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## UBAM – SRI EUROPEAN CONVERTIBLE BOND

### Drawing on the asymmetric nature of European convertible bonds within a socially responsible framework

The dual nature of convertible bonds – a bond instrument with an embedded conversion option – allows them to combine the defensive qualities of fixed income securities with the upside potential of equities. This attractive feature is at the root of the asset class’ intrinsic convexity. UBAM – SRI European Convertible Bond aims to provide investors with the asymmetric risk/return profile of convertible bonds within a socially responsible investment (SRI) framework.

#### Key points

- *The combination of two areas of expertise: convertible bond management and SRI screening*
- *A “best-in-universe” socially responsible approach*
- *A strong alternative to European SRI equities in a volatility-controlled framework*
- *Dedicated allocation scheme designed to enhance convertible bonds’ convexity*
- *Full transparency across the investment process*

#### Investment case

Investors are increasingly integrating extra-financial criteria into their investment decisions. Yet, in terms of socially responsible investment, there are still few opportunities aside from traditional bond and equity vehicles. The diversity offered by the European convertible bond market, alongside the asset class’ unique features, make it a valuable addition to a diversified SRI portfolio.

Convertible bonds have a long history of delivering equity-like returns with much lower volatility over the long term, thereby improving the risk/return profile of a diversified portfolio over a complete market cycle. Being partly exposed to equities, convertible bonds traditionally embed lower sensitivity to interest rate moves than straight bonds of comparable duration.

Prospects for the asset class are strong, as ever more companies are turning to convertible bonds for their financing needs, providing INVESTORS WITH deep and growing convex investment opportunities.

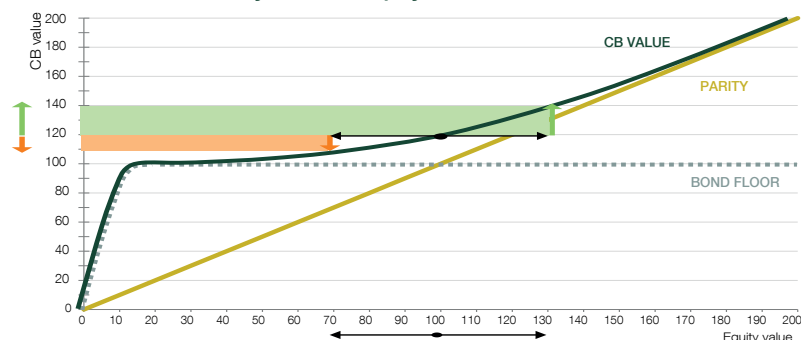
#### Fund concept

With UBAM - SRI European Convertible Bond, UBP offers access to convertible bonds’ unique convexity for investors keen to expose some of their assets, through SRI, to issuers that value fairness and sustainability in investment.

The portfolio aims to maintain a higher average SRI rating than its reference index (the Refinitiv Europe Hedged Convertible Bond Index (EUR)). This is achieved through stringent environmental, social and governance (ESG) criteria, which result in investments in companies that stand out for their commitment to sustainable development. UBP’s convertible bond team develops its own ESG ratings, based on the SRI analysis provided by MSCI ESG Research, with a strong emphasis on governance and environmental aspects.

The strategy is managed quantitatively, following an allocation approach designed to respond to convertible bonds’ specific features, and with the objective of enhancing convertible bond market indices’ attractive long-term risk/return profile.

