

# Year of the Tiger

## Time to pounce on China Bonds?

UBS China High Yield Bond (USD)

Hayden Briscoe

Head of Fixed Income, Global Emerging Markets and Asia Pacific

September 2022



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Section 1

# The case for China High Yield

# A standout market opportunity in high yield

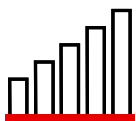
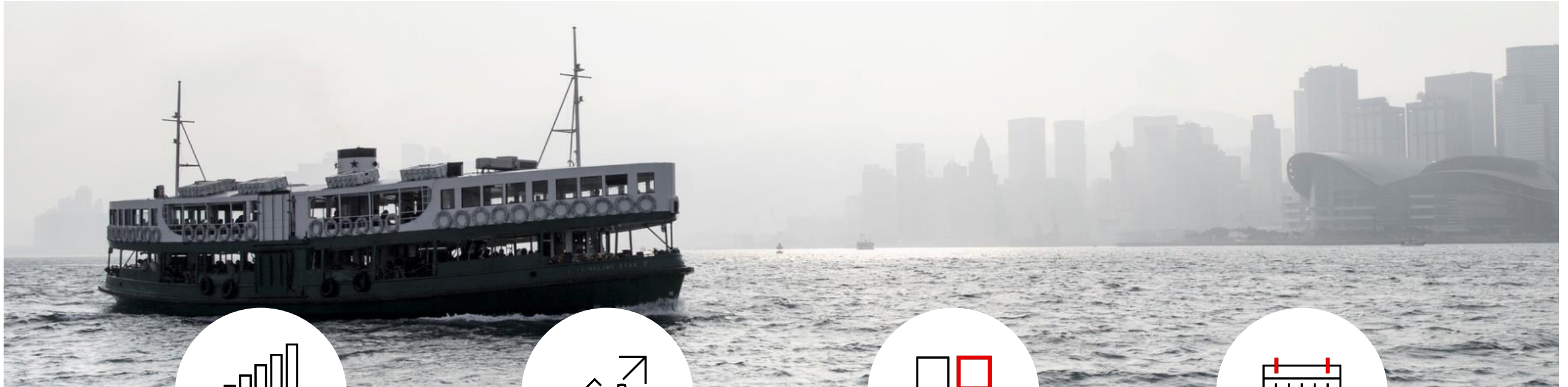
## Executive summary

Market opportunity	<ul style="list-style-type: none"><li>• China stands out as the long-term <b>growth engine of the world</b></li><li>• The <b>opening up of China's bond markets</b> and <b>ongoing index inclusion</b> provides a supportive technical backdrop</li><li>• China is <b>implementing significant policy measures</b> and providing <b>flexibility in monetary and fiscal policies</b></li></ul>
Portfolio benefits	<ul style="list-style-type: none"><li>• China HY bonds offer <b>greater return potential</b> with higher yields relative to global HY credits, coupled with <b>shorter duration</b> which means less interest rate sensitivity</li><li>• China HY bonds offer <b>diversification and low correlation</b> benefits to most traditional developed market fixed income allocations</li><li>• Designed to achieve <b>attractive risk-adjusted returns</b> instead of solely focusing on yield levels</li></ul>
Investment approach	<ul style="list-style-type: none"><li>• No benchmark means <b>every decision is an active decision</b></li><li>• Unlike our peers, we offer a <b>purser actively managed greater China</b> strategy</li><li>• We invest in bonds where our <b>on-the-ground research</b> analysts in China provide <b>valuable local insights</b></li></ul>



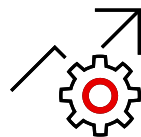
Source: UBS Asset Management

# Why invest in China high yield today?



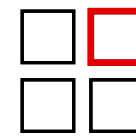
## China credit markets continue to grow

Broadening opportunity set for investors



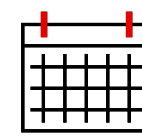
## Attractive valuations

Attractive entry point into China high yield market with spread and yield levels<sup>1</sup>



## Significant policy measures

Fiscal and monetary policy measures remain key drivers



## Economic recovery

Recovery and growth in China

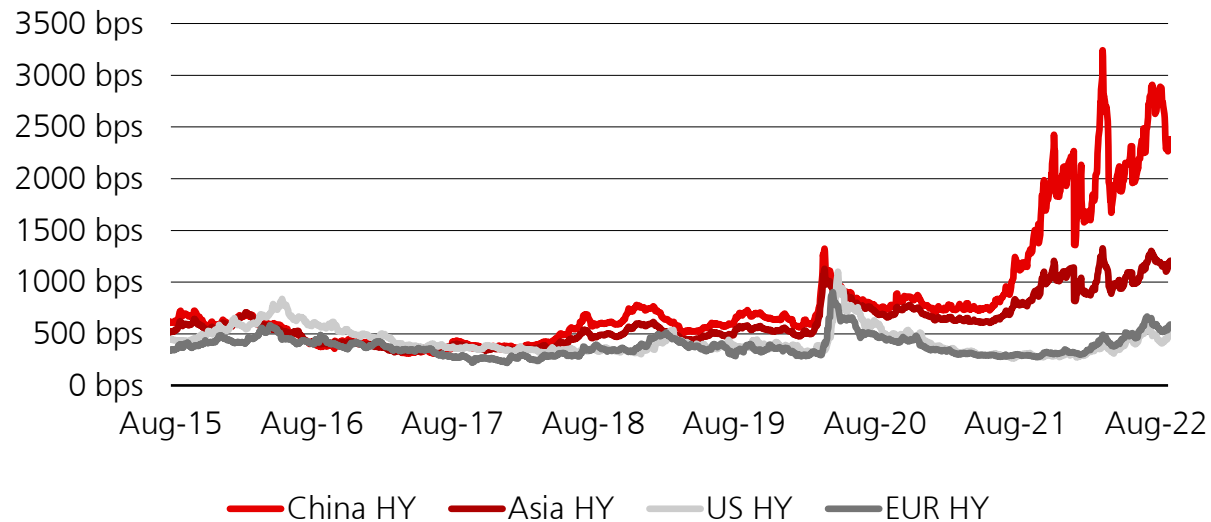
Source: UBS Asset Management

\* Yield is not guaranteed. **Past performance is not a reliable indicator of future results.**

# Credit spreads and yields

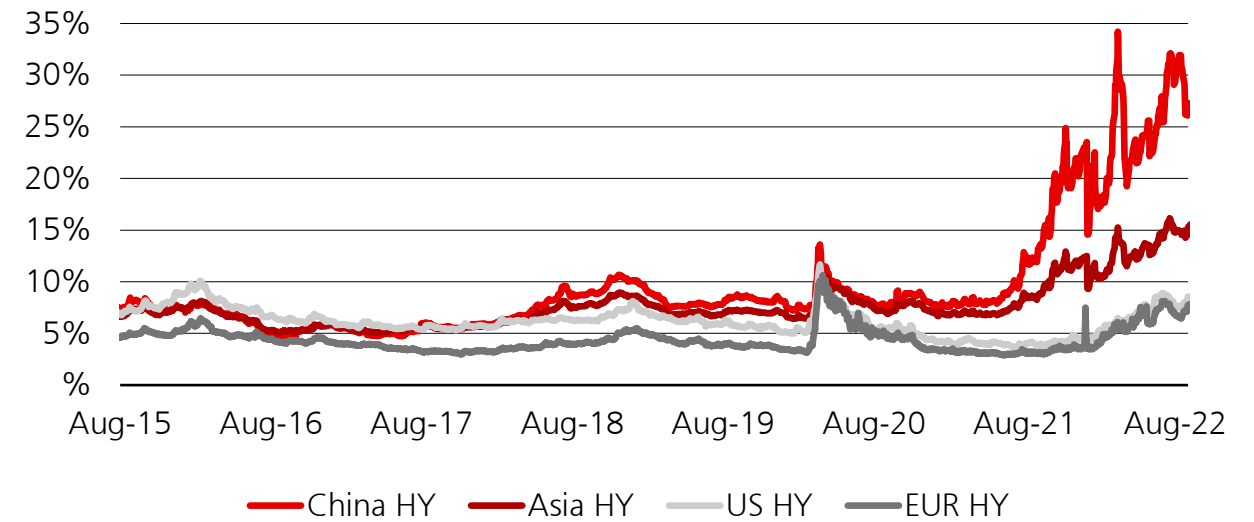
Credits spreads at all-time wides: Yields present an attractive income proposition

## High Yield Credit Market: Spreads



Spread	China HY	Asia HY	US HY	EUR HY
Latest	2266	1143	461	541
MTD Change	-360	-61	-30	-47
YTD Change	+1,565	+503	+86	+189
All-time wides	3350	1327	1971	2013
All-time tights	256	154	233	183
Current percentile	96%	98%	53%	69%

## High Yield Credit Market: Yields



Yield	China HY	Asia HY	US HY	EUR HY
Latest	26.09%	14.80%	8.42%	7.48%
MTD Change	-2.98%	-0.03%	0.69%	0.55%
YTD Change	18.80%	8.05%	4.24%	4.07%

