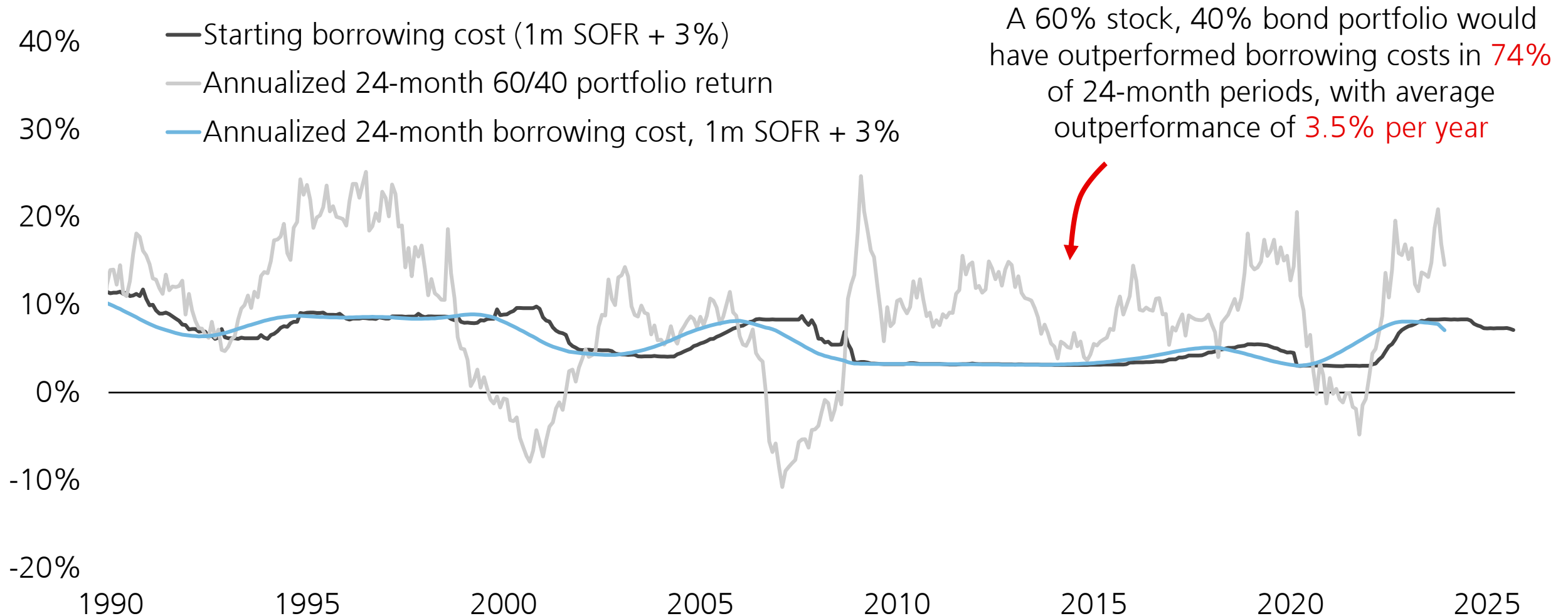
LIBOR and SOFR borrowing costs, including a 3% spread



The Fed is already cutting interest rates—**how far could rates fall** when we enter the next recession?

Staying invested **often outperforms** the cost of a loan

Historical performance, 60%/40% stock/bond portfolio, and borrowing cost for a variable-rate loan tied to 1-month LIBOR/SOFR, 24-month rolling returns



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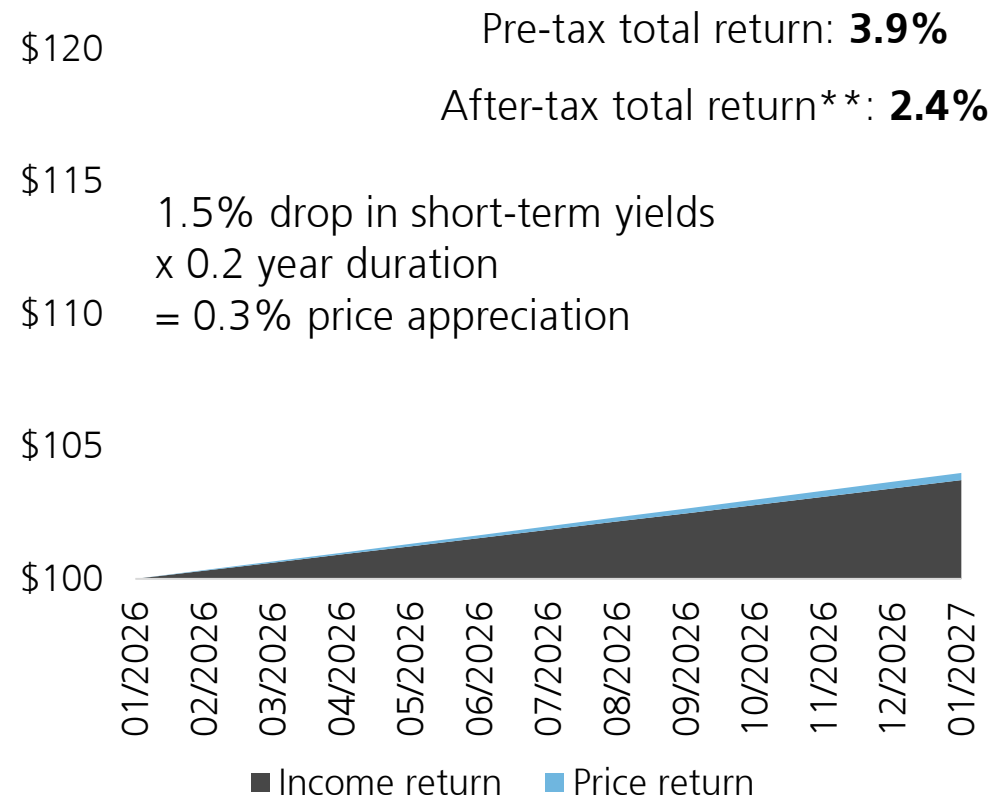
Source: Bloomberg, UBS, as of 23 January 2026. Portfolio is invested in the S&P 500 and the Bloomberg US Government Bond Index. Borrowing costs are based on 1-month LIBOR until July 2023, then based on CME Term 1-month SOFR. Strategies are subject to individual client goals, objectives and suitability.

