

China and Asia fixed income: all you need to know

UBS Asset Management

Hayden Briscoe

March 2020



Section 1

China onshore bond market

Overview and macroeconomic backdrop

Why invest in the UBS China Fixed Income?

Challenging Market Conditions

1

Underrepresented market

2

We are Late Cycle

3

Need for diversification

UBS CHINA FIXED INCOME

Strong global demand fuels liquidity in China bonds

Safe haven asset with strong fundamentals

China bonds as attractive portfolio diversifier

Global index inclusion

IG Rating: A1

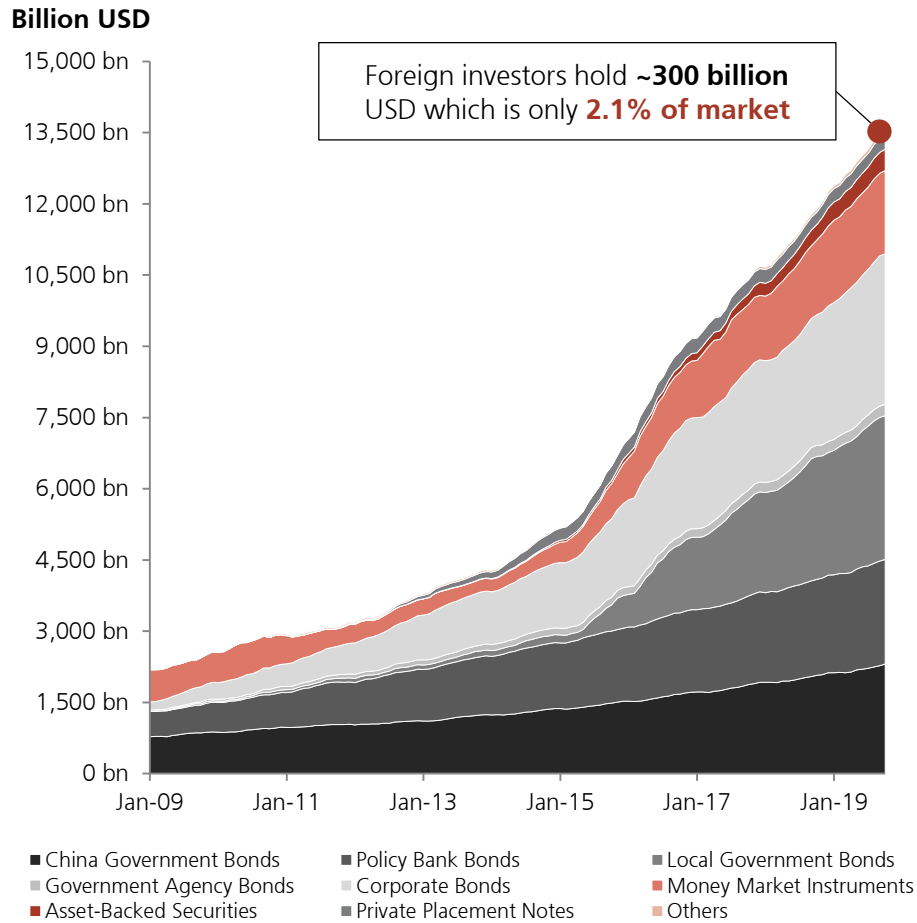
**Low correlation
Attractive yield**

Source: UBS Asset Management. As of end January 2020

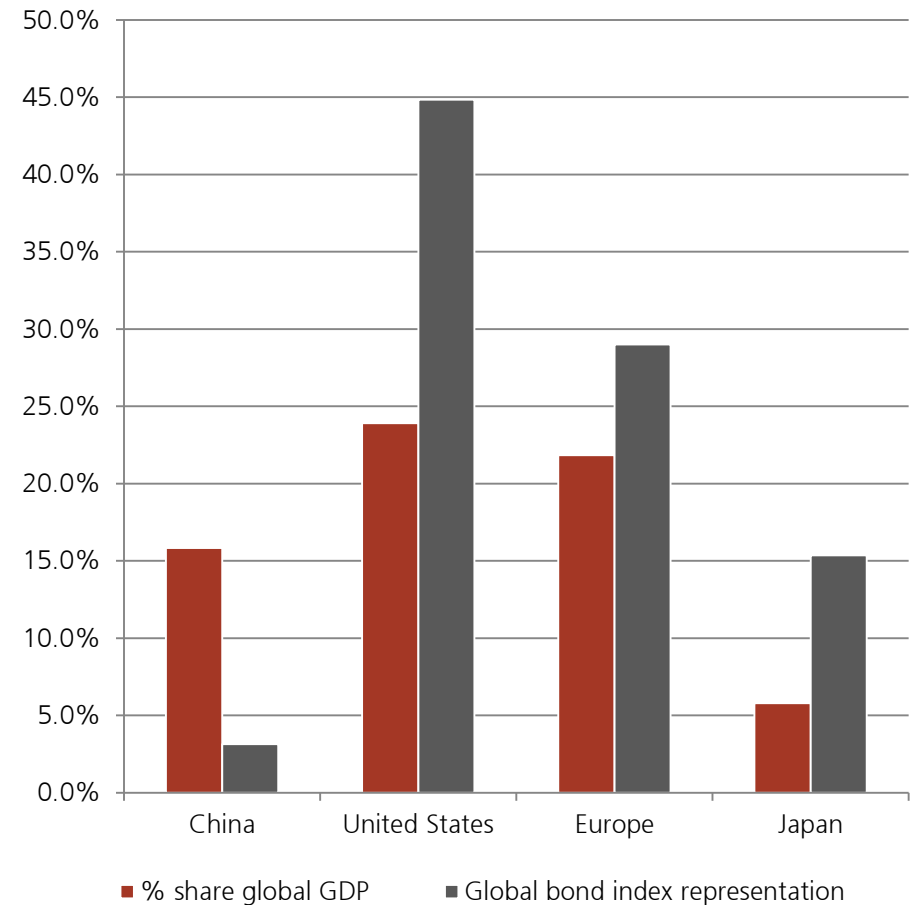
1 A market too big to ignore

We see strong inflow from global investors in China bonds

Foreign investors are still underinvested



China makes up only 3.1% of a major global indices

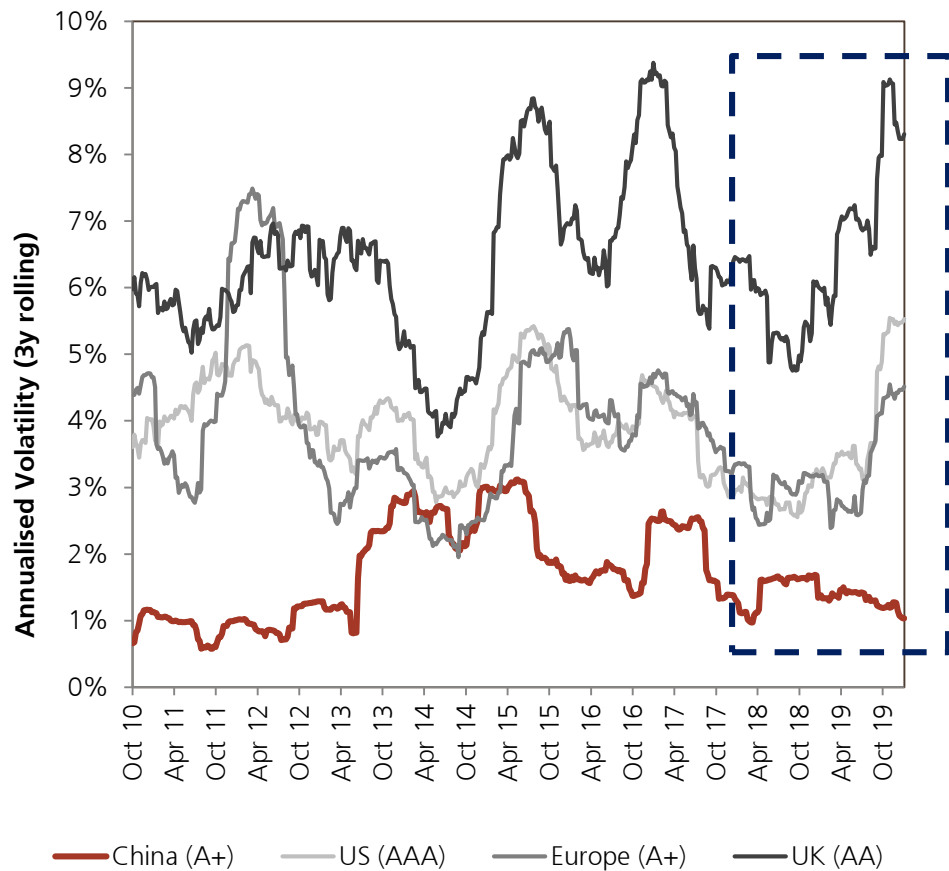


Source: UBS, WIND, World Bank. Policy banks are China Development Bank, Agricultural Development Bank of China, and Export-Import Bank of China. Corporate bonds include non-policy bank financial bonds, enterprise bonds, company bonds, and medium-term notes. As of October 2019

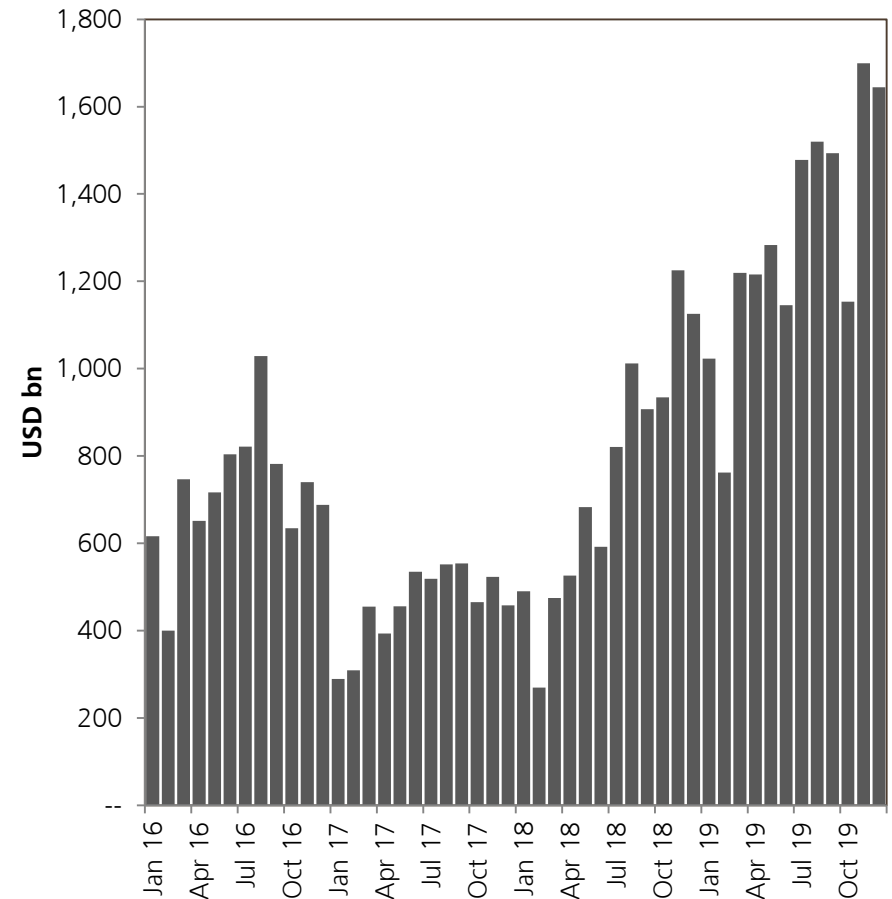
2 China bonds as new safe haven asset class

China bonds attractive to match global uncertainty

Lower volatility compared to developed markets



Increase in monthly trading volume indicates rising liquidity

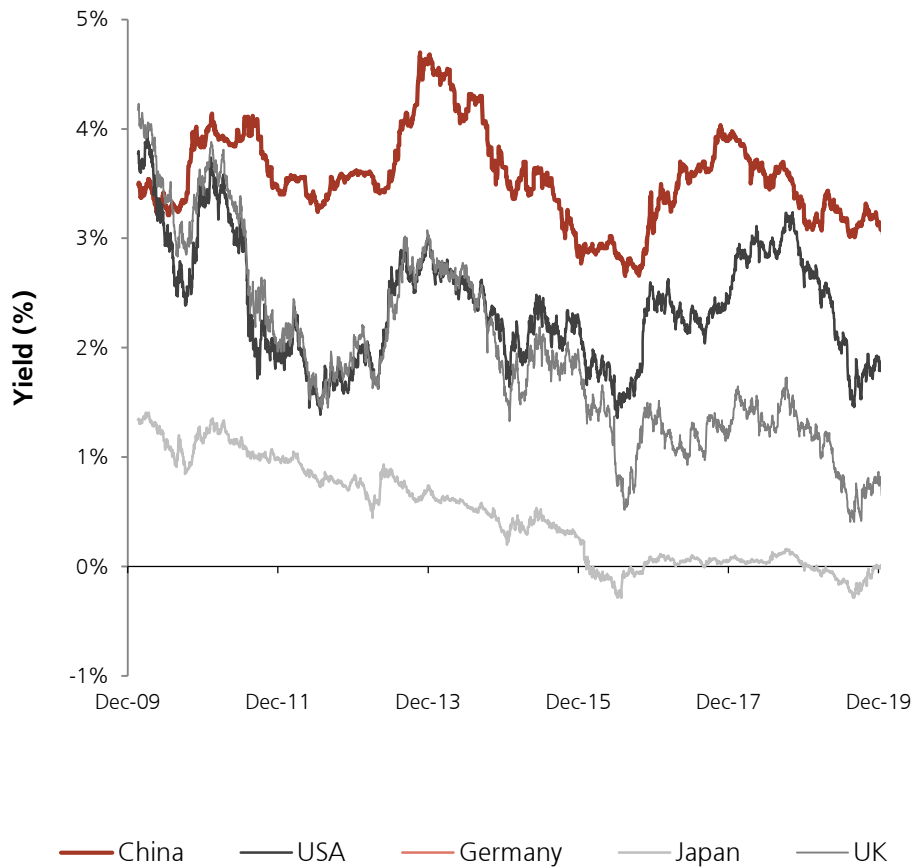


Source: Bloomberg, WIND. As of end January 2020

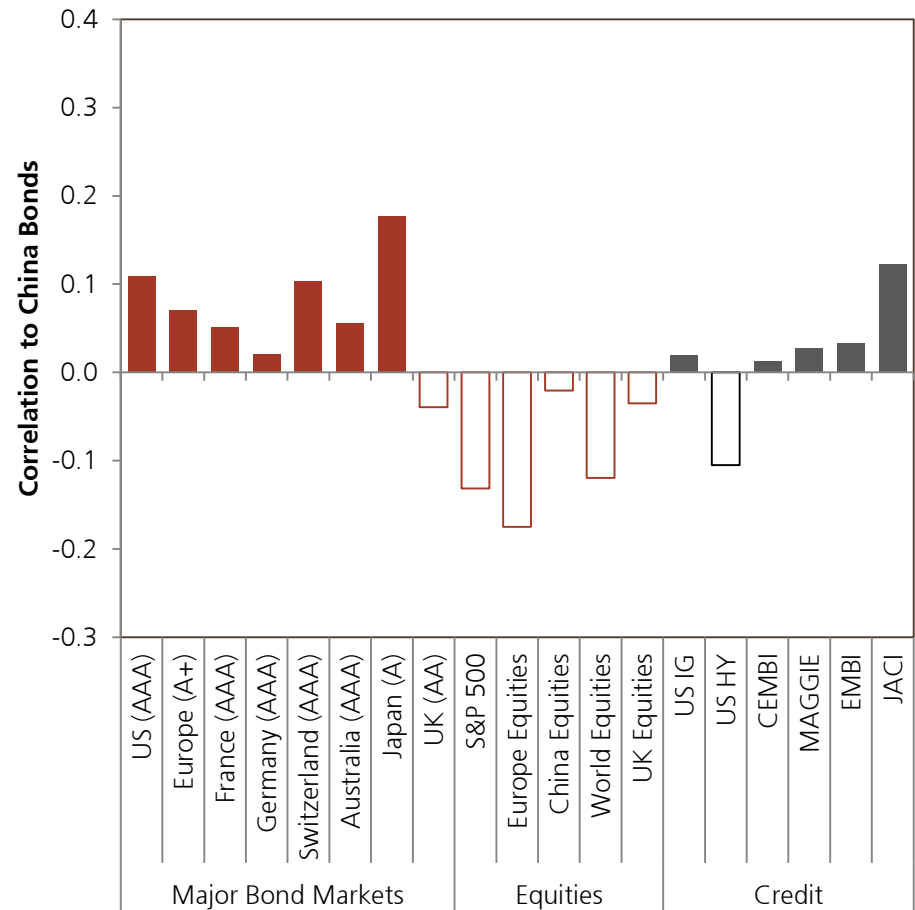
3 Portfolio diversifier with attractive yield pick-up

