Q1 2024

UBAM - POSITIVE IMPACT EMERGING EQUITY

Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.
Fund classification under Sustainable Financial Disclosure Regulation (SFDR): Article 9

Market Comment

- Q1 2024 turned out to be the best Q1 performance in five years for global equities, with the MSCI ACWI* returning 8.2% in USD, boosted by hopes of a soft economic landing, enthusiasm about AI, as well as anticipated central bank rate cuts. Despite diminished expectations for Fed rate cuts, from 5-7 implied to 3 at best in 2024, the prevailing narrative leaned toward a soft landing, supported by robust economic releases.

- Despite very low volatility in equities, the market witnessed very elevated volatility in Fed rate expectations, with initial positioning pointing to a 70% chance of a March interest cut but as inflation remained elevated coupled with solid activity and strong labour indicators, the US Fed eventually announced no change in key rates during their March, effectively pushing out expectations to at least June. Performance across regions was generally driven by North America, followed by Japan, Europe and then Emerging markets. The US, using the S&P 500 Index* as a proxy returned 10.5%, but for a change not all "Magnificent 7 performed well, with both Apple and Tesla ending the quarter in negative territory. Japan was another notable standout, with the MSCI Japan Index* up also 10.5% in USD terms over the period.

- The MSCI EM Index* was up only 2.1%, with Asia (+3%) outperforming EMEA (+0.0%) and Latin America (-4.0%), which was dragged down by a significant correction in Brazil (-7.4%). On the brighter side Taiwan performed quite well in the region, driven largely by TSMC and other AI-related stocks, but China continued to drag emerging equities down, given ongoing concerns about its growth prospects, geopolitical risks and the absence of meaningful fiscal stimulus measures. Nevertheless, its market rebounded from its January lows on the back of better economic activity data, some easing monetary measures and a general pivot from companies to increase shareholders' returns via dividends or share buybacks.

- The sector performance also showed significant divergence with Emerging Markets with Energy (+6.7%) and IT (+8.7%) taking a significant lead over the laggards (both Materials and Healthcare were down around 5%). This confirms the fact that the economic trade recovery is quite narrow (i.e., driven by technology) and the ongoing weakness in Chinese property means emerging markets do not benefit from the usual commodity-demand impulse.

- On the sustainability side, The International Sustainability Standards Board (ISSB) has issued what is quickly becoming a global standard either to create or supplement disclosure rules in several jurisdictions, offering hope of greater global comparability. Yet, although the European Union has indicated support for ISSB, the bloc is in the process of negotiating its Corporate Sustainability Due Diligence Directive, which plays a very similar role to the ISSB standards.

** net total return index*

Sources: UBP, Bloomberg Finance LP.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

Performance Review

- The fund underperformed its benchmark by 2.5%, with a performance of -0.36% (net of fees, IC USD class) vs +2.1% for MSCI Emerging markets.*. The underperformance happened mainly from mid-January to mid-February before recovering in March.

  ** net total return index*

- In terms of countries, there was little impact overall from our geographic allocation. The fund benefited from its overweight position in Taiwan, Hungary and Peru but this was largely offset by our overweight in Brazil and underweight in India.

- Our sector allocation was dragged down due to our biggest overweight (Healthcare) underperforming and costing the fund about 1.3% in relative performance.

- The thematic contribution changed significantly from the pattern we had seen in 2023. The first signs of a recovery in Climate Stability are in, with a positive contribution to performance over the quarter. As could be expected from the sector performance, it is Health & Wellbeing, and also Sustainable Communities that were the underperforming themes.

- Looking at the key stock specific events, the fund suffered from the disappointing developments linked to the US Biosecure Act, which led to one of our company (Wuxi Apptec) being prevented from conducting some of its business in the US. Bandhan Bank was also a key negative contributor, due to ongoing growth issues and a number of changes in the management team. Many of the other negative contributors suffered from ongoing sector / thematic headwinds (e.g. Shandong Weigao and MTR due to their exposure to China, and Samsung SDI as an EV battery play). On the positive side, we saw great performance by LS Electric (ongoing enthusiasm for grid plays), Cipla and Gentera (better than expected Q4 results and business outlook in both cases).

Portfolio activity

- We disposed entirely of our position in **Wuxi Apptec** (IMAP: 16). We would have preferred to keep holding this very high-quality business that contributes to a a more efficient global research process for the discovery of new drugs. But we felt the restrictions imposed by this act where too much to bear for the company. With more than 60% of its revenues coming from the US, much is at risk for the company, and we think the stock has further to fall if this new regulation discourages existing and future clients from engaging with the company.

