UBAM - POSITIVE IMPACT EMERGING EQUITY

Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.
Fund classification under Sustainable Financial Disclosure Regulation (SFDR): Article 9

Market Comment

- Emerging market equities posted strong returns over Q4, helped by a weaker US dollar and China's outperformance, as investors welcomed the relaxation of Covid regulations in addition to US President Joe Biden and Chinese leader Xi Jinping signalling a desire to improve US-China relations ahead of the G20 summit in Indonesia.

- With the rebound in equities, China (+13.5%) was the most visible engine in the rebound, but South Africa (+18.3%) and Mexico (+12.5%) also had a strong quarter. Meanwhile, Brazil (+2.4%) and India (+2%) were underperforming. At the sector level, Healthcare (+13.1%), Industrials (+12.4%) and Communication (+9.7%) outperformed Energy (+4.2%) and Utility (+4.6%).

- 2022 was a very difficult year for markets and highly unusual in the sense that it was only the third time in the past century that major equity and bond indices produced negative returns in the same calendar year. In contrast to 2021 which was fuelled by extraordinary levels of monetary stimulus the year started with a clear commitment from the Fed to address inflationary pressures by raising rates and setting out a plan to withdraw quantitative support. Subsequently we have seen a fast pace of rate hikes in the US which has been followed by central banks globally.

- Inflation has proven to be very 'sticky' rather than transient as many had hoped and we ended the year with a clear expectation of further rate rises and quantitative tightening to come despite weaker economic growth becoming apparent. Markets have also been absorbing elevated geopolitical risks after the shocking invasion of Ukraine which has created huge volatility in energy, agriculture, and commodity markets. The supply side issues that came to light during the covid pandemic continued to cause shortages and disruption not least because of China's self-imposed measures as it continued to attempt to contain the spread of infections.

- It is natural to expect the corporate sector to suffer as economies experience recessionary conditions, but earnings have been remarkably resilient so far given the strength of macro headwinds. It is notable how many companies have proven adept at passing on higher costs to consumers particularly those with strong brands and hence good pricing power.

- COP27 behind us, negotiators are already working on COP28 which will take place this year in Dubai. It can be seen as positive that the level of ambitions remains unchanged, despite a year in which war and an energy crisis made unwelcome returns to the headlines, and that signs of greater international cooperation through the progress made on Loss and Damage and another Just Energy Transition deal are starting to be seen.

Sources: UBP, Bloomberg Finance LP.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

Performance Review

- The fund underperformed its benchmark by 2.4%, with a performance of +7.3% (net of fees, IC USD class) vs +9.7% for MSCI Emerging markets*.

** net total return index*

- In terms of countries, we benefited from our stock selection in Mexico and Indonesia while suffering from our overweight position in Brazil.

- Among individual stocks, we benefited from a strong bounce in some of our Chinese names from the end of October until the end of the year. China Education, Pinduoduo, Shandong Weigao and JD Health were all beneficiaries of a more bullish outlook for China both from a macro and regulatory point of view. Swire Properties and MTR also benefited from the ongoing re-opening that happened in Hong Kong over the quarter.

- On the negative side, we suffered from a lack of exposure to some of the cyclical names that benefited from the rebound in equity markets, particularly among large capitalization stocks (Tencent, Samsung Electronics, TSMC etc.). We also suffered from poor stock performance in Brazil, where the political environment was volatile, adding to an already tense macro situation, and India, where the names we hold (Bandhan Bank, Cipla) proved far too defensive in the current market.

- We also noticed that the renewables and EV growth stocks that had proven defensive through most of 2022, hadn't rallied on the most recent positive news, despite clear improvement in their fundamentals. As a result, stocks like Wuxi Lead or Longi Green trade at a smaller premium to the market than what we had seen since the launch of this fund.

Portfolio activity

Q4 was a busy quarter compared to the previous 2 quarters in terms of portfolio movements. We sold 6 stocks in total, some due to a re-evaluation of their investment case (Sino Biopharmaceutical, Xinjiang Goldwind), others due to the evolution of our internal process in relation to SFDR (LG Chem, Cemig, Pagseguro, Doosan Fuel Cell).

To compensate for that, we initiated 3 new positions, 2 of them in markets where we have been struggling to find new names (India and South Korea):

- Shriram Finance (IMAP: 15): a leader in the pre-owned commercial vehicle financing segment in India. The company is helping small entrepreneurs to expand and make the most of already manufactured vehicles.

- Life Healthcare (IMAP: 14): one of the largest private healthcare companies in South Africa with some key projects that could improve access to healthcare in their home market.

- LS Electric (IMAP: 16): a leading provider of electric equipment in South Korea with an ambitious internationalization strategy. The company will benefit for the current electrification trend in Asia, a trend that we expect to continue over the long term.