Bonds can outperform cash even when their starting yields are lower

Expected growth of \$100 invested in cash and municipal bonds, assuming a drop in interest rates

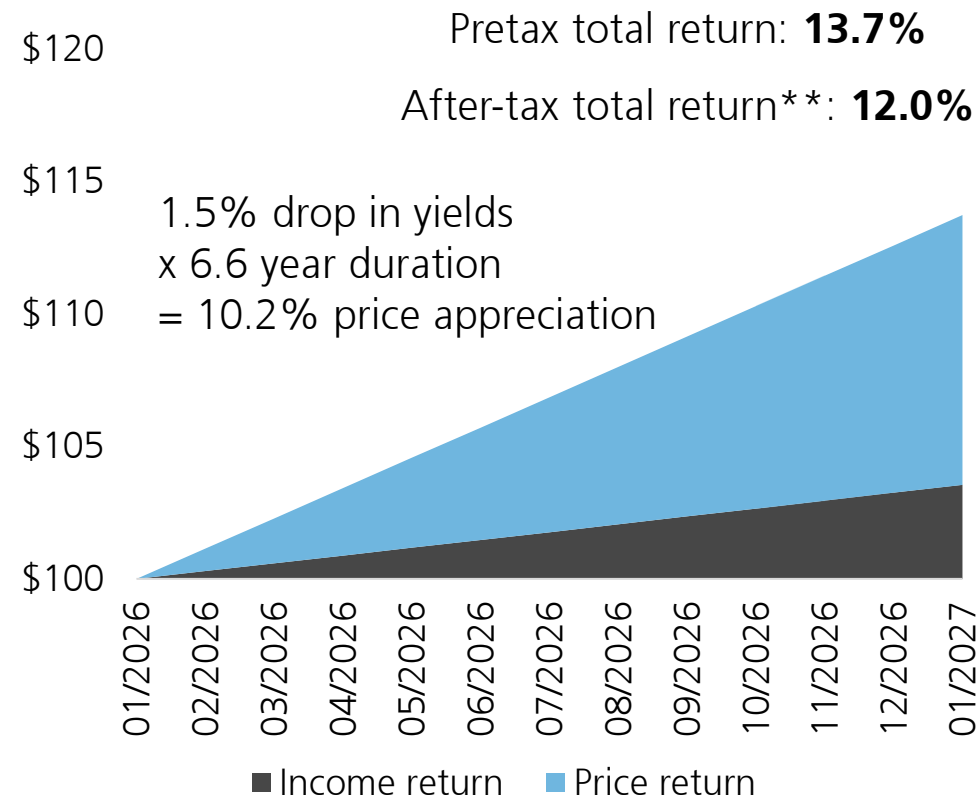
Cash (One- to three-month Treasury bills):

- Starting yield to worst: 3.7%
- Duration: 0.2 years



Municipal bonds:

- Starting yield to worst: 3.5% (6.0% Taxable Equivalent Yield*)
- Duration: 6.8 years

