

# European Opportunity Sustainable

Concentrated Alpha Equity

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Aligned with  
**Article 8**  
of the EU SFDR

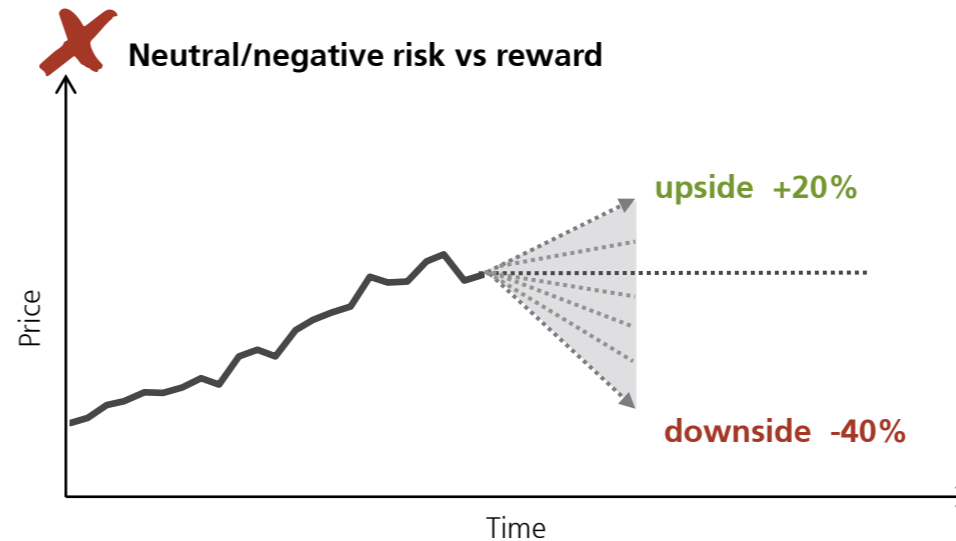
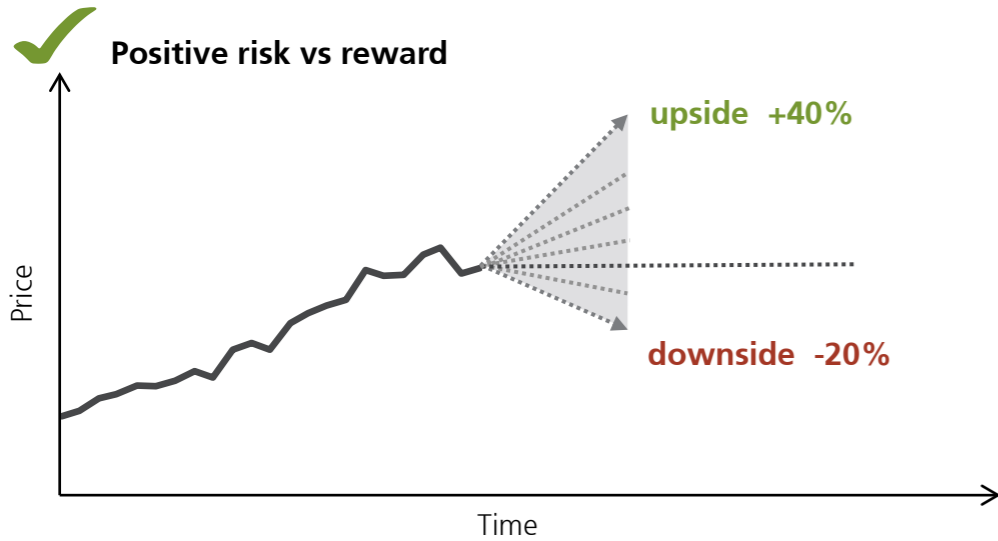


**Awards  
2021**

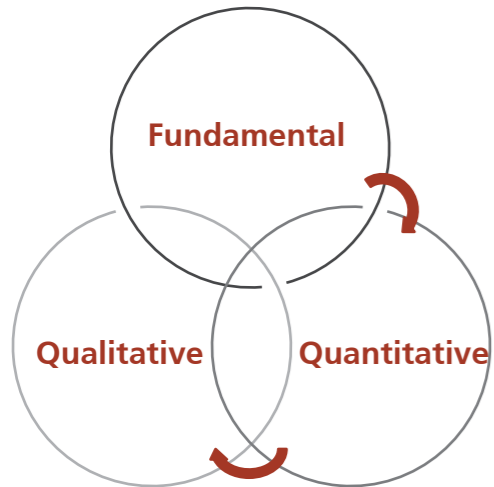
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# Investment philosophy: risk vs. reward



