Equity Preferences

30 August 2019

Chief Investment Office GWM

US

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This is a summary of CIO 's preferred equities among all sectors we currently cover. For more details about each company, please refer to the specific Equity Preferences document dedicated to each individual sector, available on the research portal at UBS Quotes. The list is not a template for the construction of your personal portfolio and you should discuss investment decisions with your client advisor.

This publication lists all securities selected by our US Equity Sector Strategy team. For US securities covered by analysts outside of the US, please refer to the Global Equity Preferences found in *List of lists - Europe*.

The sector views in this publication are only updated when an Equity Preferences list (EPL) is published. As such, this publication may not reflect the current sector views. Updates to the sector views can be found in the most recent version of the USA country EPL.

USA

Strategy: We are overweight US equities based on their superior earnings growth versus other regions. The US also has more tools to quell a potential macro slowdown. The Fed has more scope to stimulate the economy (reduce interest rates) than other central banks, and the federal government is more willing to increase budget deficits.

Our positioning within the sectors: While we believe the cycle remains intact, sluggish economic growth globally and renewed US-China trade tensions are risks to the outlook. We shift our sector strategy to a modestly defensive stance. We upgrade consumer staples to moderate overweight and real estate to neutral. We downgrade both energy and tech to moderate underweight. We maintain our moderate overweights to communication services and consumer discretionary, as well as a moderate underweight to industrials.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Air Products	Materials United States of America	US0091581068 903838	USD 224.44	232.47 148.44	Most Preferred adam.scheiner@ubs.com

The latest round of divestitures has now left the company in a favorable balance sheet position to acquire assets in its core industrial gas business. The successful use of the proceeds could add 15–20% to the earnings run rate. We view the shares as attractive as the stock valuation is just in line with the industry group despite this potential for accretive capital deployment.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Alphabet Inc	Communication Services United States of America	US02079K1079 29798545	USD 1,192.85	1,289.27 970.11	Most Preferred kevin.dennean@ubs.com

In the US information technology (IT) sector, we added Alphabet, the holding company for Google (GOOG). We believe trends for Alphabet are much more predictable and the company has ample room for continued growth given its scale and positioning. Lastly, we believe GOOG's valuation is attractive at current levels.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Amazon.com	Consumer Discretionary United States of America	US0231351067 645156	USD 1,786.40	2,050.50 1,307.00	Most Preferred robert.samuels@ubs.com

We believe the recent pullback in the stock provides us an opportunity for us to get more positive on the e-commerce bellwether. We are strong believers in the future growth of e-commerce and cloud computing and believe that Amazon will continue to increase its share of online sales.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
American Express	Financials United States of America	US0258161092 906153	USD 120.74	129.34 89.05	Most Preferred bradley.ball@ubs.com

Our Most Preferred outlook reflects more robust revenue growth following significant investments in products and technology over the past several years. Secular trends favor AXP's spend-based model as world-wide card and digital payments continue to expand. Also, given its lower credit risk profile, payments focus and global exposure, AXP is viewed more defensively than other card issuers – thereby commanding a premium valuation.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Ameriprise Financial	Financials United States of America	US03076C1062 2261863	USD 128.43	153.91 95.69	Most Preferred bradley.ball@ubs.com

Ameriprise is undergoing a transformation into a more concentrated wealth/asset manager which should help drive improved cash flow, more efficient capital deployment and higher overall returns.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Capital One Financial	Financials United States of America	US14040H1059 322351	USD 86.22	100.89 69.90	Most Preferred bradley.ball@ubs.com

We expect COF to generate credit card loan growth in-line with the industry over the near to intermediate term. While credit is normalizing at a gradual pace, we believe improving macroeconomic conditions, along with management's ongoing focus on operating efficiency and capital redeployment, should support stronger growth and profitability ahead.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
ConocoPhillips	Energy United States of America	US20825C1045 1330331	USD 52.29	80.24 50.13	Most Preferred nicole.decker@ubs.com

ConocoPhillips has made significant progress in improving its asset portfolio and reducing costs to boost returns and cash flow. We now see its dividend as sustainable at USD 50/bbl oil. Recent asset sales allow for share buybacks and meaningful debt reduction. Near-term upside for the shares is driven by ongoing operating momentum, strong cash flow, and improving balance sheet, in our view.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
DuPont de Nemours Inc	Materials United States of America	US26614N1028 47860922	USD 65.77	102.34 63.28	Most Preferred adam.scheiner@ubs.com

We view DuPont as Most Preferred as we see the recent spin-off from DowDuPont as a catalyst for management to create shareholder value. We would expect the valuation of DuPont to improve over time given the higher growth mix of its business relative to other chemical companies and potential further business restructuring.

EOG Resources	Energy United States of America	US26875P1012 1000194	USD 74.48	133.53 70.83	Most Preferred nicole.decker@ubs.com

UBS Research reinstated coverage on 6 March 2018. Therefore, we are adding it to the Equity Preference List, where it had been previously.

Exelon Corp.	Utilities United States of America	US30161N1019 1029733	USD 46.75	51.18 42.19	Most Preferred james.dobson@ubs.com

Exelon has a good and improving balance sheet, and management is focused on driving returns higher. The company has attractive growth as it shifts unregulated free cash flow to regulated capital investment in its utilities. The company benefits from legislation in Illinois to protect the operations of its nuclear plants, and benefits from free cash flow from its unregulated operations. All of this supports our Most Preferred view.

Intel Corp.	Information Technology United States of America	US4581401001 941595	USD 46.87	59.59 42.36	Most Preferred kevin.dennean@ubs.com

Stability in Intel's PC business should be complemented by growth in the Data Center Group, which provides processors used in traditional servers and for cloud-based computing. The company should also benefit from narrowing losses in its mobile business.

Kansas City Southern	Industrials United States of America	US4851703029 1096232	USD 124.59	126.47 90.55	Most Preferred adam.scheiner@ubs.com

We view KSU as Most Preferred list as we see their implementation of precision scheduled railroading (PSR) as improving overall service issues that have plagued the company and should lead to improved profitability. KSU's operating performance has recently lagged peers due to poor service conditions in addition to weaker volumes. We believe both of these issues could be resolved favorably in the near-term which should lead to outperformance.

