UBAM – TECH GLOBAL LEADERS EQUITY

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

- Q4 was a mixed quarter for equity markets, the MSCI AC World ended 2021 with +6.7% in quarterly performance. US equities led in performance with +11% over the period, followed by Swiss equities with +9.3% and European equities with +7.7%. Emerging Market equities and Japanese equities on the other hand lost -1.3% and -1.7% respectively over the quarter. The MSCI AC World delivered +18.5% over 2021, after +16.3% in 2020 and +26.6% in 2019. 2021's strong equity market returns come with a backdrop of strong corporate earnings boosted by a post pandemic recovery in growth, despite supply chain disruptions and rising inflation along with volatility spikes linked to new virus variants and China's regulatory crackdown.
- Earnings revision ratios remained positive in most regions and sectors over the quarter despite the uncertainty linked to the new Omicron variant spread. 2021's earnings growth expectations for global equities rose to 53% with a stable 7% projected for 2022. Valuation levels were marginally lower, with the MSCI AC World trading at a P/E of 18.2x at the end of December on a 12 month forward basis. The US Manufacturing PMI dropped to 58.7 over the month of November, as new orders and production were under continued pressure from supply disruptions and raw materials inflation. The employment component was nevertheless stable. The yearly trend in US inflation accelerated to 6.8% yoy for end of November, mainly driven by energy prices. The Fed announced its plan to accelerate the pace of monthly tapering in January and the market now expects 3 rate hikes in 2022.
- Despite outperforming over specific time periods of the year, the Value style nevertheless ended the year behind the Quality style. Growth also underperformed the overall market while Momentum was the biggest performance laggard over the year. Over the fourth quarter of the year, all sectors delivered positive returns; except for Communication Services. Worth to note, Financials and Energy – among the top 3 sectors in 2021 – underperformed in Q4. On the other hand, the best quarterly performers were IT, followed by the small Utilities and Real Estate sectors. Apple, Microsoft and Tesla were among the best individual contributors to the index's performance over the quarter, whereas Paypal, Alibaba and Moderna were the largest detractors.

Performance Review

- UBAM - Tech Global Leaders Equity delivered +9.9% in gross performance in the fourth quarter of 2021 versus +6.7% for the MSCI AC World, with +3.2% in gross excess return. Over the full year, the fund accumulated +28.5% in absolute perfomance, 10.0% above its benchmark.. Sector allocation was the main contributor to performance over Q4 whereas stock selection had a slightly offsetting effect (+3.4% and -0.4%) respectively.
- Over Q4, the biggest contributors to performance were the overweights in Nvidia, Advanced Micro Devices and Accenture (+153bps, +82bps and +65bps, respectively). Nvidia was up close to +42% over the period, as it reported record quarterly results with a 50% increase in revenues yoy and +9% qoq, driven by gaming, data centers and professional visualisation segments. Advanced Micro Devices was up +39% after reporting solid third quarter results and after Meta's Facebook announced using AMD's chips in its data centers. Accenture rose close to +30% in Q4 also on the back of good reported results beating expectations with revenues rising 27% yoy driven by consulting and outsourcing revenues.
- The main performance detractors over the quarter were the overweights in Paypal, Paycom and Veeva Systems (-133bps, -44bps and -42bps respectively). Paypal lost -27% after the company lowered its Q4 & 2022 revenue guidance on the back of supply chain delays at its merchant base and lower contribution from eBay payment volumes. Paycom dropped -16.3% over the quarter despite reporting good Q3 results and raising guidance, as investors took some profits after the stock's strong performance since May (+70%). Veeva systems was down -11.3% despite beating estimates for its Q3 results, because of a lower-than-expected guidance for the full-year.

Portfolio Activity and ESG

- Over the quarter, the positions in Fleetcor and Take Two Interactive were liquidated. Fleetcor was exited on ESG concerns regarding a severe controversy (hidden fee charged to customers) and lingering issues around safety of data reporting (despite some improvement on that front). The position in Take Two Interactive was sold on earnings downgrades and at a time where regulation is taking its toll on the industry, especially on mobile gaming which the company is exposed to. A position in Marvell Technology was initiated on the other hand, a global leader in the consolidated networking processors market. This semiconductor producer is exposed to key data infrastructure markets (5G, datacenters, automotive) and its solutions make communication networks faster and more efficient at a time where Moore's law is approaching its limit.
- ESG considerations are fully integrated in each step of the fundamental investment process with a focus on a lower carbon footprint objective. At the end of December 2021, the portfolio had an AAA ESG rating with an ESG quality score of 9.1, versus an AA rating and 7.8 score for the MSCI AC World (ratings based on MSCI ESG Research). The portfolio also had a lower carbon footprint than the benchmark with 27.8 tons of CO_2/$m sales vs 152.3 for the MSCI AC World index. The portfolio continues to be aligned with the Paris Agreement's long-term temperature goal of keeping the rise in global average temperature to well below 2 °C above pre-industrial levels, as reported by ISS Climate Impact Assessment.

Outlook

- The team maintains a positive outlook for equity markets for 2022, with robust earnings growth expectations along with normalising consumer and manufacturing environments. 2021's challenges are expected to ease in the

second half of 2022, in the form of supply chain de-bottlenecking and inventory rebuild, as production ramps up and inflation peaks are crossed following the adjustments to higher energy and raw material prices. Monetary policy should see gradual adjustments from still accommodative levels in line with the prolonged growth recovery.

- An active management approach firmly anchored in fundamentally driven stock selection has once again proven to be a consistent and reliable relative performance generator over 2021 – a year which was marked by several, sometimes violent, sector and style rotations. The strategy remains well positioned focusing on a fundamental bottom–up selection of superior value creative quality companies, which are able to sustainably and repeatedly defend their cash flow levels and are thus rewarded by the market across different market cycles.

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