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## 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 31.12.2019 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: +8.9%; CDS with low IR exposure: +7.6%; 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

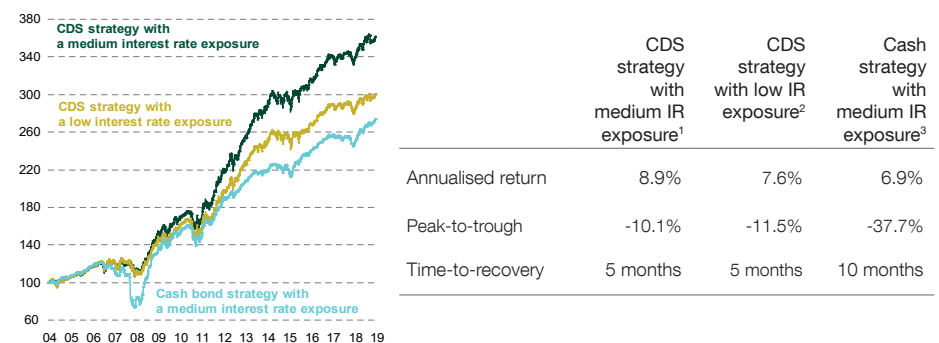
UBAM - Euro High Yield Solution is an innovative fund that offers liquid exposure to the high-return potential of euro high-yield credit, but with low interest-rate risk due to its exclusive use of European high-yield CDS indices.

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 December 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. The Fund is actively managed and well diversified. It is composed of CDS for credit exposure and high-quality sovereign, supranational and agency debt securities denominated in euros for interest rate exposure. The Fund is not managed in reference to a benchmark.

## 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 19.4 billion worth of fixed-income assets as at 31 December 2019
- Proven expertise in high-yield CDS index management
- Co-managers Christel Rendu de Lint and Philippe Gräub have successfully co-managed credit strategies for over fifteen years

## General information

Name	UBAM - Euro High Yield Solution
Legal form	Sub-fund of UBAM, Luxembourg-domiciled SICAV, UCITS
Base currency	EUR
Currency-hedged share classes	CHF, GBP, SEK, USD
Cut-off time	13:00 (LU time)
Inception date	23.11.2016
Minimum investment	None
Liquidity	Daily
Applicable management fee <sup>1</sup>	AC EUR: 0.40%; IC EUR: 0.25%; UC EUR: 0.30%
Registered countries <sup>2</sup>	AT, CH, DE, ES, FR, IT, LU, NL, SG, UK
ISIN	AC EUR: LU1509921331; IC EUR: LU1509922495; UC EUR: LU1509923626

## 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

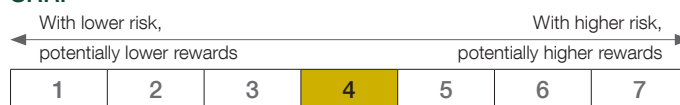
### 2. Identification of overarching market themes

- 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%

## SRRI



The SRRI (Synthetic Risk and Reward Indicator) relates to the IC EUR share class LU1509922495 as of 19.02.2020 and may differ for other share classes of the same fund.

This indicator represents the fund's annual historical volatility. The level assigned reflects the risk/return profile: 1: lowest; 2: low; 3: limited; 4: average/moderate; 5: high; 6: very high; 7: highest.

Historical data such as that used to calculate the SRRI cannot be considered 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.

Bloomberg ticker	AC EUR: UEHYAEC LX; IC EUR: UEHYIEC LX; UC EUR: UEHUCEU LX
Investment manager	Union Bancaire Privée, UBP SA
Depository bank	BNP Paribas Securities Services, Luxembourg Branch
Administrator	CACEIS Bank, Luxembourg Branch

<sup>1</sup>Only the main share classes are mentioned. Available share classes include A: Standard, I: Institutional; U: No entitlement to retrocessions / RDR-compliant; C: Capitalisation. Others are available.

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