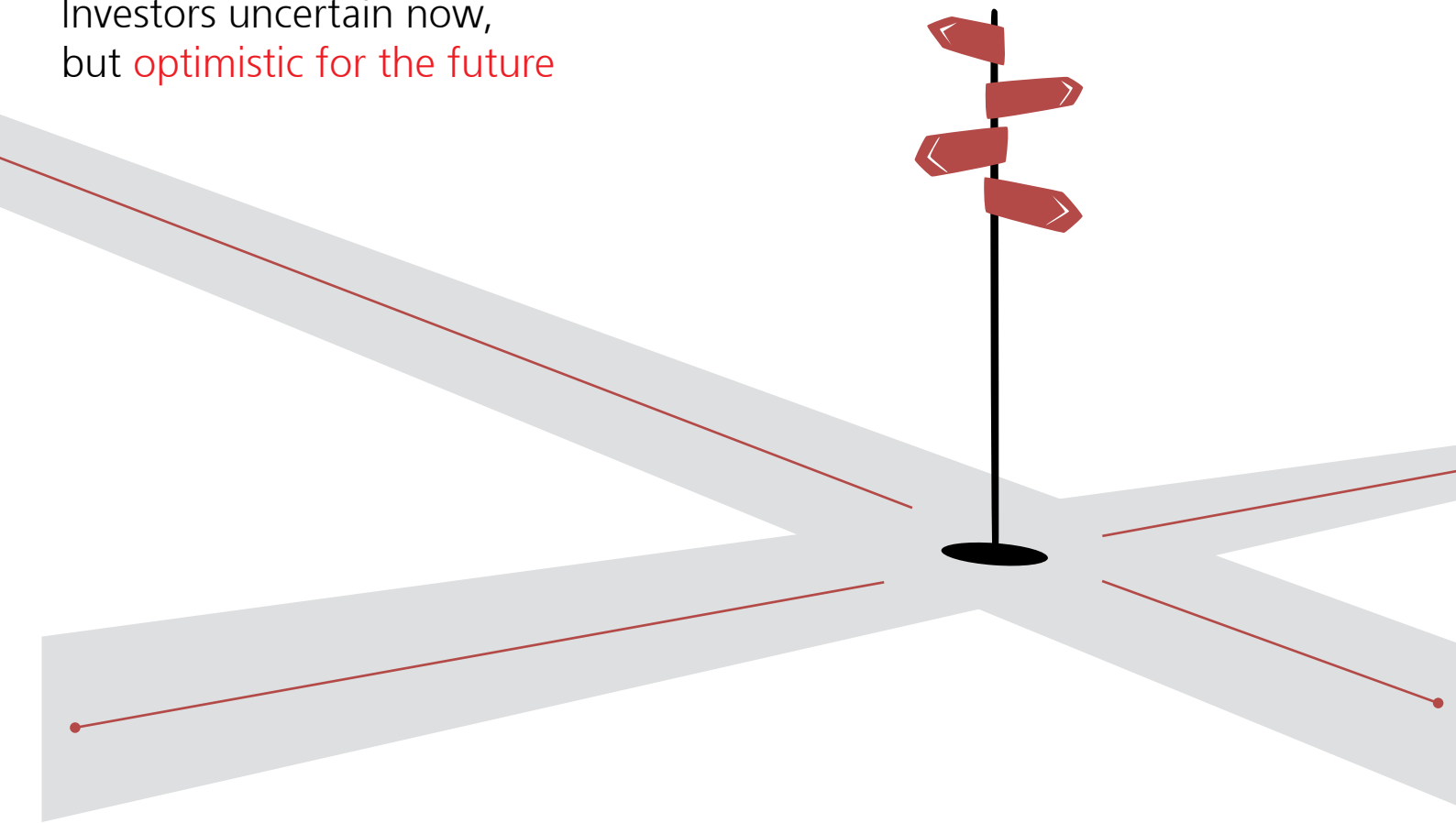


UBS Investor Watch on the Year Ahead

Decisions, decisions


Investors uncertain now,
but **optimistic for the future**



As we begin not just another year but a new decade, UBS decided to look at how investors globally are preparing for the future.

