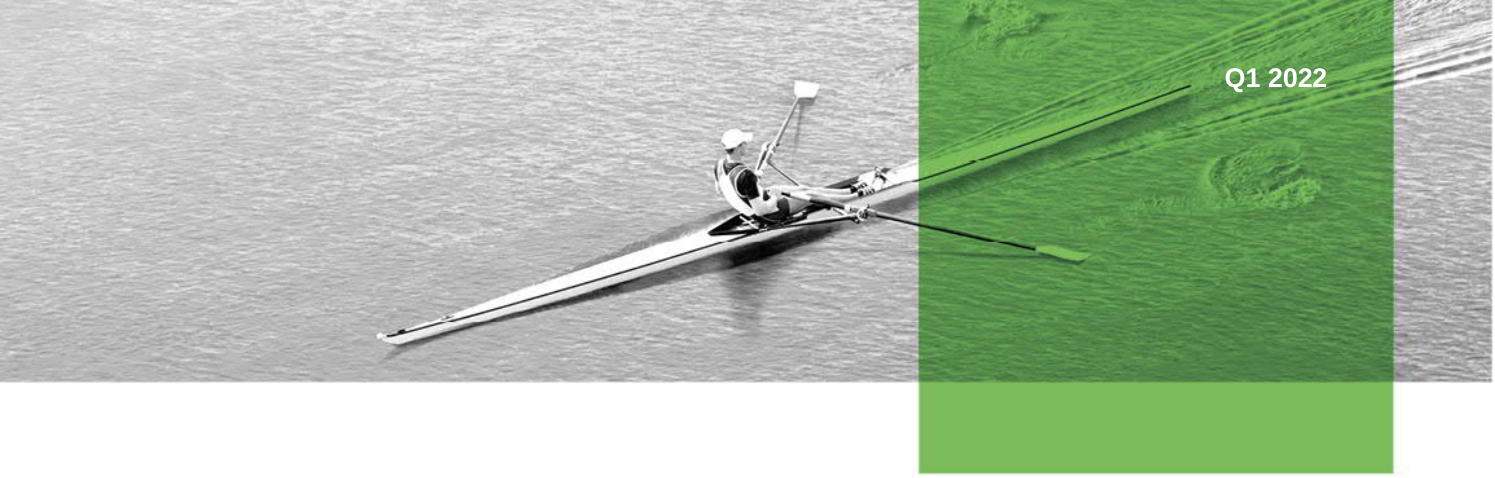


UBAM – best selection China A

Quarterly Comment | Q1 2022

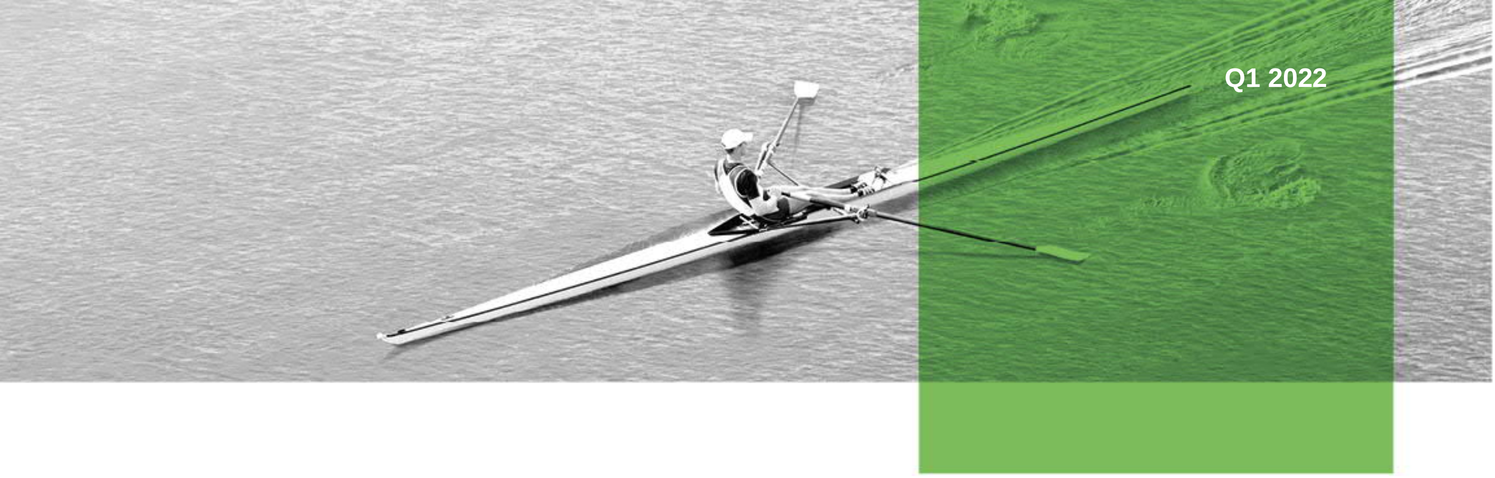
For Qualified Investors in Switzerland or Professional Investors or Eligible Counterparties as defined by the relevant laws.

