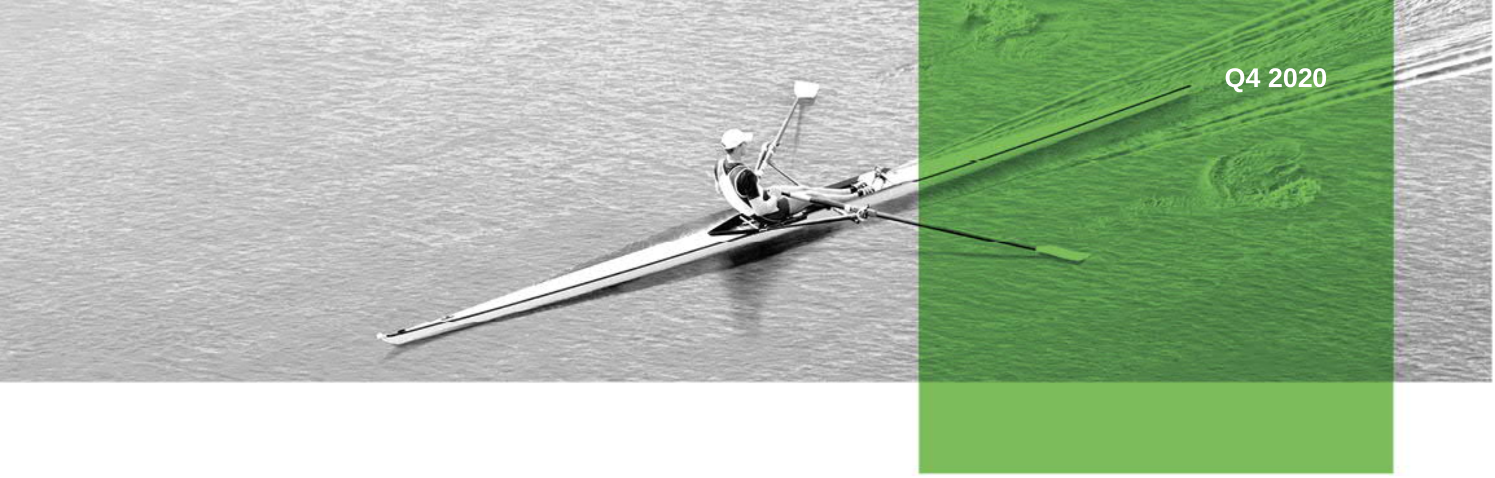


UBAM – Multifunds allocation 30, 50, 70

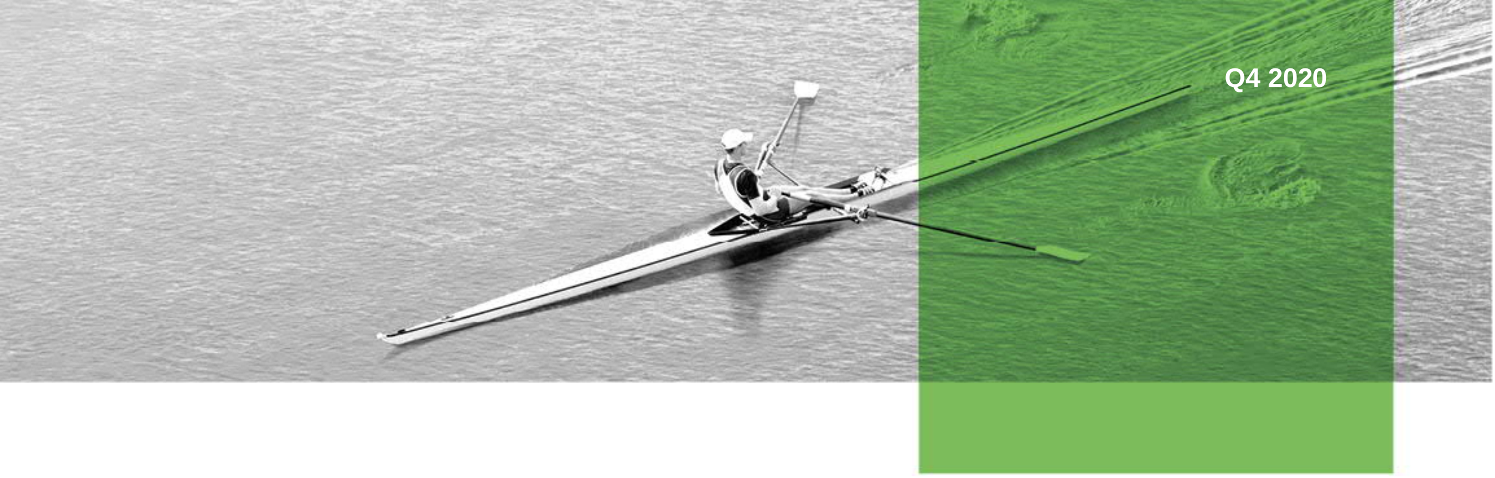
Quarterly Comment | Q4 2020

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.

Market Comment

- Markets were exhibiting similar recent trends up until the middle of the fourth quarter, when on the 9th of November encouraging phase III trial data from Pfizer Inc' s COVID-19 vaccine prompted a dramatic rotation. The rotation was pronounced globally and had significant ramifications across the risk spectrum. Moderna Inc. then followed up with their phase III trial results which illustrated a 90% efficacy rate for its vaccine. This was then followed by AstraZeneca Plc in partnership with Oxford University and the results of their phase III trial results, illustrating a 60% efficacy going up to 90% after alterations in dosage, however some irregularities prompted the company to conduct a new trial phase. Overall, the fact that three separate vaccines each with an efficacy rate above 50%, which is the minimum level required for regulatory approval, have been successful in phase III trials means the market and economies can start to look beyond the pandemic. Adding further impetus to the bullish narrative driving markets, the US Dollar remained weak throughout the quarter which was particularly supportive for EM-related assets.
- Overall within developed markets there was a cyclical impulse behind price action with small cap equities outperforming their large cap peers in most regions, whilst cyclical sectors also broadly led their defensive counterparts.
- This culminated in a very strong fourth quarter overall for the higher beta ends of the market relative to lower beta disciplines. At the world level, the MSCI World Value Index finished the fourth quarter +15.9% vs. +12.6% for the MSCI World Growth Index. The dispersion remained vast however on a full year basis with Value -0.3% vs. +34.2% for the Growth Index. Energy (+26.9%), Financials (+23.7%) and Industrials (+15.5%) led the way during the fourth quarter relative to the traditional defensive sectors; Utilities (+9.6%), Health Care (+7.0%) and Consumer Staples (+6.4%). Financials were buoyed by a steeper US yield curve with the spread between the US 10 Yr Treasury and the 2yr finishing at 0.8%, the steepest since late 2017.

Sources: UBP, Bloomberg Finance LP.



