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#### Discretionary Programs

- UBS Managed Portfolio Program
- Portfolio Management Program (PMP)
- UBS Advice Portfolio Program

#### Separately Managed Accounts Programs

- ACCESS<sup>SM</sup>
- Managed Accounts Consulting (MAC)

#### Unified Managed Accounts Program

- UBS Strategic Wealth Portfolio (SWP)

#### Non-Discretionary Advisory Programs

- UBS Strategic Advisor
- Personalized Asset Consulting and Evaluation (PACE)
- PACE Multi Advisor Program
- PACE Select Advisors Trust

#### Portfolio Advisory Program

- UBS Consolidated Advisory Program (UBS-CAP)

**This wrap fee program brochure provides information about the qualifications and business practices of UBS Financial Services Inc. and our wrap fee investment advisory programs that you should consider before becoming a client of any of these programs.**

**If you have any questions about the content of this brochure, please contact us at 888-526-7454. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about UBS Financial Services Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that registration as an investment adviser does not imply a certain level of skill or training.**

This Form ADV Disclosure Brochure applies to all of your wrap fee program advisory accounts at UBS Financial Services Inc., including any advisory accounts you may open in the future. We will not provide another copy of the Form ADV Disclosure Brochure when you establish new advisory accounts unless there are material changes to the document we originally provided to you. Annually we will provide you with a copy of our updated Form ADV Disclosure Brochure or a summary of material changes from the brochure previously provided to you.

**Please retain all these documents for future reference as they contain important information if you decide to add services or open new advisory accounts with our Firm.**

Our Client Relationship Agreement, Disclosure booklet and other related documents are available at [ubs.com/accountdisclosures](http://ubs.com/accountdisclosures) or by calling your Financial Advisor. **You may obtain a copy of the current Form ADV Disclosure at any time by contacting your Financial Advisor.**

## Item 2. Material Changes

This section describes the material changes to our Wrap Fee Programs Form ADV Disclosure Brochure since the amendment of our Form ADV on June 30, 2017.

### **Item 4 (Services, Fees and Compensations), Section E(3) (UBS Strategic Wealth Portfolio SWP)**

We are working on enhancements to the SWP Program to (1) remove the requirement that at least one subaccount be a separately managed account; (2) modify or remove restrictions on the number of sub-accounts, (3) modify account opening minimums for certain account types. The enhancements are expected to be launched during the Q2 or Q3 2018. Accounts that invest in this manner will be serviced on a fully non-discretionary basis with the client retaining all investment decisions over the assets invested in those Accounts.

### **Item 4 (Services, Fees and Compensation), Section B (Advisory Programs; Fee Schedules)**

The maximum UBS Investment Advisory Fee for the UBS Advice Advantage Program has been reduced to 0.75% for clients (0.50% for employees).

### **Item 5 (Account Requirements and Types of Clients), Section 4 – Performance Reporting for Your Account**

We are currently reviewing our performance reporting services in terms of content and frequency. We expect to change the frequency of the performance reporting services we provide to you from quarterly to annually. We will notify you in advance of the effective date of this change. However, you may, at your discretion, request quarterly or more frequent performance reports by contacting your Financial Advisor. Your Program Fees will not be reduced or offset by the changes in the performance reporting frequency.

### **Item 6 (Portfolio Management Selection and Evaluation), Section (C)(6) Advisory Business; Voting of Client Securities (Proxy Voting)**

This section has been updated to describe the proxy voting services available to you in our Discretionary Programs. Effective April 23, 2018, UBS no longer accepts proxy voting discretion in any of our Advisory Programs.

For assets invested in Discretionary Programs, you may delegate proxy voting authority to Institutional Shareholder Services Inc. ("ISS"), a proxy voting service we have engaged and made available to you. You may not delegate proxy voting authority to UBS or any of its employees. Neither your Financial Advisor nor UBS will exercise voting discretion or have input regarding voting decisions made on your behalf for the securities held in our Programs or assets you hold at UBS or at other financial institutions. We will not vote or provide any advice about the voting of proxies solicited by, or with respect to, legal proceedings, including bankruptcies and class actions, relating to securities in those Accounts, or their issuers, except to the extent required by law.

For Discretionary Programs, if you designate ISS or another Proxy Voting Agent, the Proxy Voting Agent will serve as your agent and attorney-in-fact to receive and vote all proxy and will be responsible for voting on matters requiring a proxy vote for the securities held in your Account in accordance with its proxy voting guidelines or other proxy voting guidelines to which you and your Proxy Voting Agent agree. ISS will vote proxies in your Discretionary Accounts based on its Benchmark U.S. Voting Guidelines.

A summary of ISS' Proxy Voting Guidelines, ISS' Form ADV Part 2A and the complete Proxy Voting Guidelines Benchmark Policy Recommendations are available at [ubs.com/accountdisclosures](https://ubs.com/accountdisclosures).

UBS will pay ISS fees and expenses related to proxy services, but not those of any separate Proxy Voting Agent you engage. UBS reserves the right, at our discretion and in accordance with this Agreement, to designate a different independent Proxy Voting Agent to act as your agent and attorney-in-fact to vote proxies for your Account and to pay for such proxy service related fees and expenses.

ISS will not vote in the following circumstances: (a) the securities are no longer held in your Account; or (b) the proxy or other relevant materials are not received in sufficient time to allow an appropriate analysis by the proxy service provider or to allow a vote to be cast by the voting deadline. In addition, ISS generally does not make recommendations, and will not vote proxies in respect to bankruptcies and class actions, limited partnership or bond issues, preferred stock, and certain foreign securities, if voting may cause the sale of the security to be prohibited under foreign law for a period of time, usually the time between the record and meeting dates ("share blocking"). Also, ISS will not vote or advise you on other corporate actions, like tender offers, which do not require a proxy or are not solicited via a proxy. Those materials will be forwarded to you. Neither we nor your UBS Portfolio Manager will be authorized to respond to such correspondence or advise you on actions you should take.

### **Item 11 (Investment Adviser Code of Ethics, Participation or Interest in Client Transactions and Personal Trading), Section (B)(1) Principal Transactions and Agency Cross Trades**

This section has been updated to clarify that principal transactions are no longer permitted in the Managed Accounts Consulting Program (MAC).

### **Item 13. Review of Accounts**

This section has been updated to describe the application of certain program guidelines at the client level and/or across program accounts.

Although most guidelines are applied on an account by account basis, starting on or about November 2018, we will apply certain guidelines including but not limited to

concentration, account trading activity and minimum number of positions across multiple accounts held by the same clients in either the same program or across programs depending on the specific guideline and program. You understand and agree that, unless you are paying a levelized advisory fee for all assets in your relationship, it is possible that the trading or concentration levels of accounts with lower fees will benefit those in which you are paying higher fees or vice versa.

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## Definitions

References in this brochure to:

**"Account"**, "account", "Investment Advisory Account" or "Advisory Account" means the account(s) you have established in the relevant programs, including those established on your behalf by your Financial Advisor and covered under the terms and conditions of the UBS Consolidated Advisory Program ("UBS-CAP").

**"Advisory Programs"** or **"Programs"** as used in this Brochure means our ACCESS, Portfolio Management Program, Managed Accounts Consulting, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, UBS Managed Portfolio Program, UBS Advice Portfolio Program, PACE programs and UBS-CAP.

**"Agreement"** means the Advisory Relationship Agreement.

**"Asset Allocation"** and **"Portfolio Review"** are used interchangeably in this document and refer to the asset allocation/investment strategy you have selected for your program account.

**"UBS-CAP Portfolio"** means the eligible Advisory Accounts you enroll in UBS-CAP and, in limited circumstances, accounts you hold at other financial institutions that you elect to include in UBS-CAP.

**"Model Provider"** means SMA Managers who provide their investment strategy models to UBS for implementation or an Overlay Manager hired by UBS to implement such models.

**"Plan"** means: "employee benefit plans qualified under Section 401(a) or Section 403(b)(7) of the Internal Revenue Code of 1986, as amended, or under any other employee retirement or welfare plan subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**"Portfolio Based Advisory Program"** means the UBS Consolidated Advisory Program or UBS-CAP, an advisory program in which our services are provided to you for certain eligible UBS Advisory Accounts (and, in limited circumstances, accounts you hold at other financial institutions that you elect to include in UBS CAP) on a portfolio level instead of individually at the Account level.

**"Program Assets"** means the assets you invest through our Advisory programs.

**"Program Fee"** means, collectively, the UBS Investment Advisory Fee and if applicable, given your Program selection, the SMA Manager Fee.

**"Questionnaire"** or **"Risk Profile Questionnaire"** means the Account Risk Profile Questionnaire you complete to determine your investment needs, objectives and risk tolerances for the assets being invested in *each* Advisory Account. For UBS-CAP, your Questionnaire will define the risk tolerances and objectives that you have for *all* your eligible assets and accounts included in the *UBS-CAP Portfolio* as a whole.

**"Retirement Accounts"** include all types of Individual Retirement Accounts including SEPs, SIMPLEs, Coverdell Education Savings Accounts, and "Plans".

**"SMA Manager"** means your ACCESS, MAC or SWP separately managed account investment manager or Model Provider, as applicable.

**"SMA Manager Fee"** means the separately managed account investment management fee payable to your ACCESS, MAC, SWP investment manager or, as applicable, Model Provider (if any, in our Programs).

**"Share Class Conversion"** refers to the conversion of mutual fund, offshore fund and/or alternative investment brokerage share classes to advisory/institutional share classes which are eligible and billable in certain Programs.

**"UBS"** unless otherwise noted, means UBS Financial Services Inc.

**"UBS Investment Advisory Fee"** means the portion of the Program Fee payable to UBS for its investment advisory services.

**"UBS Portfolio Manager"** means the UBS Investment Management home office investment professionals in the UBS Managed Portfolio Program and the UBS Advice Portfolio Program or your Portfolio Management Program Financial Advisor.

## About UBS Financial Services Inc.

UBS Financial Services Inc. ("UBS") is one of the nation's leading securities firms, serving the investment and capital needs of individual, corporate and institutional clients. We are a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange ("NYSE"). Our parent company, UBS Group AG is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser, and futures commission merchant.

As a registered investment adviser, we complete Part I of Form ADV, which contains additional information about our business and our affiliates. This information is publicly available through our filings with the U.S. Securities and Exchange Commission (SEC) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This information is current as of the date of this Brochure and is subject to change at our discretion.

### Conducting Business with UBS: Investment Advisory and Broker Dealer Services

As a wealth management firm providing services to clients in the United States, we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, offering both investment advisory and brokerage services.<sup>1</sup>

Our clients work with their Financial Advisors to determine the services that are most appropriate given their financial goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as investment advisory services depending on the services a client has requested.

In addition, some of our Financial Advisors hold educational credentials, such as the Certified Financial Planner™ (CFP®)<sup>2</sup> designation. Holding a professional designation typically indicates that the Financial Advisor has completed certain courses or continuing education. However, use of a designation does not change UBS' or the Financial Advisor's obligation with respect to the advisory or brokerage products and services that may be available to you.

**It is important to understand that investment advisory and brokerage services are separate and distinct and each is governed by different laws and separate arrangements that we may have with you. While there are certain similarities among the brokerage and investment advisory services we provide, depending on the capacity in which we act, our relationship and legal duties to you under Securities Laws are subject to a number of important differences as described in our applicable contracts with you.**

## Our services as an Investment Adviser and Relationship with You

We offer a number of investment advisory programs to clients acting in our capacity as an investment adviser, including fee-based financial planning, discretionary investment management, non-discretionary investment advisory programs, and advice on the selection of investment managers, mutual funds, exchange traded funds and other securities offered through our investment advisory programs.

Generally, when we act as your investment adviser, we will enter into a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV brochure(s) for our advisory program(s) which provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

### How We Charge for Investment Advisory Services

We may charge for our investment advisory services in any of the following ways:

- A percentage of the amount of assets held in your advisory account
- A flat annual fee
- Periodic fees
- Advisory financial planning services that are available for a fee.

Your Financial Advisor will receive a portion of the fees you pay us.

### Our Responsibilities as an Investment Adviser under the Investment Advisers Act

When you participate in one of our investment advisory programs, we are considered to have a fiduciary relationship with you. The fiduciary standards are established under the Investment Advisers Act of 1940 and state laws, where applicable, and include:

- Responsibilities to disclose to you all material conflicts between our interests and your interests.
- If we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you, we must disclose that to you.
- Obtaining your informed consent before engaging in transactions with you for our own account ("principal trading") or for an affiliate or another client when we act in an advisory capacity.
- Treating you and our other advisory clients fairly and equitably and not unfairly advantaging one client to the disadvantage of another.
- The investment decisions or recommendations we make for you must be suitable and appropriate for you and consistent with your investment objectives and goals and any restrictions you have placed on us.
- Acting in what we reasonably believe to be your best interests and in the event of a conflict of interest, we must place your interests before our own.

Termination of your advisory account or agreement will end our investment advisory fiduciary relationship with you as it pertains to the terminated account or services and, depending on the terms of your investment advisory agreement with us, will cause

<sup>1</sup>Examples of our advisory programs and services include our fee-based financial planning services and our ACCESS, Portfolio Management Program, Managed Accounts Consulting, UBS-CAP, UBS Institutional Consulting, Retirement Plan Consulting Services Program, UBS Strategic Advisor, UBS Strategic Wealth Portfolio, UBS Managed Portfolio Program, UBS Advice Portfolio Program and PACE programs. Examples of our brokerage accounts include Resource Management Account® and the International Resource Management Account.

<sup>2</sup>Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, Certified Financial Planner™ and federally registered CFP (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

your account to be converted to, and designated as, a brokerage account only.

**Our Services as a Broker-Dealer and Our Relationship with You**

As a full-service broker-dealer, our services are not limited to taking customer orders and executing securities transactions. As a broker-dealer, we may provide a variety of services relating to investments in securities, including investment research, trade execution and custody services. We also may make recommendations to our brokerage clients about whether to buy, sell or hold securities. We consider these recommendations to be part of our brokerage account services and do not charge a separate fee for this advice. Our recommendations must be suitable for each client, in light of the client’s particular financial circumstances, goals and tolerance for risk. When we provide a recommendation with respect to a retirement account such as an IRA, we do so pursuant to the laws, regulations and exemptions that apply to these accounts.

Our Financial Advisors can assist clients in identifying overall investment needs and goals and creating investment strategies that are designed to pursue those investment goals. The advice and services we provide to our clients with respect to their brokerage accounts is an integral part of our services offered as a broker-dealer.

In our capacity as broker-dealer, we do not make investment decisions for clients or manage their accounts on a discretionary basis. Instead, we will only buy or sell securities for brokerage clients based on specific directions from you.

**How We Charge for Brokerage Services**

If you choose to establish a brokerage account with us, you may elect to:

- Pay us for our brokerage services each time we execute a transaction for your account in a Resource Management Account (RMA). If you choose to pay on a transaction-by-transaction basis, we can act as either your agent or “broker,” or as a “dealer.”
- When acting as your agent or broker, we will charge a commission to you each time we buy or sell a security for you.
- When acting as a “dealer,” we act as a principal for our own account on the other side of a transaction from you. Using our own inventory, we will buy a security from or sell a security to you, and seek to make a profit on the trade by charging you a “mark up,” “mark down” or “spread” on the price of the security in addition to the commissions you pay on these transactions.

We pay our Financial Advisors a portion of commissions, profits on principal trades, and other charges.

**Our Responsibilities to You as a Broker-Dealer**

As a broker-dealer we are subject to the following:

- The Securities Exchange Act of 1934
- The Securities Act of 1933
- The rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA)
- The rules of the New York Stock Exchange
- State laws, where applicable

These laws and regulatory agencies have established certain standards for broker-dealers which include:

**A duty to deal fairly with you.** Consistent with our duty of fairness, we must ensure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.

We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.

We are permitted to trade with you for our own account or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance, or to inform you of the profit earned on the trades.

**It is important to note that when we act as your broker-dealer, we are not held to the same legal standards that apply when providing investment advisory services. Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel, and fees, conflicts between our interests and your interests and other matters are more limited than when we have a fiduciary relationship with you.**

**Item 4. Services, Fees and Compensation**

**A. About Our Investment Advisory Programs**

This brochure describes our wrap fee investment Advisory Programs. We offer a variety of advisory services to address different investment needs, including:

Program type	Programs included
Discretionary programs	UBS Managed Portfolio Program, UBS Advice Portfolio Program and Portfolio Management Program
Separately managed account (SMA) programs	ACCESS and Managed Accounts Consulting
Unified managed account program	UBS Strategic Wealth Portfolio
Non-Discretionary Advisory programs	PACE and UBS Strategic Advisor Programs
Portfolio Based Advisory Program	UBS Consolidated Advisory Program

We do not hold ourselves out as specializing in a particular type of advisory service or strategy. Instead, our Programs offer a broad variety of strategies, SMA Managers and asset allocations and features.

In certain cases, the Advisory and consulting services available in our programs may be provided by Financial Advisors that are registered with companies that are affiliated with us.

These Programs offer wrap fee advisory services, which allow you to manage your account in a number of ways:



- You can delegate investment discretion to our Financial Advisors or our UBS Investment Management home office investment professionals
- You can access the services of SMA investment managers
- You can work with your Financial Advisor in those programs over which you retain investment discretion
- You can use any combination of the above

Generally these Programs are designed for:

- Clients who want to implement a medium to long term investment plan
- Clients who seek and use the advice and guidance of an investment professional either in their self-directed accounts or by delegating management of their assets to a portfolio manager and/or SMA Manager
- Investors who prefer the consistency of fee-based pricing
- Clients who are looking for investment advice, custody, trading and execution services, and performance reporting in an all-inclusive account instead of accessing those services separately

However, these programs may not be appropriate for clients with the following preferences:

- A short-term investment horizon
- A desire to maintain consistently high levels of cash or money market funds in their accounts
- Clients who want to maintain highly concentrated positions that will not be sold regardless of market conditions
- Investors who anticipate continuous withdrawals from their accounts

While we offer an extensive list of investment options and SMA strategies, the offerings are limited to those approved for sale or recommendation at the firm. We do not offer or recommend every SMA Manager, investment or strategy available in the industry.

**There are important differences among these Programs in terms of services, structure and administration, the depth of research conducted on the managers available in the programs, Program Fees and the compensation that Financial Advisors receive. Please review this brochure carefully as you decide which program is appropriate for your investment needs.**

In the future, we envision the advisory Programs evolving to a "Unified Advisory Solution" (UAS). UAS will consolidate the distinct Advisory programs described in this Brochure and make all advisory options available in a single client account. If at that time, you have more than one Advisory account with us, we may combine these accounts into the one Unified Advisory Solution account. This means that you may have an account where parts of your relationship are managed by SMA Managers, your PMP Portfolio Manager, a UBS investment management team, as well as assets directed by you depending on the options you have selected. We will provide prior notice to you regarding these changes and how they would affect your accounts, fees and the services we provide to you.

We offer other Advisory services not described in this brochure. If you would like more information please ask your Financial Advisor for the Form ADV Disclosure Brochure for these programs and services: See "Section C – Advisory Business;

*Advisory Services"* for additional details.

- Fee-based financial planning services.
- Consulting Services.

## **B. Advisory Programs: Fee Schedules, Minimum Investments and Minimum Annual Fees**

The following programs offer the flexibility to negotiate either a flat-fee or a tiered (break-point) fee schedule:

- ACCESS
- Managed Accounts Consulting (MAC)
- Portfolio Management Program (PMP)
- UBS Managed Portfolio Program

With a flat-fee option, the agreed-upon annual fee is a fixed percentage of the assets in the Account; that percentage does not change as the value of your account changes. With break-points, the negotiated fee, also a percentage of the assets, varies based on asset levels and changes as you increase or decrease assets in your account. Specific "break-points" for each asset level are defined in your Program application (the "Application"). You may request to have two or more eligible Advisory accounts treated as related accounts to qualify for certain break-point discounts. Please discuss your options with your Financial Advisor. If you negotiated a discount to the UBS Investment Advisory Fee schedule, that discount will apply only to the break-point asset level (i.e., the asset level that qualifies you for reduced fees) indicated in your Application. As a result, your UBS Investment Advisory Fee and overall Program Fee may change in the future as you increase the assets in your account and trigger the breakpoints listed in your application.

All rates listed below indicate the maximum annual fees in each Program.

DISCRETIONARY ADVISORY PROGRAMS			
Program Name	UBS MANAGED PORTFOLIO PROGRAM	UBS ADVICE PORTFOLIO PROGRAM	PORTFOLIO MANAGEMENT PROGRAM (PMP)
Minimum Account Size	<p>The minimum account size required to open a Program varies by strategy and is subject to change without notification:</p> <ul style="list-style-type: none"> <li>• UBS Managed Portfolio of Funds: \$5,000, \$25,000 or \$50,000 in eligible assets (depending on the strategy selected)</li> <li>• UBS Managed Portfolio of Global Selections: \$50,000 or \$250,000 in eligible assets (depending on the strategy selected)</li> <li>• UBS Managed Portfolio Selections: \$100,000 or greater in eligible assets (depending on the strategy selected)</li> <li>• UBS Managed Portfolio of ESG Investments: \$50,000 in eligible assets.</li> </ul>	\$10,000 in eligible assets	\$50,000 in eligible assets
Fee Schedule	<ul style="list-style-type: none"> <li>• UBS Managed Portfolio Program: All assets and Strategies listed below: 2.50% <ul style="list-style-type: none"> <li>○ UBS Managed Portfolio of Funds</li> <li>○ UBS Managed Portfolio of Global Selections</li> <li>○ UBS Managed Portfolio Selections</li> <li>○ UBS Managed Portfolio of ESG Investments</li> </ul> </li> </ul>	All Assets: 0.75%	<p><b>All Assets and strategy types (Equity, Balanced and Fixed Income Accounts): 2.50%</b></p> <p>These fees do not include management and administrative fees and expenses of the pooled investment vehicles.</p> <p>* Applies to Equity, Balanced, or Fixed Income pooled investment strategies</p>
Minimum	No minimum annual fee	No minimum annual fee	No minimum annual fee
Fee Options	Asset-based fee	Asset-based fee	Asset-based fee

## SEPARATELY MANAGED ACCOUNTS PROGRAMS AND UNIFIED MANAGED ACCOUNTS PROGRAM

Program Name	ACCESS	Managed Accounts Consulting (MAC)	Strategic Wealth Portfolio (SWP)
Relationship Type	Single contract, sub-advisory program. Client hires UBS-FS and authorizes UBS-FS to hire manager on client's behalf.	Dual contract, consulting program. Client hires UBS-FS as consultant and hires manager (directly) to manage the account.	A unified managed account (with discretionary and non-discretionary subaccounts) that offers separately managed accounts, mutual funds, and exchange traded funds (ETFs, a) within a single account. Separately managed accounts are sub-advised as in ACCESS.
Minimum Account Size	\$100,000 Certain strategies and multiple style accounts have minimums from \$125,000 to over \$1,000,000	\$100,000 or the manager's minimum (whichever is greater). \$10,000,000 for MAC accounts held at an outside custodian, subject to limited exceptions.	The minimum account opening size: \$375,000.. We expect to lower this to \$100,000 in 2018. May be higher when selecting certain SMA strategies (for example fixed income and international). Also, the minimum asset size required may be higher because of the target asset allocation and the percentage invested in each strategy. SMA strategies may have lower minimums in SWP than in the ACCESS or MAC Programs.
Fee Schedule Maximum Fee	UBS Investment Advisory Fee: All assets and strategy types: 2.50% <b>(SMA Manager Fee is additional)</b>	UBS Investment Advisory Fee: All assets and strategy types: 2.50% <b>(SMA Manager Fee is additional)</b>	UBS Investment Advisory Fee: All assets: 2.50% <b>(SMA Manager Fee is additional)</b> The Strategic Wealth Portfolio Program has a "Blended Program Fee" that includes a UBS Investment Advisory Fee which applies to all assets in the Account and additional fees for the investment management services in the discretionary portion of your SWP Account. Fees for sub-accounts with SMA Managers will vary depending on the strategy and manager selected.
Minimum Annual Fee	No minimum annual fee	No minimum annual fee	No minimum annual fee
SMA Manager's Fees <sup>3</sup>	the SMA Manager's fee is in addition to the UBS Investment Advisory Fee. The annual fees paid to SMA Managers are based on a percentage of assets under management and generally range from 0.20% to 0.75% for equity and balanced accounts, and 0.10% to 0.60% for fixed income accounts.	The SMA Manager's fee is in addition to the UBS Investment Advisory Fee and is negotiated between the client and the manager. See the MAC Program description for details.	The SMA Manager's fee is in addition to the UBS Investment Advisory Fee. The annual fees paid to SMA Managers are based on a percentage of assets under management and generally range from 0.20% to 0.75% for equity and balanced accounts, and 0.10% to 0.60% for fixed income accounts.
Fee Options	Asset-based fee	Asset-based fee	Asset-based fee

<sup>3</sup> The ACCESS, SWP and MAC programs offer some of the same SMA strategies for different SMA Manager fees. The amount of the fee paid to each SMA Manager is a function of that SMA Manager's investment style and the fee negotiated with the SMA Manager either by UBS (in ACCESS, SWP) or by you in the MAC Program. Depending on your asset level and ability to negotiate the investment management fee with the SMA Manager in the dual- contract structure of the MAC program, you may find that the single-contract structure in ACCESS and SWP provides a more cost-effective option or vice versa. In addition, based on the combination of our UBS Investment Advisory Fees and your SMA Manager's Fees, the overall Program Fee for your SMA account in ACCESS, MAC or SWP may exceed 3% of the account value. ***Please review your options and overall costs carefully with your Financial Advisor before investing.***

### NON-DISCRETIONARY ADVISORY PROGRAMS

Program Name	PACE Select	PACE Multi	UBS Strategic Advisor
Eligible Investments	UBS Mutual Funds (100% mutual funds)	Affiliated and Non-Affiliated Mutual Funds (100% mutual funds)	A combination of equities open- and closed-end mutual funds, ETFs, fixed- income securities, approved unit investment trusts (UITs), options, certain alternative investments, structured products and other securities available through the Strategic Advisor program.
Minimum Account Size	\$10,000	\$5,000	\$50,000 in eligible billable assets. If you link to another Strategic Advisor account, only one of the Related Accounts is subject to this minimum requirement. Each other Related Account is subject to a minimum account size of \$10,000 in eligible assets.
Fee Schedule Maximum Fee	All assets: 2.50%	All assets: 2.50%	All assets: 2.50%
Minimum	No minimum annual fee	No minimum annual fee	No minimum annual fee
Fee Options	Asset-based fee	Asset-based fee	Asset-based fee

## PORTFOLIO BASED ADVISORY PROGRAM

Program Name	UBS Consolidated Advisory Program (UBS-CAP)
UBS Consolidated Advisory Program	UBS-CAP services include, but are not limited to: 1) assistance in the development and preparation of investment policy guidelines; 2) the preparation of an asset allocation study and analysis that allocates your investment assets among various asset categories or classes; 3) selection of separate account managers, mutual funds and alternative investments; 4) portfolio evaluation and review; 5) ongoing investment management consulting on such items as review of the asset allocation and investment policy and the impact of capital market developments on the overall investment strategy.
Implementation Options	You may establish a UBS-CAP relationship on a fully non-discretionary basis (without any limited power of attorney) or you may delegate certain activities to your Financial Advisor in this Program by selecting that option in the UBS-CAP Application and executing the Agreement, Application and Limited Power of Attorney. UBS-CAP offers (1) Power of Attorney for Implementation of Client Directed Investment Activities and (2) Power of Attorney for Limited Financial Advisor Discretion ( <i>this option is currently available only for: ACCESS, MAC, Managed Portfolio Programs, and the Portfolio Management Program.</i> )
Minimum Account Size	\$10,000,000 (relationship size)
Fee Schedule	All assets: <b>2.50%</b> (the SMA Manager Fee in ACCESS and MAC is in addition to the UBS-CAP fee). See the ACCESS and MAC Program descriptions for details.
Minimum Annual	No minimum annual fee
Fee Options	Asset-based fee

UBS-CAP Implementation Options	ACCESS (Affiliated and Unaffiliated Managers)	MAC (Affiliated and Unaffiliated Managers)	Managed Portfolio Program	PMP Includes PMP accounts managed by your Financial Advisor or another PMP Portfolio Manager	Strategic Advisor  (But only accounts without Alternative Investments)	Alternative Investments	PACE Select & PACE Multi, Strategic Wealth Portfolio Program and UBS Advice Portfolio Program	Can Assets Held Away be included in the CAP Relationship?
<b>Non-Discretionary – No LPOA</b>	Yes	Yes	Yes	Yes	Yes-	Yes	No	Yes
<b>Non-Discretionary – POA for Implementation of Client Directed Investment Activities</b>	Yes	Yes – MAC Researched Managers Only	Yes	Yes	Yes	Yes	No	Yes, but POA for implementation is limited to UBS Researched Funds, the POA authority does not extend to any activities related to Non-Researched Assets.
<b>POA for Limited FA Discretion (Option available only for leveled fee relationships)</b>	Yes	Yes MAC Researched Managers Only	Yes	Yes	No	Yes – But limited to Hedge Funds and Fund of Funds (Proprietary and Non-Proprietary). <b>Private Equity is not an eligible investment for this relationship type.</b>	No	No

Billing practices vary by Program. Please see “Account Requirements and Types of Clients—Billing Practices” for a description.

The Wealth Advice Center (WAC) supports the needs of emerging affluent investors through a team-based approach and the advice and service provided by the WAC Financial Advisors is limited to an offering designed for these households. As such, not all products and services available at UBS Financial Services Inc. are available through the UBS Wealth Advice Center. The Wealth Advice Center offers a limited number of advisory program offerings, including UBS Managed Portfolio Program, UBS Advice Portfolio Program, PACE Multi Advisor Program and PACE Select Advisors Trust.

We reserve the right, in our sole discretion, to institute special pricing features, change account minimums for new accounts, impose higher account minimums for certain strategies or portfolios that may be offered from time to time, terminate accounts that fall below the minimum account value requirements, or require that additional cash or securities be deposited to bring an account up to the required minimum.

## 1. Your Program Fee; Services Included in Your Program Fee:

Our Programs charge a “wrap fee”. The maximum annual rates for the UBS Investment Advisory Fee are listed in the fee schedules above. The total Program Fee that you pay in the Programs described in this brochure covers:

- the UBS Investment Advisory Fee which covers investment advice and consulting services of UBS and your Financial Advisor
- trading, execution and settlement for trading through UBS
- custody
- performance reporting for accounts custodied at UBS and related account services that we provide to you
- depending on the program that you select, may include portfolio management as well.
- If applicable, given your Program selection, the total Program Fee includes the SMA Manager Fee.

The UBS Investment Advisory Fee, SMA Manager Fees and overall Program Fee for your Account(s) may change over the course of your relationship with us. The Fees for an Account may be changed either by obtaining your prior verbal consent or sending you prior written notice of the change. Your continued use of our services will constitute your agreement to the change. We will send you a confirmation of Fee increases for your records.

Since your Program Fee covers trading and execution costs, separate brokerage commissions will not be charged to your Account.

### **Your Financial Advisor receives a percentage of the UBS Investment Advisory Fees you pay to us.**

The fees we charge in our Programs are negotiable and may differ from client to client, and may differ for clients in the Wealth Advice Center, based on a number of factors. These factors include, but are not limited to, the type and size of the account, and the number and range of supplemental Advisory and client-related services to be provided to the account.

**Discount Sharing:** Financial Advisors receive less than their standard payout when accounts are priced below certain levels. This creates an incentive for Financial Advisors to price accounts at or above those levels. If a Financial Advisor wishes to discount the UBS Investment Advisory Fee below certain levels, he/she may have the opportunity to do so but may earn reduced compensation associated with the discount. Financial Advisors are incentivized to price accounts at the stated fee schedules. All assets held at UBS (including brokerage assets) that are part of your marketing relationship, may be used by your Financial Advisor to determine pricing for your Advisory Accounts.

Customized pricing and Financial Advisor compensation may be approved for advisory relationships with assets over a certain amount. Discount sharing levels vary by style and in some instances by the types of strategies available in a Program: for example, the discount sharing level for an equity strategy is different than for a fixed income strategy. However, Advisory Accounts enrolled in UBS-CAP are subject to a Discount Sharing level that is the same for all programs, and account types.

Financial Advisors will be subject to a transaction fee charged against their net production for eligible, non-fixed income transactions in Strategic Advisor accounts that are not subject to discount sharing but that are priced below certain levels and generate quarterly revenue on a household basis below a specific threshold.

Fees as well as other account requirements vary as a result of the application of prior policies depending on when your account was first opened. Fees for certain Advisory services described in this Brochure are reduced for our employees, certain family members or employees of our affiliates. We reserve the right to change those fees upon termination of employment with the firm.

Other types of fee arrangements—such as a fixed fee arrangement—are available in certain programs. We may enter into special agreements to provide other services involving specific clients, Financial Advisors or any of our branch offices. For more information regarding the above, contact your Financial Advisor.

Program Fees are expressed as an annual rate that is prorated for the quarterly or other billing period and is applied to the asset value of the account. For billing purposes, asset value means the total fair market value of the eligible securities in your Advisory Account, including, where applicable, the value of margin loans, dividends and accrued interest.

There may be instances in certain strategies (usually options overlay strategies) within the advisory programs where, unlike other advisory strategies where your Program Fee is typically determined on the value of eligible assets in an account, billing is based on a “Mandate” amount of the strategy, selected by the client. The Mandate amount is the amount of collateral you are willing to put at risk. While the actual value of assets in your Account will fluctuate over time, the Mandate remains constant unless you change it by notifying your Financial Advisor or UBS lowers the Mandate. We will confirm any change in the Mandate amount to you in writing for accounts in the Yield Enhancement Strategy. Depending on the value of your account, this practice of billing on the Mandate amount will result in higher compensation to UBS and your Portfolio Manager than if the Program Fee was based on the value of

eligible assets in your account. See "Account Requirements and Types of Clients; Billing Practices" for more information.

#### **Important Considerations of an Asset-Based Fee Option.**

You may pay more or less in a UBS Financial Services Inc. wrap-fee program than you might otherwise pay if you purchased the services separately. For example, depending on your asset allocation or strategy selection, you may find that the individual components of your strategy or allocation are available to you outside of the Program for more or less than you would pay in the Program. Several factors affect whether your costs are more or less in a wrap fee program, including:

- Size of the portfolio
- Whether we serve as custodian for your account assets
- The types of investments that you select, or are made by the SMA Manager, Portfolio Manager or Financial Advisor
- Whether such investments carry additional administrative or management fees
- The trading activity in the Account
- Whether your SMA Manager uses our trading and execution capabilities or those of other broker-dealers to execute transactions for your accounts
- The actual costs of the services if purchased separately

You should consider these factors carefully before establishing accounts in the Programs. For example, while you may be receiving investment advice and other services from us in the Programs, if your Account has little or no trading activity (either through your direction or that of your Portfolio Manager or SMA Manager – for example – for low turn-over fixed income strategies) you should consider whether a wrap fee program continues to be appropriate to your investment needs.

#### **Your Program Fee will not be adjusted if:**

- your account has low or no trading activity,
- your SMA Manager chooses to trade away from us,
- you choose to custody or trade your assets at another financial institution,
- you decide not to implement or follow the investment advice we provide to you, or
- you decide to suppress required reports normally delivered in the Programs.

Certain SMA strategies are available in several programs at different fee levels. Therefore, the Program and/or SMA Manager Fee you pay will vary, depending on the Program you select and the structure of the program (dual, single contract, unified account, discretionary or non- discretionary program).

For example:

The ACCESS and MAC programs offer some of the same SMA strategies. Depending on your asset level and ability to negotiate the SMA Manager Fee with the SMA Manager in the dual-contract structure of the MAC program, you may find that the single- contract structure in ACCESS provides a more cost-effective option or vice versa. In addition, based on the combination of our UBS Investment Advisory Fees and your SMA Manager's Fees, the overall Program Fee for your SMA account in ACCESS, MAC or SWP may exceed 3% of the account value.

We may, in our discretion, and in order to address fiduciary obligations, offer the Programs to trust clients for which our affiliate serves as trustee at substantially discounted rates than those listed.

#### **C. Fees/Other Charges Not Covered by your Program Fee**

You may pay other charges in addition to the wrap fee, some of which may add to the compensation that we receive. Program Fees will not be reduced or offset by these fees. Instead, these additional fees will reduce the overall return of your account.

Our UBS Investment Advisory Fees do not include:

- **SMA Manager Fees in the ACCESS, MAC and SWP Programs:** Our UBS Investment Advisory Fee in the ACCESS, SWP and MAC Programs does not include the services of your SMA Manager in that program. Your SMA Manager will charge a separate fee for discretionary portfolio management services, which UBS negotiates in the ACCESS and SWP Programs and, that for MAC, you negotiate (or if you selected a Limited Power of Attorney option in UBS-CAP authorizing your Financial Advisor to negotiate on your behalf). The SMA Manager Fees when added to UBS Investment Advisory Fees, comprise your total "Program Fee."
- Fees charged by SMA Managers can vary significantly, depending on the type of investment services offered. The range of annual fees charged by SMA Managers in ACCESS and SWP generally range from 0.20% to 0.75% for equity and balanced accounts, and 0.10% to 0.60% for fixed income accounts. The range for MAC equity and balanced accounts is generally 0.50% to 1.50% or higher of assets under management. For fixed-income accounts, the range of annual fees is generally between 0.15% and 0.75% or higher of assets under management. Your account may also be subject to minimum annual fees from the SMA Manager, which may be assessed quarterly.
- **Trade Execution Cost through other Broker Dealers:** Commission charges for transactions for your account that your SMA Manager or we, at your direction, may effect through other broker-dealers. These transactions, which are referred to as "step out" trades because your SMA Manager directs or "steps out" the trade to another broker-dealer, are generally traded from broker to broker and are usually cleared net, without any commissions. However, under certain circumstances, you may be assessed commissions or other trading related costs (for example, mark-ups) by the other broker-dealers executing the step out trades. These trading costs may be embedded into the price of the security allocated to your account. Your SMA Manager is responsible for meeting its best execution obligations to you for your SMA and Unified Accounts and to ensure that any additional commissions or mark-ups assessed to you when they decide to step out trades to other broker-dealers are consistent with their best execution obligations. If your SMA Manager will not be executing transactions with UBS, our SMA programs may not be an appropriate option if your SMA Manager does not take action to ensure that you do not incur additional costs. Please see the section

*"Trading and Execution"* for additional information;

- custody fees and trading fees imposed by other financial institutions if you choose to custody and/or trade your assets at other financial institutions (for example alternative investments held away from UBS in UBS-CAP);
- fees associated with custody, delivery and conversion of precious metals imposed by affiliates, or other financial institutions;
- mark-ups/mark-downs on principal transactions with us, our affiliates or other broker-dealers;
- internal trust fees;
- costs relating to trading in and holding foreign securities (other than commissions otherwise payable to us);
- internal administrative, management, redemption (see below) and performance fees that may be imposed by collective investment vehicles such as open-end and closed-end mutual funds, UITs, hedge funds and other alternative investments, exchange-traded funds or real estate investment trusts;
- subject to certain exceptions, redemption fees charged by mutual funds for active trading in your Accounts (see *"Mutual Fund Redemption Fees for Active Trading"* below); and
- other specialized charges, such as transfer taxes, and fees we charge to customers to off-set fees we pay to exchanges and/or regulatory agencies on certain transactions.

Either UBS Financial Services or UBS Bank USA will also charge interest on any outstanding loan balances (including margin loans) to clients who borrow money from us or UBS Bank USA. Clients also may be charged additional fees for specific account services, such as:

- Account Transfer Fee
- Wire transfer charges
- Annual Account Service Fees for retirement accounts
- Fees relating to custody and transactions in physical securities
- Voluntary corporate action fees
- Fees for RMA and BSA services where such services are available for the account
- **Mutual Fund Redemption Fees for Active Trading.** The mutual funds you hold in your Accounts may charge redemption fees if shares are sold within a certain period of time after they are purchased, also known as active trading. These fees may also apply to the redemption portion of an exchange transaction if shares are exchanged among funds (whether through direct exchanges or through sales and new purchases) in the same family of funds more frequently than is permitted by each fund's prospectus. The amount charged as a redemption fee, the length of time you must hold your shares to avoid a redemption fee and the number and frequency of exchanges among funds you may make without paying a redemption fee, varies from one mutual fund to another. This information is included in each Fund's prospectus. If you have questions about whether a redemption fee will apply to a transaction you wish to make, please ask your Financial Advisor for a prospectus for the applicable mutual fund. **If charged, redemption**

**fees will be in addition to the Program Fee and will be your responsibility.**

- For mutual fund assets in our Managed Portfolio of Funds, Managed Portfolio of ESG Investments, UBS Advice Portfolio Program, UBS Strategic Wealth Portfolio and PACE programs, you will not be charged redemption fees resulting solely from automatic transactions effected for your allocation, including periodic automatic account rebalancing, periodic automatic withdrawals from your account or withdrawals to pay your Program Fee, if you have selected these features. If due to system limitations or errors, your account is charged redemption fees as a result of periodic automatic account rebalancing, periodic automatic withdrawals from your account or withdrawals to pay your Program Fee, we will credit your Account for the amount of those fees. **Redemption fees incurred for any other reason and as a result of your trading instructions will be your responsibility.**

#### **D. Compensation to Financial Advisors Who Recommend Advisory Programs**

In general, we pay our Financial Advisors cash compensation consisting of two components: a guaranteed monthly minimum draw required by applicable law, and production payout if it exceeds the monthly minimum draw. The production payout is a percentage (called a payout or grid rate) of the product-related revenue (called production) that each Financial Advisor generates during that month with respect to the clients he or she serves, minus certain adjustments that are specified by our Financial Advisor Compensation Plan. The payout rate or grid rate is generally based on production levels and ranges from 28% to 50%. Financial Advisors working as part of a team that meets minimum production requirements can qualify for a higher grid rate (but not above 50%) than they would receive working as an individual.

