

Strategy update

UBS Offshore MAPs¹

UBS Asset Management—Q2 2022

Macro views

Asset Class	Position	Viewpoint
Global equities	OW	Our view is that the economic expansion is likely to endure despite the headwinds of tightening financial conditions, aggressive rate hikes, a moderation in goods spending, and elevated inflation. Private sector balance sheets remain strong, spending is rotating rather than shrinking, and core inflationary pressures are likely to cool. However, it is too soon to trade that view: Market pricing of recession risk is likely to increase from here. As such, we are staying cautiously positioned within equities and prefer sectors like health care and regions such as the UK, which has a more defensive composition. We also are selectively long cyclical via commodity-linked stocks.
US equities	UW	American stocks are more acyclical and tend to outperform when manufacturing purchasing managers' indexes are declining. Within US equities, we continue to prefer US equal weight to market cap indexes. US growth is likely to hold up better than other major developed markets. However, US equities continue to command premium valuations, which may drag relative performance in the event that expectations for the Federal Reserve's terminal policy rate this cycle increase further or geopolitical risks recede.
Ex-US developed market equities	UW	Non-US developed market equities are attractively valued but also highly cyclical, and tend to underperform in an environment in which manufacturing purchasing managers' indexes continue to decelerate. Japanese stocks lack catalysts that would help shrink this valuation gap. Despite recent economic resilience European equities are still vulnerable as Russia continues to wage war against Ukraine. However, this is already partially priced in.
Emerging market equities	OW	Concerns about the stabilization of growth in China is a major source of uncertainty for the asset class, particularly for countries with the tightest economic and financial linkages. Resilience in industrial metals continues to point to a strong foundation for real activity. As such we prefer Emerging Markets (EM) with the strongest linkages to commodities. EM equities have held up impressively well in the face of challenges early in 2022 that include less impressive earnings revisions and higher mobility restrictions relative to Domestic Markets (DM), rising long-term real rates, and US dollar strength versus DM FX. The Chinese policy stance has turned, both on the monetary and fiscal sides. The People's Bank of China (PBOC) has cut rates, the peak in credit tightening has passed, in our view, and officials are stressing urgency in providing fiscal support. In our view, investors are discounting too much downside risk associated with China's COVID-19 policies and the real estate market, and not ascribing enough odds to the prospective economic rebound.
Fixed income	UW	The risks to long-term bond yields are well-balanced after traders have priced in aggressive central bank tightening over the coming year. We expect real rates to rise as inflation peaks and the Federal Reserve tightens policy even more in the coming months, but for this to be offset by decreases in market-based measures of inflation compensation. Sovereign fixed income continues to play an important diversifying role in portfolio construction and remains particularly effective in hedging downside in procyclical positions.
US government	UW	US Treasuries remain the world's preeminent safe haven and top source of risk-free yield. The Federal Reserve is poised to take rates to a neutral setting as quickly as possible without jeopardizing the expansion, and then move to restrictive territory in order to quell inflationary pressures. Quantitative tightening is not a very potent catalyst for fixed income, in our view. Market pricing for the Federal Reserve's terminal rate this cycle has adjusted meaningfully to the upside, and parts of the yield curve already imply interest rate cuts by 2024. The Fed has set a high bar for inflation to surprise to the upside this year, leaving room for rates to come down across the curve by pricing out some of the expected hikes. Even more front-loaded tightening could also increase perceived recession risk and provide a bid for the long end.
US IG corporate	OW	US IG all-in yields have become much more attractive given the year-to-date rise in risk-free rates as well as widening spreads. However, the typically negatively convex performance of credit as market pricing of recession rises provides some cause for near-term caution.
US high yield	UW	We expect carry, rather than spread compression, to drive total returns in HY going forward. The coupons available will continue to attract buyers in a low-yield environment.
Emerging market debt	N	We have a neutral view on emerging market dollar-denominated bonds due to the balance of carry opportunity and duration risk, which are offset by downside risks to growth. Asian credit is enticingly valued and poised to perform well in environments in which highly adverse economic outcomes fail to materialize.
Commodities	OW	In an inflationary environment where the stock-bond correlation may be turning more persistently positive, commodities provide an effective portfolio ballast, especially as the global expansion slows due to lingering supply side impairments and high energy prices.

OW = Overweight UW = Underweight N = Neutral Note: Actual portfolio weights may be different as these are broad asset class views.

