CALIFORNIA STATE UNIVERSITY SAN MARCOS

PROJECT SIGNATURE PAGE

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MASTER OF BUSINESS ADMINISTRATION

PROJECT TITLE: Financial Services Industry Through UBS

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THE PROJECT HAS BEEN ACCEPTED BY THE PROJECT COMMITTEE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION.

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The Financial Services Industry Through UBS

California State University San Marcos
MBA Final Project – Executive Summary
Master of Business Administration – International Business

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# Table of Contents

Executive Summary
Overview of the Company .............................................................................................................2
    UBS Main Products and Services .............................................................................................2
    Main Markets, Industries, and Principal Strategy .................................................................4
Overview of Financial Services and Company Strategy ............................................................5
References ......................................................................................................................................6
Executive Summary

Overview of the Company

UBS Main Products and Services

UBS is a Swiss Multinational Investment and Financial Services Company founded and based in Switzerland. It is also known as the Union Bank of Switzerland and is considered to be the largest Swiss Banking Institution. UBS is the largest private bank in the world. UBS holds a strong international presence in the Americas, EMEA (Europe, Middle East, Africa), and the Asian Pacific markets. They differentiate themselves apart from other companies in the financial services industry through the management of their investment and private banks along with their asset management businesses (UBS United States of America).

The UBS company initially started out as the Bank of Winterthur, which was founded back in 1862. Due to heavy competition and rivalry in the markets, Winterthur went ahead and made the business decision to merge with other Swiss Banks, this conglomerate eventually became known as the Union Bank of Switzerland, or UBS. This merger occurred in 1988 and has remained in business ever since. The company’s main products and services offered include private banking, wealth management, asset management, and investment banking services for private, corporate, and institutional clients. UBS also provides their financial services to clients on a global scale. They currently maintain a global investment bank as a primary market maker to buy and sell assets. This bank is used to quote buy and sell prices of tradable assets held in inventory with the intention of making a profit off of the bid-ask spread (UBS United States of America).

UBS operates in the financial services sector and offers different products and services to their clients on both a domestic and international level. Financial products are also known as chattels, and these are different financial products that last beyond the initial provision. Some examples of these products include stocks, bonds, loans, commodity assets, real estate, and insurance policies. Financial services, on the other hand, revolve around the management of money. Different companies, agencies, banks, etc. all work to manage their assets and client portfolios. Another common service that is usually offered is financial advice on behalf of their clients. Typically, financial services include acting as the intermediary. This includes the facilitation of transferring funds between savers and issuers of securities. Overall, services are considered to be task-oriented, and products include both tangible and intangible assets (UBS United States of America).

UBS offers their clientele specific products exclusive to the company including UBS Mutual Funds, UBS Separately Managed Funds, Municipal Fixed Income, O’Connor Hedge Funds, PACE Select Funds, U.S. Money Market Funds, Hedge Funds, Real Estate, and Private Markets. UBS Mutual Funds are sold by summary prospectus. These include funds pertaining to asset allocation, equities, and fixed incomes. Each fund offered by UBS are under the management services of
different investment teams of UBS Asset Management (Americas) Inc., who work to manage funds based off of investor's needs. They also take whether the client is public, private, or institutional. UBS Separately Managed Funds (SMAs) are used as a tool to create leverage for high-net-worth investors. These are single-strategy portfolios which include both Municipal Fixed Income and Sustainable Equity strategies. They also incorporate Multi-Asset Portfolios across different risk categories in accordance with the investor's risk tolerance, objectives, and life cycle. These portfolios factor in different investment styles, security selection, active and strategic asset allocations, and taxable or tax-exempt fixed income preferences. They have the ability to be year-round tax-aware traded, tax optimized at individual account level, have direct ownership of securities, or have a dedicated portfolio management and implementation team.

For Municipal Fixed Income, UBS utilizes this product to combat increased credit risk, and interest rate volatility in the markets. UBS Asset Management consists of a credit team that works to counter credit risk, perform quantitative analysis on interest rate volatility, and utilize knowledge from broker-dealers who work with the company. The O'Connor Hedge Funds provide a platform that include comiled funds, customized discretionary portfolios, and a range of advisory partnerships. PACE Select Funds are funds utilized by UBS that are managed using a distinct investment style designed for investors with broad asset allocation, diversification, and prefer automatic rebalancing. In regard to the U.S. Money Market Funds, UBS employs these funds to help investors meet their daily cash management requirements and offer retail money market funds. These funds are invested in high-quality, short-term, U.S. dollar denominated money market instruments. They also aim to maximize current income regarding liquidity requirements and the preservation of capital. Hedge funds offered by UBS grant a wide spectrum of investments including comiled funds, customized discretionary portfolios, and advisory partnerships.