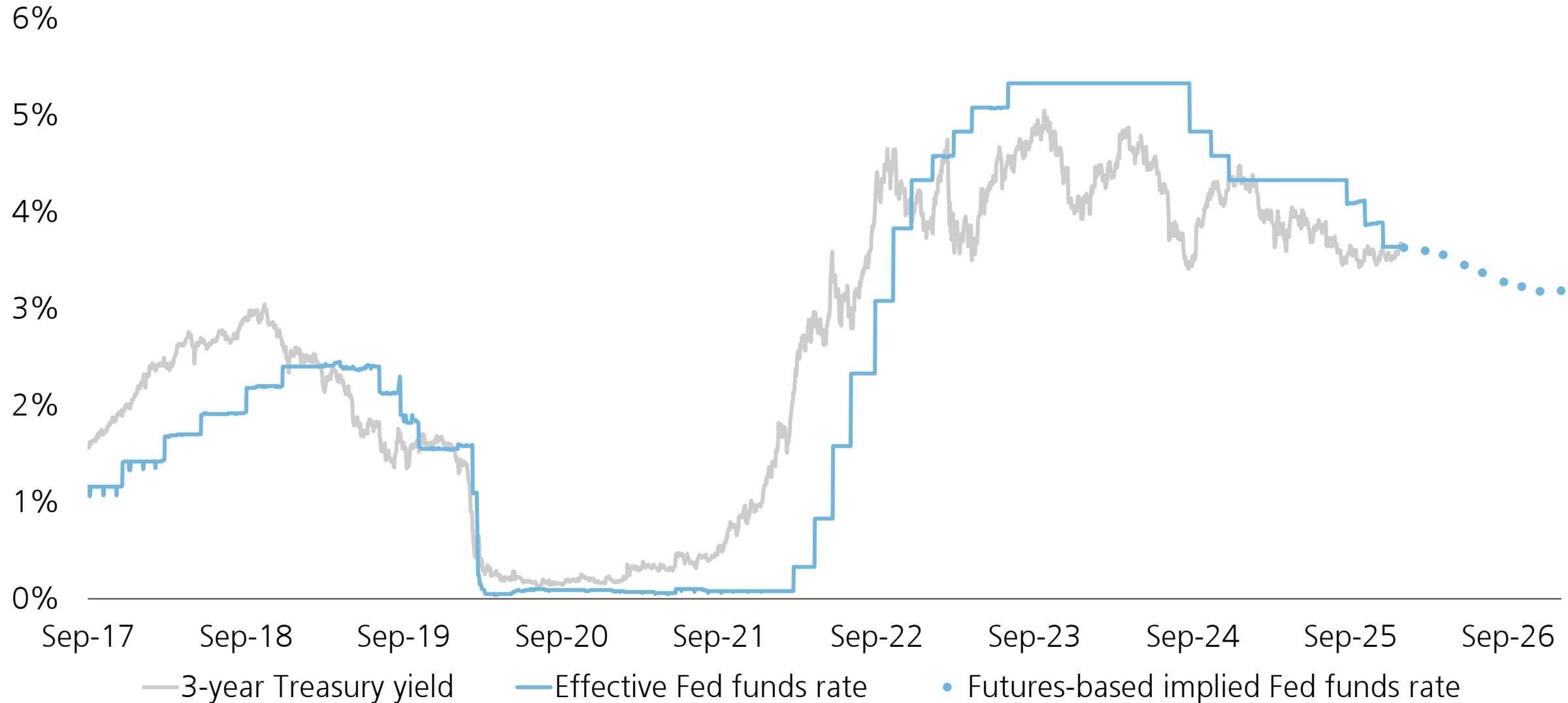


Important note

This is only an illustration.
The timing and speed of rate moves will determine the impact on total return.
If rates fall more slowly, the higher yield on cash may reduce its underperformance when compared to bonds.

Markets expect falling bond yields (rising bond prices) as the Fed cuts rates

Three-year Treasury yield, Effective Fed funds rate, and Futures-based implied Fed funds rate



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Source: Bloomberg, UBS, as of 23 January 2026. For illustrative purposes; may not reflect current rates.

Don't forget about income taxes

For assets held in taxable checking/savings/investment accounts (non-retirement accounts), a **taxable equivalent yield (TEY)** is helpful when comparing municipal bond yields to the yields available from taxable investment options:

Tax-free bond yield

(1 – marginal income tax rate)

=

Taxable equivalent yield (TEY)

For most non-municipal bonds, income is subject income taxes at the federal level, with tax rates and brackets similar to earned income. This table shows taxable equivalent yields for municipal bonds, given a tax-free yield and an investor's marginal federal income tax rate. For more information on tax brackets and rates, please see [UBS Wealth Way: 2025 Tax fact sheet](#).

Marginal Federal income tax rate	Tax-free bond yield				
	3.0%	3.5%	4.0%	4.5%	5.0%
10%	3.3%	3.9%	4.4%	5.0%	5.6%
12%	3.4%	4.0%	4.5%	5.1%	5.7%
22%	3.8%	4.5%	5.1%	5.8%	6.4%
24%	3.9%	4.6%	5.3%	5.9%	6.6%
32%	4.4%	5.1%	5.9%	6.6%	7.4%
35%	4.6%	5.4%	6.2%	6.9%	7.7%
37%	4.8%	5.6%	6.3%	7.1%	7.9%
40.8%*	5.1%	5.9%	6.8%	7.6%	8.4%


* Some investment income is subject to a 3.8% Net Investment Income Tax (NIIT), in addition to any federal or state income, capital gains, or dividend taxes. NIIT is applied to the lesser of: 1) Your net investment income or 2) The amount that your modified adjusted gross income (MAGI) exceeds a threshold (for the 2025 tax year, this is \$250,000 for married couples filing jointly, \$200,000 for single taxpayers). Net investment income includes "passive" sources of income such as taxable interest, dividends, realized capital gains, annuities, royalties, and rental income.

