

# UBS House View

## Monthly Letter

23 May 2019

Chief Investment Office GWM  
Investment Research

### Resilient markets

Equity markets are still up year-to-date, despite escalating trade tensions.

### China is in no rush

China is using policy stimulus to offset the impact of tariffs and is more concerned about technology than trade.

### The US is in no rush

A tough stance on China is playing well politically and the US has the tools to maintain the pressure.


### Asset allocation


In our FX strategy, we have added an overweight to an emerging market currency basket designed to benefit from carry.



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## No rush?

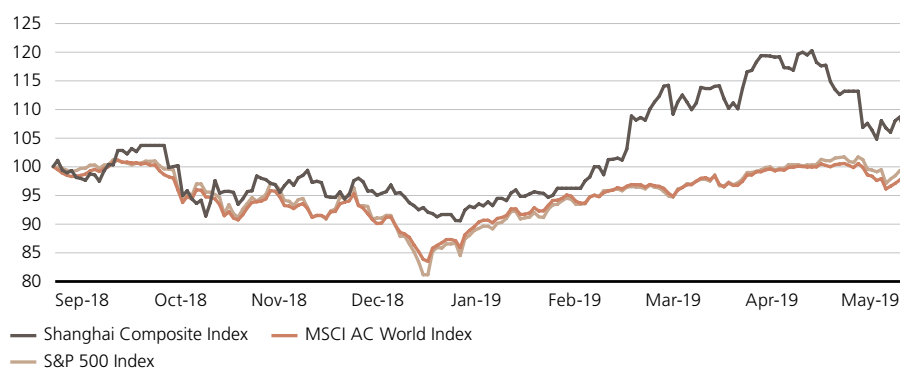
On Thursday 2 May, US productivity grew at a nine-year high. The next day, the US celebrated unemployment at a 50-year low. But investors who partied into the weekend were sick Monday morning after President Donald Trump tweeted he would increase tariffs on Chinese goods, which has led to an escalation in the US-China trade conflict.

The market reaction has so far been relatively muted. Chinese stocks are down 7% and US stocks 3% since the beginning of May, but are still up 16% and 14%, respectively, for the year (see Fig. 1). Some think a 10% drop in the Dow Jones would motivate President Trump to compromise, and get the Federal Reserve to think about cutting rates. Yet traveling in China and the US this month, we heard the same thing from opinion leaders: "The other side has more to lose." When it serves his interest, President Trump takes tariffs off as quickly as he puts them on, so things can change quickly. But we don't see the US or China hurrying to reach a deal, and the risk of miscalculation is growing.

Figure 1

### Markets are still up year-to-date despite trade tensions

Shanghai Composite Index, S&P 500 Index, MSCI AC World Index, rebased to 100



Source: Bloomberg, UBS, as of 21 May 2019

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To prepare for this environment, we have reduced risk in our tactical asset allocation over the past month, and are seeking returns where the uncertainty paradoxically makes us more confident of investment outcomes. It now looks more likely that inflation stays muted, central banks accommodative, and world economic growth near or below trend.

With this in mind, in our FX strategy we add an overweight in an emerging market foreign exchange basket consisting of the Indonesian rupiah, Indian rupee, and the South African rand. We think a protracted period of trade negotiations may create a more favorable environment for yield strategies such as this. In our recent note *“Be prepared: Plan, Protect, and Grow,”* we discussed a number of other ways to find yield, including investing in dividend-paying stocks and multi-lateral development bank bonds.

The US is escalating economic pain on China to force concessions that help retain the US’s relative strength.

**China is not in a hurry for a deal...**

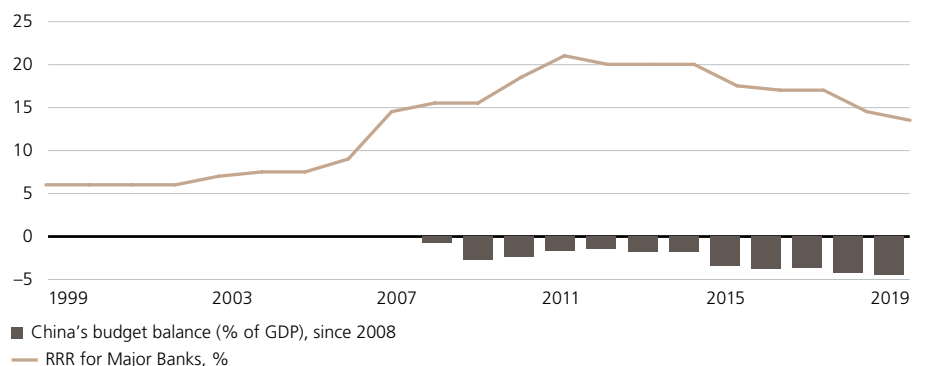
One way to describe the “trade war” is that the US is escalating economic pain on China to force concessions that help retain the US’s relative strength. From this perspective, it is clear that it is in China’s interest to maintain its current position, delay concessions it might have to make, and use policy measures to counteract the impact of US actions on its economy. While the dispute remains contained to tit-for-tat tariff increases, China can use fiscal and monetary levers to help maintain growth, and it still has cards to play:

- The People’s Bank of China has already provided further stimulus in the last month (see Fig. 2), adding liquidity via its one-year medium-term lending facility, and cutting the reserve requirement ratio for some small and medium-sized lenders. We expect a further 100–200 basis points of cuts in that ratio and even more stimulus if the US further widens the scope of tariffs. Meanwhile, the so-called “national team” – domestic investors consisting of state-linked funds – has reportedly stepped in to support China’s equity markets.

Figure 2

**China has eased policy to offset tariff impacts and has scope to do more**

China’s actual budget balance (% of GDP, since 2008) and RRR for major banks (%)



Source: NPC, Ministry of Finance, Bloomberg, UBS

- Managed currency depreciation can be used to help offset the negative economic impact of US tariffs – the yuan is currently on track for its largest monthly decline since last July.
- China might consider selling part of its USD 1.17 trillion Treasury portfolio, which is equivalent to 7% of outstanding US government debt. Such a move would risk an extreme US reaction, and China would struggle to find a suitable alternative to the dollar. But the potential for China to use its bond holdings as an escalation tool increases market uncertainty.
- China could increase pressure on US corporations operating in China, or use unofficial sanctions on businessmen close to President Trump. We will further discuss Huawei and supply chains below.

China may also believe that every day it is still negotiating trade imbalances is a good day, because it means the US is less focused on more strategic issues, such as technology, security, human rights, and foreign policy.

#### *So why would China settle?*

China has at least two good reasons for opting to settle. First, efforts to offset the economic costs of tariffs have slowed its attempts to rebalance its economy away from state-driven investment. The lower bound of the current official GDP growth target range of 6–6.5% for 2019 would be the lowest in nearly three decades, and both retail sales and fixed-asset investment growth disappointed in the past month. We estimate that if the US imposes tariffs on all Chinese goods, it could push China's economic growth below 6%.

Second, China wants to sign a trade agreement that reduces the tension on what it really cares about: technology. China has invested significantly in robotics, artificial intelligence, semiconductors, and health-tech, and sees these as critical to the country's long-term economic success and national security. If a deal means China has to reduce its trade surplus with the US, but can keep its technological development programs on track, that may be the basis for an agreement.

#### **...and neither is the US**

It would be a mistake to think the US belligerence in the conflict is just political posturing by President Trump. Hawks in his administration appear to believe that the longer the trade dispute continues, the closer they will get to their goal of disentangling China from US supply chains. To them, this is a longer-term national security measure far more valuable than any current cost to economic growth.

Politically, it isn't clear that an ongoing trade conflict alone hurts the president's chances of reelection. His approval ratings aren't far off their all-time high. The states facing the greatest negative economic impact from the trade dispute are, in many cases, not swing states. In any case the Democrats are unlikely to campaign on a pro-China platform. It's worth remembering the example of Democratic President Jimmy Carter, who escalated and expanded the Cold War against Russia by openly criticizing perceived violations of the human rights provisions in the Helsinki Accords.

The economic costs of tariffs and the importance of technology are two good reasons for China to settle.

For some in the Trump administration, longer-term national security considerations are more valuable than economic growth.

The Trump administration is confident that the damage the trade conflict will inflict on the US is likely to be limited.

Concessions from China could be hailed as an economic boost and a political success ahead of the next US election.

Economically, the Trump administration is confident that the damage the trade conflict will inflict on the US is likely to be limited. After all, the US is among the least trade-dependent nations in the world. The president may also believe any economic weakness would be offset by interest rate cuts. He has tweeted: “China will be pumping money into their system and probably reducing interest rates, as always, in order to make up for the business they are, and will be, losing. If the Federal Reserve ever did a ‘match,’ it would be game over, we win!” Our estimate is that current tariffs shave 0.2–0.3% off the US economy, and increasing tariffs on all Chinese goods would reduce GDP growth by an additional percentage point, while also increasing risks of a recession.

Like China, the US thinks it has more economic cards it can play to force a deal. Preparations are already underway to levy tariffs on the remaining USD 300bn of US imports from China, which could be ready to be implemented by July. The Trump administration could also continue to increase the level of existing tariffs to ratchet up the pressure on China’s economy, in the hope of forcing a deal.

*So why would the US want to settle?*

From the US perspective, concessions from China could be hailed as an economic boost and a political success going into the next election. The flip side is that the president might also look to settle if the economic or political pain is perceived to be too costly.

**Huawei: Conflict escalation and expansion?**

The measures the US has announced against Chinese telecoms equipment maker Huawei have escalated the pressure the US is applying around trade. Although the US has allowed for some temporary exemptions, Google will withdraw Huawei’s access to its Android mobile operating system on new handsets, and the world’s largest chipmakers, including Qualcomm and Intel, reportedly plan to stop supplying Huawei. If Huawei’s exports are reduced this may help shrink the US-China trade imbalance, but also risks expanding the conflict in a way that disrupts global supply chains.

Table 1

US dominance in areas of telecommunications technology give it considerable leverage

US market share in selected tech components

Segment	US market share
Field Programmable Gate Arrays (FPGA)	100%
Radio Frequency Front End (RFFE)	>90%
x86 processors	100%
Mobile operating system	>99%

Source: Bloomberg Intelligence, UBS

Roughly 15% of Huawei’s component purchases in 2018 – around USD 11bn in total – were sourced from US makers like Micron and Qualcomm, according to Reuters. We estimate US suppliers hold dominant market shares of between 90% to 100% (see Table 1) in a number of components critical to the manufacture of telecom and networking gear.

China has its own leverage on the global supply chain, with a controlling share of at least 80% of processed rare earth minerals. President Xi Jinping and his top trade negotiator signaled as much with an official site visit to a domestic rare earth producer. This sent stocks of Chinese rare earth companies soaring in anticipation of tighter supply ahead. Any restrictions on rare earth exports from China would negatively impact the production of high tech goods, such as wind turbines, robotics, and electric vehicles.

The Huawei issue puts other nations on notice that staying neutral may not be an option.

