



UNION BANCAIRE PRIVÉE

# UBAM (CH) - GOLD +

Monthly Report | September 2020

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

## Performance

As of 30.09.2020	Fund	Bench
September-20	-4.26%	-4.16%
Past 3 Months	6.48%	6.72%
Past 6 Months	16.91%	17.28%
YTD	24.52%	24.24%
Since take Over (29.06.2012)	18.08%	18.04%

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

## Manager Comments

In September 2020, the UBAM (CH) – Gold + fund returned -4.26% (USD I Class, net of fees). During that time, gold prices went from 1'968.8 USD/oz to 1'886.9 USD/oz i.e. -4.16%, within the wide 1'862 – 1'976 USD/oz range.

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 suffered slightly from the extreme intra-month movements, while the loss was partially offset by the non-directional carry strategy. Overall, the fund was slightly behind its benchmark.

For the month of September, gold prices plunged -4.2%, the biggest monthly drop since November 2016. September was also a volatile month which can be illustrated by the split into different periods. From the end of August to September 4<sup>th</sup>, gold prices kept decreasing (-2.3% over the period) after the month of August. Then the yellow metal rebounded until September 16<sup>th</sup> above 1'965 USD/oz (+2.0%). For the second part of the month, from (16<sup>th</sup> to 23<sup>rd</sup>) the yellow metal suffered from the reinforcement of the US Dollar linked to higher real rates expectation and lost more than -5.0% in a week. Finally, gold prices slightly recovered to end the month just below the 1'900 USD/oz key level.

On the physical front, in India demand has slowly improved in late September on lower prices but remained in low levels. Basically, India eased restrictions in its fight against the pandemic which had allowed customers to buy Gold ahead of key festival Diwali (November) as it is considered auspicious. In China, demand remained weak, where Gold was still sold at 40 – 50 USD/oz discount against benchmark for the all month.

In terms of flows, even though gold prices were negative during the month, Gold ETFs holdings were up +54 tonnes i.e. +1.6% m/m bringing yearly inflows to +33.5% since the beginning of the year (+863 tonnes), which highlights the ongoing strategic interest from investors in Gold. CFTC reports showed that net long positioning was up during the month. Lastly, implied volatility (6-month maturity) remained decent over the month around 18.8 (from 19.8 one month ago i.e. -1.0 pts m/m) while demand for upside participation (skew) was still supported (at 3.2 pts in favour of the upside calls).

At the end of September 2020, we were considering a slightly bullish scenario on gold prices, considering the low real yields, USD weakness, geopolitical tensions and Gold ETF inflows. This translates into a dynamically managed exposure between 90% and 120% with some positive convexity via listed options versus the benchmark.



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