
 UBS

Products and Product Development
UBS GWM&BB / P&M / Investment Solutions
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Major Industry Trends

| | |
|------------------------------|---|
| Pricing Transparency | <ul style="list-style-type: none">◆ Trend towards greater pricing disclosure (e.g. MIFID, Swiss Fed Supreme Court)◆ WM competitors with transparent models emerging (e.g. Quirin, Towry Law) |
| Regulatory Complexity | <ul style="list-style-type: none">◆ Possible amendments to the UCITS framework; real estate funds and private placement rules in EU.◆ Changes in taxation regime and jurisdiction competition (e.g. SNG vs. CH vs. HK etc.)◆ Increased global/regional regulatory harmonization and legal cooperation |
| Performance | <ul style="list-style-type: none">◆ Increasing transparency◆ Concentration of asset flows in top rated mutual funds |
| Generation Transfers | <ul style="list-style-type: none">◆ Launches of retirement-oriented products to meet needs of baby boomers◆ Wealth transfer across generations with significant assets being lost by incumbent wealth managers upon death of asset holder |
| Core-Satellite | <ul style="list-style-type: none">◆ Polarisation between core and satellite is expected to continue◆ "Alternative beta" indexing potentially emerging as 'cheap' alpha substitute |

Sources: Northern Trust Survey of UHNWs; Strategic Insights ; Defection Analysis; Boston Consulting Group; SABD Industry & Competitor Analysis

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1

Challenging Market Environment

◆ Subprime crises causes reduced trust and confidence in private banks (e.g. low risk / cash like products turn out to be high risk / loosing money)

◆ Crises fosters a flight to quality and transparency. Accelerating the speed of changes requested by the regulator (e.g. MiFID). Clients have more concerns and more questions.

◆ Increased pressure on product design / pricing: Need to develop simpler to explain product with a clear value proposition for the client

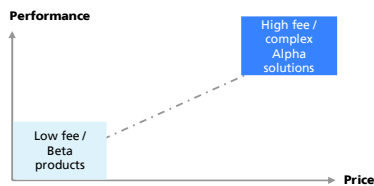


2

UBS Investment Solutions Response

Key to success: manage between "Money is emotional" – client side ...

- ◆ Divergence of active / passive → clear either / or strategies are key
 - Low fee Beta
 - Highly priced Alpha



- ◆ Need for stronger support of sales people in light of value shift from processes and products to distribution
- ◆ Education of sales people and clients

... "Investment is rational" – investment management side.




3

Client Perspective

Money is emotional ...

| | | | |
|---------------------------|---|---|---|
| Value | Stability <ul style="list-style-type: none"> Stable returns irrespective of market developments | Participation <ul style="list-style-type: none"> Participate in long term growth potential of financial markets | Opportunity <ul style="list-style-type: none"> Maximize return potential through access to global opportunities |
| Team | <ul style="list-style-type: none"> Dedicated investment specialists around the globe Continuous monitoring of financial markets Disciplined investment process | | |
| Innovation | <ul style="list-style-type: none"> State-of-the art portfolio solutions Sustainability through commitment to continuous innovation Access to exclusive investment vehicles | | |
| Investment Concept | Absolute Return | Relative Return | Total Return |





... investment is rational.



4


UBS Opportunity Portfolio

A unique portfolio concept –

| | | | |
|--|---|---|--|
| Global opportunities | Financial engineering | Risk management | UBS Opportunity Portfolio |
|  |  |  |  |
| <ul style="list-style-type: none"> Your actively managed portfolio is based on an unconstrained global investment universe incorporating short term views and special investment themes. | + | <ul style="list-style-type: none"> Innovative financial engineering is applied to scale up risk/return characteristics of your portfolio and allow for the addition of multiple sources of independent return. | + |
| | | <ul style="list-style-type: none"> Rigorous management of risk will keep your portfolio in line with the defined risk profile at all times. | = |
| | | | <ul style="list-style-type: none"> Seeking out global investment opportunities and using sophisticated financial engineering, it aims to maximize return and to outperform the global equity market for a similar level of risk over a 3-5 year investment horizon. |

For illustrative purposes only.

... an innovative way to maximize return for a high risk profile.



Please always read in conjunction with the glossary and the risk information at the end of this document.

5

UBS Client Experience: Added value in every step

Strengthen clients awareness ...

... that every step in UBS Client Experience adds tangible value.

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6

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7

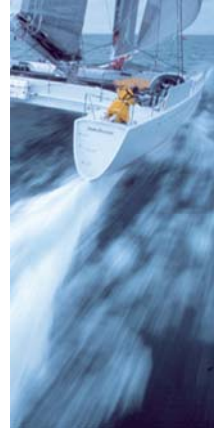
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8
