Q3 2022

UBAm - Positive Impact Emerging Equity

Quarterly Comment

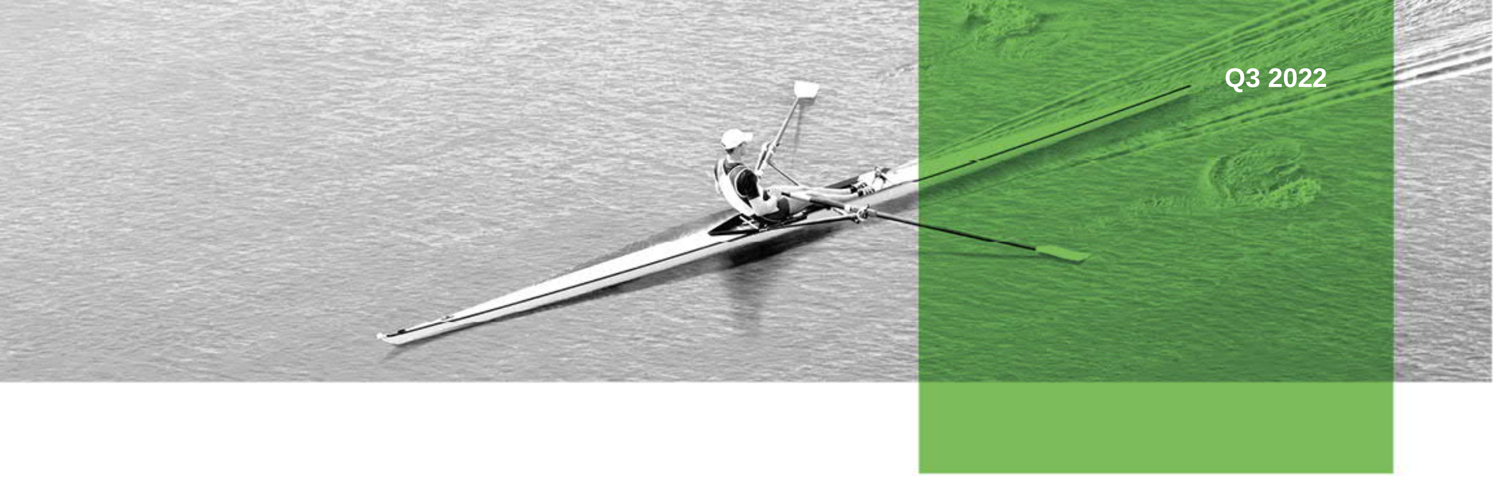
For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.
Fund classification under Sustainable Financial Disclosure Regulation (SFDR): Article 9

Market Comment

- The decline in most of the equity markets in the first half of 2022 has reflected both the rapid withdrawal of pandemic-era policy support from the global economy and the shock to global commodity supply chains that have spurred inflationary pressures around the world unlike any since the 1970s.
- In the US, markets were down over 5% over the quarter. A strong rebound in July and the first half of August was followed by a correction. The relative optimism about growth indicators was more than offset by increasing worries that the Federal Reserve might have to maintain rates higher for longer.
- In Emerging Markets, the quarter showed much stronger performance in Latin America (flat over the quarter due to a rising market in Brazil) than in EMEA (-6%) or Asia (-15%).
- Within Asia, China continued to be the weakest market, giving back its gains from late-Q2. The upcoming political events and a difficult macro environment, particularly for the real estate sector, continue to weigh on sentiment, negating the green shoots that appeared during the rally in June. The progressive unwind of Omicron restrictions in Hong Kong could serve as a sign of things to come for the services sector, which could benefit from a re-opening in Q3.
- India and Brazil were up for the quarter in dollar terms, while South Korea, Taiwan and South Africa had a more limited correction of 5 to 10%. In terms of sectors, they were all down but Consumer Staples, Utility, and Financials resisted better than Materials, Consumer Discretionary and Technology.
- The Non-Disclosure Campaign (NDC) organized by CDP also took place in Q3. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. The participants of the NDC collectively write to the companies on the target list and engage with them to try to simulate disclosure. This was the opportunity for the whole impact team to lead the effort on 20 companies, including 8 which are held in UBAM Positive Impact Emerging. Engagement will continue throughout the rest of the year, but the NDC provides a useful framework for collective action on this important topic.[1]

[1] https://www.cdp.net/en

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



Performance Review

- It was a weak quarter for equities globally. The fund outperformed its benchmark by 3.1%, with a performance of -8.5% (net of fees, IC USD class) vs -11.6% for MSCI Emerging markets*.

