



UBAM – SWISS 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

- After two consecutive months of relief rallies, global equity markets gave back some gains and ended December in the red. The last quarter of the year was nevertheless positive for major equity markets. The MSCI AC World ended Q4 up +9.8%, with +9.7% gains for Emerging Market equities, +9.6% for European Equities, +7.6% performance for US equities, +4.3% for Swiss equities and +3.3% for Japanese equities. The SPI Extra rose +7.3% over Q4, bringing its YTD losses down to -24.0% vs -16.5% for the SPI and -18.4% for the MSCI AC World.
- US inflation moderated again in November with +0.1% m/m increase versus +0.3% expected and +0.4% increase in the prior month. The yearly headline trend also declined from +7.7% y/y to +7.1%, while core inflation eased more moderately from +6.3% to +6.0%. The Fed remained attentive to inflationary risks and raised rates by 50bps in December. Business confidence declined in December with the US ISM Manufacturing coming in below 50 at 48.4. US GDP figures were nevertheless revised up for Q3 from +2.9% q/q SAAR to +3.2%, supported by firmer private and public consumption. Eurozone Q3 GDP figures also came in better than expected at +2.3% q/q, reflecting resilient post-pandemic household consumption and tourism. The ECB increased key rates by 50bps in December, with a hawkish tone on inflation trends.
- In Switzerland, the SNB raised its key rates by 50bps in December citing inflationary pressures from abroad and price increases spreading across various categories of goods and services that continued to put upward pressure on inflation. While headline inflation declined more than expected, from +3% to +2.8% y/y and from +0% to -0.2% m/m, core inflation increased slightly on a yearly basis, from +2.6% to +2.7% but slowed more than expected in December 2022. The leading KOF indicator increased from 89.2 to 92.2 in December but remained close to March 20's levels. The Swiss Manufacturing PMI came in at 54.1 for December vs 53.9 in November revealing resilient business confidence. Swiss equities traded at a PE of 16.2x, slightly below their 10y average forward PE ratio, compared to 15x for global equities which were also trading near the long-term average at the end of December. 2022 earnings growth expectations were revised down to +0.3% for Switzerland while 2023 expectations rose to +16.4%, compared to +10.1% and +2.8% for 2022 and 2023 respectively for global equities.
- Most SPI sectors recorded positive performances over the quarter, except for Consumer Staples and Healthcare. Financials and Consumer Discretionary were among the biggest performance contributors. Novartis, Richemont and UBS were



top individual contributors in Q4 whereas Roche, Credit Suisse and Lonza were the biggest detractors.

Performance Review

- UBAM – Swiss Equity delivered +6.6% in gross performance over Q4 2022, versus +4.3% for the SPI. Both sector allocation and stock selection contributed positively to relative performance (+0.8% and +1.5% respectively). Stock selection in the Healthcare and Industrials sectors was among the largest contributors to performance over the period.
- Over Q4, the biggest contributors to relative performance were the underweight in Roche and Nestlé, as well as the absence of exposure to Credit Suisse (+100bps, +47bps and +23bps respectively). Roche dropped -10.2% following R&D setbacks in the Alzheimer's space related to poor clinical data on Gantenerumab, which had already low expectations. Nestlé was flat at +0.06% over Q4 after reporting +8.5% growth for the first nine months of 2022, driven by price increases compensating for weak volumes. The company also confirmed its 8% organic growth target and 17% operating margin for the full year. Credit Suisse's losses continued in Q4 with -26.6% performance after the bank reported client withdrawals amounting to 6% of the group's AUM. The bank also announced expected losses of up to CHF 1.5bn for Q4 22, the fifth quarterly loss in a row.
- The main detractors of relative performance over the period were the absence of exposure to Richemont, the underweight in Novartis as well as the overweight in Lonza (-81bps, -33bps and -24bps respectively). Richemont was up +27.2% after reporting solid H1 figures with +24% increase in sales. The company is also expected to benefit from easing Covid restrictions in China, along with other Luxury names. Novartis gained +10.7% following a strong third quarter of reported operational and financial performance, on top of the intended 100% Sandoz spin-off that is expected to allow the company to be a pure play in innovative medicines. Lonza dropped -6.8% on no news, barring negative read across from weaker peers.

