



# UBAM - 30 GLOBAL LEADERS EQUITY

## Quarterly Comment

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

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### Market Comment

- Despite the volatility brought by the banking sector fallouts over the month of March, major equity markets still delivered positive performances over the first quarter of 2023. Driven by a strong start of the year with receding recession fears and overall easing inflation prints, the MSCI AC World finished Q1 up +7.3%, with European equities gaining +8.6%, US equities +7.5%, Japanese equities +7.1%, Swiss equities +5.9% and Emerging Market equities +3.9%.
- Major central banks maintained their tightening stance announcing rate hikes during the month of March, confirming their confidence in the resilience of the banking sector. Balancing between price stability and financial stability, the Fed raised key rates by 25bps on the back of modest growth, high inflation, and ongoing job gains. The ECB also raised rates by 50bps citing inflation concerns. Interestingly, despite less pressure to combat inflation in Switzerland, which currently stands below 3%, the SNB chose to lift rates by a further 50bps in March. This underlined the strength of the economy, as the hike was initiated the same week as Switzerland saw one of its two systemic banks be taken over.
- The global earnings momentum continued to deteriorate with 2023e EPS growth falling to 0.2% for global equities (-0.5% for Europe) at the end of March as the tensions in the banking system again increased the odds of a recession in the coming quarters. The 12m forward PE ratio for the MSCI AC World traded around 15.2x, below its long-term average at the end of the quarter. Helped by declining energy prices, the US headline inflation eased to 5.6% yoy for the end of March, with the Eurozone yearly inflation trend also slowing to 6.9% for March. The US Manufacturing PMI came in slightly higher in March at 49.2 vs 47.3, with sentiment increasing on production and employment. The Eurozone Manufacturing PMI came in slightly lower for March at 47.3 vs 48.5 for the prior print, but better than the 47.1 expected, with sentiment decreasing on production, new orders, and exports.
- Over Q1, IT, Consumer Discretionary and Communication Services were the best contributing sectors to the MSCI AC World's performance whereas Health Care, Energy and Financials were the main detractors. Top contributing names over the period were Apple, Microsoft and Nvidia while Pfizer, UnitedHealth and Johnson & Johnson were at the bottom. Growth and Quality were the best performing investment styles over the quarter, while Momentum and Value styles underperformed the broader MSCI AC World index. The 2023 earnings growth expectations for Value stocks stood at -2% vs +9% for Growth stocks.

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## Performance Review

- UBAM - 30 Global Leaders Equity delivered +7.7% in gross performance over the first quarter of the year vs +7.3% for the MSCI AC World. Stock selection (particularly in Consumer Staples and Materials) and the currency effect (driven by the overweight in Europe) were positive contributors to relative performance over the quarter. The sector allocation was slightly offsetting due to the overweight in Health Care which underperformed the overall market.
- Over Q1 2023, the biggest contributors to performance were the overweight in LVMH, Schneider Electric and Novo Nordisk (+65bps, +47bps and +47bps respectively). LVMH appreciated +26.4% over Q1 after reporting 9% increase in sales driven by growth in Europe, US and Japan which offset the weakness in China. The group further announced a €1.5bn share buyback program. Schneider Electric was up +19.7% YTD after beating FY22 sales and earnings expectations with 16% organic growth reported over Q4 2022. The company guided for a continuation of strong market demand for 2023 supported by electrification and digitalisation trends. It also announced a new governance structure with the appointment of a new CEO, thus separating the CEO from the Chairman role. Novo Nordisk gained +18.3% over the period after reporting the fourth consecutive set of quarterly results that came ahead of expectations driven by its obesity treatment offering. The company also delivered a positive guidance for 2023 and announced a new share buyback program.
- The main performance detractors over the period were the absence of exposure to Apple as well as the overweights in Nasdaq and Johnson & Johnson (-74bps, -73bps and -61bps respectively). Apple was up +27.1% over the period as the company delivered better than feared results amidst a challenging environment for discretionary consumer spending. Nasdaq lost -10.7% after reporting earnings that came in below consensus in a difficult Q4, with expenses being guided higher related to discretionary investments, and revenues being guided lower for the near term. Despite this mixed release and guidance, Nasdaq remains well-positioned for the medium to long term with a diversified set of capital market solutions and services. Johnson & Johnson ended Q1 down -11% after Q4 revenues came in below consensus and an appeals court dismissed the company's bankruptcy filing for its talc unit, which was intended to shield the company from talc-related lawsuits.

