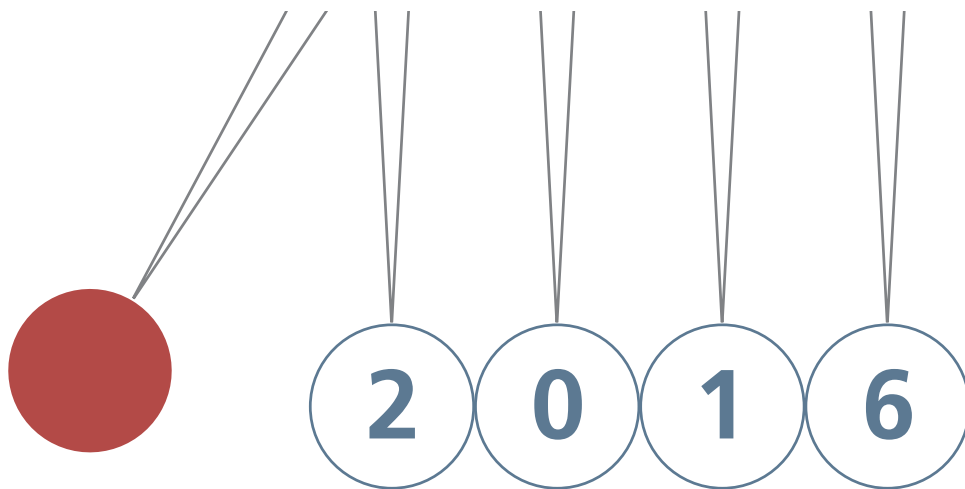


UBS Investor Watch

Analyzing investor sentiment and behavior / 4Q 2016

In the market for change

Investors react with **growing confidence** post-election



For this quarter's *UBS Investor Watch*, we surveyed 1,200 wealthy investors both before and after the presidential election. Our findings reveal a shift among investors, away from pre-election anxiety to a sense of optimism about the economy and the stock market.

Pre-election, we learned that 30% of investors increased cash, and 25% shifted to a more conservative asset allocation. Many cut back on spending as well, with 23% forgoing a major purchase.

Post-election, a decisive victory and a stock market rebound are pulling investors out of their defensive stance. More than half of wealthy investors are now bullish on stocks, compared to only 25% before the election.

With the prospect of tax cuts and increased fiscal spending ahead, one-third of Trump supporters intend to increase their equity investments. Clinton supporters are less enthusiastic, with 28% planning to raise cash.

With the election over, many investors are seeking advice. Nearly 60% of those with a financial advisor plan to consult them on the implications for their portfolio. They may need to be reminded that regardless of the president-elect's plans, the best approach is to have one of their own and stick to it.

1

Investors are increasingly optimistic about the economy...

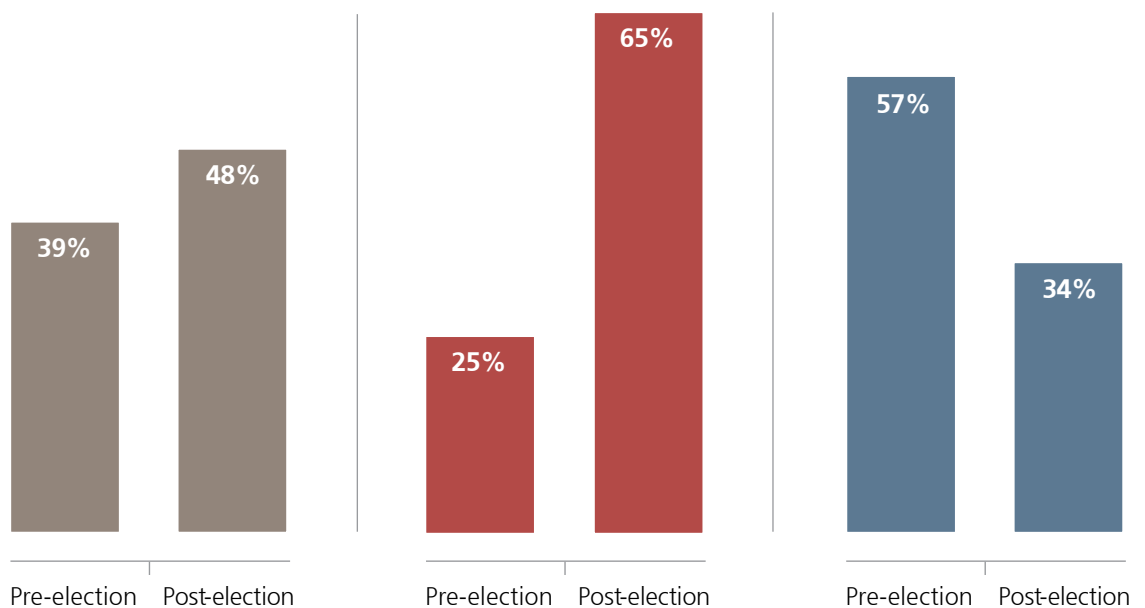
Investor confidence in the economy has risen significantly since the election. This change is driven by a sharp increase in optimism among Trump supporters, outweighing a decrease among Clinton supporters.

