

Sustainable ETFs

Resilience amidst market drawdowns

By: **Marcin Wojtowicz PhD**, ETF Research & Analytics



During the Coronavirus period, the majority of ESG index portfolios delivered better relative returns compared to broad markets. It has emerged as a consistent pattern with ESG outperforming throughout market corrections in recent years. It underscores that companies compliant with ESG principles exhibit reduced risks. Moreover, ESG strength is increasingly seen as a competitive advantage, which may deliver long-term outperformance.

Sustainable ETFs: Resilience amidst market drawdowns

Sustainable investing has grown to become what represents a major change in finance. It has been driven by climate change awareness, corporate social responsibility, a commitment to sustainable development, and preparedness of asset owners to seek a positive impact from their investments. Also, it provides a way for the financial industry to complement global initiatives such as the Paris Climate Agreement and the United Nations Global Compact. The European Union has endorsed sustainable finance and sponsored an initiative for a more uniform classification of sustainable activities. Sustainable investing is a global trend with many regional initiatives.

Institutional investors and wealth managers are supportive of the idea of improving the ESG impact of their portfolios, but they often have a fiduciary duty to prioritize financial performance. More and more data indicates these two objectives can be well-aligned. The Coronavirus draw-down period has shown that **ESG investing can mitigate portfolio downside during market corrections**. It supports the hypothesis that ESG portfolios are more resilient to economic shocks because companies with strong ESG profiles can better adapt and respond during crises. The Coronavirus period represents a very good test case because it is the deepest market correction since the inception (live-track) of main ESG indices.

Coronavirus correction: the performance of different ESG solutions

Examining the relative drawdowns reveals that **the great majority of equity ESG indices mitigated downside risks** during the Coronavirus drawdown period. Table 1 shows performance of several variants of MSCI ESG indices classified by their shade of green – representing the strictness of their ESG criteria – with the dark-green approach being the SRI index which only invests in the highest ESG-rated companies. Box 1 provides further details on these different indices. We analyse the period of Q1 2020, which encompasses the Coronavirus market correction and we focus on MSCI indices since their ESG methodology has a dominant position in the ETF industry.

The most important message is that all variants of ESG indices based on the **MSCI World and MSCI ACWI outperformed the standard 'parent' indices**. For example, the MSCI World SRI 5% Capped Index delivered a relative outperformance as high as 257 bps. These global indices (World, ACWI) deserve the most attention because they approximate the broad equity portfolio held by a globally diversified investor, who may in addition employ regional tilts. Assessing ESG methodologies based on a global universe is also more robust because it reduces 'idiosyncrasies' associated with narrower universes, so it better captures the average impact of ESG investing.

Box 1: Shades of green indices

ESG indices can be classified into light-green, medium green, or dark-green categories depending on how deeply they screen the standard benchmarks to promote ESG excellence. The ESG Screened index is wholly based on exclusions of controversial activities (lightest green ■). The ESG Universal (light green ■) has fewer exclusions (only controversial weapons), but it reweights stocks to promote more sustainable companies and also those with a positive trend in their ESG profile. The MSCI ESG Leaders enhances exclusions with the ESG best-in-class approach and aims to select the top 50% of the highest-rated ESG scores (medium green ■). The SRI 5% Capped index offers the strongest ESG impact since in addition to exclusions, it aims for the top 25% of highest ESG-rated companies (dark green ■).

Table 1. Excess period returns (in bps) of selected MSCI ESG indices versus respective parent indices

Data for Q1 2020. Total period excess return in bps based on index TR net in index currency.

	ESG Screened	ESG Universal	ESG Leaders	SRI 5% Capped
World	+31	+123	+136	+257
ACWI	+36	+119	+131	+200
USA	+13	+138	+122	+201
EMU	+62	+98	+204	+162
Japan	-17	+93	+198	+418
EM	+74	-18	+95	-560

Source: MSCI, Bloomberg, UBS Asset Management. Data from 31 December 2019 to 31 March 2020. The currency is USD for MSCI World, ACWI, USA, and EM; EUR for MSCI EMU; JPY for MSCI Japan. Please note that past performance is not a guide to the future.

Table Box 1. The shades of green: ESG impact and index portfolio characteristics.

		MSCI World	MSCI World ESG Screened	MSCI World ESG Universal	MSCI World ESG Leaders	MSCI World SRI 5%
Overall	ESG rating*	A	A	A-AA	AA	AA-AAA
	ESG score*	6.1	6.1	6.8	7.3	7.9
	Exposure to Tobacco	0.9%	0.0%	0.8%	0.0%	0.0%
Raw Pillar Scores	Environmental pillar score	6.2	6.3	6.4	6.7	7.0
	Social pillar score	4.8	4.9	5.2	5.4	5.6
	Governance pillar score	5.5	5.5	5.7	5.9	6.1
E	Carbon Emissions vs MSCI World	100.0%	77.2%	91.0%	61.6%	50.6%
	Natural Resource Usage Theme score	6.9	7.0	7.1	7.3	7.2
	Water Stress Management score	4.4	4.4	4.5	4.8	4.8
S	Human Capital theme score	4.6	4.6	4.8	5.2	5.4
	Privacy & Data Security score	7.0	6.9	7.2	7.4	7.8
	Labor Management score	5.5	5.6	5.8	6.1	6.2
G	Corporate Governance Theme Score	5.9	5.9	6.0	6.1	6.2
	Companies adhering to the "One share, one vote" principle	89.0%	88.6%	88.7%	87.7%	91.6%
	Companies that have an independent board majority	88.8%	88.5%	89.8%	91.2%	91.4%
	Companies that have no severe controversies	89.4%	92.0%	93.3%	92.7%	95.9%
	Number of constituents	1'640	1'536	1'614	777	384
	Tracking error	0.00%	0.42%	0.73%	0.89%	1.44%

Numbers represent weighted averages of the scores within the respective indices. *Rating is expressed a function of the weighted ESG score. Source: MSCI ESG Manager, UBS Asset Management. Data as of 30th April 2020, ESG data as of 4th May 2020. Please note that past performance is not a guide to the future.

As seen in Table 1, indices employing **dark green ESG criteria generally provided higher returns relative to the light- or medium-green approach**. It means that while ESG exclusions made a positive contribution, it was in fact the selection of companies that are leaders in ESG compliance that have made the largest difference. It is noteworthy, that even the medium green MSCI World ESG Leaders Index delivered only just above half of the outperformance compared to outperformance delivered by the dark green SRI index (+136bps vs +257bps respectively). It was the ESG excellence that mattered the most. During the Coronavirus correction, the only relative underperformance of sustainable indices for developed markets was for MSCI Japan ESG Screened (light green). It was admittedly rather mild, while other ESG variants of MSCI Japan outperformed the parent index comfortably. Overall, the MSCI EM SRI 5%

