



For marketing purposes  
For qualified investors / professional clients



# MSCI Switzerland IMI Dividend ESG

First ETF to enhance Swiss Dividend with ESG

UBS Asset Management  
UBS Exchange Traded Funds

 12 years'  
experience in sustainable ETFs

March 2023



# Table of contents

Section 1	<b>Introduction</b>	2
Section 2	<b>Index Methodology</b>	5
Section 3	<b>Index Results</b>	7
Section 4	<b>Fund characteristics</b>	10
Section 5	<b>Appendix</b>	16
Section 6	<b>Disclaimers</b>	18

Section 1

# Introduction

# Overarching ESG framework

## Sustainable Investing

### Environmental

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Recognize companies that focus on offering products or services that contribute to environmentally sustainable economy

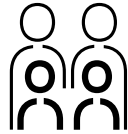


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- Climate change
  - Renewable and clean energy
  - Low carbon
  - Forestry investing
  - Water investments
  - Fossil fuel exclusion
- 

### Social

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Recognize companies that support development of human capital, implement best production practices and safety principles



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- Social and community impact
  - Solidarity funds
  - Social entrepreneurship
  - Microfinance investing
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### Governance

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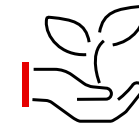
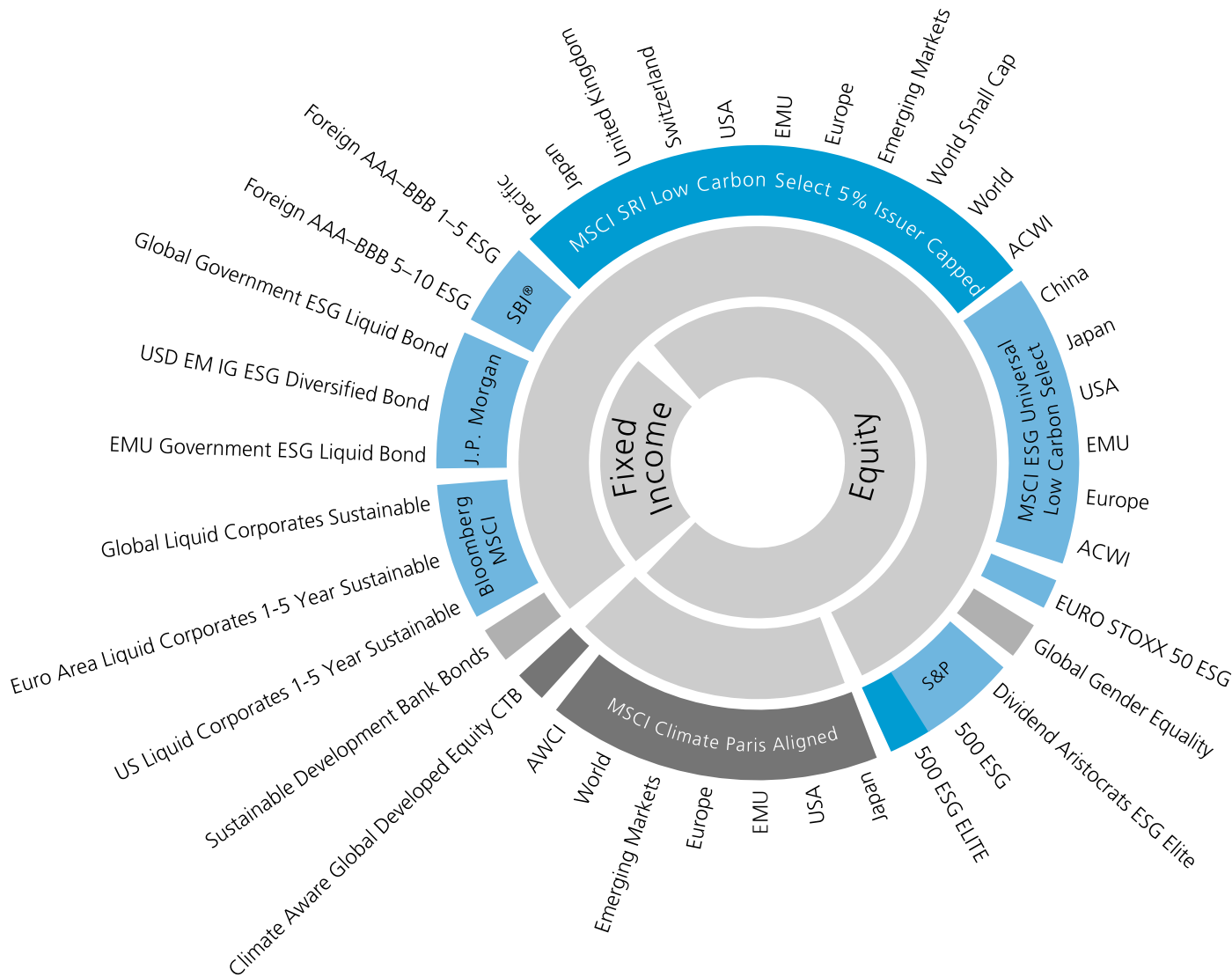
Recognize companies with strong corporate governance



