

20 June 2024

Chief Investment Office GWM
Investment research

Decision time

Our outlook for the second half of 2024



Decision time—Our outlook for the second half of 2024

This report has been prepared by UBS Switzerland AG, UBS AG London Branch, UBS Financial Services Inc. (UBS FS), and UBS AG Singapore Branch. Please see important disclaimers and disclosures at the end of the document.

Editors-in-chief

Kiran Ganesh
Vincent Heaney
Sagar Khandelwal
Alison Parums

Charts

William Choo
Krishna Goradia
Linda Mazziotta

Editor

Aaron Kreuzer

Design

John Choi
Helena Powers

Cover picture

Tiger / Shutterstock

Contents

1 Introduction

04 Decision time

2 What is the path for interest rates?

07 Position for lower rates

09 Opportunities in currencies and commodities

3 Will AI justify the hype?

13 Seize the AI opportunity

15 Seek quality growth

4 What will the next US administration mean for markets?

20 Prepare for the US election

5 Get in balance

24 Diversify with alternatives

27 Our messages in focus

6 Looking back and looking forward

28 1H24 lookback

29 2H24 overview

Equity markets have rallied in the first half of 2024, with the S&P 500 gaining 15% year-to-date, backed by an artificial-intelligence-driven boost to corporate profit expectations. The gains have come despite US inflation proving more persistent than expected, delays to interest rate cuts, and the 10-year US Treasury yield rising 34 basis points. The dollar index has rallied by nearly 4%. While the geopolitical situation remains uncertain, volatility has stayed relatively low across asset classes, although gold prices have rallied 12%.

In the second half of the year, the US will decide its next president, artificial intelligence should continue to advance rapidly, and US interest rates will likely be cut. For investors, we expect outcomes to be driven by how these events shift expectations for 2025:

- Will markets start to price a deeper rate-cutting cycle or anticipate rates staying high for even longer?
- Will investors remain confident that the payoff from AI will justify the substantial investments made so far?
- How might shifting expectations about US government policy affect markets?

We believe that keeping a long-term core allocation to a mix of equities, bonds, and alternatives can help investors position for uncertainty. That said, we do see opportunities to take decisive action today to make sure that portfolios are well positioned for the months ahead.

First, we think that slower economic growth and inflation data in the second half of 2024 will lead to interest rate cuts by major central banks and prompt markets to price in lower interest rates for the future. We recommend that investors prepare by moving excess cash holdings into quality fixed income. We also think lower US interest rates could add to depreciation pressures on the US dollar while supporting commodities. We recommend investors sell into dollar strength and seek opportunities in various commodity markets.

Second, we think that AI will prove to be one of the largest investment opportunities in human history, and investors need to ensure their portfolios are “AI enabled.” We like the semiconductor companies currently benefiting from high rates of AI investment, and the vertically integrated oligopolies in both the US and China that are well positioned across the AI value chain. That said, as the second half evolves, there is a risk that fears about over-investment could lead to a correction. Capital preservation strategies can help navigate this risk.

Investors should also seek quality growth beyond that which is available in the tech sector, in our view. We see a variety of opportunities, including in global quality wealth compounders and “Europe's Magnificent 7,” in firms providing products and services supporting the energy transition, and in those alleviating ocean pollution and water scarcity.

Third, we expect equity market volatility to rise as the US presidential election approaches in November and believe it is prudent to consider risk management approaches. In equities, we think the US consumer discretionary and renewables sectors could be at risk in the scenario of a Trump victory and Republican control of Congress (i.e., a “red sweep”). We see more potential upside for financials in that scenario. Investors could also consider strategies to effectively hedge risks in particularly election-sensitive stocks, subject to awareness of the risks of such strategies and implementation constraints. We also think gold can act as an effective hedge against fears related to geopolitical polarization, inflation, and excessive deficits.

The second half of 2024 will be decision time for central banks, for the US electorate, and for investors. The choices made now will be crucial for successfully navigating the evolving landscape of AI, interest rate changes, and the US election.

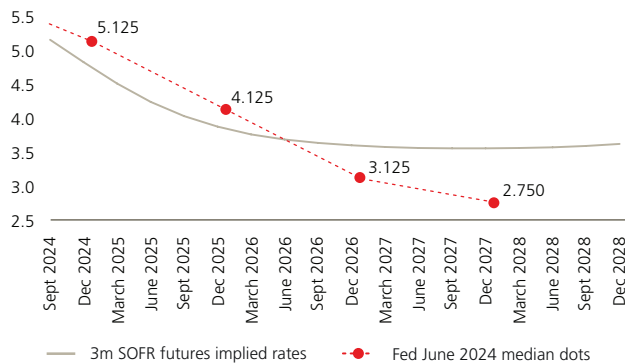
A close-up photograph of elephant skin, showing deep, vertical wrinkles and a rough, textured surface. The color is a range of browns, from light tan to dark chocolate and near-black tones, highlighting the intricate patterns of the skin's folds.

What is the path for interest rates?

The big questions for 2H24 and beyond

Figure 1
Markets are pricing much higher long-term rates than the Fed

3-month SOFR futures implied rates vs. Fed median dot plots projection, %



Source: Bloomberg, UBS, as of June 2024

What is the path for interest rates?

The global rate-cutting cycle is under way. In March, the Swiss National Bank (SNB) became the first major central bank to reduce rates and then cut again in June. Since then, Sweden’s Riksbank, the Bank of Canada, and the European Central Bank have followed. We expect the Bank of England to cut rates in August. Our base case is that the Federal Reserve will make two 25-basis-point cuts this year, with the first in September. We then expect the Fed to follow with 100bps of further cuts in 2025, leaving rates at 3.75–4% by the end of next year.

While markets are currently focused on when the journey starts (i.e., when the Fed starts cutting rates) and the immediate road ahead (how many cuts in 2025), the ultimate destination (where they stop) is often overlooked. The Fed estimates that the longer-run fed funds rate will be around 2.8%.