Section III

Model portfolios

There are many opportunities in the current rate environment

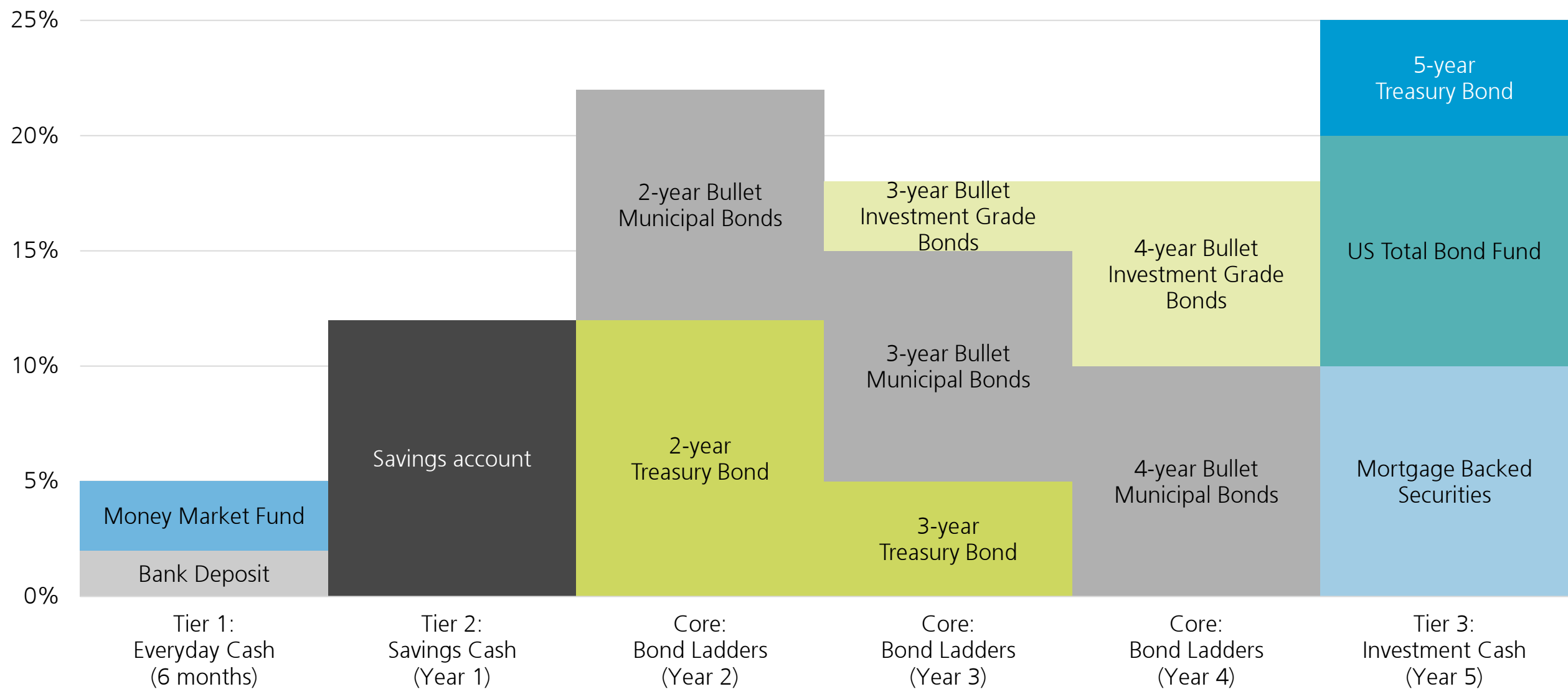
Liquidity strategy Tier	Liquidity strategy solution	Example allocation	Yield (p.a.)
Core Bond/CD ladder	Callable CD (NC 6m)		4.0%
	One- to five-year Certificate of Deposit (CD) ladder	62%	3.8%
	Investment Grade 1-3 year IG Ladder (1.8 year duration)		4.1%
	Defined maturity muni fund (December 2026)*		3.7%
	Defined maturity muni fund (December 2027)*		3.9%
	One- to five-year AAA municipal bond ladder*		4.2%
	Structured investments with capital preservation		N/A
Tier I Everyday cash	Bank deposit / Sweep account	2%	0.1%
Tier II Savings cash	Savings account	13%	3.5%
	Money Market Funds (Gov't)		3.6%
	Money Market Funds (Prime)	3%	3.7%
	Money Market Funds (Tax-Free)*		2.1%
Tier III Investment cash	Ultra short muni fund (0.8 years)*		4.9%
	US total bond fund (5.8 year duration)	20%	4.3%
	Ultra short IG corporate fund (0.9 year duration)		4.1%
	Commercial Paper 180 days		3.7%
	UBS House View All-fixed income SAA (5.7 year duration)		5.3%
	US national muni fund (7.2 years)*		5.6%
Example allocation (5-year Liquidity strategy, non-taxable investor)			3.8%

 **UBS** Strategies are subject to individual client goals, objectives and suitability.

*Reflects taxable-equivalent yield, assuming top marginal Federal income tax rate of 40.8%. Source: Bloomberg, UBS, as of 23 January 2026. All yields are indicative based on current market environment.