Linde PLC	Materials United States of America	IE00BZ12WP82 37962490	EUR 170.30	184.80 130.75	Most Preferred adam.scheiner@ubs.com

We are favorable on the Praxair and Linde merger and expect to hear more regarding cost savings and integration synergies in the near term.

Lockheed Martin Corp.	Industrials United States of America	US5398301094 351011	USD 384.43	386.93 241.18	Most Preferred adam.scheiner@ubs.com

Lockheed is favorably exposed toward areas of increasing global demand within defense such as aeronautics, missile and missile defense. The company's F-35 program should drive earnings growth through the end of this decade. Annual FCF of over USD 6 billion gives the stock an attractive free cash flow yield, which is above peers.

McDonalds Corp.	Consumer Discretionary United States of America	US5801351017 950605	USD 220.54	221.93 156.56	Most Preferred robert.samuels@ubs.com

We believe that MCD will outperform the sector as the US business posts positive sales growth and management is taking an aggressive approach to revitalize the business.

Nextera Energy Inc.	Utilities United States of America	US65339F1012 11363205	USD 221.12	225.57 164.25	Most Preferred james.dobson@ubs.com

We believe NextEra Energy has outstanding growth opportunities with sustainable competitive advantages in renewable wind and solar energy project development. With upside surprises on earnings over the next few quarters likely in our opinion, we believe the stock is poised for positive relative performance in the near term.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Nike Inc.	Consumer Discretionary United States of America	US6541061031 957150	USD 85.38	90.00 66.53	Most Preferred robert.samuels@ubs.com

While Nike's North American business has come under pressure recently from store closings and a highly competitive environment for athletic apparel and footwear, international remains strong. We expect company specific drivers including a mix shift to direct-to-consumer, new product innovation, and cleaner inventory levels across retail will help improve Nike's sales in the US over the next 12 months.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Oracle Corporation	Information Technology United States of America	US68389X1054 959184	USD 52.16	60.50 42.40	Most Preferred kevin.dennean@ubs.com

Although Oracle is challenged on multiple fronts, we believe estimates have likely troughed and expect accelerating revenue growth in its cloud offering along with stability in its core database business. We believe valuation is extremely attractive relative to peers.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Salesforce.com	Information Technology United States of America	US79466L3024 1755645	USD 155.93	167.56 113.60	Most Preferred kevin.dennean@ubs.com

We expect Salesforce.com to continue to benefit from new customer additions, additional sales into existing customers of add-on products, and modest margin expansion as revenues grow faster than expenses. We expect further share gains as the company benefits from continued investments in its sales and R&D efforts. Additionally, the company has a proven track record of upselling additional products into the existing customer base.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Sempra Energy	Utilities United States of America	US8168511090 837438	USD 142.24	142.86 104.88	Most Preferred james.dobson@ubs.com

We have a Most Preferred view of Sempra Energy (SRE) after a recent settlement with activist investors insures the company will evaluate shareholder value enhancing transactions in 2019. Sempra's existing infrastructure expansion and strategy should lead to 10–11% annual earnings growth and 8–9% annual dividend growth. We believe there is upside to this growth potential.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Suncor Energy Inc.	Energy Canada	CA8672241079 10339747	USD 38.78	54.51 35.53	Most Preferred nicole.decker@ubs.com

We believe Suncor's production growth outlook, advantaged integrated operations, and relative resilience to lower oil prices make it a suitable core holding for long-term energy investors. Near-term, given our outlook for higher oil prices, along with strong operating momentum, we believe the risk-reward for Suncor shares is attractive.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
United Technologies Corp.	Industrials United States of America	US9130171096 980943	USD 129.51	144.40 100.48	Most Preferred adam.scheiner@ubs.com

After four years of little profit growth, we believe earnings growth for UTX should improve later this year accelerate into 2019. The upturn in air travel activity is accelerating growth in its aerospace service division and the company has improved market share in their climate and control business. Losses at the Pratt & Whitney aircraft engine unit should also peak in 2018 and improve next year.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Walt Disney Co/ The	Communication Services United States of America	US2546871060 984192	USD 137.84	147.15 100.35	Most Preferred robert.samuels@ubs.com

We believe Disney has the best product and content lineup in the media sector with numerous upcoming catalysts, including Star Wars and the opening of Disney Shanghai. We think cable cord cutting will be a slow bleed and manageable for the company.

US Communication services

Sector View: Neutral

Strategy: Our equity strategy team recommends a Neutral allocation to the sector. The leading internet platforms should continue to see strong growth as advertising continues to move online; however, regulatory risk is increasing. Telecom stocks may face headwinds from rising rates and a lack of dividend growth, offsetting more benign competitive environment. Within media, investors continue to be very bearish on the pace of cord-cutting, the migration to skinny bundles, and the shift in advertising dollars from TV to online.

Our positioning within the sector: Within the Communication Services sector, we are attracted to companies who can capitalize on the ongoing shift to mobile and digital advertising. In telecommunications, our preference reflect the benefit from the continued growth in data traffic, have the potential to improve operating performance, and also have potential to maintain/increase dividends. In media, we prefer to own large-cap companies that possess "must-have" content and live sports programming.

For recommendation changes, see *Recent CIO selection changes*.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Alphabet Inc	Communication Services United States of America	US02079K1079 29798545	USD 1,192.85	1,289.27 970.11	Most Preferred kevin.dennean@ubs.com

We expect Alphabet to continue to benefit from its dominance in search and from its continual efforts to increase search monetization. Against recent investor concerns, the company has shown an ability to successfully compete and grow in mobile. We also expect that the company will be successful in further monetizing YouTube.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Alphabet Inc. Class A	Communication Services United States of America	US02079K3059 29798540	USD 1,194.24	1,296.97 977.66	Most Preferred kevin.dennean@ubs.com

We expect Alphabet to continue to benefit from its dominance in search and from its continual efforts to increase search monetization. Against recent investor concerns, the company has shown an ability to successfully compete and grow in mobile. We also expect that the company will be successful in further monetizing YouTube.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
AT&T Inc.	Communication Services United States of America	US00206R1023 2342429	USD 35.15	35.50 26.80	Most Preferred kevin.dennean@ubs.com

AT&T is on our Most Preferred list due to: 1) our positive view on the company's diversification strategy; 2) expectations for continued cost synergies across its field operations and video content costs; and 3) an improvement in its dividend payout ratio (as measured by dividend per share/free cash flow per share) over time.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Walt Disney Co/ The	Communication Services United States of America	US2546871060 984192	USD 137.84	147.15 100.35	Most Preferred robert.samuels@ubs.com

We believe Disney has the best product and content lineup in the media sector with numerous upcoming catalysts, including Star Wars and the opening of new lands in California and Florida. We think cable cord-cutting will be a slow bleed and manageable for the company.

