U ACCESS (IRL) CAMPBELL ABSOLUTE RETURN 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 second quarter of 2021, equities rose as vaccination campaigns accelerated in most developed economies, particularly in Europe. In EM, vaccination campaigns continued to lag but cases seemed to remain under control. Economic data was generally very strong in Q2, both on the GDP and business sentiment fronts. This strong rebound in economic activity has fuelled inflation in some countries and sectors. Whether this is temporary or not remains to be seen, but it has had an implication on the Fed’s stance, that has become slightly more hawkish.
- The pace of vaccination campaigns and reopening of economies was the main driver of equities, as US and Europe, which were at the forefront, outperformed EM and Japan. In terms of styles, growth outperformed value in Q2, after a few quarters of underperformance. In fixed income markets, inflation was the main driver of performance, as investors looked for yield and inflation hedges in a context of very low or even negative sovereign bond yields.
- The current market environment provides a very interesting set of opportunities for our U Access (IRL) Campbell Absolute Return UCITS fund, which offers access to diversifying and decorrelated alpha models, trading mainly in equity indices, forex, credit and cash equities. It has limited exposure to fixed income and none to commodities. It has historically shown a limited correlation to traditional assets.

Sources: UBP, Bloomberg Finance LP, BofA Merrill Lynch

Performance Review

- For the second quarter of 2021, U Access (IRL) Campbell Absolute Return UCITS returned +1.93%, bringing YTD to +8.79% (Class B USD, net of fees). In terms of contribution by strategy, gains came from short-term, market-neutral quantitative equities and systematic macro while trend following was down.
- Short-term strategies were led by profits in mean reversion strategies while momentum experienced small losses. Equity indices was the best performing sector for the strategy group with additional gains in foreign exchange.
- Market-neutral quantitative equities strategy gains were led by fundamental strategies with additional gains in mean reversion and momentum.
- Systematic macro strategies experienced gains in both carry and macro-dynamics strategies. Gains for the strategy group came from foreign exchange, fixed income, and credit trading with some partially offsetting losses in equity indices
- Trend following strategies saw losses in fixed income and foreign exchange with gains in equity indices. From a strategy perspective, losses came from market-based and adaptive strategies while thematic strategies were flat during the quarter.

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.

- By sector, the portfolio gained in equity indices, developed currencies, cash equities, foreign exchange, and credit while experiencing losses in long-term fixed income markets.
- Top-performing markets in the portfolio were the Brazilian real, Swedish krona, New Zealand dollar, S&P500 Index futures, and South African rand. Bottom-performing markets were the Hungarian forint and Norwegian krone.

Portfolio Activity

- The portfolio maintained a steady risk posture throughout the quarter. Realized sector risk was led by equity indices and foreign exchange. Net notional exposure varied during the quarter, with higher levels in April and early June. Net exposure remained close to zero in market-neutral equities.
- From a positioning standpoint, the portfolio maintained a net long position in equity indices and short-term fixed income futures. Positioning in longer-term fixed income futures and net US dollar exposure varied from long to short throughout the quarter. The portfolio had a net short positioning in CDS indices throughout the quarter.

Outlook

- The inflation narrative is dominating the global news cycle as the cost of housing and durable goods grows ever higher. A related increase in US bond yields is not raising concerns among global banks, who largely view the recent uptick in data as temporary. Equity markets are also shrugging off any inflation concerns as investors revisit the impact on future earnings, especially as the cost of capital has not significantly increased. Commodity markets, on the other hand, have seen a sharp rise YTD with some recent dispersion.

- We have witnessed a subtle shift toward medium- and long-term investment themes, which serves as a reminder to remain diversified in the face of conflicting market data. Our investment models are positioned to profit from both the directional nature of equity and commodity markets and from the relative value and reversion creeping into some markets as recent price trends become over-extended.

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