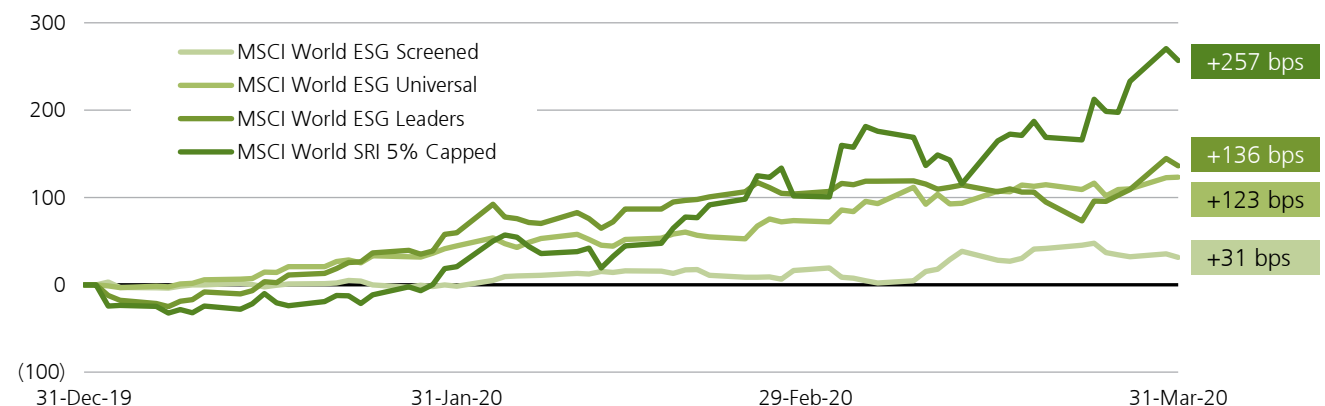
Capped (dark green) was the only index with quantitatively meaningful underperformance and its attribution is addressed further down in this paper. However, to put it into perspective, Emerging Markets represent 12% of the global stock universe (according to MSCI), and they are far outweighed by the positive ESG impact within other geographies.

Evolution of SRI index performance over time

The performance of ESG indices during the Coronavirus correction can also be assessed based on its evolution over time (Figure 1). The relative outperformance of the MSCI World SRI 5% Capped Index has grown steadily over this period, which is clearly a very positive indication. The lighter-green approaches exhibited a less pronounced trend, but nonetheless avoided any meaningful drawdowns.

Figure 1. Relative performance (in bps) of ESG indices vs. MSCI World parent index.

Data for Q1 2020. Performance based on index TR Net in USD.



Source: MSCI, UBS Asset Management. Data from 31 December 2019 to 31 March 2020. Please note that past performance is not a guide to the future. The currency is USD for MSCI World, ACWI, USA, and EM; EUR for MSCI EMU; JPY for MSCI Japan.

MSCI SRI indices outperformed during previous market corrections

Sustainable investing approach has also provided downside reductions during previous market corrections, so it emerges as a consistent pattern. This finding is crucial because reducing the downside has much value for investors. Analysing historical drawdowns of above 15% since 2007¹ reveals that in most cases, SRI 5% Capped indices² outperformed the broad markets (Table 2). Across the full range, we can see outperformance in 19 out of 24 'period-geography' cases. In particular, the SRI methodology outperformed for the

MSCI World Index across all market corrections. During each correction, we observe underperformance of the SRI methodology for only one region, which is far outweighed by the value added of SRI within other regions.

Importantly, the SRI index family was launched on 28 June of 2011, so the results of Table 2 in three periods are based on the live-track performance of the SRI methodology³, while the Coronavirus period has again seen SRI outperforming. Hence, the results are consistent and credible.

Table 2. Excess period returns (in bps) of selected SRI indices versus respective parent indices. Data for Q1 2020. Based on index TR net in index currency.

	Financial crisis	2010	2011	2015	2018
Dates	31.10.2007 – 09.03.2009	15.04.2010 – 05.07.2010	02.05.2011 – 25.11.2011	21.05.2015 – 11.02.2016	20.09.2018 – 25.12.2018
MSCI World drawdown	-57.8%	-16.2%	-20.1%	-17.9%	-17.9%
SRI 5% Capped Index performance relative to MSCI World in bps:					
World	189	66	120	25	132
ACWI				103	136
USA	184	92	157	-238	147
EMU	-34	120	140	620	148
Japan	151	-130	-156	60	-222
EM				573	454

Source: MSCI, Bloomberg, UBS Asset Management. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

MSCI ESG indices outperformed over a longer-term

The ESG indices have also delivered outperformance over regular bull markets. Most importantly, the overall outperformance of MSCI World SRI 5% Capped Index over the past 5 years (Table 3) was +129 bps per annum, with the largest contributions from the EMU universe (+431 bps per annum). While the SRI methodology underperformed for MSCI EM, in a global portfolio it is far outweighed by SRI benefits for other regions. The MSCI ACWI SRI 5% index which includes both Developed Markets and Emerging Markets had an average outperformance of +128 per annum.

The underperformance of the MSCI EM 5% Capped Index is attributable to capping of the largest company, which often had a weight of 20%. The uncapped version of the index delivered a +17 bps per annum outperformance. This capping is only applied within the MSCI EM SRI 5% Capped index, whereas it is not binding when the EM stocks become part of MSCI ACWI SRI 5% Capped index.

Table 3. Excess annualized returns (in bps) of selected ESG indices versus respective parent indices.

Period from 31 March 2015 to 31 March 2020. Based on index TR net in index currency.

	ESG Screened	ESG Universal	ESG Leaders	SRI 5% Capped
World	+15	+48	+32	+129
ACWI	+15	+60	+48	+128
USA	+19	+93	0	+49
EMU	-19	+90	+242	+431
Japan	+18	+47	+80	+140
EM	+20	+50	+163	-224

Source: MSCI, Bloomberg, UBS Asset Management. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

¹ The period analysed in Table 2 covers full data availability. The backtest data reaches back to 2007 for the SRI 5% Capped index. Other ESG indices have generally shorter data availability.

² We report performance for MSCI EMU SRI (uncapped) for the Financial Crisis and 2010 drawdowns due to unavailability of data for the 5% Issuer Capped variant.

³ The live-tracks refers to uncapped SRI indices, which use the same ESG data and overall the same methodology (except capping). Introducing capping entails no risks of 'data mining', but only increases diversification, so the results are equally credible.

Adding to the overall positive picture, the lighter- / medium-green indices provided outperformance relative to parent indices, albeit to a lower extent than the dark-green approach. **In conclusion, sustainable investing has delivered superior investment returns both during regular periods as well periods of market corrections.** The same conclusion would be reached if we considered longer periods of time periods longer than 5 years.⁴

Financial theory suggests that a strategy exhibiting downside protection should generally underperform the markets over the long-term. That is because investors assign a large value to downside reduction characteristics, and hence they are willing to accept lower returns for such 'less-cyclical' securities. For the ESG indices, we see that historically they both reduced the downside and provided higher returns over the long term. These results suggest there is an 'ESG factor' that positively contributes to performance whilst reducing risks.

Attribution of SRI performance during Coronavirus (Q1 2020)

MSCI World universe

To gain an understanding into the sources of the strong World SRI outperformance, we conduct attribution analysis of the UBS ETF World Socially Responsible UCITS ETF over the Coronavirus drawdown period using Bloomberg's PORT

functionality. The ETF tracks MSCI World SRI 5% Capped Index, while the reference index is the MSCI World.

The key finding is that the World SRI outperformance has well diversified sources with a positive contribution from most sectors and regions. It is not concentrated in a few sectors, regions, or companies. This outperformance comes primarily from selecting the top 25% highest ESG-rated companies within sectors, and only very little comes from active sector allocations. This is a very positive finding because it clearly demonstrates that ESG qualities of companies are indeed the reason for the reduced downside.

