



UBAM - MULTIFUNDS ALTERNATIVE

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 first quarter of 2021 was dominated by rising bond yields and the outperformance of value and small-cap equities. In terms of regions, Japan and Europe were the strongest equity markets in Q1 while Asia and EM underperformed. Chinese equities sold-off from mid-February until the end of the quarter, due to a combination of cyclical concerns, fears of policy tightening, increased regulatory/anti-trust pressure by domestic Chinese authorities and geopolitical tensions. Most commodities continued to rally in Q1.
- The main drivers of market action in Q1 were the large stimulus coming from various governments, the US in particular, and the progress on the Covid-19 vaccine rollout, fueling investor's optimism on global growth prospects. The size of the US stimulus package and the prospect of a large infrastructure plan, both unprecedented in size, also increased the prospects of higher inflation. Most fixed income markets suffered as a result, both in Developed and Emerging markets.
- This market environment should provide an interesting set of opportunities for our UBAM - Multifunds Alternative fund. The Absolute Return characteristics of the portfolio, which combines mainly alpha drivers, traders and to a lesser extent, fundamental value managers, typically benefits from more risky environments. As traditional bond investors look for alternative strategies, we then believe that UBAM - Multifunds Alternative provides diversification through uncorrelated return drivers, limited beta and volatility, as well as controlled drawdowns.

Sources: *UBP, Bloomberg Finance LP, BofA Merrill Lynch*

Performance Review

- During the first quarter of the year, UBAM - Multifunds Alternative (Class UC USD) gained 4.0% (reported net of fees). This return was driven by the majority of underlying managers posting healthy positive returns, continuing momentum from the second half of 2020.
- Positive contributors were spread across the three main portfolio buckets of global macro, relative value and equity market neutral. Ongoing positive vaccine news was a boost for a number of strategies as markets started to normalise with equities rallying globally and treasuries down, in particular in the US where rates sold off on positive growth prospects and inflation fears. Specific markets also continued to see strong price appreciation and significant deal flow, such as SPACS which saw record issuance and deals announced, whilst the convertible market also saw high levels of volume.

The macro managers were well able to take advantage of this reflation trade. KLS Arete & Trend Macro have been positioned for a constructive growth environment. In credit and rates this also meant being long high yielding paper primarily in Europe and emerging markets and short US rates. Trend Macro particularly profited from positioning through short rates and US steepeners.



In the event space, the markets continued to see high volume and interesting deal flow. The good health of the M&A space continued as positions saw higher prices generally over the quarter as the positive vaccine news continued to be priced in whilst the high level of deal flows has decreased the nominal amount of capital chasing each opportunity. This also provided a good forward-looking opportunity set. Furthermore, a significant driver to returns were investments into diversified portfolios of SPACs which continued to see high issuance, and high price volatility. KLS Ionic and Cheyne were able to take advantage of both opportunity sets.

Systematic strategies also did well. Campbell saw strong performance with gains across strategies, in particular short term from mean reversion and momentum models that profited from the volatility and price breakouts in FX, bonds and equity indices. Single stock equity models also benefited through technical and factors driven strategies. Longer term models also did well with gains in equity indices as the models turned more risk on.

Finally, equity strategies such as MW TOPS captured well the equity market dispersion and the market wide factor rotation from growth orientated names to value, which added to strong returns.

- Negative contributors were limited, with Schroder GAIA Two Sigma Diversified the main negative contributor earlier in the quarter, before the strategy was redeemed.

Portfolio Activity

- UBAM - Multifunds Alternative is a weekly UCITS FoF investing in 5 to 10 uncorrelated, high conviction alternative managers from UBP's Recommended List. It aims to be an Absolute Return portfolio acting as an alternative and/or complement to traditional fixed income investments.
- Over the period, the portfolio completed the transition of investment approach to a more concentrated allocation of managers. The fund completed the redemptions from four smaller holdings and the European equity market neutral manager Landseer was added using capital raised from redemptions.

Outlook

- UBAM - Multifunds Alternative focuses on having a limited correlation to equity and bond markets, but at the same time to target attractive risk adjusted returns in the 4-6% range. Our macro views remain aligned with those of UBP's Global Investment Committee as one of the biggest challenges to investors will be muted returns from fixed income investments over the medium term. Therefore, we are positioning the portfolio towards strategies that can produce attractive risk adjusted returns and can be a diversifier to fixed income exposure.
- We believe that there are opportunities to capture above trend returns in areas such as active trading to capture high real yields outside of G10, mean reversion strategies whereas market volatility stabilizes so these spread should narrow and in systematic strategies where investor biases will generate good entry and exit points.
- For greater depth on our outlook please access the AIS Quarterly Outlook & Review report.

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