## Idea generation: Three circles



## Portfolio construction and risk

- Bottom-up stock selection process
- ESG integrated into research, portfolio construction and decision making
- Disciplined yet flexible approach
- High active share
- Holistic approach to risk
- Uncorrelated information sources

## Client portfolio

High active share portfolio with historically **good risk vs. reward** and **strong ESG profile**

# Top decile ranking fund vs. peers over 3, 5 and 10 years

UBS (Lux) Equity Fund – European Opportunity Sustainable (EUR) Q-acc

Morningstar Rating™: ★★★★★

## Performance as at 31 July 2021

| (Returns in EUR, %)           | Net of fees |             |             | Gross of fees |             |             |
|-------------------------------|-------------|-------------|-------------|---------------|-------------|-------------|
|                               | Fund        | MSCI Europe | Value added | Fund          | MSCI Europe | Value added |
| 3 years (cumulative.)         | 41.9        | 24.8        | +17.1       | 46.3          | 24.8        | +21.5       |
| 5 years (cumulative.)         | 64.0        | 50.8        | +13.2       | 72.5          | 50.8        | +21.7       |
| 10 years (cumulative.)        | 179.1       | 119.9       | +59.2       | 209.0         | 119.9       | +89.1       |
| SI <sup>1</sup> (cumulative.) | 197.8       | 119.2       | +78.6       | 239.6         | 119.2       | +120.4      |

## Peer ranking – Morningstar Europe Large Cap Blend Equity category

| Time period | Percentile ranking | Actual ranking |
|-------------|--------------------|----------------|
| 3 years     | 3 / 100            | 17 / 477       |
| 5 years     | 6 / 100            | 23 / 394       |
| 10 years    | 2 / 100            | 7 / 294        |

| Portfolio characteristics | SI <sup>1</sup> |
|---------------------------|-----------------|
| Beta                      | 0.9             |
| Active risk <sup>3</sup>  | 4.4%            |
| Volatility <sup>4</sup>   |                 |
| Fund                      | 13.9%           |
| Benchmark                 | 15.1%           |

*Managed by the same team according to the same investment process and philosophy for over 16 years*

Source: UBS Asset Management, Morningstar.

Note: **Past performance is not a guide to future performance.** Historical active risk is not a guide to the future. See attached disclosure information. Active risk levels will vary according to market conditions and our views. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Portfolio characteristics are shown net of fees.

1 Since inception of Q-acc share class 30 June 2008, annualised

2 Morningstar rankings to 31 July 2021.

3 Active risk is the standard deviation of the difference between the monthly composite and benchmark returns, based on logarithmic returns. Active risk is annualised for periods greater than one year.

4 Annualised standard deviation based on monthly logarithmic returns

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# ESG risk assessment using scores and qualitative research

Proprietary UBS ESG Risk Dashboard (for illustration purposes only):

| Company | Sector                        | ESG Risk Signal <sup>1</sup> | Sector-relative ESG risk             |                                | Identification of "Outliers" |                            |  |
|---------|-------------------------------|------------------------------|--------------------------------------|--------------------------------|------------------------------|----------------------------|--|
|         |                               |                              | UBS ESG Consensus Score <sup>2</sup> | Absolute ESG Risk <sup>3</sup> | Governance Risk <sup>4</sup> | Controversies <sup>5</sup> |  |
| A       | Life & Health Insurance       | ● No                         | 4.0                                  | Medium                         | 8.2                          | Pass                       |  |
| B       | Retail – Consumer Discretion  | ● Yes                        | 3.7                                  | Medium                         | 0.0                          | Pass                       |  |
| C       | Interactive Media & Services  | ● Yes                        | 6.5                                  | Severe                         | 1.5                          | Fail                       |  |
| D       | Technology Hardware, Services | ● No                         | 4.2                                  | Medium                         | 10.0                         | Watch List                 |  |
| E       | Diversified Consumer Services | ● Yes                        | 2.1                                  | Low                            | 5.0                          | Pass                       |  |
| F       | Software & Services           | ● No                         | 9.3                                  | Low                            | 10.0                         | Pass                       |  |
| G       | Beverages                     | ● Yes                        | 1.6                                  | High                           | 3.0                          | Pass                       |  |
| H       | Retail – Consumer Discretion  | ● No                         | 3.4                                  | High                           | 4.0                          | Watch List                 |  |

