


UBAM - EURO HIGH YIELD SOLUTION


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


- In October the loss of economic momentum continued. Elevated inflation has weighed on domestic and foreign demand for most developed economies, leading to a further drop in manufacturing and service sectors' activity as shown by major surveys. A recession now appears almost a done deal for Europe and it is becoming an increasing risk for North America. Labour markets remain robust by historical standards but signs that labour demand might have peaked are arising. Meanwhile, inflation has continued to surprise on the upside prompting major central banks to increase interest rates at an accelerated pace to try to cool down price pressures by limiting demand. The impact of tighter monetary policy on the real economy has yet to be seen and will take some more months to fully materialise, but is starting to kick in. Demand has not deteriorated as sharply as needed to bring down price pressures, which remain high and broad based across economies. Central banks are therefore expected to deliver more rate hikes throughout the rest of the year and possibly early next year. As the impact on economic activity intensifies, more cautiousness across policy makers will emerge. In the United States, where economic conditions have proven resilient until now, the latest surveys are pointing towards a further slowdown in the coming quarters. Tighter financial conditions should lead to declines in homebuilding, non-residential construction, business equipment investment, and consumer spending on goods next year. A rise in auto production as semiconductor availability improves could yet provide some support to growth. Meanwhile both the Eurozone and UK are likely to face a deeper recession. High inflation continues to weigh on real incomes and consumer spending, while rising rates, uncertainty and energy issues are leading to weaker business investment and activity. The Eurozone CPI inflation climbed to a new high of 10.7% in October boosted by energy and food, but core also continued to accelerate. Base effects on the energy front should enable a gradual decrease of headline inflation in the coming months but domestic pressures are likely to keep core inflation elevated for some time. We will probably need to wait for the second half of 2023 to see more meaningful drops in core inflation. Rising debt burdens also threaten the medium to long growth prospects of many European countries. Meanwhile, the Chinese economic recovery eased this month. Retail sales along with October's PMIs provided signs that weaker demand is weighing on Chinese growth. Virus disruptions worsened and demand related indices (new orders and new export orders) deteriorated further, hinting a weakening in domestic and global demand. The current Covid policy, the property sector issues and the expected deterioration in exports growth will weigh further on the Chinese economic recovery throughout the rest of the year and start of 2023. Soft economic growth in China is increasing concerns for other developed countries including Australia, prompting a more cautious stance from their central banks.

- 
- At the global level, easing commodity prices and supply issues along with weaker demand will help to ease global price pressures in the coming six to twelve months. Tight labour markets, sticky core price pressures will however, keep core inflation elevated and above 2% in most economies, increasing the risks of policy rates remaining higher for longer. This will weigh on global growth, but a global recession is still not our baseline scenario.
 - Developments in the UK continued to drive markets in October amid the fallout from the new cabinet's mini budget. The sell-off in the gilt market that followed drove not only liquidations in Gilts, but also in equity and credit markets from UK pension funds who were forced to raise cash to meet margin calls. This dynamic was seen as one of the reasons for why US Investment Grade Credit spreads widened by 5 bps in October on the back of forced sellers, whilst European credit outperformed, with spreads 6 bps tighter on the month. European credit would have found support from the substantial decline in natural gas prices observed, which should take pressure off households, businesses and inflation. European duration also outperformed US duration in October in a move that also followed the ECB meeting towards the end of the month in which they appeared to be preparing the ground for a slower pace of rate hikes ahead following the 75 bp hike delivered, by noting in the statement that substantial progress in withdrawing monetary policy accommodation had been made. Gilts also reversed much of the sell-off observed at the start of the month after the BoE decided to step in to stabilize the market via a temporary purchase program, whilst the decision by the Conservative Party to oust Lizz Truss as Prime Minister and replace her with the fiscally prudent Rishi Sunak helped drive an almost 100 bp turnaround in Gilts. In contrast for US rates markets, investors continued to react to strong economic data that was released in October and continued to signal tight labour markets and stickier than expected price pressures which reaffirmed expectations for another 75 bp rate hike to be delivered at the November meeting. As a result US 10 year Treasury yields rose by 22 bps in October whilst the equivalent German yield rose by only 4 bps. At the time of writing, the market is now pricing in the Fed to hike rates to a 5.2% mid-point which appears sufficiently restrictive in the near term given the cumulative tightening provided and due to the lags of policy pass through which of significance, are comments recently added to the latest Fed statement as well.
 - November provided more evidence of the global economic slowdown. Higher interest rates combined with elevated inflation and economic uncertainty continued to weigh on domestic and foreign demand for most developed economies, leading to a further drop in manufacturing and service sectors' activity as shown by major surveys. Eurozone business activity fell for a fifth consecutive month while US activity registered its second-fastest drop since May 2020. Labour markets remain robust by historical standards but signs that labour demand might have peaked are slowly emerging. Meanwhile, inflation has eased on the back of a drop in energy prices, providing encouraging news that we might have seen the worse in inflation even if we could see some more months of elevated price increases, in particular in the Eurozone. We continue to believe that the impact of tighter monetary policy on the real economy has yet to be seen and will take some more months to fully materialise but is gradually starting to kick in.

