U ACCESS (IRL) GCA CREDIT LONG/SHORT UCITS

Quarterly Comment

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.
The classification of the fund(s) as per the Sustainable Finance Disclosure Regulation (SFDR) is available on ubp.com or in the latest prospectus

Market Comment

- Over the third quarter of 2021, DM equities, except for Japan, were broadly flat after September erased the quarter's prior gains, but still well into positive territory YTD. EM equities suffered, mainly dragged down by China following several negative news, including a) the authorities move to turn private tutoring companies into non-profit organisations and b) the deleveraging of the real estate sector generating fears of large property developers defaulting.
- Another major development during the quarter was Fed's announcement that it will soon begin to slow the pace of its asset purchases (tapering) and its outlook on interest rates, which they expect to increase to 1.75% by the end of 2024. Treasury yields increased as a result, particularly in September as inflation fears continued to increase due to supply chain issues and strong increases in commodity prices, both across the energy complex and in raw materials.
- This market environment should provide an interesting set of opportunities for our U Access (IRL) GCA Credit Long/Short UCITS fund, a Long/Short corporate credit strategy focusing primarily on high yield, distressed and investment grade opportunities, largely in the US. This strategy enables investors to expand the opportunity set offered by traditional credit, by taking advantage of current dispersion in the market, offering opportunities both the long and short side.

Sources: UBP, Bloomberg Finance LP, BofA Merrill Lynch

Performance Review

- For the third quarter of 2021, U Access (IRL) GCA Credit Long/Short UCITS returned (0.06%), bringing YTD performance to +2.67% (Class B USD, net of fees). During the period, the long strategy contributed (0.69%), the short strategy contributed +0.14%, and net interest carry contributed +0.48%, all expressed on a net of fees basis.
- The portfolio's largest contributing issuer for the quarter was a long position in a U.S. based oil and natural gas producer. The portfolio gained from price appreciation on its long position which resulted from the increase in oil and gas prices driven by an increase in demand following the global recovery from Covid-19 and a decrease in supply following hurricanes that depleted supplies and halted production in the Gulf of Mexico during the period. Both the equity and warrants held in the portfolio appreciated in the quarter and the investment team believes that there is additional upside for the company and has kept this long position intact through the date of this letter.
- The second-largest contributing issuer for the period was a long position in a natural gas and crude oil exploration, development, and production company. The portfolio benefitted from the company reporting the completion of an acquisition of a competitor, better forward-looking guidance, increasing free cash flow and debt reduction, a credit rating upgrade and positive outlook from S&P, and increases in both oil and gas prices. The bonds held in the portfolio appreciated during the period and the investment team believes that there is additional upside for this company's bonds given the positive trajectory of the company, and has kept this long position intact through the date of this letter.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.