Attractive yield and spread pick up in Asia vs. global credit markets

Attractive nominal yield



Low correlation to other global markets



Source: Bloomberg. As of end January 2020

Looking back to 2019: fast maturing market

Market liberalization

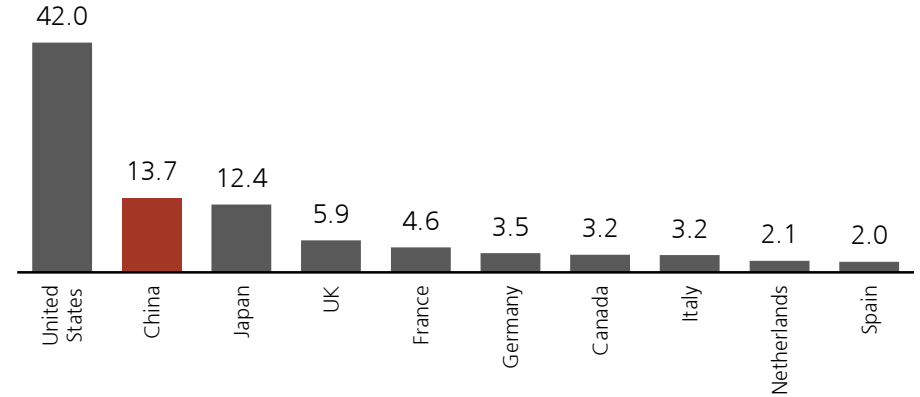
Improving ease of access for offshore investors

New measures in 2019:

- **CNY hedging** open to offshore investors
Impact: Investors no longer have to rely on offshore Renminbi
- **QFII and RFQII quota** restrictions abolished
Impact: Improve ease of access for foreign investors

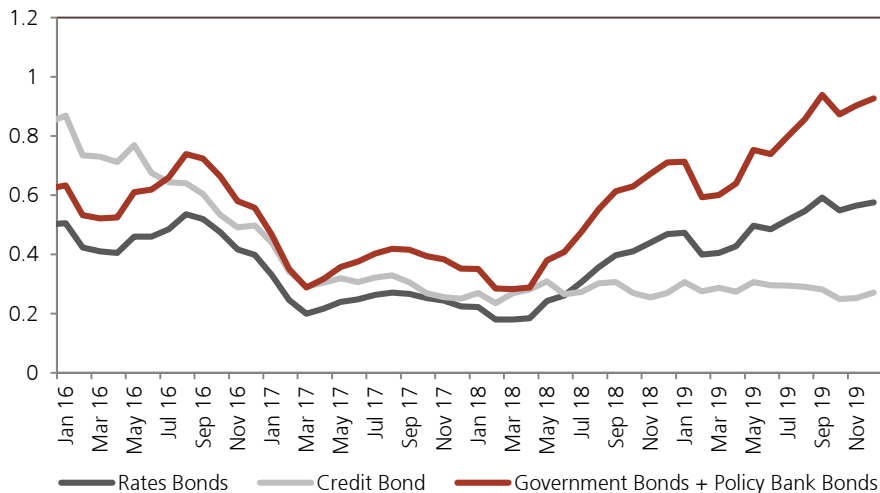
China now second largest bond market

Bond market size in USD trillion



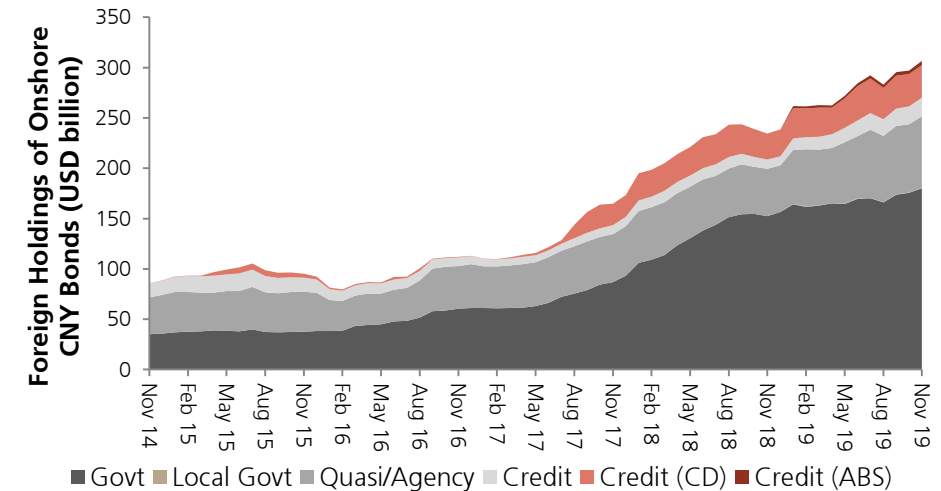
Liquidity in trading

Quarterly turnover ratio of bonds



Foreign investors piling in

Foreign investor ownership now exceeds USD 300bn



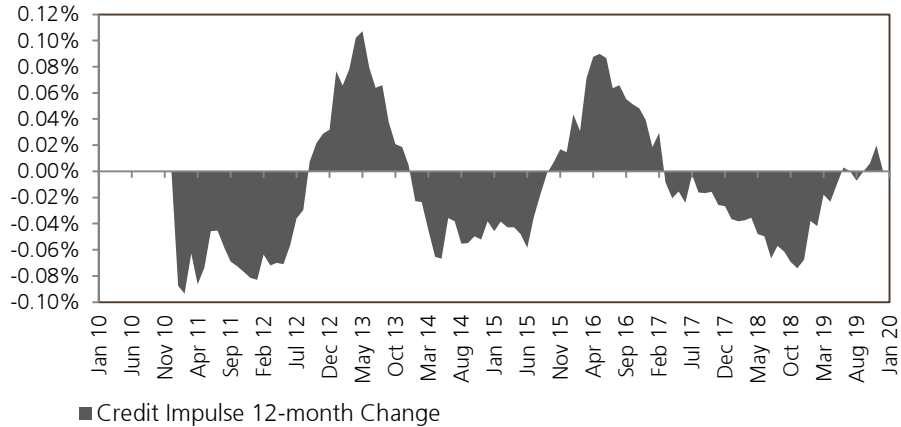
UBS

Source: Bloomberg, JP Morgan, as of end January 2020

Outlook for 2020

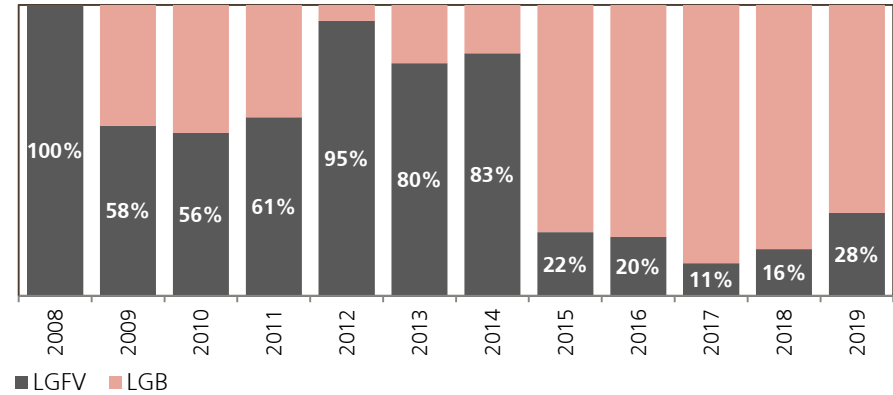
Slowing growth outlook

Credit impulse stabilizing



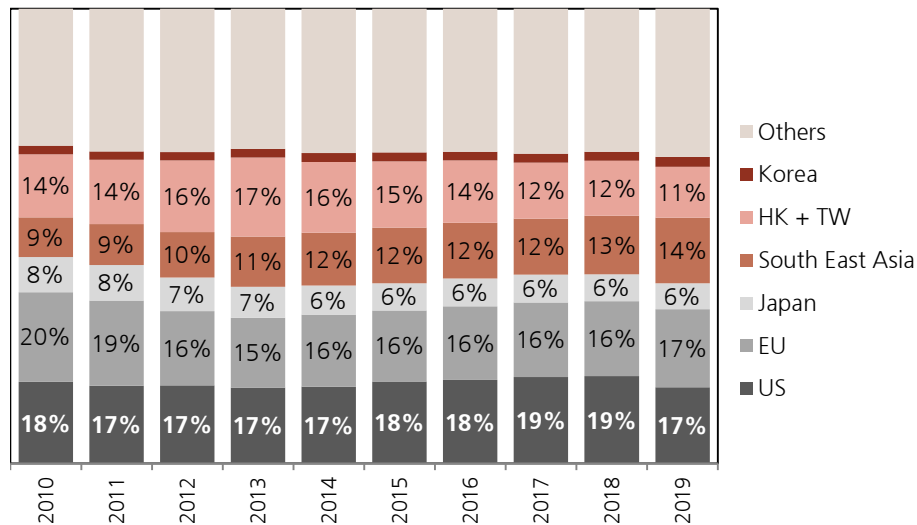
Gradual deleveraging

LGFV reducing as % of net financing



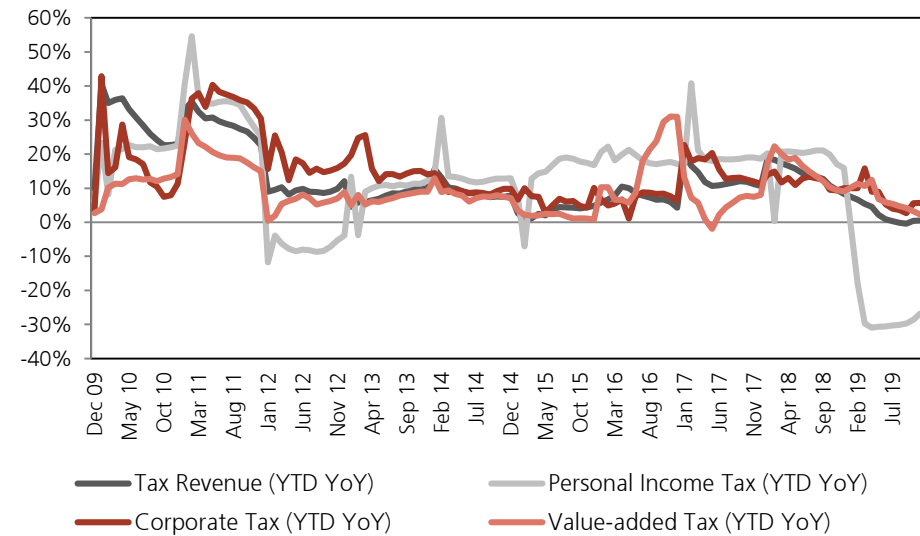
Trade in 2020

US accounts for about 20% of China's gross exports



Fiscal spending increasing

Infrastructure spending leading investments



Section 2

UBS China Fixed Income (RMB)

Why invest in UBS China Fixed Income?

Longstanding investment expertise in China

- **Easy and direct access**
to China's fast-growing and very large onshore fixed income market
- **Attractive yield of 3.00%**
from investment grade portfolio
- **Active, diversified portfolio**
managed by a team with years of experience in onshore China securities

Portfolio composition

- **High-quality assets**
to build diversified investment grade portfolio
- **Focus on liquidity**
to preserve room for flexibility
- **Sector allocation**
Focus on China government and policy bank bonds

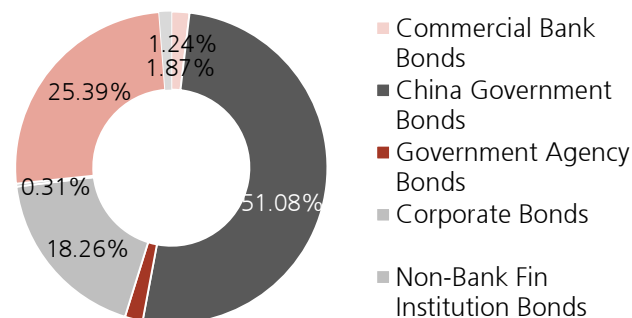
Attractive market opportunity

- **Attractive yield pick-up**
with strong risk-adjusted returns compared to major developed markets
- **Strong technical demand**
by inclusion in global indices
- **Ideal safe haven asset**
with low realized volatility and low correlation to other markets

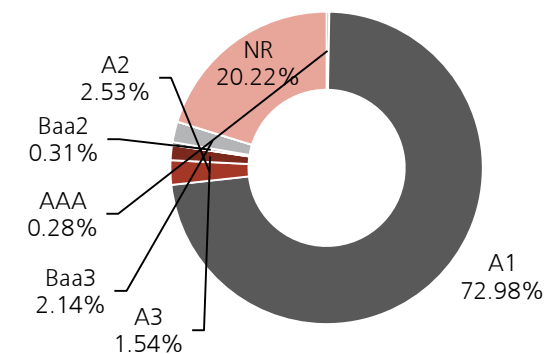
CNY returns **net**

	YTD	3 months	1 year
UBS Bond China Fixed Income	0.76	2.17	3.46
AVG peer performance	0.13	1.55	2.68
China Bond Aggregate	0.73	2.32	4.57

Sector allocation



Credit quality allocation



Source: UBS Asset Management, Bloomberg, Morningstar Direct. As of end January 2020