However, market pricing currently projects that the Fed will stop cutting rates at a much higher level of just below 4% (based on the average of the three-, five-, and 10-year forward Secured Overnight Financing Rate). This is of course possible, and if inflation or growth were to reaccelerate, the Fed could consider the need to keep rates at high levels for the long term.

But we think the market may be placing too much emphasis on the high-inflation, high-rate environment of the last two and a half years. The recent weakening in a variety of economic indicators (including inflation, consumer confidence, job openings, manufacturing, credit card spending, and housing data) shows that current interest rate levels are weighing on the economy. This means interest rates need to fall over the long term for the Fed to fulfill its dual mandate of price stability and full employment.

At this stage, it is not clear whether there will be a full return to pre-pandemic norms, when growth, inflation, and rates were all much lower. But as the Fed begins to reduce rates, and as growth and inflation continue to slow in the second half, we think that markets will start to focus more on the end point of the rate-cutting cycle and price a lower level of long-term interest rates.

In our base case, we forecast the 10-year US Treasury yield to fall to 3.85% by the end of the year and to 3.5% by end-March 2025, from levels of around 4.2% today. We like medium-duration bonds with a maturity up to 10 years, as we think concerns about the high US debt burden and loose fiscal policy may pose a risk for longer-duration bonds.



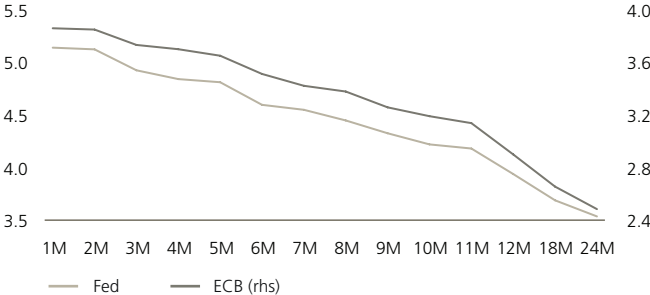
Position for lower rates

With economic growth and inflation slowing, and central banks starting to cut interest rates, we see significant opportunities in the fixed income market. We think investors should invest cash and money market holdings into high-quality corporate and government bonds, where we expect to see price appreciation as markets start to anticipate a deeper rate-cutting cycle. We also expect broadly diversified fixed income strategies to perform well in the months ahead.

Manage liquidity. Current returns on cash will not be available for much longer if central banks continue to cut rates. Investors holding cash or money market funds (or those with expiring fixed-term deposits) need to manage their liquidity accordingly. For expected cash requirements over the next one to three years, we think bond ladder strategies can help investors retain attractive yields. For cash currently earmarked for longer-term spending needs, investors should consider structured investment strategies that provide exposure to market gains alongside a degree of capital preservation.

Figure 2
Cash looks set to deliver progressively lower returns

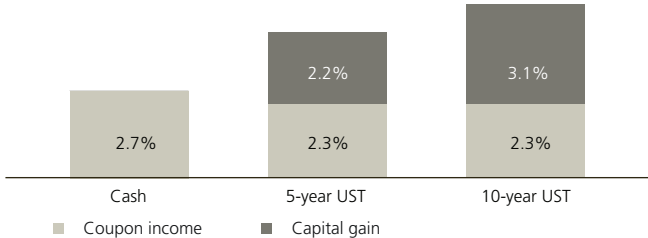
Policy rate expectations (Fed and ECB) expectations x months from now, based on forwards, in %



Source: Bloomberg, UBS, as of June 2024

Figure 3
Bonds offer the potential for capital appreciation as yields decline

Expected returns for Treasuries vs. cash based on our forecast* of declining yields by year-end



* Our forecast is for 5yr and 10yr yields to decline to 3.75% and 3.85% respectively by year-end.

Source: Bloomberg, UBS, as of May 2024

Buy quality bonds. Investors could also deploy cash into high-quality corporate and government bonds, which have attractive yields and the potential for capital appreciation if markets start to price deeper rate cuts. This also applies to sustainable investments into green, social, and sustainable bonds, as well as those issued by multilateral development banks. We prefer medium-duration bonds with a maturity up to 10 years, as we think concerns about the high US debt burden and loose fiscal policy may pose a risk for longer-duration bonds. In our base case, we see the 10-year US Treasury yield falling to 3.85% by the end of this year, from around 4.2% at the time of writing.

Diversified fixed income strategies. A combination of lower interest rates and still-positive economic growth should also be supportive for diversified fixed income strategies. And complementing core quality bond holdings with satellite exposure to riskier credits, such as emerging market bonds, can improve overall portfolio yields. Selectivity and diversification are important, given tight spreads and potential idiosyncratic risks. Active approaches may offer higher potential returns thanks to their ability to take risk-controlled exposure to higher-yielding parts of the fixed income market, which may be harder for individual investors to achieve.

Lower rates can also benefit select equities. We see opportunities in EMU small- and mid-cap stocks, EMU consumer stocks, including parts of the luxury sector, the UK market, and select US housing stocks.



Opportunities in currencies and commodities

We see a variety of opportunities to enhance and diversify portfolio returns via the currency and commodity spaces. First, although the US dollar could remain well-bid in the near term, we expect it to weaken over the medium term as US interest rates are cut and fears rise about the US fiscal deficit. As a result, we recommend selling dollar rallies. Second, with the SNB unlikely to cut rates much further from here, we expect the Swiss franc to appreciate. Finally, we see opportunities in a broad range of commodities, including oil, copper, gold, and silver.

Sell dollar rallies. The dollar index has risen nearly 4% year-to-date amid decent US economic data and interest rate cuts in other major economies. But we believe investors should use periods of near-term dollar strength to reduce dollar exposure or to engage in volatility-selling strategies to generate income, ahead of likely Fed rate cuts later this year.

