

UBS Alpha Catalysts

Combining our Styles with a catalyst overlay

Our UBS Alpha Catalyst Screen takes our 5 style screens and combines them to produce an overall score out of the largest 150 constituents of the ASX200. We then take the overall score and keep the top and bottom quintiles, sector neutralised using our custom sectors.

Custom Sectors

We have sector neutralised our screens using our custom sectors that represents the way we view the Australian market. Our sectors are Energy, Metals & Mining, Gold, Banks, REITS, Other Financials, Cyclical and Defensives.

Fundamental Growth

The Fundamental Growth screen is comprised of our Financial Statement Growth model combined with a Momentum (Price and Earnings) composite. Stocks with a UBS Sell rating are removed, as are stocks identified by a variant of the "Bear Ideas" screen [Click here for Investing in Growth](#)

Quality Value

The Quality Value screen is comprised of our Financial Statement Quality model overlaid with Intrinsic Value. Stocks with a UBS Sell rating are removed, as are stocks identified by a variant of the "Bear Ideas" screen. [Click here for Investing in Value](#)

Sustainable Income

The Sustainable screen comprises of our Financial Statement Income model overlaid with gross yield. Stocks with a UBS Sell rating are removed, as are stocks identified by a variant of the "Bear Ideas" screen. [Click here for Focus on Dividend Growth](#)

Bear Ideas

This screen allows the user to identify companies that are expected to underperform on the basis of four factors: deteriorating fundamentals, default likelihood, market confidence and market signalling. Deteriorating fundamentals is measured by our Delta Quality model. The likelihood of a company defaulting is measured using the 1974 KMV Merton model. Market confidence is measured by Volatility. Market signalling is measured by Momentum. The Bear Ideas score is computed by equally weighting the percentile of each factor. [Click here for the note explaining Bear Ideas](#)

Machine Learning

This stock selection model is based on a modern machine learning technique known as random forests. This technique has gained popularity due to its simplicity, its cutting-edge performance, and its resistance to overfitting. [Stock selection using Machine Learning](#)

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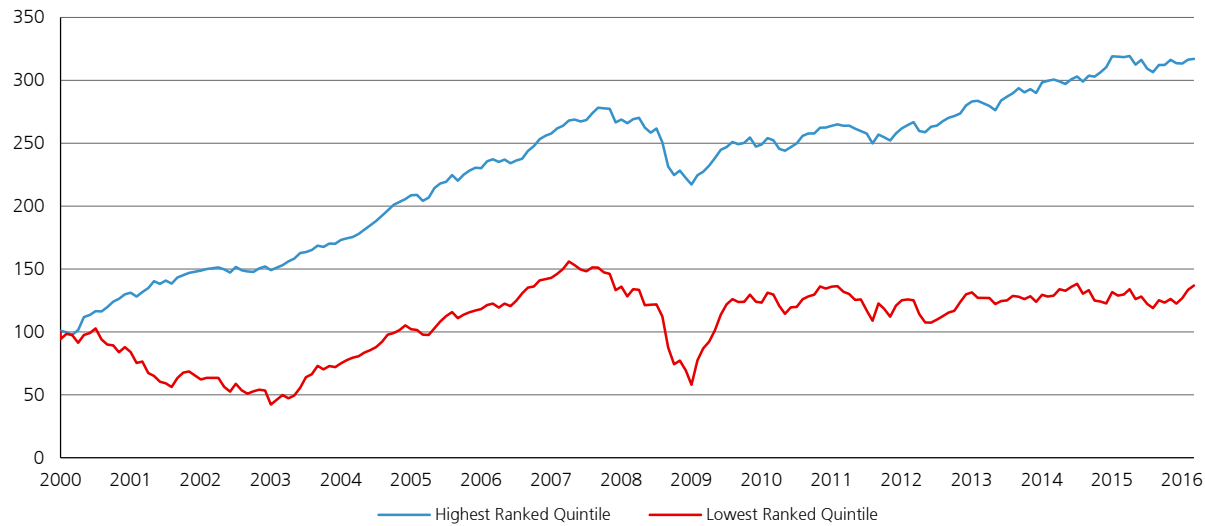
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Quant Alpha Catalysts

