

# UBAM – Multifunds flexible allocation

Quarterly Comment | Q3 2021

For Qualified Investors in Switzerland or Professional Investors or Eligible Counterparties 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](http://ubp.com) or in the latest prospectus

## Market Comment

- Late summer brought with it renewed volatility in the markets and a decline for most assets. Investors have become increasingly concerned about global growth amid inflationary pressures, supply chain bottlenecks and a looming energy crisis.
- Earnings revision ratios again moderated ahead of the coming reporting season, but the number of upgrades continue to outweigh the number of downgrades in all regions except emerging markets.
- Global equities ended the quarter down with -1.05% (MSCI ACWI\*). In the US specifically, the S&P 500\* index progressed by 0.48% during the third quarter with a noticeable outperformance of the Growth segment over the Value (1.10% q/q for the Russell 1000 Growth\* and -0.93% q/q for the Russell 1000 Value\*). In this context the MSCI Europe\* delivered +0.73%, behind the MSCI Europe Small Cap\* with + 2.52%. Finally, the Emerging markets delivered -8.09%, again with a high dispersion. India was up +12.57% and on the other side, Brazil was down -20.19%.
- In the US, indicators were mixed in September. Sentiment improved very slightly in the manufacturing sector but worsened in services. Consumer spending rebounded in August, while the number of jobs created fell well short of expectations because of a sharp slowdown in the service sector. However, this did not prevent a further fall in the unemployment rate (5.2%) or strong wage growth (4.3% year-on-year). US inflation stabilized at 5.3% year-on-year in August as opposed to 5.4% in July. The Fed said that it was prepared to reduce asset purchases if trends in the economy and the jobs market remained positive, and the Fed's governors moved more towards an initial rate hike in late 2022. Budget discussions dragged on without any agreement being reached, and the debt ceiling was not raised.

Sources: *UBP, Bloomberg Finance LP.*

---

## Performance Review

- A challenging third quarter, delivering -1.5% in the USD Institutional class to leave the fund +7% for the first three quarters of the year. Performance relative to the composite benchmark was slightly negative over the third quarter, however the fund remains ahead of the composite benchmark on a year to date basis.
- Manager selection was flat over the quarter. It was positive for our fixed income bucket and negative for the equity one
- Within fixed income, solid gains came from the Flexible fund's skew towards Income and Global Credit. Momentum was also positive for inflation linked bonds and for our diversified emerging market debt manager Vontobel. The major detractor was our exposure to Asian High Yield.
- Among equities, our Asia ex Japan managers delivered good relative returns in an environment with important volatility swings coming from China. Sector rotation did also contribute to a rather volatile third quarter for equities and emerging markets more particularly. In that context our small cap exposure did also suffer less.
- In Japan we continue to see strong returns thanks to the gradual rerating of some industries like Financials and car manufacturers.
- Exposure to US Equity Growth did also contribute positively. The quality and concentrated portfolio of Edgewood performed slightly better than the Russell 1000 Growth NR.
- Our Global Quality manager (Morgan Stanley Global Brands) did help withstand this volatile quarter.

---

## Portfolio Activity

- Again, portfolio activity was low during the quarter as preference was maintained to capitalise from this ongoing rebound in global growth and still ample liquidity environment. The only change which occurred was via the modest increase in the Edgewood. This increase was financed by the reduction of more Value orientated managers across the board.
- We also sold down to zero our Asian High Yield exposure.
- The fund finished the period with an equity weighting of 62%, very modestly ahead of the composite benchmark (60%), fixed income accounted for 25% of the portfolio (against the composite benchmark of 40%) and cash at 13%.

Sources: UBP, Bloomberg Finance LP.

---

## Outlook

- Despite peaking growth and rising inflationary pressures, the outlook for equities remains positive thanks to still sustained earnings growth. The economic cycle is expected to normalise in the next quarters, leading to better sequential Q4 growth after weak Q3 but a moderating trend in 2022. Shortages in industry should progressively fade and inventories will be rebuilt. Deteriorating purchasing power hit consumers in Q3 but an improving labour market should refuel trend on consumption. Fiscal policy will remain a support in developed countries, while monetary policy is removing measures launched during the pandemic as central banks look to normalise key rates.
- In the US, the pace of consumption has disappointed in Q3 due to remaining virus concerns and declining purchasing power in the absence of renewed public support. As the labour situation should improve further, a Q4 rebound is expected. The housing sector peaked and momentum in investment should rotate in favour of infrastructure next year. The 2021 growth outlook has been revised from 6.3% to 5.9% and the 2022 scenario from 4.3% to 3.7%.
- In Europe, activity has benefited from reopening of services in Q3, after strong recovery in Q2. As consumers focus more on purchasing power and employment, consumption should moderate over the next quarters while industry still suffers from bottlenecks. Q2 GDP growth was revised up, from 4.7% to 5.2% but unchanged in 2022; growth is expected to normalise in the next quarters but should benefit from the effective support of the European recovery fund.
- China's deployment of a growing range of policy tools highlights the sharp pivot that has taken place from the 'To get rich is glorious' era of Deng Xiaoping to the 'Common Prosperity' epoch heralded by President Xi Jinping. Common Prosperity will therefore seek to realign China's factors of production towards labour, to facilitate a transition to consumption-led growth. Going forward, we expect to see tougher regulations aimed at addressing the "three burdens" affecting households: housing, education, and healthcare. Reducing these burdens would improve marginal propensity to consume and allow for higher fertility rates, at least in theory.

## 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 a fund 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 the 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. 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-Élysées, 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](mailto:ubp@ubp.com) | [www.ubp.com](http://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 | 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 [www.ubpamfrance.com](http://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.