- The third-largest contributing issuer for the period was a long position in a European construction service provider. The portfolio’s long bond position benefitted from credit ratings upgrades and changes to positive outlook from Moody’s and Fitch following the completion of the company’s financial restructuring, while the equity position benefitted from analyst upgrades during the period. The company also reported improved financial results during the period, provided positive comments on pending asset sales, and confirmed its full-year guidance. With the future prospect for debt reduction through asset sales and improved profitability due to increased infrastructure spending, the investment team believes that there is additional upside for the bonds and equity and has kept this long position intact through the date of this letter.
- On the negative side, the portfolio’s largest detracting issuer for the quarter was a combination of long and short positions in the bonds of a U.S. based independent energy company, which focuses on the acquisition, development, exploration, and operation of oil and gas properties. What was initially a long position at the beginning of the period was mostly sold at a loss due to the decline in oil prices during the early part of July. As this particular issuer is highly levered to the price of oil, the investment team then shorted the company’s longer-dated bonds in August in part as a hedge to a shorter-dated long in the company’s bonds (which was thought to be a good refinancing play) as well as other long positions in the sector. The portfolio suffered a loss from price appreciation in this short position as a result of the company’s announcement of a favorable asset acquisition, increased crude oil and natural gas prices beginning in late August (which increased the potential for debt reduction), and a change to positive outlook from Moody’s during the period. The investment team still believes that short exposure to the longer-dated bonds makes sense when paired with the shorter-dated long exposure as well as versus other longs in the sector, and has kept the long and short positions intact through the date of this letter.
- The second-largest detracting issuer for the period was a long position in an independent power producer that generates, distributes, transmits and markets electricity. This long position declined in price after the company reported a downbeat earnings outlook, following weaker results during the second quarter, and failed to quell speculation that it is considering debt reduction proposals that have the potential to harm the interest of creditors. Investors were also skeptical of the company’s proposed strategic transition into building data centers and cryptocurrency operations next to its power plants, which could further divert its attention from debt reduction. The investment team believes that there is flexibility within the company’s credit documents which makes it a target for debt reduction initiatives and that the company could potentially still provide positive disclosure regarding equity financing and strategic partners for these new initiatives. Accordingly, the investment team has kept this long bond position intact through the date of this letter.
- The third-largest detracting issuer for the period was a short position in an independent energy company that explores for, develops, produces, and markets crude oil and natural gas as well as manufactures and markets a variety of chemicals, vinyls and performance chemicals. This short position served as a hedge to other long positions in the oil and gas sector. The portfolio suffered a loss from price appreciation in the bonds as a result of increased commodity prices, which allowed the company to generate excess free cash flow to reduce leverage, as well as analyst upgrades to the company’s equity during the period which grew the equity cushion beneath the bonds. The investment team believes that this is still a good hedge against several longs in the sector and has kept the short position intact through the date of this letter.

Portfolio Activity

- The rally of the last five quarters continued into Q3 2021, as the high yield market had another positive return for the quarter. This positive return was mostly due to interest carry, as there was price depreciation during the quarter, with high yield bond spreads widening by 10 basis points, while the yield on the ten-year U.S. Treasury increased by 2 basis points as inflationary concerns resurfaced. Over the last six quarters, high yield bond spreads have tightened by more than 550 basis points, a notable move which reflects an improved economic outlook and significantly lower default expectations. Short exposure in the portfolio was added via various hedges while long issues that reached their expected price targets were replaced with new names. Gross exposures at the end of July, August and September 2021 measured +108%, +103% and +111%, respectively, while net exposures at the same periods measured +19%, +17% and +22%, respectively.
- At a more granular level, the long portfolio activity included adding more liquid, relative value positions within the Diversified Media, Cable/Wireless Video, and Information Technology sectors among others, as well as higher coupon, shorter duration bonds that are likely candidates for refinancing at a premium to their call prices within the Energy, Gaming/Leisure, and Metals/Minerals sectors.
- As to new credit issues, the robust dollar volume of new deals and repricings in the high yield and investment-grade markets continued during the period as issuers looked to take advantage of investors' search for yield.
- At the overall portfolio level, the exposures at the end of September 2021 were +111% gross and +22% net (as mentioned above), with +66% long exposure and -44% short exposure.
- The largest long sector exposures at the end of the quarter were (in order) Energy, Gaming/Leisure, Cable/Wireless Video, Healthcare, and Diversified Media.
- The largest short sector exposures at the end of the quarter were (in order) Other (risk mitigants), Energy, Gaming/Leisure, Transportation, and Healthcare.

Outlook

- With central banks now taking a more hawkish view given the global economic recovery and as the COVID-19 vaccination effort continues, further rate volatility and rich valuations continue to present near-term market challenges. With credit spreads at lows not seen since 2007 and yields also hovering near recent lows, the investment team has many reasons to remain cautious from a valuation perspective. That said, with default rates declining, wide open capital markets and credit agency rating upgrades on the rise, one could argue that there are some fundamental reasons for the current level of valuations.
- In this environment, the investment team still foresees opportunity on both the long and short sides of the portfolio due to the dispersion which often occurs within corporate credit markets in uncertain interest rate environments, even during times of tight spread levels. On the long side, the investment team continues to find select opportunities in new issues as well as in short-dated refinancing plays of high-coupon debt, while continuing to deemphasize interest rate sensitive longs as interest rate risk has become more of a factor in the high yield market of late. On the short side, in addition to certain macro shorts, the investment team will continue to seek opportunities in deteriorating companies and those issuers that have too much priced-in confidence in the success of their pandemic responses and their ability to pass through rising costs. With rising commodity and transportation costs, labor shortages, and supply chain disruptions, certain highly leveraged companies will struggle to meet investor expectations, setting the stage for potentially greater attribution from the short side of the portfolio.

