UBAM – MULTIFUNDS SECULAR TRENDS

Quarterly Comment | Q3 2023

For Professional Investors in Switzerland or Professional Investors as defined by the relevant laws.

Fund classification under Sustainable Financial Disclosure Regulation (SFDR):

UBAM – Multifunds Secular Trends: Article 8

Market Comment

- Markets continue to position for the expected higher-for-longer rate regime while the hard vs soft landing debate continues. Equity markets experienced their first negative quarter 2023 and volatility (VIX) returned to pre-summer levels.
- The global economy remains supported by a robust performance from the US where full employment and a savings pile from the Covid era continue to support the consumer-led economy. With the bulk of overvaluation in global equity markets accounted for by US ‘Big Tech’ and related artificial intelligence names, stock and sector selection opportunities should continue to emerge elsewhere, justifying a broader diversification across sectors and regions.
- Yet a positive outlook remains restricted by the actions taken by global central banks even if we are entering the end of this raising cycle. Furthermore, the savings pool is dwindling. We would expect a lag in terms of the impact of these moves on the real economy. Market commentators are laser-focused on what kind of landing these measures will usher in.
- From the point of view of equity investors, concerns should centre on an ability to grown the top line, margins and profits whilst end demand appears to be leading to volume stagnation. As we enter into an election cycle in the US and UK in 2024, we can expect a lot of headline grabbing noise. The Chinese government is equally attempting a tricky navigation of a slow patch in economic growth as the property and construction bubble deflates. This is having a broader impact on the whole Asian region and indeed into the manufacturing heart of Europe, in particular in Germany. In the case of China, this backdrop has already been embedded in stock performance. At present, consensus expects 5-10% earnings growth for developed markets in 2024 and with the average stock actually lower than at the start of the year, there is evidence of good value emerging in stock markets, however, we do not expect a sharp rebound and we remain cautiously positioned for the time being.

Sources: UBP, Bloomberg Finance LP.

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.

Performance Review

- During Q3, the fund returned -6.57% versus -3.40% for the MSCI AC World Index net of fees (Institutional share class).
- Manager selection and theme allocation was negative over the quarter (manager selection in Technology was the main detractors).
- Structural and marginal cash allocation was detrimental.
- Our manager selection on Financials contributed positively.

Sources: UBP, Bloomberg Finance LP.

Portfolio Activity

- While remaining wary of valuations, overall uncertainty surrounding war in Ukraine and inflation pressures prompted us to reduce overall exposure to cyclicality.
- We increased quality and defensiveness during the quarter and removed our exposure to Global infrastructure.
- During the third quarter we made no other significant change to the portfolio.

Sources: UBP, Bloomberg Finance LP.

Outlook

- Markets continue to position for the expected higher-for-longer rate regime while the hard vs soft landing debate continues. Equity markets experienced their first negative quarter 2023 and volatility (VIX) returned to pre-summer levels.
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