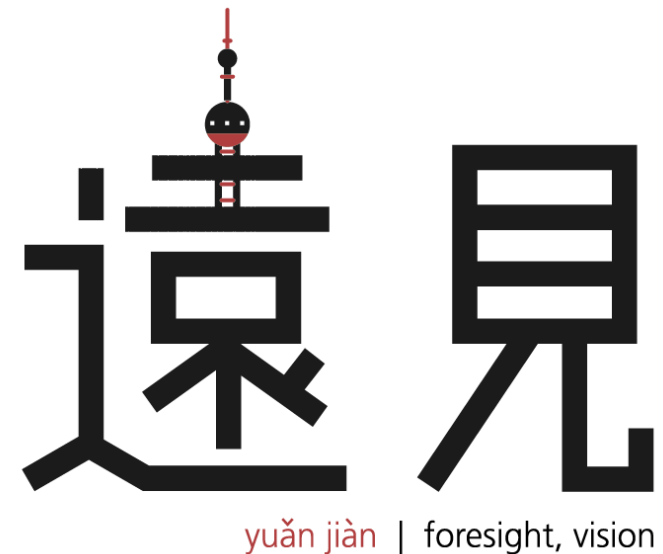


Banking Needs of Swiss Corporates in Asia – Treasury solutions for RMB liquidity onshore

Presentation for the **Swiss Chinese Chamber of Commerce**

Beat Goetz, Christoph Kruecken

SCCC Luncheon
March 19, 2018
Widder Hotel Zurich



Section 1

Our presence in the region and China

Our presence in the region and China

Facts and Figures

- 6th largest global asset manager in APAC (APAC sourced AuM) ¹
- Present in 7 markets (7 different regulators)
- 4 different languages (English, Chinese, Japanese, Korean)

