UBAM – ASYMMETRY 50 EUR

Monthly Report | January 2019

For qualified investors only

Market context given by 3 passive globally diversified portfolios*

	(I)	(II)	(III)
Bonds[1]	**100%**	**50%**	**50%**
Equities[2]	**0%**	**25%**	**50%**
Jan	0.9%	2.2%	4.1%
YTD	0.9%	2.2%	4.1%
2018	-1.2%	-3.0%	-5.3%
2017	3.4%	6.8%	11.5%
2016	4.5%	6.8%	7.0%
2015	0.9%	0.9%	1.2%
2014	7.3%	5.9%	8.2%
2013	0.1%	5.9%	12.0%

* For information purposes only; daily rebalancing.

(1) Barclays Multiverse (total return, hedged to USD).

(2) MSCI All Country World (net return, hedged to USD).

Sources: Bloomberg Finance L.P. and MSCI.

Performance

	Fund[1]	Strategy[2]
Jan	1.3%	-
YTD	1.3%	-
2018	-6.8%	-
2017	2.8%	-
2016	-0.8%	-
2015	-4.0%	-
2014	-	9.9%
2013	-	8.4%
2012*	-	1.6%

(1) Performances are shown for the M capitalisation share class in USD net of fees (ISIN: LU1088684656).

(2) Performances are shown net of fees for audited track record of internal funds in the same strategy managed at

* From inception date, 23 February 2012.

Characteristics

Min-max equity exposure	0-50%
Volatility (260 days) in %	4.7
Size in M USD	6.3

Source: UBP

All data as of 31.1.2019 , unless otherwise stated.

Market review

After a catastrophic end to 2018, the Fed's shift in tone triggered a strong rebound in risk assets in January 2019, along with a slight decline in long rates.

News from the US was marked by the long partial shutdown of government agencies, but there was also an improvement in the trade negotiations with China. Industrial confidence bounced back after having taken a tumble at the end of the year, while consumer sentiment declined slightly. Inflation moderated, returning to just under the 2% mark after a fall in the oil price. The Fed's tone changed dramatically, promising that it would be "patient" on any future rate hikes. In the eurozone, industrial activity remained depressed and confidence slid further, both in services and in manufacturing. The German economy reported disappointing growth for 2018 (1.5%) and there were few signs of stabilisation at the beginning of the year. The ECB was in fact more cautious on the economic climate, stressing the rise in risk and raising the possibility of liquidity injections (TLTRO). In the United Kingdom, parliament threw out the proposed agreement on exiting the European Union, but also ruled out the possibility of a "no-deal" Brexit. In China, growth slowed at the end of the year (to 6.4% in Q4), as expected, but monthly indicators stabilised. The PBoC made several significant liquidity injections while the government confirmed a range of budgetary stimulus measures.

Investors can thank the US Federal Reserve for its much more dovish tone. The strong upswing in risk assets can also be put down to better company results than expected, a huge spike in the oil price, and encouraging progress in the US–China trade negotiations. As a result, global equities gained 7.9% (MSCI AC World in USD, net dividends reinvested) with a very slight outperformance in the United States and emerging markets. Turning to bonds, the dollar-denominated high-yield segment (+4.6%) and emerging market external debt (+4.4%) put in the best performances. The general tightening of spreads helped high-quality corporate debt (+2.1% in dollar terms, +1.1% in euros), which also benefitted from the downturn in long yields (-5 bps to 2.63% for 10-year US Treasuries and -9 bps to 0.15% for German 10-year Bunds). Consequently, sovereign bonds also closed up (+0.7% on average). The most spectacular rise was that of oil (+18.5% per barrel of WTI) due largely to production declines in several countries. The Fed's shift in tone unsurprisingly had a (slightly) detrimental effect on the dollar, while helping gold (+3.0%). Emerging currencies and those linked to commodities came out best against the greenback; for example, the Chinese yuan was up by close to 3% and the Brazilian real gained over 6%. Sterling was particularly popular (+2.8%), as investors believed that the risk of a no-deal Brexit was diminishing.