US Consumer Discretionary

Sector view: Moderate Overweight

Strategy: Our equity strategy team recommends a Moderate Overweight allocation to the sector as consumer fundamentals are solid. Average monthly job growth this year is 164,000, wages are rising and household balance sheets are the healthiest in nearly two decades. In addition, mortgage rates have fell below 3.9%, which should support housing activity, and the sector is a net beneficiary from the ongoing shift to online spending.

Our positioning within the sector: We are attracted to strong brands/content with pricing power and companies that are aligned to the needs of the millennial consumer given the outsized impact that this demographic will have on consumption trends for years to come. In addition, we look for companies with leading e-commerce and omni-channel capabilities and international exposure, particularly within the emerging markets.

Sector Benchmark: S&P US Consumer Discretionary Index

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Advance Auto Parts, Inc.	Consumer Discretionary United States of America	US00751Y1064 1331600	USD 138.07	186.15 130.09	Most Preferred robert.samuels@ubs.com

With a margin gap of roughly 1100 basis points to its competitors, we think there is significant room for earnings upside as profitability improves over the next several years.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Amazon.com	Consumer Discretionary United States of America	US0231351067 645156	USD 1,786.40	2,050.50 1,307.00	Most Preferred robert.samuels@ubs.com

We believe the recent pullback in the stock provides us an opportunity for us to get more positive on the e-commerce bellwether. We are strong believers in the future growth of e-commerce and cloud computing and believe that Amazon will continue to increase its share of online sales.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Lowe's Companies, Inc.	Consumer Discretionary United States of America	US5486611073 948564	USD 112.59	118.23 84.75	Most Preferred robert.samuels@ubs.com

New leadership is likely to reinvigorate the business and help close the performance gap with Home Depot. We believe valuation looks attractive.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
McDonalds Corp.	Consumer Discretionary United States of America	US5801351017 950605	USD 220.54	221.93 156.56	Most Preferred robert.samuels@ubs.com

We believe that MCD will outperform the sector as the US business posts positive sales growth and management is taking an aggressive approach to revitalize the business.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Nike Inc.	Consumer Discretionary United States of America	US6541061031 957150	USD 85.38	90.00 66.53	Most Preferred robert.samuels@ubs.com

Nike provides best-in-class exposure to the athletic business, which continues to be the best-performing apparel and footwear category. The company still has a long run ahead of it with respect to sales growth and margin opportunity, in our view.

US Energy

Sector view: Downgraded to Moderate Underweight from Neutral on 23 August

What has changed:

- Last week, CIO's US equity sector strategy team downgraded the energy sector to a Moderate Underweight from Neutral. Our investment strategy within the US energy equity sector is unchanged.
- The CIO global commodities team reduced our oil price projections to reflect slower global economic growth due primarily to trade war impact and rising recession risk (see page 3).

In this report:

- Energy investors have expressed a clear preference for capital discipline over rapid growth to oil and gas operators. We discuss the macro headwinds which have been weighing on oil prices. What are the potential implications of lower oil prices and a disciplined spending approach for energy investors and the US oil and gas industry? (see page 4)

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Baker Hughes-A Rg	Energy United States of America	US05722G1004 37302591	USD 21.88	34.48 20.09	Most Preferred nicole.decker@ubs.com

We continue to like Baker Hughes' unique business portfolio and its competitive positioning as the investment cycle in large scale international LNG projects ramps up, and in time, as offshore oil and gas investment recovers. We see the shares as attractively valued; and LNG order flow and deal-related cost synergies are supportive catalysts in the near term.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Chevron Corp.	Energy United States of America	US1667641005 1281709	USD 117.52	127.60 100.22	Most Preferred nicole.decker@ubs.com

Chevron's defensive qualities should help stabilize investor returns as volatility in oil prices continues. Two large liquefied natural gas projects have been completed, providing a boost to 2018 earnings. Chevron continues to prioritize its dividend. We believe the shares are attractively valued for the long-term investor.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
ConocoPhillips	Energy United States of America	US20825C1045 1330331	USD 52.29	80.24 50.13	Most Preferred nicole.decker@ubs.com

ConocoPhillips's strong asset portfolio and low operating costs have boosted its returns and cash flow. Its dividend and capital spending are sustainable at USD 50/bbl oil. We believe the risk-reward in ConocoPhillips shares is positive, and that outperformance will be supported by the company's consistent operational performance, robust free cash flow yield, and commitment to return cash to shareholders.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
EOG Resources	Energy United States of America	US26875P1012 1000194	USD 74.48	133.53 70.83	Most Preferred nicole.decker@ubs.com

EOG is a large US-based exploration & production company with a proven track record for consistent execution, technical expertise, and top-tier rates of return. Given EOG's high-quality asset base and operating skills, along with our view for higher sustained oil prices in the future, we believe EOG shares are poised to outperform the energy sector.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
ExxonMobil Corp.	Energy United States of America	US30231G1022 808963	USD 68.43	87.36 64.65	Most Preferred nicole.decker@ubs.com

We see Exxon Mobil as a good core holding for long-term energy investors. Its large and diversified operations help insulate it from swings in commodity prices. Exxon's long-term business model focuses on value creation through capital discipline and return-oriented investing. This enables consistent dividend growth. Its balance sheet is among the strongest in the industry and the company remains committed to dividend growth.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Halliburton Co.	Energy United States of America	US4062161017 937414	USD 18.53	42.57 16.97	Most Preferred nicole.decker@ubs.com

We see Halliburton as an advantaged global service provider due to its scale and diversified services offerings. It is a leading provider of pressure pumping services in North America; and is also a strong competitor in the international services market. Halliburton is financially disciplined and its balance sheet is sound. Oil services names have lagged the index, and we see the subsector as the most attractively valued within energy.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Occidental Petroleum	Energy United States of America	US6745991058 958611	USD 43.37	83.35 41.83	Most Preferred nicole.decker@ubs.com