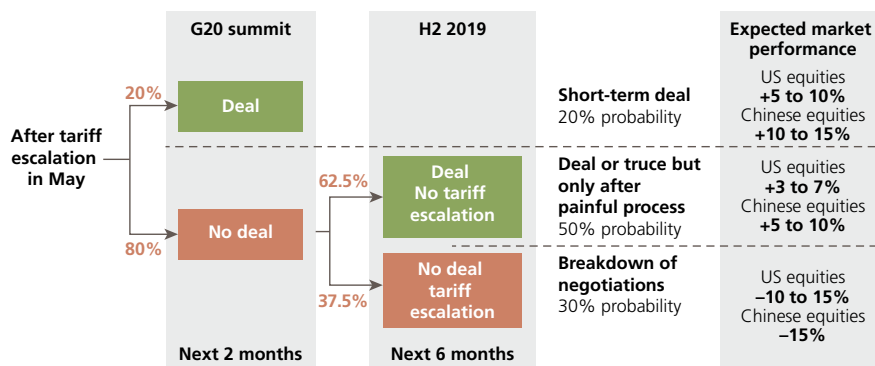
The Huawei issue puts other nations on notice that remaining neutral may not be an option in this conflict, and they may face difficult choices between supporting the US or China.

### Getting to a deal and the path from there

The two sides can still strike a deal. To get there, Beijing probably needs to drop its demand that the US removes all tariffs at once, and Washington likely needs to reduce its proposed checks on China’s technological ambitions and downsize its demands for Chinese imports of US agricultural and energy products. None of this is insurmountable, and Presidents Xi and Trump could choose to announce a mutually “huge” deal at their G20 meeting in June, which in reality would be limited to reducing the trade imbalance.

Figure 3

### Scenario tree for US-China negotiations



Note: Expected market performance represents expected total returns over a 6-month horizon  
Source: UBS, as of May 2019

But we see only a 20% chance of this positive outcome (see Fig. 3). After the recent tariff escalation and the subsequent public statements by both leaders, a significant retreat from either on their trade objectives could expose the two presidents to domestic criticism.

Our base case is that at the G20 summit in June, Trump and Xi will only agree to ongoing negotiations.

Our base case (with a 50% probability) is that, at the June summit, Trump and Xi will only agree to ongoing negotiations. At this point, we think the US will keep its options open and conclude the administrative process to apply tariffs on the remaining USD 300bn of Chinese imports it doesn’t already tax, but refrain from implementing them while negotiations are taking place. A deal could then be reached later in the year if both sides are willing to compromise. We would expect volatility to remain high on the bumpy path to an eventual deal, and the market is likely to react nervously to any trade-related news.

Read more on our scenario analysis and its investment implications in our latest *Global risk radar* report, "[All the president's threats.](#)"

### Asset allocation

With neither side in a hurry to reach a deal, it looks more likely than not that we are in for a period of sustained uncertainty. Against this backdrop, we have reduced risk in our tactical asset allocation over the past month, and are seeking returns in areas where we can be more confident. For example, with economic uncertainty weighing on corporate investment, it now looks more likely that inflation stays muted, central banks accommodative, and global growth near or below trend.

With this in mind, we made the following changes to our tactical asset allocation in our [9 May ad hoc report](#):

We closed our overweight in emerging market dollar-denominated sovereign debt vs. US government bonds.

**We closed our overweight in emerging market dollar-denominated sovereign debt vs. US government bonds.** The effect of the rise in US-China trade tensions has been particularly acute for emerging markets (EM) assets, which are the most sensitive to the global cycle. While EM sovereign bonds offer a yield pick-up of about 350 basis points (bps) over US Treasuries, the spreads also didn't rise much as trade tensions escalated, despite the increased risks to global growth. Consequently, we closed this position because we think other positions offer a better risk-reward trade-off.

In our FX strategy, we added an underweight in the Australian dollar relative to the US dollar.

**In our FX strategy, we added an underweight in the Australian dollar relative to the US dollar.** The Australian dollar is a cyclical currency that tends to suffer when risk aversion rises. Australia is heavily exposed to Chinese trade flows, and the Reserve Bank of Australia has said it is considering a rate cut in June. We expect the central bank to cut the cash rate by 25bps in July and August, contingent on deterioration in the labor market. This could mean that while the currency can be expected to depreciate in a risk-off scenario, it also may not appreciate significantly in a risk-on scenario, making it an attractive portfolio underweight at this time.

We have also now opened the following position:

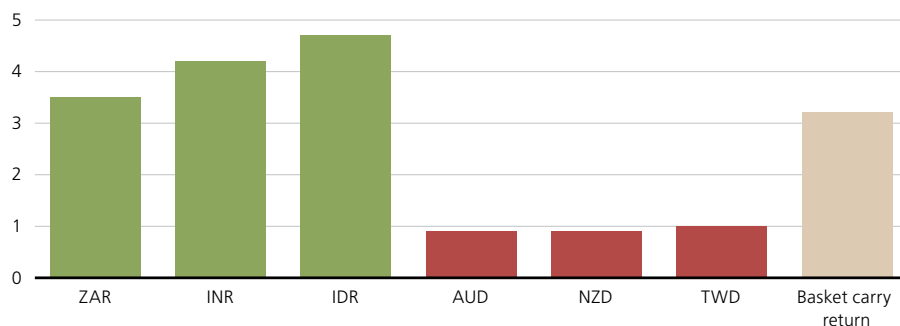
In our FX strategy, we overweight a basket of equally weighted high-yielding emerging market currencies.

**In our FX strategy, we overweight a basket of equally weighted high-yielding emerging market currencies (Indonesian rupiah, Indian rupee, South African rand) against a basket of developed markets (DM) and EM currencies (Australian, New Zealand, and Taiwan dollars).** We see an opportunity to pick up selected high-yielding EM currencies that are currently trading near the year's lows. We think these currencies should benefit from a favorable carry environment, offered by the more neutral outlook for global monetary policy as well as steady global and EM economic activity. We prefer a selection of individual emerging market currencies over more diversified indices of such currencies given idiosyncratic risks facing certain countries. Our selection of currencies in the short basket is designed to mitigate the risk a further escalation of global trade tensions would represent for long positions in high-carry EM currencies.

Figure 4

### Our EM vs. DM currency basket offers an attractive carry

Expected carry returns over 6 months (long currency positions in green, short positions in red), in %



Note: Expected carry returns are based on forward implied yields, representing 30-day averages.

Source: UBS, as of May 21, 2019

We also maintain several open positions to best manage risk and seek opportunity in this environment:

We overweight emerging market and Japanese equities vs. US government bonds.

**We overweight emerging market and Japanese equities vs. US government bonds.** We believe EMs and Japan are set to play catch-up, having been the weakest equity markets so far in 2019. Since the start of the year, Japanese and EM stocks are both up about 3%, compared to nearly 12% for global equities and almost 14% for the S&P 500. The rising trade tensions between the US and China have had a more adverse effect so far on EM and Japan. Uncertainty about the impact of trade negotiations on global growth is likely to weigh on sentiment in the near term. But assuming the risk scenarios we are monitoring do not materialize, we believe EM and Japanese equities offer the best upside. Both are heavily geared to the global cycle and improvements in China's growth, and we don't think either have priced in a macro recovery with valuations in EM particularly attractive, whereas US equities have priced in the recent improvement in economic data.

We maintain our overweight to long-duration Treasuries vs. cash.

**We maintain our overweight to long-duration Treasuries vs. cash.** Treasury yields fell in the aftermath of US-China trade tensions escalating, on fears that US and global growth could slow even more. With US inflation continuing to fall and the core PCE index, the Fed's preferred inflation gauge, dropping to 1.55% for March and unlikely to reach 2% before year-end, we don't expect the Fed to raise rates until at least early 2020. Meanwhile, the cyclical up-tick in growth that looked likely last month is at risk of fading. An overweight to long-duration Treasuries provides some portfolio protection against equity volatility and growth slowdown risk as trade uncertainty weighs on the economy.

Within international developed equities, we overweight Canadian equities vs. Swiss stocks.

**Within international developed equities, we overweight Canadian equities vs. Swiss stocks.** We believe Swiss equity valuations are relatively unattractive. At a 12-month trailing price-to-earnings of 18.1x, they are above both their 10-year and 20-year averages and are the most expensive market in our universe, trading at a 15% premium to global equities on a P/E basis. We expect Canadian equities to outperform due to a stronger economic environment in North America than in Europe. In their own right, Canadian equity valuations

In our FX strategy, we overweight the euro vs. the Swiss franc.

In our FX strategy, we overweight the Norwegian krone vs. the Swiss franc and Canadian dollar.

remain attractive with a trailing P/E of 14.8x, 15% below the 20-year average. Firm oil prices—we expect Brent to trade at USD 75/bbl on a six-month view—should also continue to support energy earnings.

**In our FX strategy, we overweight the euro vs. the Swiss franc.** The Eurozone's soft patch has lasted longer than expected, but we see a revival in European growth in the second half of the year. The ECB also looks set to normalize policy by shrinking its balance sheet. These factors should benefit the euro vs. the Swiss franc, and we think fair value based on purchasing power parity is CHF 1.20 per euro vs. 1.13 currently. Weakness in the Swiss franc looks set to continue over the medium term, as the Swiss National Bank is still waiting for the ECB to raise rates, which we think is only likely in the first quarter of 2020. Over the near term, the Swiss franc could benefit from safe-haven flows should US-China trade tensions escalate further, but our base case is for an eventual agreement and a reduction in political uncertainty.

**In our FX strategy, we overweight the Norwegian krone vs. the Swiss franc and Canadian dollar.** With Norwegian inflation edging up and oil prices staying strong, we expect the Norges Bank to remain relatively hawkish after indicating another rate increase in June. This stands in contrast to the Eurozone, where inflation is easing, and we believe the Swiss National Bank will only increase interest rates after the ECB. We are also cautious on the outlook for the Canadian dollar, given the continued weakness of the nation's housing market and the weak inflation backdrop in North America. We expect the Bank of Canada to keep rates on hold.



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## UBS Investor Forum **Insights**

At this month's UBS Investor Forum, we asked outside experts to consider the US-China trade dispute and how it is impacting markets.

- Participants generally agree that the dispute is likely to drag on for a long time even if deals are reached in the short-term, given bi-partisan support in the US for taking a tough line on China and the deep concerns about Chinese technological capabilities.
- One participant noted that the damage done to global capex from tariffs was multiple times higher than the direct damage from import levies last year.
- A number of participants stressed the increasingly challenging global environment given high levels of uncertainty. However, there was disagreement on whether now was the right time to be hedging equity exposures.



# Focus on visibility



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Since the trade talks between the US and China hit a speed bump in early May, markets seem to be fixated on every twist and turn (and tweet) in the negotiating process, which can send one's head spinning. As Mark Haefele discusses in this month's CIO letter, we believe both sides ultimately will find common ground, even though there may be periods of uncertainty ahead. As a result, we think it's important to keep the bigger picture in perspective—that economic and corporate fundamentals remain favorable—but, at the same time, tilt portfolios to try to reduce risks related to trade uncertainty. We therefore shift out of tech and into communications services in our US equity sector strategy.