¹Individual UBS MAPs' client performance may vary from the UBS MAPs composite performance data cited due to account-level considerations including account inception date, account inflows or outflows.

UBS Offshore MAPs - portfolio allocations

Asset Class	Investment strategy/ vehicle	Moderate		Moderately Aggressive		All Equity	
		+/-	Strategy weight	+/-	Strategy weight	+/-	Strategy weight
Equity		-2.0%	48.0%	-2.0%	68.0%	0.0%	100.0%
Global Equities		1.3%	1.3%	1.3%	1.3%	1.5%	1.5%
	Global Agribusiness	1.3%	1.3%	1.3%	1.3%	1.5%	1.5%
US Large Cap Equity		-1.8%	25.0%	-1.8%	35.4%	-2.3%	50.5%
	US LC Value HALO (UBS AM)	-2.0%	9.0%	-3.0%	12.5%	-5.0%	17.8%
	US Large Growth (UBS AM)	-3.0%	8.0%	-3.0%	12.5%	-5.0%	17.8%
	US LC ETF	-3.5%	1.3%	-3.5%	2.8%	-1.5%	5.8%
	US Equal Weighted	3.0%	3.0%	3.0%	3.0%	4.3%	4.3%
	US Quality	1.8%	1.8%	1.8%	1.8%	2.0%	2.0%
	Russell 1000 Value ETF	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%
US SMID Cap Equity		0.0%	5.8%	0.0%	8.4%	0.0%	12.3%
	US SMID Cap Equity (Kayne Anderson)	0.0%	5.3%	0.0%	7.9%	0.0%	11.8%
	US Small Cap ETF	0.0%	0.5%	0.0%	0.5%	0.0%	0.5%
Developed Ex-US Equity		-2.0%	10.3%	-2.0%	15.2%	-0.8%	23.8%
	Global ex US HALO (AM)	-0.8%	9.5%	-0.8%	14.4%	-1.3%	21.3%
	Pacific ex Japan	-0.2%	0.0%	-0.2%	0.0%	-0.2%	0.0%
	Europe ETF	-1.1%	0.0%	-1.1%	0.0%	-1.1%	0.0%
	Japan ETF	-0.4%	0.0%	-0.4%	0.0%	-0.4%	0.0%
	Australia	0.8%	0.8%	0.8%	0.8%	1.0%	1.0%
	UK	0.0%	0.0%	0.0%	0.0%	1.5%	1.5%
	Canada	-0.2%	0.0%	-0.2%	0.0%	-0.2%	0.0%
Emerging Markets Equity		0.5%	5.8%	0.5%	7.9%	1.5%	12.0%
	EM Equity Opportunity Fund	-2.0%	3.3%	-2.0%	5.4%	-1.0%	9.5%
	China	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Equity Opportunistic		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Income		-4.0%	46.0%	-4.0%	26.0%	0.0%	0.0%
US Govt. Fixed Income		-5.5%	14.5%	-5.5%	6.5%	0.0%	0.0%
	Quant FI (UBS AM)	-5.5%	14.5%	-5.5%	6.5%	0.0%	0.0%
Investment Grade Credit	US Corporate Bond ETF	4.5%	24.5%	4.5%	16.5%	0.0%	0.0%
High Yield Bonds	High Yield ETF	-3.0%	2.0%	-3.0%	0.0%	0.0%	0.0%
Emerging Markets Debt		0.0%	5.0%	0.0%	3.0%	0.0%	0.0%
	EMD (USD) ETF	0.0%	5.0%	0.0%	3.0%	0.0%	0.0%
Fixed Income Opportunistic		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Alternatives		3.0%	3.0%	3.0%	3.0%	0.0%	0.0%
	Diversified Commodities	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%
Cash		3.0%	3.0%	3.0%	3.0%	0.0%	0.0%

For illustration purposes only. Strategy weight column reflects the actual allocations for each portfolio as of June 30, 2022. Percentages may not equal 100% due to rounding. New accounts will be invested based on the most recent active asset allocation decision, which may not be reflected herein. Asset allocation represents composite portfolio. Composition of client portfolio may vary according to any particular investment restrictions and constraints.