**We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Advisors and employees, including reducing and/or denying production payout and/or awards at our discretion for any reason.**

**Investment Advisory Programs:** For our Investment Advisory Programs (asset-based fee programs) the payout rate is applied to the program fees credited to the Financial Advisor by the Firm, but the payout is generally reduced for accounts priced below certain thresholds. See *"Discount Sharing"*. Advisory accounts in relationships with assets over certain thresholds may have customized pricing and/or payout rates as approved by the Firm.

We reduce or terminate the payout rates described above to Financial Advisors in connection with accounts they service that do not meet certain prescribed asset levels on a household basis or for transactions or fees below specified amounts.

The standard compensation structure creates financial incentives for Financial Advisors to encourage clients to purchase multiple products and services and to choose a payment structure for products and services that generates greater compensation.

Financial Advisors are also eligible to receive certain awards based on their production, length of service with UBS, and net new business. The Retirement Account Production (described below) will also apply to the annual awards (see *Awards*, discussed below).



Under certain circumstances (e.g., acquisitions and recruitment or particular programs or designations, such as Wealth Advice Center, Wealth Planning Associate, Financial Advisors Associates, Institutional Consulting and Retirement Plan Consulting Services), some Financial Advisors or producing Branch Managers are compensated differently.

A small group of Financial Advisors who primarily conduct insurance business and who are grandfathered as part of a UBS insurance program also receive a payout of 75% of amounts paid to UBS by the general agent for the sale of certain insurance products - currently, permanent and term insurance.

### **Production for Retirement Plans and to address the current Department of Labor Fiduciary and Conflict of Interest Regulation (effective June 9, 2017).**

Instead of calculating a Financial Advisor's compensation based on the current revenue generated by such accounts (for example, advisory fees, commissions and sales credits), the production for retirement accounts for each Financial Advisor are subject to calculation of the Retirement Account Production as follows:

- Effective January 1, 2018 subject to minimum and maximum thresholds, the Retirement Account Production rate for each Financial Advisor is a percentage calculated using the revenues generated between October 1, 2016 and September 30, 2017 and the average assets of their open retirement accounts as of September 30, 2017. IRA account fees and retirement accounts owned by Financial Advisors are excluded from the calculation.
- The Financial Advisor's personal Retirement Account Production rate is applied to all of his or her retirement accounts held at UBS at the end of each month to determine the retirement account production.
- Retirement account production for Financial Advisors hired after September 30, 2016 is based on the information about the Financial Advisor's production and revenues disclosed to UBS at time of hire.
- The Retirement Account Production described above will also be used to determine the annual awards.

The production derived from the Retirement Account Production rate and ultimately the compensation Financial Advisors receive in connection with retirement accounts after June 9, 2017 may be higher or lower than the compensation Financial Advisors would otherwise have earned under our standard compensation calculations for taxable accounts.

This difference in compensation creates an incentive for Financial Advisors to recommend an increase in assets in retirement accounts and an incentive for Financial Advisors to focus on increasing the transaction or fee based revenue in taxable accounts.

The Retirement Account Production calculation described above does not apply to Financial Advisors in the Wealth Advice Center or to brokerage and advisory retirement accounts where assets

are held away from UBS, or accounts in the Retirement Plan Consulting Services Program ("RPCS") and the Institutional Consulting ("IC") and the Outsourced Chief Investment Officer ("OCIO") Programs.

With respect to retirement account clients enrolled in the RPCS, IC or OCIO programs, who also have brokerage accounts at UBS or accounts opened in another investment advisory program at UBS, including those that are included in IC Program services only as an accommodation, the production payout rate for the Financial Advisor related to the RPCS, IC or OCIO relationship will generally be applied to all retirement assets and accounts the client has at UBS. However, on an exception basis, the production payout rate for the Financial Advisor can be the weighted average production rate generated by that client's retirement accounts at UBS during the period October 1, 2016 to September 30, 2017.

**Recruitment Compensation:** In general, if your Financial Advisor is joining UBS from another firm, you should discuss the reasons your Financial Advisor decided to change firms and any costs or changes in services you incur by transferring your accounts to UBS. In many cases, UBS pays Financial Advisors financial incentives when they join and on an ongoing basis as described below.

Many Financial Advisors who joined UBS prior to November 1, 2016 are eligible to receive incentives, including loans, bonuses and/or other compensation, if they reach certain asset and/or production levels or other targets. The amount paid to Financial Advisors under these arrangements is largely based on the size of the business serviced by the Financial Advisor at their prior firm and the Financial Advisor achieving a minimum percentage of their prior firm production and asset levels within a specific time period after joining UBS.

These payments can be substantial and take various forms, including salary guarantees, loans, transition bonus payments and various forms of compensation to encourage Financial Advisors to join UBS, and are contingent on your Financial Advisor's continued employment. Therefore, even if the fees you pay at UBS remain the same or are less, the transfer of your assets to UBS contribute to your Financial Advisor's ability to meet such targets and to receive additional loans and/or compensation even if not directly related to your account or the fees you pay to us.

Recruiting offer letters issued by UBS after November 1, 2016 do not include recruitment incentives triggered by production, asset levels or other targets at UBS regardless of account type. Effective after June 9<sup>th</sup>, 2017 for purposes of all existing arrangements including those entered into prior to November 1, 2016, production for retirement accounts will be calculated based on the applicable Retirement Account Production rate described above.

These practices create an incentive and a conflict of interest for your Financial Advisor to recommend the transfer of your account assets to UBS since a significant part of the Financial Advisor's compensation is often contingent on the Financial Advisor achieving a pre-determined level of revenue and/or assets at UBS. You should carefully consider whether your Financial Advisor's advice is aligned with your investment strategy and goals.

**Wealth Planning Associate Compensation:** Wealth Planning Associates do not receive production payouts described above and do not qualify for awards or recognition programs described below. Wealth Planning Associates receive base compensation and they are eligible for discretionary incentive compensation, which is based on the performance of the firm in general as well

as their individual performance.

**New Financial Advisor Compensation:** Financial Advisor Associates in the Development Program ("FAA") are eligible for a 48-60 month compensation structure that combines base compensation, production payout and potential awards. Production payout is based on a payout rate that is applied to the production credited to the FAA and there is a minimum grid rate of 45% for those with production start dates prior to June 1, 2018. FAAs in the Development Program with firm determined and approved production start dates after June, 1, 2018, have a minimum grid rate of 35%.

#### **Compensation to Financial Advisors in the UBS Wealth**

**Advice Center:** UBS Wealth Advice Center Financial Advisors receive an annual fixed salary, are eligible to receive an annual discretionary incentive compensation award and have the ability to earn quarterly incentive awards. This UBS Wealth Advice Center incentive compensation plan is operated in UBS's sole and absolute discretion and may be amended or discontinued at any time.

- **Annual Discretionary Incentive Compensation Award:**  
Eligibility and potential payout for the annual discretionary compensation award is calculated by taking into account a Financial Advisor's performance under the UBS Wealth Advice Center compensation plan and UBS's overall performance.
- **Quarterly Incentive Award:** UBS Wealth Advice Center Financial Advisors who meet specific criteria are eligible to earn quarterly incentive awards. Potential payout for qualifying Financial Advisors is determined in part by using a formulaic evaluation of multiple criteria, which includes production credits.

Production credits for brokerage accounts vary by product type and are based on the purchase of a limited set of specified products, including mutual funds, fixed income and exchange traded funds (note: for fixed income, credits are also applied for the sale of positions). For investment advisory accounts, production credits are determined by using a formulaic calculation that includes transactions within an account, the funding of new accounts and/or assets transferred into UBS.

**Financial Advisors in the Wealth Advice Center receive more production credits for investment advisory accounts than for other products or transactions. This creates a conflict of interest and an incentive for Financial Advisors in the Wealth Advice Center to recommend advisory accounts over other products, services and transactions.**

#### **Production for Retirement and IRA Accounts**

As of July 1, 2017, the production credits Financial Advisors in the Wealth Advice Center accumulate on retirement accounts (both brokerage retirement accounts and investment advisory retirement accounts) held at UBS will be awarded equally across all product types.

The compensation Financial Advisors receive in connection with these accounts may be higher or lower than the compensation Financial Advisors would otherwise have earned under our

standard compensation calculations for taxable accounts. Additionally, while a Financial Advisor's compensation will be consistent across all products affected in retirement accounts as of July 1, 2017, Financial Advisors will be paid differently in retirement accounts versus taxable accounts, which could impact Financial Advisor recommendations. For retirement accounts (brokerage and advisory), the amount of production credits earned by a Financial Advisor will increase as the number of transactions increases.

This change applies to all Financial Advisors in the UBS Wealth Advice Center who meet specific criteria and are eligible for the quarterly incentive program, but excludes retirement accounts held away from UBS.

**Awards:** The Retirement Account Production described above will apply to the annual awards.

Financial Advisors are generally eligible to qualify for strategic objective awards and recognition programs, which are based on production, length of service at the firm and net new business brought to the firm by the Financial Advisor. These awards are subject to various caps and deferrals. Additionally, we may reduce or deny any such awards for any reason at our discretion.

- **Net New Business Award.** This award is granted to a Financial Advisor based on their year-end result for net new business, subject to minimum requirements and overall caps, and can include assets in certain accounts referred by Financial Advisors to the Wealth Advice Center. The Net New Business Consulting Award for IC/RPCS consultants and contracts that meet certain qualifications is higher than the Net New Business Award paid for non-IC/RPCS business. Consultants who do not qualify for the Consulting Net New Business Award will still be eligible to receive the Net New Business Award otherwise available to Financial Advisors. Consultants who do qualify for the Consulting Net New Business Award will **not** also receive the Net New Business Award otherwise available to Financial Advisors.
- **UBS Length of Service Award.** This award is based on a Financial Advisor's current year production and length of service with UBS. It is subject to minimum production and length of service requirements.

The payment structure of the awards generally consists of deferred cash awards paid annually over a specified time frame, and restricted equity/notional shares subject to the plan's vesting schedule, or some combination thereof. Total awards below a certain threshold will be paid in cash.

The recognition programs and awards include the following:

- **Recognition Councils.** At UBS, there are four Recognition Councils for top-performing Financial Advisors. They are Pinnacle Council, Chairman's Council, President's Council and Director's Council. Membership is based on a combination of production and net new asset rankings and other eligibility factors set by the firm, including disciplinary history and compliance with firm rules, standards and policies. Recognition Council members participate in training and education events that involve travel paid for by the firm.

- The Expense Allowance Program. Recognition Council members and other Financial Advisors with a minimum production level are generally eligible to participate in the Expense Allowance Program, which provides an expense allowance for the purpose of promoting business. The amount of the expense allowance awarded is based on production level and Recognition Council Membership.
- FA Transition Programs. Subject to specific program requirements, Financial Advisors with minimum production and length of services requirements who are leaving the financial services industry and transition their client relationships to other UBS Financial Advisors can receive a payout generated by transitioned accounts over a specified period, and may qualify to receive an up-front cash loan and annual cash transition payments.

### **Compensation to UBS Portfolio Managers and Financial Advisors in our Discretionary Programs.**

Portfolio Managers in the UBS Managed Portfolio Program and the UBS Advice Portfolio Program do not receive a portion of the UBS Investment Advisory Fee.

Financial Advisors receive a portion of the UBS Investment Advisory Fee you pay to us. As of the date of this brochure, for taxable accounts, the allocation they receive varies depending on the fees charged by Program as entire UBS Investment Advisory Fee you pay is allocated to the branch office and it is used as the basis to calculate the percentage of the Program Fee that is paid to your Financial Advisor.

The percentage payable to Financial Advisors acting as Portfolio Managers in the PMP Program is based on their total production level at UBS. Although, generally, the percentage is the same across all advisory accounts serviced by the Financial Advisor, the actual amount paid to the Financial Advisor can vary by Program depending on the fees. Financial Advisors who participate in the PMP Program have an incentive to recommend their services in PMP over those of third party SMA Managers in other Advisory Programs or over traditional commission based brokerage services. However, subject to limited exceptions, Financial Advisors in UBS-CAP will receive the same payout level across all Accounts enrolled in UBS-CAP regardless of Program type or strategy.

**Financial Advisors who do not participate in PMP may refer their clients to Financial Advisors acting as Portfolio Managers in the PMP Program. In those instances, the PMP FA/ Portfolio Manager shares a portion of his/her fee with the referring Financial Advisor.**

**Compensation to SMA Managers in the ACCESS, MAC and SWP Programs.** We pay the SMA Manager Fee portion of the total Program Fee to your SMA Manager as compensation for their services. The amount of the Program Fee paid to each SMA Manager is a function of that SMA Manager's investment style and the fee we negotiated with the SMA Manager or for MAC Managers, the fee you negotiated directly with the Manager. The annual fees paid to SMA Managers are based on a percentage of assets under management and, for ACCESS and SWP, generally range from 0.20% to 0.75% for equity and balanced accounts, and 0.10% to 0.60% for fixed income accounts. For MAC equity and balanced accounts the

annual fees paid to SMA Managers are generally 0.50% to 1.50% or higher of assets under management. For fixed-income accounts, the range of annual fees is generally between 0.15% and 0.75% or higher of assets under management. The compensation payable to SMA Managers is typically higher for equity and balanced strategies than it is for fixed income strategies.

### **E. Description of Our Discretionary Programs: UBS Managed Portfolio Program, UBS Advice Portfolio Program and Portfolio Management Program (PMP)**

The Discretionary Programs described in this brochure offer you the portfolio management services of UBS Financial Advisors (PMP Program), or our home office investment professionals (UBS Managed Portfolio Program and UBS Advice Portfolio Program).

By selecting our Discretionary Programs, you authorize UBS to act as your investment adviser and give UBS the power to execute transactions (i.e., buy, sell or otherwise trade securities or other investments) for your Program account without consulting you. You also authorize UBS to take any actions necessary to open and maintain your account or to complete and pay for transactions for your account and if we deem appropriate, to delegate the selection of all or a portion of the securities for your Account to a sub-advisor, model provider or overlay manager for inclusion in the portfolio. You also give UBS the sole authority to manage your account and make all investment decisions for your account without discussing these transactions with you. Your UBS Portfolio Manager will generally be limited to investing in those securities classified as eligible for the program you selected.

See *"Account Requirements and Types of Clients—Eligible and Ineligible Assets"* for a description of our practices, and consult your Financial Advisor for the specific details regarding the eligibility of specific assets and securities to be included in your Program.

UBS Portfolio Managers will have primary responsibility for the day-to-day management of accounts in the UBS Managed Portfolio Program and UBS Advice Portfolio Program including, where applicable, the selection of tax lots for redemption or liquidation in your account. Your PMP application will include the name of the Financial Advisor(s) who will be acting as your Portfolio Manager in those Programs or the name of his/her group (although only a PMP Financial Advisor may exercise discretion over your account). He/ she will have primary responsibility for the day-to-day management of your account. For PMP Program accounts opened after you have established your first Advisory account, we will confirm in writing your UBS Portfolio Managers. Primary responsibility for the supervision of the PMP program accounts lies with the PMP Financial Advisor's Branch Office Manager.

**Portfolio Manager Termination from the Programs.** We retain the authority to remove any UBS Portfolio Manager or model portfolio or strategy from the Programs at any time and to transfer day-to-day management responsibility of your account to another UBS Portfolio Manager, or Branch Office Manager in certain PMP Program situations, at any time without first notifying you or obtaining your consent. Financial Advisors who participate in the PMP Program may also provide services to you outside of the Program in their capacity as broker-dealer representatives. As a result, you may have other accounts at UBS for which your PMP Program Portfolio Manager does not provide discretionary Advisory services. Please see *"Conducting*

*Business with UBS: Investment Advisory and Broker-Dealer Services*" for a description of the material distinctions between our Advisory and broker-dealer services and our obligations.

## 1. UBS Advice Portfolio Program

The UBS Advice Portfolio Program is a wrap fee program that offers investment advice, custody, trading/execution and performance reporting for an asset based fee instead of paying for some or all of those services separately in a commission-based brokerage account. The Program offers clients a digital solution in which they delegate investment discretion for active management of these assets to a UBS Investment Management Team to manage the assets under a specific investment strategy/style selected by the client.

The UBS Investment Management team is responsible for the development and ongoing maintenance of the model portfolios used in the Program and leverages a proprietary portfolio management algorithm licensed from Nvest, Inc., parent company of SigFig Wealth Management LLC ("SigFig"), for ongoing monitoring, rebalancing and tax loss harvesting.

The algorithm, which is used to manage individual Accounts, has been customized to incorporate UBS views on capital market assumptions, asset allocation, security selection, trade and rebalancing thresholds. The algorithm will generate a recommended target allocation and recommended portfolio based on your responses to the Questionnaire. The Questionnaire has been customized based on UBS' specifications. Once your Account is enrolled in the Program, the algorithm will review your Account on a daily basis to determine if rebalancing is necessary or, if selected, if tax harvesting opportunities are available. Because these reviews occur automatically, the algorithm might rebalance accounts without regard to market conditions or on a more frequent basis than you might expect and does not address prolonged changes in market conditions. Pursuant to the terms of its licensing agreement with SigFig, UBS pays SigFig a fee based on the assets enrolled in the UBS Advice Portfolio Program in addition to software maintenance and other fees. SigFig is an SEC-registered investment adviser, however SigFig is not acting as an investment adviser or sub-adviser to clients in the UBS Advice Portfolio Program. SigFig offers investment advisory services using their proprietary algorithm but without the UBS customizations, research and portfolio management. Those products are available to you away from UBS at different, and sometimes, lower fees than the UBS Advice Portfolio Program.

UBS Financial Services Inc. and SigFig entered into a strategic alliance to develop financial technology for UBS Wealth Management USA, which included an equity investment in SigFig. Neither UBS Financial Services Inc. nor any of its affiliates or employees control directly or indirectly the operations of SigFig or its affiliated companies.

The UBS Advice Portfolio **Program** is accessible through the UBS Advice Advantage **service**, a digital service that features UBS analytics, including portfolio diagnostics on your investments at UBS and held away. The service is a broker-dealer service that is available to you free of charge. It also provides access to the UBS Advice Portfolio Program, a new, "digital" discretionary investment advisory program in which UBS manages your assets for an asset-based fee. **You do not have to enroll in the Program in order to use the free service.**

As a wealth management firm providing services to clients in the United States, UBS Financial Services Inc. is registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer

and an investment adviser, offering both brokerage (for example, UBS Advice Advantage analytics) and investment advisory services such as the UBS Advice Portfolio Program.

**Key Assumptions of the Algorithm:** The key assumptions of the algorithm are rooted in the UBS Capital Market Assumptions (CMAs), Strategic Asset Allocation (SAA), and covariance matrix assumptions.

CMAs can be defined broadly as the estimated returns, variances (risk), and correlations between individual asset classes. The CMAs are a core component of the process used to measure the estimated risk and return of a portfolio, and also to establish WMAs Strategic Asset Allocation (SAA) models. Our SAAs consist of a series of portfolio allocation models – each designed with different client types in mind. Each SAA reflects our capital market assumptions and a set of typical investor characteristics, such as tax status and risk tolerance. Our risk bands represent the lower and upper bound risk levels for each of the five investor risk profiles: Conservative; Moderately Conservative; Moderate; Moderately Aggressive; and Aggressive. They continue to be anchored around the capital market assumptions.

UBS Advice Advantage model portfolios are constructed to generally deliver the strategic asset allocation for a given investor risk profile, with asset class exposure typically implemented with exchange traded funds (ETFs). Model ETFs are selected based upon a number of criteria, including but not limited to asset allocation fit, cost, liquidity, and implement ability in the context of minimum investment requirements for the UBS Advice Advantage program. Replacement or restriction securities for the models are also selected under these criteria, but also follow other selection criteria that may allow for clients to benefit from tax loss harvesting trades.

A guiding assumption of the algorithm is that it will keep clients within their desired risk profile by monitoring account level volatility according to the CMAs and SAAs. In instances where an account drifts beyond the bands of its risk profile, it will be automatically rebalanced to the target model SAA. Further, individual asset classes also have thresholds in regards to the amount that they may deviate from the target model SAA. In instances where any asset class has drifted beyond a set threshold, the algorithm will automatically rebalance the entire account to the target model SAA.

There are additional limitations in relation to the automated Tax Loss Harvesting logic within the algorithm. Tax loss harvesting (TLH) opportunities depend on a variety of factors, including but not limited to market fluctuations, position cost basis, and account size. Securities prices must fluctuate to some degree to create unrealized losses for potential TLH opportunities. Generally, declining markets produce more conducive environments for tax loss harvesting. Our algorithm conducts daily scans for 1) a specific percentage level loss in qualifying lots and 2) a pre-determined dollar loss for that security. These two criteria in combination serve to trigger a tax loss harvesting trade. Generally, larger accounts will meet the criteria for tax loss harvesting more frequently than smaller accounts due to the dollar loss threshold. Frequent or recurring deposits may also impact our ability to tax loss harvest. There is no guarantee that the necessary conditions will exist on a frequent basis for meaningful TLH trades to occur in your account.

The Investment Management personnel oversee the algorithm. They are responsible for setting the model's strategic asset allocation, identifying the appropriate securities, identifying the tax loss harvesting securities and the creation of the white list. The Investment Management personnel may manually override the algorithm in the scenarios listed above. Beyond this

oversight, human involvement in the management of individual client accounts includes but is not limited to the following; corporate action monitoring, monitoring for ineligible securities for strategy and trading activity, position control (monitoring the allocation of accounts to align to model within designated thresholds), review and release of trades, Principal Agency (ineligible transactions), and monitoring of individual account volatility.

Circumstances that may cause us to manually override the algorithm include the following situations:

- Volatile market conditions
- Investment Committee discretion
- Technology failures
- Trading volumes
- The availability of funds
- Other matters reasonably beyond our control

**Strategies and Models.** The UBS Advice Portfolio Program offers investment strategies that consist of diversified portfolios of mutual funds and/or exchange traded funds ("ETFs") and cash in a single account that is managed on a discretionary basis by UBS Financial Services Inc. consistent with the investment strategy you select. Other mutual funds or ETFs not chosen for inclusion in the portfolios may have characteristics similar or superior to the mutual funds or ETFs selected for inclusion. There is no guarantee the diversified portfolios will meet their objectives or will result in positive investment returns.

**Digital Investment Advisory Program.** The UBS Advice Portfolio is a digital program in which all documents and disclosures pertaining to your Account(s) in the Program will be delivered to you electronically. The enrollment in the Program is conditioned on your acceptance of electronic delivery for all Program related documents and disclosures. You may change your electronic delivery instructions at any time by contacting your Financial Advisor or by logging onto [www.ubs.com/edelivery](http://www.ubs.com/edelivery). However, changes to the electronic delivery preference for the UBS Advice Portfolio account will result in termination from the Program and the preference for Accounts enrolled in other Advisory Programs will be changed to paper delivery of documents.

**Digital Enrollment: Risk Profile Questionnaire, Investment Strategy Selection and Suitability.** To enroll in the UBS Advice Portfolio Program, you will answer a series of questions to determine your risk profile. Based on your responses, you will be presented with an investment strategy. You can select that investment strategy for your Account or customize your investment strategy so long as it is consistent with your risk profile. You can also change your investment strategy in the future if there has been a change to your financial situation, investment goals, or ability to tolerate risk, or for any other reason.

You must use an online process to enroll in the UBS Advice Portfolio Program. You can do so directly through the online tool or with the assistance of a Financial Advisor. The enrollment process seeks to determine whether the Program is appropriate for you and, if so, to recommend an investment strategy, but the process may not elicit the same information from you as a face-to-face interview would. **The UBS Advice Portfolio Program does not consider your concentration in any securities, income, debt, assets held outside the Account, or other financial considerations and as such is not a complete investment program and may not be suitable for all investors.** You should consider the suitability of the Program based on your financial needs and investment objectives. While

assistance from your Financial Advisor is available to you, you are responsible for the answers, which determine which investment strategy will be presented to you for your selection and approval.

You should carefully consider whether your participation in the Program, and whether any investment strategy you choose, is appropriate for your investment needs and goals prior to enrollment.

You may change your investment strategy at any time by going online and completing a new Questionnaire. Any assistance you may receive from a Financial Advisor is for educational purposes only. You are solely responsible for enrolling in the Program, choosing your investing strategy and neither UBS nor any of its employees are responsible for your decisions. The Program is intended for long-term investors and is not a cash management program.

#### **Updates to your Information and Financial Advisor**

**Support.** If a material change occurs to your goals, financial circumstances, or investment objectives, or if you wish to impose or modify reasonable restrictions on the management of your Account, it is your responsibility to promptly update your information online or contact your Financial Advisors so that they can update the information on your behalf.

UBS will not change your portfolio selection unless you update your investment profile through UBS Online Services. A UBS Financial Advisor will be available by telephone or web chat to respond to your questions and assist you with any changes or updates to your Account or personal information. Changes to the goals, financial circumstances or investment objectives for other Accounts you have with UBS will not change the information for your UBS Advice Portfolio Program.

**Investment Restrictions.** If you elect to impose investment restrictions on the management of your Account, you understand that this may result in delays in the management of your Account and that you may be notified that your Account cannot be managed with those investment restrictions. Such changes may affect the performance of the Account and UBS is not responsible for any deviation in the performance of the Account as compared to an unrestricted account invested in the same model portfolio without the restriction. Some securities may not be restricted due to the requirements of the asset allocation and the tax loss harvesting service.

Restricting securities will not disqualify you from enrolling in the tax loss harvesting service.

We may refuse to accept an account for management in cases where we find the restriction to be onerous or where it impedes our ability to implement our strategy in your account or implement tax harvesting options you select for your account.

**Aggregation.** UBS may, but will be under no obligation to, aggregate purchase or sale orders for your Account(s) in the UBS Advice Portfolio Program.

**No Trading Access.** UBS will make the trading decisions in your Account, and, once enrolled in the Program, you will not be able to place trades in your Account.

**Tax Loss Harvesting.** After your account is enrolled in the UBS Advice Portfolio Program, you can add tax loss harvesting services. The service is available for taxable accounts only and applies to select UBS Advice Portfolio model securities and other securities that we have designated as acceptable substitutes to the primary model securities. The service has important limitations

which you should consider prior to enrolling as such limitations may impact the overall value of the service to you. **We may not execute tax loss harvesting for specific securities in your account if we determine doing so will impact UBS's ability to manage your account.**

Once this feature is added, your election will be applied to all additional taxable accounts you establish in the Program. We will implement tax loss harvesting services during the initial funding and ongoing management of your account subject to the following limitations: (1) Securities must be held for at least 30 days to be eligible for tax loss harvesting and must have a qualifying loss as defined in (4) below; (2) Tax loss harvesting will be applied to securities in your Account only if we have designated an acceptable replacement security. The designation of acceptable replacements can change frequently due to availability of the securities and at the discretion of UBS; (3) the feature is applied to accounts enrolled in the UBS Advice Portfolio program, not to your entire portfolio at UBS. This is important because tax losses are subject to "wash sales" rules. A wash sale occurs when you sell a security and buy within a 30-day period a substantially identical security. If you or a spouse buy or sell any securities that overlap with the UBS Advice Portfolio's selected securities in another account during the wash sale period, these losses may be disallowed; (4) For Mutual Fund and ETFs, only tax lots with losses with certain minimum levels from the cost basis are considered an eligible lot for tax loss harvesting and within each individual security these eligible lots must be equal to or greater than \$500; for mutual funds, the entire position will be sold as a sell all transaction.

Tax loss harvesting (TLH) opportunities depend on a variety of factors, including but not limited to market fluctuations, position cost basis, and account size. Securities prices must fluctuate to some degree to create unrealized losses for potential TLH opportunities. Generally, declining markets produce more conducive environments for tax loss harvesting. Our algorithm conducts daily scans for 1) a specific percentage level loss in qualifying lots and 2) a pre-determined dollar loss for that security. These two criteria in combination serve to trigger a tax loss harvesting trade. Generally, larger accounts will meet the criteria for tax loss harvesting more frequently than smaller accounts due to the dollar loss threshold. Frequent or recurring deposits may also impact our ability to tax loss harvest. There is no guarantee that the necessary conditions will exist on a frequent basis for meaningful TLH trades to occur in your account.

Tax loss harvesting will not be performed on asset classes that do not have suitable replacement securities. The availability of suitable replacement securities for asset classes is subject to change (without notice to you) as it is based on the availability of qualifying replacement securities as determined by UBS in its discretion.

Tax loss harvesting is not intended to eliminate taxes altogether, but to offset current year taxable gains.

**UBS does not provide tax advice and the tax loss harvesting service is not meant and should not be construed as such.** You are responsible for any tax implications and/or tax obligations resulting from your decision to enroll in the Program, your selection of investment strategies, and the selection of Tax Loss Harvesting features for your Accounts. You should consult with your own professional tax counselor with respect to tax matters.

We attempt to select "similar" investments to replace existing investments as part of the strategies based on certain established

security attributes, e.g., historical returns, correlations, and portfolio construction. We do not warrant or guarantee that these similar investments will, in fact, perform similarly to the replaced investments, nor do we warrant or guarantee that this tax loss harvest with a replacement will in fact lower the investor's tax obligations.

We require written notification of specific restricted securities if you are prohibited from investing in any individual investment. Such prohibitions may alter the "similar" investment we select as part of the strategies, and may alter the effectiveness of the strategies. You must notify us immediately if any of the investments recommended or purchased as part of the Strategy violate such restrictions.

**Withdrawals** – You may withdraw assets from your Account by completing an online request or contacting your Financial Advisor. If the market value of the Account falls below the minimum asset threshold due to withdrawal of assets, UBS will require you to deposit additional money or eligible securities to bring the Account to the required minimum. UBS reserves the right to terminate the Account if the Account is not brought up to the required minimum. Withdrawals from IRA accounts may incur tax consequences, which will be your sole responsibility.

**Rebalancing.** UBS will use portfolio management software to rebalance your UBS Advice Portfolio Program Accounts periodically by buying and selling mutual fund and ETF shares. Your Advice Portfolio Account's asset allocation and/or the risk profile for your chosen investment strategy will be considered when evaluating the need to rebalance. UBS will rebalance accounts if the allocation of the mutual funds and/or ETFs in your Account deviates from target levels by more than an amount specified in the Program's parameters, which are subject to change from time to time. Your Account(s) will be rebalanced if your Account moves outside its targeted risk profile. Your Account will also be rebalanced if you change your risk profile or when you seek to impose or modify restrictions on the management of your Account. You understand that while the system will monitor your Account daily, it does not mean your Account will be traded daily. During periods where your Account does not drift outside of the established parameters, no rebalancing trades will be required. Accounts will be automatically rebalanced according to the aforementioned guidelines, but in instances where the account value drops below a minimum threshold UBS may be unable to rebalance the account to meet the parameters. In these situations, you may be required to restore your account assets to a minimum level, or in certain circumstances, may be required to end your participation in the Program.

### **UBS Advice Portfolio Program; Automatic Services and Redemptions**

For assets in the UBS Advice Portfolio, you may instruct UBS to make cash available to you by redeeming portfolio shares in accordance with your instructions. When making redemptions from your account, we first consider your investment strategy and redeem those investments where your account is overweighted. You may select the day of the month that the funds are desired (in months where your selected day is not available, funds will be made available the prior business day). Note that if automated redemption takes your account balance below the technical minimum required for the Program, UBS may terminate your account from the Program.

## **2. UBS Managed Portfolio Program**

**Strategies and Models.** The UBS Managed Portfolio Program offers a variety of investment strategies and models that are



managed by our home office investment professionals on a discretionary basis.

**Managed Portfolio Program Strategies:** Strategies available in our Managed Portfolio Program may also be offered in other Advisory Programs and within other Managed Portfolio Program strategies, in some cases, for a different fee, for example, Global Selections strategies in the Managed Portfolio Program have two principal components: (i) security allocations to equity securities and/or ETFs for equity exposure and (ii) allocations to ETFs for fixed income exposure. The equity allocation of the Global Selections portfolios is derived from existing equity models which are available in various Advisory Programs on a discretionary and a non-discretionary basis. Those models continue to be available in other programs, and are accessible to you, in some cases for a different wrap fee than is available through Global Selections. As a result, Financial Advisors have an incentive to recommend the portfolios and strategies in programs where they receive higher compensation. Your costs of investing and the overall impact of those costs on the performance of the model portfolios may vary substantially depending on your program selection.

### **Rebalancing for the Managed Portfolio Programs.**

Strategies in the Managed Portfolio Program employ both a strategic and tactical asset allocation. Program assets are evaluated on a regular basis. We generally employ a regular rebalancing process that reviews:

- Market actions
- Your contributions
- Any withdrawal requests
- Template or strategy changes that have been directed by the Portfolio Manager

The Programs do not allow you to direct the rebalancing frequency or methodology or opt out of rebalancing for your Account.

### **UBS Managed Portfolio of Funds; Automatic Services and Redemptions**

For assets in the Program, you may instruct UBS to make cash available to you by redeeming portfolio shares in accordance with your investment strategy in minimum amounts of \$200 per withdrawal. All purchases and redemptions for your Account will be made pro-rata according to the investment strategy you selected.

You have the following options for when to make automatic redemptions:

- The 15th day of each month (or the prior business day, if the 15th is not a business day); or
- The last business day of each month
- The last business day of each calendar quarter

When making redemptions from your account, we first consider your investment strategy and redeem those investments where your account is overweighted. We then redeem whatever portion remains based on your investment strategy. Generally, redemptions will be processed two business days before the day you specified or earlier to ensure that cash will be available in your Account on that day. Redemption proceeds will be deposited in your Account and are not automatically forwarded to you.

If your redemptions reduce your Program assets below certain thresholds, you may be required to restore your account assets to a minimum level within 30 days or in certain circumstances, may be required to end your participation in the Program. In the event you do not restore your account assets within 30 days, UBS may end your participation in the Program or impose restrictions on withdrawals.

See "*Item 5D. Trading and Execution Practices*" for a description of the trading practices for the Managed Portfolio Program.

### **3. Portfolio Management Program (PMP) Strategies and Models.**

The Portfolio Management Program offers a variety of investment strategies and models managed by trained Financial Advisors who manage client assets on a discretionary basis.

**Concentrated Strategies Risks:** Concentrated strategies are available in PMP through Portfolio Managers whose strategies have been pre-approved at UBS. Please review these descriptions carefully and contact your Portfolio Manager with any questions. With our approval, you may authorize your Portfolio Manager to implement a concentrated strategy—focusing heavily on stocks in certain companies, sectors or geographic regions. This type of concentrated strategy can be more volatile and presents greater risk of loss, especially over the short term. The more concentrated your portfolio, the higher your risk exposure will typically be. These portfolios may not be diversified, may hold securities representing only one or a limited number of economic sectors, or only invested in international securities, may include only a limited number of companies in certain sectors and may invest in new or emerging businesses or securities of foreign companies that present risks not typically associated with U.S. equity investments. Because a concentrated portfolio may hold a limited number of securities, movements in securities prices could have a greater impact on the value of the portfolio than would occur if the portfolio held more securities. These portfolios may not be appropriate for investors who are not willing to accept a much greater risk of loss and volatility of investment returns than the general stock market (as typically measured by the S&P 500 Index) and may not be an appropriate investment for a significant portion of a client's investable assets. We may impose special suitability requirements with respect to these portfolios.

### **Important information regarding Option Overlay Strategies**

Options Overlay Strategies seek to generate income through the strategic sale and purchase of index options. The options trades are collateralized with marginable securities such as bonds, stocks or cash held in an account. Using the margin release of securities in order to purchase the options positions for the Options Overlay Strategy is known as leverage. You may be required to contribute additional cash or securities as collateral to support the strategy. The maximum losses incurred can be significantly higher than the premiums received. In addition, it is possible that the investment advisory fee you pay for this strategy or any losses resulting from this strategy could potentially cause a margin debit to occur. Carrying a margin debit would cause margin interest to be charged. The interest rate charged on any negative balances (margin loans) may exceed the rate of return on accounts the client uses as collateral. Options are complex instruments that are not suitable for every investor, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. Options Overlay Strategies are aggressive and carry a high degree of risk. You should not authorize the use of sophisticated option strategies unless you are

prepared to sustain large losses. You should understand the risks of options trading and margin borrowing thoroughly before investing in this type of strategy. In addition, you should see the section of this brochure which further describes the risks and potential conflicts of utilizing margin and lending in our investment advisory programs. The Program Fee imposed for the Options Overlay Strategy is in addition to any commissions, fees, or advisory fees you are charged on the accounts you use as collateral. Specifically, for Advisory accounts used as collateral, we will include any margin balances in the calculation of your account's asset based fee; the use of margin in your advisory account will increase the compensation paid to UBS FS and our affiliates.

## **PMP Program and Conflicts of Interest**

### **Various Roles and Services of your PMP Financial Advisor:**

Financial Advisors who manage accounts in the PMP Program may also provide services to you and to other clients outside of the Program in their capacity as broker-dealer representatives and as such, may dedicate time to activities other than discretionary portfolio management.

Financial Advisors responsible for managing client accounts through PMP also may service other accounts in which the services may differ based on the type of account, services offered or particular program. As a result, the management of accounts in PMP may differ from other accounts and may be based on different methodology, asset allocation and/or investment recommendations. In addition, we and our affiliates may give advice and take action in the performance of our duties to clients which differs from advice given, or the timing and nature of actions taken, with respect to other clients' accounts.

PMP Financial Advisors do not directly provide discretionary investment advisory services through other wrap programs. However, Financial Advisors in PMP may provide non-discretionary investment advisory services through other Advisory Programs, such as PACE and Strategic Advisor. These Financial Advisors may also offer clients discretionary advisory services utilizing affiliated and unaffiliated SMA Managers and/or mutual funds. Financial Advisors who participate in the PMP Program have an incentive to recommend their services in PMP over those of third party SMA Managers in other Advisory Programs or over traditional commission based brokerage services.

**See also "Item 5D. Trading and Execution Practices" for a description of the trading practices for the Portfolio Management Program.**

## **F. Separately Managed Accounts Programs and Unified Managed Account Program**

### **1. ACCESS (single contract)**

ACCESS offers you the portfolio management services of a select, pre-screened group of SMA strategies. ACCESS is a "sub-advisory" program in which you hire UBS to assist you in the process of SMA strategy selection and authorize us to hire the manager on your behalf. ACCESS services also include custody at UBS, trading and execution through UBS, and performance reporting.

### **2. Managed Accounts Consulting (MAC) (dual contract)**

Managed Accounts Consulting (MAC) is a consulting program that allows you to select an SMA strategy and receive

performance reporting on the eligible assets in your MAC account.

MAC and ACCESS are different in some very important ways. In particular, in the ACCESS program, you delegate discretion to us and direct us to hire a sub-advisor to manage your assets or implement the selected strategies through model portfolio providers or overlay managers, subject to your approval. However, in the MAC program, your relationship and your investment agreement are directly with your SMA Manager. UBS will act as your consultant, but you delegate discretionary authority over your accounts directly to your SMA Manager in a separate agreement with them.

**MAC Manager Research.** We provide different levels of SMA Manager due diligence in our MAC program. The level of due diligence we undertake varies depending on whether a Manager's strategy is considered MAC Researched or MAC Eligible.. Please see *"Portfolio Manager Selection and Evaluation—Selecting an SMA Manager; Our Investment Manager Evaluation Process."*

**MAC SMA Manager Fee:** Unless you have delegated such responsibility to us in UBS-CAP, we will not hire your SMA Manager in the MAC Program nor will we negotiate fees or execute agreements on your behalf, however, even in those circumstances our negotiations on your behalf are limited to fees and not to any other contractual matters. Otherwise, in the MAC Program, you are responsible for negotiating your investment management agreement and the SMA Manager fees directly with the manager. You should consider that based on the combination of our fees and your SMA Manager's fees, the overall fee for your MAC account may exceed 3% of the account value. ***Therefore, it is important that you understand that the services we offer through MAC may be available to you on a more cost-efficient basis in other UBS programs.***

We have a conflict in recommending the services of related person in managing client accounts because this will result in higher overall compensation to us and our affiliates than if third-party managers were used.

**Program Structure/Hiring the SMA Managers:** ACCESS and SWP are "sub-advised" programs. That means you enter into an investment advisory agreement with us and we, in turn, hire the SMA Manager(s) on your behalf or implement the selected strategies through model portfolio providers or overlay managers, subject to your approval. Once we accept your Account, we provide the SMA Manager in ACCESS and SWP with your responses to the completed Risk Profile Questionnaire prior to the manager accepting the account.

The MAC program allows you to enter into two separate agreements, one with UBS for advisory services and one directly with your SMA Manager for investment management services. You are responsible for negotiating the terms, fees and conditions of your agreement with your MAC SMA Manager. If your MAC SMA strategy is also available in other Programs, you should consider that based on the combination of our fees and your MAC SMA Manager fees, the overall fee for your MAC Account may be higher than the total fee you would pay in other Programs. You should consider these options carefully as some may be more cost-efficient to you.

**Management of Your SMA Account.** For the SMA Programs described in this brochure, your SMA Manager has the sole authority to manage your account (or the portion they manage



in SWP) and will make all investment decisions for your account without discussing these transactions with you or us. Your SMA Manager will generally be limited to investing in those securities classified as eligible for the program you selected. Please see *"Account Requirements and Types of Clients—Eligible and Ineligible Assets"* for a description of our practices and consult your Financial Advisor for the specific details regarding asset/security eligibility in your program.

We will execute transactions in your program accounts based on the instructions we receive from your SMA Manager. In addition, with the exception of UBS and UBS-affiliated strategies, neither UBS nor your Financial Advisor will have discretionary authority, nor will we solicit your SMA Managers to buy or sell securities for your accounts.

We are not responsible for:

- Your choice of SMA Manager
- Their day-to-day investment decisions (including their selection of tax lots for sale or redemption)
- Their performance
- The SMA Manager's compliance with applicable laws, rules or regulations
- The SMA Manager's compliance with best execution obligations
- Other matters within the SMA Manager's control, including implementation of your rebalancing election where the manager has assumed the responsibility to manage your account

We reserve the right to refuse to execute any transaction in our program accounts if we reasonably believe that it would violate any applicable law or rule—including the rules of any regulatory agency or self-regulatory organization. We may also refuse to execute any transaction that would be inconsistent with any of our policies and procedures.