To provide some technical details: examining Table 4 in column (10) 'Total Attribution'⁵ reveals that 9 out of 11 sectors have positively contributed to the total outperformance of 2.79%. The highest contributions were from Healthcare (+70 bps), IT (+66 bps) and Financials (+42 bps). We can also see that the majority of outperformance is attributable to 'Selection'⁶ (see top row, column 8), which is estimated at 296 bps, which means that selecting the top 25% of highest ESG-rated stocks within sectors explains all of the outperformance. Only a minimal part of outperformance (+2 bps) is attributable to over-/under-weighting certain sectors – see 'Allocation'⁷ (column 7). This is consistent with the SRI methodology being close to sector neutrality (although it is only approximate for various reasons as seen in column (1)–(3))⁸. Finally, currency effects had a negative effect on the portfolio return of 25 bps.

Table 4. Attribution analysis of UBS ETF MSCI World Socially Responsible UCITS ETF (portfolio) versus MSCI World index (benchmark) over Q1 2020: grouping by sector.

	Average Weight (%)			Total Return (%)			Allocation Effect (%)	Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port (1)	Bench (2)	+/- (3)	Port (4)	Bench (5)	+/- (6)				
	100.00	100.00	0.00	-18.16	-20.95	2.79	0.02	2.96	-0.25	2.79
Comm Serv	4.77	8.61	-3.84	-21.41	-17.42	-3.99	-0.14	-0.23	-0.01	-0.30
Cons Discr	11.33	10.28	1.05	-21.10	-21.94	0.84	-0.04	0.12	0.01	0.09
Cons Staples	10.73	8.49	2.24	-10.67	-13.19	2.53	0.18	0.19	-0.02	0.39
Energy	4.28	4.22	0.06	-47.26	-44.60	-2.66	0.00	-0.17	0.00	-0.17
Financials	14.84	14.95	-0.11	-29.44	-31.79	2.36	0.01	0.42	-0.01	0.42
Health Care	14.58	13.33	1.26	-6.82	-11.30	4.49	0.13	0.57	-0.04	0.70
Industrials	11.52	10.74	0.77	-22.46	-26.01	3.56	-0.03	0.45	-0.07	0.37
IT	15.15	18.31	-3.15	-6.89	-13.06	6.18	-0.21	1.06	-0.01	0.66
Materials	5.11	4.17	0.95	-21.14	-26.27	5.12	-0.03	0.20	0.01	0.22
Real Estate	3.82	3.29	0.53	-17.59	-23.12	5.53	-0.03	0.23	-0.05	0.19
Utilities	3.31	3.61	-0.30	-11.58	-13.65	2.07	-0.02	0.12	-0.03	0.05

Source: UBS Asset Management, Bloomberg (PORT attribution). Data as of 31 March 2020. Please note that past performance is not a guide to the future.

⁴ We use 5 years because data for all indices is available for this period and it represents live-track of MSCI SRI, Leaders, and Universal methodologies. The backtest data goes back to 2007 for the SRI range but only shorter histories are available for other indices.

⁵ Total attribution is defined as the total active return. At the portfolio and grouping levels, it equals the sum of allocation, selection, interaction and currency effect. Intuitively, in this table it indicates how much an active decision pertaining to a specific sector contributed to overall outperformance of the SRI portfolio.

⁶ The selection effect is an active return that can be attributed to security selection (e.g. choosing a subset of stocks compared to the benchmark within a group (e.g. sector)).

⁷ The allocation effect is an active return that can be attributed to asset allocation bets (e.g. over-/under-weighting of a grouping (e.g. sectors)).

⁸ Two main reasons why the SRI index is not sector neutral: 1) the marginal company that is included to reach the 25% market cap target for each sector may have a substantial weight and cause overweighting 2) differential in performance between SRI and non-SRI stocks since the last rebalancing.

We also find that World SRI outperformance is attributable to several regions (Table 5), see column (10) 'Total Attribution', with North America (+138 bps) and Western Europe (+96 bps) being most relevant, which is due to the largest allocation to these regions.

In Tables A.1 and A.2 of Appendix A, we show which companies contributed the most to overall outperformance of the SRI approach as well as those which had a negative contribution.

Table 5. Attribution analysis of UBS ETF MSCI World Socially Responsible UCITS ETF (portfolio) versus MSCI World index (benchmark) over Q1 2020: grouping by region.

	Average Weight (%)			Total Return (%)			Allocation Effect (%)	Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port	Bench	+/-	Port	Bench	+/-				
	(1)	(2)	(3)	(4)	(5)	(6)				
	100.00	100.00	0.00	-18.16	-20.95	2.79	0.07	2.90	-0.25	2.79
Africa / Middle East	0.08	0.19	-0.11	-25.90	-19.15	-6.75	0.00	-0.01	0.00	-0.01
Asia Pacific	13.00	11.98	1.02	-18.02	-20.31	2.29	0.02	0.41	-0.18	0.29
Eastern Europe	0.00	0.01	-0.01		-40.61	40.61	0.00	0.00	0.00	0.00
North America	58.61	65.72	-7.10	-17.57	-19.95	2.38	-0.05	1.64	-0.03	1.38
South & Central America	0.00	0.08	-0.08		-15.60	15.60	0.00	0.00	0.00	0.00
Western Europe	27.74	22.03	5.71	-19.99	-24.19	4.20	-0.09	0.86	-0.03	0.96

Source: UBS Asset Management, Bloomberg (PORT attribution). Data as of 31 March 2020. Please note that past performance is not a guide to the future.

MSCI Emerging Markets (EM) universe

A similar attribution analysis can be used to explore reasons for underperformance of the SRI methodology for the MSCI Emerging Markets index. While a major underweight of China in the EM SRI has been a major differentiating factor (covered below), there are also sectoral factors. The

underperformance comes primarily from selection of SRI stocks within industries and from currency effects, whilst under-/over-weighting of sectors has a marginally positive impact. Overall, the financial sector had the largest negative influence on the SRI index performance (-3.65%), followed by Consumer Discretionary (-1.41%).

Table 6. Attribution analysis of UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF (portfolio) versus MSCI EM (benchmark) over Q1 2020: grouping by industry.

	Average Weight (%)			Total Return (%)			Allocation Effect (%)	Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port	Bench	+/-	Port	Bench	+/-				
	(1)	(2)	(3)	(4)	(5)	(6)				
	100.00	100.00	0.00	-29.32	-23.58	-5.75	-0.16	-2.18	-3.06	-5.75
Comm Serv	8.67	11.82	-3.15	-19.47	-9.60	-9.87	-0.32	-0.46	-0.32	-1.00
Cons Discr	15.91	14.67	1.24	-27.15	-18.12	-9.03	0.05	-0.28	-1.10	-1.41
Cons Staples	10.52	6.38	4.14	-17.98	-19.76	1.78	0.30	0.16	-0.40	0.14
Energy	5.03	6.75	-1.72	-42.06	-39.83	-2.22	0.26	-0.43	0.30	0.22
Financials	30.85	23.22	7.63	-39.06	-31.05	-8.01	-0.48	-1.28	-1.44	-3.65
Health Care	2.90	3.08	-0.18	-18.15	-8.49	-9.66	-0.03	-0.26	0.00	-0.28
Industrials	5.16	5.15	0.01	-31.73	-28.06	-3.67	0.01	0.03	-0.21	-0.18
IT	11.81	16.39	-4.58	-18.73	-17.72	-1.01	-0.13	-0.02	0.01	-0.15
Materials	5.11	7.09	-1.98	-17.42	-30.62	13.20	0.09	0.80	0.24	0.89
Real Estate	1.69	2.92	-1.22	-41.44	-26.70	-14.74	0.07	-0.31	-0.07	-0.18
Utilities	1.90	2.55	-0.65	-35.72	-25.95	-9.77	0.01	-0.10	-0.06	-0.14

Source: UBS Asset Management, Bloomberg (PORT attribution). Data as of 31 March 2020. Please note that past performance is not a guide to the future.