  ** net total return index*

- Country allocation had a limited impact but we still benefited from our OW in Brazil or Indonesia and suffered marginally from our UW on Middle-Eastern markets (Saudi Arabia, Qatar).

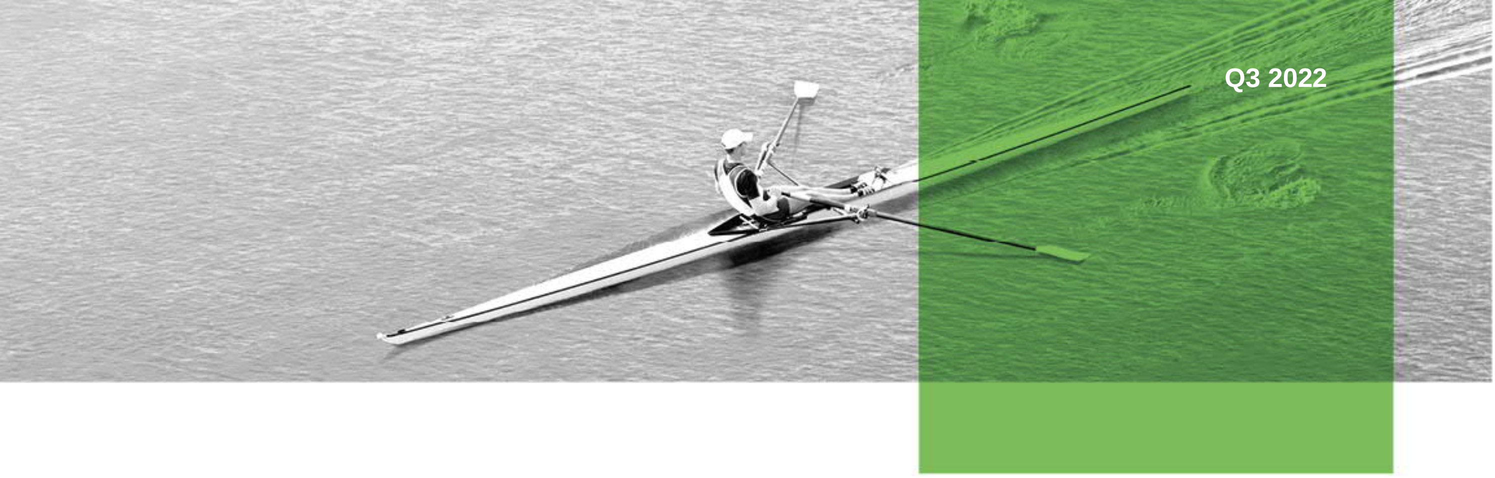
- There was a larger positive impact from our stock selection process within countries, such as:
  - China (rebounds from names having previously suffered from regulatory uncertainties: Weigao, Pinduoduo, and large tech names not in the portfolio such as Alibaba and Tencent still remaining weak)
  - South Korea: strong quarter for the battery makers who managed to maintain their margins despite a difficult raw materials environment. LG Chem and Samsung SDI lead the way.
  - Taiwan: no clear leader but a series of small outperformance by names such as Delta Electronics, Sinbon, and Cleanaway.
  - Individual stories in Mexico (Gentera), Brazil (Direcional) and India (Cipla).
- On the negative side, some of our financial bets lost ground (Bandhan and Cathay) reflecting a volatile macro environment. The renewables names also contributed negatively with both solar and wind names weighing on the relative performance. This has been a volatile year of the sector but the outlook for renewables installations remains bright and we intend to stay invested in this sector.

Portfolio activity:

- We added JD Health to the portfolio, as a replacement for Alibaba Health. The former has been outperforming the latter on profitability despite operating in a similar sector, which justifies the switch. We see their role in the healthcare online ecosystem as pretty similar, but the increasingly difficult funding environment for growth companies makes JD Health's operational resilience more attractive.

- We sold out of Yutong Bus due to a disappointing set of results (not for the first time), a lack of traction on their export markets, and a difficult environment in China due to the repeated lockdowns and the consumers' preference for individual car journeys.

- We also disposed of China Yuhua Education. There are continued regulatory uncertainties in the sector. We are ready to take the long-term view on that but in the case of Yuhua, it was coupled with a lack of responsiveness to our engagement attempts which made us focus on our other positions in the sector.



