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UBAM - US HIGH YIELD SOLUTION

Liquid exposure to the high-return potential of high-yield credit

UBAM - US High Yield Solution is an innovative fund that provides liquid exposure to the high-return potential of high-yield credit through a top-down investment process

Key points

- *Outperformance of CDS strategies over cash bond strategies over the long term and during crises*
- *The fund offers exposure to high-yield investments with high liquidity, broad diversification and intermediate duration*
- *Macro-driven investment process that has proved effective in determining high-yield and interest exposure*
- *Experienced, fourteen-strong investment team with considerable expertise in credit and high-yield CDS indices*
- *Building on the track record of UBAM - Global High Yield Solution, an award-winning strategy recognised for its superior advantages*

Investment case

US high-yield bonds have proved to be an attractive alternative to equities by offering lower volatility and higher returns.

In addition to this, high-yield CDS strategies offer higher returns than high-yield cash bonds. From 31 December 2004 to 31 December 2019:

- US high yield CDS strategy: +9.1%
- US high yield cash bonds strategy: +7.1%

The environment remains positive for high yield, with default rates at low levels.

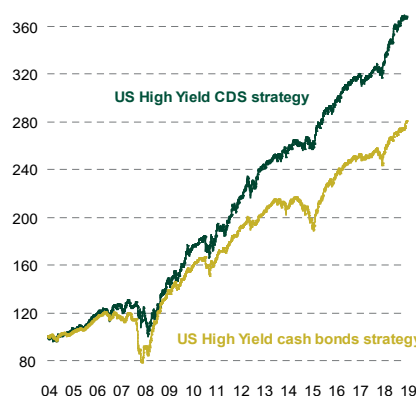
Fund concept

UBAM - US High Yield Solution is an innovative fund that offers liquid exposure to the high-return potential of high-yield credit through the exclusive use of high-yield CDS indices.

The high-yield CDS index market offers high liquidity in all market conditions, in particular compared with the regular high-yield bond market, with very tight and stable bid-offer spreads.

The fund enables investors to achieve full exposure to the high-yield universe by offering a diversified allocation to the most liquid non-investment-grade issuers in the US: 100 equally-weighted constituents of the US high-yield CDS index.

US high-yield CDS strategies vs. US high-yield cash bonds since 31 December 2004



	US high yield CDS strategy ¹	US high yield cash bond strategy ²
Annualised return	9.1%	7.1%
Maximum drawdown	-18.8%	-33.2%
Recovery	7 months	8 months

Sources: Bloomberg Finance L. P., Merrill Lynch, J.P. Morgan and UBP, as at 31.12.2019.

¹Track record of simulated past performance gross of fees based on a representative benchmark composite: CDX US High Yield and BoFA ML 3-5 Year US Treasury index.

²ICE BofAML US High Yield index.

Simulated past performance: The performance information presented in the chart or tables represents backtested performance. Backtested performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes only to indicate historical performance if the stock selection strategy was available over the relevant period. Simulated past performance is not a reliable indicator of future performance.

The Fund is actively managed and well diversified. It is composed of CDS for credit exposure and high-quality sovereign supranational and agency debt securities denominated in US dollars for the interest rate exposure.

The Fund is not managed in reference to a benchmark.

Investment process

The UBAM - US High Yield Solution's investment process is based on our Fixed Income team's proven macro-driven approach:

- We determine a 6–9-month macroeconomic scenario based on in-house economic indicators and the analysis of business cycles and monetary policies in the main geographical areas. Our in-house indicators have proven consistently effective over the past fifteen years.
- We identify the main market themes, such as monetary policies (LTRO, QE), the eurozone sovereign crisis, banking regulations and their consequences for the high-yield segment in terms of valuations and investor positioning.
- The resulting top-down allocation view determines our high-yield exposure, interest-rate sensitivity and geographical allocation.

Investment guidelines

- High-yield exposure from 80% to 120% using standardised, liquid and cleared CDS indices
- Interest rate target exposure: 0-6 years, primarily via US Treasuries; the strategy is also available in an interest-rate-hedged format
- Minimum of 80% in US high yield
- Diversification of up to 20% across:
 - Regions: European high yield and EM sovereign (EM: tactical and opportunistic)
 - Ratings: US investment grade
- No structured products

Investment team

- Fourteen-strong team overseeing CHF 19.4 billion worth of fixed-income assets as at 31 December 2019.
- Proven expertise in high-yield CDS index management
- Co-managers Christel Rendu de Lint and Philippe Gräub have successfully co-managed credit strategies for over fifteen years

General information

Name	UBAM - US High Yield Solution
Legal form	Sub-fund of UBAM, Luxembourg-domiciled SICAV, UCITS
Base currency	USD
Currency-hedged share classes	CHF, EUR, GBP, SEK
Cut-off time	13:00 (LU time)
Inception date	23.11.2016
Minimum investment	None
Liquidity	Daily
Applicable management fee ¹	AC USD: 0.70% IC USD: 0.45% UC USD: 0.45%
Registered countries ²	AT, CH, CL, DE, ES, FI, FR, IT, LU, NL, SE, SG, UK

Asset allocation is our key added value in generating outperformance

1. 6- to 9-month macroeconomic scenario

- Proprietary macroeconomic leading indicators (with track record of almost 20 years)
- Detailed analysis of relevant global business cycle data
- Detailed analysis of central bank policies and reaction functions

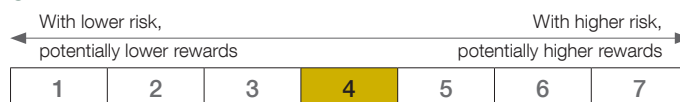
2. Identification of overarching market themes

- Monetary policies: LTRO, quantitative easing
- European sovereign crisis
- Banking regulation (such as Basel III)

3. Top-down allocation view

- High-yield exposure (from 80% to 120%)
- Interest rate exposure (from 0 to 6 years)
- Regional and rating diversification

SRRI



The SRRI (Synthetic Risk and Reward Indicator) relates to the IC USD share class LU1509912421 as of 19.02.2020 and may differ for other share classes of the same fund.

This indicator represents the fund's annual historical volatility. The level assigned reflects the risk/return profile: 1: lowest; 2: low; 3: limited; 4: average/moderate; 5: high; 6: very high; 7: highest.

Historical data such as that used to calculate the SRRI cannot be considered a reliable indication of the fund's future risk profile. The risk category associated with the fund is not guaranteed and may change over time.

ISIN	AC USD: LU1509910219 IC USD: LU1509912421 UC USD: LU1509914807
Bloomberg ticker	AC USD: USHYAUC LX; IC USD: USHYIUC LX
Investment manager	Union Bancaire Privée, UBP SA
Depository bank	BNP Paribas Securities Services, 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 Key Investor Information Document (KIID), 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.

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