Strategy changes

Total strategy changes made since 2018:

Change Type	2022	2021	2020	2019	2018
Tactical Asset Allocation	6	12	12	10	7
Security Selection	0	2	4	3	1
Total Strategy Changes	6	14	16	13	8

Below we summarize the changes made in the UBS Offshore MAPs over the period.

April 11, 2022:

- **Within equities (underweight):**
 - We reduced our exposure to US equities (initiating underweight) and reduced our exposure to international equities (reducing overweight).
 - Within US equities (underweight):
 - We reduced our exposure to US large cap equities (increasing underweight).
 - Across the MAPs with security selection, we reduced our exposure to US large cap ETF (increasing underweight). We increased our exposure to the US Large Cap Value HALO strategy (reducing underweight) and reduced our exposure to the Russell 1000 Value (reducing overweight). In the moderate risk profiles, we also increased our exposure to US equal weighted (increasing overweight).
 - Within International equities (overweight):
 - We reduced our exposure to international developed market equities (initiating underweight).
 - We added an Australia (initiating overweight) exposure.
 - Across MAPs with security selection, we reduced our International Developed Market ETF (initiating underweight).
- **Within fixed income (underweight):**
 - We increased our US government bond ETF exposure (reducing underweight).
 - We increased our US investment grade corporate bond exposure (closing underweight).
 - We reduced our US high yield bond exposure (closing overweight).
- **Within alternatives (overweight):**
 - We increased our diversified commodity ETF exposure (increasing overweight).

In all equity portfolios, we made the following changes:

- Within US equities (underweight):
 - We increased our exposure to US large cap equities (reducing underweight).
 - Across the MAPs with security selection, we reduced our exposure to US large cap ETF (increasing underweight). We increased our exposure to the US Large Cap Value HALO strategy (reducing underweight) and reduced our exposure to the Russell 1000 Value (reducing overweight).
- Within International equities (overweight):
 - We reduced our exposure to international developed market equities (initiating underweight).
 - We added an Australia (initiating overweight) exposure.
 - Across MAPs with security selection, we reduced our International Developed Market ETF (initiating underweight).

May 9, 2022:

- **Within equities (neutral):**
 - We increased our exposure to global equities (initiating overweight), US equities (closing underweight), and reduced our exposure to non-US equities (initiating underweight).
 - Within global equities (overweight):
 - We added a global agribusiness exposure (initiating overweight).
 - Within US equities (closing underweight):
 - We increased exposure to US large cap equities (closing underweight):
 - Across the MAPs with security selection, we increased exposure to US Quality (initiating overweight).
 - Within non-US equities (underweight):
 - We reduced our exposure to international developed market equities (increasing underweight).
 - Across MAPs with security selection, we reduced our exposure to the International Developed Equity HALO strategy (initiating underweight).
 - We reduced our exposure to emerging markets equities (closing overweight).
 - Across MAPs with security selection, we reduced our exposure to the Emerging Markets Equity Opportunity strategy (initiating underweight).
- **Within fixed income (underweight):**
 - We reduced our US government bond exposure (increasing underweight).
- We increased our US investment grade corporate bond exposure (initiating overweight).

In all equity portfolios, we made the following changes:

- Within global equities (overweight):
 - We added a global agribusiness exposure (initiating overweight).
- Within US equities (overweight):
 - We increased exposure to US large cap equities (initiating overweight):
 - Across the MAPs with security selection, we increased exposure to US Quality (initiating overweight).
 - We reduced exposure to US equal weighted (reducing overweight).
- Within non-US equities (underweight):
 - We reduced our exposure to international developed market equities (increasing underweight).
 - Across MAPs with security selection, we reduced our exposure to the International Developed Equity HALO strategy (initiating underweight).
 - We reduced our exposure to emerging markets equities (closing overweight).
 - Across MAPs with security selection, we reduced our exposure to the Emerging Markets Equity Opportunity strategy (initiating underweight).

June 13, 2022:

- **Within equities (initiating underweight):**
 - We reduced our exposure to US equities (initiating underweight) and increasing exposure to emerging market equities (initiating overweight).
 - Within US equities (initiating underweight):
 - We reduced exposure to US large cap equities (initiating underweight):
 - Across the MAPs with security selection, we reduced exposure to the US large cap growth strategy (initiating underweight). In the offshore MAPs, we increased exposure to US equal weighted (increasing overweight) and US Quality (increasing overweight).

