Treading carefully

Investors eye inflation and volatility but stay engaged

Key findings

Prices rising | Investors expect inflation to continue
Volatility | Investors considering adding stocks and hedges
Help wanted | Business owners plan to hire more

Inflation

Most investors think inflation will continue through 2022

54% will last longer than 12 months
33% will last 6-12 months
13% will last less than 6 months

By region (in %)
- Switzerland | 58
- Europe (except Switzerland) | 57
- US | 62
- Latin America | 58
- Asia | 44

Feeling the impact on day-to-day life

91% Higher prices for goods
88% Higher energy costs
88% Higher gas prices
Many investors concerned about market downturn

<table>
<thead>
<tr>
<th>Region</th>
<th>Preferred Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>Add stocks</td>
<td>42%</td>
</tr>
<tr>
<td>Europe (except Switzerland)</td>
<td>Add portfolio hedges</td>
<td>42%</td>
</tr>
<tr>
<td>US</td>
<td>Reduce cash</td>
<td>40%</td>
</tr>
<tr>
<td>Asia</td>
<td>Reduce bonds</td>
<td>39%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Total</td>
<td>48%</td>
</tr>
</tbody>
</table>

Amid volatility, investors consider portfolio changes ...  

... and putting cash to work

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrow against investments (security-backed loan)</td>
<td>59%</td>
</tr>
<tr>
<td>Refinance an existing mortgage</td>
<td>58%</td>
</tr>
<tr>
<td>Take a personal loan</td>
<td>58%</td>
</tr>
</tbody>
</table>

Have more than 10% of portfolio in cash and equivalents (e.g., CDs)  

55% Concerned about the impact of inflation on cash value

47% Waiting for right opportunity to invest

By region (in %)

- Latin America: 62%
- Europe (except Switzerland): 48%
- US: 48%
- Asia: 45%
- Switzerland: 33%

Investors want to borrow ahead of potential rate rises

Likely to:

- Borrow against investments (security-backed loan): 59%
- Refinance an existing mortgage: 58%
- Take a personal loan: 58%
Outlook tracker

Optimism dips on own region's economy for next 12 months*

62% optimistic
-5

16% neutral
unchanged

22% pessimistic
+5

Investors remain confident in stock market for next 6 months*

62% optimistic
-1

22% neutral
-2

16% pessimistic
+3

Inflation jumps to top concern*

56% Inflation
+6

52% COVID
+4

51% My country's politics
unchanged

51% Climate change
unchanged

51% Tax increases
-2

*Changes since 3Q21

Jump to Inflation I Portfolio strategy I Business owners
Business owners

Confidence in own business for next 12 months stays strong*

78% optimistic
-1

7% pessimistic
+2

15% neutral
-3

Hiring and business investment plans are up* (in %)

<table>
<thead>
<tr>
<th></th>
<th>hire</th>
<th>keep workforce same</th>
<th>downsize</th>
</tr>
</thead>
<tbody>
<tr>
<td>neutral</td>
<td>44</td>
<td>43</td>
<td>13</td>
</tr>
<tr>
<td>+6</td>
<td></td>
<td>-7</td>
<td>+1</td>
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</tbody>
</table>

Net hiring¹ +31 (+5)

<table>
<thead>
<tr>
<th></th>
<th>invest more</th>
<th>invest the same</th>
<th>invest less</th>
</tr>
</thead>
<tbody>
<tr>
<td>+6</td>
<td>48</td>
<td>40</td>
<td>12</td>
</tr>
<tr>
<td>Unchanged</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Net investing² +36 (+6)

¹ Hire minus downsize
² Invest more minus invest less

*Changes since 3Q21

Top business owner concerns

- 60% COVID
- 58% Rising materials costs
- 57% Business tax increases
- 57% Supply chain issues
- 56% Cyber security

Many plan to sell or pass on their business in next 5 years

- 38% Less than 5 years
- 27% More than 6 years
- 35% Don’t plan to exit the business

Are you ready to weather what comes next? Talk to your UBS Advisor.

About the survey: UBS surveyed 3,000 investors and 1,200 business owners with at least $1M in investable assets (for investors) or at least $1M in annual revenue and at least one employee other than themselves (for business owners), from January 4 – 24, 2022. The global sample was split across 15 markets: Argentina, Brazil, Mainland China, France, Germany, Hong Kong, Italy, Japan, Mexico, Russia, Singapore, Switzerland, the UAE, the UK and the US. For the 3Q21 results, UBS surveyed 4,206 investors and business owners globally, from September 28 – October 18, 2021.
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