On 9 May, Oxy announced an agreement to acquire Anadarko Petroleum. The deal is expected to close by the end of 2019. Execution on the Anadarko acquisition will be the key catalyst for Oxy shares in the 12-24 months after completion.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Pioneer Natural Resources Co.	Energy United States of America	US7237871071 682330	USD 123.36	189.78 114.79	Most Preferred nicole.decker@ubs.com

We believe Pioneer shares remain attractively valued. The company's solid execution skills and superior value-added growth make this company one of the strongest competitors in the sector, in our view.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Schlumberger Ltd.	Energy United States of America	AN8068571086 555100	USD 32.26	65.08 31.03	Most Preferred nicole.decker@ubs.com

Schlumberger is the leading diversified oil and gas services provider. It has the largest international operations and excellent exposure to high-margin and high-growth markets.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Suncor Energy Inc.	Energy Canada	CA8672241079 10339747	USD 38.78	54.51 35.53	Most Preferred nicole.decker@ubs.com

We believe Suncor's production growth outlook, advantaged integrated operations, and relative resilience to lower oil prices make it a suitable core holding for long-term energy investors. Near-term, given our outlook for higher oil prices, along with strong operating momentum, we believe the risk-reward for Suncor shares is attractive.

US Financials

Sector View: Neutral

Strategy: Our Equity Strategy Team has a neutral allocation on US Financials. While fundamentals remain solid and valuations are relatively inexpensive, we believe the macro-backdrop for financials has worsened in recent months. In particular, the recent decline in interest rates and inversion of them US Treasury yield curve could dampen revenue growth and/or signal a more severe and prolonged economic downturn which could damage credit quality. The UBS base case sees gradually rising long-term rates over the intermediate-term; however, the risk that rates stay "lower for longer" has risen. Accordingly, we prefer to be neutral on the interest sensitive financials at this time.

Positioning within the sector: We are especially selective with our Most Preferred recommendations at this time, focusing on high quality executors, restructuring self-help stories and/or deeply discounted valuations. Although traditionally more defensive stocks during period of low and declining rates have outperformed recently, we also recommend certain P&C insurance and exchange companies with valuations that remain attractive.

Change in subsector view: We are revising our view of the Banks subsector to Neutral from Most Preferred. See below for details.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Ally Financial	Financials United States of America	US02005N1000 19440971	USD 31.42	34.23 20.60	Most Preferred bradley.ball@ubs.com

ALLY benefits from its long-term relationships with 17,000 auto dealers and 4mn retail customers across the US, helping drive industry-leading loan and lease growth and strong credit quality. Despite growing competition in automobile financing from banks and specialty finance companies, we believe ALLY's goal of double-digit core ROTCE is doable given ample funding, expense, and capital leverage.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
American Express	Financials United States of America	US0258161092 906153	USD 120.74	129.34 89.05	Most Preferred bradley.ball@ubs.com

Our Most Preferred outlook reflects more robust revenue growth following significant investments in products and technology over the past several years. Secular trends favor AXP's spend-based model as worldwide card and digital payments continue to expand. Also, given its lower credit risk profile, payments focus, and global exposure, AXP is viewed more defensively than other card issuers, thereby commanding a premium valuation.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
American International Group	Financials United States of America	US0268747849 10315741	USD 52.46	57.59 36.16	Most Preferred bradley.ball@ubs.com

AIG management remains focused on several business and financial initiatives intended to better realize the company's intrinsic value. Main priorities include improving the commercial insurance loss ratio (which has lagged peers'), executing on recent acquisitions, and establishing robust underwriting systems and practices to ensure attractive, consistent returns over time.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Ameriprise Financial	Financials United States of America	US03076C1062 2261863	USD 128.43	153.91 95.69	Most Preferred bradley.ball@ubs.com

AMP is focused on expanding its AWM and AM businesses which tend to generate stronger free cash flow and are more transparent than traditional insurance businesses. These businesses also tend to be less capital-intensive relative to other financial services products and usually command higher market valuation. While AMP is relatively highly levered to macroeconomic conditions which remain uncertain, its USD 1bn+ of excess capital should help with capital return irrespective of the environment.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Capital One Financial	Financials United States of America	US14040H1059 322351	USD 86.22	100.89 69.90	Most Preferred bradley.ball@ubs.com

We expect COF to generate stronger-than-industry credit card loan growth over the near to intermediate term. While credit is normalizing at a gradual pace, we believe improving macroeconomic conditions, along with management's ongoing focus on operating efficiency and capital redeployment, should support stronger growth and profitability ahead.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
IntercontinentalEx Inc.	Financials United States of America	US45866F1049 22339711	USD 92.78	93.88 69.69	Most Preferred bradley.ball@ubs.com

Although volumes in ICE's traditional products have been depressed recently, we expect an eventual return to more normal levels. This could improve prospects for all of the publicly traded exchanges that are exposed to rising volumes, with ICE potentially outperforming given its diversification and relatively lower valuation.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
JPMorgan Chase & Co.	Financials United States of America	US46625H1005 1161460	USD 109.22	119.24 91.11	Most Preferred bradley.ball@ubs.com

We expect solid expense management, good loan growth, and benign credit quality to continue to support earnings growth and returns. Trading at a discount to its historical P/E, JPM's shares remain attractive in our view against a backdrop of solid economic growth and rising interest rates.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
MasterCard	Information Technology United States of America	US57636Q1040 2282206	USD 281.38	283.33 171.89	Most Preferred bradley.ball@ubs.com

MA is the second-largest global payments processor (behind Visa) and is well positioned to capitalize on the secular growth trends in consumer and commercial payments, driven by increasing card and online transaction volume relative to check and cash. Global volume growth remains strong despite relatively modest worldwide macroeconomic conditions, and the outlook for sustained double-digit growth going forward should provide a solid backdrop for mid-teens-plus EPS growth.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
SunTrust Banks, Inc.	Financials United States of America	US8679141031 974940	USD 61.27	74.76 46.05	Most Preferred bradley.ball@ubs.com

We add STI to our Most Preferred list, given our outlook for further improvement in operating efficiency despite relatively modest expectations for further margin improvement and top-line revenue growth. STI's Southeast-heavy operations would likely benefit from national and regional economic strength, helping support premium valuation relative to its regional peers.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Visa Inc.	Information Technology United States of America	US92826C8394 3826452	USD 181.17	184.07 121.60	Most Preferred bradley.ball@ubs.com

We believe V is well positioned to capitalize on the ongoing secular shift in payments from checks and cash to plastic and digital. Global payments penetration of around 40% should rise in coming years (likely approaching current US penetration of more than 50%) as the convenience and security of card and online payments continue to take hold in developing markets. V's volume growth should also benefit for the foreseeable future from expanding merchant adoption, growing mobile usage, and greater prepaid and commercial activity.

