

UBS Short Duration High Yield

Manager Commentary

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Name of fund

UBS (Lux) Bond SICAV - Short Duration High Yield (USD)

ISIN

LU0577855785

Share class

UBS (Lux) Bond SICAV - Short Duration High Yield (USD) (CHF hedged) P-acc

Reference Index

No representative reference index is available¹

¹ For relative performance comparisons between fund and reference index please refer to the respective base currency share class of this fund.

Past performance is not a reliable indicator of future results.

Performance in % (net of fees)¹

in %	2015	2016	2017	2018	2019 YTD ²	May 2019	5 years Ø p.a. 5 years
Fund (CHF)	-2.06	1.86	0.52	-2.68	2.81	-0.58	-0.73

The performance shown does not take account of any commissions, entry or exit charges.

¹ These figures refer to the past. Source for all data and charts (if not indicated otherwise): UBS Asset Management

² YTD: year-to-date (since beginning of the year)

Risks

Depending on the credit quality, the default risk is higher for high yield bonds than investment grade corporate and government bonds. Changes in interest rates affect the value of the portfolio which requires corresponding risk tolerance and capacity. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions. The fund can use derivatives, which may result in additional risks (particularly counterparty risk).

Portfolio manager summary & review (May 2019)

- Performance was negative in May, with the subfund strongly outperforming the broad US high-yield market.
- The subfund outperformed its objective of returning about 50% of the broad US high-yield market but with less volatility. The subfund remains defensively positioned from a duration perspective and is maintaining a better quality ratings bias.
- Sector exposure remains well diversified and includes telecommunications, energy, autos, gaming, finance companies, consumer cyclical and non-cyclical, basic industries, capital goods and transportation exposure. The subfund is maintaining its bias towards US issuers, in part reflecting the composition of the high-yield market.

May saw a sharp reversal in the positive mood seen so far in 2019. A number of developments in international trade were seen as bad news by investors, as were further signs of weaker global growth. Elections took place in a number of major economies, and the UK will have a new prime minister later this summer as Theresa May announced her intention to stand down. Optimism over trade negotiations faded during May as talks between the US and China broke down. Economic data continued to paint a fragile picture of global activity, with Europe again being the weak spot. While US jobs growth remained strong, other economic indicators were muted. The manufacturing sector in China was seen to contract over the month, and German retail sales fell sharply. While investors are increasingly convinced that the Fed will cut interest rates later this year, there was little evidence in the minutes that such a change was imminent. Bond yields plummeted during the month, with 10-year US Treasury yields declining nearly 40 bp and other developed markets experiencing similar, albeit less pronounced, moves. Examining the broad high yield market, from a ratings perspective CCC rated bonds underperformed BB and B rated bonds in relative terms. From an industry perspective, all sectors apart from telecommunications and insurance posted negative returns. The largest negative contributors were energy, autos and basic industry. On a relative basis, long-dated bonds underperformed short- and medium-term bonds.

Portfolio manager outlook (May 2019)

The risk/reward for credit markets remains delicately balanced as valuations have returned to sensible levels, with dispersion of asset prices creating some opportunities. By way of reminder, the cornerstone to our investment outlook is central bank support and the resulting dampening effect to longer term volatility and asset prices that this creates.

For more information

UBS Fund Infoline: 0800 899 899

Internet: www.ubs.com/funds

Contact your client advisor

Portfolio management representatives

Matthew Iannucci

Craig Ellinger

Anais Brunner

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Please note that additional fees (e.g. entry or exit fees) may be charged. Please refer to your financial adviser for more details. Investors should read the Key Investor Information Document (KIID), Prospectus and any applicable local offering document prior to investing. For a definition of financial terms refer to the glossary available at www.ubs.com/glossary.

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