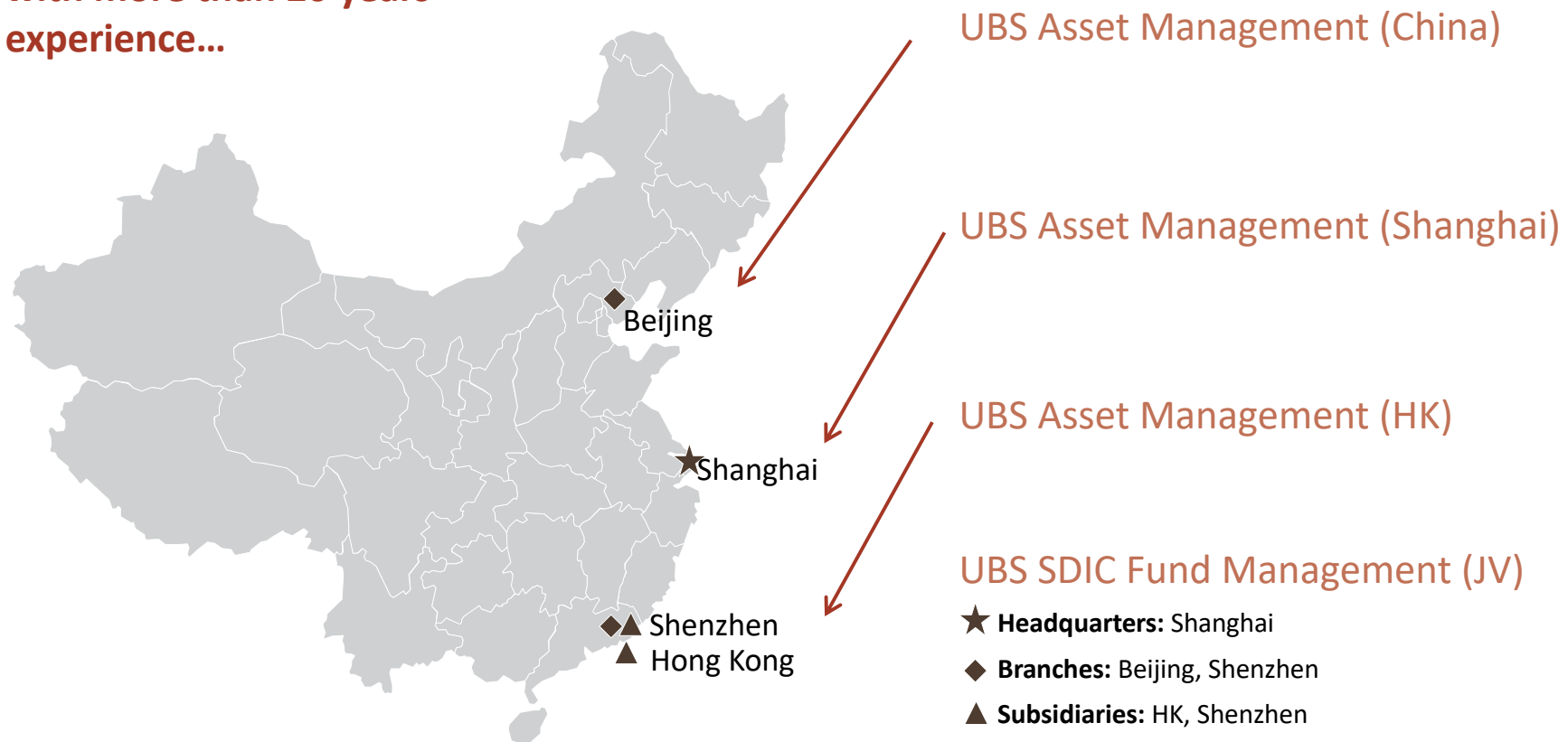


¹ As of September 2016. Asian Investor. Remainder figures as of August end 2017.

Our presence in China

One of the leading global asset managers in China – CHF 45bn in assets managed¹

**We're no strangers to China
with more than 20 years
experience...**



¹ Total AUM includes CHF 30.2bn direct booked by UBS AM and CHF 15.3bn, 49% of total CHF 31.3bn AuM of UBS SDIC that is not consolidated by UBS AM; as of 31/12/16

UBS AM has a long history in China

We have constantly invested over the past 20 years

1998

UBS AM (Hong Kong)

- Products for investing offshore for Chinese domestic investors
- offshore China products with / without QFII / RQFII quotas

2005

UBS SDIC Fund Management Co., Ltd

- First Sino-foreign fund management joint venture with foreign stake at the 49% upper limit,
- Focus on retail mutual funds, ETFs and own QDII & RQDII quotas

2011

UBS AM (China) Ltd.

- 100% owned WFOE for domestic alternative investment management

2015

UBS AM (Shanghai) Ltd

- 100% owned WFOE for QDLP license (USD 100mn quota)

2017

UBS AM (Shanghai) Ltd

- 100% owned WFOE for QDLP license
- Granted private fund license to serve HNWs and institutional clients

...and now manage **45 CHF bn¹**
of Chinese client assets and China related assets

Note:

1 AUM includes CHF 30.2bn directly booked by UBS AM and CHF 15.3bn (49% of CHF 31.3bn AuM of UBS SDIC) that is not consolidated by UBS AM, as of 31.12.2016;
WFOE: Wholly Foreign Owned Enterprise

Section 3

How to invest RMB Excess Cash

How to invest RMB Excess Cash

What to do with your RMB profits? Repatriation or (Re-)Investment?

- **Repatriation via**
 - Dividend Payments
 - Intercompany Loans
 - RMB Outbound Standby Letter of Credit
- **(Re-)Investment via**
 - Bank Deposits
 - Wealth Management Products
 - Money Market Investments