Trump supporters' enthusiasm is driven by expectations of fewer regulations and improved infrastructure. Additionally, one-third of all investors expect their taxes to decrease with Trump as president.

Trump supporters more bullish on the economy

Percentage optimistic about 12-month economic outlook by voting preference

■ All investors
■ Trump supporters
■ Clinton supporters



“Trump will reduce regulation, improve trade agreements, lower taxes and (I hope) establish cooperation with Democrats in Washington to accomplish these goals quickly and responsibly.”

– Male, 71

“Trump thinks lowering taxes and increasing spending will have a positive impact on the economy. I am not convinced.”

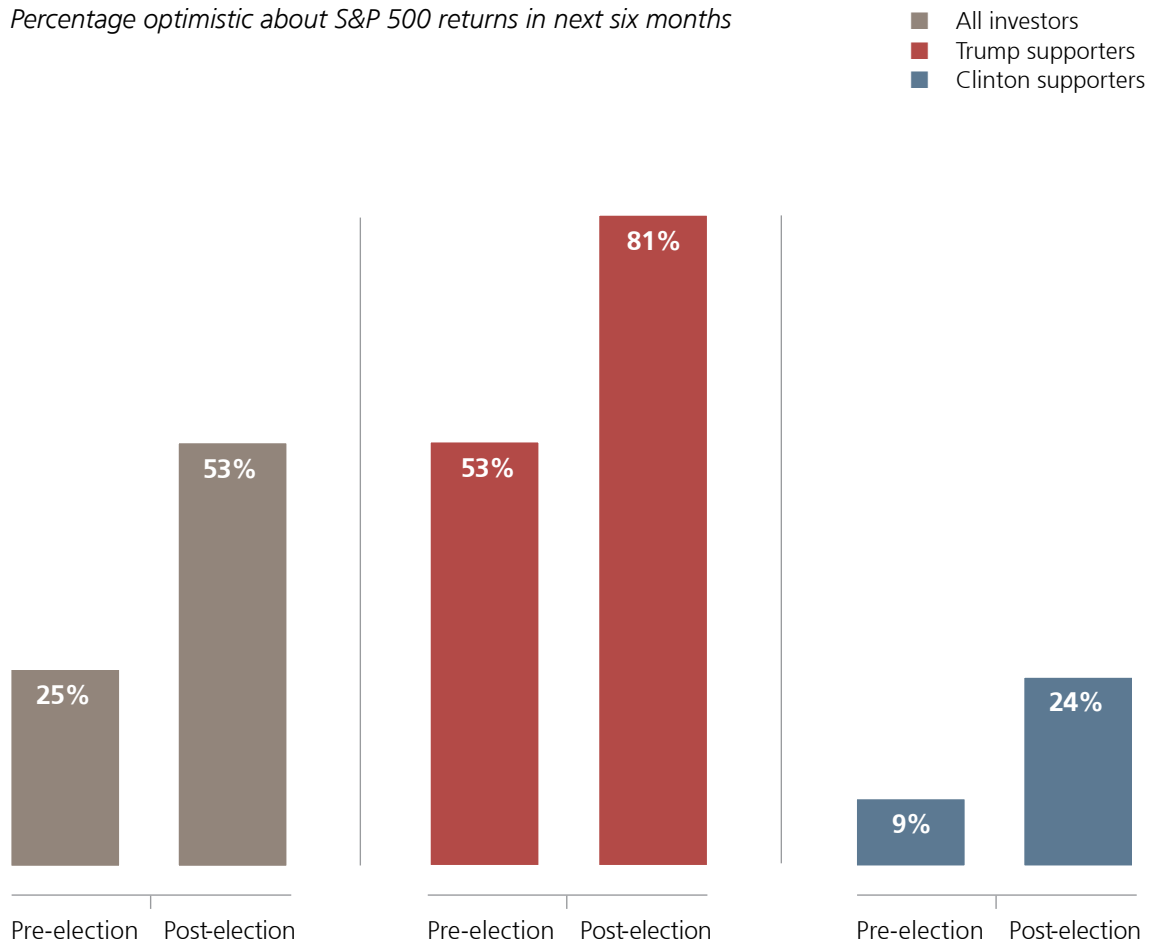
– Male, 62

...and the prospects for the stock market.

Prior to the election, most investors expected a negative market impact from a Trump win. Now, after initial positive returns post-election, investors' views have reversed sharply. They are now significantly more optimistic about both the short-term and long-term market outlook. Investors have particularly high expectations for the defense, energy and financial services sectors.

Market expectations buoyed by early returns

Percentage optimistic about S&P 500 returns in next six months