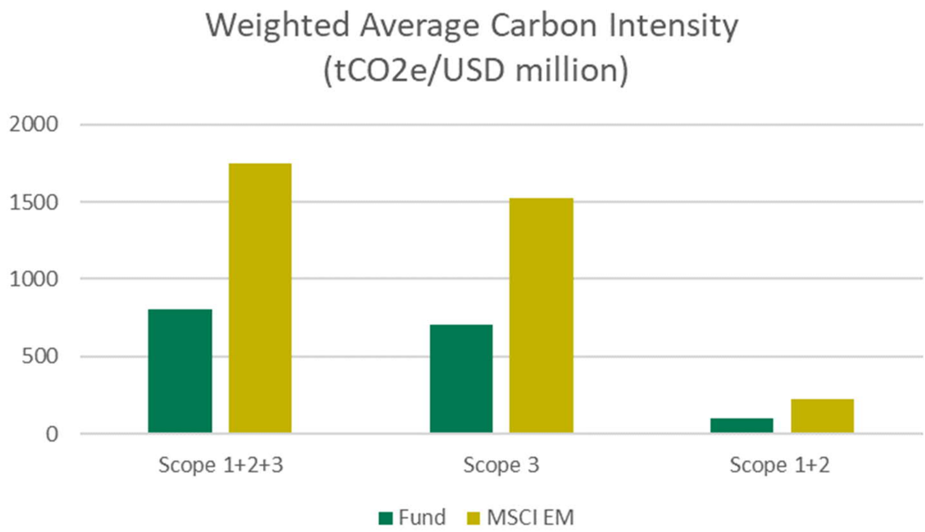
ESG Monitoring

Human rights and Social

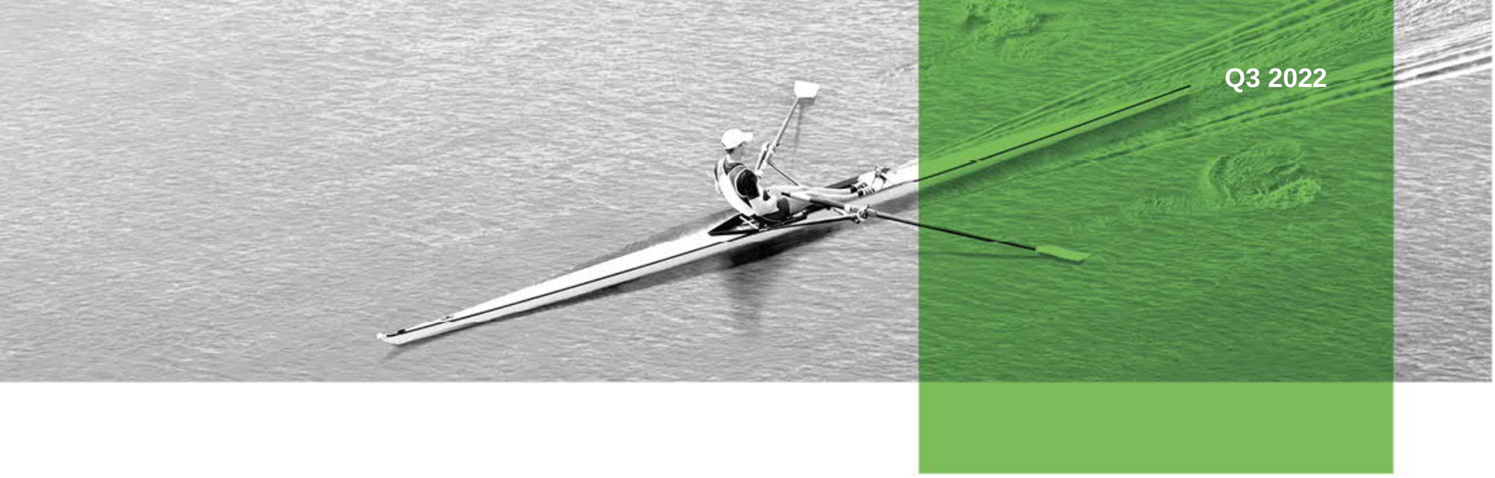
	UN Global Compact			Human Rights Compliance			Labor Compliance Core			Labor Compliance Broad		
	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail
Fund	39	3	0	39	3	0	41	1	0	41	1	0
MSCI EM	1344	36	3	1350	30	3	1377	6	0	1368	14	1
Fund	88.6%	6.8%	0.0%	88.6%	6.8%	0.0%	93.2%	2.3%	0.0%	93.2%	2.3%	0.0%
MSCI EM	97.2%	2.6%	0.2%	97.6%	2.2%	0.2%	99.6%	0.4%	0.0%	98.9%	1.0%	0.1%

