

UBAM - 30 GLOBAL LEADERS EQUITY



Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws

Market Comment

- In Q3, all major equity markets posted positive returns, though with a downturn in September for most of them. The MSCI AC World finished up +8.1%. At regional level, Emerging equities were up +9.6%, US equities +8.9%, Japanese equities +5.2%, and European Equities +0.1%. As for Swiss equities, the SPI was up +2.3% and the SPI Extra ended Q3 2020 at +6.4%. YTD, the SPI and the SPI Extra have returned -0.9% and -0.7% respectively, whereas the MSCI AC World was up +1.4%.
- Economic activity continued its post Covid-19 recovery, but with a fading momentum at the end of the quarter, pointing towards still positive but slower growth pace in Q4. As per estimates, US Q3 GDP should rebound strongly thanks to consumption and a first upturn in equipment spending. Regarding business sentiment, the US manufacturing sector is in good shape with the PMI at 53.5. However, in September the services sector activity declined for the first time since April from 55 to 54.6. The same happened in Europe with an increased divergence between a good momentum in the manufacturing sector and a negative sentiment in the services sector, impacted by renewed social distancing measures and constraints on hospitality. Over the quarter, unemployment continued decreasing in the US while increasing in Europe. Though employment is at risk in both regions, especially in services, and supportive measures have been extended further.
- At the end of the quarter, the US continued to show positive earnings momentum across all sectors, whereas the picture was more mixed elsewhere. Furthermore, except for Materials, regional disparities across sectors were significant. Among the major markets, expected earnings growth rates for 2020 range from +0% for China to -39% for both the UK and eurozone, with the US roughly in the middle of the range (-16%). A sharp earnings rebound is anticipated in all major regions next year, notably for the eurozone (+55%). Regarding the major valuation metrics for global equities, the 12m forward PE fell to 19x after having exceeded 20x during the summer, the price-to-book ratio remained at 113% of its 5-year average while the 12m fwd ROE increased slightly to 90% of its longer term average.
- Despite Energy, all sectors of the MSCI AC World finished the quarter in the green. The biggest contributors over Q3 were IT, Consumer Discretionary and Industrials.

Performance Review

- UBAM - 30 Global Leaders Equity returned 8.5% in gross performance in the third quarter of 2020 vs 8.1% for the MSCI AC World. YTD, the fund added more than 10% in gross excess return. In Q3, this outperformance was – for once – driven by sector allocation (+74bps contribution), thanks to our absence from the Energy sector, and the currency effect (+28bps), through our overweight in CHF and EUR stocks. On the negative side, stock selection detracted -69bps over the quarter, particularly in the healthcare sector.
- Over Q3, the biggest contributors to performance were the overweights in Nike, Sika and Danaher (+66bps, +62bps and +47bps respectively). Nike's share price appreciated more than 28% over the quarter after the company reported a strong set of quarterly results, driven by a stronger than expected rebound in China and solid contribution from direct to consumer and online sales channels. Sika upheld its upward momentum, with the stock price up more than 24% over the quarter. The group is seeing improving trends in construction and automotive globally and confirmed its 2023 outlook and synergies from Parex takeover. Finally, Danaher delivered a strong beat and raise at its Q2 results. Each business unit surpassed market expectations (stock up 22% in Q3), from Life Sciences and Diagnostics (Covid testing kits) to Environmental solutions (impacted by customer shutdowns).
- The main performance detractors in Q3 were the lack of exposure to Apple, as well as the overweights in American Tower and Prudential (-69bps, -36bps and -31bps respectively). Apple's momentum went unabated, with the stock up another 27% over the period thanks to another set of strong quarterly results and despite the absence of quarterly guidance. American Tower was down close to -7% over the quarter, on the back of uninspiring Q2 results, marked by lingering difficulties in the Indian market and a slowdown in the US due to the T-Mobile Sprint merger. Finally, Prudential's share price depreciated by -9% over the quarter despite better than consensus half-year results and the confirmation of the full separation of the US and Asian businesses (IPO in H1 2021).