### 3. Asset Allocation Services in our Non-Discretionary Unified Managed Account and Portfolio Advisory Programs

We will provide you with an asset allocation proposal for accounts you want to open in our PACE, Strategic Advisor, and Strategic Wealth Portfolio ("SWP") programs and UBS-CAP. Your Financial Advisor will review the results of your Risk Profile Questionnaire with you and assist you in developing an asset allocation for your account. The proposal is based on the information you provided to us and discussions with you regarding an appropriate allocation (Target Allocation) of your Program Assets. The Target Allocation represents a long-term investment strategy that seeks to balance your investment objectives with your risk tolerance.

You may accept the Target Allocation for the Program Assets in your Account, or your UBS-CAP Portfolio, or you may customize it based on your preferences to include different asset categories or different allocations to one or more asset classes. You may consult with your Financial Advisor about these choices. The allocation you select for your Target Allocation is intended to be the basis for the initial and ongoing investment of your Program Assets. However, you may decide to implement your Target Allocation over a period of time, or change it from time to time as long as it does not exceed your stated risk tolerance. Once you select your Target Allocation, we will implement the Asset Allocation without taking into

consideration your potential tax consequences. You are responsible for any tax liabilities which result from transactions in your Account (including any redemption or upon the termination of participation in the Program). Changes to the Target Allocation may result in tax consequences to you. We encourage you to seek the advice of a qualified tax professional.

**Due to the non-discretionary nature of your SWP, PACE and Strategic Advisor accounts, it is your responsibility to determine whether and how to implement the target asset allocation/investment strategy, and to ensure that your asset allocation continues to be consistent with your goals and risk tolerance over time.** The asset allocation for UBS-CAP encompasses all Accounts in your UBS-CAP Portfolio, while for other Programs, **your asset allocation reflects only your assets invested in your Program Account.**

**Automatic Rebalancing and Your Asset Allocations:** The rebalancing feature in the PACE and SWP Programs will assist you in maintaining your account in line with your target asset allocation. However, deviations from your Target Allocation or risk tolerance will occur due to, among other things, fluctuations in the market value of securities in the account before rebalancing, any investment restrictions you impose on management of the account and any tax selling agreement or for accounts that do not meet the rebalancing thresholds. In PACE we will notify you if your allocation shifts and is more aggressive than those limits. You are responsible for addressing those inconsistencies between your asset allocation and your risk tolerance.

Your Program Fees will be assessed regardless of whether or not you follow our recommended allocation.

### 4. UBS Strategic Wealth Portfolio Program (SWP)

In SWP, your assets will be held in one account, but divided within that account into investment sub-accounts. For example, your assets may be divided among SMA sub-accounts and a subaccount with mutual funds and ETFs—based on how you have decided to allocate your assets. The sub-accounts offer different levels of discretion, features, and services as described below.

We are working on enhancements to the SWP Program to (1) remove the requirement that at least one subaccount be a separately managed account; (2) modify or remove restrictions on the number of sub-accounts; (3) modify account opening minimums for certain account types. The enhancements are expected to be launched during the Q2 or Q3 2018. Accounts that invest in this manner will be serviced on a fully non-discretionary basis with the client retaining all investment decisions over the assets invested in those Accounts.

We are currently working on additional updates to the SWP Program to offer the following enhancements:

- Introduce a discretionary SWP program for which you authorize your Financial Advisor to act as your discretionary portfolio manager to construct an asset allocation based on your Risk Profile Questionnaire, select investments, make changes to the asset allocation and investments in the account when he/she deems appropriate, and rebalance the portfolio at his/her discretion.
- Provide the option to allow for the automatic distribution of interest and dividend income from SWP.

These enhancements are currently planned for 2019 or soon

thereafter but that date is subject to change. We will notify you in advance when these enhancements become available to your account.

**Your Asset Allocation for SWP.** Depending on your asset allocation, your account will be invested in a combination of investment products—including equities or fixed-income – in SMAs, mutual funds, exchange traded funds and other securities available through the program. After you select an allocation, you will receive a personalized asset allocation proposal. For more information, please see *"Methods of Analysis, Investment Strategies and Risk of Loss—Our Asset Allocations."*

**Investment Selections for Your SWP Asset Allocation.** Until the requirement that at least one sub-account be a separately managed account is eliminated, you must select at least one SMA strategy (who may or may not be affiliated with us) from these strategies available in the Program. The SWP account requires minimum of three sub-accounts or at least 2 separately managed account sub-accounts. Currently you may have a maximum of 25 sub-accounts within your SWP account, which may consist of SMA strategies and other investments available in the program. The sub-accounts are managed on an individual basis by the selected SMA Manager(s) or by you if they are non-discretionary. The SWP Program does not offer overlay management services.

The rebalancing feature in the SWP Program will assist you in maintaining your account in line with your target asset allocation. However, deviations from the risk tolerance may still occur for a variety of reasons, for example market movement. Please see the *"Rebalancing and Reallocation of your SWP Asset Allocation"* section.

#### **Management of Your Account; Discretionary Authority of Separately Managed Assets.**

The SMA Managers will manage the sub-accounts of your SWP account (i.e., the Separately Managed Portion) on a discretionary basis and are responsible for rebalancing the SMA sub-account they manage. SMA Managers will typically direct purchase and sale transactions to UBS for execution. You retain discretion and trading authority over assets not managed by your SMA Managers. Your SMA Manager(s) will give us instructions to execute transactions for the separately managed portion of your account. With exception of UBS and UBS-Affiliated strategies neither UBS nor your Financial Advisor will have discretionary authority over the separately managed portion of your account, nor will we solicit any orders to buy or sell securities for this portion of your account.

#### **Non-Discretionary Services by UBS Financial Services Inc.**

You may choose to include mutual funds, or ETFs ("Non-Discretionary Assets") in your SWP account. The Advisory services we provide for those assets and sub-accounts are non-discretionary—meaning that you have sole discretion as to the purchase and sale of those assets. Neither UBS, nor your Financial Advisor will have any discretion over the investment of your Non-Discretionary assets. You may not impose investment restrictions on these non-discretionary assets. The following rules apply to Non-Discretionary Assets:

- All purchases and redemptions of Non-Discretionary Assets will be made proportionally based on the Target Allocation you selected.
- Investments will be subject to maintaining the minimum cash level required for billing and other liquidity needs, and to meet the minimum trade Requirements (currently \$500 and subject to change).
- The initial cash level will be approximately 1% of the asset

value of the Non-Discretionary Asset sub-account and can fluctuate between 0.5% and 1.5%. If the cash level is outside of this range, the sub-account will be rebalanced to a cash level of approximately 1%, however if the trade dollar amount required is at or below the minimum trade requirement no trades will be executed. The per-share value of certain investments can cause the cash level to exceed 1.5% of the asset value of the Non-Discretionary Asset sub-account. In the event the cash level does increase, it will be maintained at this higher percentage.

All account changes, including transactions in Non-Discretionary Assets, are subject to a systematic administrative review to ensure consistency with your Target Allocation. We will also ensure that any required paperwork is complete. As a result, transactions are not executed until after the administrative review is completed, and it may take several days for your allocation changes to be effected in your account. Because prices fluctuate during the trading day, the prices you receive at the time the trades are executed may be better or worse than the prices at the time you authorized the changes to your account.

#### **Rebalancing and Reallocation of your SWP Asset Allocation.**

You must select a rebalancing option (annual or semi-annual) when you establish an Account in the SWP Program. Your Account will be automatically reviewed for rebalancing to your Target Allocation based on your selection. Rebalancing will occur (subject to our minimum trade requirement) if the current allocation of a sub-account deviates from the Target Allocation of that sub-account by more than 5% or 10%. Taxable accounts have the option of selecting annual rebalancing when there is a deviation of more than 10% from the Target Allocation in any sub-account. For example, in an account that rebalances annually with a +/- 5% deviation, a sub-account with a 30% target allocation would trigger a rebalance if its value reached 25% or 35% of the account value.

Accounts are rebalanced as follows:

- Annual rebalancing generally will occur on the Monday (or next business day if Monday is a holiday) following the anniversary of your account opening date.
- Semi-annual rebalancing generally will occur on the Monday (or next business day if Monday is a holiday) following the sixth month (180 day) anniversary of your account opening date.
- Automatic rebalancing for any account where the risk of the current allocation is higher than the Account's stated risk tolerance for 6 consecutive quarters will take place during the 7<sup>th</sup> quarter and will bring your asset allocation back to your Target Allocation, overriding the 5% and 10% threshold rules stated above. If in the 7<sup>th</sup> quarter the account comes back into its risk band but is still out by the 5% or 10% threshold selected, the account will be rebalanced according to the option you selected.
- In addition, regardless of the 5% or 10% threshold selected, automatic rebalancing will be conducted for Accounts that have a single mutual fund position concentration greater than 70% for 6 consecutive quarters. This automatic rebalancing will take place during the 7<sup>th</sup> quarter if the concentration remains above 70% and will bring the asset allocation back to your Target Allocation. In the second half of 2018 we

plan to include the same process for ETFs.

- Accounts scheduled for rebalancing (annual, semi-annual or automatic) in November/ December, will be rebalanced during the second week of February the following year and accounts scheduled for January will be rebalanced during the third week of February, to avoid any impact to tax trading at the end of the year.
- You have the option to rebalance upon request at any time.

Your SMA Manager(s) is responsible for the separately managed portion of your SWP Account, while UBS will rebalance your non-discretionary assets. Your accounts will be rebalanced by selling investments in the overweighted sub-accounts and purchasing a corresponding dollar amount of investments in the underweighted sub-accounts. Rebalancing is completed as promptly as possible. In the event that we are unable to initiate rebalancing as described above due to reasons beyond our control, we will initiate rebalancing as soon as practicable. Market conditions, technology failures, illiquid securities, securities with limited redemption schedules, trading volumes, the availability of funds and orderly purchase and redemption procedures may cause a delay in the processing and/or completion of the rebalancing. In addition, we may adjust the date on which reviews and rebalancing are done, if necessary, to ensure accurate processing of the review or rebalancing. We may also adjust the rebalancing date if UBS is in the process of reviewing its proprietary capital market assumptions to avoid duplicative rebalancing of accounts and ensure accurate and orderly processing.

Rebalancing will not occur if the account:

- has a pending/unprocessed trade
- has a margin debit or
- value is below the minimum funding required for the target weight of the investment strategy you selected.

However, reallocation/rebalancing will occur for an account that is below the minimum funding required so long as the reallocation/rebalancing will not further reduce the asset levels of those sub-accounts. In addition to the automatic rebalancing, you have the option of reallocating your program account.

**Rebalancing and reallocation may take up to ten (10) business days to fully implement. Fixed income strategies may take significantly longer.**

**Contributions and Withdrawals:** Contributions to and Withdrawals from your SWP Account will be handled as follows:

- (i) Cash contributions will be allocated to the most underweighted sub-account(s), relative to the target weight of the investment strategy you selected.
- (ii) If you contribute securities to your account, either UBS and/or your SMA Manager will liquidate those securities and allocate the proceeds to the most underweighted sub-accounts first.
- (iii) If you request a withdrawal from your SWP Account, monies will be withdrawn from the overweighted sub-account(s) with the greatest deviation from the Target Allocation. We will follow that process unless those withdrawals would result in the sub-accounts falling below their respective investment minimum. In those circumstances, withdrawals will be made first, proportionally, from those sub-accounts that do not have investment minimums. Withdrawals that cause the value of any sub-account to go below the respective investments' minimum may require that you change the target weightings of your

investment strategy or select new investments in order to meet investment minimums.

## **G. Non-Discretionary Advisory Programs**

Depending on your Program selection, your account will be invested in the following manner:

- PACE: all mutual funds
- Strategic Advisor: A combination of equities, open- and closed-end mutual funds, ETFs, fixed-income securities, approved unit investment trusts (UITs), options, certain alternative investments, structured products and other securities available through the Strategic Advisor program.

Both PACE and Strategic Advisor are asset allocation programs.

***Please see the section "Asset Allocation Services in our Non-Discretionary and Unified Managed Account Programs" for information about our asset allocation services.***

Due to the non-discretionary nature of the Programs, it is your responsibility to determine whether and how to implement the target asset allocation/investment strategy and to ensure that your asset allocation continues to be consistent with your goals over time. Your asset allocation reflects only your assets invested in your Program Account.

You may deviate from your target asset allocation only by a pre-determined level based on your risk tolerance. In Strategic Advisor we will notify you if your allocation shifts and is more aggressive than those limits and if those inconsistencies continue for a period of time. You are responsible for addressing any inconsistencies. For Strategic Advisor accounts, if you do not take action to update the account profile or modify your asset allocation, the account may be terminated.

The rebalancing feature in the PACE Program will assist you in maintaining your account in line with your target asset allocation. However, deviations from the risk tolerance may still occur for a variety of reasons, for example market movement, or for accounts that do not meet the rebalancing thresholds. In PACE we will notify you if your allocation shifts and is more aggressive than those limits. You are responsible for addressing those inconsistencies between your asset allocation and your risk tolerance.

Unless you are enrolled in UBS-CAP, the recommendations made in your asset allocation proposal relate only to your individual Program accounts, and do not constitute advice regarding other accounts, whether held at UBS or elsewhere. Neither UBS nor your Financial Advisor will provide advice on accounts held at other firms.

As part of the services in Strategic Advisor, your Financial Advisor will perform an annual review of your allocation and investment strategy. The review will be performed for the purpose of:

- Analyzing your asset allocation relative to your investment strategy
- Incorporating any changes in your objectives, risk tolerance and financial condition
- Updating your target asset allocation, if necessary

## **Transactions for Your Strategic Advisor Account and PACE Asset Allocation.**

We will execute transactions for your Strategic Advisor account

and PACE investments based solely on your instructions; and neither UBS nor your Financial Advisor will have any discretion over the investment of your Program assets in the PACE and Strategic Advisor accounts.

**Cash and Securities Concentration:** Advisory Programs are not appropriate for clients who want to maintain a high level of cash and/or highly concentrated positions that will not be sold regardless of market conditions. If you continue to hold high level of cash and/or highly concentrated positions then you do so against our recommendation and with the understanding that the value of those securities will be included for the purposes of calculating the Program fee, resulting in a higher fee to us. Please note that you may hold excess cash or concentrated position in a brokerage account without incurring the Strategic Advisor Program Fee. If your account continues to be outside of the cash and concentration guidelines over a specified period of time then your account will be removed from the Program.

**Unsolicited Transactions.** You may execute security transactions that we have recommended to you (solicited transactions) as well as transactions you execute without consultation with, or recommendation from, us (unsolicited transactions). These unsolicited transactions are solely your responsibility and neither UBS nor your Financial Advisor will act as your investment adviser with respect to those transactions.

The advice and guidance of your Financial Advisor is a key service of the Programs. A pattern of unsolicited trading may indicate that the Program you selected is no longer appropriate for you as you are not leveraging the advice of your Financial Advisor. This may result in the revocation of your online trading access (for Strategic Advisor Accounts) and/or termination of your Account from the Program.

After you have completed an unsolicited transaction and have acquired a security on your own and without our advice, for so long as you hold that position in your Program Account, we will take that asset into consideration:

- as part of your overall account assets,
- when we give you periodic asset allocation advice,
- when we value your account holdings,
- when we provide you with analyses and reports on your account's performance, and
- we may also make recommendations that you consider selling the asset, if and when we deem it appropriate.

As a result, we will include any security you acquire in an unsolicited transaction as part of your account assets in calculating your Advisory fee, going forward, if you continue to hold the asset in your account on the date we next calculate your Program Fee.

## 1. UBS Strategic Advisor Program Eligible Assets and Non-Billable Assets in Strategic Advisor

The Section *"Account Requirements Eligible and Ineligible Assets"* describes our general policies regarding eligible assets in our Advisory programs. Strategic Advisor provides a greater level of flexibility than other Advisory programs as it pertains to eligible assets—i.e., those assets held in your account that are subject to our advice.

Specifically, the program permits you to hold, **but not to purchase**, certain assets deemed ineligible in other programs

such as the following:

- B share class and C share class mutual funds
- Open-end mutual funds not approved for the Program
- UITs not approved for the Program
- ETFs and closed-end funds not approved for the program
- Alternative investments not approved for the Program, including hedge funds, hedge fund of funds, managed futures, and restricted stock.

Note: Effective 2<sup>nd</sup> Quarter 2018, except for existing accounts that have been grandfathered, private equity, real estate funds, and private placements are no longer eligible to be held or purchased in a Strategic Advisor account even if the asset is non-billable.

While these assets may be held in Program Accounts, and therefore subject to our ongoing advice, they are excluded from the calculations of your Program Fees due to the additional compensation that we receive in connection with those investments. These "Non-billable assets" will not be included when determining the minimum account opening requirement, but they will be included in the performance reports for your Strategic Advisor account.

**Strategic Advisor Accounts holding Eligible Non-Billable Assets may not be enrolled in UBS-CAP.**

## 2. PACE—Personalized Asset Consulting and Evaluation

**PACE Select Advisors Trust ("PACE Select") and PACE Multi Advisor ("PACE Multi") Programs**

PACE Select and PACE Multi share certain features, services and basic requirements which are outlined below. PACE combines our ability to evaluate your investment objectives and risk tolerance with professional investment advice, and offers the convenience of style specific mutual funds in PACE Select, and a broad array of mutual funds (non-proprietary and proprietary) available in PACE Multi.

In PACE Select, you may choose a combination of the investment styles and asset classes available through the PACE Select Advisors Trust (the "Trust"), a series of proprietary mutual fund investment portfolios (the "Select Portfolios"). In PACE Multi, you may choose among a variety of no load and load waived shares of mutual funds ("Funds").

We and/or our affiliates are compensated for providing investment management, distribution and other services to the Select Portfolios and affiliated Funds ("Affiliated Funds") available through these Programs.

In addition to our wrap fee services, a PACE client also receives the following services:

**Asset Allocation and Investment Selection.** There are differences in the allocations and investment options available in PACE Multi and PACE Select. The PACE Multi default for equity allocations is a Large-Mid-Small allocation. PACE Select only offers a Large/SMID ("SMID" which is a combination of small and mid cap mutual funds) asset allocation for the equity portion of your investment.

Based on your Questionnaire, we will recommend a mix of asset classes that are consistent with your tolerance for risk. This allocation seeks to appropriately balance your financial objectives with your risk tolerance, as part of a long-term investment

strategy. Once you select an appropriate asset allocation for your Program Assets and investments from the investment styles available in each Program, we will execute those transactions in your Program Accounts according to your Target Allocation.

You will make all investment decisions in the Program other than automatic service transactions, if you choose that option (described under "PACE Automatic Investment Options"). Your account contributions and withdrawals will be invested and redeemed in accordance with your Target Allocation.

There is no guarantee that a Select Portfolio will continue to be available through PACE Select or a fund available in PACE Multi for the entire period you participate in PACE. We may add or remove Select Portfolios and funds from the Program at any time and for any reason or, a fund may stop participating in or offering its shares through the Program. Removal of a fund from the Program may cause you to have a taxable event or incur other costs. If you are invested in a discontinued Select Portfolio or fund, your Financial Advisor can help you determine what action to take. You may decide to replace the discontinued Select Portfolio or fund or sell your shares. We will notify you of the removal or termination of a Select Portfolio or fund and will indicate what action, if any, is suggested. If we discontinue a Select Portfolio, you may incur a tax liability.

#### **PACE Select:**

You may choose from among the following Select Portfolios of the Trust:

- a) PACE Money Market
- b) PACE Mortgage-Backed Securities
- c) PACE Municipal Fixed Income
- d) PACE Intermediate Fixed Income
- e) PACE Strategic Fixed Income
- f) PACE High Yield
- g) PACE Large Cap Value
- h) PACE Large Cap Growth
- i) PACE Small/Medium Value
- j) PACE Small/Medium Growth
- k) PACE International Equity
- l) PACE Global Real Estate
- m) PACE International Emerging Markets
- n) PACE Global Fixed Income
- o) PACE Alternative Strategies

**PACE Multi Advisor:** You may choose from among shares of non-affiliated funds and certain designated share classes of affiliated funds and an affiliated money market fund.

#### **Account Structure, Fund Eligibility and Impact on PACE Multi Asset Allocation.**

The PACE allocation is held as a separate investment or sub-account in a brokerage account. As a result, you may buy and hold assets in your account that are not invested through the PACE Program, including mutual funds that are not eligible in PACE ("Non-PACE Assets").

You do not need to liquidate securities prior to your participation in PACE because you may hold those securities in your brokerage portion of your account. Neither UBS nor your Financial Advisor will act as your investment advisor with respect to your Non-PACE assets. We will execute transactions

in your Non-PACE assets as you direct, as your broker-dealer, and will charge you our customary brokerage commissions or other fees. The PACE Fee does not apply to these other assets or transactions. Non-PACE assets will not be included in your PACE asset allocation or performance report but will be included in your account statements.

We review our offerings in the PACE Multi Program periodically and make new funds eligible for the Program. If a new fund or new share class is made eligible in PACE Multi and you already own that fund or share in the same brokerage account in which you hold the PACE allocation, those existing holdings will be automatically moved to your PACE allocation when the fund/share is made eligible. **Those changes may impact your asset allocation and risk tolerance as well as increase the level of assets on which the PACE fee is charged. You will need to include a target allocation for such funds in order to avoid liquidation upon account rebalancing (see below).** These changes should be discussed with your Financial Advisor.

**Automatic rebalancing will consider all eligible funds whether a target allocation is established or not. If an eligible Fund does not have a target allocation assigned to it, it will be fully liquidated. If you have a target allocation to a fund not currently held in your PACE account, it will be purchased. By executing the Relationship Agreement you authorize us to liquidate and purchase those positions, as applicable under the circumstances. We are not responsible for the tax implications of such liquidations.**

The newly eligible shares or fund will be included as part of your Program Assets for performance and billing purposes. Institutional mutual fund share classes transferred to your PACE allocation as a result of the Share Class Conversion will be excluded from the PACE Program Fee for a period of 1 year from the date of transfer.

For all other share classes, if you purchased the shares at UBS and paid a front-end sales charge and have held shares of a newly eligible fund less than 12 months from the date of the initial purchase at UBS, you will not be billed until you have held those shares for a period of 12 months.

If, in our opinion, documentation is not reasonably sufficient to show ownership for 12 months, a Program Fee will not be payable on these shares until 12 months after they are placed in the Program.

The shares will be included for performance purposes once they are eligible regardless of how long they are held. The newly eligible fund or share class will not be considered a contribution to your Program Assets during the applicable quarter but will be included in your Program Assets on the last day of the quarter for billing purposes unless the exception explained above applies.

**PACE Automatic Investment Options.** We offer several automatic investment options to PACE Multi and PACE Select clients, including:

- Automatic Rebalancing
- Automatic Redemptions
- Automatic purchases

The investment options are administrative in nature and will normally be done on the day or date selected by you on the application. We may delay the processing of these services under certain circumstances as described below.

**The Rebalancing Process.** The PACE Program includes mandatory annual rebalancing. Your PACE asset allocation will be reviewed automatically for rebalancing on an annual basis unless you chose to have rebalancing occur on a semi-annual basis or quarterly basis.

- Rebalancing Thresholds: Rebalancing will occur if (subject to our minimum trade requirement), on the rebalancing date, your investment in any one PACE eligible mutual fund deviates from the allocation you selected for that fund by more than 5% of your total Program assets. Taxable accounts will rebalance at a 10% deviation from their target allocation, with an option to rebalance at a 5% deviation. We may also provide you with an option to rebalance at a 3.5% deviation in the future. For example, in an account that rebalances annually with a +/- 5% deviation, a mutual fund with a 20% target allocation would trigger a rebalance if its value reached 15% or 25% of the account value.

Rebalancing is accomplished by selling the shares of overweighted Funds/Portfolio(s) and purchasing a corresponding dollar amount of the appropriate Funds/Portfolio(s). Rebalancing transactions will be processed provided that the sale and the purchase meet our trade minimums which are the greater of \$50 or 50 basis points not to exceed \$2500. A \$25 dollar trade minimum will be used if all trades during the rebalance are below \$50. We reserve the right to change the rebalancing percentage measure or the minimum dollar amount of individual rebalancing transactions.

- Annual Rebalancing will occur on or near 13 months from the anniversary of your account opening date, and then, subsequently, 13 months from the previous rebalance date. Accounts scheduled for annual rebalancing in Nov/Dec will be rebalanced in January to avoid tax trading at year end.
- Quarterly Rebalancing is generally done during the third week in February, May, August and November.
- Semi-Annual Rebalancing is generally done in February and August.

For PACE asset allocations that are more aggressive than your stated risk profile for 6 consecutive quarters, rebalancing will take place during the 7th quarter and will bring your asset allocation back to your target allocation overriding the 5% and 10% threshold rules stated above. If in the 7th quarter the account comes back into its risk band but it is still out by the 5% or 10% rebalancing threshold, the account will be rebalanced according to the option you selected.

In addition, regardless of the 5% or 10% threshold selected, rebalancing will be conducted for Accounts that have a single mutual fund position concentration greater than 70% for 6 consecutive quarters. This rebalancing will take place during the 7<sup>th</sup> quarter if the concentration remains above 70% and will bring the asset allocation back to your Target Allocation.

**Automatic Rebalancing to the Client Target Allocation – with updates to the Capital Market Assumptions (Available to PACE Select clients only)** – By selecting this option, you elect to have Program Assets reviewed, and if necessary, automatically rebalanced on a periodic basis to be consistent with the UBS capital market assumptions. Your Client Target Allocation is based on our proprietary capital market assumptions, those allocations may be updated and may change periodically. Your affirmative consent is not required to implement these changes; however, you will receive notice and an opportunity to elect out

of automatic rebalancing when we change the Asset Allocation. When the automatic rebalance is performed, the rebalance will override your 5% or 10% threshold which was elected when your PACE account was opened. Additionally, we may re-schedule your rebalance earlier or later than your scheduled annual, semi-annual, or quarterly rebalance if necessary in order to rebalance your account when the Capital Market Assumptions are updated.

**PACE Automatic Purchases.** You may choose to have funds automatically invested based on your Target Allocation, with an amount between \$250, an amount determined by UBS, or an amount you specify. Depending on your selection, funds will be invested as follows:

- Monthly: on the 15th of every month (or, if the 15th is not a business day, the next business day), or the last business day of every month,
- Quarterly: the last business day of every calendar quarter.

“A business day” means any day that the New York Stock Exchange is open for regular trading. We expect to introduce a new service in the near future that will allow clients to specify the calendar date and frequency (i.e., monthly or quarterly) in which the automatic purchases will take place.

You may also designate the duration of your automatic purchases or the total target investment amount on the Application. The contribution will first buy the Funds/ Portfolios that are underweighted as compared to your Target Allocation and then invest the remaining portion according to the Target Allocation.

We process this service by automatically withdrawing the designated dollar amount from your brokerage account (either cash balances or money market redemption proceeds) and subsequently investing in PACE Program Assets. If there are insufficient funds in your account on the trade date to purchase the full amount specified in your PACE Application, no purchase will be made.

**If you invest Plan assets through PACE and select the automatic purchase option, please note that you must carefully monitor your contributions to prevent them from inadvertently exceeding federal limits on your annual contribution.**

As of the date of this Brochure, the following cash sweep options from the brokerage account that holds your PACE asset allocation are available for the PACE auto services: UBS RMA Government Money Market Fund or UBS Select Government Capital Fund.

**PACE Automatic Redemptions.** You may have \$250 or more of Program Assets redeemed automatically from Program Assets in proportion to your Target Allocation. Based on your instructions, redemptions will be processed so that cash is available in your account on:

- the 15th (or, if the 15th is not a business day, the prior business day) of every month,
- the last business day of every month, or
- the last business day of every calendar quarter.

Shares will be redeemed from each fund that is currently overweighted as compared to your Target Allocation and then redeeming the remaining portion according to your Target Allocation. Additional methods in which a client may redeem shares may be introduced including offering redemptions on a

pro-rata basis. We will request redemption two Business Days before the date you select, or such other date as may be necessary to ensure that cash is available in your account on the date selected. **Redemption proceeds are deposited in your account and are not automatically forwarded to you.**

**Automatic Redemptions:** If an automatic redemption causes PACE Program Assets to be reduced below levels that impact the management or servicing of the Account, we may ask you to restore your Program Assets to the amount of the Opening Date account minimum within 30 days. If you do not restore your Program Assets to this minimum as requested, we will have the right to terminate your participation in PACE.

Upon termination, we will automatically liquidate your PACE Money Market fund. No automatic redemption will occur if (i) insufficient shares in any Fund are available to process the redemption proportionately in accordance with your Target Allocation; (ii) when the auto redemption request is greater than the account value; and (iii) the redemption request pertains to fund no longer eligible in the Program.

**Delays in Automatic Services:** We will process the automatic services and rebalancing as described above unless market conditions, technology failures, availability of monetary funds from the Select Portfolios or mutual funds, orderly purchases or redemption procedures which may cause delays in the rebalancing process, trading volumes, or other matters beyond our control reasonably preclude us from accurately processing on the required dates or otherwise cause delays in processing, in which case we may alter the date (day) to the next available date that such processing can be accurately completed.

In addition, we may adjust the date on which reviews and rebalancings are done, if necessary, to ensure accurate processing of the review or rebalancing. We may also adjust the rebalancing date if UBS is in the process of reviewing its proprietary capital market assumptions to avoid duplicative rebalancing of accounts and ensure accurate and orderly processing. Rebalancing transactions will be processed provided that the sale and the purchase meet our trade minimums which are the greater of \$50 or 50 basis points not to exceed \$2500. A \$25 dollar trade minimum will be used if all trades during the rebalance are below \$50.

Depending on the circumstances and in order to ensure the accurate processing of the automatic investment options, including rebalancing, we may take any of the following actions:

- **Alter or delay the rebalancing day to the next available date**
- **Change the rebalancing percentage for that rebalancing event only or the minimum dollar amount of the individual rebalancing transactions**
- **Process rebalancing for accounts for PACE Select and PACE Multi on different days**
- **Process rebalancing for taxable and non-taxable accounts on different days**
- **Rebalance all accounts based on a random rotation process**

We may also suspend a rebalancing event or an automatic service event (purchases and redemptions), if based on the factors described above, we cannot ensure the orderly and accurate processing of the rebalancing or the automatic service. We will notify you of that suspension and offer to you the option to have your account

**manually rebalanced for that period.**

In addition rebalancing will not occur if the PACE Account has a pending or unprocessed trade or margin debit.

Dividends in PACE Accounts: If you invest in PACE, the dividends you receive from your mutual fund investments will be automatically reinvested into the same Fund, unless you instruct us otherwise.

## **H. Portfolio Advisory**

### **1. UBS Consolidated Advisory Program**

UBS-CAP is available through a select group of Financial Advisors who provide specialized investment advisory consulting services to investors. UBS-CAP is a "Portfolio Based Advisory Program" which means that, it is an advisory program in which our services are provided to you for certain eligible UBS Advisory Accounts (and in limited circumstances, accounts you hold at other financial institutions that you elect to include in UBS-CAP) on a portfolio level instead of individually at the account level. In addition, to being available as an overall advisory contract per client tax ID, UBS-CAP is also available, where appropriate, to multiple related entities (multi-TINs) owned by or related to the same party which based on the structure and ownership should be managed under the same Investment Policy Guideline ("IPG") Asset Allocation and aggregated for performance reporting.

**It is important that you understand how the services available to you in UBS-CAP alter or modify the services and options available in other UBS programs. Those distinctions include the review and application of certain Advisory Program guidelines to your UBS-CAP Portfolio instead of individually to each Advisory Account and, if selected, the delegation of certain activities to UBS and your Financial Advisor through the execution of a limited power of attorney.**

UBS-CAP services include, but are not limited to: 1) assistance in the development and preparation of an investment policy guideline; 2) the preparation of an asset allocation analysis for the allocation of your investment assets among various asset categories or classes; 3) selection of separate account managers, mutual funds, ETFs and alternative investments; 4) portfolio evaluation and review; 5) ongoing investment management consulting on such items as review of the asset allocation and investment policy and the impact of capital market developments on the overall investment strategy.

Generally, the services of your Financial Advisor in UBS-CAP will be provided on a non-discretionary basis. However, UBS-CAP offers two types of limited power of attorney. Please review the options carefully and select the option (if any) that best suits your investment needs.

You may establish a UBS-CAP relationship on a fully non-discretionary basis (without any limited power or attorney) or you may delegate certain activities to your Financial Advisor in this Program by selecting that option in UBS-CAP Application and executing the Agreement, Application and Limited Power of Attorney. **You are not required to provide limited power of attorney authority to your Financial Advisor or any other UBS employee in order to participate in the Program. If you provide such authority, you can terminate the limited power of attorney at any time by notifying your Financial Advisor in writing. Termination of a power of attorney will result in the conversion of your UBS-CAP relationship to fully non-discretionary except for assets in PMP if applicable and**

you will be responsible for the all activities previously delegated to UBS and your Financial Advisor under the relevant power of attorney.

### Portfolio Level Services

**Asset Allocation and Investment Policy Guidelines.** UBS-CAP provides assistance in the development and preparation of a portfolio level asset allocation and an investment policy guideline. These services typically involve analyzing your liquidity requirements, performance goals and risk tolerance levels based on the information you provided to us. We will review the investment policy guidelines with you on an annual basis and will assist you in incorporating any changes you determine are appropriate. We will monitor your portfolio to determine if it is in compliance with your asset allocation guidelines as stated in your investment policy guidelines, and will recommend to you when we determine changes are appropriate. The Firm does not provide legal, tax or actuarial advice. We will not be responsible for ensuring that your investment policy guidelines and asset allocation choices comply with all specific legal, actuarial or other requirements that apply to you. That responsibility rests solely with you and you should consult with your legal and tax advisors regarding those matters.

**Investment Searches.** As appropriate, we will recommend and present for your consideration investment manager(s), mutual funds, exchange traded investments, collective trusts, and/or alternative investments ("investments") that align with your investment policy guidelines and asset allocation strategy and which are offered by the Firm and/or for which the Firm has conducted due diligence or has otherwise reviewed. We cannot assure you that we will continue to offer or review any of the investments identified through our searches.

**Portfolio Review, Evaluation and Reporting.** In addition to individual quarterly performance reports for your individual Program Accounts, we will provide quarterly portfolio evaluation and review of all Accounts in your UBS-CAP Portfolio on a consolidated basis, including reviewing performance on an absolute and relative basis. Based on your overall objectives and performance of your investments, we will assist you in evaluating potential adjustments and if appropriate we will assist you in conducting a search for new investment managers or investments. We can also provide reports which include performance information, comparisons and other information for a variety of investment strategies.

**Investment Advisory Program Selection; Implementation of UBS-CAP Services.** You can implement your asset allocation and the results of investment searches through one or several advisory programs offered by the Firm. It is important you understand that these programs are separate and distinct and offer different services, features, fee schedules, structure and administration, depth of research conducted on the managers available in the programs, and compensation to Financial Advisors. ***Please review the descriptions of those programs included in this Form ADV Disclosure Brochure carefully as you decide which programs are appropriate for your investment needs.*** We will provide UBS-CAP Services described above for all Program Accounts established under your name and social security number in the eligible Advisory Programs based on the implementation option you have selected (i) Non-Discretionary; (ii) Non-Discretionary POA for implementation of Client Directed Investment Activities; and (iii) POA Limited FA Discretion.

**The UBS Advisory Programs eligible for UBS-CAP as well as the different implementation options are described in the**

***section "Advisory Programs; Fee Schedules, Minimum Investments and Minimum Annual Fees; UBS Consolidated Advisory Program".*** The advisory programs available to you under UBS-CAP vary depending on the implementation options, with the non-discretionary option providing a broader set of available advisory programs as compared to those available under a limited power of attorney.

Unless you select the POA for Limited FA Discretion option, you retain, and will exercise, final decision-making authority and responsibility for the selection of any investment advisory program, establishment of specific accounts at UBS, selection of alternative investments and selection and hiring of investment manager(s) as well as for the implementation of any investment plan or strategy resulting from the services provided under UBS-CAP.

### Limited Power of Attorney Implementation Options.

UBS-CAP offers two types of limited power of attorney implementation options. Although the activities covered under each option are similar, the most important distinction, and one you should consider carefully when reviewing these options, is the level of involvement you will have, or the discretion you grant to your Financial Advisor, to **select** advisory programs, investment managers, alternative investments and establish accounts on your behalf.

Regardless of the power of attorney option you choose, if any, the actions taken by your Financial Advisor will be based on the Investment Policy Guidelines and asset allocation you select and approve for your UBS-CAP Portfolio. Neither your Financial Advisor nor any UBS employee is authorized to change or approve your Investment Policy Guidelines or your asset allocation on your behalf.

You can terminate the limited power of attorney at any time by notifying your Financial Advisor in writing. Termination of a power of attorney will result in the conversion of your UBS-CAP relationship to fully non-discretionary and you will be responsible for the all activities previously delegated to UBS and your Financial Advisor under the relevant power of attorney.

***Limited Power of Attorney for Implementation of Client Directed Investment Activities.*** This option authorizes UBS and your Financial Advisor to take actions on your behalf to implement your program and investment selections **based on your instructions.**

With this option, you determine how you want to implement your asset allocation by selecting the Advisory Programs in which you want to participate, the investment managers you want to engage, and the alternative investments in which you want to invest. Your Financial Advisor then implements your instructions on your behalf, negotiates and executes agreements at your direction, and establishes accounts in the programs you selected. If you include assets held away from UBS, your Financial Advisor will also be authorized to establish a cash account at UBS for tracking and billing purposes.

### Power of Attorney for Limited Financial Advisor Discretion

In contrast to the Client Directed Power of Attorney, the Power of Attorney for Limited FA Discretion authorizes your Financial Advisor to implement your asset allocation by selecting the UBS advisory programs, investment managers and alternative investments in which your assets will be invested without first



consulting with you. Financial Advisors will also have the authority to replace investment managers, redeem alternative investments, close Advisory Program accounts, and transfer funds between Advisory Accounts at UBS in compliance with your asset allocation and Investment Policy Guidelines.

#### **Core Activities Covered Under Both Types of LPOA:**

- **Client-Directed Option: You approve your IPG and Asset Allocation; you decide, your Financial Advisor implements.**
  - **Limited FA Discretion Option: You approve your IPG and Asset Allocation; your Financial Advisor decides how to implement your asset allocation and selects the Advisor Programs, investment managers and alternative investments without consulting you.**
1. Negotiating investment management fees (only) with affiliated and unaffiliated third party researched investment managers in the MAC Program and executing investment management agreements on your behalf.
  2. Establishing advisory accounts on your behalf in eligible Advisory Programs (**see chart above for details on eligible Programs**). For the Client Directed Option you will provide the Risk Profile for each Account to your Financial Advisor. For the Limited FA Discretion option, your Financial Advisor will complete the Risk Profile Questionnaires for individual Accounts based on the UBS-CAP Questionnaire you completed at the time you established your UBS-CAP Relationship (or as such may be amended throughout your relationship with us).
  3. Establishing a cash account at UBS for billing purposes for Assets Held Away if such assets are included as part of your UBS-CAP Portfolio.
  4. Completing risk profiles required to establish Advisory Accounts based on UBS-CAP Portfolio Questionnaire.
  5. Executing subscription, redemption and tender documentation for researched alternative investments you select (proprietary and non-proprietary hedge funds, fund of funds and, where available as an option, private equity) **to purchase in UBS accounts, including forms for the conversion of brokerage share classes to advisory/institutional share classes;**
  6. Take any actions necessary to open and maintain your account(s) in the eligible Advisory Programs, complete and pay for transactions, UBS Investment Advisory Fees, and SMA Manager Fees in your account(s); and
  7. Execute any other document or agreement which UBS considers necessary or appropriate to carry out the intent of this Agreement and Client's investment instructions.

In addition to the core POA services described above, the Limited FA Discretion Implementation option also covers:

8. The selection of UBS investment advisory programs to implement the client approved asset allocation and IPG for UBS-CAP Portfolio from the list of eligible programs;
9. Select, hire and fire third party investment managers in eligible Advisory Programs, as well as select, subscribe and redeem alternative investments on your behalf;
10. Transfer and reallocate assets between ACCESS, MAC, Managed Portfolio and Portfolio Management Program Accounts.

#### **The Limited Power of Attorney Options do *NOT* grant UBS or its Financial Advisors the authority to:**

- Execute the Advisory Relationship Agreement;
- Execute the UBS Client Relationship Agreement for Brokerage Accounts;
- Change Program Fees for any Advisory Account without first discussing it with you and obtaining your consent;
- Change account preferences (proxy voting, trade confirmations, or investment restrictions) without first discussing it with you and obtaining your consent;
- Exercise investment discretion in the selection to purchase or sell any securities in the Strategic Advisor, PACE and SWP, ACCESS and MAC Programs or with respect to assets held at other financial institutions;
- (For the Client Directed Option and the Limited FA Discretion Option), establish accounts in the Strategic Wealth Portfolio, PACE and UBS Advice Portfolio Programs. In addition, for the Limited FA Discretion option, the restriction also applies to establishing accounts in Strategic Advisor.
- Exercise proxy voting authority for your Accounts in Strategic Advisor, PACE and the non-discretionary sleeves in SWP;
- Execute the Client Acknowledgement Form for Non-Researched Assets on your behalf, or execute any documents, agreements, forms or subscription or redemption documents in connection with Non-Researched Assets or issue any investment instructions to the custodian of such assets;
- Execute subscription, redemption, tender or any other documentation for any private equity investments, **including forms for the conversion of brokerage share classes to advisory/institutional share classes;** Sign any risk disclosure statements required to be signed by clients, including but not limited to, the documents and disclosures required to enroll in the Yield Enhancement Strategy (YES) in PMP;
- Name beneficiaries for any IRA accounts.