## **Bull market remains intact**

Despite the fact that this expansion has been long, there is scant evidence it is in danger of ending any time soon. For example, leading indicators remain supportive. Businesses and consumers have relatively easy access to capital, business confidence is supportive, and the job market is very healthy with new claims for unemployment insurance near 50-year lows.

These favorable conditions look poised to persist. Importantly, inflation is tame, which means that the Fed should be under no pressure to resume its rate hiking campaign. So access to capital should remain fairly easy. This is an important change from the fourth quarter, when investors feared the Fed was going to continue raising interest rates, potentially sparking a recession.

So even though underlying economic growth has slowed—largely due to the waning effects of the tax cuts and higher government spending from last year—

corporate profit growth should be resilient. Based on 1Q earnings results, we believe this thesis is playing out. Earnings growth has decelerated—to 2.5% in the first quarter—but it looks like the worst of the slowdown is behind us. Earnings revisions have turned positive and guidance was fairly constructive. Bottom-up forward earnings estimates have now hit another all-time high, reversing the weakness in the first quarter (Fig. 1). With equity market valuations undemanding—the S&P 500 is trading at a forward P/E of 16.4x—continued earnings growth can drive equity markets higher.

## **Tech is exposed to trade risks**

Still, the uncertainty around trade could linger. Even though it is not our base case, we believe it is prudent to shift away from sectors that have the most to lose if trade frictions escalate further. As a result we downgrade the information technology sector from moderate overweight to neutral and upgrade the communications services sector from neutral to moderate overweight.

While software companies within the tech sector look poised to continue to benefit from solid business spending, trends are more mixed for semiconductors and smartphones. Semiconductors are contending with elevated inventory levels and smartphone demand has been sluggish, largely due to the maturity of this product. If trade frictions escalate, smartphones could be in the crosshairs, with potential knock-on negative effects for semiconductor manufacturers. Furthermore, the sector has been the top performer this year, which has helped drive relative valuations near recent highs. As a result, we reduce our exposure.

### Seek secular growth without trade uncertainty

The recently reconstituted communications services sector is exposed to similar secular growth drivers that can be found in the tech sector, but without some of the trade-related risks.

To reflect the evolution in the communications landscape over the last several years, last fall Standard & Poor’s reshuffled its sector definitions to combine all communications and advertising-supported businesses into one sector. As a result, the new communications sector now includes the Internet giants Alphabet and Facebook, media heavyweights Disney and Comcast as well as traditional telcos AT&T and Verizon.

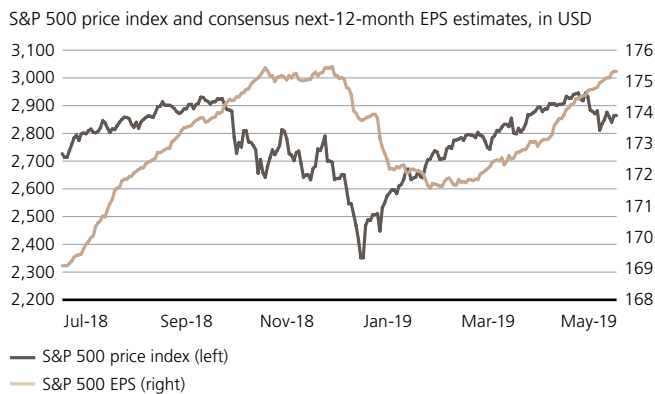
Internet services comprise about half of the sector and should continue to benefit as advertising dollars shift from traditional media outlets to digital platforms. While concerns about adverse regulation have been an overhang on this segment, we believe likely regulatory changes will not materially impact most Internet business models. Furthermore, the dominant players are making huge investments in nascent technologies such as autonomous vehicles and artificial intelligence that have the potential for large payoffs down the road.

Within media, the old axiom that content is king remains as true as ever. Some of the leading legacy media companies with world-class content and massive libraries are finally shifting more aggressively to direct-to-consumer business models that should sustain growth for many years to come. Robust broadband connections will continue to be needed to deliver this content, which puts a premium on the cable companies’ best-in-class infrastructure.

Rounding out the sector, at a 20% weight, are the telecom companies. Their high dividend yields offer downside protection if the market experiences a bout of volatility, with upside potential if wireless industry consolidation gets a green light from regulators.

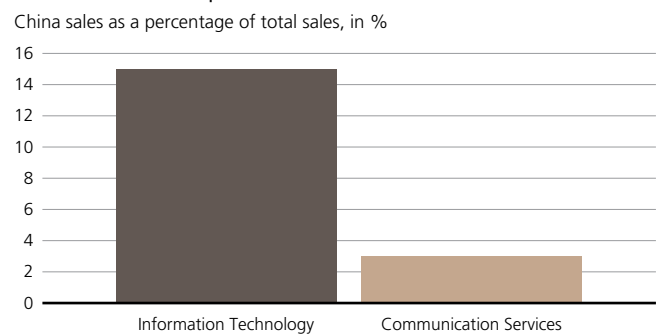
So while we continue to believe the bull market remains intact and that secular growth companies are well-positioned during this late stage of the business cycle, we prefer to reduce exposure to segments of the market that have more downside risk related to trade uncertainty.

Figure 1  
Forward earnings expectations (and stocks) are back near all-time highs



Source: FactSet, UBS, as of 22 May 2019

Figure 2  
Tech is more exposed to US-China trade tensions



Source: FactSet, UBS, as of 22 May 2019

# Taxable investor

with non-traditional assets

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Directional change</b>	All figures in %																			
<b>Cash</b>	5.0	-1.0		4.0	5.0	-1.5		3.5	5.0	-2.0		3.0	5.0	-2.0		3.0	5.0	-2.0		3.0
<b>Fixed Income</b>	69.0	+0.0		69.0	50.0	+0.0		50.0	33.0	+0.0		33.0	17.0	+0.0		17.0	5.0	+0.0		5.0
<b>US Fixed Income</b>	67.0	+0.0		67.0	48.0	+0.0		48.0	31.0	+0.0		31.0	15.0	+0.0		15.0	5.0	+0.0		5.0
US Gov't FI	17.0	-1.0		16.0	2.0	-1.5		0.5	2.0	-2.0		0.0	2.0	-2.0		0.0	2.0	-2.0		0.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	46.0	+0.0		46.0	42.0	+0.0		42.0	27.0	+0.0		27.0	11.0	+0.0		11.0	3.0	+0.0		3.0
US IG Corp FI	4.0	+0.0		4.0	2.0	+0.0		2.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US HY Corp FI	0.0	+0.0		0.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
<b>Int'l Fixed Income</b>	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	13.0	+1.0		14.0	27.0	+1.5		28.5	44.0	+2.0		46.0	64.0	+2.0		66.0	85.0	+2.0		87.0
<b>US Equity</b>	8.0	+0.0		8.0	16.0	+0.0		16.0	25.0	+0.0		25.0	37.0	+0.0		37.0	46.0	+0.0		46.0
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	2.5	+0.0		2.5	5.5	+0.0		5.5	8.5	+0.0		8.5	13.0	+0.0		13.0	16.0	+0.0		16.0
US Large cap Value	2.5	+0.0		2.5	5.5	+0.0		5.5	8.5	+0.0		8.5	13.0	+0.0		13.0	16.0	+0.0		16.0
US Mid cap	2.0	+0.0		2.0	3.0	+0.0		3.0	5.0	+0.0		5.0	7.0	+0.0		7.0	9.0	+0.0		9.0
US Small cap	1.0	+0.0		1.0	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0	5.0	+0.0		5.0
<b>International Equity</b>	5.0	+1.0		6.0	11.0	+1.5		12.5	19.0	+2.0		21.0	27.0	+2.0		29.0	39.0	+2.0		41.0
Int'l Developed Markets	5.0	+0.0		5.0	8.0	+0.0		8.0	13.0	+0.0		13.0	19.0	+0.0		19.0	28.0	+0.0		28.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	3.0	+0.5		3.5	6.0	+1.0		7.0	8.0	+1.0		9.0	11.0	+1.0		12.0
<b>Non-traditional</b>	13.0	+0.0		13.0	18.0	+0.0		18.0	18.0	+0.0		18.0	14.0	+0.0		14.0	5.0	+0.0		5.0
Hedge Funds	13.0	+0.0		13.0	18.0	+0.0		18.0	18.0	+0.0		18.0	14.0	+0.0		14.0	5.0	+0.0		5.0
Private Equity	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Private Real Estate	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*  
<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.  
<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.  
 Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Taxable investor

without non-traditional assets

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
All figures in %																				
<b>Directional change</b>																				
<b>Cash</b>	5.0	-1.0		4.0	5.0	-1.5		3.5	5.0	-2.0		3.0	5.0	-2.0		3.0	5.0	-2.0		3.0
<b>Fixed Income</b>	79.0	+0.0		79.0	63.0	+0.0		63.0	46.0	+0.0		46.0	27.0	+0.0		27.0	10.0	+0.0		10.0
<b>US Fixed Income</b>	77.0	+0.0		77.0	61.0	+0.0		61.0	44.0	+0.0		44.0	25.0	+0.0		25.0	10.0	+0.0		10.0
US Gov't FI	17.0	-1.0		16.0	2.0	-1.5		0.5	2.0	-2.0		0.0	2.0	-2.0		0.0	5.0	-2.0		3.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	56.0	+0.0		56.0	55.0	+0.0		55.0	40.0	+0.0		40.0	21.0	+0.0		21.0	5.0	+0.0		5.0
US IG Corp FI	4.0	+0.0		4.0	2.0	+0.0		2.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US HY Corp FI	0.0	+0.0		0.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
<b>Int'l Fixed Income</b>	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	16.0	+1.0		17.0	32.0	+1.5		33.5	49.0	+2.0		51.0	68.0	+2.0		70.0	85.0	+2.0		87.0
<b>US Equity</b>	10.0	+0.0		10.0	20.0	+0.0		20.0	28.0	+0.0		28.0	40.0	+0.0		40.0	46.0	+0.0		46.0
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	3.5	+0.0		3.5	7.0	+0.0		7.0	10.0	+0.0		10.0	14.0	+0.0		14.0	16.0	+0.0		16.0
US Large cap Value	3.5	+0.0		3.5	7.0	+0.0		7.0	10.0	+0.0		10.0	14.0	+0.0		14.0	16.0	+0.0		16.0
US Mid cap	2.0	+0.0		2.0	4.0	+0.0		4.0	5.0	+0.0		5.0	8.0	+0.0		8.0	9.0	+0.0		9.0
US Small cap	1.0	+0.0		1.0	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0	5.0	+0.0		5.0
<b>International Equity</b>	6.0	+1.0		7.0	12.0	+1.5		13.5	21.0	+2.0		23.0	28.0	+2.0		30.0	39.0	+2.0		41.0
Int'l Developed Markets	6.0	+0.0		6.0	9.0	+0.0		9.0	15.0	+0.0		15.0	20.0	+0.0		20.0	28.0	+0.0		28.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	3.0	+0.5		3.5	6.0	+1.0		7.0	8.0	+1.0		9.0	11.0	+1.0		12.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Taxable investor

