



# UBAM - 30 GLOBAL LEADERS EQUITY

## Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws. The classification of the fund(s) as per the Sustainable Finance Disclosure Regulation (SFDR) is available on ubp.com or in the latest prospectus.

### Market Comment

- Equity markets continued their rally over the second quarter of 2021, with the MSCI AC World adding 7.4% in performance to reach close to 12.5% since the beginning of the year. This rally was supported by the accelerated global roll-out of Covid-19 vaccines and central banks maintaining their accommodative stance. Swiss equities led in performance over Q2 with 9.5% for the SPI and 8.4% for the SPI Extra. US equities gained 8.2% over the period while European equities were up close to 6.5% and emerging market equities 5%.
- With positive earnings revisions over the first half of the year, global equities valuation stood at 18.7x at the end of June with earnings growth expectations of 39.3% for 2021. All sectors are showing strong earnings growth rate expectations, notably Energy and Industrials. Renewed demand for oil following the re-opening of economies drove oil prices higher, leading the Energy sector to be a top performer over the quarter. Some Tech names also recovered over the second quarter after a volatile Q1.
- The US PMI came in at 60.6 at the end of June, slightly below expectations and lower than the previous print, showing signs of peaking momentum from historically high levels. Alongside strong labor and housing data, US GDP growth for Q1 accelerated and came in at 6.4% qoq, with expectations peaking however for the second half of the year. The global economic recovery could be entering the maturing stage with strong GDP growth, but decreasing momentum expected towards the end of the year along with transitory inflation.
- Concerns over the Delta variant weighed on sentiment and still represent a tail risk for the global recovery, especially in emerging markets, which is clearly reflected in the pronounced underperformance of emerging markets since early March.
- At the end of Q2 2021, all sectors of the MSCI AC World were in positive territory except for the Utilities sector which lost -0.8%. The IT and Healthcare sectors were the top contributors over the period. In terms of individual names, Microsoft, Apple and Nvidia were among the best performance contributors while Intel, Alibaba and Softbank were among the worst.

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## Performance Review

- UBAM - 30 Global Leaders Equity returned +11.5% in gross performance in the second quarter of 2021 vs +7.4% for the MSCI AC World. YTD, the fund has accumulated more than 4.1% in gross excess return versus its benchmark. Over Q2, most of the relative outperformance was driven by stock selection (3.9%) particularly in the Financials and Consumer Discretionary sectors. Sector allocation and currency effect also had positive performance contributions over the period (+0.06% and 0.15% respectively).
- Over the second quarter of 2021, the biggest contributors to performance were the overweights in Google, Partners Group and Novo Nordisk (+62bps, +43bps and +41bps respectively). Google was up more than 21%, extending its 2021 rally (+43% YTD), helped by strong results with ad sales up 32% over the quarter. Partners Group was up close to 20% over the period, bringing YTD performance to over 30%, as the company's activities have proven to be more resilient in the pandemic slowdown than expected. The company also continues to benefit from an improving outlook and growing investor demand for private assets. Novo Nordisk's share price gained 23.4% after Q1 results came in above expectations and the company raised its 2021 outlook, despite expected higher costs for the remainder of the year due to the launch of semaglutide in obesity and growing investments in its pipeline.
- The main performance detractors over the period were the overweights in Fiserv, Ecolab and Abbott (-52bps, -28bps -25bps respectively). Fiserv lost 10.2% despite beating on Q1 EPS and raising the lower end of its 2021 guidance on better recovery prospects. Ecolab dropped 3.6% as it reported lower Q1 earnings and sales due to the Texas freeze and continued negative impact from Covid-19. The company expects momentum to improve into the second half of 2021 as economies continue to reopen. Abbott was down 3% over the quarter after it adjusted its financial outlook for 2021 on lower Covid-19 test demand as vaccination numbers rise and testing requirements are adapted. The name is still up 6.5% YTD with a strong pipeline of opportunities outside its Covid-19 testing offering.

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## Portfolio Activity and ESG

- No major changes were done on the portfolio level over the second quarter of the year.
- At the end of Q2 2021, UBAM - 30 Global Leaders Equity had an "A" ESG rating with an ESG quality score of 6.9, versus an "A" rating and 6.0 score for the MSCI AC World (ratings based on MSCI ESG Research). The fund's ESG quality score was also higher than the calculated average of 5.9 excluding the 20% worst rated positions from the benchmark. The fund does not hold any laggard stocks (rated CCC or B), versus 7% laggards for the MSCI AC World. In terms of Global Norms compliance, the 30 Global Leaders Equity portfolio does not hold any position with a "Fail" and "Non-Compliant" status on the UN Global Compact indicator by both data providers MSCI ESG Manager and Sustainalytics.
- The portfolio has a 58% lower weighted average carbon intensity than its benchmark with 64 tons of CO2 emissions / USDmn sales vs 152 for the MSCI AC World. Moreover, being underweight low CFROI® sectors such as Utilities and Energy, the portfolio exhibits a carbon footprint 88% below its benchmark with of 10.1 tons of CO2 emissions / USDmn invested vs. 90 for its benchmark. The portfolio is aligned with the Paris Agreement's long term



temperature goal of keeping the rise in global average temperature to well below 2 °C above pre-industrial levels, as reported by ISS Climate Impact Assessment.