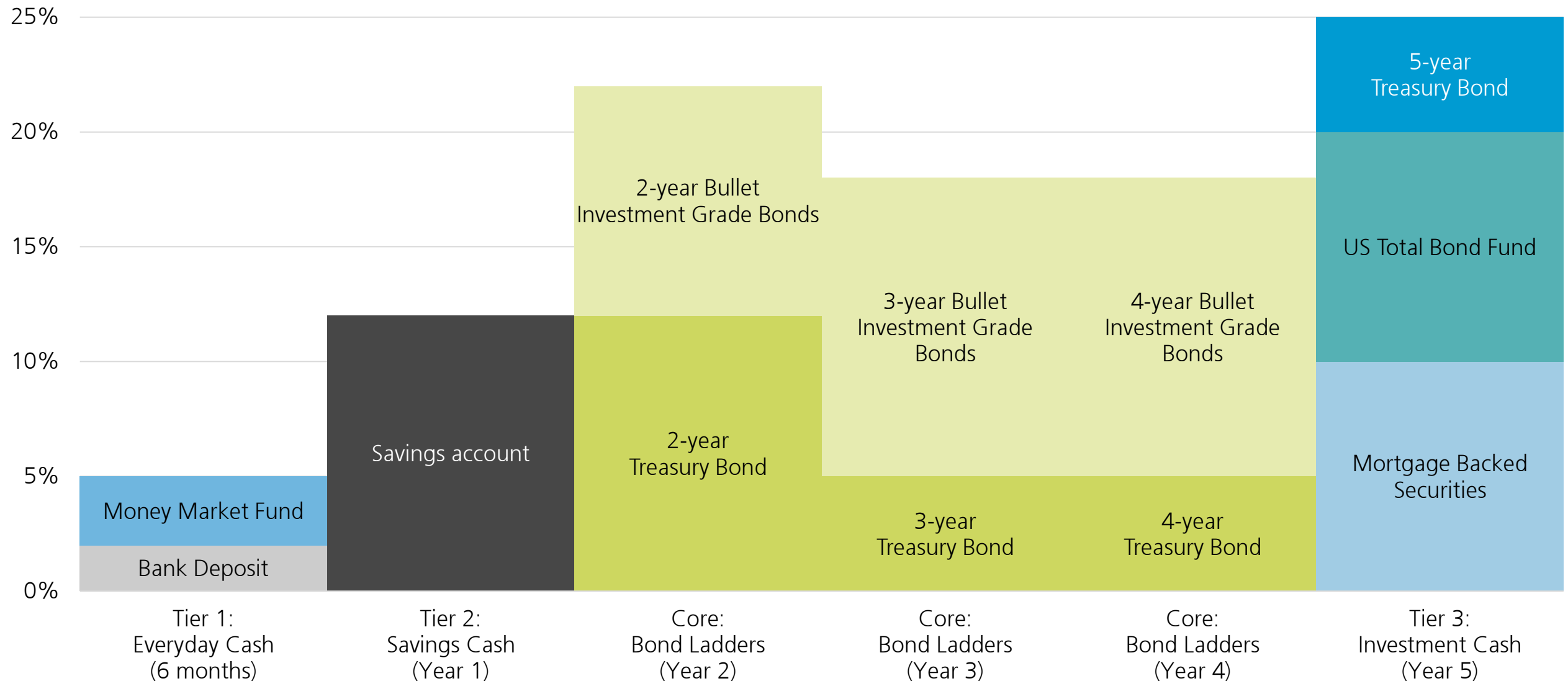
Five-year Liquidity strategy model portfolio example: Taxable investor

Illustration of asset allocation & spending schedule for a Liquidity strategy designed for taxable investors



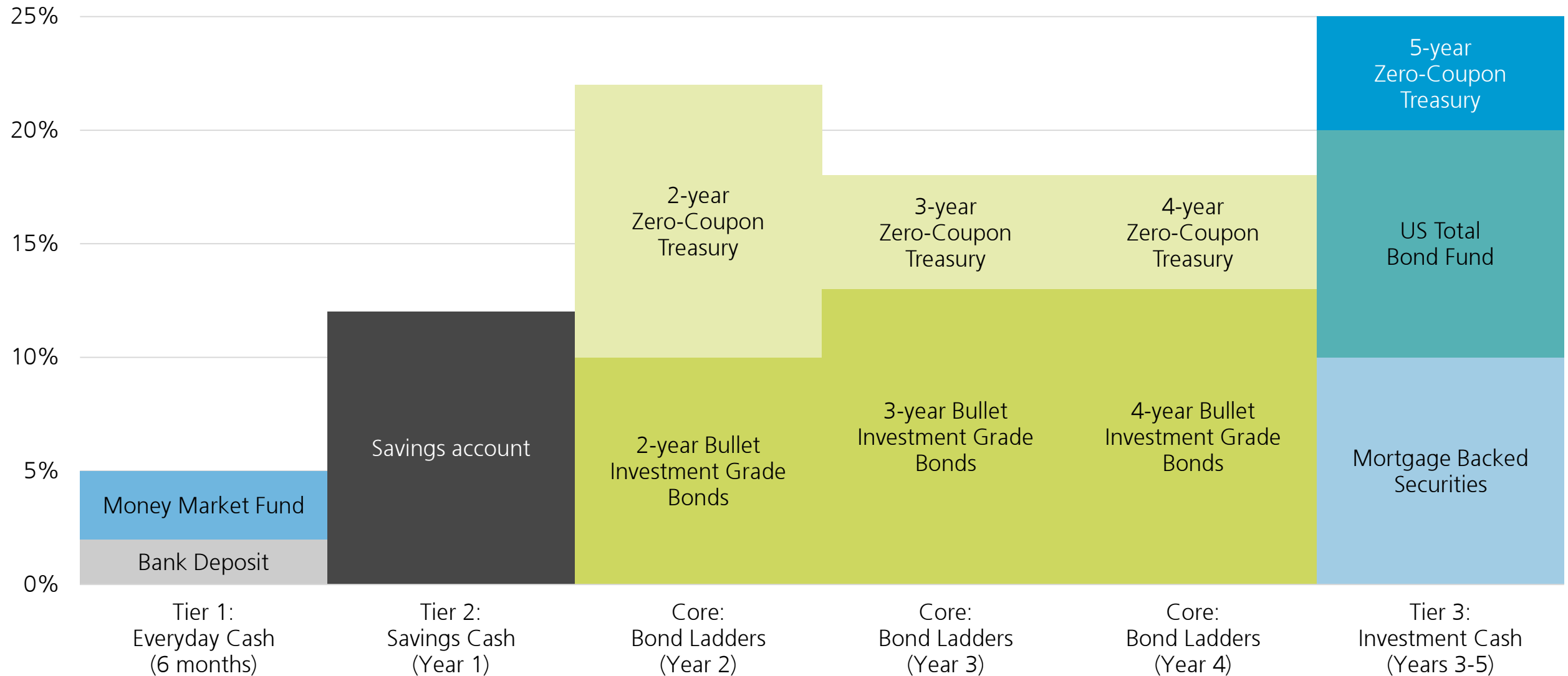
Five-year Liquidity strategy model portfolio example: Non-taxable investor

