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

- Despite the ongoing war in Ukraine, equity markets recovered from the middle of March. Investors continued to focus on movements in oil prices, which rose by around 30% in the first few days of March. Although they then fell back, Brent crude still ended the month 7% higher.
- In the US, consumer sentiment was dragged down by economic concerns but above all rapidly rising prices, despite a very solid labour market as shown by stronger-than-expected job creation figures for February. Annual inflation rose to 7.9% in February, with service prices accelerating sharply on top of rising energy costs. However, confidence levels remained high in the manufacturing sector, and even rebounded in services. As expected, the Fed raised its key interest rates by 25bp for the first time since 2018 and announced plans to start reducing the amount of assets on its balance sheet in the near future. The Fed's governors are expecting to raise rates another six times this year, confirming that taming inflation is the US central bank's main priority.
- In the eurozone, hostilities in Ukraine caused a sharp drop in consumer sentiment, which had an impact on consumer spending. Business confidence fell only slightly in both manufacturing and services, but the future activity component of the IFO index collapsed. Inflation continued to rise, as it did everywhere else, and is heading over 6%. The ECB adopted a tougher tone than expected, saying it was prepared to end asset purchases at the start of the third quarter.
- In China, tighter restrictions to combat rising Covid-19 case numbers affected PMI indices, which fell back below 50.
- Global equity markets ended the first quarter of the year in the red with -5.36% (MSCI ACWI*). In the US specifically, the S&P 500* index was down by -4.70% during the first quarter with a noticeable outperformance of the Value segment over the Growth one (-9.09% q/q for the Russell 1000 Growth* and -0.89% q/q for the Russell 1000 Value*). In this context the MSCI Europe* delivered -5.32%, outperforming the MSCI Europe Small Cap* with -9.78%. Finally, the Emerging markets delivered -6.98%, again with a high dispersion. Brazil was up +35.92% and on the other side, China was down – 14.19%.
- The IPPC (Intergovernmental Panel on Climate Change) published a report at the end of February: this is the report by the second working group (WG), which focuses on "impacts, adaptation and vulnerability" (WG I, which had a report out last summer, focuses on "the physical science basis of climate change"). "This report recognizes the interdependence of climate, ecosystems and biodiversity, and human societies and integrates knowledge more strongly across the natural, ecological, social and economic sciences than earlier IPCC assessments."

** net total return index*

Sources: UBP, Bloomberg Finance LP.

Performance Review

- It was a difficult quarter with the fund losing 8.34% (net of fees, IC USD class) vs -6.97% for MSCI Emerging markets*, particularly at the start of the year as we were hurt by profit taking in renewable energy, rising oil prices and outperformance of oil&gas, coal, banks and commodities, sectors to which we have little to no exposure. The second half of the quarter was much better as renewable energy stabilized and Russia underperformed.

** net total return index*

- We benefited from our exposure to the financial sector, names like Gentera and Bandhan as well as our holdings in Brazil, as Latin America was generally a strong region. We added further to our exposure to the financial sector with new names like Credicorp and Cathay. We benefited from not having direct exposure to Russia and not owning the large Chinese Technology names which came under increasing pressure in the first part of the quarter.
- We were hurt by our renewable and energy efficiency names (Goldwind, Chint, Nari, Longi), China Education names on ongoing regulatory concerns, China Techonolgy names (Pinduoduo, Ali Health) and stocks with indirect exposure to Russia (Mondi, Richter).

Portfolio activity:

We disposed entirely of 4 positions:

- **TSKB:** the ongoing marco concerns and the fact that Turkey was put on the Financial Action Task Force monitoring list made it difficult for us to continue to hold this name. We still believe in this name from a bottom-up perspective but would need the top-down situation to improve for us to revisit.
- **TPI Composites:** Another quarter of unexpectedly weak earnings resulted in a loss of confidence in the management's ability to turn the business around. Very low margins in a rising cost environment coupled with strong and concentrated customers leaves TPI in a difficult place. We decided to cut our losses.
- **Oceana:** Small cap with not enough liquidity. As the fund grew, we found it difficult to scale the position. Furthermore, they delayed publishing their results twice without a clear explanation. We estimated the risks were too high and exited.
- **Standard Foods**: After many months of trying to engage with the company constructively, we finally gave up. We did everything we could to establish a good communication channel and when that effort failed, we divested. It remains a very good business that we would have been happy to hold, but engagement considerations forced us to sell.

