

Navigating the unfolding debt ceiling dilemma

Update from the Liquidity Management team at UBS Asset Management

Why am I receiving this communication?

To provide an update on recent action taken by the UBS Asset Management Liquidity team for our Short Duration Treasury Separately Managed Accounts and to provide an update on the position of our UBS Money Market Funds.

We have received several questions from clients about the United States debt ceiling headlines and how we are managing our US government positions (Treasury bills, notes and bonds) relative to the “x” date – the day on which the Treasury Department has exhausted its borrowing authority and can no longer honor its obligations in full and on time.

At this point, we do not think the US government will default. However, we do think headline risk will increase as we approach the date the government can no longer honor its obligations. Currently, the “x” date is expected to occur sometime during the second half of 2023. Greater date certainty will likely occur after the pace and amount of tax receipts is learned.

Our team has successfully managed portfolios through numerous debt ceiling episodes over the past 27 years. At present, the market is not pricing in debt ceiling concerns for US Treasury Bills and Coupons maturing during the second half of 2023. There has been some pressure observed on Treasury floaters.

Clearly this is a fluid situation and a lot can change. We will continue to monitor the situation closely and act in the best interest of our clients. Please direct any questions to your respective regional sales director.

We would encourage clients to read the report from our Global Wealth Management Chief Investment Office ([Debt ceiling déjà vu](#)) and the report from our US Office of Public Policy ([Special Washington Update](#)).

Action taken on:

UBS Short Duration Treasury SMA (maturity restricted and unconstrained accounts - ACCESS N616 & AAP/SWP S2G1) To continue to be prudent and to avoid potential volatility, we took action across our Short Duration Treasury SMA's and sold positions that we believe would be most vulnerable to a market repricing.

UBS Money Market Funds UBS Select Treasury Preferred Fund (STPXX), UBS Select Treasury Institutional Fund (SETXX), UBS Select Government Preferred Fund (SGPXX), UBS Select Government Institutional Fund (SEGXX), UBS RMA Government Money Market Fund (RMGXX) and UBS Government Investments Money Market Fund (PCEXX) are currently positioned with very short weighted average maturity (WAM) profiles. Our Select Treasury Funds have a WAM of approximately 2 days, our Government Money Market funds have a WAM of approximately 4 days and our UBS Government Money Market Investments Fund (PCEXX) has a WAM of approximately 12 days.

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.

Current and future portfolio holdings are subject to risk.

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Americas

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