- In addition to the environmental and Global Norms criteria, the portfolio also exhibits better overall average social and governance indicators than its benchmark (indicators based on MSCI ESG Research), especially on employee training and diversity; demonstrating the portfolio’s overall positive ESG positioning versus the MSCI AC World.

### Outlook

- As fears of structurally higher inflation fade away and Treasury yields stop rising, equity markets are expected to again favor longer-term quality growth investments versus more value oriented and shorter duration ones. As we move past the peaks in inflation, GDP and EPS growth, sector rotation will probably continue to reverse.
- The 30 Global Leaders Equity strategy is expected to continue to perform strongly in this environment with strong upside participation in rising markets, while also offering downside protection should markets come under pressure from slowing macroeconomic momentum.

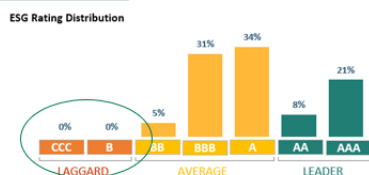
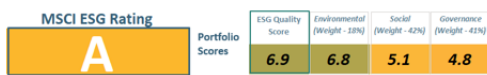
## Main ESG and Carbon Metrics – UBAM - 30 GLOBAL LEADERS EQUITY



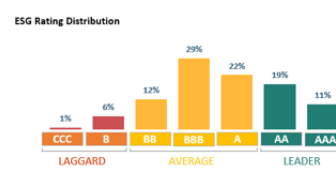
### UBAM - 30 Global Leaders Equity

#### ESG Scores

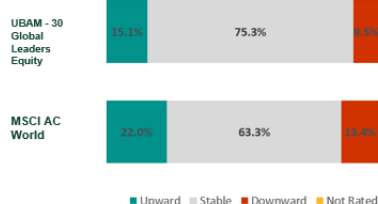
##### UBAM - 30 Global Leaders Equity



##### MSCI AC World



#### ESG RATINGS MOMENTUM



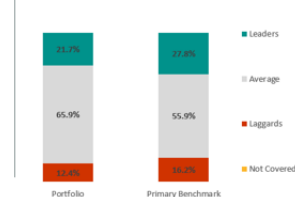
#### Reputational Risk

(Very Severe Controversy Exposure)



#### Governance Risk

(Global Percentile)



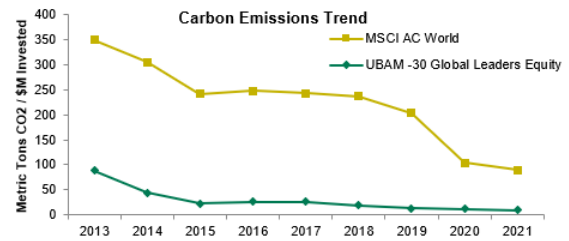
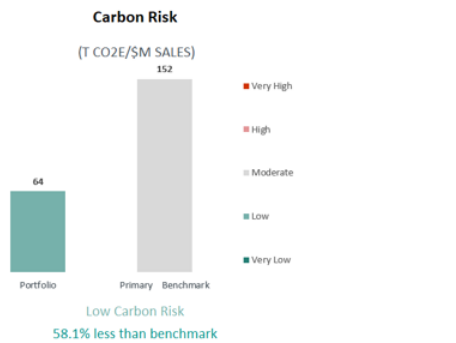
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## ESG Scores

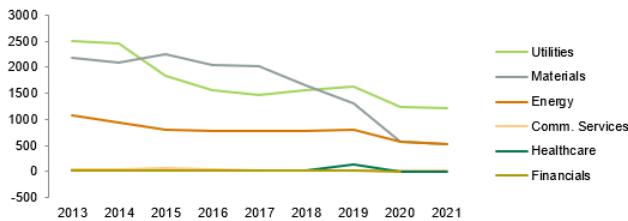


UBAM - 30 Global Leaders Equity has at least 50% less carbon intensity risk than its benchmark (Emissions/Sales)

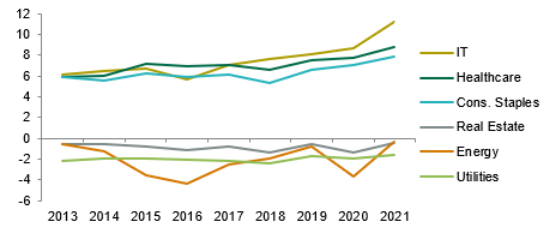
UBAM 30 Global Leaders Equity had historically around 90% lower carbon footprint than its benchmark (based on 1mn Investment)



### Sectors with biggest and lowest Carbon Emissions historically (t CO2e / \$M Invested)



### Sectors with biggest and lowest CFROI Spread historically (% CFROI level - Discount Rate)



Source: Credit Suisse Holt, @2021 MSCI ESG Research LLC – Reproduced by permission as of 30.06.2021. MSCI ESG data is calculated including subsidiary mapping.