US Industrials

Sector view: Moderate Underweight

Strategy: Increased hopes for a US-China trade deal and expected economic stimulus from the Federal Reserve has led the industrials index to modestly outperform the S&P sector for the year-to-date period. The index has posted a total return of 19.0% versus 18.3% for the S&P 500 through 3 August.

Our equity strategy team currently recommends a moderate underweight allocation to the sector based on its direct exposure to the increased trade tensions between the US and China. We also expect a moderation in the US PMI indices in the next several months to place additional pressure on global industrial companies. Areas of potential concern are increased protectionism, higher raw material costs and deleveraging in China.

Our positioning within the sector

Our most preferred stocks reflect companies with a combination of exposure to improving end markets as well as favorable company-specific catalysts such as restructurings, acquisitions and new products. Our subsector preferences are currently Transportation at Most Preferred with Capital Goods and Commercial & Professional Services at Neutral. Our main industrial themes are e-commerce, energy efficiency, automation and restructuring/M&A.

EPL change: Adding Republic Services (RSG) to the Most Preferred list.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Boeing Co.	Industrials United States of America	US0970231058 913253	USD 362.74	446.01 292.47	Most Preferred adam.scheiner@ubs.com

We view Boeing as Most Preferred based on an acceleration in cash flow as the company continues to increase production of its narrowbody planes and realizes cost efficiencies on its 787 widebody program. We believe valuation is attractive versus the industry as the stock trades over a 6% free cash flow yield.

Crane Co.	Industrials United States of America	US2243991054 922574	USD 75.26	100.14 67.18	Most Preferred adam.scheiner@ubs.com

Crane's earnings outlook has improved over the past year due to growth in its payment technologies segment combined with a recent rebound in its fluid handling and aerospace businesses. Synergies from the Crane Currency acquisition and manufacturing rationalization are forecasted to add USD 1.35 to earnings by 2021, which should lead to peer leading earnings growth.

CSX Corp.	Industrials United States of America	US1264081035 923022	USD 66.51	80.73 58.47	Most Preferred adam.scheiner@ubs.com

CSX has greatly improved operations over the past year through cost-cutting and instituting precision railroading that was pioneered by former CEO Hunter Harrison. These improvements should continue to pay dividends as the company looks to improve operating margins by over 500 basis points by 2020.

Deere & Co.	Industrials United States of America	US2441991054 924235	USD 156.48	171.22 128.32	Most Preferred adam.scheiner@ubs.com

We see Deere as well positioned to benefit from a turnaround in large agricultural equipment that we believe is in the early stages. Sales levels are still 20% below normal, which gives a Deere considerable room to improve earnings. Deere's earnings growth will also be helped by around USD 1.00 in total accretion from its acquisition of Wirtgen, a European construction company.

Kansas City Southern	Industrials United States of America	US4851703029 1096232	USD 124.59	126.47 90.55	Most Preferred adam.scheiner@ubs.com

We view KSU as Most Preferred list as we see their implementation of precision scheduled railroading (PSR) as improving overall service issues that have plagued the company and should lead to improved profitability. KSU's operating performance has recently lagged peers due to poor service conditions in addition to weaker volumes.. We believe both of these issues could be resolved favorably in the near-term, which should lead to outperformance.

Lockheed Martin Corp.	Industrials United States of America	US5398301094 351011	USD 384.43	386.93 241.18	Most Preferred adam.scheiner@ubs.com

Lockheed is favorably exposed toward areas of increasing global demand within defense such as aeronautics, missile and missile defense. The company's F-35 program should drive earnings growth through the end of this decade. Annual FCF of over USD 6 billion gives the stock an attractive free cash flow yield, which is above peers.

Equity Preferences

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Raytheon Co.	Industrials United States of America	US7551115071 1234740	USD 182.73	210.89 144.27	Most Preferred adam.scheiner@ubs.com

We view Raytheon as a prime beneficiary from a larger US defense budget and increasing demand for defense services around the globe. We believe the company's exposure to combat missiles, missile defense, and cyber protection as attractive given the current global priorities in defense.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Republic Services Group	Industrials United States of America	US7607591002 926678	USD 89.40	90.61 67.48	Most Preferred adam.scheiner@ubs.com

We see RSG as attractive due to improved pricing and volume leading to higher earning leverage going forward. The company is also less exposed to the current tariff escalation with earnings that should be more resilient in a downturn. We expect improved pricing and volume from a growing economy, coupled with cash deployment, to result in an attractive 9%-10% earnings growth rate for RSG going forward.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Union Pacific	Industrials United States of America	US9078181081 979840	USD 161.73	180.54 128.08	Most Preferred adam.scheiner@ubs.com

We expect Union Pacific to benefit from an improvement in margins from better rail pricing and cost improvements. UNP recently announced a move to adopt precision railroading which if successful could materially improve margins; as was done at peer company CSX. We believe its superior balance sheet should lead to solid capital return to shareholders.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
United Technologies Corp.	Industrials United States of America	US9130171096 980943	USD 129.51	144.40 100.48	Most Preferred adam.scheiner@ubs.com

After four years of little profit growth, we believe earnings growth for UTX should improve later this year and accelerate into 2019. The upturn in air travel activity is accelerating growth in its aerospace service division and the company has improved market share in their climate and control business. Losses at the Pratt & Whitney aircraft engine unit should also peak in 2018 and improve next year.

US Information technology

Sector View: Neutral

Strategy: Our equity strategy team recommends a neutral allocation to the sector, reflecting our expectations for a healthy IT spending by corporations, but balanced by secular challenges in smartphones and cyclical headwinds in semiconductors.