Figure 1: Absolute Performance Top and Bottom Quintiles



Source: UBS Quantitative Database

Figure 2: Top 10 Ideas with Catalysts

ASX	Company Name	Sector	Overall	Catalyst Date	Catalyst
WBC	Westpac Banking Corporation	Banks	1	None	None
ABC	Adelaide Brighton Ltd	Cyclical	1	None	None
BXB	Brambles Limited	Cyclical	5	7/09/2016	Ex-Dividend Date (DRP neutralised)
FPH	Fisher & Paykel Healthcare Corporation Limited	Defensives	1	None	None
WES	Wesfarmers Limited	Defensives	3	None	None
CTX	Caltex Australia Limited	Energy	1	7/09/2016	Ex-Dividend Date (DRP inactive)
NST	Northern Star Resources Ltd	Gold	2	None	Ex-Dividend Date (DRP inactive)
BSL	Bluescope Steel Limited	Metals and Mining	1	9/09/2016	Ex-Dividend Date (DRP active)
ASX	ASX Limited	Other Financials	1	8/09/2016	Ex-Dividend Date (DRP active)
DXS	Dexus Property Group	REITs	1	None	None

Source: UBS Quantitative Database

Figure 3: Bottom 10 Ideas with Catalysts

ASX	Company Name	Sector	Overall	Catalyst Date	Catalyst
NAB	National Australia Bank Limited	Banks	6	None	None
ORI	Orica Limited	Cyclical	58	None	None
ALQ	ALS Ltd.	Cyclical	57	None	None
APA	APA Group	Defensives	31	16/09/2016	DRP allotment date
MTS	Metcash Limited	Defensives	32	None	None
WOR	Worleyparsons Limited	Energy	7	None	None
NCM	Newcrest Mining Limited	Gold	6	21/09/2016	Ex-dividend date (DRP active)
IGO	Independence Group NL	Metals and Mining	9	28/09/2015	Ex-dividend date (DRP inactive)
IAG	Insurance Australia Group Limited	Other Financials	15	6/09/2016	Ex-dividend date (DRP active)
CQR	Charter Hall Retail REIT	REITs	15	None	None

Highest Ranked Quintile Constituents

Figure 4: Company Rankings

ASX	Company Name	Sector	Fundamental Growth	Quality IV	Sustainable Income	Bear Ideas	Machine Learning	Overall	Rating	Price Target	Price	Market Cap (m)
WBC	Westpac Banking Corporation	Banks	1	2	2	6	3	1	Buy	\$34.00	\$29.46	\$98,578
BOQ	Bank of Queensland Limited	Banks	3	5	1	5	5	2	Neutral	\$10.50	\$10.55	\$4,020
ABC	Adelaide Brighton Ltd	Cyclical	13	11	1	34	31	1			\$5.25	\$3,411
JBH	JB Hi-Fi Limited	Cyclical	2	24	2	33	39	2	Neutral	\$28.60	\$29.69	\$2,946
FBU	Fletcher Building Limited	Cyclical	5	9	20	35	44	3			\$10.15	\$7,029
CSR	CSR Limited	Cyclical	10	13	5	16	3	4			\$3.45	\$1,744
BXB	Brambles Limited	Cyclical	6	17	16	32	42	5	Neutral	\$13.60	\$12.32	\$19,541
BLD	Boral Limited	Cyclical	18	8	12	26	13	6			\$6.61	\$4,915
NVT	Navitas Limited	Cyclical	7	22	14	29	40	7	Neutral	\$5.65	\$5.20	\$1,932
SKC	SKYCITY Entertainment Group Limited	Cyclical	11	14	17	25	34	8			\$4.83	\$3,173
MIN	Mineral Resources Limited	Cyclical	1	15	32	22	2	9			\$11.34	\$2,119
SUL	Super Retail Group Limited	Cyclical	8	16	6	51	49	10	Buy	\$11.00	\$11.00	\$2,169
ALL	Aristocrat Leisure Limited	Cyclical	3	25	24	56	52	11	Buy	\$16.36	\$15.10	\$9,621
HVN	Harvey Norman Holdings Ltd	Cyclical	25	7	11	52	5	12	Buy	\$5.70	\$5.38	\$5,986
FPH	Fisher & Paykel Healthcare Corporation	Defensives	4	5	9	24	27	1			\$9.29	\$5,253
RMD	Resmed Inc	Defensives	3	4	15	32	9	2			\$8.97	\$12,621
CCL	Coca-Cola Amatil Limited	Defensives	9	3	4	15	5	3	Neutral	\$7.90	\$9.78	\$7,468
WES	Wesfarmers Limited	Defensives	19	2	2	23	16	4	Neutral	\$43.00	\$42.44	\$47,793
TLS	Telstra Corporation Limited	Defensives	20	1	3	16	3	5	Neutral	\$5.30	\$5.26	\$64,307
AST	AusNet Services Limited	Defensives	12	17	1	19	6	6			\$1.72	\$6,133
DUE	DUET Group	Defensives	11	19	5	21	4	7			\$2.63	\$6,399
CTX	Caltex Australia Limited	Energy	5	1	1	6	7	1	Neutral	\$33.90	\$33.95	\$8,855
WPL	Woodside Petroleum Ltd	Energy	2	2	3	7	2	2	Buy	\$30.00	\$28.63	\$24,119
SAR	Saracen Mineral Holdings Limited	Gold	1	1	2	4	5	1			\$1.32	\$1,064
NST	Northern Star Resources Ltd	Gold	3	3	1	2	4	2			\$4.05	\$2,432
BSL	Bluescope Steel Limited	Metals and Mining	1	4	1	5	9	1	Neutral	\$9.55	\$8.69	\$4,966
FMG	Fortescue Metals Group Ltd	Metals and Mining	2	5	5	3	3	2	Neutral	\$5.00	\$4.90	\$15,258
ASX	ASX Limited	Other Financials	1	1	3	11	3	1	Neutral	\$40.80	\$51.15	\$9,902
MFG	Magellan Financial Group Ltd	Other Financials	6	6	4	12	13	2			\$23.62	\$3,817
SDF	Steadfast Group Limited	Other Financials	2	7	7	10	5	3			\$2.20	\$1,649
DXS	Dexus Property Group	REITs	2	2	2	11	3	1	Neutral	\$9.35	\$9.72	\$9,408
IOF	Investa Office Fund	REITs	3	1	4	9	1	2	Neutral	\$4.42	\$4.56	\$2,800
CHC	Charter Hall Group	REITs	1	10	3	13	12	3	Neutral	\$5.00	\$5.85	\$2,414

