UBAM – GLOBAL SUSTAINABLE CONVERTIBLE 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

- Reflationary pressures and cyclical rotations dominated markets' news flow in Q1, in the wake of a broad acceleration in the covid-19 vaccination campaigns rollout and the prospect of massive stimulus in the US.
- Altogether, these factors triggered a sharp rise in long-term rates (10-year Treasury yields up +80bps q/q in the US, +28bps q/q in the Eurozone) and noticeable sector performance dispersion on equity markets to the detriment of 2020's biggest "winners" (tech and growth). After a strong start into the year, the cyclical rotation weighted down on the performance of convertible bonds, due to the large share of higher growth companies in the asset class' universe.
- Region-wise, on global equity markets, the outperformance of value and cyclical names largely benefited European stocks which posted strong gains in Q1. The Stoxx Europe 600 index closed the quarter up 7.4%, +1.5% ahead of the S&P 500 index and +1.4% ahead of the MSCI World index (all indices hedged into euro). In Asia, the Nikkei 225 index closed the quarter up 6.3% (local currency).
- Global convertible bond issuance totalled over USD 62 billion in Q1, wrapping up the best start to a year on record. The vast majority came from the US (USD 44bn) followed by Europe (USD 10.5bn). Looking into details, Q1 new issues were primarily driven by companies in the tech, consumer discretionary, communication and healthcare industries.

Performance Review

- **UBAM - Global Sustainable Convertible Bond was launched on January 21st.** From January 31 to March 31, the strategy conceded 2.34% (after fees, IC EUR share class). Over the same period, the Refinitiv Global Hedged Convertible Bond (EUR) ("the index") declined 0.73%.
- The performance of the strategy during the quarter should be put in perspective with the cyclical rotation that has dominated global equity markets for the past five months. The « growth » bias of the convertible bond market was a clear performance engine last year, both in absolute and relative terms. With the ongoing rotation though, it is this very same bias that explains the recent lag of the asset class when compared to equity indices. At the strategy level, the impacts of the rotation were further exacerbated by the quality-growth focus at the very heart of our process, and therefore structural underweight to those sectors and names that benefited the most from the recent value and cyclical bull run.
- Sector-wise, it is therefore with no surprise that we find Industrials (+59bps), Financials (+39bps) and Materials (+35bps) as top 3 contributors of the strategy's absolute performance during the quarter. At firm level, our investments in Southwest Airlines (US), Country Garden (Asia) and International Flavors Fragrance (US) proved particularly beneficial. Sadly, these positive stories were offset by the overall negative impacts of our investments in Consumer Discretionary (e.g. Tesla -29bps, Zalando -15bps), Utilities (Neoen -33bps), Information Technology (e.g. Coupa Software -19bps, MongoDB -18bps) and Healthcare (e.g. Teladoc -20bps).

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.

Portfolio Activity

- UBAM – Global Sustainable Convertible Bond was launched on January 21st with AUM of EUR 43 million. 95% of the portfolio's AUM was invested "day-1", with a residual 5%-bucket of cash voluntary kept for opportunities in the primary market.
- At the end of March, the portfolio displays an average equity sensitivity of 54%, 5pts below that of its index. Out of these 54%, the US region accounts for 31%, Europe for 17%, Asia & Japan for 5% and MEA for 1%. On the bond side, the portfolio exhibits an interest rate sensitivity of 1.7 for a 4-year duration and an average credit spread of 196bps (vs. 294bps for the index). These levels reflect the "quality" bias inherent to our philosophy.
- During the quarter, we notably participated in the new Dropbox (US software), Shop Apotheke (German online pharma retail) and Enphase Energy deals. The latter is a global leader in energy technology, and pioneer in solar microinverter systems ("the brain" behind a solar system). We believe the company is well positioned to benefit from Biden's plan to combat climate change and boost green energy. We also initiated a position in Singapore Airlines, which has committed itself, alongside the IATA ("International Air Transport Association") to participate in the reduction of carbon emissions in the aviation sector. We took advantage of valuation opportunities in the secondary market post- recent weaknesses in convertible bonds to strengthen some of our growth convictions (e.g. Coupa, Twilio) alongside quality recovery names (e.g. Booking.com, Southwest Airlines, Amadeus) and green stocks (Nextera, Neoen).