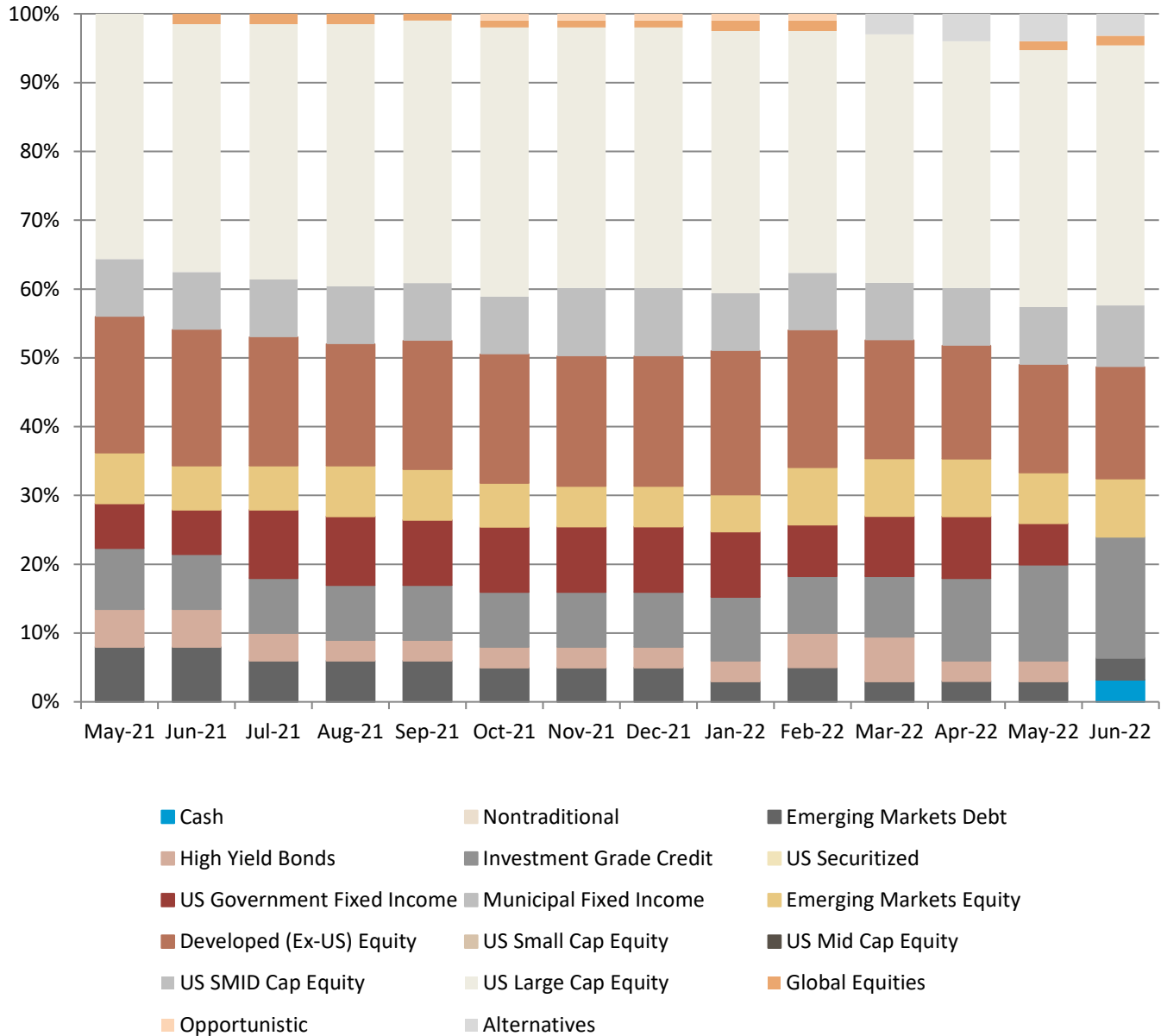
- Within non-US equities (underweight):
 - We increased our exposure to emerging markets equities (initiating overweight).
 - Across the MAPs with security selection, we increased our exposure to China (increasing overweight) and reduced our exposure to the Emerging Market HALO strategy (increasing underweight).
 - We reduced our exposure to international developed market equities in the MAPs with security selection (increasing underweight).
 - Across the MAPs with security selection, we reduced our exposure to Australia (reducing overweight).
- **Within fixed income (reducing underweight):**
 - We increased our US government bond exposure (reducing underweight).
 - We increased our US investment grade corporate bond exposure (increasing overweight).
 - We reduced our US high yield exposure (initiating underweight).
- **Within alternatives (reducing overweight):**
 - We increased our diversified commodity exposure (increasing overweight).
 - We closed our gold exposure (closing overweight).
- **Within cash (initiating overweight):**
 - We added a cash exposure (initiating overweight).

