UBAM - POSITIVE IMPACT EMERGING EQUITY

Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.
Fund classification under Sustainable Financial Disclosure Regulation (SFDR): Article 9

Market Comment

- The second half of 2021 saw the world's largest regions complete their economic recoveries from the pandemic-induced lockdowns of 2020 and move into the next stage of the cycle. Inflation has been coming into focus across regions, not only highlighting the maturing of the global economic cycle, but also signalling a structural shift in the growth–inflation balance of the last decade.
- Global equities ended the quarter up with +6.68% (MSCI ACWI*). In the US specifically, the S&P 500* index progressed by 10.91% during the fourth quarter with a noticeable outperformance of the Growth segment over the Value (11.58% q/q for the Russell 1000 Growth* and +7.61% q/q for the Russell 1000 Value*). In this context the MSCI Europe* delivered +7.68%, outperforming the MSCI Europe Small Cap* +4.61%. Finally, the Emerging markets delivered -1.31%, again with a high dispersion. Taiwan was up +8.43% and on the other side, Chile was down – 10.50%.
- The UK hosted the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow on 31 October – 13 November 2021. The successes of the conference include a breakthrough agreement on fossil fuels, agreement on a 45% reduction in emissions by 2030, progress on the global carbon trading mechanism, and further discussions on the need to tackle methane emissions. Importantly, the International Energy Agency (IEA) stated that if all pledges come to fruition, the world is on track for warming of 1.8°C, which represents an improvement both from the 2.7°C rise calculated by the United Nations using the 2030 pledges and targets that existed prior to COP26, as well as the 2.1°C rise obtained by factoring in 2050 net-zero objectives.
- The final outcomes of COP26 can be interpreted as a series of constructive compromises, which, in spite of their drawbacks, send a positive signal as countries around the globe acknowledge that stronger action is required to combat the climate crisis. The momentum behind companies that supply solutions to the problems highlighted by COP26 will no doubt continue to grow and the reallocation of capital away from unsustainable revenue streams towards this global realignment has just received another shot in the arm.

** net total return index*

Sources: UBP, Bloomberg Finance LP.

Performance Review

- It was a difficult quarter with the fund losing 5.11% (net of fees, IC USD class) vs -1.31% for MSCI Emerging markets*.

  ** net total return index*

- In terms of country performance, China, Brazil, and Turkey were weak, while Taiwan, Indonesia and Mexico were strong. In China, ongoing regulatory worries, weakening growth and credit risks in the property sector put pressure on equity prices. Brazil was negatively affected from macro and political risks as global liquidity tightens and the country faces uncertainty related to the next presidential elections. The Turkish Lira continued to suffer from the country's unorthodox monetary policy experiment with cutting rates in an environment of rising inflation and global yields.

- In terms of style, MSCI EM Value continued to outperform MSCI EM growth by 1.6% during the quarter. Some of the large Chinese tech names like Alibaba, Meituan, and Pinduoduo remained under regulatory pressure and earnings were revised down on economic slowdown in China.

- For much of 2021, our portfolio's growth exposure was resilient to the general growth correction in markets. That was no longer the case in the fourth quarter where we suffered from our growth exposure in names like Pagseguro in Brazil, and Pinduoduo, and Alibaba Health in China. Pagseguro suffered from worries that rising interest rates and increasing competition would hurt earnings in the coming quarters.

- Other than our growth exposure, the two main detractors in the quarter were our holdings in Shandong Weigao and TPI Composites. The first did not really have any major news other than a general weakness in China healthcare sector while the latter suffered from another quarter of disappointing earnings.

- On the positive side, we benefited from our exposure to Cleanaway in Taiwan and Energy Absolute in Thailand as both stocks performed strongly. Other contributors were names like Nari Technology, Delta Electronics and Laureate education. We also benefited relatively from not holding the large benchmark tech names like Alibaba.

Portfolio activity:

- We made our first investment in Hydrogen space by investing in Doosan Fuel Cells in Korea. We believe hydrogen could be an important contributor to a zero-emission future particularly in transport and hard to abate sectors. DFC offers one of the few profitable companies globally in this exciting space. Other additions to the portfolio were Yuhua and Pinduoduo in China and Sinbon in Korea.

- We had two exits from the portfolio in the fourth quarter. One was Sanepar in Brazil which was a top down decision related to macro and political risks in Brazil. We were worried about fiscal risks, increasing pressure on currency, and rising political tension due to upcoming presidential elections and decided to reduce our Brazil country risk. The second was Sungrow in China which has been one of the strongest contributors to our performance since the inception of the fund. Our decision was based on what we thought as a very demanding valuation after a long period of spectacular performance.

