



# THE STRONG POTENTIAL OF SWISS SMALL AND MID-CAPS EQUITIES

## White Paper

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws  
The classification of the fund(s) as per the Sustainable Finance Disclosure Regulation  
(SFDR) is available on [ubp.com](http://ubp.com) or in the latest prospectus.



## Key points

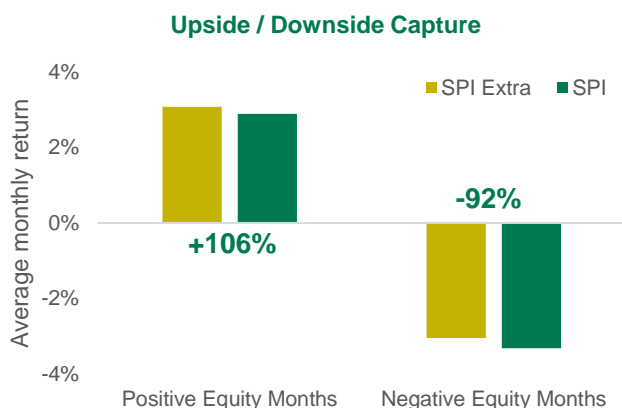
- ◆ The Swiss small and mid-cap space offers attractive investment opportunities, differentiated from the large cap segment.
- ◆ Swiss small and mid-cap equities have outperformed the wider swiss market, with an improving trend in value creation as measured by the CFROI® spread (Cash Flow Return on Investment, source: Credit Suisse HOLT).
- ◆ Swiss small and mid-cap companies should benefit from the strong demand post pandemic, while weathering the challenges of supply chain disruption and raw material prices pressures.
- ◆ UBP's Swiss Small and Mid-Cap strategies are delivering superior results, relative to the SPI Extra and to their peer group.

## Performance potential

The Swiss small and mid-cap equity segment offers exposure to a balanced and diversified universe of value creative companies. Beyond its 40% concentration in the three names, Nestlé, Roche and Novartis, the large cap space is often crowded out by passive investors, replicating the large cap SMI or holding the wider SPI ETFs. This paves the way for active managers to create significant value with their stock selection, particularly in the small and mid-cap space.

The Swiss small and mid-cap segment has delivered superior performance and return-to-risk metrics over the long term (since 2000) and has also proved to be resilient in the more recent time period, since the start of the pandemic early 2020. In fact, despite showing higher drawdown and somewhat faster correction in difficult markets, the SPI Extra has also recovered quickly and outperforms the larger cap indices with **a strong upside and a low downside participation.**

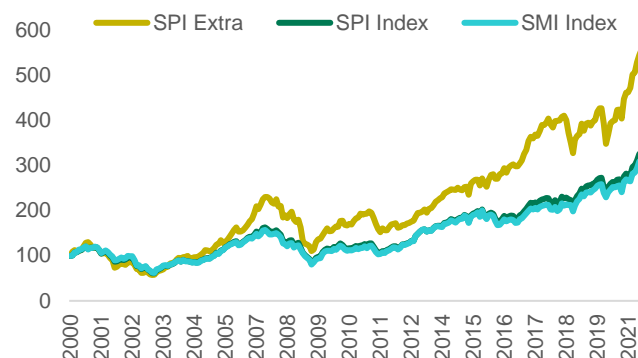
## Attractive upside / downside profile



Source: Bloomberg Finance L.P, UBP. as of 31.10.2021, performance in CHF, since 31.01.2000. Past performance is not guide for current or future results.

## Performance over the long and short term

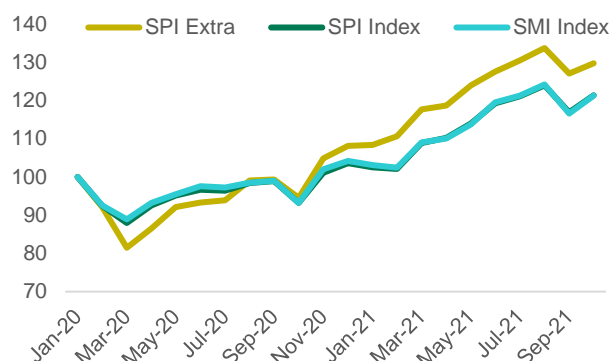
### Performance since 2000



	SPI Extra	SPI	SMI
<b>Total Return</b>	<b>453.97%</b>	230.98%	213.55%
<b>Ann. Return</b>	<b>8.19%</b>	5.66%	5.39%
<b>Ann. Volatility</b>	<b>15.72%</b>	13.33%	13.46%
<b>Return / Risk</b>	<b>0.52</b>	0.42	0.40

Source: Bloomberg Finance L.P, UBP. as of 31.10.2021, performance in CHF since 31.01.2000. Past performance is not guide for current or future results.