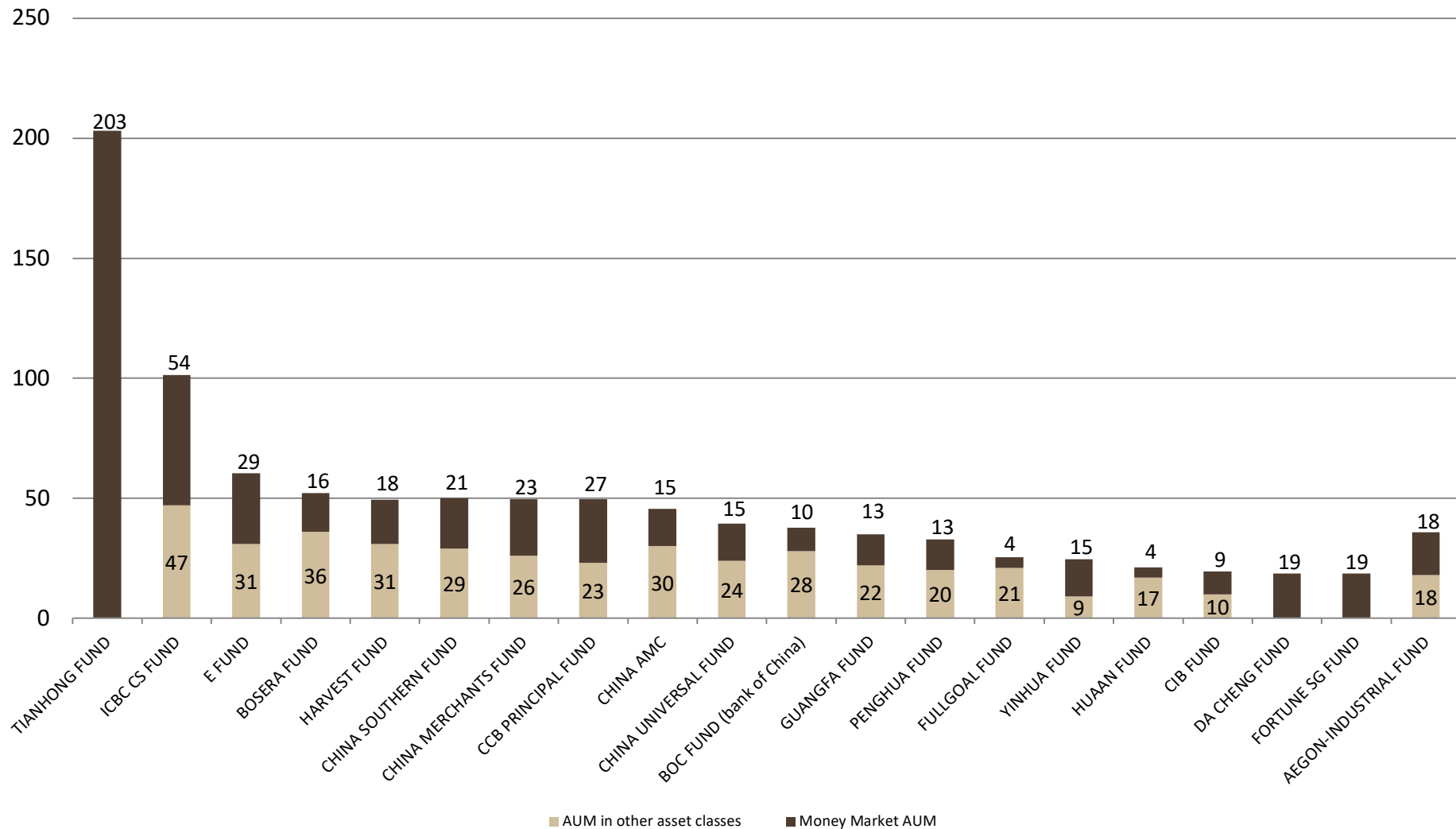
Focus of today

Section 4

Chinese Asset Management Industry

Money Market Funds at the heart of the Chinese Asset Management Industry

Bulk of AuM of local asset managers stem from money market investments (RMBbn)