The heterogeneity of the EM universe implies that the SRI methodology effectively makes large active allocations across EM countries (Table 7). Recall that while the MSCI SRI index aims to be broadly sector neutral, it does not aim to be country neutral because it is constructed within the regional building blocks. In fact, China has a massive underweight of 26.17% in the EM SRI vs. the parent index (column 3), which

results in it having an attribution (column 10) of -1.09% during the Coronavirus period. China has very few SRI-compliant stocks, so it was historically the most substantial country underweight in the SRI portfolio. This means that whenever Chinese stocks outperform broader EM markets, it is a drag for the EM SRI index.

During the Coronavirus period, an overweight of South Africa from 4.26% to 13.88%, coupled with weak performance of its equity market, has contributed a -1.32% to total attribution. Additionally, an overweight on Indonesia had a negative impact on SRI portfolio return (-0.84%).

Overall, the weak performance of MSCI EM SRI 5% Capped Index is attributable to over-/under-weights of countries, selection of SRI stocks and currency effects (compare columns (7), (8), and (9), top row).

In Tables B.1 and B.2 of Appendix B, we show which companies contributed the most to overall performance of the SRI approach and which had a negative contribution.

Table 7. Attribution analysis of UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF (portfolio) versus MSCI EM index (benchmark) over Q1 2020: grouping by region.

	Average Weight (%)			Total Return (%)			Allocation	Selection	Currency	Tot Attr
	Port	Bench	+/-	Port	Bench	+/-	Effect (%)	Effect (%)	Effect (%)	(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	100.00	100.00	0.00	-29.32	-23.58	-5.75	-2.09	-2.54	-3.06	-5.75
Africa / Middle East	15.72	8.42	7.30	-35.36	-32.11	-3.26	-0.29	0.31	-1.73	-1.53
Egypt	0.00	0.14	-0.14		-27.12	27.12	0.01	0.00	0.00	0.00
Qatar	0.39	0.93	-0.54	-23.57	-17.28	-6.29	-0.04	-0.05	0.00	-0.05
Saudi Arabia	0.00	2.50	-2.50		-23.98	23.98	0.01	0.00	0.00	0.01
South Africa	13.88	4.26	9.62	-35.74	-40.37	4.63	0.01	0.23	-1.73	-1.32
UAE	1.45	0.59	0.86	-34.24	-27.14	-7.10	-0.01	-0.04	0.00	-0.05
Asia Pacific	48.97	66.71	-17.74	-23.73	-16.34	-7.39	-0.72	-3.38	-0.61	-3.84
China	6.33	32.51	-26.17	-9.56	-9.57	0.01	-1.09	-0.08	0.01	-1.09
Hong Kong	1.08	3.75	-2.67	-25.47	-15.28	-10.18	0.02	-0.35	-0.01	-0.14
Indonesia	4.24	1.83	2.42	-39.73	-39.44	-0.29	-0.55	0.00	-0.28	-0.84
Malaysia	4.45	1.80	2.65	-17.88	-19.18	1.30	0.02	0.02	-0.10	-0.02
Philippines	1.35	0.90	0.46	-33.25	-32.00	-1.26	-0.16	-0.01	0.00	-0.18
Singapore	0.00	0.03	-0.03		-37.08	37.08	0.01	0.00	0.00	0.01
South Korea	12.21	11.67	0.53	-28.20	-22.37	-5.83	-0.14	-0.67	0.00	-1.09
Taiwan	13.89	11.88	2.01	-16.67	-19.00	2.33	-0.23	0.26	-0.02	0.17
Thailand	5.42	2.36	3.06	-33.72	-34.05	0.33	-0.60	0.00	-0.21	-0.80
Central Asia	15.82	8.62	7.20	-22.78	-31.15	8.38	-0.63	0.71	-0.33	0.40
Eastern Europe	4.06	5.48	-1.42	-38.38	-36.08	-2.30	0.08	-0.50	0.43	0.15
North America	3.12	2.30	0.82	-36.35	-35.49	-0.86	-0.01	-0.01	-0.15	-0.18
South & Central America	11.79	8.15	3.65	-46.36	-48.10	1.74	-0.58	0.35	-0.67	-0.78
Western Europe	0.07	0.32	-0.26	-47.59	-42.40	-5.20	0.05	-0.03	0.01	0.06

Source: UBS Asset Management, Bloomberg (PORT attribution). Data as of 31 March 2020. Please note that past performance is not a guide to the future.

The greener, the better?

The investor preference for the specific ESG solution (the shade of green) is often motivated by three considerations:

- ESG impact:** The strict ESG approach (dark green) offered by the SRI index has the highest ESG impact, which means that invested money makes a stronger societal contribution. For example, in the case of the MSCI World, the SRI approach reduces the carbon footprint by 50% compared to the broad parent benchmark and it improves the overall ESG score by 30%, which is a far greater ESG impact compared to lighter green ESG indices (Table Box 1).
- Performance:** Investors may formulate expectations regarding risks and returns of ESG indices. For investors with the conviction that ESG has a positive impact on performance in the long-term, the greenest index (higher active share) has the potential for more significant relative outperformance. Furthermore, there is empirical evidence that a stricter ESG approach may offer more meaningful risk mitigation.

- Tracking error:** Preparedness of investors to deviate from the broad benchmark (higher active share) and accept a higher tracking error (see Table Box 1). For example, the MSCI World SRI 5% Capped index has a tracking error vs the MSCI World parent index of 1.44%.

While the benefits of (1) and (2) are straightforward, it is important to consider the nature of the tracking error risk (3). Tracking error risk is not a fundamental risk measure, but rather a measure of deviation from the broad benchmark. It is often employed by institutional investors as part of internal investment processes. However, the SRI indices actually have volatilities comparable to their parent indices (e.g. for MSCI World universe, the SRI approach reduced the annualized volatility by 20 bps over the past 10 years).

Furthermore, the results of this paper suggest that tracking error risk is not a 'systemic risk', i.e. a risk that materializes during market drawdowns, but rather the opposite. A fundamental implication of financial theory is that investors should demand incremental returns only for carrying systematic risk. The 'idiosyncratic' risks can be largely diversified away in a broader portfolio, and therefore investors can be far more comfortable carrying such risks, especially when incentivised to do so by a much larger ESG impact and performance considerations.