Figure 4
The dollar is trading close to all-time peaks

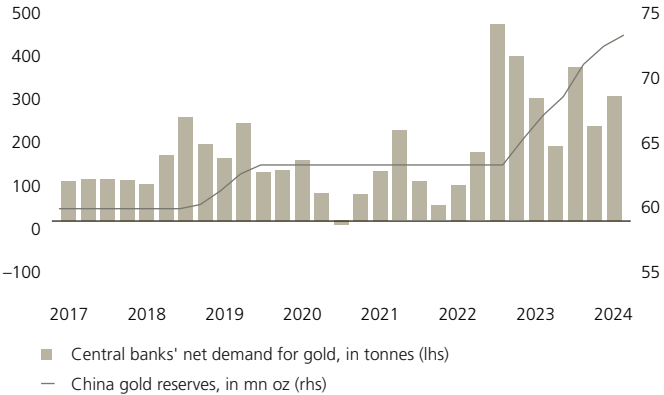
JPMorgan USD Nominal Broad Effective Exchange Rate Index



Source: Refinitiv, UBS, as of June 2024



Figure 5
Central banks have stepped up gold purchases in recent years, driven by emerging markets
Central banks net demand for gold, in tonnes (lhs) and China's gold reserves, in mn oz (rhs)



Source: World Gold Council, Refinitiv, UBS, as of June 2024

The US dollar is not cheap—it stands at levels comparable to the mid-1980s and the early 2000s in real trade-weighted terms. We think that depreciation pressures could mount if markets start to price a deeper Fed rate-cutting cycle. Fears about the size of the US fiscal deficit may also contribute to a weaker greenback over the longer term.

A Republican sweep of the White House and Congress could spur expectations of a stronger dollar. However, with more limited fiscal headroom and a US dollar that is already 17–18% stronger than when President Trump first came to power, we would expect this effect to be weaker than during Trump’s first term.

Swiss franc appreciation. We have a most preferred stance on the Swiss franc. The currency has depreciated by 5% year-to-date against the US dollar, with the SNB the first major central bank to cut rates. We expect the Swiss franc to appreciate from here and move the currency to most preferred from neutral. We still believe the SNB will lower its policy rate further but only to 1% from 1.25% after June's rate cut. Additionally, the franc is renowned for its safe-haven qualities, offering stability amid political uncertainty in Europe, the US, and elsewhere.

Opportunities in commodities. We see opportunities in a broad range of commodities. We forecast Brent crude oil prices to end the year at around USD 87/bbl (from USD 85/bbl at the time of writing) amid solid demand and efforts by OPEC+ to balance the market. Risk-tolerant investors could consider selling Brent’s downside price risks. For copper, we expect the market to remain in a deficit from a fundamental perspective and forecast the metal to reach USD 11,500/mt by the end of the year (from USD 9,786/mt today).

We also see upside for gold and silver prices. In our base case, we forecast the gold price rising to USD 2,600/oz by the end of the year and USD 2,700/oz by mid-2025 (from USD 2,330/oz today). In recent years, central banks have increased their gold purchases as they seek to diversify their reserve holdings. In the build-up to the US election, we also think gold could be an effective hedge against growing concerns about geopolitical polarization, the US deficit, and/or higher inflation. We see silver prices rising to USD 38/oz by mid-2025, with industrial demand likely to benefit from higher use in renewables and electronics.

Investors can also gain indirect exposure to these copper and gold opportunities through select mining stocks.



Will AI justify the hype?

The big questions for 2H24 and beyond

More than 18 months on from the launch of ChatGPT, increasing conviction in the artificial intelligence (AI) growth outlook has continued to drive equity market gains. Microsoft, NVIDIA, Apple, Alphabet, Amazon, and Meta alone have contributed 64% of the global equity market's gain (in total return terms) since then. In June, chipmaker NVIDIA became the largest listed company in the world. And 40% of S&P 500 companies cited "AI" in their first-quarter earnings calls, according to FactSet data.

But will AI justify the hype? To answer that question, we think it's helpful to look at the AI value chain's three layers: an enabling layer (including semiconductors, cloud, data center, and power supply), an intelligence layer (including large language models), and an application layer

(companies offering AI services for specific use cases; e.g., copilots, coding assistants).

Eventually, each layer needs to create enough economic value to "pay for" the costs of the preceding layer. So, as we assess the evolution of the industry, we will need to keep comparing the monetization potential of the application layer with the costs of the enabling and intelligence layers.

Where do we stand today? Currently, significant investments are being made in the enabling layer. Microsoft, Alphabet, Meta, and Amazon are estimated to make capital expenditures of around USD 200 billion this year—a 35% increase over 2023—according to FactSet consensus. But to justify a capex build-out of this size, AI use cases need to materialize at scale. The potential is large, including in applications like advertising, customer service, personal and coding assistants, R&D, cybersecurity, and more. So far, though, the development of AI-linked revenue streams is relatively limited.

How do we expect it to evolve? In our base case, we expect robust capital investment in AI to continue in the coming months as companies race to bolster their AI capabilities. We think this trend will continue to drive strong earnings growth for the recipients of that investment—i.e., companies in the enabling layer of the value chain. For example, we expect earnings for the global semiconductor industry to increase 50% this year and 25% in 2025. And as the AI ecosystem grows, we believe annual capex for the enabling layer could reach USD 331 billion by 2027.

The risk scenario to monitor over the coming months is if a lack of material model advancements, muted consumer and business uptake, and/or new innovations that change competitive dynamics or require less computing capability could lead to market fears about a capacity glut in components like graphics processing units, custom chips, or memory. This could be a particular risk for companies that operate only in single layers of the value chain and cannot trade off margin in one layer for another.

Will AI justify the hype?

For artificial intelligence insights, please visit ubs.com/ai-hub



Seize the AI opportunity

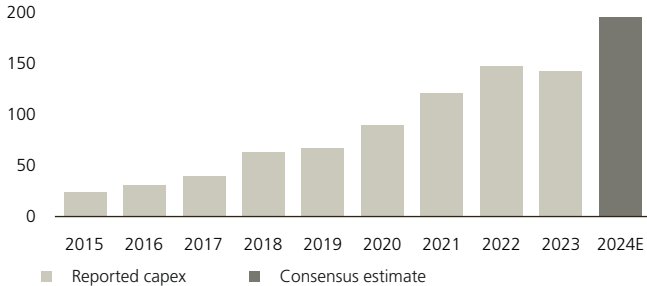
The market potential of AI is vast, and we expect AI to be a key driver of equity market returns over the coming years. We think it is important that investors hold sufficient long-term exposure to AI. For now, we see the best opportunities in the enabling layer of the AI value chain—which is benefiting from significant investment in AI capabilities—and in vertically integrated megacaps, which are well positioned across the value chain. We also think investors should look beyond the US for ways to capture AI growth, including in China’s tech monoliths.