- 
- Engagement investing
  - Business ethics
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Source: European Responsible Investing Fund Survey 2015, KPMG. UBS Asset Management

# UBS ETFs Sustainable Offering



36bn

USD AuM in sustainable ETFs



12 years

Experience in sustainable ETFs

## Our sustainable value proposition:

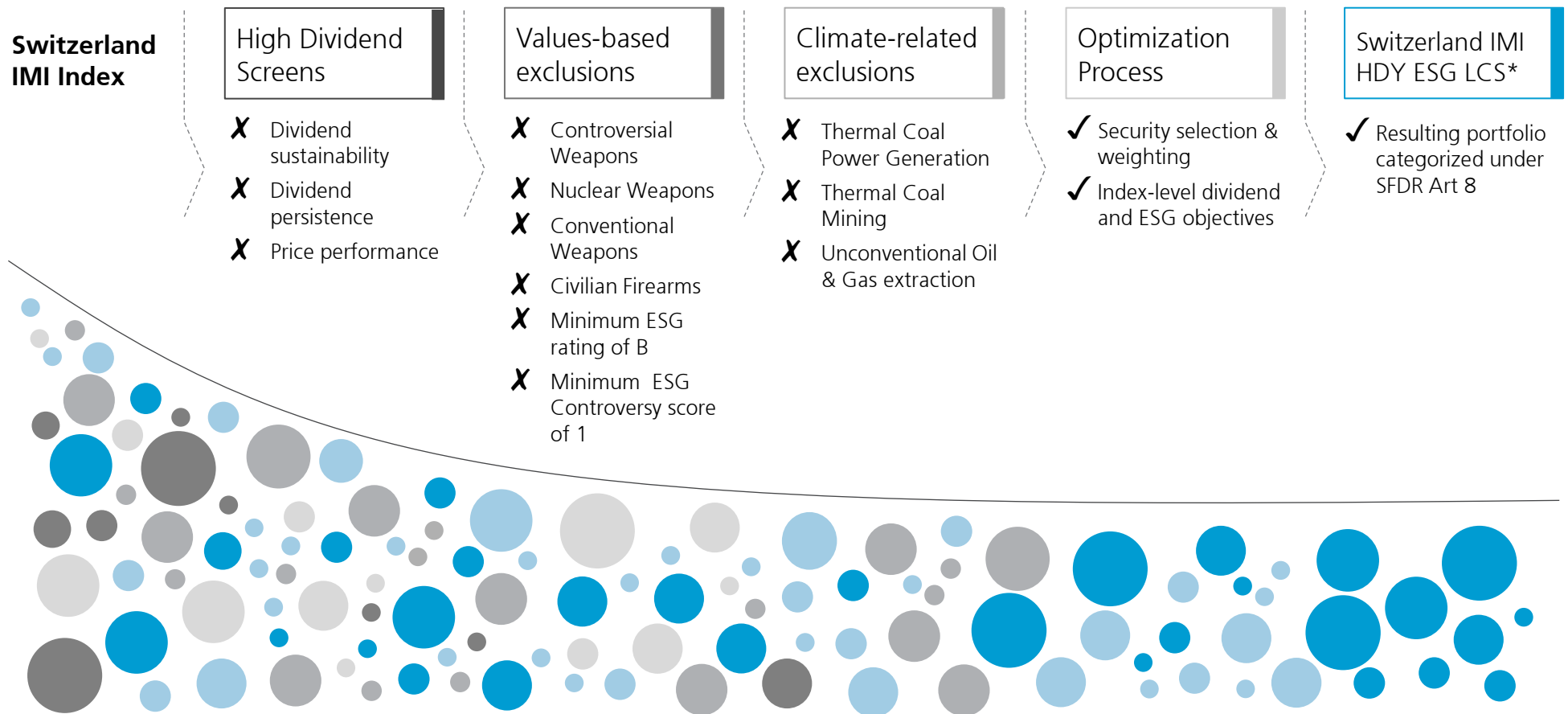
- Currency hedged share classes to major currencies
- Physically-replicating ETFs
- No securities lending
- Stewardship: Proxy voting & engagement

Section 2

# Index Methodology

# MSCI Switzerland IMI High Dividend Yield ESG LCS\*

## Methodology overview



\*Abbreviation for the MSCI Switzerland IMI High Dividend Yield ESG Low Carbon Select Net Total Return CHF Index.

Source: MSCI, UBS Asset Management. For illustration purposes only.

# High dividend screens

Selecting persistent and high-quality dividends

**Sustainability screening:** The dividend payout ratio may indicate whether future dividend payments might be in jeopardy.

Exclude securities with:

- **Zero or negative payout ratios** -> do not pay dividends or have negative earnings which may put their future dividend payments at risk.
- **Extremely high payout ratios\*** -> occurs when earnings are low relative to dividends

**Persistence screening:** Negative Dividend-per-share (DPS) growth is an indicator of shrinking dividend growth which could be a precursor to lower dividends.

- Exclude securities with a **negative 5Y DPS growth**

**Price performance screening:** Securities ranked in the **bottom 5% of the universe of securities with negative 1-year price performance** are excluded from the index.

\*Extremely high payout ratios is defined to be the top 5% of securities by number within the universe of securities with positive payout.

