UBAM – EM SUSTAINABLE CORPORATE BOND

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

- US interest rates increased significantly over the quarter; 2-year US Treasuries were up 160bps to 2.33%, while 10-year US Treasuries rose by 83bps to 2.34% as the Fed delivered its first hike and the market priced more than 200bps of hikes until the end of the year.
- In terms of the risk environment, we downgraded our short-term expectations in Q1 2022, given Russia's invasion in Ukraine affecting the global supply chain, which was slowly recovering from the pandemic.
- Fears of rising interest rates kept investors away from fixed income in general over last quarter. The asset class saw outflows at -$14.1bn, according to data from JP Morgan. This follows up from weak flows of +$0.3bn in Q4 2021. In 2021, EM Fixed Income funds saw an inflow of $52.5bn.
- Rising US Treasury yields paired with the geopolitical crisis impacted returns across most of fixed income in Q1 2022. EM Corporates bonds delivered returns of -9.3% over the quarter according to the JP Morgan CEMBI Div index.
- Over the quarter, EM Investment Grade corporate bonds underperformed the broader EM Corporate universe, returning -9.9%. While their High Yield counterparties returned -8.5%, outperforming the broader index. Spreads over US Treasuries widened by 17bps to 318bps in Q1 2022.

- At a regional level, Africa (-3.61%) fared better than others, while Emerging Europe (-47.9%) was the worst performer due to Russia's exclusion from the JP Morgan indices with the exit price of 0.
- At a country level, the best performance came from Turkey (+0.4%), Paraguay (-0.5%) and Zambia (-1.2%). The worst performance by country were in Emerging Europe with Russia (-66.3%)* and Ukraine (-53.5%), while Moldova (-15.4%) and Kazakhstan (-14.8%) also suffered.
- At a sector level, the worst performance came from Metals & Mining (-20.7%) and Oil & Gas (-15.8%) and Industrial (-10.7%).

**As of February 2022, before its exclusion from the index*
Sources: UBP, Bloomberg Finance LP, JP Morgan

On April 1, 2020, UBAM – EM Sustainable High Grade Corporate Bond was renamed UBAM – EM Sustainable Corporate Bond. On June 8, 2020, the fund widened its investment guidelines to include HY issuers.
All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

Performance Review

- Over the quarter, the fund returned -8.74% net of fees compared to -9.22% for the JP Morgan CEMBI Diversified index*.
- Gross of fees performance attribution shows the fund underperformed the index, where the duration impact of rising interest rates, coupled with spread widening, were detrimental to performance.
- Excluding the duration and curve effects, which are managed at the overall portfolio level,
  - Country-wise, the best absolute performance came from our holdings in Russia, Saudi Arabia and Israel. Conversely, our holdings in China, Hong Kong, Thailand And Brazil suffered the most over the quarter.
  - Sector-wise, the least impacted sectors within our holdings last quarter were Financials. Conversely, our exposure in Utilities detracted the most from performance.

**Index provided for comparison and information purposes only. The fund has no official benchmark.*

Portfolio Activity

- Over the quarter, we sold our holdings across the regions, resulting in less exposure to Emerging Europe and the Middle East, whilst it increased allocation to Asia and Latin America.
- In Africa, we reduced our holdings in South African Metals & Mining and transport companies.
- In Asia, we decreased our holdings in Financials across different countries. In China, we added more Consumer exposure at the expense of Real Estate and TMT. We marginally added exposure to Macau gaming sector.
- In Emerging Europe, we sold our exposure to Turkey and Ukraine, we reduced our holdings in Russia across a number of sectors.
- In the Middle East, we completely sold out of our exposure in UAE and Jordan over Q1 2022, following the addition of UAE to the FATF grey list.
- In Latin America, we increased exposure in Mexico, adding Banco Santander Mexico. We reduced our exposure to TMT companies in the region on a net basis.
- The share of green and sustainability bonds in the portfolio has decreased marginally to 8.8%, from 8.9% in Q4 2022. We maintain a higher share that in the index (6.4%).

