UBAM – POSITIVE IMPACT GLOBAL 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

- The fourth quarter of 2023 delivered a "Santa rally" for investors, fueled by rate cut expectations following the Fed's pivot towards a more dovish stance. Equity markets rallied across the board and the MSCI ACWI* returned 11.0% in USD terms in Q4 to double its total return for the year to 22.2%.
- Overall, 2023, was a year that defied expectations, with inflation roaring and the Fed enacting the fastest rate hike cycle in 40 years. Nonetheless, after a rise in yields from May to October 2023, bonds rallied until the end of the year when US 10-year bond yield declined to 3.88%, exactly where it started the year, after touching 5% in October. Over the last months of the year, the Fed changed its tone and economic indicators remained fairly encouraging, boosting hopes of a soft landing in 2024 for the US economy. On the back of this, equities accelerated in the last two months of the year.
- For the quarter in terms of style, the end of 'higher for longer' rates fears boosted growth stocks, with the MSCI ACWI Growth Index* returning 12.7% over the period. The MSCI ACWI Value Index* also delivered a very respectable 9.2% but naturally lagged the growing excitement of the market. Similarly, Small cap stocks outperformed Large cap stock for the for the first time this year, helping broaden the rally that had been dominated by "the magnificent seven". In terms of sectors, Technology, Real Estate, Financials and Healthcare outperformed, while Energy, Staples and Communication Services lagged.
- Across regions, Developed markets generally outperformed Emerging Markets. The US, using the S&P 500 Index* as a proxy closed 11.6% up, returning 25.7% for the year, while the MSCI Europe Index* closed the quarter up 11.3%, but was up 19.7% in 2023. Finally, the MSCI EM Index* was up 7.9% and up 9.8% for the year. Latin America was particularly strong for the quarter and the year but China remained a negative outlier, as it continued to ease policy in hopes of reaccelerating from its growth slump. Finally, the Topix Index* in Japan rose 8.2% in the fourth quarter, concluding its best annual result in a decade with its 18.9% return.
- This year's COP28 in Dubai drew over 100'000 attendees, almost double the size of COP21 in Paris. Encouragingly, the narrative on the link between nature and climate has become stronger since COP27, and this was cemented by a dedicated nature day for the first time at COP28. A joint statement on "climate, nature and planet" (signed by 15 nations including the UK and the US) called for countries to meet the Paris Agreement targets along with the Global Biodiversity Framework ambitions. This is great progress in terms of how capital will be allocated to solutions. Moreover, while the record-setting global public-private sector participation offered a signal of hope, the backdrop of oil refineries served a stark reminder of COP's dual nature as a symbol of climate progress and delay. There was no convincing increase in the level of urgency or ambition at collective level, but we can hope that keeping the 1.5°C target will lead to stricter targets for the next round of climate goals (i.e. the so-called "nationally determined contributions").

** net total return index, in USD*

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

- During the fourth quarter of 2023 the UBAM Positive Impact Global Equity fund returned 10.0% (net of fees, IC USD class), compared to a return of 11.0% from the MSCI ACWI*.

  ** net total return index*

- The performance continued to suffer from a lack of exposure to some of the large cap mega-stocks in the US, with the Technology and Communication Services contributing to over 200bps of negative contribution over the quarter. On the positive side, this underperformance was less pronounced than during the rest of the year and more importantly, the relative performance of the fund started to improve meaningfully in the last two months of the year as the rally started to broaden outside of large cap mega-stocks, enabling the fund to reduce its underperformance to 100bps by the end of the quarter.

- Looking at countries, the portfolio benefited from good allocation and selection in Japan, Mexico, Finland and Australia. In terms of themes, most companies in the Inclusive and Fair Economies fared remarkably well, while companies in Health & Wellbeing and Sustainable Communities themes struggled.

- The three largest contributors to the portfolio were Horiba, Intuit, and Topbuild. Horiba, a part of the Testing, Instrumentation, Analysis & Certification vertical, returned over 46.5% during the quarter and was up 83.8% YoY. Despite constant concerns surrounding earnings peaking in its semiconductor and automotive segments, Horiba's outlook improved consistently throughout the year, surpassing market expectations. The company continues to trade at a significant discount compared to other semiconductor equipment firms, positioning itself favourably in the analysis/measurement technologies sector. Intuit, part of the software enabling technologies vertical, returned 22.5% in Q4 and 61.7% YoY. Intuit is a leading financial management software provider to small businesses and the self-employed. Management highlighted resilience in small businesses, cross-selling opportunities within its ecosystem, and attractive growth opportunities with Generative AI. Topbuild, part of our energy efficiency vertical, returned 48.8% in the quarter and 139.2% YoY. As the leading installer and distributor of insulation products to the US construction industry, Topbuild defied expectations with strong execution, multiple avenues for growth, and sustained pricing power. More importantly, it benefited from a very resilient housing market with structural shortages. Entering 2024, peaking interest rates should continue to support healthy demand levels for insulation products.