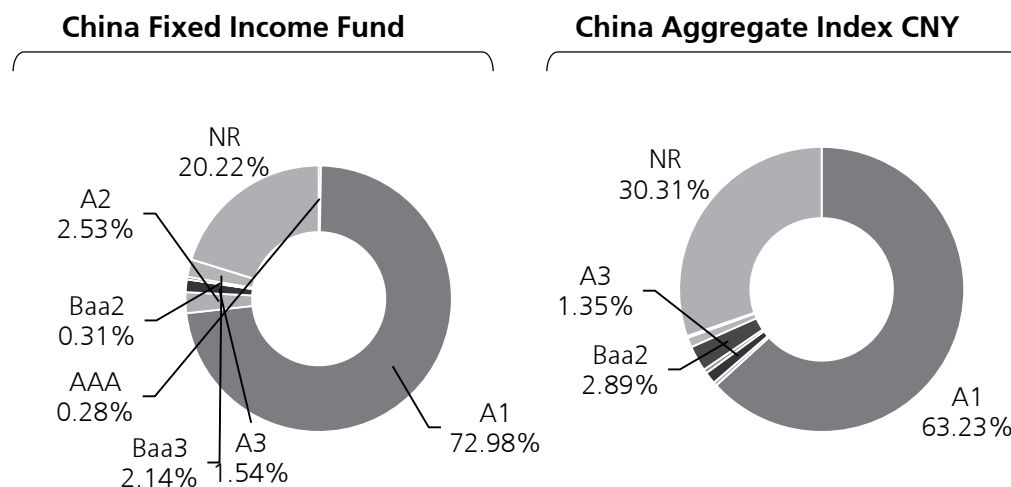
UBS China Fixed Income: Positioning

As of 31 January 2020

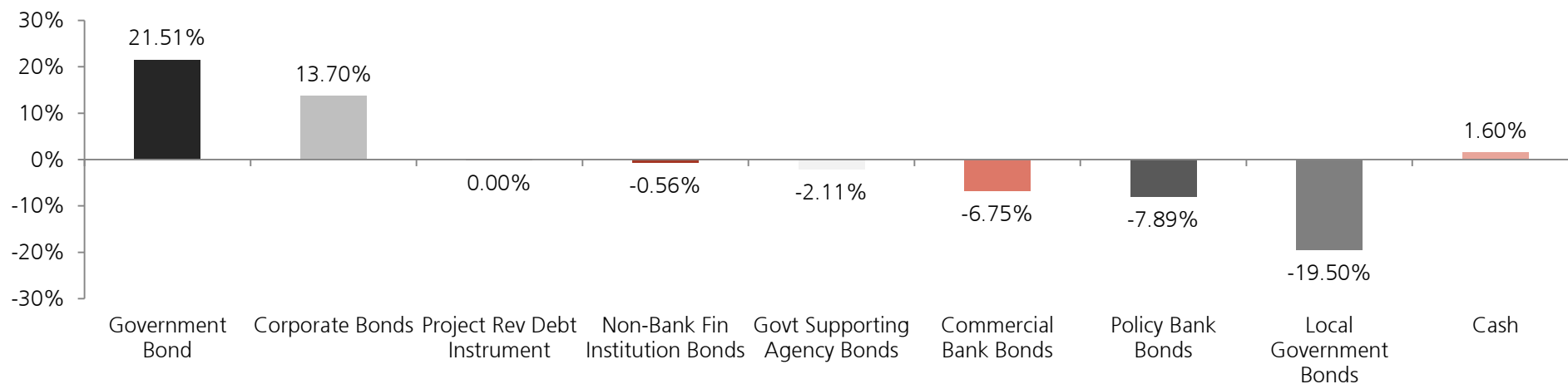
Key statistics

	Fund	Index
Yield to Maturity (gross)	3.07%	3.13%
OAD (years)	5.26	5.03
Average rating of holdings	A2	A2
No. of issuers	30	555

Credit quality allocation (MV%)



Sector Allocation vs Index



Source: UBS Asset Management as at 31 January 2020

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

UBS-AM China Fixed Income performance

Total return (%) in CNY for periods ending 31 January 2020

Total returns (USD, Gross)

	1 month	3 months	Year-to-date	1 Year	Annualized ¹ Since inception
UBS Bond China Fixed Income	0.83	2.44	0.83	4.63	6.92
Bloomberg Barclays China Aggregate Index CNY	0.73	2.32	0.73	4.57	6.97
Value added²	0.10	0.13	0.10	0.05	-0.05
Tracking error ³	-	-	-	0.42	0.52

Source: UBS Asset Management

Note: The returns shown above are based on currently available information and are subject to revision. Past performance is no guarantee of future results. Performance figures are gross of fees. Please see attached disclosure information. Inception date as of 31 March 2018

1 Periods greater than 1 year are annualized.

2 Value added is the arithmetic difference between the composite return and the benchmark return.

3 Tracking error is the standard deviation of the difference between the monthly composite and benchmark returns, based on logarithmic returns
Tracking error is annualized for periods greater than 1 year

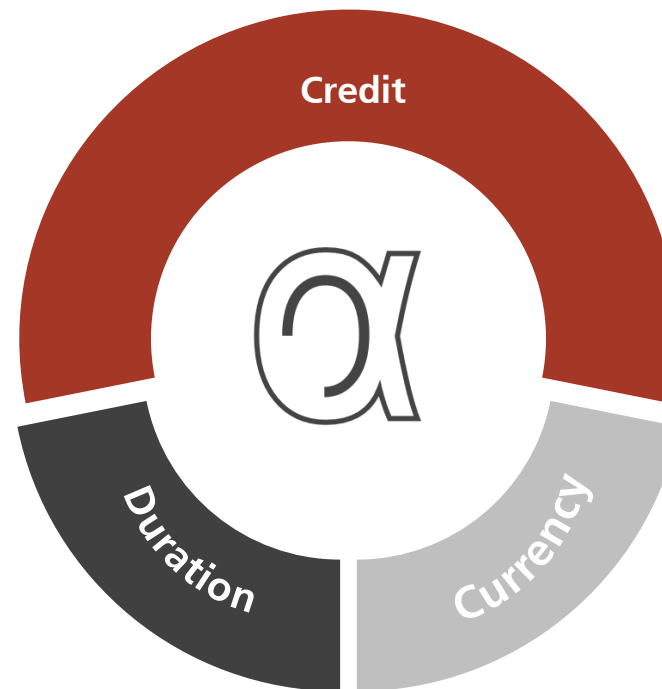
Section 3

Investment philosophy and process

Alpha from different sources...

... and a holistic investment process in the evolving Asia high yield market.

- **High yield expertise**
- **Market beta**
- Sector-rotation, issuer and issue selection
- Opportunistic allocations to investment grade



- **Long or short** relative to benchmark
- **Curve positioning**
- Local Asian bond market opportunities

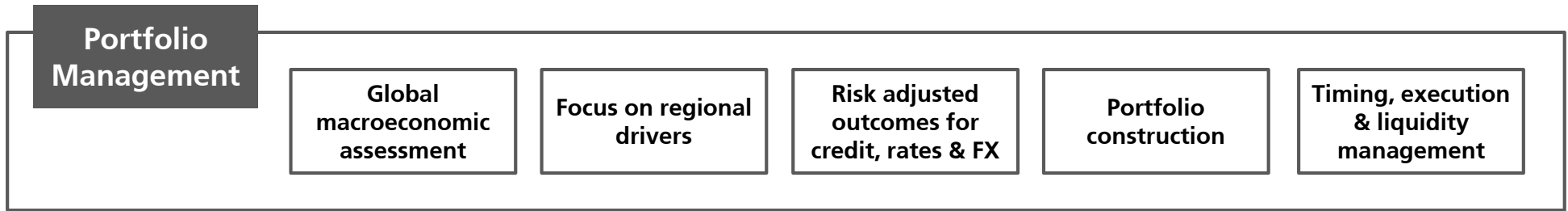
- **Active long or short** positions in **Asian currencies**
- Options
- **Carry strategies**

For illustrative purposes only

Collaboration – Portfolio management & credit analysts



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



Alpha generation

- Credit selection**
Bottom-up research
- Valuations**
relative and absolute
- Macroeconomic picture**
Technical trends

1 Sector timing: our active research drives our sector selection
Chinese property sector

- **Deeply discounted valuations**, due to prior rate hikes, loose price restrictions in place and deleveraging impact on shadow banking being felt across the entire economy
- **Turning point to add sector risk**, we saw relaxation of restrictions on property sales by local governments, PBOC increasing liquidity in markets and reducing cash rates, increased bank lending via our forward looking indicators

2 Fundamentally driven high conviction sector views
Coal against Indonesia coal sector

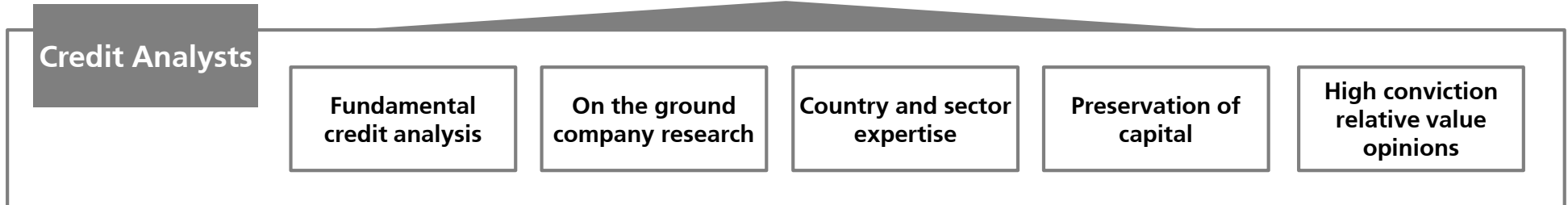
- **Our bottom up fundamental research re-enforced our high conviction view we should continue underweighting Indonesia coal**
- Continued weak demand across Asia and Europe due to changes in overall energy supply market.

Chinese property companies: Foshan Property Group, Foshan Holdings, Shouk, C&E Group Holdings, China South City Holdings, Suning Retail Properties, C&E Holdings, Suning Land HK, KWG Group Holdings

Indonesia coal companies: Indo Energy, Energy Capital, AMM Resources, Bumi Mulia Resources, Golden Energy Resources, San Coal International

Risk management

- Idiosyncratic risk**
Understand business model
Assess financial condition
Monitor event risk
- Industry risk**
Assess business cycles

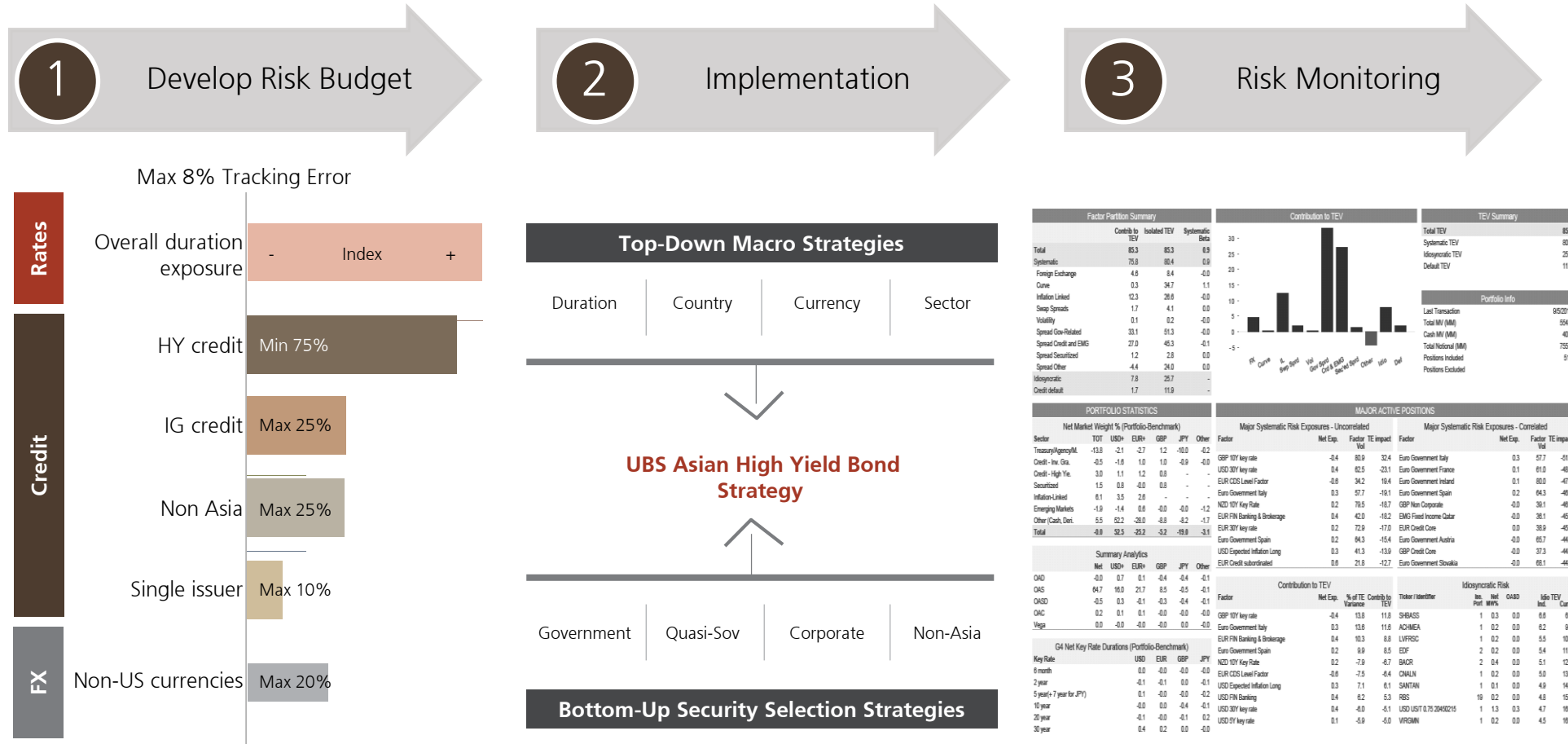


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Portfolio construction

Our process combines a top-down and bottom-up approach under ongoing risk management



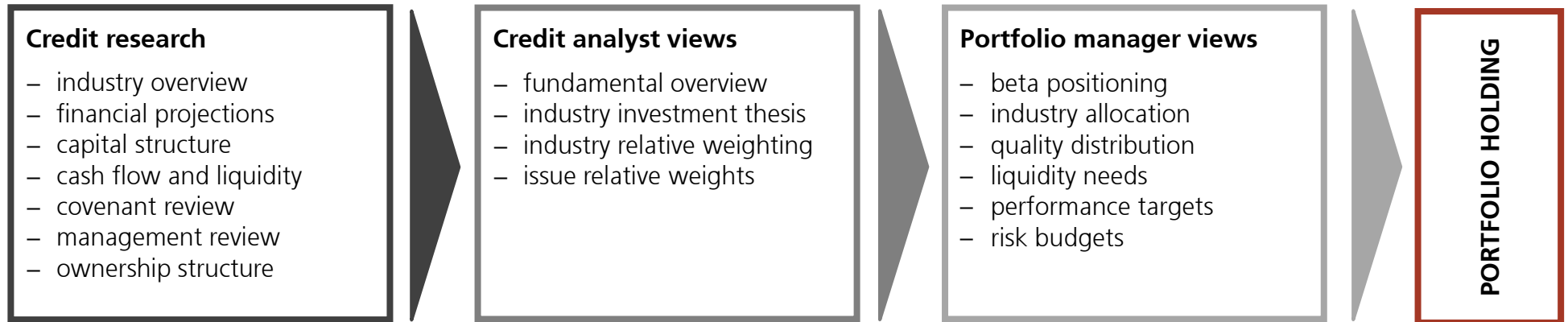
Our objective is to take compensated risks seeking to generate favorable risk-adjusted returns for our clients over a market cycle.

