

UBAM – EUROPE SMALL CAP EQUITY

Quarterly Comment

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 or in the latest prospectus.

Market Comment

- The financial markets continued to reflect investor optimism about the upturn in economic output and corporate earnings. For the first quarter of 2021, the S&P 500* posted a return of 6.05% and hit new all-time highs. The technology sector underperformed, which meant that European markets fared even better: the MSCI Europe* returned 8.35% with strong gains for both cyclical and defensive stocks. However, many emerging markets lost ground in March, usually for country-specific reasons. For example, the Chinese and Turkish markets both fell 6% during the month and the MSCI Emerging Markets* in USD finished the quarter with a performance of 2.29%.
- Investors were very optimistic **at the turn of the year**, but quickly saw several risks appear on their radar screens. Investor sentiment deteriorated from mid-January onwards because of the spread of new coronavirus variants, slow vaccination roll-outs in Europe and the possibility that the new US president's stimulus package would be reduced in size. Observers were also concerned about extreme price movements in some stocks, driven by hordes of retail investors. In the end, most equity markets fell slightly during January, although some large Asian markets strongly outperformed.
- **In February**, in the US, many economic indicators exceeded expectations, reflecting the rebound in activity. Generally, as the vaccination roll-out progressed and economies started opening up again. In the eurozone, indicators ticked up. While consumer confidence was being undermined by the slow progress of the vaccination campaign and the protracted lockdown, the industrial sector took heart from the prospect of economies reopening. The UK remained resilient despite the strict lockdown, and sentiment indicators recovered with the promise of a gradual lifting of restrictions. As for China, while it remained ahead of developed economies in terms of economic recovery, the traditional lunar new year volatility caused a dip in manufacturing and services sentiment.
- **In March**, the economic outlook continued to improve in the US, with sharp increases in business confidence – in both manufacturing and services – and consumer sentiment. Joe Biden's USD 1.9 trillion stimulus plan, which includes extensive support for households, was finally passed and a USD 2.25 trillion infrastructure plan was presented at the end of the month. In the eurozone, confidence levels in manufacturing and services rebounded even though tougher restrictions on people's movements were introduced during the month. In the UK, confidence increased sharply because of the rapid vaccine rollout and the plan to reopen the economy. In China, the authorities announced a minimum growth target of 6% along with a medium-term strategy that emphasises consumer spending and self-sufficiency in high-tech sectors. China's dialogue with the US remained tense, and the US kept its sanctions in place.

* net total return index

Sources: UBP, Bloomberg Finance LP.



Performance Review

- During the first quarter of 2021, UBAM Europe Small Cap Equity** returned 8.6%, compared to a return of 9.7% from the MSCI Europe Small Cap Index*. Over the past twelve months, UBAM Europe Small Cap Equity** returned 75.4%, outperforming the index by 14.2%.
- The fund was impacted somewhat by the market rotation witnessed during the opening quarter of the year, with areas of the market such as clean tech, video gaming and healthcare underperforming the broader market following exceptionally strong relative returns in 2020. Within these sectors, our holdings of Solarpack (solar wind farms operator), Soltec (solar equipment), Vaisala (industrial measurement technology), Stillfront (video games), Diasorin (diagnostic equipment) and Gerresheimer (pharmaceutical packaging), detracted from relative returns.
- Conversely, the fund benefited from holdings in segments of the market such as industrials, consumer discretionary and semiconductor equipment which provided strong relative returns in the first quarter. Our holdings of Volution (ventilation solutions for the construction industry) and Arcadis (environmental consulting and engineering) performed strongly on the back of strong operational results. WH Smith (travel retail), JD Wetherspoon (leisure), and National Express (bus and coach operator) rose in anticipation of a reduction in lockdown restrictions. Finally, our holdings of semiconductor equipment companies ASMI and Aixtron performed particularly strongly after positive capex related newsflow from the sector and the announcement of strong full year results.

* net total return index ** Class IC, EUR net of fees

Sources: UBP, Bloomberg Finance LP.

Portfolio Activity

- During the quarter, we initiated new holdings in train and bus manufacturing company CAF, insulation company Recticel, and fish farming company Salmar. CAF is a leading European train and bus manufacturer with strong positions in particular in regional and urban trains as well as in hybrid and full electric buses. Despite a challenge year for order intake during 2020 due to disruption associated with the Covid pandemic, the company has a strong order backlog which we believe will benefit further from a resumption of tender activity in 2021 as well as from increased spending on rail under the EU Green Deal recovery programme. Wide ranging cost savings programmes initiated in 2020 and a strong growth in the company's bus division, driven by increasing penetration of electric buses, should provide added support to the company's earnings recovery during the course of 2021 and beyond. Recticel is a Belgian listed company providing insulation and industrial foams to a wide range of end market segments. Following the divestments of non-core activities during the course of 2020, the company refocused the business on the most profitable and fastest growing activities and significantly improved the balance sheet structure. Recent acquisitions in industrial foams and insulation foams highlight the company's intention to compliment organic growth with M&A. Salmar is a Norwegian listed fish farming company with a strong focus on operational excellence. The company is well positioned in the short term to benefit from improving demand trends associated with a reopening of the restaurant trade. In the longer term growth will be driven by Salmar capitalising on its first mover position in offshore salmon farming.
- Elsewhere in the portfolio, we added to our holdings of Gerresheimer (pharmaceutical packaging), SPIE (multi technical services), Volution Group (ventilation and heat recovery), Dometic (leisure products) and Aixtron (semiconductor equipment) on expectations of continued strong operational performance. We also continued to build our holding of National Express (bus and coach operator).