We found that, this time, the optimism that traditionally greets a new year is tempered by hesitation and a greater sense of caution.

In a world that is increasingly connected, the impact of geopolitical events—such as the global trade conflict, the upcoming US Presidential election, Brexit, political discord in multiple regions—is weighing on investors globally, causing the majority to feel uncertain. Business fundamentals that once were the backbone of how investors think about the market are now being usurped by a confusing geopolitical landscape. As a result, investors are now less likely to act.



But beyond 2020, looking toward the new decade, investors feel far more confident about the profound changes they see on the horizon.

In the next 10 years, demographic changes will have major effects. Millennials, the largest US generation, will be approaching age 50, while the last of the baby boomers will all be at retirement age. Artificial intelligence and virtual reality are expected to be mainstream. Automation will impact the labor force. Environmental disruption will likely continue, and sustainable investing will be mainstream.

Investors see these “mega-trends”—an aging population, technology and automation, diminishing resources—creating opportunities for the future. In fact, seven in 10 want to take advantage of these trends to seek better returns.

As they look ahead, investors have an opportunity to ensure they are well-positioned for the future—a future that will be here before we know it.

1

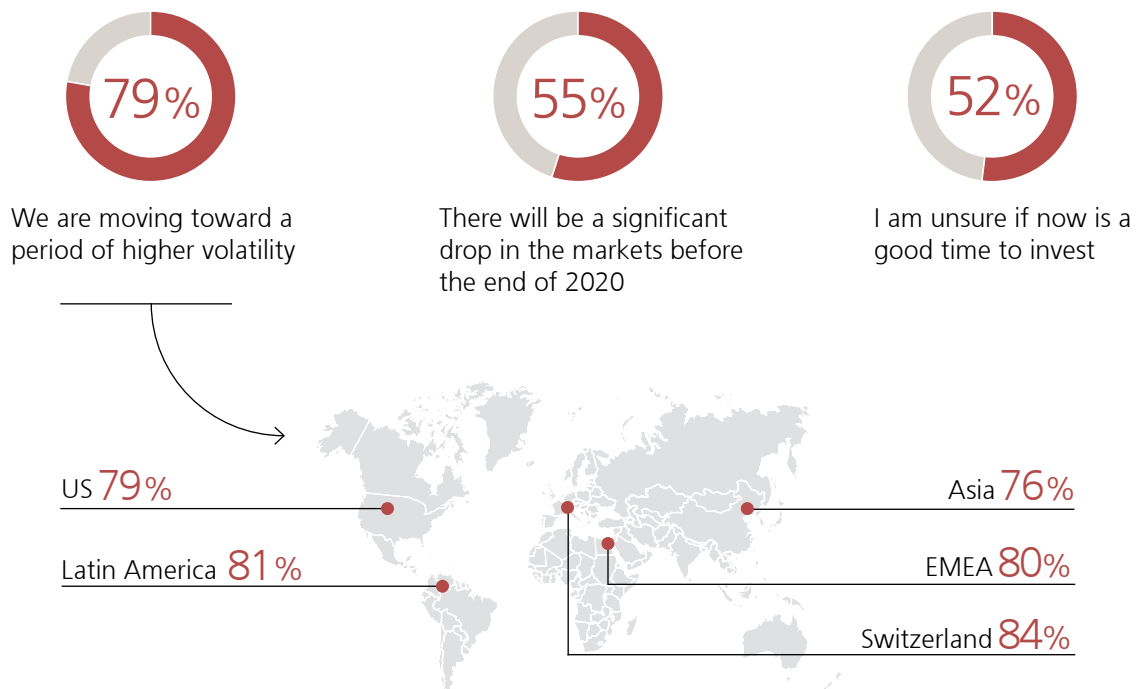
Investors look to the year ahead with greater caution ...

Investors see reasons to be cautious in the new year. Almost 8 in 10 investors feel markets are moving toward a period of higher volatility. More than half of investors expect a significant drop in the markets at some point in 2020. As a result, 52% are unsure if now is a good time to invest.