We also reduced tactically our position in some of the larger names in the portfolio, particularly Cipla after it enjoyed very strong performance. We also decreased our position in Gedeon Richter and Mondi by about 100bps each due to their exposure to Russia. Around 12% of revenues for Richter and around 20% for Mondi. And we reduced proportionately our exposure to China (all sectors).

Those trades were compensated by increasing our weights in our existing stocks (particularly financial names, and education names outside of China), and adding a few new positions:

- **Cathay Financial Holding**: leading life insurance and sustainable finance champion in Taiwan. It has an impressive record of climate action with international best practice and integration of sustainability into business decisions. It helps us to increase our exposure to the financial sector and helps the portfolio to benefit from higher interest rates.

- **Credicorp:** Peru’s leading bank. Largest microfinance company in Latin America. Credicorp made a significant contribution to financial inclusion with Yape, the largest digital payments app in the region. One of the few incumbents which is also a leader in digital transformation.

- **Klabin:** Sustainable packaging company leading the industry with their biodiversity policies. It benefits from rising pulp prices. It is highly diversifying for the portfolio as it gives us exposure to rising commodity prices.

We see more and more opportunities for impact in the financial sector. Beyond the financial inclusion aspect, we also increasingly recognize the role of the financial sector in allocating capital and the impact it can have by adopting strong standards and robust engagement practises with its clients and suppliers (for more on this please see the recent report from CISL:

https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/lets-discuss-climate-the-essential-guide-to-bank-client-engagement).

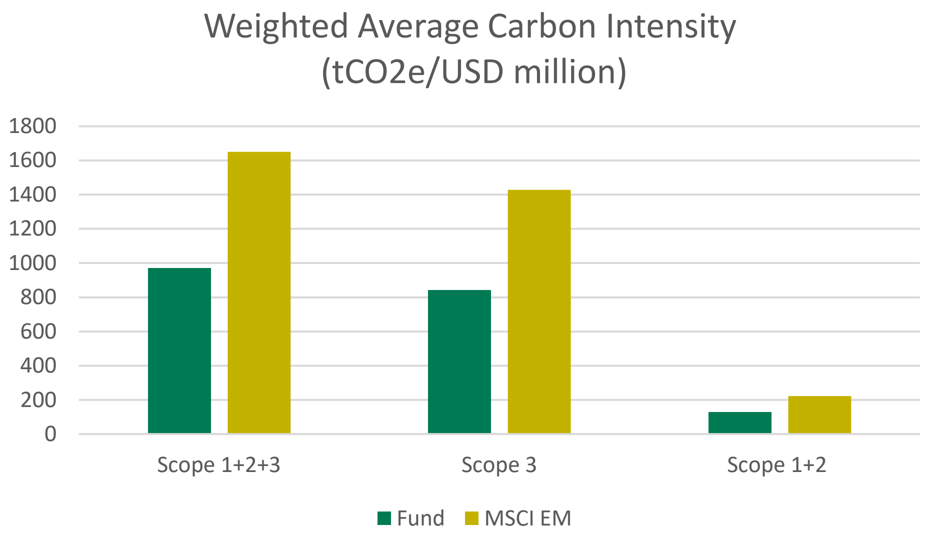
ESG Monitoring

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	41	1	0	41	1	0	42	0	0	42	0	0
MSCI EM	1306	22	5	1311	17	5	1329	2	2	1322	7	4
Fund	98%	2%	0%	98%	2%	0%	100%	0%	0%	100%	0%	0%
MSCI EM	98.0%	1.7%	0.4%	98.3%	1.3%	0.4%	99.7%	0.2%	0.2%	99.2%	0.5%	0.3%

