Q1 2024

UBAM - 30 GLOBAL LEADERS 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

- Supported by optimism around a softer landing in the US, the AI hype and soon to come interest rate cuts, equity markets continued their climb in Q1 2024, with many of the main indices making new all-time highs. In March, performance drivers started to broaden with energy and banks contributing positively, as investors were looking for attractively priced areas of the market away from the diverging “Mag 7”. The MSCI AC World rose +8.1% over the quarter, with Japanese equities up +17.3%, US equities +10.6%, Swiss equities +6.0%, European equities +7.6%, and Emerging Market equities +2.1% (performances as of 28.03.2024, in local currencies).
- US GDP growth for Q4 23 came in slightly above estimates at 3.4% qoq but showed some slowdown from the previous quarter. Activity is expected to moderate in Q1 2024, but average growth for the full year should remain in a 2%-2.5% range after 2.3% in 2023. This would support the soft-landing scenario as US consumers continue to benefit from a tight employment market. The US Fed announced no change in key rates during their March meeting, as inflation remained elevated coupled with solid activity and strong labour indicators. The US yearly inflation trend increased for end of February from 3.1% to 3.2%. In a similar move, the ECB kept interest rates unchanged in March and cut its 2024 inflation forecast to 2.3%. The yearly headline inflation print for the Eurozone fell slightly in February, but core inflation remained above 3% yoy. Manufacturing PMI for the Eurozone came in better than expected at 46.1 for March, with less pronounced negative business sentiment and improving confidence about the economic recovery.
- At the end of the quarter, EPS growth expectations for US equities stood at 10% for 2024 compared to 9% for global equities, with valuation edging slightly higher to 20.9x fwd PE ratio vs 17.9x for the MSCI AC World. This rerating continues to be mainly driven by the large cap US tech companies, that are still gaining in weight in the indices, and boast high profitability and earnings growth. Nevertheless, the dominant “Mag 7” trade continued to show divergences with Tesla and Apple posting losses YTD.
- Over Q1 2024, all sectors of the MSCI AC World except for Real Estate, delivered positive performances. The IT sector was by far the largest performance contributor YTD, followed by Financials and Industrials. Over the month of March however, Financials were the largest performance contributor. This marked the start of a broadening in the market, following the high levels of concentration that have boosted the Momentum factor so far in 2024. In terms of individual names, Nvidia, Microsoft and Meta were the largest performance contributors YTD, while on the other end of the spectrum Apple, Tesla and Adobe were the largest detractors.

Performance Review

- UBAM - 30 Global Leaders Equity delivered +5.6% in gross performance over the first quarter of the year vs +8.1% for the MSCI AC World. Sector allocation was slightly positive over the period, but was largely offset by stock selection, particularly in IT and Financials.
- Over Q1 2024, the biggest contributors to performance were the absence of exposure to Apple as well as the overweights in Novo Nordisk and ASML (+88bps, +46bps and +44bps respectively). Apple lost -11% YTD despite reporting results ahead of expectations. The company revealed however lower sales figures in Greater China amid concerns of more competition in the key market. The flat guidance for the following quarter also weighed on investors' appetite. Novo Nordisk rose +27% as the company presented promising data around its new weight loss drug pill. Earlier in the year, the company had posted solid results driven by blockbuster sales of its diabetes and obesity treatments. ASML gained +31% after the company reported strong sales for 2023, with booming orders reflecting soaring demand for its semiconductor equipment tools.
- The main performance detractors over the period were the absence of exposure to Nvidia, as well as the overweights in Adobe and Nestlé (-132ps, -92bps and -47bps respectively). Nvidia climbed +82% YTD after the company delivered better than expected results and issued a positive outlook for Q1 2024, putting aside supply chain and growth slowdown concerns. Adobe dropped -15% over the period despite releasing quarterly results ahead of the Street. However, management failed to formally reiterate the full-year guidance, which raised worries among investors in a context of rising competition from companies like Sora (OpenAI's text to video design software). During its "Adobe Summit" held two weeks later, the company gave a more confident message around the full-year guidance and shared annual growth estimates of "low teens" by 2027 for its key divisions. Nestlé lost -2% as the company guided for an easing of sales growth in 2024 given higher prices weighed on consumers spending. Compared to 7.2% growth in 2023, the company guided for 4% organic growth for 2024, which came in the lower range of analysts' expectations. Its key categories, pet and coffee, reported nevertheless strong results and are expected to continue leading the company's growth.