Source: WIND. For illustration purposes only. August 2017



Growth of Chinese money market funds

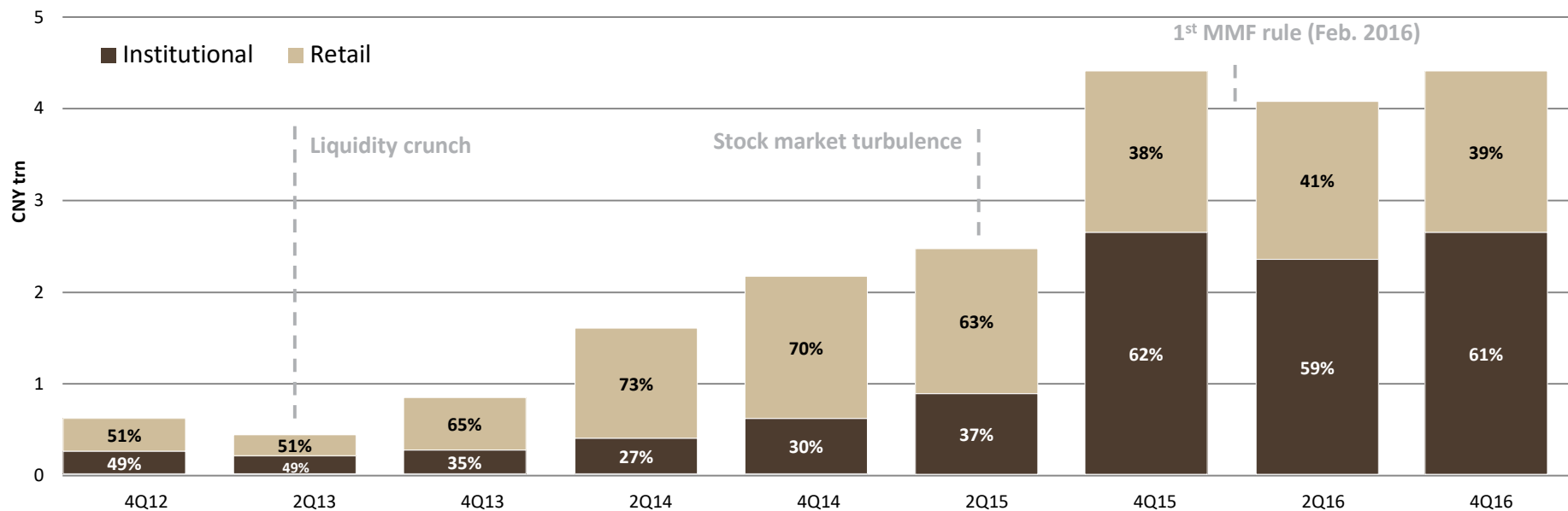
Rapid industry growth initially fuelled by retail investors

China MMFs are now totaling \$800bn with 10 largest managers accounting for over 60% of total AuM.

Institutional investors now outpace retail with two-thirds of the MMF market.

However, there are limited number of MMFs that have a primary focus on institutional usage.

New reforms are designed to tighten guidelines but they will still lag US / European MMF standards.



Source: Fitch For illustration purposes only. August 2017

New Chinese money market fund regulations

CSRC announced new regulatory MMF measures in late August 2017

New reserve capital limits

If a C-NAV money market fund manager breaches " $\leq 200x$ risk reserve capital" ratio, they will not be allowed to launch any new C-NAV MMFs, and must increase risk capital provisioning

New C-NAV client concentration limits

If a single investor holds $>50\%$ of a C-NAV MMF: fund required to switch to V-NAV and maintain 80% in "highly liquid" assets

New investment restrictions

MMFs cannot invest more than 10% of its NAV in NCDs or any other financial instruments issued by banks (issuers) with rating below local rating AAA

Single issuer exposure: $\leq 2\%$ of fund's net asset

Potential impact on existing MMFs

Will penalize MMFs where institutional investors comprise a significant component \Rightarrow will likely lead existing MMFs to focus on their retail client base