- 
- Hard data continue to be more resilient than what surveys suggest, and demand has not deteriorated enough to bring prices down meaningfully yet. As the impact on economic activity intensifies and the cumulative tightening made so far increases more cautiousness across policy makers will emerge. The slowdown in economic growth intensified in November across major economies and this, along with lower energy prices, is weighing on prices. US Inflation has moderated and seems to be on a downward trend. Goods inflation has eased on the back of weaker demand and services inflation also provided encouraging signals. While on the goods front prices should continue to decelerate as demand deteriorates further and supply chain issues continue to ease, developments on the services front are still uncertain. There is a good chance that a rising unemployment rate coupled with slowing rent inflation will provide some relief to prices towards the late first half of next year but wages growth remains an upside risk to inflation in the second half of the year and beyond that. Deeper recessions are expected in the Eurozone and the United Kingdom. Activity data have been resilient so far while inflation has eased in many Eurozone economies in November. However, prices remain high and continues to weigh on real incomes and consumers spending. Eurozone core inflation was unchanged at 5% in November and the labour market is still very tight, with the unemployment rate remaining at historical lows, putting pressure on wages. What's more, the combination of higher rates, uncertainty and energy issues continue to weigh on business investment and activity according to surveys. Looking ahead, base effects on the energy front should enable a gradual decrease of headline inflation in the coming months but domestic pressures are likely to keep core inflation elevated for some time. We will probably need to wait for the second half of 2023 to see more meaningful drops in core inflation within the euro bloc.
 - Meanwhile, the Chinese economic recovery continues to remain poor in November. The latest PMIs signalled that the manufacturing sector can no longer rely on export demand as the global economy enters a downturn. Domestic demand is also restricted by persistent measures amid surging Covid cases, the struggling property sector and low household confidence. These factors are weighing on both manufacturing and services activity which both contracted in November. Recently, frustration and weariness of the public have increased with multiple protests in cities and factories. As a result measures are slowly being relaxed. Headlines confirm that China's path toward a broader reopening continues. We expect more policy support along with further relaxation of Covid-related measures in the coming months to support the Chinese economy. That said, the road towards stronger growth remains bumpy. At the global level, easing commodity prices and supply issues along with weaker demand are expected to keep inflation on a downward trend. Due to some lags in prices transmission, the strength of the labour market and other sticky core pressures, it might take until late 2023 to see a meaningful drop in inflation, and in particular core inflation. That said, rising economic growth concerns along with acknowledgement of the cumulative tightening done could still prompt most developed economies to pause their hiking cycle as soon as early next year. Overall, despite the economic downturn in some major developed economies, we continue to expect positive global growth next year.