Disclaimer

This is a marketing document and is intended for informational and/or marketing purposes only. It is confidential and is intended to be used only by the person(s) to whom it was delivered. It may not be reproduced (in whole or in part) or delivered, given, sent or in any other way made accessible, to any other person without the prior written approval of Union Bancaire Privée, UBP SA or any entity of the UBP Group (UBP). This document reflects the opinion of UBP as of the date of issue. This document is for distribution only to persons who are Professional clients in Switzerland or Professional Clients or an equivalent category of investor as defined by the relevant laws (all such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. It is not intended for distribution, publication, or use, in whole or in part, in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it directed at any person or entity at which it would be unlawful to direct such a document. In particular, this document may not be distributed in the United States of America and/or to US persons (including US citizens residing outside the United States of America). This document has not been produced by UBP's financial analysts and is not to be considered financial research. It is not subject to any guidelines on financial research and independence of financial analysis. Reasonable efforts have been made to ensure that the content of this document is based on information and data obtained from reliable sources. However, UBP has not verified the information from third sources in this document and does not guarantee its accuracy or completeness. UBP makes no representations, provides no warranty and gives no undertaking, express or implied, regarding any of the information, projections or opinions contained herein, nor does it accept any liability whatsoever for any errors, omissions or misstatements. The information contained herein is subject to change without prior notice. UBP gives no undertaking to update this document or to correct any inaccuracies in it which may become apparent. This document may refer to the past performance of investment interests. Past performance is not a guide to current or future results. The value of investment interests can fall as well as rise. Any capital invested may be at risk and investors may not get back some or all of their original capital. Any performance data included in this document does not take into account fees, commissions, and expenses charged on issuance and redemption of securities, nor any taxes that may be levied. Changes in exchange rates may cause increases or decreases in investors' returns. All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements do not guarantee future performances. The financial projections included in this document do not constitute forecasts or budgets; they are purely illustrative examples based on a series of current expectations and assumptions which may not eventuate. The actual performance, results, financial condition and prospects of an investment interest may differ materially from those expressed or implied by the forward-looking statements in this document as the projected or targeted returns are inherently subject to significant economic, market and other uncertainties that may adversely affect performance. UBP also disclaims any obligation to update forward-looking statements, as a result of new information, future events or otherwise. The contents of this document should not be construed as any form of advice or recommendation to purchase or sell any security or funds. It does not replace a prospectus or any other legal documents, which can be obtained free of charge from the registered office of the fund(s) mentioned herein or from UBP. The opinions herein do not take into account individual investors' circumstances, objectives, or needs. Each investor must make their own independent decision regarding any securities or financial instruments mentioned herein and should independently determine the merits or suitability of any investment. In addition, the tax treatment of any investment in the fund(s) mentioned herein depends on each individual investor's circumstances. Investors are invited to carefully read the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional counsel from their financial, legal and tax advisors. The tax treatment of any investment in a fund depends on the investor's individual circumstances and may be subject to change in the future. This document should not be deemed an offer nor a solicitation to buy, subscribe to, or sell any currency, funds, products, or financial instruments, to make any investment, or to participate in any particular trading strategy in any jurisdiction where such an offer or solicitation would not be authorised, or to any person to whom it would be unlawful to make such an offer or solicitation. Telephone calls to the telephone number stated in this presentation may be recorded. UBP will assume that, by calling this number, you consent to this recording.