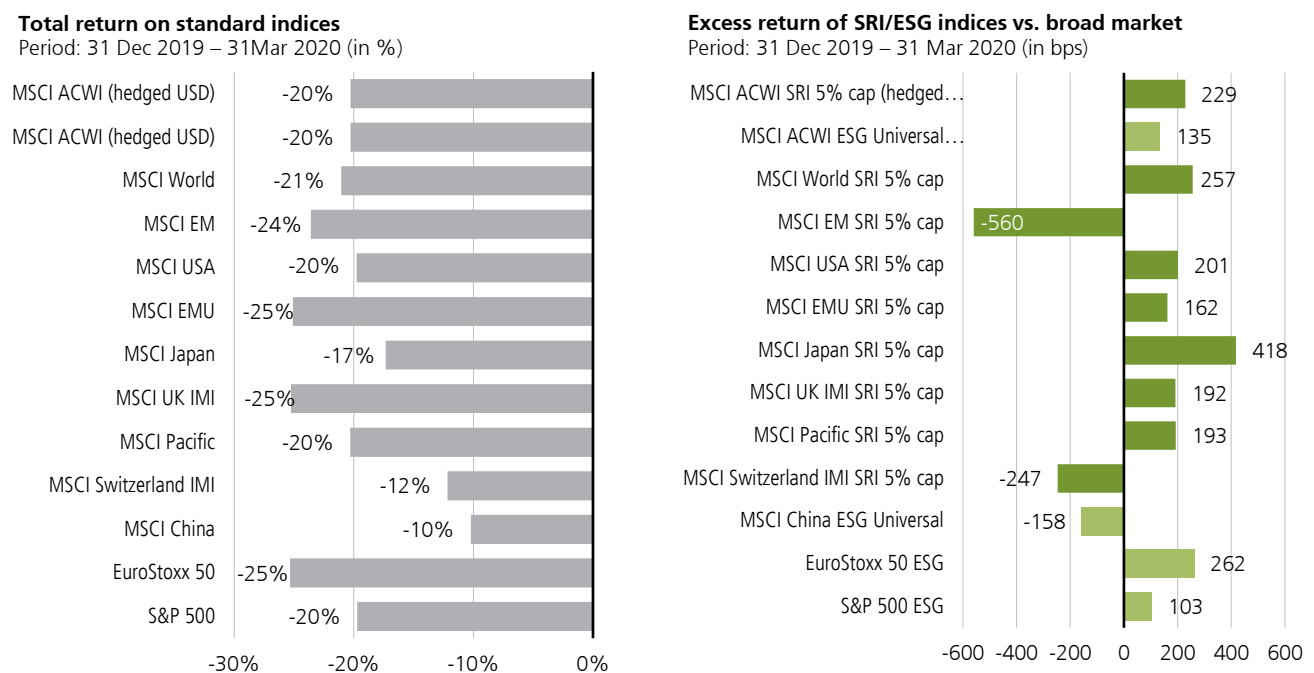
Performance of UBS ETF benchmarks during the Coronavirus market correction

Let us comment on the performance of ESG/SRI benchmarks, which are tracked by UBS ETFs (Figure 2) over Q1 2020. As seen earlier, the performance of SRI portfolios on key main indices such as ACWI, World, USA, and EMU has been very strong with the exception of EM. Furthermore, the SRI methodology also delivered outperformance for more

narrow stock indices such as the MSCI UK IMI and MSCI Pacific, while it lagged behind for MSCI Switzerland. The MSCI China ESG index underperformed, but it is mostly due to the 5% capping of the largest two companies (Alibaba and Tencent). Overall, a sustainable investor has received a reward for adherence to the highest ESG standard, whilst at the same time improving the ESG profile of their portfolio.

In addition to UBS's suite of ETFs tracking the MSCI indices, UBS ETFs was the first provider to have launched ESG variants of the flagship S&P 500 and Euro STOXX 50 indices. This sustainable approach has proven excellent for the S&P 500 ESG (+103 bps) and Euro STOXX 50 ESG (+262 bps) vs their respective parent indices during the crisis period. These ESG methodologies represent a fairly 'light-medium green' approach. These ETFs are characterised by limited (historical) tracking error figures of below 100 bps vs. their parent indices. Thus, increasingly, these products have seen demand from investors as an ESG alternative for their core equity allocation.

Figure 2. Performance of indices tracked by UBS ETFs over Q1 2020.



Source: UBS Asset Management, Bloomberg. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

About UBS ETFs

Index-tracking investment solutions have been a core competence of UBS Asset Management for over 35 years. As a leading fund house in Europe, UBS launched its first ETF in Europe in 2001 and is currently both one of Europe's foremost providers as well as a dominant force in currency hedged ETFs in the region. UBS ETFs offers investors a transparent and flexible opportunity to diversify their investments across key markets and all asset classes, including equities, bonds, real estate, commodities and alternative investments. UBS ETFs are listed on the following stock exchanges around the world – SIX Swiss Exchange, Borsa Italiana, London Stock Exchange, Deutsche Börse XETRA, Euronext Amsterdam, Australian Securities Exchange ASX, KRX Korea Exchange, Tokyo Stock Exchange and the Mexican Stock Exchange BMV.

Appendix A

Table A.1. Top 20 attribution contributors: companies that had the largest positive contribution to outperformance of UBS ETF MSCI World SRI UCITS ETF versus MSCI World over Q1 2020.

Portfolio	% Average Weight			Total Return (%)			Contribution to Ret (%)			Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-			
Portfolio	100.00	100.00	0.00	-18.16	-20.95	2.79	-18.16	-20.95	2.79	3.04	-0.25	2.79
Microsoft Corp	5.54	2.86	2.68	0.28	0.28	0.00	-0.08	0.02	-0.10	0.50	0.00	0.50
Roche Holding AG-Genusschein	2.23	0.56	1.67	3.02	3.02	0.00	0.07	0.02	0.05	0.36	-0.01	0.35
Nvidia Corp	1.40	0.35	1.05	12.10	12.10	0.00	0.17	0.04	0.13	0.30	0.00	0.30
Gilead Sciences Inc	0.85	0.21	0.64	16.19	16.19	0.00	0.11	0.03	0.08	0.20	0.00	0.20
Adobe Inc	1.60	0.40	1.20	-3.51	-3.51	0.00	-0.05	-0.01	-0.03	0.18	0.00	0.18
Tesla Inc	0.79	0.20	0.59	25.26	25.26	0.00	0.08	0.02	0.07	0.18	0.00	0.18
Procter & Gamble Co/THE	2.90	0.72	2.17	-11.40	-11.40	0.00	-0.34	-0.09	-0.26	0.18	0.00	0.18
Novo Nordisk A/S-B	1.02	0.25	0.76	5.03	5.03	0.00	0.04	0.01	0.03	0.19	-0.01	0.17
Exxon Mobil Corp		0.56	-0.56		-44.80	44.80		-0.28	0.28	0.16	0.00	0.16
JPMorgan Chase & Co		0.93	-0.93		-35.00	35.00		-0.34	0.34	0.15	0.00	0.15
US Dollar	0.35		0.35	0.00		0.00	0.00		0.00	0.14	0.00	0.14
Bank of America Corp		0.63	-0.63		-39.32	39.32		-0.26	0.26	0.13	0.00	0.13
Boeing Co/THE		0.35	-0.35		-53.94	53.94		-0.21	0.21	0.13	0.00	0.13
Wells Fargo & Co		0.42	-0.42		-46.09	46.09		-0.22	0.22	0.13	0.00	0.13
Pepsico Inc	1.82	0.45	1.37	-11.52	-11.52	0.00	-0.22	-0.06	-0.17	0.11	0.00	0.11
Vertex Pharmaceut. Inc	0.57	0.14	0.42	8.68	8.68	0.00	0.05	0.01	0.04	0.11	0.00	0.11
Citigroup Inc		0.36	-0.36		-46.92	46.92		-0.18	0.18	0.11	0.00	0.11
Home Depot Inc	2.31	0.58	1.73	-13.90	-13.90	0.00	-0.33	-0.08	-0.25	0.10	0.00	0.10
American Tower Corp	0.99	0.25	0.75	-5.25	-5.25	0.00	-0.07	-0.02	-0.05	0.10	0.00	0.10
Chevron Corp		0.45	-0.45		-39.17	39.17		-0.20	0.20	0.10	0.00	0.10

Source: UBS Asset Management, Bloomberg. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

Table A.2. Bottom 20 attribution contributors: companies that had the largest negative contribution to performance of UBS MSCI World SRI UCITS ETF vs. MSCI World over Q1 2020.