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## Portfolio Activity and ESG

- Over Q1, the position in American Tower (AA MSCI ESG Research rating) was switched into a new position in RELX (AAA MSCI ESG Research rating). The risks to AMT's high and stable CFROI® levels of ca 15% are rising as the company's debt is expected to reprice higher over time. The company's strategy also changed from a pure play telecom towers operator with the acquisition of data center companies. Furthermore, Vodafone India's bad debt showed that client payments may not be as reliable in this business after all. On the other hand, RELX – a global provider of information-based analytics and decision tools for businesses and academia with a high degree of repeat business – was introduced to the portfolio offering 25-30% CFROI® levels. It has a strong history of value creation, but growth rates and asset turns were challenged as the company moved from print to digital in a long process.



However, margins increased on changing the product delivery to primarily digital now. As this transition is mostly done, growth rates are running in the high single digits again. The rollout of value-added products organically is supporting this growth, while deep user understanding and industry specific datasets provide competitive moats for the company.

- The 30 Global Leaders Equity strategy did not have any direct exposure to SVB or Credit Suisse, as the strategy has generally favored exposure to insurance brokerage, financial service providers and asset managers within Financials.
- At the end of March 2023, UBAM - 30 Global Leaders Equity had a AAA ESG rating with an ESG quality score of 8.6, versus a AA rating and 7.9 score for the MSCI AC World (ratings based on MSCI ESG Research). The fund does not hold any laggard stocks (rated CCC or B), and more than 20% of its investment universe is excluded following strict ESG criteria. Among these exclusions, the 30 Global Leaders Equity portfolio does not hold any position identified as being in violation of international standards by both data providers MSCI ESG Manager and Sustainalytics. The portfolio's weighted average carbon intensity is more than 55% lower than its benchmark with 64.6 tons of CO2 emissions / USD mn sales vs 149.6 tons for the MSCI AC World. Moreover, being underweight low CFROI® sectors such as Utilities and Energy, the portfolio exhibits a carbon footprint more than 85% below that of its benchmark with of 12.6 tons of CO2 emissions / USD mn invested vs. 96.5 tons for its benchmark. In addition to the environmental and Global Norms criteria, the portfolio also exhibits better overall average social and governance indicators than its benchmark (indicators based on MSCI ESG Research), especially on employee training and diversity, demonstrating the portfolio's overall positive ESG positioning versus the MSCI AC World.

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## Outlook

- Despite some volatility and headwinds during the first quarter of the year as well as further downgrades to the global earnings picture, global equities have gained +7.3% in performance. Looking into the second quarter of the year, the team would expect companies to execute well on their existing order books under more favourable conditions: supply chains have eased, transport costs and energy costs started falling, and wage cost inflation seems to be generally covered by price increases of goods and services. Investors should also start to look toward 2024 earnings as we move through the year, where over 10% EPS growth and reasonable valuations still provide attractive investment opportunities.
- The defensive characteristics of the 30 Global Leaders Equity strategy combined with a more resilient and visible earnings picture are expected to better navigate the market uncertainties this year, especially as the market focus turns towards solid fundamentals and healthy balance sheets. By investing in companies with a proven history of superior value creation, coupled with the potential of maintaining these high levels into the next 5-10 years, the 30 Global Leaders Equity strategy should be more insulated from sector or style rotations as shown over the month of March, notably when these moves are driven by deteriorating earnings growth and visibility.

Main ESG and Carbon Metrics – UBAM - 30 GLOBAL LEADERS EQUITY



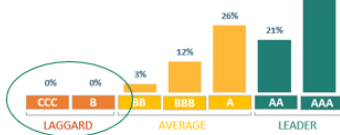
UBAM - 30 Global Leaders Equity

ESG Scores

UBAM - 30 Global Leaders Equity

MSCI ESG Rating	Portfolio Scores	ESG Quality Score (Weight - 23%)	Environmental Score (Weight - 23%)	Social Score (Weight - 39%)	Governance Score (Weight - 40%)
<b>AAA</b>		<b>8.6</b>	<b>6.7</b>	<b>5.2</b>	<b>6.1</b>

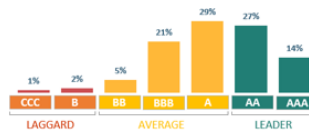
ESG Rating Distribution



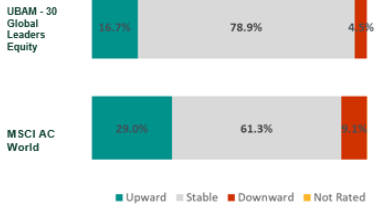
MSCI AC World

MSCI ESG Rating	Portfolio Scores	ESG Quality Score (Weight - 20%)	Environmental Score (Weight - 20%)	Social Score (Weight - 42%)	Governance Score (Weight - 38%)
<b>AA</b>		<b>7.9</b>	<b>6.0</b>	<b>5.1</b>	<b>5.7</b>