yield-focused

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Directional change</b>	All figures in %																			
<b>Cash</b>	3.0	-1.0		2.0	3.0	-1.0		2.0	3.0	-1.0		2.0	3.0	-1.0		2.0	3.0	-1.0		2.0
<b>Fixed Income</b>	65.0	+0.0		65.0	56.0	-0.5		55.5	43.0	-1.0		42.0	30.0	-1.0		29.0	12.0	-1.0		11.0
<b>US Fixed Income</b>	61.0	+0.0		61.0	48.0	-0.5		47.5	32.0	-1.0		31.0	22.0	-1.0		21.0	10.0	-1.0		9.0
US Gov't FI	25.0	-1.0		24.0	15.0	-2.0		13.0	6.0	-3.0		3.0	3.0	-3.0		0.0	3.0	-3.0		0.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	23.0	+0.0		23.0	14.0	+0.0		14.0	6.0	+0.0		6.0	3.0	+0.0		3.0	3.0	+0.0		3.0
US IG Corp FI	4.0	+0.0		4.0	4.0	+0.0		4.0	4.0	+0.0		4.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US HY Corp FI	9.0	+0.0		9.0	15.0	+0.0		15.0	16.0	+0.0		16.0	16.0	+0.0		16.0	4.0	+0.0		4.0
<b>Int'l Fixed Income</b>	4.0	+0.0		4.0	8.0	+0.0		8.0	11.0	+0.0		11.0	8.0	+0.0		8.0	2.0	+0.0		2.0
EM FI - Local Currency	0.0	+0.0		0.0	3.0	+0.0		3.0	6.0	+0.0		6.0	6.0	+0.0		6.0	2.0	+0.0		2.0
EM FI - Hard Currency	4.0	+0.0		4.0	5.0	+0.0		5.0	5.0	+0.0		5.0	2.0	+0.0		2.0	0.0	+0.0		0.0
<b>Equity</b>	12.0	+1.0		13.0	21.0	+1.5		22.5	34.0	+2.0		36.0	47.0	+2.0		49.0	62.0	+2.0		64.0
<b>US Equity</b>	6.0	+0.0		6.0	11.0	+0.0		11.0	16.0	+0.0		16.0	21.0	+0.0		21.0	24.0	+0.0		24.0
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0	6.0	+0.0		6.0	6.0	+0.0		6.0
US Large cap Value	4.0	+0.0		4.0	8.0	+0.0		8.0	12.0	+0.0		12.0	15.0	+0.0		15.0	18.0	+0.0		18.0
<b>International Equity</b>	6.0	+1.0		7.0	10.0	+1.5		11.5	18.0	+2.0		20.0	26.0	+2.0		28.0	38.0	+2.0		40.0
Int'l Developed Value	6.0	+0.0		6.0	10.0	+0.0		10.0	15.0	+0.0		15.0	21.0	+0.0		21.0	29.0	+0.0		29.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	0.0	+0.5		0.5	3.0	+1.0		4.0	5.0	+1.0		6.0	9.0	+1.0		10.0
<b>Yield Assets</b>	20.0	+0.0		20.0	20.0	+0.0		20.0	20.0	+0.0		20.0	20.0	+0.0		20.0	23.0	+0.0		23.0
Senior Loans	6.0	+0.0		6.0	4.0	+0.0		4.0	2.0	+0.0		2.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Preferreds	10.0	+0.0		10.0	7.0	+0.0		7.0	7.0	+0.0		7.0	5.0	+0.0		5.0	2.0	+0.0		2.0
MLPs	4.0	+0.0		4.0	7.0	+0.0		7.0	9.0	+0.0		9.0	12.0	+0.0		12.0	16.0	+0.0		16.0
US Real Estate	0.0	+0.0		0.0	2.0	+0.0		2.0	2.0	+0.0		2.0	3.0	+0.0		3.0	5.0	+0.0		5.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Taxable investor

sustainable investment

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Directional change</b>	All figures in %																			
<b>Cash</b>	<b>5.0</b>	<b>-1.0</b>		<b>4.0</b>	<b>5.0</b>	<b>-1.5</b>		<b>3.5</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>
<b>Fixed Income</b>	<b>79.0</b>	<b>+0.0</b>		<b>79.0</b>	<b>57.0</b>	<b>+0.0</b>		<b>57.0</b>	<b>41.0</b>	<b>+0.0</b>		<b>41.0</b>	<b>22.0</b>	<b>+0.0</b>		<b>22.0</b>	<b>10.0</b>	<b>+0.0</b>		<b>10.0</b>
MDB Bonds	25.0	+0.0		25.0	10.0	+0.0		10.0	10.0	+0.0		10.0	8.0	+0.0		8.0	5.0	+0.0		5.0
Sustainable munis	40.0	+0.0		40.0	31.0	+0.0		31.0	21.0	+0.0		21.0	9.0	+0.0		9.0	5.0	+0.0		5.0
Green bonds	4.0	+1.5		5.5	6.0	+2.5		8.5	4.0	+3.0		7.0	2.0	+3.0		5.0	0.0	+3.0		3.0
ESG corporate bonds	10.0	-1.5		8.5	10.0	-2.5		7.5	6.0	-3.0		3.0	3.0	-3.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	<b>16.0</b>	<b>+1.0</b>		<b>17.0</b>	<b>38.0</b>	<b>+1.5</b>		<b>39.5</b>	<b>54.0</b>	<b>+2.0</b>		<b>56.0</b>	<b>73.0</b>	<b>+2.0</b>		<b>75.0</b>	<b>85.0</b>	<b>+2.0</b>		<b>87.0</b>
ESG thematic equities	6.0	+0.0		6.0	12.0	+0.0		12.0	18.0	+0.0		18.0	23.0	+0.0		23.0	24.0	+0.0		24.0
ESG leaders equities (US)	5.0	+0.0		5.0	8.0	+0.0		8.0	11.0	+0.0		11.0	15.0	+0.0		15.0	19.0	+0.0		19.0
ESG leaders equities (ex-US)	5.0	+1.0		6.0	6.0	+1.5		7.5	9.0	+2.0		11.0	14.0	+2.0		16.0	17.0	+2.0		19.0
ESG improvers equities	0.0	+0.0		0.0	4.0	+0.0		4.0	6.0	+0.0		6.0	8.0	+0.0		8.0	9.0	+0.0		9.0
ESG engagement equities	0.0	+0.0		0.0	8.0	+0.0		8.0	10.0	+0.0		10.0	13.0	+0.0		13.0	16.0	+0.0		16.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

For more information on the sustainable investment asset allocation tables, read the CIO publication: *Sustainable Investing Portfolios: Investing for returns and for good*, or the Wealth Management US Asset Allocation Committee report: *Introducing the House View Sustainable Investing Strategic Asset Allocations*.

# Non-taxable investor

with non-traditional assets

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
Directional change	All figures in %																			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Cash</b>	<b>5.0</b>	<b>-1.0</b>		<b>4.0</b>	<b>5.0</b>	<b>-1.5</b>		<b>3.5</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>
<b>Fixed Income</b>	<b>69.0</b>	<b>+0.0</b>		<b>69.0</b>	<b>50.0</b>	<b>+0.0</b>		<b>50.0</b>	<b>33.0</b>	<b>+0.0</b>		<b>33.0</b>	<b>17.0</b>	<b>+0.0</b>		<b>17.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>
<b>US Fixed Income</b>	<b>64.0</b>	<b>+0.0</b>		<b>64.0</b>	<b>45.0</b>	<b>+0.0</b>		<b>45.0</b>	<b>29.0</b>	<b>+0.0</b>		<b>29.0</b>	<b>14.0</b>	<b>+0.0</b>		<b>14.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>
US Gov't FI	35.0	-1.0		34.0	25.0	-1.5		23.5	16.0	-2.0		14.0	7.0	-2.0		5.0	5.0	-2.0		3.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US IG Corp FI	24.0	+0.0		24.0	15.0	+0.0		15.0	8.0	+0.0		8.0	2.0	+0.0		2.0	0.0	+0.0		0.0
US HY Corp FI	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0	0.0	+0.0		0.0
<b>Int'l Fixed Income</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>	<b>4.0</b>	<b>+0.0</b>		<b>4.0</b>	<b>3.0</b>	<b>+0.0</b>		<b>3.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	5.0	+0.0		5.0	5.0	+0.0		5.0	4.0	+0.0		4.0	3.0	+0.0		3.0	0.0	+0.0		0.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	<b>10.0</b>	<b>+1.0</b>		<b>11.0</b>	<b>25.0</b>	<b>+1.5</b>		<b>26.5</b>	<b>42.0</b>	<b>+2.0</b>		<b>44.0</b>	<b>62.0</b>	<b>+2.0</b>		<b>64.0</b>	<b>85.0</b>	<b>+2.0</b>		<b>87.0</b>
<b>US Equity</b>	<b>6.0</b>	<b>+0.0</b>		<b>6.0</b>	<b>14.0</b>	<b>+0.0</b>		<b>14.0</b>	<b>22.0</b>	<b>+0.0</b>		<b>22.0</b>	<b>33.0</b>	<b>+0.0</b>		<b>33.0</b>	<b>45.0</b>	<b>+0.0</b>		<b>45.0</b>
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	2.0	+0.0		2.0	5.0	+0.0		5.0	8.0	+0.0		8.0	12.0	+0.0		12.0	16.0	+0.0		16.0
US Large cap Value	2.0	+0.0		2.0	5.0	+0.0		5.0	8.0	+0.0		8.0	12.0	+0.0		12.0	16.0	+0.0		16.0
US Mid cap	1.0	+0.0		1.0	3.0	+0.0		3.0	4.0	+0.0		4.0	6.0	+0.0		6.0	8.0	+0.0		8.0
US Small cap	1.0	+0.0		1.0	1.0	+0.0		1.0	2.0	+0.0		2.0	3.0	+0.0		3.0	5.0	+0.0		5.0
<b>International Equity</b>	<b>4.0</b>	<b>+1.0</b>		<b>5.0</b>	<b>11.0</b>	<b>+1.5</b>		<b>12.5</b>	<b>20.0</b>	<b>+2.0</b>		<b>22.0</b>	<b>29.0</b>	<b>+2.0</b>		<b>31.0</b>	<b>40.0</b>	<b>+2.0</b>		<b>42.0</b>
Int'l Developed Markets	4.0	+0.0		4.0	8.0	+0.0		8.0	14.0	+0.0		14.0	21.0	+0.0		21.0	29.0	+0.0		29.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	3.0	+0.5		3.5	6.0	+1.0		7.0	8.0	+1.0		9.0	11.0	+1.0		12.0
<b>Non-traditional</b>	<b>16.0</b>	<b>+0.0</b>		<b>16.0</b>	<b>20.0</b>	<b>+0.0</b>		<b>20.0</b>	<b>20.0</b>	<b>+0.0</b>		<b>20.0</b>	<b>16.0</b>	<b>+0.0</b>		<b>16.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>
Hedge Funds	16.0	+0.0		16.0	20.0	+0.0		20.0	20.0	+0.0		20.0	16.0	+0.0		16.0	5.0	+0.0		5.0
Private Equity	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Private Real Estate	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Non-taxable investor