“I initially thought that the economy would nosedive if Trump were elected, like what happened with foreign markets on election night. The last two days of record-breaking markets is a total surprise.”

– Female, 54

“With many of the regulations stifling business being removed, especially small business, I only see growth for business, the stock market and my portfolio.”

– Female, 61

2

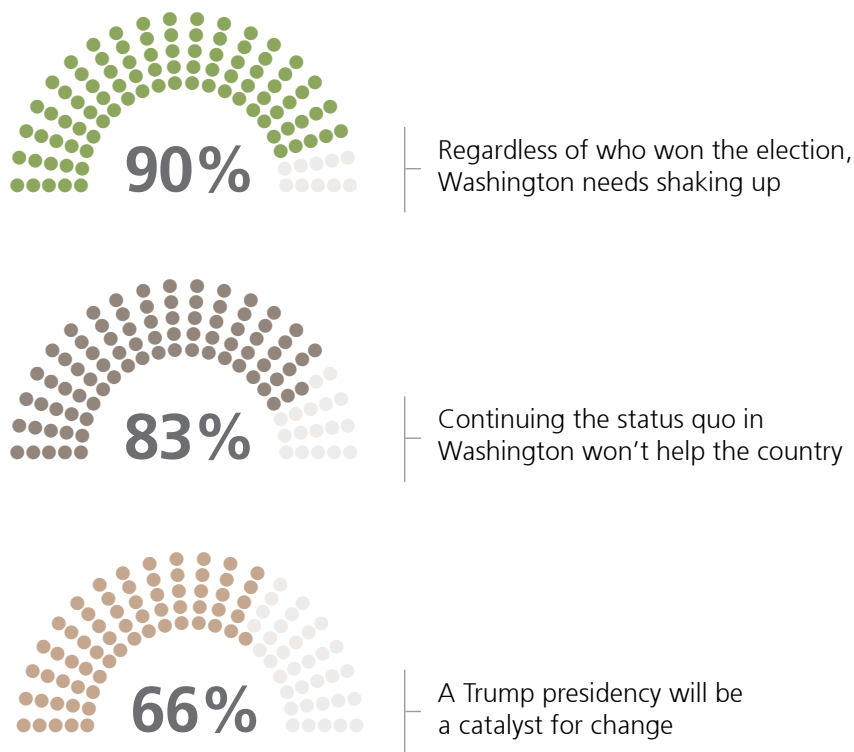
Investors were ready for change in Washington...

Across the political spectrum, nearly all investors believe that Washington needed to be shaken up. Positive or negative, two in three feel Trump will be a catalyst for change.

Interestingly, more than a third of investors didn't always admit their voting preference to friends and family, primarily to fend off arguments and avoid judgment. Nearly one in three think they know people who fibbed about whom they were voting for.

Frustration with Washington benefited Trump

Percentage who agree with each statement



“Trump is not politics or business as usual. I have been waiting for someone to come along since Reagan to turn Washington upside down.”

– Female, 47

“I am extremely frustrated with career politicians and the lack of action that truly impacts the country. They do not ‘get it’.”