Nearly three in four investors say the investment environment is more challenging than it was five years ago. The majority (58%) feel less in control of their portfolio's performance than they used to.

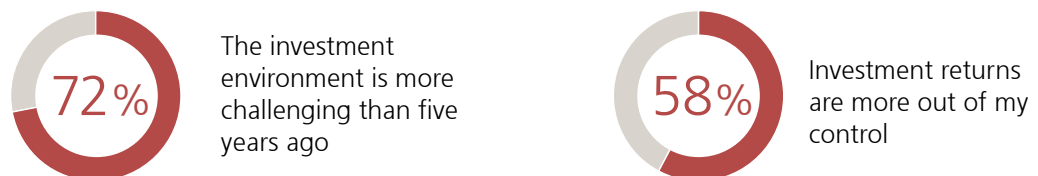
Investors expect a volatile 2020 ...

Percentage who agree with the following:



... and feel less in control

Percentage who agree with the following:



... with geopolitical events seen as driving the markets

Two in three global investors believe markets now are driven more by geopolitical events than business fundamentals such as profitability, revenue and growth potential. In a world investors see as highly interconnected, they view the US-China trade conflict, the political environment in their market and the 2020 US Presidential election as the biggest threats to portfolio performance.

Globally, 44% of investors are highly worried the US-China trade conflict will impact their portfolios in 2020. Surprisingly, investors in mainland China appear to be the least worried about the trade conflict.

Geopolitical events weigh heavily on investors

Percentage who agree with the following:



66%

Markets are driven more by **geopolitical events** than business fundamentals

Top geopolitical **concerns**:

44%

US-China trade conflict



41%

Political environment in my market

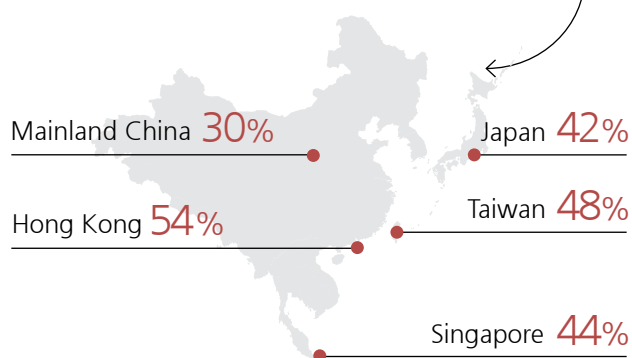
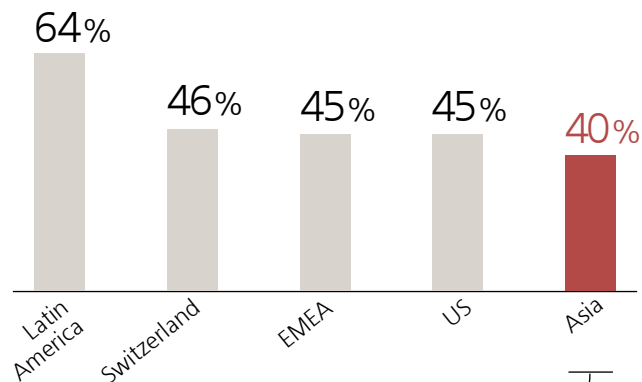


37%

2020 US Presidential election



Concern about **US-China trade conflict** by region:



2

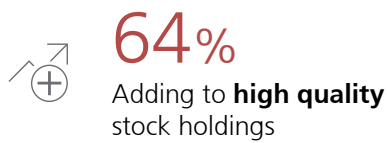
In today's challenging environment, investors seek various strategies to cope

To cope with this environment, 64% of investors are considering adding high quality stocks to their portfolios, while others would increase diversification and raise cash. Already, investors are holding 25% of their assets, on average, in cash.

There is a clear connection between investor confidence and planning. Two-thirds of investors with a long-term plan in place are highly confident they will achieve their goals, compared to only 51% of investors without a plan. In addition, eight in 10 plan to discuss the impact of the US Presidential election with their advisors.