UN GC & Human rights compliance disclosure: Fund 95.5% / Index: 99.8%
Labour compliance disclosure: Fund 95.5% / Index: 99.8%

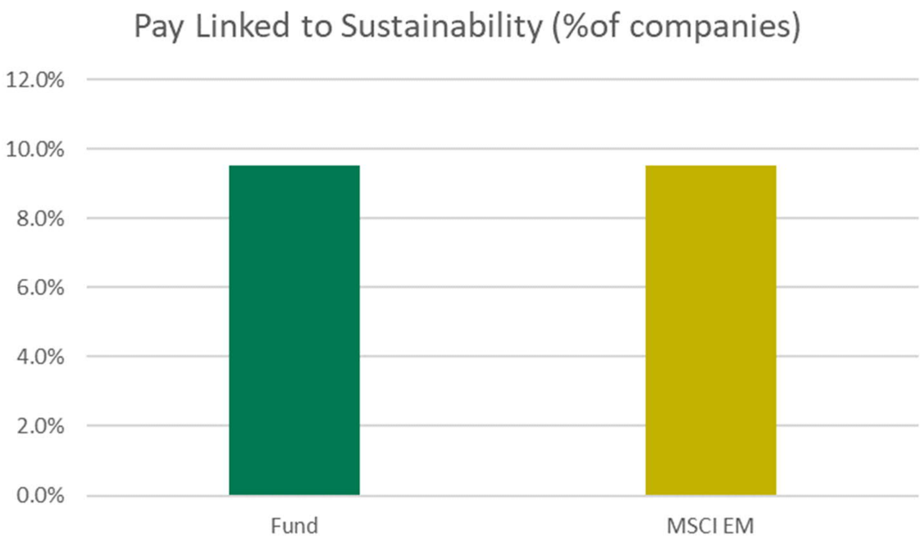
Environment (Disclosure: Fund 100% / Index: 99%)



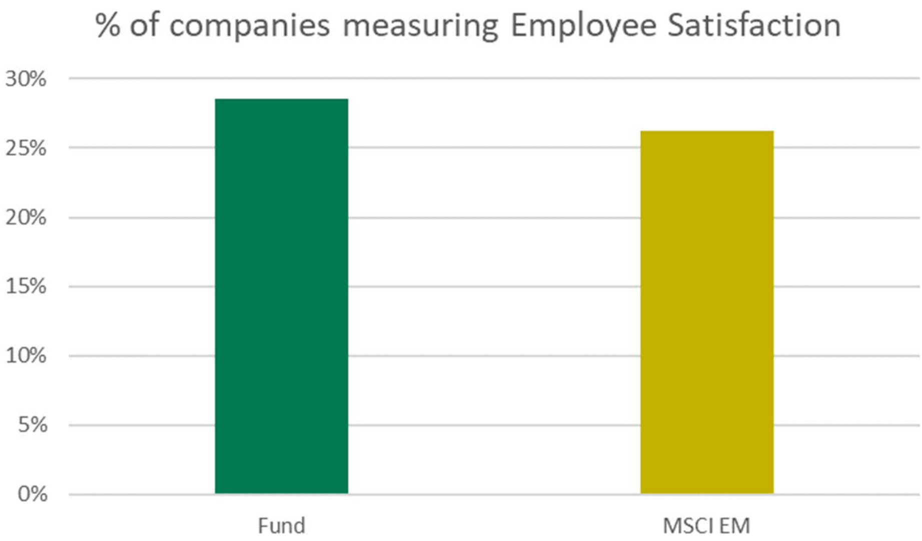
Carbon Intensity metric: UBAM - Positive Impact Emerging Equity aims to beat the benchmark (MSCI Emerging markets) for this metric