Illustration of asset allocation & spending schedule for a Liquidity strategy designed for non-taxable investors



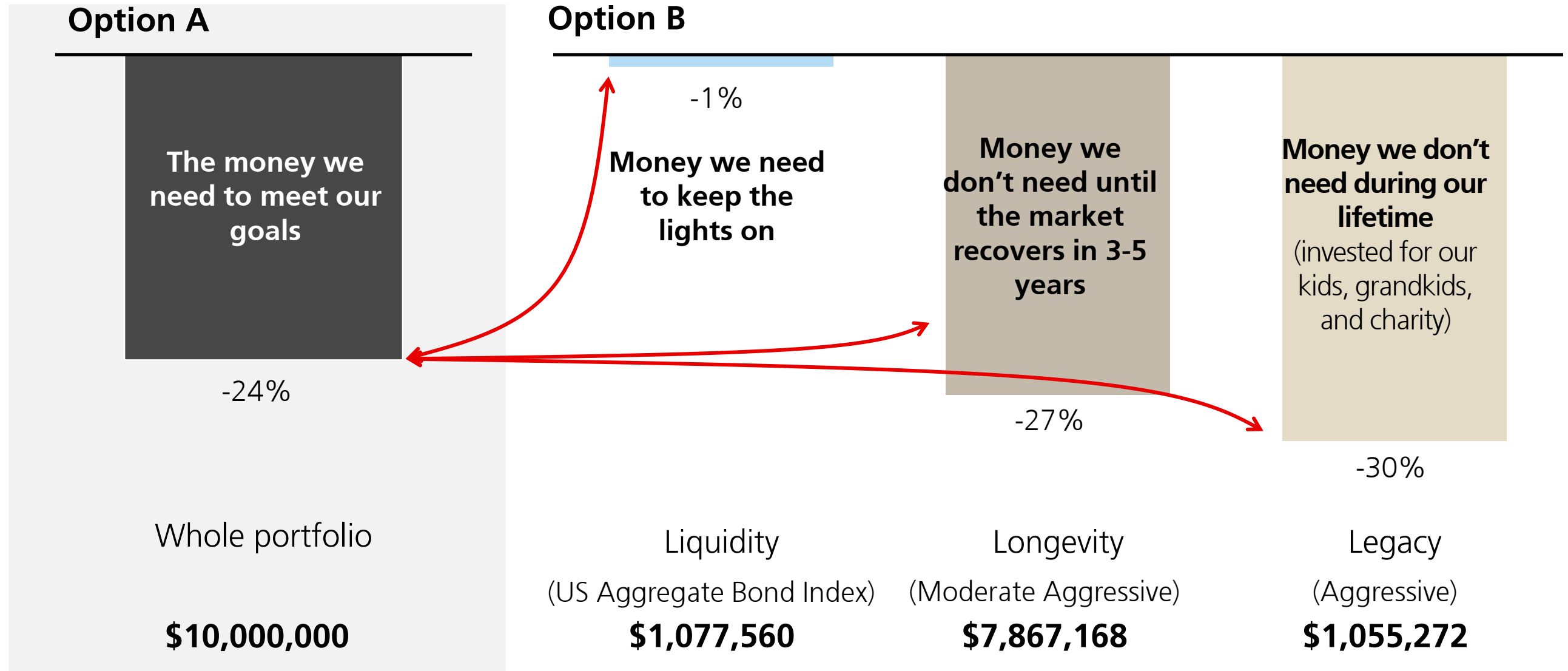
Five-year Liquidity strategy model portfolio example: Offshore investor

Illustration of asset allocation & spending schedule for a Liquidity strategy designed for offshore investors



The UBS Wealth Way framework may help keep returns in **context**

Two ways of viewing performance during the 2020 market selloff, 19 February 2020 to 23 March 2020