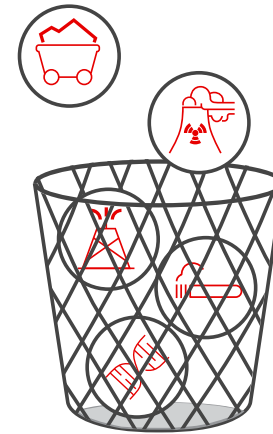
Source: UBS Asset Management, MSCI. March 2023.



# Business activity exclusions

## Exclusions summary

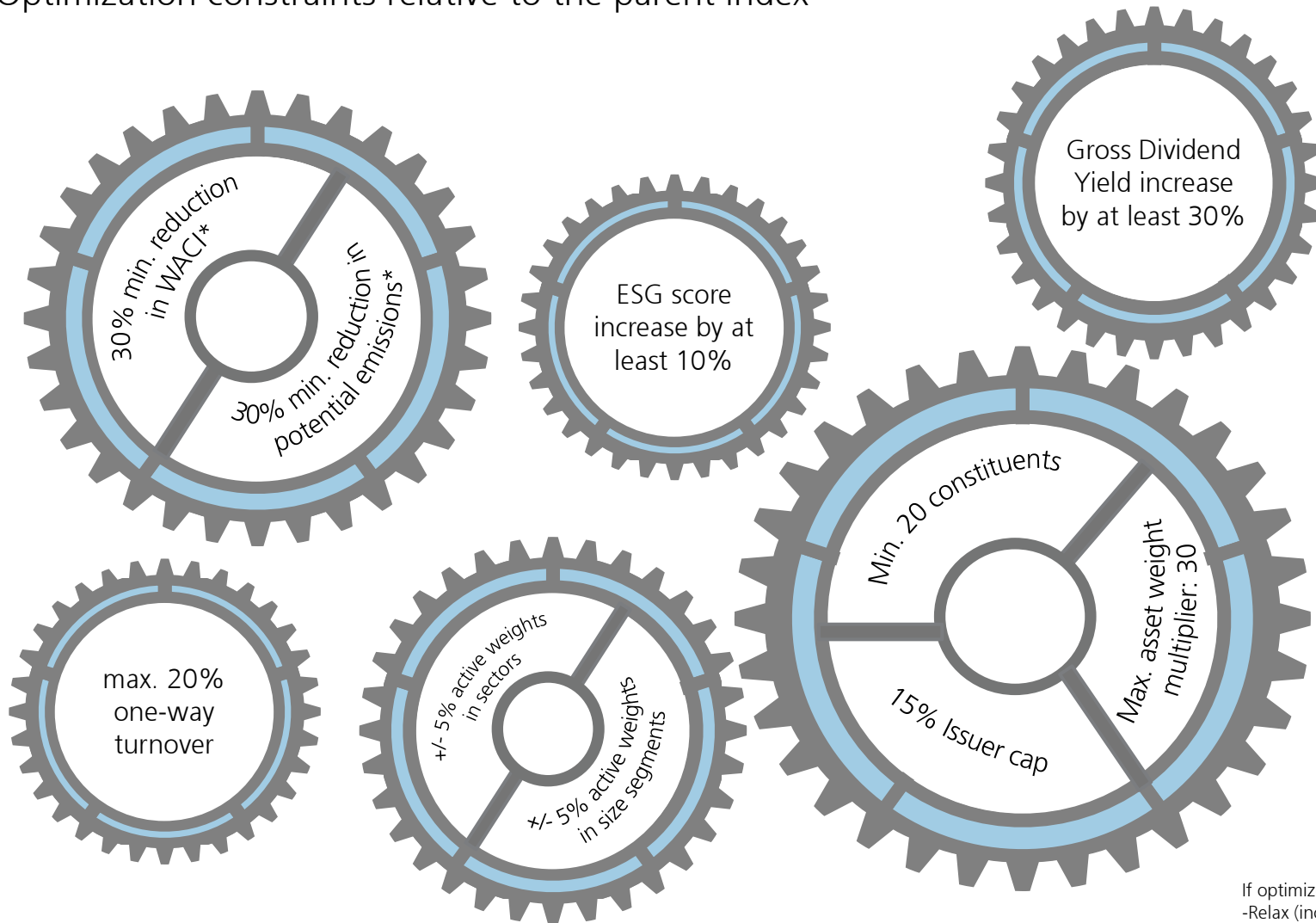
	<b>Revenue Threshold</b>
Controversial weapons	0%
Nuclear weapons	0%
Conventional weapons	5%
Civilian firearms	5%
Tobacco	5%
Thermal Coal	5%
Fossil Fuel extraction	5%
MSCI ESG Controversies Score	Minimum 1
MSCI ESG Rating	Minimum 'B'



Source: UBS Asset Management, MSCI, March 2023. For illustrative purposes only.

# Optimization process

Optimization constraints relative to the parent index



\*Weighted Average Carbon Intensity (WACI): Scope 1 & 2 Emission; Intensity: tCO2 / million \$ of sales

Source: UBS Asset Management, MSCI, March 2023.