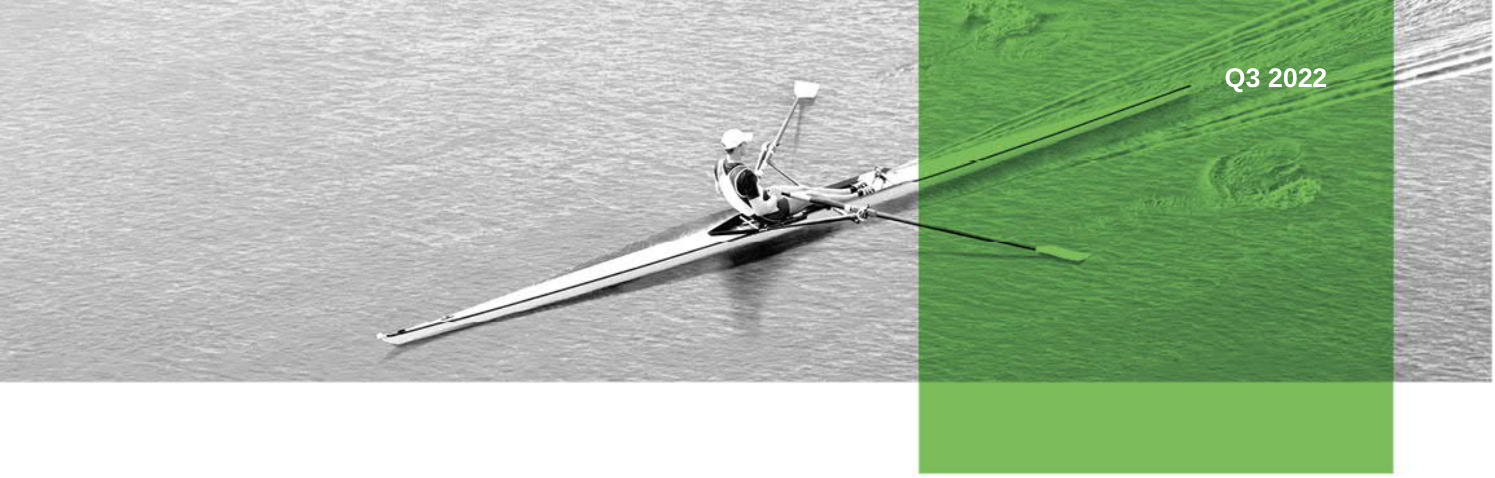
- **Governance** (Disclosure: Fund 95% / Index:100%)



- **Labour** (Disclosure: Fund 95% / Index: 99.7%)



Sources: UBP, Based on MSCI ESG Research LLC and Urgentem



Outlook

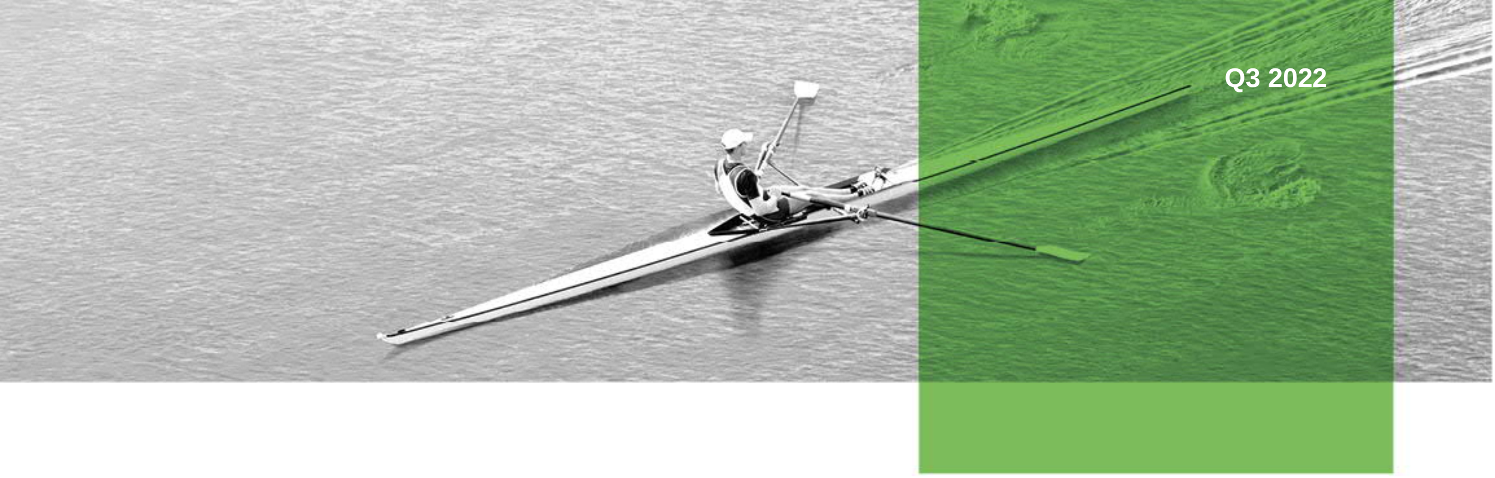
- We view the evolving debate around interest rate hikes, inflation, and terminal interest for this cycle as progressively more constructive, i.e., with the size of policy shocks announced so far in 2022, the bar for future shocks has been raised considerably. There is little doubt in our thinking that structural levels of inflation will remain high well into 2023 if not beyond, however, the next chapter in market may focus on reduction in peak prices (input commodities, logistics, energy costs, wages for example). This may usher in more frequent leadership changes in market themes and certainly suggests that the broad sell off high multiple growth stocks or energy intensive industrials may have seen the worst of the relative underperformance.

