

# UBAM - GLOBAL EQUITY

## Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.  
The classification of the fund(s) as per the Sustainable Finance Disclosure Regulation (SFDR) is available on ubp.com or in the latest prospectus.

### Market Comment

- Equity markets continued their rally over the second quarter of 2021, with the MSCI AC World adding 7.4% in performance to reach close to 12.5% since the beginning of the year. This rally was supported by the accelerated global roll-out of Covid-19 vaccines and central banks maintaining their accommodative stance. Swiss equities led in performance over Q2 with 9.5% for the SPI and 8.4% for the SPI Extra. US equities gained 8.2% over the period while European equities were up close to 6.5% and emerging market equities 5%.
- With positive earnings revisions over the first half of the year, global equities valuation stood at 18.7x at the end of June with earnings growth expectations of 39.3% for 2021. All sectors are showing strong earnings growth rate expectations, notably Energy and Industrials. Renewed demand for oil following the re-opening of economies drove oil prices higher, leading the Energy sector to be a top performer over the quarter. Some Tech names also recovered over the second quarter after a volatile Q1.
- The US PMI came in at 60.6 at the end of June, slightly below expectations and lower than the previous print, showing signs of peaking momentum from historically high levels. Alongside strong labor and housing data, US GDP growth for Q1 accelerated and came in at 6.4% qoq, with expectations peaking however for the second half of the year. The global economic recovery could be entering the maturing stage with strong GDP growth, but decreasing momentum expected towards the end of the year along with transitory inflation.
- Concerns over the Delta variant weighed on sentiment and still represent a tail risk for the global recovery, especially in emerging markets, which is clearly reflected in the pronounced underperformance of emerging markets since early March.
- At the end of Q2 2021, all sectors of the MSCI AC World were in positive territory except for the Utilities sector which lost -0.8%. The IT and Healthcare sectors were the top contributors over the period. In terms of individual names, Microsoft, Apple and Nvidia were among the best performance contributors while Intel, Alibaba and Softbank were among the worst.

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## Performance Review

- UBAM – Global Equity delivered +9.1% in gross performance over the second quarter of the year vs +7.4% for the MSCI AC World, with 1.7% in gross excess return. Both stock selection and sector allocation were positive while the currency effect was slightly offsetting due to the underweight of EM currencies, which appreciated over the period (+96bps, +83bps and -12bps respectively).
- Over the second quarter of the year, the main contributors to performance were the overweight of Nvidia, Ashtead, and Sunny Optical (+71bps, +49bps and +43bps respectively). Nvidia was up close to 50% over the quarter after the company reported impressive Q1 profits increasing 103%, with revenues ahead of management's guidance. The surge came from gaming and data centre segments as well as demand for GPUs used in cryptocurrency mining. Ashtead continued its rally with 24% over Q2, reaching +58% YTD. The company reported strong earnings ahead of consensus expectations, reflecting strong demand for equipment rental. Sunny Optical was up more than 39% over the period after reporting strong shipment data as a sign of market share gains.
- The main performance detractors over Q2 were the position in Ceres Power and the overweights in Sunrun and Fiserv (-69bps, -42bps and -33bps respectively). Ceres Power lost 15% and Sunrun dropped 7% over the quarter, both suffering from volatility in renewables stocks due to somewhat weaker quarterly order prints for some of the companies. Fiserv lost 10.2% despite beating on Q1 EPS and raising the lower end of its 2021 guidance on better recovery prospects.

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## Portfolio Activity and ESG

- Over the second quarter of the year, the team has reduced the exposure to Global Payments, Fiserv and Mastercard following a lack of upgrades for their revenue growth estimates. On the other hand, a new position was initiated in Carlsberg where CFROI is expected to improve towards 20% on margin and sales recovery. The team also bought Nasdaq, which enjoys CFROI levels above 50% and a wide range of global growth opportunities on trading, clearing and listing.
- ESG considerations are fully integrated in each step of the fundamental investment process with a focus on a lower carbon footprint objective. At the end of June 2021, the portfolio had a lower carbon footprint than its benchmark with 27.2 T CO2/\$m sales vs 150.8 for the MSCI AC World index. The portfolio continues to be aligned with the Paris Agreement's long term temperature goal of keeping the rise in global average temperature to well below 2 °C above pre-industrial levels, as reported by ISS Climate Impact Assessment.

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## Outlook

- As fears of structurally higher inflation fade away and Treasury yields stop rising, equity markets are expected to again favor longer-term quality growth investments versus more value oriented and shorter duration ones. As we move past the peaks in inflation, GDP and EPS growth, sector rotation will probably continue to reverse. The Global Equity strategy is well positioned to participate in the expected upside on quality growth, without the need to time the market or the rotation.

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