### Performance since 2020



	SPI Extra	SPI	SMI
<b>Total Return</b>	<b>29.68%</b>	21.31%	21.23%
<b>Ann. Volatility</b>	<b>17.88%</b>	14.42%	14.62%
<b>Max. DD</b>	<b>-11.53%</b>	-5.74%	-6.10%
<b>Return 2021</b>	<b>20.0%</b>	17.1%	16.4%

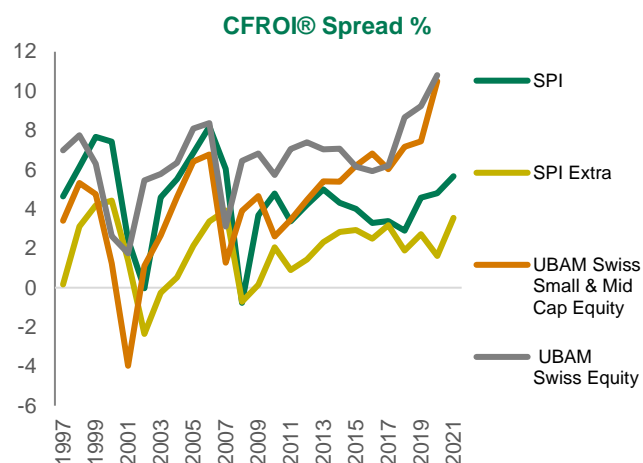
Source: Bloomberg Finance L.P, UBP. as of 31.10.2021, performance in CHF since 31.01.2000. Past performance is not guide for current or future results.

## Value creation potential

These performance results have been driven by an improving value creation profile of small and mid-caps over recent years. The CFROI® (Cash Flow Return on Investment, Source: Credit Suisse HOLT) spread (CFROI® minus the Cost of

Capital) of the SPI Extra has shown a stronger trend than the larger SPI. Moreover, the Swiss & Global Equities' team active stock selection in both universes delivers even higher value creation, notably for UBAM – Swiss Small and Mid-Cap Equity. This also translates in a stock selection that is driving most of the Fund's relative performance over short and long time periods, whereas sector allocation plays a minor role. For example, the absence of exposure to important index names like Adecco, which lost more than 19% over 2021 has been a major contributor to the fund's performance over the year.

### Value creation in Swiss equities



Source: Credit Suisse HOLT, UBP. as of 31.10.2021. Past performance is not guide for current or future results.

ESG criteria integration has also been an enabler of long-term value creation. The SPI Extra posts at end of October 2021 a **AA MSCI ESG Rating, and a significantly low carbon footprint with 40.5 T Co2E / \$m sales**, notably as Swiss companies have little exposure to value destructive industries and activities such as energy, mining or automobiles.

### Growth potential

Swiss small and mid-cap companies are expected to benefit from short term trends as well as longer-term structural drivers, displaying:

- good pricing power in their respective end-markets
- profitable and flexible supply chains
- leading niche market positions
- strong value-add products with high margins
- significant innovation levels
- market shares in growing market segments

### The Swiss & Global Equity team

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This is expected to enable Swiss small and mid-cap companies to participate noticeably in the strong demand expected post pandemic across numerous industries, and to demonstrate their adaptability to the challenges of supply chain and raw material prices pressures. Examples of small and mid-cap companies with solid pricing power include **VAT Group, SIG Combibloc, Sika and Geberit**.

### UBP's Swiss Small and Mid-Cap strategies' results

UBP's Swiss Small and Mid-Cap strategies (Lux and Swiss structures) have delivered outstanding results over different time periods and are also well positioned versus their peer group performance quartiles over 3 years, 1 year and YTD 2021. With CHF 123mn in AuM at end of October 2021, the strategies have seen a positive flow momentum over the year and still have ample room to grow relative to some larger peer funds who have reached near 1bn maximum capacity.

The Swiss Small and Mid-Cap strategies offer a diversified exposure to an attractive market segment through a disciplined and well-honed stock selection process, focused on the search of sustainable value creation rather than short term sector allocation and timing.

### Funds' performances

	UBAM - Swiss Small and Mid-Cap Equity	UBAM (CH) - Swiss Small and Mid-Cap Equity	SPI Extra
Gross performance			
October 2021	2.7%	2.9%	2.1%
YTD 2021	27.1%	27.6%	20.0%
1 Year	44.5%	45.1%	37.1%
3 years	63.6%	64.9%	48.8%
5 years	108.8%	110.6%	85.8%
Since Inception	128.4%	136.0%	111.9%

Source: UBP. as of 31.10.2021, gross performance in CHF.

Past performance is not guide for current or future results.

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