Portfolio Activity and ESG

- Over the third quarter, no major changes were done in the portfolio.
- At the end of Q3, UBAM - 30 Global Leaders Equity had a AAA ESG rating with an ESG quality score of 8.6, versus an A rating and 6.4 score for the MSCI AC World. The fund's ESG quality score was also higher than the average of 5.2 for the top 80% ESG quality score rated positions in the benchmark. The fund does not hold any laggard stocks (rated CCC or B), versus 6% laggards for the MSCI AC World. The portfolio has a 56% lower weighted average carbon intensity than its benchmark with 70.3 tons of CO2 emissions / USDm sales vs 158.7 for the MSCI AC World. Being underweight low CFROI sectors such as Utilities and Energy, the portfolio has historically exhibited a 90% lower carbon footprint than its benchmark (as measured in tons of CO2 output per USDm invested). 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. In addition to the environmental and Global Norms criteria, the portfolio also exhibits better overall average social and governance indicators

than its benchmark, especially on labor and diversity; demonstrating the portfolio's overall positive impact positioning versus the MSCI AC World.

Outlook

- As we head into the last quarter of the year, equity investors continue to face uncertainties around the Covid-19 pandemic and the outcome of the US elections. A re-election of Mr. Trump could increase pressure on global trade and the economy in a post-Covid recovery while deregulation and tax reductions could be a tailwind for equity markets. With a Biden win, the Trump corporate tax cut of 2017 could be at risk to be partially reversed, while we could see increased stimulus and spending on climate change mitigation as well as increased access to federally funded healthcare. A divided government could lead to gridlocks in tax and spending reforms and higher volatility would be expected for equity markets. Consequently, while we expect some volatility around the elections, we would see it as short-lived. Equity markets will quickly turn the focus on the 2021 recovery, with high hopes for a vaccine in the first half of the year or a normalization of peoples' and governments' behaviour, as we learn to live with the virus.
- The strategy is still well positioned for short-term momentum and remains exposed to long-term structural drivers. Its broad sector diversification - invested in 9 GICS sectors out of 11 - and neutral positioning on the Technology sector makes UBAM - 30 Global Leaders highly resilient in case of a potential sector rotation. The strategy focus on "value creation" (as measured by the CFROI spread) has allowed the portfolio to outperform in 9 years out of 10 over the past decade, regardless of which investment style was outperforming (value, growth, momentum or quality). Going forward, the companies in the portfolio are well positioned to benefit from a re-opening of the economy, while providing protection during potential setbacks, given the focus on large companies in developed markets with low debt and high cash flow generation.

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

UBAM - 30 Global Leaders Equity

ESG Scores



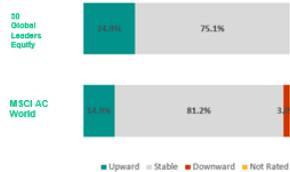
UBAM - 30 Global Leaders Equity



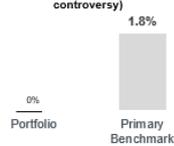
MSCI AC World



ESG RATINGS MOMENTUM



Reputational Risk (exposure to very severe controversies)



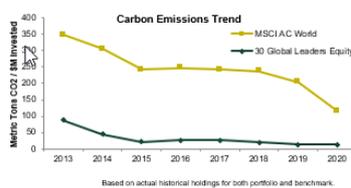
Governance Risk (Global Percentile)



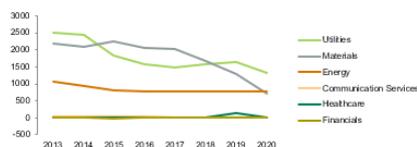
UBAM - 30 Global Leaders Equity has at least 50% less carbon intensity risk than its benchmark (Emissions/Sales)



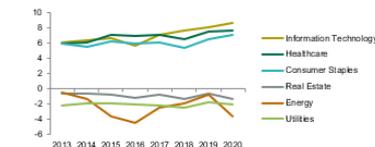
UBAM 30 Global Leaders Equity has historically around 90% lower carbon footprint than its benchmark (based on 1mn Investment)



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



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



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) *
UBAM-30 Global Leaders Equity	5.4	41.8	60%	93.3%	56.7%	5.07
MSCI AC World	6.3	36.7	28%	70.7%	30.3%	4.67

Source : Bloomberg - 30.09 2020

*Source : MSCI ESG Manager – 30.09.2020 - Female Directors extends to board of directors, supervisory and management boards.

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