

# 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](http://ubp.com) or in the latest prospectus

### Market Comment

- The first quarter of 2023 saw a continuation of the rally in risk assets that started in Q4 2022, as markets were pricing that peak interest rates are behind us. Markets continued to be volatile over the period however; The quarter started with very strong rally in January, followed by a strong correction in February and was punctuated by the crisis of confidence in US regional banks and the takeover of Credit Suisse by UBS. Government guarantees on deposits and central banks increased dovishness managed to calm down markets, which ended march in positive territory. In terms of regions, Developed Markets outperformed Emerging Markets, with Europe continuing its strong run since the second half of 2022. Fixed Income markets rallied across the board, driven by High Yield, Investment Grade, but also Government bonds and EM debt. Commodity prices ended the quarter in negative territory.
- On the economic front, some positive surprises on global growth, along with the reopening of China had a positive effect on business sentiment, which helped push equity markets higher. Headline inflation continued to ease on the back of low energy prices but core inflation remained stickier, prompting the fed to hike rates further in March, despite the instability within the banking system. Markets continue to be macro driven, focusing on the Fed and economic data. A growing consensus points out to a upcoming recession, which could lead markets to focus on company fundamentals once again and dispersion could return as a result.
- 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 equity and 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) returned +0.5%. The quarter saw a substantial performance swing, as early quarter gains were offset by losses in March. Macro related strategies were positive, whilst equity and relative value strategies were flat in aggregate.
- The main gains for the quarter were in macro strategies, which produced strong gains earlier in the quarter but losses into quarter end. The Fed and rate hike expectations dominated pricing in macro markets, as early quarter expectations of higher for longer terminal rates rapidly reversed in mid-March as SVB and then broader US and global banking crisis fears caused a significant repricing of the rates markets and cost trades that had previously been profitable. For the quarter as a whole, systematic strategies saw the largest gains as systematic macro, shorter term and quant equity strategies were all positive and benefited from the



market whipsawing. These gains were offset by losses in longer term trend related strategies which were particularly painful in March as short positions in rates markets cost. Discretionary strategies were more mixed. Whilst traders had been allocating substantial risk to trading rates and so generated losses at the end of the quarter, there had been a wider range of trades. The size of the move saw market participants cutting risk broadly, and so losses propagated into more idiosyncratic themes and markets such as EM and China, but at a smaller scale.

- Alternative yield themes were muted for the quarter. Whilst there were gains in the start of the period and no significant losses through the March volatility, merger arbitrage spreads did widen which caused marginal losses. However the volatility allowed attractive trades in the defensive positioned credit theme which were additive into quarter end. This volatility also benefited equity arbitrage strategies that also had a strong quarter and profited from the sector and regional differentials.

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### *Portfolio Activity*

- UBAM - Multifunds Alternative is a weekly UCITS comingled fund investing in 8 to 12 uncorrelated, high conviction alternative managers from UBP's Recommended List. It aims to be an Absolute Return, all-weather portfolio acting as a diversifier to traditional assets.
- The portfolio allocation to macro-orientated strategies was continued in the quarter with initial redemption from more relative value orientated strategies. This will continue through Q2 2023.

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### *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 macro uncertainty and high real yields outside of G10, mean reversion strategies where market volatility stabilisation could see potential attractive spreads and in systematic strategies where higher price volatility and investor biases generate good entry and exit points.
- For greater depth on our outlook please access the AIS Quarterly Outlook & Review report.

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