Will likely see lower yields in existing C-NAV MMFs

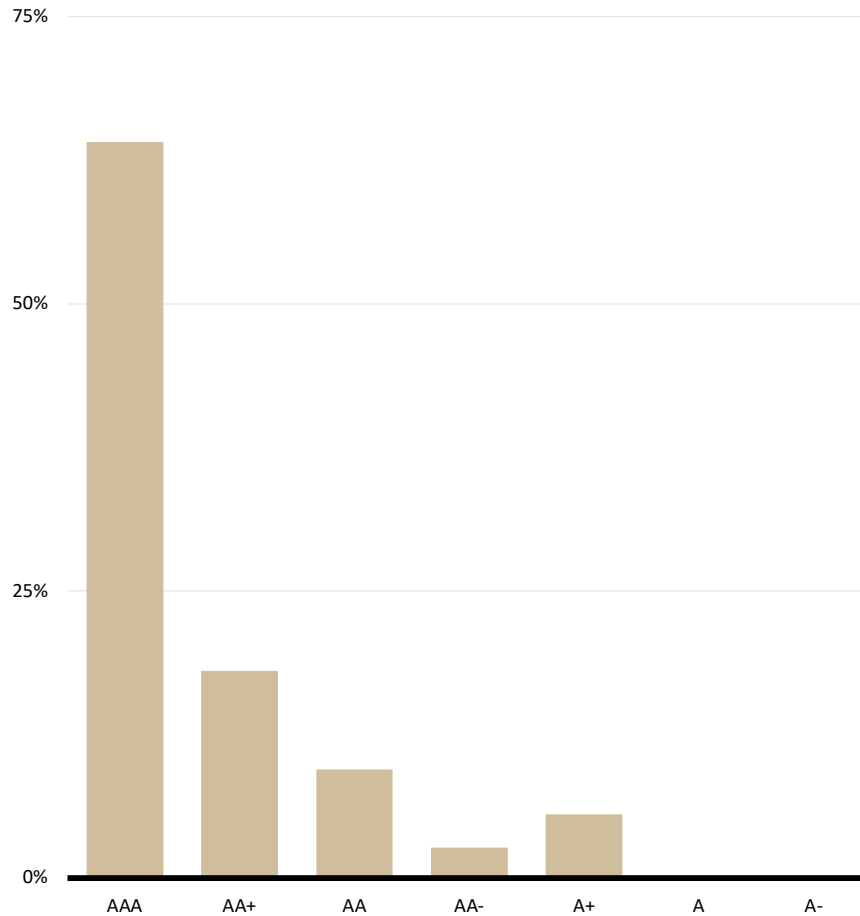
Source: CSRC, AMAC, UBS. "Highly liquid" assets include: cash, treasury, PBOC bills, policy bank bonds and any other instruments with a maturity less than 5 days