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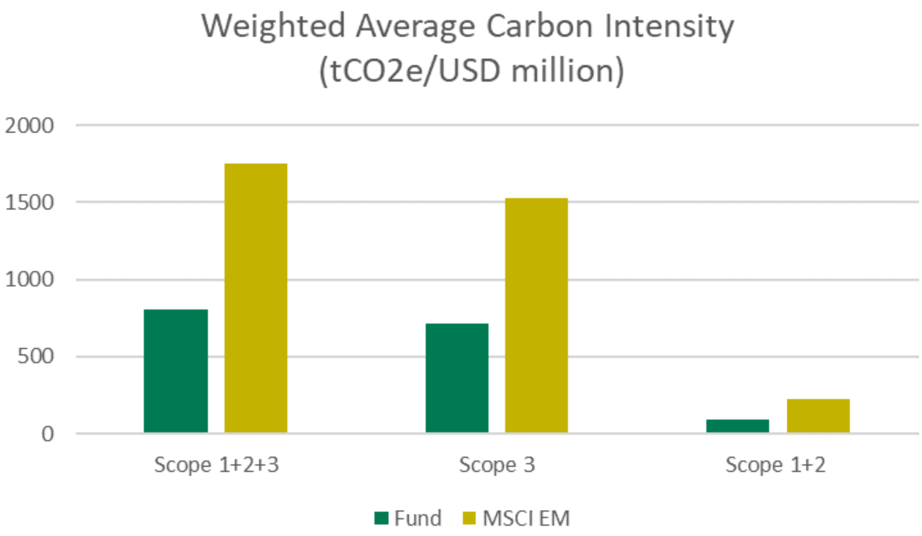
ESG Monitoring

Human rights and Social

	UN Global Compact			Human Rights Compliance			Labor Compliance Core			Labor Compliance Broad		
	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail
Fund	37	1	0	37	1	0	38	0	0	38	0	0
MSCI EM	1320	39	16	1322	37	16	1353	9	13	1344	17	14
Fund	97%	3%	0%	97%	3%	0%	100%	0%	0%	100%	0%	0%
MSCI EM	96.0%	2.8%	1.2%	96.1%	2.7%	1.2%	98.4%	0.7%	0.9%	97.7%	1.2%	1.0%

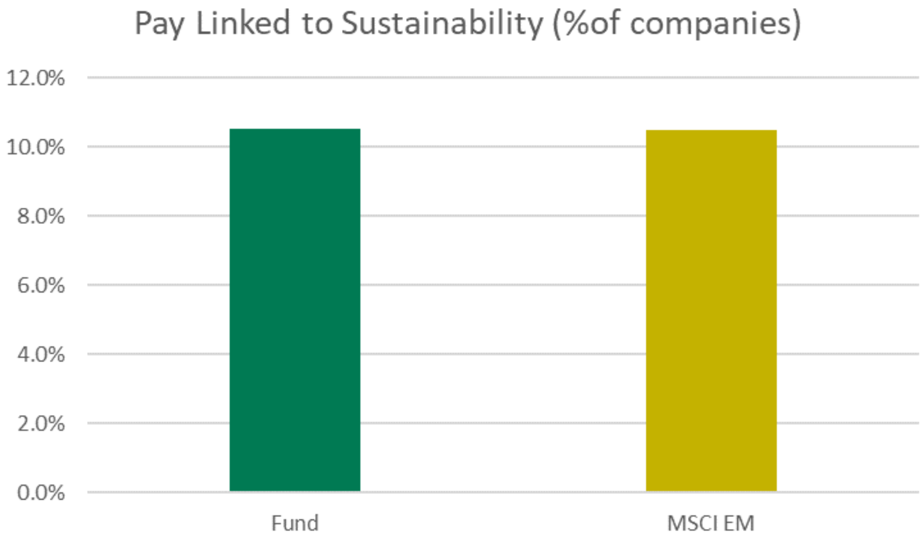
UN GC & Human rights compliance disclosure: Fund 97.4% / Index: 100%
Labour compliance disclosure: Fund 96.5% / Index: 100%

Environment (Disclosure: Fund 100% / Index 99%)