– Male, 58

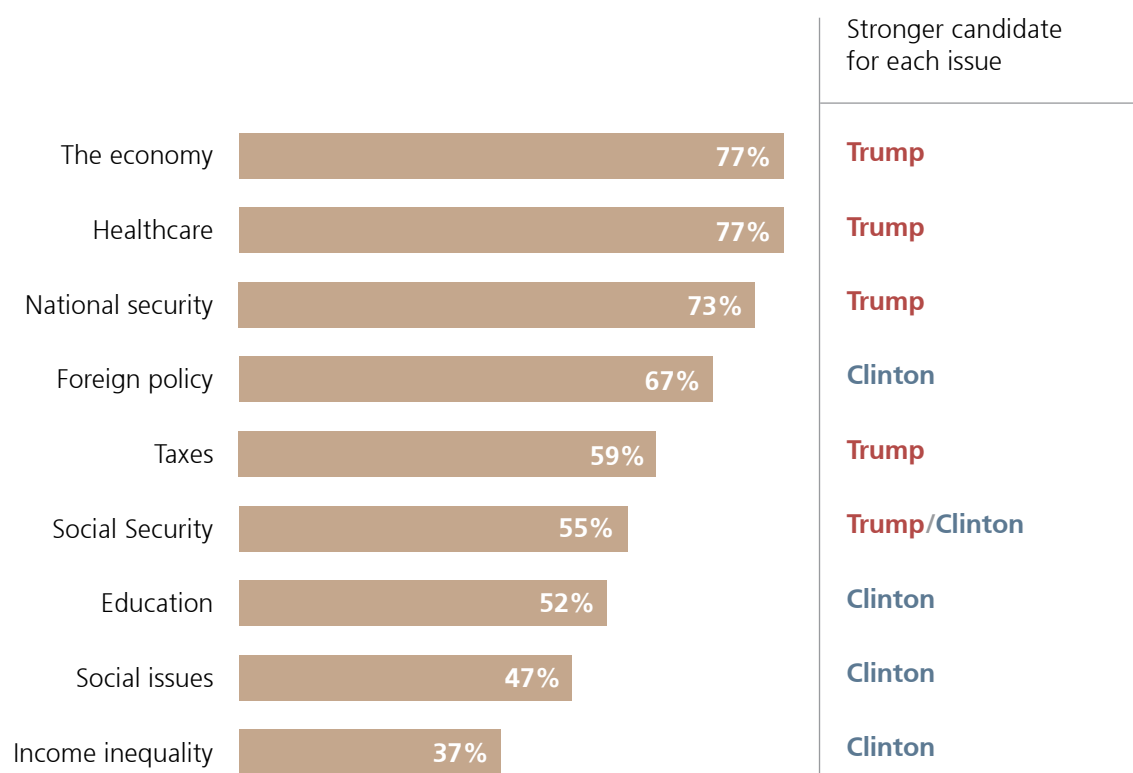
...and saw contrasting strengths in the two candidates on key issues.

Investors believed a wide range of issues were important in this election, and saw each candidate as stronger on different ones. As reported in the previous edition of *UBS Investor Watch, Electing the economy*, the economy continues to be the top issue. Nine in ten investors feel the political environment in Washington has been hurting the economy.

Trump was viewed as the best candidate on the economy, as well as healthcare, national security and taxes. Clinton, on the other hand, was viewed as being stronger on foreign policy, education, social issues and income inequality.

Trump ranked higher on investors' most important issues

Percent rating very or extremely important



“Trump’s presidency will result in lower taxes on individuals and corporations. This will stimulate the economy over time.”

– Male, 57

“Clinton understands foreign policy. She knows healthcare. I think she could have brought compromise to the table.”