#### **The Power of Attorney for Client Directed Implementation also excludes the following:**

- Deciding the manner in which your assets will be allocated or the programs in which accounts will be established;
- Designating him/herself as your portfolio manager in the PMP Program without your consent;
- Transferring assets between your accounts without your instructions and consent.

UBS will not be required to sign or complete (i) any certificate regarding your tax status, (ii) documentation for non-advisory products, including brokerage account agreements for trading accounts, (iii) trust certificates or corporate resolutions, or (iv) any document to the extent that you have not provided UBS with sufficient current information to complete the document accurately and completely.

#### **UBS Investment Advisory Fees, Additional Fees for Investment Management Services and Important Information About Certain Investments.**

**UBS Investment Advisory Fees.** The annual UBS Investment Advisory Fee is a fixed percentage of the assets in all of your account(s) under UBS-CAP. The UBS Investment Advisory Fee

covers the investment advice provided by UBS and your Financial Advisor, custody, trading and execution services for account(s) held at UBS Financial Services Inc. and performance reporting services. Subject to limited exceptions, all accounts you establish, or those established on your behalf, will be billed at the same rate selected in the Application (or as such may be changed with your consent during the course of the relationship established). Levelized fee exceptions are not available for relationships with a POA for Limited FA Discretion.

***UBS-CAP offers the option to have all of your accounts priced at the same level such that Financial Advisors in UBS-CAP who also act as your portfolio manager in PMP will receive the same payout level across all Accounts enrolled in UBS-CAP regardless of Program type or strategy.***

However, based on discussions with your Financial Advisor, you may agree to different fee schedules for different account types. If you do so, you understand that for accounts with higher fees, your Financial Advisor will receive higher compensation than for other accounts in your UBS-CAP Portfolio.

The UBS Investment Advisory Fee **does NOT include** the investment management fees charged by investment managers in the ACCESS and MAC Programs. In addition, certain investments such as mutual funds, ETFs and alternative investments have internal expenses (for example, management, shareholder servicing and performance fees) that are not included in the UBS Investment Advisory fee. You will pay those fees separately to the managers and sponsors of those investments (including UBS affiliates if you have invested in UBS products) in your role as shareholder of those funds. ***See "Additional Compensation" for more information.***

**Assets Held Away; Custody:** UBS-CAP is not designed for clients who hold all or a substantial portion of their UBS-CAP Portfolio at other financial institutions. Generally, we require clients with Advisory Accounts to custody their account assets at UBS. However, subject to limited exceptions for non-discretionary or client directed POA implementation options, we may accept certain relationships that hold a limited portion of their alternative investment assets in the custody of other financial institutions that meet the definition of a qualified custodian. If you decide to include these assets as part of your UBS-CAP Portfolio, you may be required to establish a cash account at UBS for tracking of the investments and billing purposes of these assets.

While this option is available as an accommodation to clients in this Program, we do not recommend doing so, for the following reasons:

- You will incur additional costs in excess of your UBS program fee (for example, custody costs).
- Billing for your Account, including the accurate processing of rebates if applicable, is the responsibility of your custodian, not UBS.

Because all of the assets covered by a UBS-CAP Agreement will be billed at the same UBS Investment Advisory Fee rate, if you decide to include assets held at other financial institutions in UBS-CAP, you will be paying for services that you are not utilizing as it pertains to those assets, specifically, custody, trading and execution. **Your UBS-CAP Investment Advisory Fee will not be reduced as a result of additional costs you incur as a result of holding assets at other financial institutions.**

**Alternative Investments Funds.** When consistent with your

investment objectives, risk tolerance and financial circumstances, and upon your request, we may recommend to you alternative investments approved for distribution through the Firm.

Investments presented for your consideration will be limited to those that offer advisory/institutional share classes designed to be purchased and held in fee-based accounts. **Offering documents for appropriate investment vehicles will be delivered directly to you even in instances in which you have executed a power of attorney for Limited FA Discretion.**

If you selected a non-discretionary or a client-directed investment activities implementation option, you are solely responsible for your decision to invest in an alternative investment fund. Alternative investments are speculative in nature and the investors bear the costs and fees of these funds, including asset-based fees, expenses, and incentive based compensation.

If you hold or purchase (or we purchase on your behalf) an alternative investment fund sponsored or offered by UBS or its affiliates, you should be aware that the Firm or its affiliate will receive compensation, possibly including a share of investment advisory fees by the Fund and performance fees, for providing various services to the alternative investment fund that will be based, in part, on the amount of assets you invest in the fund.

If you selected the POA for Limited FA Discretion, you consent to UBS causing your Account to invest in portfolios, hedge funds or funds of funds managed or sponsored by UBS or its affiliates (each an "Affiliated Fund").

If you adopt Investment Policy Guidelines that permit privately-offered alternative investment funds, such as hedge funds, funds or funds or private equity in your asset allocation, you acknowledge that interests of such funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of the funds.

Alternative investment funds are speculative and involve significant risks, performance may be volatile, and investors may lose all or a substantial amount of their investment in an alternative investments fund. An alternative investment may engage in leverage and other speculative investment practices that may increase the risk of investment loss. Interests in alternative investments funds typically will be illiquid and no secondary market for interests usually develops, they are long-term investments (e.g., 10-15 years), are subject to restrictions on transfer, may suspend redemptions, and may not be required to provide periodic pricing or valuation information to investors. In addition, an alternative investment fund may hold back a portion of redemption proceeds, usually in the range of 10%, to cover accrued expenses, contingencies and liabilities.

**Although only funds that offer advisory or institutional share classes are available in UBS-CAP, such investments will be subject to the UBS-CAP Program Fee. Given the long-term nature of these investments, it may be more cost-efficient in the long term for you to invest in the brokerage share class and maintain these investments in a brokerage account. We cannot, and do not, guarantee that investing in the advisory share class plus the Program Fee is the more cost efficient option in the long-term. You must review those options carefully before investing.**

**Eligible Non-researched investments.** UBS-CAP relationships with a POA for Limited FA Discretion may not include MAC

Eligible strategies or Eligible Non-Researched Investments of any kind.

However, for other UBS-CAP implementation options, you may request that "*Eligible Non-Researched*" investments be included in the asset allocation analysis and performance reports for your UBS-CAP relationship. Eligible Non-Researched investments are limited to hedge funds, funds of funds and private equity investments held away from UBS and MAC Eligible strategies only.

UBS's investment advice as it pertains to Eligible Non-Researched Investments is limited to asset allocation, IPG development, and performance reviews. Specifically, the inclusion of these investments in an asset allocation analysis does not constitute a recommendation that you continue to hold or add to those investments. **Financial Advisors and any other UBS employees are prohibited from making specific investment recommendations to buy or hold these investments on an ongoing basis as UBS does not perform initial or ongoing due diligence on these investments or strategies.** Inclusion of Eligible Non-Researched Investments is an accommodation only and they cannot represent a significant portion of the portfolio. High levels of these investments may lead to termination of the relationship.

Non-Researched Investments are not subject to the Firm's due diligence or research process or otherwise approved for sale, solicitation or recommendation by UBS and its Financial Advisors and employees. Only Eligible Non-Researched Investments for which there is a written acknowledgement on file may be included in UBS-CAP services and for purposes of calculating the UBS-CAP Program Fee.

Because the value of such Eligible Non-Researched Investments will be included for purposes of calculating your Program Fee, you should carefully consider that, as it pertains to those non-researched assets, you will be incurring costs and not fully utilizing the benefits and services offered in UBS-CAP. We reserve the right to accept or decline these requests. Non-researched assets may not constitute a significant portion of the UBS-CAP Portfolio.

**Your decision to include non-researched assets in UBS-CAP is against our recommendation and doing so will result in additional costs to you and higher compensation to UBS and your Financial Advisor.**

**Implementing your Asset Allocation:** Unless you have selected the POA for Limited FA Discretion implementation option, it is your responsibility to determine whether and how to implement the target asset allocation/investment strategy and to ensure that your asset allocation continues to be consistent with your goals and your UBS-CAP Portfolio Questionnaire over time. You may deviate from your target asset allocation only by a pre-determined level based on your risk tolerance. We will notify you if your allocation shifts and is more aggressive than those limits and if those inconsistencies continue for a period of time. You are responsible for addressing any inconsistencies. If you do not take action to update the account profile or modify your asset allocation, the UBS-CAP Relationship and/or underlying account(s) will be terminated.

## Item 5. Account Requirements and Types of Clients

### Types of Clients

We provide Investment Advisory services to individuals, banks, thrift institutions, mutual funds and other investment companies, pension and employee benefit plans, trusts, estates, charities, corporations and other business and government entities. Generally, the majority of our clients in the Advisory programs are individuals. Registered and private investment companies, and other types of pooled investment vehicles are not eligible to participate in the Advisory Programs described in this Brochure.

Foreign entity clients: Please note that as a foreign entity, your participation in a Discretionary, Separately Managed Account or Unified Account Program will likely prevent you from having a FATCA classification of Passive Non-Financial Foreign Entity. This could result in your entity having more burdensome documentation and reporting requirements. Please consult your tax advisor with regard to the possible tax consequences associated with your FATCA status.

### A. Account Requirements for Establishing and Maintaining Advisory Accounts with Our Firm

Please see Section 4(B) above "*Advisory Programs: Fee Schedules, Minimum Investments and Minimum Annual Fees*" for a description of the minimum investments required to establish an Account in the Programs described in this Brochure. We do not require that accounts maintain a specific asset level to remain in the Programs. However, we reserve the right, in our sole discretion, to change account minimums for new accounts, impose higher account minimums for certain strategies or portfolios that may be offered from time to time, to terminate accounts that fall below certain thresholds that may impact the management or servicing of the Account, or require that additional monies or securities be deposited in the Account in order to remain in the Program.

### B. Your Investment Advisory Agreement

We will provide you with an Advisory Relationship Agreement and Application which, when signed by you, will apply to all future Advisory accounts you establish with our Firm. After we receive and accept your signed Application and Agreement, you may establish accounts with us by contacting your Financial Advisors and providing verbal or written instructions, or for some Programs, by signing a new Application and Agreement.

The Advisory Relationship Agreement and our Form ADV Disclosure Brochure apply to all of your Advisory accounts at UBS, including any Advisory accounts you may open in the future and those accounts established on your behalf by your Financial Advisor under the terms and conditions of UBS-CAP. We will not provide another copy of the Advisory Relationship Agreement unless there are updates and amendments to your account agreements. We will not provide another copy of the Form ADV Disclosure Brochure when you establish new Advisory accounts unless there are material changes to the document we originally provided to you. In addition, annually we will provide you with a copy of our updated Form ADV Disclosure Brochure or a summary of material changes.

Because the Agreement and the Form ADV Brochure apply to all the different types of Advisory accounts you can establish with us, some of the information in those documents and the other disclosures we send you may not apply to you now, but may apply in the future as you or, for UBS-CAP, your Financial Advisor establish other accounts with us. **Please retain all these documents for future reference as they contain**

**important information if you decide to add services or open new Advisory accounts with our Firm.**

When you establish an Advisory account with us, you will be required to execute both an investment advisory agreement (the Advisory Relationship Agreement) and a brokerage account agreement (if you have not done so already). The brokerage agreement allows your account to have trading capability and custody services. Once executed, the brokerage agreement supplements your advisory agreement, and all, collectively, govern your relationship with us. Accounts established under the Advisory Relationship Agreement are designated as "Advisory" and our obligations to you as they pertain to that account will be that of an investment adviser as described in that Agreement.

Termination of your Account will end our investment advisory fiduciary relationship with you as it pertains to that Account and, will cause your account to be converted to, and designated as, a brokerage account only. Your investment advisory agreement and our advisory services will no longer apply to that account and it will be governed solely by the terms and conditions of your brokerage account agreement.

Participation in our Programs, our obligations to you under the Programs, and your ability to hold shares that, in some cases, are available exclusively through our Programs are contingent on you returning an executed Advisory Relationship Agreement to us. Failure to return the signed Application and Agreement to us will result in your investments being deemed and charged as brokerage and the liquidation of investments that may be held exclusively in our Advisory Programs, for example, PACE Money Market fund shares.

Some of our Programs permit you to delegate proxy voting authority to your SMA Manager or a third party, and/or suppress your receipt of daily trade confirmations in your account. We ask you to provide these instructions when you establish your first Advisory account under the relationship Agreement. We will apply your preferences (where those features are available) to all Advisory accounts you establish under the Agreement, unless you provide different instructions for specific accounts.

**Opening Advisory Accounts on Verbal Instructions After Execution of the Advisory Relationship Agreement:** You may decide to open additional Advisory accounts or take advantage of new services and account features in the future without signing additional documents or agreements. When that happens, we will confirm your instructions in writing and provide any relevant agreements and disclosures you have not already received. For certain accounts and services, you may be required to sign additional documents and agreements. All of the agreements and disclosures we send you are considered part of the Advisory Relationship Agreement.

**Account Risk Profile Questionnaires:** To become a Program client you must complete an application that includes an Account Risk Profile Questionnaire (the "Questionnaire") to determine your investment needs, objectives and risk tolerances for the assets being invested in *each* Account. For UBS-CAP, your Questionnaire will define the risk tolerances and objectives that you have for *all* your eligible assets and accounts included in the UBS-CAP Portfolio as a whole. The Questionnaire forms the basis of your selection of an investment strategy or asset allocations for your Program account. Questionnaires do not apply to the MAC Program.

**Confirmation of Your Account Record:** After a new account

is opened or whenever your investment objectives or risk tolerance is updated, we confirm your personal information and/or responses to the Questionnaire to verify that our records and our understanding of your objectives and risk tolerance for the assets in that Account are correct. Please review those materials carefully and report any discrepancies to your Financial Advisor as soon as possible. Updates to existing accounts are confirmed to you in writing and your investment objectives are reflected in your monthly account statements. Information for new accounts is confirmed and sent promptly after account acceptance. It is your responsibility to inform us of any material changes in your objectives, financial condition or other changes that could affect how your Program Assets are being invested.

In addition, changes you make to advisory program accounts, such as target asset allocations or investment selections (for example, replacement of SMA strategies in your ACCESS or SWP Accounts), can be implemented without requiring additional documents from you, and we will confirm these changes to you in writing.

You are responsible for providing us with your current address. If we are unable to contact you by mail, we will be required to terminate your account from the program. Upon termination, the assets will continue to be invested in the existing positions when permissible given the nature of the securities, and will be held in a brokerage account. Your Advisory Relationship Agreement with us no longer applies. Any securities that cannot be held in a brokerage account will be liquidated.

**Ownership of Securities and Investment Discretion.** You are the beneficial owner of all securities in your Account and, other than as specifically delegated to us in your Agreement, you retain all rights related the ownership of those securities. You retain trading authority for Accounts in Non-Discretionary Programs and SWP Non- Discretionary Assets. All transactions in those Accounts and sub-accounts will be executed by UBS based on your instructions to us. Neither UBS nor your Financial Advisor will have any discretion with respect to the investment of those Program assets.

Please note that securities transactions in your Account(s), liquidations, redemptions, rebalancing and other portfolio changes may result in you incurring gains or losses for income tax purposes. Neither UBS Financial Services Inc. nor its employees provide legal or tax advice. Please consult with your legal and tax advisors regarding this matter.

**ACCESS/MAC/SWP.** Based on the authority you delegate to us in your Agreement, and as applicable given your Program selection, we will engage the SMA Managers to manage your accounts. You also authorize UBS to take any actions necessary to open and maintain your Accounts or to complete and pay for transactions for your Accounts.

**Discretionary Programs.** If you select one of our Discretionary Programs, your signature gives UBS investment discretion over those Program accounts. For the Discretionary Programs and UBS-CAP with POA for Limited FA Discretion, your signature also authorizes us to delegate investment selection for your accounts to sub-advisors. With that authority, we may delegate the selection of all or a portion of the securities for your Account to a sub-advisor/model provider or overlay manager for inclusion in the portfolio.

**Transactions in your SMA Programs, Discretionary Programs and your SWP SMA Manager Sub-accounts; Tax planning.** After your Account is accepted for a Discretionary, SMA or Unified Managed Account Program, you can no longer

place orders to trade those Accounts or sub-accounts.

However, we may accept your instructions for transactions associated with tax planning (i.e., tax gain and loss sales), if your instructions are consistent with your Portfolio Manager/SMA Manager's strategy.

Except for the PMP Program, neither UBS nor your Financial Advisor exercises any discretion over the selection of securities or tax lots to fulfill tax planning requests. Currently, in the ACCESS program and discretionary sub-accounts of SWP, you can work with your Financial Advisor to submit requests for tax harvesting trades to the SMA Managers.

- You may make requests to raise a specific dollar amount of gain/loss, which will be submitted through an automated process that systematically reviews the equity positions in a separately managed account/subaccount to identify the least number of trades needed to fulfill the request.
- You can make requests to raise maximum gains/losses from the equity positions in separately managed accounts/subaccounts and an automated process systematically identifies transactions to maximize gains/losses, depending on your request.
- You can also work with your Financial Advisor to identify specific securities (equity or fixed income) in the separately managed accounts/subaccounts that can be sold for tax planning purposes.
- You may request tax harvest requests using long-term then short-term or vice versa.

A combination of these options may be used to maximize total gain/loss requests. The automated process is subject to minimum gain/loss thresholds and managers may also have their own tax sale policies. The SMA Manager may fulfill, reject or modify the request. In addition, to ensure orderly processing of requests, **tax sales should be requested before November 30 of each calendar year.**

Tax loss harvesting requests apply to the individual account for which a request is made. If you buy or sell securities in an account that overlaps with the securities sold for tax purposes in another account, the tax loss may be disallowed under IRS wash sale rules.

We cannot accept requests to halt or freeze trading in an account at any time as a way to prevent additional gains or losses for any other reason.

**Custody.** Generally, the programs described in this brochure require you to custody your account assets with UBS. However, we may, on an exception basis, accept certain accounts whose assets are custodied with other financial institutions who meet the definition of a qualified custodian. Those accounts are referred to as delivery versus payment ("DVP") accounts.

For UBS-CAP, we may accept certain relationships that hold a limited portion of their assets in the custody of other financial institutions who meet the definition of a qualified custodian. You may choose to open a DVP Advisory Account; however, we do not recommend doing so, for the following reasons:

You will incur additional costs in excess of your Program Fee (for example, custody costs).

Billing for your Account, including the accurate processing of rebates if applicable, is the responsibility of your custodian, not UBS.

Generally, all of the assets covered by UBS-CAP will be billed at the same UBS Investment Advisory Fee rate. If you decide to include assets held at other financial institutions in UBS-CAP, you will be paying for services that you are not leveraging as it pertains to those assets, specifically, custody, trading and execution. Your UBS Investment Advisory Fee will not be reduced as a result of additional costs you incur as a result of holding assets at other financial institutions. **You also agree to establish a cash account at UBS for billing purposes of these assets if requested by UBS.**

Except for accounts enrolled in UBS-CAP, you will not receive a Performance Review from us, and billing for your account, including the accurate processing of rebates if applicable, is the responsibility of your custodian. For DVP accounts, you agree to use only a qualified custodian that is a bank, a U.S. registered broker-dealer, a futures commission merchant or a foreign financial institution. This custodian must meet the definition of a "qualified custodian" that is established in Rule 206(4)-3(c)(3) under the Investment Advisers Act of 1940.

We will send you periodic account statements reflecting the transactions in your Account. We urge you to compare those statements with the ones you receive from your custodian.

## 1. Funding Your Account.

You may fund your account by depositing cash and/or eligible securities designated as "eligible" for the specific Program; funding Accounts with UBS securities is permitted only for certain programs.

If you sold mutual funds, unit investment trusts or alternative investment securities either before entering into an Advisory program or while in a program (for example, funding your account with B or C shares), you may have paid either upfront or back-end charges, or redemption fees depending on the share class. Now that you are participating in an Advisory program, you will incur our Program Fees, in addition to the operating fees and expenses charged by the mutual funds.

Class A shares, and for PMP and Strategic Advisor accounts, Class C shares (that are not subject to a contingent deferred sales charge (CDSC)) used to fund accounts subsequent to the Share Class Conversions will be automatically converted, on a tax-free exchange basis (subject to availability of that service by the mutual fund sponsor), to the new share class available for the relevant fund when free of the CDSC period. We will undertake this action on your behalf based on your authorization in the Advisory Relationship Agreement, or, if you already have an agreement on file, by continuing to accept the services in the Program after receipt of notice of these changes. Class C shares are not eligible for funding Strategic Wealth Portfolio and Managed Portfolio Program accounts.

If you fund your account with securities, you authorize and direct UBS and/or your SMA Manager, as applicable given the terms of your program, to liquidate those securities on your behalf and to allocate the proceeds in accordance with your selected investment style. **We will not advise you regarding the liquidation of these securities. We will execute those transactions free of commission charges; however, depending on the type of security involved, those liquidations may result in you incurring redemption charges and taxable gains or losses.** You should review the potential tax consequences of these liquidations with your tax advisor before funding your account with securities.

When liquidating these securities for purposes of establishing

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your account, we will be acting as your broker, not your investment adviser. Liquidations will be effected promptly after acceptance of your account at the then prevailing market prices.

We will not be responsible for the liquidations and any consequences due to your failure to notify us of other existing security holdings, the overall effect of liquidations once effected, or the loss of potential gains due to movements in the market prices or changes in market conditions.

**Securities that are ineligible for an Investment Advisory program should be transferred to a brokerage account.**

If immediately prior to funding an Advisory account, you choose to liquidate eligible and/or ineligible securities to fund an account with the cash proceeds, those liquidations will not be subject to commission charges or if charged, commissions will be reversed.

**For SWP Accounts Only—Funding Multiple Investment Managers.**

If you have selected two or more SMA Managers for your Target Allocation either at the time you initially open the Account or upon reallocation, funding will occur as follows:

- If funding with cash alone, you direct UBS to fund the SMA Managers you selected in the order that would result in the least amount of cash being left uninvested. For instance, if you selected two Managers, the Manager with the highest minimum investment will be funded first and then the additional Managers.
- If two Managers have the same minimum funding requirements, you direct UBS to use a random selection methodology to identify the Manager to be funded.
- Cash that remains after the maximum number of Managers are funded, will be invested in mutual funds and/or ETFs according to your Target Asset Allocation. Or the cash may be invested/swept depending on the sweep option that you selected.
- If you fund your SWP accounts with securities (either completely or partially):
- Fixed income securities: all fixed income funding securities will be allocated to the fixed income SMA Managers first in order to determine whether they should be held or sold—even if the total value of the fixed income securities used to fund your Account exceeds the value that is allocated to the fixed income investment managers. If securities are sold, the proceeds will be allocated to your other SMA Managers and/or other investments as described above.
- Equity securities will be allocated to the SMA Manager whose investment strategy comprises the greatest amount of equity funding securities, based on dollar value.
- Equity securities that are not part of the equity SMA Manager's portfolio will be sold as described in the **"Funding Your Account"** section above, to the extent necessary to meet the SMA Manager's investment minimum. If additional SMA Managers can be funded based on available funds, they will be funded in order of highest to lowest match of equity funding securities to securities in the SMA Managers' respective investment strategies.

Therefore certain sub-accounts will not be funded if there is

not sufficient cash and/or securities to fully fund the account according to your Target Allocation.

**Your initial SWP Program Fee will be based on the Target Allocation you selected rather than on your actual asset allocation, as in certain circumstances, one or more Investment Managers may not be fully funded for a limited period of time and your Target Allocation may not be fully implemented.**

## **2. Investment strategies; Eligible and Ineligible Assets**

We employ a variety of investment strategies in connection with our wrap fee and other investment Advisory services, depending upon:

- The type of client involved
- The Program chosen
- The objective selected by the client

These strategies may involve the use of proprietary models or research blends, long-term and short-term investments and covered option writing. In special circumstances, these strategies may rely on short sales, options or other hedging techniques. We may use our discretion to expand the offerings in our programs to include multiple style accounts and investment strategies that include:

- The purchase and sale of mutual funds
- ETFs
- Non-Daily Traded Alternative investment vehicles (i.e., hedge funds)
- Margin and short sales
- Option strategies

We may impose special suitability and investment requirements with respect to these portfolios.

### **Eligible Assets and Ineligible Assets**

We require that you hold and purchase only eligible assets in your Advisory accounts. Generally, with respect to most of the Programs described in this brochure, you or your SMA Manager or Portfolio Manager may purchase and sell securities of any kind which may include the following eligible assets:

- U.S. and foreign stocks
- Bonds
- Options (in certain programs)
- American Depositary Receipts
- Closed-end funds
- Open-end mutual funds (in certain programs) which may include several share classes including Class A, Institutional and Advisory share classes
- Eligible UITs (in certain programs)
- ETFs
- Money market funds (in certain programs)
- Public REITs
- Offshore Funds and ETFs
- Eligible Structured Products (PMP and Strategic Advisor programs only)
- NextShares (Strategic Advisor Only)
- Hedge Funds, Funds of Funds and Private Equity(in

certain programs) – Proprietary and Non-Proprietary but limited to only to Advisory/Institutional Share classes.

The following products are not eligible ("**Ineligible Assets**") for our Advisory programs:

- Insurance and annuity products
- Limited partnership interests (excluding Master Limited Partnerships in certain programs)
- Private Placements
- IPOs
- Non-Publicly Traded REITs
- Syndicate offerings (in certain programs)
- All other Non-Daily Traded Alternative investments including, but not limited to, brokerage share classes of Hedge Funds, Funds of Funds, Real Estate and Private Equity – Proprietary and Non-Proprietary, Alternative Investment funds that do not offer an Advisory or Institutional Share class or a tax free conversion among such classes.
- UBS securities (in certain programs)
- Auction-rate securities (in certain programs)
- Floating-rate securities
- Listed or OTC index warrants
- Commodities and futures (in certain programs)
- Class B and class C share mutual funds (these assets are not available for purchase but may be held in Strategic Advisor accounts and are not subject to the Program Fee)
- Certain Institutional mutual fund share classes if the Advisory share class has been selected as the eligible share class for the Program.
- Penny Stocks, microcaps, and other high risk-securities as defined by OTC Markets
- Non-Daily traded alternative investments – brokerage share classes.
- Letters of Credit
- Participant loans
- Inverse and leveraged ETFs (except for those ETFs eligible in PMP)

**The list above describes the products which are usually (but not always) eligible or ineligible in our Programs. The list can change at any time in our discretion.**

**Eligibility of investments can vary by program and strategy type. Please contact your Financial Advisor for the list of eligible investments in your specific program.**

Our Advisory programs do not offer the ability to conduct principal trades. As such, in these accounts, you may not hold, purchase or sell securities that trade only on a principal basis. Currently, you have access to principal execution in your Advisory account only for tax loss sales transactions in worthless securities in all Programs.

**UBS Stock.** Subject to the exception described below, our Advisory Programs **do not offer UBS stock or UBS securities, except for the UBS mutual funds and money market funds used as cash sweep vehicles in the Programs and UBS Exchange Traded Notes in certain programs.** Program Accounts may not be funded by depositing UBS stock.

SMA Managers in the ACCESS, MAC, and SWP Programs who are not affiliated with UBS may be able to purchase UBS securities for your Accounts (this is limited to the common stock of UBS AG for retirement accounts). We may expand this option to other Programs in the future. UBS securities are issued by UBS Group AG, the parent company of UBS, or another UBS affiliate under common control. As a UBS Group AG subsidiary, we have a control relationship (we are either controlled by or under common control) with the issuer of such securities.

**Impact of Ineligible Assets in Your Accounts:** Neither UBS, your SMA Manager nor your Financial Advisor will act as your investment advisor with respect to Ineligible Assets. If you hold Ineligible Assets in your Advisory account and you also have a separate UBS commission-based brokerage account, we may transfer those assets from your Program account to your UBS commission-based brokerage account in order to facilitate our billing and performance reporting. However, you understand that we are not obligated to transfer those assets and you remain responsible for monitoring and moving these assets from the Programs. The transfer of Ineligible Assets from your Advisory Program account to your brokerage account will not result in liquidation of your securities or taxable events, commissions or any other compensation either to UBS or your Financial Advisor. It may also lead to termination of your Account.

If you do not have a separate UBS commission-based brokerage account and you decide to hold Ineligible Assets in your Advisory account, you do so against our recommendation and with the understanding that the value of those securities may impact a variety of services offered in the Programs and be included for purposes of calculating and reporting the performance of your account, and calculating the Program Fee and other account billing events, resulting in a higher fee to us. It may also cause a trade error(s) due to overinvestment and may lead to termination of your account.

#### **Classification and Availability of Investments, SMA Managers, Mutual Funds, Alternative Investments and PACE Select Trust Portfolios.**

We categorize all eligible SMA strategies, mutual funds, ETFs, alternative investments and other pooled investment vehicles into asset categories. These categories are defined by UBS. We may add or remove asset categories at any time. We also may change an investment's asset category, based on various factors, including for example, a mutual fund's portfolio holdings. In assigning each mutual fund to an asset category, we may rely solely on third-party vendors or on the fund's prospectus and other information that is publicly available or provided to us by the fund's agents.

In the event of these changes, you will be required to accept such changes to the Advisory program, investment, and/or the funds. If you choose not to accept such changes, you will no longer be eligible to participate in the Advisory program.

There can be no assurance that any of the investments that are available or eligible in our Advisory programs will always remain available for purchase through the program. We may add or remove securities or issuers at any time, or an issuer or sponsor may stop offering its securities through or participating in the program. Depending on the circumstances, those investments may be sold, transferred to a brokerage account or registered directly in your name with

the issuer's transfer agent. This may result in additional costs or be a taxable event for you.

**Share Class Conversion: Advisory/Institutional Share Classes of Mutual Fund, Offshore Funds, and Alternative Investments Eligible in (certain) Programs.**

For Programs that offer mutual funds and alternative investments, the offering includes affiliated and non-affiliated investments. We will provide you with mutual fund prospectuses, the offering documents for alternative investments and other fund information as you may reasonably request to assist you in completing appropriate forms for purchases, redemptions, account designations, address changes and other transactions involving these investments.

Institutional and/or Advisory share classes are the primary eligible domestic and offshore mutual fund share classes for proprietary and non-proprietary mutual funds available for purchase in PACE Select Trust, PACE Multi Advisor, UBS Strategic Wealth Portfolio, UBS Strategic Advisor, Portfolio Management Program, UBS Advice Portfolio Program, and UBS Managed Portfolio Programs ("Eligible Advisory Programs"). Institutional and/or Advisory share classes are also the primary eligible offshore mutual fund share classes, and are available for purchase in UBS Strategic Wealth Portfolio, UBS Strategic Advisor and Portfolio Management Program.

If you hold Institutional Shares in your Advisory Account and the Advisory share class becomes the share class eligible for purchase, your Institutional shares will become "hold only" (even if, in the case of offshore funds, you elect not to convert your Class A shares to Advisory shares.). That means you may sell but you may not add to those positions in the Advisory Accounts.

If you transfer Class A shares of mutual funds to your Advisory Account, or use such shares to fund your Account, we will automatically convert such shares to the advisory or institutional share class available in the Programs, including Class C shares that are out of the CDSC period. Class A shares of offshore funds are **not** automatically converted to the advisory share class. If you hold Class A shares of offshore mutual funds, you may elect (but you are not required) to convert those positions to advisory share classes upon reviewing your Account and providing an attestation regarding your understanding of tax consequences that may occur as a result of the conversion.

Class A shares are available for mutual funds that do not offer Institutional or Advisory share classes or that declined to make those shares available in the Programs. Class A shares normally impose a shareholder servicing fee, commonly referred to as a 12b-1 fee, which you pay directly to the fund company. As a distributor of mutual funds, we receive a portion of the 12b-1 fees for services we provide.

The Class A shares available in the Advisory Programs do not impose a load or sales charge at the time of purchase; however, because most Institutional or Advisory share classes do not impose a 12b-1 fee shareholder servicing fee, these share classes are usually more cost effective than the Class A shares.

**Treatment of 12b-1 Fees for Domestic Mutual Funds:** In PACE, Strategic Advisor and SWP, the 12b-1 fees for Class A shares of domestic funds that remain in the Programs are retained by the Firm and are not paid to Financial Advisors. However, these amounts are allocated to the individual branch offices as "non-compensable revenue" (revenue that is not paid out to Financial Advisors or Branch Office Managers)

but are considered as part of the overall profitability of the branch, and as one of several components used in determining Branch Office Manager compensation. 12b-1 Fees for Class A shares in Discretionary Programs are credited to your Account. The different treatment of 12b-1 fees for domestic funds and offshore fund trails means UBS receives higher compensation in connection with Class A shares of domestic mutual funds held in Advisory Accounts.

**Treatment of Offshore Fund Trails:** For offshore funds, trails on the Class A shares are credited to clients in Strategic Advisor and SWP. Clients in Discretionary Programs continue to receive a credit of 12b-1 fees and trails for Class A shares held in those Accounts.

**Availability of Institutional Shares of Mutual Funds in Brokerage Accounts:** For both domestic and offshore mutual funds you may be able to purchase and hold Institutional shares and/or Advisory shares in your brokerage account for a transaction fee of \$75 and exclude these assets from your Program Fee. Other share classes, including some that may be more cost effective and for which we receive no revenue sharing compensation, may be available to you in brokerage accounts or through advisory programs designed primarily for institutional clients.

**Potential Impact of Share Class Conversion on Program Fees:** Financial Advisors may have considered the 12b-1 fee or trails they received in connection with mutual funds in your Account when they negotiated your Program Fee with you. As a result of these changes, your Financial Advisor may review your account for an adjustment to your Program Fees.

**Additional Compensation:** To the extent permissible by applicable law, UBS receives revenue sharing for Advisory shares in Eligible Advisory Programs. This additional compensation presents a conflict of interest and is an incentive to designate as "eligible" the share class for which we receive higher compensation.

**Advisory/Institutional Share Classes of Alternative Investments:** Certain Programs (UBS-CAP and Strategic Advisor) permit you to hold advisory/institutional share classes of certain alternative investments (proprietary and non-proprietary) as part of your Advisory Account or UBS-CAP Relationship. Only funds that offer advisory/institutional share classes and permit conversion of the brokerage share class on a tax free basis are eligible and billable in the Programs.

Unlike mutual funds where the conversion of share classes is automatic, the tax free conversion of share classes is subject to additional documentation and may take up to 120 days to complete. These assets will not be approved for the Advisory Programs until the Share Class Conversion is complete. UBS and our Financial Advisors will continue to receive a portion of the management fee and other compensation until the effective date of such conversion. ***See "Additional Sources of Compensation in Connection with Investments in Advisory Accounts"***

**Termination of your Advisory Account and Impact on Share Classes:** Generally, you may continue to hold most Institutional and/or Advisory share classes after you terminate your Advisory Account. However, in certain limited cases, mutual fund companies and alternative investment fund sponsors require that Institutional and/or Advisory share classes that have been created for use or are eligible exclusively within wrap fee Advisory programs be converted to the



respective brokerage share class of the fund (for example, Class A shares for mutual funds) on termination of the Advisory Account. When required by the prospectus for mutual funds, on termination of your advisory account, we will convert your Institutional and/or Advisory share classes to Class A shares of the same fund on a tax-free basis unless you are terminating your account to establish another one in a separate program where the same share class is eligible.

**Unless the issuer requires automatic redemption of these investments, you can continue to hold them in your brokerage account.** Please see *"Automatic Liquidation or Exchange of Certain Assets at Account Termination"* for more information.

#### **Transferring Mutual Funds and Alternative Investment Shares and other Assets into Your Advisory Accounts.**

We may accept the transfer of certain assets and shares of mutual funds and alternative investments purchased outside of our Advisory Programs at UBS or at other financial institutions into Advisory Accounts. Assets transferred into your Advisory Accounts are referred to as "Transferred Assets." Transferred Asset may have been assessed a sales load, sales charge or distribution fees previously and, once transferred, you will be assessed the Program Fee based on the value of those assets except in certain instances.

If your Transferred Assets were purchased in a UBS brokerage account and were assessed a:

- front-end sales load,
- placement fees, or
- syndicate/underwriting fees

those assets will not be charged the Program Fee until 12 months have elapsed from the date of initial purchase.

If your transferred mutual fund or alternative investment shares (for example Class A shares of mutual funds or where applicable the brokerage share class of an alternative investment purchased with a sales charge) are converted to an Institutional or Advisory share class on transfer to the Advisory Program, the new share class will be designated as a "Transferred Asset" and will be excluded from the Program Fee until 12 months have elapsed from the initial purchase date of the Class A share or brokerage share class.

Transferred Assets purchased at other financial institutions will be assessed the Program Fee immediately. Because the exceptions are not available for assets and mutual fund shares purchased at another financial institution, the overall cost to you of transferring these assets into the Programs may be higher for assets you purchased at another financial institution. Please review the costs carefully before making a decision to transfer assets into your Advisory Accounts. If you sold mutual fund shares or alternative investment funds prior to entering into, or while in our Programs, you may have paid certain fees with respect to that sale or incurred charges on the initial purchase of certain share classes. You will now incur the Program Fee on eligible shares held in your Accounts, in addition to the operating fees and expenses applicable to mutual funds and alternative investments.

### **3. Investment Restrictions & Investment Policy Statements**

**Investment Restrictions.** Our Discretionary and SMA Programs offer you the ability to impose reasonable investment restrictions on the management of your Accounts including restrictions as to permissible securities, industries, industry sectors or credit ratings depending on program selected.

Investment restrictions will apply only to those assets over which we or your SMA Manager have discretion. Investment restrictions are not applicable to, and may not be imposed on, the non-discretionary portion of your SWP Account or "ineligible" assets you may hold in the Accounts or the alternative investment sleeve in UBS-CAP.

These preferences will apply only to the account you designate and vary by type of program, account or strategy. When you establish your accounts in these Programs, we will ask you if you want to impose any investment restrictions on the management of your Account. Depending on the structure of the program you selected, we or your SMA Manager, as the case may be, will seek to adhere to these restrictions on a reasonable basis. However, if the strategy you selected utilizes commingled vehicles (for example, mutual funds, exchange traded funds or alternative investments), any restrictions you place on your account will not flow through to the securities owned by those commingled vehicles. **Also, given the structure of most pooled investment vehicles, the 100% mutual fund/ETF portfolios can only accommodate restrictions on an individual investment vehicle.**

We or your SMA Manager may refuse to accept an account for management in cases where we find the restriction to be onerous. In this circumstance, you would need to select a new SMA Manager (or other investment). This may delay investment of the entire account.

Accounts with investment restrictions may perform differently from accounts without restrictions and performance may be lower. To comply with your investment restrictions, we obtain and rely on information about company and industry classifications, credit ratings, and industry groupings from third parties. The category restrictions we offer may be overly or less inclusive, depending on the methodology used to define the categories for example, considering factors such as a company's direct/indirect involvement in an industry or activity or the proportion of a company's revenue derived from an industry or activity. Although we believe this information to be reliable, we do not independently verify or guarantee the accuracy. The change of the classification of a company, the grouping of an industry or the credit rating of a security may force the SMA Manager, as the case may be, to sell securities in a client's account at an inopportune time, possibly causing a taxable event to the client. In addition, due to corporate actions at an issuer, including but not limited to mergers, spin-offs and other types of reorganizations, new securities may be issued and/or certain securities will no longer exist following the corporate action and we may or may not restrict the security owned following a corporate action depending on the classification of those securities by the vendor.

Although your SMA Manager or Portfolio Manager are responsible for complying with the investment restrictions they accepted for your Accounts if you have selected the POA for Limited FA Discretion in UBS-CAP, we will periodically review your UBS-CAP Portfolio to determine whether such managers are complying with the restrictions.

**Investment Restrictions for MAC Accounts.** Clients in the MAC program must communicate investment restrictions directly to the MAC SMA Manager (unless we serve as your SMA Manager). It is also the client's and the SMA Manager's responsibility to monitor compliance with specific investment restrictions. Neither UBS nor your Financial Advisor will monitor such compliance. If you have selected the POA

for Limited FA Discretion option in UBS-CAP, your Financial Advisor will communicate investment restrictions for your MAC Account to the MAC SMA Manager. In those instances and where our Portfolio Managers serve as your MAC SMA Manager, we will seek to comply with reasonable restrictions you place on your accounts and will review your MAC SMA Manager's adherence with such restrictions.

**Investment Policy Statements.** Since an Advisory account is generally only one component of a client's overall portfolio, we will not approve or otherwise monitor compliance with investment policy statements (IPS) when provided in connection with the opening of an Account in the Programs described in this brochure, at account conversion (for acquisitions) or otherwise. Except for UBS-CAP, the Programs described in this Brochure do not provide IPS services. In connection with these accounts, including those covered by UBS-CAP, our review is limited to assessing whether your UBS-CAP Portfolio is consistent with your Investment Policy Guidelines at the broad asset class level (i.e., equity, cash, fixed income). We will not be responsible for ensuring that your Investment Policy Guidelines and asset allocation choices comply with all specific legal, actuarial or other requirements that apply to you. That responsibility rests solely with you and you should consult with your legal and tax advisors regarding those matters. If you would like UBS to help you develop and monitor an investment policy statement, please ask your Financial Advisor about our Institutional Consulting Program. You may enter into separate arrangements in our Institutional Consulting Program for the development and monitoring of investment policy statements for your overall investment portfolio. These services are available for an additional fee.

#### 4. Performance Reporting for Your Account

We currently provide you with a quarterly performance review once your Account is enrolled in our Program(s) for one full calendar quarter, and for each quarter thereafter. The performance review summarizes the performance of your Account during the preceding quarter as well as historical periods, if applicable. We use our best efforts to ensure timely delivery of these reports, but reserve the right to delay delivery to ensure accuracy and completeness. You are responsible for reviewing these materials and reporting any discrepancies to your Financial Advisor as soon as possible. With limited exceptions (such as relationships established through our UBS-CAP), performance reporting is not available for accounts whose assets are not custodied with us.

We are currently reviewing our performance reporting services in terms of content and frequency. We expect to change the frequency of the performance reporting services we provide to you from quarterly to annually. We will notify in advance of the effective date of this change. However, you may, at your discretion, request quarterly or more frequent performance reports by contacting your Financial Advisor. Your Program Fees will not be reduced or offset by the changes in the performance reporting frequency.