- We added four new positions. In Brazil, **WEG** (IMAP: 15) is a company that plays a key role in the electrification of industry as one of the largest manufacturers of electric motors in the world. It is a truly global company with 39’000 employees in 100 countries. **Hapvida** (IMAP: 14) is a company that has been making private health insurance affordable for Brazilians and is the leader in that segment. It is currently in the middle of integrating an acquisition that could bring significant upside to shareholders if successful. While in India, **IndusInd Bank** (IMAP: 12) is our third stock giving the fund exposure to the Indian financial sector. While having exposure to the corporate and SME markets, it has also acquired Bharat Financial Inclusion Limited (BFIL) in 2019, expanding its microfinance business, which now constitutes 11% of total loan book in Q3-FY24 numbers. In Taiwan, **Mediatek** (IMAP:12) is reinforcing our position in semiconductors. The company has traditionally played an important role in diffusing technological progress towards the affordable end of the smartphone market and is likely to benefit from the development of AI-enabled phones.

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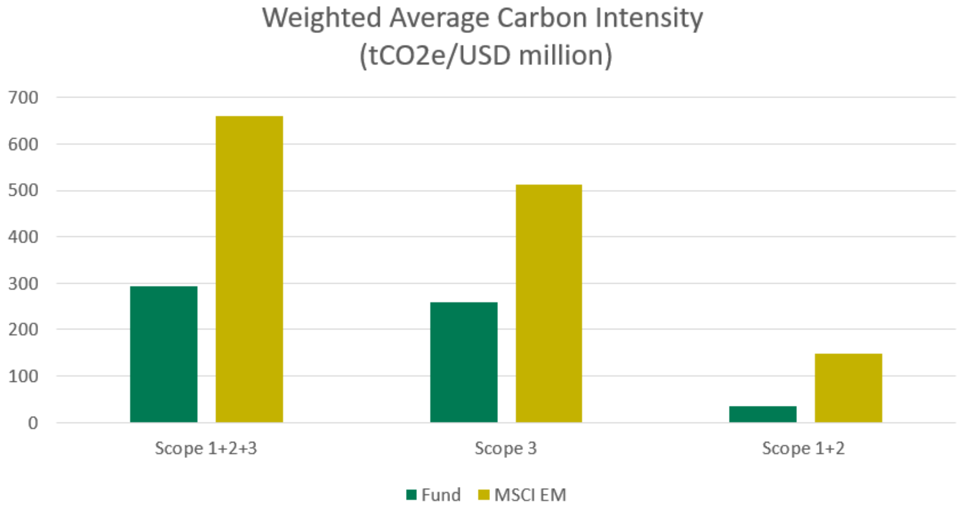
ESG Monitoring

- **Human rights and Social**
  (Disclosure: Fund 95.2% / Index: 100%) **and Social** (Disclosure: Fund 95.2% / Index: 100%)

	UN Global Compact			Human Rights Compliance		
	Pass	Watchlist	Fail	Pass	Watchlist	Fail
UBAM - PIEE	40	0	0	40	0	0
MSCI EM	1309	52	13	1306	55	13
UBAM - PIEE	100%	0%	0%	100%	0%	0%
MSCI EM	95.3%	3.8%	0.9%	95.1%	4.0%	0.9%

	Labour Compliance - Core			Labor Compliance - Broad		
	Pass	Watchlist	Fail	Pass	Watchlist	Fail
UBAM - PIEE	40	0	0	40	0	0
MSCI EM	1342	20	12	1332	30	12
UBAM - PIEE	100%	0%	0%	100%	0%	0%
MSCI EM	97.7%	1.5%	0.9%	96.9%	2.2%	0.9%

- **Environment** (Public Disclosure: Fund 74.0% / Index: 85.0%, Including estimates: Fund 100% / Index 99.9%)



Carbon Intensity metric: UBAM - Positive Impact Emerging Equity aims to beat the benchmark (MSCI Emerging markets) for this metric