without non-traditional assets

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
All figures in %																				
<b>Directional change</b>																				
<b>Cash</b>	<b>5.0</b>	<b>-1.0</b>		<b>4.0</b>	<b>5.0</b>	<b>-1.5</b>		<b>3.5</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>
<b>Fixed Income</b>	<b>79.0</b>	<b>+0.0</b>		<b>79.0</b>	<b>63.0</b>	<b>+0.0</b>		<b>63.0</b>	<b>46.0</b>	<b>+0.0</b>		<b>46.0</b>	<b>27.0</b>	<b>+0.0</b>		<b>27.0</b>	<b>10.0</b>	<b>+0.0</b>		<b>10.0</b>
<b>US Fixed Income</b>	<b>74.0</b>	<b>+0.0</b>		<b>74.0</b>	<b>58.0</b>	<b>+0.0</b>		<b>58.0</b>	<b>42.0</b>	<b>+0.0</b>		<b>42.0</b>	<b>24.0</b>	<b>+0.0</b>		<b>24.0</b>	<b>10.0</b>	<b>+0.0</b>		<b>10.0</b>
US Gov't FI	35.0	-1.0		34.0	25.0	-1.5		23.5	16.0	-2.0		14.0	7.0	-2.0		5.0	5.0	-2.0		3.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US IG Corp FI	34.0	+0.0		34.0	28.0	+0.0		28.0	21.0	+0.0		21.0	12.0	+0.0		12.0	5.0	+0.0		5.0
US HY Corp FI	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0	0.0	+0.0		0.0
<b>Int'l Fixed Income</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>	<b>4.0</b>	<b>+0.0</b>		<b>4.0</b>	<b>3.0</b>	<b>+0.0</b>		<b>3.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	5.0	+0.0		5.0	5.0	+0.0		5.0	4.0	+0.0		4.0	3.0	+0.0		3.0	0.0	+0.0		0.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	<b>16.0</b>	<b>+1.0</b>		<b>17.0</b>	<b>32.0</b>	<b>+1.5</b>		<b>33.5</b>	<b>49.0</b>	<b>+2.0</b>		<b>51.0</b>	<b>68.0</b>	<b>+2.0</b>		<b>70.0</b>	<b>85.0</b>	<b>+2.0</b>		<b>87.0</b>
<b>US Equity</b>	<b>10.0</b>	<b>+0.0</b>		<b>10.0</b>	<b>18.0</b>	<b>+0.0</b>		<b>18.0</b>	<b>26.0</b>	<b>+0.0</b>		<b>26.0</b>	<b>35.0</b>	<b>+0.0</b>		<b>35.0</b>	<b>45.0</b>	<b>+0.0</b>		<b>45.0</b>
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	3.5	+0.0		3.5	6.5	+0.0		6.5	9.0	+0.0		9.0	12.0	+0.0		12.0	16.0	+0.0		16.0
US Large cap Value	3.5	+0.0		3.5	6.5	+0.0		6.5	9.0	+0.0		9.0	12.0	+0.0		12.0	16.0	+0.0		16.0
US Mid cap	2.0	+0.0		2.0	3.0	+0.0		3.0	5.0	+0.0		5.0	7.0	+0.0		7.0	8.0	+0.0		8.0
US Small cap	1.0	+0.0		1.0	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0	5.0	+0.0		5.0
<b>International Equity</b>	<b>6.0</b>	<b>+1.0</b>		<b>7.0</b>	<b>14.0</b>	<b>+1.5</b>		<b>15.5</b>	<b>23.0</b>	<b>+2.0</b>		<b>25.0</b>	<b>33.0</b>	<b>+2.0</b>		<b>35.0</b>	<b>40.0</b>	<b>+2.0</b>		<b>42.0</b>
Int'l Developed Markets	6.0	+0.0		6.0	10.0	+0.0		10.0	17.0	+0.0		17.0	24.0	+0.0		24.0	29.0	+0.0		29.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	4.0	+0.5		4.5	6.0	+1.0		7.0	9.0	+1.0		10.0	11.0	+1.0		12.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.



# Non-taxable investor

yield-focused

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Directional change</b>	All figures in %																			
<b>Cash</b>	3.0	-1.0		2.0	3.0	-1.0		2.0	3.0	-1.0		2.0	3.0	-1.0		2.0	3.0	-1.0		2.0
<b>Fixed Income</b>	65.0	+0.0		65.0	56.0	-0.5		55.5	43.0	-1.0		42.0	30.0	-1.0		29.0	12.0	-1.0		11.0
<b>US Fixed Income</b>	60.0	+0.0		60.0	46.0	-0.5		45.5	32.0	-1.0		31.0	22.0	-1.0		21.0	10.0	-1.0		9.0
US Gov't FI	30.0	-1.0		29.0	16.0	-2.0		14.0	10.0	-3.0		7.0	5.0	-3.0		2.0	5.0	-3.0		2.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US IG Corp FI	18.0	+0.0		18.0	16.0	+0.0		16.0	6.0	+0.0		6.0	2.0	+0.0		2.0	0.0	+0.0		0.0
US HY Corp FI	12.0	+0.0		12.0	14.0	+0.0		14.0	16.0	+0.0		16.0	15.0	+0.0		15.0	5.0	+0.0		5.0
<b>Int'l Fixed Income</b>	5.0	+0.0		5.0	10.0	+0.0		10.0	11.0	+0.0		11.0	8.0	+0.0		8.0	2.0	+0.0		2.0
EM FI - Local Currency	2.0	+0.0		2.0	5.0	+0.0		5.0	6.0	+0.0		6.0	6.0	+0.0		6.0	2.0	+0.0		2.0
EM FI - Hard Currency	3.0	+0.0		3.0	5.0	+0.0		5.0	5.0	+0.0		5.0	2.0	+0.0		2.0	0.0	+0.0		0.0
<b>Equity</b>	12.0	+1.0		13.0	21.0	+1.5		22.5	34.0	+2.0		36.0	47.0	+2.0		49.0	62.0	+2.0		64.0
<b>US Equity</b>	6.0	+0.0		6.0	10.0	+0.0		10.0	15.0	+0.0		15.0	19.0	+0.0		19.0	24.0	+0.0		24.0
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0	5.0	+0.0		5.0	6.0	+0.0		6.0
US Large cap Value	4.0	+0.0		4.0	7.0	+0.0		7.0	11.0	+0.0		11.0	14.0	+0.0		14.0	18.0	+0.0		18.0
<b>International Equity</b>	6.0	+1.0		7.0	11.0	+1.5		12.5	19.0	+2.0		21.0	28.0	+2.0		30.0	38.0	+2.0		40.0
Int'l Developed Value	6.0	+0.0		6.0	11.0	+0.0		11.0	16.0	+0.0		16.0	22.0	+0.0		22.0	29.0	+0.0		29.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	0.0	+0.5		0.5	3.0	+1.0		4.0	6.0	+1.0		7.0	9.0	+1.0		10.0
<b>Yield Assets</b>	20.0	+0.0		20.0	20.0	+0.0		20.0	20.0	+0.0		20.0	20.0	+0.0		20.0	23.0	+0.0		23.0
Senior Loans	6.0	+0.0		6.0	4.0	+0.0		4.0	2.0	+0.0		2.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Preferreds	10.0	+0.0		10.0	7.0	+0.0		7.0	6.0	+0.0		6.0	4.0	+0.0		4.0	2.0	+0.0		2.0
MLPs	4.0	+0.0		4.0	7.0	+0.0		7.0	10.0	+0.0		10.0	13.0	+0.0		13.0	16.0	+0.0		16.0
US Real Estate	0.0	+0.0		0.0	2.0	+0.0		2.0	2.0	+0.0		2.0	3.0	+0.0		3.0	5.0	+0.0		5.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Non-taxable investor

sustainable investment

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Directional change</b>	All figures in %																			
<b>Cash</b>	<b>5.0</b>	<b>-1.0</b>		<b>4.0</b>	<b>5.0</b>	<b>-1.5</b>		<b>3.5</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>
<b>Fixed Income</b>	<b>79.0</b>	<b>+0.0</b>		<b>79.0</b>	<b>57.0</b>	<b>+0.0</b>		<b>57.0</b>	<b>41.0</b>	<b>+0.0</b>		<b>41.0</b>	<b>22.0</b>	<b>+0.0</b>		<b>22.0</b>	<b>10.0</b>	<b>+0.0</b>		<b>10.0</b>
MDB Bonds	40.0	+0.0		40.0	21.0	+0.0		21.0	13.0	+0.0		13.0	8.0	+0.0		8.0	5.0	+0.0		5.0
Sustainable munis	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Green bonds	14.0	+1.5		15.5	13.0	+2.5		15.5	10.0	+3.0		13.0	6.0	+3.0		9.0	0.0	+3.0		3.0
ESG corporate bonds	25.0	-1.5		23.5	23.0	-2.5		20.5	18.0	-3.0		15.0	8.0	-3.0		5.0	5.0	-3.0		2.0
<b>Equity</b>	<b>16.0</b>	<b>+1.0</b>		<b>17.0</b>	<b>38.0</b>	<b>+1.5</b>		<b>39.5</b>	<b>54.0</b>	<b>+2.0</b>		<b>56.0</b>	<b>73.0</b>	<b>+2.0</b>		<b>75.0</b>	<b>85.0</b>	<b>+2.0</b>		<b>87.0</b>
ESG thematic equities	6.0	+0.0		6.0	12.0	+0.0		12.0	18.0	+0.0		18.0	23.0	+0.0		23.0	24.0	+0.0		24.0
ESG leaders equities (US)	5.0	+0.0		5.0	8.0	+0.0		8.0	11.0	+0.0		11.0	15.0	+0.0		15.0	19.0	+0.0		19.0
ESG leaders equities (ex-US)	5.0	+1.0		6.0	6.0	+1.5		7.5	9.0	+2.0		11.0	14.0	+2.0		16.0	17.0	+2.0		19.0
ESG improvers equities	0.0	+0.0		0.0	4.0	+0.0		4.0	6.0	+0.0		6.0	8.0	+0.0		8.0	9.0	+0.0		9.0
ESG engagement equities	0.0	+0.0		0.0	8.0	+0.0		8.0	10.0	+0.0		10.0	13.0	+0.0		13.0	16.0	+0.0		16.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

For more information on the sustainable investment asset allocation tables, read the CIO publication: *Sustainable Investing Portfolios: Investing for returns and for good*, or the Wealth Management US Asset Allocation Committee report: *Introducing the House View Sustainable Investing Strategic Asset Allocations*.

