THE DRIVE YOU DEMAND

For Qualified Investors in Switzerland, or Professional Investors or Eligible Counterparties as defined by the relevant laws

UBAM - HYBRID BOND

Exposure to Additional Tier 1 debt (“CoCo” bonds)[1]

Actively managed portfolio investing in subordinated debt issued by financial and non-financial issuers. The key focus is on Additional Tier 1 debt (AT1 – “CoCo” bonds) issued by systemic European banks.

Key points

- *Diversified exposure to an actively managed portfolio of higher-yielding bonds*
- *Subordinated debt from financial and non-financial issuers with robust metrics based on the team’s fundamental credit research*
- *AT1 bonds: focus on systemic banks with extra regulatory capital requirements*
- *Specific tools developed by the team to analyse the AT1 market: a valuation method, stress tests and a terms & conditions analysis database*

Investment case

UBAM - Hybrid Bond provides exposure to higher-yielding subordinated debt instruments – including up to 100% AT1 debt – issued by financial and non-financial issuers, and may also:

- Provide diversification for high-yield bond portfolios;
- Supplement an equity portfolio, as subordinated debt ranks lower than senior debt but higher than equities in terms of seniority in a balance sheet[2].

The focus of the portfolio is on issuers with robust metrics, as identified through the team’s fundamental credit research. For the AT1 market, the focus will be on national champions and systemic banks with extra regulatory capital requirements. The depth of the investment universe allows for active management of the allocation across regions, sectors, issuers and tranches of the capital structure.

Fund concept

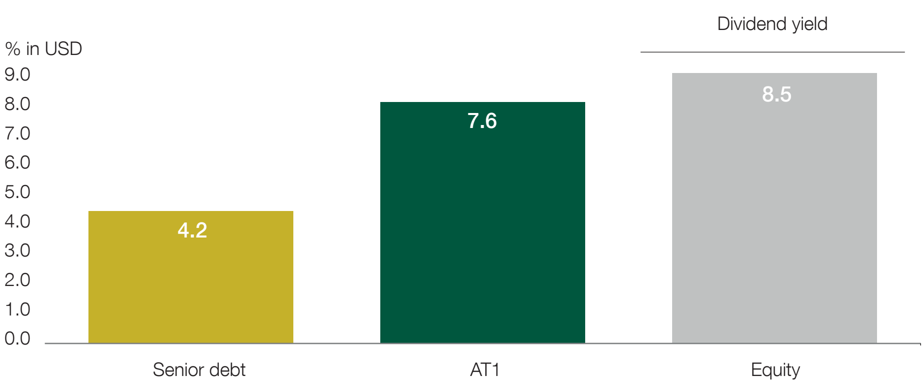
UBAM - Hybrid Bond enables investors to gain diversified exposure to an actively managed portfolio of higher-yielding bonds: Additional Tier 1, bank Tier 2, insurance subordinated debt, and non-financial hybrid debt.

Subordinated debt issued by financial and non-financial issuers is a core expertise of UBP’s Global & Absolute Return Fixed Income team with more than USD 3 billion worth of assets with exposure to subordinated debt raised since 2012 (new money at the launch of the portfolios) and a track record of investing in this asset class since 2007.

In addition to its fundamental analysis, the team has developed specific tools to analyse the AT1 market: a valuation method, stress tests and a terms & conditions analysis database.

Banks: Different seniority levels reflected in yields

(sample of European banks)



Source: Bloomberg Finance L.P. as at 11.10.2018
Sample: BNP Paribas, Société Générale, UBS, ING and ABN AMRO
Past performance is not indicative of future results

[1] Additional Tier 1 debt (“Contingent Convertible” or “CoCo” bonds) is a debt instrument that must transform into equities or be written off upon a triggering event. A CoCo bond, in the same way as other hybrid securities, has both debt- and equity-like features embedded within its structure.
CoCo bonds are complex financial instruments and are not suitable or appropriate for all investors. In some jurisdictions, regulatory authorities have adopted laws or regulations, or published guidance with respect to the offering or sale of securities such as CoCo bonds to retail investors.

[2] Capital structure inversion risk – see Risks section

UNION BANCAIRE PRIVÉE

Investment guidelines

- Exposure to AT1: up to 100%
- Exposure to subordinated debt from financial and non-financial issuers: up to 100%
- Non-investment-grade exposure: up to 100%
- Minimum rating: B-

Investment team

- Fourteen-strong team overseeing CHF 17.5 billion worth of fixed income assets as at 31 December 2017
- Co-managers Christel Rendu de Lint and Philippe Gräub have been investing in the subordinated debt market (financial and non-financial) for more than fifteen years

Investment process

1. Top-down: Macro scenario and top-down views drive country selection

2. Bottom-up: Issuers' fundamental analysis and specifically for AT1
- Capital analysis
- Distance to trigger
- Banks' ownership structure
- Individual securities structure – prospectus analysis

3. Relative value & valuation
- Across securities of the same issuer
- Across comparable securities of different issuers
- Across currencies
- Across segments – banks, insurers, non-financials

Main risks

With lower risk, potentially lower rewards ← → With higher risk, potentially higher rewards

1	2	3	**4**	5	6	7

SRRI relates to USD share class. This indicator represents the annual historical volatility of the 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.