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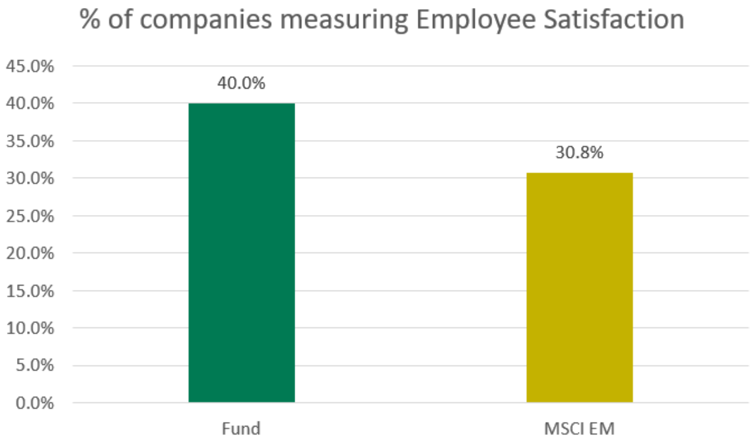
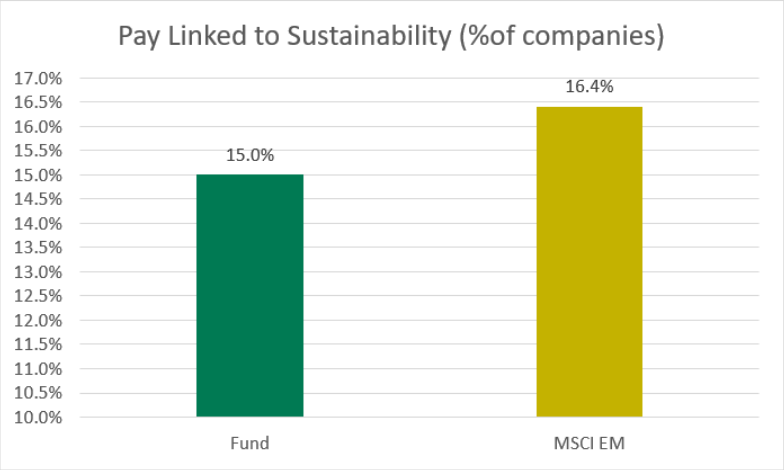
- **Labour** (Disclosure: Fund 95.2% / Index: 100%)



- **Governance** (Disclosure: Fund 95.2% / Index:100%)



Sources: UBP, Based on MSCI ESG Research LLC and Urgentem

Outlook

- Market sentiment remained buoyant globally in Q1, and the consensus expects a continuation of the current environment with a strong US economy and inflation under control although interest rates cuts expectations have been tempered during the quarter. Sentiment surveys point to a bullish consensus outlook but not to an extreme extent.

- UBP's house view is that the strength of the US economy is challenging recent disinflationary trends and thus delaying expectations of rate cuts from the Federal Reserve.

- China will continue to suffer from the fallout of the slowdown in its real estate sector. We don't expect a sudden acceleration, but do not expect a collapse either. The consensus expects a 4.5% GDP growth in 2024, and there are still ways in which the authorities can stimulate the economy particularly as inflation is much lower than in other regions. Outside of China, we believe the flows to the rest of Emerging Markets will continue.

- Despite the constant reference to the "Magnificent 7", Q1 witnessed a relative broadening of market performance, and we believe this could be a continuing trend for the rest of the year. The small- and mid-cap segments to which we have significant exposure is trading at a significant discount to the larger names and has a lot of room to catch-up with the rest of the market. The better relative performance of the Industrial sector since Q4 last year is also a supportive factor and could continue in the current macro context.

- On the sustainability front, we were hit by the double whammy of disappointing developments on the regulatory front which led to a more uncertain outlook for electric vehicles and renewable energy on one hand, and truly alarming temperature readings in many parts of the world on the other. This difficult situation is compounded by the fact that we have another US election on the horizon, where the climate will be, unfortunately, another dividing issue. Despite that, it is important to remember that the long-term trend for emissions reductions in the US is clear, and the level of low-carbon energy deployment at the global level continues to accelerate. Our outlook on this is unchanged: those trends will have to continue, and that will open opportunities for companies in our portfolio.

Appendix

Methodology

- Global Compact Compliance
  This factor indicates whether the company is in compliance with the United Nations Global Compact principles. The possible values are Fail, Watch List, or Pass.
- Human Rights Compliance
  This factor indicates whether the company is in compliance with the United Nations Guiding Principles for Business and Human Rights. The possible values are Fail, Watch List, or Pass.
- Weighted Average Carbon Intensity
  This figure represents the company's Scope 1 + Scope 2+ Scope 3 greenhouse gas emissions normalized by sales in USD, which allows for comparison between companies of different sizes. This is a weighted average calculated using Urgentem data.
- Labor Compliance - Core
  This factor indicates whether the company is in compliance with the International Labour Organization’s fundamental principles. The possible values are Fail, Watch List, or Pass.
- Labor Compliance - Broad
  This factor indicates whether the company is in compliance with the International Labour Organization’s broader set of labor standards. The possible values are Fail, Watch List, or Pass.
- Monitors employee satisfaction
  Flagged as "Yes" if company monitors employee satisfaction.
- Pay Linked to Sustainability
  Has the company, if designated as having either a high environmental or social impact, failed to incorporate links to sustainability performance in its current incentive pay policies? Flagged if yes. This metric is based entirely on the company’s own reporting, and is strictly focused on the specific inclusion or not of such metrics in the determination of variable pay components and does not take into consideration their effectiveness. High Environmental Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Carbon Emissions, Water Stress, Toxic Emissions & Waste, Product Carbon Footprint, Raw Material Sourcing, Packaging Material & Waste, Electronic Waste, Biodiversity & Land Use, Energy Efficiency. High Social Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Labor Management, Health & Safety, Product Safety & Quality, Supply Chain Labor

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