



UNION BANCAIRE PRIVÉE

Press release

UBP expands its emerging market sovereign fixed income offering with the launch of a new frontier market strategy

Geneva, 2 April 2020

Union Bancaire Privée (UBP) announced today that it is further expanding its sovereign emerging market fixed income offering with the launch of a new frontier market strategy. It aims to take advantage of the attractive return potential offered by investments in frontier markets, due to risk premiums overestimating default probabilities and underestimating recovery values as well as to the window of opportunity offered by the recent market sell-off.

Frontier markets have grown rapidly in the past decade and are an increasingly important part of the emerging market debt and global fixed income universe. Less than 15 years ago, frontier markets comprised only 10 countries with a combined market capitalisation of USD 20 bn, which has now grown to 35 countries making up a USD 100 bn market capitalisation today. Frontier markets are more diverse than most appreciate and offer better diversification than sovereign bonds on average.

With this strategy, the UBP Emerging Market Fixed Income team and Lead Portfolio Manager Thomas Christiansen will be targeting low double-digit returns using a bottom-up approach, focusing on deep fundamental knowledge and analysis of each country and security, with a specific framework designed to address bonds at risk of distress and potential defaults.

Nicolas Faller, co-CEO of Asset Management and Head of Institutional Sales at UBP, said: “Launching this new strategy enables us to expand our emerging market fixed income offering further and meet growing client demand for innovative solutions that help them both generate yield and diversify their portfolios. In fact, our analysis shows frontier debt to be an effective diversifier to global balanced portfolios. This new strategy is therefore particularly attractive for investors as part of their wider asset-allocation considerations.”

Thomas Christiansen, Deputy Head of Emerging Market Fixed Income at UBP and Lead Portfolio Manager of the strategy, added: “Frontier markets offer a compelling investment opportunity with returns outpacing those on sovereign bonds in broader emerging markets over the long-run thanks to their attractive carry*. We expect this long-term positive trend to continue despite the fact that, with the combined effect of a global economic slowdown triggered by the coronavirus and heightened tensions in oil markets, emerging market frontier bonds have been and will likely remain particularly volatile for now. In addition, the recent sell-off provides investors with the opportunity to access these markets at yields that are much higher than they have been in recent years.”

* Source: Bloomberg Finance L.P., J.P. Morgan, UBP as of 31/12/2019

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About Union Bancaire Privée (UBP) – www.ubp.com

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