This sub-fund is suitable for investors who need a well-diversified contingent convertible bond allocation in their portfolio. Investors should have a minimum investment horizon of 3 years and should be able to accept significant losses.

- Risk of loss of principal investment: CoCos are issued for regulatory capital adequacy purposes with the intention and purpose of being eligible as either Additional Tier 1 or Tier 2 capital. Such eligibility depends on a number of conditions, which, in particular, require the securities and the proceeds of their issue to be available to absorb any losses incurred by their issuers. The loss absorption is provided for through the triggering of principal equity conversion or principal write-down (whole or partial) if the issuer's capital ratio falls below a pre-specified threshold. There is also a possibility of such conversion or (write-down) upon regulatory intervention, which can happen even if the capital ratio is still above the pre-specified threshold. As a consequence of such a reduction to the outstanding principal, holders of securities may lose all or some of their investment.
- Trigger risk: Trigger activation occurs (i) if the issuer falls below pre-determined capital ratio thresholds or (ii) at the request of a financial regulator with supervisory authority, causing CoCos to convert into equity or to be permanently written down. In the first case, the trigger event calculations may also be affected by changes in applicable accounting rules, the accounting policies of the issuer or its group, and the application of these policies. In the event of a security being converted into equity, investors may suffer a loss depending on the conversion rate. Were the securities to be written down, the principal may be entirely lost with no payment recovered. Some CoCos may be written back up to par over time, but the issuer may be under no obligation to fully do so. Following a trigger event, losses may not reflect the waterfall of subordination and in some circumstances CoCo bond holders may suffer losses prior to investors in the same financial institution holding equity or bonds ranking pari passu, or junior to the CoCo instruments. In the second trigger case, a financial regulator with supervisory authority may at any time deem the issuer to have reached a point of non-viability, meaning that public intervention would be needed to keep the issuer out of bankruptcy, causing losses across the capital structure for equity and bond holders alike. Under these circumstances CoCo bond holders would suffer losses in line with the subordination of the CoCo host instrument.
- Coupon cancellation risk: CoCos issued in Additional Tier 1 format give the issuer an option to cancel any payment of interest at any time and at its sole discretion. In addition, the issuer may be required by the regulator to cancel upcoming interest payments. Coupon cancellation shall also be applicable if the issuer breaches a certain capital ratio threshold. Any cancellation of interest represents a forgone coupon payment and will not be reimbursed, should the issuer decide to resume interest payments at a later stage.
- Extension risk: As there may be no incentive, in the form of a coupon step-up, for the issuer to redeem the securities issued, this would cause the securities' duration to lengthen and expose investors to higher interest rate risk.
- Capital structure inversion risk: Contrary to conventional capital hierarchy, CoCo investors may suffer a loss of capital where equity holders do not. In certain scenarios, holders of CoCos will suffer losses ahead of equity holders, e.g. when a high-trigger principal write-down on a CoCo is activated. This goes against the normal order of capital structure hierarchy where equity holders are expected to suffer the first loss. It is less likely with a low-trigger CoCo where equity holders will already have suffered losses. Moreover, high-trigger Tier 2 CoCos may suffer losses not at the point of gone concern but conceivably in advance of lower-trigger Additional Tier 1 instruments and equity.

Cocos tend to have higher price volatility and greater liquidity risk than other securities which do not expose investors to the aforementioned risks.

General information

Fund name	UBAM
Sub-fund name	UBAM – Hybrid Bond
Legal form of the fund	Luxembourg-incorporated umbrella SICAV, UCITS
Launch date	tbc
Bid/offer price	NAV
Currency	USD
Subscription/redemption	Daily
Minimum initial subscription	USD 50,000 or equivalent
Management fee	A: 0.75%; I: 0.40%
Management company	UBP Asset Management (Europe) SA
Investment manager	Union Bancaire Privée, UBP SA, Geneva
Administrator	CACEIS Bank Luxembourg S.A.
Registrar/transfer agent	CACEIS Bank Luxembourg S.A.
Custodian	BNP Paribas Securities Services Luxembourg
Auditor	Deloitte Audit S.à.r.l., Luxembourg
Countries where distribution is authorised	AT, CH, DE, FR, IT, LU, SG, UK
ISIN	AC USD: LU1861451513; IC USD: LU1861452677

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