If optimizer doesn't find a feasible solution, then

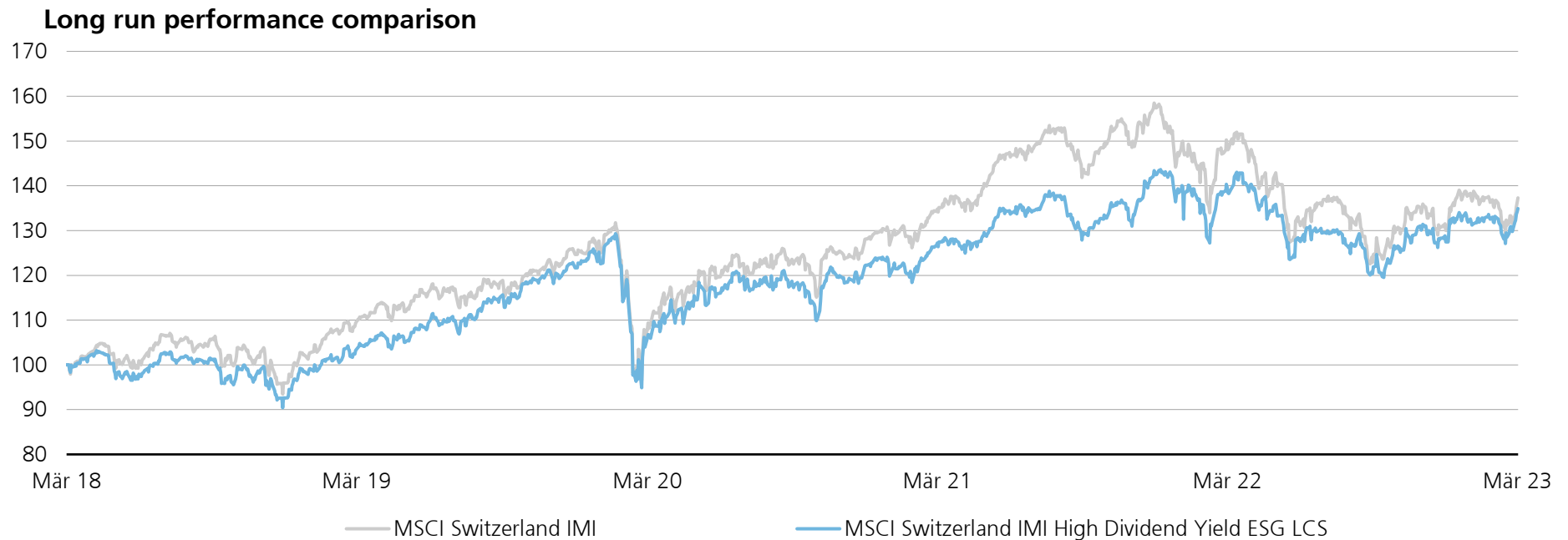
- Relax (increase) turnover constraint in step of 4% from 20% till 40%
- Relax (reduce) yield improvement constraint in steps of 3% from 30% till 15%

Section 3

# Index Results

# Performance analysis

## Performance vs. MSCI Switzerland IMI Index



	<b>MSCI Switzerland IMI</b>	<b>MSCI Switzerland IMI HDY ESG LCS</b>
<b>Total returns</b>	37.28%	34.95%
Returns p.a.	6.54%	6.17%
Volatility p.a.	15.26%	14.36%

Source: Bloomberg, UBS Asset Management. Data from 31 March 2018 to 31 March 2023.  
**Includes backtested data. Past performance is not a reliable indicator of future results.**

# Dividend yield

Dividend characteristics vs. MSCI Switzerland IMI Index

	MSCI CH IMI	MSCI CH IMI Dividend ESG
<b>Dividend Yield</b>	2.96	4.02
Price to Earnings ratio	18.88	15.86
Forward Price to Earnings ratio	16.21	14.02
Price to Book Value ratio	3.04	2.84

Source: UBS Asset Management, MSCI. Data as of 28 February 2023.

# ESG metrics

## ESG characteristics vs. MSCI Switzerland IMI Index

	MSCI CH IMI	MSCI CH IMI Dividend ESG
<b>ESG score</b>	7.8	8.6
Environmental Pillar Score	6.1	6.4
Social Pillar Score	5.1	5.9
Governance Pillar Score	6.4	6.9
Wtd. Avg Carbon Intensity (t CO2e/\$M Sales)	119	86
Potential Carbon Emissions (t CO2e/\$M Invested)	0	0

\*Weighted Average Carbon Intensity (WACI): Scope 1 & 2 Emissions.