– Female, 59

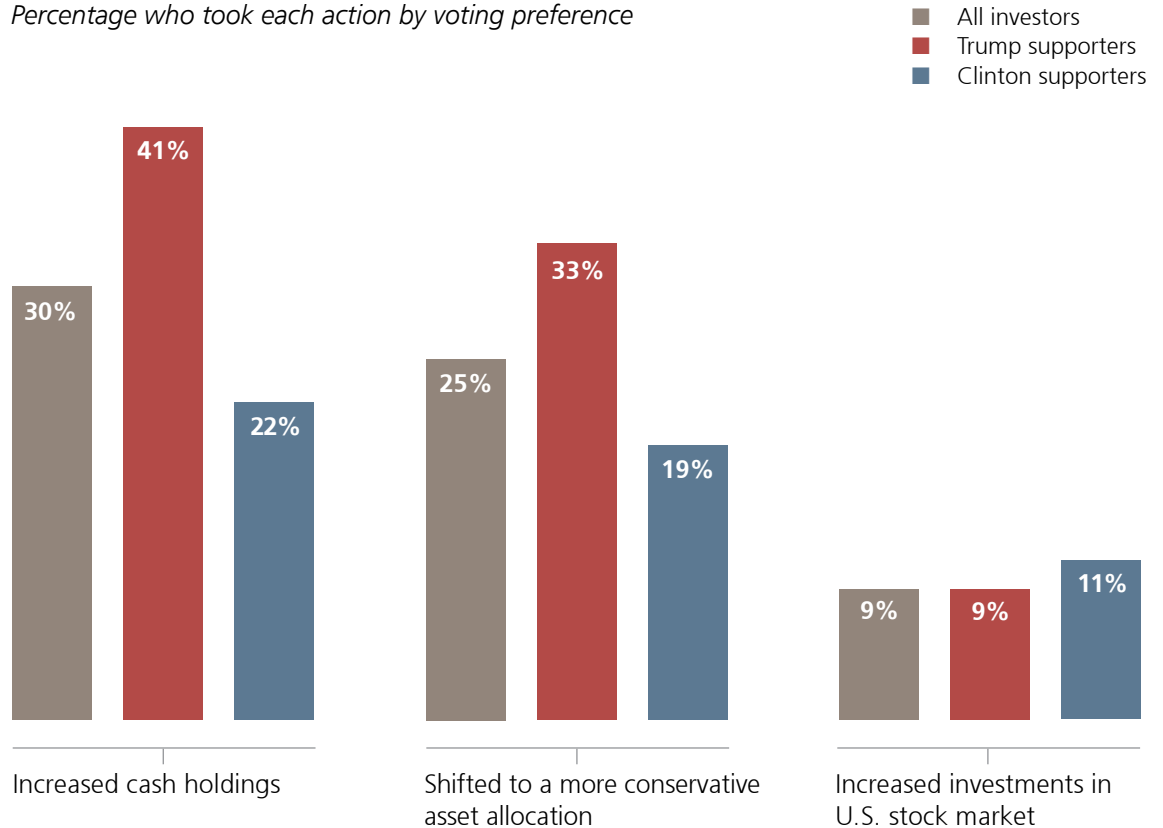
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Before the election, investors took action to protect their assets.

In anticipation of the election, 55% of investors made portfolio changes of some kind. Most of these moves were protective, with 30% increasing cash holdings and 25% shifting to a more conservative asset allocation. Trump supporters, many of whom expected a Clinton victory, were even more bearish. Only 9% of all investors increased their equity exposure in the months leading up to the election.

Pre-election: Investors were more conservative

Percentage who took each action by voting preference



“I moved a significant portion of my portfolio to cash. It made me feel more confident I’d be in the best position financially no matter what happened.”

– Male, 75

“We moved money into cash, in anticipation of a possible drop in the market.”