For illustrative purposes only.



Issuer selection

A disciplined and thorough research-based approach



Fundamental credit analysis

- qualitative assessment of management strength, **market position, competitive environment** and financial flexibility
- qualitative assessment of historical operating results, credit ratios and most importantly, an **expected future outlook**

Key considerations

- underlying **fundamental risks** associated with a borrower
- **appropriate level of credit spread** to compensate an investor for assuming those risks

Single security analysis

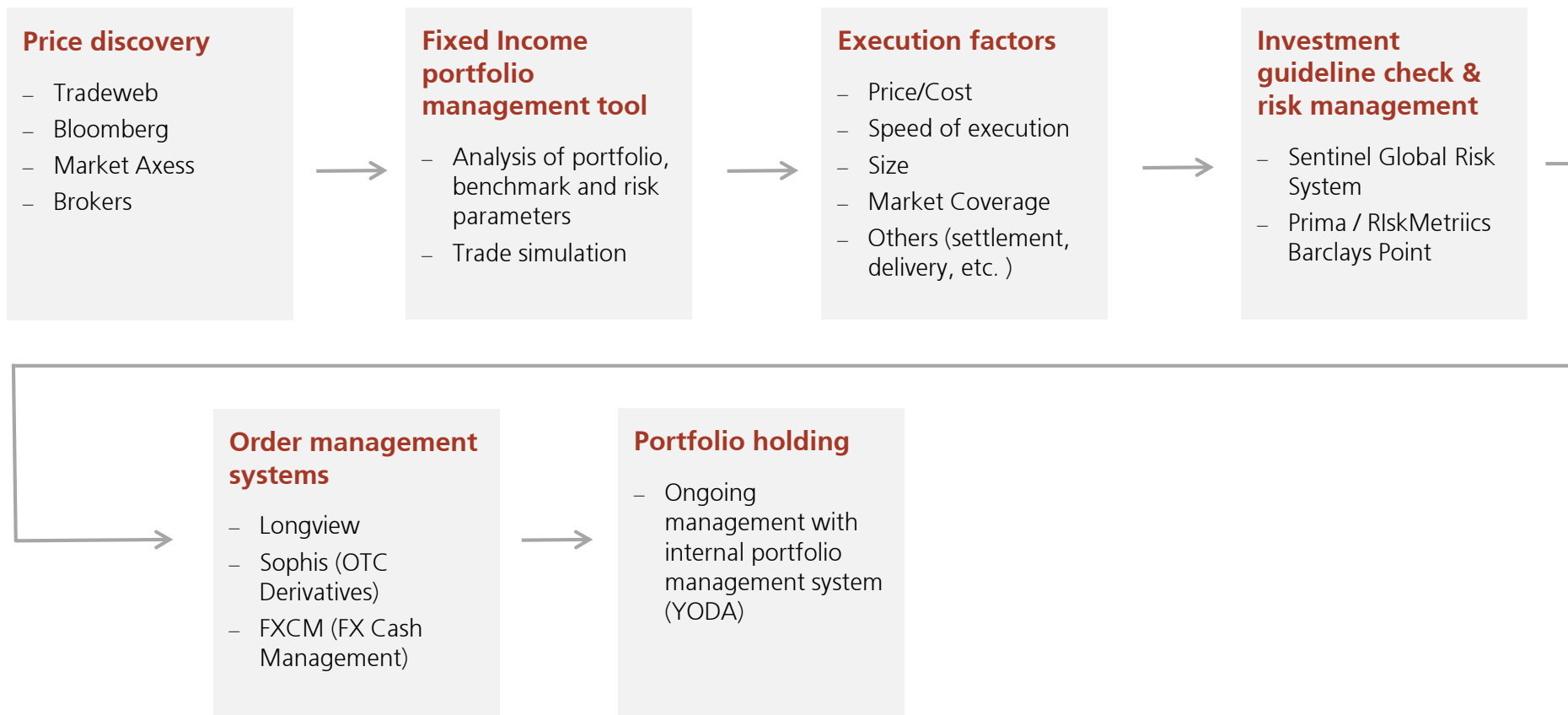
- **credit view**
(management, event risks, etc.)
- **technicals**
(liquidity, supply, etc.)
- **valuation**
(absolute and relative credit spreads)

For illustrative purposes only

Asia Fixed Income – execution and trading



Combining PM's knowledge with industry leading technology to deliver best execution



UBS Asset Management's Compliance team regularly monitors the quality of the executions, and continuously enhances internal best execution and trading policies to reflect latest market practices.

For illustrative purposes only

Formal investment meetings



Enable portfolio managers to effectively draw on the global resources of our portfolio management and credit research teams, as well as the broader Fixed Income investment group, as they assess the relative attractiveness of sectors/industries and formulate macro views (e.g. credit beta and duration positioning) and set portfolio strategy:

Meeting	Frequency	Purpose
Fixed Income Investment Forum (FIIF)	Monthly	Identify key investment themes and risks
Macro Forum Discussion	Quarterly	Survey GDP, inflation trends versus consensus and cash paths across major economies
Sector Survey Discussion	Quarterly	Survey 300+ market factors, assign conviction and assess returns to identify trade ideas
FIIF Sub-committees (Rates / FX, IG credit, HY credit, EM Debt)	Bi-Weekly, as required	Review market development, valuations and trade ideas

Meeting	Frequency	Purpose
Asia Macro Discussion	Quarterly	Review of macro and policy direction across all Asia countries
APAC Research Forum	Monthly	Discuss China cross asset class themes in Fixed Income, equities and asset allocation
APAC Risk Control Meeting	Monthly	PM and risk team discuss market risks and portfolio risk utilization
APAC Credit Committee	B-Weekly	Formal review of credit research recommendations
Asia Portfolio Strategy Team	Weekly	Review global and Asia market developments, FIIF views, portfolio risk positioning, trade ideas and investment performance
Asia PMs & Credit Analysts	Weekly	Discussion of single name credit news/views, upcoming primary issuance and portfolio positioning
Asia Morning Meeting	Daily	Discuss overnight market color, news, and updates

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Portfolio composition

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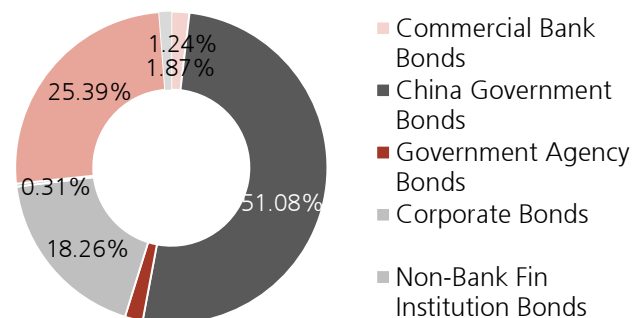
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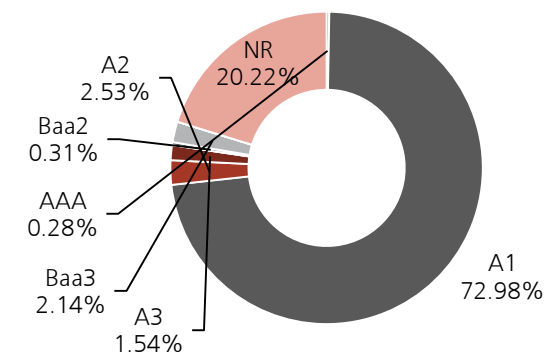
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Sector allocation



Credit quality allocation



Source: UBS Asset Management, Bloomberg, Morningstar Direct. As of end January 2020

Appendix

Appendix A

UBS Asset Management Fixed Income Overview

UBS-AM Global Fixed Income at a glance

Leading manager with USD 253 billion in assets under management

Key strengths of Global Fixed income

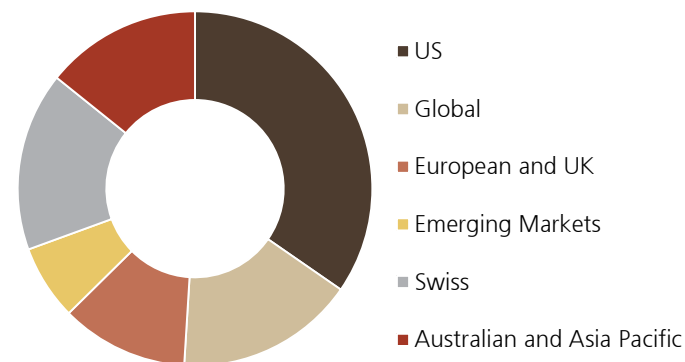
- Deep expertise with 100+ fixed income investment professionals, averaging 18 years investment experience
- Globally integrated platform offering local insights and diverse perspectives
- Disciplined investment approach drawing on deep resources to employ diverse alpha sources
- Commitment to proprietary research across the full investment spectrum

Global presence

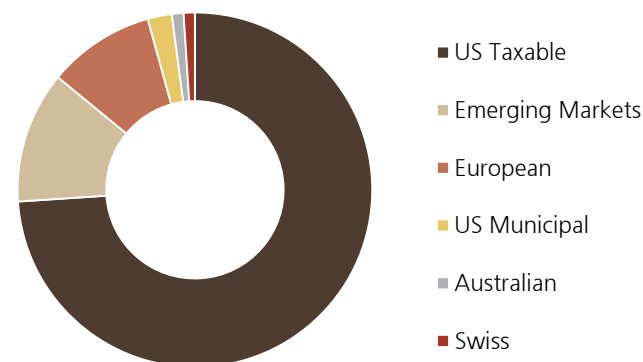


Chicago	Hong Kong
New York	Shanghai
London	Tokyo
Zurich	Sydney
Singapore	

Total AUM USD 253 billion, by strategy
Bonds USD 151 billion



Money Market USD 102 billion



Source: UBS Asset Management: worldwide fixed income invested assets. As of December 31, 2019

1 Excludes fixed income assets in multi asset mandates and other strategies managed by Multi Asset and Solutions

Experienced Asia fixed income investment team



Hayden Briscoe
Head Fixed Income, Asia Pacific

A highly experienced and stable team with average industry experience of 17 years

Asia PM	Ross Dilkes PM APAC	Evan Greenburg PM APAC	Jiayi Yew PM China	Yunxi Liu Analyst APAC	Brian Lou PM China	Sophie Lei Analyst China
Credit Research APAC	Ben Squire Head Credit Research APAC	Ethan Wang Analyst Chinese Corporates	Smit Rastogi Analyst North East Asian Property and Financials	Brian Huang Analyst China Industrials and Property	Earl San Juan Analyst Australia, Asia	
Trading and Investment Analysts Asia	Jimmy Yang Trading China	Feifei Yu Trading China	Pantheon Chung Fixed Income Taiwan	Steven Chuang Trading Taiwan	Daphne Chiu Fixed Income Taiwan	
Investment Specialists	David Cheng Head Investment Specialist APAC	Patrick Jung Investment Specialist Australia	Keiko Sugawa Head Japan Fixed Income & Investment Specialist Japan	Eiji Yamamoto Investment Specialist Japan	Michael Fleisch Investment Specialist Asia	
Emerging Markets Team	Federico Kaune Head EM PM	Igor Arsenin PM EM	David Michael PM EM	Jose Bernal Emerging market analyst	Thiago Carlos Emerging market analyst	Will Riva Emerging market analyst
						Gianandrea Heyer Emerging market analyst

█ Singapore █ Hong Kong █ Shanghai █ Global
█ Sydney █ Tokyo █ Taiwan

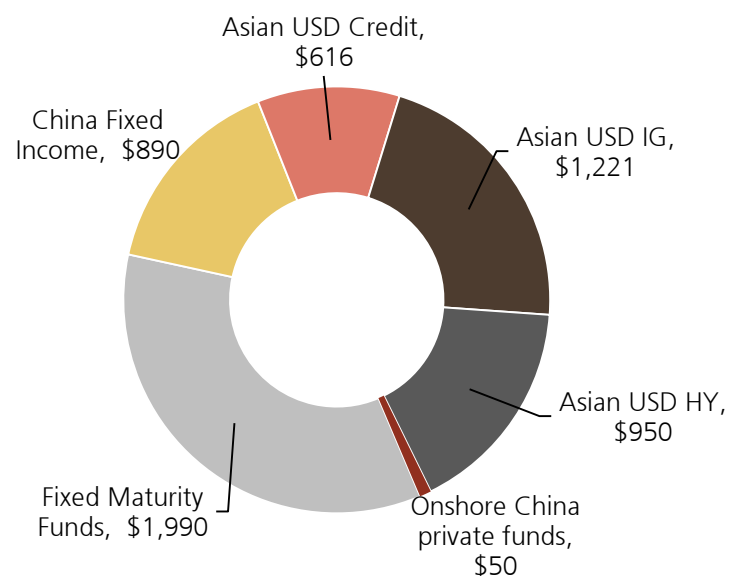
Source: UBS Asset Management. As of January 2020



Portfolio managers directly involved with Asia FI strategies

Name	Years in Industry	Years with Firm	Years with Strategy/Fund
Hayden Briscoe, Head FI APAC	28	3	3
Ross Dilkes (lead PM)	14	14	7
Evan Greenburg (deputy PM)	14	5	5
Brian Lou (onshore China)	9	2	n/a
Jiayi Jew (onshore China)	9	<1	n/a

Team manages USD 5.7 billion in assets across 21 portfolios



Asia fixed income strategies

Diversified offering

	UBS (Lux) Bond Fund – Full Cycle Asian Bond	UBS (Lux) Bond SICAV – Asian Investment Grade Bonds	UBS (Lux) Bond SICAV – Asian High Yield	UBS (HK) Fund Series – China High Yield Bond	UBS (Lux) Bond SICAV – China Fixed Income
Universe / Style	USD Asian credit	USD Asian investment grade credit	USD Asian non-investment grade credit	USD China non-investment grade credit	China fixed income
Benchmark	J.P. Morgan Asia Credit Index	J.P. Morgan Asia Credit Index Investment Grade	J.P. Morgan Asia Credit Index Non Investment Grade	✘	Bloomberg Barclays China Aggregate Index in CNY
Option Adjusted Duration	4.2	4.3	2.6	2.2	5.3
Average Rating	BBB	A-	B+	B+	AAA (onshore)
Yield to Maturity	4.6%	2.8%	7.1%	9.1%	3.1%
Derivatives	Low	Low	Low	Low	None
Alpha Target	100-200bps	100-200bps	100-200bps	N/A	75 bps
Tracking Error Target	200-400bps	200-400bps	200-400bps	N/A	150 bps
Volatility – 5 years	3.0	N/A	4.6	N/A	N/A
Inception	Jan 2010	May 2016	Aug 2011	Mar 2017	Apr 2018
AuM Fund USD	257	52	823	100	483
AuM Strategy USD	616	106	950	950	890