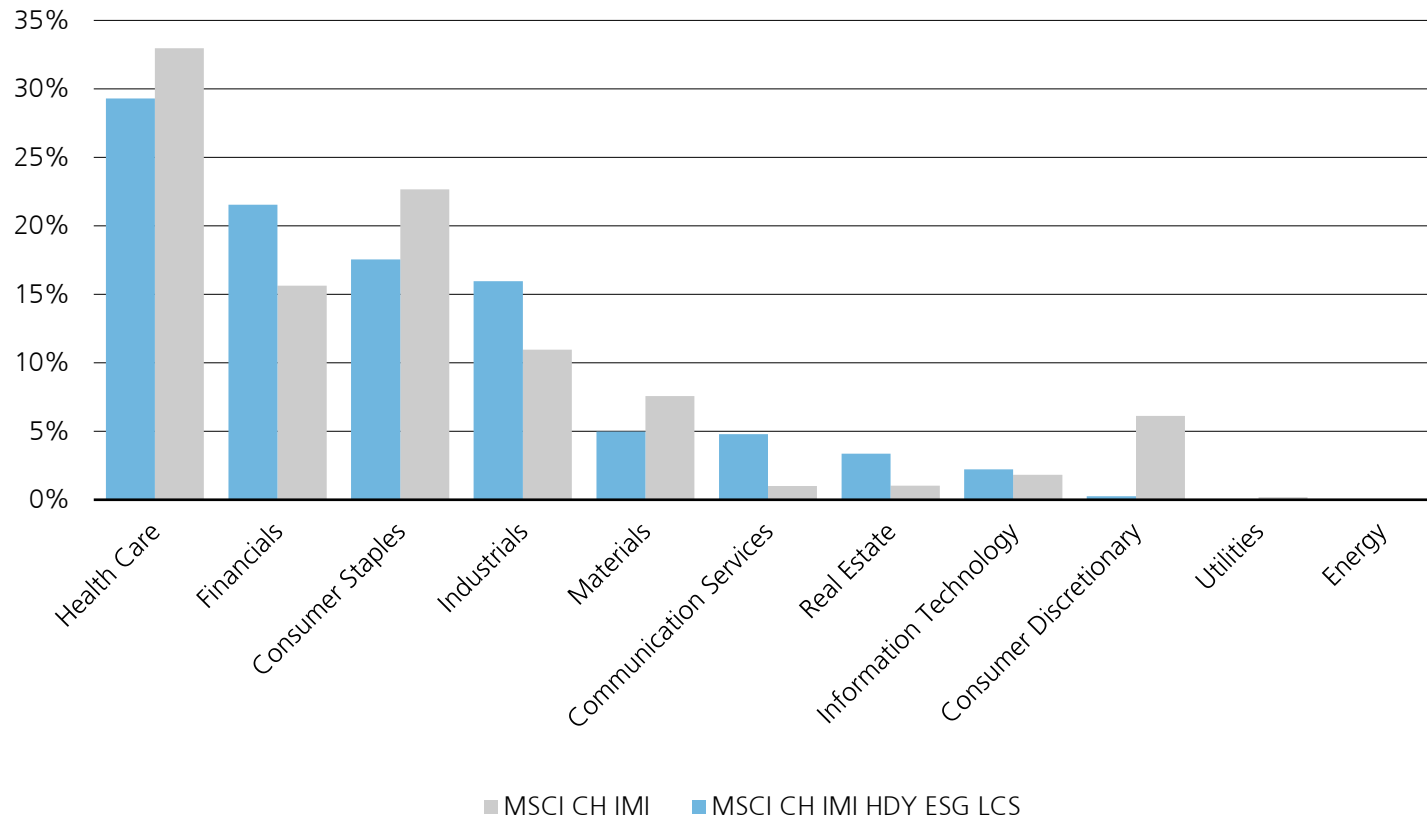
Source: UBS Asset Management, MSCI. Data as of 31 March 2023.

Any decision to invest should take into account all the characteristics or objectives of the promoted fund as described in its prospectus, or similar legal documentation.

# Portfolio composition

Sector breakdown vs. MSCI Switzerland IMI Index

## Sector breakdown



Source: UBS Asset Management, MSCI. Data as of 30 March 2023.

# Index composition

Constituents per 30 March 2023

No.	ISIN	Local Currency	Security Name	Market cap	Weight
1	CH0126881561	CHF	SWISS RE	1'045'171.44	16.30%
2	CH0012005267	CHF	NOVARTIS	952'225.76	14.85%
3	CH0038863350	CHF	NESTLE	936'658.70	14.61%
4	CH0025238863	CHF	KUEHNE & NAGEL INTL	620'302.20	9.68%
5	CH0012032048	CHF	ROCHE HOLDING	579'165.30	9.03%
6	CH0008742519	CHF	SWISSCOM	321'939.20	5.02%
7	CH0002497458	CHF	SGS	291'863.00	4.55%
8	CH0360674466	CHF	GALENICA	251'259.75	3.92%
9	CH0011075394	CHF	ZURICH INSURANCE	246'925.00	3.85%
10	CH0010645932	CHF	GIVAUDAN	213'712.00	3.33%
11	CH0011108872	CHF	MOBIMO	211'575.00	3.30%
12	CH0012453913	CHF	TEMENOS GRP	131'308.80	2.05%
13	CH0012214059	CHF	HOLCIM	104'592.50	1.63%
14	CH0225173167	CHF	CEMBRA MONEY BANK	85'784.40	1.34%
15	CH0012549785	CHF	SONOVA	79'913.00	1.25%
16	CH0315966322	CHF	BELL FOOD	77'556.00	1.21%
17	CH0111677362	CHF	ORIOR	67'794.20	1.06%
18	CH0012138605	CHF	ADECCO	67'191.93	1.05%
19	CH0009002962	CHF	BARRY CALLEBAUT	47'825.00	0.75%
20	CH0025343259	CHF	COLTENE HOLDING	24'699.20	0.39%
21	CH0000816824	CHF	OC OERLIKON	20'431.86	0.32%
22	CH0542483745	CHF	V-ZUG	16'968.00	0.26%
23	CH0038388911	CHF	SULZER	15'438.15	0.24%

Source: UBS Asset Management, MSCI. Data as of 30 March 2023.