- The three biggest detractors were Fortinet, Genmab and Solaredge. Fortinet, a leading cybersecurity name part of the Infrastructure & Public Transport vertical underperformed its peers throughout the year after disclosing two consecutive quarters of disappointing results, showing signs of operational slowdown. Despite a difficult cycle with demand pull-forward growth followed by a digestion period, Fortinet maintains strong fundamentals and remains well positioned to consolidate share with unique exposure to attractive growth segments within the largest segment of the security software market. Genmab, a biotech company part of the Pharmaceutical vertical, develops human antibody therapeutics and receives royalties from J&J for its main product Darzalex that is the best alternative for patients that have multiple myeloma blood cancer. The company has had good results in its key drug but is facing R&D and Opex cost increases to face a lack of promising late-stage assets to replace Darzalex after 2030 when its patent expires. Finally, solar-equipment maker Solaredge part of the Renewable Energy equipment vertical, continued to remain under pressure as elevated levels of inventories and demand visibility challenges persisted.

Portfolio activity:

- Over the quarter, the number of holdings changed from 49 to 51 as the managers exited 3 positions and added 5 new ones, rebalancing risks and sensitivities within the portfolio.

- In terms of sales, the managers decided to completely exit their position in PDD Holdings in China, partly driven by a significant lack of engagement, transparency and alignment with the fund's business objectives. Despite very strong performance especially in the Chinese market context, the company's intense focus on the global expansion of its international Temu App shifted priorities and made it riskier to stay invested in the business. Additionally, the managers completely exited their positions in Orsted and Northland Power over the quarter. Ongoing concerns in the renewable sector have impacted the fund's performance throughout the year, with the wind industry facing substantial challenges that may require extended resolution time. Although the wind industry remains crucial for governments around the world to reach their ambitious targets of increasing the share of renewables in their energy mixes, the sector has been plagued by a wave of issues ranging from, equipment malfunctions, higher interest rates and financing costs, slow permitting, inflation, and supply chain woes, making wind investments economically challenging.

- In terms of additions, the managers added TSMC, Constellation Software, Ecolab, Hitachi and Linde over the quarter. Common characteristics of all these additions are that these companies are generally large and offer quality and stable earnings in their respective markets:

- **TSMC (Inclusive and Fair Economies, IMAP score 14)** is the world's leading dedicated semiconductor foundry company. Thanks to its technological competitive edge, the company has built a significant market share in a variety of end markets including high performance computing, smartphones, Internet of Things (IoT) devices, automotive, and digital consumer electronics. The company's products, use less energy at matched performance and/or have faster performance at the same electricity use, making TSMC a credible enabler of technology and energy efficiency across industries.
- **Constellation Software (Sustainable Communities, IMAP score 12)** acquires, manages, and grows businesses that provide mission critical ERP (enterprise resource planning) software that targets SMEs (Small Medium Enterprises, of up to 1,000 employees) within attractive, niche vertical markets. Constellation has over 30 years of experience in buying and managing vertical market software funding its growth using its own free cash flow and using a disciplined ROIC approach.
- **Ecolab (Sustainable Communities, IMAP score 17)** provides comprehensive programs and services to promote food safety, maintain clean environments, maximise water and energy use, and strengthen operational efficiencies for customers in the food, energy, healthcare, industrial, and hospitality markets. The company's business focuses entirely on efficiency of natural resources – most prominently water.
- **Hitachi (Climate Stability, IMAP score 12)** has been transforming its portfolio over the last decade with a high focus on decarbonization, energy efficiency and mobility, leveraging its core strengths in consulting, data, and technology. The company pursues what it calls Social Innovation using "Powering Good" as a guiding principle to help build sustainable societies with its customers.
- **Linde (Climate Stability, IMAP score 12)** is a global industrial gases company that is highly focused on helping its customers across a wide range of industries to decarbonise their operations, and is well positioned to play an important role in particular in the use of hydrogen as a fuel, as well as in the development of industrial carbon capture. Future earnings growth is likely to be underpinned by corporate spending directed toward energy transition, and supportive public infrastructure spending programmes globally.

