

Small cap, large opportunity

UBS Asset Management—Asia Equity Small Cap

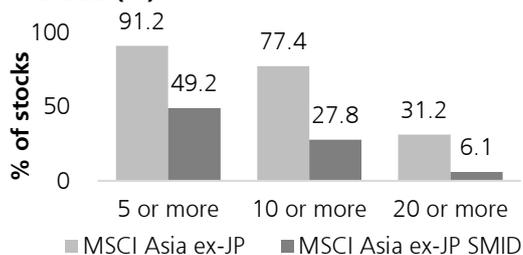
Asia small cap stocks have delivered superior risk-adjusted returns, can complement large cap portfolios, and are under researched, providing opportunities to exploit inefficiencies in the market.

Why Asia small-cap stocks?

Asian small and mid cap companies are under researched by sell-side analysts (Figure 1). Therefore this universe provides more potential opportunities to outperform by exploiting knowledge inefficiencies. Smaller companies also may have a stronger growth outlook than larger ones over time, due to their earlier stage of development: the "law of large numbers" suggests that, as a business expands, the percentage rate of growth becomes increasingly difficult to maintain. Investors who can spot future winners at an early stage could capture superior risk-adjusted returns.

Asian small and mid caps are not as risky as generally perceived. Over the longer term, our portfolio has delivered higher risk-adjusted returns vs. the broader Asia ex-Japan market, as well as the Asian small and mid cap universe.

Figure 1: Analyst coverage of companies by number of stocks (%)



Source: MSCI, Jefferies, as of August 2020.



This means successful small cap investing requires:

- **Stock selection** expertise for consistent performance
- **Deep research** capabilities of professional investment firms
- Portfolio management and risk management teams, who have a **history of investing in Asia**
- **Strong risk management in identifying winners and avoiding losers**

...providing a significant advantage in navigating this asset class.

An Asian small cap portfolio can serve as a complement and provides good diversification to a large cap portfolio.

Why UBS Asia Small Cap?



Performance

Strong and consistent outperformance coming primarily from stock selection



Experience

Stable, experienced and award-winning team of 19 investment professionals



"Boots-on-the-ground" research

Proprietary fundamental and differentiated research provides an edge



Approach

Focusing on quality, growth and valuations to build a portfolio of typically 40-80 best ideas in sector leaders

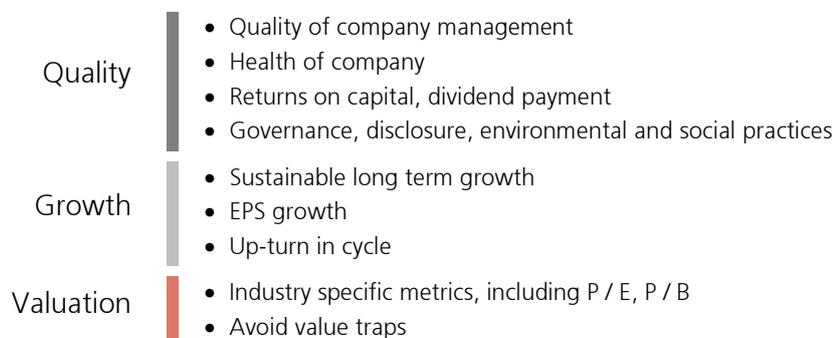


China

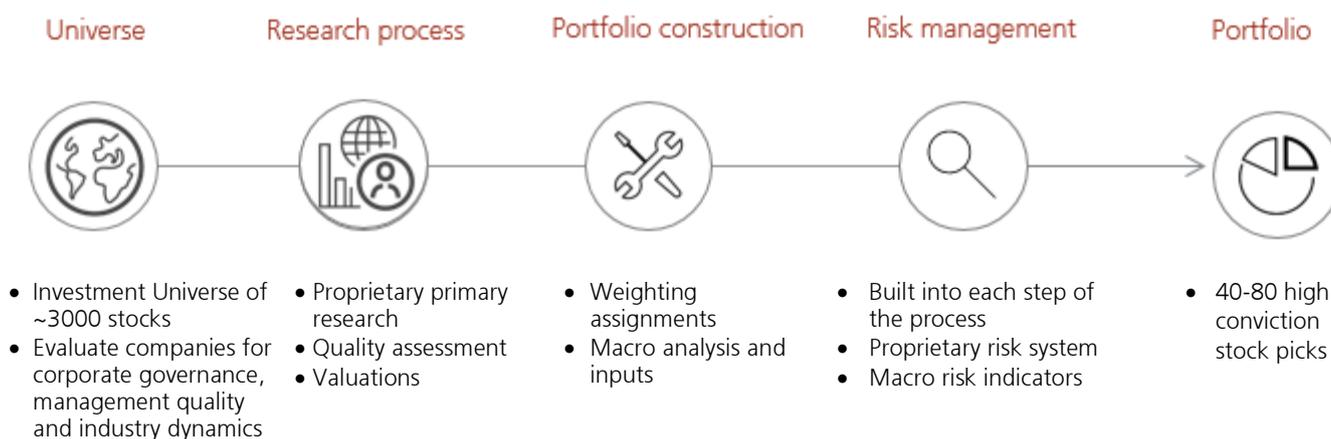
Deep expertise on China equities (the largest part of EM) with 8 dedicated professionals

