Q4 2023

UBAM - SWISS SMALL AND MID-CAP EQUITY

Quarterly Comment

Marketing Communication
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 last quarter of the year pushed global equity markets higher with another rally and +11% gains for the MSCI AC World. US equities rose +11.2% in Q4, Emerging Market equities +7.9%, European equities +6.4%, Japanese equities +2.9% and Swiss equities +1.4% (performances in local currencies). Over the full year 2023, the MSCI AC World delivered +22.2% with most regional markets finishing the year in the green despite a limited market breadth and elevated bond yields. The SPI Extra outperformed the larger SPI at the end of 2023, with +6.5% and +6.1% in performance respectively.
- As expected by the market, the Fed announced no change in its key rate policy in December, mentioning the pressure of financial conditions on global activity and alluding to potential interest rate cuts in 2024. The US GDP growth projection for 2024 was revised slightly down from 1.5% to 1.4%, whereas Q3 2023 growth came in strong at 4.9%, lower than the 5.2% expected, but higher than the 2.1% for the prior print, reducing hard-landing fears. The yearly trend in US headline inflation marginally declined from 3.2% to 3.1% as core inflation remained stable at 4.0% yoy. The ECB also held its key rates unchanged as Eurozone inflation gradually eased to 2.4% yoy, slightly above the 2% target. 2024 earnings growth expectations for global equities remained stable at 10%, coupled with 16.6x forward PE ratio. This growth expectation reflects a broad recovery in corporate earnings in all major markets, which will probably, at least partly, depend on inflation and interest rate trajectories.
- The SNB once again left key rates stable at 1.75%, citing easing inflationary pressure despite persisting economic uncertainties. The Swiss Manufacturing PMI rose slightly to 43.0 in December, which is still suggesting contraction. The KOF indicator also turned higher to 97.8 vs 97.2 for the prior month, with a slight improvement in business confidence at the end of the year. The unemployment rate for Switzerland was unchanged at 2.1%, while inflation continued to ease to 1.4% at the end of November. 2024 earnings growth expectations for Switzerland still stand at 9.2%, supported by the projected recovery in the healthcare, financials, and materials sectors.
- In Q4, Industrials, Healthcare and IT were the largest performance contributors to the SPI Extra, while Financials, Materials and Consumer Discretionary were the largest detractors. In terms of individual names, VAT Group, Straumann and Schindler were the top contributors, whereas Julius Baer, SIG Group and SGS were the largest detractors over the period.

Performance Review

- UBAM - Swiss Small and Mid Cap Equity delivered +3.4% in gross performance in Q4 2023 versus +2.8% for the SPI Extra. Over the quarter, both sector allocation, particulary the overweight in Healthcare, and stock selection, notably in the Industrials sector, had positive effects with +41bps and +20bps respectively. Over the full year, the fund has accumulated +6.8% in gross absolute performance versus +6.5% for its benchmark.
- Over Q4, the largest contributors to performance were the absence of exposure to SGS, as well as the overweights in Swissquote and VAT Group (+34bps, +33bps, +30bps respectively). SGS dropped -5.8% over the quarter as the company saw further downgrades to 2023 EPS expectations reflecting analysts' worries about a more negative FX impact on margins. Swissquote rose +22% benefiting from sell-side broker comments on the profitability and growth opportunities offered by the name. VAT Group's share price was up +28.1% over Q4, as the stock benefited from the general rally in European tech stocks driven by optimism with regards to rate cuts in 2024 and also announced an end to short-term work which was interpreted as a sign of improving demand for its products.
- The main performance detractors over the quarter were the overweight in Pierer Mobility, as well as the absence of exposure to Schindler and Temenos (-38bps, -32bps and -28bps respectively). Pierer Mobility lost -26.6% after the company expected challenging economic conditions to persist into 2024, where consolidation and cost reduction plans are expected to secure the group's profitability. Schindler was up +14.9% after the company reported better than expected results, especially on the margin side, driven by a strong backlog execution. The company also narrowed its revenue guidance and increased its net profit guidance range for 2023. Temenos rose +21.4% on the back of a solid set of Q3 results, along with a raised guidance for 2023.