Portfolio	% Average Weight			Total Return (%)			Contribution to Ret (%)			Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-			
Portfolio	100.00	100.00	0.00	-18.16	-20.95	2.79	-18.16	-20.95	2.79	3.04	-0.25	2.79
Amazon.com Inc		1.96	-1.96		5.51	-5.51		0.12	-0.12	-0.45	0.00	-0.45
Walt Disney Co/THE	2.19	0.55	1.64	-33.21	-33.21	0.00	-0.74	-0.19	-0.56	-0.23	0.00	-0.23
Apple Inc		3.17	-3.17		-13.20	13.20		-0.42	0.42	-0.20	0.00	-0.20
Conocophillips	0.54	0.13	0.41	-52.30	-52.30	0.00	-0.32	-0.08	-0.24	-0.16	0.00	-0.16
Netflix Inc		0.37	-0.37		16.05	-16.05		0.05	-0.05	-0.12	0.00	-0.12
Nestle Sa-Reg		0.76	-0.76		-5.01	5.01		-0.04	0.04	-0.11	0.00	-0.11
Phillips 66	0.35	0.09	0.26	-51.36	-51.36	0.00	-0.22	-0.05	-0.17	-0.11	0.00	-0.11
Suncor Energy Inc	0.39	0.10	0.29	-51.28	-51.28	0.00	-0.23	-0.06	-0.18	-0.09	-0.02	-0.11
Oneok Inc	0.24	0.06	0.18	-70.82	-70.82	0.00	-0.20	-0.05	-0.15	-0.10	0.00	-0.10
PNC Financial Services Group	0.57	0.14	0.43	-39.58	-39.58	0.00	-0.25	-0.06	-0.19	-0.09	0.00	-0.09
Johnson & Johnson		0.90	-0.90		-9.52	9.52		-0.09	0.09	-0.09	0.00	-0.09
Siemens AG-REG	0.80	0.20	0.60	-32.69	-32.69	0.00	-0.27	-0.07	-0.20	-0.08	-0.01	-0.09
Westpac Banking Corp	0.50	0.12	0.37	-40.71	-40.71	0.00	-0.23	-0.06	-0.17	-0.04	-0.04	-0.08
Allianz SE-REG	0.89	0.22	0.67	-29.78	-29.78	0.00	-0.28	-0.07	-0.21	-0.06	-0.01	-0.07
AXA SA	0.44	0.11	0.33	-38.54	-38.54	0.00	-0.18	-0.05	-0.14	-0.06	0.00	-0.07
Eli Lilly & Co		0.29	-0.29		6.10	-6.10		0.01	-0.01	-0.07	0.00	-0.07
Alphabet Inc-CI C		1.01	-1.01		-13.03	13.03		-0.13	0.13	-0.07	0.00	-0.07
Intel Corp		0.62	-0.62		-9.13	9.13		-0.04	0.04	-0.07	0.00	-0.07
Total SA	1.03	0.26	0.77	-27.32	-27.32	0.00	-0.26	-0.07	-0.20	-0.05	-0.01	-0.06
American Express Co	0.79	0.20	0.59	-31.00	-31.00	0.00	-0.25	-0.06	-0.19	-0.06	0.00	-0.06

Source: UBS Asset Management, Bloomberg. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

Appendix B

Table B.1. Top 20 attribution contributors: companies that had the largest positive contribution to performance of UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF vs. MSCI Emerging Markets over Q1 2020.

Portfolio	% Average Weight			Total Return (%)			Contribution to Ret (%)			Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-			
Portfolio	100.00	100.00	0.00	-29.32	-23.58	-5.75	-29.32	-23.58	-5.75	-2.68	-3.06	-5.75
Hindustan Unilever Ltd	1.79	0.33	1.46	12.78	12.78	0.00	0.19	0.04	0.15	0.45	-0.07	0.38
Naspers Ltd-N Shs	5.78	1.22	4.55	-12.72	-12.72	0.00	-0.78	-0.13	-0.65	1.07	-0.84	0.23
Petrobras – Petroleo Bras-PR		0.41	-0.41	-64.05	64.05		-0.31	0.31	0.15	0.15	0.07	0.21
Itau Unibanco Holding S-Pref		0.60	-0.60	-50.18	50.18		-0.34	0.34	0.10	0.10	0.11	0.20
Petrobras – Petroleo Bras		0.34	-0.34	-65.73	65.73		-0.29	0.29	0.15	0.15	0.06	0.20
Gazprom Pjsc		0.61	-0.61	-43.76	43.76		-0.29	0.29	0.07	0.07	0.09	0.16
Sberbank of Russia Pjsc		0.67	-0.67	-41.58	41.58		-0.29	0.29	0.04	0.04	0.11	0.15
Chunghwa Telecom Co Ltd	1.29	0.24	1.05	-3.13	-3.13	0.00	-0.03	-0.01	-0.02	0.15	-0.01	0.14
Icici Bank Ltd		0.56	-0.56	-43.32	43.32		-0.27	0.27	0.11	0.11	0.02	0.14
Sasol Ltd		0.12	-0.12	-90.47	90.47		-0.17	0.17	0.11	0.11	0.02	0.13
Lukoil Pjsc		0.63	-0.63	-39.24	39.24		-0.26	0.26	0.03	0.03	0.10	0.13
Axis Bank Ltd		0.33	-0.33	-52.58	52.58		-0.20	0.20	0.10	0.10	0.01	0.11
Vale Sa		0.61	-0.61	-37.11	37.11		-0.23	0.23	0.01	0.01	0.11	0.11
Country Garden Services Hold	0.43	0.08	0.35	20.63	20.63	0.00	0.07	0.01	0.06	0.11	0.00	0.11
Meituan Dianping-Class B	1.22	0.22	1.00	-7.61	-7.61	0.00	-0.07	-0.01	-0.05	0.10	0.00	0.11
Reliance Industries Ltd		0.92	-0.92	-30.59	30.59		-0.29	0.29	0.07	0.07	0.04	0.11
Ambev SA		0.30	-0.30	-50.48	50.48		-0.17	0.17	0.05	0.05	0.05	0.10
Naver Corp	1.97	0.36	1.61	-13.41	-13.41	0.00	-0.23	-0.04	-0.18	0.15	-0.06	0.09
Wuxi Biologics Cayman Inc	0.77	0.15	0.61	2.41	2.41	0.00	0.01	-0.01	0.02	0.09	0.00	0.09
Polymetal International Plc	0.33		0.33	9.35	9.35	0.03	0.03		0.03	0.10	-0.02	0.08

Source: UBS Asset Management, Bloomberg. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

Table B.2. Bottom 20 attribution contributors: companies that had the largest negative contribution to performance of UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF vs. MSCI Emerging Markets over Q1 2020.