- Other than the main new entries and exits above, we took some profits in high multiple, high growth parts of the portfolio by reducing exposure to names like Advantech, Voltronic, Wuxi Lead, and Transaction capital. We also cut our exposure to TSKB due to macro risks in Turkey.

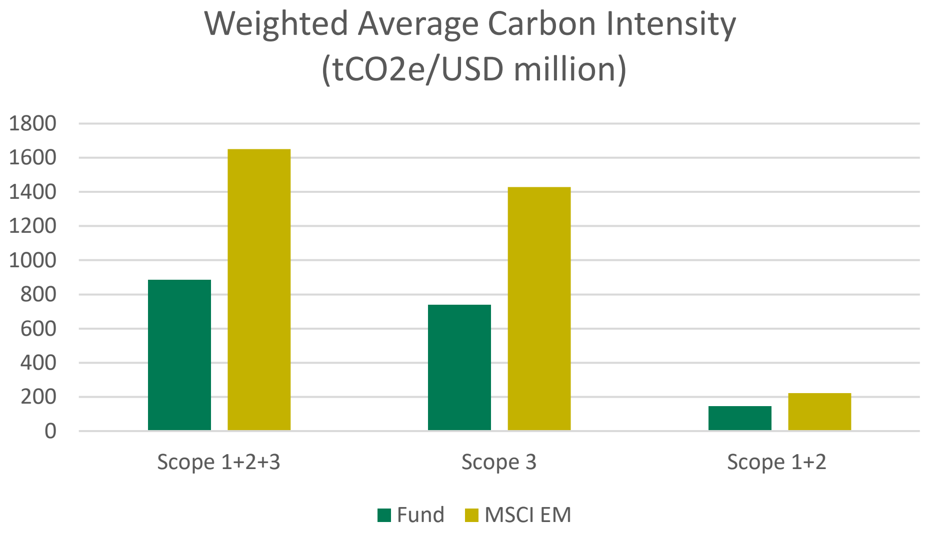
ESG Monitoring

➢ Human rights and Social

	UN Global Compact			Human Rights Compliance			Labor Compliance Core			Labor Compliance Broad		
	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail
Fund	43	1	0	43	1	0	44	0	0	44	0	0
MSCI EM	1380	28	8	1386	23	7	1411	3	2	1403	8	5
Fund	98%	2%	0%	98%	2%	0%	100%	0%	0%	100%	0%	0%
MSCI EM	97.5%	2.0%	0.6%	97.9%	1.6%	0.5%	99.6%	0.2%	0.1%	99.1%	0.6%	0.4%

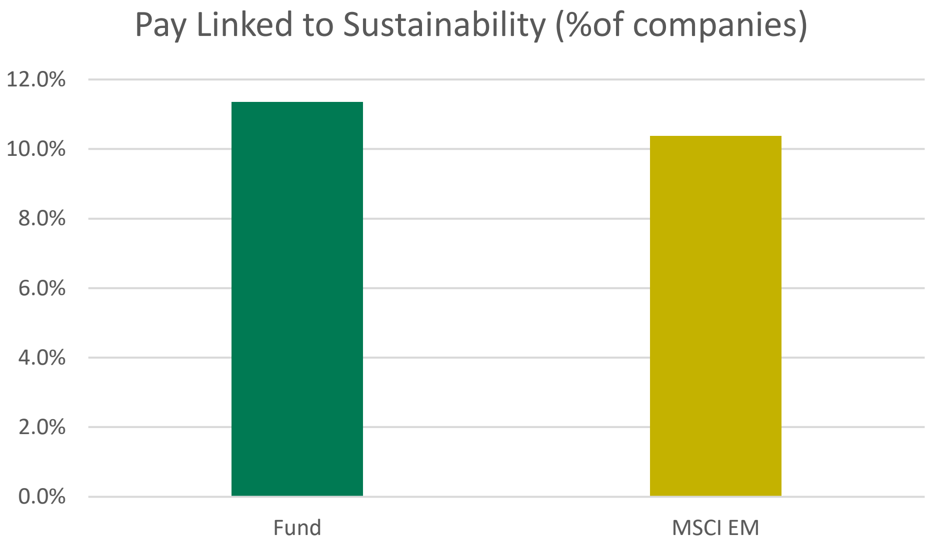
UN GC & Human rights compliance disclosure: Fund 98% / Index: 99%
Labour compliance disclosure: Fund 96.5% / Index: 100%

➢ **Environment** (Disclosure: Fund 97.8% / Index: 99%)