Get your portfolio “AI-enabled.” Many investors have built at least some exposure to AI over recent months. Yet the sheer pace of growth in the industry means that many investors remain under-allocated overall. Some of the largest tech companies have comparable weightings to certain country equity markets. For example, in the MSCI AC World benchmark index, the allocation to two of the largest AI leaders alone is roughly equivalent to that of the UK, China, and Switzerland combined.

Figure 6

Tech capex has surged—with investments flowing into the AI “enabling layer”

Aggregate reported capex for Microsoft, Alphabet, Amazon and Meta for calendar years 2015–2023, FactSet consensus estimate for 2024, in USD bn



Source: FactSet, UBS, as of June 2024



Position in the enabling layer... While there is a risk that fears about overcapacity in the enabling layer could trigger volatility, the segment is currently benefiting from strong rates of investment and, in our view, currently offers the best mix of attractive and visible earnings growth profiles, strong competitive positioning, and a reinvestment runway. We favor the semiconductor companies that are driving the investment in AI infrastructure at the data center and at the edge. Investors concerned about potential volatility ahead can consider structured strategies with capital preservation features.

... and in the megacaps. We believe market concentration is a feature of the new AI investment landscape. Over time, we expect the AI market to be dominated by an oligopoly of vertically integrated “foundries” and monolithic players along the value chain. So, alongside semiconductors, we also think investors should position in the oligopolies that are present across the entire technology stack, covering chips, cloud computing, and generative AI models and applications. We think these companies will be well positioned to navigate potential shifts in the competitive landscape in different parts of the value chain.

It's not just about the US. The biggest beneficiaries of the AI rally so far have been in the US. But China's tech monoliths have been left behind in the rally and are still trading at similar valuations as they were prior to the launch of ChatGPT. Fears about tariffs, export controls, local regulations, and weak market sentiment have all contributed. Yet China's largest tech companies are also investing heavily in AI. And ultimately, we expect China to develop an AI ecosystem that is distinct from that in much of the rest of the world. This should lead to significant monetization potential for China's AI giants.

Is a company riskier than a country?

The market capitalization of AI chipmaker NVIDIA recently surpassed USD 3.3 trillion, giving it a value more than double that of Switzerland's entire blue-chip stock index (SMI; USD 1.4 trillion market cap) and a third more than China's CSI 300 (USD 2.5 trillion). So the question arises, does holding a single company expose investor portfolios to greater risk than a country?

Our analysis of the 10 largest companies and selected stock indexes by market capitalization over the last five years shows that, in general, individual companies are indeed more volatile than a country-level index.

However, while volatility does pose a potential risk to investors who need to withdraw money from their portfolios, an arguably greater risk to private investors' wealth over the longer term is not participating in the returns that these companies have generated. These 10 companies alone have added USD 13 trillion in market cap over the past five years—contributing almost 45% of the total growth in global equities over that timeframe. NVIDIA alone added more value than Japan, the UK, Canada, Switzerland, France, Germany, and China combined.

Comparing the returns of these large companies with their volatility also shows that these impressive returns have more than compensated investors for the additional volatility. To ensure portfolios stay on track to meet longer-term return goals, we believe investors should focus on reducing bulk holdings in smaller firms and on ensuring adequate global diversification, including into some of the megacaps at the forefront of innovation.



Seek quality growth

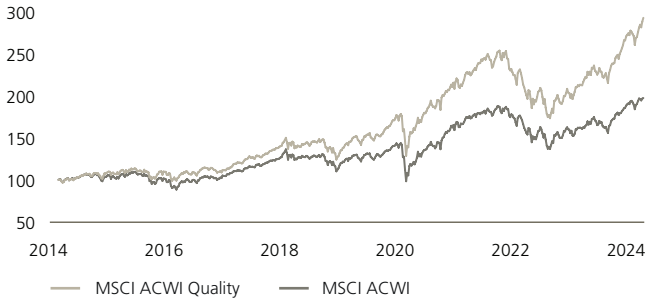
We think the idea of seeking quality growth should apply broadly to investors' equity holdings. Recent earnings growth has been largely driven by firms with competitive advantages and exposure to structural drivers that have enabled them to grow and reinvest earnings consistently over time. We think that trend will continue, and investors should tilt toward quality growth to benefit.

Global quality wealth compounders. Companies that can reinvest their earnings at returns consistently above their weighted-average cost of capital generate strong free cash flows and compound their intrinsic value over time, which creates long-term sustainable value for shareholders.

To benefit from this, we recommend companies with a competitive edge, pricing power, and high barriers to entry, which are often a result of years of investment in brand equity or technological innovations. A history of disciplined capital allocation, a strong balance sheet, and consistent profit growth are also key markers. We find that such businesses have a track record of delivering solid risk-adjusted shareholder returns over time.

Figure 7
Quality leads the way

MSCI ACWI Quality Index vs. MSCI ACWI, rebased since 2014



Source: Refinitiv, UBS, as of June 2024



“Europe's Magnificent 7.” The US’s “Magnificent 7” has attracted a lot of market headlines over the past 18 months. But we can also find an equivalent group of seven highly profitable and innovative companies headquartered in Europe that are global leaders in their respective industries. Consensus (FactSet) expects these companies to deliver average sales growth of 9%, 13%, and 9% for 2024, 2025, and 2026, respectively. We expect these stocks to deliver high and durable earnings growth, strong free cash flow generation, and with lower volatility than the broader market.

Quality in Asia. We believe the largest benchmark heavyweights across the MSCI Asia ex-Japan index's 10 markets offer one of the highest-quality opportunities in volatile markets. Driven by strong industry leadership, above-average EPS growth, free cash flow margins, higher return on equity, and favorable valuations, we expect these stocks to continue to outperform the broader index in the next 3–5 years. In addition, within China, we recommend select state-owned enterprises that are active in their commitment to dividend payments.