Please see "Portfolio Management Selection and Evaluation—Performance Reviews of SMA Managers, Portfolio Managers and Financial Advisors in our Advisory Programs" for a description of our performance evaluation process and our selection of indices in the various Programs.

Your account may be part of a consulting program in which you pay a separate fee for portfolio-wide performance analysis (e.g., UBS Institutional Consulting Program). In those situations, you

may not receive the performance review for your individual MAC, ACCESS or other Advisory program accounts. Instead, you will receive a portfolio review according to the guidelines you established under your UBS Institutional Consulting Program agreement. The option to suppress the performance reports for your individual Advisory Accounts and to have a tailored performance review is only available when your UBS Institutional Consulting Program consolidated reviews and agreement cover those accounts. The Program Fee you pay in the ACCESS, MAC and other Advisory Programs will not be reduced as a result of the receipt of performance reporting services under the UBS Institutional Consulting Program.

At your discretion, you may direct us to suspend the delivery of performance reviews to you. That request must be submitted in writing to your Financial Advisor.

- **Impact of ineligible assets on performance reporting:** Since ineligible assets are not considered Advisory assets, the inclusion of such securities will impact the actual performance of the Advisory assets in your account and, therefore, we may exclude the Account from receiving a quarterly performance review and/or remove it from the Program until the ineligible assets are removed.
- **Aggregating accounts for quarterly performance reviews.** Related accounts may also be aggregated for performance reporting. Please contact your Financial Advisor to have your related accounts aggregated for performance reporting.
- **Accounts with a negative value will not receive a quarterly performance review,** for instance, certain specialized strategies that utilize margin or collateral from other accounts.

#### 5. Trade Confirmations and Account Statements

We will send you confirmations of transactions for your Accounts, as well as periodic account statements. For our Discretionary Programs, SMA Programs and UBS-CAP, and the SMA Manager assets in your Strategic Wealth Portfolio Account, we offer you the option of receiving your trade confirmations monthly instead of as the transactions take place. Simply check the box labeled "TRADE CONFIRMATIONS" on the Program Application. **Unless you provide different instructions, we will deliver your trade confirmations the same way for Advisory Accounts you establish now and in the future.**

Doing so will waive your right to receive immediate trade confirmations for those Accounts and any future Advisory Accounts you establish with us and will instruct UBS to send immediate trade confirmations to your SMA Manager.

**You are not required to select this option in order to participate or continue to participate in our Programs, nor will you pay additional fees if you choose to elect this option. You may change this instruction for all or individual accounts at any time by notifying UBS in writing.** All trade confirmations for Non-Discretionary Assets purchased or sold in your SWP Account will be sent to you immediately following the transaction.

**Trade Confirmation for Automatic Transactions in the PACE Program:** Automated services in your PACE Account include automatic rebalancing, purchases or redemptions. Trade confirmations for transactions resulting from those services will be provided to you, as well as for transactions completed in order to debit your PACE Program Fee, on a

monthly basis with your account statement. You will not pay or incur additional fees by opting to receive monthly trade confirmations. You may change this instruction at any time by contacting your Financial Advisor. Changes will be effective with your next scheduled automatic service. For any other transactions effected in your PACE asset allocation outside of the automatic services, you will receive immediate confirmations following the transaction.

## 6. Electronic delivery of documents

To the extent permissible by applicable law, we may, with your prior consent, deliver trade confirmations, Form ADV Disclosure brochures, performance monitors, prospectuses, offering documents and other documents and notices related to your accounts, trades and relationship with us via electronic format.

UBS offers certain communications through electronic delivery. Examples include: statements, trade confirmations and notices; shareholder communications, including fund reports, prospectuses and proxies, and all account documents related to Investment Advisory Accounts and fee-based financial planning services; quarterly performance reports; tax reporting documents; Client and account information documents; other firm documents that may be available now or in the future.

Documents related to Advisory Accounts will be delivered electronically when you enroll in electronic delivery of Shareholder Communications. The documents related to Investment Advisory Accounts include Form ADV disclosure brochures, manager profiles, asset allocations, performance reports, and other disclosures, reports and notices related to advisory accounts. These reports and notices contain information relating to your accounts and investments, such as account attributes, account profile, investment elections and preferences, investment strategy and fees. We may deliver documents relating to Investment Advisory Accounts as a link to a UBS website or as an attachment to an email. When sending attachments to emails, for your protection, we will exclude and/or mask certain personal information such as name, address, and account number. We may also include important notices, disclosures and updates relating to your investment Advisory Accounts in or with your monthly account statements or quarterly performance reports.

By signing the Advisory Relationship Agreement you confirm that 1) your Electronic Delivery elections apply to your Investment Advisory Accounts, and 2) your enrollment in electronic delivery of Shareholder Communications authorizes UBS Financial Services Inc. to electronically deliver all reports, disclosures and notices related to your Investment Advisory accounts. Based on that authority, we will automatically enroll you in electronic delivery for your Investment Advisory accounts if you select the electronic delivery of Shareholder Communication option in your brokerage account agreement. **If you are enrolled in UBS Online Services, you may change your delivery preferences at any time by logging into UBS Online Services at: <http://www.ubs.com/edelivery>. You may also change your delivery preferences by contacting your Financial Advisor.**

Mutual Fund Prospectus(es): When a new prospectus is available, we will send you an e-mail notification to the e-mail address you have provided to us. The e-mail will include a link that will take you directly to where the prospectus can be viewed and downloaded. Prospectuses contain important information regarding your investments. We recommend that you read them carefully and consider investment objectives, risks, charges and expenses before investing, and maintain them in your files

for future reference. If you have any questions, please contact your Financial Advisor. If your e-mail address becomes outdated or we receive messages that a document sent to you is not deliverable to the e-mail address you provided, we will send the document to you via regular mail.

## 7. Valuation and Other Information

To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction. When securities are held at another custodian, we will generally rely on the value provided by that custodian.

If your investment strategy includes mutual funds, in computing the value of your Program assets, shares of UBS mutual funds will be valued at their respective net asset values on the valuation date calculated in accordance with the fund's current prospectus. Shares of non-affiliated funds will be valued at their net asset values on the valuation date as provided by pricing sources that we believe to be reliable. This pricing information may not be accurate, complete or provided in a timely manner. If the net asset value for particular shares is not available for the valuation date, the most recent available net asset value will be used. Similarly, valuation data for certain private or illiquid investments may not be provided to us in a timely manner, resulting in valuations that are not current in your statements and Performance Reviews.

We will generally rely on the value provided by you (through your custodial statement), the custodian or issuer of that security, when (i) securities are held at another custodian and security-specific detail is not provided to UBS to value them; (ii) investments you hold in your accounts are not available through UBS or that our systems do not recognize.

## 8. Cash Balances in your Advisory Accounts

Generally, some portion of your Account(s) will be held in cash, cash equivalents or money market funds as part of the overall investment strategy for the account. There is some important information you should consider in connection with these sweep vehicles:

- **UBS Proprietary Investments:** When permitted by law, available cash in your Account is automatically swept to our affiliate UBS Bank USA or into UBS money market funds for which we or our affiliates receive compensation for services in addition to the Program Fees you pay us. Please see *"Participation or Interest in Client Transactions—Additional sources of compensation—Affiliated Money Market Funds available as sweep vehicles in Advisory Accounts"* for a description of the Advisory fees that we and our affiliate receive from the money market funds.
- If you close your Advisory Account, we will sell the assets held in certain money market funds. Please see section *"Closing Your Advisory Accounts; Terminating Your Agreement—Automatic Liquidation of Certain Assets at Account Termination"* for details.
- When your Advisory account is closed, it becomes a brokerage account and it is subject to the terms and conditions of your brokerage account agreement. The sweep options in Advisory and brokerage accounts are different (except for qualified plan pooled accounts) and depending on the circumstances, may

yield significantly different rates of return on the free cash in your brokerage account. The resulting change in sweep vehicles may result in additional compensation to UBS, its Financial Advisors and UBS affiliates. The sweep options for the cash held in brokerage accounts are defined in the brokerage account agreement.

- Your Program Fee applies to the cash and cash equivalents in your account, including cash that is swept into the various sweep funds or International Deposit Accounts (IDAs). Please see section *"Billing Practices—Billing on Cash and Cash Equivalents in Your Program Accounts"* for details.

We offer a sweep feature for our Accounts as a service to you pursuant to which we automatically invest or "sweep" cash balances in Account to an available investment option. We may change or discontinue the sweep feature, programs or specific sweep options at any time in our sole discretion. We will notify you of material changes to this account feature. You may obtain information about current yields on available sweep options online at [www.ubs.com/sweepyields](http://www.ubs.com/sweepyields).

- **Domestic Advisory Accounts:** Subject to eligibility requirements (see below), we will automatically sweep cash balances in your Advisory accounts into money market funds and/or bank deposit accounts (through either the "UBS Bank Sweep Programs" or the UBS FDIC-insured Deposit Program) including, as permitted by law, those affiliated with UBS for which we or our affiliates receive compensation in addition to the Program Fees you pay us. For more information, please contact your Financial Advisor for a copy of the money market fund prospectus(es) and the disclosure statement (each a "Program Disclosure") for the UBS Bank Sweep Programs and the UBS FDIC-Insured Deposit Program. These programs are referred to together as the "Deposit Programs". If your sweep option changes to a money market fund as a result of your Advisory program selection, the applicable money market fund prospectus will be sent to you as part of your Welcome Package when we confirm that your Account has been accepted.
- **Retirement accounts in Advisory Programs:** With the exception of qualified plans with a pooled structure, UBS will offer only the UBS Bank Sweep Programs as a primary sweep option for the automatic investment of available cash balances in Individual Retirement Accounts ("IRAs") and securities accounts held by employee benefit plans and plan participants. For certain Programs, cash balances in IRAs and accounts subject to ERISA may also be invested, as a secondary sweep option (as defined below in "Applicable Limits Per Account") in a money market fund serviced by an affiliates. Our affiliate's compensation from this fund will be limited to reimbursement of its direct costs and expenses for providing services to the fund excluding overhead costs or profits. All fees and reimbursements for direct costs and expenses paid to our affiliate by such a fund are in addition to the fees you pay us.

**UBS Bank Sweep Programs:** The UBS Bank Sweep Programs consists of the UBS Deposit Account Sweep Program and the UBS Business Account Sweep Program. Non-US residents are not eligible for the UBS Bank Sweep Programs. UBS at its discretion will consider a client to be ineligible if UBS becomes aware that the entity is prohibited as a matter of law from holding funds at any participating bank.

In addition, an account is not eligible for the UBS Bank Sweep Programs (an "Ineligible Account") if the account is (1) owned by a financial institution, (2) is a Qualified Plan pool account or (3) owned by an irrevocable trust, or (4) owned by a revocable trust where all trust beneficiaries are natural persons and/or nonprofit organizations.

The term "financial institution" includes the following entities and any others that UBS may add from time to time: Insurance companies, broker-dealers, investment advisors, fund companies, hedge fund companies, private pension funds, public retirement funds, state and federal chartered banks, state and federal chartered credit unions, state and federal chartered savings associations, and state and federal chartered trust companies.

The sweep option for an Ineligible Account will be either an available market money fund or deposit accounts through the UBS FDIC-Insured Deposit Program.

**UBS Deposit Account Sweep Program:** The UBS Deposit Account Sweep Programs is available only to:

- Individuals.
- IRAs.
- Sole proprietorships.
- Governmental entities.
- Certain employee benefit plans and participants in such plans.

Custodial accounts are eligible for the Deposit Program as long as none of the beneficiaries is a business entity.

**UBS Business Account Sweep Program:** The UBS Business Account Sweep Program is available only to:

- Business entities, such as:
- Corporations, partnerships, limited liability companies, association, and business trusts but **excluding** sole proprietorships.
- Nonprofit organizations, including organizations described in Sections 501(c)(3) through (13) and (19) of the Internal Revenue Code.
- Estates
- Revocable trusts owned by U.S. residents (if one (1) or more beneficiaries is a business entity).

**Applicable Limits per Account.** For eligible Accounts in the UBS Bank Sweep Programs:

- Cash balances will be deposited automatically—or "swept"—to interest bearing deposit accounts (Deposit Accounts or Business Accounts as the case may be) at UBS Bank USA an FDIC member institution and an affiliate of UBS. Cash will be swept into deposit accounts at UBS Bank USA up to a specified limit, or "Cap" ("Bank USA Sweep Cap") of \$250,000 per account owner for each Account. The Bank USA Sweep Cap applies to each Account and we do not combine the amount of cash in multiple accounts for purposes of applying the Bank USA Sweep Cap to each account. See important information about FDIC coverage below.
- When you reach the Bank USA Sweep Cap, new cash will then sweep to a money market fund that you have selected or that has been assigned as the sweep option for your Advisory Account ("secondary sweep option"). Clients with taxable accounts may change the money market fund (if available and subject to

eligibility requirements) used as the secondary sweep option by contacting their Financial Advisor.

The UBS RMA US Government Money Market Fund, ("RMA Money Fund") and the UBS Liquid Assets Government Fund (for IRAs and Qualified Plan Accounts), will be used as your secondary sweep option for your Advisory Account depending on your program selection and account type.

The prospectuses and Program Disclosure are available online at [www.ubs.com/sweepyields](http://www.ubs.com/sweepyields).

### Important Information About the UBS Business Account Sweep Program

Federal banking regulations limit the number of non-exempt withdrawals from your Business Account at UBS Bank USA to six (6) **per calendar month**. Please note that: withdrawals to fund the purchase of securities will not be counted toward the withdrawal limit. However, (i) withdrawals to satisfy your Program Fee, check, debit card, electronic funds transfers and automatic bill pay transactions will be counted toward the withdrawal limit; (ii) multiple check, debit card, electronic funds transfers and automatic bill pay debits incurred in your securities account on the same day will be counted as one (1) non-exempt withdrawal. If you reach six (6) non-exempt withdrawals in a calendar month, all remaining funds in your Business Account at UBS Bank USA will be withdrawn and invested in your secondary sweep option. For the remainder of the month, additional available cash balances in your securities account will sweep to your secondary sweep option. Your withdrawals from your secondary sweep option are not limited. **Once transferred, to your secondary sweep option, these funds will not be eligible for FDIC insurance (subject to the applicable limits) until they are re-deposited into your Business Account at UBS Bank USA. Funds in your secondary sweep option are protected by the Securities Investor Protection Corporation (SIPC). Please see "SIPC Protection" below for more information.**

Because these restrictions apply per calendar month, if cash in your Business Account has been transferred to your secondary sweep option, on the first business day of the following month, funds will be withdrawn from your secondary sweep option and redeposited into your Business Account at UBS Bank USA up to the Bank USA Sweep Cap.

**UBS FDIC-Insured Deposit Program:** Deposit accounts through the UBS FDIC-Insured Deposit Program will be your sweep option if your Account is owned by a revocable or irrevocable trust where our records indicate that all beneficiaries are either individuals and/or not-for-profit organization.

Through this program, available cash balances in your Account up to \$249,000 will be swept into deposit accounts at each participating FDIC-insured bank (each a "Program Bank") on a Bank Priority List ("Priority List") applicable to your Account. UBS Bank USA will be the first Program Bank on the Priority List.

Available cash balance will be swept into deposit accounts at each Program Bank in the order in which the Program Banks are set forth on the Priority List, up to a total of \$2.49 million ("Program Deposit Limit"). Once deposit balances are equal to the Program Deposit Limit, any additional available cash balances will be invested in shares of the RMA Money Fund without limit.

The Program Disclosure and Priority List are available at

[ubs.com/sweepyields](http://ubs.com/sweepyields) or from your Financial Advisor.

All Program Banks, except UBS Bank USA, will pay UBS a fee equal to a percentage of the average daily deposit balance in your Deposit Accounts at each Program Bank. The fee may vary from Program Bank to Program Bank, and may be as much as 2.5% annually on some of the Deposit Accounts. In its discretion, UBS may reduce its fee and may vary the amount of the reductions among clients. The amount of the fee received by UBS from a Program Bank will affect the interest rate paid by the Program Bank on your Deposit Accounts, and the fee may exceed the amount paid to clients as interest on their Deposit Account balances at the Program Bank. UBS Bank USA will pay UBS an annual fee of up to \$50 for each Securities Account that sweeps through the Program into Deposit Accounts at Bank USA

**Deposit Programs - FDIC Insurance coverage and limitations:** Deposit balances in the Deposit Programs are eligible for deposit insurance by the FDIC up to a total of \$250,000 including principal and accrued interest for each insurable ownership capacity (e.g., individual, joint, IRA). Deposit Funds deposited in Deposit or Business Accounts (as applicable) are not eligible for protection by SIPC. Qualified Plan accounts are eligible for FDIC insurance up to a total of \$250,000 per plan participant based on each participant's non-contingent interest in the employee benefit plan.

**All of your deposits with UBS Bank USA or any other Program Bank (including cash swept through eligible UBS accounts and any certificates of deposit you own), will be aggregated for purposes of the FDIC coverage limit. If you have more than one Account that sweeps to a Program Bank, the amount deposited at the Program Bank may exceed the amount covered by FDIC insurance (currently \$250,000 per insurable capacity). You are responsible for monitoring the total amount of deposits that you have with each Program Bank to determine the extent of FDIC deposit insurance coverage available to you.** Please refer to the Program Disclosure for the Deposit Programs for more detailed information regarding FDIC insurance. You may obtain a copy of each Program Disclosure by contacting your Financial Advisor. It is also available at [ubs.com/accountdisclosures](http://ubs.com/accountdisclosures).

**Deposit Programs - Interest rates:** Interest rates on the deposit accounts in the Deposit Programs are tiered based on your total eligible Marketing or Qualified Plan Relationship as defined in the "General Terms and Conditions" of the Agreements and Disclosures booklet, which is available at [ubs.com/accountdisclosures](http://ubs.com/accountdisclosures) or by requesting one from your Financial Advisor. Interest rates may equal, exceed or be lower than the prevailing yield on money market mutual funds or other investments available as a sweep option. Interest rates may be higher or lower than interest rates available to depositors making deposits directly with a Program Bank or other depository institutions in comparable accounts. You may view current interest rates and yields at [ubs.com/sweepyields](http://ubs.com/sweepyields).

**Deposit Programs - Benefits to UBS Bank USA:** UBS Bank USA uses deposit balances in the Deposit Programs to fund new lending and investment activity. Its profitability is determined largely by the difference between the interest paid and costs associated with deposit balances, and the interest or other income earned on its loans, investments and other assets. UBS Bank USA improves its profitability when it lowers the interest rates paid and the costs associated with its deposit balances.

**Deposit Programs - Automatic Exchanges of Certain Sweep**

**Funds:** We may choose to offer certain money market funds as a sweep option for non-retirement/non-IRA clients who meet certain asset thresholds. If you qualify, and cash balances in your Advisory Accounts sweep to deposit accounts in Deposit Programs as described above, such a money market fund will be designated as the sweep option for cash balances exceeding the Bank USA Sweep Cap or Program Deposit Limit. The fund will be the primary sweep option for Advisory Accounts that qualify but that do not sweep to deposit accounts through the Deposit Programs.

If your cash balances sweep to the RMA Money Fund, and you become eligible for the UBS Select Government Capital Fund, we will liquidate your shares in the RMA Money Fund and purchase shares in UBS Select Government Capital Fund. Once a first purchase has been made in the UBS Select Government Capital Fund, it will remain a sweep option even if there is a change in your eligibility.

**Alternatives to the Deposit Programs:** Investors who are not eligible to participate in the Deposit Programs may select an available money market fund as their sweep option.

- For more complete information about any of the money market funds available as a sweep option or secondary sweep option, including all charges and expenses, please contact your Financial Advisor for a prospectus or go to [ubs.com/sweeptyields](https://ubs.com/sweeptyields). Read the prospectus carefully before you invest or send money.
- **Sweep option for NRA clients—International Deposit Account (IDA).** Through the IDA cash balances held in Program accounts of clients who are non-resident aliens (NRA) of the U.S.—whether temporarily as part of an asset allocation strategy or otherwise—are automatically swept into a demand deposit account at the New York Branch of UBS AG (UBS NY), from which the cash is then swept and re-deposited each business day into an interest-bearing overnight deposit account at the Cayman Islands Branch of UBS AG (UBS Cayman). The cash swept from the UBS NY account becomes payable only at the UBS Cayman account, and not at the UBS NY account, and is thus temporarily exposed to the sovereign risk of the Cayman Islands. **Funds on deposit in the accounts at UBS NY and UBS Cayman are not eligible for federal deposit insurance from the FDIC and are not protected by SIPC.** For more detailed information on the IDA for NRA clients, please see the International Deposit Account Sweep Program Disclosure Statement.
- **Non-U.S. residents are not eligible for any of the money market funds available as sweep options.**
- **Sweep option for Puerto Rico residents:** The Puerto Rico Short-Term Investment Fund Inc. is available as a sweep option only for customers who hold accounts with UBS Financial Services Incorporated of Puerto Rico and who are Puerto Rico residents, as defined in the fund's prospectus. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc.

**The Puerto Rico Short-Term Investment Fund Inc. is not a money market fund registered under the U.S. Investment Company Act of 1940. Because it does not comply with rules applicable to U.S. registered funds, it may present a higher degree of risk than U.S. registered money market funds. The fund is sold by prospectus only; it is not FDIC Insured; it is not bank guaranteed; and it may lose value.**

**UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico, Inc. serves as investment advisor to the Fund. See the Fund's prospectus for additional information.**

For more information about these funds and sweep options please contact your Financial Advisor for a copy of the prospectuses. If your sweep option changes as a result of your Advisory selection, the prospectus for the applicable money market fund will be sent to you as part of your welcome package when we confirm that your account has been accepted.

Other sweep options may be available, and you should discuss your options with your Financial Advisor. You may also choose to maintain any cash component of an asset allocation strategy outside of your UBS Advisory Accounts.

**You could lose money by investing in a money market fund. Although each of the money market funds named above seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Each money market 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.**

**Investors should consider the investment objective, risks, and charges and expenses of a money market fund carefully before investing. The fund's prospectus contains this and other information about the fund. You may obtain a prospectus from your Financial Advisor. The prospectus should be read carefully before investing.**

**Money Market Funds - Not FDIC Insured. May lose value. No bank guarantee.**

**UBS Asset Management (US) Inc. is each money market fund's distributor.**

**Important information about your sweep options for PACE investments only:** PACE is an asset allocation program that is fully invested and does not have a cash sweep feature. However, since your PACE investment is held within a UBS brokerage account (e.g., RMA, basic investment account, etc.), available cash balances in the brokerage portion of the basic investment accounts and RMAs accounts are automatically swept to deposit accounts in one of the UBS Bank Sweep Programs in accordance with the terms of your brokerage account agreement which differ from those available to Advisory Accounts.

**SIPC Protection:** Please note the following:

- We are a member of SIPC. SIPC provides protection for securities in your accounts with us up to \$500,000, including \$250,000 for free cash balances in the unlikely event that we fail financially. For details please see [www.sipc.org](https://www.sipc.org). The SIPC asset protection limits apply, in total, to all accounts that you hold in a particular capacity. Investments in the sweep money market funds are not bank accounts and are not protected by the FDIC. However, balances in those funds, are covered by both the SIPC as well as the excess SIPC insurance that we have obtained for the benefit of our clients. The maintenance of a given share price value (e.g., \$1.00

per share) by the funds is not insured or guaranteed.

**See the Account Information Booklet and the Disclosure Statement for more information regarding SIPC protection.**

- The Bank, UBS AG and/or UBS may receive substantial financial benefits for activities related to the deposit accounts and investments in the money market funds.

## C. Billing Practices

The billing process described below is subject to change upon prior written notice to you.

### 1. Relating Accounts for Billing Purposes

You may request to have two or more eligible Advisory accounts be treated as related accounts for purposes of taking their assets into consideration in order to calculate the Program Fee. This means that all eligible assets in those accounts will be considered together when determining breakpoints, if applicable, in the fee schedule or for those Accounts that are subject to minimum fee determining, whether the minimum fee applies. If the minimum fee applies, each Account will be billed its proportional share based on that Account's eligible assets

Relating Advisory accounts can provide the opportunity for price reductions at certain breakpoints. Advisory Accounts that are part of UBS-CAP will be automatically related for billing purposes unless prohibited by applicable rules or regulations (for example, ERISA).

If you choose a breakpoint fee schedule for your Account, you should review and consider the potential benefits of relating advisory accounts. The Program Fee for Advisory Accounts with a breakpoint fee schedule that are terminated prior to the quarterly billing process will be based on the contractual rate for that Account, not the relationship rate. Please contact your Financial Advisor for more information on the definition of eligible accounts and how to choose this billing option. Retirement Accounts may not be linked where a prohibited transaction under ERISA or the Internal Revenue Code may result.

### 2. Minimum Annual Fees

Our Programs do not impose a minimum annual fee.

### 3. Initial Program Fee

We will deduct your Initial Program Fee from your Account when your account is accepted for the Program. The fee will be calculated based on the value of the eligible assets on the date your account is accepted, pro-rated to cover the period from the date your account is accepted through the end of the calendar quarter. However, if the Account is opened in the last 3 business days (for SWP the last 4 business days) of the calendar quarter, billing includes those days plus the next full calendar quarter. Thereafter, the fee will be based on the value of your Account on the last business day of each calendar quarter.

### 4. Quarterly Fee

After the assessment of the Initial Program Fee, your subsequent Program Fees will be assessed quarterly based on the net asset value (i.e., fair market value of the eligible assets including dividends and, where applicable, accrued interest, the

value margin loans) in the Account on the last business day of each calendar quarter. Fees will be charged directly to your account in the month following the close of a calendar quarter unless you have either designated another eligible UBS account to pay the Program Fee or elected to have your fee invoiced to you (non-IRA qualified plans only). Your fee is an annual percentage of your account assets—and you will pay the fee quarterly in advance, pro-rated according to the number of calendar days in the billing period.

Account statements display a total account value less any margin loans or short options held in your Account. Because the billing calculation does not deduct the value of short option positions, the amount on which we calculate your fee may be higher than the account value displayed on your account statement.

Below is an example of how an annual fee for an account would be calculated:

Quarterly fee = Account Value x Annual Fee % x (Billing days/Number of days in the year)

For example:

- A typical second quarter period begins on April 1<sup>st</sup>.
- Possible account net asset value on March 31 =
- \$100,000 (or the last business day of the first quarter)
- The annual fee percentage = 2.5% (the maximum fee in our ACCESS program)
- Billing days = 91 (i.e., April 1 – June 30)
- The quarterly fee = \$100,000 x 0.025 x (91/365)
- = \$623.29

## Program Fee Billing for Option Overlay Strategies

Generally, Program Fees for investment advisory accounts are calculated based on the value of eligible assets in your Account. As the value of the assets in your Account changes due to appreciation, depreciation, contributions or withdrawals, those changes impact the actual Program Fee charged on the Account. The billing practice for Option Overlay Strategies is different from the standard process described in the Advisory Relationship Agreement and Form ADV. In order to enroll in an Options Overlay Strategy, you will be required to select a "Mandate" for the Strategy. The Mandate amount is the amount of collateral you are willing to put at risk. For example, you have accounts with \$10 million in assets and decide to commit \$3 million out of the \$10 million as collateral for the Options Overlay Strategy, the Mandate amount is therefore \$3 million.

Unlike other advisory strategies where your Program Fee is typically determined on the value of eligible assets in an account, billing for Option Overlay Strategies is based on the Mandate amount of the strategy (which in the above example, is \$3 million). However, the Option Overlay Strategy account may have significantly less than \$3 million in actual asset value (the value of the options/puts/cash in the account). In addition, your Option Overlay Strategy account may not utilize the full amount of the collateral available in the Mandate amount. While the actual value of assets in your account will fluctuate over time, the Mandate remains constant unless you change it by notifying your Financial Advisor or UBS FS lowers the Mandate. We will confirm any change in the Mandate amount to you in writing for accounts in the Yield Enhancement Strategy. Depending on the value of your Options Overlay account, this practice of billing on the Mandate amount will result in higher compensation to UBS FS, your UBS FS Financial Advisor, and the strategy manager than if the Program Fee was based on the value of eligible assets in



your YES Strategy account.

## 5. Impact of Alternative Investments Valuation and Redemptions on your Program Fee.

The valuation of alternative investments held at UBS, or at other financial institutions, reflect the records of the issuers and administrators of those funds. UBS does not guarantee the accuracy of the information. The value shown is not necessarily the value you would receive from the issuer if you sold the assets. Funds actively sold by UBS are subject to ongoing due diligence, although the level performed may vary. In very limited circumstances, a closed fund may be subject to no ongoing diligence. A fund that you purchased elsewhere may never have been subject to UBS FS diligence.

The NAV is primarily based on **estimated** portfolio values provided by the underlying fund sponsor. Reported estimates may not reflect resale, liquidation or repurchase value, if any, and may not reflect distributions of capital until the next valuation is reported, generally on an annual or semi-annual basis. ***These valuation practices are important because we calculate the Program Fee for alternative investments you hold in Advisory Accounts based on these estimates.***

For purposes of calculating the Program Fee, we will use the valuation of alternative investments available/reported to us as of the billing date. Valuation for alternative investments is often delayed, sometimes significantly, and is not provided to us in a timely manner. As a result, the valuation we use for purposes of calculating the Program Fee may not be current with the actual value of your investments at the time billing is processed and, depending on the circumstances, may result in a higher Program Fee. You should carefully consider the impact of these valuation delays on the Program Fee you pay to us. In addition, For Program Accounts holding eligible alternative investment (non-daily traded alternative funds), initial cash proceeds from redemptions may not be received into the account for a period that can extend over several months. Proceeds from "hold back" promissory notes are usually received within 18 months of issuance.

**Redemptions and "Hold Back" Promissory Notes:** For accounts holding eligible alternative investments, proceeds from redemptions are not to be received into the Advisory Account for a period that can extend over several months after a redemption request is submitted and is effective. As a result, the Program Fees charged originally are based on the value of the alternative investment fund inclusive of the value of the alternative fund pending redemption.

Starting in July 2017, you will receive a credit of the Program Fee imposed on alternative investments you redeem in whole or in part while you hold these investments in Advisory Programs. Credits will be based on the effective date of redemption and will apply to redemption proceeds received by UBS after June 30, 2017.

### Example for illustration purposes only.

Fund ABC has a quarterly redemption period. Notice of redemption is due 9/30 and processed 12/31 (the "effective date"). Although the redemption is processed by the fund on 12/31, UBS may not receive the proceeds of the redemption for up to 120 days **after** the effective date of 12/31. Once received by UBS, the cash proceeds due to client will include a promissory note if the fund imposes a "holdback."

Program Fees will be imposed on the value of the alternative

investment only until the effective date of redemption (in this example: 12/31). Thereafter, the Program Fee may not include the investment proceeds until such time as the cash proceeds are received which could be 120 days later. Fees previously imposed will be credited to your Account.

In addition, the advisory fee may not be imposed on any promissory notes received as a result of a holdback.

**Except as otherwise provided below, no fee adjustments will be made for repayment of borrowed funds, or for account appreciation or depreciation within a billing period.**

### Contributions and Withdrawals.

Additional cash and eligible assets deposited into an existing advisory account within a billing period will be charged a prorated Program Fee based upon the number of days remaining in that billing period. Likewise, you will receive a rebate of the Program Fees charged on assets you withdraw from an existing advisory account during a billing period.

Fees for contributions and rebates for withdrawals will be netted at the end of the billing period and will apply to contributions and withdrawals in individual advisory accounts (including Accounts enrolled in UBS-CAP), transfers of assets between existing advisory accounts (a withdrawal from one existing advisory account and a subsequent contribution to another existing advisory account) as well as funds you withdraw from an existing account to fund a new advisory account **within the same billing period only**. We will waive the contribution fees if the cumulative amount owed for a billing period is less than \$25, but will credit any net amount that is owed to you. The fees or rebates assessed will be due and payable within the first month of the new quarter. The exchange of mutual fund share classes pursuant to the Share Class Conversion will not constitute a contribution or a withdrawal for billing purposes.

**Deductions from your Account, or sale transactions in PACE, to satisfy the Program Fee will not be considered "withdrawals" for this purpose and will not be offset against contributions in your Account.**

There may be instances when available funds to satisfy withdrawal requests are unavailable due to differences in the settlement dates of traded securities. In those instances, available funds may be delayed for up to two days.

Consider the following example:

- If you maintain an account balance of \$100,000 from January 1 through March 31, you will be charged a quarterly fee covering the program's Advisory services for that period
- You might choose to deposit \$50,000 in additional eligible assets into your account during that quarter (i.e., any time between January 1 and March 31)
- If you chose to deposit additional funds on February 15, for example, we would apply a prorated fee on the additional \$50,000 to cover our services for February 15 through March 31 the following quarter
- Conversely, if you choose to withdraw \$50,000 from the account on February 15, we would apply, a prorated refund for February 15 through March 31 the following quarter.

**For PACE:** Each time that you purchase or redeem shares of a Fund or Select Portfolio in PACE, we will calculate a fee credit or debit that will apply to the amount of the transaction.



This credit or debit amount will be pro-rated based on the time remaining until quarter's end. In calculating an additional fee during a quarter, deductions and credits may offset each other. **The liquidation of funds in PACE to satisfy the Program Fee will not be considered "withdrawals" for this purpose and will not be offset against contributions in your Account.**

**Billing Practices in the UBS Strategic Wealth Portfolio program (SWP)**

The Strategic Wealth Portfolio Program has a "Blended Program Fee" that includes: the UBS Investment Advisory Fee that is applicable to all assets in the Account and fees for the portfolio management services in the discretionary portion of your account.

Fees for your sub-accounts and SMA Managers will vary depending on the strategy selected. Please consider the following information about fees and discuss any questions with your Financial Advisor:

- Because each sub-account may be subject to different fees, your Blended Program Fee will change depending on a variety of factors—including, the value of the assets in each sub-account, market movements, your contributions and withdrawals, any changes to your allocation or the selection of new SMA strategy. As a result, the Blended Program Fee may be more or less than the Blended Program Fee shown in your account application. Changes to your Target Allocation and/or investments will be confirmed to you in writing.
- The Initial Program Fee for the Strategic Wealth Portfolio program will be calculated based on the value of the assets on the date your account is accepted and the Target Allocation you selected (even if the Target Allocation is not fully implemented at that time). Thereafter, the Blended Program Fee will be based on the net asset value and the actual allocation across sub-accounts on the last business day of each calendar quarter and will cover the next calendar quarter. However, if your account is pending rebalancing or a change to the target allocation at or about the time the Program Fee is calculated, the blended Program Fee will be based on the Target Allocation, and will still use the account value on the last business day of the calendar quarter.
- When SMA sub-accounts are included, the Blended Program Fee rate is calculated at the time of the billing event based on the allocation as described above, and is rounded to two decimal places. Future changes to your fee and/or asset allocation made by you and/or your Financial Advisor will also be calculated in this manner and you will receive a letter reflecting these changes.
- If sufficient funds are not available in your Account to cover the fee, then assets from each sub-account in your account will be liquidated to pay the portion of the fee attributable to that sub-account. Bear in mind that your Target Allocation may not be fully implemented when you initially open your account or if you happen to reallocate your assets, for reasons that include the time lag in receiving proceeds from transactions or a lack of funding to completely fund multiple SMA Managers. See the section "Account Requirements and Types of Clients—Funding Your Account—SWP Program: Funding Multiple Investment

Managers" for additional information.

- Each time cash or eligible assets are deposited into and/or withdrawn from the Account, a prorated credit or debit will be calculated according to the allocation of the contribution and withdrawal amount(s) to each sub-account. Credits and debits will offset each other and will be calculated in accordance with the process described above for Contributions and Withdrawals.

**Debiting/Invoicing Program Fees.** Program Fees are debited from your account unless you have designated another one of your eligible UBS accounts to pay the Program Fee, or you have chosen to have your fee invoiced. Payment of your Program Fee will be reflected on your monthly account statement. If you direct us to automatically debit your Program Fees from another UBS account, at the time billing is processed, we will confirm that your other UBS account has sufficient funds to cover your Program Fee. If that account does not have sufficient funds, we will debit your investment Advisory Account for those fees. Failure to maintain sufficient funds to satisfy the Program Fee from the other account you designated may result in loss of the feature and deduction of the Program Fee directly from your Program Account. Your account will revert back to a direct debit status.

IRAs and ERISA Qualified Plans cannot pay the managed account fees for another account.

Qualified employee benefit plans may choose to be invoiced for the Program Fee by directing us to do so in writing. Payment will be due within 30 days of the mailing of the invoice. If the fee is not received within 30 days, the Account may be debited. Failure to pay invoices in a timely manner may result in a loss of the feature and your account will revert back to a direct debit status. All other account ownership types are not eligible for invoicing. From time to time and in our sole discretion, however, we may make the invoicing feature available to select IRA accounts for the invoicing of the Program Fee.

**MAC SMA Manager Fee:** When requested by the SMA Manager, and authorized by you, UBS will deduct the SMA Manager's fee directly from your Account. Otherwise, the SMA Manager in the MAC Program will bill you directly. When the Manager's fee is deducted directly from the account, the fee billing will be done in accordance with UBS's billing practices which in some cases may be different from those described in the Investment Management Agreement you signed with your MAC Manager. This could result in Manager fee billing that is higher or lower than if the Manager were to bill you directly.

**PACE and Program Fee Payment Hierarchy:** You may choose to have your PACE Program Fee paid from assets within your PACE investment or non-PACE participating assets that are held in your brokerage account. **The PACE program automatically defaults to deducting your Program Fee out of your non-PACE assets unless you instruct us otherwise.** Payments from your PACE assets will be processed by either selling shares of PACE Money Market Investments. If sufficient funds are not available, then Program Assets in your account will be liquidated by selling shares of the mutual funds or Multi Funds/Select Portfolios in your account. The specific order (i.e., first to last) for redeeming shares for this purpose is listed below. Sales will be made first from the largest fund position in the first asset.

**PACE Select Advisors:**

(1) PACE Money Market	(8) PACE Large Cap Growth
(2) PACE Mortgage-Backed	(9) PACE Small/Medium Value

(3) PACE Municipal Fixed	10) PACE Small/Medium Growth
(4) PACE Intermediate	(11) PACE International Equity
(5) PACE Strategic Fixed	(12) PACE Global Real Estate
(6) PACE High Yield	(13) PACE International Emerging
(7) PACE Large Cap Value	(14) PACE Global Fixed Income
	15) PACE Alternative Strategies

#### **PACE Multi Advisor:**

(1) PACE Money Market	(13) REITS – US Equity
(2) Mortgage Back Securities	(14) REITS – Medium Cap
(3) Municipals	(15) REITS – Small Cap
(4) US Fixed Income	(16) Global Equity
(5) High Yield Corp	(17) International Equity
(6) Global Fixed Income	(18) Develop Markets
(7) Balanced	19) Emerging Markets
(8) Large Cap Equity	(20) Emerging Mkts Fixed Income
(9) Medium Cap Equity	(21) Hedge Funds
(10) Small Cap Equity	(22) Non Traditional
(11) US Equity – Other	(23) Commodities
(12) Convertibles	(24) Other

If you instruct us to deduct the Program Fee from non-PACE assets, we will do so by debiting first any available cash or non-PACE eligible money market funds in your brokerage account. If sufficient funds are not available, we will debit the fee from the PACE assets as indicated above.

**Debit balances in your accounts:** We charge interest according to our firm's usual credit practices if payment of the Program Fees results in a debit balance in your account. These charges may include:

- Compound interest
- Increases in interest rates that reflect adjustments in the base loan rate (as defined in our Statement of Credit Practices)
- Charges to cover the cost of the firm's facilities and extra services

Payment of the fees and any interest may be made at any UBS office. Please refer to the UBS Statement of Credit Practices for more information.

#### **Offsets, Credits and Rebates and Billing Exclusions Available in Certain Programs**

##### **12b-1 Fees Offsets for Accounts in Discretionary Programs.**

Institutional and/or Advisory share classes are the primary eligible domestic mutual fund share classes for proprietary and non-proprietary mutual funds available for purchase in our Advisory Programs. Class A shares are available for funds that do not offer Institutional or Advisory share classes or that declined to make those shares available in the Programs. In Discretionary Programs, we will reduce your Program Fee by the amount of any trailers or 12b-1 fees associated with those mutual fund investments in your Account by depositing the 12b-1 fees and trailers into your Account to reduce your Program Fee. **If the credits remain in your account at the time of billing, they will be subject to the asset-based fee charged to your account.**

In PACE, Strategic Advisor and SWP, the 12b-1 fees for Class A shares of domestic funds that remain in the Programs are retained by the Firm and are not paid to Financial Advisors. The different treatment of 12b-1 fees and offshore fund trails

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means UBS receives higher compensation in connection with Class A shares of domestic mutual funds held in Advisory Accounts.

**Treatment of Offshore Fund Trails:** For offshore funds, trails on the Class A shares are credited to clients in Strategic Advisor and SWP. Clients in Discretionary Programs continue to receive a credit of 12b-1 fees and trails for Class A shares held in those Accounts.

**PACE Select Plan Rebates.** For a client that is a Plan or IRA we will cause to be rebated to the Plan or IRA a part of the investment Advisory fees paid to UBS Asset Management (Americas) Inc. ("UBS AM") for each Select Portfolio in which the Plan's assets are invested in an amount equal to, (A) the average daily balance invested in a Select Portfolio for the period multiplied by (B) the reduction factor specified below, multiplied by (C) a fraction, the numerator of which is the number of days in the period for which the PACE Select Advisor Fee (as defined below) is being assessed and the denominator of which is the actual number of days in that calendar year. The "reduction factor" varies among the Select Portfolios and is based on the amount by which the investment Advisory fees paid to UBS AM by the Select Portfolios (the "PACE Select Advisor Fee") exceeds twenty basis points (0.20%) after payment by UBS AM of the fee to that Select Portfolio's sub-advisor(s). In the event that: (i) UBS AM waives some or all of the PACE Select Advisor Fee or UBS AM reimburses other expenses paid by a Select Portfolio, these rebates and reduction factors may be reduced or eliminated; and/or (ii) UBS AM receives any expense recoupment from a Select Portfolio, these rebates and reduction factors may be increased.