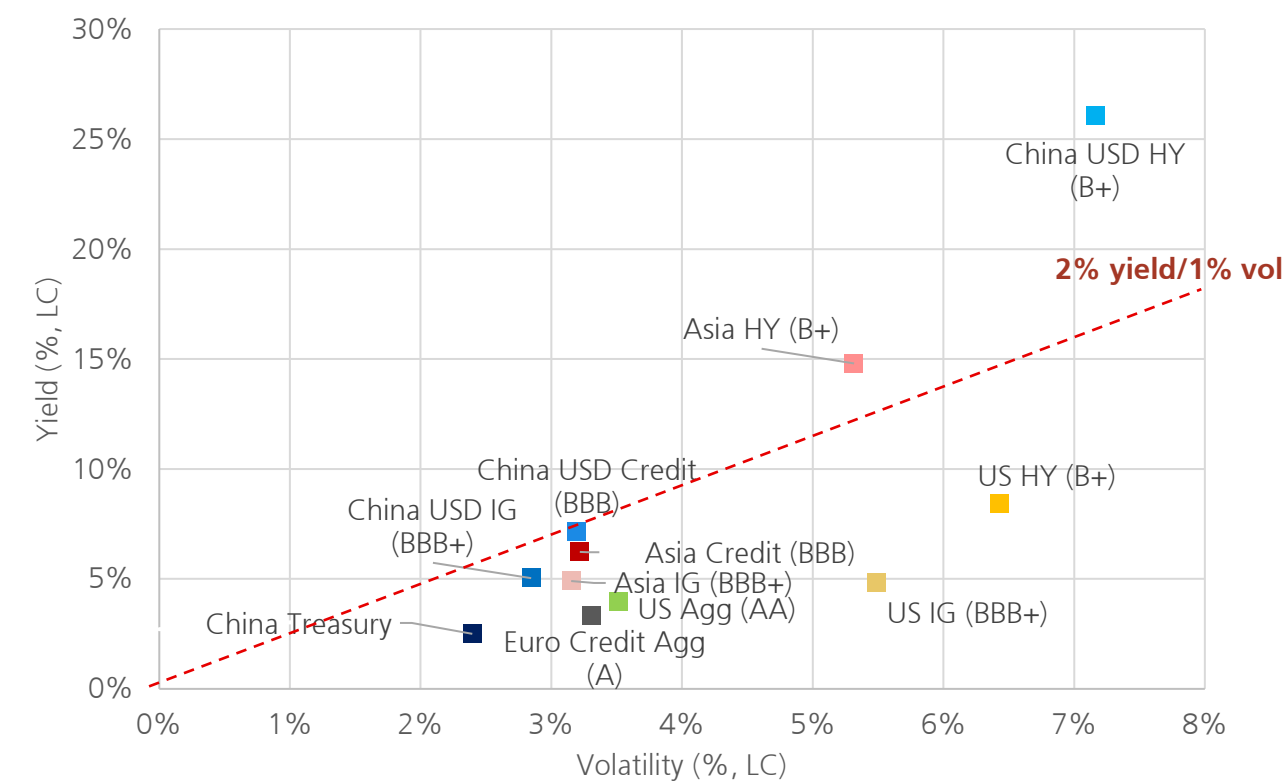
Source: Bloomberg Finance L.P., J.P. Morgan. As of end August 2022  
For information purposes only. **Past performance is not a reliable indicator of future results.**



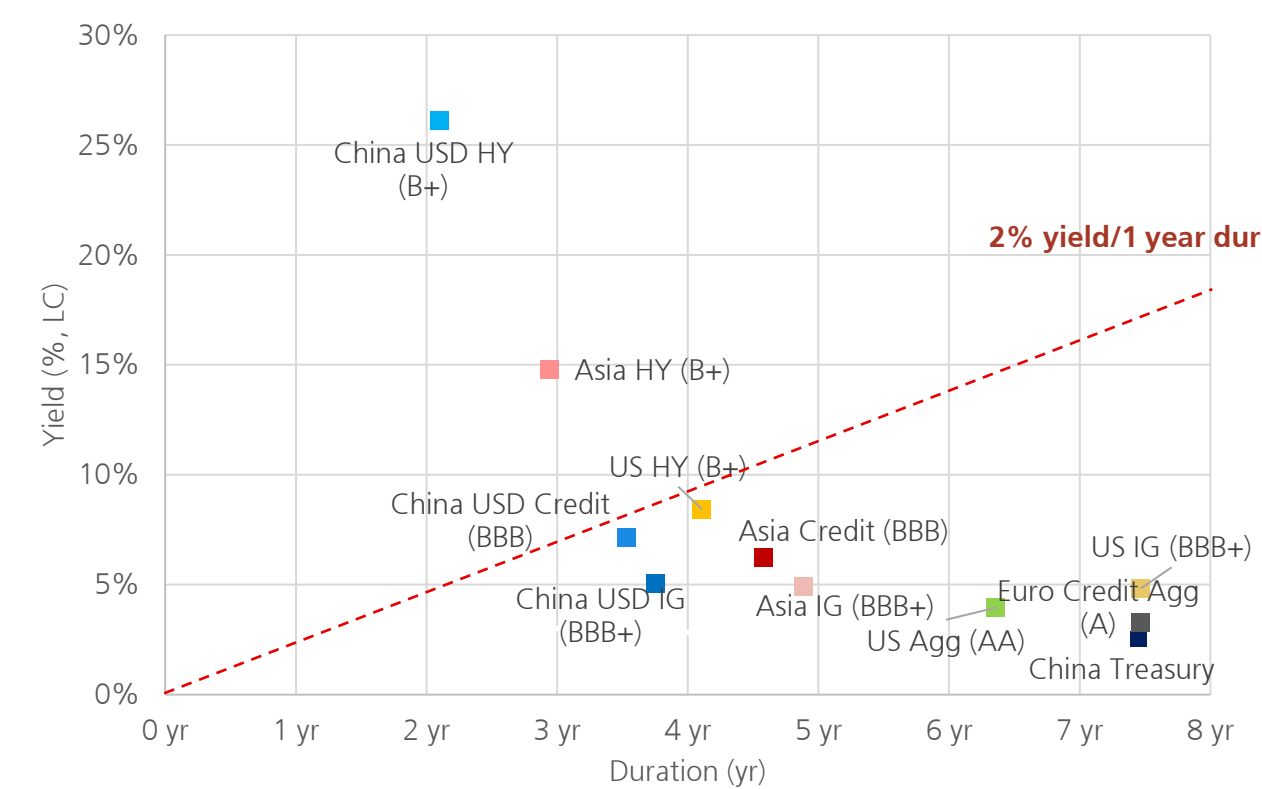
# China credit's risk-return profile

China credit has lower duration risk

Yield / Volatility



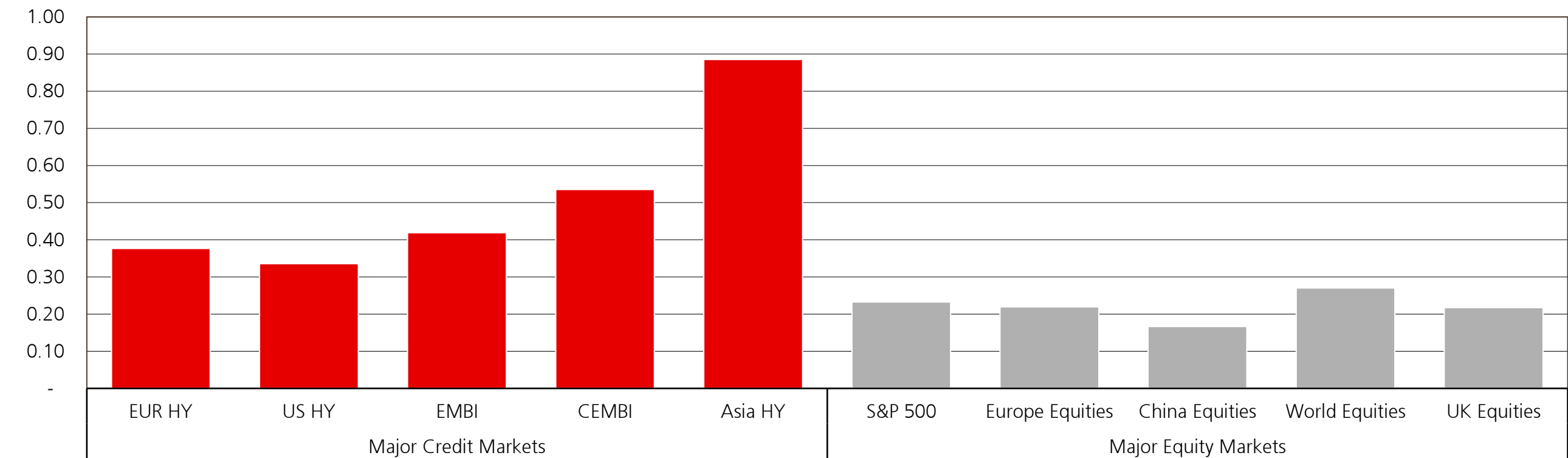
Yield / Duration



Source: Bloomberg Finance L.P., J.P. Morgan, weekly-volatility 10 years. As of end August 2022  
For information purposes only. **Past performance is not a reliable indicator of future results.**

# China high yield in a global credit market perspective

**Correlation (5 year) of China High Yield USD market to global credit and equity markets**



Source: Bloomberg Finance L.P., UBS Asset Management, as of end August 2022

- 1 Correlations are made to the China high yield USD credit market, represented by JP Morgan JACI China High Yield Index.
- 2 Major equity markets are represented by the following indexes: (S&P 500) Bloomberg code: SPX:IND; Europe Equities represented by EURO STOXX 50 Index, Bloomberg code: SX5E:Ind; China Equities: represented by Shanghai Stock Exchange Composite Index. Bloomberg code: SHCOMP; World Equities represented by MSCI World Index, Bloomberg code: MXWO; UK Equities represented by FTSE 100 Index, Bloomberg code: UKX.



