



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 or in the latest prospectus.

Market Comment

- The last quarter of the year pushed global equity markets higher with another rally and +11% gains for the MSCI AC World. US equities rose +11.2% in Q4, Emerging Market equities +7.9%, European equities +6.4%, Japanese equities +2.9% and Swiss equities +1.4% (performances in local currencies). Over the full year 2023, the MSCI AC World delivered +22.2%, with most regional markets finishing the year in the green despite limited market breadth and elevated bond yields.
- As expected by the market, the Fed announced no change in its key rate policy in December, mentioning the pressure of financial conditions on global activity and alluding to potential interest rate cuts in 2024. The US GDP growth projection for 2024 was revised slightly down from 1.5% to 1.4%, whereas Q3 2023 growth came in strong at 4.9%, lower than the 5.2% expected, but higher than the 2.1% for the prior print, reducing hard-landing fears. The yearly trend in US headline inflation marginally declined from 3.2% to 3.1% as core inflation remained stable at 4.0% yoy. The ECB also held its key rates unchanged as Eurozone inflation gradually eased to 2.4% yoy, slightly above the 2% target. 2024 earnings growth expectations for global equities remained stable at 10%, coupled with 16.6x forward PE ratio. This growth expectation reflects a broad recovery in corporate earnings in all major markets, which will probably, at least partly, depend on inflation and interest rate trajectories.
- The stock market has surprised investors over 2023, which had started with recessionary fears projecting more muted performances. The year also saw a large divergence in results between US IT mega cap names and the rest of the market, drawing a challenging environment for active fund managers. However, Q4 revealed mixed performances for the “Magnificent 7”, with Tesla largely lagging the remaining 6 names and the rest of the market. This has again shown the importance of a medium to long term view and the benefits of staying invested in the market based on a solid fundamental stock selection process rather than trying to time sector or thematic rotations.
- Over Q4, most sectors of the MSCI AC World delivered positive performances, except for Energy. IT, Financials and Industrials were the largest contributors to the index’ performance, whereas Energy, Utilities and Real Estate were the largest detractors. Top contributing names over the period were Microsoft, Apple and Amazon and the largest detractors were Exxon, Chevron and Pfizer. Growth and Quality investment styles outperformed the overall market and the other styles over the quarter, with Value and Momentum underperforming.

All performance figures are given gross of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

Performance Review

- UBAM - 30 Global Leaders Equity delivered +13.45% in gross performance over the fourth quarter of the year vs +11.0% for the MSCI AC World. Stock selection, particularly in Financials, IT and Materials, was the main contributor to relative performance. Sector allocation and currency effects were also positive over the period. Over the full year 2023, the fund has accumulated +22.0% in gross absolute performance vs +22.2% for the MSCI AC World.
- Over Q4 2023, the biggest contributors to performance were the overweights in Hexagon, Schneider Electric and Partners Group (+54bps, +44bps and +43bps respectively). Hexagon rose more than +39% over Q4 after the company reported revenues above consensus and despite weaker free cash flow developments that were flagged as a temporary tie-up of NWC driven by strong organic growth. The company's capital markets day in early December, where they promised more detailed divisional disclosure allowing investors to build a better understanding of the business and its growth drivers, was also taken positively. Schneider Electric's share price appreciated +20% in Q4 after the company reported another solid quarter with Q3 organic sales beating estimates and set ambitious new mid-term growth targets at an investor day in November. Partners Group was up another +27% in Q4 after an already strong Q3, as the company confirmed improving conditions in terms of fundraising, valuations and transactions in H2 2023.
- The main performance detractors over the period were the overweights in Aon, Nestlé and Johnson & Johnson (-68bps, -25bps and -24bps respectively). Aon lost -10% over Q4 2023 despite reporting results ahead of expectations. The name fell however after announcing a USD 13.4bn cash-and-stock deal to buy NFP, a global professional services firm. The deal allows Aon to move into the faster growing middle market space and is expected to be accretive to adjusted EPS by 2027 and beyond. Nestlé underperformed an already weak Consumer Staples sector – which continues to suffer from the potential longer term impact of weight loss drugs on calorie consumption – with only +2% in performance, after reporting results and FY guidance below expectations due to supply constraints in their US vitamins business. The company however also highlighted that their Nestlé Health Science business could be a beneficiary of weight loss drugs, as it can help address malnutrition, loss of muscle mass, and other undesired side effects of the drugs with its products. Johnson & Johnson also returned weak results with +1.2% performance over Q4. The company announced initial 2024 guidance and longer-term topline growth targets at an analyst day in early December. While the growth targets were inline to slightly above analyst estimates, the company's earnings guidance for 2024 came in below expectations, most likely due to higher investments the company is making in its pipeline to support future growth.
- No position switches were made over Q4. The Healthcare sector's weight was slightly reduced on the back of pressured CFROI® levels, the proceeds were reinvested in the IT sector which is supported by a strong growth outlook for 2024. Names like Novo Nordisk, Johnson & Johnson and Thermo Fisher were marginally trimmed and on the other hand names like Microsoft, Adobe and Hexagon reinforced.
- At the end of December 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

Portfolio Activity and ESG



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 58.5 tons of CO₂ emissions / USD mn sales vs 128.8 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 11.0 tons of CO₂ emissions / USD mn invested vs. 86.1 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 protection as well as diversity, demonstrating the portfolio's overall positive ESG positioning versus the MSCI AC World.