Thematic growth. Quality growth can also often be found in companies exposed to structural growth themes such as sustainable development. We see particular opportunities in companies enabling the energy transition, as well as in those offering products and services to reduce ocean pollution and water scarcity.

- *Energy transition.* We think that global greentech companies and investments in renewable energy infrastructure should be well positioned amid the structural global drive to reduce carbon emissions. Greentech includes companies engaged in green energy, infrastructure, manufacturing, and mobility. And with the rise of AI adding to electricity demand, investment in the renewables sector is likely to rise even further. AI data centers in the US require up to eight times more electricity than traditional ones, for example, according to the IEA. That said, investors should be mindful of potential risks posed by the US election, and remember that investments in fossil fuels will also continue—albeit likely with a focus on the cleanest fuels.

- *Blue economy.* The recent signing of the High Seas Treaty highlights the increased policy focus on pollution prevention and ocean conservation. As a result of this trend, we expect increased demand for companies offering waste and wastewater treatment solutions, next-generation chemicals, and innovations in plastics. We also think that companies focused on innovation in product design and industrial processes which help reduce pollution at source will have a competitive advantage, as customers may increasingly demand products with a lower environmental impact.
- *Water scarcity.* Population growth, rising living standards, and industrialization in emerging markets are putting pressure on global water supplies and are leading to increased investment in water infrastructure across the world. We estimate the market size of industries associated with “water scarcity” is more than USD 655 billion, and we expect it to grow at a mid-single-digit annual rate on average over the next few years. Some of the biggest areas include wastewater treatment, water utilities, and companies that provide equipment for water exploration, distribution, and treatment.

A close-up photograph of a horse's mane, showing a mix of golden-brown and white strands. The hair is long and wispy, with a white section on the left side. The background is a soft, out-of-focus brown.

What will the next US administration mean for markets?

The big questions for 2H24 and beyond

On 5 November, US voters will decide the outcome of the first presidential rematch since 1956. Democratic President Joe Biden and his immediate predecessor, Republican President Donald Trump, will face each other in a first presidential debate on 27 June, with a second presidential debate scheduled for 10 September.

The latest polls give Trump a slight lead. But a significant proportion of voters is undecided. And the ability of either presidential candidate to pursue a robust legislative agenda in 2025 will also depend upon the outcome of the congressional races.

The upcoming US presidential election looks set to increase market volatility. We can already identify a distinct “kink” in the VIX futures curve around November, indicating expectations of higher equity volatility around the election day.

We assign a 45% probability to a “red sweep” scenario of a Trump victory and Republican control of the Senate and House; a 40% probability to a Biden victory with a divided Congress (Republican-controlled Senate, Democratic-controlled House); a 10% probability to a “blue sweep” (Biden victory and Democratic control of the Senate and House); and a 5% probability to a Trump victory with a divided Congress. But the key takeaway at this stage is that the outcome remains uncertain, and no single outcome can be considered as “likely.”

It’s important to remember the principle that investors should vote at the ballot box and not with their portfolio. Getting market and economic calls right is usually challenging enough, without adding an uncertain political dimension on top. However, while we don’t recommend mixing politics and investing, the election will impact markets and government policy. We therefore think it is prudent for investors to consider the potential risks to their wealth and manage those risks accordingly.

What will the next US administration mean for markets?

US election scenarios

	Blue Sweep	Biden / GOP Senate / Dem House	Red Sweep	Trump / GOP Senate / Dem House
<i>Macro impact</i>	Overall economic impact likely to be smaller than in Biden's first term. Taxes on higher-income households would rise. Modest negative for economic growth. Disinflationary impact, leading to somewhat larger Fed rate cuts.	Smaller impact than the blue sweep scenario. Taxes on higher-income households could rise, but by less than in a blue sweep scenario. No corporate tax hikes, but more stringent regulatory oversight. Relatively neutral for growth, inflation, and Fed policy.	Overall economic impact should be positive, given likely lower taxes. But inflationary pressure could increase on fiscal expansion and impact of higher tariffs, resulting in fewer Fed rate cuts. Increased trade tensions and higher fiscal deficit likely.	Overall economic impact should be positive but less than in red sweep scenario. Tariffs still add to inflationary pressure, making it more difficult for Fed to cut rates aggressively. Increased trade tensions and higher fiscal deficit likely.
<i>Rates & USD impact</i>	Yields decline led by the front end. The yield curve normalizes and returns to an upward slope given lower inflation and growth and larger Fed cuts. Slightly negative for USD.	Neutral impact on Fed policy means that the USD and yields are likely to be range-bound. Move in yields will be due to the lagged impact of Fed policy during 2022–23.	Expectations of a red sweep could push yields higher at the back end of the yield curve on concerns over loose fiscal policy and a rising debt burden. USD may rise initially, but more limited fiscal headroom and an already overvalued dollar likely to temper this impact. Higher deficits also a longer-term USD negative.	Yields and USD initially rise modestly on reduced rate cut expectations. But Fed still able to deliver cuts while higher deficits and trade tensions could later undermine the dollar.
<i>US equity market impact</i>	Slightly negative impact on equity market due to possible increase in corporate tax rates and potential for greater regulatory oversight.	Neutral to slightly positive for stocks. Similar to the status quo, so likely minimal impact on equity market.	Modest positive equity market impact on less regulation, potential for more M&A, and possibly lower corporate tax rates. But higher tariffs and inflationary pressures would be offsetting headwinds.	Neutral: Mixed equity market impact. Less regulation and potential for more M&A would be supportive, but higher tariffs, and inflationary pressures would be headwinds.