Portfolio Activity and ESG

- Over the first quarter of 2024, the team initiated a position in Amazon which was previously held in the portfolio until 2022. In fact, 2022 CFROI® (Cash Flow Return on Investment, source Credit Suisse HOLT) has proven to be an exceptional low for Amazon. Accelerated growth, a doubling of margins to record levels and 20% Capex reduction has helped its CFROI® to jump back to above 10% in 2023. The company's margins are also likely to set yet another record level in 2024. On the other hand, the team decided to exit its position in Roche as declining sales and margins led to CFROI® falling below 10% in 2023. Near term recovery in margins is uncertain with top-line headwind from Covid overhang continuing for the company in early 2024, along with negative FX impact. Recent pipeline news flow was unhelpful for its share price development, and a strategic business review may take longer to conclude.
- This move reduced the portfolio's overweight in Healthcare to neutral and closed its underweight in Consumer Discretionary. The fund holds now 3 out of the "Magnificent 7", while maintaining a balanced sector positioning.
- At the end of March 2024, UBAM - 30 Global Leaders Equity had a AA ESG rating with an ESG quality score of 7.5, versus a A rating and 6.8 score for the

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

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's weighted average carbon intensity is more than 50% lower than its benchmark with 59.5 tons of CO2 emissions / USD mn sales vs 118.3 tons for the MSCI AC World. Moreover, being underweight low CFROI® sectors such as Utilities and Energy, the portfolio exhibits a carbon footprint more than 85% below that of its benchmark with of 10.2 tons of CO2 emissions / USD mn invested vs. 77.8 tons for its benchmark. In addition to the environmental and Global Norms criteria, the portfolio also shows better overall average social and governance indicators than its benchmark (indicators based on MSCI ESG Research), especially on employee training and protection as well as diversity, demonstrating the portfolio's overall positive ESG positioning versus the MSCI AC World.

Outlook

- Given the prevailing market concentration levels particularly around US tech names, investors should factor in the risks of a negative market surprise linked to geopolitics and elections, interest rate moves or AI results. After 0% EPS growth delivered in 2023, the highly anticipated first earnings season of the year could bring some volatility, especially around names with extended valuation levels. We believe that investors should privilege active bottom-up strategies exposed to diversified sources of performance.
- The 30 Global Leaders Equity strategy continues to focus on bottom-up stock selection with visible and resilient levels of value creation, as measured by positive CFROI® spreads above the Cost of Capital. This leads the portfolio to steer away from more cyclical CFROI® profiles such as Nvidia or Tesla, as well as more volatile segments like Banks or Energy. This might result in some performance headwinds for the portfolio over specific time periods: during markets with high levels of concentration as seen in 2023, or during market rotations towards Value names as seen in March 24 after interest rates cuts were delayed.
- The 30 Global Leaders Equity strategy has proven nevertheless over the medium to long term, that a diversified and balanced portfolio positioning should deliver consistent and resilient results that are less driven by active bets on regions, sectors or market caps. This enables this all-weather portfolio to navigate different market cycles with decent upside participation but more importantly with proven downside mitigation.

UBAM - 30 Global Leaders Equity

ESG Scores

UBAM - 30 Global Leaders Equity

MSCI ESG Rating		ESG Quality Score	Environmental	Social	Governance
AA	Scores	7.5	7.4	5.4	6.1

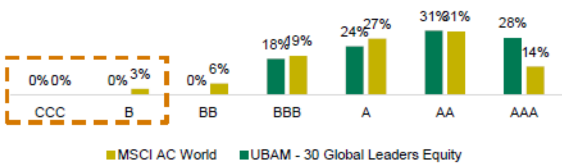
MSCI ESG Market Value Coverage: 100%

MSCI AC World

MSCI ESG Rating		ESG Quality Score	Environmental	Social	Governance
A	Scores	6.8	6.7	5.1	5.6

