Q2 2022

U ACCESS (IRL) BAIN CAPITAL GLOBAL EQUITY LS SUSTAINABLE UCITS

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

- Q2 2022 was another tough quarter for global markets, with few places to hide for investors. Both global equities and bonds corrected meaningfully, with most Developed Market (DM) equities entering a bear market. The main drivers of this market uncertainty were the persistently high inflation data, and DM central banks' hawkish stance on interest rates policy, particularly by the Fed. Interest rates volatility remained high during the quarter as recession fears started to gain momentum in May and June. As a result, high yield spreads, which had remained relatively tight until May, widened to over 600 bps at the end of the quarter.
- The war in Ukraine continued to have an impact as well, in particular on energy and commodities markets which are the most directly impacted by this situation. In China, the strict lockdowns imposed by some of the main cities contributed to meaningful market volatility, both in equities and fixed income, in particular the real estate sector that remains under pressure. However, a more accommodative stance by the authorities towards some sectors that had been hit in the last several months triggered a rally in Chinese equities in June.
- In this disruptive environment, we believe that expanding asymmetric exposure through alternative solutions is a smart asset allocation move today. We are convinced that one efficient way to improve the risk-return profile of a traditional long-only equity portfolio is to favour Long/Short sector specialists like U Access (IRL) Bain Capital Global Equity LS Sustainable UCITS. The four sectors of domain expertise, consumer, TMT, healthcare and financials, are all experiencing disruptions, which generate attractive opportunities on the long and short sides.

Sources: UBP, Bloomberg Finance LP, BofA Merrill Lynch

Performance Review

- For the second quarter of 2022, U Access (IRL) Bain Capital Global Equity LS Sustainable UCITS returned -5.24%, bringing YTD performance to -3.88% (Class C USD, net of fees). The Fund was down for the quarter, but preserved capital in an environment of double digit losses for the broad equity markets. A disappointing quarter from the investment team's perspective despite the challenging environment, and we can point to one specific area that contributed to this result for the quarter.
- The Fund's outsized long exposure to consumer discretionary businesses performed poorly in Q2 and we effectively overstayed our welcome. While we do not manage the Fund's weightings to any benchmark, our premise for holding a material allocation to these types of businesses was the following: We believed the rotation of consumer spending from the purchase of goods towards services/experiences would overwhelm recession risk as travel expenditures would likely pull forward enough demand to post significantly positive year-over-year comparisons. We also believed our retail investments would benefit from a trade-down effect during slowing growth or recessionary periods as has been the case in prior recessions. As the Russian war with Ukraine extended into the second quarter, equity markets quickly shifted towards a recessionary posture and inflation continue to accelerate.

- What became clear was that even good management teams could no longer forecast major shifts in spending or consumption patterns given the artificial consumer bubble we existed in the last few years. Looking back, we were too slow to adjust the Fund's exposure to consumer discretionary as multiples compressed and the Fund significantly underperformed the market in May. To re-position the portfolio, we exited long positions in Expedia, National Vision Holdings, Five Below, Amazon.com and Ross Stores and refocused our work on opportunities we believe are less economically sensitive (see below) and have significant asset value (e.g. Accor).

Portfolio Activity

- Despite the challenge facing investors today, we have not run for cover into the most defensive stocks; rather we have increased portfolio concentration while at the same time, continuing to manage the portfolio with lower gross and net exposures. We generally underwrite long positions to a 20% expected base case IRR over a 2-3 year period and this continues to hold true today. We have done this by concentrating the portfolio in businesses with high quality and sustainable earnings growth trading at what we believe are reasonable valuation levels – in other words a growth-at-a-reasonable-price ("GARP") portfolio. Following is a sector-by-sector review of the Fund's core holdings and themes:
- **Consumer** – The consumer sector exposure is at lower levels relative to the Fund's history, having repositioned the portfolio as we previously discussed. Current positions include an eclectic mix of four businesses we believe have earnings durability and a differentiated fundamental story relative to market consensus.
- Long Beverage Cans (Crown Holdings) – Long-term exposure for the portfolios (since 2016) with underlying strength in demand continuing given consume preference for aluminum over plastic packaging. Favorable resolution to the company's strategic review allows for up to 20% of the company to be repurchased by year-end 2024. Effectively a public LBO in a stable industry with commodity price pass-through and long-term contracts trading at approximately 12x EPS.
- Long European Beverages (Coco-Cola European Partners) – Revisiting a position we were involved in several years ago. We believe the company is a re-opening beneficiary due to Coca-Cola's high away-from-home exposure and re-opening makes visible the impact of a multi-year cost/operations improvement opportunity. Hard event on the acquisition of Coca-Cola Amatil, which believe is under-appreciated by the market.
- Long Travel (Accor) – We believe Accor is a re-opening beneficiary benefitting from the shift in consumer spend from goods to services. Primary markets in Europe and Asia (approx. 25% of revenue), which lag the U.S. in COVID re-opening. The company is expected to complete a portfolio simplification process over the next two years, which will complete its transition to a fully asset-lite hotel franchise business, following the Hilton playbook which was a large position in the long portfolio several years ago.
- Long auto servicing (Driven Brands) – Franchise business in the auto service sector. We believe the company benefits from an aging U.S. auto fleet and the non-discretionary nature of auto-repair expenses during a time of shrinking consumer budgets. The company's car-wash segment has the highest discretionary spending risk but is a relatively small portion of the overall business. Driven has beat its earnings guidance the last two quarters, and we believe they will continue to do so.

