

UBAM – EM INVESTMENT GRADE CORPORATE BOND

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

- The year began with positive sentiment on the growth outlook as energy costs fell and China's economy reopened. However, February and March saw US-China tensions re-escalate and a widespread loss of confidence in US and European banks. The Fed hiked rates to new highs and further reduced liquidity. EM has benefited from the shift of relative growth momentum with a rebounding mainland China and surprisingly resilient Europe. EM central banks generally were not constrained by financial stability concerns and remained focus on inflation. The collapse of Silicon Valley Bank in mid-March and the later Credit Suisse bought by UBS in a deal brokered by the Swiss authorities, reduced concerns over re-accelerating inflation. It caused a sharp rally in government bond markets due to fears of a possible banking crisis, where government bond markets went from pricing in rate hikes to discounting sizeable rate cuts. Following the strains on the US and European banking sector, EM Financials conversely did well during the first quarter.
- Emerging Markets bond flows have seen an increase of +\$2.1bn since the beginning of the year, where a widening EM-DM growth differential and a more benign dollar supported EM capital flows, according to data and research forecast from JP Morgan.
- Over the quarter, EM Investment Grade corporate bonds outperformed the broader EM Corporate universe, returning +2.02% while their High Yield counterparties returned +1.82%, outperforming the broader index.
- In the EM Corporate IG space, at a regional level, Asia (+2.9%) fared better than others, followed by Middle East and Latin America (both +1.2%).
- At a country level, the best performance came from Malaysia (+4.4%), Thailand (4.2%) and Taiwan (+3.7%). The worst performance was delivered by Egypt (-2.2%), Nigeria (-1.6%), and Panama (-1.4%).
- At a sector level, the best performance came from Diversified (+4.6%), followed by Oil & Gas and TMT (+3.1%). Infrastructure constituted the worst performing sector (+0.8%).

Sources: UBP, Bloomberg Finance LP, BofA Merrill Lynch.

Performance Review

- The fund returned 1.11% net of fees in March 2023, vs. 1.22% for its benchmark JP Morgan CEMBI Diversified Investment Grade.
- Gross of fees, the fund underperformed its index by -0.03% during the same period.
- Performance attribution* shows a gross fund underperformance vs its benchmark of 4 bps in March. The underperformance mainly came from duration positioning. Issuer selection on the other hand helped to compensate.
 - In terms of credit selection, at a country level, the biggest performance contributors were S. Korea and India, but impaired the positive effect by the allocation in Mexico, Indonesia, Philippines and Taiwan.
 - At a sector level, the positive performance came from issuer/issue selection in Financials. On the other hand, the fund saw some negative performance from Industrials and Utilities

Portfolio Activity

- Over the quarter, we increased our exposure to Africa, Asia ex Japan and the exposure to Middle East.
- In Africa, we added to our exposure to South Africa mainly in Metal & Mining and TMT sectors
- In Asia ex Japan, the exposure in Hong Kong and Korea was increased through to Financials, Industrials and Real State sectors. China exposure in Industrials was also added.
- In Middle East, Qatar exposure in Oil & Gas was reduced, and Israel increased in Financials, Industrials and Utilities.
- In Latin America, Chile exposure was slightly increased in TMT and Consumer sectors. Peru and Colombia has also added exposure through Utilities sector.

Outlook

- Although the high volatility in US base rates has been seen a the sharp decrease in yields on the back of financial stability concerns during the first quarter, we think we are close to the end of Fed's hiking cycle and the main part of US base rates adjustment is behind us. The significant market repricing of monetary policy trends for core CB has also led to a reassessment of the next steps for EM CB. Expectations for cutting rates on several EM CB (in LatAm and CEEMEA) in the next year are now higher. For the few countries where further tightening is expected (Thailand, Mexico, and South Africa), markets are pricing a more accommodative stance.



- With regards to EM corporates, as in previous months, the outlook for 2023 is more challenging compared to 2022, on the back of the tighter financial conditions and increased inflation that will exert their full impact on corporates' financials figures during this year. However, on an aggregate level EM IG corporate credit fundamentals remain healthy having deleveraged in past years and having extended their debt maturities at lower interest rates taking advantage of the low interest cycle prior to the quantitative tightening cycle.
- Additionally, EM IG corporate valuations (spreads) look very attractive for the risks implied compared to other regions such as US IG, with almost 100 bps spread pick-up in the case of LATAM IG, for instance. It is worth highlighting that we maintain our OW in LATAM as we continue seeing solid fundamentals and very attractive valuations on a relative basis vs other EM regions.
- On the other hand, recent movements in local currency debt could open up opportunities and we focus on LatAm, South Africa and India. Overall, EM growth and a stable policy backdrop are positive for EM assets, including hard currency debt. We are monitoring the political environment in Turkey, but do not see insolvency risks. Country selection is essential amid the geopolitical tensions over China and the United States.

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. 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>. 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. Union Bancaire Privée, UBP SA | Asset Management 5 | 5 Rue du Rhône 96-98 | P.O. Box 1320 | 1211 Geneva 1 | Switzerland | www.ubp.com 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 I 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.