Outlook

- Besides the recent cyclical rotation, the case for convertible bonds remains strong. The convex nature of convertible bonds makes them compelling assets for those who wish to maintain an equity exposure whilst dialling back their risk a bit. In a context of near-record equity prices, elevated single stock volatility and lack of visibility as to when, and how fast, economies will reopen, an asymmetric equity exposure appears as a valid alternative to a full directional positioning. Convertible bonds' appeal is equally strong in a rising interest rates environment for those who wish to maintain bond-floor defensive features: thanks to their conversion option, convertible bonds embed much lower interest rate sensitivity than straight bonds of similar duration.
- Over the past fifteen months, convertible bonds' record issuance dynamism has sparked a broad deepening and renewal of the investment pool, led by "digital economy" and "covid-19-recovery" names. Thanks to their dual nature, convertible bonds give investors the chance to be actively positioned on both themes with much lower volatility and downside risk than direct equity investments offer - as repeatedly demonstrated historically and again over the past year.
- Overall, we see current cyclical rotation as an opportunity to tactically diversify our investments, rather than a questioning of our long-term quality-growth positioning. If anything, the pandemic has accelerated the spread of trends that were already in place before the covid-19 outbreak (digital transformation to improve business efficiency; cybersecurity to secure an ever-increasing number of online transactions; healthcare innovation to deal with the growing and ageing global population; etc.) and for which the long-term fundamentals remain unchanged.
- Despite the decorrelation it would imply as regards the fundamentals of the economy, we believe central banks will strive to keep bond yields low, and not far off their current values, in order to keep fragile economies growing. After the underperformance of growth stocks over the last two quarters, which saw P/E ratios slide by more than 15%, we think the market will now focus on earnings, whose guidance remains strong for growth stocks, while value EPS expectations have already rebounded strongly, and are therefore more likely to rise in line with the growth of the economy from now on.
- Although the near-term future still looks bright for recovery cyclical stocks as economies are carefully reopening, we stay cautious about the lack of visibility as to when and how fast their business activity can resume and return to pre-crisis levels. In this context, credit quality will remain a cornerstone of our security selection.

SRI Comment & Indicators

Holding comment: Focus on Zalando

- Founded in Berlin in 2008, Zalando has grown into Europe's biggest online-only fashion retailer. The company is present in 17 European countries, and its major market is the DACH region which accounts for circa 40% of revenue. It has 11 fulfillment centers and presents around 3,500 brands on its platform. It mainly sells third-party brands, but own labels contribute a mid-teens percentage of revenue. In 2021, one and a half years after the launch of its sustainability strategy Do.More, Zalando has published its first sustainability progress report in which it presents its plans to increase the proportion of sustainable products available on its platform. Zalando looks to raise its target of gross merchandise volume (GMV) generated by sustainable products from 20 to 25% by 2023. So far, it has tripled its sustainability range to 80,000 products, with 16% of the company's GMV generated in 2020 by the sale of more sustainable products. This is up from 6.7% in 2019. The criteria used for products to carry the sustainability flag cover a range of environmental, social, and animal welfare topics aligned with industry best practices such as the Sustainable Apparel Coalition's standards.
- Environmental issues are well addressed by Zalando with the implementation of robust practices to mitigate the environmental footprint of its activities. The company has adopted in 2020 sciences-based targets that are aligned with the level of decarbonization required to keep global temperature increase below the 1.5-degree Celsius targets of the Paris Agreement. By 2025, the company aims to cut 80% of carbon emissions from its own operations and 40% from private label production. In 2020 its own operations as well as deliveries and returns were already climate neutral.
- In terms of social issues Zalando is exposed to data security topics as e-commerce companies have access to consumer information, including financial information, purchase history, and basic demography data. While it has implemented data protection processes that match German and European laws, it is missing evidences of regular information security audits to test the integrity of its IT systems and prevent from growing cyber-attacks threats. Zalando is also exposed to human capital development issues as it relies on highly skilled workers. It has implemented strong initiatives to retain and attract talents and has achieved in 2020 its objective to bring down voluntary turnover to <10%.
- Looking at governance, Zalando's governance practices appear to be above both global and domestic peers with an independent board majority as well as independent audit and pay committee. Gender diversity appears strong with the board comprising 8 women out the 19 directors. There is a principal shareholder but there is no special capital structure with the principle of one share one vote. However, we flag issues related to pay issues among others the non-inclusion of sustainability performance criteria.

Extra-financial performance indicators (March 31, 2021)[1]

	Fund	Index[2]
Weighted average Carbon Intensity (tons CO2e / $M Sales)	143,91	241,81
Exposure to fossil fuel reserves (%)	0.41%	4.48%
Diversity program (%)	43.0%	35.5%
Female directors (%)	30.18%	27.25%
Board independency (%)	81.39%	75.12%
Global Compact norm violation exposure (%)	0.00%	2.68%
Labor norm violation exposure (%)	0.00%	3.88%

[1]Source: @ 2021 MSCI ESG Research LLC (see important disclaimer on page 4). [2]Refinitiv Global Hedged Convertible Bond Index (EUR).

[1]Source: @2021 MSCI ESG Research LLC – Reproduced by permission; data as at 31.03.2021. Although UBP SA's information provider – 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.

Disclaimers

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 a fund 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 the 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"), Funds are required to make certain disclosures.

Where the Fund falls under the scope of article 6 of the Disclosures Regulation, it has been determined that the Fund does not 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. Where the Fund falls under the scope of article 8 or article 9 of the Disclosures Regulation, the Fund is subject to sustainability risks within the meaning of the Disclosures Regulation. The sustainability risks and principal adverse impacts as prescribed under the Disclosure Regulation are described in the prospectus. In addition, unless otherwise specified, all Funds apply the UBP Responsible Investment policy 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.

Union Bancaire Privée, UBP SA Rue du Rhône 96-98 | P.O. Box 1320 | 1211 Geneva 1 | Switzerland **ubp@ubp.com** | **www.ubp.com**