## Additional criteria for SI-focused strategies:



### Superior ESG profile

The portfolio places higher weight on securities that are more sustainable, i.e. the portfolio must either have a higher aggregated ESG score than the index or achieve a minimum ESG score threshold



### Superior CO<sub>2</sub> profile

The portfolio prioritizes to finance companies that emit less CO<sub>2</sub> emissions than those in the reference index.



### Active dialog

Maintaining an active dialog with and the exercising of voting rights in selected companies in order to improve their sustainability profile.



### Activity-based exclusions

Exclusions are applied in various areas based on products and involvement (e.g. tobacco, coal, controversial weapons).



### Single company exclusions

The most controversial companies are excluded independent of sector/business activity – conduct-based exclusions (e.g. UN Global Compact fail)

Source: UBS Asset Management, as of 2021. The table above does not represent the full coverage of the UBS ESG Proprietary Risk Dashboard.

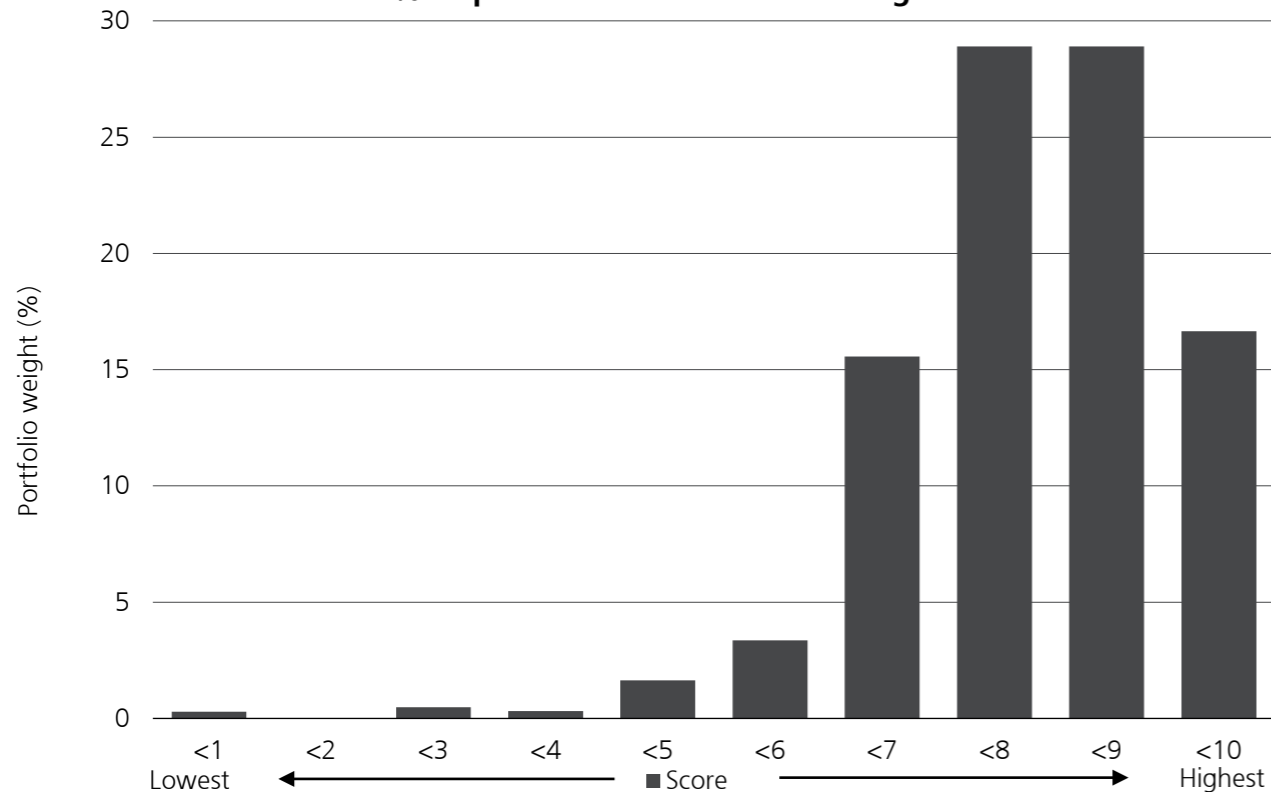
<sup>1</sup> Scale: yes/ no; <sup>2</sup> Scale: 0-10 with 10=best ESG score; <sup>3</sup> 5-level scale from negligible to severe; <sup>4</sup> Scale: 0-10 with 10=best G-score; <sup>5</sup> Scale: Pass/ Watch List/ Fail