Section 4

# Fund characteristics

# ETF Details

ETF Name	<b>UBS ETF (CH) - MSCI Switzerland IMI Dividend ESG ETF</b>
Share class	<b>(CHF) A-Dis</b>
ISIN	CH1244681594
ETF Bloomberg Ticker	CHDIV SW
TER	0.20%
Index	MSCI Switzerland IMI High Dividend Yield ESG Low Carbon Select Net Total Return CHF Index
Index Bloomberg Ticker	NF752585 Index
Currency	CHF
Index Description	<p>The MSCI Switzerland IMI High Dividend Yield ESG Low Carbon Select Index (herein, 'the Index') is designed to represent the performance of a strategy that seeks high Dividend Yield and systematic integration of environmental, social and governance (ESG) norms.</p> <p>The Index is constructed by selecting constituents of the MSCI Switzerland IMI Index (the 'Parent Index') and applying an optimization process that aims to maximize the exposure to the Yield factor, minimize Tracking Error, reduce the carbon-equivalent exposure to CO2 and other GHG, as well as reduce its exposure to potential emissions risk of fossil fuel reserves by thirty percent (30%) and improve the weighted-average industry-adjusted ESG score of the Index by ten percent (10%) with respect to the Parent Index</p>

If part or all of the total costs is to be paid in a currency different from your reference currency, the costs may increase or decrease as a result of currency fluctuations.

Investors are acquiring units in a fund, and not in a given underlying asset such as building or shares of a company.

Source: UBS Asset Management, 2023.

# ESG Characteristics and Investment Strategy (1/2)

## SFDR Article 8 classification



Environmental or social characteristics promoted by the financial product

The products described herein align to Article 8 of Regulation (EU) 2019/2088.

The following characteristics are promoted by the financial product:

- 1) tracks/tracking of a benchmark with a sustainability profile (ESG Score) that is higher than the parent benchmark's sustainability profile.
- 2) a Carbon Intensity (1, 2) emissions indicator lower than parent benchmark (MSCI)

The characteristics are measured using the following indicators respectively:

- The FUND\_ESG\_QUALITY\_SCORE
- Weighted average carbon intensity (Scope 1+2) MSCI



Investment strategy

This financial product seeks to promote the characteristic(s) described in its annex through Index selection and passive asset management.

This financial product is passively managed and seeks to track the performance and the ESG profile of the Index. Sustainability characteristics and risks are considered as part of the Index selection process. The Index which is stated by the index provider to be screened against environmental, social or governance criteria and any methodology used by the index provider to assess sustainability characteristics and risks of the constituents of the index can be found on the website of the index provider.

Source: UBS Asset Management, MSCI, 2023. For illustrative purposes only.

# ESG Characteristics and Investment Strategy (2/2)

UBS ETF tracks the MSCI Switzerland IMI HDY ESG Low Carbon Select Index



## Index Description

The MSCI Switzerland IMI High Dividend Yield ESG Low Carbon Select Index (herein, 'the Index') is designed to represent the performance of a strategy that seeks high Dividend Yield and systematic integration of environmental, social and governance (ESG) norms.

The Index is constructed by selecting constituents of the MSCI Switzerland IMI Index (the 'Parent Index') and applying an optimization process that aims to maximize the exposure to the Yield factor, minimize Tracking Error, reduce the carbon-equivalent exposure to CO2 and other GHG, as well as reduce its exposure to potential emissions risk of fossil fuel reserves by thirty percent (30%) and improve the weighted-average industry-adjusted ESG score of the Index by ten percent (10%) with respect to the Parent Index.

For a complete description of the index methodology, please refer to <https://www.msci.com/index-methodology>



## Exclusions: As a principle do not invest in companies that produce/do:

Controversial Weapons: cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary

Conventional Weapons

Nuclear Weapons

Civilian Firearms

Tobacco

Fossil Fuel Extraction: Thermal Coal Mining and Unconventional Oil & Gas Extraction (oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane)

Thermal Coal Power Generation

Global Norms Breach (UNGC, ILO, UNGPBHR)

## Measurement/Revenue Threshold\*

Any tie

>5% production or > 10% of revenues from the production, weapons systems, components, support systems and services

Any tie

Producer or >5% of revenues from the production and distribution

Producer or >5% of revenues from the production, distribution, retail, supply and licensing

>5% of revenues

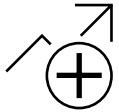
>5% of revenues

MSCI ESG Controversy Score

\*The index provider uses MSCI ESG Research as a third-party provider for the ESG characteristics.

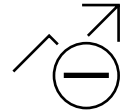
Source: UBS Asset Management, MSCI, March 2023. For illustrative purposes only.