**Transferred Shares of Mutual Funds and Alternative Investments.** You may have previously purchased mutual funds and alternative investments with upfront sales charges through UBS. If you decide to transfer and convert those shares to your Advisory accounts, we will exclude those shares from the Program Fee for up to 12 months after you initially purchased them. See section "Account Requirements and Types of Clients—Mutual Fund Share Classes Available in the Programs—Transferring Mutual Fund Shares and other assets into Your Advisory Accounts" for more information.

**Billing on Cash and Cash Equivalents in Your Program Accounts.** Cash and cash equivalents in your Program Accounts—including money market funds and, for PACE, PACE holdings in the PACE Money Market Funds—are subject to the Program Fees. Accounts that continue to hold high level of cash over a specified period of time will be removed from PACE, Strategic Adviser and PMP.

#### **D. Trading and Execution Practices**

This section is a general summary of our execution practices as they relate to brokerage and Advisory accounts. You should note that in order to comply with principal trade restrictions, orders for most of our Advisory programs are routed for agency execution. Where permissible by applicable law, and after complying with applicable regulatory requirements, we may route orders for our Advisory clients for execution as principal.

If your account is managed by a third-party investment manager, your manager is responsible for meeting its best execution obligations to you, and you should review carefully the manager's trading for your account. UBS does not analyze or evaluate whether your manager is meeting its best execution obligations on trades executed for your account.

All trading in your Accounts is at your risk. Accounts are subject to a variety of market and other risks, including illiquidity and volatility. Investment performance of any kind can never be and is not guaranteed—nor is past performance an indicator of future results. In executing transactions for your Accounts, we will not be liable for losses caused directly or indirectly by government restrictions, exchange controls, exchange or market rulings, suspension of trading, acts of war, strikes or other conditions beyond our control, including but not limited to, extreme market volatility or trading volumes.

### **Execution of transactions for your account**

We use automated systems to route and execute orders for the purchase and sale of securities for all Advisory accounts, unless you direct us otherwise. Generally, an order is routed to an execution center that we believe will provide the best execution. Certain large orders that may require special handling may be routed to a market center for execution via the telephone or in the case of large ETF orders, an Authorized Participant for that ETF. We regularly monitor existing and potential execution venues and may route orders in exchange listed or OTC securities to other venues if we believe that such routing is consistent with best execution principles. Additionally, third party investment managers in meeting their requirements around best executions may determine that this can only be achieved by executing order flow for UBS managed accounts away from UBS trading platform, and then having the executing broker "Step Out" the transactions to UBS for clearance & settlement purposes.

In determining the best way to execute an order for a client, (for non-step out flow) we evaluate the following:

- The speed and certainty of execution
- The price and size improvement
- The overall execution quality

### **Exchange-listed securities, NASDAQ and OTC Securities**

The vast majority of our exchange-listed securities and over-the-counter (OTC) orders are executed through our affiliate, UBS Securities LLC—which executes orders as either principal or as agent, depending on the circumstances and type of program involved. These orders will be executed by UBS Securities LLC as principal when there is an opportunity for execution at a price equal to or superior to the price quoted on the primary exchange. If that is not the case, the order will be routed immediately to a different execution center for execution. UBS Securities LLC may have a profit or loss when executing orders as principal. For orders requiring agency execution, UBS Securities LLC routes the orders to unaffiliated execution center for execution. In some instances, however, for certain securities, we place OTC orders directly with unaffiliated market makers for execution. All routing decisions are in accordance with the principles of best execution.

If we (or another investment manager managing the portfolio) execute securities transactions through other broker-dealers, we may choose brokers who provide us with research services if the commissions charged by these broker-dealers are reasonable in relation to the value of the brokerage and/or research services. We do not try to place specific dollar value on the research or brokerage services of any broker-dealer or to allocate the relative costs or benefits of research, because we believe that the research we receive is beneficial in fulfilling our overall responsibilities to clients. Accordingly, research received for a particular client's brokerage commissions may not be used for that client's account or may be useful not only for that client

but for other clients' accounts as well. Similarly, some clients may benefit from the research received for the commissions of other clients.

### **Aggregation of trades for Advisory clients**

We may aggregate transactions for Advisory clients for execution under appropriate circumstances. This practice will not ordinarily affect or otherwise reduce fees, commissions or other costs charged to clients for these transactions but may provide price improvement. Partial fill of a block security transaction may be allocated among Advisory clients' accounts randomly, pro rata, or by some other equitable procedure adopted by the investment manager. In certain cases, investment managers may use a computer system that allocates purchases and sales transactions either on a random or pro rata basis. In any case, clients may pay higher or lower prices for securities than may otherwise have been obtained.

### **Trade Allocation Practices in Discretionary Programs**

Financial Advisors in the PMP Program are not required to aggregate orders across the different strategies they manage. However, in an effort to reduce market impact and to obtain best execution, they may purchase or sell securities in bulk (or orders may be "batched") on the same day for some or all of the Program accounts in the same strategy they manage.

Portfolio Managers in the Managed Portfolio Program aggregate orders for accounts managed in strategies within the same program. For example, the orders for the various strategies offered in the Managed Portfolio of Funds and Global Selection Programs, are aggregated by Program. Changes for tactical asset allocation shifts are aggregated unless there are volume concerns, in which case a trade rotation is utilized.

All orders in a batch will receive "average pricing" and the price of securities shown on client confirmations will be the average execution price on either all of the purchases or all of the sales (as applicable) aggregated for this purpose.

Financial Advisors in PMP are permitted to trade in the same securities they purchase for client accounts as long as they trade their personal and related accounts in the same batch as client accounts. Therefore, when executing orders in PMP, we may batch orders for your Account with orders entered for other accounts in the same strategy, including, in PMP, those of the Financial Advisor assigned to your Account, and the Financial Advisor's related accounts.

### **Allocation of Securities and Opportunities Across Accounts:**

Portfolio Managers and Financial Advisors in our Discretionary Programs have broad discretion to trade their Advisory Accounts. There can be no assurance that they can purchase or sell the same securities for all such Accounts at the same time, or that they will aggregate your orders with those of other clients and charge an average price per share or unit and, when applicable, a pro-rata share of any fees. As a result, you may receive different prices and executions for the same securities as compared to other clients investing in the same strategy. In addition, although we monitor performance dispersion and other characteristics of Accounts, investment opportunities will not necessarily be allocated among participating Accounts proportional to their overall amount invested.

**Market conditions, technology failures, illiquid securities, securities with limited redemption schedules, trading volumes, the availability of funds and orderly purchase and redemption procedures may cause a delay in the**

**processing and/or completion of the rebalancing. In addition, we may adjust the date on which reviews and rebalancing are done, if necessary, to ensure accurate processing of the review or rebalancing. We may also adjust the rebalancing date if UBS is in the process of reviewing its proprietary capital market assumptions to avoid duplicative rebalancing of accounts and ensure accurate and orderly processing**

#### **Payment for order flow**

At this time, we have determined not to direct the order flow from our Advisory programs to specific destinations in exchange for payment for that order flow. Payment for order flow is defined to include any monetary payment, service, property or benefit that result from remuneration, compensation or consideration to a broker-dealer from another broker-dealer in return for routing customer orders to that broker-dealer. We may route orders to electronic communication networks (ECNs) or similar enterprises in which we may have a minority ownership interest. If we direct orders for our Advisory programs accounts to such a trading network, we may receive indirect compensation from the ECN with respect to these trades due to our ownership interest. These arrangements will not cause you to pay additional fees directly to us. We believe that, in the course of executing trades for our clients, we may be able to obtain best execution through other exchanges or trading networks. We may direct order flow for these programs to trading networks in which we have an interest in the future if we determine that it is in the interest of our clients and consistent with our obligations under applicable laws.

#### **Best execution**

In ACCESS, SWP and our discretionary programs, we provide all managers in the programs with trading systems to administer, maintain, reconcile and place orders with UBS for accounts managed in those Programs.

In MAC, SMA Managers have access to and utilize a trading system we make available or elect to establish electronic connectivity with their own trading system in order to administer, maintain, reconcile and place orders with UBS for accounts managed in the program. Some MAC managers trade through our branch offices and place orders directly with the Financial Advisor for your MAC account.

Regardless of the program or trading system used for investing, your SMA Manager has the option to trade through us or with other financial institutions, in accordance with the manager's obligation to achieve best execution on all trades for your account. Although use of our trading systems is not required for a manager to participate in our programs, doing so streamlines trading and may encourage, an SMA Manager to place trades for program accounts with UBS instead of with other financial institutions. SMA Managers typically place transactions through UBS on an unsolicited basis, as your SMA Manager deems appropriate. Your Program Fee covers the costs of trades executed with UBS but not any additional costs of trades executed elsewhere. We refer to trades on which we are not the executing broker as "step out trades." These transactions are generally traded from broker to broker and are usually cleared net, without any commissions. However, under certain circumstances, if your SMA Manager trades with another firm, you may be assessed commissions or other trading related costs (for example, mark-ups) by the other broker-dealer, which are embedded into the price of the security allocated to your account. Those fees are in addition to your Program Fee. For this reason, your SMA

Manager may find that placing trades with UBS is often the most favorable trading option for you. However, your manager may direct transactions to other broker-dealers (for additional fees or sometimes, commissions) if your manager decides that its best execution obligations so require. Some managers have historically directed 100% of their trades to outside broker-dealers.

UBS requests from SMA Managers information regarding step-out details at least annually but typically in the first quarter of each year. UBS relies upon the information provided by our SMA Managers in an annual client disclosure notice regarding step-outs.

**Your SMA Manager is responsible for meeting its best execution obligations to you, and to ensure that any additional commissions or mark-ups assessed to you when they decide to step-out trades to other broker-dealers are consistent with their best execution obligations. If your SMA Manager will not be executing transactions with UBS, our SMA programs may not be an appropriate option if your SMA Manager does not take action to ensure that you do not incur additional costs.**

**UBS does not analyze or evaluate whether your SMA Manager is meeting its best execution obligations on trades executed for your account.** See the description of our execution and order routing practices above.

**Non-discretionary transactions in the SWP program:** All account changes, including transactions in Non-Discretionary assets, are subject to a systematic administrative review to ensure consistency with your Target Allocation. We will also ensure that any required paperwork is complete. As a result, transactions are not executed until after the administrative review is completed and allocation changes may take several days to fully implement as set forth in the Advisory Relationship Agreement. Accounts with non-daily traded alternative funds may experience additional delays. Because prices fluctuate during the trading day, the prices you receive at the time the orders are executed may be better or worse than the prices at the time you authorized the changes to your account.

**Discretionary transactions in the Managed Portfolio program and the UBS Advice Portfolio Program:** All strategy and risk category changes within the Managed Portfolio Program are subject to a systematic administrative review. We will also ensure that any required paperwork is complete. As a result, transactions are not executed until after the administrative review is completed and allocation changes may take several days to fully implement. Because prices fluctuate during the trading day, the prices you receive at the time the orders are executed may be better or worse than the prices at the time you authorized the changes to your account.

#### **E. Closing your Advisory Accounts; Terminating your Agreement**

The Advisory Relationship Agreement is effective and deemed to be accepted by UBS on the date your Account is coded as "advisory" or for UBS-CAP, the date the Agreement is approved by the program manager for that Program. We will send you confirmation of our acceptance and provide you with a copy of our Form ADV Disclosure Brochure. You may cancel that Agreement within five (5) business days from the day it is accepted by UBS and receive a full refund of Program Fees. Thereafter, either we or you may terminate the Advisory Relationship Agreement at any time. Each time you establish a

new Advisory account with us, you may terminate that account and receive a full refund of Program Fees within five (5) business days from the day we send you confirmation of your instruction. Closing one or more of your Advisory Accounts does not terminate the Advisory Relationship Agreement if you continue to have other types of Advisory Accounts with us. You may terminate the Agreement only by notifying us in writing. In addition, the Agreement will terminate if we receive instructions to deliver all your Advisory assets to another firm, effective promptly after receipt of those instructions.

For MAC clients, termination of the Agreement with UBS does not result in the termination of your agreement with your MAC investment manager. For MAC Accounts enrolled in UBS-CAP with Limited FA Discretion we will notify your MAC Manager of the account and investment management agreement termination. ***However, for any other MAC Account that is not part of UBS-CAP, you*** are responsible for terminating your agreement with the MAC investment manager and we do not assume responsibility for notifying the investment manager.

We will notify you in writing of our decision to close any or all of your accounts. We may close your accounts in our discretion, including if you fail to adhere to program requirements.

**Ending your participation in these programs as well as our Advisory relationship is effective promptly after receipt and processing of your request. Requests to terminate your participation in a program (i.e., closing an account) may be made in writing or verbally to your Financial Advisor.** We will confirm your instructions in writing and notify you when we have terminated you from the program and/or closed your account.

Upon termination, you are responsible for the assets in your account, and neither we nor your SMA Manager will have further obligations to act or advise with respect to these assets.

#### **Automatic Liquidation or Exchange of Certain Assets at Account Termination**

Closing your Advisory account will result in the sale of your assets held in the UBS Money Market Funds in instances in which your underlying brokerage account is eligible to use the UBS Bank USA as a sweep option or if the cash in your Advisory account is swept into a money market fund that is available exclusively in Advisory accounts.

In certain cases, your assets may be invested in securities, special mutual funds or shares of mutual funds or alternative investments, including in some instances, Advisory share classes of mutual funds or alternative investments that have been created for use or are eligible exclusively within wrap fee Advisory programs. Some of these investments contain restrictions that limit their use exclusively in wrap fee Advisory programs, and may be unavailable for purchase or holding outside of wrap fee programs. When you end your participation in those strategies, for any reason, that termination results in the **automatic redemption** of such mutual fund shares or investments held by or on your behalf—which, except in instances of tax-free exchanges of Advisory share classes for another share class, will have tax consequences for you. **Unless the issuer requires automatic redemption of these investments, you can continue to hold them in your brokerage account.**

When you select one of these types of strategies or investments for your portfolio, you agree to the automatic

sale of the investments upon termination of your account and you direct us to execute these sales. The compulsory conversion of alternative investments may require additional documentation from you. We recommend that you consider the potential impact of such sales and restrictions carefully before participating in these types of strategies.

**PACE Program:** Upon termination of your participation in PACE, the PACE Money Market Fund will be automatically sold. Unless you direct us to sell your other holdings, all other assets will continue to be invested in the existing positions and will be held in a brokerage account, subject to prospectus rules.

#### **Transactions in your Accounts Prior to Receipt of your Termination Request:**

We are not responsible to you for the purchase or sale of a security by your SMA Manager or your UBS Portfolio Manager prior to our receipt of your request to close your Advisory account. Any transactions initiated by your SMA Manager and/or your UBS Portfolio Manager on the day your account is closed will be processed, if practicable.

**Liquidation Requests:** As part of your instructions to withdraw from the program, you may request us to liquidate your securities. If you select or discontinue use of an SMA strategy without consulting us, you are solely responsible for that decision. We do not restrict your access to the SMA strategy during the selection process or thereafter.

We will liquidate the securities held in your Program account if you specifically instruct us to do so when you tell us to close your account. Liquidation of your account will depend upon market conditions at the time and, absent unusual circumstances, generally will be processed by the end of the next business day after instructions have been received by us. However, certain managers may take longer to liquidate securities for terminated accounts, including high yield securities, convertible securities and other less liquid securities.

If we are unable to obtain an agency bid on small bond or illiquid fixed-income positions, after a number of attempts, we will seek to sell the position on a principal basis if a bid is available. This will allow us to comply with your liquidation request in an expeditious manner.

Security sales will be executed free of commission charges. Trade confirmations for liquidating transactions executed on an agency basis (i.e., by a third-party on behalf of UBS) will be sent to you monthly or “bulked” if you selected that option for your account.

If your Account includes securities with limited liquidity or redemption schedules, such as alternative investments, we may be unable to sell those securities upon your request. When processing your liquidation request in such cases, we will sell readily marketable and otherwise unrestricted securities in your account, leaving any securities that we are not able to sell in your account. Once the account is closed, you may have to wait for specific liquidity windows and process your liquidation request through procedures that are specific to the illiquid investment you own. **In addition, an alternative investment fund may hold back a portion of redemption proceeds, usually in the range of 10%, to cover accrued expenses, contingencies and liabilities.**

**Brokerage Relationship:** You should note that terminating your account will end our investment Advisory relationship with you as it pertains to that account and will cause your account to be converted to and designated as a brokerage account only. Your Investment Advisory Relationship Agreement will no longer apply to that account and it will be

governed solely by the terms and conditions of your brokerage account agreement.

Closing your account will not affect your obligation to pay balances due on the account.

**Estate Administration Instructions:** Upon our receipt of notice of your death, we will cease management of the Account without liquidating the investments (except for assets that can be held only in wrap fee advisory programs as explained in the section titled *Automatic Liquidation of Certain Assets at Account Termination*). Your account will no longer be enrolled in the Program while instructions from a court appointed executor/ administrator regarding the disposition of your assets is pending. However, for trust accounts, the death, removal or resignation of a trustee—including the settlor/trustee of a revocable living trust—will not result in termination unless the substitute fiduciary/trustee requests termination. For the MAC program, we do not assume responsibility for notifying the MAC SMA Manager of the client's death and we do not require the SMA Manager to follow any particular procedures.

**Program Fees for Closed Accounts:** Upon termination, a pro-rated refund of any prepaid fees will be made or, if no fees have been paid, a pro-rated fee will be charged. If you terminate your account prior to the calculation of the net contributions and withdrawals for that billing period, you will still be charged or rebated a prorated fee at time of termination based upon the number of days remaining in that period. If you provide liquidation instructions when you terminate your Account, the refund will be processed from the day after liquidations are complete which is generally, depending on market conditions, two to three business days after receipt of your request.

**Margin.** For accounts with strategies that use margin, we may, at our discretion, choose to cover all existing short positions when you close your account. Those liquidations will be executed in our capacity as broker- dealer and creditor and may, as permitted by law, result in executions on a principal basis in your Account. Upon termination, you are responsible for monitoring the securities in your account, and neither UBS nor your SMA Manager will have any further obligation to act or offer advice with regards to those assets.

## Item 6. Portfolio Management Selection and Evaluation

### A. Selecting an SMA Manager; Our Investment Manager Evaluation Process

#### Manager Research Process

We select investment managers and strategies to participate in UBS programs in order to offer our clients the choice among a range of investment styles and products, such as:

- Value
- Growth
- Growth and income
- Income
- Contrarian
- Tactical asset allocation
- Strategic asset allocation (through multi-style accounts)
- Municipals
- Global
- International
- Convertible bonds
- Long/short investing

- Real estate investment trusts (REITs)
- Preferred Securities
- MLPs

Our Investment Management Research Group conducts a thorough review of each SMA Manager that participates in our ACCESS, SWP and MAC Researched programs. The Investment Management Research Group first identifies a pool of potential candidates by using public and proprietary databases and industry contacts of the Investment Management Research Group or others at UBS (including Financial Advisors). We also consider those investment managers who approach the Investment Management Research Group directly on an unsolicited basis. General screens such as assets under management, portfolio manager longevity, investment style, and risk- adjusted performance are often used to narrow the initial pool of candidates.

As of the date of this brochure, our selection procedures include an examination of performance, performance drivers, investment philosophy and process, and may include interviews with portfolio managers, principals and key staff members, a review of trading practices and portfolio performance, and other criteria. We may also use third parties to help gather and analyze information used in the review process. We review SMA Managers on a periodic basis to confirm and validate our earlier conclusions. That process may include contact with the portfolio managers and key staff members as well as ongoing performance monitoring.

Some SMA Managers in turn, delegate their management responsibilities to affiliated and non-affiliated sub-advisors. All SMA strategies and associated strategies in our programs and their sub-advisors, with the exception of those managers categorized as Managed Accounts Consulting (MAC) Eligible, are subject to the initial and ongoing due diligence process.

Our review process leverages the resources of a third party research firm to gather and analyze information regarding the SMA Managers and strategies. The final review and decision to include the Manager/Strategy in the UBS researched programs continues to be conducted by the UBS Investment Management Research Group.

We provide different levels of SMA Manager due diligence in our MAC program. The level of due diligence we undertake varies depending on whether the Manager's strategy is considered MAC Researched or MAC Eligible.

#### MAC Eligible Investment Strategies

Unlike the MAC Researched universe of SMA Managers strategies that are subject to the review process outlined above, MAC Eligible strategies are used as an accommodation for either newly recruited Financial Advisors whose clients use managers not on our researched list; or clients who wish to join the MAC program and may want to retain a previously hired manager's strategy not on the investment researched list (unsolicited strategies). The Investment Management Research Group's review of MAC Eligible strategy is very limited in scope and does not provide enough information for us to express an opinion regarding the investment capabilities of those strategy. The limited review is performed once and provides a broad overview of the manager's organizational structure and history, together with information about their assets under management, net worth and regulatory record, and is not updated. **UBS does not make initial or ongoing recommendations on MAC Eligible strategies to existing and/or prospective clients.**

#### Selecting an SMA Manager

With the exception of MAC Eligible strategies (see above), our SMA Programs and Unified Managed Accounts Program offer you the portfolio management services of a select, pre-screened group of SMA strategies. Our role is to identify managers that have been examined and deemed suitable for your investment needs. Your Financial Advisor will review the results of the Risk Profile Questionnaire with you (in the MAC program, your Financial Advisor will review with you the information provided in your account application)—after which you will select your SMA strategies for your accounts from a group of SMA strategies and model portfolios recommended by us. During your selection process, you have the option of choosing managers who may or may not be affiliated with us. If you have selected the POA for Limited FA Discretion option in UBS-CAP, your Financial Advisor is authorized to undertake these actions on your behalf.

While we offer a number of different investment strategies for your wealth management needs, we do not offer every investment manager or strategy available in the marketplace. Instead, we provide you with access to those managers who have been approved by our firm and, in our professional judgment, are appropriate to help you pursue your financial goals. We cannot guarantee, however, that the managers presented will be the best available managers either in the industry or the best available managers among the managers included in our firm-sponsored programs.

If we decide, in our sole discretion, that circumstances make a change necessary or appropriate, you authorize UBS to delegate management discretion of your account to a model service provider or overlay manager and/or to remove or replace your SMA Manager, for all or a part of your ACCESS or SWP Account, and to hold the existing assets in your Account until we receive instructions from you. We will notify you in advance of any change in your SMA strategy unless you have granted discretion to us to hire, fire and change such strategies under the terms of UBS-CAP. Your continued acceptance of services under the Account Agreement will constitute your approval and agreement of any replacement SMA Manager, overlay manager or model service provider.

**Diversification.** Unless the assets allocation or investment strategy you selected is identified as a fully diversified strategy (for example, diversified across all asset classes), your investment in a particular strategy should only be viewed as a portion of your overall portfolio. It should not, however, be considered as a diversified asset allocation plan either overall or within a single asset class/style.

**SMA Manager Searches.** To help you select an SMA Manager, at your request, we may provide information from third party or proprietary databases regarding different strategies. We do not verify or guarantee this information, including past performance information, which may not be calculated on a uniform or consistent basis. Our inclusion of an SMA strategy in the database or in a manager strategy search report is not an endorsement or recommendation of that SMA strategy by us.

**SMA Manager Terminations from our Researched List and Program Offerings:** We retain the authority to remove any SMA Manager or strategy from our programs and from the researched list at any time. Circumstances under which we may terminate or discontinue a manager or strategy include (but are not limited to) persistent underperformance, significant departure from the SMA Manager's stated investment discipline, or material changes in the SMA Manager's organization.

**If you participate in our ACCESS, MAC, and Strategic Wealth Portfolio programs, we will notify you in advance if your SMA strategy is terminated from the program and/or from our researched list. If you have selected the POA for Limited FA Discretion option in UBS-CAP, your Financial Advisor is authorized to hire, change and remove strategies in the ACCESS and MAC Programs on your behalf.**

SMA Managers in our Advisory programs are asked to contribute to our overall training and education costs for Financial Advisors in our managed accounts programs. Neither contribution towards these educational expenses, nor lack thereof, is considered as a factor in analyzing or determining whether an SMA Manager should be included or should remain in our Advisory programs.

See "Participation or Interest in Client Transactions— Additional Sources of Compensation from SMA Managers or Vendors whose products we may recommend to Our Advisory Clients— Contributions to Training and Education Expenses."

### **Standards Used to Calculate Portfolio Manager Performance.**

**Performance Composites.** We may make available descriptive profiles of selected investment strategies that include past performance information. Profiles are not available for every Portfolio Manager, SMA Manager or strategy available in the Programs.

We believe that composite performance information is meaningful. Composites that we provide may be prepared by us, or, in the case of SMA Managers, by the managers. For the PMP Program and UBS Managed Portfolios, we calculate a strategy's composite performance based on standards drawn from industry sources—taking the following into account:

- A return calculated using a Modified Dietz formula in UBS Managed Portfolios and an asset weighted methodology in PMP
- Cash flows into and out of the accounts
- Monthly valuations
- Income accrued on individual fixed-income securities
- For strategies that are billed based on the mandate amount, the returns are calculated based on the net yield generated in relation to the mandate amount and not the actual account value.

The performance reflected in the composite information includes all accounts managed in the relevant style for at least one full calendar quarter for PMP Portfolio Managers and, for at least one full calendar month, for the Managed Portfolio Programs. We do not eliminate accounts that impose restrictions, and it is possible that the composite shown reflects the performance of only one account, even if that account is restricted. For this reason, and because past performance is not indicative of future results, you should not consider the performance shown in the composite as representative of the historical performance of the manager or the performance you should expect in the future for either a restricted or unrestricted account. Accounts will be excluded from the composite if there appears to be a discrepancy in the report or if they contain material client directed constraints. Accounts in the Managed Portfolio Programs with significant cash flows (in and/or out) may be excluded from the performance composite.

For SMA Managers, we use the managers' performance  
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information in strategy profile(s) in investment proposals for the ACCESS and SWP programs. Strategy profiles for the MAC Researched universe of managers are available upon request. Details regarding the performance composites and the sources of performance information are included in the descriptive profiles we make available.

While we believe that information provided by managers is accurate, we do not independently verify or guarantee it. While a manager's investment process for a strategy is consistently applied across all UBS Programs where the strategy is offered, performance results achieved in each UBS Program will differ among programs, and from the performance shown. In addition, we cannot assure you that any performance information provided has been calculated on a uniform or consistent basis. As such, the performance shown should not be considered actual UBS Program account performance and should not be relied upon in making a decision to select a strategy or continue to have an account managed in a strategy.

**As with other investments, past performance does not guarantee or indicate future results.**

### **1. Performance Reviews of SMA Managers, Portfolio Managers and Financial Advisors in our Advisory Programs**

We provide quarterly performance reviews for Accounts in our Programs whose assets are held at our firm. The performance reviews display the performance of your Account, Portfolio Manager and/or SMA Manager compared to certain indices. These benchmarks are shown for informational purposes only.

The comparisons relate to the historical performance of market indexes (e.g., S&P 500, Dow Jones, etc.) and not the performance of actual investments. Our selection and use of benchmarks for comparison purposes is not a promise or guarantee that your Account will meet or exceed the stated benchmark.

Please note that the investment strategy in your Account(s) is not restricted to the securities in the benchmark. Also, Indexes are not available for direct investment and represent an unmanaged universe of securities that does not take into account advisory or transaction fees, all of which will reduce overall return.

**Benchmark Selection for Performance Evaluation:** SMA Programs: We assign index benchmarks to those SMA Managers that we have researched, based on our understanding of their strategy, their investment style and our research. Those benchmarks are used for researched SMA Managers in ACCESS and SWP.

All MAC Accounts, including those in strategies considered as MAC Researched, currently are assigned broad equity, fixed-income, or a blend of both broad equity and fixed income market indexes (e.g., S&P 500, Dow Jones, etc.) that are readily recognized, but cannot be used for direct performance comparisons against your Accounts and the SMA Manager's investment strategy.

As a result, you will find that the performance comparisons for researched SMA Managers will differ, sometimes significantly, depending on the Program you select, and may also differ from those presented by your SMA Managers in their materials.

**Discretionary Programs:** We also assign comparative benchmarks to the strategies managed by Portfolio Managers in

our Discretionary Programs.

**Non-Discretionary Programs:** Due to the non-discretionary nature of the Strategic Advisor program, performance reviews will also illustrate the historical performance of certain broad equity and fixed-income market indexes (e.g., S&P 500, Dow Jones, etc.)

Depending upon the composition of your portfolio and your investment objectives, the broad market indexes used in MAC and Strategic Advisor may not be an appropriate measure for comparison purposes, and as such, are represented for illustration only. Your portfolio holdings and performance may vary significantly from the index.

In the PACE and SWP programs, performance reviews will illustrate a benchmark that is reflective of your Target Allocation.

**SMA Managers in our SMA and Unified Managed Account Programs:** The performance of SMA strategies is part of the ongoing due diligence performed by the Investment Management Research Group. Performance for the SMA strategies is calculated as described above. We do not review or evaluate performance for MAC Eligible strategies.

**The standards applied to the performance review of third party managers varies significantly from the review of performance applicable to UBS Investment Management Portfolio Managers and Financial Advisors in the Portfolio Management Program. Those differences can result in situations in which a SMA Manager is placed on hold or terminated from participating in our Programs, while Financial Advisors in the PMP Program or strategies managed by UBS Portfolio Managers remain available for investment. The different standards of review create a conflict of interest in our recommendation of the strategies managed by our Financial Advisors and our internal Portfolio Managers.**

**UBS Investment Management Portfolio Managers.** The UBS Investment Management team continuously oversees the Managed Portfolio Program and UBS Advice Portfolio Program investment portfolios for many metrics, including performance. The UBS Investment Management team reviews investment portfolio performance against comparative benchmarks assigned to each of its investment strategies.

On a quarterly basis, the UBS Investment Management team presents its investment portfolio performance to the Quantitative Service Group so that the Quantitative Service Group may conduct a performance test. If the strategy has performed within established criteria, no other action is needed. If the strategy's performance is outside the established criteria, the Quantitative Service Group will investigate the drivers of performance. Strategies that have extended performance outside of established criteria will be escalated brought to the attention of the Head of Investment Products & Services for further review and discussion to determine whether that particular strategy should continue in the Program. Our Quantitative Service Group, which is responsible for conducting a performance test for these programs, reports into the same function as the portfolio investment team that manages the investment portfolios.

**Portfolio Managers in the PMP Programs:** On an annual basis PMP Program Management, along with local branch management, will review Financial Advisors investment strategy performance over a prescribed period of time to determine which Financial Advisors will require additional reviews of their investment management style, the continued availability



of a particular strategy or the Financial Advisor's continued participation in the Program.

On a quarterly basis local branch management, will review PMP account performance and risk as compared to its assigned benchmark to determine which accounts require additional reviews of the strategies that accounts are assigned to.

**Financial Advisors in our Non-Discretionary Programs:**

Given the non-discretionary nature of the PACE and Strategic Advisor programs, we do not calculate, review or publish the performance of individual Financial Advisors in those Programs. We calculate the performance of your Accounts in those Programs and provide those reviews to you on a quarterly basis.

**B. UBS or UBS Affiliates and Employees Acting as Portfolio Managers.**

**UBS Affiliated Managers and UBS Financial Services Inc. investment portfolios and research exceptions for proprietary strategies.**

We offer the services of UBS affiliated managers. We also offer the services of Financial Advisors as portfolio managers, and UBS Investment Management in the Managed Portfolio Program.

While we seek to apply the same review criteria to all researched managers available in our SMA and Unified Managed Accounts Programs, certain UBS affiliated strategies and UBS discretionary investment portfolios, may not have been screened or approved as researched strategies at the time they were initially included in the SMA Programs.

For example, for our discretionary investment portfolios, while the Firm itself would satisfy the general research screens, an investment portfolio on its own, may fail to meet several research screens, including: total assets under management, length of a performance track record with client assets, and a requirement of having a minimum number of accounts that are normally imposed on third-party managers. In these cases, however, we may either research these managers subsequent to being included in our SMA Program or we may monitor them periodically to ensure that they meet specific criteria.

**The Manager Research process described above does not apply to our Financial Advisors participating in our Advisory Programs, UBS Investment Management in their capacity as portfolio managers in the Managed Portfolio Programs and the PMP Program Portfolio Managers.**

**Education and Business Standards for Financial Advisors Participating in Our Advisory Programs.**

Our Financial Advisors can participate in our Advisory Programs in a variety of ways:

- They can assist clients in the selection of strategies in the Managed Portfolio Program.
- They can assist clients in the selection of SMA strategies in ACCESS, MAC and SWP.
- They can manage assets on a discretionary basis in the PMP Program.
- They can assist clients with the development of asset allocations offered in the Advisory Programs.
- They can recommend specific securities on a non-discretionary basis in PACE, Strategic Advisor and the Non-Discretionary Assets in SWP.

Generally, we require our personnel who provide investment

Advisory services to clients to have a college degree or securities industry experience.

Most of our Financial Advisors are registered as broker-dealer and investment adviser representatives. With the exception of the PMP Program, we do not impose special requirements such as education or qualification requirements (other than the required registrations) for Financial Advisors who participate in our Programs. Some Programs require that Financial Advisors fulfill certain internal training requirements in order to undertake certain activities. In addition, all FAs are required to complete a mandatory web-based training course on UBS Advisory Solutions in order to familiarize them with the firm's advisory offerings, as well as some of the key risks associated with the business.

We will provide to you a Brochure Supplement which includes information regarding your Financial Advisor's education, business experience, disciplinary history, outside business activities, their compensation and supervision. You may also obtain information about your Financial Advisor, their licenses, educational background, employment history, and if they have had any problems with regulators or received serious complaints from investors through the FINRA BrokerCheck service available from FINRA at <http://www.finra.org>, or from the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

You can also contact your state securities regulator through the North American Securities Administrators Association's website at <http://www.nasaa.org> and request information about our firm and your Financial Advisor.

You may receive Brochure Supplements and other disclosure documents for your SMA Managers and their investment management personnel directly from your SMA Manager.

**UBS Investment Management Portfolio Managers.**

Currently, all members of the UBS Investment Management team are FINRA licensed registered representatives. Several members earned post graduate degrees and the Chartered Financial Analyst designation.

The Portfolio Managers within the UBS Investment Management have industry experience ranging from 4 years to over 25 years.

**PMP Portfolio Manager Selection Criteria.** Participation in the Portfolio Management Program is granted to Financial Advisors who have met certain education, industry experience and investment management standards. Applicants are generally required to have at least two years of industry experience (for PMP), meet certain asset rankings at UBS, and hold either the Chartered Financial Analyst designation, the Certified Portfolio Manager designation, or have completed the firm's PMP's Portfolio Management Training requirement. These requirements are waived under certain circumstances including recruitment situations where a waiver of the educational requirement is granted if the Financial Advisor has approved portfolio management credentials from a major competitor firm or relevant professional experience.

Financial Advisors are nominated for participation in the PMP Program by members of their Branch management team. PMP Program Management reviews nominees and admits qualified Financial Advisors to the PMP Program based on their experience and expertise and an acceptable compliance record.

**Recommendation of Affiliated/proprietary SMA Managers, Securities and Investments:** We may, upon your request and after a review of your investment needs and available options, recommend affiliated/proprietary money managers or

securities. Recommending proprietary or affiliated products and managers raises a conflict of interest, because retaining those entities or purchasing those securities will result in increased compensation to UBS and/or a UBS affiliate. If you select SMA Managers, funds, products or other investment vehicles that are managed or sponsored by us or our affiliates, the management fees will be payable to either UBS or the affiliated entities. Your Account's actual investment return will be reduced by those fees, plus any related expenses and the Program Fees. Please review the applicable prospectus and offering documents carefully for a detailed description of the additional fees associated with these securities.

We address the conflicts of interest presented by the recommendation of affiliated managers and application of different research standards by disclosing our practices to you to ensure you make fully informed decisions in your selection of investment strategies.

See "Services, Fees and Compensation—Advisory Programs—Compensation to Financial Advisors and UBS Portfolio Managers in Our Discretionary Programs"

## C. Advisory Business

### 1. Corporate Structure

UBS Financial Services Inc. was organized as a Delaware corporation on June 30, 1969. UBS Financial Services Inc. became a registered investment adviser on January 22, 1971. It is a wholly owned subsidiary of UBS Americas Inc., a Delaware corporation, UBS Americas Inc. is a wholly owned subsidiary of UBS Americas Holding LLC, which in turn is a wholly owned subsidiary of UBS AG, a Swiss stock corporation whose business purpose is the operation of a bank, with a scope of operations extending to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG is in turn a wholly owned subsidiary of UBS Group AG, the holding company of the UBS Group.

### 2. Advisory Services

The advisory services we offer are described in *Item 4 "Services, Fees and Compensation"* of this brochure. We also offer:

- **Financial Planning Services:** We offer fee-based financial planning as an investment advisory service. These services are separate and distinct from our brokerage services and other investment advisory services. Our Financial Planning Services are tailored to each client to provide a comprehensive review of client goals and financial planning topics, which may vary based on a client's level of wealth and the complexity of their planning needs. Our financial planning services do not include initial or ongoing advice regarding specific securities or other investments. For more information, please discuss with our Financial Advisor and request the Form ADV Disclosure Brochure for our Financial Planning Services.
- **Financial Education.** We offer a financial education program under which a Client enters into an agreement with UBS to have a Financial Advisor provide one or more of a series of financial education seminars to their employees or members. Seminars may include information obtained from third-party sources. The seminar subjects offered cover topics such as investing, saving for retirement, distribution

planning and transition. Additional seminar subjects may be offered if available. Seminars offered are generic in nature and do not contain recommendations to invest in any particular security.

- **Consulting Services.** We offer consulting services to retirement plans, institutions, corporate clients and certain high net worth individuals for an asset-based, or fixed fee, or a combination thereof. Certain services may be available for fixed hourly rates for some programs. Consulting services may include, but are not limited to, helping a client establish or amend investment policies and objectives; assisting in an investment manager search; aiding in asset allocation modeling; providing asset/liability analysis for defined benefit plans; providing investment evaluation and education materials including enrollment seminars; determining the number and type of investment alternatives to be offered to plan participants; developing criteria to select and evaluate service providers; and providing performance evaluations. Unless a discretionary mandate is agreed to, all investment decisions are made by the client.

### 3. How we tailor accounts for clients.

We tailor Advisory accounts to the specific investment objectives, risk tolerance and investment preferences of our clients in the following ways:

- Investment strategies offered in our Discretionary, MAC Researched and ACCESS programs are assigned a risk category rating. The responses to Questionnaires in each of these Programs are used to determine an appropriate manager or strategy that does not exceed the client's stated risk tolerance. The risk category ratings were developed to approximate investor expectations of risk and reward, and to reflect the preferences of a range of investors from conservative to aggressive. Investment strategies within a particular risk category may employ a variety of investment approaches, but are expected to share similar return and volatility characteristics over the long term. There can be no assurance that the stated investment objectives of the investment strategies will be realized.
- Non-Discretionary and Unified Managed Accounts Program: Our asset allocations are based on a proprietary process which offers several possible asset allocation models. As in the case of our other Programs, a client's responses to their Program Questionnaire are used to determine an appropriate asset allocation. Clients may tailor their allocations to their needs from the recommended asset allocation by certain levels not to exceed internally determined risk bands.

Clients, with the advice of their Financial Advisors, select an investment strategy or asset allocation based on their risk profile. We may change, at our sole discretion, the number and types of asset allocation models offered in our Programs. To better personalize the investment strategy selected, clients in Programs with SMA Managers and in Discretionary Programs may impose reasonable investment restrictions on the management of their accounts. (See "Account Requirements and Types of Clients—Investment Restrictions & Investment Policy Statements" above.)

#### **4. Performance Fees and Side by Side Management**

We offer our own portfolio management services and those of our Financial Advisors in our Portfolio Management Program, Managed Portfolio Program, and our SMA Programs.

Financial Advisors in the PMP Program may also have clients with accounts in brokerage or other Advisory programs. The services and management of those accounts differ. Due to the discretionary nature of the PMP Program, Financial Advisors acting as Portfolio Manager should place transactions for their discretionary clients' accounts prior to soliciting the same securities in their non-discretionary advisory and brokerage clients' accounts. PMP Financial Advisors are also subject to an internal personal trading policy.

UBS Investment Management manages the discretionary portfolios in the Managed Portfolio Program and the UBS Advice Portfolio Program. Some of the discretionary models that they manage are made available to the Firm's Financial Advisors. Financial Advisors may choose to implement the models in client accounts either on a discretionary or non-discretionary basis. As a matter of Firm policy, the UBS Investment Management Group will execute portfolio changes to the client accounts in the Managed Portfolio Program before publishing the details of the transactions to the Firm's Financial Advisors. Members of the UBS Investment Management are also subject to an internal personal trading policy.

UBS Financial Services Inc. does not impose performance fees in our wrap fee advisory programs. UBS Financial Services does not serve as investment manager to hedge funds, private equity or similar types of investment vehicles. However, as a distributor of alternative investments, including hedge funds and fund of funds, UBS receives a portion of the performance fees charged by the investment adviser to those funds. Financial Advisors who sell those alternative investments, including those investments held in Advisory accounts receive a portion of those fees.

#### **5. Methods of Analysis, Investment Strategies and Risk of Loss**

All investments carry the risk of loss. Please review the documents, profiles and investment proposals we provide to you when you establish accounts in the Programs for a description of the specific risks associated with the investment strategy you selected.

We obtain information from various sources, including:

- Financial publications
- Inspections of corporate activities
- Company press releases and securities filings
- Research and due diligence material prepared by UBS Financial Services Inc., our affiliates and third parties
- Rating or timing services
- Regulatory and self-regulatory reports
- Third party data providers and research consultants
- Outside consultants, experts and other professionals
- Other public sources

In addition, we receive a broad range of research and information about the following:

- The economy
- Industries
- Groups of securities and individual companies

- Statistical information
- Market data
- Accounting and tax law interpretations
- Political developments
- Pricing and appraisal services
- Credit analysis
- Risk measurement analysis
- Performance analysis
- Other information that may affect the economy or securities prices

Research can be received through various channels, including:

- Written reports
- Telephone contacts and personal meetings with research analysts
- Economists
- Government representatives
- Corporate and industry spokespersons

We may receive research, model portfolios and asset allocation services generated by UBS, UBS affiliates, third parties, by or through brokers or dealers or investment advisers, including research, model portfolios and asset allocation advice purchased through economic arrangements with such parties.