Outlook

- Global equity markets finished 2023 on a strongly positive note, despite some signs of growth slowing, the banking sector fallouts, wars in the Middle East and Ukraine, and still elevated bond yields. US and European equities have regained all of their 2022 drawdown and are trading close to their respective end-2021 all-time market highs. Investors have factored in a soft-landing scenario for the US with possible interest rate cuts going into 2024. Moreover, with the Covid overhang now largely reflected in corporate results and the normalization of interest rates and inflation levels in sight, this should provide a supportive environment for equities in 2024, and more specifically for longer duration assets: quality companies with strong future cash flow streams.
- As valuation levels currently trade around long-term averages, earnings growth is expected to be the main market driver for 2024, after a low base of 0% growth in 2023. 2024 could thus offer a more favourable environment for active fund managers, as investors turn back towards fundamentally driven performance sources, which could lead to a catch-up of some of the lagging parts of the market.
- In this context, the 30 Global Leaders Equity strategy should be well positioned to weather 2024 market conditions. Throughout the year, the strategy boasted a higher and more visible trailing 12m EPS growth compared to the MSCI AC World, 12% vs 0% respectively at end of December 2023. This is expected to remain a fundamental catalyst for the portfolio going into 2024. The strategy continues to focus on high and stable value creation profiles, as well as strong fundamentals (visible and resilient earnings growth, pricing power, low debt levels and beneficiaries of structural growth trends). Moreover, with its balanced exposure to diversified performance sources, it aims to avoid market timing and large active regional, sectoral or style biases.



UBAM - 30 Global Leaders Equity

ESG Scores

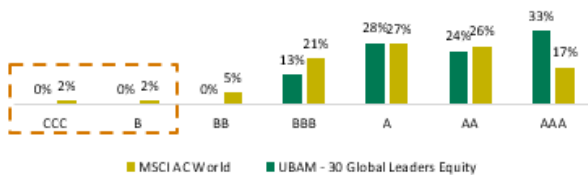
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MSCI AC World



ESG Score Distribution

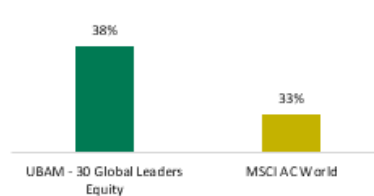


	PORTFOLIO WEIGHT	ACTIVE WEIGHT	ESG QUALITY SCORE	ESG RATING
ADOBE INC	4.1%	3.7%	10	AAA
LNDE PLC	4.0%	3.7%	8.3	A
RELX PLC	3.9%	3.8%	10	AAA
SCHNEIDER ELECTRIC	4.4%	4.2%	10	AAA
VISA NC CLASS A	4.5%	3.9%	7.1	A

Breach of UN Global Compact



Women on Board (%)



Source: ©2023 MSCI ESG Research LLC – Reproduced by permission as of 31.12.2023. 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. Coverage data include cash positions.

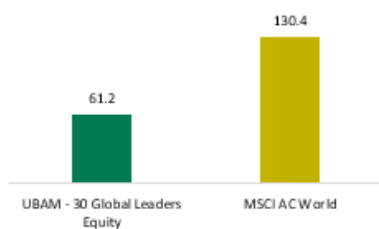


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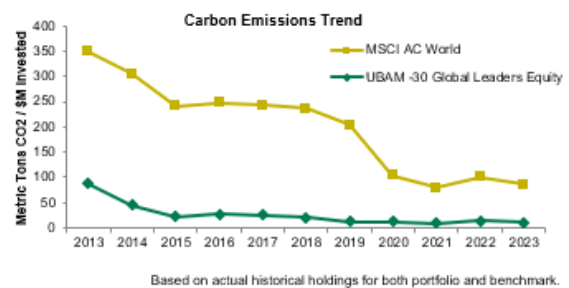
ESG Scores

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

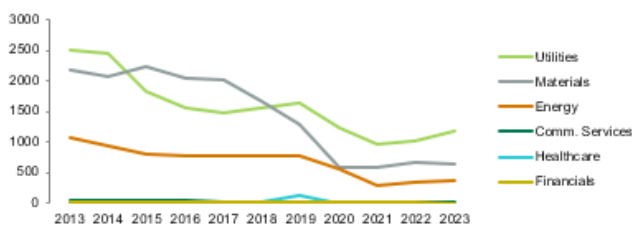
Carbon Risk (T Co2e / \$M Sales)



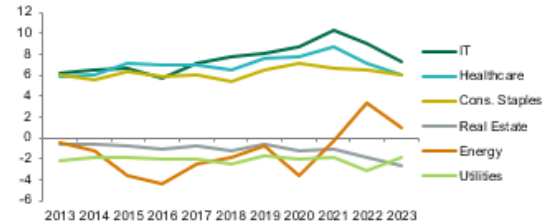
UBAM 30 Global Leaders Equity had historically around 90% lower carbon footprint than its benchmark (based on 1mn Investment)



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) *
UBAM-30 Global Leaders Equity	5.8	40.5%	86.7%	100.0%	100.0%	5.5
Coverage	93.3%	93.3%	100.0%	100.0%	100.0%	100.0%
MSCI AC World	6.4	36.2%	41.0%	81.0%	90.8%	4.5
Coverage	79.0%	78.6%	100.0%	96.2%	96.1%	64.3%

Source : Bloomberg - 31.12.2023

*Source : MSCI ESG Manager – 31.12.2023 - 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	Ownership & Control	Pay

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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