Investment philosophy

We only invest in businesses we understand and whose management we trust. Management quality, integrity and transparency are as important as the numbers. And the business model must be financially sustainable.

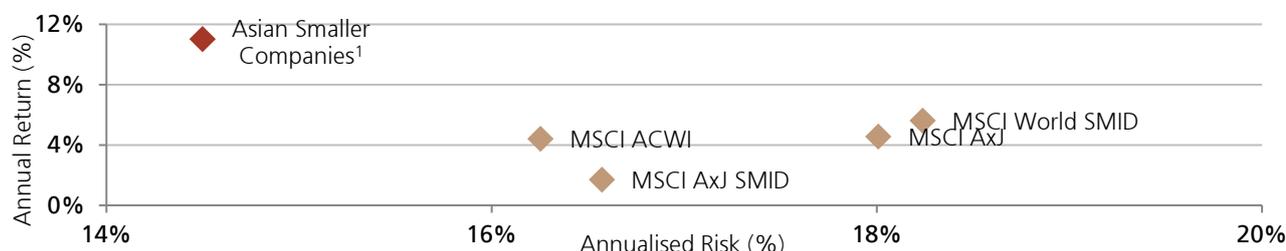


Established investment process



Asia SMID Caps have delivered superior risk adjusted returns

Higher Sharpe ratio versus Asia / Global large caps and Global SMID caps



Since 2007

(except for Asian Sm Cos ¹)	Asian Smaller Companies ¹	MSCI AxJ	MSCI AxJ SMID	MSCI World SMID	MSCI ACWI
Return (annualized)	11.0%	4.6%	1.7%	5.6%	4.4%
Risk (annualized)*	14.5%	18.0%	16.6%	18.2%	16.3%
Return per unit risk	0.71	0.25	0.10	0.31	0.27

Note: Risk is calculated the annualized standard deviation of daily returns and the Return is calculated as the annualized average daily return. Risk-free rate is U.S. T-Bills 30 Day (FTSE) (UST30DLC). Annualized risk and returns (gross-of-fees) of the Asian Smaller Companies composite since inception on April 2012 to end May 2020. MSCI, UBS Global Research. Data as of 9 June 2020. Past performance of investments is not necessarily an indicator of future results.

Why UBS-AM for Asian Equities?

- ✓ Track record with Asian Equities going back to 1992¹
- ✓ 30 years developing investment experience in the region
- ✓ PM team with 25 years average industry experience, of which 17 years with UBS²
- ✓ Over USD 60 bn³ in total assets under management in Emerging Markets Equities

- ✓ 1 Inception: Asia ex Japan Equity (CORE): 31 Jan 1992
- ✓ 2 As of October 2020
- ✓ 3 As of 31 December 2020



Portfolio Management

Geoffrey Wong is Head of Emerging Markets and Asia-Pacific Equities with overall responsibility for all Emerging Markets, Asian, Japanese and Australian equity teams, strategies and research. Geoffrey is also responsible for research, portfolio management and construction for Emerging Market Strategies. He chairs the Emerging Markets Equity Strategy Committee and is based in Singapore.

Projit Chatterjee is a Senior Equity Specialist within the Emerging Markets and Asia-Pacific Equities team. He has primary responsibility for overall product positioning and development of Emerging Markets and Asian equity strategies, as well as marketing and communication of these strategies to existing and prospective clients globally. He is a member of the Emerging Markets Equity Strategy Committee and is based in Singapore.

Shou Pin Choo is a Portfolio Manager and Technology sector Analyst within the Global Emerging Markets and Asia Pacific Equities team. He is member of the Global Emerging Markets Strategy Committee and is based in Singapore. He is also the research coordinator for Asia ex-Japan.

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Americas

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EMEA

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