# ETF Opportunities and risks



## Opportunities

- The investment objective is to replicate the price and return performance of the sub-fund's index net of fees.
- The fund generally invests in stocks contained in the Index. The relative weightings of the companies correspond to their weightings in the index.
- The fund is passively managed.
- The product described herein aligns to Article 8 of Regulation (EU) 2019/2088.
- Clients benefit from the flexibility of an exchange-traded investment.
- Provides access to the performance of the index with a single transaction.
- Optimized risk/return profile thanks to a broad diversification across a range of sectors.
- The fund offers a high degree of transparency and cost efficiency.



## Risks

- This UBS Exchange Traded Fund invests in equities and may therefore be subject to high fluctuations in value.
- For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required
- All investments are subject to market fluctuations
- Sustainability characteristics and risks are considered as part of the Index selection process.
- Every fund has specific risks, which may significantly increase under unusual market conditions.
- Changes in currency exchange rates may have an impact on fund value
- The fund's assets are passively managed. As a result, the net asset value of the fund is directly dependent on the performance of the underlying index. Losses that could be avoided via active management will not be offset.

Source: UBS Asset Management, March 2023.

Section 5

# Appendix

# Risk & Return metrics

	Return p.a.			Volatility p.a.			Downside Vol p.a.		
	MSCI Switzerland IMI	MSCI Switzerland IMI High Dividend Yield ESG LCS	Diff vs parent	MSCI Switzerland IMI	MSCI Switzerland IMI High Dividend Yield ESG LCS	Diff vs parent	MSCI Switzerland IMI	MSCI Switzerland IMI High Dividend Yield ESG LCS	Diff vs parent
1 Year (Mar-22 to Mar-23)	-7.27%	-2.54%	4.73%	14.63%	12.71%	-1.92%	10.59%	9.03%	-1.56%
2 Years (Mar-21 to Mar-23)	1.17%	3.33%	2.16%	14.07%	12.79%	-1.28%	10.13%	9.25%	-0.88%
3 Years (Mar-20 to Mar-23)	7.86%	8.13%	0.27%	14.22%	13.32%	-0.89%	10.04%	9.42%	-0.62%
4 Years (Mar-19 to Mar-23)	5.83%	6.92%	1.09%	15.86%	15.01%	-0.86%	11.80%	11.19%	-0.61%
5 Years (Mar-18 to Mar-23)	6.54%	6.17%	-0.36%	15.26%	14.36%	-0.90%	11.28%	10.66%	-0.62%
YTD (Dec-22 to Mar-23)	5.57%	5.87%	0.30%	13.12%	11.58%	-1.54%	8.09%	6.76%	-1.33%
Dec-21 to Dec-22	-17.43%	-10.59%	6.85%	16.63%	15.18%	-1.45%	12.37%	11.38%	-0.99%
Dec-20 to Dec-21	22.88%	16.53%	-6.35%	10.21%	9.55%	-0.67%	7.04%	6.61%	-0.43%
Dec-19 to Dec-20	2.76%	0.49%	-2.27%	22.49%	22.01%	-0.48%	17.35%	16.97%	-0.38%
Dec-18 to Dec-19	29.92%	31.38%	1.46%	9.97%	9.19%	-0.78%	6.58%	5.90%	-0.68%

Source: Bloomberg, UBS Asset Management. Data from 31 March 2018 to 31 March 2023. Calculation based on daily data, for each period the returns figures are annualized except for YTD. **Includes backtested data. Past performance is not a reliable indicator of future results.**

# Risk & Return metrics

## Tracking (Assume Rf=0)

## Risk/Return metrics (Rf=0)

	Correlation MSCI Switzerland IMI High Dividend Yield ESG LCS vs MSCI Switzerland IMI	Tracking error MSCI Switzerland IMI High Dividend Yield ESG LCS vs MSCI Switzerland IMI	Sharpe Ratio MSCI Switzerland IMI	Sharpe Ratio MSCI Switzerland IMI High Dividend Yield ESG LCS	Sortino Ratio MSCI Switzerland IMI	Sortino Ratio MSCI Switzerland IMI High Dividend Yield ESG LCS	Information Ratio MSCI Switzerland IMI High Dividend Yield ESG LCS vs MSCI Switzerland IMI
1 Year (Mar-22 to Mar-23)	0.940	5.12%	-0.50	-0.20	-0.69	-0.28	0.93
2 Years (Mar-21 to Mar-23)	0.875	6.82%	0.08	0.26	0.12	0.36	0.32
3 Years (Mar-20 to Mar-23)	0.906	6.03%	0.55	0.61	0.78	0.86	0.04
4 Years (Mar-19 to Mar-23)	0.937	5.55%	0.37	0.46	0.49	0.62	0.20
5 Years (Mar-18 to Mar-23)	0.940	5.20%	0.43	0.43	0.58	0.58	-0.07
YTD (Dec-22 to Mar-23)	0.923	5.08%	0.42	0.51	0.69	0.87	0.06
Dec-21 to Dec-22	0.856	8.67%	-1.05	-0.70	-1.41	-0.93	0.79
Dec-20 to Dec-21	0.926	3.88%	2.24	1.73	3.25	2.50	-1.64
Dec-19 to Dec-20	0.981	4.40%	0.12	0.02	0.16	0.03	-0.52
Dec-18 to Dec-19	0.942	3.37%	3.00	3.42	4.55	5.32	0.43