Portfolio	% Average Weight			Total Return (%)			Contribution to Ret (%)			Selection Effect (%)	Currency Effect (%)	Tot Attr (%)
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-			
Portfolio	100.00	100.00	0.00	-29.32	-23.58	-5.75	-29.32	-23.58	-5.75	-2.68	-3.06	-5.75
Banco Bradesco SA-Pref	2.68	0.48	2.19	-55.30	-55.30	0.00	-1.68	-0.31	-1.37	-0.52	-0.38	-0.90
Tencent Holdings Ltd		4.98	-4.98	1.76	-1.76		0.11	-0.11	-0.85	-0.02	-0.87	
Housing Development Finance	4.73	0.87	3.85	-36.13	-36.13	0.00	-1.83	-0.34	-1.49	-0.52	-0.16	-0.68
Alibaba Group Holding-SP ADR		6.22	-6.22	-8.31	8.31		-0.43	0.43	-0.60	0.00	-0.60	
Standard Bank Group Ltd	1.20	0.22	0.98	-52.34	-52.34	0.00	-0.73	-0.14	-0.59	-0.19	-0.17	-0.36
Firstrand Ltd	1.15	0.21	0.94	-49.79	-49.79	0.00	-0.65	-0.12	-0.53	-0.16	-0.16	-0.32
Novatek PJSC-Spons GDR Reg S	1.37	0.25	1.11	-43.20	-43.20	0.00	-0.59	-0.12	-0.47	-0.28	0.00	-0.28
Lojas Renner S.A.	0.88	0.16	0.72	-53.58	-53.58	0.00	-0.52	-0.10	-0.43	-0.14	-0.12	-0.26
Banco Bradesco S.A.	0.74	0.13	0.61	-57.03	-57.03	0.00	-0.47	-0.09	-0.38	-0.16	-0.10	-0.26
MTN Group Ltd	0.76	0.14	0.62	-54.07	-54.07	0.00	-0.48	-0.09	-0.39	-0.14	-0.10	-0.24
Astra International TBK PT	0.79	0.15	0.65	-52.06	-52.06	0.00	-0.48	-0.09	-0.39	-0.17	-0.07	-0.23
Absa Group Ltd	0.58	0.11	0.47	-60.67	-60.67	0.00	-0.43	-0.08	-0.35	-0.15	-0.08	-0.23
B3 SA-Brasil Bolsa Balcao	1.97	0.36	1.61	-33.63	-33.63	0.00	-0.65	-0.12	-0.53	0.06	-0.28	-0.22
Fomento Economico Mexica-UBD	1.56	0.29	1.27	-35.47	-35.47	0.00	-0.57	-0.11	-0.46	0.00	-0.21	-0.21
Nedbank Group Ltd	0.41	0.07	0.33	-69.80	-69.80	0.00	-0.35	-0.07	-0.28	-0.14	-0.05	-0.20
Shinhan Financial Group Ltd	1.28	0.24	1.05	-37.33	-37.33	0.00	-0.49	-0.10	-0.40	-0.16	-0.04	-0.20
Bank Mandiri Persero TBK PT	0.88	0.16	0.71	-45.58	-45.58	0.00	-0.46	-0.08	-0.38	-0.11	-0.08	-0.20
Bank Central Asia TBK PT	2.07	0.38	1.69	-29.65	-29.65	0.00	-0.67	-0.12	-0.55	0.01	-0.20	-0.19
Localiza Rent A Car	0.59	0.11	0.48	-56.84	-56.84	0.00	-0.36	-0.07	-0.29	-0.11	-0.08	-0.19
China Construction Bank-H		1.39	-1.39	-5.30	5.30		-0.06	0.06	-0.17	-0.01	-0.18	

Source: UBS Asset Management, Bloomberg. Data as of 31 March 2020. Please note that past performance is not a guide to the future.

Risk disclaimer

This UBS Exchange Traded Fund invests in government bonds of a single country and may therefore be subject to fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying index. Losses that could be avoided via active management will not be offset.

For marketing and information purposes by UBS.

For qualified investors / professional clients / sophisticated investors only.

UBS funds under Luxembourg, Swiss and Irish law.

The MSCI indexes are the exclusive property of MSCI Limited ("MSCI"). MSCI and the MSCI index names are service mark(s) of MSCI or its affiliates and have been licensed for use for certain purposes by UBS Asset Management Switzerland AG ("UBS"). The financial securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such financial securities. The full prospectus contains a more detailed description of the limited relationship MSCI has with UBS and any related financial securities. No purchaser, seller or holder of this product, or any other person or entity, should use or refer to any MSCI trade name, trademark or service mark to sponsor, endorse, market or promote this product without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

The "S&P 500 ESG INDEX" is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJ"), and has been licensed for use by UBS AG. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); are trademarks and these trademarks have been licensed for use by SPDJ and sublicensed for certain purposes by UBS AG. The S&P 500 ESG INDEX is not sponsored, endorsed, sold or promoted by SPDJ, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 ESG INDEX.

The EURO STOXX 50 ESG® index and the trademarks used in the index name are the intellectual property of STOXX Limited, Zurich, Switzerland and/or its licensors. The index is used under license from STOXX. The financial instruments based on the index are in no way sponsored, endorsed, sold or promoted by STOXX and/or its licensors and neither STOXX nor its licensors shall have any liability with respect thereto.

Before investing in a product please read the latest prospectus carefully and thoroughly. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. Members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can rise or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS Asset Management Switzerland AG or a local affiliated company. Source for all data and charts (if not indicated otherwise): UBS Asset Management.

This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

AT: Paying Agent for ETFs: Zahlstelle: Erste Bank der oesterreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna. Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from Erste Bank der oesterreichischen Sparkassen AG Am Belvedere 1, A-1100 Vienna.

CH: Representative in Switzerland for UBS funds established under foreign law: UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel. Paying agent: UBS Switzerland AG, Bahnhofstrasse 45, CH-8001 Zurich. Prospectuses, simplified prospectuses or key information document, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from UBS Asset Management Switzerland AG, c/o UBS AG, Bahnhofstrasse 45, 8001 Zürich, Switzerland or from UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel.

DE: Representative in Germany for UBS Funds established under foreign law: UBS Europe SE, Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main. Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge upon written request from UBS Europe SE or from UBS Asset Management (Deutschland) GmbH, Bockenheimer Landstraße 2-4, DE-60306 Frankfurt am Main or can be looked up on www.ubs.com/deutschlandfonds.

DK: Prospectuses, simplified prospectuses or key information document, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from UBS Asset Management, Regeringsgatan 38, 11153 Stockholm or from UBS Europe SE, Denmark Branch, filial af UBS Europe SE, Sankt Annae Plads 13, 1 TH, 1250 Copenhagen, Denmark.

ES: CNMV registration number: UBS (IRL) ALTERNATIVE SOLUTIONS PLC: 1320; UBS (IRL) ETF PLC: 1507; UBS (IRL) FUND PLC: 1381; UBS (IRL) INVESTOR SELECTION PLC: 964; UBS (LUX) BOND FUND: 144; UBS (LUX) EMERGING ECONOMIES FUND: 477; UBS (LUX) EQUITY FUND: 148; UBS (LUX) EQUITY SICAV: 344; UBS (LUX) KEY SELECTION SICAV: 336; UBS (LUX) KEY SELECTION SICAV2: 591; UBS (LUX) MEDIUM TERM BOND FUND: 188; UBS (Lux) Bond SICAV: 332; UBS (LUX) MONEY MARKET FUND: 653; UBS (LUX) MONEY MARKET INVEST: 189; UBS (LUX) MONEY MARKET SICAV: 865; UBS (LUX) SICAV1: 807; UBS (LUX) STRATEGY FUND: 146; UBS (LUX) STRATEGY SICAV: 864; UBS ETF: 1501; UBS ETFS PLC: 1624; UBS GLOBAL SOLUTIONS: 1448]. Representative in Spain for UBS funds established under foreign law: UBS Europe SE, sucursal en España, MARÍA DE MOLINA, 4, E-28006 MADRID. Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from UBS Europe SE, sucursal en España, MARÍA DE MOLINA Nº 4, E-28006 MADRID / AVENIDA DIAGONAL Nº 640, 2º A, E-08017 BARCELONA / FERNÁNDEZ Y GONZÁLEZ Nº 2, PLANTA PRINCIPAL, E-41001 SEVILLA / C/ROGER DE LAURIA Nº 7, 1º PLANTA, E-46002 VALENCIA / COSO Nº 33, 5º A, E-50003 ZARAGOZA, CANTÓN PEQUEÑO 15, 4º, E-15003 A CORUÑA.

