

UBS Global Multi Income

Manager Commentary

UBS Asset Allocation Funds > UBS Multi Asset Income Funds

Name of fund

UBS (Lux) Key Selection SICAV - Global Multi Income (USD)

ISIN

LU1224425600

Share class

UBS (Lux) Key Selection SICAV - Global Multi Income (USD) P-acc

Reference Index

No representative reference index is available

Past performance is not a reliable indicator of future results.

Performance in % (net of fees)¹

in %	2015	2016	2017	2018	2019	LTD ³	4 years	Ø p.a. 4 years
					YTD ²			
Fund (USD)	n.a.	5.57	10.74	-5.52	7.45	14.12	14.12	3.36

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)

³ LTD: launch-to-date

Risks

The fund invests in equities and fixed income instruments globally, as well as in alternative forms of investment. It may therefore be subject to fluctuations in value. The fund may use derivatives which can reduce investment risk or give rise to additional risks such as counterparty risk. The fund can invest in less liquid assets that may be difficult to sell in the case of distressed markets. The value of a unit may fall below the purchase price. This requires an elevated risk tolerance and capacity. Every fund reveals specific risks, a description of these risks can be found in the prospectus.

For more information

UBS Fund Infoline: 0800 899 899

Internet: www.ubs.com/funds

Contact your client advisor

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Portfolio manager summary & review (May 2019)

Performance was negative in May as there was a sharp reversal in market sentiment towards risk assets.

Negative fund performance for the month was primarily driven by positions in more economically exposed assets, with equity holdings particularly affected. Within alternatives, infrastructure assets also detracted. Holdings of inflation-linked government bonds, emerging market debt and investment grade credit made positive contributions.

Within fixed income, we are maintaining our positions in long-dated corporate bonds and continue to prefer inflation-linked bonds in the US over their nominal counterparts. We are more positive on duration in other markets such as Canada, Australia and the UK. We also increased exposure to Asian bonds during May, reflecting the attractiveness of credit in these markets.

A number of developments in the international trade arena were widely seen as unwelcome by investors. In particular, the optimism surrounding a quick and positive outcome in the ongoing trade negotiations between the United States and China soon proved to be misplaced. Meanwhile, economic data continued to paint a downbeat picture of global activity.

Portfolio manager outlook (May 2019)

After performing strongly over 2019 to date, the increased uncertainty in the outlook for both the global economy generally and international trade weighed heavily on equity markets. Global stocks fell by over 5%, with all regions sharing in the pain. The increased focus on technology as a source of friction between the US and China meant companies in areas such as semiconductors fared poorly. Higher levels of uncertainty prompted increases in the value of government bonds seen as safe havens. Short-dated US Treasuries saw their largest monthly drop in yields since the global financial crisis, pointing strongly to expectations of lower policy rates from the Federal Reserve. Moves in the value of corporate bonds were positive as falls in government yields tended to offset wider credit spreads, but it was a difficult month for more economically exposed high-yield debt.

Global growth risks have risen as a result of the trade war escalation, and we adjusted equity exposure within the portfolio over the month. While we still expect the economy to ultimately steady without a hard landing, it is now likely to slip somewhat below trend over the coming quarters. In our view, the Fed is now likely to remain accommodative in order to rebase inflation expectations, and it may ease policy if downside risks to growth become more apparent.

The ability of China to cushion its slowdown continues to be key to the global economy and markets. One wildcard remains in the shape of the relationship between the US and China with regard to trade and technology. While major escalation is avoided in our base case, we acknowledge that tensions are likely to simmer and act as a headwind for the global economy and earnings. As a result, the risk/reward profile in equities has turned less positive even though we are still constructive in that

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we consider the fundamental underpinnings of the economy to be sound.

The range of potential growth and inflation outcomes has risen as this historically long economic cycle extends. In broad terms we expect volatility to remain above post-crisis averages as geopolitical risks are still elevated and the interaction of downside growth risks, tariff-driven inflation and a range of monetary policy outcomes drives market uncertainty. Exposure to listed alternatives continues to offer diversification benefits to the portfolio, and we remain on the lookout for other possibilities to complement the portfolio's holdings in more traditional asset classes. We remain nimble and are looking to take advantage of price moves across different asset classes to ensure the portfolio remains well balanced in terms of risk.

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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