



UBAM (CH) - GOLD +

Monthly Report | May 2020

For Qualified Investors in Switzerland or Professional Investors or Eligible Counterparties as defined by the relevant laws

Performance

As of	Fund	Bench
29.05.2020		
May 2020	+1.43%	+1.52%
Past 3 months	+7.61%	+7.38%
Past 6 months	+19.07%	+18.39%
YTD	+14.44%	+13.82%
Since take over (29.06.2012)	+8.52%	+8.15%

Source: UBP, Past performance is not an indicator of current or future results.

Manager Comments

In May 2020, the UBAM (CH) – Gold + fund returned +1.43% (USD I Class, net of fees). During that time, gold prices went from 1'702.75 USD/oz to 1'728.7 USD/oz i.e. +1.52%, within the very wide 1'670 – 1'766 USD/oz range.

Gold prices experienced a mean reverting price action during May 2020. An initial climb towards the 1'760 USD/oz during the first half of the month followed by a retreat towards 1'730 USD/oz despite the lower US dollar environment. In this environment, we kept our slightly bullish scenario with some convexity within the fund while actively managing the overall exposure in the 90% - 120% range relying on qualitative and quantitative inputs. On the quantitative side, the directional strategy caught the bullish trend while the non-directional carry strategy was helped by the high volatility regime and mean reverting price action. On the qualitative side, the macro/risk positioning inclusive of the long options positions added some alpha. Overall, the fund was in line with its benchmark.

Once again, the pandemic evolution, its consequences on global economy, central banks and government measures were at the centre of the stage during the month of May. Following the massive stimulus announced by central banks at the end of April and the pace of infections slowing in the US early May, gold prices were under pressure at the beginning of May. But geopolitical tensions between the US and China and the deterioration of the job market in the US helped the yellow metal reaching back the 1'720 USD/oz. Then, warnings from Anthony Fauci, the top infections disease official in the US, about the risk of new outbreaks in case of a too soon re-opening of the economy accompanied with rising jobless claims signalled more stimulus were to come pushing further gold prices towards 1'760 USD/oz after the growth warnings from the Fed. Gold journey was dampened by the renewed optimism in risk assets and hopes related to Moderna vaccine tests showing promise, though the yellow metal proved resilient holding close to 1'740 USD/oz. Finally, during the last week of May, with easing restrictions and reopening economies, equities continued their forward motion despite escalating tensions over Hong Kong helping gold prices held around 1'730 USD/oz.

Physical demand was still reported to be below average but easing restrictions began to have some effects on demand towards the end of the month in China (discounts went from 48 to 20 USD/oz versus benchmark spot prices over the month) and geopolitical tensions attracted some investment demand. In India, there was some slight improvement in demand at the end of the month but overall due to lockdown only a few stores re-opened and consequently gold imports 99.9% y/y in both April and May 2020.

In terms of flows, Gold ETFs holdings were up and persistent +140 tonnes i.e. +4.7% m/m bringing yearly inflows to +15.4% y/y; this reflected the ongoing strategic interest from investors in Gold. CFTC reports showed that net long positioning was down during the month and still at high level. Lastly, implied volatility (6-month maturity) retreated (18 i.e. -2.7 pts) while demand for upside participation (skew) was still supported (+2.6 i.e. +0.3 pts).

At the end of May 2020, we were considering a slightly bullish scenario on gold prices. This translates into a dynamically managed exposure between 90% and 120% versus the benchmark with convexity mainly through options in order to allow the fund to catch any short-term profit taking or new development against the yellow metal.



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