Top 5 bond holding

Name	Weight
S&P500 EMINI	5.65%
EURO STOXX 50	3.51%
OSSIAM SHILLER	2.59%
FTSE 100	2.51%
NASDAQ 100 E-MINI	1.93%

Source: UBP

Top 5 equity holdings

Name	Weight
S&P500 EMINI	14.25%
EURO STOXX 50	12.70%
OSSIAM SHILLER	9.65%
FTSE 100	8.90%
NASDAQ 100 E-MINI	5.62%

Source: UBP

Performance analysis

In January, the fund performed positively mainly because of the equity allocation even if largely underweighted; the amplitude of the move was sufficient to drive the performance of the fund.

Our global equities bucket caught at least some of the move up in global equities. In fact, the global underweight position following the Q4-18 sell-off was not in position to benefit from the price appreciation. Nevertheless, the bucket generated +112 bps gross.

In the bond space, the allocation to government bonds (overweight in both US and EU) provided some performance given the dovish anticipation of investors. The gradual increase of exposure to emerging bonds, corporate investment grade and especially high yield was the most benefical to the fixed income bucket which generated +49 bps gross.

Finally, the Carry strategy suffered in such environment due to the sharp and bigm move up in global markets while the risk management sub-bucket, even if rather loaded in volatiltiy futures at the beginning of the month, return a rather flat contribution. Thus, the bucket detracted -23 bps gross.

Eventually, gold allocation added +7 bps and currency exposure and hedging cost -8 bps gross.

Portfolio Changes

During the month, the trend signals on global equities (excluding option overlay and carry) remained largely under allocated given the strength of the sell-off in Q4-2018 and despite the move up of gloval equity markets in January. Nevertheless, it rises a bit following somehow the short term trends. US equity momentum was the most to be impacted even if the changes were small while European, Japan, and Emerging markets signals remained unchanged and defensive.

In the bond space, the allocations to government bonds (both US and Europe) was rather stable and bullish oriented (defensive positionning) while the allocation high-yield, corporeate investment grade and emerging bonds increased to higher level of exposure addind some risk to the portefolio.

For the Carry strategy, a defensive stance was put in place at the beginning of the month on the carry bucket (mostly in-the-money call options sale) as well as on the risk management bucket. The carry bucket did not changed materially but the risk management (implementation of long volatility futures positions) reversed rapidly to a more bullish equity positionning.

Positionning and Outlook

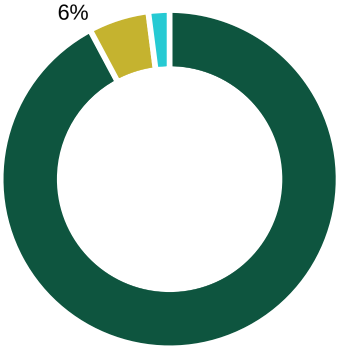
At the end of January, we still had a underweight/neutral allocation in our equity allocation and an overweight stance on global bonds.

On Equities, the trend following and dynamic allocation exposure was brought to 23.1% of total fund exposure (vs. neutral at 25%) excluding the carry strategy. The fixed income allocation was brought to 74.4% (vs. neutral 50%) reflecting our more constructive view on this asset class given the uncertainty regarding central banks policy going forward. It is worse notice that the fixed income allocation was on the pace to be increased further, especially on the high-yield bonds segment.

On the Carry strategy, a neutral stance was implemented due to US, Europe, Japan and UK showing a bearish trend while volatility futures indicating a standard/bullish equity environment.
The focus in February will be the US-China trade talks that should take place, Fed rhetoric concerning future evolution of its monetary policy as well as Brexit deadline approaching.

We will keep, as usual, an opportunistic approach and adapt the portfolios to the strongest trends observable on the markets.

Currency allocation



Source: UBP

Asset allocation

Cash and Carry			**0.2%**
Bonds			**74.4%**
	Government	59.7%	
	Corporate	5.6%	
	Aggregate	-	
	High yield	5.8%	
	Emerging markets	3.3%	
Equities			**23.1%**
	Europe	7.0%	
	North America	11.3%	
	Emerging markets	2.3%	
	Japan	1.6%	
	Pacific Ex-Japan	0.9%	
Gold + oil			**2.3%**
Total			**100.0%**

Source: UBP