Our positioning within the sector

Our Most Preferred stocks generally reflect companies that are benefiting from the secular shift to cloud-based computing, increased spending on security, and those without significant reliance on legacy revenues. We have less favorable views of companies that generally have high exposures to legacy revenue streams as we expect these will be under pressure as customers migrate to more modern IT architectures.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Accenture PLC-CL A	Information Technology United States of America	IE00B4BNMY34 10478724	USD 198.74	199.91 132.63	Most Preferred kevin.dennean@ubs.com

We believe ACN is a leader in the structurally attractive IT services sector. Although there is some headwind from the transition to cloud, we believe IT spending is finally accelerating after years of under-spending. Despite its size, ACN should see revenue outperformance versus the industry as it leverages its expertise in Digital (digital marketing, analytics, mobility) and Technology (systems integration, application outsourcing, software solutions, IT delivery). The company has also shown admirable success in accretive acquisitions.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Adobe Systems Inc.	Information Technology United States of America	US00724F1012 903472	USD 286.63	313.11 204.95	Most Preferred kevin.dennean@ubs.com

We expect Adobe to continue to benefit from the ongoing transition to a subscription model, which allows the company to increase average revenue per user. The company should also benefit from an increased focus by its customers on digital marketing campaign management.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Cisco Systems Inc.	Information Technology United States of America	US17275R1023 918546	USD 47.27	58.26 40.25	Most Preferred kevin.dennean@ubs.com

We believe Cisco will benefit from new product cycles in switching, an improvement in overall IT spending, and the company's increased focus in security. We believe valuation is also attractive relative to fundamentals, peers, and the company's own history.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
HP INC	Information Technology United States of America	US40434L1052 29968910	USD 18.09	27.08 17.10	Most Preferred kevin.dennean@ubs.com

We expect HP to benefit from continued share gains in a stable PC market. More importantly, the company has stabilized its traditional printing supplies business and should be successful in its efforts to break into the commercial copier and the A3 printing markets. Additionally, we believe HP is well-positioned in the still-nascent 3D printing market.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Intel Corp.	Information Technology United States of America	US4581401001 941595	USD 46.87	59.59 42.36	Most Preferred kevin.dennean@ubs.com

Stability in Intel's PC business should be complemented by growth in the Data Center Group, which provides processors used in traditional servers and for cloud-based computing. The company should also benefit from narrowing losses in its mobile business.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Juniper Networks	Information Technology United States of America	US48203R1041 800910	USD 23.17	30.80 22.42	Most Preferred kevin.dennean@ubs.com

We believe carrier spending on routing will improve through 2H16 and 2017, along with healthy enterprise, cloud, and Web 2.0 spending. In addition, we expect gross margins to improve based on demand, mix, and new product cycles. Company results should outpace consensus expectations over the next 12 to 18 months as operating margins post modest, steady improvement toward the company's 25% target. We find valuation attractive given our expectations.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Microsoft Corp.	Information Technology United States of America	US5949181045 951692	USD 138.12	141.68 93.96	Most Preferred kevin.dennean@ubs.com

We believe Microsoft is managing the transition of its business to the cloud better than most peers, and should benefit over time from its transition to cloud-based, recurring revenue model. While shares are not "cheap" we believe MSFT offers an attractive mix of growth through its cloud business and defensive characteristics due to its recurring revenue model, high cash flow, and likely capital return.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Oracle Corporation	Information Technology United States of America	US68389X1054 959184	USD 52.16	60.50 42.40	Most Preferred kevin.dennean@ubs.com

Although Oracle is challenged on multiple fronts, we believe estimates have likely troughed and expect accelerating revenue growth in its cloud offering along with stability in its core database business. We believe valuation is extremely attractive relative to peers.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Salesforce.com	Information Technology United States of America	US79466L3024 1755645	USD 155.93	167.56 113.60	Most Preferred kevin.dennean@ubs.com

We expect Salesforce.com to continue to benefit from new customer additions, additional sales into existing customers of add-on products, and modest margin expansion as revenues grow faster than expenses. We expect further share gains as the company benefits from continued investments in its sales and R&D efforts. Additionally, the company has a proven track record of upselling additional products into the existing customer base.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Splunk	Information Technology United States of America	US8486371045 14761044	USD 112.41	143.70 83.69	Most Preferred kevin.dennean@ubs.com

We see Splunk as a leading horizontal software platform in the Big Data market. Splunk should continue to see strong revenue and billings growth driven by continued adoption by new users as well as strong renewal rates and upsell activity into its installed base. Margins and cash flow should improve over time, but the company plans to continue to invest aggressively in the intermediate term to capitalize on its market opportunity, which is the correct strategy in our view. However, these fundamental positives are offset by relatively rich valuation.

US Materials

Sector view: Neutral

Strategy: Concerns over increased trade protectionism and a potential slowdown in China have caused the materials sector index to lag the market this year. Year-to-date through 24 July, the materials sector posted a total return of 19.1% versus 21.8% for the S&P 500. Our Equity Strategy team has a neutral view that reflects a positive outlook for global growth and high corporate profitability that is balanced by our increasing concerns on global trade. It is currently difficult to have conviction on the timing of the ultimate resolution of the trade issues.

Our positioning within the sector: Our most preferred stocks reflect companies with a combination of exposure to improving end markets as well as favorable company specific catalyst and attractive valuation. Subsector preferences are currently Chemicals at Most Preferred with Metals and Mining, Containers and Packaging and Construction Materials at Neutral. Our main themes are industry consolidation, China's environmental protection program, health and wellness, e-commerce, and electric vehicles.

EPL Change: Adding Sherwin Williams (SHW) to Most Preferred list.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Air Products	Materials United States of America	US0091581068 903838	USD 224.44	232.47 148.44	Most Preferred adam.scheiner@ubs.com

The latest round of divestitures has now left it in a favorable balance sheet position to acquire assets in its core industrial gas business. The successful use of the proceeds could add 15–20% to the earnings run rate. We view the shares as attractive as the stock's valuation is in line to the industry group despite this potential for accretive capital deployment.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
DuPont de Nemours Inc	Materials United States of America	US26614N1028 47860922	USD 65.77	102.34 63.28	Most Preferred adam.scheiner@ubs.com

We view DowDuPont as Most Preferred as we see several catalysts over the next few years that should lead to enhanced valuation. The recent merger of Dow Chemical and DuPont combines several complimentary businesses, which is expected to reduce redundant costs by USD 3 billion over the first two years. This will be accompanied by splitting the companies into three or more efficient and focused entities to further create value.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Linde PLC	Materials United States of America	IE00BZ12WP82 37962490	EUR 170.30	184.80 130.75	Most Preferred adam.scheiner@ubs.com

We see Linde as Most Preferred list as we believe the overall value of Linde PLC should be improved by the merger with Praxair. The merger combination should generate close to USD 1 bn in synergies over the next three years which should help drive earnings growth. Furthermore, it should have over USD 10bn in cash after divestitures the of which bulk should be returned to shareholders through increased stock buybacks and dividends.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Sherwin-Williams Co.	Materials United States of America	US8243481061 970105	USD 524.68	536.74 355.28	Most Preferred adam.scheiner@ubs.com

We view SHW as Most Preferred given an expected acceleration of growth in the near term and its defensive growth characteristics in a slowing global economy. Headwinds from recent poor weather and higher raw materials should abate in the second half and we believe should lead to stock outperformance. Recent price declines in oil-based raw materials should begin to flow through margins over the next few quarters.