Investors plan to diversify portfolios ...

Preferred strategies to protect their portfolio:



... and would consider increasing cash



EVEN THOUGH



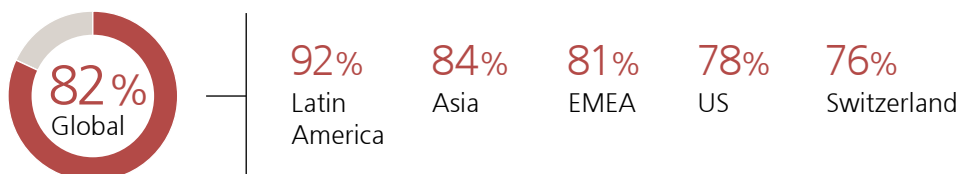
Planning increases investor confidence

Percentage highly confident in achieving long-term financial objectives:



Investors seek advice before US election

Percentage who plan to or would consider discussing election's impact:



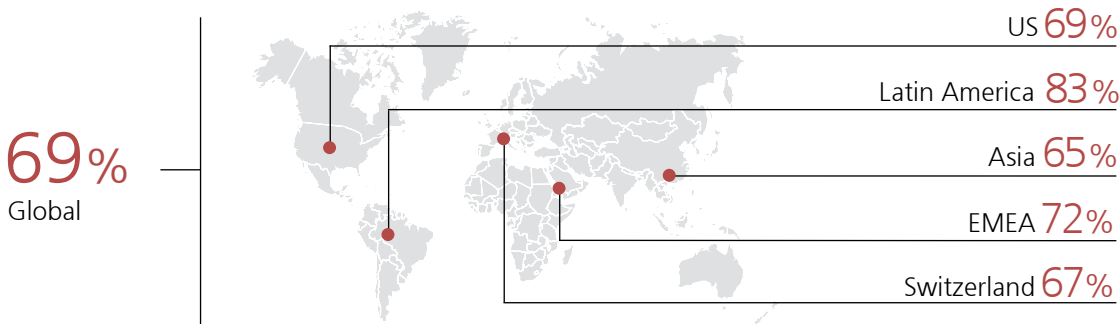
Looking to the decade ahead, investors expect key trends to fuel returns

Seven in 10 investors feel optimistic about their portfolio returns over the next decade. Investors have identified a number of "mega-trends" they see changing the world, most notably an aging population, increasing technology and diminishing natural resources.

Investors expect the technology, healthcare and energy sectors to benefit the most from mega-trends in the decade ahead. A full 88% are interested in aligning their portfolios to these trends.

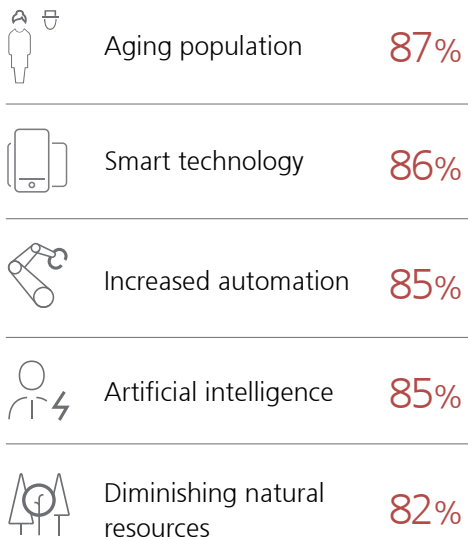
Investors are optimistic about long-term returns

Percentage optimistic about investment returns over the next 10 years:



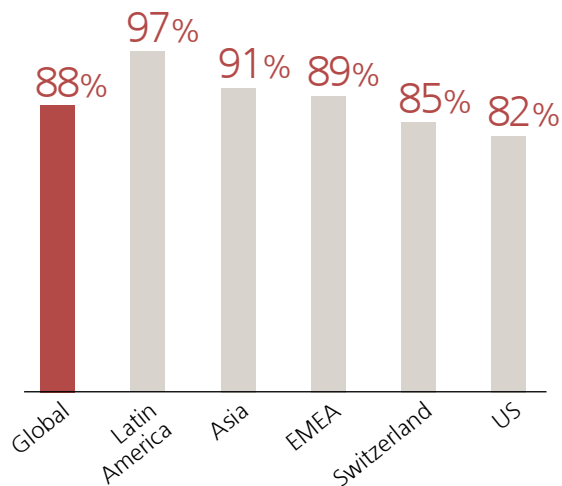
"Mega-trends" will impact the next decade

Top five trends that investors identify:



Investors want portfolios to align with trends

Percentage interested in aligning their investment portfolios with anticipated trends:



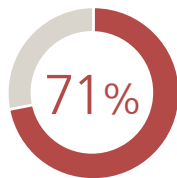
Younger investors eagerly embrace change

Younger investors embrace the changes they see occurring in the decade ahead. They are more likely than other generations to be optimistic about the investment opportunities resulting from the changes ahead.

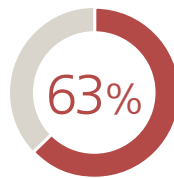
The vast majority (84%) of younger investors are interested in aligning their portfolios to take advantage of these long-term opportunities, compared to only 30% of older investors.

Younger investors are more likely to embrace change ...

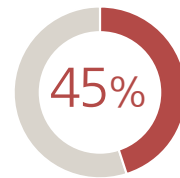
Percentage who say they embrace change:



Age: 18-34



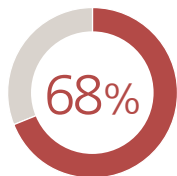
Age: 35-50



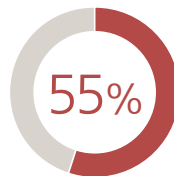
Age: 51+

... and are more optimistic about opportunities in the next decade

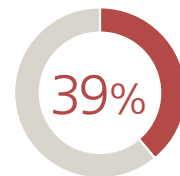
Percentage who are optimistic about the investment opportunities created by mega-trends:



Age: 18-34



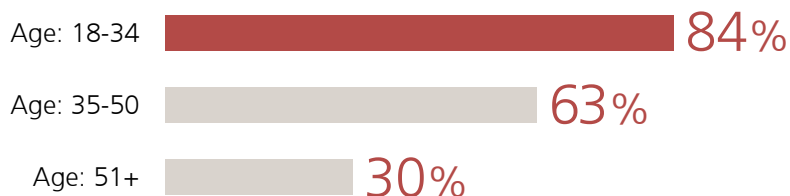
Age: 35-50



Age: 51+

Younger investors more interested in aligning portfolios with "mega-trends"

Percentage highly interested in aligning their portfolios with anticipated trends:

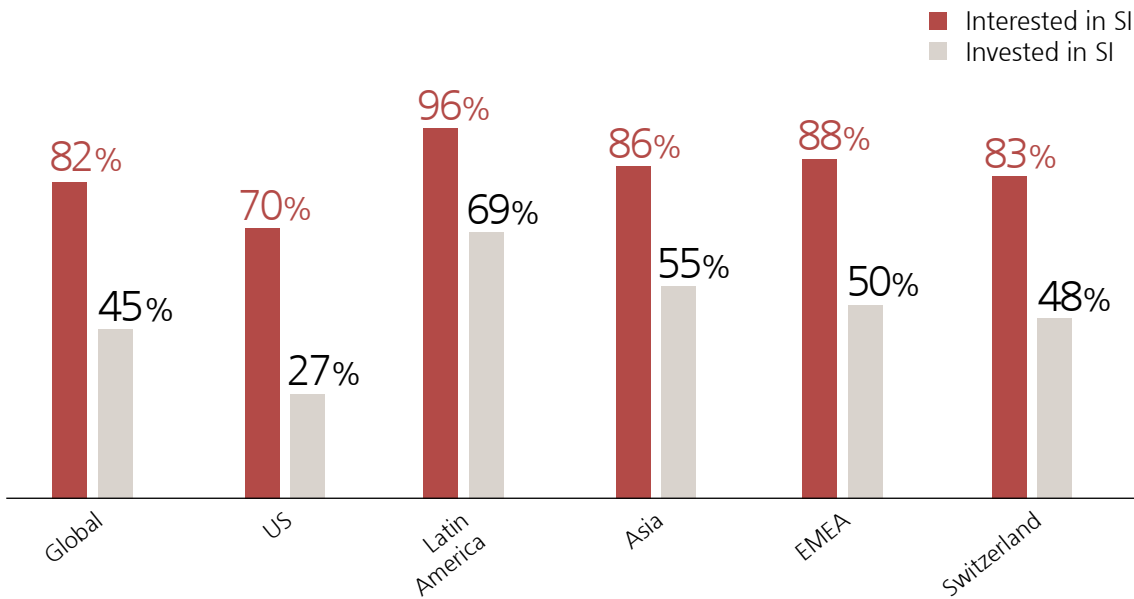


Interest in sustainable investing is high, yet adoption lags

Globally, investors believe the most important issues for the world to address in the next decade are clean water and sanitation, access to good healthcare, and pollution and environmental destruction. These issues are driving greater interest in sustainable investing (SI), though less than half of investors have SI in their portfolios today.

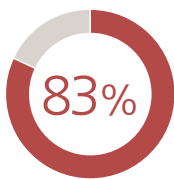
Investors have increased their allocation to SI in the last five years and expect to do so going forward. Younger investors are more interested in sustainable investing compared to older investors.

Sustainable investing adoption varies by region

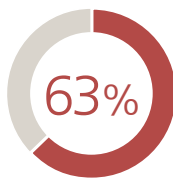


Younger investors are more interested in sustainable investing

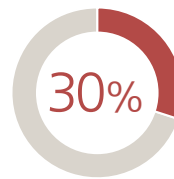
Percentage interested in sustainable investing:



Age: 18-34



Age: 35-50



Age: 51+

Asian investors look past short-term turbulence and see opportunities in mega-trends

The Year Ahead...

Investors in Asia (64%), like their counterparts in the rest of the world, think that markets are now driven more by geopolitical developments than business fundamentals.

The US-China trade conflict remains a key concern for investors globally. But only 40% of Asian investors cite the trade dispute as their main concern, the lowest among all regions. Apart from the trade conflict, investors in Asia are also worried about the impact of a potential recession in their local economies (38%) and the global stock market (34%).

To cope with the volatility that they expect in financial markets in 2020, Asian investors are therefore preserving cash like their global peers. That said, for the right opportunities, they would be willing to deploy their cash, with 71% saying they would seriously consider adding high-quality stocks to their portfolios – the highest among all regions.

Investors see “mega trends” impacting life in the next 10 years



85%
Aging population



84%
Smart technology



83%
Artificial intelligence



82%
Automation



82%
Diminishing Natural Resources

The Decade Ahead...

Two-thirds of Asian investors are optimistic about investment returns over the next decade. In fact, as many as 91% say they are interested in aligning their portfolios with long-term megatrends; younger investors have a higher propensity to do so.

Sustainable investing interest is high among Asian investors (86%) and adoption is well ahead of other markets at 55%; the only region ahead of Asia is Latin America (69%).

What else is on their mind?

- All investors in mainland China are interested in aligning their portfolios to “mega-trends” such as the aging population, smart technology, automation, artificial intelligence and diminishing natural resources
- Hong Kong investors are paying most attention to the impact of an economic recession in the local economy on their investments
- Japanese investors cite the increase in taxation as one of their key concerns
- Of the megatrends, artificial intelligence would have the greatest impact on the world over the next 10 years, say Singaporean investors
- Taiwanese investors think smart technology will shape the global landscape over the next 10 years

About the survey: UBS Global Wealth Management provides financial advice and solutions to wealthy, institutional and corporate clients worldwide. As part of our leading research capabilities, we survey global investors on a regular basis to keep a pulse on their needs, goals and concerns. Since 2012, *UBS Investor Watch* tracks, analyzes and reports the sentiment of high net worth investors.

