



UNION BANCAIRE PRIVÉE

Press release

Union Bancaire Privée expands its EM fixed-income offering with an ESG sovereign local-currency debt strategy

Geneva, 7 March 2022

Union Bancaire Privée (UBP) announced today that it has widened its emerging market (EM) fixed-income offering with a new ESG sovereign local-currency debt strategy which favours investments in social, green and supranational issuers and meets the requirements of Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR)

The strategy invests primarily in bonds that have been issued by sovereign and supranational entities domiciled in, or linked to, emerging markets and are denominated in local currencies. It is actively managed and seeks to capture the incremental yield and attractive return potential found in EM local-currency debt. This segment is currently the largest, i.e. 82%, in EM debt, accounting for over USD 24 trillion¹ in assets, and is also dominating new issuance. As emerging markets mature and grow, their ability to finance themselves through bonds issued in local currencies will increase, and, consequently, so will opportunities for investors.

Over the past ten years, it has proven difficult to allocate to this asset class due to poor benchmark representation, leading to unbalanced and concentrated country risk, and in turn a suboptimum risk–return profile. With this strategy, UBP's EM Fixed Income team and Lead Portfolio Manager Lamine Bougueroua have adopted a risk-parity model and a total-return approach which alleviates a number of these concerns by spreading market risk more evenly across countries. In addition, thanks to the existence of local-currency-denominated green, social, and supranational bonds, local debt naturally lends itself to sustainable investing, which further strengthens its investment case. By swapping government bonds for these instruments in ESG-challenged jurisdictions, the solution opens up alternative ways for investors to provide countries that have weaker ESG credentials with financing.

Philippe Lespinard, Head of Asset Management (London) and Head of Alternative Fixed Income at UBP, said: "This strategy is an important achievement for our Emerging Markets Fixed Income team who have worked hard to develop a proprietary ESG and risk model in sovereign debt. We believe that this unique approach to EM local-currency debt, which combines risk parity with a focus on sustainability, ensures better diversification and risk-adjusted returns over time. Recent events have validated this approach, as we have excluded Russian government bonds from the portfolio since the strategy's inception."

Lamine Bougueroua, Portfolio Manager at UBP, added: "EM central banks have pre-emptively tightened their monetary policies and we believe investors stand to benefit from very high yields and currencies with sounder long-term fundamentals. With this strategy, we are also excited to present our clients with the opportunity to contribute to the essential financing needed to achieve climate transition goals and to deliver social improvements for a more sustainable economic model in emerging markets."

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

UBP is one of Switzerland's leading private banks, and is among the best-capitalised, with a Tier 1 ratio of 25.2%. The Bank is specialised in the field of wealth management for both private and institutional clients. It is based in Geneva and employs 1,904 people in over twenty locations worldwide; it holds CHF 160.4 billion in assets under management (figures as at 31 December 2021).

¹ Source : BIS, 2021



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