Performance Review

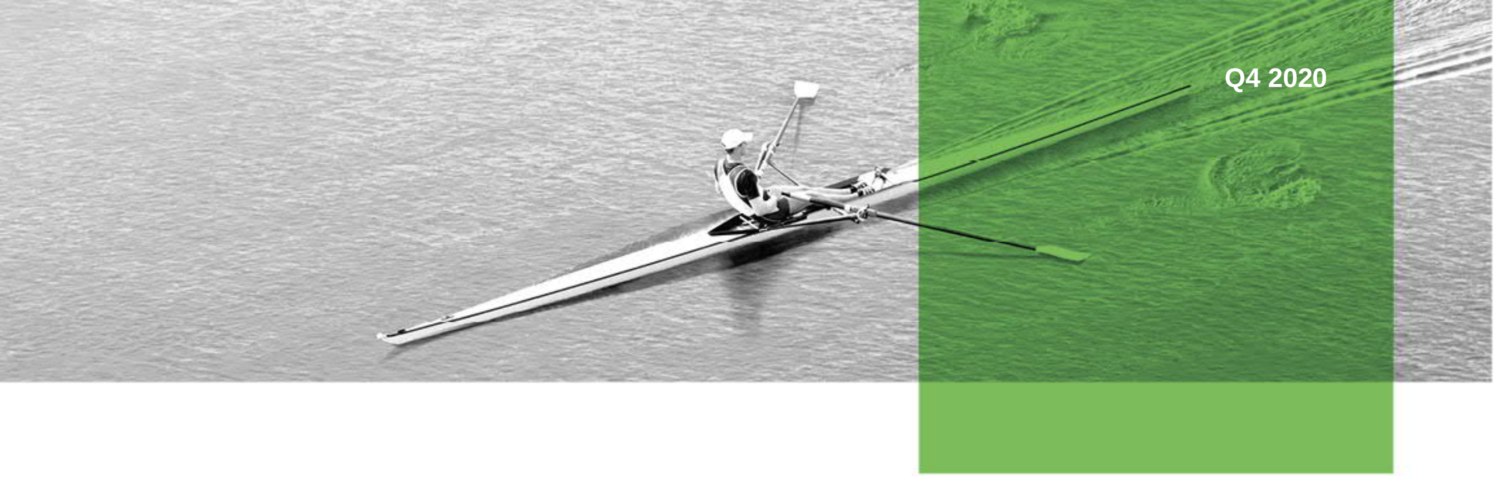
- Overall performance from the funds (30, 50, 70) was good over the fourth quarter and the strategies continues to perform well over the years.
- While equities were rallying over the quarter, strong manager selection and positive regional allocation enabled the equity portion to outperform the broader market. Performance was particularly strong for our growth managers.
- On the fixed income side, our fixed income bucket outperformed the Barclays global aggregate benchmark. While our core fixed income mangers slightly lagged, our allocation to credit and opportunistic managers was an important contributor during the quarter. Managers with more discretion have been able to generate value in a very unstable universe. We also benefited from our fixed income managers having exposure to Emerging Markets in a context of weakening USD.
- Price action within sovereign bond markets was strong overall, however stronger returns were to be found in the higher beta ends of the credit and emerging market debt spectrums given the buoyancy in risk sentiment more broadly. New issuance remained very strong in the fourth quarter culminating in the strongest year in both IG and HY markets since records began as companies looked to extend existing debt maturities and lock in low rates of borrowing given the contraction of credit spreads seen since the more volatile months of Q1

Portfolio Activity

- During the quarter, we kept on increasing our position in thematic managers. We continue to back our blend of growth and value strategies as they continued to perform well. It was particularly the case in Q4.
- Within the portfolio it is important to stress its emphasis in this regard. From an active versus passive discussion point, this deflation/recessionary trade has prompted an immense narrowing within market cap weighted indices as those benefiting from the work-from-home situation and the transition to a digital economy has propelled the five largest US Tech companies to become even bigger constituents within broad market indices. The top 5 stocks account for 24% of the S&P 500 Index for instance. In a sign that this trend may have reached an inflection point, breadth has changed markedly over the fourth quarter with equal weight outperforming cap weighted indices, the recovery is tentatively spanning out. The longer this continues, the easier it should be for active funds to outperform their passive counterparts.

- No major changes.

Sources: UBP, Bloomberg Finance LP.



Outlook

- The vaccination rollout is for now giving markets a glimmer of hope that economies may return to some degree of normality during the second half of 2021. Although these programmes are dispersed by country, some have made good ground already on the rollout front. In the UK for instance, 5 million people have now received their first vaccination, more than the number of people who have actually had the virus. The over 80 year old cohort of people has almost been fully vaccinated with their first dosage and this age group has been the most vulnerable to the virus by far. According to research, 74% of COVID-19 fatalities in the UK have been in the over 75 year old age group, whilst this cohort only represents 9% of the entire UK population. It may not be long therefore until the effects of vaccinations become visible in the daily cases and fatality data.

- For their part, markets continue to look broadly beyond the immediate term challenges of combating COVID-19, whilst additionally remaining buoyed by unprecedented liquidity from the world's central banks and governments. The much talked about degree of pent-up demand also remains a key support to economies once reopening ensues. In the US for instance, it is estimated that the consumer has an additional $1.4tr in excess savings since the crisis began. The key question to perhaps answer is by how much has this already been priced into markets?

- The added benefit for equities today is the advantage of lower fixed cost bases which has certainly supported margins. Through furlough and other government support schemes, companies have been able to swiftly and aggressively cut fixed headline costs, far quicker than they have been able to during past recessions. The operating leverage that now resides in companies leaves them well positioned for an economic recovery which often correlates with increasing corporate revenue. The convexity to a normalising growth backdrop is perhaps the greatest in cyclical equities today.

Disclaimer