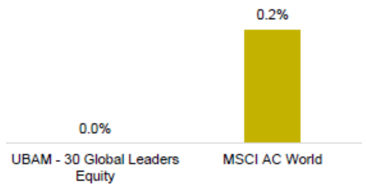
MSCI ESG Market Value Coverage: 100%

ESG Score Distribution

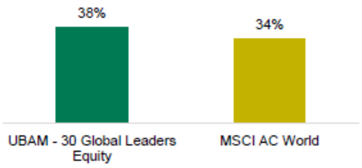


	PORTFOLIO WEIGHT	ACTIVE WEIGHT	ESG QUALITY SCORE	ESG RATING
JOHNSON CONTROLS INTERNATION/	3.7%	3.6%	8.4	AA
LINDE PLC	4.1%	3.8%	6.7	A
NOVO NORDISK CLASS B	4.4%	3.8%	8.6	AAA
SCHNEIDER ELECTRIC	4.3%	4.1%	10	AAA
VISA INC CLASS A	4.2%	3.5%	7.1	A

Breach of UN Global Compact



Women on Board (%)

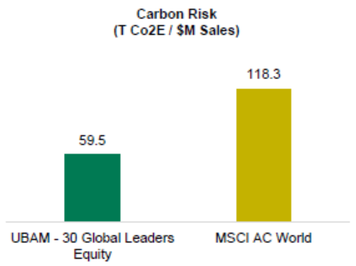


Source: @2024 MSCI ESG Research LLC – Reproduced by permission as of 31.03.2024. MSCI ESG data is calculated including subsidiary mapping. The Fund ESG Rating is derived from the Fund ESG Quality Score, assessed on a rating scale from 0 to 10, with 0 and 10 being the lowest and highest possible fund scores, respectively. The Fund ESG Quality Score and the Fund ESG Rating are derived from the asset weighted average of MSCI ESG Ratings of a fund's underlying holdings. Coverage data include cash positions.

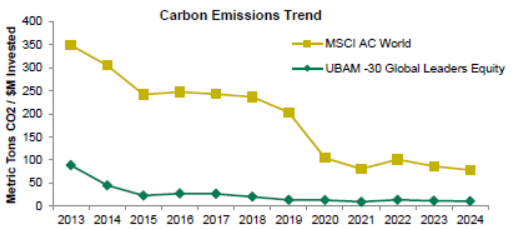
UBAM - 30 Global Leaders Equity

ESG Scores

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

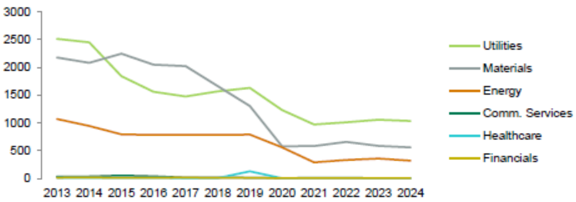


UBAM 30 Global Leaders Equity had historically around 90% lower carbon footprint than its benchmark (based on 1mn Investment)

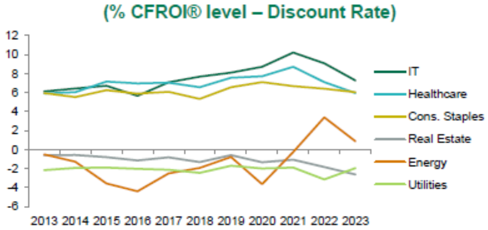


Based on actual historical holdings for both portfolio and benchmark.

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, @2024 MSCI ESG Research LLC – Reproduced by permission as of 31.03.2024. 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 or oversight	Training and Professional Development Score (0-10) *
UBAM-30 Global Leaders Equity	5.8	39.8%	86.7%	100.0%	100.0%	5.6
Coverage	*100%*	*90%*	*100.0%*	*100.0%*	*100.0%*	*90.0%*
MSCI AC World	5.6	35.5%	42.0%	83.1%	82.8%	4.5
Coverage	*78.7%*	*70.6%*	*99.6%*	*97.4%*	*98.0%*	*64.9%*

Source : Refinitiv - 31.03.2024
**Source : MSCI ESG Manager – 31.03.2024 - Female Directors extends to board of directors, supervisory and management boards.*
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<u>MSCI ESG Rating Methodology:</u>

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 &

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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