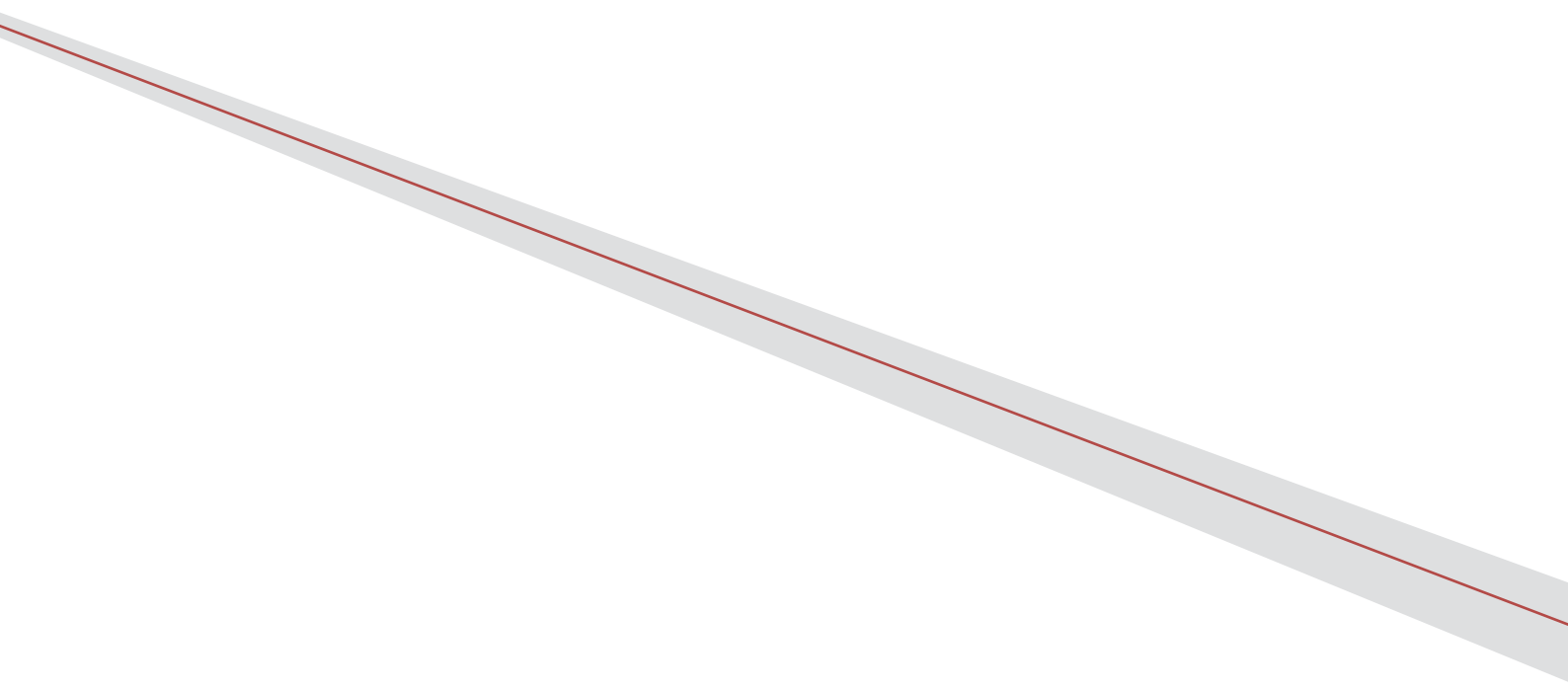
UBS Investor Watch surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this edition of *UBS Investor Watch*, we surveyed more than 3,400 high net worth investors (with at least \$1 million in investable assets). The global sample was split across 13 markets: Brazil, mainland China, Germany, Hong Kong, Italy, Japan, Mexico, Singapore, Switzerland, Taiwan, UAE, the UK and the US. The research was conducted between August 2019 and October 2019.



Explore more insights at ubs.com/investorwatch



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