Source: UBS Asset Management as at 31 January 2020

Asia fixed income composite return summary

Total returns (%) in USD for periods ending 31 January 2020

	Year-to-date	Annualized					Since Inception
		1 Year	2 Years	3 Years	4 Years	5 Years	
UBS Bond Full Cycle Asia	1.17	11.58	7.42	6.19	6.30	5.82	6.43
J.P. Morgan Asia Credit Index	1.36	10.66	6.10	5.50	5.54	4.88	6.00
Value added²	-0.19	0.92	1.32	0.70	0.76	0.94	0.43
UBS Investment Grade Bond	1.49	11.46	7.20	5.91	-	-	5.14
J.P. Morgan Asia Credit Index IG	1.54	10.91	6.53	5.64	-	-	4.85
Value added²	-0.05	0.55	0.67	0.27	-	-	0.29
UBS Bond Asian High Yield	0.62	11.89	6.80	6.41	8.40	7.50	7.21
J.P. Morgan Asia Credit Index Non-IG	0.78	9.89	4.75	5.08	7.08	6.51	6.54
Value added²	-0.16	2.00	2.05	1.33	1.32	0.98	0.67
UBS Bond China Fixed Income	0.83	4.63	-	-	-	-	6.92
Bloomberg Barclays China Aggregate Index CNY	0.73	4.57	-	-	-	-	6.97
Value Added²	0.10	0.05	-	-	-	-	-0.05
UBS China High Yield Bond Fund	0.49	10.89	5.02	-	-	-	4.42

Source: UBS Asset Management

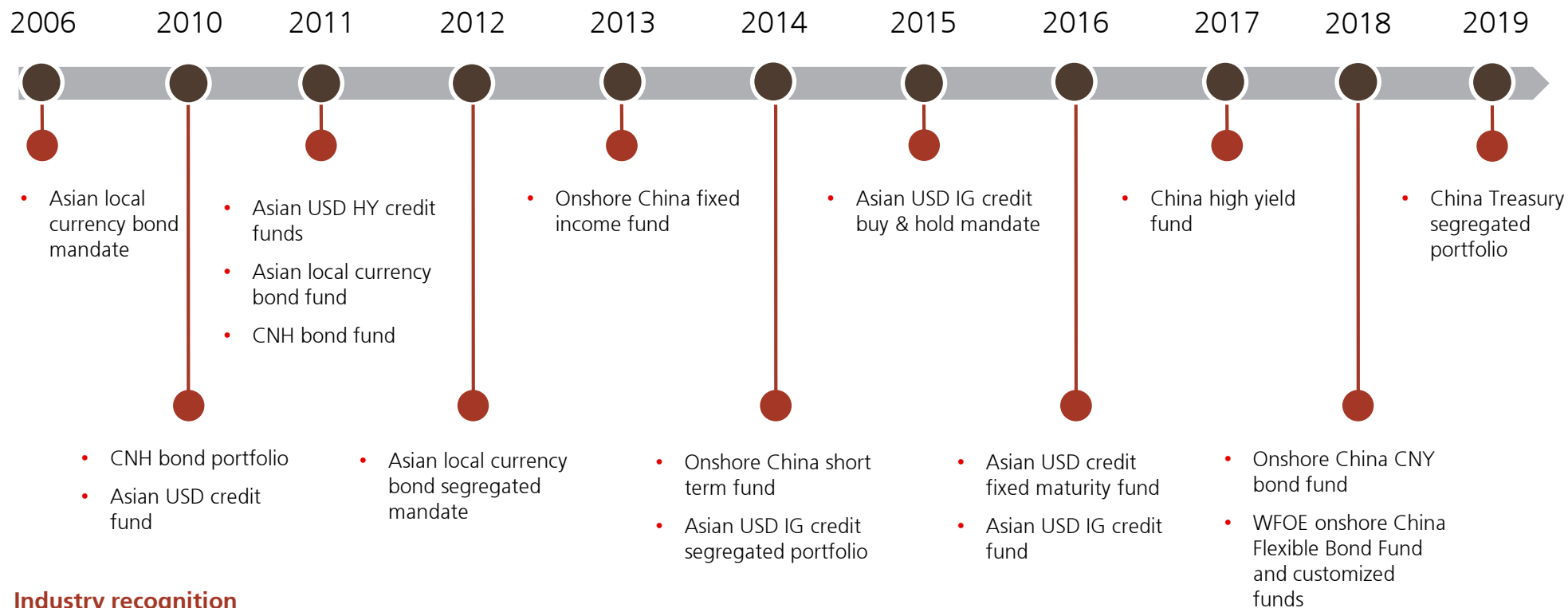
Note: The returns shown above are based on currently available information and are subject to revision. Past performance is no guarantee of future results. Performance figures are gross of fees. Please see attached disclosure information. Inception Dates: Full Cycle: 31 January 2010, Asian High Yield: 31 August 2011 Benchmark change after 30 September 2014. Before: J.P. Morgan Asia Credit Index Non-Investment Grade in ADXY; after: J.P. Morgan Asia Credit Index Non-Investment Grade in USD. China Fixed Income: 30 April 2018, China High Yield: 31 March 2017

1 Periods greater than 1 year are annualized

2 Value added is the arithmetic difference between the composite return and the benchmark return

Over 20 year history of UBS-AM in Asia

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



Industry recognition



- **Best Fund Manager for Bonds – Asia Pacific Hard Currency by Citywire in the Hong Kong Awards (2016 and 2017)**
- UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD) P-acc: awarded **Best Asia Bond Fund in the Morningstar Hong Kong Fund Awards for 2017**
- UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD) P-acc: **4-star Morningstar rating** in the EAA Fund Asia Bond category
- UBS (Lux) Bond SICAV – Asian High Yield (USD) P-acc: **3-star Morningstar rating** in the EAA Fund Asia High Yield Bond category

Source: UBS Asset Management. Past performance is not an indicator of future return. As of June 2019