Lastly, Real Estate and Private Markets managed by UBS represent one of the largest asset managers worldwide. The company is currently managing over USD 100 billion on a global scale. UBS works to combine the joint expertise of teams working across Direct Real Estate, Direct Infrastructure, and Multi-Manager Solutions in Real Estate, Infrastructure, and Private Equity. This product is important because it is utilized to help diversify client portfolios by targeting access-restricted private equity funds and niche real estate funds (UBS United States of America).

Main Markets, Industries, and Principal Strategy

UBS's main markets consist of the global economy and financial markets. They operate on both a domestic and international level with enterprises across the world. UBS is also a joint-stock company regulated under Swiss laws and has UBS Groups AG shares listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).
UBS is primarily involved in the finance sector, which is considered to be one of the economy’s most important and influential factors both in the United States and on a global scale. They provide the free flow of capital and liquidity in the marketplace, and depending on the strength of this sector, it directly influences the economy’s growth or decline and their risk management. The financial services sector provides services to people and corporations and are comprised of banks, investment houses, lenders, finance companies, real estate brokers, and insurance companies. This sector leads the world in terms of earnings and equity market capitalization and is dominated by large conglomerates including a diverse range of smaller companies.

UBS employs their principal strategy through working to combat high rates of inflation by focusing on financial and market performance post-pandemic in the short and long-term. Currently, high rates of inflation force the Federal Reserve to increase interest rates prematurely, which works against the opportunity of future growth. The effects of Covid-19 have drastically affected the financial services industry and have stalled the recovery of the global economy. As we move forward post-pandemic, UBS’s focus is geared toward advocating for positioning, reopening, and recovery. This will be accomplished through the diversification of exposures against potential downsides and the insurance that portfolios are set up to maintain purchasing power over the long-term. It is also important to note the new trends in the financial markets including going cyclical and refocusing on becoming more digital and sustainable, especially in Greentech, Fintech, and Healthtech. Moving past Covid-19, it is also important to note that the world will be more indebted, unequal, and more localized. UBS has already taken these trends into account and are working to incorporate these changes in their management styles (UBS United States of America).

Overview of Financial Services and Company Strategy

This project focuses on the financial services industry as a whole through the Swiss Multinational Investment and Financial Services Company known as UBS. Although there are many different areas and departments within the UBS company, financial advisors and planners work alongside all divisions of the company’s financial services, including wealth management, asset management, investment banking, and working with corporate and institutional clients.

UBS financial planners and advisors perform wealth management on a personal level tailored towards individual clients and their family’s needs. They help to manage client money in order to prepare them for different parts of their life cycle while also keeping the client’s life and financial goals in mind. This branch is mainly focused on providing financial plans to their clients with the fiduciary responsibility of putting their clients’ best interests before their own. Wealth management includes comprehensive investment management alongside financial advice, tax guidance, and estate planning. This is important for clients to help them prepare for different stages of their lives. The ultimate goal is for the client to be
financially stable and have the ability to live the highest quality of life that they can. It is important to plan for future children, families, education expenses, outstanding debts, insurance, taxes, estate plans, retirement accounts, etc. and how to manage them as the client progresses further in the life cycle and their risk tolerances change (Linchpin).

At UBS, asset management is tailored towards different investment capabilities across traditional and alternative asset classes for private clients, intermediaries, and institutional investors. They offer both active and passive investment styles across traditional and alternative asset classes with a local and global focus. This style of management focuses on the systematic process of developing, operating, maintaining, upgrading, and disposing of assets in the most cost-effective manner. It is conducted on an on-going basis on the behalf of UBS’s clients. The objective is to help grow client’s assets over time while mitigating risks through picking and choosing what investments to buy or sell within a client’s portfolio.

Investment banking is another department within UBS that supplies clients with advisory services, research, and access to global capital markets for corporate and institutional clients. With this service also comes a global aspect, where UBS provides opportunities for their investors to partake in global banking, global markets, and provide them insight into UBS’s research instruments. In regard to global banking, UBS focuses on providing services that connect clients with other investors in capital markets and give information on financing, restructuring and transactional expertise. Global markets help to provide clients with innovative investment opportunities, market and insight tools, different trading strategies and executions. At UBS, management teams are able to distribute, finance, and clear cash equity and equity-linked products. They also provide structure and work to distribute new equity and equity-linked issues to help clients achieve their financial goals. In regard to research, clients are provided different research instruments for new evidence and clear insight by teams consisting of economists, strategists, and analysts.

Corporate and institutional clients at UBS are considered to be a part of the company’s business division in Switzerland. This Personal and Corporate (P&C) division was originally a Swiss domestic division and within the past few years has extended to an international offering. For corporate and institutional clients, UBS focuses on corporate relationships with banking abroad, providing specific services and product expertise personally tailored towards their clients, and provides banks in which advisory and regulatory services are provided to their clients abroad (UBS United States of America).
References