- Sentiment towards fixed income saw a general improvement in November and in particular following the lower than expected CPI print in the US. Investors were relieved by the release as it increased the likelihood of the Fed stepping down its hiking pace to 50 bps for the December meeting. As a result we saw a decline in government bond yields with US 10 year yields for example falling by 44 bps during the month in a curve flattening move. German 10 year yields meanwhile declined by 21 bps, underperforming US rates as a result of continued hawkish commentary from ECB members who continue to flag upside risks to inflation through second round effects of stronger wage growth and rising long term inflation expectations. Sentiment towards the Eurozone also saw initial signs of improvement which weighed on Bunds as observed with the German ZEW for example following the decline in nat gas prices observed and no further escalation in the Russia-Ukraine war. Credit markets also reacted positively following the US CPI print and given the decline in real rates observed, with 10 year US real rates for example falling by 50 bps from the early November peak. In light of the developments described, US investment grade credit spreads tightened by 25 bps during the month whilst European spreads were 37 bps tighter, with the latter outperforming given the extent of pessimism that had been priced for the Eurozone region amid the Russia-Ukraine War. Improving sentiment towards China as the month progressed also supported European risk assets as the region would set to benefit from a Chinese reopening given close trade ties. Although a full reopening is not likely until March next year, initial signs of loosening measures provide hope that the Chinese growth story for 2023 may not be as poor as 2022. These developments in China, as well as the lower US CPI print both provided impetus for the dollar to fall of historical highs in November, with the Dollar Index declining back to levels last seen in August.
- The fourth quarter of 2022 was characterized by a further slowdown in global growth and emerging signs of peaking inflation across developed economies. Weaker demand along with reduced energy prices and further improvements of supply chains have enabled some easing in global price pressures. According to the latest PMIs, both input and output price pressures started to ease recently, albeit remaining elevated by historical standards. Despite the positive news on the prices front, inflation remains well above central bank targets. While some commodity prices have eased, food and core price pressures are keeping inflation high. Core inflation is expected to continue to remain robust throughout next year, largely supported by service prices (resulting from wages and rents). Meanwhile, evidence of economic weakness has increased, leading to greater monetary policy caution amongst the most rates sensitive economies such as Canada and Australia. We still believe that the impact of tighter monetary policy on the real economy has yet to be seen across developed countries. Global leading indicators are pointing to a deteriorating economic outlook, while global purchase manager indices have been in contractionary territory for several months now. Hard data has so far been resilient, but the weakness seen in surveys is expected to emerge in real economy indicators. Although several developed economies are on track to experience economic contractions in subsequent quarters, global growth is still expected to be positive in 2023. Asian countries in particular will provide the largest support to the global economy with China set to reopen in the months ahead.