#### Convertible bonds’ asymmetrical pay-off

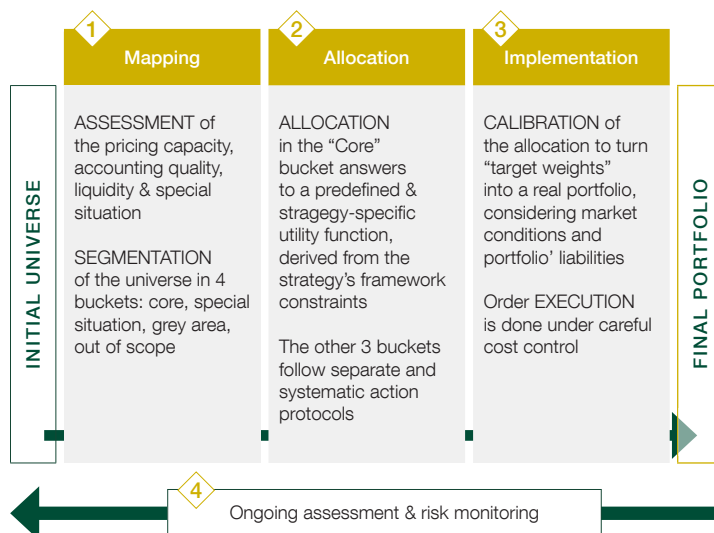


Source: UBP Asset Management (France)  
Past performance is not indicative of future results

## Investment process

The strategy is managed according to a four-step quantitative allocation approach. The objective of the approach is to enhance convertible bonds' asymmetric risk-return profile over time in a defined segment of the universe (European issuers meeting defined sustainability standards).

- Step 1: **Mapping**. Assessment of each component of the identified investment universe according to strict ESG and quantitative criteria leading to its segmentation into four buckets ("Core", "Special Situation", "Grey Area", and "Out of Scope").
- Step 2: **Allocation**. Allocation to the "Core" bucket responds to a predefined and strategy-specific utility function. The other three buckets follow separate and systematic action protocols.
  - The utility function is defined as the replication, in a sustainability framework, of the asymmetric risk-return profile of convertible bonds.
  - The combination of the four protocols (one per block) results in a portfolio target allocation which complies with the strategy's risk framework.
- Step 3: **Implementation**. Calibration of the allocation defined in step 2 to turn "target weightings" into a real portfolio, based on prevailing market conditions and portfolio liabilities. Orders are executed under careful cost control.
- Step 4: **Ongoing assessment** of the first three steps and attentive risk monitoring.



## Investment guidelines

- Investment in European companies answering to strict ESG criteria
- Investment in plain-vanilla convertible bonds only
- Foreign currency hedging
- Benchmark: Refinitiv Europe Hedged Convertible Bond (EUR)

## Investment team

- UBP has been active in the management of convertible bond strategies since 1999
- The Convertible Bonds team is composed of nine investment professionals, including five portfolio managers, one being dedicated to extra-financial analysis
- The team can also rely on a senior convertibles & credit adviser, a data manager and two investment specialists
- Under the supervision of Marc Basselier, Head of UBP's Convertible Bond franchise, the Quantitative unit is led by Senior Portfolio Manager Alain Tematio

## SRRI



SRRI relates to the IC EUR share class LU1273964343 as of 25.05.2020. This indicator represents the annual historical volatility of the fund. The SRRI may differ for other share classes of the same sub-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.

## General information

Name	UBAM - SRI European Convertible Bond
Legal form	Sub-fund of UBAM, Luxembourg Domiciled SICAV, UCITS
Base currency	EUR
Currency-hedged share classes	CHF, GBP, USD, SEK
Cut-off time	13:00 (LU time)
Inception date	28.09.2012
Minimum investment	None
Liquidity	Daily
Applicable management fee <sup>1</sup>	AC EUR: 1.00%; IC EUR: 0.70%; UC EUR: 0.70%
Registered countries <sup>2</sup>	AT, CH, DE, DK, ES, FI, FR, IT, LU, NL, NO, SE, UK, SG

ISIN	AC EUR: LU1273963378; IC EUR: LU1273964343 UC EUR: LU1273965407
Bloomberg ticker	AC EUR: UBCEAEC LX; IC EUR: UBECIEC LX
Investment manager	Union Bancaire Gestion Institutionnelle (France) SAS
Depository bank	BNP Paribas Securities Services, Luxembourg Branch
Administrator	CACEIS Bank, Luxembourg Branch

<sup>1</sup>Only the main share classes are mentioned. Available share classes include I: Institutional; U: RDR-compliant; C: Capitalisation. Others are available.  
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