Source: UBS, as of June 2024

ElectionWatch 2024

For investment insights on the US elections, please visit ubs.com/electionwatch





Prepare for the US election

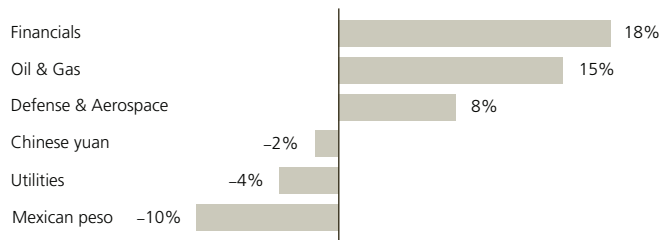
The US election is likely to trigger volatility, and we think investors should manage risks accordingly. In equities, the US consumer discretionary and renewables sectors would be at risk in a “red sweep” scenario. We would see more potential upside in financials in that scenario. Investors should consider strategies to help hedge risks in sensitive stocks and sectors. We also think that gold can act as an effective hedge against fears of geopolitical polarization, inflation, or excessive deficits.

Equity sectors. We think investors should manage their exposures to the US consumer discretionary and renewables sectors, both of which could suffer if a “red sweep” scenario materializes. The consumer discretionary sector, which already faces challenges, could see further pressure if trade tariffs are imposed after the election. Meanwhile, the renewables sector has performed strongly recently amid optimism about AI demand. But there is a risk that a “red sweep” leads to lower government support.

Instead, we recommend investors to tilt toward the financial sector. We think the financial sector is currently not pricing the potential for lower regulation that could materialize under a “red sweep” scenario.

Figure 8
The 2016 presidential election led to divergent outcomes

One-month performance of select assets after the 2016 US presidential election, in %



Source: Bloomberg, UBS, as of June 2024

Defensive structured investments. The 2016 election, when Donald Trump was elected, led to divergent outcomes, and while the assets affected may differ this time around, we expect volatility. We have identified a series of stocks across sectors that would likely be affected by a Trump or a Biden victory. To help manage the potential volatility associated with the outcome, strategies that investors can employ for single stocks or cyclical sectors like energy, industrials, and financials include capital preservation strategies or yield-generating strategies.

In addition, vanilla put options, more exotic lookback options, or dispersion strategies can be considered on the stocks we have identified. Options are not suitable for all investors, and trading in these instruments is considered risky and may be appropriate only for sophisticated investors. For more information, please see the Options disclosure in the disclaimer at the end of this document. Additionally, investors may not be able to implement on these option strategies depending on their location.

In terms of currencies, we also think investors should consider hedging their Chinese yuan exposure, going long the US\$HKD with 1-year and 2-year forwards (as the peg remains intact), and managing their Mexican peso exposure.

Gold. We also think gold represents an interesting opportunity and have lifted our stance on the asset to most preferred. Concerns about geopolitical polarization, inflation, the US fiscal deficit, and Fed independence could all help gold prices. In our base case, we forecast gold prices rising to USD 2,600/oz by the end of the year and USD 2,700/oz by mid-2025, driven by political uncertainty and by continued central bank buying.

On average, the gold allocation of developing countries' reserves is about half the level seen in developed market central banks, according to data collected by the World Gold Council from the International Monetary Fund's International Financial Statistics division. Moreover, the World Gold Council's latest Central Bank Gold Reserves survey found that 29% of central banks intend to increase their gold reserves over the next 12 months, the highest level since the survey began in 2018. As an example, the Polish central bank has communicated that it plans to increase its gold allocation from 13% currently to 20% by the end of 2025.

Get in balance

By strategically positioning for lower rates, capturing the growth of AI, and preparing for the political landscape, investors can navigate today's complex environment with confidence. We believe that a balanced approach, diversified across fixed income, equities, and alternative investments—including within sustainable portfolios—is the best way to position for long-term financial goals while navigating near-term uncertainties.

Capture growth in equities. We believe the backdrop remains supportive for equity markets, driven by still-solid economic and earnings growth, in particular from the technology sector. Although there is still uncertainty around when rate cuts will materialize from central banks around the world, we think the path for rates is lower, which should also support the stock market.

But while equity targets point to modest upside, we think beneath the index level there is greater opportunity. We recommend seizing the opportunity in AI through investments in AI-linked semiconductors, tech megacaps, and Chinese internet names. We also like the idea of seeking quality growth, for example in "Europe's Magnificent 7." And as rates fall, we recommend positioning for this in rate-linked equities, such as EMU small- and mid-caps, EMU consumer, select US housing names, and the UK.

Over the longer term, equities have historically outperformed bonds, bills, and inflation in all 21 countries studied in the UBS Global Investment Returns Yearbook, with US equities returning an average of 6.5% per year in real terms over the past 124 years. And over a 20-year period, US equities have never offered a negative return.

So considering our scenarios for the near and longer term, we think equities are a crucial component of portfolios. We expect positive total returns in our base case, and, if our upside scenario materializes—where we see strong US growth, moderating inflation, and optimism about the impact of AI on earnings—we would expect equity markets to deliver even better returns.

Over the longer term, we recommend investors include equities in their portfolio allocations to ensure they don't miss out on the benefits, including longer-term growth (we expect around 8% returns per annum in USD over the next 15 years), diversification, and access to thematic opportunities—for example in topics like AI, health, and the energy transition, all of which can also be accessed through sustainable investment strategies.

Income and stability with bonds. As we enter the second half of the year, 10-year US Treasury yields stand at 4.2%, 10-year German Bund yields at 2.4%, and 10-year Swiss yields at 0.7%—all trading in the upper range of the past five years. This provides a favorable opportunity for

investors to lock in rates that could offer substantial portfolio returns by year-end (we expect quality bonds to deliver 5–10% returns) and over the longer term.

In our scenario analysis, our base case is that 10-year US Treasury yields will fall to 3.85% in December, driven by a cooling labor market, slowing economy, and expected Fed rate cuts. We expect the European Central Bank and the Swiss National Bank to cut two times (once per quarter) and once (in September), respectively, by year-end. The risk-return of quality bonds, our preferred area within fixed income, looks attractive with the potential for capital appreciation and a more durable source of portfolio income over time. As a result, we recommend investors position for rate cuts by buying quality bonds, implementing bond ladders, and holding diversified fixed income positions—in both traditional and sustainable bond holdings, like green, social, and sustainable bonds, alongside multilateral development bank bonds.