# China property: Market implied default rate

## China HY property: Market implied default rate estimation

Data below is as at 31 July 2022

- Average market price (par-weighted basis): 36
- Recovery value assumption in case of default: 10
- Current market prices are pricing in a default rate of 73%

## Our view:

- We believe that the current market's distressed price level is extreme and does not currently reflect the fundamentals
- The current gap in pricing may have to eventually close

## Price distribution of China HY property bonds :

>90	3.62%
90-70	8.00%
70-50	9.30%
50-40	6.46%
40-30	23.95%
30-20	22.41%
<=20	26.26%

Source: Bloomberg Finance L.P., UBS Asset Management, as of end July 2022

# China's three red lines – Re-rating phase for property sector

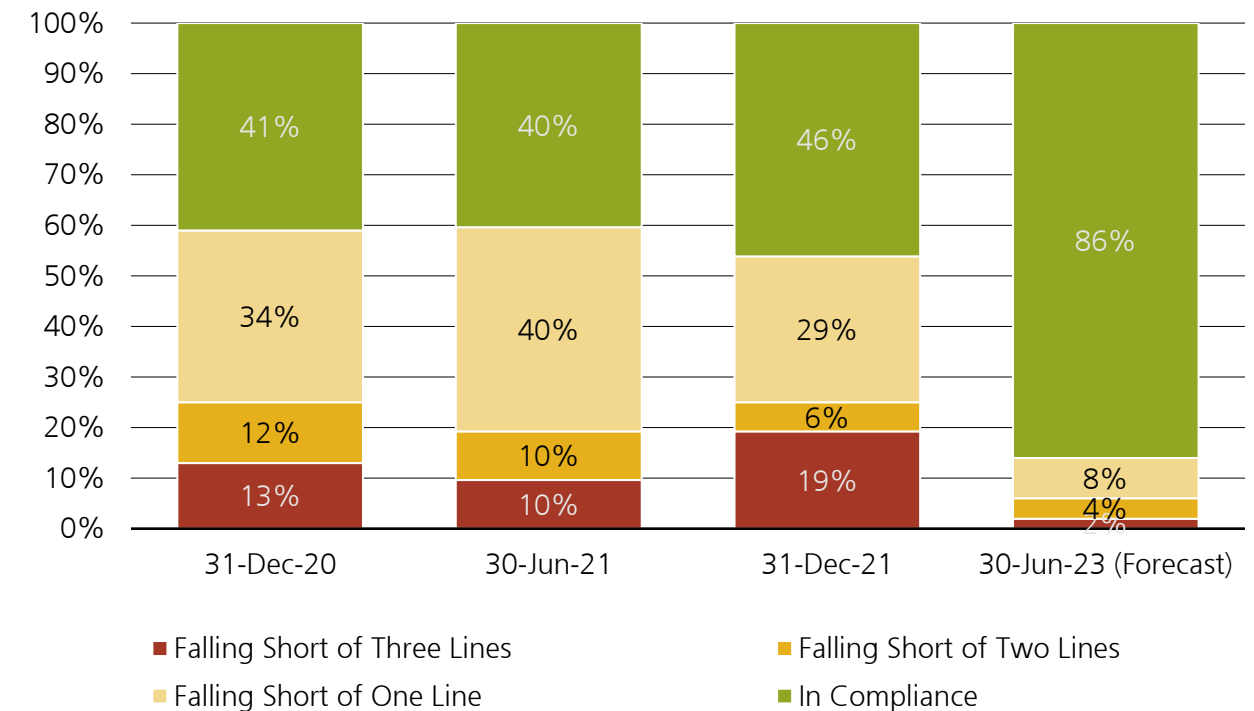
## 3 red lines: Why and why now?

- **Housing** is **socially and systemically important** to the economy
- **To control house prices:** Housing is for living in, not speculating. Affordable for all
- **Manage land markets:** Developers bidding up land prices fuels higher housing costs
- **Control household demand for housing:** Tiered caps to banks' exposure to property loans and mortgage lending (Jan 2021)
- **3 criteria:**
  - Cash to short-term debt < 1x,
  - Asset-to-liability ratio of < 70%, and
  - Net-debt-to-equity > 100%

Color code	Number of red lines breached	Allowable annual growth in debt
Green	0	15%
Yellow	1	10%
Orange	2	5%
Red	3	0%

Source: UBS Asset Management

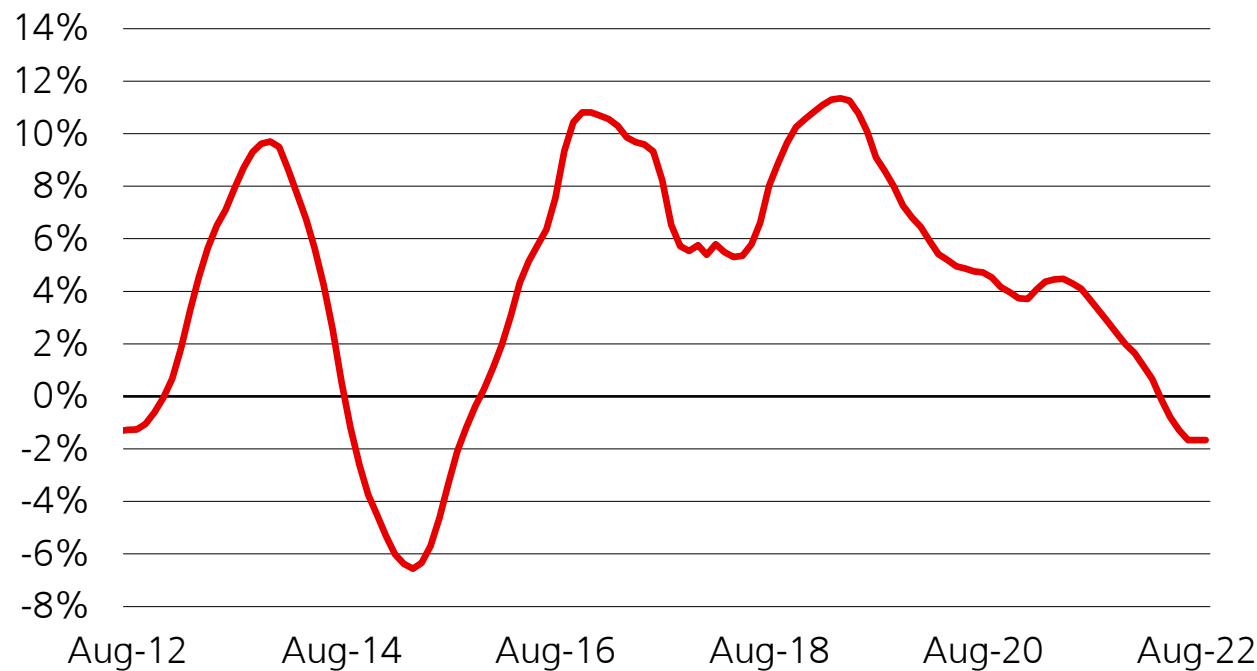
## Listed Chinese Developers' Compliance with Three Red Lines



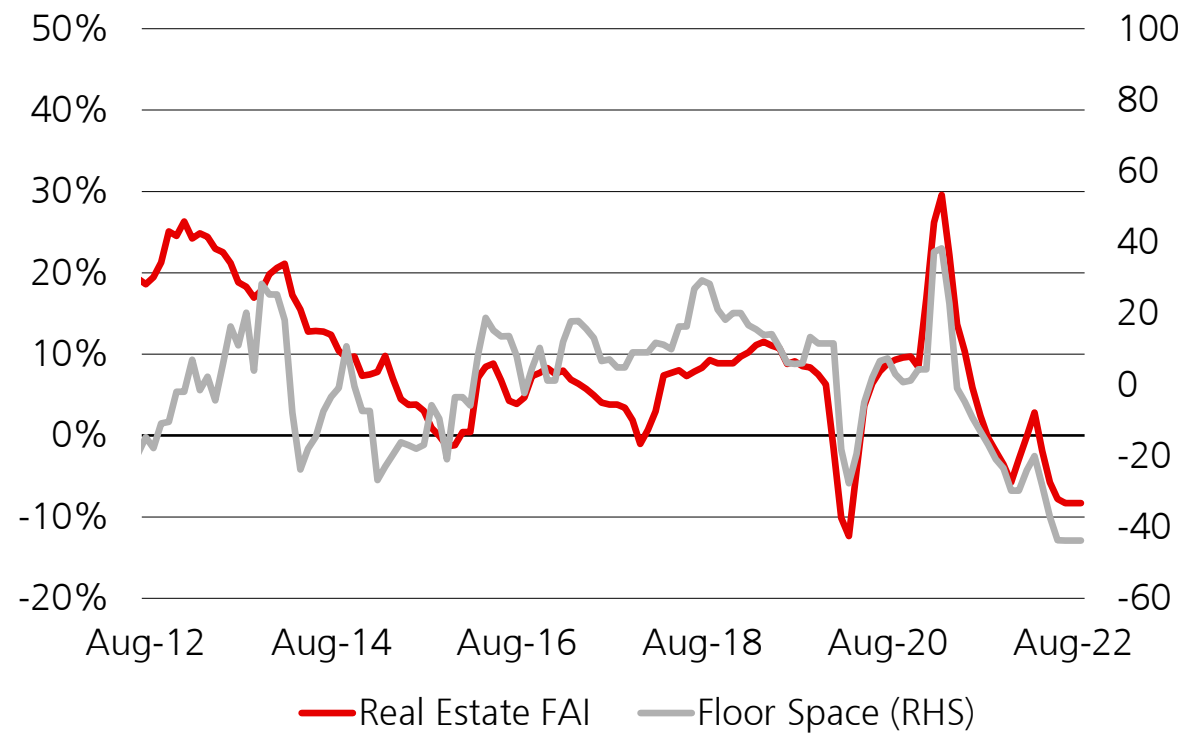
Source for Dec 2020 and June 2023 figures: BQuant, Company Filings, Bloomberg Intelligence as of 8 Oct 2021. Data compiled based on 181 Chinese developers as of 30 Jun 2021.  
Source for Jun 2021 and Dec 2021 figures: JP Morgan as of 5 May 2022. Data compiled based on 52 listed Chinese developers as of 31 Dec 2021.  
Perpetual capital is treated as equity when calculating net debt to equity ratio.  
Percentage shown represents a portion of each rating category that falls short of the requirement.

