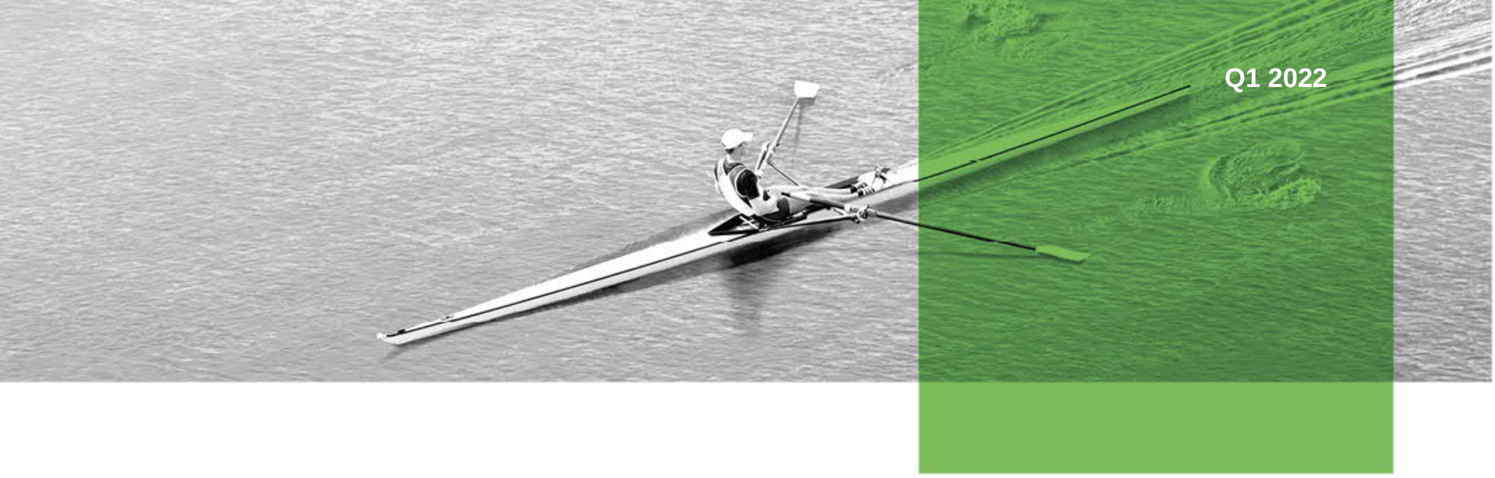


UBAM – angel japan small cap equity

Quarterly Comment | Q1 2022

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

Market Comment

- TOPIX (TR) growth during Q1 was -1.2% (JPY) while small cap index (MSCI Japan Small Cap Net TR) was down -2.15% (JPY). The market opened the quarter on a downtrend because of expectations the US would quickly ramp up its monetary tightening program. Prices dropped further on the Russian invasion of Ukraine in February but then rose on improved market sentiment stemming from expectations surrounding ceasefire negotiations, finishing the quarter down 1.2%.