In all equity portfolios, we made the following changes:

- We reduced exposure to US equities (initiating underweight) and increased exposure to non-US equities (initiating overweight).
- Within US equities (initiating underweight):
 - We reduced exposure to US large cap equities (initiating underweight):
 - Across the MAPs with security selection, we reduced exposure to the US large cap growth strategy (initiating underweight). We increased exposure to US equal weighted (increasing overweight).
- Within non-US equities (underweight):
 - We increased our exposure to emerging markets equities (initiating overweight).
 - Across the MAPs with security selection, we increased our exposure to China (increasing overweight).
 - We increased our exposure to international developed market equities (reducing underweight).
 - Across the MAPs with security selection, we reduced our exposure to Australia (reducing overweight) and increased our exposure to the United Kingdom (initiating overweight).

Historical allocation¹

Below we show the historical market exposures of the UBS Offshore MAP (Moderately Aggressive) as a percentage of assets:



Source: UBS Asset Management.

1. For illustrative purposes only. Other risk profiles available.

Performance of Model Implementation¹

The UBS Offshore MAPs experienced a mixed month from an absolute perspective but delivered negative relative returns. Over the period, the strategies' absolute returns were mixed, depending on the risk profile. On a relative basis, returns versus their respective blended benchmarks was slightly negative.

Tactical asset allocation decisions had a positive impact on relative returns over the quarter:

Contributors

- Relative preference for equities over bonds
- Relative preference for US large cap equity equal weighted exposure over broad US large cap equities
- Relative preference for US Quality exposure over broad US large cap equities
- Relative preference for Chinese equities over emerging market equities
- Overweight to broad commodities

Detractors

- Relative preference for global agribusiness over global equities

Security selection had a negative impact on relative returns over the quarter:

Contributors

- International Developed Equity HALO (UBS AM)
- US SMID Cap Equity (Kayne Anderson Rudnick)

Detractors

- US Large Cap Equity Value HALO (UBS AM)
- US Large Cap Growth Select Equity (UBS AM)
- Emerging Markets Equity Opportunity Fund (UBS AM)

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UBS Offshore MAPs security selection components¹

US Large Cap Equity Value HALO (UBS AM):

The strategy underperformed the benchmark in Q2 2022.

- Stock selection drove active returns, with selection in the Industrials sector comprising a majority of underperformance.
- Sector allocation detracted from active returns as the negative impact from an overweight allocation to the Information Technology sector and an underweight allocation to the Health Care sector outweighed the positive impact from an underweight allocation to the Financials and the Communication Services sectors.
- Stock selection in the Financials and Health Care sectors had the most positive impact on returns.
- In terms of single-name performance drivers, Spirit AeroSystems, AGCO and Splunk detracted most from active returns.

US Large Cap Growth Select Equity (UBS AM):

The strategy underperformed the benchmark in Q2 2022.

- Stock selection drove active performance. Specifically, stock selection in the Information Technology sector had the least positive impact on relative returns.
- Asset allocation detracted from active returns as the negative impact from an underweight position to the Consumer Staples sector and an overweight position to the Consumer Discretionary sector outweighed the positive impact from an overweight allocation to the Health Care and Energy sectors.
- An overweight allocation to the Health Care sector had the most positive impact on relative returns, followed by stock picking in the Communication Services sector.
- In terms of single-name performance drivers, Zscaler, Amazon and Marvell Technology detracted most from relative performance.

US SMID Cap Equity (Kayne Anderson Rudnick):

The strategy outperformed the benchmark in Q2 2022.

- Both sector allocation and stock selection contributed to returns, with stock selection comprising a majority of outperformance.
- Stock selection in the Financials sector had the most positive impact on returns, followed by stock selection in the Consumer Staples sector.
- An underweight allocation to the Real Estate sector contributed most to asset allocation, followed by an underweight allocation to the Materials sector.
- Stock selection in the Health Care sector had the least positive impact on returns.
- In terms of individual stocks, Lamb Weston, W.R. Berkley and LPL Financial added most to active performance.