–Female, 48

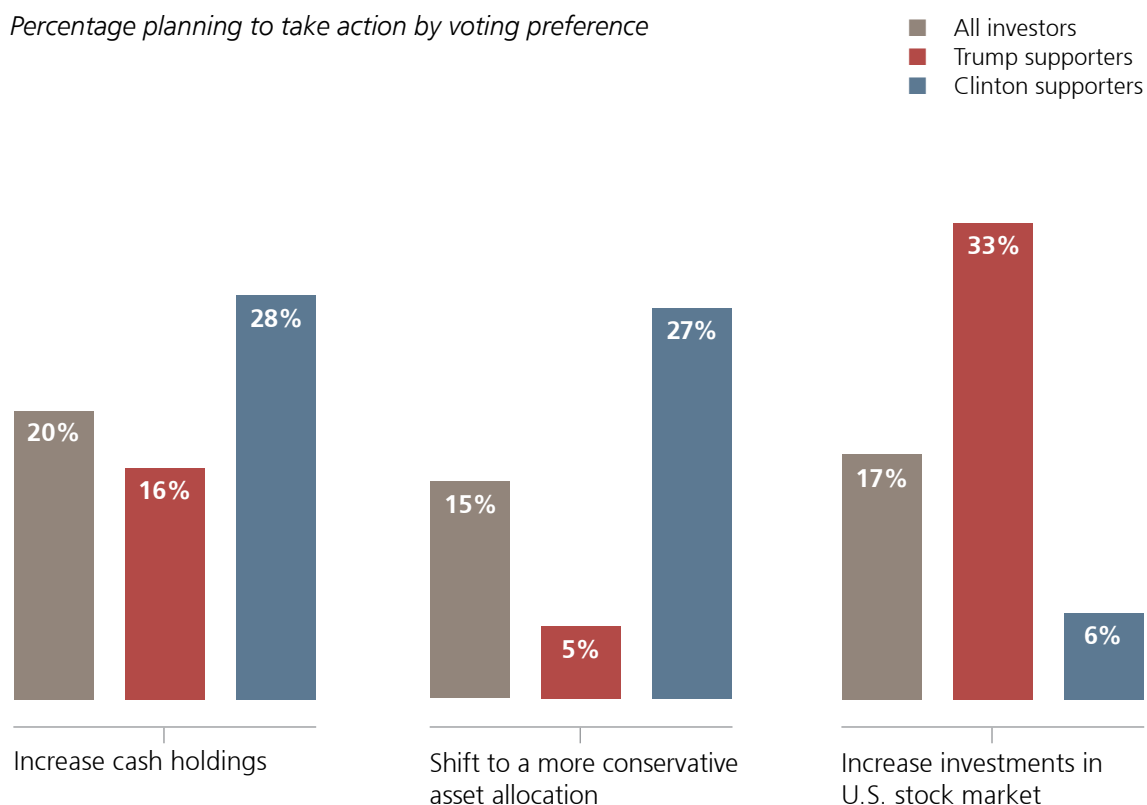
After the election, many are poised to put their money to work.

Post-election, 4 in 10 investors are planning to make changes to their portfolios. As before, their actions are largely based on their political preferences.

For example, one-third of Trump supporters intend to increase equity investments, with very few planning a shift to a more conservative asset allocation. Clinton supporters, on the other hand, are planning more conservative moves than they took before the election.

Post-election: Investors are moving in different directions

Percentage planning to take action by voting preference



“Assuming more jobs and an improving economy, I expect stocks and bonds to both have greater payouts.”

– Female, 48

“I’m moving to more conservative vehicles, such as bonds, because I don’t trust Trump. Then I’m going to sit back and watch. I think the market will be volatile in the next six months.”

– Male, 69

4

Investors are seeking advice as a result of the election...

Before the election, three in four investors made election-related financial decisions on their own, often based on their personal feelings about the candidates. However, investors who discussed the election with their advisor say they feel less likely to make an emotion-based decision and more confident about their portfolio.

Going forward, a majority (57%) of wealthy investors who have a financial advisor plan to discuss the election's impact on their portfolio. Most want advice on asset allocation, financial planning and how likely policy changes might affect them. One in three investors wants advice on reinvesting cash.

Advisor discussions ease investor anxiety regarding the election

Investors who have spoken with their advisor about the election



“I would like advice on what the markets will be doing because of a Trump presidency, and also if we are still on track to retire.”

– Female, 53

“I have extremely strong personal feelings about the candidates but I rely heavily on my advisor for financial decisions. My advisor is also able to put personal feelings aside and make the best decisions possible.”