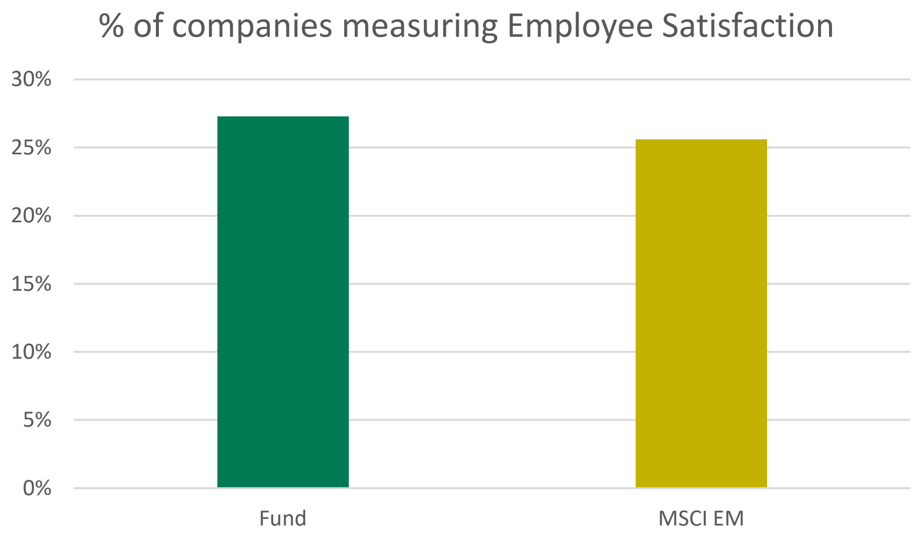


Carbon Intensity metric: UBAM - Positive Impact Emerging Equity aims to beat the benchmark (MSCI Emerging markets) for this metric

- **Governance** (Disclosure: Fund 98% / Index:100%)



- **Labour** (Disclosure: Fund 98% / Index: 96%)



Sources: UBP, Based on MSCI ESG Research LLC and Urgentem

Outlook

- In 2022, the global economy is likely to grow by around 4% after a sharp upturn taking growth close to 6% in 2021.
- Consumption should continue to lead the growth trend next year. Healthy labour markets and decline in saving should balance the erosion of the purchasing power.
- Investment should prolong the cycle thanks to public investment in climate change and new technologies. High profit and search for productivity should lead corporates to invest more.
- Bottlenecks in industry should progressively reduce in 2022, but at different pace according to sectors. Emerging countries should reinforce vaccination and may benefit from a complete recovery closing the gap with 2019.
- New variants of the virus are tail risks which could impact activity via a worrisome pandemic or could turn into a more benign endemic virus, leading to a “stop and go” on activity. In past lockdowns, capital was not destroyed, and demand was just delayed; activity has recovered rapidly in the reopening phase.
- Inflation should remain high in H1-22 and is expected to decline progressively during the year.
- The economic policy should remain a support to growth: the budgetary policy should help labour and targeted sectors, while monetary policy adopts a risk management approach with a limited tightening in rates to preserve growth.
- In the equity space, although the outlook remains positive for 2022, the return should be more moderate with higher volatility going forward. Earnings growth should continue to support the asset class, while valuations will moderate.
- With the backdrop of Cop26 still fresh in minds and a growing section of the business and finance community prioritising the minimisation of their footprint, the case for impact companies remains attractive.

Appendix

Methodology

- Global Compact Compliance

  This factor indicates whether the company is in compliance with the United Nations Global Compact principles. The possible values are Fail, Watch List, or Pass.
- Human Rights Compliance

  This factor indicates whether the company is in compliance with the United Nations Guiding Principles for Business and Human Rights. The possible values are Fail, Watch List, or Pass.
- Weighted Average Carbon Intensity

  This figure represents the company's Scope 1 + Scope 2+ Scope 3 greenhouse gas emissions normalized by sales in USD, which allows for comparison between companies of different sizes. This is a weighted average calculated using Urgentem data.
- Labor Compliance - Core

  This factor indicates whether the company is in compliance with the International Labour Organization’s fundamental principles. The possible values are Fail, Watch List, or Pass.
- Labor Compliance - Broad

  This factor indicates whether the company is in compliance with the International Labour Organization’s broader set of labor standards. The possible values are Fail, Watch List, or Pass.
- Monitors employee satisfaction

  Flagged as "Yes" if company monitors employee satisfaction.
- Pay Linked to Sustainability

  Has the company, if designated as having either a high environmental or social impact, failed to incorporate links to sustainability performance in its current incentive pay policies? Flagged if yes. This metric is based entirely on the company’s own reporting, and is strictly focused on the specific inclusion or not of such metrics in the determination of variable pay components and does not take into consideration their effectiveness. High Environmental Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Carbon Emissions, Water Stress, Toxic Emissions & Waste, Product Carbon Footprint, Raw Material Sourcing, Packaging Material & Waste, Electronic Waste, Biodiversity & Land Use, Energy Efficiency. High Social Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Labor Management, Health & Safety, Product Safety & Quality, Supply Chain Labor

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