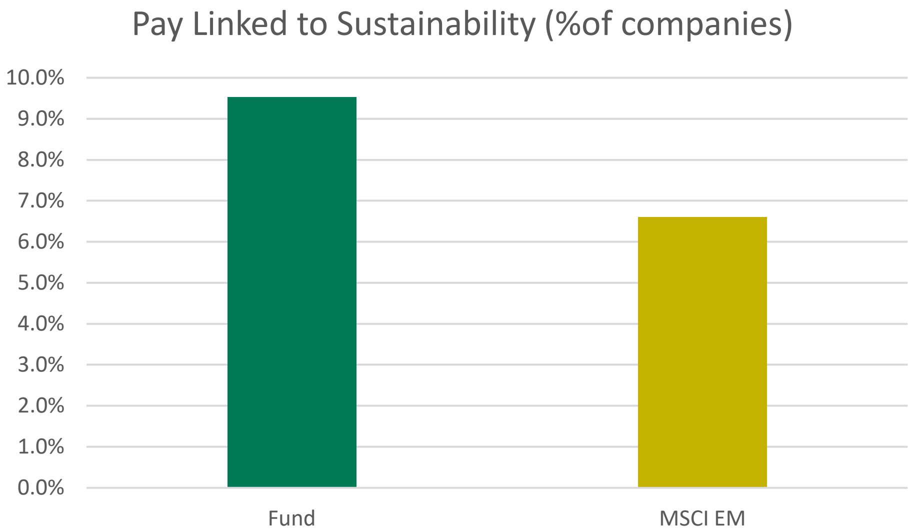
UN GC & Human rights compliance disclosure: Fund 95.5% / Index: 99.9%
Labour compliance disclosure: Fund 96.5% / Index: 100%

Environment (Disclosure: Fund 98% / Index: 99%)

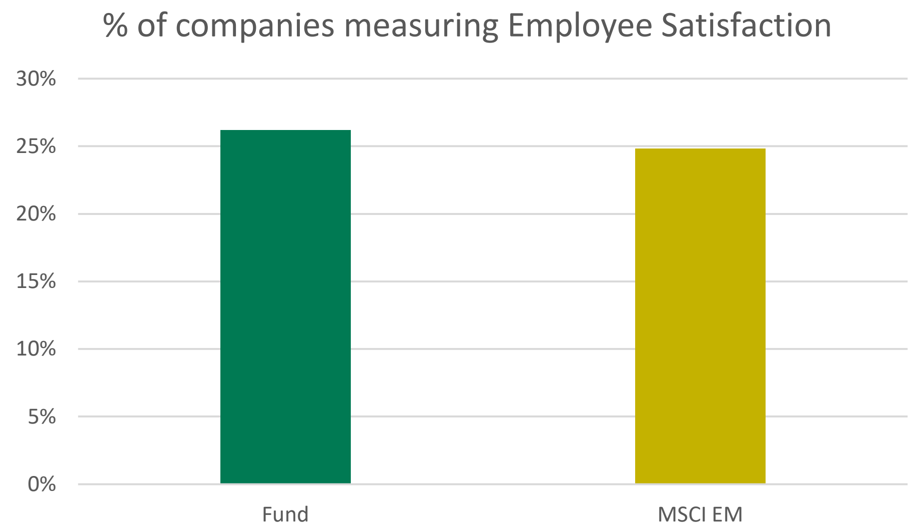


Carbon Intensity metric: UBAM - Positive Impact Emerging Equity aims to beat the benchmark (MSCI Emerging markets) for this metric

- **Governance** (Disclosure: Fund 95% / Index:100%)



- **Labour** (Disclosure: Fund 95% / Index: 100%)



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

Outlook

The global scenario reflects moderate growth, higher inflation and tighter monetary regime:

- Global growth scenario for 2022 has been revised down under combined oil shock and lower demand. Europe looks the most exposed, while US and China are less directly impacted.
- On the positive side, one can note:
  - Resilient manufacturing sector (PMI above 50) and still positive economic surprises
  - Solid trend in labor and rising wages
  - Fiscal support still active in Europe and China
- Central banks will raise key rates further to regain control on inflation and re-anchor inflation expectations.
- Governments in Europe should take new fiscal measures to mitigate negative shocks on purchasing power and sectors.

Geopolitics will play a bigger role in the path of stock markets in the future than in recent history:

- Global trade patterns will undoubtedly adapt to a new normal. Self-sufficiency will be valued more dearly, in terms of energy, raw materials and manufacturing capability. There are some areas of the global economy which are now too concentrated to disrupt, for example, much of the semi-conductor supply chain, but other areas will experience government mandated near-shoring.
- The source and supply of commodities will be re-assessed with 'friendly' trading blocs grouping together for resilience and untrustworthy dominant regions becoming disrupted where possible.
- Large areas of the sustainable universe will receive an upgrade to underlying growth, for example renewable energy (self-sufficiency) and efficiency (powerful tool in the reduction of fossil fuel use).

Sources: UBP.

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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