Section 5

Chinese Money Market

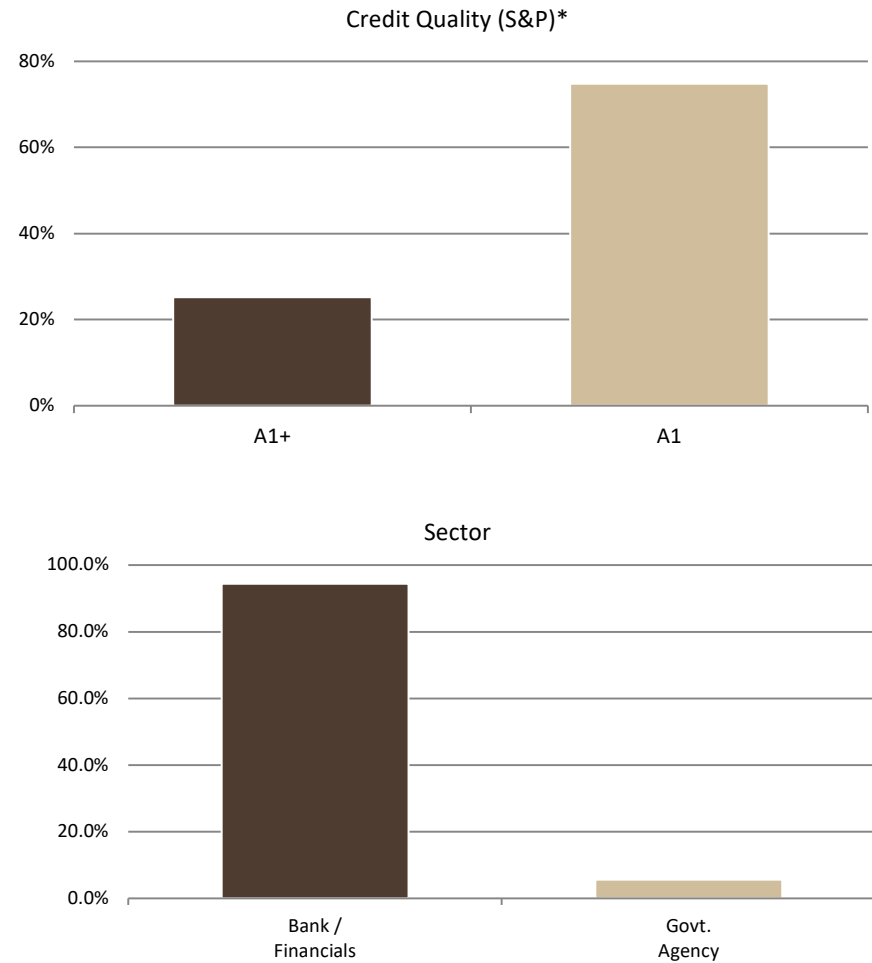
Chinese and US Money Market

RMB Money Market. Credit Ratings



Source: WIND. For illustration purposes only. Ratings are onshore credit ratings. As of 14 August 2017

USD (IRL) Money Market Credit Ratings & Sector



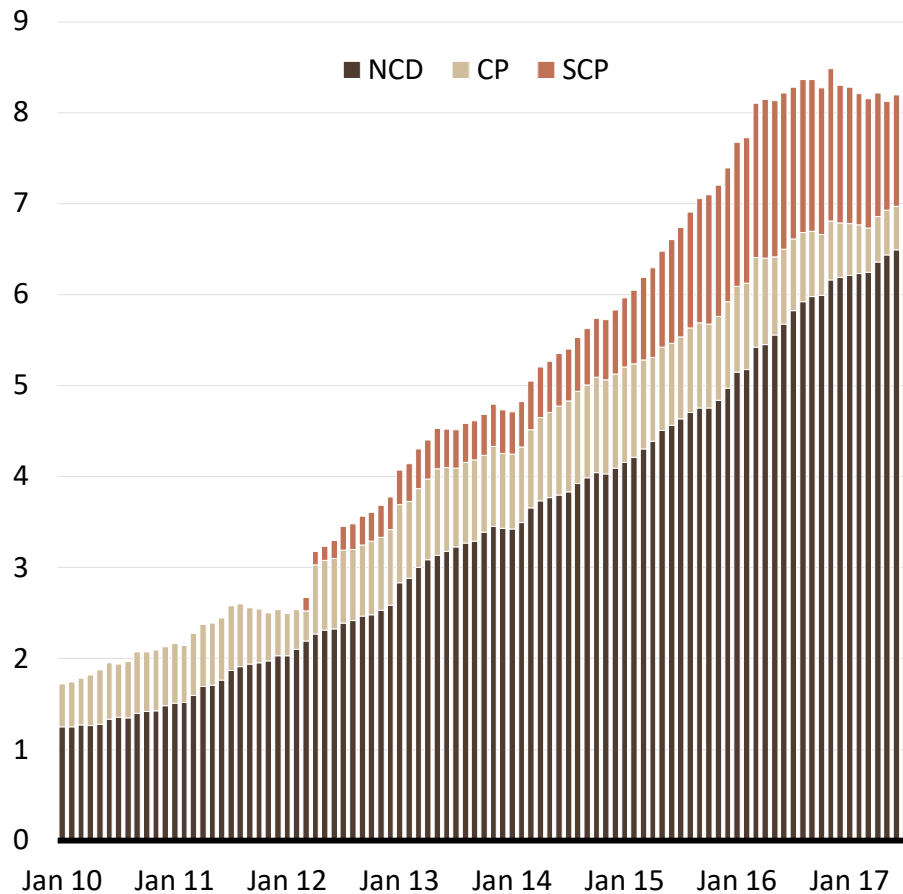
*Source: UBS Asset Management

Performance data quoted is gross of fees. Performance of a particular share class may be lower due to fees. Investors should carefully read the Funds' Prospectus and relevant Key Investor Information Document (KIID) to find out more about fees and expenses.