International Equity HALO (UBS AM):

The strategy outperformed the benchmark in Q2 2022.

- Both sector allocation and stock selection contributed to active returns, with stock selection comprising a majority of outperformance. Specifically, stock selection in the Financials and the Information Technology sectors had the most positive impact on performance.
- An overweight allocation to the Communication Services and Health Care sectors added most to asset allocation.
- Stock picking in the Industrials sector had the least positive impact on performance, followed by stock picking in the Health Care sector.
- Geographically, the manager generated the largest contribution to active returns from stock picking in the Netherlands and Ireland, followed by an overweight allocation to the UK.

Emerging Markets Equity Opportunity Fund (UBS AM):

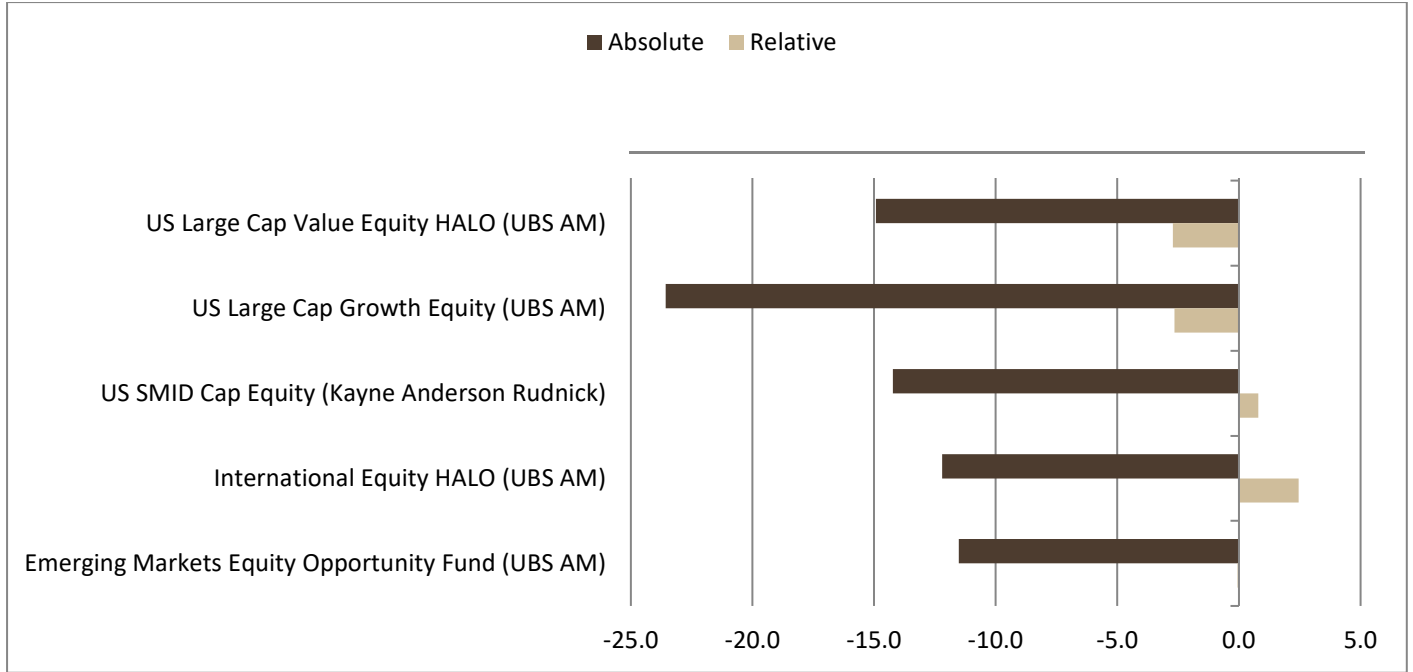
The strategy underperformed the benchmark in Q2 2022.

- Stock selection in Consumer Staples added value. In contrast, stock selection in Consumer Discretionary detracted.
- Key sector overweights to Consumer Staples, Energy, Real Estate, and Materials contributed to performance while underweights to Consumer Discretionary, Financials, and Information Technology detracted from performance over the quarter.
- By country, overweights to India and Indonesia and underweights to Brazil, Poland, and United Arab Emirates contributed to performance. Longi Green Ener, Kweichow Moutai, Eicher Motors were the largest contributors to returns while Mercadolibre, Anglo American, and Sk Hynix were the largest detractors.