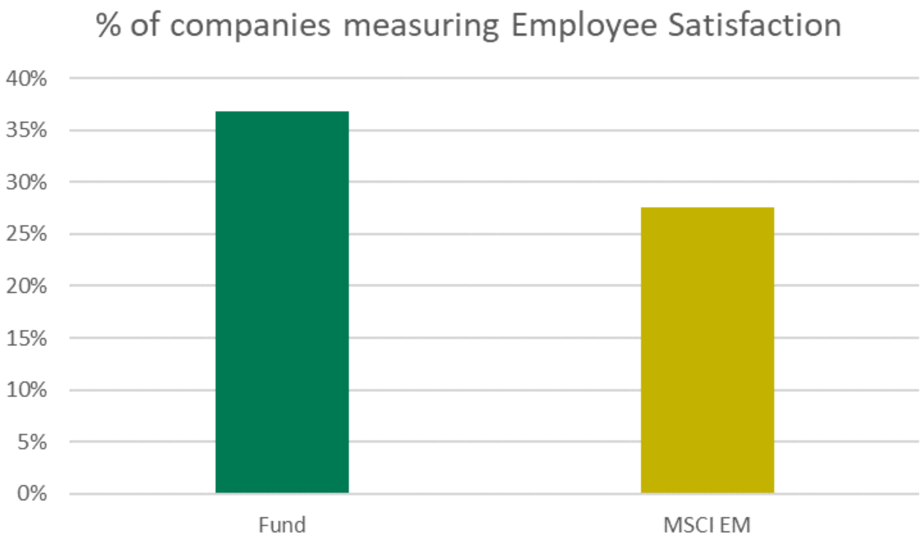


Carbon Intensity metric: UBAM - Positive Impact Emerging Equity aims to beat the benchmark (MSCI Emerging markets) for this metric

➢ **Governance** (Disclosure: Fund 97% / Index:100%)



➢ **Labour** (Disclosure: Fund 97% / Index: 98%)



Sources: UBP, Based on MSCI ESG Research LLC and Urgentem

Outlook

- Over recent months the market outlook narrative has evolved slowly but surely. This time last year, there was a degree of panic as inflation rates climbed and central bankers rushed to catch up. At the start of 2023, there are arguably fewer unknowns. Recessions in Europe and the US are expected to be mild, with a relatively unpronounced down cycle for unemployment. The Russian invasion of Ukraine cannot itself be repeated and a similar step by China towards Taiwan remains a low probability. Inflation has topped out. Confidence in the level of terminal rates (if not the date of arrival) is higher. Finally, a lot of the frothiest areas in markets have been significantly rebased. The dollar appreciation trade appears to have run out of steam. This is not to say any of these trends are fully over, but simply that their ability to surprise or to put it another way, their rate of change is diminished vs where the world was a year ago.

- Both the Chinese economic recovery and the US economic resilience make these regions more attractive than Europe. Equity markets have begun 2023 in cheerful mood, but in the past, this has been often explained by inventory rebuild by investment banks rather than fundamental investing trends.

- There are still many hurdles to overcome despite a better overall outlook than 12 months ago. The managers remain in a cautious mood for the time being whilst happy to build positions in stocks where the growth story remains intact.

- Latest estimates from the **International Labour Organisation** showed that c. 50 million people were living in modern slavery in 2021, showing a significant increase over the last 5 years with most cases (86%) found in the private sector. Notwithstanding, According to the latest **UNEP Emissions Gap Report,** national policies currently in place put us on track for 2.8°C of warming by the end of the century, while the implementation of the current pledges will only reduce this to a 2.4-2.6°C temperature rise by the end of the century, for conditional and unconditional pledges respectively. On the positive side, according to the latest Renewables 2022 report by the **IEA**, renewable energy overall will become the largest source of global electricity generation by early 2025, with the world adding twice as much capacity from 2022 to 2027 than the previous 5 years.

- The fourth quarter rounded of this tumultuous year with gains but as highlighted above, most of the year has been a headwind for our positive impact strategies, with our strategy's natural biases being on the wrong side of many of these market moves. We are confident that despite the current crosswinds and challenges, the need to invest in companies that provide solutions to sustainability challenges in addition to representing compelling investment opportunities, has never been greater.

Sources: UBP. ILA. UNEP. IEA

Appendix

Methodology

- Global Compact Compliance
  This factor indicates whether the company is in compliance with the United Nations Global Compact principles. The possible values are Fail, Watch List, or Pass.
- Human Rights Compliance
  This factor indicates whether the company is in compliance with the United Nations Guiding Principles for Business and Human Rights. The possible values are Fail, Watch List, or Pass.
- Weighted Average Carbon Intensity
  This figure represents the company's Scope 1 + Scope 2+ Scope 3 greenhouse gas emissions normalized by sales in USD, which allows for comparison between companies of different sizes. This is a weighted average calculated using Urgentem data.
- Labor Compliance - Core
  This factor indicates whether the company is in compliance with the International Labour Organization's fundamental principles. The possible values are Fail, Watch List, or Pass.
- Labor Compliance - Broad
  This factor indicates whether the company is in compliance with the International Labour Organization's broader set of labor standards. The possible values are Fail, Watch List, or Pass.
- Monitors employee satisfaction
  Flagged as "Yes" if company monitors employee satisfaction.
- Pay Linked to Sustainability
  Has the company, if designated as having either a high environmental or social impact, failed to incorporate links to sustainability performance in its current incentive pay policies? Flagged if yes. This metric is based entirely on the company's own reporting, and is strictly focused on the specific inclusion or not of such metrics in the determination of variable pay components and does not take into consideration their effectiveness. High Environmental Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Carbon Emissions, Water Stress, Toxic Emissions & Waste, Product Carbon Footprint, Raw Material Sourcing, Packaging Material & Waste, Electronic Waste, Biodiversity & Land Use, Energy Efficiency. High Social Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Labor Management, Health & Safety, Product Safety & Quality, Supply Chain Labor

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