

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws
Fund classification under the Sustainable Financial Disclosure Regulation (SFDR): **Article 8**

UBAM - HYBRID BOND

Exposure to Additional Tier 1 debt (“CoCo” bonds)¹

Actively managed portfolio investing in subordinated debt issued by financial and non-financial issuers. The key focus is on Additional Tier 1 debt (AT1 – “CoCo” bonds) issued by systemic European banks.

Key points

- *Diversified exposure to an actively managed portfolio of higher-yielding bonds*
- *Subordinated debt from financial and non-financial issuers with robust metrics based on the team’s fundamental credit research*
- *AT1 bonds: focus on systemic banks with extra regulatory capital requirements*
- *Specific tools developed by the team to analyse the AT1 market: a valuation method, stress tests and a terms & conditions analysis database*

Investment case

UBAM - Hybrid Bond provides exposure to higher-yielding subordinated debt instruments – including up to 100% AT1 debt – issued by financial and non-financial issuers, and may also:

- Provide diversification for high-yield bond portfolios;
- Supplement an equity portfolio, as subordinated debt ranks lower than senior debt but higher than equities in terms of seniority in a balance sheet².

The focus of the portfolio is on issuers with robust metrics, as identified through the team’s fundamental credit research. For the AT1 market, the focus will be on national champions and systemic banks with extra regulatory capital requirements. The depth of the investment universe allows for active management of the allocation across regions, sectors, issuers and tranches of the capital structure.

Fund concept

UBAM - Hybrid Bond enables investors to gain diversified exposure to an actively managed portfolio of higher-yielding bonds: Additional Tier 1, bank Tier 2, insurance subordinated debt, and non-financial hybrid debt.

Subordinated debt issued by financial and non-financial issuers is a core expertise of UBP’s Global & Absolute Return Fixed Income team with more than USD 3 billion worth of assets with exposure to subordinated debt raised since 2012 (new money at the launch of the portfolios) and a track record of investing in this asset class since 2007.

In addition to its fundamental analysis, the team has developed specific tools to analyse the AT1 market: a valuation method, stress tests and a terms & conditions analysis database.

¹ Additional Tier 1 debt (“Contingent Convertible” or “CoCo” bonds) is a debt instrument that must transform into equities or be written off upon a triggering event. A CoCo bond, in the same way as other hybrid securities, has both debt- and equity-like features embedded within its structure. CoCo bonds are complex financial instruments and are not suitable or appropriate for all investors. In some jurisdictions, regulatory authorities have adopted laws or regulations, or published guidance with respect to the offering or sale of securities such as CoCo bonds to retail investors.

² Capital structure inversion risk – see Risks section.

Performance of AT1 and European bank equities

Bank AT1s		Bank Equities
+34.1%	Total return since 2014 in Eur	+23.8%
7.9%	Volatility	+24.8%
-20.6%	Maximum drawdown	-53.3%

Sources: Bloomberg Finance L.P. ICE BofAML index (ticker: C0CL) and MSCI Bank index (ticker: MXEU0BK Index) from 31.12.2013 (inception) to 30.06.2023. Past performance is not a guide for current or future results. Subordinated debt bears a risk of capital structure inversion

Investment process

1. Top-down: Macro scenario and top-down views drive country selection
2. Bottom-up: Issuers' fundamental analysis and specifically for AT1
 - Capital analysis
 - Distance to trigger
 - Banks' ownership structure
 - Individual securities structure – prospectus analysis
3. Relative value & valuation
 - Across securities of the same issuer
 - Across comparable securities of different issuers
 - Across currencies
 - Across segments – banks, insurers, non-financials

Investment guidelines*

- Exposure to AT1: up to 100%
- Exposure to subordinated debt from financial and non-financial issuers: up to 100%
- Non-investment-grade exposure: up to 100%
- Minimum rating: B-

Main risks

Bond Connect, Counterparty, Credit, Emerging Countries, Liquidity, Political & Social, Loss of Principal, Trigger, Coupon Cancellation, Extension, Capital Structure Inversion.

Please refer to the prospectus for more detailed information on the specific and material risks relevant to the Fund. This Fund does not include any protection from future market performance, so you could lose some or all of your investment.

General information

Name	UBAM - Hybrid Bond
Legal form	Sub-fund of UBAM, Luxembourg-domiciled SICAV, UCITS
Base currency	USD
Currency-hedged share classes	CHF, EUR, GBP, HKD, SEK, SGD
Cut-off time	13:00 (LU time)
Inception date	06.11.2018
Minimum investment	USD 50,000 or eq.
Liquidity	Daily
Applicable management fee ¹	AC USD: 0.75%; IC USD: 0.40%; UC USD: 0.40%
Registered countries ²	AT, CH, DE, ES, FR, IT, LU, NL, SG, UK
ISIN	AC USD: LU1861451513; IC USD: LU1861452677; UC USD: LU1861453642

Bloomberg ticker	AC USD: UBHYBAC LX; IC USD: UBHYBIC LX
Investment manager	Union Bancaire Privée, UBP SA
Depository bank	BNP Paribas SA, Luxembourg Branch
Administrator	CACEIS Bank, Luxembourg Branch

¹Only the main share classes are mentioned. Available share classes include A: Standard; I: Institutional; U: No entitlement to retrocessions / RDR-compliant; C: Capitalisation. Others are available

²Please check availability before subscribing as not all share classes are registered in all jurisdictions. Subscriptions can only be made on the basis of the Fund's current KIDs or KIDs (as applicable), full prospectus, and latest available audited annual report – as well as the latest semi-annual report, if published subsequently. These documents can be obtained free of charge from the Fund's headquarters, general distributor (Union Bancaire Privée, UBP SA, Geneva), or local representative for the country concerned. KIDs are translated into the local language of each country where the share class is registered and available on <https://www.ubp.com/en/funds.html>.

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