# China housing market backdrop

China: 70-city average property prices (%yoy)



China: real estate investment and floor space started (%yoy, 3mma)

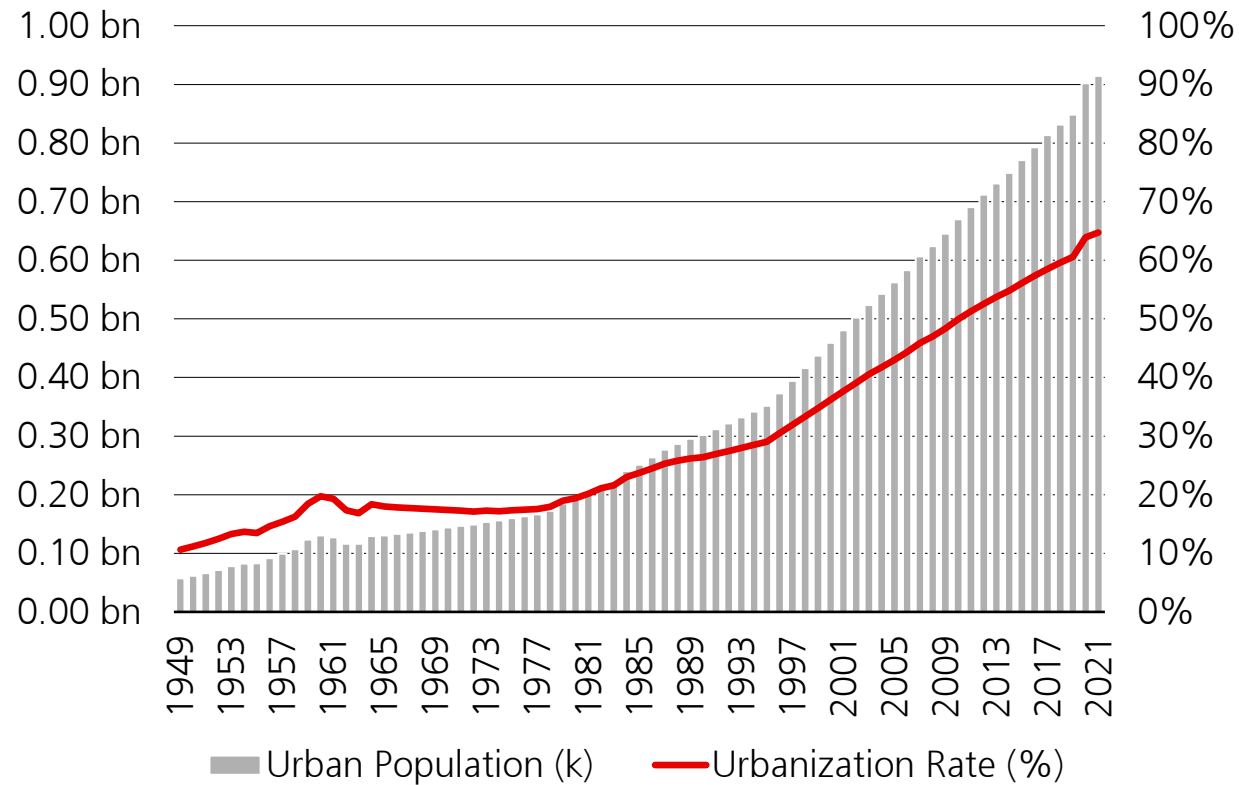


Source: Bloomberg Finance L.P. As of end August 2022

# Longer term trends in China

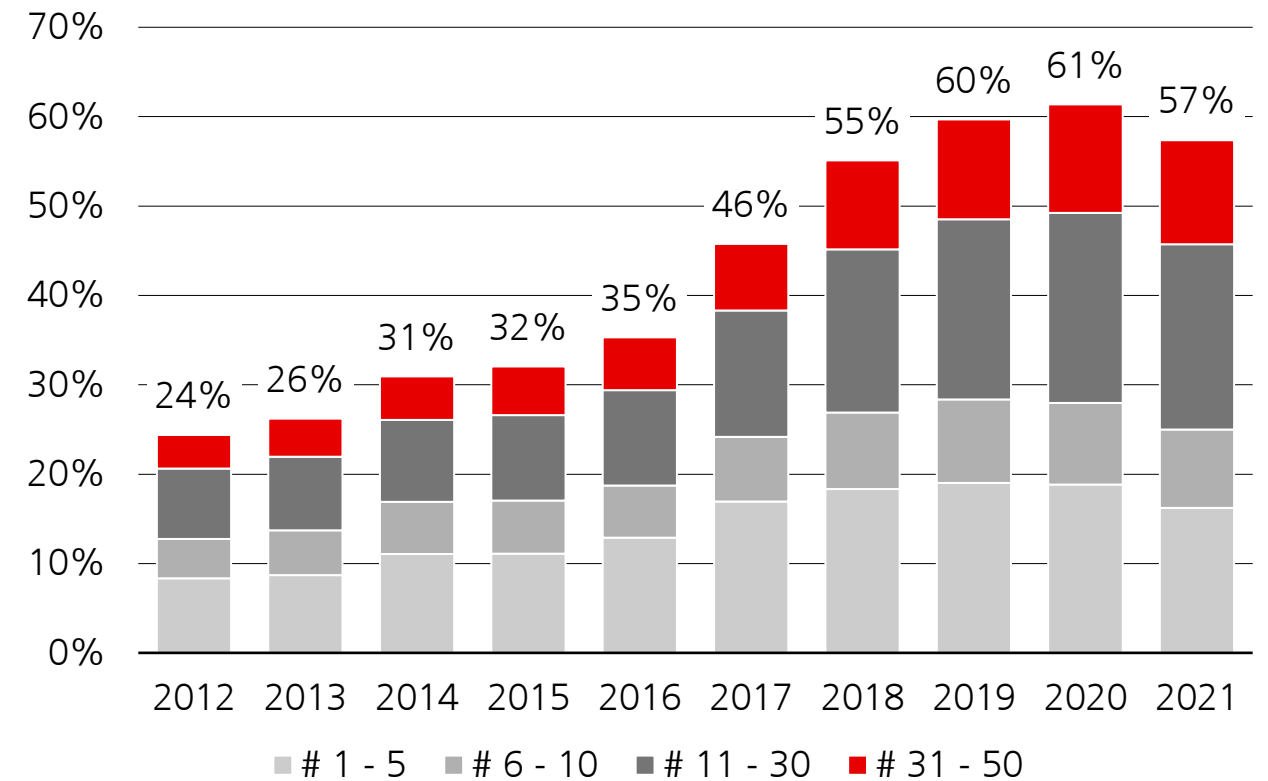
Ongoing urbanization trend in China to an expected 80-90% level provides firm demand backdrop for China property

## Ongoing urbanization trend in China



Source: WIND, China Bureau of Statistics, as of end December 2021

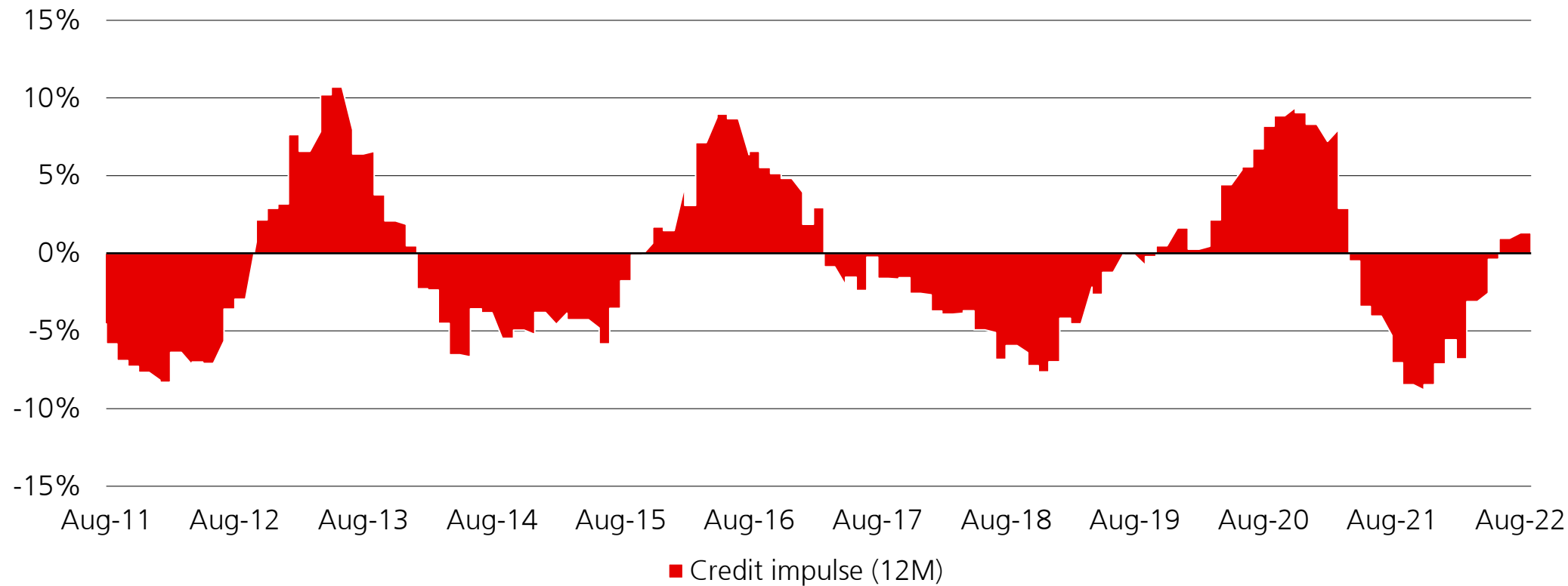
## China top 50 developers' market share, by sales value