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Disclosures Regulation" or "SFDR"), funds are required to make certain disclosures. Funds falling under the scope of Article 6 of the SFDR are those which have been deemed not to pursue an investment approach that explicitly promotes environmental or social characteristics or has sustainable investment as their objective. Notwithstanding this classification, the Investment Managers may take account of certain sustainability risks as further described in the fund's prospectus. Funds falling under the scope of Articles 8 or 9 of the SFDR are those subject to sustainability risks within the meaning of the SFDR. The sustainability risks and principal adverse impacts as stipulated in the SFDR are described in the prospectus. In addition, unless otherwise specified, all funds apply the UBP Responsible Investment Policy, which is available on https://www.ubp.com/en/investment-expertise/responsible-investment.

Any subscriptions not based on the funds' latest prospectuses, KIIDs, annual or semi-annual reports or other relevant legal documents (the "Funds' Legal Documents") shall not be acceptable. The Funds' Legal Documents may be obtained free of charge from Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland (UBP), from UBP Asset Management (Europe) S.A., 287–289 route d'Arlon, 1150 Luxembourg, Grand Duchy of Luxembourg, and from Union Bancaire Gestion Institutionnelle (France) SAS, 116 avenue des Champs-Elysées, 75008 Paris, France. The Swiss representative and paying agent of the foreign funds mentioned herein is UBP. The Funds' Legal Documents may be obtained free of charge from UBP, as indicated above.

This content is being made available in the following countries:

Switzerland: UBP is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA). The head office is Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland. ubp@ubp.com | www.ubp.com

United Kingdom: UBP is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA.

France: Sales and distribution are carried out by Union Bancaire Gestion Institutionnelle (France) SAS, a management company licensed with the French Autorité des Marchés Financiers, - licence n° AMF GP98041 ; 116, av. des Champs Elysées l 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 www.ubpamfrance.com.

Hong Kong: UBP Asset Management Asia Limited (CE No.: AOB278) is licensed with the Securities and Futures Commission to carry on Type 1 – Dealing in Securities, Type 4 – Advising on Securities and Type 9 – Asset Management regulated activities. The document is intended only for Institutional or Corporate Professional Investor and not for public distribution. The contents of this document have not been reviewed by the Securities and Futures Commission in Hong Kong. Investment involves risks. Past performance is not indicative of future performance. Investors should refer to the fund prospectus for further details, including the product features and risk factors. The document is intended only for Institutional Professional Investor and not for public distribution. The contents of this document and any attachments/links contained in this document are for general information only and are not advice. The information does not take into account your specific investment objectives, financial situation and investment needs and is not designed as a substitute for professional advice. You should seek independent professional advice regarding the suitability of an investment product, taking into account your specific investment objectives, financial situation and investment needs before making an investment. The contents of this document and any attachments/links contained in this document have been prepared in good faith. UBP Asset Management Asia Limited (UBP AM Asia) and all of its affiliates accept no liability for any errors or omissions. Please note that the information may also have become outdated since its publication. UBP AM Asia makes no representation that such information is accurate, reliable or complete. In particular, any information sourced from third parties is not necessarily endorsed by UBP AM Asia, and UBP AM Asia has not checked the accuracy or completeness of such third party information.

Singapore: This document is intended only for accredited investors and institutional investors as defined under the Securities and Futures Act (Cap. 289 of Singapore) ("SFA"). Persons other than accredited investors or institutional investors (as defined in the SFA) are not the intended recipients of this document and must not act upon or rely upon any of the information in this document. The financial products or services to which this material relates will only be made available to clients who are accredited investors or institutional investors under the SFA. This document has not been registered as a prospectus with the MAS. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to institutional investors under Section 274 or 304 of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) to relevant persons pursuant to Section 275(1) or 305(1), or any person pursuant to Section 275(1A) or 305(2) of the SFA, and in accordance with the conditions specified in Section 275 or 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This advertisement has not been reviewed by the Monetary Authority of Singapore.

MSCI : Although Union Bancaire Privée, UBP SA information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.