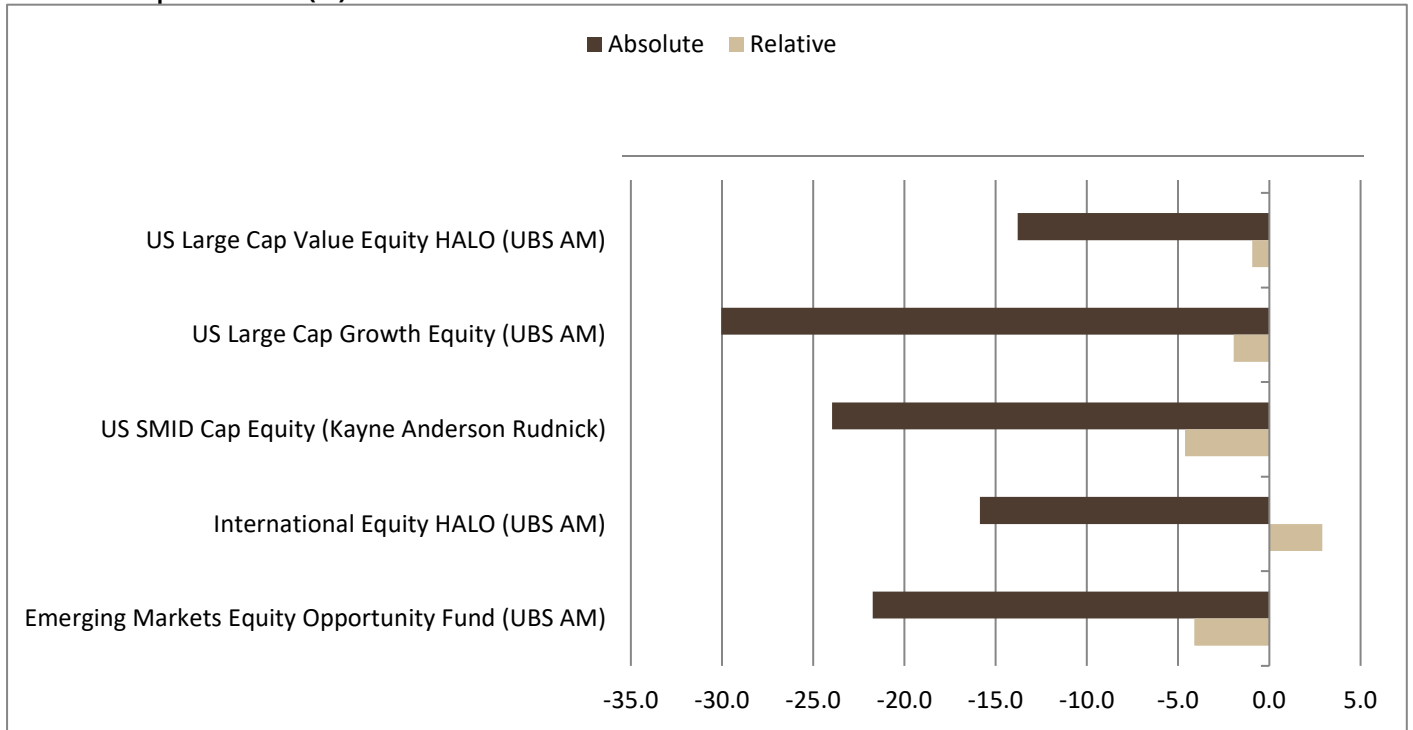
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UBS MAPs security selection components ¹

Quarter-to-date performance (%)



Year-to-date performance (%)



¹Individual UBS MAPs' client performance may vary from the UBS MAPs model performance data cited due to account-level considerations including account inception date, account inflows or outflows, and application of the Personalized Tax Management overlay on UBS Tax-Optimized MAPs. Security Selection components in the portfolios as of 06/30/22. **Past performance is not a guarantee of future results. The potential for profit is accompanied by the possibility of loss.**

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For more information

Please contact the UBS Asset Management National Sales Desk at 888-793 8637.