Our Investment Advisory services generally rely on a variety of fundamental, technical, quantitative and statistical tools and valuation methodologies. As a result of these different methodologies employed, technical or quantitative research recommendations may differ from, or be inconsistent with, fundamental opinions for the same security. We may use computer technology to more readily display these factors and to create asset allocation recommendations. Personnel involved in providing Investment Advisory services may have access to specialists or other information for all major industry groups.

Our Financial Advisors and clients have access to research from UBS CIO Americas Wealth Management (CIO A WM), which is part of UBS Wealth Management USA. CIO A WM is designed specifically for use by private clients and our Financial Advisors. As a result, subject to certain exceptions, we expect that product areas in UBS Financial Services Inc. will incorporate insights and economic perspectives of CIO A WM, where appropriate, in their products and services.

Clients and Financial Advisors also have access to certain categories of UBS Investment Research (INV Research) that is issued by UBS Investment Bank. Because both sources of research reflect the different assumptions, views and analytical methods of the analysts who prepared them, there may be a difference of opinions between CIO A WM and INV Research. Neither source is necessarily more reliable than the other. The various research content provided does not take into account the unique investment objectives, financial situation, or particular needs of any specific individual investor.

Investments and strategies available in our Advisory Programs are subject to varying degrees of due diligence (quantitative and/or qualitative) and depth of research. For example, the Investment Management Research Group conducts enhanced research on a select group of SMA Managers and mutual funds and makes that research available to Financial Advisors. These "Select Lists" represent a diversified selection of mutual funds and SMAs within various investment categories with different investment philosophies. The Select Lists are published for internal use only and can be, but are not required to be used as a resource by Financial Advisors when recommending SMAs and mutual

funds to clients. These lists are updated periodically. Financial Advisors have access to various resources to review and select the investments and managers they recommend to clients. As such, the SMA managers and mutual funds in which you invest may or may not be part of these Select Lists.

We will not notify you if the SMA or investment you select is on one of these Lists initially or if it is removed after you invest.

### Discretionary programs

UBS Portfolio Managers in our discretionary programs use a variety of research sources in making their investment decisions for your account, including research issued by the firm, UBS affiliates and independent sources.

**UBS Portfolio Managers are not required to follow the firm or UBS issued research except in limited circumstances and may, in their discretion, take positions for your account that contradict the research issued by UBS and its affiliates.**

### SMA Managers

Managers in our Advisory programs are not required to use UBS research as the source of their investment decisions. SMA Managers participating in our ACCESS, MAC, and SWP programs may utilize various fundamental, technical, quantitative or statistical research, tools and valuation methodologies in order to determine which securities to purchase for your program accounts. They may rely on their proprietary research, and/or they may receive research from a variety of sources, including UBS or one of our affiliates, as part of their investment process. Any research that we or one of our affiliates may provide to an SMA Manager is separate and apart from our Advisory programs and does not affect or otherwise limit the manager's discretionary investment responsibility for your program account. **You should be aware that we or our affiliates (or employees thereof) may have conflicts of interest in connection with the research reports we publish.** UBS and its affiliates (or any of our employees) may happen to fall into any one of these categories, which could potentially create a conflict of interest:

- Holding long or short positions in a specific security being researched
- Deal as principal or agent in a specific security being researched
- May provide Advisory or other services to an issuer or their affiliate that is covered in research reports issued by CIO WMR and/or INV Research

CIO A WM and INV analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, their compensation may relate to the revenues of UBS business groups as a whole, of which investment banking, sales and trading and principal trading are a part.

Financial Advisors also have access to proprietary models covering equities, fixed income, mutual funds and municipal securities developed by our various business areas.

### Our Proprietary Asset Allocations

Our asset allocations are based on a proprietary methodology. In developing those allocations, UBS considers asset risk and return results that are based on estimated forward-looking return and risk assumptions, as measured by standard deviation ("capital market assumptions"), which are based on

UBS proprietary research. The development process includes a review of a variety of factors, including the return, risk, correlations and historical performance of various asset classes, inflation and risk premium. These capital market assumptions do not assume any particular investment time horizon.

UBS periodically reviews the economic or market conditions or other general investment considerations that it believes may impact the capital market assumptions. The capital market assumptions may change from time to time at the discretion of UBS. UBS has changed its risk and return assumptions in the past and may do so in the future. Except for Accounts in UBS-CAP, we will not provide you with an updated investment proposal automatically based upon changes to these or other underlying assumptions, but you may request an updated proposal from your Financial Advisor. Changes in the assumptions may affect your Target Allocation on the broad, subclass or style level. We may also add or remove asset classes, subclasses and styles from our allocation methodology at any time. We will send you a written notice in the event that changes in our capital market assumptions result in a change to your Target Allocation. It is important to note that changes to your Target Allocation may result in tax consequences to you. Please consult your tax advisor if this occurs.

UBS employs a variety of asset allocation models and tools. As a result, our modeling outside of the programs may vary depending upon the asset allocation model, amount invested and software program used for analysis.

## 6. Voting of Client Securities (Proxy Voting)

You have the option to elect to vote your own proxies, however, our Discretionary and SMA Programs permit you to delegate proxy voting authority. For assets invested in SMA Programs, you may delegate proxy voting authority to your Separately Managed Account (SMA) Manager. For assets invested in Discretionary Programs, you may delegate proxy voting authority to Institutional Shareholder Services Inc. ("ISS"), a proxy voting service we have engaged and made available to you. **You may not delegate proxy voting authority to UBS or any of its employees. Neither your Financial Advisor nor UBS will exercise voting discretion or have input regarding voting decisions made on your behalf for the securities held in our Programs or assets you hold at UBS or at other financial institutions.. We will not vote or provide any advice about the voting of proxies solicited by, or with respect to, legal proceedings, including bankruptcies and class actions, relating to securities in those Accounts, or their issuers, except to the extent required by law.**

**We ask you to provide these instructions when you establish your first Advisory account under the relationship Agreement. We will apply your preferences (where those features are available) to all Advisory accounts established under this Agreement, unless you provide different instructions for specific accounts.**

For Discretionary Programs, if you designate ISS or another Proxy Voting Agent, the Proxy Voting Agent will serve as your agent and attorney-in-fact to receive and vote all proxy and will be responsible for voting on matters requiring a proxy vote for the securities held in your Account in accordance with its proxy voting guidelines or other proxy voting guidelines to which you and your Proxy Voting Agent agree. ISS will vote proxies in your

Discretionary Accounts based on its Benchmark U.S. Voting Guidelines.

A summary of ISS' Proxy Voting Guidelines, ISS' Form ADV Part 2A and the complete Proxy Voting Guidelines Benchmark Policy Recommendations are available at [ubs.com/accountdisclosures](https://ubs.com/accountdisclosures).

UBS will pay ISS fees and expenses related to proxy services, but not those of any separate Proxy Voting Agent you engage. UBS reserves the right, at our discretion and in accordance with this Agreement, to designate a different independent Proxy Voting Agent to act as your agent and attorney-in-fact to vote proxies for your Account and to pay for such proxy service related fees and expenses.

ISS will not vote in the following circumstances: (a) the securities are no longer held in your Account; or (b) the proxy or other relevant materials are not received in sufficient time to allow an appropriate analysis by the proxy service provider or to allow a vote to be cast by the voting deadline. In addition, ISS generally does not make recommendations, and will not vote proxies in respect to bankruptcies and class actions, limited partnership or bond issues, preferred stock, and certain foreign securities, if voting may cause the sale of the security to be prohibited under foreign law for a period of time, usually the time between the record and meeting dates ("share blocking"). Also, ISS will not vote or advise you on other corporate actions, like tender offers, which do not require a proxy or are not solicited via a proxy. Those materials will be forwarded to you. Neither we nor your UBS Portfolio Manager will be authorized to respond to such correspondence or advise you on actions you should take.

**UBS-CAP:** Proxy voting for Advisory Accounts enrolled in UBS-CAP will vary based on the terms of the Advisory Program(s) selected.

**PACE; Strategic Advisor; SWP Non-Discretionary Assets;**

**UBS-CAP Alternative Investments:** You expressly retain the right and obligations to vote any proxies relating to the securities held in your PACE and Strategic Advisor Accounts, as well as for your SWP Non-Discretionary Assets, and alternative investments in UBS-CAP but you may delegate these rights and obligations to a properly authorized agent.

**SMA Programs; Discretionary Programs; SMA Managers in Strategic Wealth Portfolio:**

By signing the Application and Agreement, you designate (as relevant given your Advisory Program selection) your SMA Manager or for Discretionary Programs, ISS, to receive and vote all proxy and related materials for securities held in the Advisory Accounts they manage on your behalf. Unless you provide different instructions, we will apply your proxy-related preferences to all Advisory Accounts you establish under this Agreement, assuming your preferences are available in each program.

When you delegate proxy voting authority to your SMA Manager, they will vote on matters requiring a proxy vote for the securities held in your Account. Your SMA Manager will also vote on other corporate actions, like tender offers, which do not require a proxy or are not solicited via a proxy.

Neither UBS, your Portfolio Manager or your Financial Advisor exercise voting discretion or have input regarding voting decisions made on your behalf for the securities held in your

Discretionary Program account.

**YOU MAY CHANGE YOUR PREFERENCES AT ANY TIME BY NOTIFYING US IN WRITING.**

Your proxy-related preferences do not apply to class action lawsuits, legal proceedings and bankruptcy proceedings involving an issuer whose equity or debt securities held in your Accounts, even if you delegated proxy voting authority to us or your SMA Manager. Correspondence related to such lawsuits will be mailed to you directly and will be your responsibility. Neither UBS, the SMA Manager nor your Financial Advisor will respond to such correspondence.

**Limitations of our Authority:** We have no authority, direct or implicit, and accept no responsibility for taking any action or rendering any advice with respect to the voting of proxies related to securities held in your SMA Account or sub-accounts. Our obligations with respect to any such solicitation are limited exclusively to forwarding, within a reasonable period of time, to your SMA Managers any materials or other information received by us with respect to such solicitation.

**Proxy Voting Policies:** Copies of ISS' proxy voting policies and procedures as well as those of your SMA Managers are available to you upon your request. You may also request specific information as to how proxies for your securities were voted. Some of the information, format, and period covered by the proxy reports will vary depending on the individual investment manager's policies and procedures. **Please contact your Financial Advisor regarding your requests.**

**Proxy Voting in our Capacity as a Broker-Dealer:** Except for ERISA Plans and Individual Retirement Accounts, if we forward proxy materials to you or your SMA Manager, as applicable given the Program you selected, but we do not receive voting instructions from you (or from your SMA Manager) within the designated time frame, we will, in our capacity as a broker-dealer vote these uninstructed shares in proportion to the voting instructions we have received from our brokerage clients on "routine" ballot items under the rules of the New York Stock Exchange, or as otherwise permitted under such rules. We may in some circumstances decide not to vote the uninstructed shares, however, upon request from an issuer or other party or where casting a vote as described above would have the unintended consequence of impacting the voting results on "non-routine" ballot items.

## **Item 7. Client Information Provided to Portfolio Managers**

We share certain information you provide to us during the account opening process with your SMA Managers, Financial Advisors and Portfolio Managers in order to assist them in the management and servicing of your Account. The information we provide to them includes:

For accounts in the ACCESS and SWP Programs we provide information to the SMA Managers systematically. The information we provide includes your personal information, such as your name, address, social security number (TIN) and account type. We also provide your responses to the Profile Questionnaire and general account information, such as risk profile, account objectives, and any investment restrictions on the account. We report account activity and make trade confirmations and monthly ACCESS account statements available systematically. We also provide trade confirmations to certain Investment Managers for accounts in the MAC Program. Certain account activity is also communicated through our system, including withdrawal, termination and

tax harvest requests.

Our Portfolio Managers and Financial Advisors who service your Account have access to the same information as listed above. Portfolio Managers also receive copies of trade confirmations for transaction they execute in your Accounts as well as copies of the quarterly Performance Reviews for your Accounts.

**Data Downloads.** To service and reconcile your Discretionary, SMA or Unified Managed Account efficiently, we automatically provide your SMA Managers or sub-advisors with copies of the confirmations for trades they place in the Accounts they manage for you, unless you instruct us otherwise in writing and you elected to receive immediate trade confirmations for your account. Upon request by your SMA Managers, we provide copies of your trade confirmations and monthly account statements. From time to time, your SMA Managers or sub-advisors may request that we provide them with a data download of all transactions they effected on your behalf in order to reconcile your Account. We consider your selection of the Discretionary Program sub-advisors and SMA Managers for your Accounts and your continued participation in the program as your consent to our providing that data and copies of your trade confirmations and account statements.

## Item 8. Client Contact with Portfolio Managers

We do not restrict your ability to contact or consult with your SMA Managers, Portfolio Managers or Financial Advisors.

## Item 9. Additional Information

### A. Executive Officers and Board of Directors

- **Thomas C. Naratil** is President of UBS Group Americas and Co-President of Global Wealth Management (GWM), Chief Executive Officer of UBS Americas Holding LLC, and a member of the Group Executive Board of UBS Group AG. UBS WMA comprises the registered broker-dealer, UBS Financial Services Inc., as well as UBS Bank USA and the Private Banking operation. As regional President, he brings together the firm's resources, talent and capabilities to benefit UBS's clients in the Americas
- **Jason R. Chandler** is a Group Managing Director, Co-Head of GWM Investment Platforms and Solutions, which includes Advisory and Planning, and a member of the Board of UBS Financial Services Inc..
- **Luis Cardoso**, is the CFO Wealth Management Americas and Co-Head of Global Wealth Management Strategy and Business Development.
- **Paul M. Hatch** is a Group Managing Director, Northeast Divisional Director, Chairman of the Private Bank and a member of the Board of UBS FS.
- **Brian P. Hull** is a Group Managing Director and the Head of the Client Advisory Group of WMA. He is the President of UBS Financial Services Inc. and a member of its Board of Directors.
- **Kathleen Lynch** is the Chief Operating Officer for UBS Group Americas and WMA and is a member of the Board of UBS FS.

- **Samuel L. Molinaro** is Group Managing Director; President of UBS Americas Holding LLC, Head of Legacy and a member of the boards of UBS Securities LLC and UBS Americas Holding LLC.
- **Hélène Narcy**, is the Chief Financial Officer of UBS Financial Services Inc. and a member of the Board of Directors.
- **Mark Sanborn**, is a Group Managing Director and the Head of the Capital Markets Group. He is a member of the Board of Directors.

### CIO Wealth Management Research Americas

- **Mike Ryan** is a Group Managing Director, Regional Chief Investment Officer for the US and Head of CIO Wealth Management Research for UBS Wealth Management Americas, which comprises the registered broker-dealer, UBS Financial Services Inc., as well as the Private Banking operation.

### Management for the Investment Advisory Products Covered in this Brochure

- **Marilee Ferone** is a Managing Director and Head of Wealth Management USA Advisory Solutions and Consulting.

### General Counsel, Director of Compliance and Chief Compliance Officer

- **Douglas Hollowell** is a Managing Director and General Counsel of UBS Global Wealth Management US, which includes the US registered broker-dealers, UBS Financial Services Inc. and UBS Financial Services Incorporated of Puerto Rico, as well as UBS Bank USA, UBS Trust Company of Puerto Rico Inc., and the Private Banking Operation which is comprised of UBS AG branches in the United States.
- **Sharyn Handelsman** is a Managing Director and Head of Compliance and Operational Risk Control for UBS Wealth Management USA and Latin Americas, which includes UBS Financial Services Inc., and the Private Banking Operation as well as UBS Bank USA, and UBS Trust Company of Puerto Rico Inc. Ms. Handelsman is also the Chief Compliance Officer and member of the board of UBS Financial Services Inc.
- **Lisa M. Francomano** is an Executive Director, Deputy Director of Compliance and Chief Compliance Officer for UBS Financial Services' advisory business.

## B. Disciplinary History

Below is a summary of the material legal and disciplinary events against UBS Financial Services Inc. during the last ten years. As of the date of this brochure, there are no reportable legal and disciplinary events for our senior management personnel or those individuals in senior management responsible for determining the general investment advice available to our clients.

The disciplinary reporting requirements for broker-dealers and investment advisers differ in some ways, with FINRA requiring broker-dealers to report on matters (for example, pending complaints and arbitrations) which are not required to be reported by investment advisers. Since our firm operates as both broker-dealer and investment adviser we file the information as required by each entity. The information in this report is not the only resource you can consult. You can access additional information about our firm and our management personnel on the Securities and Exchange Commission's website, located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as well as the Financial Industry Regulatory Authority's website, [brokercheck.finra.org](http://brokercheck.finra.org).

**Please note that in each instance described below, the Firm entered into the various orders, consents and settlements without admitting or denying any of the allegations.**

### Disciplinary History

**1 Date of Action: September 28, 2016**

Brought By: Securities and Exchange Commission

Rule: Section 15(b)(4)(E) of the Exchange Act

Allegations: The SEC alleged that during the period of 2011-2014, UBS failed reasonably to fulfill supervisory responsibilities within the meaning of Section 15(b)(4)(E) of the Exchange Act because UBS failed to establish reasonable policies and procedures, and a system for applying such procedures, that would reasonably be expected to prevent and detect the violations of Section 17(a)(3) of the Securities Act. The product under review was the Reverse Convertible Note ("RCN") with a single stock as the underlying asset, also called single-stock-linked RCNs. The Order finds that the Firm failed to reasonably supervise its RCN sales by failing to develop and implement adequate education and training for its Financial Advisors regarding certain aspects of single stock-linked RCNs, including for example, the role of implied volatility of the underlying stock in the selection of the stock as the asset underlying the RCN. The Order highlighted the Firm's significant cooperation and prompt enhancement of procedures addressing the SEC's concerns.

Disposition: **SEC censure order and fine**

Fine: \$8,227,566 in disgorgement (to the SEC), \$798,316 in interest, and \$6 million in penalty, for a total of \$15,025,882.

**2 Date of Action: December 2014**

Brought By: State of Vermont Department of Financial Regulation

Entity: UBS Financial Services Inc.

The firm was fined \$325,000 for inaccurate books and records, breaches of policies and procedures which prohibited the solicitation of MAC Eligible managers and failure to provide a reasonable supervisory system to prevent such breaches. The Consent Order highlights the Firm's substantial cooperation with the investigation and its enhancements to procedures which were made to prevent recurrence of these facts.

**3 Date of Action: December 2013**

**Brought By: FINRA**

Entity: UBS Financial Services Inc.

The firm was fined a total of \$260,000 for rule breaches involving fair pricing of 5 municipal bond transactions, best execution obligations relating to 51 transactions and late reporting to TRACE of 303 trades. The breaches occurred over sporadic periods between 2008 and 2012.

Censure & Fine: \$260,000

**4 Date of Action: August 2013**

Brought By: North American Securities Administrators Association

Entity: UBS Financial Services Inc.

UBS employed client service associates who accepted client orders without being registered with relevant state authorities and failed to supervise those associates adequately. UBS settled the matter without admitting or denying the findings of fact. UBS agreed to enter into separate settlements with each state and the civil penalty will be divided amongst the states in individual settlement amounts.

Fine: \$4.58 million

**5 Date of Action: December 12, 2012**

Brought By: FSA, FINMA, CFTC

Entity: UBS AG

On 19 December 2012, UBS AG entered into settlements with the US Department of Justice (DOJ), UK Financial Services Authority, and the Commodity Futures Trading Commission (CFTC) in connection with their investigations of manipulation of LIBOR and other benchmark interest rates. The Swiss Financial Market Supervisory Authority (FINMA) also issued an order concluding its formal proceedings with respect to UBS. UBS agreed to pay a total of approximately CHF 1.4 billion in fines and disgorgement. UBS will pay GBP 160million in fines to the FSA and CHF 59million as disgorgement of estimated profits to FINMA.

FINMA: Reprimand and disgorgement of estimated profits CHF 59 million FSA: Fine GBP 160 million

FSA: Fine GBP 160 million

**6 Date of Action: May 1, 2012**

Brought By: SEC

Entity: UBS Financial Services of Puerto Rico

UBS Financial Services of Puerto Rico, a subsidiary of UBS Financial Services, settled with the SEC without admitting or denying charges

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regarding misrepresentations and omissions of material facts to numerous retail customers during the period 2008 and 2009 regarding the secondary market liquidity and pricing of UBS PR affiliated closed end funds. The Firm is required to retain an independent consultant to review its sales and trading policies, procedures and practices in connection with such funds. "

Disposition and Fines: Censure \$14,000,000; Disgorgement \$11,500,000; Interest \$1,109,739

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**7 Date of Action: May 1, 2012**

**Brought By: FINRA**

FINRA Rule 2010, NASD Rules 2110, 2310, 3010 -

Allegations: FINRA alleged that the Firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with NASD and FINRA rules in connection with the sale of non-traditional exchange-traded funds (ETFs) in accounts where the firm provided brokerage services to certain retail customers and the firm failed to provide adequate formal training and guidance to its registered representatives and supervisors regarding non-traditional ETFs.

Disposition: Letter of Acceptance, Waiver and Consent, Censure and Fine

Fine: 1.5 million; \$431,488 in restitution

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**8 Date of Action: Feb. 22, 2012**

Brought By: Pennsylvania Securities Commission

Allegations: The Pennsylvania Securities Commission alleged that the Firm failed to reasonably supervise three agents in one branch office relating to the sale of certain structured products issued by Lehman Brothers to two investors and that such conduct formed a basis to sanction the Firm under Section 305 (A)(VII) of the Pennsylvania Securities Act of 1972, 70 P.S. Section 1-305(A)(VII)

Disposition: Consent to the Commission's Findings of Fact, Conclusion of Law, and Order. Administrative Assessment of \$200,000 Legal and investigation costs of \$75,000

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**9 Date of Action: Sept. 30, 2011**

Brought By: FINRA

Allegations: FINRA alleged that during the period of November 2004 to September 2006, the Firm violated Municipal Securities Rulemaking Board Rule G-27 by failing to reasonably supervise certain cross-trading of municipal bonds by retail customers, in that the Firm lacked adequate policies and procedures to monitor this type of trading and did not conduct adequate follow-up on red flags which put it on notice that one of its registered representatives may have been exercising discretion in customer accounts to engage in unsuitable cross-trading of municipal bonds.

Acceptance, Waiver and Consent Censure and Monetary Fine: \$300,000

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**10 Date of Action: August 22, 2011**

Brought By: New Hampshire Bureau of Securities Regulation

Allegations: UBS sold Lehman Structured Products to clients (specifically referencing three particular investors), who were not made aware of the risks of these products and failed to inform clients of Lehman's financial condition prior to Lehman's bankruptcy. It was also alleged that the firm's recommendations to a small number of New Hampshire residents to purchase Lehman Structured Products were unsuitable.

Disposition: Consent Order

Administrative fine of \$100,000; Investigation costs of \$200,000; Administrative payment of \$700,000

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**11 Date of Action: May 4, 2011**

Brought By: SEC, Internal Revenue Service (IRS), Dept. of Justice (DOJ), State Attorney General of 24 States

UBS AG and UBS Financial Services Inc. reached settlements with the SEC, the IRS, the DOJ and a group of State Attorneys General regarding investigations into the conduct of certain former employees in UBS Financial Services' former municipal reinvestment and derivatives group from 2001 to 2006. Allegations included violations of: Section 15(c)(1)(A) of the Securities Exchange Act of 1934, Section 1 of the Sherman Act, and IRS regulations in bidding practices and representations made involving the investment of proceeds of municipal securities transactions.

Disposition: SEC: Waiver and Consent to Final Judgment enjoining UBS from violating Section 15(c) of the Act, disgorgement of profits, interest and civil penalty; IRS: Closing Agreement; DOJ: Non-prosecution Agreement

SEC: Disgorgement of \$9,606,543 plus interest of \$5,100,637 and civil penalty of \$32,500,000; IRS: penalty of \$18 million and restitution of 4.3 million; States: \$70.8 million plus \$20 million credited from the SEC settlement

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**12 Date of Action: April 11, 2011 Brought By: FINRA**

Allegations: Violations of NASD Rules 2110, 2010, 2210, 2211, 2310, 3010 and IM2310- 2 with regard to Lehman Brothers Holdings Inc. 100% Principal Protection Notes ("Notes"): violated NASD Rule 2110 by making statements and omitting certain facts through communications through some financial advisors that may have misled certain customers, failed to disseminate adequately to financial advisors certain market information relating to Lehman's financial condition, violated NASD Rules 3010 and 2110 by failing to maintain and establish adequate supervisory systems in connection with marketing and sale of the Notes, violated NASD Rules 2310 and 2110 and IM-2310-2 by not adequately analyzing the suitability of sales to certain customers, and use of advertising and marketing materials and training and education materials that were not fair and balanced in violation of Rules 2210(d)(1) (A) and (B), 2211 and 2110.

Disposition: Letter of Acceptance Waiver & Consent.; Censure, Fine, and Restitution to specific classes of customers

Fine: \$2.5 million; Restitution: \$8.5 Million

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**13 Date of Action: Jan. 5, 2011**

Brought By: FINRA

Allegations: From October 1, 2007 through December 31, 2007, the Firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to five of its customers was as favorable as possible under prevailing market conditions.

Disposition: AWC Censure, Fine

Monetary/Fine: \$30,000 Disgorgement/ Restitution

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## Disciplinary History

**14 Date of Action: Nov. 3, 2010**

Brought By: FINRA

Allegations: Violation of NASD Rules 1021, 1031, 2110 and 3010, FINRA Rule 2010 by permitting 70 individuals to act as principals without registration, and inadequate supervisory procedures.

Disposition: Letter of Acceptance, Waiver & Consent.; Censure, Fine.; Establish supervisory procedures

- Fine: \$200,000 - Test of Supervisory procedures with written report within 120 days and certification of supervisory changes and written report within 90 days

**15 Date of Action: Sept. 29, 2010**

Brought By: FINRA

Allegations: Violation of NASD Rules 2110, 3010(a) and 3010(b), FINRA Rule 2010 by lending customer securities to facilitate short selling without disclosing certain facts to customers and failing to adequately supervise.

Disposition: Letter of Acceptance, Waiver & Consent, Censure, Fine, Establish supervisory procedures Fine: \$175,000

**16 Date of Action: June 26, 2009**

Brought By: FINRA

Allegations: Inadequate systems/procedures, to detect patterns of unsuitable short-term trading of Closed-End Funds. Disposition: Letter of Acceptance, Waiver & Consent, Censure & Fine

Fine: \$100,000

**17 Date of Action: February 2009**

Brought By: SEC and US Department of Justice

Allegations: UBS entered into a Deferred Prosecution Agreement with the D.O.J. and a Consent Order with the SEC in connection with an investigation into the firms Cross-Border business. UBS AG agreed to disgorge profits and pay back taxes. UBS AG will terminate cross-border business serving private clients out on non SEC registered entities.

Disposition: Disgorgement (\$200,000,000 is to the SEC); Back Taxes Payment, Monetary Sanctions: \$380,000,000; \$400,000,000

**18 Date of Action: Feb. 26, 2009**

Brought By: FINRA

Allegations: Violated NASD Rules 2110, 3010, 2320, 3110, 3360, 3370, 6130, 6955(A) by failing to find the best inter-dealer market, did not obtain a favorable price, did not mark short-sales as such, did not note delivery instructions. The supervisory procedures were not adequate to achieve compliance.

Disposition: Letter of Acceptance, Waiver & Consent, Censure and Fine Restitution to customer and revision of firm procedures Fine: \$110,000; Restitution: \$2,719.65

**19 Date of Action: December 2008**

Brought By: Swiss Federal Banking Commission

Allegations: The cross-border business of UBS AG private clients was investigated and the firm was required to cease operating its non-W9 relationships, and to establish an adequate risk management and control system for this business.

Disposition: Injunction

**20 Date of Action: Dec. 22, 2008**

Brought By: SEC and the 50 states

Auction Rate Securities (ARS): UBS is permanently enjoined from violations of the broker/dealer anti-fraud provisions. Allegations: Violations of 34 Act Section 15(c) regarding the marketing and sale of Auction Rate Securities.

Disposition: Cease & Desist Injunction; Civil Penalty; Consent Judgment

Cease & Desist, and Fines in varying amounts currently being paid to all 50 states out of a total fine of \$75 million

## Item 10. Other Financial Industry Activities and Affiliations

UBS Financial Services Inc. is a member of all principal securities and commodities exchanges in the United States including the New York Stock Exchange ("NYSE"). Our parent company, UBS AG ("UBS"), is a global, integrated investment services firm and one of the world's leading banks. We are registered to act as a broker-dealer, investment adviser and a futures commission merchant. Please note that registration as an investment adviser does not imply a certain level of skill or training.

As a full service broker-dealer and investment adviser, we offer our customers and investment advisory clients a broad range of financial services and products, and we are engaged in various aspects of the securities and investment business. Our financial services include:

- Underwriting securities offerings
- Acting as a market maker in securities
- Trading for our own account
- Acting as a clearing firm for other broker-dealers
- Buying or selling securities, commodity futures contracts and other financial instruments for customers as their broker or buying them from or selling them to clients, acting as principal for our own account
- Providing investment advice and managing investment accounts or portfolios
- Acting as a commodity pool operator, futures commission merchant or commodity trading advisor and providing custodial services
- Through our affiliates, we provide clients with trust and custodial services
- We manage, sponsor and distribute registered investment companies and other public and private pooled investment vehicles, including hedge funds, whose shares or other interests are sold to clients

UBS Financial Services is a registered broker-dealer that provides a full suite of wealth management advisory services. Our investment advisory business is the principal business in terms of revenues.

### UBS Financial Services Inc. Subsidiaries & Other Affiliates

There are a number of related persons that provide investment management and other financial services and products to our investment advisory clients, which may be material to our advisory business. UBS, our subsidiaries or affiliates act in one or more capacities, including investment adviser, sub-adviser, consultant, administrator and principal underwriter (as applicable) to a number of open-end and closed-end investment companies with varying investment objectives. As a futures commission merchant, and through affiliates registered as commodity pool operators and commodity trading advisors, we or an affiliate also provide advice on commodities and commodity-related products.

Certain of our subsidiaries, affiliates and related entities include the following:

Sydling Futures Management LLC.

UBS Financial Services Insurance Agency Inc.

UBS Financial Services Incorporated of Puerto Rico, a separately registered broker-dealer

UBS Insurance Agency of Puerto Rico Incorporated

UBS Trust Company of Puerto Rico

UBS Credit Corp. provides loans to clients that are either unsecured or secured by securities or other financial instruments. These loans may be used to buy securities or for other purposes. These loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.

- UBS Bank USA is an FDIC-insured Utah industrial bank.
- UBS Bank USA provides deposit services and secured and unsecured loans to clients, including loans secured by securities, other financial instruments and residential real estate. The securities based loans made by the Bank are predominately loans that are "non-purpose" and may be used for purposes other than buying, trading or carrying securities. Non-purpose securities backed loans are not subject to the maintenance requirements and potential capital charges that are imposed on broker-dealers.
- UBS Business Solutions US LLC is an affiliate of UBS Group AG that provides certain services to UBS Group AG's affiliates and subsidiaries that operate in the United States. Services currently include Finance, Risk Control, Compliance, Legal, Human Resources, Technology and Operations.

UBS Group AG (UBS Financial Services Inc.'s ultimate parent) offers investment advisory services through a variety of direct and indirect subsidiaries. These entities are separately registered investment advisors and, in some cases, registered broker-dealers and commodity-trading advisors. Their principal lines of business range from developing and distributing investment products including wrap fee products, mutual funds, closed-end funds, privately placed funds and other pooled investment products, providing investment advice to individuals, pension and other employee benefit plans, other tax-exempt organizations, insurance companies, investment companies, commingled trust funds, corporations, and other institutional investors, and serving as investment managers, administrators, distributors and/or placement agents for a number of funds, including (in the case of UBS Asset Management (US) Inc., the PACE Select Advisors Trust and a number of UBS and UBS Asset Management-advised mutual funds. Certain of the investment advisors listed below may serve as investment manager for clients participating in our MAC, ACCESS program or SWP programs.

UBS Group AG has several subsidiaries registered as investment advisers in the United States, including the entities listed below. These companies manage the assets of, or serve as general partners or managers of registered investment companies and private investment funds that may be offered and sold to our advisory clients. Information on those investment vehicles can be found on the respective Form ADV of each affiliated advisor.

- UBS Farmland Investors, LLS
- UBS Hedge Fund Solutions ,LLC
- UBS Fund Advisor, LLC
- UBS Asset Management (Americas) Inc.
- UBS O'Connor LLC
- UBS Realty Investors LLC
- UBS Swiss Financial Advisers AG

## Item 11. Investment Adviser Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

## A. Investment Adviser Code of Ethics

The Firm maintains and enforces a written code of ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940. The code and any subsequent amendments, are provided to all Wealth Management Americas employees of the Firm and each employee is responsible for acknowledging receipt.

The code, which supplements the Firm's code of conduct, has a dual purpose:

- To set forth standards of conduct that apply to all employees of the firm, including the firm's fiduciary obligation to its clients
- To address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons."<sup>4</sup>

Employees are required to promptly report any suspected violation of the code. Violations of the code may result in discipline, up to and including termination. Clients or prospective clients may obtain a copy of the Investment Adviser Code of Ethics upon request.

## B. Participation or Interest in Client Transactions

### 1. Principal transactions and agency cross trades.

We may enter into principal transactions for some investment advisory clients after making appropriate disclosure and obtaining client consent when necessary. In accordance with the provisions of Section 11(a) of the Securities Exchange Act of 1934, we may execute transactions on the floors of national or regional securities exchanges for managed client accounts where appropriate.

Additionally, if appropriate client consent is obtained and required disclosure is made, agency cross transactions may be effected for customer accounts to the extent permitted by law. Agency cross transactions are transactions in which we or our affiliates act as broker for the party or parties on both sides of the transactions. In these circumstances, we will receive compensation from parties on both sides of these transactions (the amount of which may vary) and, consequently, we will have a potentially conflicting division of loyalties and responsibilities. Your consent to "agency cross" transactions may be revoked at any time by written notice to us. For MAC accounts, we may execute "agency cross" transactions on a routine basis, consistent with best execution, unless we or one of our affiliates is acting as investment manager.

### Conflict of Interest

UBS and our affiliates expect to earn a profit whenever we engage in principal transactions with you, and depending on the type of security, we may include a profit margin in the price we pay or charge you, by marking up or marking down the price of the security.

The profits we or our affiliates earn on these transactions will be in addition to the fees you pay us under the Program for investment advice, trading, execution, custody and other program services. As a result, principal transactions present a

conflict between your interests and our interests and those of our affiliates, because we have a financial incentive to recommend these transactions to you when they might not be in your best interest.

When we execute a principal transaction for your account, it is possible that better prices or other terms for the trade could be obtained from alternative sources not known to UBS. Since there may be securities offered by other dealers only to their clients, you may not be able to compare the price on securities offered by these dealers to those offered by UBS. These conflicts are addressed as follows:

- We have an obligation to provide you with best execution and we believe we can provide best execution to you by routing certain orders to our affiliate, UBS Securities LLC, for execution on a principal basis
- We monitor our execution services and measure how we meet our best execution obligation by taking into account many factors, including the degree to which our affiliate, UBS Securities, executes principal trades in client accounts and, specifically, the pricing and service quality that we receive in connection with principal trades versus the costs associated with foregoing a trade (if UBS is the only dealer in a security) or executing on an agency basis through another dealer
- The mark-up or mark-down on securities in advisory accounts is not shared with your Financial Advisor
- Although we are not required to waive or offset our compensation under applicable rules or regulations, for certain security types such as new issue fixed-income securities, we may waive some of the compensation we earn in executing principal trades, or waive a portion of the fee imposed on your account for a period of time as an offset for other compensation we receive.

### Advice/Services to Other Clients and Activities in our Proprietary Accounts

We and our affiliates provide investment banking, research, brokerage, investment advisory and other services for different types of clients, and may give advice to or take actions for those clients, or for our own accounts for those of our affiliates that differs from advice given to, or the timing and nature of actions taken for you. We and our affiliates may buy and sell securities for our own or other accounts, or we may act as a market maker or an underwriter for securities recommended, purchased or sold. UBS and our affiliates occasionally may not be free to divulge or act upon certain information in their possession on behalf of investment advisory or other clients. We are not obligated to execute any transaction for your account that we believe to be improper under applicable law or rules or contrary to our own policies. In particular, you should note that some of our programs may recommend asset allocations or analyze markets and the economy in a different way than would be recommended by some of our research, trading or other departments.

We have adopted policies and procedures that limit transactions for our proprietary accounts and the accounts of our employees. These policies and procedures are designed to prevent, among other things, improper or abusive conduct trades on behalf of money managers who participate in the Firm's advisory programs and home office employees that develop, manage or place trades for the UBS Managed Portfolio Program. Additional home office employees may be deemed

<sup>4</sup> Access Person: all branch office employees, regardless of their job function, and any other Firm employee who works from a branch location or home office employees who place trades on behalf of money managers who participate in the Firm's advisory programs and home office employees that develop, manage or place trades for the UBS Managed Portfolio Program. Additional home office employees may be deemed Access Persons depending upon their work location.

Access Persons depending upon their work location when there may be a potential conflict with the interests of a client.

## Trading Activity

The vast majority of our exchange-listed securities and over-the-counter (OTC) orders are executed through our affiliate, UBS Securities LLC—which executes orders as either principal or as agent, depending on the circumstances and type of program involved. See the section Trading and Execution Practices—*Execution of Transactions for your Account* for more information.

## Trade Errors

We have a trade error procedure, pursuant to which we resolve trading errors that may occur from time to time. We require the appropriate supervisory personnel to review and approve the correction for certain trades. The correction must be processed on a timely basis and may not adversely affect a client, with very minor exceptions. The firm maintains an error account to facilitate handling trading errors. Gains may be offset by losses in the error account. At the end of the calendar year, if the net ending value of the Firm's error account is a gain the firm will donate funds to charity. If an outside investment adviser causes a trade error, the outside investment adviser's trade error procedure will govern, unless it conflicts with our internal procedure.

## 2. Additional Sources of Compensation from SMA Managers or Vendors Whose Products We May Recommend to Our Advisory Clients

### – Contributions to Training and Education Expenses.

Investment managers, mutual fund vendors, unit investment trust sponsors, annuity, life insurance companies or their affiliates and sponsors of ETFs and NextShares whose products are available on our platform may contribute funds to support our Financial Advisor education programs. The contributions are used to subsidize the cost of training seminars we offer to Financial Advisors through specialized firm-wide programs and regional training forums. These seminars are designed to provide training and education to Financial Advisors, Branch Office Managers, Field Leadership, and other personnel who regularly solicit clients to participate in the various types of businesses listed above. These contributions also subsidize a significant portion of the costs incurred to support the Financial Advisor training, Financial Advisor and Client education, and product marketing efforts conducted regionally and nationally by product specialists employed by UBS. The training events and seminars can (and often) include a non-training element to the event such as business entertainment which is not subsidized by vendors.

Not all vendors contribute to our education efforts. Neither contribution towards these training and educational expenses, nor lack thereof, is considered as a factor in analyzing or determining whether a vendor should be included or should remain in our programs or our platform. Contributions can vary by vendor and event. In some instances, the contributions per vendor (as well as the aggregate received from all vendors) are significant. Some vendors may decide to contribute at levels different than those we request. Additional contributions may be made by certain vendors in connection with specialized events or education or training forums. Your Financial Advisor does not receive a portion of these payments. However, their attendance and participation in these events, as well as the increased exposure to vendors who sponsor the events, may lead Financial Advisors to recommend the products and services of those vendors as compared those who do not.

*Please see the section "Non-Cash Compensation" for a description of additional types of support and/or contributions we receive from vendors.*

### – Directed brokerage compensation from managers available in our advisory programs

Financial Advisors who recommend or, otherwise solicit the hiring of investment managers in our Advisory Programs, including but not limited to, ACCESS, MAC, and SWP programs are generally not permitted to receive any directed commission income or other transaction revenue from any investment manager who is also employed in any of their ACCESS, MAC, or SWP, account relationships subject to certain exceptions. However, the firm and other Financial Advisors may execute securities transactions directed to us by affiliated and unaffiliated investment managers for other clients. These transactions and the compensation we receive may not be pursuant to any specific oral or written arrangement between us and any of the affiliated and unaffiliated investment managers.

## 3. Additional Sources of Compensation in Connection with Investments in Advisory Accounts

UBS, our Financial Advisors and affiliates receive additional compensation in connection with certain types of assets in which your advisory accounts may be invested. This compensation is in addition to the Program Fee you pay us for our investment advisory services. Instead, this compensation is a result of distribution, shareholder servicing, administration, marketing, investment management, revenue sharing or referral agreements we and/or our affiliates have with vendors or sponsors of those securities and other services. We also receive additional compensation as a result of inter-company profit sharing and servicing agreements. For certain alternative investments, the compensation may also include performance fees. The nature of the services provided by, and the compensation paid to, us and our affiliates are described in the offering documents for the respective products, which are available for no charge through your Financial Advisor. Certain securities, mutual funds for example, are sold by prospectus only. Please read the prospectus carefully before investing.

**Not all advisory programs permit the purchase and sale of domestic mutual funds, offshore funds, unit investment trusts, or alternative investments. Please review the eligibility of investments in your advisory program with your Financial Advisor for more details.**

The amount of fees paid to us, and therefore your Financial Advisors, may vary depending on the arrangement between us and the vendors/sponsors and, if applicable for mutual funds, and the terms and conditions of the relevant fund's 12b-1 or trailing commission plan. If you hold these assets in your advisory accounts, we receive these payments for the duration of your advisory program agreement. In some circumstances, our receipt of such compensation may extend beyond your participation of our advisory programs if you continue to hold those assets at our firm.

