U ACCESS (IRL) TREND MACRO

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

- The fourth quarter of 2022 saw a relief rally in risk assets across the board, capping a very difficult year for equity and bond markets. This rebound did come with some volatility however as markets corrected in December after a strong positive move in October and November. Expectations of a more dovish fed, with even some participants anticipating rate cuts as soon as 2023 were the main catalysts. In terms of regions, Europe and Emerging markets outperformed the US, with the UK even ending the year in positive territory, driven by the weakness of the British Pound. China ended a very volatile year with a strong rally as the government's looked to move beyond its zero Covid policy. In Fixed Income, EM debt and Investment grade outperformed High Yield. Government bonds were positive overall but Europe and Japan saw negative returns.
- Despite some relief in Q4, 2022 will be remembered as the year when both equity and fixed income markets were repriced due to higher inflation and interest rates. A recession is now widely expected in 2023 and markets are anticipating a decline in inflation and possibly in interest rates, which could be supportive. Commodity prices stabilised on aggregate in Q4, which helped taming inflationary pressures. Markets could remain macro driven in the near future, focusing on the Fed and economic data, but once the extent of the potential recession becomes clearer, fundamentals could reclaim centre stage and dispersion could return.
- The current market environment provides a very interesting set of opportunities for our U Access (IRL) Trend Macro fund, which offers access to diversifying risk drivers and exposures by seizing long and short investment opportunities across mainly interest rates, credit and currencies, both in Developed and Emerging Markets. It has historically shown a low correlation to traditional assets.

Sources: UBP, Bloomberg Finance LP, BofA Merrill Lynch

Performance Review

- For the fourth quarter of 2022, U Access (IRL) Trend Macro returned +1.30%, bringing YTD performance to +5.59% (Class B USD, net of fees). Overall PnL for the quarter was +6.1%. In terms of contribution by asset class: Credit led positive contributions (+5.7%), followed by Rates (+0.6%), while FX (-0.5%) and Equity Indices (-0.1%) detracted performance for the quarter. Corporate Credit was the largest contributor (+2.6%) and the short CDX HY position was the largest detractor (-2.8%).
- Other positive performance in the quarter came from China Quasi Sovereign (+178bps), Angola Credit (+140bps) and Egypt Credit (+119bps).

  Other negative performance from the quarter came from CDX EM (-34bps), Ghana Credit (-30bps), and AUDUSD (-24bps).

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.

Portfolio Activity

- Fixed Income: Coming into the fourth quarter, we had established a sizeable position in EM HY Sovereigns and we used the rally in October to year-end to book profits on most of our positions. We exited Angola, Argentina Provinces, Egypt and Mexico and greatly reduced our position in Kenya. The China High-Yield/distressed portfolio rallied sharply in Q4 from its November lows, driving our positive performance for the quarter as policy towards the real-estate sector did an abrupt U-turn. We continue to hold this portfolio since it still trades at what we believe are very undervalued levels.
- FX: We saw opportunities being short euro vs EM FX with a focus on countries that tightened significantly during the past year and remained hawkish (Brazil, Hungary, Mexico). We have since exited those positions on the back of political risks.
- Hedges: In anticipation of a slowdown in the US economy, we established shorts in CDX HY while using call options for protection.

Outlook

- Markets are priced for a soft-landing. The rally in Q4 has continued into the New Year. Markets expect very mild slowdown and hence earnings to be up 4% this year at $229. They also expect that the Fed will finish hiking by March and are currently pricing in 50-60bp of rate cuts in H2-2023. Finally, markets expect inflation as measured by 1yr Breakeven swaps to miraculously decline to 2% by end-2023. The rally has eased Financial Conditions back to levels that prevailed in June-2023 - markets have unwound a great deal of the tightening that the Fed has engineered.
- What is wrong with this story? Wages. Wages tend to be downwardly inflexible. And wage growth measured properly (not Average Hourly Earnings) by the Employment Cost Index (ECI) and the Atlanta Fed Wage Tracker show wages moderating but still rising at rates well-above what is needed for the Fed to achieve the Fed’s 2% inflation target. As we detailed last month, it is wages that drive core Services CPI ex-shelter. Historically, whenever labor markets are this tight, the only way to bring wages down is thru higher unemployment. i.e. a recession. The story propagated by some analysts that job openings can miraculously decline without a large decline in jobs is simply fantasy as we have written about previously in our discussions about the Beveridge Curve.
- So, what does the team expect? For now, the rally continues until everyone is dragged in kicking and screaming. And then the bottom falls out as markets realize that inflation is stickier than expected and the Fed is NOT going to cut rates in 2023. It never ceases to amaze us that when markets want a bullish narrative, they always find a way to criticize the Fed if the Fed stands in the way of the story. The FOMC was starkly clear in its December Minutes when it told markets that none of the FOMC participants anticipated cutting rates in 2023. But markets don’t care. For now. So, by all means enjoy this rally. But please be a renter and not an owner.

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.