Portfolio Activity and ESG

- Over the fourth quarter of the year, a position in Sandoz, the global leader in biosimilars and generics, was initiated following its spin-off from Novartis. On the other hand, the positions in Baloise and Tornos were sold. The position in Swatch was also exited following continued pressure on hard luxury names that had not abated during the reporting season. The position in Julius Baer was reduced to a neutral benchmark weight on the back of short-term pressure to their CFROI® profile expected to come from one-off loan loss provisions. The proceeds were reinvested in existing positions in Straumann and Sandoz.
- At the end of December 2023, UBAM - Swiss Small and Mid-Cap Equity had a A ESG rating and an ESG Quality Score of 7.0 (based on MSCI ESG Research ratings), compared to a A rating and 6.9 score for the SPI Extra. The fund delivers a lower weighted average carbon intensity than its benchmark with 28.5 tons of CO2 emissions /$m sales vs 34.0 tons for the SPI Extra. The Swiss Small and Mid-Cap Equity portfolio also follows a strict exclusion policy. Finally, it does not hold any position identified as being in violation of international standards by both data providers MSCI ESG Manager and Sustainalytics.

Outlook

- Global equity markets finished 2023 on a strong positive note, despite some signs of growth slowing, the banking sector fallouts, wars in the Middle East and Ukraine, and still elevated bond yields. US and European equities have regained

all of their 2022 drawdown and are trading close to their respective end-2021 all-time market highs. Investors have factored in a soft-landing scenario for the US with possible interest rate cuts going into 2024. Moreover, with the Covid overhang now largely reflected in corporate results and the normalization of interest rates and inflation levels in sight, this should provide a supportive environment for equities in 2024, and more specifically for longer duration assets: quality companies with strong future cash flow streams. As valuation levels currently trade around long-term averages, earnings growth is expected to be the main market driver for 2024, after a low base of 0% growth in 2023.

- In Switzerland, the expected recovery in GDP growth from 0.8% to 1.5% in 2024 could be a tailwind for Swiss equities, especially in the quality small and mid-cap segment. Swiss equities, which offer similar EPS growth prospects to US equities at relatively lower valuation level (9.2% for Swiss equities vs 10.8% for US equities for 2024e EPS growth, and 17.2x vs 20x 12m fwd PE ratio respectively), could serve as a diversified and fundamentally driven performance source in 2024. There is potential for the Swiss market to catch up on absolute and relative performance in 2024, capitalizing on stabilizing activity in the healthcare sector and calmer waters for its banking industry, along with a strong Swiss Franc acting as a safe haven in periods of political and macro-economic uncertainties. In this context, UBP's Swiss Small and Mid-Equity strategy focusing on quality small and mid-cap names, should be well positioned to capture diversified performance opportunities in 2024.

This is a marketing document and is intended for informational and/or marketing purposes only. **It 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 a fund 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. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. 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

UBP relies on information and data collected from ESG third party data providers which may prove to be incorrect or incomplete. Although UBP applies a proven selection process of such third-party providers, its processes and proprietary ESG methodology may not necessarily capture appropriately the ESG risks. Indeed, data related to sustainability risks or PAI are today either not available or not yet systematically and fully disclosed by issuers, may be incomplete and may follow various methodologies. Most of the ESG factors information is based on historical data that they may not reflect the future ESG performance or risks of the investments.

ESG information providers: Although Union Bancaire Privée, UBP SA, ESG information providers (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.

Any subscriptions not based on the funds' latest prospectuses, KID or KIIDs (as appropriate), 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-Elysées, 75008 Paris, France.

The English version of the prospectus of the Fund as well as a summary of investor rights associated with an investment in the Fund are available on **www.ubp.com. The fund's management company may decide to terminate or cause to terminate the arrangements made for the marketing of its collective investment undertakings in accordance with Article 93a of Directive 2009/65/EC.**

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 by the French Autorité des Marchés Financiers, - licence n° AMF GP98041; 116, av. des Champs Elysées l 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 **www.ubpamfrance.com**

Luxembourg: through UBP Asset Management (Europe) S.A., a Management Company authorised under Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment (the "2010 Law") and an Alternative Investment Fund Manager authorised under the Law of 12 July 2013 (the "AIFM Law"), which manages undertakings for collective investment subject to Part I of the 2010 law and other types of funds which qualify as alternative investment funds. 287-289, route d'Arlon P.O. Box 79 1150 Luxembourg T +352 228 007-1 F +352 228 007 221.

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.