Appendix B

Asian credit markets

Supportive credit environment

Asia remains a bright spot for growth

... driving the world economy amid a global growth slowdown

Strong Asia growth

Asia remains a global growth driver

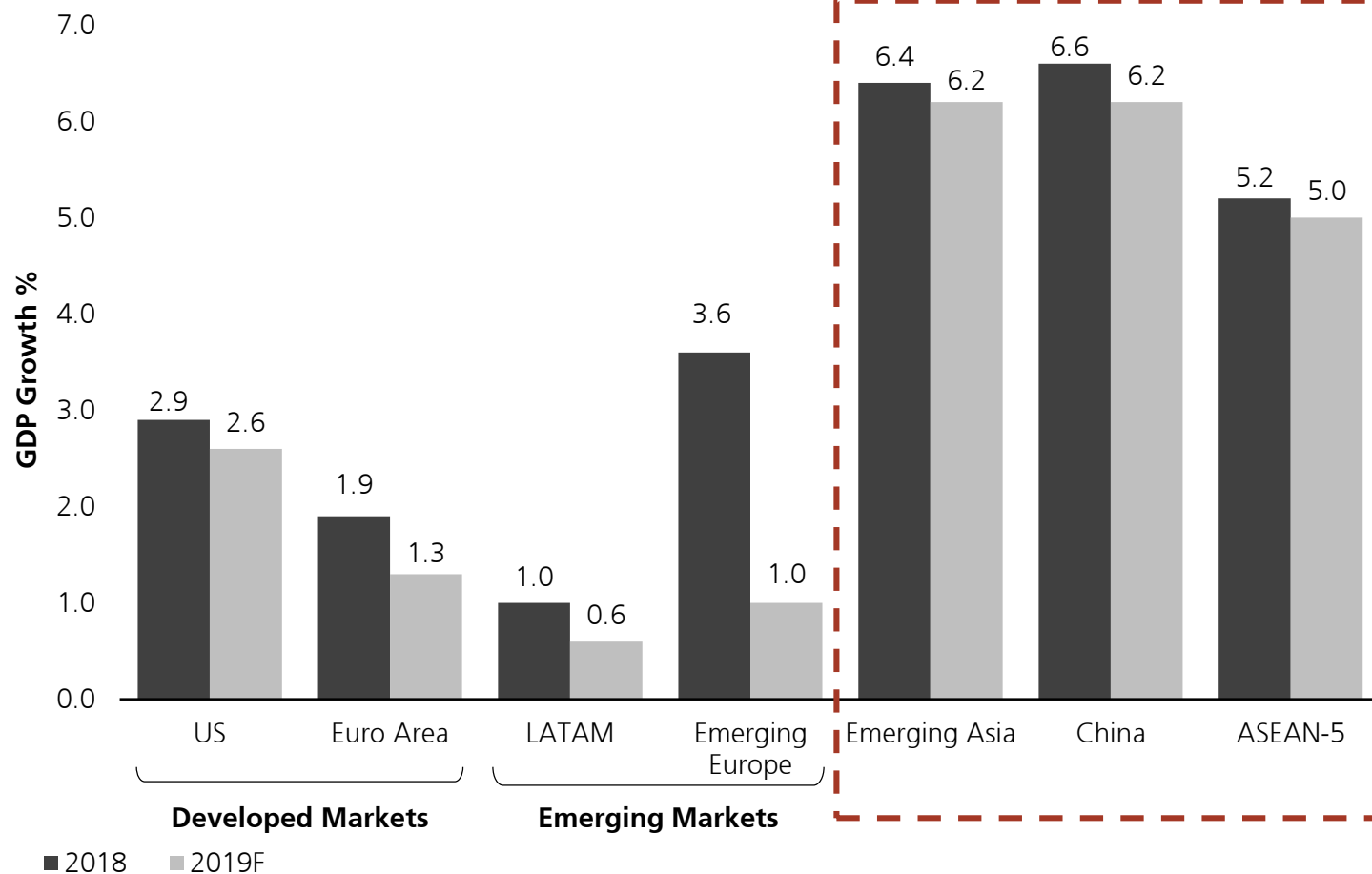
Stable fundamentals

Rising profitability combined with low default rates

China opening up

Maturing Chinese bond market offers new opportunities

Asia growth continues to outperform overall global growth

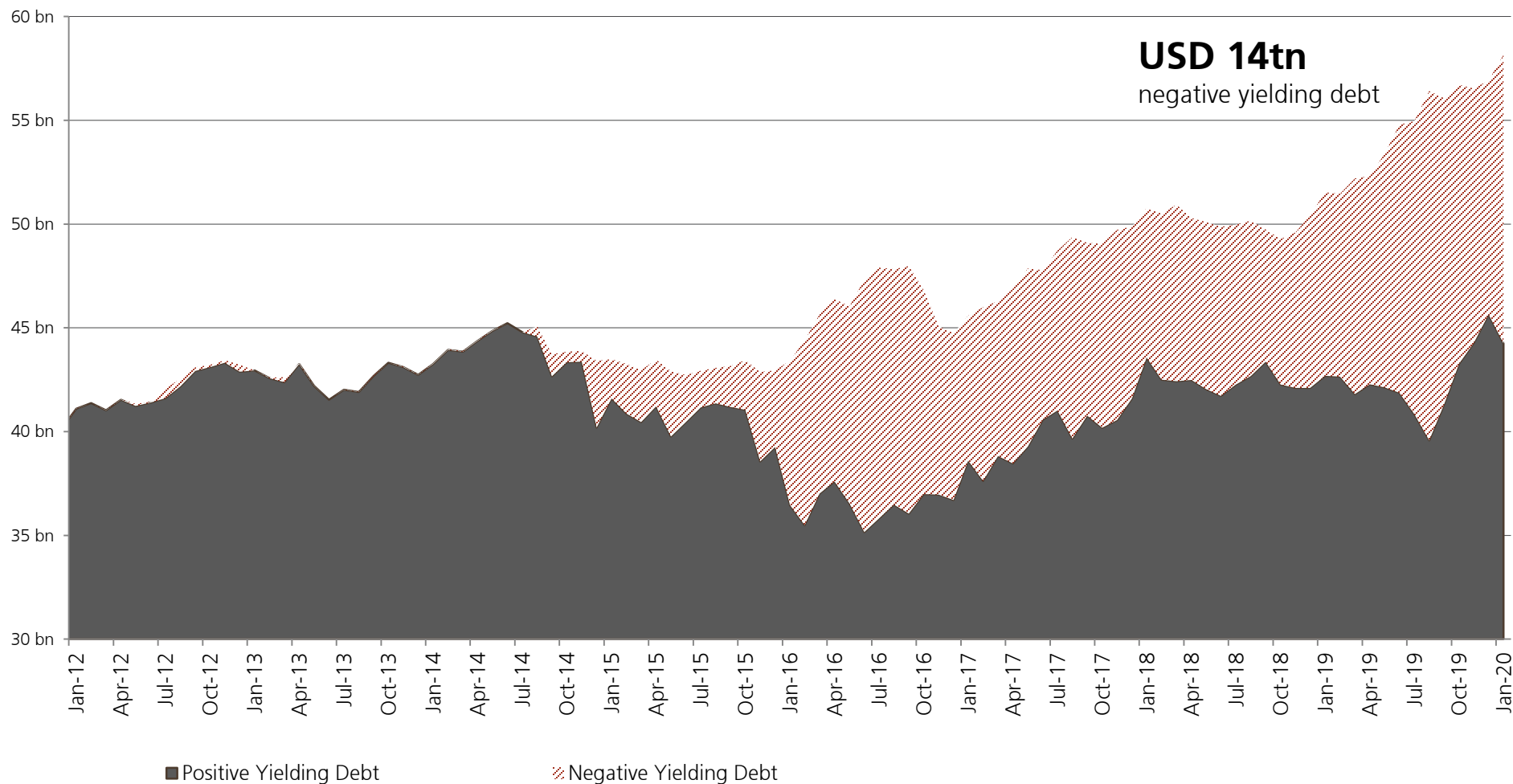


Source: IMF World Economic Outlook (WEO) Update July 2019. As of January 2020

Asian high yield bonds provide strong income proposition

Total negative yielding debt - USD 14 trillion

Market size bn

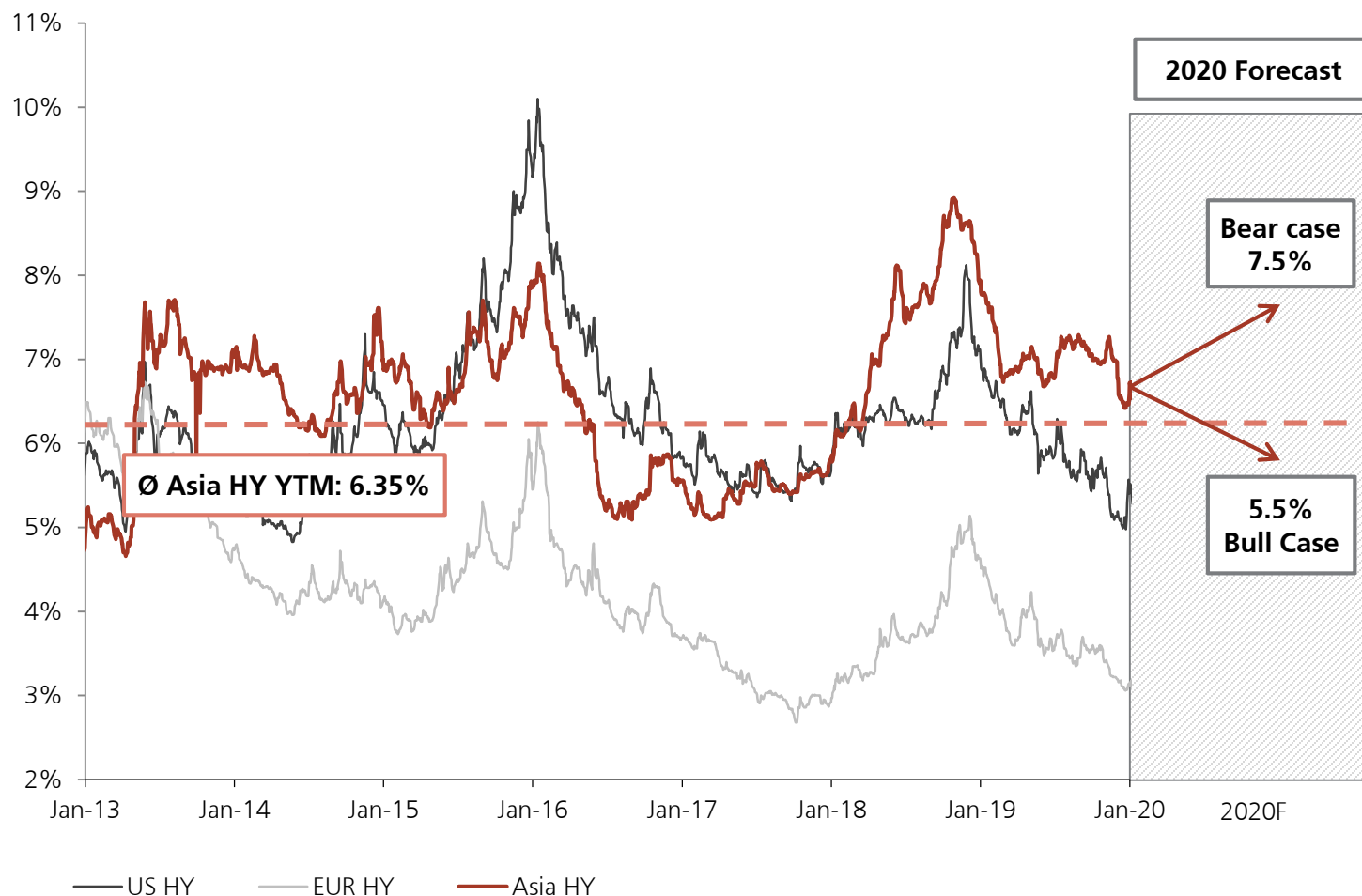


Source: Bloomberg, Bloomberg Barclays Global Aggregate Index MV USD. As of end January 2020

Attractive valuation supported by 3 positive factors

Attractive yield and spread pick up in Asia vs. global credit markets

Asian USD Credit Market: Yields



5.5% – 11.7%
12mth forecasted return range

UBS expects 8-9%
12m return

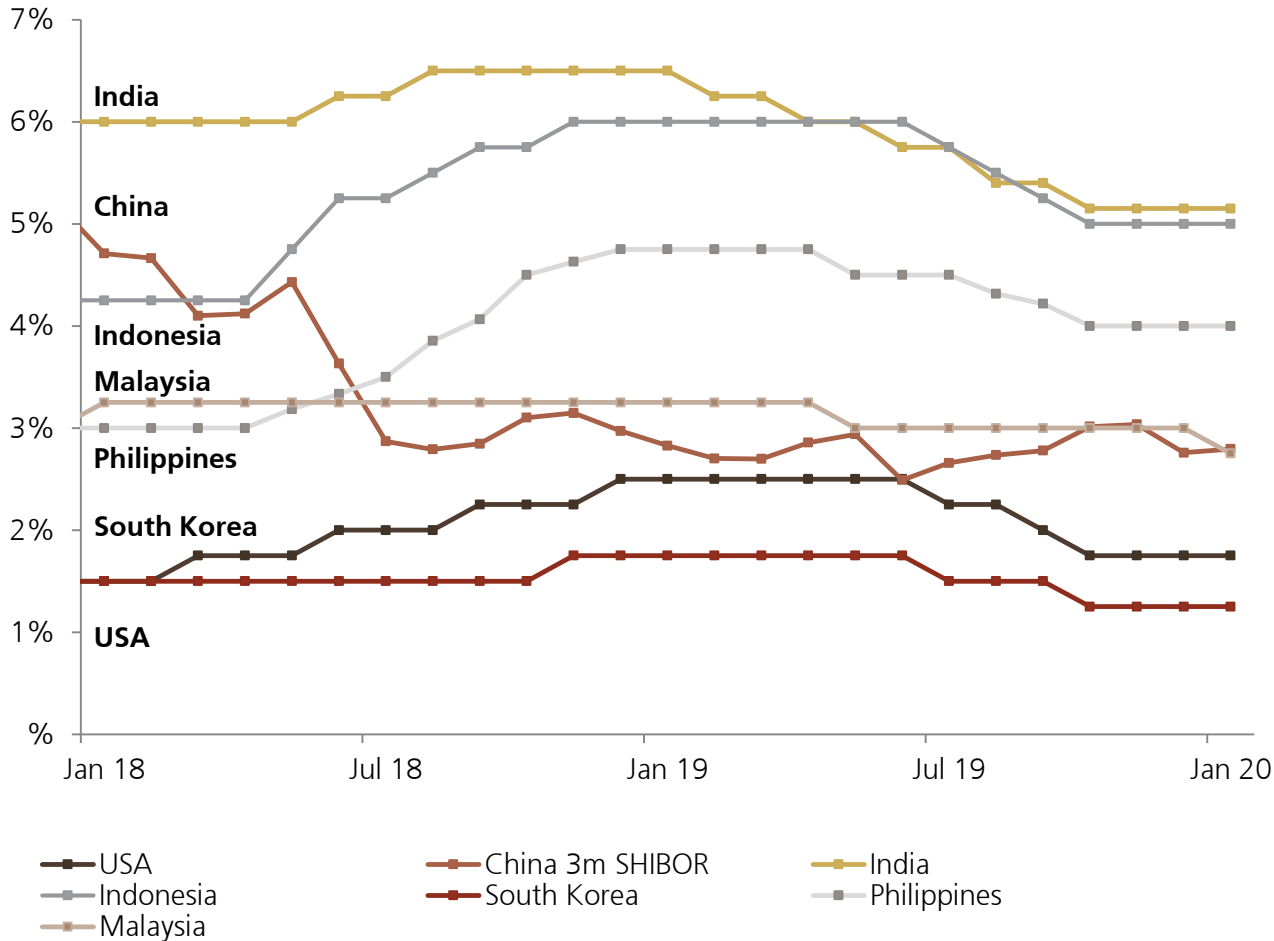
- 1. Supportive monetary policy** - central banks look to underpin growth
- 2. Loosening financial conditions** in China
- 3. Default rate** to remain low, fundamentals to remain stable

Source: Bloomberg. As of end January 2020







Easing monetary policy

Central banks loosen policy to support growth

Central bank policy rates



Various rate cuts across Asia

	# of rate cuts	Interest rate movements
	3x	2.50% → 1.75%
	5x	6.50% → 5.15%
	4x	6.00% → 5.00%
	2x	1.75% → 1.25%
	1x	4.75% → 4.50%
	2x	3.25% → 2.75%

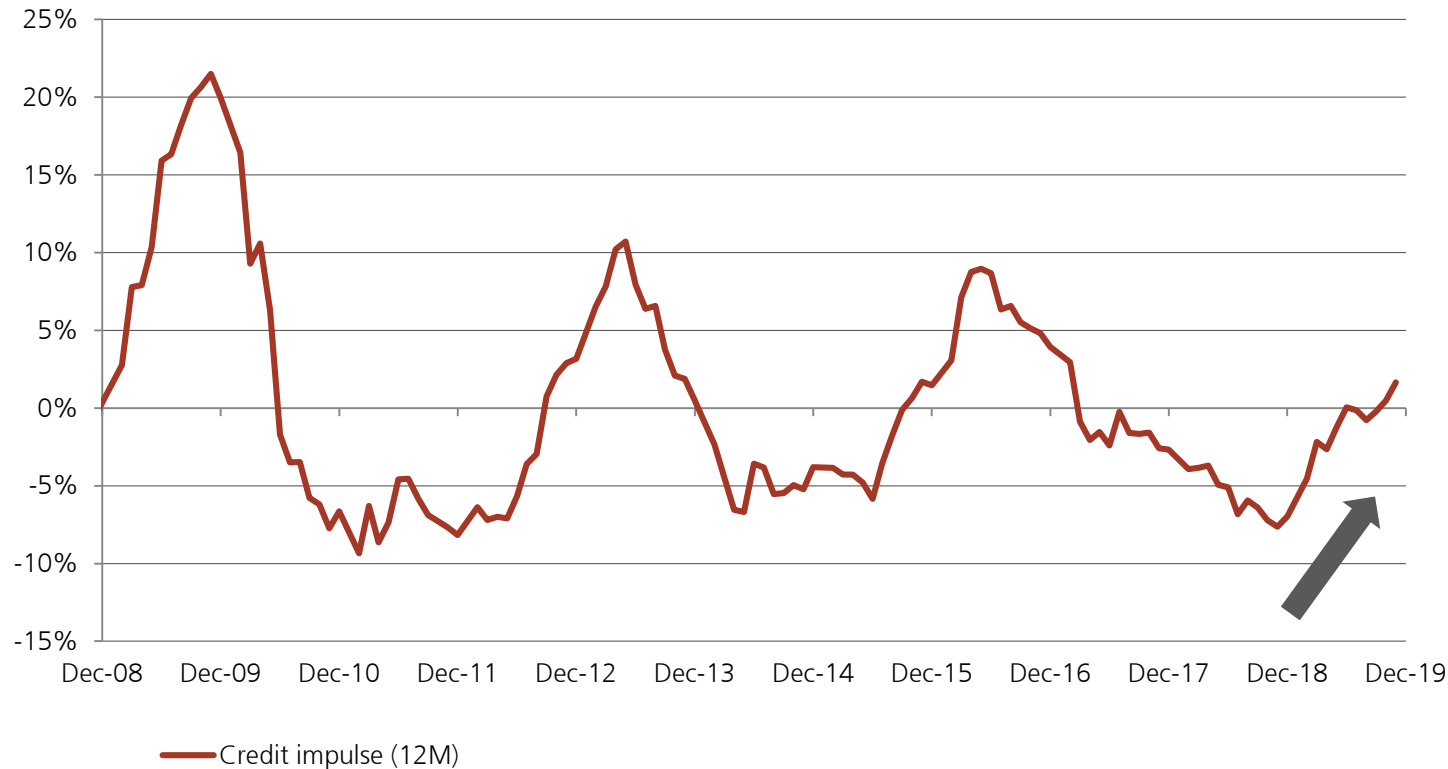
Source: Bloomberg. As of end January 2020

Targeted credit growth supports the economy in China

China's credit impulse has been increasing since November 2018

Bloomberg China Credit Impulse

(yoy % change)



Credit impulse

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

Flow of credit and improved sentiment will be supportive for risk assets

China's credit impulse – measures change in new credit issued as percentage of GDP

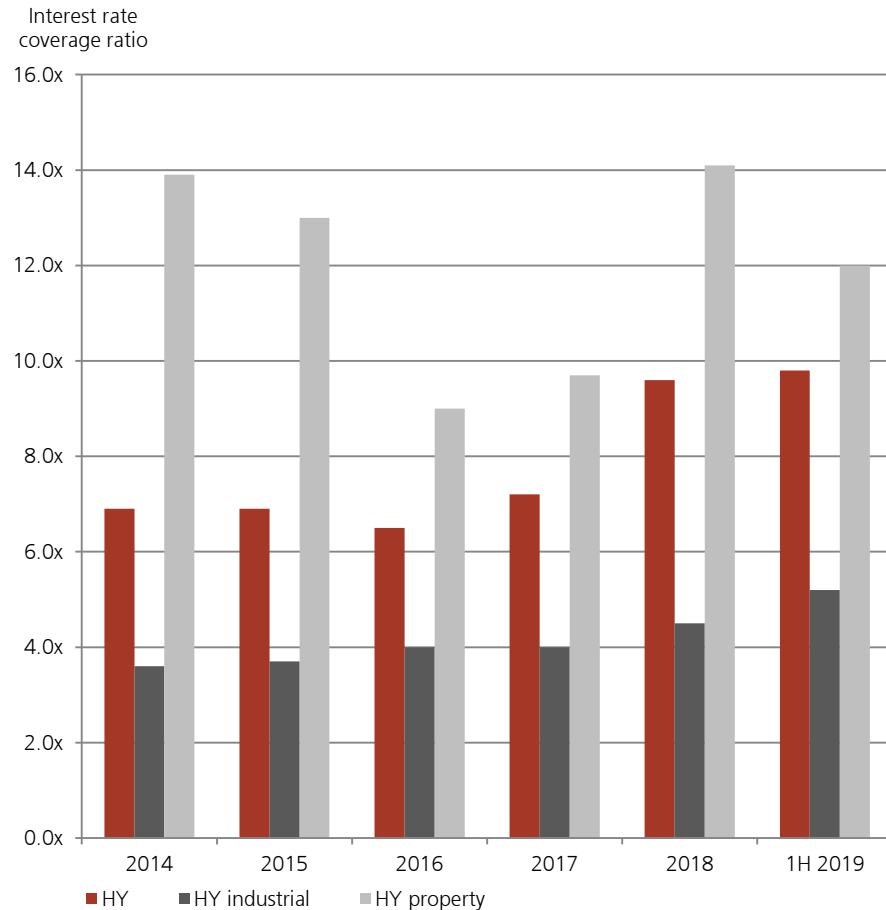
Source: Bloomberg. As of end December 2019

Default rates are low and trend expected to continue...