- 
- Downside risks to the global economic outlook remain, including monetary and fiscal policy mistakes and renewed commodity or COVID related supply disruptions. Inflation meanwhile should continue its downward trend on the back of slowing economic activity, loosening labour markets restraining wage growth, improving supply chains and easing commodity price pressures.
 - Central bank meetings were in focus in December to see whether there would be any further hawkish shifts following the repricing observed throughout 2022. The Fed meeting saw a muted market reaction given that it followed a second downside surprise in a row for US CPI which all but confirmed the Fed's decision a day later to step down its hiking cycle pace to 50 bps from 75 bps previously. Recent inflation trends in the US would have given the Fed increased confidence in its expectations for inflation to decline as 2023 progresses and has also narrowed the range of possibilities for the Fed's terminal rate, for which the market is pricing a 5.0% mid-point which is not far from the Fed's own dotplot showing 5.1%. Away from the Fed however, the market was caught off guard by significant hawkish shifts from key central banks. At the ECB for example, whilst they hiked by 50 bps as expected, it was the forward guidance that was taken as a surprise by the market. In particular they indicated that rates will have to rise significantly at a steady pace to reach sufficiently restrictive levels, with President Lagarde clearly stating that this steady pace would mean raising rates in 50 bp increments for a period of time. Finally the BoJ shocked markets by taking its end-December meeting at a time of poor liquidity as the moment to adjust its yield curve control policy, widening the band around the 0% target on 10yr JGBs from +/- 25bps to +/- 50bps which took 10yr JGBs immediately towards the upper end of the new target band. Although investors had been anticipating such a shift in 2023, recent guidance from the BoJ suggested that this would happen at a later stage, and most likely following the end of Governor Kuroda's term after Q1 23.
 - As a result of these developments we saw EUR rates sell off aggressively and across the curve given the ECB's communication, with 2yr and 10yr yields rising by 63 & 64 bps respectively. USD rates outperformed with the curve steepening given the US CPI downside surprise, although yields still rose on the month given contagion from ECB & BoJ action with 10yr US yields rising by 27 bps whilst 2yr yields only rose by 12 bps. Despite rates volatility herein, US Investment Grade credit spreads still managed to tighten on the month by 5 bps as the market reacted positively to the CPI release. European IG spreads were 14 bps tighter on the month, likely outperforming due to the extent of pessimism that had been priced for the Eurozone region amid the Russia-Ukraine War. Improving sentiment towards a potential China reopening also supported European risk assets as the region would set to benefit given close trade ties.



Q4 2022

Performance Review

- QTD, UBAM - Euro High Yield Solution returned +7.76% net of fees (I Share class). In contrast, the ICE BoA EUR High Yield Index (HE00) returned +4.62% gross of fees.
- In terms of the gross performance contribution QTD for the fund, credit contributed +8.5%. Interest rates contributed -0.7%.
- YTD, UBAM - Euro High Yield Solution returned -7.63% net of fees (I Share class). The ICE BoA EUR High Yield Index (HE00) returned -11.52% gross of fees.
- In terms of the gross performance contribution YTD for the fund, credit contributed -3.6%. Interest rates contributed -3.5%.

Portfolio Activity

- At the end of the quarter, the yield of the portfolio was 8.6%
- The interest rate exposure was 1.4 years.
- The overall credit allocation was:
 - ▶ High yield exposure: 105%
 - ▶ US exposure: 0%
 - ▶ European exposure: 105%
- In October, we have maintained the fund's credit exposure at 113% given that we see current spread levels as compensating investors for an increase in default rates towards levels last seen during the global financial crisis, which we think is unlikely to be the case. Instead, we expect for spreads to benefit from the resilient growth backdrop and the likely decline in inflation in the months ahead, where current spread levels also provide a buffer against current market volatility. On the rates side we have maintained the fund's duration positioning at 1.8 years.
- In November, we have maintained the fund's credit exposure at 112% given that we see current spread levels as compensating investors for an increase in default rates towards levels last seen during the global financial crisis, which we think is unlikely to be the case. Instead, we expect for spreads to benefit from the resilient growth backdrop and the likely decline in inflation in the months ahead, where current spread levels also provide a buffer against current market volatility. On the rates side we increased the fund's duration positioning to 2.0 years through 5y and 7y Treasuries following the miss in CPI supporting the view that the Fed is set to slow the pace of rate hikes at the December meeting.





- In December, we have lowered the fund's credit exposure from 112% to 105% as we took advantage of the significant tightening in spreads observed since late September, taking profits on some of the exposure given event risks through key central bank meetings and poor liquidity into year-end. Our central scenario and positive view towards credit remains unchanged as we see current spread levels as compensating investors for an increase in default rates towards levels last seen during the global financial crisis, which we think is unlikely to be the case. We continue to expect for spreads to benefit from the resilient growth backdrop and the likely further decline in inflation in the months ahead. On the rates side we lowered the fund's duration positioning from 2.0 years to 1.4 years following the hawkish turn in central bank communication, in particular from the ECB and the BoJ.