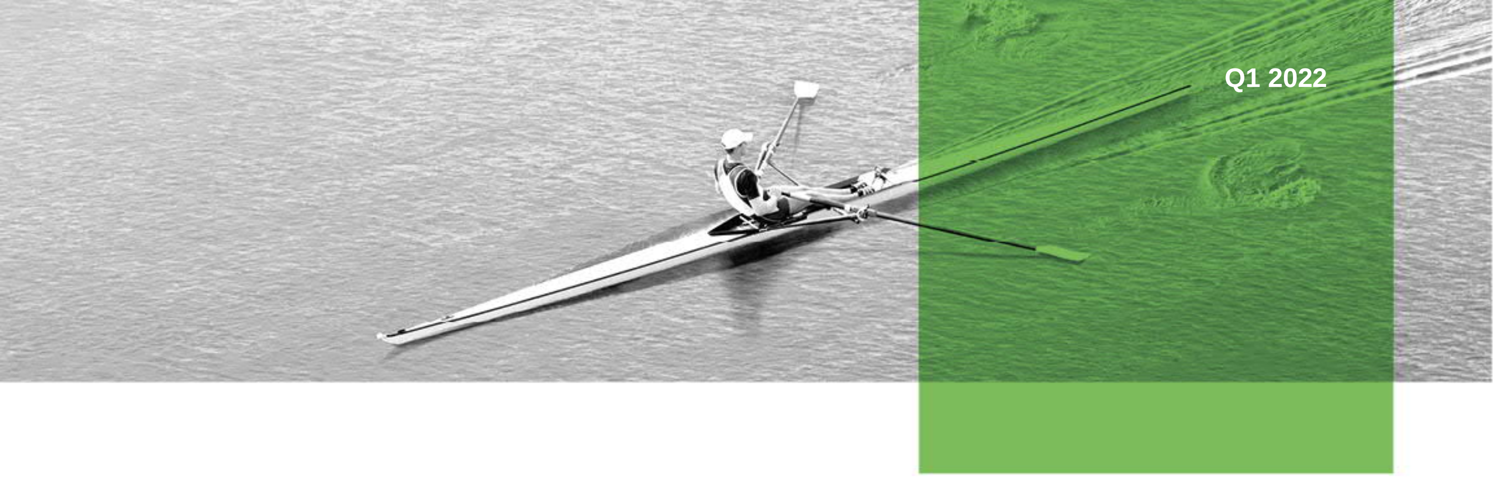
- The Japanese equity market opened the quarter on a decline because of the drop in valuation multiples, particularly those of overvalued names. This was likely a result of expectations for an acceleration to monetary policy normalization at the FRB following signals from FOMC notes of the possibility of strong rate hikes and a shrinking of the central bank's balance sheet. Strong corporate earnings helped support share prices from late-January through mid-February, but this was countered by the rapid increase in omicron infections in Japan and fears of escalation of the geopolitical situation in Ukraine. The market seesawed back and forth during this period. The market then declined in late-February when Russia crossed the Ukrainian border, pushing a shift to risk avoidance and pushing up resource prices. The market reclaimed some lost ground from mid-March as market sentiment improved on heightened expectations surrounding ceasefire negotiations.

- In early March, the Japanese equity market fell due to increased resource prices following Russia's invasion of Ukraine. However, prices then rose through the second half of the month as market sentiment improved on expectations surrounding ceasefire negotiations.

- The market rose during the middle of the month despite the Fed appearing more hawkish at its FOMC meeting, signalling rate hikes would be greater than the market expected. The market was supported by improved sentiment on expectations for progress in ceasefire negotiations between Russia and Ukraine as well as Chinese authorities stating they would aid in stabilizing the equity market and give support to Chinese companies listed overseas.

Sources: UBP, Bloomberg Finance L.P.