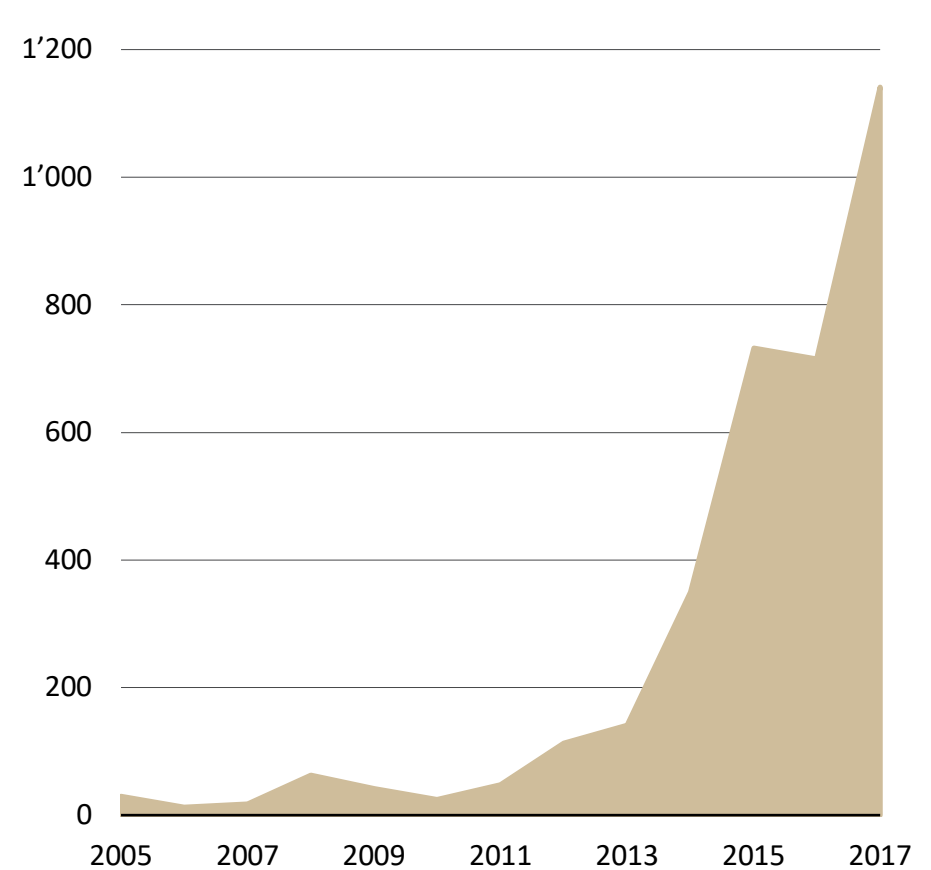
Structure of Chinese money market

Market growth fuels AuM of Money Market Funds Growth

Market growth



AuM for China Money Market Funds (USDbn)



Source: Wind Financial Termina. For illustration purposes only. August 2017

Source: WIND. For illustration purposes only. Ratings are onshore credit ratings. As of August 2017

Section 6

China Liquidity Solutions

RMB-denominated shortterm investments

Available Investments for China-domiciled institutional investors onshore

Available Solutions in the Chinese Market for Money Market/ Fixed income short term investing				
	Deposits	Public Mutual Funds	Private Funds	3rd Party WM-Products
		MMF - Fitch rated ¹	Ultra Short Income Fund	Bank's implied guarantee
Net Yield in %	0.80% - 1.50%	3.10%	3.25% - 4.00%	4.0% - 5.50%
Rating	(Bank Counterparty Risk)	F-AAA	AAA (onshore)	(Product Counterparty-Risk)
Investment Diversification	N/A	Government, Agencies, Repos	Govt. Agencies, Banks, Financials, Corporates	
Portfolio Duration	1m - 1Y	1m- 3m	3m-6m	3m - 18m
NAV Valuation	-	C-NAV	V-NAV	-
Subscription	-	daily	Daily / weekly	weekly / monthly
Liquidity	t+0	t+1	t+1	closed end

