

# UBAM – TECH GLOBAL LEADERS EQUITY

## 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](http://ubp.com) or in the latest prospectus.

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### Market Comment

- Volatility returned over the third quarter of the year with mixed results for equity markets. The MSCI AC World ended Q3 down -1%, while US equities were up +0.6%, European equities +0.7% and Japanese equities +5.2%. Emerging markets on the other hand lost more than -8% over the period and Swiss equities dropped close to -2%.
- With increased worries coming from the Chinese real estate sector, rising commodity prices and supply disruptions, equity markets came under pressure over the third quarter. The last days of September saw bouts of a sector rotation back into value names with investors moving to end the quarter by booking profits on performing names. While the pace of positive revisions on global equities earnings growth moderated somewhat, it stood at an impressive 49% at the end of the quarter, and at 8% for 2022. In terms of valuation, the MSCI AC World traded around 17.5x 12m fwd PE ratio at the end of September, representing a 12% correction in multiples since the beginning of the year.
- US PMI unexpectedly came in higher at 61.1 for September vs 59.9 for the previous print, supported by solid consumer demand and business investment. Pressure however was recorded in the other segments with the shortage of materials, rising commodity prices and goods transportation difficulties. The manufacturing PMI for Europe came in lower for September at 58.6 as supply chain issues continued to weigh on sentiment. Following the Fed's meeting in September announcing that tapering should start before the end of the year, inflation forecasts were raised for 2021 and 2022 and the Fed dots were revised up for 2022. The Fed confirmed its expectation for a transitory inflation driven by bottlenecks, that should slow down to 2% over next year.
- At the end of the third quarter of the year, a sector rotation back into Energy, Financials, and IT drove global equity markets with these three sectors finishing Q3 as the largest contributing sectors to the MSCI AC World's performance; while Materials, Consumer Discretionary and Communication Services were the largest detractors. In terms of individual names, Microsoft, Apple and Tesla were the main performance drivers while Alibaba, Tencent and Amazon were the main laggards of the MSCI AC World.

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## Performance Review

- UBAM - Tech Global Leaders Equity delivered +1.9% in gross performance in the third quarter of 2021 versus -1.1% for the MSCI AC World, with +2.9% in gross excess return. Both stock selection and sector allocation had positive contributions over the period (+1.7% and +0.8% respectively). The currency effect was also positive (+45bps) driven by the underweight in EM currencies, which depreciated over the period.
- Over Q3, the biggest contributors to performance were the overweights in Paycom, ASML and Intuit (+53bps, +47bps and +34bps, respectively). Paycom's share price appreciated more than +36% as the company reported Q2 results that came in above estimates and raised the full year guidance. ASML was up +8.9% after raising 2025's revenue opportunity and beating Q2 earnings estimates, benefiting from higher demand on all market segments. Intuit finished the quarter up 10%. The company announced a deal to buy email marketing leader, Mailchimp, for USD 12bn, and also reported strong full year net revenue results with positive guidance for FY2022.
- The main performance detractors over the quarter were the overweights in Paypal, Taiwan Semiconductor and Sunny Optical (-46bps, -34bps and -31bps respectively). Paypal dropped -10.7% despite meeting earnings expectations. The company delivered however a more conservative guidance for the full year as its main payment partner, eBay, is transitioning to its own payments experience quicker than planned. The case remains solid nevertheless for the core business of the company. Taiwan Semiconductor was down -2% over the quarter, mainly coming under pressure from the rotation into more value names and sectors; despite strong sales reported over the period. Sunny Optical was down -16.8% despite H1 net income coming in above expectations. The company cited however overseas pandemic impact on its shipments as well as slowing domestic smartphone demand.

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## Portfolio Activity and ESG

- No major changes were done on the portfolio level over the third quarter of the year.
- ESG considerations are fully integrated in each step of the fundamental investment process with a focus on a lower carbon footprint objective. At the end of September 2021, the portfolio had a lower carbon footprint than the benchmark with 30.4 tons of CO2/\$m sales vs 154.6 for the MSCI AC World index. The portfolio continues to be aligned with the Paris Agreement's long-term temperature goal of keeping the rise in global average temperature to well below 2 °C above pre-industrial levels, as reported by ISS Climate Impact Assessment.

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## Outlook

- Profit taking on and/or rotation out of highly value creative names and markets can constitute attractive buying opportunities in terms of relative valuation levels as those periods are usually short lived. With a potentially increasing volatility towards the end of the year, investors could return to higher quality companies and markets.
- The Tech Global Leaders strategy is well positioned for the current environment, focusing on value creative tech companies with solid and visible earnings growth over the medium term, which should start building positive relative momentum in a more volatile and desynchronised growth environment following the strong recovery seen over 2021. The team continues to favour companies with resilient business models, consistent and deliverable earnings trajectory, as well as strong pricing power, that ideally also benefit from long-term structural trends.

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