Source: CRIC, Credit Suisse, as of end December 2021

# China credit impulse as forward-looking indicator

**Bloomberg China Credit Impulse** (yoy % change)



## Credit impulse

Measures change in new credit issued as a percentage of GDP

China's credit impulse signals economic and investment activity inflection points

China's policy approach has contrasted with global policy measures in the past year

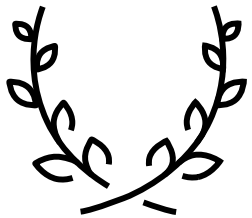
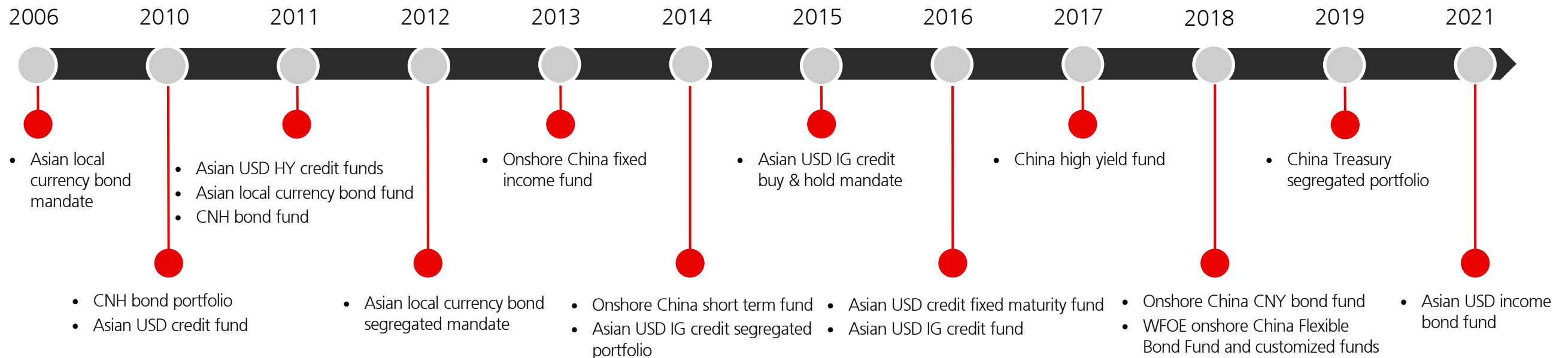
Source: Bloomberg Finance L.P. As of end August 2022

Section 2

# People

# UBS AM's 20+ year history in Asia

Long-term commitment, experience and track record in managing Asian bonds



## Industry recognition

- **UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD):** P-acc: Best Asia Bond Fund in the Morningstar Hong Kong Fund Awards for 2017; P-mdist: Outstanding Achiever in Asia Pacific Fixed Income (Hard Currency) in the BENCHMARK Top Fund of the Year Awards for Hong Kong 2020; IX-a: Best in Class in Asia Pacific Fixed Income in the BENCHMARK Top Fund of the Year Awards for Singapore 2021; Q-acc: 4-star Morningstar rating in the EAA Fund Asia Bond category
- **UBS (Lux) Bond SICAV – China Fixed Income (USD):** 1 Year Golden Bull Overseas China Fixed Income Fund for 2021 China Overseas Fund Golden Bull Award; P-acc (RMB): Hong Kong Lipper Fund award 2022 in the 3-year Bond CNY category; Q-acc: 4-star Morningstar rating in the EAA Fund RMB Bond category
- **UBS (HK) Fund Series - China High Yield Bond:** 1 Year Golden Bull Overseas China Fixed Income Fund for 2020 China Overseas Fund Golden Bull Award
- **UBS (Lux) Bond SICAV – Asian High Yield (USD)** Q-acc: 3-star Morningstar rating in the EAA Fund Asia High Yield Bond category



# Experienced Emerging Market and Asia fixed income investment team



**Hayden Briscoe**  
Head of Fixed Income, Global Emerging Markets and Asia Pacific

Portfolio Management	Raymond Gui	Smit Rastogi	Nicole Lian	Kate Chih	Federico Kaune	David Michael	Igor Arsenin
	Michael Fleisch	Yunxi Liu	Pantheon Chung	TBA			
Credit Research	<b>EM Corporate</b> Michael Stansfield Jose Bernal Will Riva Brian Huang	Ethan Wang William Yiu Jocelyn Jiang	<b>APAC DM</b> Ben Squire Earl San Juan	<b>EM Sovereign</b> Juha Seppala Yuni Kim Gianandrea Moccetti	<b>Sustainable Investing</b> Team of 10+		
Trading	<b>APAC</b> Martin David Khashayar Surti	<b>Taiwan</b> Jessica Chen	<b>China</b> Johnnie Guo	<b>US</b> Bill Spencer Will Hilton	<b>Global</b> Tam Nguyen Ian Packer David Maynard	<b>FX Trading</b> Sarah Collins Ian Packer David Maynard Tam Nguyen	
Investment Specialists	<b>Asia</b> Martin Wiethuechter Jamie Tay Lewis Teo	<b>Global EM</b> Tony Appiah Robert Martin					

APAC

US

EMEA

Multiple

Source: UBS Asset Management. As of August 2022

# Why invest in UBS China High Yield?

## Active management seeks to deliver results

Attractive yields with relatively low duration

- **Focus on attractive risk adjusted returns** and total return, not just yield
- **Attractive spread levels** vs DM markets
- Potential income source for applicable share classes; **> 6%** distribution yield p.a.<sup>1</sup>

## Navigating cycles with deep research insights

Quality in-depth research coupled with active management helps to navigate evolving market

- On-the-ground experts in China with longstanding experience of **20 years**
- Dynamic portfolio approach to **navigate evolving markets**

## Pure greater China strategy

Gain exposure to China growth story with pure greater China HY exposure

- One of the purer greater China play among peers
- Gain exposure to China's **rapidly developing credit market**

Source: UBS Asset Management. As of end Aug 2022

<sup>1</sup> For applicable share classes of UBS (HK) Fund Series – UBS China High Yield Bond fund which has a similar investment strategy

Equivalent yield is derived from simple arithmetic calculation where the dividend is divided by the NAV, and annualized thereafter. Please use this for REFERENCE ONLY.