On April 1, 2020, UBAM – EM Sustainable High Grade Corporate Bond was renamed UBAM – EM Sustainable Corporate Bond. On June 8, 2020, the fund widened its investment guidelines to include HY issuers.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

Outlook

- Inflation has risen to elevated levels globally and has impacted interest rates world-wide. Many EM Central banks have hiked early, starting a tightening cycle in early 2021 already for some of them. DM Central banks first read this inflation as transitory and have been reassessing their outlook and seem now set for a quicker tightening of their interest rates.
- US rates have sold off significantly in Q1 2022 and remain a risk to be watched carefully going forward. The curve is now pricing a significant amount of tightening by end of 2022 (about 2.5% in rate hikes according to Fed Fund futures).
- The front end of US curve (up to 2years) is now very steep, and yields start to be compelling on the asset class. We wouldn’t expect in the short term a strong rally back in rates or spreads, but the increased carry should start to do its work in helping the asset class performance.
- In Q1 2022, about USD 15bln exited the asset class (mainly retail). Despite the negative Q1 performance, but on the back of higher yields, we would expect investors to get attracted back in the asset class.
- Moreover, EM corporate bonds demonstrate interesting risk adjusted return characteristics, which contributes to their attractiveness.
- Moreover, with the increased focus of investors and regulators on sustainability, we believe that ESG-minded issuers will benefit from increased inflows, which should support further our strategy.

- At a country level, our largest overweight positions are in Colombia, and China.
- Our largest underweights are in Saudi Arabia, UAE and Turkey.
- At a sector level, our largest overweight positions is in TMT while our largest underweights are in Financials and Industrials.

On April 1, 2020, UBAM – EM Sustainable High Grade Corporate Bond was renamed UBAM – EM Sustainable Corporate Bond. On June 8, 2020, the fund widened its investment guidelines to include HY issuers.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

ESG Metrics

- At the end of the quarter, the overall **ESG Quality Score** of the portfolio was 44% higher than the index, standing at 7.0 (equivalent to an MSCI ESG Rating of A) vs. 5.0 for the index (equivalent to an MSCI ESG Rating of BBB) (@2022 MSCI ESG Research LLC - coverage: 97% for the fund and 87% for the index).

KEY INDICATORS

- The **weighted average carbon intensity**[1] of the fund is 46% below its index, at 325 tons CO2e/$M sales revenues v. 600tons CO2e/$M sales revenues for the index. (Source: ISS – coverage by number of issuers: 95% for the fund and 77% for the index)
- According to ISS, scope 1,2, and 3 greenhouse gas emissions stand at 32.9% below those of the JP Morgan CEMBI Diversified Index. The Carbon Intensity of the portfolio is 36% better than that of the universe. (Source: ISS – coverage by number of issuers: 95% for the fund and 77% for the index).
- 69% of the electricity generated from our holdings in the utilities sector come from green power, compared to only 18% in the index. (Source: ISS - coverage: 95% for the fund and 77% for the index)
- **International norms**:
  - Violation of UN Global Compact: 0% (v. 1.5% in the index)
  - Violation of Human Rights norms: 0% (vs. 1.2% in the index)
  - Violation of Labour norms: 0% (vs. 0.8% in the index)

  (source: @2022 MSCI ESG Research - coverage level: 97% for the fund and 89% for the index)
- **Board Independence**: 69.9% of the portfolio is invested in companies that have a majority of independent board members, vs 69.4% for the index.

  (source: @2022 MSCI ESG Research - coverage level: 96% for the fund and 85% for the index)
- **Board Diversity:** 93.2% of the portfolio is invested in companies that have at least one female Director, vs 83.2% for the index.

  (source: @2022 MSCI ESG Research - coverage level: 96% for the fund and 85% for the index)
- The average **Fatality** rate stands at 6.1 per 100,000 employees in the fund compared to 24.0 per 100,000 employees in the index. (Source: MSCI ESG Research – coverage 31.3% of issuers in the fund vs. 24.1% of issuers in the index – the coverage ratio depends on the materiality of the indicator).

[1] taking into account subsidiary mapping

On April 1, 2020, UBAM – EM Sustainable High Grade Corporate Bond was renamed UBAM – EM Sustainable Corporate Bond. On June 8, 2020, the fund widened its investment guidelines to include HY issuers.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

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. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. 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-Elysées, 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 l 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.