# All equity and all fixed income models

	All equity				All fixed income, taxable				All fixed income, non-taxable			
All figures in %	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Cash</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>-3.0</b>		<b>2.0</b>	<b>5.0</b>	<b>-3.0</b>		<b>2.0</b>
<b>Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>95.0</b>	<b>+3.0</b>		<b>98.0</b>	<b>95.0</b>	<b>+3.0</b>		<b>98.0</b>
<b>US Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>92.5</b>	<b>+3.0</b>		<b>95.5</b>	<b>89.0</b>	<b>+3.0</b>		<b>92.0</b>
US Gov't FI	0.0	+0.0		0.0	19.0	-1.0		18.0	33.0	-1.0		32.0
US MBS	0.0	+0.0		0.0	0.0	+0.0		0.0	9.0	+0.0		9.0
US Treasuries (long)	0.0	+0.0		0.0	0.0	+4.0		4.0	0.0	+4.0		4.0
US Municipal FI	0.0	+0.0		0.0	71.0	+0.0		71.0	0.0	+0.0		0.0
US IG Corp FI	0.0	+0.0		0.0	0.0	+0.0		0.0	41.0	+0.0		41.0
US HY Corp FI	0.0	+0.0		0.0	2.5	+0.0		2.5	6.0	+0.0		6.0
<b>Int'l Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>2.5</b>	<b>+0.0</b>		<b>2.5</b>	<b>6.0</b>	<b>+0.0</b>		<b>6.0</b>
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	0.0	+0.0		0.0	2.5	+0.0		2.5	6.0	+0.0		6.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	<b>95.0</b>	<b>+2.0</b>		<b>97.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
<b>US Equity</b>	<b>53.0</b>	<b>+0.0</b>		<b>53.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	7.0	+0.0		7.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Value	7.0	+0.0		7.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large-cap total market	23.0	+0.0		23.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Mid cap	10.0	+0.0		10.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Small cap	6.0	+0.0		6.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>International Equity</b>	<b>42.0</b>	<b>+2.0</b>		<b>44.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
Int'l Developed Markets	30.0	-2.0		28.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Japan	0.0	+3.0		3.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Emerging Markets	12.0	-2.0		10.0	0.0	+0.0		0.0	0.0	+0.0		0.0
China	0.0	+3.0		3.0	0.0	+0.0		0.0	0.0	+0.0		0.0

**Publication note**

The All Equity and All Fixed Income portfolios complement our balanced portfolios and offer more granular implementation of our House View. While we generally do not recommend that investors hold portfolios consisting of only stocks or only bonds, the All Equity and All Fixed Income portfolios can be used by investors who want to complement their existing holdings.

In the All Equity portfolio, tactical tilts will be based on the corresponding tilts to the Equity asset classes in our balanced portfolio (moderate risk profile, taxable without alternative investments). The amount of cash in the All Equity portfolio will vary one-for-one with the overall overweight/underweight on equities in the balanced portfolio, subject to a 3% maximum tilt from the 5% cash allocation. This allows us to use the cash allocation to express a tactical preference between stocks and fixed income. A special feature of the All Equity portfolio is that it includes “carveouts”: 3% allocations to our preferred sectors within US large-caps as well as our preferred countries within both international developed markets and the emerging markets. A maximum of two sectors/countries of each type may be selected for carve-outs.

The All Fixed Income portfolios include both taxable and non-taxable versions. In addition to the fixed income asset classes in the balanced portfolios, the non-taxable version incorporates an additional allocation to Mortgage Backed Securities. Tactical tilts will be based on the corresponding tilts to the Fixed Income asset classes in our balanced portfolios (moderate risk profile without alternative investments, taxable or non-taxable respectively), but only when there is a preference between the fixed income asset classes. For example, an overweight on high yield corporate bonds offset by an underweight on government bonds in the balanced portfolio would be applied to the All Fixed Income portfolios. However, an overweight on US equities versus US government bonds in the balanced portfolio would not be reflected in the All Fixed Income portfolios. Further, the tilts in the All Fixed Income portfolios will typically be scaled up to twice the size of the tilts in the balanced portfolio.

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile

<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# All equity and all income, yield-focused

	All equity				All income, taxable				All income, non-taxable			
All figures in %	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Cash</b>	<b>3.0</b>	<b>-1.0</b>		<b>2.0</b>	<b>3.0</b>	<b>-1.0</b>		<b>2.0</b>	<b>3.0</b>	<b>-1.0</b>		<b>2.0</b>
<b>Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>77.0</b>	<b>+1.0</b>		<b>78.0</b>	<b>77.0</b>	<b>+1.0</b>		<b>78.0</b>
<b>US Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>58.0</b>	<b>+1.0</b>		<b>59.0</b>	<b>58.0</b>	<b>+1.0</b>		<b>59.0</b>
US Gov't FI	0.0	+0.0		0.0	13.0	-3.0		10.0	18.0	-3.0		15.0
US MBS	0.0	+0.0		0.0	0.0	+0.0		0.0	5.0	+0.0		5.0
US Treasuries (long)	0.0	+0.0		0.0	0.0	+4.0		4.0	0.0	+4.0		4.0
US Municipal FI	0.0	+0.0		0.0	30.0	+0.0		30.0	0.0	+0.0		0.0
US IG Corp FI	0.0	+0.0		0.0	0.0	+0.0		0.0	20.0	+0.0		20.0
US HY Corp FI	0.0	+0.0		0.0	15.0	+0.0		15.0	15.0	+0.0		15.0
<b>Int'l Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>19.0</b>	<b>+0.0</b>		<b>19.0</b>	<b>19.0</b>	<b>+0.0</b>		<b>19.0</b>
EM FI - Local Currency	0.0	+0.0		0.0	10.0	+0.0		10.0	11.0	+0.0		11.0
EM FI - Hard Currency	0.0	+0.0		0.0	9.0	+0.0		9.0	8.0	+0.0		8.0
<b>Equity</b>	<b>77.0</b>	<b>+1.0</b>		<b>78.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
<b>US Equity</b>	<b>39.0</b>	<b>+0.0</b>		<b>39.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	7.0	+0.0		7.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Value	32.0	+0.0		32.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large-cap total market	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>International Equity</b>	<b>38.0</b>	<b>+1.0</b>		<b>39.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
Int'l Developed Value	28.0	-3.0		25.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Japan	0.0	+3.0		3.0	0.0	+0.0		0.0	0.0	+0.0		0.0
Emerging Markets	10.0	-2.0		8.0	0.0	+0.0		0.0	0.0	+0.0		0.0
China	0.0	+3.0		3.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Yield Assets</b>	<b>20.0</b>	<b>+0.0</b>		<b>20.0</b>	<b>20.0</b>	<b>+0.0</b>		<b>20.0</b>	<b>20.0</b>	<b>+0.0</b>		<b>20.0</b>
Senior Loans	0.0	+0.0		0.0	15.0	+0.0		15.0	15.0	+0.0		15.0
Preferreds	0.0	+0.0		0.0	5.0	+0.0		5.0	5.0	+0.0		5.0
MLPs	16.0	+0.0		16.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Real Estate	4.0	+0.0		4.0	0.0	+0.0		0.0	0.0	+0.0		0.0

**Publication note**

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In the All Equity portfolio, tactical tilts will be based on the corresponding tilts to the Equity asset classes in our balanced portfolio (moderate risk profile, taxable yield-focused). The amount of cash in the All Equity portfolio will vary one-for-one with the overall overweight/underweight on equities in the balanced portfolio, subject to a 1% maximum tilt from the 3% cash allocation. This allows us to use the cash allocation to express a tactical preference between stocks and fixed income. A special feature of the All Equity portfolio is that it includes "carveouts": 3% allocations to our preferred sectors within US large-caps as well as our preferred countries within both international developed markets and the emerging markets. A maximum of two sectors/countries of each type may be selected for carve-outs.

The All Income portfolios include both taxable and non-taxable versions. In addition to the fixed income asset classes in the balanced portfolios, the non-taxable version incorporates an additional allocation to Mortgage Backed Securities. Tactical tilts will be based on the corresponding tilts to the Fixed Income asset classes in our balanced portfolios (moderate risk profile yield-focused, taxable or non-taxable respectively), but only when there is a preference between the fixed income asset classes. For example, an overweight on high yield corporate bonds offset by an underweight on government bonds in the balanced portfolio would be applied to the All Income portfolios. However, an overweight on US equities versus US government bonds in the balanced portfolio would not be reflected in the All Income portfolios. Further, the tilts in the All Income portfolios will typically be scaled up to twice the size of the tilts in the balanced portfolio.

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile

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# All equity and all income, sustainable investing

	All equity				All fixed income, taxable				All income, non-taxable			
All figures in %	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Cash</b>	<b>5.0</b>	<b>-2.0</b>		<b>3.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>
<b>Fixed Income</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>95.0</b>	<b>+0.0</b>		<b>95.0</b>	<b>95.0</b>	<b>+0.0</b>		<b>95.0</b>
MDB Bonds	0.0	+0.0		0.0	30.0	+0.0		30.0	25.0	+0.0		25.0
Sustainable munis	0.0	+0.0		0.0	0.0	+0.0		0.0	45.0	+0.0		45.0
Green bonds	0.0	+0.0		0.0	25.0	+3.0		28.0	10.0	+3.0		13.0
ESG corporate bonds	0.0	+0.0		0.0	40.0	-3.0		37.0	15.0	-3.0		12.0
<b>Equity</b>	<b>95.0</b>	<b>+2.0</b>		<b>97.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
ESG thematic equities	28.0	+0.0		28.0	0.0	+0.0		0.0	0.0	+0.0		0.0
ESG leaders equities (US)	20.0	+0.0		20.0	0.0	+0.0		0.0	0.0	+0.0		0.0
ESG leaders equities (ex-US)	18.0	+2.0		20.0	0.0	+0.0		0.0	0.0	+0.0		0.0
ESG improvers equities	9.0	+0.0		9.0	0.0	+0.0		0.0	0.0	+0.0		0.0
ESG engagement equities	20.0	+0.0		20.0	0.0	+0.0		0.0	0.0	+0.0		0.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile

<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

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## Publication note

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The All Fixed Income portfolios include both taxable and non-taxable versions. Tactical tilts will be based on the corresponding tilts to the Fixed Income asset classes in our balanced portfolios (moderate risk profile without alternative investments, taxable or non-taxable respectively), but only when there is a preference between the fixed income asset classes. For example, an overweight on high yield corporate bonds offset by an underweight on government bonds in the balanced portfolio would be applied to the All Fixed Income portfolios. However, an overweight on US equities versus US government bonds in the balanced portfolio would not be reflected in the All Fixed Income portfolios. Further, the tilts in the All Fixed Income portfolios will typically be scaled up to twice the size of the tilts in the balanced portfolio.

