



UBAM - 30 GLOBAL LEADERS 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

- After two consecutive months of relief rallies, global equity markets gave back some gains and ended December in the red. The last quarter of the year was nevertheless positive for major equity markets. The MSCI AC World ended Q4 up +9.8%, with +9.7% gains for Emerging Market equities, +9.6% for European Equities, +7.6% performance for US equities, +4.3% for Swiss equities and +3.3% for Japanese equities. This brought the full yearly loss for global equities down to -18.4%, the biggest annual loss since 2008.
- US inflation moderated again in November with +0.1% m/m increase versus +0.3% expected and +0.4% increase in the prior month. The yearly headline trend also declined from +7.7% y/y to +7.1%, while core inflation eased more moderately from +6.3% to +6.0%. The Fed remained attentive to inflationary risks and raised rates by 50bps in December. Business confidence declined in December with the US ISM Manufacturing coming in below 50 at 48.4. US GDP figures were nevertheless revised up for Q3 from +2.9% q/q SAAR to +3.2%, supported by firmer private and public consumption. Eurozone Q3 GDP figure also came in better than expected at +2.3% q/q, reflecting resilient post-pandemic household consumption and tourism. The ECB increased key rates by 50bps in December, with a hawkish tone on inflation trends. The SNB also increased its key rates by 50bps, citing inflationary pressures from abroad and price increases spreading across various categories of goods and services that continued to put upward pressure on inflation.
- Global equities traded near the long-term average forward PE ratio at 15.0 at the end of December, with 2022 earnings growth expectations steady at +10.1%, up from +7% at the start of the year, while 2023 expectations were further reduced to +2.8%, down from +9% at the start of the year. In fact, significant margin pressure is expected for companies which do not have enough pricing power to offset the likely weakening consumer demand in 2023.
- All sectors of the MSCI AC World ended Q4 in positive territory except for Consumer Discretionary. Industrials and Energy were the best performers while Financials and Healthcare contributed the most to the index performance, owing to their more important weight. Top contributing names over the period were Exxon Mobil, JP Morgan and Chevron Corp, while bottom contributing names were Tesla, Amazon and Apple. Value was among the best performing investment style QTD and YTD, while Growth and Quality underperformed the broader MSCI AC World index over both periods, driven by higher interest rates' impact on long duration stocks. The 2023 earnings expectation for Growth stocks



Q4 2022

stood nevertheless at +11% vs only +2% for Value stocks at the end of December 2022.

Performance Review

- UBAM - 30 Global Leaders Equity returned +12.2% in gross performance over the fourth quarter of the year vs +9.8% for the MSCI AC World. YTD, the portfolio delivered -21.8% in performance versus -18.4% for its benchmark. Stock selection (particularly in Consumer Discretionary and IT), currency effect (mainly the overweight in Europe) and sector allocation, all contributed positively to relative performance over the quarter (+125bps, +113bps and +5bps respectively).
- Over Q4 2022, the biggest contributors to performance were the overweight in Novo Nordisk, the absence of exposure to Tesla, and the overweight in Johnson Controls (+95bps, +86bps and +79bps respectively). Novo Nordisk appreciated +34% over the quarter after the company reported its third beat this year, with its Q3 results showing 15% quarterly sales growth. The company also upgraded its guidance for the full year for the third consecutive time. Tesla dropped -53.6% over the period pressured by rising interest rates' impact on growth stocks, worries of slowing demand, and concerns around Elon Musk's distraction following his Twitter acquisition. Johnson Controls gained +30.6% after reporting solid quarterly results, that came ahead of expectations with +10% organic sales growth. The company also raised its full year guidance supported by positive momentum across the business.
- The main performance detractors over the period were the overweights in Roche, AMT and Kerry Group (-35bps, -28bps and -23bps respectively). Roche dropped -4.5% following R&D setbacks in the Alzheimer's space related to poor clinical data on Gantenerumab, which had already low expectations. American Tower was flat at around -0.3% in Q4 as it reported mixed quarterly results with revenues better than expected on higher domestic tower revenues, its EBITDA came in however slightly below consensus. The company raised its guidance for operational performance offsetting headwinds from FX and reserves taken on Vodafone India. Kerry Group was only up +0.9% over Q4, underperforming the overall Consumer Staples sector. This came on the back of weakness based on some concerns about the outlook for Food Services and demand degradation, despite the company reporting a strong quarter on volumes and pricing.

