



For Qualified Investors in Switzerland, or Professional Investors or Eligible Counterparties as defined by the relevant laws

UBAM CONVERTIBLES GLOBAL 10-40

Drawing on the convex nature of convertible bonds within a defensive framework

The dual nature of convertible bonds – a bond instrument with an embedded conversion option – allows them to combine the defensive qualities of fixed income securities with the upside potential of equities. This attractive feature is at the root of the asset class’ intrinsic convexity. When the equity sensitivity is used moderately – as it is in UBAM Convertibles Global 10-40 – convertible bonds become a solid alternative to corporate bonds.

Key points

- ◆ *An alternative to global corporate bonds through a 10% to 40% average equity sensitivity range*
- ◆ *A bottom-up, long-term fundamental security selection, geared towards convexity*
- ◆ *A cautious approach to credit risk embedded throughout the investment process*
- ◆ *Access to a rare asset: a long-term option feature on the issuing company’s stock*
- ◆ *Lower interest rate sensitivity than straight bonds of identical duration*
- ◆ *Regional diversification across the main convertible bond markets (US, Europe, Asia)*

Investment case

Convertible bonds have a long track record of delivering equity-like returns with much lower volatility and reduced drawdowns over the long term. This comes from their dual nature – a bond instrument with an embedded conversion option – which grants them an asymmetric risk–return profile relative to equities. The benefits of convexity make convertible bonds an “all-weather” asset class as regards portfolio construction. Besides, being partly exposed to equities, convertible bonds have lower sensitivity to interest rate moves than straight bonds of identical duration.

The outlook for the asset class is highly favourable as ever more companies are turning to convertibles for their financing needs and as investors are increasingly seeing them as a valid alternative to both equities and bonds.

Fund concept

UBAM Convertibles Global 10-40 is positioned as a defensive convertible bond strategy, with an average equity sensitivity ranging between 10% and 40%. It aims to provide investors with a solid alternative to investments in global corporate bonds by capitalising on the most attractive features of convertible bonds. To that end, the strategy is managed according to a bottom-up, fundamental process, centered on convexity, and with a core focus on credit quality.

When filters are applied, the investable universe naturally shrinks. A global allocation gives investors broader access to the defensive segment of the convertible bond universe, as well as to opportunities outside Europe, including the US and the booming Asian market.

Convertible bonds’ asymmetrical pay-off