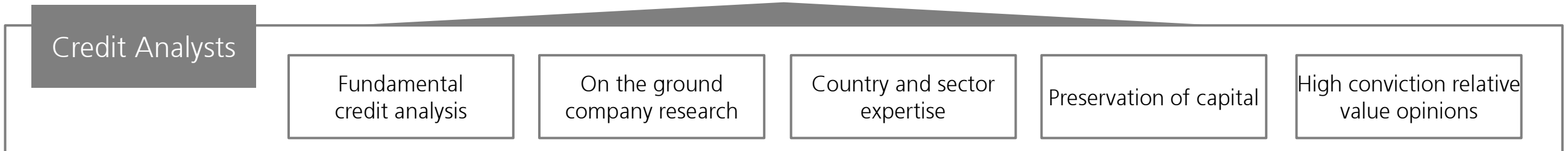
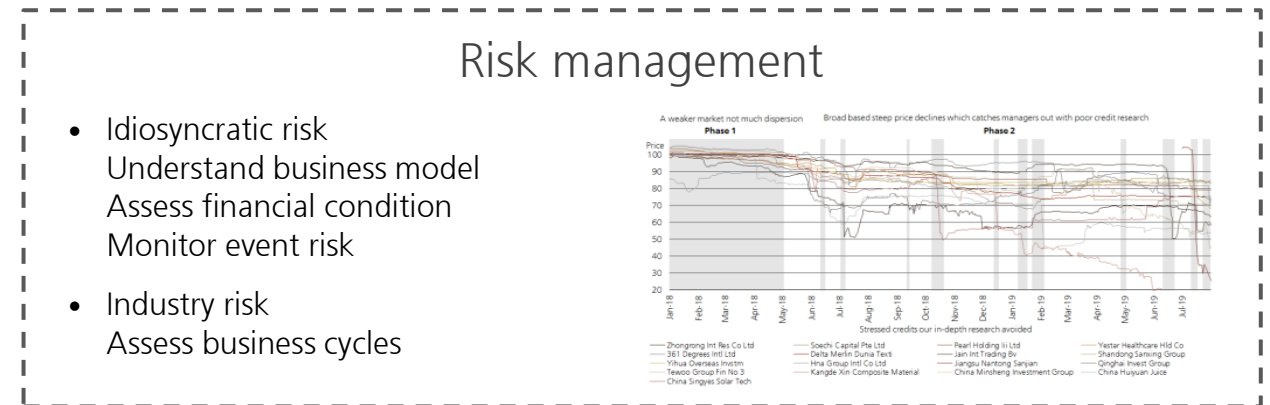
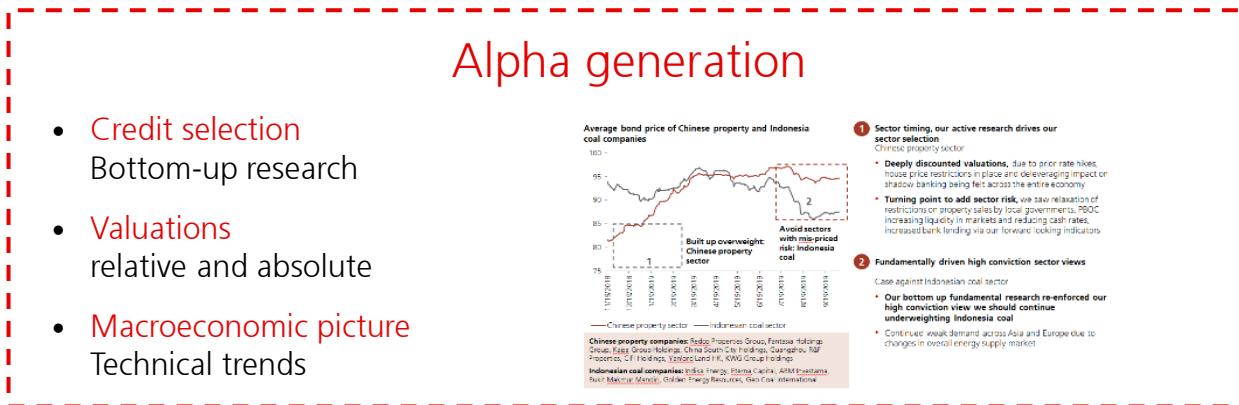
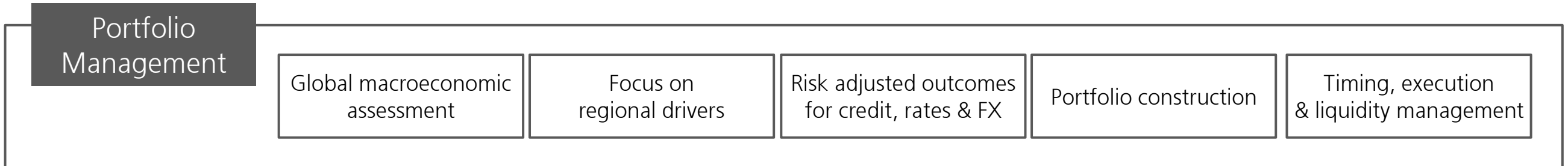
Total payout is subject to investment manager's discretion. This share class may make monthly and gross-of-fee distributions. In the case where the fund may pay dividends out of capital, dividends paid out of capital amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment, i.e. this share class which pays distribution may distribute not only investment income, but also realized and unrealized capital gains or capital. This will result in a corresponding reduction in the value of Shares, and a reduction in the potential for long-term capital growth. Please refer to the offering document for further details of the fund's distribution policy. For investors in some jurisdictions, higher distributions and the distribution of realized and unrealized capital gains or capital can impact the investor's tax liability on the investment in the fund and could have negative tax consequences for investors in some jurisdictions. UBS will not provide fund tax reporting in Hong Kong and Singapore for this share class and will not provide information in respect of the income or capital components which are distributed. Investors should seek their own tax advice.

Section 3

# Process

# Collaboration – Portfolio management and credit analysts

Consistent performance is derived by leveraging global portfolio management insights and regional interaction with analysts



Section 4

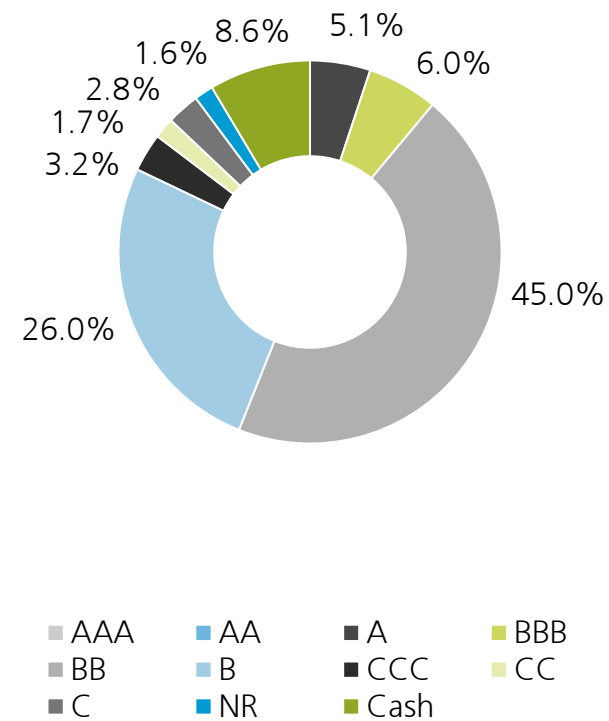
## UBS (Lux) China High Yield Bond – Positioning and Performance

# UBS China High Yield Bond: Positioning

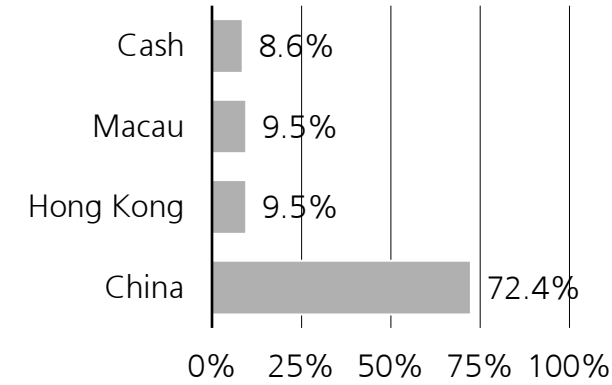
## Overall Characteristics

- Average YTM: 26.18% (gross)
- Average rating: BB
- Average duration: 2.27 years
- No. of issuers: 63

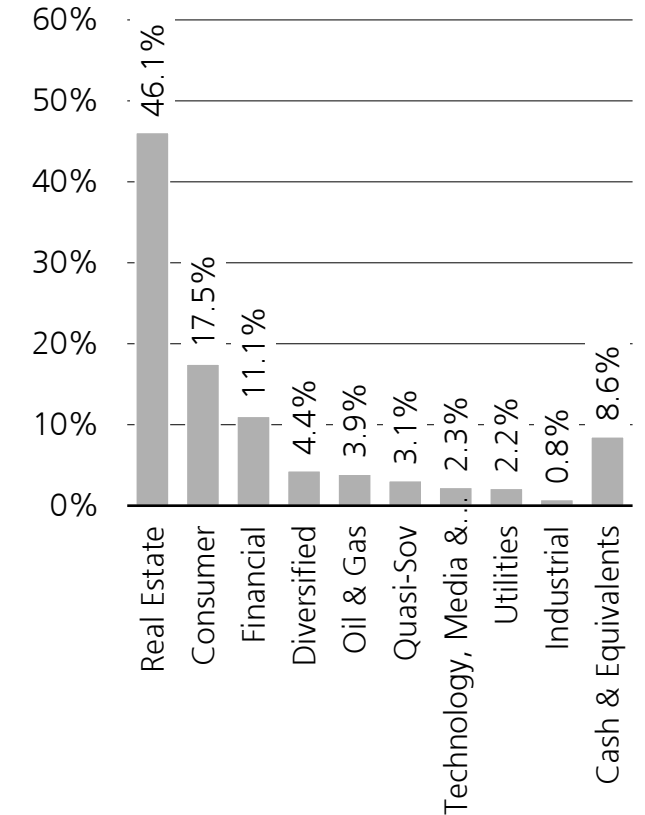
## Credit Rating



## Market Exposure



## Industry Allocation



Source: UBS Asset Management as at 31 August 2022

Note: Please note that information is representative of a specific China high yield portfolio and may vary. All figures above are gross of fees.

# UBS China High Yield Bond Composite Performance

**Total returns (USD, Gross)**

	Last 1 Month	Last 3 Months	Year-to-date	Since inception
UBS China High Yield Composite	5.98%	-18.38%	-43.46%	-52.16%

**Past performance is not a reliable indicator of future results.**

Source: UBS Asset Management, as at 31 August 2022

Note: The returns shown above are based on currently available information and are subject to revision

Performance figures are gross of fees. Please see attached disclosure information. Inception date as of 30 September 2021

1 Data for periods greater than 1 year is annualized. For periods greater than 1 year, annualized returns are used to calculate the value added and the tracking error. For periods greater than 1 year, the annualized standard deviation is based on monthly logarithmic returns



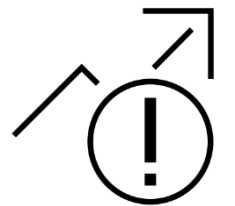
# Risk disclosure

Aspects requiring corresponding risk tolerance and capacity

**Any decision to invest should take into account all the characteristics or objectives of the promoted fund as described in its prospectus, or similar legal documentation.**

For complete information about the fund/strategy, including the risks of investing, applicable fees (e.g. entry or exit fees) and other important information, investors prior to investing should read the Key Investor Information Document (KIID), full prospectus, the complete risk information and any applicable local offering documents. Please refer to your adviser for more information.