# Taxable ultra-high net worth investor

with non-traditional assets

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
Directional change	All figures in %																			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
<b>Cash</b>	<b>3.0</b>	<b>-1.0</b>		<b>2.0</b>	<b>3.0</b>	<b>-1.5</b>		<b>1.5</b>	<b>3.0</b>	<b>-2.0</b>		<b>1.0</b>	<b>3.0</b>	<b>-2.0</b>		<b>1.0</b>	<b>3.0</b>	<b>-2.0</b>		<b>1.0</b>
<b>Fixed Income</b>	<b>56.0</b>	<b>+0.0</b>		<b>56.0</b>	<b>47.0</b>	<b>+0.0</b>		<b>47.0</b>	<b>30.0</b>	<b>+0.0</b>		<b>30.0</b>	<b>19.0</b>	<b>+0.0</b>		<b>19.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>
<b>US Fixed Income</b>	<b>54.0</b>	<b>+0.0</b>		<b>54.0</b>	<b>45.0</b>	<b>+0.0</b>		<b>45.0</b>	<b>28.0</b>	<b>+0.0</b>		<b>28.0</b>	<b>17.0</b>	<b>+0.0</b>		<b>17.0</b>	<b>5.0</b>	<b>+0.0</b>		<b>5.0</b>
US Gov't FI	2.0	-1.0		1.0	2.0	-1.5		0.5	2.0	-2.0		0.0	2.0	-2.0		0.0	0.0	+0.0		0.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	48.0	+0.0		48.0	39.0	+0.0		39.0	24.0	+0.0		24.0	13.0	+0.0		13.0	5.0	-2.0		3.0
US IG Corp FI	4.0	+0.0		4.0	2.0	+0.0		2.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US HY Corp FI	0.0	+0.0		0.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
<b>Int'l Fixed Income</b>	<b>2.0</b>	<b>+0.0</b>		<b>2.0</b>	<b>2.0</b>	<b>+0.0</b>		<b>2.0</b>	<b>2.0</b>	<b>+0.0</b>		<b>2.0</b>	<b>2.0</b>	<b>+0.0</b>		<b>2.0</b>	<b>0.0</b>	<b>+0.0</b>		<b>0.0</b>
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	<b>16.0</b>	<b>+1.0</b>		<b>17.0</b>	<b>25.0</b>	<b>+1.5</b>		<b>26.5</b>	<b>37.0</b>	<b>+2.0</b>		<b>39.0</b>	<b>48.0</b>	<b>+2.0</b>		<b>50.0</b>	<b>62.0</b>	<b>+2.0</b>		<b>64.0</b>
<b>US Equity</b>	<b>10.0</b>	<b>+0.0</b>		<b>10.0</b>	<b>14.0</b>	<b>+0.0</b>		<b>14.0</b>	<b>20.0</b>	<b>+0.0</b>		<b>20.0</b>	<b>27.0</b>	<b>+0.0</b>		<b>27.0</b>	<b>35.0</b>	<b>+0.0</b>		<b>35.0</b>
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	3.5	+0.0		3.5	5.0	+0.0		5.0	7.0	+0.0		7.0	9.5	+0.0		9.5	12.0	+0.0		12.0
US Large cap Value	3.5	+0.0		3.5	5.0	+0.0		5.0	7.0	+0.0		7.0	9.5	+0.0		9.5	12.0	+0.0		12.0
US Mid cap	2.0	+0.0		2.0	2.0	+0.0		2.0	4.0	+0.0		4.0	5.0	+0.0		5.0	7.0	+0.0		7.0
US Small cap	1.0	+0.0		1.0	2.0	+0.0		2.0	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0
<b>International Equity</b>	<b>6.0</b>	<b>+1.0</b>		<b>7.0</b>	<b>11.0</b>	<b>+1.5</b>		<b>12.5</b>	<b>17.0</b>	<b>+2.0</b>		<b>19.0</b>	<b>21.0</b>	<b>+2.0</b>		<b>23.0</b>	<b>27.0</b>	<b>+2.0</b>		<b>29.0</b>
Int'l Developed Markets	6.0	+0.0		6.0	8.0	+0.0		8.0	12.0	+0.0		12.0	15.0	+0.0		15.0	19.0	+0.0		19.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	3.0	+0.5		3.5	5.0	+1.0		6.0	6.0	+1.0		7.0	8.0	+1.0		9.0
<b>Non-traditional</b>	<b>25.0</b>	<b>+0.0</b>		<b>25.0</b>	<b>25.0</b>	<b>+0.0</b>		<b>25.0</b>	<b>30.0</b>	<b>+0.0</b>		<b>30.0</b>	<b>30.0</b>	<b>+0.0</b>		<b>30.0</b>	<b>30.0</b>	<b>+0.0</b>		<b>30.0</b>
Hedge Funds	10.0	+0.0		10.0	10.0	+0.0		10.0	10.0	+0.0		10.0	5.0	+0.0		5.0	0.0	+0.0		0.0
Private Equity	10.0	+0.0		10.0	10.0	+0.0		10.0	15.0	+0.0		15.0	20.0	+0.0		20.0	25.0	+0.0		25.0
Private Real Estate	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Tax-exempt institutional investor

with non-traditional assets

Investor risk profile	Conservative				Moderately conservative				Moderate				Moderately aggressive				Aggressive			
	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>	Strategic asset allocation	Tactical deviation	Change <sup>1</sup>	Current allocation <sup>2</sup>
All figures in %																				
<b>Directional change</b>																				
<b>Cash</b>	3.0	-1.0		2.0	3.0	-1.5		1.5	3.0	-2.0		1.0	3.0	-2.0		1.0	3.0	-2.0		1.0
<b>Fixed Income</b>	55.0	+0.0		55.0	41.0	+0.0		41.0	29.0	+0.0		29.0	16.0	+0.0		16.0	9.0	+0.0		9.0
<b>US Fixed Income</b>	50.0	+0.0		50.0	39.0	+0.0		39.0	27.0	+0.0		27.0	14.0	+0.0		14.0	9.0	+0.0		9.0
US Gov't FI	36.0	-1.0		35.0	28.0	-1.5		26.5	18.0	-2.0		16.0	11.0	-2.0		9.0	9.0	-2.0		7.0
US Treasuries (long)	0.0	+1.0		1.0	0.0	+1.5		1.5	0.0	+2.0		2.0	0.0	+2.0		2.0	0.0	+2.0		2.0
US Municipal FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US IG Corp FI	9.0	+0.0		9.0	7.0	+0.0		7.0	6.0	+0.0		6.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US HY Corp FI	5.0	+0.0		5.0	4.0	+0.0		4.0	3.0	+0.0		3.0	3.0	+0.0		3.0	0.0	+0.0		0.0
<b>Int'l Fixed Income</b>	5.0	+0.0		5.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
Int'l Developed FI	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
EM FI <sup>3</sup>	5.0	+0.0		5.0	2.0	+0.0		2.0	2.0	+0.0		2.0	2.0	+0.0		2.0	0.0	+0.0		0.0
EM FI - Hard Currency	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
<b>Equity</b>	12.0	+1.0		13.0	26.0	+1.5		27.5	38.0	+2.0		40.0	51.0	+2.0		53.0	58.0	+2.0		60.0
<b>US Equity</b>	8.0	+0.0		8.0	13.0	+0.0		13.0	19.0	+0.0		19.0	25.0	+0.0		25.0	28.0	+0.0		28.0
US All cap	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0	0.0	+0.0		0.0
US Large cap Growth	3.0	+0.0		3.0	4.5	+0.0		4.5	6.5	+0.0		6.5	8.5	+0.0		8.5	9.5	+0.0		9.5
US Large cap Value	3.0	+0.0		3.0	4.5	+0.0		4.5	6.5	+0.0		6.5	8.5	+0.0		8.5	9.5	+0.0		9.5
US Mid cap	2.0	+0.0		2.0	3.0	+0.0		3.0	4.0	+0.0		4.0	5.0	+0.0		5.0	6.0	+0.0		6.0
US Small cap	0.0	+0.0		0.0	1.0	+0.0		1.0	2.0	+0.0		2.0	3.0	+0.0		3.0	3.0	+0.0		3.0
<b>International Equity</b>	4.0	+1.0		5.0	13.0	+1.5		14.5	19.0	+2.0		21.0	26.0	+2.0		28.0	30.0	+2.0		32.0
Int'l Developed Markets	4.0	+0.0		4.0	9.0	+0.0		9.0	13.0	+0.0		13.0	18.0	+0.0		18.0	21.0	+0.0		21.0
Japan	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0	0.0	+1.0		1.0
Emerging Markets	0.0	+0.0		0.0	4.0	+0.5		4.5	6.0	+1.0		7.0	8.0	+1.0		9.0	9.0	+1.0		10.0
<b>Non-traditional</b>	30.0	+0.0		30.0	30.0	+0.0		30.0	30.0	+0.0		30.0	30.0	+0.0		30.0	30.0	+0.0		30.0
Hedge Funds	13.0	+0.0		13.0	13.0	+0.0		13.0	13.0	+0.0		13.0	10.0	+0.0		10.0	0.0	+0.0		0.0
Private Equity	10.0	+0.0		10.0	11.0	+0.0		11.0	12.0	+0.0		12.0	15.0	+0.0		15.0	25.0	+0.0		25.0
Private Real Estate	7.0	+0.0		7.0	6.0	+0.0		6.0	5.0	+0.0		5.0	5.0	+0.0		5.0	5.0	+0.0		5.0

CIO GWM tactical deviation legend: **Overweight** **Underweight** Neutral. Change legend: ▲ Upgrade ▼ Downgrade for moderate risk profile  
<sup>1</sup> Change is the difference in the tactical deviation column since our previous report: *UBS House View update: US-China dispute: Taking action to manage risk, published on 9 May 2019.*

<sup>2</sup> The current allocation column is the sum of the strategic asset allocation and the tactical deviation columns.

<sup>3</sup> EM FI is a blend of 50% local currency, 50% hard currency.

Source: UBS and WMA AAC, 23 May 2019. See the Performance Measurement and Appendix sections of the *UBS House View Investment Strategy Guide* for performance measurement details and information regarding sources of strategic asset allocations and their suitability, investor risk profiles, and the interpretation of the suggested tactical deviations from the strategic asset allocations.

# Additional asset allocation models

## US equity sector allocation, in %

	S&P 500 Benchmark allocation <sup>1</sup>	CIO GWM tactical deviation <sup>2</sup>				Current allocation <sup>3</sup>
		Numeric		Symbol		
		Previous	Current	Previous	Current	
Communication Services	10.4	+0.0	+1.0	n	+	11.4
Consumer Discretionary	10.2	+0.0	+0.0	n	n	10.2
Consumer Staples	7.4	+0.0	+0.0	n	n	7.4
Energy	5.2	+0.0	+0.0	n	n	5.2
Financials	13.2	+1.0	+1.0	+	+	14.2
Health Care	14.0	+0.0	+0.0	n	n	14.0
Industrials	9.4	-1.0	-1.0	-	-	8.4
Information Technology	21.2	+1.0	+0.0	+	n	21.2
Materials	2.6	+0.0	+0.0	n	n	2.6
Real Estate	3.1	+0.0	+0.0	n	n	3.1
Utilities	3.3	-1.0	-1.0	-	-	2.3

Source: UBS, as of 23 May 2019.