As a result of the various payments to us or our affiliated companies, the amount of compensation that UBS entities receive with respect to the sale of affiliated or proprietary mutual funds, including the money market funds used as sweep vehicles in advisory accounts, and alternative investments is greater than the amount payable to the organization as a whole from the sale of unaffiliated mutual

funds or products.

For UBS proprietary products, our affiliates receive fees for providing investment management and other services ancillary to the execution of purchases of shares in affiliated funds, including, administration and shareholder services to the affiliated funds in the Programs.

**Unless otherwise noted, we receive the payments described below for affiliated and non-affiliated products. Please see Section 4D (Compensation to Financial Advisors Who Recommend Advisory Programs) for description of compensation practices on Retirement Account Assets.**

Offshore Funds			
Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Trails	<ul style="list-style-type: none"> <li>Equity offshore funds: generally range from 0.65% to 0.75%.</li> <li>Fixed income offshore funds: 0.50% to 0.60%.</li> <li>Please ask your Financial Advisor for our fee schedule that shows the specific trails that are paid to your Financial Advisor as these amounts are typically not clearly disclosed in the offering materials of offshore funds.</li> </ul>	Asset-based fees typically paid by the distributor or advisor of the offshore fund.	Yes - Trails are received in brokerage accounts only. Trail s are rebated to clients in the advisory programs.
Revenue Sharing	<p>Most offshore funds pay revenue sharing to UBS.</p> <p><b>Affiliated Offshore Funds:</b> Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.05% to 0.60% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month.</p> <p><b>Unaffiliated Offshore Funds:</b></p> <p>Where revenue-sharing compensation is paid, we receive an amount that ranges from 0.10% to 0.50% per annum of the average daily net asset value of the fund attributable to the shares owned by our clients, during each month. Alternately, this could be paid as a percentage of the fund's stated management fees and could be up to 65% of these fees, which would include both revenue sharing payments and trails/commissions.</p>	Revenue-sharing compensation is paid directly from the distributor or advisor, and not from the offshore funds or indirectly through fund portfolio trading commissions Revenue- sharing compensation is intended to compensate us for ancillary services related to the sales of offshore fund shares.	No

## Domestic Mutual Funds

Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Trailers & 12b-1 Fees	<p>Affiliated funds in Advisory Programs: No trailers or 12b-1 fees.</p> <p>– Non-affiliated funds: Fees on A shares generally range from 0% to 0.50% per year—although the average current annual rate is approximately 0.25%; however, the majority of assets in the Programs are Advisory and Institutional shares and carry no trailers or 12b-1 fees.</p>	<p>Investors/Shareholders pay these fees to the sponsors of the Funds.</p> <p>We receive these payments from the sponsors for distribution and shareholder services we provide in connection with the purchase and sale of mutual fund shares.</p>	No. 12b-1 fees for Class A shares in PACE, Strategic Advisor and SWP are retained by the Firm and are not paid to Financial Advisors. The 12b-1 fees are treated as non-compensable revenue. See “Revenue Sharing” below for a description of that process.
Networking Fees <sup>5</sup>	Typically \$4-\$16 for each mutual fund position that is held at UBS. Some fund companies may choose to calculate this rate expressed in basis points on assets. Exclusions may apply to positions below \$500 and certain discretionary retirement accounts.	<p>These fees are paid by mutual fund sponsors from investor assets, but in some cases may be subsidized, in part, by affiliates of the mutual fund.</p> <p>Networking fees are paid in consideration for services provided by us ancillary to effecting mutual fund transactions including transmission of shareholder data between UBS and the fund companies.</p>	No
Omnibus Processing Fees <sup>5</sup>	These payments, which usually range from \$10 to \$26 per position, are assessed per client and can vary by share class. Some fund companies may choose to calculate this rate expressed in basis points on assets, which may result in payments in excess of \$26 per position. The asset managers making these payments may consider the excess of what the mutual fund would otherwise have paid for these services on a per position fee schedule as a form of revenue sharing. Exclusions may apply to positions below an asset level mutually agreed upon by UBS and the fund company, certain discretionary advisory and retirement accounts, and certain funds and/or shares classes. A portion of the payments we receive for Omnibus processing is paid to a sub-account vendor contracted by UBS.	These fees are paid by mutual fund sponsors from investor assets, but in some cases may be subsidized, in part, by affiliates of the mutual fund.	No

<sup>5</sup> For an individual fund company, UBS may receive either Networking Fees or Omnibus Processing Fees.

## Alternative Investment Funds

Payment Type	Current Rate	Source of Payment	Do Financial Advisors Receive a Portion of These Fees?
Referral Fees	<b>Proprietary Funds:</b>	These fees are usually paid by the fund sponsor out of investor assets. The management, administrative, distribution and performance based fees are paid by investors/shareholders of the funds to the sponsor/adviser.	Yes
Distribution Fees	Strategic Advisor and UBS-CAP:		
Management Fees	Proprietary funds available in these Programs either on an ongoing basis, or as legacy investments are managed or administered by an affiliate. The management/administrative fees range between 1.25 and 1.75 bps. Our affiliate pays us approximately 90 bps for distribution of these funds.		
Administrative Fees			
Performance (incentive-based fees)	<b>Proprietary Master/Feeder funds:</b>		
	For brokerage investments, UBS may receive a one-time service fee between 50 and 200 bps depending on the size of the investments. This payment is made by the sponsor of a fund into which a proprietary feeder fund invests. In addition, Financial Advisors may impose placement fees: of up to 2% from its clients.		
	<b>Advisory Master/Feeder Fund Investments:</b> Neither management, placement nor administrative fees will be imposed at the UBS Feeder level. You will incur the management and other fees imposed by the Master Fund.		
	<b>Non-Proprietary Funds:</b>		
	<b>For Brokerage Investments:</b> UBS receives a distribution, administrative and shareholder service fee ranging between 15 to 125 bps of the assets of UBS investors in the non-proprietary funds.		
	Financial Advisors receive compensation of up to 90 bps. Financial Advisors do not receive this compensation in connection with the placement of share classes that are designed to be sold exclusively in investment advisory programs.		
	Incentive Fees: UBS may receive a portion of the incentive allocation of up to 2.5%.		
	Placement Fees: UBS receives a fee of up to 2% from its clients.		
	Referrals: UBS may refer a client to a third party manager for investment into one of the manager's funds for a negotiable referral fee.		
	<b>Advisory/Institutional Share Classes:</b> For advisory share classes the administrative and shareholder servicing fees are usually in the range of 10 to 20 bps and apply to taxable assets only. The fee is not paid in connection with IRA or Qualified Plan assets. We receive these fees in connection with Non-Proprietary fund investments and the Master Funds in which proprietary feeder funds are invested.		
	<b>Financial Advisors do not receive a portion of the administrative and shareholder servicing fees We expect to implement a process to terminate the receipt of these fees in connection with advisory accounts or rebate them back to the Fund Manager, as applicable, in or around mid-2019.</b>		

**Mutual Fund Revenue-sharing compensation.** The revenue-sharing information below is current as of the date of this brochure and is subject to change in our discretion. Updated and current information on these arrangements is available at our website, [www.ubs.com/mutualfundrevenuesharing](http://www.ubs.com/mutualfundrevenuesharing).

**Generally, we receive revenue sharing compensation in connection with all mutual fund assets in Program**

**Accounts except for assets held by:**

- Qualified Plans and IRA clients in our Discretionary Programs (UBS Managed Portfolio Program and PMP) and in PACE Select.
- Clients whose accounts are custodied at other financial institutions.
- PACE Government Money Market Investments assets in the PACE Multi Program.

**Revenue sharing compensation will not be rebated or credited to you. However, to the extent we receive revenue sharing compensation for Qualified Plans and IRA assets in our Discretionary Programs or PACE Select, that compensation will be rebated to Plan and IRA clients.**

In addition to sales loads, 12b-1 fees and processing fees, UBS receives other compensation from certain distributors or advisors of mutual funds that we sell. These separate compensation amounts (commonly referred to as revenue sharing) may be a negotiated flat fee or may be based on two components:

- The amount of sales by UBS of a particular mutual fund family to our clients (excluding sales through wrap-fee programs)
- The asset value of a particular mutual fund family's shares held by our clients at UBS in eligible programs.

We require that these payments be made directly from the distributor or advisor, and not from the mutual funds or indirectly through mutual fund portfolio trading commissions. Revenue-sharing payments are intended to compensate us for assisting with the sales and distribution support and ancillary services related to sales of mutual fund shares. **Except as noted below, none of these amounts are rebated to you or paid to the Financial Advisor or his or her branch office.**

However, these amounts are allocated to the individual branch offices as "non-compensable revenue" (revenue that is not paid out to Financial Advisors or Branch Office Managers) but are considered as part of the overall profitability of the branch, and as one of several components used in determining Branch Office Manager compensation.

Many mutual funds companies pay revenue-sharing to us, including our affiliate, UBS Asset Management. UBS determines the level of access to our branches based on our own review and evaluation of mutual funds and fund families. There are multiple factors involved in determining a particular mutual fund's level of access to our branches. Although revenue sharing may be one factor, others include understanding of business goals, quality of sales personnel and marketing material, range of products, level of service to Financial Advisors and Branch Managers, participation of funds in researched investment models, and branch discretion.

In general, we charge each mutual fund family up to the following amounts:

- Up to 0.15% per year (paid quarterly) on all sales of mutual fund shares (excluding sales through wrap-fee programs)

- Up to 0.20% per year (paid quarterly) of the asset value of all equity mutual fund shares held at UBS
- Up to 0.20% per year (paid quarterly) of the asset value of all fixed-income mutual fund shares held at UBS (other than money market, institutional or offshore funds)
- Some mutual fund families may be subject to a minimum annual payment which, in some instances, may result in a fee that exceeds the percentages described above.
- Certain mutual fund companies may pay a flat-fee annually which may or may not exceed the rates listed above.

Generally, we receive revenue sharing compensation in connection with all mutual fund assets, including assets in Institutional and Advisory shares. This additional compensation we receive presents a conflict of interest and is an incentive to allow certain Institutional and/or Advisory share classes to be purchased in Investment Advisory Programs for which we receive higher compensation.

Except as noted below, and for the Multi-Select Securities Puerto Rico Fund and the U.S. Municipal & Income Fund, Inc., which do not pay revenue-sharing to us, this calculation includes shares of affiliated and non-affiliated funds in our wrap-fee programs, but does not include PACE Money Market investments or mutual fund assets held at other financial institutions. We may exclude certain mutual fund shares from the above calculations. And although we seek to apply a level, standard payment schedule for all of the mutual fund companies whose funds we sell, we recognize that mutual fund companies approach revenue sharing in a variety of ways, and that some mutual fund companies may decline to pay revenue sharing exactly at the levels listed above or at all, which may present a financial disincentive for us to promote the sale of those funds that do not pay us at the levels listed above.

Revenue-sharing payments present a conflict between our interests and those of our customers, because the payments give us a financial incentive to recommend that our customers buy and hold shares of those funds that we maintain on our distribution platform and for which we receive revenue-sharing payments. Although mutual funds from over 300 different mutual fund families are available through our distribution platform, this is only part of the universe of mutual funds that are available to our customers in the marketplace. Certain "no load" and "institutional" mutual fund shares may be purchased by our customers at a charge of \$75 per transaction, plus other customary sales charges in brokerage accounts. No portion of the transaction fees are paid to Financial Advisors.

**NextShares.** In July 2016, UBS entered into an agreement with NextShares Solutions, a wholly owned subsidiary of Eaton Vance Corp., to offer NextShares funds in 2017. NextShares are an exchange-traded product sharing some characteristics of both mutual funds and exchange-traded funds ("ETFs"). As part of the agreement to develop and launch the product at UBS, Eaton Vance is funding technology development, which is a revenue sharing payment from Eaton Vance to UBS. It is expected that, upon the launch of NextShares, UBS will enter into separate revenue sharing agreements with NextShares sponsors that would provide for asset-based revenue sharing payments, and that such payments would be in addition to the technology and development payment described above. These revenue-sharing payments are to be made by NextShares sponsors and not out of the funds' assets, and are not paid to the Financial Advisors or branch offices.



**Unit Investment Trusts.** UIT sponsors make additional payments to the firms that sell their UITs, including UBS. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm during the UIT's initial offering period. That percentage typically increases as higher sales volume levels are achieved. Detailed descriptions of the terms of these additional payment programs are provided in a UIT's prospectus. These payments are made by the UIT sponsor and not out of UIT assets. None of these amounts are paid to the Financial Advisor or his or her branch office.

#### **Multi-Select Securities Puerto Rico Fund and U.S.**

**Municipal & Income Fund, Inc.:** The seven portfolios of the Multi-Select Securities Puerto Rico Fund and the one portfolio of the U.S. Municipal & Income Fund, Inc. are available in certain Advisory Programs (non-retirement accounts) to residents of Puerto Rico. The Multi-Select Securities Puerto Rico Fund and the U.S. Municipal & Income Fund, Inc. are open-end funds registered under the Puerto Rico Investment Companies Act. The Funds pay trailers and 12b-1 fees at the rate of 0.25% of the fund's net assets per year. These fees are retained by the Firm and are not paid to Financial Advisors.

UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico Inc. invests a portion of each portfolio of the Multi-Select Securities Puerto Rico Fund (excluding the ETF portfolio) in accounts through the ACCESS Program. Detailed information about the fund and the portfolios, including the current annual rates of investment management fees and administrative fees paid to us or our affiliate are described in the applicable fund's prospectus, available at [www.ubs.com/prfunds](http://www.ubs.com/prfunds).

Our affiliate, UBS Trust Company of Puerto Rico Inc., receives fees for providing investment management, administration and shareholder servicing to the Multi-Select Securities Puerto Rico Fund, the U.S. Municipal & Income Fund, Inc. and other funds that may be available to Puerto Rico residents in the Advisory Programs in the future.

#### **Affiliated Money Market Funds Available as Sweep Vehicles in Advisory Accounts. Domestic Money Market Funds.**

Our affiliate, UBS Asset Management (Americas) Inc. ("UBS AM Americas"), is the advisor and/or administrator for the money market funds used as sweep vehicles in Program accounts. Another affiliate, UBS Asset Management (US) Inc. ("UBS AM – US"), serves as the principal underwriter for those funds. Under the terms of our agreements with UBS AM - US, we receive service 12b-1 or non 12b-1 fees paid by these funds (except UBS Liquid Assets Fund), as well as revenue sharing payments paid by UBS AM-Americas (or UBS AM-US) related to these funds. Service 12b-1 or non-12b-1 fees for these funds are paid at an annual rate of up to 0.15% of the fund's average daily net assets. Revenue sharing payments related to these funds are paid to us out of the legitimate profits or other resources of UBS AM-Americas and/or UBS AM-US and may be up to the annual rate of 0.37% of the fund's average daily net assets.

We also provide certain services pursuant to a delegation of authority from BNY Mellon Investment Servicing (US) Inc. ("BNY Mellon"), the transfer agent of the funds, for which we are compensated by BNY Mellon.

UBS AM – Americas and/or UBS AM – US may receive up to 0.25% annually for service fees in connection with money

market sweep funds. Revenue sharing payments related to these funds paid to us out of the legitimate profits or other resources of UBS AM – Americas and/or UBS AM-US may be up to the annual rate of 0.12% of the fund's average daily net assets.

Your Financial Advisor does not receive a portion of the service fees or either of the revenue sharing payments paid to us in connection with these money market funds.

UBS Bank Sweep Programs: We receive an annual fee of up to \$50 from the Bank for each UBS account that sweeps into deposit accounts at the Bank, to the extent permitted by law.

**UBS FDIC-Insured Deposit Program:** All Program Banks, except UBS Bank USA, will pay UBS a fee equal to a percentage of the average daily deposit balance in your Deposit Accounts at each Program Bank. The fee may vary from Program Bank to Program Bank, and may be as much as 2.5% annually on some of the Deposit Accounts. UBS Bank USA will pay UBS an annual fee of up to \$50 for each Securities Account that sweeps through the Program into Deposit Accounts at Bank USA.

#### **International accounts: International Deposit Account (IDA):**

UBS receives a fee in an amount equal, on an annualized basis, of up to 0.5% of funds deposited with UBS Cayman. UBS reserves the right to share this revenue with UBS NY, UBS Cayman earns revenue from cash swept into the IDA, which may be greater than the interest you receive on your cash. Please see the **International Deposit Account Sweep Program Disclosure Statement** given to you with the documentation for your program account.

**Sweep vehicle for Puerto Rico residents:** The Puerto Rico Short Term Investment Fund is available as a sweep option only for customers who hold accounts with UBS Financial Services Incorporated of Puerto Rico and who are Puerto Rico residents. UBS Asset Managers of Puerto Rico, a Division of UBS Trust Company of Puerto Rico Inc., serves as investment advisor to the fund and receives management fees of 0.500%. UBS Trust Company of Puerto Rico Inc. also acts as administrator, transfer agent and custodian to the fund and receives fees for those services, which are included in the fund's other expenses and estimated at 0.081% of the fund's average net assets. UBS Trust Company of Puerto Rico Inc. is an affiliate of UBS Financial Services Inc. In addition, distribution and/or service (12b-1) fees of 0.125% are deducted from the fund's assets and a portion may be paid to Financial Advisors in connection with their sale of fund shares<sup>6</sup>.

**Compensation for Data Analytics (Strategic Insights).** Our Strategic Insights program offers vendors whose products are offered on the UBS Financial Services platform the opportunity to enter into agreements with us pursuant to which, for a fee ranging from \$150,000 – \$300,000, we will provide analytics and data relating to Financial Advisors in order to help vendors streamline and tailor the way they do business with our Financial Advisors. The list of Financial Advisors is a complete list of all of our Financial Advisors including those that sell their products and those who do not.

Vendors that have this data have an advantage over others as they have a greater level of information and can tailor their

wholesaling efforts in our branches, which may result in increased sales of those products by our Financial Advisors. Financial Advisors do not receive a portion of these fees. Although opportunities for these strategic relationships are available to all vendors whose products are available on our platform, not all vendors participate in these relationships. Participation in this program is optional and is not a consideration when determining whether or not a vendor's products will be made available on the platform.

**Non-cash compensation:** We and our Financial Advisors, may receive non-cash compensation from mutual fund companies, investment managers, unit investment trust sponsors, annuity providers, insurance vendors and sponsors of products (including ETFs and NextShares) that we distribute. This compensation includes the following:

- Occasional gifts up to \$100 per vendor per year
- Occasional meals, tickets or other entertainment of reasonable and customary value
- Sponsorship support of educational or training events (which include educational events Financial Advisors arrange for clients and prospects) and seminars and/or payment of expenses related to training and education of Financial Advisors, which can (and often do) include a non-training element of the event
- Various forms of marketing support and, in certain limited circumstances the development of tools used by the Firm for training or record-keeping purposes.

The receipt of cash and non-cash compensation from sources other than clients, and the differences in which we compensate Financial Advisors for the products we offer, create an incentive for Financial Advisors to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the advisory programs and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

Non-cash compensation can vary by vendor and event.

As described in the section *Additional Sources of Compensation in Connection with Investments in Advisory Accounts*, UBS entered into an agreement with NextShares Solutions, a wholly owned subsidiary of Eaton Vance Corp., to offer NextShares in 2017. In addition to the revenue sharing payments described in that section, UBS will also receive non-cash compensation from Eaton Vance in the form of training and education support at a value of up to \$1,500,000.00 per year. The revenue sharing and non-cash compensation payments shall be made to UBS or to independent resources and consultants over no fewer than five years, and will be capped at \$9,750,000.00 combined.

**Other compensation:** In addition, our affiliates receive trading commissions and other compensation from mutual funds and insurance companies whose products we distribute.

UBS or our affiliates may engage in a variety of transactions with (or provide other services to) the investment managers, mutual funds, their affiliates or service providers with which you are doing business. We may, in turn, receive compensation from these entities. Those transactions and services that we or our affiliates provide may include:

- Executing transactions in securities or other instruments
- Broker-dealer services for our own account
- Research services
- Consulting services

- Performance evaluation services
- Investment banking services
- Banking or insurance services

#### 4. Margin and Lending

You may choose to engage in leverage strategies involving the assets in your eligible non-retirement, non-custodial accounts. Margin is generally not recommended or permitted in advisory accounts. However, we may from time to time, approve margin on an exception basis when requested by a client or for use in specialized strategies available in our advisory programs. You may also use certain managed account assets to collateralize margin lending in your brokerage account or non-purpose loans referred to as credit line loans below. Certain accounts in Strategic Advisor may use margin upon request.

You must meet certain eligibility requirements and complete loan documentation prior to using margin in your advisory account or applying for a UBS Credit Line Loan. Specifically, you will be required to execute a separate margin agreement with us or loan documents with UBS Bank USA or UBS Credit Corp.

**Margin.** Using margin in an Advisory Account or using the advisory assets as collateral for margin used in another account is a more aggressive, higher risk approach to pursuing your investment objectives. Before you decide to use margin in your managed account or to use such assets as collateral for margin, you must carefully consider:

- whether or not you can afford, and want, to assume the additional risks that losses in your account may be significantly greater than if you decide not to invest with borrowed funds (i.e., not to use leverage).
- that the use of leverage will increase your costs of investing, as well as your risks, and depending upon the return achieved through the use of margin, may make your investment objectives more difficult to realize.
- If we provide a margin loan to you, you will pay us interest on the outstanding loan balance. Since the wrap fee is calculated as a percentage of assets under management, the use of margin to purchase securities in a managed account generally will increase the amount of (but not the percentage of) the wrap fee that you pay to us. This will result in additional compensation to us, the Financial Advisor and your selected investment manager.

**The decision to use leverage in a managed account or use those assets as collateral rests with you and should only be made if you understand:**

- The risks of margin borrowing and the impact of the use of borrowed funds on a managed account
- How the use of margin may affect your ability to achieve investment objectives.
- **You may lose more than your original investment.**
- A positive or negative performance of a margined managed account, net of interest charges and other account fees, will be magnified by virtue of using borrowed money. As a result, gains or losses in a leveraged managed account will be greater than would be the case with an unleveraged managed account.
- **You may not benefit from using margin in an Advisory Account if the performance of your account does not exceed the interest expense being charged on the loan plus the additional**

**advisory account fees incurred by your account as a result of the deposit of the loan proceeds.**

**Credit Lines.** You also may apply to borrow money from our affiliates, UBS Bank USA or UBS Credit Corp., using an eligible securities account. These eligible securities accounts may include one or more of your advisory accounts, which may be used as collateral pursuant to the UBS Credit Line Program. The proceeds of this loan may not be used to purchase, trade or carry securities or to repay debt (a) used to purchase, trade or carry securities or (b) to any affiliate of UBS Bank USA. In order for an Advisory Account to be eligible to serve as collateral for a credit line loan the Advisory Account may not serve as collateral for any margin lending.

As a result, if you wish to collateralize a credit line loan with an Advisory Account, we will automatically discontinue the margin for that Account. Since your Advisory Account will be pledged to support any loans extended under the UBS Credit Line Program, you will not be permitted to withdraw any of the assets in the Account unless there is a sufficient amount of collateral otherwise supporting the loans (as determined by UBS Bank USA or UBS Credit Corp. in its sole discretion).

If you participate in the UBS Credit Line Program, you will pay interest to UBS Bank USA or UBS Credit Corp. in addition to any Advisory Account Program Fees charged. We and your Financial Advisor will receive additional compensation as a result of your participation in the UBS Credit Line Program.

**Defaults**

- **Margin Accounts:** Margin loans are full recourse, demand loans and clients with margin accounts may need to deposit additional cash or collateral or repay part or all of the margin loan if the value of the portfolio declines below the required loan-to-value ratio. We may demand repayment at any time. You are personally responsible for repaying the margin loan in full, regardless of the value of the collateral.
- **Credit Lines:** Likewise, Credit Line Loans extended under the UBS Credit Line Program are full recourse demand loans and are "margin loans" subject to collateral maintenance requirements. UBS Bank USA or UBS Credit Corp. may demand repayment at any time. If the required collateral value is not maintained, UBS Bank USA or UBS Credit Corp. can require you to post additional collateral (commonly referred to as a "margin call"), repay part or all of your loan and/or sell your securities. You are personally responsible for repaying the Credit Line in full, regardless of the value of the collateral.

Failure to promptly meet a request for additional collateral (a margin call) or repayment or other circumstances (e.g., a rapidly declining market) could cause us, in the case of margin loans, or our affiliate, in the case of credit lines, and in our discretion, to liquidate or instruct us to liquidate some or all of the collateral account or accounts to meet the margin loan or credit line requirements or to repay all or a portion of the outstanding margin or credit line obligations. Depending on market circumstances, the prices obtained for the securities may be less than favorable. Any required liquidations may result in adverse tax consequences. UBS, our affiliates and employees do not provide legal or tax advice. You should consult your legal and tax advisors regarding the legal and tax implications of margin borrowing and using securities as collateral for a loan.

**Neither UBS, our affiliates nor our Financial Advisors will act as investment adviser to you with respect to the**

**liquidation of securities held in an advisory account to meet a margin call or Credit Line loan demand. In addition, as creditors, we and our affiliates may have interests that are adverse to you. Additional limitations and availability may vary by state. Those liquidations will be executed in our capacity as broker- dealer and creditor and may, as permitted by law, result in executions on a principal basis in your Account.**

**Securities backed financing involves special risks (including, without limitation, being subject to a margin call if certain collateral value requirements are not met) and is not suitable for everyone. For further information, please see the UBS Financial Services Inc. Loan Disclosure Statement, which is available from your Financial Advisor.**

## **Item 12. Personal Trading**

The Investment Advisers Act of 1940 imposes a fiduciary duty on portfolio managers to always act in the best interests of clients and to put their clients' interests ahead of their own. With respect to trading in a Financial Advisor's own account or one over which he/she has control or a beneficial interest (a Control Account\*), there is a potential conflict of interest in situations where Financial Advisors buy or sell securities for their own accounts as well as the accounts of their clients.

To ensure that both the PMP Portfolio Managers and UBS Financial Services Inc. avoid any potential conflicts with respect to personal trading, we have a Personal Trading Policy for Control Accounts. Generally, when a security is bought or sold in a PMP account, that security may not be bought or sold in the PMP Financial Advisor's Control Account(s) during a defined timeframe.

The Personal Trading Policy applies to trades in an advisor's Control Account unless the Control Account participates in PMP and is traded in a block transaction receiving an average price along with other PMP client accounts.

All members of UBS Investment Management are Covered Employees and adhere to the Firm's Confidential Information Policy. With regards to personal trades, members of the UBS Investment Management team must pre-clear certain trades and are not permitted to buy or sell the same securities that are traded in the Managed Portfolio Program (equities, mutual funds or ETFs) during a defined timeframe. Annual training is conducted on the Confidential Information Policy for all Covered Employees, which includes, among other topics, the pre-clearance requirements specific to UBS Investment Management members.

## **Item 13. Review of Accounts**

We have various policies and procedures applicable to the review and supervision of client accounts in our investment advisory programs. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, and where applicable, ERISA and other applicable rules and regulations.

There are general policies applicable to all advisory accounts as well as individually tailored guidelines for each of the wrap fee programs described in this brochure. Because the Programs offer different services and have different features, the guidelines for supervision vary by Program.

Accounts are reviewed periodically (usually, quarterly), although certain guidelines for specific Programs are reviewed daily (for

example, principal trades and trading errors). Items generally reviewed include, but are not limited to the following (as applicable given program features and services):

- consistency of the client's investment profile with their selection of SMA Managers in ACCESS, asset allocation plans in PACE, SWP and Strategic Advisor, and investment strategies managed by our Portfolio Managers in PMP and the Managed Portfolio Program;
- levels of security and cash concentration;
- compliance with principal trade restrictions where those trades are not permitted;
- levels of unsolicited trading in Strategic Advisor;
- trading activity in the PMP program, and effective on or about November 2018, trading guidelines for PACE, Strategic Advisor and SWP;
- Review of researched SMA Managers.

Although most guidelines are applied on an account by account basis, starting on or about November 2018, we will apply certain guidelines including but not limited to concentration, account trading activity and minimum number of positions across multiple accounts held by the same clients in either the same program or across programs depending on the specific guideline and program. Unless you are paying a levelized advisory fee for all assets in your relationship, it is possible that the trading or concentration levels of accounts with lower fees will benefit those in which you are paying higher fees or vice versa.

In addition, Financial Advisors are required to conduct an internal annual review of Accounts enrolled in Advisory Programs. Reviews are conducted on a household basis. Failure to conduct the internal annual review of such Accounts after a pre-determined period of time may result in termination from the advisory programs or other consequences.

Branch Office Managers are responsible for the supervision and review of these accounts, while home office Program Managers are responsible for enforcing the various program guidelines. Reports are generated either by the Program Management team or automatically through our systems, and provided to Financial Advisors and Branch Office Managers for follow-up. These reports are for internal use and are not provided to clients. If the report item is not remedied within a pre-determined period of time, the accounts may be terminated from the Programs or other action taken to bring the account back into compliance with Program guidelines or document an exception to the guidelines.

Clients in the advisory programs receive monthly account statements and quarterly performance reports (unless suppressed at the client's request) for their accounts. Clients in the Strategic Advisor program receive an annual review of their account which identifies shifts in the asset allocation.

## Item 14. Client Referrals and Other Compensation

Arrangements with Affiliates: We have referral agreements with our affiliates that outline:

- how we refer clients to them
- how they refer clients to us
- how we act as solicitor for their advisory services and/or wrap fee programs
- how we refer clients to them for services other than advisory services.

In certain cases, the advisory and consulting services available in our Programs may be provided by Financial Advisors registered with companies affiliated with us through a solicitation agreement with us or we may serve as a clearing broker for those affiliated entities.

Under those agreements, we share fees with or receive fees from our affiliates for the referral or solicitation of clients or for services provided to clients. These payments may vary, depending on the type of agreement, product or the nature and extent of the services provided, and may continue as long as the client account is maintained with UBS or our affiliate or for an agreed upon period. Arrangements may also be based on a percentage of revenue received.

Third Party Arrangements: We also have a referral program that allows UBS to enter into solicitation arrangements with third parties that we compensate for referring or soliciting clients to participate in our Advisory or trust services programs. The compensation Solicitors receive includes a portion of the advisory fees we receive from referred clients.

We also have solicitation arrangements under which either we and/or our Financial Advisor may receive compensation for referring clients to a third party who will provide investment advisory or other services to the client. The compensation we receive is usually a portion of the advisory fee the third party receives from its clients. In certain circumstances we may also receive commission revenue for transactions those third parties execute through our firm. It is our practice to disclose to the client being referred the terms of the arrangement, including the maximum compensation payable to us and/or our Financial Advisors or a third party, as the case may be.

We and our affiliates also have arrangements with some third party investment managers under which we and/or certain of our Financial Advisors provide research (within the meaning of Section 28(e) of the Securities Exchange Act of 1934), and in return, the investment manager places brokerage transactions with us for execution, subject to best execution practices and requirements.

The research services provided generally may be in the form of written reports or telephone contacts or personal meetings with security analysts, economists, or meetings hosted by our Financial Advisors with corporate or industry spokespersons. UBS or our Financial Advisors also may recommend or refer clients to third-party investment managers that place brokerage transactions with us.

The differences in the form or amount of compensation paid to us by different investment managers for client referrals or research products create a conflict between our interests and the interests of the clients referred because of the incentive to make referrals to those investment managers that offer us greater compensation than others.

**Referral arrangements for financing business.** We have certain agreements whereby we refer our customers to certain lenders, on a non-exclusive basis, for specific financing opportunities not available at UBS or its affiliates. These lenders may be able to assist clients in securing financing for specialized borrowing needs.

It is our practice to disclose to the client being referred the roles of UBS and the lender in connection with such referral and that we receive a referral fee from the lender. Upon the successful completion of a transaction, the lender will pay us a referral fee, which will vary depending upon the lender and/or the amount of the financing. A portion of the fee we receive is paid

to the Financial Advisor.

**Referral for Insurance Business.** UBS offers a referral program for property and casualty insurance, certain life insurance products and products for certain international clients. A Financial Advisor may refer a client to a third party general agency ("General Agency") who sells the insurance policy directly to the client. The General Agency then pays UBS a portion of the commission they receive from the insurance company that issues the policy ("Referral Fee"). UBS Financial Advisors receive a portion of the Referral Fee paid by the General Agency.

## **Item 15. Financial Information**

UBS Financial Services, Inc. is a qualified custodian (as defined in SEC Rule 206(4)-2). As a result, we have not included the balance sheet required under the "Financial Information" of this Form ADV.

- As of the date of this Brochure, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitment to our clients.
- Our Firm has not been the subject of a bankruptcy petition at any time during the last ten years.

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UBS Financial Services Inc. [ubs.com/fs](https://ubs.com/fs) 110106-2700-134



## EXHIBIT A – SUMMARY OF MATERIAL CHANGES

### UBS Financial Services Inc.

1000 Harbor Boulevard  
Weehawken, NJ 07086  
(201)352-3000  
<http://financialservicesinc.ubs.com>

SEC File Number 801-7163

March 29, 2018

### Summary of Material Changes to Form ADV Disclosure Brochure

#### Discretionary Programs

- UBS Managed Portfolio Program
- Portfolio Management Program (PMP)
- UBS Advice Portfolio Program

#### Separately Managed Accounts Programs

- ACCESS<sup>SM</sup>
- Managed Accounts Consulting (MAC)

#### Unified Managed Accounts Program

- UBS Strategic Wealth Portfolio (SWP)

#### Non-Discretionary Advisory Programs

- UBS Strategic Advisor
- Personalized Asset Consulting and Evaluation (“PACE”)
- PACE Multi Advisor Program
- PACE Select Advisors Trust

#### Portfolio Advisory Program

- UBS Consolidated Advisory Program (UBS-CAP)

**This Summary of Material Changes applies to the Form ADV Disclosure Brochure for the wrap fee programs listed above.**

**If you have any questions about the content of this brochure, please contact us at 888-526-7454. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about UBS Financial Services Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that registration as an investment adviser does not imply a certain level of skill or training.**

**You may obtain a copy of our updated Form ADV Disclosure Brochure by contacting us at the number listed above to make your request. The Brochure is available to you free of charge. You may also access the document at our website:**

**<http://www.ubs.com/us/en/wealth/misc/AccountDisclosures.html>**

**Please retain this document for future reference as it contains important information regarding our Wrap Fee Programs.**

## **Item 2. Material Changes**

This section describes the material changes to our Wrap Fee Programs Form ADV Disclosure Brochure since the amendment of our Form ADV on June 9, 2018.

## **Item 2. Material Changes**

This section describes the material changes to our Wrap Fee Programs Form ADV Disclosure Brochure since the amendment of our Form ADV on June 30, 2017.

### **Item 4 (Services, Fees and Compensations), Section E(3) (UBS Strategic Wealth Portfolio SWP)**

We are working on enhancements to the SWP Program to (1) remove the requirement that at least one subaccount be a separately managed account; (2) modify or remove restrictions on the number of sub-accounts, (3) modify account opening minimums for certain account types. The enhancements are expected to be launched during the Q2 or Q3 2018. Accounts that invest in this manner will be serviced on a fully non-discretionary basis with the client retaining all investment decisions over the assets invested in those Accounts.

### **Item 4 (Services, Fees and Compensation), Section B (Advisory Programs; Fee Schedules)**

The maximum UBS Investment Advisory Fee for the UBS Advice Advantage Program has been reduced to 0.75% for clients (0.50% for employees).

### **Item 5 (Account Requirements and Types of Clients), Section 4 – Performance Reporting for Your Account**

We are currently reviewing our performance reporting services in terms of content and frequency. We expect to change the frequency of the performance reporting services we provide to you from quarterly to annually. We will notify you in advance of the effective date of this change. However, you may, at your discretion, request quarterly or more frequent performance reports by contacting your Financial Advisor. Your Program Fees will not be reduced or offset by the changes in the performance reporting frequency.

### **Item 6 (Portfolio Management Selection and Evaluation), Section (C)(6) Advisory Business; Voting of Client Securities (Proxy Voting)**

This section has been updated to describe the proxy voting services available to you in our Discretionary Programs. Effective April 23, 2018, UBS no longer accepts proxy voting discretion in any of our Advisory Programs.

For assets invested in Discretionary Programs, you may delegate proxy voting authority to Institutional Shareholder Services Inc. ("ISS"), a proxy voting service we have engaged and made available to you. You may not delegate proxy voting authority to UBS or any of its employees. Neither your Financial Advisor nor UBS will exercise voting discretion or have input regarding voting decisions made on your behalf for the securities held in our Programs or assets you hold at UBS or at other financial institutions. We will not vote or provide any advice about the voting of proxies solicited by, or with respect to, legal proceedings, including bankruptcies and class actions, relating to securities in those Accounts, or their issuers, except to the extent required by law.

For Discretionary Programs, if you designate ISS or another Proxy Voting Agent, the Proxy Voting Agent will serve as your agent and attorney-in-fact to receive and vote all proxy and will be responsible for voting on matters requiring a proxy vote for the securities held in your Account in accordance with its proxy voting guidelines or other proxy voting guidelines to which you and your Proxy Voting Agent agree. ISS will vote proxies in your Discretionary Accounts based on its Benchmark U.S. Voting Guidelines.

A summary of ISS' Proxy Voting Guidelines, ISS' Form ADV Part 2A and the complete Proxy Voting Guidelines Benchmark Policy Recommendations are available at [ubs.com/accountdisclosures](https://ubs.com/accountdisclosures).

UBS will pay ISS fees and expenses related to proxy services, but not those of any separate Proxy Voting Agent you engage. UBS reserves the right, at our discretion and in accordance with this Agreement, to designate a different independent Proxy Voting Agent to act as your agent and attorney-in-fact to vote proxies for your Account and to pay for such proxy service related fees and expenses.

ISS will not vote in the following circumstances: (a) the securities are no longer held in your Account; or (b) the proxy or other relevant materials are not received in sufficient time to allow an appropriate analysis by the proxy service provider or to allow a vote to be cast by the voting deadline. In addition, ISS generally does not make



recommendations, and will not vote proxies in respect to bankruptcies and class actions, limited partnership or bond issues, preferred stock, and certain foreign securities, if voting may cause the sale of the security to be prohibited under foreign law for a period of time, usually the time between the record and meeting dates ("share blocking"). Also, ISS will not vote or advise you on other corporate actions, like tender offers, which do not require a proxy or are not solicited via a proxy. Those materials will be forwarded to you. Neither we nor your UBS Portfolio Manager will be authorized to respond to such correspondence or advise you on actions you should take.

**Item 11 (Investment Adviser Code of Ethics, Participation or Interest in Client Transactions and Personal Trading), Section (B)(1) Principal Transactions and Agency Cross Trades**

This section has been updated to clarify that principal transactions are no longer permitted in the Managed Accounts Consulting Program.

**Item 13. Review of Accounts**

This section has been updated to describe the application of certain program guidelines at the client level and/or across program accounts.

Although most guidelines are applied on an account by account basis, starting on or about November 2018, we will apply certain guidelines including but not limited to concentration, account trading activity and minimum number of positions across certain multiple held by the same clients in either the same program or across programs depending on the specific guideline and program. You understand and agree that, unless you are paying a levelized advisory fee for all assets in your relationship, it is possible that the trading or concentration levels of accounts with lower fees will benefit those in which you are paying higher fees or vice versa.

## Amendment to your Investment Advisory Relationship Agreement

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The Advisory Relationship Agreement you executed in connection with your UBS investment advisory accounts permits us to amend the agreement on notice to you. Except as amended below, all other terms and conditions of the Agreement continue to be in full force and effect.

**Section G. Transactions in Your Accounts** of your Advisory Relationship Agreement is amended to add the following paragraph:

### **Application of Program Guidelines**

Although most guidelines are applied on an account by account basis, starting on or about November 2018, we will apply certain guidelines including but not limited to concentration, account trading activity and minimum number of positions across certain multiple held by the same clients in either the same program or across programs depending on the specific guideline and program. You understand and agree that, unless you are paying a levelized advisory fee for all assets in your relationship, it is possible that the trading or concentration levels of accounts with lower fees will benefit those in which you are paying higher fees or vice versa.

**Section P. Proxy Voting, Corporate Actions, Class Actions and Other Related Events** of your Advisory Relationship Agreement is amended to read as follows.

For Discretionary Programs, you have the option to elect to vote your own proxies or designate a Proxy Voting Agent. If you designate a Proxy Voting Agent, the Proxy Voting Agent will be responsible for voting on matters requiring a proxy vote for the securities held in your Account in accordance with its proxy voting guidelines or other proxy voting guidelines to which you and your Proxy Voting Agent agree. Unless you elect otherwise, Institutional Shareholder Services Inc. ("ISS") serves as your agent and attorney-in-fact to receive and vote all proxy and related materials for securities held in your Discretionary Program Accounts on your behalf. Copies of ISS's proxy voting policies and procedures are available to you upon request.

UBS will pay ISS fees and expenses related to proxy services, but not those of any separate Proxy Voting Agent you engage. UBS reserves the right, at our discretion and in accordance with this Agreement, to designate a different independent Proxy Voting Agent to act as your agent and attorney-in-fact to vote proxies for your Account and to pay for such proxy service related fees and expenses.

ISS will not vote in the following circumstances: (a) the securities are no longer held in your Account; or (b) the proxy or other relevant materials are not received in sufficient time to allow an appropriate analysis by the proxy service provider or to allow a vote to be cast by the voting deadline. In addition, ISS generally does not make recommendations, and will not vote proxies in respect to bankruptcies and class actions, limited partnership or bond issues, preferred stock, and certain foreign securities, if voting may cause the sale of the security to be prohibited under foreign law for a period of time, usually the time between the record and meeting dates ("share blocking"). Also, ISS will not vote or advise you on other corporate actions, like tender offers, which do not require a proxy or are not solicited via a proxy. Those materials will be forwarded to you. Neither we nor your UBS Portfolio Manager will be authorized to respond to such correspondence or advice you on actions you should take.

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