- The fund/strategy may invest in high yield bonds and may therefore be subject to high volatility. This requires an elevated risk tolerance and capacity. The value of a unit may fall below the purchase price. The value of a unit may be influenced by currency fluctuations.
- This fund pursues an active management style. Its performance may therefore deviate from that of a comparable market return.
- Pronounced fluctuations in price are characteristic of emerging economies. Other characteristics include specific risks such as lower market transparency, regulatory hurdles, illiquidity of markets as well as political and social challenges.
- All investments are subject to market fluctuations.
- Every fund/strategy has specific risks, which can significantly increase under unusual market conditions.



Section 5

## Appendix A – Additional Slides

# China High Yield investment guidelines

## Key investment guidelines

- **Benchmark:** None. The strategy is focused on total returns.
- **Portfolio:** Min 70% in debt and/or debt securities issued by entities in Great China Region
- **Tracking error limit:** Max 8% volatility
- **Rating:** Min 70% in HY or unrated bonds
- **Issuer limit:** Max 10% in a single issuer (non-government)
- **Issue limit:** Max. 10% of a single corporate issue
- **Currency:** Max. non-USD currency exposure: 20%
- **Managers:** Hayden Briscoe, Smit Rastogi

Source: UBS Asset Management.

# Over 20 years of successful history in Asia...

... with full commitment to Asia as a key pillar of UBS Asset Management



## UBS AM's full commitment to Asia:

Longstanding history in Asia with full dedication

First-mover as foreign asset manager in China

Strong client relationships built up all across Asia

Dedicated investment team all across Asia with deep expertise

Strong standing of UBS group across Asia

For illustrative purposes only

Section 6

## Appendix B – Biographies

# Hayden Briscoe

Head of UBS Asset Management, Hong Kong

Head of Fixed Income, Global Emerging Markets and Asia Pacific, Managing Director



Years of investment industry experience: 31

Education: University of New South Wales (Australia), BA

Hayden Briscoe has overall responsibility for all Global Emerging Markets and Asia Pacific fixed income activities at UBS Asset Management. He is also a member of the Global Fixed Income Management Team and Global Fixed Income Investment Forum. Along with his functional role, Hayden is the Head of UBS Asset Management Hong Kong and a member of the board of directors.

Prior to joining UBS Asset Management, Hayden was a Senior Vice President and Director of Asia Pacific Fixed Income at Alliance Bernstein. In this role he was instrumental in building out their Asian fixed income platform and responsible for regional and country portfolios as well as having input in global aggregate strategies.

Hayden previously worked at Schroders Investment Management, Colonial First State and Bankers Trust, where he fulfilled fund management, portfolio management, and trader roles.

Note: As at August 2022

# Raymond Gui

Head of Fixed Income Portfolio Management, Asia  
Managing Director



Years of investment  
industry experience: 20

Education: Chinese  
University of Hong  
Kong, MBA; Tsinghua  
University (China), M.  
Finance & B. Finance

Raymond Gui is a senior portfolio manager with the Asia fixed income team and he has overall responsibility for Asia Pacific fixed income portfolio management activities.

Prior to joining UBS Asset Management, Raymond was co-CIO and senior portfolio manager at Income Partners Asset Management covering Asian USD credit and RMB fixed income strategies. His mandate included launching, managing and growing the firm's fixed income business and strategy range.

Raymond previously worked at China Construction Bank, Bank of China International as well as China's State Administration of Foreign Exchange (SAFE). He has won various awards including the "Outstanding Achiever" Benchmark Fund of the Year awards.

Note: As at August 2022



# Smit Rastogi, CFA

Portfolio Manager  
Director

Years of investment  
industry experience: 10

Education: Indian  
Institute of Technology  
Delhi, M. Tech; Indian  
Institute of  
Management Calcutta  
PGDM

Smit Rastogi is a portfolio manager with the Asia fixed income team. He assists with the management of the Asian USD credit portfolios, contributing to security selection and portfolio construction.

Prior to joining portfolio management team, Smit has been part of UBS Asset Management's Global Credit Research and covered a range of issuers across China, India, Indonesia. Smit joined UBS Asset Management in September 2015, and previously worked most recently as a credit analyst at Royal Bank of Scotland (RBS), based in Singapore. At RBS, Smit worked predominantly as a generalist covering issuers across Asia. Prior to that he worked as an analyst in the Special Situations Group of RBS, focusing on distressed loans and bonds in APAC and Europe.

Note: As at May 2022

# UBS-AM Sustainable and Impact investing differentiators

## UBS Group commitment to sustainable investment



- UBS is a member of the **CDP A List 2020**<sup>1</sup>
- UBS is the **diversified financials industry leader** in the Dow Jones Sustainability Index since 2015<sup>2</sup>
- UBS **ranked first globally** in Sustainable and Impact Investing<sup>3</sup>
- UBS Group has **USD 793 billion in core sustainable investments**<sup>4</sup>
- **USD 13.1 billion of client assets committed toward SDG-related impact investments**, including world's first Multi-lateral development bank bond fund<sup>5</sup>

## UBS-AM is a leading provider of sustainable offerings



- **Founding member of Net Zero Asset Managers** initiative, committed to net zero emissions goal by 2050 or sooner<sup>6</sup>
- **A+ ranking** for our approach to **Climate Stewardship** from InfluenceMap<sup>7</sup>
- UBS AM: **USD 480.4bn ESG integrated** and **USD 112.3bn in SI focused AUM**<sup>8</sup>
- 100% of **Active Equities and Active Fixed Income** integrate sustainability
- **40+ SI focused strategies** across active and passive, fixed income and equities
- **Fastest growing European asset manager** in SI focused AUM since January 2018<sup>9</sup>
- **Leading sustainability ETF provider** with over USD 28.7bn in SI AUM<sup>10</sup>
- **A/A+ ratings from UNPRI** across all assessment modules<sup>11</sup>

## Innovation through client-focused collaboration



- **20+ year history** in managing sustainable investment funds
- Developed **award winning Climate approach** with leading UK pension fund<sup>12</sup>
  - Active engagement in coordination with **Climate Action 100+**
- Developed **impact investing methodology** with **leading Dutch pension fund**
  - Invests in companies that offer products and services that help deal with key sustainability challenges
- Over **USD 90bn** of dedicated Index solutions through **collaborations with clients**<sup>13</sup>

<sup>1</sup> <https://www.cdp.net/en/companies/companies-scores>; <sup>2</sup> Source: S&P Global; <sup>3</sup> 2020 Awards from Environmental Finance, PWM The Banker, Euromoney; <sup>4</sup> Sustainable investments across UBS Group, UBS Sustainability report 2020; <sup>5</sup> Source UBS Sustainability report 2020; <sup>6</sup> <http://www.netzeroassetmanagers.org>; <sup>7</sup> <https://influencemap.org/report/Asset-Managers-and-Climate-Change-cf90d26dc312ebe02e97d2ff6079ed87>; <sup>8</sup> Assets under management as of March 2021; <sup>9</sup> Growth in absolute AUM since Jan 2018, Source: Morgan Stanley, May 2020 and Morningstar; <sup>10</sup> Market share in Europe for sustainable ETFs: 18.85%, Source Etfbook as of 20 April 2021; <sup>11</sup> 2020 UN PRI Assessment; <sup>12</sup> 2017 Fund Launch of the Year Award, Funds Europe; <sup>13</sup> Asset under management as of March 2021.

# Standardized ESG integration across asset classes

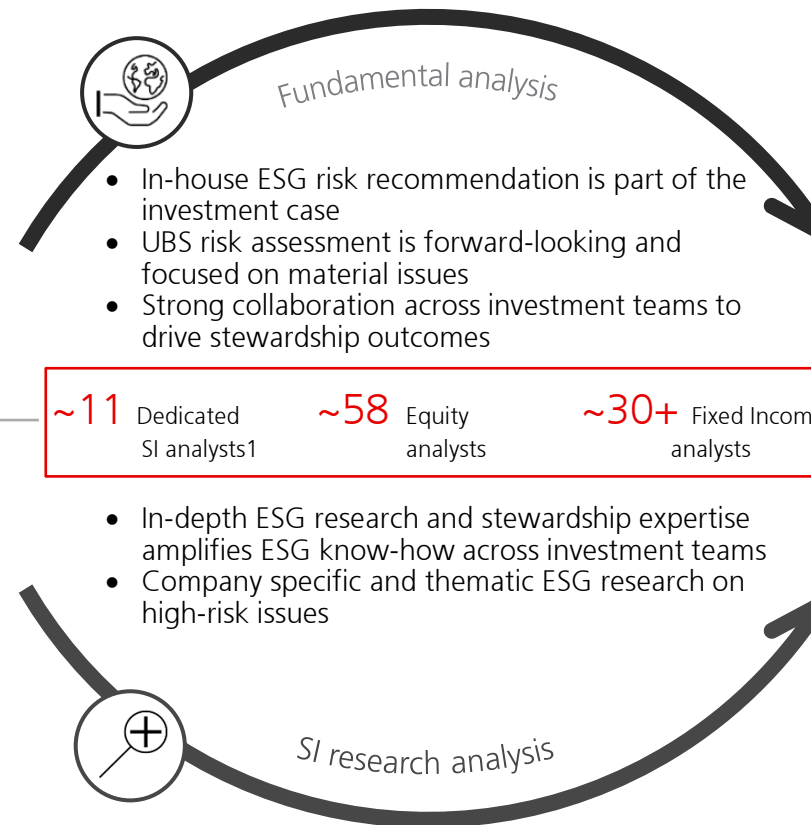
ESG factors integrated into mainstream strategies utilizing a systematic risk-based research process