## Select Labor and Social KPIs – UBAM - 30 GLOBAL LEADERS EQUITY

|                                      | 5 Year Growth in Employees % | Percentage of Women Employees % | Companies having boards with at least 30% Female Directors* | Companies with Employee Protection in Whistle Blower Policy* | Companies with CSR / Sustainability Committee | Training and Professional Development Score (0-10) * |
|--------------------------------------|------------------------------|---------------------------------|---|--|---|--|
| <b>UBAM-30 Global Leaders Equity</b> | 5.8                          | 41.8                            | 67%   | 100%   | 60.0%   | 5.42   |
| <b>Coverage</b>                      | 93%                          | 47%                             | 100%  | 100%   | 100%  | 97%  |
| <b>MSCI AC World</b>                 | 6.1                          | 37.3                            | 32%   | 83.6%  | 34.5%   | 4.54   |
| <b>Coverage</b>                      | 74%                          | 38%                             | 100%  | 96.7%  | 93%   | 61.8%  |

Source : Bloomberg - 30.06.2021

\*Source : MSCI ESG Manager – 30.06.2021 - Female Directors extends to board of directors, supervisory and management boards.

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**MSCI ESG Rating Methodology:**

MSCI's ESG rating methodology is based on the three key pillars of corporate sustainability: Environmental, Social and Governance (ESG). Pillars E, S or G represent 10 major themes, which in turn are associated with 35 key issues. Only those E and S issues deemed "material" for a given sector are considered, while governance issues are taken into account for all companies.

For each issuer, the key issues identified are weighted according to their materiality and aggregated into an average score, rated from 0 to 10. These weighted scores are then normalized by industry to give an industry-adjusted score. This allows for a ranking of companies based on their ESG practices within each industry, and thus distinguishes companies with the best or worst ESG practices among their peers. This industry-adjusted score is translated into an ESG Rating scale of 7 steps ranging from AAA (best score: from 8,571 to 10) to CCC (worst score: from 0 to 1,429).

**Exhibit 2 MSCI ESG Key Issue Hierarchy**

| 3 Pillars   | 10 Themes                   | 35 ESG Key Issues  |  |
|-------------|-----------------------------|--|--|
| Environment | Climate Change              | Carbon Emissions<br>Product Carbon Footprint                                 | Financing Environmental Impact<br>Climate Change Vulnerability                 |
|             | Natural Capital             | Water Stress<br>Biodiversity & Land Use                                      | Raw Material Sourcing  |
|             | Pollution & Waste           | Toxic Emissions & Waste<br>Packaging Material & Waste                        | Electronic Waste   |
|             | Environmental Opportunities | Opportunities in Clean Tech<br>Opportunities in Green Building               | Opportunities in Renewable Energy  |
| Social      | Human Capital               | Labor Management<br>Health & Safety  | Human Capital Development<br>Supply Chain Labor Standards                      |
|             | Product Liability           | Product Safety & Quality<br>Chemical Safety<br>Consumer Financial Protection | Privacy & Data Security<br>Responsible Investment<br>Health & Demographic Risk |
|             | Stakeholder Opposition      | Controversial Sourcing<br>Community Relations                                |  |
|             | Social Opportunities        | Access to Communications<br>Access to Finance                                | Access to Health Care<br>Opportunities in Nutrition & Health                   |
| Governance* | Corporate Governance        | Ownership & Control<br>Board   | Pay<br>Accounting  |
|             | Corporate Behavior          | Business Ethics<br>Tax Transparency  |  |

\* The Governance Pillar carries weight in the ESG Rating model for all companies.

The Final Industry Adjusted Company Score is mapped to a Letter Rating as follows:

| Letter Rating | Final Industry-Adjusted Company Score |
|---------------|---------------------------------------|
| AAA           | 8.571* - 10.0                         |
| AA            | 7.143 – 8.571                         |
| A             | 5.714 – 7.143                         |
| BBB           | 4.286 – 5.714                         |
| BB            | 2.857 – 4.286                         |
| B             | 1.429 – 2.857                         |
| CCC           | 0.0 – 1.429                           |

\*Appearance of overlap in the score ranges is due to rounding error. The 0 to 10 scale is divided into 7 equal parts, each corresponding to a letter rating.

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