Q1 2022

UBAM – GLOBAL TECH 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

- After an exceptional year in 2021 in terms of equity performance, the first quarter of 2022 was characterized by equally exceptional volatility. The exponential rise in inflation, the beginning of the Fed’s rate hike cycle, as well as the invasion of Ukraine are all elements that have weighed on investor sentiment and the performance of stocks and bonds.
- Eventually, global equities ended the quarter down 5.0% (MSCI World TR). In the US specifically, the S&P 500 index closed the quarter down 4.6%. This is the 2nd worst start to a year for the index since 2009 (only the 2020 fall at the time of the Covid crisis was worse). Likewise, the S&P Information Technology index loss 8.5% over the quarter, -3.9% below the broad S&P 500 index.
- In line with global equities, the convertible bond universe suffered. The Refinitiv Global Hedged Convertible Bond Index (USD Hedged) declined by 6.4%. However, US Tech convertible segment, measured by BofA US Tech Convertible Index, did slightly better over the same period with a decline of 5.9%.
- In the first quarter, global markets introduced **USD 7.9** billion of convertible bonds, with the US Tech segment contribution being **USD 1.6** billion.

Performance Review

- For the quarter ended 31 march 2021, the UBAM – Global Tech Convertible Bond Fund (IC USD) returned -7.16%. During the first quarter specifically:

  - The information technology theme, first, turned out to be negative, as revealed by the underperformance of the US tech equity index over the broad US equity market in Q4 (-3.9% - see above).

  - The choice of convertibles to get exposure to the IT equity market (“the structuration”), turned to be beneficial (+2.6% outperf. q/q of the BofA US Tech Convertible Index vs S&P IT index) despite the significant negative contribution of interest rate on convertibles (roughly -1.7% over the period). The slowdown in the de-rating of SaaS (Software As A Service, which constitute a large share of the US tech convertible market) relative to broader Tech and the resurgence of M&A within the SaaS segment helped offsetting the negative rate contribution.

  - Lastly, in the convertible bond universe, the underperformance of our strategy vs. the BofA US Tech Convertible Bond index USD[1] in Q1 comes mainly from our allocation approach which tends to provide core segment performances by reducing sector-related risk outliers while focusing on liquid securities. It helped us reducing overall portfolio volatility but it came at a cost to performance.

- At the firm level, top contributors over the quarter were Splunk, Sabre and Zendesk (software & services). On the opposite end, holdings in Zscaler, Okta and Affirm (all companies operating in the software & services sub-sector as well) detracted.

[1]For indicative purpose only, the strategy has no official benchmark.

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

- Within the UBAM – Global Tech Convertible Bond portfolio, the first quarter was marked by:
  - Liquidity-related adjustments (e.g. Q2 Holding 2026, Akamai 2025)
  - Credit or accounting quality-related trades (e.g. New Relic 2023; Macom 2026; BigCommerce 2026)
  - Limited risk-taking on sector outliers (e.g. Affirm 2026; DigitalOcean 2026)
  - Additions to the investment universe and portfolio (e.g. Varonis 2025; Confluent 2027).
  - M&A take profit (Mandiant 2024)

- During the quarter, the portfolio reported a turnover of 140% with an average realized beta versus the Tech equity index of 0.6.

- At March-end, UBAM – Global Tech Convertible Bond exhibits an expected beta of 0.6 versus Tech equity index with nearly 2/3 of the expected Tech equity index volatility.

Outlook

- The change of tone from the Fed last November led to a historical derating in CB underlyings' valuation and performance versus broader equities. More specifically, we've seen a significant derating of SaaS versus the broader tech segment. We believe it now offers an **attractive entry point into the tech convertible bond space**, relative to broad tech equities.

- The cyclical shifts that have impacted global equity markets performance in 2021 and Q1 2022 do not put into question the long-term case for the tech industry. If anything, we actually tend to head into a period of decelerating economic growth which is usually positive for the growth thematic.

- Corporates and private equity firms sit on massive amounts of cash and therefore are currently reacting to valuation and accelerating their M&A projects. The numerous targets within SaaS firms and all these activities could be a support for valuation, as witnessed in Q1 where several firm within our investment universe received takeover offers.

- Finally, **the equity asymmetric nature of the convertible bond instrument makes them compelling assets for those who wish to maintain an equity exposure whilst dialling back their risk a bit.** This is particularly true in the tech segment of the market, rich in typically high growth, but also highly volatile, stocks.

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