Figure 5: Absolute Performance

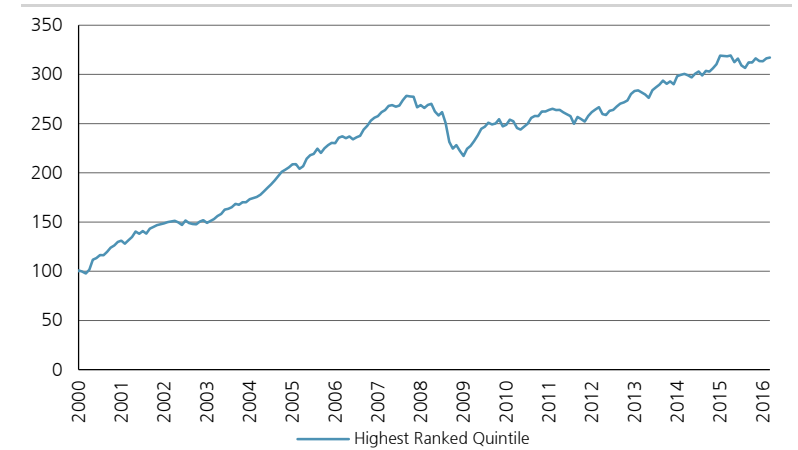


Figure 6: Performance Metrics

	Highest Ranked
Annualised Return	13.6%
Volatility	13.6%
Information Ratio	1.00

Source: UBS Quantitative Database

Lowest Ranked Quintile Constituents

Figure 7: Company Rankings

ASX	Company Name	Sector	Fundamental Growth	Quality IV	Sustainable Income	Bear Ideas	Machine Learning	Overall	Rating	Price Target	Price	Market Cap (m)
NAB	National Australia Bank Limited	Banks	6	6	5	1	7	6	Neutral	\$27.50	\$27.34	\$72,639
AAD	Ardent Leisure Group	Cyclical	45	35	47	5	33	48	Neutral	\$3.05	\$2.53	\$1,174
GEM	G8 Education Limited	Cyclical	47	40	35	45	56	49	Buy	\$3.75	\$3.09	\$1,173
CWN	Crown Resorts Limited	Cyclical	48	34	45	4	46	50	Neutral	\$13.10	\$13.13	\$9,564
IPL	Incitec Pivot Limited	Cyclical	50	49	39	3	22	51	Neutral	\$2.95	\$2.85	\$4,808
REA	REA Group Ltd	Cyclical	54	30	53	42	36	52	Sell	\$52.00	\$58.61	\$7,720
AHG	Automotive Holdings Group Limited	Cyclical	52	51	46	43	17	53	Buy	\$5.24	\$4.69	\$1,531
SPO	Spotless Group Holdings Ltd	Cyclical	51	53	36	1	51	54			\$1.06	\$1,159
PGH	Pact Group Holdings Ltd.	Cyclical	31	55	51	17	48	55	Sell	\$5.60	\$6.15	\$1,825
LLC	Lendlease Group	Cyclical	53	52	48	44	15	56	Buy	\$15.80	\$13.82	\$8,048
ALQ	ALS Ltd.	Cyclical	49	50	50	2	21	57			\$5.40	\$2,723
ORI	Orica Limited	Cyclical	55	54	55	6	58	58	Sell	\$12.00	\$14.76	\$5,534
GNC	Graincorp Limited Class A	Defensives	30	14	29	1	2	27	Neutral	\$8.60	\$8.22	\$1,881
QUB	Qube Holdings Ltd.	Defensives	28	21	27	5	10	28	Neutral	\$2.40	\$2.54	\$3,675
BKL	Blackmores Limited	Defensives	18	29	22	2	32	29			\$123.38	\$2,125
WOW	Woolworths Ltd	Defensives	32	10	30	9	17	30	Sell	\$19.30	\$23.71	\$30,319
APA	APA Group	Defensives	29	28	28	6	22	31			\$9.24	\$10,296
MTS	Metcash Limited	Defensives	17	31	32	4	18	32	Sell	\$1.50	\$2.19	\$2,121
WOR	Worleyparsons Limited	Energy	4	6	7	1	4	7			\$8.16	\$2,004
