

# UBS Emerging Economies Corporates

## Manager Commentary

UBS Emerging Market Funds > Bonds

**Name of fund**  
UBS (Lux) Bond SICAV - Emerging Economies Corporates (USD)

**ISIN**  
LU0896022893

**Share class**  
UBS (Lux) Bond SICAV - Emerging Economies Corporates (USD) (EUR hedged) P-dist

**Reference Index**  
No representative reference index is available<sup>1</sup>  
<sup>1</sup> 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)<sup>1</sup>

in %	2015	2016	2017	2018	2019 YTD <sup>2</sup>	May 2019	5 years	Ø p.a. 5 years
Fund (EUR)	1.29	7.21	4.94	-6.36	5.00	-0.01	9.29	1.79

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

<sup>1</sup> These figures refer to the past. Source for all data and charts (if not indicated otherwise): UBS Asset Management  
<sup>2</sup> YTD: year-to-date (since beginning of the year)

### Risks

The fund offers higher return potential than a high-quality fixed income portfolio and therefore bears a higher risk. Emerging markets are at an early stage of development, which can typically involve a high level of price volatility and other specific risks, such as lower market transparency, regulatory hurdles, corporate governance as well as political and social challenges. Long-term investments are subject to greater fluctuations in value than short- or medium-term investments and money market instruments. Changes in interest rates and credit spreads may have an impact on the fund's value. The fund is denominated in US dollar, but may opportunistically invest in bonds denominated in euro. The fund can use derivatives, which may result in additional risks, particularly counterparty risk. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions.

### Portfolio manager summary & review (May 2019)

- Performance was slightly negative in May.
- May saw a sharp reversal in positive sentiment towards a range of asset classes seen so far in 2019. A number of developments in the international trade arena were widely unwelcomed by investors, as were further signs of weakening global economic growth.
- Globally, political developments also took centre stage during May, with EU parliamentary elections late in the month, a general election in India and Theresa May announcing her resignation as UK prime minister. As a result, emerging market corporate debt spreads widened over the course of the month while developed market government bond yields fell sharply.

EM corporate debt spreads widened by 18 basis points during the month, finishing at 333 bp (CEMBI Diversified.) US Treasury yields declined significantly, with the 10-year US Treasury yield down 38 bp at 2.12%. The primary driver of total returns during the month was the decline in Treasury yields.

### Portfolio manager outlook (May 2019)

EM corporate fundamentals continue to improve as reflected in lower leverage and earnings growth in most sectors and regions. Value can be found in deleveraging high-yield issuers, in investment grade credit that has lagged the US Treasury rally and in new issuance. On the other hand, caution is warranted in Turkey, where we expect to see continued volatility, an economic slowdown and stress placed on financial institutions and domestic oriented businesses. In China, the caution shown in 2018 due to a slowdown in economic activity and high leverage metrics are now benefiting from market access, stimulus and policy measures directed towards the domestic market. Chinese real estate has benefited greatly from this uplift, but we see limited upside at current levels. Furthermore, we are maintaining our positive stance towards systemically important state-owned enterprises in China.

Risk appetite in emerging markets credit continues to be driven by headlines. We continue to monitor trade negotiations between the US and China – and more recently the US and Mexico – in addition to Argentina's political uncertainty in an election year and additional sanctions on Russia and Iran, as well as political headlines in Turkey.

### For more information

UBS Fund Infoline: 0800 899 899

Internet: [www.ubs.com/funds](http://www.ubs.com/funds)

Contact your client advisor

### Portfolio management representatives

Federico Kaune

David Michael

Uta Fehm

# UBS Emerging Economies Corporates

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](http://www.ubs.com/glossary).

**For marketing and information purposes by UBS.** UBS funds under Luxembourg law. Representative in Switzerland for UBS funds established under foreign law: UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel. Paying agent: UBS Switzerland AG, Bahnhofstrasse 45, CH-8001 Zurich. Prospectuses, simplified prospectuses or Key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available free of charge from UBS AG, P.O. Box, CH-4002 Basel or from UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel. The fund documentation is available free of charge in English and, where relevant, in one of the local language(s) where the fund is registered. Before investing in a product please read the latest prospectus carefully and thoroughly. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS AG. Source for all data and charts (if not indicated otherwise): UBS Asset Management This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. © UBS 2019. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.