US REITs

Sector View: Neutral

Strategy: What a difference a year makes. Following three years of underperformance vs. the S&P 500 REITs are finally having their turn in the sun. YTD through 14 June 2019, REITs (as measured by the S&P REIT Index) are up 21.9% vs. 15.2% for the S&P 500. There have been a number of contributors to this strong performance including a solid 1Q 2019 earnings season, a reasonably good outlook for 2019 sector fundamentals, consensus projected sector FFO growth rates roughly in line with the broad market and a significant retrenchment in 10-year Treasury yields from a November 2018 high of 3.23% and March 2019 level of 2.75%, 10-year Treasury yields currently hover around 2.10%.

Our positioning within the sector: We believe multifamily and industrial are best positioned to capitalize on strong operating fundamentals, demographic and secular growth trends. We are also constructive on Class A malls, towers and data centers and select office markets.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Equinix	Real Estate United States of America	US29444U7000 26875198	USD 557.72	562.47 335.29	Most Preferred jonathan.woloshin@ubs.com

EQIX has the largest global interconnection profile among its peers, is network- and cloud-neutral, has a high degree of recurring revenues, is well positioned to capture the continued trend in outsourcing of data centers and the growth in global data traffic, trades at a discount to consensus NAV estimates, and has ample room to raise its dividend.

US Utilities

Sector view: Neutral

Investment Outlook

- The CIO equity strategy team recently increased the recommended equity weighting of the US Utilities sector to Neutral from Moderate Underweight previously. The sector has underperformed the S&P 500 year to date through early July. However, the prospect of lower long-term interest rates (particularly the 10-Year US Treasury) for a longer period of time, and a flatter yield curve has increased defensive positioning and investor interest in utilities, a condition we believe will likely persist for the balance of 2019. This supports a more neutral position on the sector, despite above-average utility-sector valuation currently relative to history.
- Utilities continue to look expensive versus the S&P 500, but more fairly valued versus the 10-Year US Treasury. Given a 140 basis point dividend yield advantage over the S&P 500 and very mature business fundamentals, utilities are popular defensive portfolio investments.
- US utilities' fundamentals remain stable with rising capital spending and some modest acceleration in sales growth. Capital spending should remain focused on renewables, transmission, and distribution, driving 4-6% EPS growth annually on average. Capital spending is the primary driver of EPS growth in the sector. Dividend growth should roughly follow EPS growth.
- The longer-term trends of more electrification, increasing renewables investment, and a focus on reducing carbon emissions are generally positive for utilities and support 4-6% annual earnings growth over the next 3-5 years.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
American Electric Power, Inc.	Utilities United States of America	US0255371017 905988	USD 90.72	91.99 68.92	Most Preferred james.dobson@ubs.com

American Electric Power (AEP) is well positioned to grow earnings faster than peers. The company reported better-than-expected 1Q19 results and reiterated 2019 EPS guidance. In October 2018, AEP increased the common dividend by 8.1%. The above-average dividend growth supports our Most Preferred view of the company.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
American Water Works Company, Inc.	Utilities United States of America	US0304201033 3382941	USD 126.90	126.95 85.88	Most Preferred james.dobson@ubs.com

Replacing aging water infrastructure is a multi-decade opportunity. American Water Works is a pure-play water utility with 7–10% annual earnings growth driven by infrastructure investment in its water distribution operations. Combining this with industry consolidation and American Water's strong management and industry-leading scale, we believe the company is well positioned for growth, supporting our Most Preferred view.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Entergy Corp.	Utilities United States of America	US29364G1031 166587	USD 113.02	113.20 78.99	Most Preferred james.dobson@ubs.com

With supportive regulation, low customer rates and significant regional utility investment opportunities, Entergy is targeting electric generation, transmission and distribution investment to serve existing customers. This should drive 5-6% annual EPS growth over the next several years. A below-average valuation and our confidence in the company's management to execute on the plan supports our Most Preferred view.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Exelon Corp.	Utilities United States of America	US30161N1019 1029733	USD 46.75	51.18 42.19	Most Preferred james.dobson@ubs.com

Exelon has a good and improving balance sheet, and management is focused on driving returns higher. The company has attractive growth as it shifts unregulated free cash flow to regulated capital investment in its utilities. The company benefits from legislation in Illinois to protect the operations of its nuclear plants, and benefits from free cash flow from its unregulated operations. All of this supports our Most Preferred view.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Nextera Energy Inc.	Utilities United States of America	US65339F1012 11363205	USD 221.12	225.57 164.25	Most Preferred james.dobson@ubs.com

NextEra Energy benefits from competitive advantages in utility-scale wind and solar project development, growth in its Florida utility franchise, and a strong management team. We expect ~8% EPS growth annually through 2022. These qualities make NextEra Energy one of the best-positioned utilities in the US, and support our Most Preferred view.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Sempra Energy	Utilities United States of America	US8168511090 837438	USD 142.24	142.86 104.88	Most Preferred james.dobson@ubs.com

We have a Most Preferred view of Sempra Energy (SRE). Sempra's existing infrastructure expansion and strategy should lead to 10–11% annual earnings growth and 8–9% annual dividend growth. We believe the strong management and board of directors will be able to drive additional growth and value over the next two years. Additional LNG investments, if managed carefully, should drive additional value creation. We believe there is upside to this growth potential.