Source: Bloomberg, UBS Asset Management. Data from 31 March 2018 to 31 March 2023. Calculation based on daily data.  
**Includes backtested data. Past performance is not a reliable indicator of future results.**



# Business Exclusion Criteria

(1/2)

## Values-Based Exclusions

- **Controversial weapons:** All companies with any tie to controversial weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>.
- **Conventional weapons:**
  - All companies deriving 5% or more revenue from the production of conventional weapons and components
  - All companies deriving 10% or more aggregate revenue from weapons systems, components, and support systems and services
- **Nuclear weapons:**
  - All companies that manufacture nuclear warheads and/or whole nuclear missiles
  - All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles)
  - All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons
  - All companies that provide auxiliary services related to nuclear weapons
  - All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles)
  - All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons
  - All companies that manufacture components for nuclear-exclusive delivery platforms
- **Civilian firearms:**
  - All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.
  - All companies deriving 5% or more revenue from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use
- **Tobacco:**
  - All companies classified as a “Producer”
  - All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products

Source: UBS Asset Management, MSCI, March 2023.

# Business Exclusion Criteria

(2/2)

## Climate-related Exclusions

### Fossil Fuel Extraction:

- All companies deriving more than 5% revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes revenue from metallurgical coal; coal mined for internal power generation (e.g., in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading
- All companies deriving more than 5% revenue (either reported or estimated) from unconventional oil and gas extraction. It includes revenue from the production of oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including onshore or offshore oil and gas production in the Arctic region, deep water, shallow water, and other onshore/offshore oil and gas.

### Thermal Coal Power:

- All companies deriving more than 5% revenue (either reported or estimated) from the thermal coal-based power generation

Source: UBS Asset Management, MSCI, March 2023.

# Contact information



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Section 6

# Disclaimers

# Risk information

## **UBS ETFs investing in equities**

UBS Exchange Traded Funds invest in equities and may therefore be subject to high fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions. The fund's assets are passively managed. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying equities. Losses that could be avoided via active management will not be offset.

## **UBS ETFs investing in Real Estate Funds**

The funds invest in real estate funds under Swiss law that are denominated in CHF and invest exclusively in Swiss properties. The price of the underlying fund units is not determined by estimates of market value but by investor supply and demand. All investments are subject to market fluctuations. Every fund has specific risks, which may increase considerably in unusual market conditions. The fund's assets are passively managed. Please contact your client advisor if you wish to receive further information on the investment risks associated with this product.

## **UBS ETFs investing in Metals**

The UBS Exchange Traded Fund investing in metals may be subject to considerable fluctuations in value. Investors therefore require an investment horizon of at least five years and corresponding risk tolerance and capacity. All investments are subject to market fluctuations. All funds have specific risks, which may significantly increase under unusual market conditions. The fund's assets are passively managed. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying equities. Losses that could be avoided via active management will not be offset.

## **UBS ETFs investing in Oil and Commodities**

The Fund delivers the returns of a broadly diversified commodity index and may therefore be subject to high fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. The returns payable on the Fund are dependent on payments received by the Fund from the Swap Counterparty under the terms of the Relevant Swap and, therefore, are subject to the credit risk of the Swap Counterparty. In the event that the Swap Counterparty defaults under the terms of the Relevant Swap, the Fund may suffer a loss. Assets are passively managed meaning losses that could be avoided via active management will not be offset. The net asset value of the Fund's assets are materially dependent on the performance of the underlying investments. If all or part of the total costs to be paid is different from your reference currency, the costs may increase or decrease as a result of currency and exchange rate fluctuations. Commissions and costs have a negative impact on the investment and on the expected returns. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency and exchange rate fluctuations. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions.

## **UBS ETFs investing in Fixed Income**

This UBS Exchange Traded Fund invests in government bonds of a single country and may therefore be subject to fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions. The fund's assets are passively managed. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying index. Losses that could be avoided via active management will not be offset.

## **Climate-focused investments**

The Fund is subject to the risk that its climate-focused investment strategy may select or exclude securities of certain issuers for reasons other than investment performance considerations. Climate Criteria and risks are considered as part of the Index selection process.

## **ESG investments**

Sub-fund's that are classified as Article 8 or Article 9 Product are passively managed, tracking the reference of their relevant index. Sustainability characteristics and risks are considered as part of the relevant index' selection process or in case of a fund applying the Climate Awareness Overlay, in the investment decision process. The integration of these ESG characteristics and risks could have a positive or negative impact (compared to not considering ESG) on the performance of the sub-fund

## **Retail investors**

Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company.

## **Any decision to invest should take into account all the characteristics or objectives of the promoted fund as described in its prospectus, or similar legal documentation.**

For complete information about the fund, including the risks of investing, applicable fees (e.g. entry or exit fees) and other important information, investors prior to investing should read the Key Investor Information Document (KIID), full prospectus, the complete risk information and any applicable local offering documents. Please refer to your adviser for more information.

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The product described herein aligns to Article 8 of Regulation (EU) 2019/2088.

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