



# UBAM - 30 GLOBAL LEADERS EQUITY

## Quarterly Comment

### Marketing Communication

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.

### Market Comment

- Over Q2 2023, global equity markets delivered strong results with the MSCI AC World up +6.2%. Japanese equities gained +14.2%, US equities +8.3%, Emerging Market equities +2.3%, Swiss Equities +2.2% and European equities +0.9%.
- In June, inflation figures remained resilient which led central banks to keep a hawkish stance. In the US, while the yearly headline inflation trend was down from +4.9% to +4.0%, core inflation only decreased moderately from +5.5% to +5.3% y/y and the 2023 outlook for core PCE was revised up from +3.6% to +3.9%. Key rates did not change, but Chairman Powell mentioned potential further hikes in the coming months – though at a slower pace. In the Eurozone, the outlook on inflation was revised up for the next 3 years, especially for core inflation from +4.6% to +5.1% for 2023. Key rates increased by +25bps as expected and the ECB mentioned that rates should be brought to sufficiently restrictive levels to meet the 2% inflation target indicating further hikes. Business sentiment weakened further with the US Manufacturing PMI decreasing from 48.4 in May to 46.3 in June. The Eurozone Manufacturing PMI also declined from 44.8 to 43.6.
- Over the quarter, EPS growth projections for global equities remained steady at 0% for 2023 and declined slightly to around 10% for 2024. Global equities' 12m forward PE increased to 16.2x, just above the long-term average, but with big differences across sectors and regions. US equities are now trading at an all-time high premium versus global equities after the re-rating of growth stocks and mega caps.
- Over Q2, IT was the major contributor to the MSCI AC World's performance. Consumer Discretionary and Financials sectors contributed as well whereas Materials detracted slightly. Top contributing names over the period were again Apple, Microsoft and Nvidia while AbbVie, Tencent and Alibaba were at the bottom. Quality and Growth were the best performing investment styles over the quarter, while Momentum and Value styles underperformed the broader MSCI AC World index.

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## Performance Review

- UBAM - 30 Global Leaders Equity delivered +5.6% in gross performance over the second quarter of the year vs +6.2% for the MSCI AC World. Stock selection (particularly in IT and Consumer Discretionary) and sector allocation (particularly the underweight in IT and overweights in Materials and Consumer Staples) detracted to relative performance with -84bps and -49bps respectively. Currency effect was positive on the other hand, mainly due to the absence of exposure to Japan and the overweight in Europe. YTD, the fund is up +13.7% vs +13.9% for the MSCI AC World.
- Over Q2 2023, the biggest contributors to performance were the overweights in S&P Global, Johnson Controls and Microsoft (+31bps, +30bps and +20bps respectively). After a slow start to the year, S&P Global appreciated +16.6% in Q2 as global debt issuance volumes grew 8% y/y in the quarter, inflecting positively from a 15% decline in Q1. Johnson Controls was up +13.8% over the quarter, recovering its Q1 underperformance, helped by solid results and a small increase to EPS guidance for the year. The company confirmed 10% organic revenue growth this year, limited wage inflation as well as a “material margin expansion” opportunity. Microsoft gained +13.8% in Q2 as the company keeps benefitting from a turn in sentiment for the sector. The shares have recovered most of the significant multiple compression of the prior year. Earnings estimates were upgraded after solid results and the company should be able to benefit from AI through their cloud offering, coding cost optimization, and integration of solutions into their software suite and search.
- The main performance detractors over the period were the absence of exposure to Nvidia as well as the overweights in Nasdaq and Thermo Fisher (-53bps, -51bps and -51bps respectively). Nvidia gained +52.3% in Q2, its shares jumped in May after reporting immediate benefits from AI related sales and orders for their Graphic Processor Units (GPUs), which are used for training AI models. The company's CFROI® (Cash Flow Return on Investment. Source: Credit Suisse HOLT) is forecasted to improve significantly, however, it has a cyclical past, where just a year ago a 1bn writedown on inventories was necessary and the shares dropped more than 60% at one point during 2022. Nasdaq lost -8.4% over the quarter. It's shares dropped -12% in one day in June on the back of the announced \$10.5bn acquisition of risk management and regulatory reporting software provider Adenza from Thoma Bravo (private equity). While the deal is attractive on margin, growth and mix (away from market revenues), it burdens the company with 4.7x net debt/EBITDA initially. The higher margins of Adenza and the faster growth allow for reaching 55% CFROI® in 2024 compared to 46% standalone. Despite 17% higher share count, the price target would increase by 6%. Thermo Fisher lost -9.4% in Q2 as the company suffered from ongoing weak sentiment driven by weakness of life science demand and COVID overhang. Underlying business is guided for growth, but the net result for the year may be an unchanged revenue base, before numbers pick up again to 8% growth in 2024.
- Over Q2, no name was changed in the portfolio. The position in Novo Nordisk was reduced to limit the tracking error contribution following the stock's strong performance. On the other hand, the position in Google was increased. The company's CFROI® forecast is maintained around 15%, and the promising integration of AI into products should be beneficial for achieving and maintaining more than 10% revenue growth.