FI and NO: Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from UBS Asset Management, Regeringsgatan 38, S-11153 Stockholm.

FR: This fund has obtained authorization for marketing in France. Representative in France for UBS investment funds under foreign law: BNP Paribas at 16 Bd des Italiens, F-75009 Paris. Prospectuses, simplified prospectuses or key information document, the articles of association or the investment regulations and the annual and semi-annual reports of the UBS Funds may be obtained free of charge from the management company of the Fund, the Autorité des Marchés Financiers or, as the case may be, UBS (France) SA, 69, boulevard Haussmann, 75008 Paris, or on the website: www.ubs.com/fundgate.

HK: This document and its contents have not been reviewed by any regulatory authority in Hong Kong. No person may issue any invitation, advertisement or other document relating to the Interests whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Interests which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investor) Rules made thereunder.

IL: Prospectuses, simplified prospectuses or key information document, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge. The presented products have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute "an offer to the public". This presentation will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

IT: Representative in Italy for UBS funds, UBS Asset Management (Italia) – SGR S.p.A., Via del Vecchio Politecnico, n. 3, 20121 Milano (MI), Italy. Prospectuses, simplified prospectuses or key information document, the articles of association or the management regulations as well as annual and semi-annual reports may be obtained in a language required by the local applicable law free of charge from UBS Asset Management (Italia) – SGR S.p.A., Via del Vecchio Politecnico, n. 3, 20121 Milano (MI), Italy.

KR: The Securities may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Capital Market and Financial Investment Business Act and the Foreign Exchange Transaction Law of Korea, the presidential decrees and regulations thereunder and any other applicable laws, regulations or rules of Korea. The [UBS entity] has not been registered with the Financial Services Commission of Korea for a public offering in Korea nor has it been registered with the Financial Services Commission for distribution to non-qualified investors in Korea.

LI: The representative and paying agent in Liechtenstein for UBS Funds under foreign law is Liechtensteinische Landesbank Aktiengesellschaft, Städtle 44, FL-9490 Vaduz. Prospectuses, simplified prospectuses or key information document, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds in German are available in a language required by the local applicable law free of charge from Liechtensteinische Landesbank Aktiengesellschaft.

LU: Prospectuses, simplified prospectuses or key information document, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from Northern Trust Global Services Limited, Luxembourg Branch, 6, rue Lou Hemmer, L-1748 Senningerberg or from UBS Europe SE, Luxembourg Branch, P.O. Box 2, L-2010 Luxembourg.

NL: UBS (Irl) ETF plc, UBS ETFs plc and UBS ETF SICAV are investment institutions (beleggingsinstelling) within the meaning of the AFM and registered in the Dutch register held with the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten). Representative in the Netherlands for UBS funds established under foreign law: UBS Asset Management, UBS Europe SE Nederlandse Vestiging Rembrandt Tower – 18e verdieping, Amstelplein 1, 1096 HA AMSTERDAM, The Netherlands. Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from UBS Europe SE Nederlandse Vestiging or on the internet at www.ubs.com/fondsen.

PT: Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from Northern Trust Global Services Limited, Luxembourg Branch, 6, rue Lou Hemmer, L-1748 Senningerberg or from UBS Europe SE, Luxembourg Branch, P.O. Box 2, L-2010 Luxembourg. For more information on the distribution of UBS funds, in particular the applicable tax regime, please consult the Supplementary Information Memorandum for Portugal, available free of charge from the placing agent.

SE: Prospectuses, simplified prospectuses or key investor information, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available in a language required by the local applicable law free of charge from Northern Trust Global Services Limited, Luxembourg Branch, 6, rue Lou Hemmer, L-1748 Senningerberg, from UBS Asset Management, Regeringsgatan 38, 11153 Stockholm or on the internet at www.ubs.com/svenskafonder.

SG: This document has not been registered with the Monetary Authority of Singapore pursuant to the exemptions under Sections 304 and 305 of the SFA. Accordingly, this document may not be circulated or distributed, nor may the Securities be offered or sold, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 304 of the SFA, (ii) to an accredited investor or other relevant person, in accordance with the conditions specified in Section 305 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

UK: UBS Asset Management (UK) Ltd is a subsidiary of UBS AG. Registered in England. UBS Asset Management (UK) Ltd and UBS Asset Management Funds Ltd are authorised and regulated by the Financial Conduct Authority. UBS Asset Management Life Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Telephone calls may be recorded.

This document is for Professional Clients only. It is not to be distributed to or relied upon by Retail Clients under any circumstances.

The document has not been prepared in line with the FCA requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

The Luxembourg and Irish domiciled funds are recognised scheme under section 264 of the Financial Services and Markets Act 2000. They seek UK Reporting Fund Status. The protections offered by the UK's regulatory system, and compensation under the Financial Services Compensation Scheme, will not be available.

The Switzerland domiciled funds are not recognised under section 264 of the Financial Services and Markets Act and are therefore subject to the restrictions on promotion in section 238 of the Financial Services and Markets Act.

The returns payable to the fund are dependent on payments received by the fund from the swap counterparty under the terms of the relevant swap and, therefore are subject to credit risk of the swap counterparty. In the event that the swap counterparty defaults under the terms of the relevant swap, the funds may suffer a loss.

This material supports the presentation(s) given. It is not intended to be read in isolation and may not provide a full explanation of all the topics that were presented and discussed. Care has been taken to ensure the accuracy of the content, but no responsibility is accepted for any errors or omissions. Please note that past performance is not a guide to the future. The value of investments and the income from them may go down as well as up, and investors may not get back the original amount invested. This document is a marketing communication. Any market or investment views expressed are not intended to be investment research.

The document has not been prepared in line with the FCA requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information contained in this document should not be considered a recommendation to purchase or sell any particular security and the opinions expressed are those of UBS Asset Management and are subject to change without notice. Furthermore, there can be no assurance that any trends described in this document will continue or that forecasts will occur because economic and market conditions change frequently. This document does not create any legal or contractual obligation with UBS Asset Management. The recipient agrees that this information shall remain strictly confidential where it relates to the Investment Manager's business. The prior consent of UBS Asset Management (UK) Ltd should be obtained prior to the disclosure of commercially sensitive information to a third party (excluding the professional advisors of the recipient). Information reasonably deemed to be commercially sensitive and obtained from UBS Asset Management (UK) Ltd should not be disclosed. This information is supplied with a reasonable expectation that it will not be made public. If you receive a request under the Freedom of Information Act 2000 for information obtained from UBS Asset Management (UK) Ltd we ask that you consult with us. We also request that any information obtained from UBS Asset Management (UK) Ltd in your possession is destroyed as soon as it is no longer required. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS AG. This document is issued by [UBS Asset Management (UK) Ltd] and is intended for limited distribution to the clients and associates of UBS Asset Management. Use or distribution by any other person is prohibited. Copying any part of this publication without the written permission of UBS Asset Management is prohibited. Care has been taken to ensure the accuracy of its content, but no responsibility is accepted for any errors or omissions herein.

This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

More explanations of financial terms can be found at ubs.com/glossary

© UBS 2020. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.