Name	Sector Country	ISIN Valor	Currency Share Price	52w High 52w Low	Selection Analyst
Consolidated Edison	Utilities United States of America	US2091151041 833034	USD 88.15	90.51 73.30	Least Preferred james.dobson@ubs.com

Though Con Edison has significant investment opportunities to replace aging electricity and natural gas infrastructure, we believe the investment will only support 2–3% earnings growth over the next three years. Con Edison has slightly below-average growth prospects with an above-average valuation and below-average regulation. All of this supports our Least Preferred view.

Appendix

Contact

If you require information on UBS Chief Investment Office WM and its research products, please contact the mailbox ubs-cio-wm@ubs.com (please note that e-mail communication is unsecured) or contact your client advisor for assistance.

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Equity selection system

UBS CIO WM equity selection system (for US sector Equity Preferences)

US equity sector strategists provide two equity selections: Most Preferred (MP) and Least Preferred (LP).

Most Preferred*

We expect the stock to outperform the benchmark in the next 12 months.

Least Preferred*

We expect the stock to underperform the benchmark in the next 12 months.

*A stock cannot be selected as Most Preferred if UBS Research rates it a Sell, while a UBS Research Buy rated stock cannot be selected as Least Preferred.

Restricted: Issuing of research on a company by CIO GWM can be restricted due to legal, regulatory, contractual or best business practice obligations which are normally caused by UBS Investment Bank's involvement in an investment banking transaction in regard to the concerned company.

Equity selection: An assessment relative to a benchmark

Equity selections in Equity Preferences lists (EPLs) are relative assessments versus a sector/industry, country/regional or thematic benchmark. The chosen benchmark is disclosed on the front page of each EPL.

Stocks can be selected for several EPLs. To keep consistency, a stock can only be selected as either Most Preferred or Least Preferred, but not both simultaneously. As benchmarks differ between lists, stocks need not be included on every list to which they could theoretically be added.

The country EPL is a list of Most Preferred recommended stocks that our US Equity Sector Strategy team feels are best positioned within their respective sector coverage to outperform their respective sector benchmark over a 12-month investment horizon. These selections should not be viewed as a portfolio as they represent a current snapshot of our views. In the event that a recommended stock is no longer Most Preferred, the list will be updated in the next monthly publication. As such, these recommendations are only valid as of the date of the report and performance for this list will not be calculated. For updates to the views on these names, please consult the most recent Equity Preferences List (EPL) for the relevant sector, which may be obtained from your client advisor.

Bellwether-rated stocks are of high importance or relevance to the sector and which the equity sector strategist expects to perform broadly in line with the sector benchmark in the next 12 months (not rated as Most Preferred or Least Preferred). Securities in the US versions of the Equity Preference List have been removed from distribution outside the US if the security is Bellwether or if UBS Research doesn't cover the security or if the sector is covered by an analyst outside of the US.

Current UBS CIO global rating distribution (as of last month-end)

Least Preferred	14%
Most Preferred	86%

Disclosures (30 August 2019)

Accenture PLC-CL A 1, 3, 4, 5, 6, Adobe Systems Inc. 1, 3, 4, 5, 6, Advance Auto Parts, Inc. 1, 3, Air Products 1, Ally Financial 1, 4, 5, 11, 22, Alphabet Inc 1, 6, 9, 11, 22, Alphabet Inc. Class A 1, 6, 9, 11, 22, Amazon.com 1, 4, 5, 9, 11, 21, American Electric Power, Inc. 1, 3, 4, 5, 11, American Express 1, 4, 5, 11, 22, American International Group 1, 4, 5, 11, 21, 22, American Water Works Company, Inc. 1, 6, Ameriprise Financial 1, 3, 6, 7, 11, 21, 22, AT&T Inc. 1, 4, 5, 10, 11, 12, 14, Baker Hughes-A Rg 1, 10, 13, Boeing Co. 1, 4, 5, 6, 11, Capital One Financial 1, 11, 19, 21, Chevron Corp. 1, 4, 5, 11, 22, Cisco Systems Inc. 1, 4, 5, 11, 22, ConocoPhillips 1, 7, 36, Consolidated Edison 1, Crane Co. 1, 3, 6, CSX Corp. 1, 4, 5, 10, 12, 13, 14, Deere & Co. 1, 4, 5, DuPont de Nemours Inc 1, 4, 5, 7, 11, 21, 22, Entergy Corp. 1, 4, 5, 11, EOG Resources 1, 4, 5, 7, 10, 12, Equinix 1, Exelon Corp. 1, 4, 5, 11, ExxonMobil Corp. 1, 4, 5, 7, 9, 11, 22, Halliburton Co. 1, 4, 5, 11, 14, HP INC 1, 4, 5, 11, 19, 21, 22, Intel Corp. 1, 4, 5, 6, 10, 11, 12, 21, 22, IntercontinentalExchange, Inc. 1, 3, 6, 11, 19, JPMorgan Chase & Co. 1, 4, 5, 6, 9, 10, 11, 12, 13, 21, 22, Juniper Networks 1, 10, 12, Kansas City Southern 1, 4, 5, Linde PLC 1, 11, 16, Lockheed Martin Corp. 1, 3, 4, 5, 6, 11, 22, Lowe's Companies, Inc. 1, 4, 5, 6, MasterCard 1, 4, 5, McDonalds Corp. 1, 4, 5, 6, 7, 14, Microsoft Corp. 1, 4, 5, 8, 9, 10, 11, 12, 21, 22, Nextera Energy Inc. 1, 6, 10, 11, 12, 13, Nike Inc. 1, Occidental Petroleum 1, 36, Oracle Corporation 1, 4, 5, Pioneer Natural Resources Co. 1, 3, 4, 5, Raytheon Co. 1, 3, 4, 5, Republic Services Group 1, 3, 6, Salesforce.com 1, 4, 5, 9, Schlumberger Ltd. 1, 4, 5, Sempra Energy 1, 10, 11, 12, 21, Sherwin-Williams Co. 1, Splunk 1, 3, 7, 10, Suncor Energy Inc. 1, 3, 6, SunTrust Banks, Inc. 1, 3, 4, 5, 10, 11, 12, 13, 21, 22, 37, Union Pacific 1, 4, 5, 6, 11, United Technologies Corp. 1, 3, 4, 5, 6, 11, Visa Inc. 1, 9, Walt Disney Co/The 1, 4, 5, 6, 7, 8,

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