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

# UBAM - EURO HIGH YIELD SOLUTION

## Liquid exposure to euro high-yield credit with limited interest-rate risk

UBAM - Euro High Yield Solution is an innovative fund that provides liquid exposure to the high-return potential of euro high-yield credit with limited interest-rate risk through a top-down investment process.

### Key points

- ◆ *Outperformance of CDS strategies over cash bond strategies*
- ◆ *The fund offers exposure to high-yield investments with high liquidity, broad diversification and low interest-rate sensitivity*
- ◆ *Macro-driven investment process that has proved effective in determining high-yield exposure*
- ◆ *Experienced investment team with considerable expertise in credit and high-yield CDS indices*
- ◆ *An award-winning strategy recognised for its superior advantages*

### Investment case

High-yield bonds have proven to be an attractive alternative to equities by offering lower volatility and higher or similar returns.

In addition to this, from 31.12.2004 to 29.03.2019 euro high-yield CDS strategies have generated higher returns than high-yield cash bonds regardless of the interest-rate exposure (CDS with medium IR exposure: +9.2%; CDS with low IR exposure: +7.8%; cash strategy with medium IR exposure: +6.9%), and historically a lower maximum drawdown (CDS with medium IR exposure: -10.1%; CDS with low IR exposure: -11.5%; cash strategy with medium IR exposure: -37.7%). The environment remains positive for high yield, with default rates at low levels.

### Fund concept

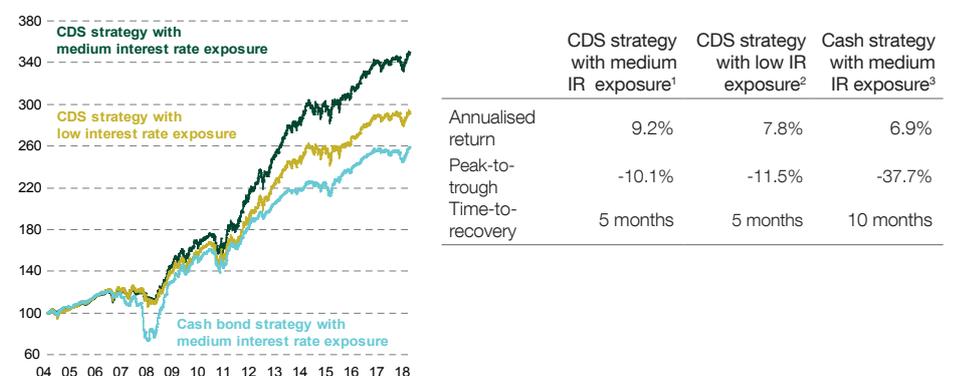
UBAM - Euro High Yield Solution is an innovative fund that offers liquid exposure to the high-return potential of euro high-yield credit, but with low interest-rate risk due to its exclusive use of European high-yield CDS indices.

High-yield CDS indices provide much better liquidity and have very low transaction costs as opposed to standard high-yield bonds – even during crises. The high-yield CDS index market has an excellent level of liquidity in all market conditions, in particular compared with the regular high-yield bond market, along with very tight and stable bid-offer spreads.

The fund's sensitivity to interest rates is limited. Its exposure to interest rates, which goes up to two years, is achieved through euro-denominated AAA- to AA-rated sovereign debt.

The fund enables investors to achieve full exposure to the euro high-yield market by offering a diversified allocation to 75 of the most liquid non-investment-grade issuers in Europe.

### High-yield CDS (iTraxx Crossover) vs. a high-yield euro cash bond strategy since 31 December 2004



Sources: UBP, Bloomberg, J.P. Morgan, as at 31 March 2019

<sup>1</sup>100% Europe iTraxx Crossover + AAA - AA EUR Government index, with historical duration of 3.6 years using BofA 3-5 US Treasury index.

<sup>2</sup>100% Europe iTraxx Crossover + AAA - AA EUR Government index, with a historical interest-rate exposure of 0.5 years using BofA 0-1 AAA - AA EUR Government.

<sup>3</sup>High-yield cash bond strategy: 100% EUR HY BofA ML. The strategy has an average historical interest rate exposure of 3.8 years. Past performance is not indicative of future results



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## Investment process

The UBAM - Euro High Yield Solution's investment process is based on our Fixed Income team's proven macro-driven approach.

- ◆ We determine a 6–9-month macroeconomic scenario based on in-house economic indicators and the analysis of business cycles and monetary policies in the main geographical areas. Our in-house indicators have proven consistently effective over the past fifteen years.
- ◆ We identify the main market themes, such as monetary policies (LTRO, QE), the eurozone sovereign crisis, banking regulations and their consequences for the high-yield segment in terms of valuations and investor positioning.
- ◆ The resulting top-down allocation view determines our high-yield exposure, interest-rate sensitivity and geographical allocation.

## Investment guidelines

- ◆ High-yield exposure from 80% to 120% using standardised, liquid and cleared CDS indices
- ◆ Interest rate exposure: 0–2 years using liquid bonds through euro-denominated AAA- to AA-rated sovereign debt
- ◆ Geographical allocation: mainly European high yield, with US high yield up to 20%
- ◆ No structured products

## Investment team

- ◆ Fourteen-strong team overseeing CHF 18.2 billion worth of fixed-income assets as at 31 December 2018
- ◆ Proven expertise in high-yield CDS index management
- ◆ Co-managers Christel Rendu de Lint and Philippe Gräub have successfully co-managed credit strategies for fifteen years

## General information

Fund name	UBAM
Sub-fund name	UBAM - Euro High Yield Solution
Legal form of the fund	Luxembourg-incorporated umbrella SICAV, UCITS
Launch date	23 November 2016
Bid/offer price	NAV
Minimum investment	1 share
Currency	EUR
Subscription/redemption	Daily
Management fee	A: 0.15%; I: 0.30%

## Asset allocation is our key added value in generating outperformance

### 1. 6- to 9-month macroeconomic scenario

- ◆ Proprietary macroeconomic leading indicators (with track record of almost 20 years)
- ◆ Detailed analysis of relevant global business cycle data
- ◆ Detailed analysis of central bank policies and reaction functions

### 2. Identification of overarching market themes

- ◆ Monetary policies: LTRO, quantitative easing
- ◆ European sovereign crisis
- ◆ Banking regulations (such as Basel III)

### 3. Top-down allocation view

- ◆ High-yield exposure (from 80% to 120%)
- ◆ Interest-rate exposure (from 0 to 2 years)
- ◆ Regional exposure: primarily European high yield, with US high yield up to 20%

## Main risks

With lower risk,							With higher risk,	
potentially lower rewards							potentially higher rewards	
1	2	3	4	5	6	7		

SRRI relates to the IC EUR share class LU1509922495 as at 31.01.2019. This indicator represents the annual historical volatility of the fund.

Risk category reflects level of risk and return profile: 1 lowest; 2 low; 3 limited; 4 average/moderate; 5 high; 6 very high; 7 highest risk.

Historical data such as that used to calculate the synthetic indicator cannot be considered as a reliable indication of the fund's future risk profile. The risk category associated with the fund is not guaranteed and may change over time.

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