

Navigating the collapse of Silicon Valley Bank

Update from the Liquidity Management team at UBS Asset Management

What you need to know.

Across our UBS US Money Market Funds and UBS Ultra Short Duration Income Fund – we do not have any exposure to Silicon Valley Bank (SVB), Silvergate, First Republic nor Signature Bank.

What happened to SVB?

Technology start-ups and the broader venture capital community were key clients of Silicon Valley Bank (SVB) and through the pandemic the deposit base of the bank surged from \$55 billion for FY2019, to \$173 billion for FY 2022. Signature Bank historically grew deposits by focusing on attracting successful private businesses and their owners as clients. Its deposit base surged from \$36 billion at YE 2018 to \$89 billion at YE 2022 as it made the strategic decision to accept crypto-exchanges, crypto-coin issuers and bitcoin miners as customers.

The failure of these institutions **was not** driven by traditional credit problems such as poor underwriting or weaker lending standards but by a much more old-fashioned mismatch of assets and liabilities. They invested in long-duration bonds which dropped significantly in value as the Federal Reserve raised interest rates through 2022. Investors should note that even though the US economy has held up so far, it highlights potential fragilities that emerge from the rapid rise in rates, and markets could remain volatile in the near term.

Money Market Funds are NOT bank deposits

There are significant differences between money market funds and bank deposits. Money market funds are highly regulated investments with a specific set of rules which must be met. Bank deposits generally are a means to originate loans by a bank to whomever they feel compelled. It's important to note that money market funds are not bank deposits and therefore are not on the balance sheets of UBS.

Money market funds are:

- Independent investment companies with oversight by a board of directors who are ultimately responsible for the operation of the fund in the best interest of ALL shareholders.
- Market driven since the fund's yield is derived from the underlying securities. Bank deposit rates are administered and have low correlation to market rates.
- Required to be managed by a specific set of SEC rules under the investment company act of 1940 (Rule 2a-7). These rules mandate limits on concentration, minimum liquidity and maximum maturity. This set of rules limits concentration, for example; maximum weighted average maturity (60 days) and maximum final maturity of any one security (397 days). These rules also mandate minimum liquidity requirements, for example; 10% of total assets in daily liquid assets and at least 30% in weekly liquid assets.

UBS Ultra Short Income Fund

Contact your financial advisor or UBS Asset Management at 888-793 8637 for a current Fund prospectus. Consider carefully the Fund's investment objectives, risks, charges, expenses and other matters of interest set forth in the prospectus. The prospectus contains this and other information about the Fund. Please read it carefully and consider it before investing. It is important you have all the information you need to make a sound investment decision. An investment in a fund is only one component of a balanced investment plan. Diversification and asset allocation strategies do not ensure gains or guarantee against loss.

For UBS Select Prime Funds and UBS Select ESG Prime Funds

You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. Also, the fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

For UBS Prime Funds

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

For UBS Select Government Funds and UBS Select Treasury Funds

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Current and future portfolio holdings are subject to risk.

UBS Asset Management (US) Inc., the Fund's placement agent, is an affiliate of UBS-AM. UBS-AM is registered with the SEC as an investment advisor. UBS-AM is an indirect wholly owned subsidiary of UBS Group AG.

Not FDIC insured. May lose value. No bank guarantee.

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Americas

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There are fees associated with investing in separately managed accounts. For fees charged in connection with the UBS Financial Services program, please refer to the UBS Financial Services ADV Wrap Fee Program Brochure.

For more information, contact UBS Asset Management at 888-793 8637. Mutual funds are sold by prospectus, which includes more complete information on risks, charges, expenses and other matters of interest. Investors should read the prospectus carefully before investing. An investment in the Fund is only one component of a balanced investment plan.

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