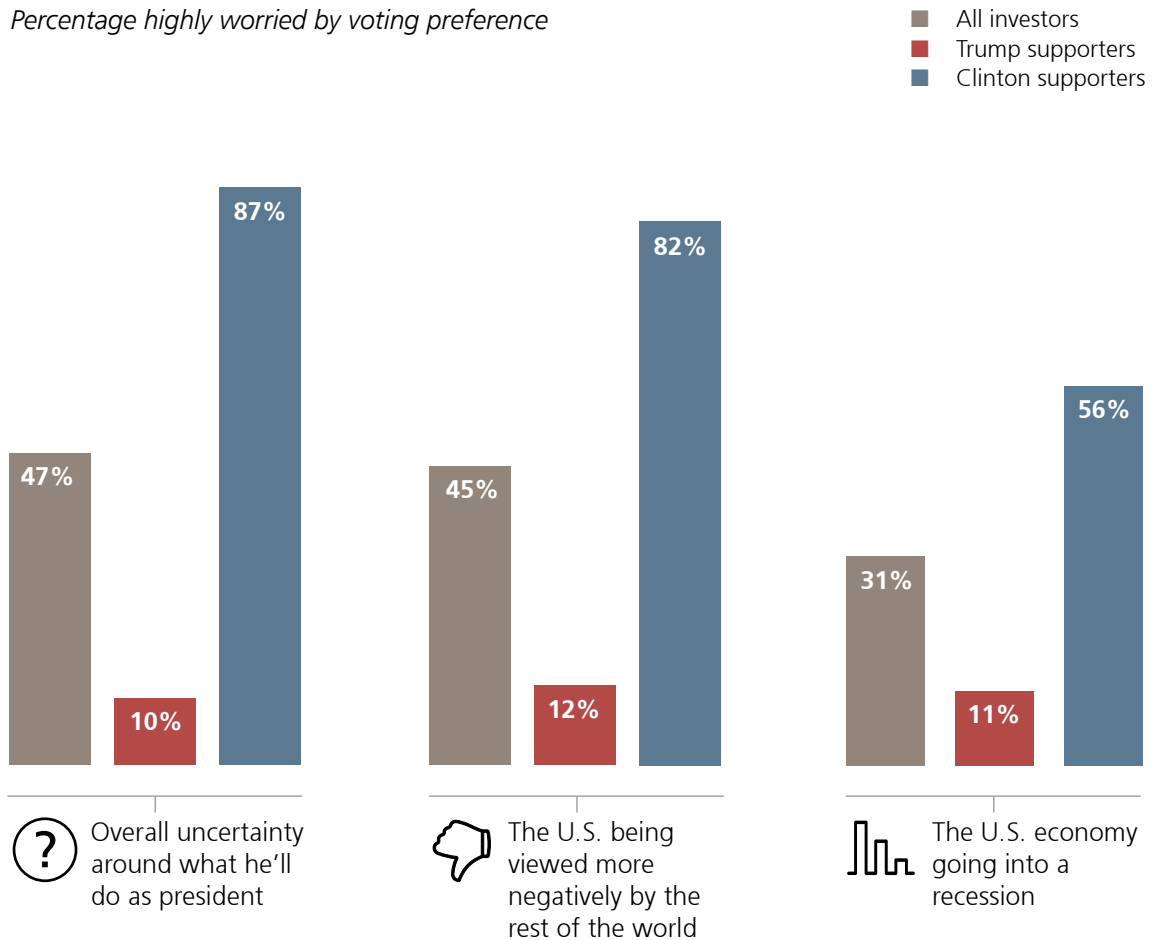
– Male, 52

...with Clinton supporters worried about future uncertainty.

Most Clinton supporters are gravely concerned about Trump's presidency. They worry about his unpredictability, America's standing in the world and an economic recession at home. Investors from both parties have concerns about Trump's temperament and the potential consequences.

Clinton supporters have many concerns about Trump

Percentage highly worried by voting preference



“I’m afraid we will go deeper in debt, and interest rates will skyrocket for the country. Trump doesn’t know what he’s doing and that leaves a lot of uncertainty for everyone.”

– Male, 55

“I was satisfied with my current planning and investments and expected Clinton to continue the general direction of the last eight years. Now I have no clue what to do.”

– Female, 54

About the survey: UBS Wealth Management Americas surveys U.S. investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the *UBS Investor Watch* to track, analyze and report the sentiment of affluent and high net worth investors.

UBS Investor Watch surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this seventeenth edition of *UBS Investor Watch*, we conducted two surveys, one pre-election and one immediately after the election. In the pre-election survey, 1,294 affluent and high net worth investors participated from October 14 – 17, 2016. The core sample of 1,074 investors have at least \$1 million in investable assets, including 250 with at least \$5 million. We also included an oversample of 313 Millennials who met the following criteria:

- Respondents ages 21 – 29 who have at least \$100,000 in household income or \$100,000 in investable assets; respondents ages 30 – 36 who have at least \$250,000 in investable assets.

In our post-election survey, 1,308 affluent and high net worth investors participated from November 10 – 11, 2016. The core sample of 1,057 investors have at least \$1 million in investable assets, including 195 with at least \$5 million. This *UBS Investor Watch* also includes an oversample of 285 Millennials who met the same criteria as above. With 90 survey respondents, we conducted qualitative follow-up interviews.

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