

For Qualified Investors in Switzerland, or Professional Investors or Eligible Counterparties as defined by the relevant laws

# UBAM - EUROPE EQUITY DIVIDEND+

Combining high-dividend stock picking with downside protection

## Key points

- ◆ *Yield play extracted from European equities' dividend potential in the context of an increasingly volatile environment*
- ◆ *50% net long equity exposure on average (at neutral point)*
- ◆ *Combination of UBP's pan-European stock picking and carry overlay expertise*
- ◆ *UCITS, daily liquidity, cost-efficient solution*

## Investment case: Providing alternatives to traditional bonds as sources of yield

- ◆ With current yields at historical lows, investors find it challenging to extract a satisfying level of steady income from traditional fixed income instruments
- ◆ This market regime is expected to last, with increased interest rate volatility due to a new rate-raising cycle in the US and quantitative easing ending in some other regions, like Europe
- ◆ In that context, an increasing number of bond investors are looking for additional sources of yield to complement their fixed income portfolios
- ◆ For structural reasons, European dividend yields are particularly attractive today
- ◆ UBAM - Europe Equity Dividend+ aims at seizing such dividend opportunities, combining high-dividend stock picking among European equities with downside market protection implemented through an overlay strategy

## Fund concept: Gaining extra yield from high-dividend stocks and call premiums

- ◆ Long-only stock picking
  - ▶ Buyer of circa 30 high-dividend stocks with a sustainable dividend stream
  - ▶ Focus on defensive companies with a consistent history of delivering on expectations
  - ▶ Multi-sector universe, Europe only
  - ▶ Selection based on qualitative & quantitative approaches
- ◆ Yield-enhancement overlay
  - ▶ Getting premium income from call-selling on the Euro Stoxx 50 Index while reducing equity beta
  - ▶ Strike levels depend on trend regimes: 40% delta in bull regimes, 60% delta in bear regimes (more return/protection than 50% delta)
  - ▶ Small allocation to tail risk protection (long volatility futures) against more extreme market corrections



## Investment process

### Long-only European equity component

- ◆ Stock selection process based on:
  - ▶ Sustainable dividend screen
  - ▶ Enhanced eligibility screen (quantitative analysis):
    - Sector-agnostic
    - Volatility, RSI, dividend yield, dividend cover
  - ▶ Qualitative analysis – focused on future dividend strength
  - ▶ Portfolio construction – some flexibility in position sizes but similar focus on defensive stocks
- ◆ Resulting portfolio invests in around 30 stocks, managed by the European Equities team



### Yield enhancement overlay component

- ◆ Sale of calls (90% of the overlay)
  - ▶ On Euro Stoxx 50 index; implementation of the sale of calls on a monthly basis
  - ▶ The strikes depend on the trend regime:
    - Bull regime: delta of 40% (more up-capture than call with a delta of 50%)
    - Bear regime: delta of 60% (more protection than call with a delta of 50%)
- ◆ Small allocation to tail risk protection (10% of the overlay) on European market is added



## Investment team

- ◆ Europe Equity team (long-only)
  - ▶ 6 persons led by industry veterans Robert Jones and Scott Meech
  - ▶ Long track record throughout different market cycles
  - ▶ Conviction-based approach (bottom-up stock selection)
- ◆ Cross-Asset Solutions team (overlay)
  - ▶ 5 persons led by Philippe Henry
  - ▶ Long track record in managing volatility strategies
  - ▶ Qualitative & quantitative approach
  - ▶ Strong and rigorous risk management process

## Main risks

← With lower risk, potentially lower rewards | With higher risk, potentially higher rewards →

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SRRI relates to the IC EUR share class LU0717719891 as of 31.01.2019. This indicator represents the annual historical volatility of the fund. Risk category reflects level of risk and return profile: 1 lowest; 2 low; 3 limited; 4 average/moderate; 5 high; 6 very high; 7 highest risk. Historical data such as that used to calculate the synthetic indicator cannot be considered as 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.

## Investment guidelines

- ◆ Number of stocks: 25–30
- ◆ Average credit rating: A
- ◆ Max. sector exposure: 30%
- ◆ Max. country exposure: 50%
- ◆ Max. non-EU exposure: 25%
- ◆ Downside protection: -50% (on average)
- ◆ Overall portfolio exposure: +50% (on average)

## General information (Institutional share class IC)

Fund name	UBAM - Europe Equity Dividend+
Legal structure	Luxembourg-incorporated SICAV, UCITS
Launch date	December 2011
Valuation day	Daily (D)
Subscription terms	Cut-off: D - 1BD; Settlement: D + 2BD
Redemption terms	Cut-off: D - 1BD; Settlement: D + 2BD
Fee structure	1.00% management fee, no performance fee
Minimum subscription	None
Currencies	EUR (base currency), USD, CHF, GBP, SEK

Currency hedging	Yes (against base currency)
Registration for sale	AT, CH, DE, ES, FI, FR, IT, LU, NL, SE, SG, UK
Management company	UBP Asset Management (Europe) S.A., Luxembourg
Investment manager	Union Bancaire Privée, UBP SA
Custodian	BNP Paribas Securities Services, Luxembourg Branch
Administrator	CACEIS Bank, Luxembourg
Auditor	Deloitte Audit S.à.r.l., Luxembourg
ISIN codes	EUR: LU0717719891; USD: LU0717722259 CHF: LU0717721368; GBP: LU0717723570 SEK: LU0717723067

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