- **Financials** – As we discussed in the Q1 letter, we entered 2022 with an outsized financial sector long portfolio invested in multiple regional banks (US, Europe, India) and select insurance companies. The Russian war in Ukraine quickly accelerated already high inflation, thereby accelerating the market's move towards a recessionary mind-set, which is generally bad for banks. To adjust, we began pivoting the Fund's exposure away from banks towards the insurance sector, where we see the same benefits to rising rates with much less credit and economic risk. Notably, we favor property and casualty insurers and specific insurance companies.
- Auto Insurance (Allstate) – We believe the company is a late cycle beneficiary of an auto-pricing cycle and the potential for substantial cost inflation to subside in the second half of 2022 and 2023 from declining used car pricing, lower miles driven (due to high fuel costs) and supply chain improvements. See detailed position write-up in the Q1 2022 letter.
- Property and Casualty (AIG, AFG and Everest Re) – We believe specialty line and reinsurance rate increases are likely to persist throughout 2022, providing a tailwind to a sector that also is a beneficiary to higher interest rates. We also expect consolidation in the space, which makes AFG an attractive potential target, while AIG's publicly announced spinoff of its Life and Retirement division is pending.
- **Healthcare** – The Fund currently has its largest weighting to pharmaceutical companies since 2019. General characteristics we like include high revenue and cash flow predictability in an uncertain world; attractive valuations relative to the sector's history and the market and interesting product pipelines with the potential to sustain forward revenue growth.
- Long GSK, Sanofi and Roche – see New Long Position discussion below for a detailed review of GlaxoSmithKline.
- **Internet/Media** – Opportunistic investments across sports franchise value and core digital advertising
- Long Liberty Formula One – We believe strategic and operating improvements continue to drive a better product, resulting in increased viewership and fan engagement ahead of global media contract renewals, especially in the U.S. with race viewership up significantly year-over-year. While the stock is more expensive today than a year ago, we believe the uniqueness and scarcity of Formula One make it a premium asset.
- Long Alphabet – We believe the company benefits from its position as a core digital advertising platform at a time when ad spend is under scrutiny due to reduced consumer internet usage as global economies continue to reopen post COVID. Recent market volatility has reset valuation while the company's diversified platform (Internet, video, cloud) creates a high-quality growth business with tangible earnings and cash flow.
- **Technology-Software** – As we discussed in our Q4 2021 letter, one of the largest pivots we have made in the Fund is our approach to software, shifting exposure to companies with tangible earnings and cash flow from longstanding core products that support attractive growth opportunities in next generation "tech 2.0" type businesses. Long-term investors with Public Equity will know we invest in both core, cash-flow generative software businesses as well as more speculative next generation growth opportunities that often are valued at a high multiple of revenue (with no earnings). In the current environment, we are excited that we have identified high growth potential opportunities in software businesses that are anchored by real and durable earnings. Core positions in Software include the following:

- Cash Cows (Oracle, Checkpoint, Akamai) – After underperforming the technology sector for 5-10 years, we believe certain 'value' tech stocks should begin outperforming – specifically those that have leveraged their high-margin 'cash cow' revenue streams to invest in new growth drivers, both organic and inorganic. Each of these three companies has a sticky, high margin core business (firewall, database, and CDN, respectively) that has provided the cash flow to invest in cloud-based security and database offerings. As these next-gen products begin to reach meaningful scale, we believe it is leading to an acceleration of consolidated revenue growth on the P&L.
- Digital Transformation Anchors (Microsoft, Splunk and Service Now) – Exposure to this theme consists of high-quality businesses that often sell directly to the C-suite versus a business unit or lower-level employee, and they demonstrate extremely low customer churn. We expect these to be among the most resilient companies in our coverage looking forward, particularly if corporate IT budgets encounter macro headwinds.

Outlook

- These are challenging times for investors, and we are not certain any professional manager today has faced a similar set of macroeconomic circumstances where central banks are tightening into recessionary conditions. It is during times like this that we anchor to our investment philosophy: share prices ultimately follow earnings over time, which feels appropriate today after a multi-year period of market excess built on hopes, dreams and unicorns.

Disclaimer

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-Elysées, 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 l 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.