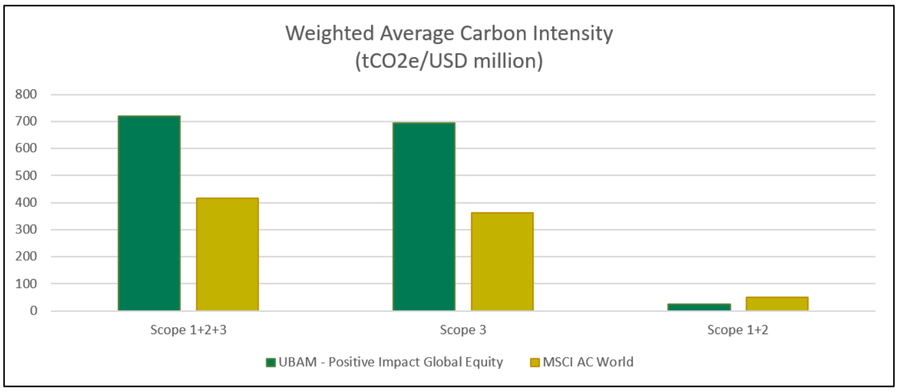
ESG Monitoring

➢ **Human rights**
(Disclosure: Fund 100% / Index: 100%) **and Social** (Disclosure: Fund 100% / Index: 100%)

	UN Global Compact			Human Rights Compliance		
	Pass	Watchlist	Fail	Pass	Watchlist	Fail
UBAM - GPIE	51	0	0	51	0	0
MSCI AC World	2782	119	18	2773	128	18
UBAM - GPIE	100%	0%	0%	100%	0%	0%
MSCI AC World	95%	4%	1%	95%	4%	1%

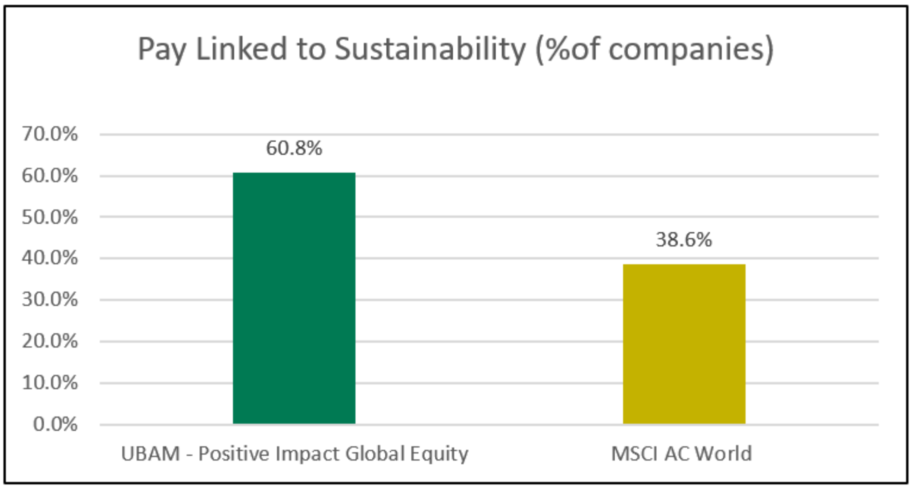
	Labour Compliance - Core			Labor Compliance - Broad		
	Pass	Watchlist	Fail	Pass	Watchlist	Fail
UBAM - GPIE	51	0	0	51	0	0
MSCI AC World	2865	41	13	2830	75	14
UBAM - GPIE	100%	0%	0%	100%	0%	0%
MSCI AC World	98%	1%	0%	97%	3%	0%

➢ **Environment**
(Public Disclosure: Fund 87.5% / Index: 94%, Coverage Including estimates: Fund 100% / Index 99.9%)