Looking at the longer-term value proposition of fixed income, we note that high-quality bonds are among the

safest investments in an investor's portfolio, as they can preserve capital, reduce equity volatility due to their longer-term negative correlation with the asset class, and stabilize portfolios. US government bonds have delivered positive real returns annually since 1900 (1.7%), higher than bills (0.5% in the US). And UBS Global Investment Returns Yearbook—the most comprehensive study of its kind into long-term credit data (since 1860)—also shows a meaningful credit risk premium from investment in credit, suggesting bond diversification, including in credit, should be a key part of portfolio construction.



Diversify with alternatives

Including alternative assets in a well-diversified portfolio can help investors navigate a shifting interest rate, technological, and political backdrop. During periods of changing interest rate expectations, equity-bond correlations can rise periodically and hedge funds with low correlations to traditional assets could help reduce portfolio volatility. Private equity, meanwhile, offers investors the opportunity to invest in growing companies, including those exposed to AI, which are not (yet) listed on public markets. In addition, the opportunity set in sustainable alternative investment strategies is growing, through the use of impact private equity strategies, sustainable hedge funds, and private market infrastructure.

Within alternatives we particularly highlight the following opportunities:

Infrastructure

Infrastructure-linked assets have shown resilience to macroeconomic and interest rate pressures while benefiting from policy and structural tailwinds. According to preliminary Cambridge data, infrastructure investments returned on average 9.13% in 2023.

- High barriers to entry, monopolistic positioning and the high degree of cost passthrough of many of these assets make them less sensitive to the business cycle. We maintain a positive view on the asset class. Infrastructure sits at the heart of powerful structural trends—like deglobalization, demographics, digitalization and decarbonization.
- Not all infrastructure assets are created equal, however. And we expect fundamentals to matter more moving forward. In the current environment, we recommend investing in core/core plus assets that benefit from robust, predictable, and inflation-linked cash flows that are less exposed to cyclical pressures and that have appropriate leverage levels.
- From a thematic perspective we recommend looking into renewables and datacenters as key areas of focus.

Private equity

The private equity (PE) industry continues to adjust to the macroeconomic environment of elevated interest rates. Data for the first quarter of 2024, however, indicate a turning point is nearing. PE valuations seem to have found a bottom. Transaction activity, while down in dollar value, is picking up in deal count. Deal realizations have yet to build more momentum, but we think conditions are there for an acceleration in the coming quarters.

- A return to normality in the PE space will likely take a few more quarters, but we think this is a good time to allocate to the asset class. Entry valuations for new portfolio companies are back to pre-COVID averages (unlike public equities), offering an opportunity to acquire assets at a reasonable price. Funding costs remain elevated, but we expect them to fall in the second half. Overall, we believe investors should stay in the market while being selective about new investments.

- We prefer general partners with a strong track record in value creation, a particular focus on growing margins and revenues, and ability to secure lower entry multiples. We see opportunities in those buyout strategies with a value bias that can seize opportunities in the middle market, as well as in more complex situations such as carveouts, spinoffs, and divestitures where valuations and the potential for value creation are particularly attractive.
- We think secondaries continue to present solid fundamentals, driven by limited partner and general partner needs for liquidity, while also still offering attractive net asset value discounts to investors.
- For investors with a thematic lens, we like exposure to quality growth in areas such as software, health, and climate-related solutions.

Private credit

Direct lending delivered positive returns in 2023, driven by high current income and only moderate realized losses. Anecdotal evidence suggests a continuation of this trend in the first quarter of 2024, with around 2–3% returns for the quarter.

- A key change in the loan market, however, entering 2024 has been the return of banks to originating loans to PE borrowers. Increased competition could put pressure on spreads and loan documents in the coming quarters. Lagged effects of higher interest rates may also start to exert a heavier toll in certain segments of the market. Industry level statistics on financial stress suggest that risks are contained and manageable. But increasingly, we see a differentiated market and one subject to increased dispersion across loan size, sector, and seniority.
- We believe return prospects for the asset class remain attractive and anticipate high-single to low-double-digit returns for 2024. But some of the trends described above underscore the importance of selectivity when investing in the private credit market today.

- We recommend focusing on areas benefiting from strong fundamentals. Our preference goes to senior, upper middle market, and sponsor-backed loans. This approach, coupled with a focus on newer loan vintages and sectors less susceptible to cyclical downturns, should mitigate risks and take advantage of appealing prospective returns.
- In distressed and special situations, opportunities are likely to arise in certain parts of the economy, for instance in the commercial real estate sector. The significant amount of corporate debt likely to mature in the coming years should also provide a steady source of deal flow.

We estimate that including a 20% allocation of alternatives in a balanced portfolio could increase expected annual returns by about 50 basis points per annum over the long term, for an equivalent level of portfolio volatility. Investors should note that alternatives come with a unique set of risks, including lower liquidity and lower transparency.

Hedge funds

The current conditions look ideal for active management, in our view, as the outlook for rates, AI, and elections around the world is likely to lead to market dislocations. In addition, in a market where stocks and bonds could periodically move together amid rates and inflation volatility, we think hedge funds can be a good portfolio diversifier.

In the current environment, we favor the following hedge fund strategies:

- We think low net equity L/S strategies can benefit from market dispersion, mitigate market directionality, and abrupt selloffs while complementing traditional equity positions.
- We also recommend investors to look into strategies that can take advantage of current macroeconomic shifts and imbalances. Historically, macro funds have been able to take advantage of monetary policy errors and higher volatility across curve/rates trading, inflation trading, and commodities trading.
- And lastly, multi-strategy funds, with their flexible approach to shifting between different investment strategies based on evolving market dynamics, can offer a comprehensive solution for managing risk and seeking returns across various scenarios.

Our messages in focus

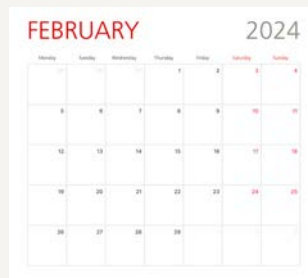
We believe that by getting in balance—through core allocations to fixed income, equities, and alternative investments—including within sustainable portfolios—is the best way to position for long-term financial goals while navigating near-term uncertainties. That said, we do see opportunities to take decisive action today through our messages in focus to make sure that portfolios are well positioned for the months ahead.