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## Portfolio Activity and ESG



- At the end of June 2023, UBAM - 30 Global Leaders Equity had a AA ESG rating with an ESG quality score of 7.7, versus a A rating and 6.8 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 50% lower than its benchmark with 65.6 tons of CO2 emissions / USD mn sales vs 139.1 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 12.5 tons of CO2 emissions / USD mn invested vs. 90.4 tons for its benchmark. In addition to the environmental and Global Norms criteria, the portfolio also shows 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

- The current context of slowing producer and consumer sentiment has put pressure on global corporate earnings for 2023 and while GDP forecasts are pointing to a growth recovery later in 2023 and for 2024, manufacturing PMIs are weakening, leading to some uncertainties for the remainder of the year.
- Within this context, the 30 Global Leaders Equity strategy is well positioned. It focuses on active stock selection of value creative companies demonstrating a solid and visible earnings outlook for the rest of the year (11% expected for 2023 vs 0% for global equities). In an easing, but still high inflationary environment, the companies in which the strategy invests have strong fundamentals: low debt levels, solid balance sheets, strong pricing power and good ESG practices. Moreover, the strategy is exposed to structural growth trends such as electrification, AI or healthcare. This should be supportive for the expected growth recovery in 2024.

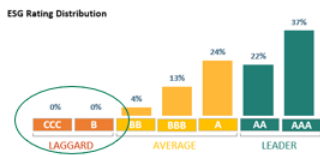
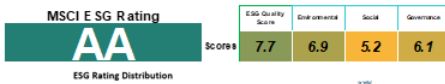


Main ESG and Carbon Metrics – UBAM - 30 GLOBAL LEADERS EQUITY

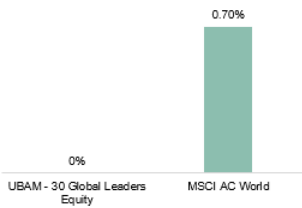
UBAM - 30 Global Leaders Equity

ESG Scores

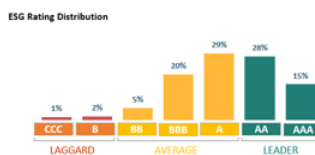
UBAM - 30 Global Leaders Equity



MSCI ESG Market Value Coverage: 100%  
Breach of UN Global Compact



MSCI AC World



MSCI ESG Market Value Coverage: 100%  
Largest Active Positions

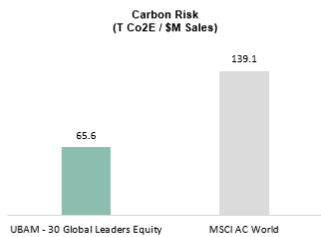
	PORTFOLIO WEIGHT	ACTIVE WEIGHT	ESG QUALITY SCORE	ESG RATING
SCHNEIDER ELECTRIC SE	4.51%	4.36%	10.0	AAA
JOHNSON CONTROL INTERNATIONAL	4.31%	4.23%	10.0	AAA
L'OREAL SA	4.31%	4.13%	9.1	AAA
LINDE PUBLIC LIMITED COMPANY	4.21%	3.91%	6.3	A
VISA INC.	4.51%	3.90%	7.1	A

Source: ©2023 MSCI ESG Research LLC – Reproduced by permission as of 30.06.2023. MSCI ESG data is calculated including subsidiary mapping. The Fund ESG Rating is derived from the Fund ESG Quality Score, assessed on a rating scale from 0 to 10, with 0 and 10 being the lowest and highest possible fund scores, respectively. The Fund ESG Quality Score and the Fund ESG Rating are derived from the asset weighted average of MSCI ESG Ratings of a fund's underlying holdings.

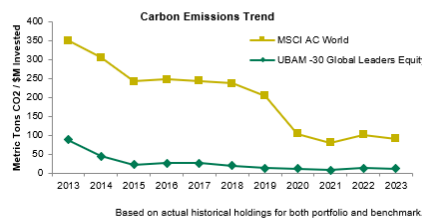
UBAM - 30 Global Leaders Equity

ESG Scores

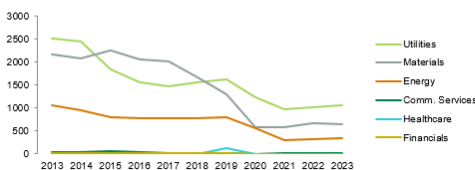
UBAM - 30 Global Leaders Equity has at least 50% less carbon intensity risk than its benchmark (Emissions/Sales)



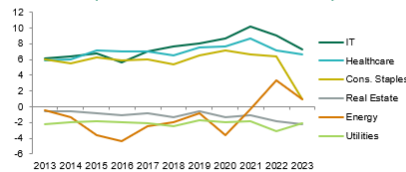
UBAM 30 Global Leaders Equity had historically around 90% lower carbon footprint than its benchmark (based on 1mn investment)



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



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



Source: Credit Suisse Hott. ©2023 MSCI ESG Research LLC – Reproduced by permission as of 30.06.2023. MSCI ESG data is calculated including subsidiary mapping.

## 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	41.0%	86.7%	100.0%	100.0%	5.46
<b>Coverage</b>	90.0%	87.0%	100.0%	100.0%	100.0%	90.0%
<b>MSCI AC World</b>	6.3	36.8%	40.4%	78.7%	91.0%	4.56
<b>Coverage</b>	77.3%	61.6%	100.0%	95.0%	95.2%	64.5%

Source : Bloomberg - 30.06.2023

\*Source : MSCI ESG Manager – 30.06.2023 - 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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