## ESG data input

### UBS ESG Risk Signal

- A clear, actionable signal helps to drive the in-house research process
- **Proprietary ESG Risk Dashboard** to identify ESG risks across four dimensions, based on various ESG data provider inputs:
  - UBS ESG Consensus Score
  - Absolute ESG Risk
  - Governance Risk
  - Controversies

## In-house research



- In-house ESG risk recommendation is part of the investment case
- UBS risk assessment is forward-looking and focused on material issues
- Strong collaboration across investment teams to drive stewardship outcomes

~11 Dedicated SI analysts<sup>1</sup>    ~58 Equity analysts    ~30+ Fixed Income analysts

- In-depth ESG research and stewardship expertise amplifies ESG know-how across investment teams
- Company specific and thematic ESG research on high-risk issues

## Investment decision making

### Portfolio Managers

Incorporation of ESG risks in investment decision making

- UBS ESG Risk Recommendation summarizes final ESG view to PMs
- ESG risks may be mitigated through engagement and on-going monitoring
- Confirmation of ESG risks may trigger sell decision
- Portfolio manager may decide to maintain the position with a justification that the opportunity outweighs the risks

Identify



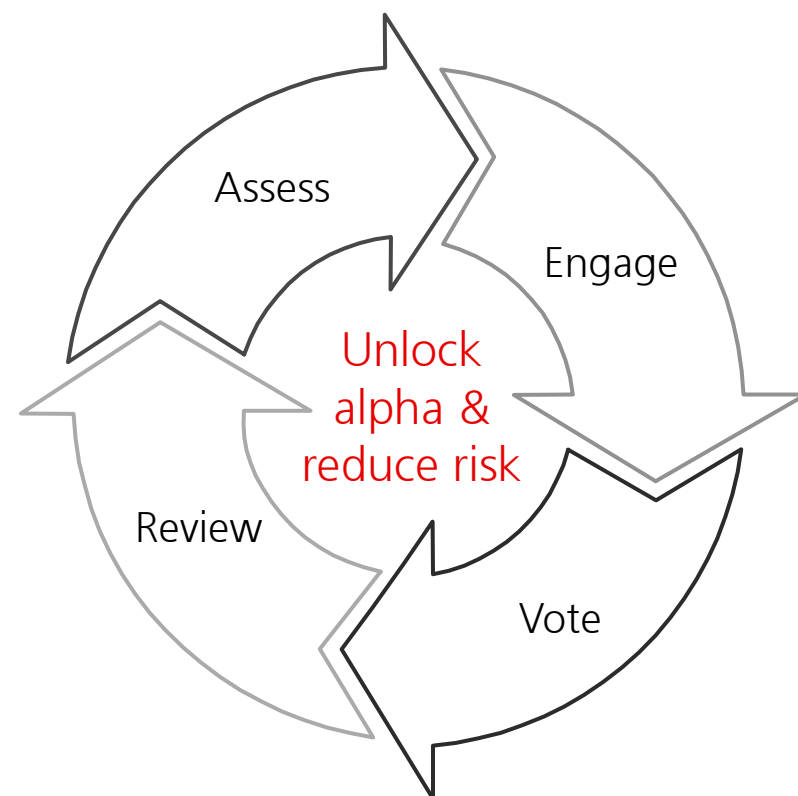
Review



Decide

# Transparent and proactive investment **stewardship**

Leveraging our strength as a large, diversified asset manager to drive positive, material change



## Core part of the investment process

- Grounded in driving performance and avoiding downside risks
- High quality engagements on sustainability issues with senior executives and board members

## Combined strengths across active and index strategies

- Seeking to maximize outcomes by combining insights from active investments with voting power of index linked strategies<sup>1</sup>
- Stewardship approach pursued consistently across fixed income and equities on behalf of UBS-AM looking to maximize impact of engagement outcomes

## Strong external collaboration

- Helping to further ESG best practices across the investment industry
- Leading within the Climate Action 100+ coalition
- Concrete outcomes including:
  - Repsol's Net Zero commitment (first in the industry)
  - Equinor's alignment of strategy with Paris Agreement

<sup>1</sup> In the 12-month period ended 31 December 2020, UBS gave instructions (based on AM's corporate governance principles) to vote on 115,222 separate resolutions at 11,616 company meetings, with 267 of these resolutions being directly related to environmental and social issues. Source: UBS Sustainability report 2020.

# China High Yield Bond Composite

## Schedule of composite performance

UBS Asset Management (the Firm) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBS Asset Management has been independently verified for the periods January 1, 2002 through December 31, 2020. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Performance : UBS Bond China High Yield  
October 01, 2021 Through December 31, 2021

Amounts and returns expressed in USD (US DOLLAR)

Year	Gross Asset-Weighted Return (%)	Net Asset-Weighted Return (%)	Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	# of Portfolios End of Period	Total Composite Assets End of Period (millions)	Asset Weighted Dispersion (%)	Composite Assets as % of Firm Assets	Firm Assets (billions)
2021*	-15.38	-15.67	N/A	N/A	N/A	1	267	N/A	0.02	1,144

\* Performance Presented for Oct, 2021 through Dec, 2021. No statistics are annualized.

\*\* 3 yr standard deviations are based on the gross returns

- The composite mainly invests in fixed-income securities with a non-investment grade rating, issued by companies that are domiciled or generate most of their sales and/or profit in the Greater China region (People's Republic of China, Hong Kong and Macau). The debt instruments in which the composite invests are denominated in USD, RMB (traded in and outside mainland China) and in other currencies. The composite is actively managed, without reference to a benchmark. The Composite Inception Date is 30 September 2021. The Composite Inception Date is 30 September 2021. For this composite investment strategy, there is no appropriate benchmark available.
- The Firm is defined as all actively and passively managed institutional and retail accounts of UBS Asset Management ("the Firm") throughout the world. The Firm was inceptioned in January 01, 2002 following the reorganisation of the asset management divisions of UBS AG under a single Asset Management brand. A list of all entities that are included and excluded from the GIPS firm is available upon request. The performance record prior to 2002 is that of the local asset management division which managed the composite, and has been prepared in compliance with GIPS from the inception date of this composite. The composites are administrated out of UBS Asset Management Basel office. The firm, UBS Asset Management - Fund Management Switzerland has complete discretion for all investment activities within the fund. As per January 1st, 2010 the three Firms: UBS Global Asset Management Switzerland - Retail Fund Management, UBS Global Asset Management Switzerland - Institutional Fund Management and UBS Global Asset Management Switzerland - AST Fund Management were merged into UBS Global Asset Management - Fund Management Switzerland. The Firm includes all traditional UBS branded Wholesale, Institutional and AST Funds domiciled in Switzerland or Luxembourg. Policies for valuing portfolios, calculating performance and preparing GIPS reports are available upon request. As per October 5th, 2015 the company name was changed from UBS Global Asset Management to UBS Asset Management. This change of the firm's name does not impact the definition and scope of the GIPS firm or the composites.

Year	Total Risk %	Derivative Risk %
2021	176.7	77.5

Explanation of the table above: All figures presented are fully in-line with the KKV-FINMA guideline on the use of derivative instruments for collective investments. The Total Risk is the sum of the direct investment exposure and the derivative risk. The direct investment exposure is calculated as the market value of all direct investments, excluding cash and other liquid assets. The derivative risk is the sum of the net credit-, currency- and market-risk. The market risk consists of equity-, interest- and commodity-risk. Derivative financial instruments are only used in the course of ordinary management of portfolio assets and to hedge the currency risk exposure. Leverage in the sense of short sales may not be used. Investment Transactions are accounted for on a trade date basis.

- Performance is calculated on a time-weighted return basis, taking into account the accrued interests and dividends. Where applicable, returns are shown net of non-recoverable withholding taxes.
- The performance is calculated net-of-fees. The gross-of-fee returns are calculated based on all fee components excluding transaction costs. This composite has a 100% flat fee of max. 185 bps p.a. (this represents the highest possible standard fee for this composite). Due to the varying client segmentation the charged fee for this composite can differentiate. The bundled fee includes all charges for portfolio management, custody, and other administrative fees. The only costs not covered are transaction costs incurred in the administration of the fund's assets (brokerage fees in line with the market, fees, duties, etc. as well as any applicable taxes).
- Composite dispersion represents the consistency of the Firm's composite performance results with respect to the individual portfolio returns within the composite. Presented is the asset-weighted dispersion (standard deviation) of the portfolios within the composite. Only portfolios in the composite for each full time period are included in the dispersion calculation and no dispersion is presented for composites consisting of only a single portfolio. The 3 year annualized ex-post standard deviations are based on monthly returns, shown starting with the first full 3 year calendar period.
- A complete list of all Firm composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution pooled funds is available upon request. The composite's past performance is not necessarily an indication of how it will perform in the future.

# Disclaimer

Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company. Any decision to invest should take into account all the characteristics or objectives of the promoted fund as described in its prospectus, or similar legal documentation.

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