Portfolio Activity and ESG

- Over the fourth quarter of the year, the team sold its position in Leonteq after news the company was involved in an alleged money laundering case. The remaining position in SFS Group was also sold following the expected dilution of the group's CFROI® (Source: Credit Suisse HOLT) profile due to the low profitability of the recently acquired Hoffmann business. The team decided to exit Kuehne + Nagel on the back of slowing global trade volumes which are already putting pressure on freight rates. This will probably be exacerbated by new capacity coming into the market in 2023. On the other hand, the team initiated a position in Arbonia, a manufacturer of heat pumps and household storage battery solutions among other things, a segment that is strongly supported by structural demand due to the energy transition. A position in Komax, the global leader in wire bonding, was also initiated. The company produces machines for cutting and stripping round and flat wire, crimping and insertion machines for processing single wires, and equipment for processing wire harnesses. The team also introduced Burckhardt Compression to the portfolio, a manufacturer of reciprocating compressors. The company has a strong order book which supports high visibility for revenues and its services business continues to offer a steady income stream regardless of an economic



slowdown. The position in Straumann was reduced over the quarter, as the team expects a challenging backdrop for dental companies in 2023, with a potentially weaker consumer globally and the introduction of a new pricing model in China. On the other hand, the team received Accelleron shares following its spin-off from ABB and added to the position over the rest of the quarter. Accelleron (formally ABB Turbocharging) is a global leader in high-power turbocharging technologies and optimization solutions.

- At the end of December 2022, the portfolio had an ESG Quality Score of 9.4, with a AAA rating versus 9.6 for the SPI and a AAA rating (based on MSCI ESG Research ratings). The Swiss Equity portfolio follows a strict exclusion policy. It does not hold any position identified as being in violation of international standards by both data providers MSCI ESG Manager and Sustainalytics. The portfolio has a weighted average carbon intensity that is 68% lower than its benchmark, with 35.1 tons of CO₂/\$m sales vs 108.9 tons of CO₂/\$m sales for the SPI.

Outlook

- After turbulent markets in 2022 driven by inflation pressures and valuation compression, 2023's expectations are starting to reflect downward earnings revisions that could lead to an extended period of volatility into the new year. The investment team remains constructive on Swiss equities' resilient earnings growth for 2023, despite maintaining a more conservative view than consensus' expectations – which currently see 16.4% earnings growth for the Swiss equity market vs. 2.8% for global equities – as well as the supportive Swiss macro-economic environment and currency.
- An active investment approach should protect investors from the lower quality part of the market with more downside risk for earnings and where performance is generally more dependent on macro-economic tailwinds, such as rising oil prices and interest rates which are expected to be less supportive in 2023. By focusing on the underlying medium to long term defensible value creation potential, the Swiss Equity strategy is well positioned to capture structural performance opportunities despite 2023's uncertainties. The portfolio has been further geared towards companies with defensive CFROI® profiles, while exposure to consumer facing or consumer dependent names has been reduced.

This is a marketing document and is intended for informational and/or marketing purposes only. It is confidential and is intended to be used only by the person(s) to whom it was delivered. It may not be reproduced (in whole or in part) or delivered, given, sent or in any other way made accessible, to any other person without the prior written approval of Union Bancaire Privée, UBP SA or any entity of the UBP Group (UBP). This document reflects the opinion of UBP as of the date of issue. This document is for distribution only to persons who are Professional clients in Switzerland or Professional Clients or an equivalent category of investor as defined by the relevant laws (all such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. It is not intended for distribution, publication, or use, in whole or in part, in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it directed at any person or entity at which it would be unlawful to direct such a document. In particular, this document may not be distributed in the United States of America and/or to US persons (including US citizens residing outside the United States of America). This document has not been produced by UBP's financial analysts and is not to be considered financial research. It is not subject to any guidelines on financial research and independence of financial analysis. Reasonable efforts have been made to ensure that the content of this document is based on information and data obtained from reliable sources. However, UBP has not verified the information from third sources in this document and does not guarantee its accuracy or completeness. UBP makes no representations, provides no warranty and gives no undertaking, express or implied, regarding any of the information, projections or opinions contained herein, nor does it accept any liability whatsoever for any errors, omissions or misstatements. The information contained herein is subject to change without prior notice. UBP gives no undertaking to update this document or to correct any inaccuracies in it which may become apparent. This document may refer to the past performance of investment interests. **Past performance is not a guide to current or future results.** The value of investment interests can fall as well as rise. Any capital invested may be at risk and investors may not get back some or all of their original capital. Any performance data included in this document does not take into account fees, commissions, and expenses charged on issuance and redemption of securities, nor any taxes that may be levied. Changes in exchange rates may cause increases or decreases in investors' returns. All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements do not guarantee future performances. The financial projections included in this document do not constitute forecasts or budgets; they are purely illustrative examples based on a series of current expectations and assumptions which may not eventuate. The actual performance, results, financial condition and prospects of an investment interest may differ materially from those expressed or implied by the forward-looking statements in this document as the projected or targeted returns are inherently subject to significant economic, market and other uncertainties that may adversely affect performance. UBP also disclaims any obligation to update forward-looking statements, as a result of new information, future events or otherwise. The contents of this document should not be construed as any form of advice or recommendation to purchase or sell any security or funds. It does not replace a prospectus or any other legal documents, which can be obtained free of charge from the registered office of the fund(s) mentioned herein or from UBP. The opinions herein do not take into account individual investors' circumstances, objectives, or needs. Each investor must make their own independent decision regarding any securities or financial instruments mentioned herein and should independently determine the merits or suitability of any investment. In addition, the tax treatment of any investment in the fund(s) mentioned herein depends on each individual investor's circumstances. Investors are invited to carefully read the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional counsel from their financial, legal and tax advisors. The tax treatment of any investment in a fund depends on the investor's individual circumstances and may be subject to change in the future. This document should not be deemed an offer nor a solicitation to buy, subscribe to, or sell any currency, funds, products, or financial instruments, to make any investment, or to participate in any particular trading strategy in any jurisdiction where such an offer or solicitation would not be authorised, or to any person to whom it would be unlawful to make such an offer or solicitation. Telephone calls to the telephone number stated in this presentation may be recorded. UBP will assume that, by calling this number, you consent to this recording.