There are fees associated with investing in separately managed accounts. ETFs impose an additional layer of management and administration fees. For fees charged in connection with the UBS Financial Services program, please refer to the UBS Financial Services ADV Wrap Fee Program Brochure.

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Views expressed: The views expressed are those of UBS Asset Management as of June 30, 2022. These views, and asset allocations, are subject to change at any time in response to changing circumstances in the markets and are not intended to predict or guarantee the future performance of any individual security, asset class, the markets generally or any fund.

Risk considerations: Investors in UBS Multi-Asset Portfolios (MAPs) should be able to withstand short-term fluctuations in the equity and fixed income markets in return for potentially higher returns over the long term. The value of the securities held within the MAPs changes every day and can be affected by changes in interest rates, general market conditions, and other political, social and economic developments, as well as specific matters relating to the issuers and companies in whose securities the MAPs invest. Securities held within the MAPs are not guaranteed.

Market risk: The risk that the market value of a MAP will fluctuate as the stock and bond markets fluctuate. Market risk may affect a single issuer, industry or section of the economy, or it may affect the market as a whole.

Investments in ETFs risk: The portfolio's investment in ETFs may subject the portfolio to additional risks than if the portfolio would have invested directly in the ETF's underlying securities. These risks include the possibility that an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities; an ETF may trade at a premium or discount to its net asset value, or an ETF may not replicate exactly the performance of the benchmark index it seeks to track. In addition, investing in an ETF may also be more costly than if a portfolio had owned the underlying securities directly. ETFs impose an additional layer of fees, including management and advisory fees and other expenses, which are not included in the Program Fee.

Passive strategy risk: The ETFs that the MAP invests in are passively managed and attempt to track the performance of unmanaged indices of securities. The ETFs may hold constituent securities of an index, which they track regardless of the current or projected performance of a specific security or a particular industry or market sector. Maintaining investments in securities regardless of market conditions or the performance of individual securities could cause an ETF's return to be lower than if the ETF employed an active strategy.

Asset allocation risk: The portfolio is subject to asset allocation risk, which is the risk that the allocation of the portfolio's assets among the various asset classes and market segments will cause the portfolio to underperform other funds with a similar investment objective.

Foreign investing and emerging markets risks: Investing internationally presents certain risks not associated with investing solely in the US such as currency fluctuation, political and economic change, social unrest, changes in government relations, differences in accounting and available legal remedies, and the lesser degree of accurate public information available. A decline in the value of foreign currencies relative to the US dollar will reduce the value of securities denominated in those currencies. Also, foreign securities are sometimes less liquid and harder to sell and to determine the value of than securities of US issuers. Each of these risks are more severe for securities of issuers in emerging market countries. A company is considered a US company even though it is organized outside of the United States, if it meets any of the following conditions: (a) it is included in an index representative of the United States; (b) it has its headquarters or principal location of operations in the United States; (c) its primary listing is on a securities exchange or market in the United States; (d) it issues securities that are guaranteed by the United States government, its agencies, political subdivisions or instrumentalities; (e) it derives at least 50% of its revenues in the United States; or (f) it has at least 50% of its assets in the United States.

Certain Strategies, such as the Global (Ex-US) Equity Strategy, within the Multi-Asset Portfolio are permitted to invest in "F" shares (so called due to their ticker symbols, which end in "F"). F shares are ordinary shares of a foreign company's common stock that trade in their home (local) market. F shares are quoted in US dollars by registered market makers who provide their quotes on over-the-counter (OTC) quote platforms. F shares provide access to the securities of certain foreign companies that do not have American Depositary Receipts (ADRs) available. There are certain risks associated with investing in F shares. The risks include, but are not limited to, the risks associated with foreign investing. F shares are not listed on US exchanges but are subject to foreign local registration requirements. F shares trade over-the-counter via the "pink sheets" based on broker/dealers or market makers who offer quotes, and therefore are not subject to the listing and reporting requirements of issuers listed on a US exchange. Further, as F shares access the same liquidity as the local (foreign) market, when local markets are closed, liquidity will be reduced and spreads may be wider. F shares are also subject to the risk that a market maker may decide to exit the market for a particular company's F shares, thereby reducing liquidity and widening the security's spreads. F shares are custodied in local (foreign) markets and have additional trading, custody and tax costs associated with their trading.

For a detailed description of the risks associated with the individual portfolios, please refer to the respective portfolio presentation.

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AMT-2635 C-0822
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