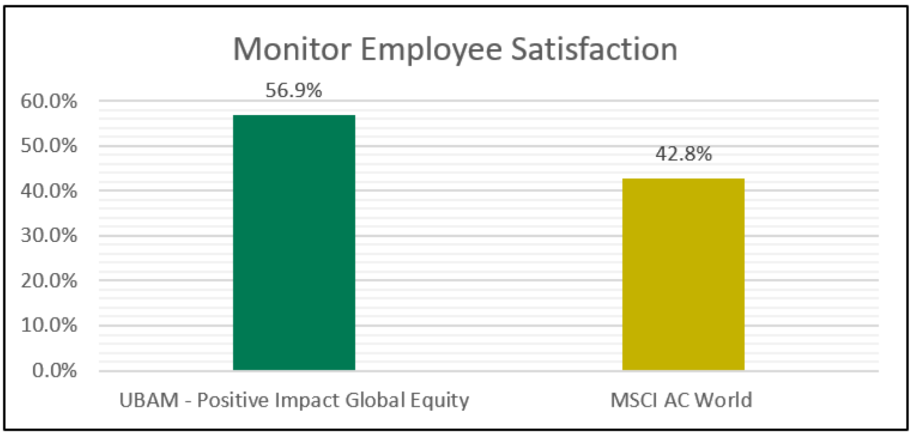


The fund beats its benchmark on a scope 1&2 basis. If we include scope 3 emissions, the Weighted Average Carbon Intensity of the benchmark is lower than for the fund. This situation suggests a significant change from previous reporting, especially on the benchmark side, requiring further analysis from the portfolio managers. Scope 3 emissions are an important part of any analysis of GHG emissions, but they are also hard to estimate and a few outliers can lead to significantly different portfolio levels. There are also cases in which scope 1, 2 &3 emissions do not capture the full benefit of certain products. We will report on our conclusions in the next quarters.

- **Governance** (Disclosure: Fund 100% / Index:99.9%)
  Pay linked to sustainability (% of companies):



- **Labour** (Disclosure: Fund 100% / Index: 100%)
  Monitor Employee Satisfaction



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

Outlook

- Market sentiment was even more mercurial than normal over 2023, bouncing from recession worries at the start of the year, to resilient growth over the summer, to higher for longer in the autumn, and ending the year focused on future rate cuts. Arguably, the strong run into year-end may have dragged some of 2024's expected equity return into 2023 as market consensus moved to price in a soft landing. The MSCI ACWI generated double digit returns despite negative earnings growth for most constituents as investors navigated an altering backdrop. Consequently, 2023 was largely driven by valuation expansion, while 2024 is supposedly going to be driven by better corporate earnings across the board. Investors' focus is now shifting from inflation concerns and towards softening economic growth. For 2024, consensus predicts 9-11% EPS growth - which is the traditional starting point. Nevertheless, risks are always present as financial conditions remain constrictive – higher interest rates have made borrowing more expensive, which has reduced spending and investment.

- There are a few additional features central to the investment thesis for the coming year. First, 2024 will be the biggest election year in history, with more than half the people on the planet living in countries that will hold nationwide elections in 2024. The US presidential election in November is the most significant event, however, global trade and diplomacy will be impacted much sooner given two major conflicts ongoing and the undercurrent of geo-political tensions. Next there is the question of nominal and real growth. Inflation rates have been coming down faster than consensus expected, and this has now created the possibility of meaningful rate cuts towards the third quarter of the year, with some forecasting this coming earlier. Europe is expected to lag the US in its rate pivot, however, there is a chance that the more sclerotic growth in Europe, impacted badly by Germany's export reliance particularly to China, means the ECB decides to move faster, depending on the inflation outturn. A strong US dollar peaking towards the beginning of the year, would be positive for emerging markets and small caps among others.

- During Q4, bond yields fell dramatically as investors played the pivot theme, however, since the start of 2024 some of that yield compression has been given back. This holds true with recent market volatility reacting to short term changes in news flow, in this instance Fed minutes suggesting that market had got too premature in its US rate cut expectations. Further bond market volatility is likely to influence equity markets rather than the other way around in 2024.

- On the sustainability front, among the standout positive developments in 2023 was a very high renewables growth rate (50% more renewable capacity in 2023 than in 2022*), numerous climate commitments at COP28, and multiple signs of technology advancement. Standout challenges in 2023 included geopolitical conflicts, high weather volatility that put strains on power grids (driving multiple countries to increase their reliance on fossil fuels temporarily) higher interest rates driving up decarbonization project costs and multiple missteps and challenges relating to companies' business models. On that last challenge, 2023 was a reminder that it is not enough to have a business model focused on enabling the sustainability transition; you must also be a high-quality business. Stocks that face risks of commoditisation, are cash flow constrained, and/or are exposed to significant execution risks will continue to struggle and a disciplined allocation remains critical.

*Sources: UBP, COP28, *__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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