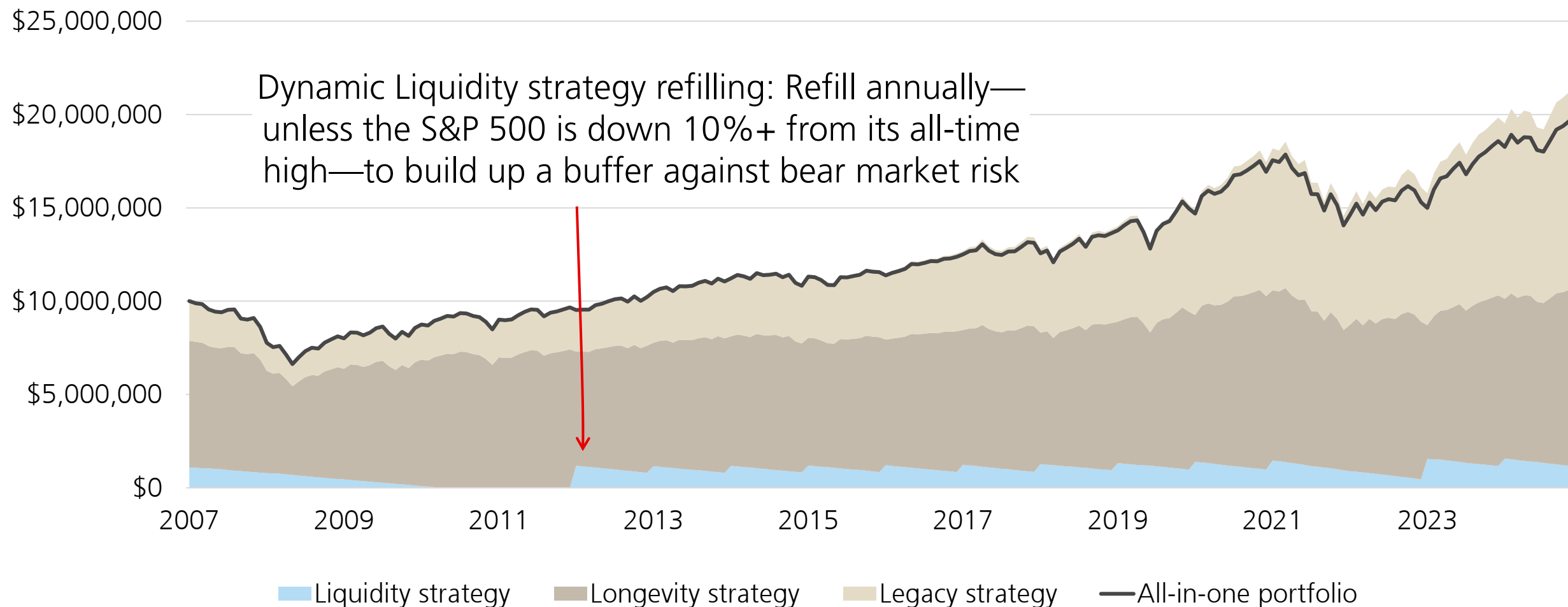


Strategies are subject to individual client goals, objectives and suitability.

Source: Bloomberg, Morningstar Direct, UBS, as of 23 January 2026. Using Bloomberg Barclays US Aggregate Bond Index for the Liquidity strategy, Moderate Aggressive-risk HV portfolio for the Longevity strategy, Aggressive-risk HV portfolio for the Legacy strategy. For illustration purposes. Not official performance.

The **Liquidity strategy** may help keep long-term investments growing

Growth of \$10 million invested from 31 October 2007, with and without the UBS Wealth Way framework



Strategies are subject to individual client goals, objectives and suitability.

Source: UBS, Morningstar Direct, as of January 2026. Starting value of \$10 million, with annual spending of \$350,000, increased 2.4% p.a. to account for inflation. Liquidity. Longevity. Legacy. portfolio details: \$1.1 million Liquidity strategy (50% cash, 50% bonds), \$5.9 million Longevity strategy (70% stocks, 30% bonds), \$3 million Legacy strategy (85% stocks, 15% bonds). The Liquidity strategy is sized to fund 3 years of spending, refilled annually unless S&P 500 down >10% from all-time high. All portfolios are rebalanced monthly. For illustration purposes only. Does not reflect the impact of taxes or fees. For more information, see www.ubs.com/bearmarketguidebook.

UBS Wealth Way can help you implement the best ideas

Liquidity

The next 3-5 years

Everyday cash & Savings cash

- Money market funds
- Bank deposits
- Savings account
- Credit and debit cards

Investment cash

- Fixed income ETFs, Mutual Funds, and SMAs
- CD and Bond ladders
- Structured CDs (e.g., Market-Linked CDs)
- Cash and cash alternatives (e.g., term deposits, money markets and T-bills)

Financing

- Securities-backed lending
- Tailored lending solutions
- Mortgage solutions
- Pre-IPO lending
- Specialized lending (e.g., business, luxury asset, agricultural and student loan financing)
- Commercial real estate financing

Longevity

5 years - lifetime

Investment strategy (seeks consistent growth)

- Balanced portfolios
- Dynamic allocation portfolios
- Structured investments (e.g., risk-adjusted yield and growth Strategies)
- Alternative investments (e.g., hedge funds, private equity, private credit and private real estate)
- Retirement accounts
- Concentrated stock strategies