ESG Rating Distribution



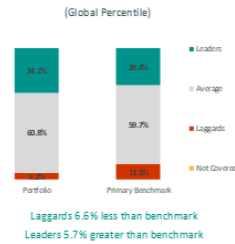
ESG RATINGS MOMENTUM



Reputational Risk



Governance Risk

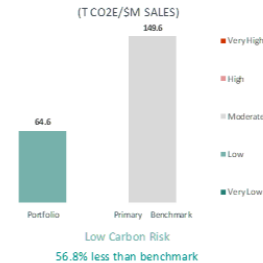


Source: ©2023 MSCI ESG Research LLC – Reproduced by permission as of 31.03.2023. MSCI ESG data is calculated including subsidiary mapping. Portfolios' ESG Quality Scores take into account not only the E, S, G quality of underlying holdings but also ESG Momentum (ESG rating improving/deteriorating trend) and ESG Tail Risk (exposure to worst ESG-rated issuers).

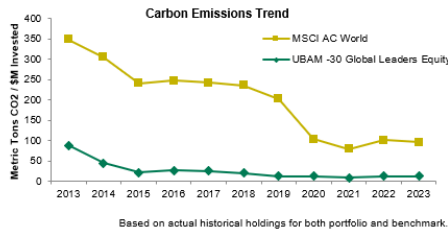
UBAM - 30 Global Leaders Equity

ESG Scores

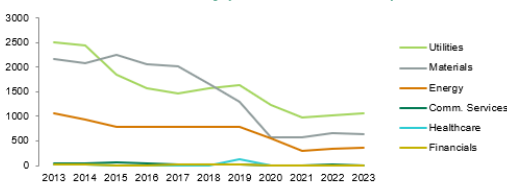
UBAM - 30 Global Leaders Equity has at least 50% less carbon intensity risk than its benchmark (Emissions/Sales)



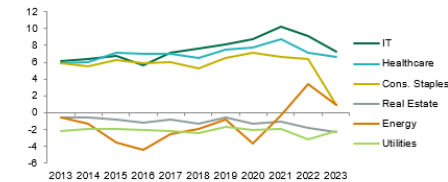
UBAM 30 Global Leaders Equity had historically around 90% lower carbon footprint than its benchmark (based on 1mn Investment)



Sectors with biggest and lowest Carbon Emissions historically (t CO2e / \$M Invested)



Sectors with biggest and lowest CFROI® Spread historically (% CFROI® level – Discount Rate)



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## Select Labor and Social KPIs – UBAM - 30 GLOBAL LEADERS EQUITY

	5 Year Growth in Employees %	Percentage of Women Employees %	Companies having boards with at least 30% Female Directors*	Companies with Employee Protection in Whistle Blower Policy*	Companies with CSR / Sustainability Committee or oversight	Training and Professional Development Score (0-10) *
<b>UBAM-30 Global Leaders Equity</b>	5.3	41.9	76.7%	100%	100%	5.6
<b>Coverage</b>	90.0%	60.1%	100%	100%	100%	93.3%
<b>MSCI AC World</b>	6.3	37.5	39.4%	79.7%	92.1%	4.6
<b>Coverage</b>	76.1%	54.2%	100%	96.9%	97.9%	65.2%

Source : Bloomberg - 31.03.2023

\*Source : MSCI ESG Manager – 31.03.2023 - Female Directors extends to board of directors, supervisory and management boards.

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**MSCI ESG Rating Methodology:**

MSCI's ESG rating methodology is based on the three key pillars of corporate sustainability: Environmental, Social and Governance (ESG). Pillars E, S or G represent 10 major themes, which in turn are associated with 35 key issues. Only those E and S issues deemed "material" for a given sector are considered, while governance issues are taken into account for all companies.

For each issuer, the key issues identified are weighted according to their materiality and aggregated into an average score, rated from 0 to 10. These weighted scores are then normalized by industry to give an industry-adjusted score. This allows for a ranking of companies based on their ESG practices within each industry, and thus distinguishes companies with the best or worst ESG practices among their peers. This industry-adjusted score is translated into an ESG Rating scale of 7 steps ranging from AAA (best score: from 8,571 to 10) to CCC (worst score: from 0 to 1,429).

**Exhibit 2 MSCI ESG Key Issue Hierarchy**

3 Pillars	10 Themes	35 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Consumer Financial Protection	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance*	Corporate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behavior	Business Ethics Tax Transparency	

\* The Governance Pillar carries weight in the ESG Rating model for all companies.

The Final Industry Adjusted Company Score is mapped to a Letter Rating as follows:

Letter Rating	Final Industry-Adjusted Company Score
AAA	8.571* - 10.0
AA	7.143 – 8.571
A	5.714 – 7.143
BBB	4.286 – 5.714
BB	2.857 – 4.286
B	1.429 – 2.857
CCC	0.0 – 1.429

\*Appearance of overlap in the score ranges is due to rounding error. The 0 to 10 scale is divided into 7 equal parts, each corresponding to a letter rating.

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