UNION BANCAIRE PRIVÉE

UBAM (CH) - GOLD +

Monthly Report | June 2019

For Qualified Investors in Switzerland or Professional Investors or Eligible Counterparties as defined by the relevant laws

Performance

As of 28.06.2019	Fund	Bench
June 2019	+8.84%	+8.76%
Past 3 months	+8.34%	+8.77%
Past 6 months	+9.03%	+10.04%
YTD	+9.03%	+10.04%
Since take over (29.06.2012)	-11.04%	-11.85%

Source: UBP, Past performance is not an indicator of current or future results.

Manager Comments

In June 2019, the UBAM (CH) – Gold + fund's returned +8.84% (USD I Class, net of fees). During that time, gold prices went from 1'295.55 USD/oz to 1'409.0 USD/oz i.e. +8.76%, within the 1'295 – 1'440 USD/oz range. Implied volatility was largely up during that period.

Gold prices broke over the 1'350 USD/oz to trade above the 1'400 USD/oz level for the first time since 2013. The move occurred quite suddenly in the second half of the month letting gold settling in a new range. In this environment, we changed our scenario a turned slightly bullish keeping some convexity on the upside/downside within the fund. The exposure is actively managed in the 90% - 120% range relying on qualitative and quantitative inputs. On a gross basis, the fund outperformed its benchmark by +16bps. On the quantitative side, the directional strategy successfully caught the bullish trend contributing +62 bps but the non-directional carry strategy logically suffered from the large move up (-33 bps). On the qualitative side, the macro positioning inclusive of the long options positions was down -10 bps and the currency diversification was hit by lower USD vs. JPY (-3 bps).

Gold prices have been initially supported back towards the 1'350 USD/oz level during the first half of the month amid renewed tensions on global trade and related concerns on global growth. Also, the market began to price a dovish Fed after St Louis Fed President Bullard said that a cut may be needed soon and reinforced by Fed Chair Powell stating to keep a close watch on fallout from escalation in trade tensions. The weakness in May job reports and tensions with Iran helped as well gold prices allowing it to remain supported but sill failing to break above the 1'350 USD/oz. In this environment, the combination of investors looking for safe haven, lower real rates and central banks becoming more dovish (both in Europe and US) boosted gold prices above 1'400 USD/oz, levels not seen since 2013. In fact, on June 19th, even if the Fed left its key rate unchanged it indicated a readiness to cut interest rates making the the bullion rally strongly.

Physical demand was reported to be mixed. In China, volume has been stronger at the Shanghai Gold Exchange and the continuing trade tensions attracted buyers. Furthermore, higher CNH and the tendency of Chinese consumers to follow the trend may have helped as well. In India, the rupee strengthened, especially during the second half of the month, but higher prices may have dampened demand. Finally, it was reported that Central banks bought gold in May and estimated purchases are around 217 tonnes YTD.

In terms of flows, Gold ETFs holdings were up +109 tonnes in June i.e. +5% m/m, bringing back yearly inflows in positive +4.4% YTD and highest monthly inflow since June 2016. CFTC reports showed that net long positioning increased to highest level since September 2017; led by both new long positions and shorts unwinds. Lastly, implied volatility (6-month maturity) derived from option prices surged from below 10 towards 14.5 and above before retreating to 13 at the end of the month. Demand for upside participation through option (skew) increased significantly as well to levels last seen in 2011.

At the end of June 2019, we were considering a slightly bullish scenario on gold prices. This translates into a dynamically managed exposure between 90% and 120% versus the benchmark with convexity mainly through options in order to allow the find to catch any short term profit taking or new development against the yellow metal. We would reassess the scenario if Gold reached/broke clearly on a weekly basis 1'250 USD/oz on the downside or 1'500 USD/oz on the upside. Lastly, given that current accommodative monetary policies are set to last, we kept the currency diversification strategy in JPY (i.e. the fund owns 3.8% of Gold vs. JPY).

UNION BANCAIRE PRIVÉE

Disclaimer

This is a marketing document and is intended for informational and/or marketing purposes only. This document is confidential and is intended only for the use of the person(s) to whom it was delivered. This document 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 Qualified Investors in Switzerland or Professional Clients, Eligible Counterparties or equivalent category of investors 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 to any person or entity to 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 as 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 accepts no liability whatsoever and makes no representation, warranty or undertaking, express or implied, for any information, projections or any of the opinions contained herein or 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 you may not get back some or all of your original capital. In addition, any performance data included in this document does not take into account fees 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 your return.
All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements are not guarantees of future performance. The financial projections included in this document do not represent forecasts or budgets, but 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 disclaims any obligation to update any forward-looking statement, as a result of new information, future events or otherwise. It should not be construed as advice or any form of recommendation to purchase or sell any security or funds. It does not replace a prospectus or any other legal documents that 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 his/her 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 read carefully the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional advice from their financial, legal and tax advisors.
The tax treatment of any investment in the Fund depends on your individual circumstances and may be subject to change in the future.
The document neither constitutes an offer nor a solicitation to buy, subscribe for or sell any currency, funds, product or financial instrument, make any investment, or 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 invitation.
Telephone calls to the telephone number stated in this presentation may be recorded. When calling this number, UBP will assume that you consent to this recording.
UBP is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority and is authorised in the United Kingdom by the Prudential Regulation Authority. UBP is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.
The latest prospectus with integrated fund contract, KIID and annual and semi-annual reports may be obtained free of charge from Gérifonds SA, rue du Maupas 2, 1002 Lausanne, or from UBP.