Long-term care risk

- Long-term care insurance

Longevity risk & Income replacement

- Disability insurance
- Annuities

Legacy

Now – beyond your lifetime

Investment strategy (seeks growth maximization)

- Balanced portfolios
- Tax-optimized equity SMAs
- Structured investments (e.g., return-enhanced Yield and Growth Strategies)
- Private direct investments
- Private placement life insurance with alts
- Thematic investments
- Impact investment funds
- Alternative investments (e.g., hedge funds, private equity, private credit and private real estate)
- 529 Plans

Philanthropy

- Donor advised fund
- Private foundation

Wealth transfer

- Estate planning insights
- Trust solution capabilities

Mortality risk

- Life insurance

Strategies are subject to individual client goals, objectives and suitability.

The lists above are provided for illustrative purposes only and are not inclusive of all potential implementation strategies or products available. Inclusion of a particular product type or strategy is not intended to suggest it is exclusive to the Liquidity. Longevity. Legacy. strategies where it is included above, or that it is suitable for all investors. In the context of making actual investment decisions, Financial Advisors should work with their clients to customize their portfolios to meet their unique financial and life circumstances, including their age, risk tolerance, financial commitments and short-term liquidity needs. In addition, each BUS program, product or service is subject to specific eligibility and suitability requirements, each of which must be met in order for a client to invest.

Appendix

Summary statistics for market cycles since 1945

Peak year	1947	1962	1969	1973	1988	2001	2008	2020	2022	Average
Market cycle overview										
Length of prior bull market*	13.9 yrs	15.1 yrs	6.4 yrs	2.5 yrs	12.9 yrs	12.8 yrs	5.1 yrs	10.8 yrs	1.8 yrs	9.0 yrs
Time between market cycles**	16.7 yrs	15.6 yrs	6.9 yrs	4.1 yrs	14.7 yrs	13.0 yrs	7.2 yrs	12.2 yrs	2.0 yrs	10.3 yrs
Peak	May 1946	Dec 1961	Nov 1968	Dec 1972	Aug 1987	Aug 2000	Oct 2007	Dec 2019	Dec 2021	
Trough	Nov 1946	Jun 1962	Jun 1970	Sep 1974	Nov 1987	Sep 2002	Feb 2009	Mar 2020	Sep 2022	

US large-cap stocks

Recovery date	Oct 1949	Apr 1963	Mar 1971	Jun 1976	May 1989	Oct 2006	Mar 2012	Jul 2020	Dec 2023	
Max drawdown	-21.8%	-22.3%	-29.4%	-42.6%	-29.6%	-44.7%	-51.0%	-19.6%	-23.9%	-31.6%
Time to full recovery (new all-time high)	3.4 yrs	1.3 yrs	2.3 yrs	3.5 yrs	1.8 yrs	6.2 yrs	4.4 yrs	0.6 yrs	2.0 yrs	2.8 yrs
Drawdown time	0.5 yrs	0.5 yrs	1.6 yrs	1.8 yrs	0.3 yrs	2.1 yrs	1.3 yrs	0.3 yrs	0.7 yrs	1.0 yrs
Recovery time	2.9 yrs	0.8 yrs	0.8 yrs	1.8 yrs	1.5 yrs	4.1 yrs	3.1 yrs	0.3 yrs	1.3 yrs	1.8 yrs
Years of prior gains 'erased'***	1.2 yrs	2.9 yrs	5.4 yrs	9.7 yrs	1.5 yrs	5.3 yrs	11.6 yrs	2.2 yrs	1.6 yrs	4.6 yrs

60/40 stock/bond portfolio

Recovery date	Oct 1948	Mar 1963	Dec 1970	Jan 1976	Jan 1989	Oct 2004	Dec 2010	Jun 2020	Feb 2024	
Max drawdown	-13.4%	-13.0%	-17.6%	-26.4%	-17.4%	-21.7%	-29.9%	-9.1%	-19.4%	-18.7%
Time to full recovery (new all-time high)	2.4 yrs	1.3 yrs	2.1 yrs	3.1 yrs	1.4 yrs	4.2 yrs	3.2 yrs	0.5 yrs	2.2 yrs	2.3 yrs
Drawdown time	0.5 yrs	0.5 yrs	1.6 yrs	1.8 yrs	0.3 yrs	2.1 yrs	1.3 yrs	0.3 yrs	0.8 yrs	1.0 yrs
Recovery time	1.9 yrs	0.8 yrs	0.5 yrs	1.3 yrs	1.2 yrs	2.1 yrs	1.8 yrs	0.3 yrs	1.4 yrs	1.3 yrs
Years of prior gains 'erased'***	1.2 yrs	1.4 yrs	3.3 yrs	6.1 yrs	1.2 yrs	4.3 yrs	9.2 yrs	0.9 yrs	1.9 yrs	3.3 yrs



Source: Morningstar Direct, Bloomberg, UBS, as of 23 October 2025. 60/40 portfolio invested in US large-cap stocks and intermediate US government bonds.

* Time from previous trough to this cycle peak ** Time between previous peak and this cycle peak. ***At the bear market's trough, how much earlier could an investor have bought at that level?

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