Portfolio Activity and ESG

- Over the fourth quarter, no position switches were done on the portfolio level. Nevertheless, the investment team has further reinforced the defensive positioning of the portfolio, in anticipation of an acceleration in the negative revision trends on global EPS growth for the coming months. The exposure to the IT sector has been reduced in favour of companies with higher visibility of their CFROI® levels (Cash Flow Return on Investment, Source: Credit Suisse, HOLT). Overall, the beta and average PE ratio of the portfolio have been reduced back towards the lower end of the historical range.
- At the end of December 2022, UBAM - 30 Global Leaders Equity had a AAA ESG rating with an ESG quality score of 8.6, versus a AA rating and 8.1 score for the MSCI AC World (ratings based on MSCI ESG Research). The fund does not hold any laggard stocks (rated CCC or B), and more than 20% of its investment universe is excluded following strict ESG criteria. Among these



exclusions, the 30 Global Leaders Equity portfolio does not hold any position identified as being in violation of international standards by both data providers MSCI ESG Manager and Sustainalytics. The portfolio has more than 55% lower weighted average carbon intensity than its benchmark with 71.5 tons of CO2 emissions / USD mn sales vs 161.0 for the MSCI AC World. Moreover, being underweight low CFROI® sectors such as Utilities and Energy, the portfolio exhibits a carbon footprint at least 85% below that of its benchmark with of 13.3 tons of CO2 emissions / USD mn invested vs. 101.0 for its benchmark. In addition to the environmental and Global Norms criteria, the portfolio also exhibits better overall average social and governance indicators than its benchmark (indicators based on MSCI ESG Research), especially on employee training and diversity, demonstrating the portfolio's overall positive ESG positioning versus the MSCI AC World.

Outlook

- After turbulent markets in 2022 driven by inflation pressures and valuation compression, 2023's expectations are starting to reflect downward earnings revisions that could lead to an extended period of volatility into the new year. An active investment approach should protect investors from the lower quality part of the market with more downside risk for earnings and where performance is generally more dependent on macro-economic tailwinds, such as rising oil prices and interest rates which are expected to be less supportive in 2023.
- By focusing on the underlying medium to long term defensible value creation potential, the 30 Global Leaders Equity strategy is well positioned to capture structural performance opportunities despite 2023's uncertainties. The defensive characteristics of the portfolio, which have been reinforced in Q4 2022, are expected to provide investors with better visibility as global market dynamics change from valuation compression to earnings downside risk.

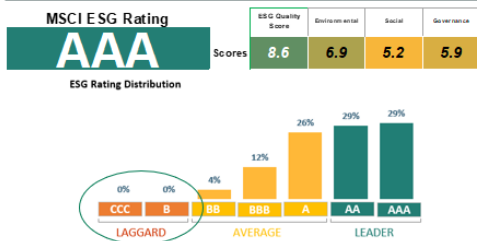
Main ESG and Carbon Metrics – UBAM - 30 GLOBAL LEADERS EQUITY

UBAM - 30 Global Leaders Equity

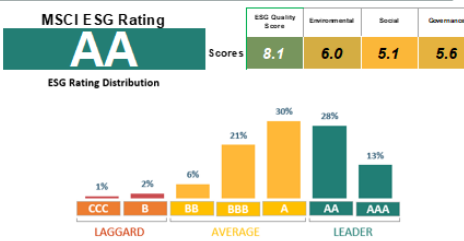
ESG Scores



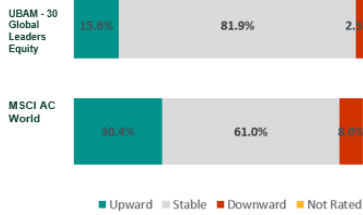
UBAM - 30 Global Leaders Equity



MSCI AC World



ESG RATINGS MOMENTUM



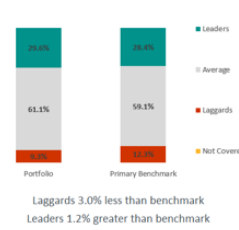
Reputational Risk

(Very Severe Controversy Exposure)



Governance Risk

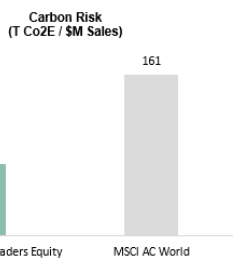
(Global Percentile)