... backed by solid interest rate coverage ratios and fundamentals

Asian companies have healthier corporate balance sheets

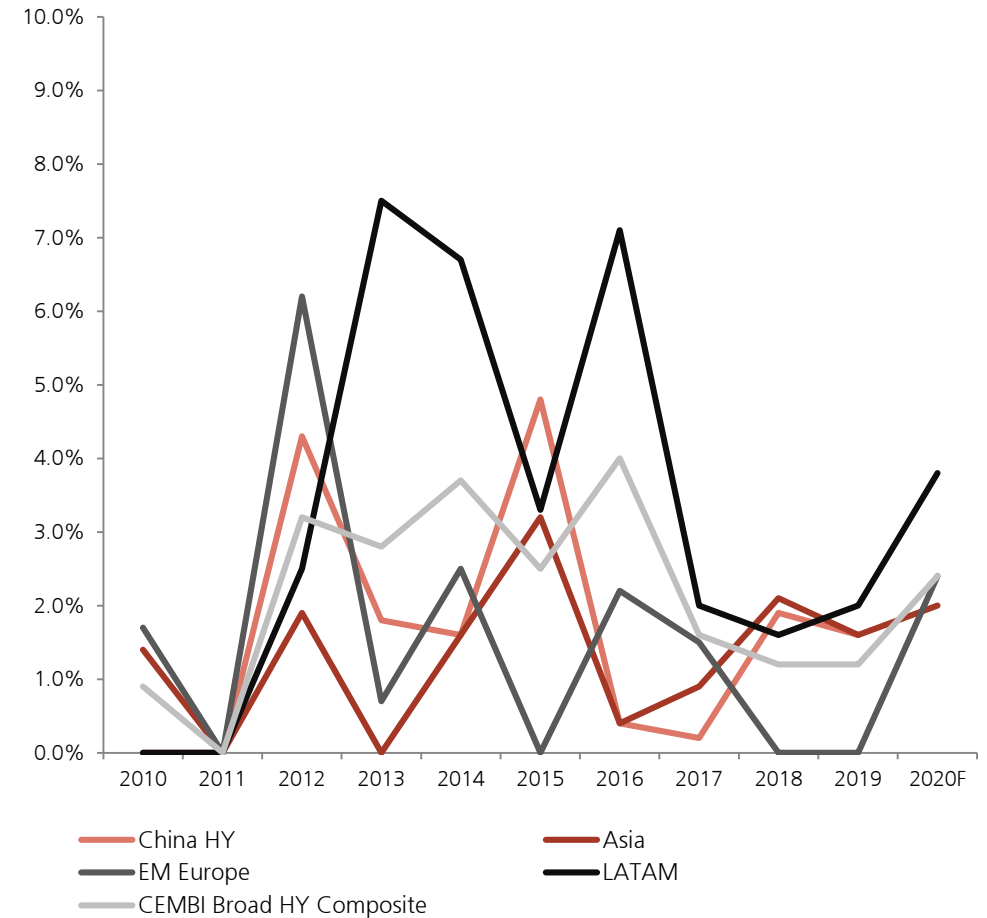
Stable and increasing interest rate coverage ratio



Source: J.P. Morgan. For illustration purposes only. Data available as of December 2019

Annual default rates by region since 2010

Low historical default rates in China credit markets

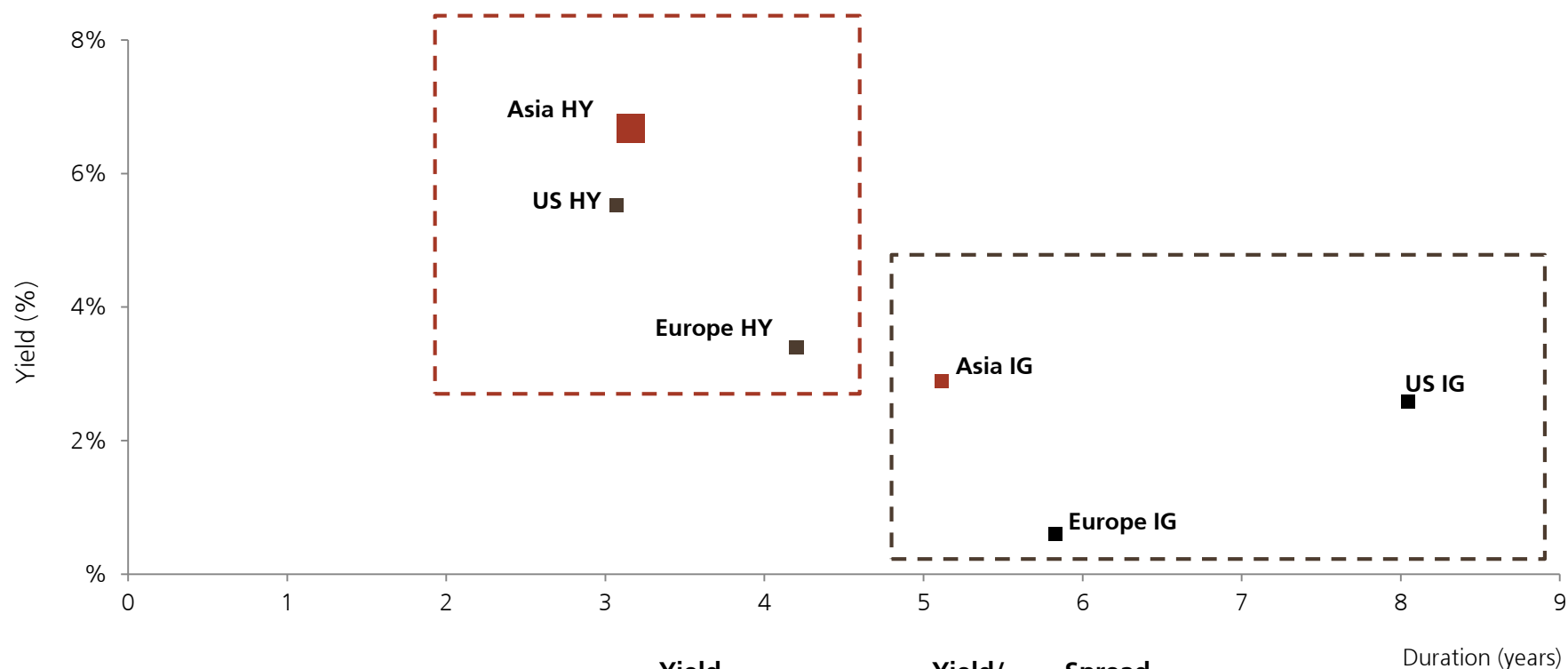


Source: J.P. Morgan. For illustration purposes only. Data available as of January 2020

Asian high yield – attractive risk/return

Asian high yield provides **higher yield** but with **lower duration**

Yield/duration ratio for high yield (HY) and investment grade (IG) bonds



	Yield (%)	Duration	Yield/Duration	Spread (bps)
USD High Yield	5.5	3.1	0.7	390
EUR High Yield	3.4	4.2	0.4	337
Asia USD High Yield	6.7	3.2	0.8	524

Source: Bloomberg, J.P. Morgan. As represented by Bloomberg Barclays US Aggregate Corporate Index, Bloomberg Barclays Euro Aggregate Corporate index, JACI Investment Grade Index, Bloomberg Barclays US Corporate High Yield Index, Bloomberg Barclays Pan-European High Yield Index, and JACI Non-Investment Grade Index. As of end January 2020

Appendix C

UBS (Lux) Bond Fund – Asian High Yield (USD)

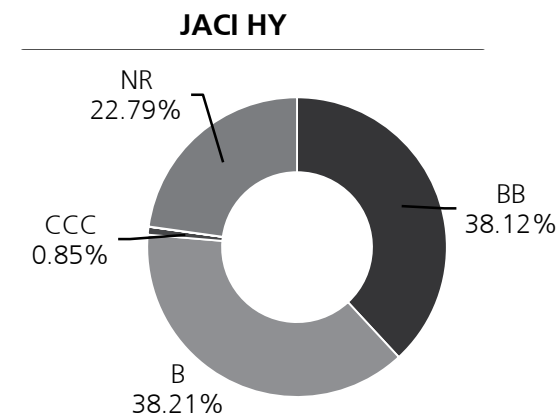
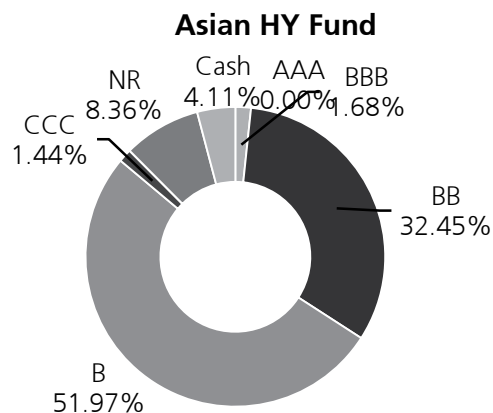
UBS Asian High Yield Bond Fund: Positioning

As of 31 January 2020

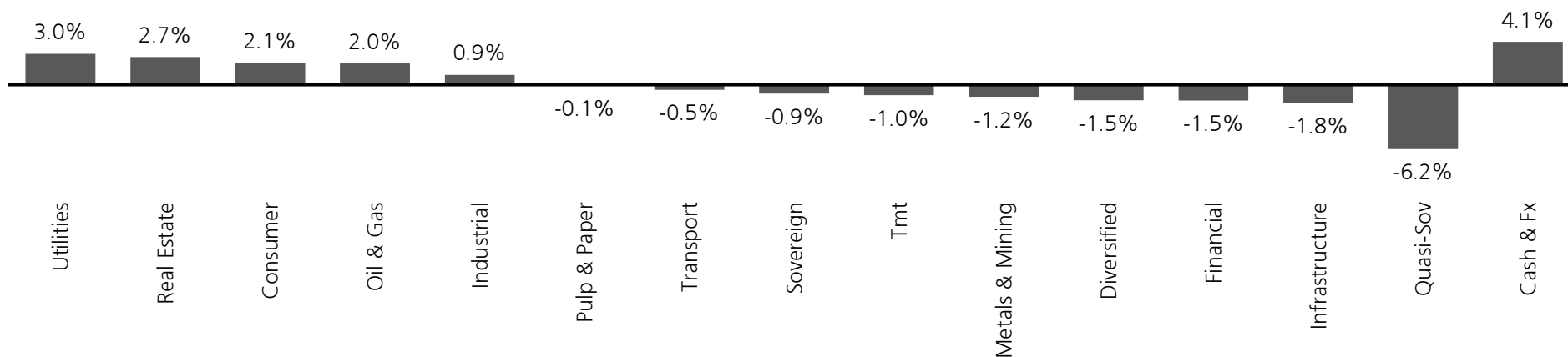
Key statistics

	Fund	Index
Yield to Maturity (gross)	7.03%	6.72%
OAD (years)	2.96	2.81
Average rating of holdings	B1	B1
No. of issuers	115	265

Quality allocation



Sector Allocation vs Index



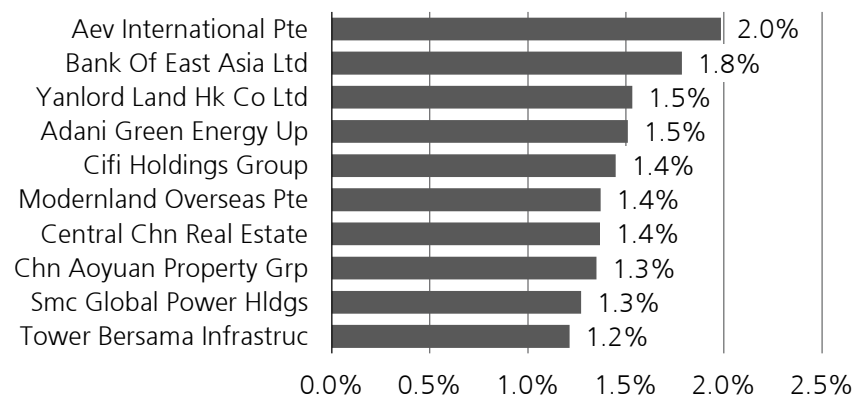
Source: UBS Asset Management as at 31 January 2020

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

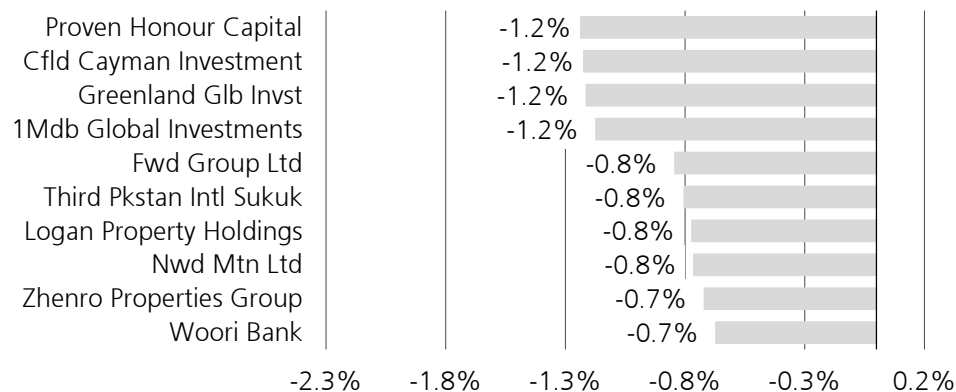
UBS Asian High Yield: Position Breakdown

As of 31 January 2020

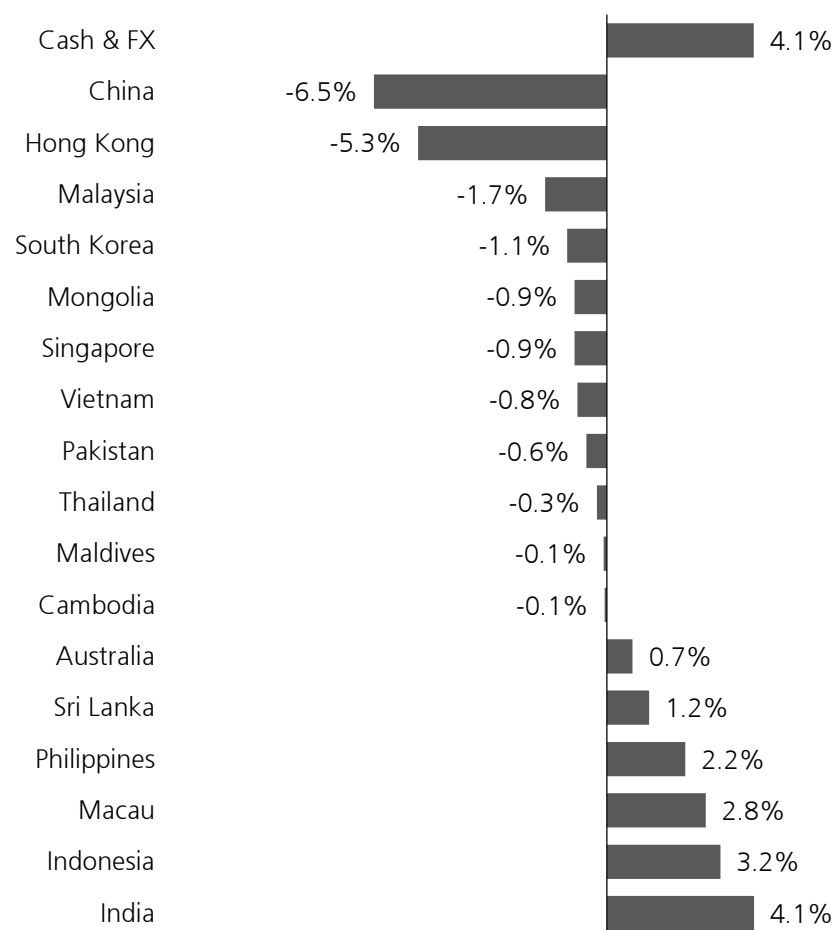
Top 10 Issuer Overweights



Top 10 Issuer Underweights



Market Exposure vs. Index



Source: UBS Asset Management as at 31 January 2020

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

UBS-AM Asian High Yield performance

UBS Asian High Yield Bond Fund Composite



1st quartile fund over 1, 2 and 3 years

Total returns (USD, Gross)

	Year-to-date	1 Year	Annualized ¹			
			2 Years	3 Years	5 Years	Since inception
UBS Bond Asian High Yield	0.62	11.89	6.80	6.41	7.50	7.21
J.P. Morgan Asia Credit Index Non-Investment Grade	0.78	9.89	4.75	5.08	6.51	6.54
Value added²	-0.16	2.00	2.05	1.33	0.98	0.67
Tracking error ³		1.07	1.03	0.91	1.19	1.34
Morningstar quartile ranking⁴	3	1	1	1	2	-

Source: UBS Asset Management, as at 31 January 2020

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

Past performance is no guarantee of future results. Performance figures are net of fees. Please see attached disclosure information. Inception date as of 31 August 2011