- We made complete exits of our holdings of industrial holding company Chargeurs and video gaming company Codemasters, and online retail Boohoo. Chargeurs benefited during the course of 2020 from strong growth in its healthcare business and the shares witnessed a significant rerating. We sold our holding of Codemasters after a recommended takeover offer from EA Sports. We decided to sell our remaining holding of Boohoo after a recovery in the share price and given ongoing concerns about supply chain practices.
- During the quarter we slightly trimmed our holdings of Soltec (solar equipment) and Evotec (outsourced pharma R&D) and Avanza Bank (online financial services) on the back of significant relative outperformance. We also trimmed our holdings WH Smith (travel retail) and Dalata (hotels) which have benefited strongly in anticipation of an easing of lockdown restrictions.

Outlook

- The US should lead the rebound expected in Q2 thanks to a strong vaccination roll out and the reopening of the economy. US consumers are in the driving seat of recovery:
 - US growth should strongly rebound from Q2 after a firmer than expected Q1; direct payments to households thanks to fiscal support should boost consumption, which also benefits from a positive wealth effect and large savings.
 - Consumption and investment should lead a strong 2021 recovery, where we revised up our GDP forecasts from 6.2% to 6.8%. Strong domestic demand should support inflation and trigger a decline in unemployment, the latter also being targeted by monetary and budgetary policy.
- In the eurozone, slow vaccination rollouts has contributed to the 3rd wave of the pandemic in progress. After contracting in Q1, only modest growth is expected in Q2 and a more significant rebound is postponed to Q3, when more vaccines will become available.
- Fiscal support should serve as the primary economic policy driver, though with ongoing support from monetary policy. We expect central bank strategies to begin diverging more meaningfully.
 - The Fed is seeking for strong growth and high inflation, but will not act to curb rising bond yields, except if financial conditions deteriorate.
 - The ECB increased its bond purchases to decorrelate European bond yields from US ones, due to delayed recovery and moderate medium-term inflation prospects.
 - The Chinese PBOC has adopted a tighter stance, while in Turkey and Brazil banks may hike rates further.
- Overall, we expect more modest equity returns ahead, but the risk of a big drawdown looks limited at present. In addition, we'll need to watch closely the effects of Biden's tax proposal and its impact on specific sectors.

This is a marketing document and is intended for informational and/or marketing purposes only. It is confidential and is intended to be used only by the person(s) to whom it was delivered. It may not be reproduced (in whole or in part) or delivered, given, sent or in any other way made accessible, to any other person without the prior written approval of Union Bancaire Privée, UBP SA or any entity of the UBP Group (UBP). This document reflects the opinion of UBP as of the date of issue. This document is for distribution only to persons who are Professional clients in Switzerland or Professional Clients or an equivalent category of investor as defined by the relevant laws (all such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. It is not intended for distribution, publication, or use, in whole or in part, in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it directed at any person or entity at which it would be unlawful to direct such a document. In particular, this document may not be distributed in the United States of America and/or to US persons (including US citizens residing outside the United States of America). This document has not been produced by UBP's financial analysts and is not to be considered financial research. It is not subject to any guidelines on financial research and independence of financial analysis. Reasonable efforts have been made to ensure that the content of this document is based on information and data obtained from reliable sources. However, UBP has not verified the information from third sources in this document and does not guarantee its accuracy or completeness. UBP makes no representations, provides no warranty and gives no undertaking, express or implied, regarding any of the information, projections or opinions contained herein, nor does it accept any liability whatsoever for any errors, omissions or misstatements. The information contained herein is subject to change without prior notice. UBP gives no undertaking to update this document or to correct any inaccuracies in it which may become apparent. This document may refer to the past performance of investment interests. **Past performance is not a guide to current or future results.** The value of investment interests can fall as well as rise. Any capital invested may be at risk and investors may not get back some or all of their original capital. Any performance data included in this document does not take into account fees, commissions, and expenses charged on issuance and redemption of securities, nor any taxes that may be levied. Changes in exchange rates may cause increases or decreases in investors' returns. All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements do not guarantee future performances. The financial projections included in this document do not constitute forecasts or budgets; they are purely illustrative examples based on a series of current expectations and assumptions which may not eventuate. The actual performance, results, financial condition and prospects of an investment interest may differ materially from those expressed or implied by the forward-looking statements in this document as the projected or targeted returns are inherently subject to significant economic, market and other uncertainties that may adversely affect performance. UBP also disclaims any obligation to update forward-looking statements, as a result of new information, future events or otherwise. The contents of this document should not be construed as any form of advice or recommendation to purchase or sell any security or funds. It does not replace a prospectus or any other legal documents, which can be obtained free of charge from the registered office of the fund(s) mentioned herein or from UBP. The opinions herein do not take into account individual investors' circumstances, objectives, or needs. Each investor must make their own independent decision regarding any securities or financial instruments mentioned herein and should independently determine the merits or suitability of any investment. In addition, the tax treatment of any investment in the fund(s) mentioned herein depends on each individual investor's circumstances. Investors are invited to carefully read the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional counsel from their financial, legal and tax advisors. The tax treatment of any investment in a fund depends on the investor's individual circumstances and may be subject to change in the future. This document should not be deemed an offer nor a solicitation to buy, subscribe to, or sell any currency, funds, products, or financial instruments, to make any investment, or to participate in any particular trading strategy in any jurisdiction where such an offer or solicitation would not be authorised, or to any person to whom it would be unlawful to make such an offer or solicitation. Telephone calls to the telephone number stated in this presentation may be recorded. UBP will assume that, by calling this number, you consent to this recording.