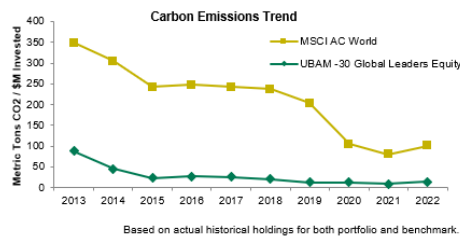
UBAM - 30 Global Leaders Equity

ESG Scores

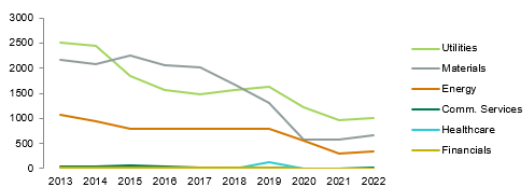
UBAM - 30 Global Leaders Equity has at least 50% less carbon intensity risk than its benchmark (Emissions/Sales)



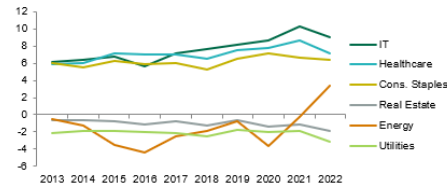
UBAM 30 Global Leaders Equity had historically around 90% lower carbon footprint than its benchmark (based on 1mn Investment)



Sectors with biggest and lowest Carbon Emissions historically (t CO2e / \$M Invested)



Sectors with biggest and lowest CFROI® Spread historically (% CFROI® level – Discount Rate)



Source: Credit Suisse Holt, @2022 MSCI ESG Research LLC – Reproduced by permission as of 31.12.2022. MSCI ESG data is calculated including subsidiary mapping.

Select Labor and Social KPIs – UBAM - 30 GLOBAL LEADERS EQUITY

	5 Year Growth in Employees %	Percentage of Women Employees %	Companies having boards with at least 30% Female Directors*	Companies with Employee Protection in Whistle Blower Policy*	Companies with CSR / Sustainability Committee	Training and Professional Development Score (0-10) *
UBAM-30 Global Leaders Equity	5.3	39.5	76.7%	100%	80.0%	5.5
Coverage	93.3%	83.3%	100%	100%	96.7%	93.3%
MSCI AC World	6.1	37.2	38.2%	79.7%	50.7%	4.6
Coverage	76.7%	71.1%	99.9%	96.9%	98.1%	64.6%

Source : Bloomberg - 31.12.2022

*Source : MSCI ESG Manager – 31.12.2022 - Female Directors extends to board of directors, supervisory and management boards.
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MSCI ESG Rating Methodology:

MSCI's ESG rating methodology is based on the three key pillars of corporate sustainability: Environmental, Social and Governance (ESG). Pillars E, S or G represent 10 major themes, which in turn are associated with 35 key issues. Only those E and S issues deemed "material" for a given sector are considered, while governance issues are taken into account for all companies.

For each issuer, the key issues identified are weighted according to their materiality and aggregated into an average score, rated from 0 to 10. These weighted scores are then normalized by industry to give an industry-adjusted score. This allows for a ranking of companies based on their ESG practices within each industry, and thus distinguishes companies with the best or worst ESG practices among their peers. This industry-adjusted score is translated into an ESG Rating scale of 7 steps ranging from AAA (best score: from 8,571 to 10) to CCC (worst score: from 0 to 1,429).

Exhibit 2 MSCI ESG Key Issue Hierarchy

3 Pillars	10 Themes	35 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Consumer Financial Protection	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance*	Corporate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behavior	Business Ethics Tax Transparency	

* The Governance Pillar carries weight in the ESG Rating model for all companies.

The Final Industry Adjusted Company Score is mapped to a Letter Rating as follows:

Letter Rating	Final Industry-Adjusted Company Score
AAA	8.571* - 10.0
AA	7.143 – 8.571
A	5.714 – 7.143
BBB	4.286 – 5.714
BB	2.857 – 4.286
B	1.429 – 2.857
CCC	0.0 – 1.429

*Appearance of overlap in the score ranges is due to rounding error. The 0 to 10 scale is divided into 7 equal parts, each corresponding to a letter rating.

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