# Strong ESG profile and well positioned for a greener future

European Opportunity Sustainable



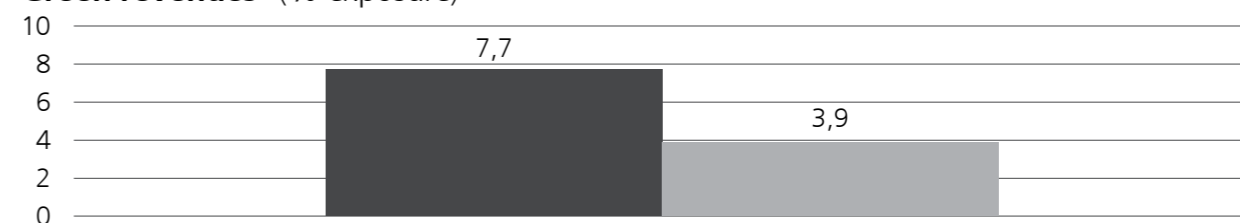
**ESG Consensus Score<sup>1</sup>: 93% of portfolio ranks above average**



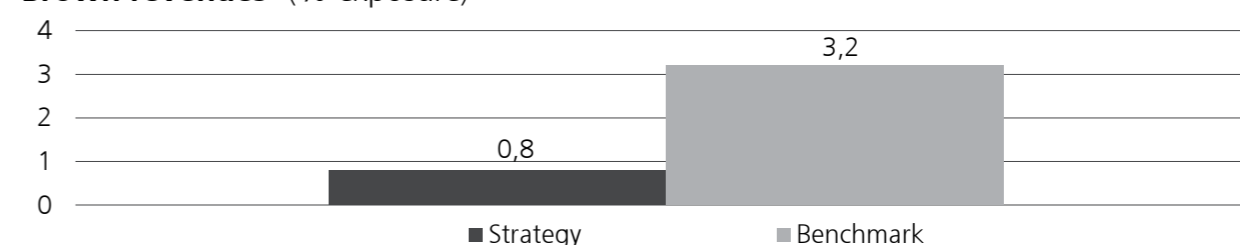
**Weighted average carbon intensity<sup>2</sup> (CO2e/USDm)**



**Green revenues<sup>3</sup> (% exposure)**



**Brown revenues<sup>4</sup> (% exposure)**



Source: UBS Asset Management, Morningstar, MSCI, as of 31 July 2021.

1 The UBS ESG consensus scores is the equal-weighted score across UBS, MSCI and Sustainalytics (1/3 each). Above average defined as a score greater than 5. The portfolio has 3.9% of stocks are not rated.

2 Carbon emissions (Scopes 1 & 2) per million sales generated by portfolio companies. The lower the better.

3 Proportion of revenue with exposure to "green" activities including alternative energy, energy efficiency, green building, pollution protection and sustainable water. The higher the better.

4 Proportion of revenue with exposure to "brown" activities including thermal coal extraction, conventional oil and gas, unconventional oil and gas, oil and gas refining, liquid fuel based power generation, natural gas based power generation, thermal coal based power generation. The lower the better.

# Unique value proposition

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## Consistent

- The fund has been managed by the same fund manager and according to the same philosophy and process for over 16 years
- The fund has consistently outperformed the index with a lower risk profile
- The fund outperforms most peers



## Sustainable

- Following decades of investing in companies with strong governance, we formally integrated sustainability into our process at the end of 2017
- Lead fund manager has 20+ years of investing experience and prior experience in Sustainable Investing



## Innovative

- Distinct bottom-up “3-circle” process combining fundamental, quantitative and qualitative analysis
- Process has remained unchanged since 2004 but constantly enhanced over the years to incorporate more sophisticated and modern techniques e.g. adopting Artificial Intelligence and Big Data methods

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