Benchmark change after 30 September 2014. Before: J.P. Morgan Asia Credit Index Non-Investment Grade in ADXY; after: J.P. Morgan Asia Credit Index Non-Investment Grade in USD

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

2 Value added is the arithmetic difference between the composite return and the benchmark return

3 Tracking error is the standard deviation of the difference between the monthly composite and benchmark returns, based on logarithmic returns

Tracking error is annualized for periods greater than 1 year

4 Retrieved from Morningstar direct

Appendix D

UBS (Lux) Bond SICAV – Full Cycle Asian Bond

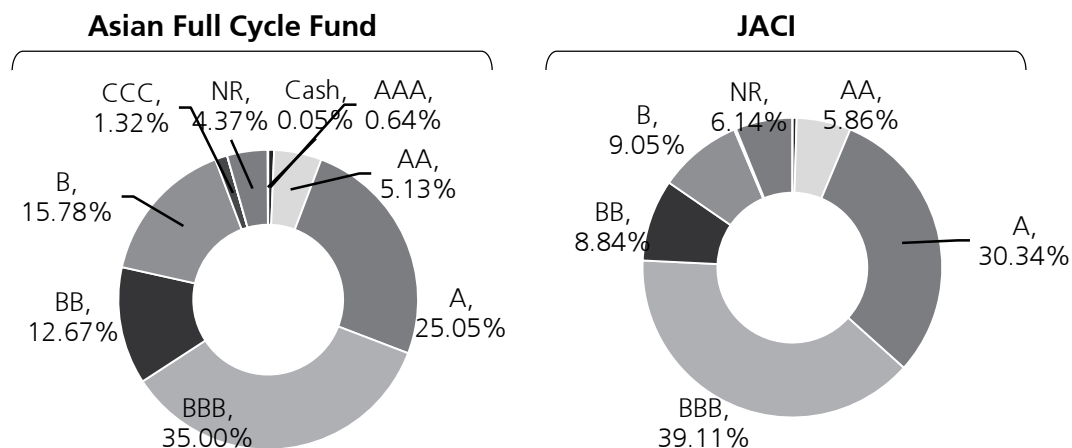
UBS Full Cycle Asian Bond: Positioning

As of 31 January 2020

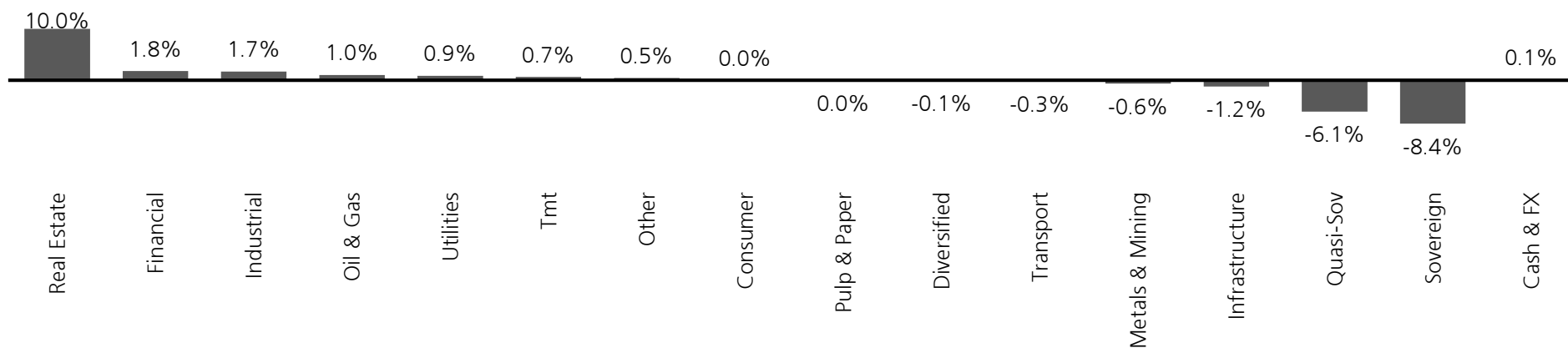
Key statistics

	Fund	Index
Yield to Maturity (gross)	4.51%	3.99%
OAD (years)	4.48	4.39
Average rating of holdings	Baa2	Baa2
No. of issuers	103	127

Quality allocation



Sector allocation vs index



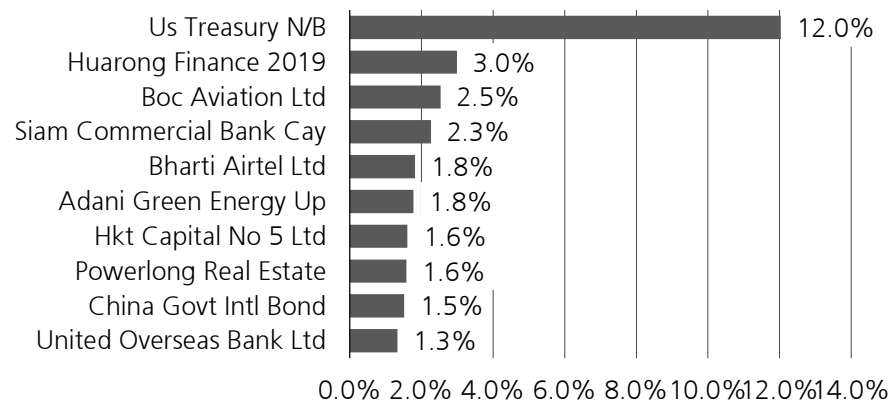
Source: UBS Asset Management as at 31 January 2020

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

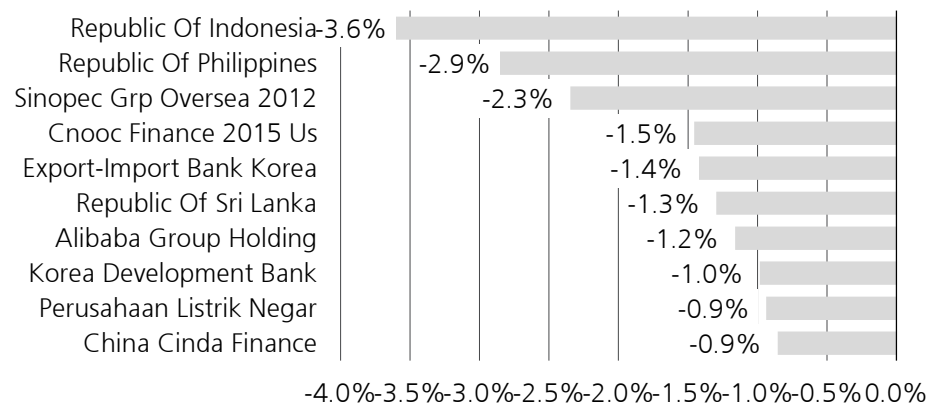
UBS Full Cycle Asian Bond: Position Breakdown

As of 31 January 2020

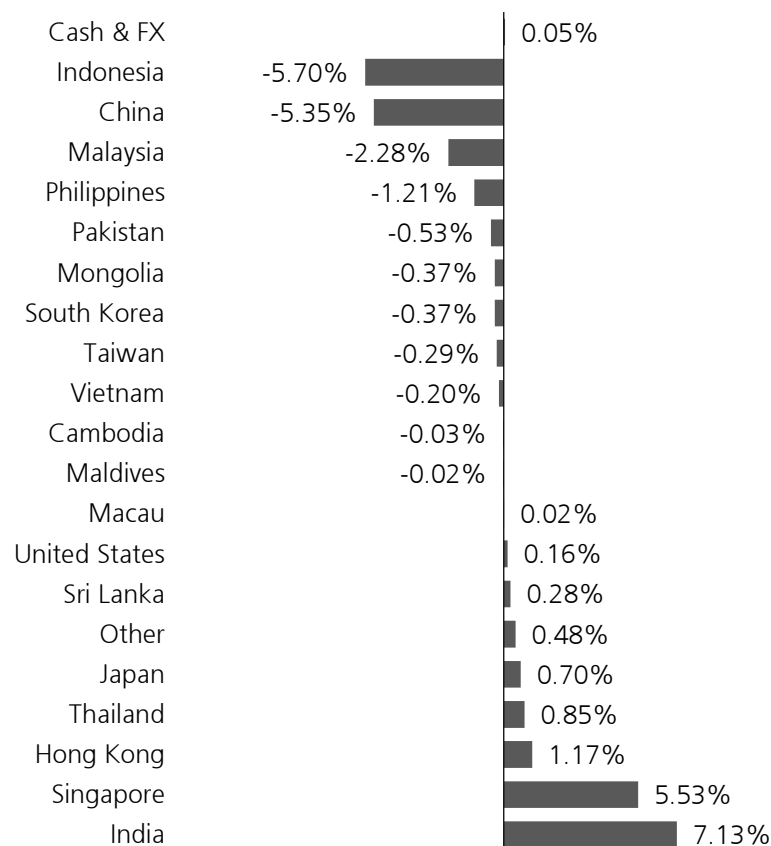
Top 10 Issuer Overweights



Top 10 Issuer Underweights



Market Exposure vs. Index



Source: UBS Asset Management as at 31 January 2020

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

UBS-AM Asian Full Cycle performance

UBS Full Cycle Asian Bond Composite

Composite total returns (USD, Gross)

	Year-to-date	1 Year	Annualized				
			2 Years	3 Years	4 Years	5 Years	Since Inception
UBS Full Cycle Asian Bond	1.17	11.58	7.42	6.19	6.30	5.82	6.43
J.P. Morgan Asia Credit Index	1.36	10.66	6.10	5.50	5.54	4.88	6.00
Value added²	-0.19	0.92	1.32	0.70	0.76	0.94	0.43
Tracking error ³		0.92	0.82	0.76	0.71	0.80	1.63
Information ratio⁴		1.00	1.61	0.92	1.06	1.18	0.26

Source: UBS Asset Management, as at 31 January 2020

Note: The returns shown above are based on currently available information and are subject to revision. Past performance is no guarantee of future results. Performance figures are gross of fees. Please see attached disclosure information. Inception date as of 31 January 2010

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

2 Value added is the arithmetic difference between the composite return and the benchmark return

3 Tracking error is the standard deviation of the difference between the monthly composite and benchmark returns, based on logarithmic returns

Tracking error is annualized for periods greater than 1 year

4 Information ratio is the arithmetic value added divided by the tracking error

Appendix E

UBS (Lux) Bond SICAV – Asian Investment Grade

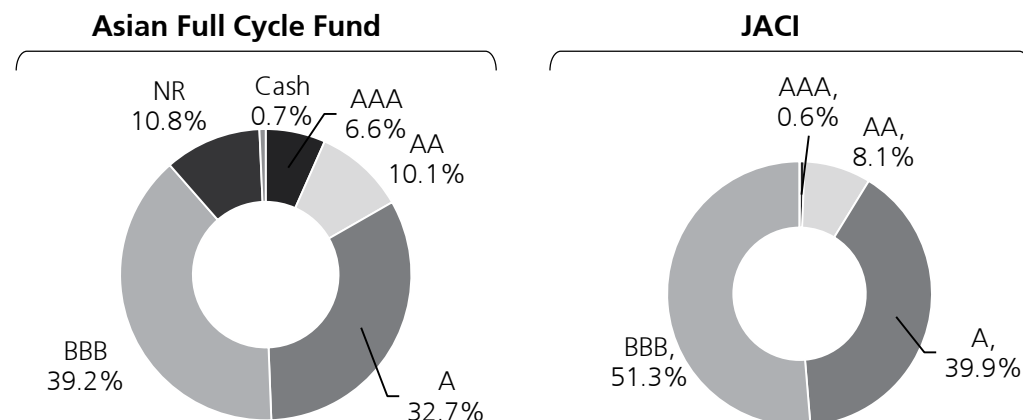
UBS Asian Investment Grade: Positioning

As of 31 January 2020

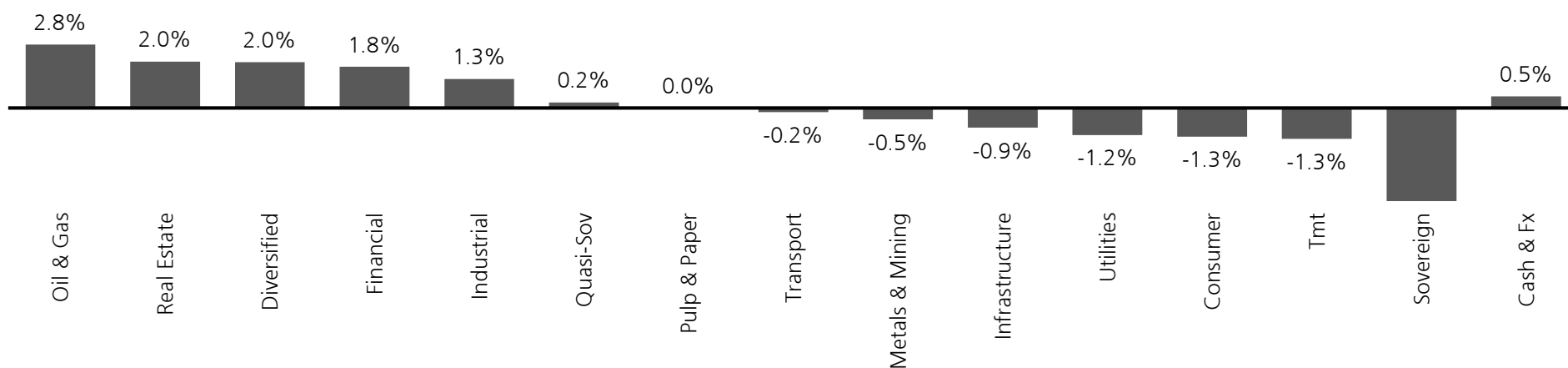
Key statistics

	Fund	Index
Yield to Maturity (gross)	2.83%	2.72%
OAD (years)	4.89	4.94
Average rating of holdings	A3	Baa1
No. of issuers	76	360

Quality allocation



Sector allocation vs index



Source: UBS Asset Management as at 31 January 2020

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

UBS Asian Investment Grade composite return summary

UBS Asian Investment Grade Bond Composite

Composite total returns (USD, Gross)

	Year-to-date	1 Year	Annualized		
			2 Years	3 Years	Since Inception
UBS Asian Investment Grade Bond	1.49	11.46	7.20	5.91	5.14
J.P. Morgan Asia Credit Index Investment Grade	1.54	10.91	6.53	5.64	4.85
Value added²	-0.05	0.55	0.67	0.27	0.29
Tracking error ³		0.52	0.46	0.46	0.45
Information ratio⁴		1.05	1.46	0.58	0.64

Source: UBS Asset Management, as at 31 January 2020

Note: The returns shown above are based on currently available information and are subject to revision. Past performance is no guarantee of future results. Performance figures are gross of fees. Please see attached disclosure information. Inception date as of 31 May 2016

- 1 Periods greater than 1 year are annualized
- 2 Value added is the arithmetic difference between the composite return and the benchmark return
- 3 For periods greater than 1 year, the annualized standard deviation is based on monthly logarithmic returns
- 4 Tracking error is the standard deviation of the difference between the monthly composite and benchmark returns, based on logarithmic returns. Tracking error is annualized for periods greater than one year
- 5 Information ratio is the arithmetic value added divided by the tracking error. For periods greater than one year, annualized returns are used to calculate the value added and the tracking error

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