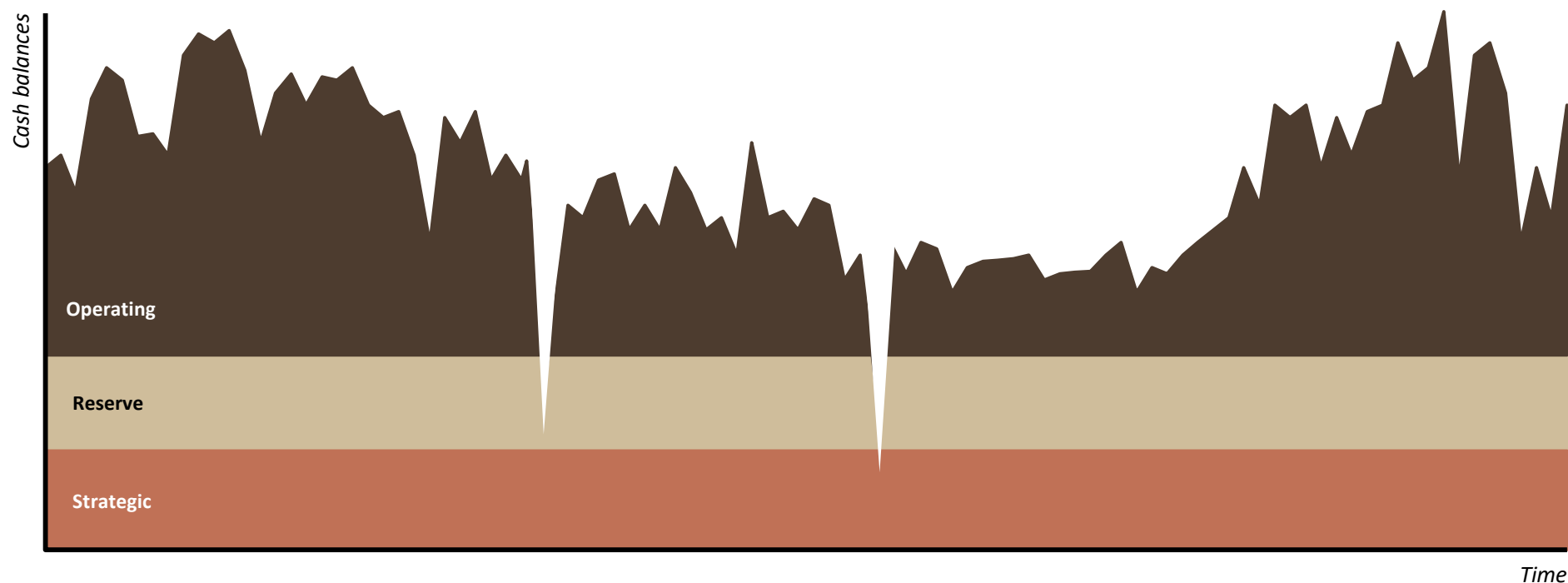
¹ JP Morgan and HSBC Mutual Fund

² Corporate Income Tax (CIT) is 25% for private funds. Companies have the possibility to off-set it against potential losses. Assumption of net CIT 10% - 25%

Source: UBS Asset Management . For illustration purposes only. Ratings are onshore credit ratings. As of March 2018

UBS China strategies

Can be used as part of a broader liquidity management programme



	UBS China Cash Management Strategy	UBS China Ultra-Short Income Strategy	UBS China Flexible Bond Strategy
Key features	Operating cash High liquidity High diversification	Reserve cash Additional yield potential High liquidity High diversification	Strategic cash Enhanced yield Lower liquidity High diversification
Investment Horizon	0 months+	6 months+	12 months+

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