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Disclosures Regulation" or "SFDR"), funds are required to make certain disclosures. Funds falling under the scope of Article 6 of the SFDR are those which have been deemed not to pursue an investment approach that explicitly promotes environmental or social characteristics or has sustainable investment as their objective. Notwithstanding this classification, the Investment Managers may take account of certain sustainability risks as further described in the fund's prospectus. Funds falling under the scope of Articles 8 or 9 of the SFDR are those subject to sustainability risks within the meaning of the SFDR. The sustainability risks and principal adverse impacts as stipulated in the SFDR are described in the prospectus. In addition, unless otherwise specified, all funds apply the UBP Responsible Investment Policy, which is available on <https://www.ubp.com/en/investment-expertise/responsible-investment>.

Any subscriptions not based on the funds' latest prospectuses, KIIDs, annual or semi-annual reports or other relevant legal documents (the "Funds' Legal Documents") shall not be acceptable. The Funds' Legal Documents may be obtained free of charge from Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland (UBP), from UBP Asset Management (Europe) S.A., 287-289 route d'Arlon, 1150 Luxembourg, Grand Duchy of Luxembourg, and from Union Bancaire Gestion Institutionnelle (France) SAS, 116 avenue des Champs-Élysées, 75008 Paris, France. The Swiss representative and paying agent of the foreign funds mentioned herein is UBP. The Funds' Legal Documents may be obtained free of charge from UBP, as indicated above.

This content is being made available in the following countries:

Switzerland: UBP is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA). The head office is Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland. ubp@ubp.com | www.ubp.com

United Kingdom: UBP is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA.

France: Sales and distribution are carried out by Union Bancaire Gestion Institutionnelle (France) SAS, a management company licensed with the French Autorité des Marchés Financiers, - licence n° AMF GP98041 ; 116, av. des Champs Elysées I 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 www.ubpamfrance.com.

Hong Kong: UBP Asset Management Asia Limited (CE No.: AOB278) is licensed with the Securities and Futures Commission to carry on Type 1 – Dealing in Securities, Type 4 – Advising on Securities and Type 9 – Asset Management regulated activities. The document is intended only for Institutional or Corporate Professional Investor and not for public distribution. The contents of this document have not been reviewed by the Securities and Futures Commission in Hong Kong. Investment involves risks. Past performance is not indicative of future performance. Investors should refer to the fund prospectus for further details, including the product features and risk factors. The document is intended only for **Institutional Professional Investor** and not for public distribution. The contents of this document and any attachments/links contained in this document are for general information only and are not advice. The information does not take into account your specific investment objectives, financial situation and investment needs and is not designed as a substitute for professional advice. You should seek independent professional advice regarding the suitability of an investment product, taking into account your specific investment objectives, financial situation and investment needs before making an investment. The contents of this document and any attachments/links contained in this document have been prepared in good faith. UBP Asset Management Asia Limited (UBP AM Asia) and all of its affiliates accept no liability for any errors or omissions. Please note that the information may also have become outdated since its publication. UBP AM Asia makes no representation that such information is accurate, reliable or complete. In particular, any information sourced from third parties is not necessarily endorsed by **UBP AM Asia**, and **UBP AM Asia** has not checked the accuracy or completeness of such third party information.

Singapore: This document is intended only for accredited investors and institutional investors as defined under the Securities and Futures Act (Cap. 289 of Singapore) ("SFA"). Persons other than accredited investors or institutional investors (as defined in the SFA) are not the intended recipients of this document and must not act upon or rely upon any of the information in this document. The financial products or services to which this material relates will only be made available to clients who are accredited investors or institutional investors under the SFA. This document has not been registered as a prospectus with the MAS. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to institutional investors under Section 274 or 304 of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) to relevant persons pursuant to Section 275(1) or 305(1), or any person pursuant to Section 275(1A) or 305(2) of the SFA, and in accordance with the conditions specified in Section 275 or 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This advertisement has not been reviewed by the Monetary Authority of Singapore.

MSCI : Although Union Bancaire Privée, UBP SA information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.