Outlook

- The fourth quarter of 2022 was characterized by a further slowdown in global growth and emerging signs of peak inflation across developed economies. Weaker demand along with reduced energy prices and further improvements of supply chains have enabled an easing in global price pressures. Despite positive news herein, inflation remains well above central bank targets. Whilst some commodity prices have eased, food and core price pressures have kept inflation high. Core inflation is expected to continue to remain robust throughout the first half of the year at least, largely supported by service prices (resulting from wages and rents), but should still ease gradually. Headline inflation should continue its downward trend on the back of slowing economic activity, improving supply chains and easing commodity price pressures. Meanwhile, evidence of economic weakness has increased, leading to greater monetary policy caution amongst the most rates sensitive economies such as Canada and Australia. We still believe that the impact of tighter monetary policy on the real economy has yet to be seen across developed countries, where global leading indicators are pointing to a deteriorating economic outlook. Hard data has so far been resilient, but the weakness seen in surveys is also expected to emerge in the real economic indicators. Although several developed economies are on track to experience further economic weakness this year, recent evidence suggests that the overall impact could be smaller than previously anticipated. Overall, we do not anticipate a collapse in global growth given the strength of labour markets within DM economies, whilst Asian countries should provide support to the growth backdrop amid Chinese reopening.
- In the United States, the impact of tighter monetary policy on rate sensitive sectors increased in the last quarter of 2022. The housing market downturn intensified while goods demand weakened further. Households have used savings accumulated during the pandemic and this has kept sales robust throughout most of the quarter, although these savings have now diminished. Labour market conditions however remain extremely tight by historical standards, preventing a sharp contraction in services demand. That said, signs that employment conditions are easing are arising via employment leading indicators including average hours worked, which continue to weaken. Looking ahead, the combination of weaker economic activity weighing on labour demand and wage growth suggests greater weakness in goods and services demand in the coming quarters. Higher rates will also limit construction and investment keeping any economic growth subdued for some quarters. On the prices front, goods inflation has started to come down on the back of weaker demand and improved supply. Services inflation remains strong supported by rents but overall core price pressures are easing and heading in the right direction. There is a good chance that a rising unemployment rate coupled with slowing rent inflation will provide some more meaningful relief to prices towards the second quarter of the year.
- In the Eurozone and the United Kingdom, the economic outlooks look gloomier. Price pressures are starting to show some signs of easing, mainly on the energy price front, but remain extremely high and continue to weigh on real incomes and consumer spending. However, it is not just about energy. In contrast to what observed in the United States, signs of easing core price pressures are missing in Europe. What's more the labour market remains tight keeping wage growth robust.

- 
- Wage growth represents a major upside risk to European core inflation which is on track to remain high until the second half of 2023. This is particularly true in the United Kingdom where, following Brexit and Covid, a large share of the workforce is missing. Meanwhile, the Chinese economic recovery continued to struggle in the fourth quarter of 2022 as renewed Covid outbreaks have weighed on the economy. Weaker global demand has also been a drag on trade and economic growth. Chinese domestic demand has been restricted by persistent measures amid surging Covid cases, the struggling property sector and low household confidence. Frustration and weariness of the public have increased and resulted in multiple protests in cities and factories. This, coupled with the soft economic growth has prompted the Chinese government to relax several covid-related measures in order to calm public opinion and bring forward any economic recovery. China also adopted a more supportive stance towards the economy reiterating support to struggling sectors such as the property one. We expect more policy support along with further relaxation of Covid-related measures in the coming months to support the Chinese economy leading to a faster recovery. Yet, challenges for the medium to long term outlook remain.
 - From a monetary policy perspective, 2022 ended with key central banks appearing to be at contrasting stages in their respective tightening cycles. For example whilst the Fed appeared to be guiding markets towards an end in its hiking cycle in the coming months based on their latest dot plot projections, the ECB indicated that their tightening is far from over, whilst the BoJ has yet to normalize policy at all. Starting with the Fed, their December meeting shortly followed the second consecutive downside surprise to US CPI, which all but confirmed their decision to step down the hiking cycle pace to 50 bps from 75 bps previously. Recent inflation trends in the US would have given the Fed increased confidence in its expectations for inflation to decline as 2023 progresses and has likely narrowed the range of possibilities for the Fed's terminal rate, for which the market is pricing a 5.1% mid-point, in line with the Fed's own dot plot. Meanwhile at the ECB, whilst they hiked by 50 bps as expected, it was the forward guidance that was more surprising as they indicated that rates will have to rise significantly at a steady pace to reach sufficiently restrictive levels. President Lagarde clearly stated that this steady pace would mean raising rates in 50 bp increments for a period of time, rather than a step-down to 25 bp increments as the market had been anticipating. Whilst growth in the Eurozone remains a concern, the ECB appears more focused on the risks that current elevated inflation leads to second round effects of higher wage growth and a de-anchoring of long run inflation expectations. Finally the BoJ shocked markets by taking its end-December meeting at a time of poor liquidity as the moment to adjust its yield curve control policy, widening the band around the 0% target on 10yr JGBs from +/- 25bps to +/- 50bps. Although the bank put the decision down to market functioning rather than a hawkish shift in policy, their decision is being viewed as the first sign of policy normalisation and the market will be looking for further hints in this direction as 2023 progresses and especially after current Governor Kuroda's term ends after the first quarter.

