

Protection against rising rates with compelling yields

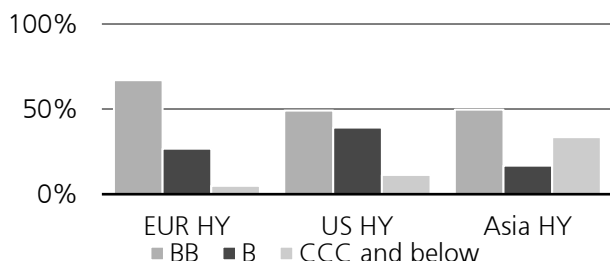
UBS Asset Management—European High Yield

Why European High Yield now?

Overall, the European High Yield (HY) market today is rated higher (within Global HY) compared to US and Asia, and a less volatile market for medium to long-term investors. Additionally, the market size today is bigger and more diversified and thus now provides a larger opportunity set for investors compared to ten years prior. While the opportunity set for HY remains vast and varied European HY still maintains more of a tilt towards more defensive sectors, which has created a long-term, lower default environment versus other HY markets.

MV% by rating

((EUR HY¹ vs Asia HY² and US HY³)



1 ICE BofA Eur High Yield Constrained index, as of September 2023; 2 JACI Non-Investment Grade Index, as of September 2023; 3 ICE BofA US Cash Pay High Yield Constrained index, as of September 2023

Why invest in European High Yield strategy now?

1 Protection against rising interest rates alongside higher yield potential

The market has a low duration and therefore is less impacted when rates rise



2 Attractive Yields

With yields at 7.87%⁴ for the Euro High Yield strategy (7.82%⁴ benchmark yield), it offers a great cushion against rising rates for investors as well as a high all-in yields

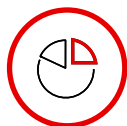


3 We estimate total returns could be in the range of 6 – 11%

The lower bound would be driven by spread widening if a recession suddenly occurs (downside case), with the upper bound driven by a continuation of today's market sentiment

4 Source: UBS Asset Management data as of September 2023.

Key differentiators vs. peers



High-Conviction Investing from a diversified universe

- 39%⁵ of our portfolio in our top 20 issuers
- Peers typically focus on market beta whilst our focus is to generate alpha
- Bottom-up company research combined with strong top-down risk management through hedging or P&L (buy and sell) discipline



Benchmark-aware but not constrained

- Active management allows us to invest in off-benchmark names
- We tactically use Investment Grade, EM and government bonds, based on best ideas from our Global team, to improve risk/reward characteristic and increase the yield available to investors



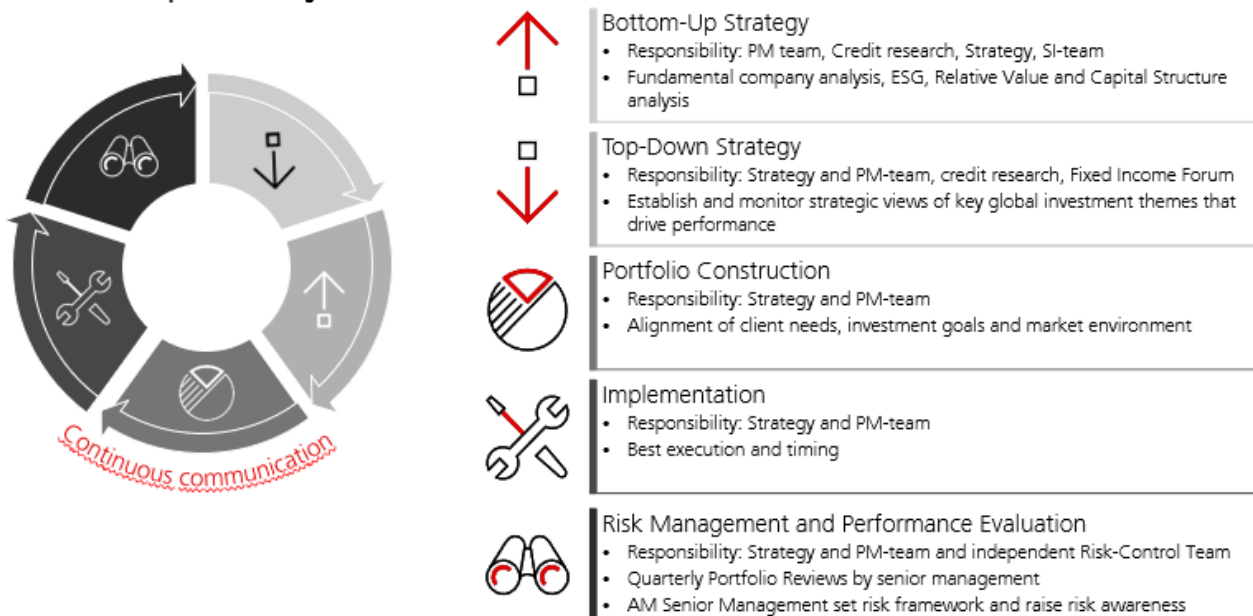
High information ratio

- 1st quartile information ratio across 3, 5, 10 years (Evestment June 2023)
- The strategy has an upside capture ratio of > 100 and a downside capture ratio of < 100—meaning that the strategy is capturing less negative return than benchmark when it's going down and more return than benchmark when it's going up

5 Source UBS Asset Management as of September 2023

Established investment process

Continuous active portfolio management



For illustrative purposes only

EUR HY compelling performance vs benchmark and peers

Total returns for periods ending 30 September 2023 (EUR)

	Annualized										
	1 month	3 months	YTD	1 year	3 years	5 years	10 Years	Since inception ¹	Risk ²	Active risk ³	Info ratio ⁴
EUR High Yield Bond Composite	0.40	2.09	7.88	13.08	2.89	2.58	4.09	4.44	9.88	1.20	1.02
ICE BofA EUR High Yield 3% Constrained	0.32	1.67	6.11	11.08	0.79	1.35	3.22	-	9.62		
Value added	0.09	0.42	1.78	2.01	2.10	1.22	0.87	-			

The UBS Euro High strategy has ranked:

- 1st quartile⁵ in its Morningstar peer group over 1, 3, 5 year periods
- 1st quartile⁶ information ratio 3, 5 and 10 year periods

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.

¹ Inception as of 31 May 1998. The composite did not have a benchmark at launch.

² Standard deviation based on monthly logarithmic returns (5 years).

³ Active risk is defined as annualized standard deviation of the difference between the monthly logarithmic returns of the portfolio and its benchmark (5 years). Please note that historical active risk is not a guide to the future. Active risk levels will vary according to market conditions and our views.

⁴ Information ratio is defined as the added value divided by tracking error (5 years).

⁵ Data is based on the UBS Euro High Yield strategy Q-acc share class of September 2023

⁶ Data from Evestment as of 30 June 2023

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