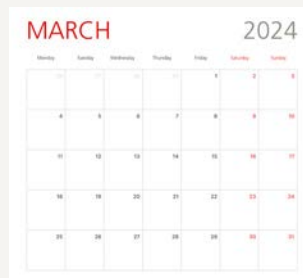
What happened in the first half of 2024?



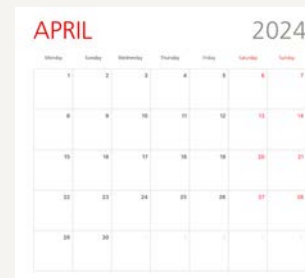
- Fed pushes back rate cut expectations
- Disruptions to Red Sea shipping lanes



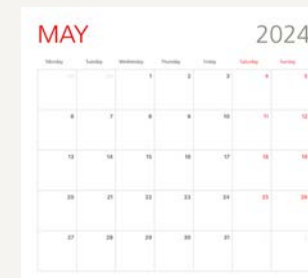
- AI hits the “tipping point” with NVIDIA unveiling a 265% increase in quarterly revenues y/y
- Markets reduce rate expectations amid higher US inflation



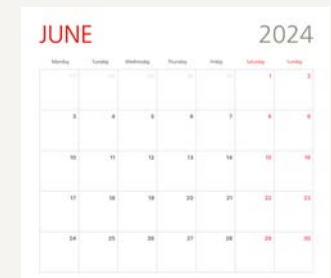
- Swiss National Bank surprises markets with a rate cut
- Bank of Japan ends eight years of negative rates
- Best quarterly gain for global stocks since 2019



- Sticky US inflation hits stocks and bonds
- Israel and Iran exchange attacks



- S&P 500 hits a record high, as inflation slowed
- Tech giants announce significant increases in AI infrastructure investments
- Sweden’s Riksbank eases policy for the first time in eight years



- European Central Bank, Bank of Canada and Swiss National Bank cut rates, Fed still on hold
- NVIDIA becomes the world’s most valuable company

Some key dates for the second half of 2024

JULY 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



- 4 July: UK General Election
- 7 July: Second round of French Legislative Election
- US second quarter earnings season kickoff

AUGUST 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					



- 1 August: BoE meeting—we expect the first 25bps rate cut
- 15 August: NVIDIA second quarter earnings

SEPTEMBER 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						



- 12 September: ECB meeting—we expect one 25bps rate cut in 3Q
- 18 September: Fed meeting—we expect the first 25bps rate cut
- 26 September: SNB meeting—we expect a 25bps rate cut

OCTOBER 2024

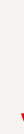
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					



- US: third quarter earnings season kickoff

NOVEMBER 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						



- 5 November: US Presidential Election
- 14 November: NVIDIA third quarter earnings

DECEMBER 2024

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					



- 12 December: ECB meeting—we expect a 25bps rate cut in 4Q
- 18 December: Fed meeting—we expect a total of 50bps of rate cuts by year-end
- 19 December: BoE meeting—we expect a total of 75bps of rate cuts by year-end

Global forecasts

Economy

Real GDP y/y, in %

	2023E	2024E	2025E
US	2.5	2.3	1.4
Canada	1.1	0.9	1.4
Japan	1.9	0.2	1.0
Eurozone	0.5	0.6	1.2
UK	0.1	0.7	1.5
Switzerland	0.8	1.3	1.5
Australia	2.0	1.2	2.1
China	5.2	4.9	4.6
India	8.2	7.0	7.0
EM	4.6	4.4	4.4
World	3.3	3.1	3.1

Source: Bloomberg, UBS, as of 20 June 2024, updated bimonthly.

Inflation (average CPI), y/y, in %

	2023E	2024E	2025E
US	4.1	3.1	2.5
Canada	3.9	2.5	2.1
Japan	3.3	2.4	1.9
Eurozone	5.5	2.4	2.1
UK	7.4	2.5	2.0
Switzerland	2.1	1.2	1.0
Australia	5.6	3.3	3.3
China	0.2	0.4	1.4
India	5.4	4.5	4.5
EM	7.5	8.2	5.1
World	6.2	5.8	3.9

Source: Bloomberg, UBS, as of 20 June 2024, updated bimonthly.

Asset classes

	Spot	Dec-24
Equities		
S&P 500	5,487	5,500
Eurostoxx 50	4,885	5,200
FTSE 100	8,205	9,000
SMI	12,060	12,600
MSCI Asia ex-Japan	705	740
MSCI China	60	69
Topix	2,729	2,900
MSCI EM	1,095	1,150
MSCI AC World	976	1,000
Currencies		
EURUSD	1.07	1.09
GBPUSD	1.27	1.30
USDCHF	0.88	0.85
USDCAD	1.37	1.38
AUDUSD	0.67	0.68
EURCHF	0.95	0.93
NZDUSD	0.61	0.60
USDJPY	158	150
USDCNY	7.26	7.25

Source: Bloomberg, UBS, as of 20 June 2024, updated bimonthly.

	Spot	Dec-24
2-year yields		
USD 2y Treas.	4.71	3.75
EUR 2y Bund	2.81	2.00
GBP 2y Gilts	4.17	3.50
Swiss 2y Eidg.	0.91	0.70
JPY 2y JGB	0.28	0.40
10-year yields		
USD 10y Treas.	4.22	3.85
EUR 10y Bund.	2.40	2.25
GBP 10y Gilts	4.07	3.50
Swiss 10y Eidg.	0.67	0.70
JPY 10y JGB	0.92	1.10
Commodities		
Brent crude, USD/bbl	85	87
Gold, USD/oz	2,330	2,600

Appendix

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.

Disclaimer

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.

Generic investment research – Risk information:

This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.

In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may

receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it.

The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sus-

tainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.

USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the**

meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.

Additional Disclaimer relevant to Credit Suisse Wealth Management

You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorized and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Version B/2024. CIO82652744

© UBS 2024. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