Past performance is not indicative of future performance

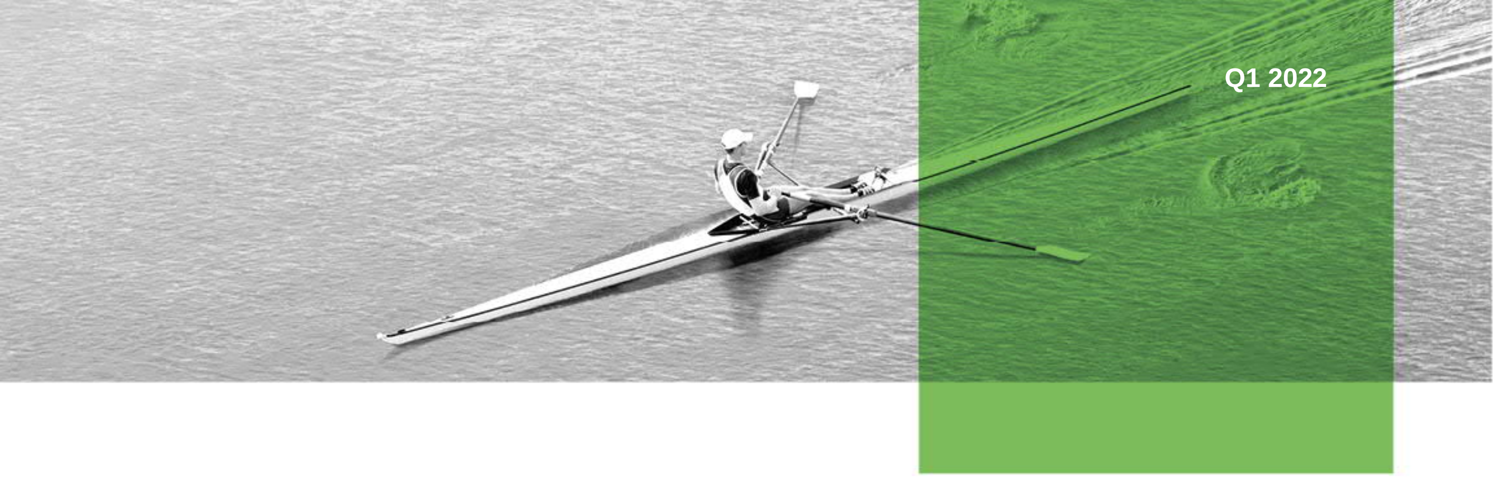


Performance Review

- The portfolio underperformed the MSCI Japan Small Cap index by -9.3% net of fees (Institutional share class in JPY, LU0306285197). Stock selection was the main driver of underperformance while sector allocation was only slightly negative. Stock picking was very challenging in Industrials. Stock selection was also negative in Consumer Discretionary. Communication Services, where the fund is overweight was positive from both stock selection and sector allocation.
- The fundamentals around the companies in our portfolio have not changed, as EPS growth is 28% this fiscal year and 29% next year. We believe it is a good opportunity to invest at a cheaper level.
- The best performing stock during Q1 was MEMBERS. The firm is specialized in digital marketing for financial institutions and large companies. The company supports the promotion of digital businesses for clients by sending human resources and expanding the business by in-house professional digital creators who produce web advertising materials for clients who want to expand e-commerce. As the demand for digital business support expands, we bought the company in February 2019. The progress of digitalization during the pandemic has been a tailwind. Thanks to excellent digital creators, the firm continues to grow rapidly
- The second-best performing stock was KOTOBUKI SPIRITS, The firm produces sweets mainly consumed by tourists. Though the company suffered during the pandemic, we feel positive the firm can overcome those headwinds. Each store is aggressively reviewing sales and display methods while competitors are exhausted and shrinking. The company has a strong balance sheet and we are convinced that once the situation linked to the pandemic settles, Kotobuki has a great opportunity to grow further.

Portfolio Activity

- We interviewed with 290 companies during Q1. We added 6 companies and sold out 6 during the quarter to keep portfolio's best quality.
- We sold out KI-STAR REAL ESTATE a providers of houses built for sale, custom-built houses mainly for primary acquirers, based in the northern Kanto region and Tokyo. The company has built a complete system to sell low-priced houses at high turnover, but the demand is expected to be slow and excess competition is also anticipated.
- We added SHOFU INC, a leading manufacturer of dental materials and instruments, with a high domestic market share of artificial teeth and abrasives. In addition to its strengths in Japan, the acquisition of a European manufacturer allowed the firm to expand its product range. Overseas expansion in Europe, North America and China is expected to enter a new growth phase.
- We sold out EIZO CORP a specialized manufacturer of displays for personal computers and amusement machines. Although their business performance is strong due to growth in amusement games with high profit margins, new business such as finance, medical care and video production, which we initially expected to be major growth drivers, might be undermined.



Outlook

- Although COVID-19 concerns have eased since the start of the year, which has allowed for the global reopening of economies to continue, the Russia-Ukraine crisis has begun to reshape the geopolitical and economic outlook. Geopolitical tensions, persistent supply constraints and less accommodative monetary and fiscal policies will likely lead to a decline in global economic growth from 5.8% in 2021 to around 3% in 2022 and 2023

- The Japanese market looks to have bottomed. The fighting continues in Ukraine and short-term negatives seem to have played out with the recent FOMC meeting. The P/E for the Japanese equity market as a whole temporarily broke below 12x, a level reached in the past when investors feared a recession. While the recent rebound was likely a reaction to a short-term oversold position, the future remains uncertain.

- The market remains concerned about the situation in Ukraine and guidance risk given the coming results season beginning at the end of April. That said, the market P/E of below 13x likely indicates prices already reflect guidance risk. While guidance revisions will unlikely cause significant negatives, they will likely cap price growth. Quantitative tightening is expected to take root, with the Fed expected to raise rates 50bp at each of its May and June FOMC meetings. While the market looks to already be prepared for such an event, alarm over this sudden monetary tightening will likely not abate.

- While it is difficult to pinpoint the direction in which the market will move, we believe we will see earnings recoveries and improvement to sentiment in the second half of the year. The market fears inflation will slow economic growth, but we believe that with both the 10-year interest rate and expected inflation in the US below 3% a recession can likely be avoided. We expect the Japanese equity market to show gentle growth through the end of 2022.

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