- 
- Overall, we view the hawkish repricing observed across rates markets throughout 2022 as having created significant value within fixed income and we enter 2023 with a positive bias towards interest rate duration. As the tightening in financial conditions and hawkish actions delivered last year feeds through to the real economy this year, it should help slow economies and rebalance demand & supply. This should allow investors to focus their attention back onto growth over inflation concerns, for which holding interest rate duration within portfolios can protect them against any growth shocks and argues for building more balanced portfolios with both duration and credit risk this year. This is especially the case given recent inflation trends in the US for example which supports the view that the path for inflation is lower from here in 2023 and should allow the Fed to act less aggressively in the months ahead and especially as real rates turn positive across the curve. Our preference continues to be in favour of holding US over European duration at this current juncture and at a time when the ECB has been less clear as to where they estimate the neutral rate and sufficiently restrictive policy is.
 - We also head into 2023 maintaining our positive bias towards credit, seeing much of the bad news as priced into spreads. Whilst growth is slowing, we would note that it is not collapsing and we see this slowdown as necessary to ease inflationary pressures, which remains the main concern for both central banks and investors. Growth last year was more resilient than many had anticipated, supported by tight labour markets, and we see several factors that could ultimately lead to a soft landing and have not been appropriately priced into spreads. For example elevated job openings means that the labour market in the US could loosen without a need for a significant rise in the unemployment rate. The long awaited Chinese economic reopening is set to take place in the coming months, which will help offset much of the weakness coming through from DM growth. Whilst the energy crisis amid the Russia-Ukraine war clearly weighed on sentiment last year, we would note that warmer weather has resulted in current natural gas prices in the Eurozone being at levels last seen prior to the conflict. This has reduced fears of potential blackouts in the region which would have weighed on production, at a time when governments are helping to pick up the higher energy bills.
 - We expect that a stabilization in the rates backdrop will help attract inflows back into credit markets where we view high income strategies in particular as ripe to take advantage of this backdrop. For example the high yield segment of the market through CDS indices is compensating investors more than adequately for the risk being taken where at such elevated yields, the power of accrual becomes extremely important, providing a buffer against current market volatility and any further spread widening. We also think that an allocation to BB rated bonds is attractive given their superior risk-reward profile to BBBs, single Bs and CCCs and as corporate fundamentals for BBs seem in good shape heading into a slower growth environment. Interest coverage ratios are at record highs whilst net leverage ratios are below their 25-year average. Finally we view subordinated financial debt including AT1s as benefitting from this higher rates and inflation backdrop, as has been observed through recent bank earnings which have remained impressive.

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 Elysées | 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.
