Why invest sustainably?
The value of sustainability to investors can best be understood in the broader context of how firms are valued today compared to 40 years ago. In 1975, 83% of the market value of the S&P 500 firms was generated by their tangible assets. Today, the vast majority of market value, 84%, is associated with intangible assets such as brand, reputation, culture, customer satisfaction, human capital, risk management, research and development and a company’s social license to operate.

It’s not hard to grasp that ‘non-financial’ sustainability risks can have a real economic impact on companies—sometimes of seismic proportions. Our central belief is that by considering this new and evolving set of non-financial data, equity analysts can deliver a more accurate and comprehensive view of a company’s opportunities and risks.

We believe our proprietary approach to incorporating non-financial sustainability data into security analysis provides a more accurate picture of a company’s future profitability, identifies risks to its value chain, and evaluates its ability to innovate and grow.

We develop proprietary sustainability scores for each company based on key performance indicators developed by the Sustainability Accounting Standards Board (SASB), a non-profit organization that provides standards for reporting material non-financial information to investors. This process allows us to have an objective ESG score which is transparent, comparable, and which reflects our proprietary assessment of a company’s sustainability profile. Companies that earn more than 5% of their revenue in controversial business areas are excluded in advance.

The strategy seeks to outperform MSCI World Index by 2% - 3% per annum gross return over the course of a full market cycle.

Seeking sustainable returns

Incorporating non-financial sustainability factors in the investment process can help identify truly competitive business models and companies that can generate attractive financial results over the long term.

Why UBS Global Sustainable Equity?
The strategy employs a best-in-class approach that evaluates material sustainability data simultaneously with traditional financial data and competitive analysis to make investment decisions. We believe our approach to incorporating non-financial sustainability data into security analysis provides a more accurate picture of a company’s future profitability, identifies risks to its value chain, and evaluates its ability to innovate and grow.

We develop proprietary sustainability scores for each company based on key performance indicators developed by the Sustainability Accounting Standards Board (SASB), a non-profit organization that provides standards for reporting material non-financial information to investors. This process allows us to have an objective ESG score which is transparent, comparable, and which reflects our proprietary assessment of a company’s sustainability profile. Companies that earn more than 5% of their revenue in controversial business areas are excluded in advance.

The strategy seeks to outperform MSCI World Index by 2% - 3% per annum gross return over the course of a full market cycle.

\(^1\) Market cycle generally represents 3 – 5 years. This does not constitute a guarantee by UBS Asset Management.
Philosophy
Our investment philosophy combines fundamental research with rigorous sustainability analysis. We firmly believe that shareholders invest in more than a company’s financial statement. They invest in management, employee culture, regulatory compliance, supply chain supervision, good governance and brand equity.

Performance on these assets is rarely captured in financial data. These intangible components of a company’s value merit both careful systematic evaluation and for this reason we consider a company’s performance in financial and material sustainability factors when making investment decisions.

Process
The investment process combines time-tested financial analysis and valuation disciplined with a modern consideration of material non-financial factors and ESG factors that we believe are indicators of a superior business model. We project future company cash flow and calculate the intrinsic value of securities using our Global Equity Valuation System (GEVS). At the same time, we rank companies using our proprietary ESG Model. We believe that these indicators help companies to generate better and more consistent financial performance over the long-term.

The team draws upon the firm’s robust global analyst platform and proprietary valuation, risk management, portfolio construction and ESG Model tools. We integrate these inputs into a best ideas portfolio of securities.

Why UBS Asset Management?
Teamwork is a natural way of doing business at UBS Asset Management. The team leverages upon the Global Intrinsic Value Equity Research platform of analysts as well as the SI Research and Engagement team. The team has been developing its proprietary ESG Model for the past 10 years.

Our Sustainable and Impact Equity strategies are managed by the Global Sustainable Equities team under the leadership of Bruno Bertocci. The team’s multi-disciplinary background provides both the depth and breadth to create a unique and robust investment process.

Opportunities
– The strategy gives investors access to attractively valued companies that have a strong ESG (Environment, Social, Governance) profile
– The portfolio’s structure may deviate sharply from the reference index in order to increase potential outperformance
– The strategy is managed by an investment team that has specialised in the management of sustainable portfolios since 1996

Risks
– UBS Global Sustainable 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
– As this UBS strategy pursues an active management style, performance can deviate substantially from that of its reference index
– All investments are subject to market fluctuations. Every strategy has specific risks, which can significantly increase under unusual market conditions
– The strategy can use derivatives, which may result in additional risks (particularly counterparty risk)
Glossary

ESG integration approach
This approach focuses on integrating the analysis of environmental, social and governance (ESG) factors into portfolio decisions, i.e. the combination of the understanding of those factors together with traditional financial considerations that determine the value of securities to obtain a fuller picture.

Exclusion approach
Type of activities that should be excluded from the invested portfolio – very typical areas would include alcohol, weapons, tobacco or pornography, firms engaged in those activities are excluded from a portfolio.

Sustainable, Responsible and Impact Investing (SRI)
Sustainable, responsible and impact investing is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Impact
Impact investing is a specific type of sustainable investing. It focuses on generating a measurable an additional positive social impact as well as highly competitive financial returns.

Sustainable Investing (SI)
Sustainable Investing considers environmental, social and governance issues alongside financial criteria when selecting an investment opportunity.

FOR FURTHER INFORMATION, PLEASE CONTACT YOUR CLIENT ADVISOR. FOR A DEFINITION OF FINANCIAL TERMS REFER TO THE GLOSSARY AVAILABLE AT UBS.COM/GLOSSARY. INVESTORS SHOULD NOT RELY ON THIS MARKETING MATERIAL ALONE TO MAKE AN INVESTMENT DECISION.