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 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%.
- MSCI China A Onshore market was also down over the quarter with a negative performance of -15.10 in CNY.
- The Chinese currency was rather flat against USD, starting the quarter at 6.36 before closing at 6.34 on the 31st of March 2022.

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.

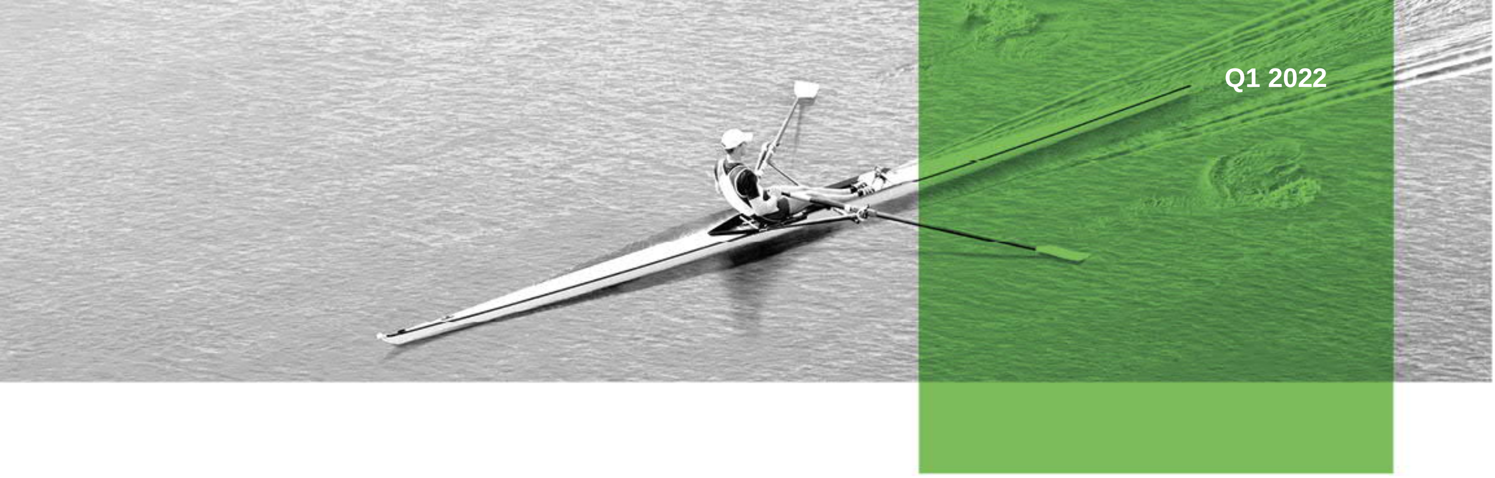


Performance Review

- During the quarter the strategy slightly underperformed. Stock selection was the main detractor while allocation helped offsetting this negative outcome.
- Our overweight position in Financials contributed positively and stock selection did also help. This sector was the main performance contributor over the first quarter.
- China Merchant Bank and Bank of Nanjing were among the names that performed the most during Q1.
- Stock selection within Industrials was the major detractor followed by our stock picking within Information Technology.

Portfolio Activity

- Major holdings at the end of the quarter are mostly in the Financial sector, namely China Merchant Bank Ping An Insurance.
- Our third largest position is Kweichow Moutai (Consumer Staples).
- The portfolio was rebalanced according to our investment philosophy.
- No unusual trades occurred over the quarter



Outlook

- 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.

- We see Resilient manufacturing sector (PMI above 50) and still positive economic surprises, solid trend in labor and rising wages and fiscal support still active in Europe and China.

- 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 nearshoring.

- 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.

- China’s zero cases policy following the country’s strict adherence to Covid Zero could further damage the economy by impacting its activity or could turn into a more benign endemic virus, leading to a “stop and go” on activity especially in the largest manufacturing hubs.

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