NCM	Newcrest Mining Limited	Gold	6	6	6	3	2	6	Sell	\$12.31	\$22.19	\$17,009
IGO	Independence Group NL	Metals and Mining	9	8	9	1	4	9	Neutral	\$4.19	\$3.67	\$2,153
S32	South32 Ltd.	Metals and Mining	10	10	8	7	1	10	Buy	\$2.25	\$1.92	\$10,222
AMP	AMP Limited	Other Financials	12	14	12	2	9	13	Neutral	\$5.25	\$5.26	\$15,558
QBE	QBE Insurance Group Limited	Other Financials	13	12	13	13	14	14	Buy	\$11.50	\$9.92	\$13,603
IAG	Insurance Australia Group Limited	Other Financials	14	13	15	1	11	15	Neutral	\$5.40	\$5.56	\$13,518
SCP	Shopping Centres Australasia	REITs	13	13	11	2	8	13	Neutral	\$2.18	\$2.31	\$1,696
VCX	Vicinity Centres	REITs	12	12	12	1	13	14	Neutral	\$3.34	\$3.31	\$13,103
CQR	Charter Hall Retail REIT	REITs	14	14	14	3	11	15	Sell	\$4.37	\$4.28	\$1,730

Figure 8: Absolute Performance

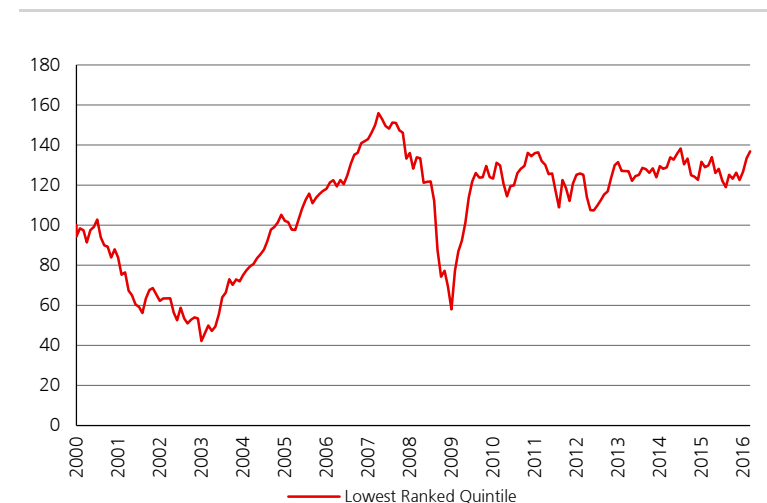


Figure 9: Performance Metrics

	Lowest Ranked
Annualised Return	2.8%
Volatility	19.0%
Information Ratio	0.15

Source: UBS Quantitative Database

Valuation Method and Risk Statement

Our quantitative models rely on reported financial statement information, consensus earnings forecasts and stock prices. Errors in these numbers are sometimes impossible to prevent (as when an item is misstated by a company). Also, the models employ historical data to estimate the efficacy of stock selection strategies and the relationships among strategies, which may change in the future. Additionally, unusual company-specific events could overwhelm the systematic influence of the strategies used to rank and score stocks.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	32%
Neutral	FSR is between -6% and 6% of the MRA.	38%	25%
Sell	FSR is > 6% below the MRA.	15%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2016.

1:Percentage of companies under coverage globally within the 12-month rating category.

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