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Disclosures Regulation" or "SFDR"), funds are required to make certain disclosures. Funds falling under the scope of Article 6 of the SFDR are those which have been deemed not to pursue an investment approach that explicitly promotes environmental or social characteristics or has sustainable investment as their objective. Notwithstanding this classification, the Investment Managers may take account of certain sustainability risks as further described in the fund's prospectus. Funds falling under the scope of Articles 8 or 9 of the SFDR are those subject to sustainability risks within the meaning of the SFDR. The sustainability risks and principal adverse impacts as stipulated in the SFDR are described in the prospectus. In addition, unless otherwise specified, all funds apply the UBP Responsible Investment Policy, which is available on <https://www.ubp.com/en/investment-expertise/responsible-investment>.

Any subscriptions not based on the funds' latest prospectuses, KIIDs, annual or semi-annual reports or other relevant legal documents (the "Funds' Legal Documents") shall not be acceptable. The Funds' Legal Documents may be obtained free of charge from Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland (UBP), from UBP Asset Management (Europe) S.A., 287-289 route d'Arlon, 1150 Luxembourg, Grand Duchy of Luxembourg, and from Union Bancaire Gestion Institutionnelle (France) SAS, 116 avenue des Champs-Élysées, 75008 Paris, France. The Swiss representative and paying agent of the foreign funds mentioned herein is UBP. The Funds' Legal Documents may be obtained free of charge from UBP, as indicated above.

This content is being made available in the following countries:

Switzerland: UBP is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA). The head office is Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland. ubp@ubp.com | www.ubp.com

United Kingdom: UBP is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA.

France: Sales and distribution are carried out by Union Bancaire Gestion Institutionnelle (France) SAS, a management company licensed with the French Autorité des Marchés Financiers, - licence n° AMF GP98041 ; 116, av. des Champs Élysées | 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 www.ubpamfrance.com.

Hong Kong: UBP Asset Management Asia Limited (CE No.: AOB278) is licensed with the Securities and Futures Commission to carry on Type 1 – Dealing in Securities, Type 4 – Advising on Securities and Type 9 – Asset Management regulated activities. The document is intended only for Institutional or Corporate Professional Investor and not for public distribution. The contents of this document have not been reviewed by the Securities and Futures Commission in Hong Kong. Investment involves risks. Past performance is not indicative of future performance. Investors should refer to the fund prospectus for further details, including the product features and risk factors. The document is intended only for **Institutional Professional Investor** and not for public distribution. The contents of this document and any attachments/links contained in this document are for general information only and are not advice. The information does not take into account your specific investment objectives, financial situation and investment needs and is not designed as a substitute for professional advice. You should seek independent professional advice regarding the suitability of an investment product, taking into account your specific investment objectives, financial situation and investment needs before making an investment. The contents of this document and any attachments/links contained in this document have been prepared in good faith. UBP Asset Management Asia Limited (UBP AM Asia) and all of its affiliates accept no liability for any errors or omissions. Please note that the information may also have become outdated since its publication. UBP AM Asia makes no representation that such information is accurate, reliable or complete. In particular, any information sourced from third parties is not necessarily endorsed by **UBP AM Asia**, and **UBP AM Asia** has not checked the accuracy or completeness of such third party information.

Singapore: This document is intended only for accredited investors and institutional investors as defined under the Securities and Futures Act (Cap. 289 of Singapore) ("SFA"). Persons other than accredited investors or institutional investors (as defined in the SFA) are not the intended recipients of this document and must not act upon or rely upon any of the information in this document. The financial products or services to which this material relates will only be made available to clients who are accredited investors or institutional investors under the SFA. This document has not been registered as a prospectus with the MAS. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to institutional investors under Section 274 or 304 of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) to relevant persons pursuant to Section 275(1) or 305(1), or any person pursuant to Section 275(1A) or 305(2) of the SFA, and in accordance with the conditions specified in Section 275 or 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This advertisement has not been reviewed by the Monetary Authority of Singapore.

MSCI: Although Union Bancaire Privée, UBP SA information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.