For US equity sub-sector recommendations please see the “Equity Preference List” for each sector. These reports are published on a monthly basis and can be found on the Online Services website in the Research > Equities section.

The benchmark allocation, as well as the tactical deviations, are intended to be applicable to the US equity portion of a portfolio across investor risk profiles.

<sup>1</sup> The benchmark allocation is based on S&P 500 weights.

<sup>2</sup> See “Deviations from strategic asset allocation” in the Appendix of UBS House View for an explanation regarding the interpretation of the suggested tactical deviations from benchmark. The “current” column refers to the tactical deviation that applies as of the date of this publication. The “previous” column refers to the tactical deviation that was in place at the date of the previous edition of the previous edition of UBS House View or the last UBS House View Update.

<sup>3</sup> The current allocation column is the sum of the S&P 500 benchmark allocation and CIO GWM tactical deviation columns.

## International developed markets (non-US) equity module, in %

	Benchmark allocation <sup>1</sup>	CIO GWM tactical deviation <sup>2</sup>		Current allocation <sup>2</sup>
		Previous	Current	
EMU / Eurozone	30.0	-10.0	-10.0	20.0
UK	14.0	-14.0	-14.0	0.0
Japan	22.0	+10.0	+10.0	32.0
Australia	6.0	+5.0	+5.0	11.0
Canada	9.0	+10.0	+10.0	19.0
Switzerland	9.0	-9.0	-9.0	0.0
Other	10.0	+8.0	+8.0	18.0

Source: UBS, as of 23 May 2019

## International developed markets (non-US) fixed income module, in %

	Benchmark allocation <sup>1</sup>	CIO GWM tactical deviation <sup>2</sup>		Current allocation <sup>2</sup>
		Previous	Current	
EMU / Eurozone	38.0	+0.0	+0.0	38.0
UK	8.0	+0.0	+0.0	8.0
Japan	31.0	+0.0	+0.0	31.0
Other	23.0	+0.0	+0.0	23.0

Source: UBS, as of 23 May 2019

<sup>1</sup> For the first table on this page, the benchmark allocation is based on S&P 500 weights. For the second and third tables on this page, the benchmark allocation refers to a moderate risk profile and represents the relative market capitalization weights of each country or region.

<sup>2</sup> See “Deviations from strategic asset allocation or benchmark allocation” in the appendix for an explanation regarding the interpretation of the suggested tactical deviations from benchmark. The “current” column refers to the tactical deviation that applies as of the date of this publication. The “previous” column refers to the tactical deviation that was in place at the date of the previous edition of UBS House View or the last UBS House View Update.

<sup>3</sup> The current allocation column is the sum of the CIO GWM tactical deviation columns and (the S&P 500 benchmark allocation for the first table on this page) (the benchmark allocation for the second and third tables on this page).



# Investment Committee

## **Global Investment Process and Committee description**

The UBS investment process is designed to achieve replicable, high-quality results through applying intellectual rigor, strong process governance, clear responsibility, and a culture of challenge.

Based on the analyses and assessments conducted and vetted throughout the investment process, the Chief Investment Officer (CIO) formulates the UBS Wealth Management Investment House View (e.g., overweight, neutral, underweight stances for asset classes and market segments relative to their benchmark allocation) at the Global Investment Committee (GIC). Senior investment professionals from across UBS, complemented by selected external experts, debate and rigorously challenge the investment strategy to ensure consistency and risk control.

## **Global Investment Committee composition**

The GIC is comprised of 9 members, representing top market and investment expertise from across all divisions of UBS:

- Mark Haefele (Chair)
- Jorge Mariscal
- Mike Ryan
- Simon Smiles
- Tan Min Lan
- Themis Themistocleous
- Paul Donovan
- Bruno Marxer (\*)
- Andreas Koester

## **WMA Asset Allocation Committee description**

We recognize that a globally derived house view is most effective when complemented by local perspective and application. As such, UBS has formed a Wealth Management Americas Asset Allocation Committee (WMA AAC). WMA AAC is responsible for the development and monitoring of UBS WMA's strategic asset allocation models and capital market assumptions. The WMA AAC sets parameters for the CIO Americas, WM Investment Strategy Group to follow during the translation process of the GIC's House Views and the incorporation of US-specific asset class views into the US-specific tactical asset allocation models.

## **WMA Asset Allocation Committee composition**

The WMA Asset Allocation Committee is comprised of nine members:

- Mike Ryan
- Michael Crook
- Brian Rose
- Jeremy Zirin
- Jason Draho
- Tom McLoughlin
- Leslie Falconio
- Laura Kane
- David Lefkowitz

(\*) Business areas distinct from Chief Investment Office Americas, Wealth Management

# Cautionary statement regarding forward-looking statements

This report contains statements that constitute "forward-looking statements," including but not limited to statements relating to the current and expected state of the securities market and capital market assumptions. While these forward-looking statements represent our judgments and future expectations concerning the matters discussed in this document, a number of risks, uncertainties, changes in the market, and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to (1) the extent and nature of future developments in the US market and in other market segments; (2)

other market and macro-economic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates, whether or not arising directly or indirectly from the current market crisis; (3) the impact of these developments on other markets and asset classes. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

# Explanations about asset classes

## Sources of strategic asset allocations and investor risk profiles

Strategic asset allocations represent the longer-term allocation of assets that is deemed suitable for a particular investor. The strategic asset allocation models discussed in this publication, and the capital market assumptions used for the strategic asset allocations, were developed and approved by the WMA AAC.

The strategic asset allocations are provided for illustrative purposes only and were designed by the WMA AAC for hypothetical US investors with a total return objective under five different Investor Risk Profiles ranging from conservative to aggressive. In general, strategic asset allocations will differ among investors according to their individual circumstances, risk tolerance, return objectives and time horizon. Therefore, the strategic asset allocations in this publication may not be suitable for all investors or investment goals and should not be used as the sole basis of any investment decision. Minimum net worth requirements may apply to allocations to non-traditional assets. As always, please consult your UBS Financial Advisor to see how these weightings should be applied or modified according to your individual profile and investment goals.

The process by which the strategic asset allocations were derived is described in detail in the publication entitled “Strategic Asset Allocation (SAA) Methodology and Portfolios.” Your Financial Advisor can provide you with a copy.

## Deviations from strategic asset allocation or benchmark allocation

The recommended tactical deviations from the strategic asset allocation or benchmark allocation are provided by the Global Investment Committee and the Investment Strategy Group within CIO Americas, Wealth Management. They reflect the short- to medium-term assessment of market opportunities and risks in the respective asset classes and market segments. Positive/zero/negative tactical deviations correspond to an overweight/neutral/underweight stance for each respective asset class and market segment relative to their strategic allocation. The current allocation is the sum of the strategic asset allocation and the tactical deviation.

Note that the regional allocations on the Equities and Bonds pages in UBS House View are provided on an unhedged basis (i.e., it is assumed that investors carry the underlying currency risk of such investments) unless otherwise stated. Thus, the deviations from the strategic asset allocation reflect the views of the underlying equity and bond markets in combination with the assessment of the associated currencies. The detailed asset allocation tables integrate the country preferences within each asset class with the asset class preferences in UBS House View.

Asset allocation does not assure profits or prevent against losses from an investment portfolio or accounts in a declining market.

## Scale for tactical deviation charts

Symbol	Description/Definition	Symbol	Description/Definition	Symbol	Description/Definition
+	moderate overweight vs. benchmark	-	moderate underweight vs. benchmark	n	neutral, i.e., on benchmark
++	overweight vs. benchmark	--	underweight vs. benchmark	n/a	not applicable
+++	strong overweight vs. benchmark	---	strong underweight vs. benchmark		

Source: UBS

# Statement of risk

**Equities** - Stock market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables.

**Fixed income** - Bond market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables. Corporate bonds are subject to a number of risks, including credit risk, interest rate risk, liquidity risk, and event risk. Though historical default rates are low on investment grade corporate bonds, perceived adverse changes in the credit quality of an issuer may negatively affect the market value of securities. As interest rates rise, the value of a fixed coupon security will likely decline. Bonds are subject to market value fluctuations, given changes in the level of risk-free interest rates. Not all bonds can be sold quickly or easily on the open market. Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning any securities referenced in this report.

**Preferred securities** - Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning preferred stocks. Preferred stocks are subject to market value fluctuations,

given changes in the level of interest rates. For example, if interest rates rise, the value of these securities could decline. If preferred stocks are sold prior to maturity, price and yield may vary. Adverse changes in the credit quality of the issuer may negatively affect the market value of the securities. Most preferred securities may be redeemed at par after five years. If this occurs, holders of the securities may be faced with a reinvestment decision at lower future rates. Preferred stocks are also subject to other risks, including illiquidity and certain special redemption provisions.

**Municipal bonds** - Although historical default rates are very low, all municipal bonds carry credit risk, with the degree of risk largely following the particular bond's sector. Additionally, all municipal bonds feature valuation, return, and liquidity risk. Valuation tends to follow internal and external factors, including the level of interest rates, bond ratings, supply factors, and media reporting. These can be difficult or impossible to project accurately. Also, most municipal bonds are callable and/or subject to earlier than expected redemption, which can reduce an investor's total return. Because of the large number of municipal issuers and credit structures, not all bonds can be easily or quickly sold on the open market.

# Appendix

## Emerging Market Investments

Investors should be aware that Emerging Market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and sociopolitical risk, interest rate risk and higher credit risk. Assets can sometimes be very illiquid and liquidity conditions can abruptly worsen. CIO Americas, WM generally recommends only those securities it believes have been registered under Federal US registration rules (Section 12 of the Securities Exchange Act of 1934) and individual State registration rules (commonly known as “Blue Sky” laws). Prospective investors should be aware that to the extent permitted under US law, CIO Americas, WM may from time to time recommend bonds that are not registered under US or State securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

For more background on emerging markets generally, see the CIO Americas, WM Education Notes “Investing in Emerging Markets (Part 1): Equities,” 27 August 2007, “Emerging Market Bonds: Understanding Emerging Market Bonds,” 12 August 2009 and “Emerging Markets Bonds: Understanding Sovereign Risk,” 17 December 2009.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment-grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Subinvestment-grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher-yielding bonds for shorter periods only.

## Nontraditional Assets

**Nontraditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments).** Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments; there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept

them for an extended period of time before making an investment in an alternative investment fund, and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

**Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, “junk bonds,” derivatives, distressed securities, non-US securities and illiquid investments.

**Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.

**Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.

**Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.

**Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in US dollars, changes in the exchange rate between the US dollar and the issuer’s “home” currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a US investor.

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