- There is an emerging tussle in many economies between the central bank agenda focused on controlling inflation in the knowledge that this may damage economic health, and the government agenda which is more focused on electoral popularity and the need for fiscal support, e.g., capping energy bills, reducing taxes etc. We would also highlight the rising commentary around potential dollar weakening, a response to the unprecedented rise in the trade weighted dollar year to date. We would expect currency movements to be a feature of coming quarterly reports from international companies. Finally, the growth powerhouse that was previously China continues to sputter with some forecasters now expecting 2022 growth as low as 2-3% due to the protracted covid lockdowns and real estate headwinds

- Given the magnitude of the USD strengthening and the accompanying liquidity tightening globally, we have been encouraged by EM equities' relative resilience so far, compared to similar episodes in the past. We believe this has been supported by cheap currencies, low equity valuations, tight monetary policies, and lack of excessive credit growth during the pre-tightening period. We believe these factors are likely to continue to work in favour of EM equities during the quarters ahead of us.

- In addition to unfavourable global liquidity conditions, China's growth deceleration partly related to the restrictions around its Covid policy is one of the major headwinds for EM equities. Furthermore, we will be watching for any signs of increasing tensions between China and the US as evidenced by the latest US restrictions on semi equipment makers selling to Chinese companies.

- As a team, we remain defensively positioned but we are now selectively more constructive on the quality growth companies, particularly those that are regionally diverse and capable of exerting pricing power. These kinds of companies are a core component of impact funds but have been a headwind to performance generally in 2022. Looking forward there are still many challenges to navigate, not least the size of any globally simultaneous recession, however, a focus on quality could once again become a driver of outperformance.



Appendix

Methodology

- Global Compact Compliance
  This factor indicates whether the company is in compliance with the United Nations Global Compact principles. The possible values are Fail, Watch List, or Pass.
- Human Rights Compliance
  This factor indicates whether the company is in compliance with the United Nations Guiding Principles for Business and Human Rights. The possible values are Fail, Watch List, or Pass.
- Weighted Average Carbon Intensity
  This figure represents the company's Scope 1 + Scope 2+ Scope 3 greenhouse gas emissions normalized by sales in USD, which allows for comparison between companies of different sizes. This is a weighted average calculated using Urgentem data.
- Labor Compliance - Core
  This factor indicates whether the company is in compliance with the International Labour Organization’s fundamental principles. The possible values are Fail, Watch List, or Pass.
- Labor Compliance - Broad
  This factor indicates whether the company is in compliance with the International Labour Organization’s broader set of labor standards. The possible values are Fail, Watch List, or Pass.
- Monitors employee satisfaction
  Flagged as "Yes" if company monitors employee satisfaction.
- Pay Linked to Sustainability
  Has the company, if designated as having either a high environmental or social impact, failed to incorporate links to sustainability performance in its current incentive pay policies? Flagged if yes. This metric is based entirely on the company’s own reporting, and is strictly focused on the specific inclusion or not of such metrics in the determination of variable pay components and does not take into consideration their effectiveness. High Environmental Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Carbon Emissions, Water Stress, Toxic Emissions & Waste, Product Carbon Footprint, Raw Material Sourcing, Packaging Material & Waste, Electronic Waste, Biodiversity & Land Use, Energy Efficiency. High Social Impact: If any of the following ESG Ratings Key Issues carry more than a 5% weight: Labor Management, Health & Safety, Product Safety & Quality, Supply Chain Labor

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