

# U ACCESS (IRL) SHANNON RIVER UCITS

## Quarterly Comment

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

### Market Comment

- The second quarter was very strong for equities and credit as central banks and governments provided enormous amounts of stimulus and economies started to reopen. World equities rallied across the board, up close to 20% on aggregate, with the US and EM leading the way, while Europe and Japan lagged somewhat. In terms of styles, growth continued to strongly outperform value, as we have seen in the last several quarters. Central bank support also helped supporting High Yield which rallied by close to 10% in Q2. EM Debt also rallied as many central banks cut rates, some even implemented QE for the first time, and oil rallied following an extraordinary collapse into negative territory. Despite the strong rebound in risk assets, traditional portfolio hedges such as government bonds and gold held up well. US Treasuries are up about 9% year to date, while gold is up close to 18%.
- The lock down has reduced consumers' spending and led to a surge in savings rates. This provided the liquidity for retail day trading via cheap trading platforms. The retail trading combined with algorithmic systems designed to piggyback on this approach has led to some staggering moves in individual stock prices driven by key words rather than earnings prospects.
- Equity long short managers generally performed well in the second quarter. Contrary to the first quarter, value focused managers performed in line with growth focused managers. The strongest performance typically came from technology, closely followed by healthcare. Unsurprisingly, performance was largely driven by the long books. Some extreme individual stock price moves on the short side (typically driven by government bailouts or takeover rumours) resulted in relatively poor performance in many short books. However, there were several outliers that did very well in their short books, often thanks to significant short positions in Wirecard. Equity market neutral strategies were clearly the laggards, only posting marginal gains in Q2.
- In this disruptive environment, we believe that expanding asymmetric exposure through alternative solutions is a smart asset allocation move today. We are convinced that one efficient way to improve the risk-return profile of a traditional long-only equity portfolio is to favour Long/Short sector specialists like U Access (IRL) Shannon River UCITS. Indeed, technology is present in more and more aspects of our life as it continues to disrupt sectors and companies.

### Performance Review

- For the second quarter of 2020, U Access (IRL) Shannon River UCITS returned +7.19%, bringing the YTD performance to +10.92% (Class B USD, net of fees). The Fund's net performance since inception (October 10, 2019) is now +11.95%. During Q2 2020, the long book contributed +24.44%, while the short book detracted -15.08% (gross of fees). The fund reached \$180 million in assets within the second quarter of 2020.
- The portfolio's top performers in the quarter were core long positions that rallied significantly off the March lows. Dynatrace (DT), New York Times (NYT), Autodesk (ADSK), SailPoint (SAIL) and Everquote (EVER) each contributed between +200 and +400 bps.



Q2 2020

- Early in the second quarter the portfolio manager purchased several positions as part of a general “re-opening” trade, feeling that risk/reward skews were very favourable in April. Live Nation (LYV), Expedia (EXPE), Six Flags (SIX), Bookings Holdings (BKNG) were all positive contributors in the second quarter.
- On the negative side, the portfolio’s largest detractors in Q2 were hedges related to the Russell 2000 and NASDAQ, as well as sector hedges to Software and Semiconductors. While the V-shaped recovery in the markets is clear in hindsight, the outlook was anything but certain in April and May. The portfolio manager maintained a somewhat defensive stance while still participating in the rally and adding selectively to the long book.
- Other detractors in 2Q were single stock short positions that rallied with the market recovery. These include shorts in the Dental space, Software, and Semi-cap Equipment.

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### Portfolio Activity

U Access (IRL) Shannon River UCITS focuses on companies across the broad technology sectors, and typically invests in the \$1-\$20 billion market cap range where sell-side research coverage is less efficient. The team takes a company-specific, bottom-up approach to investing, and seeks out asymmetric opportunities that it believes to be temporarily misunderstood or ignored.

- Having finished the first quarter in positive territory despite the market crash, the investment team started the second quarter looking for new opportunities on the long side while still maintaining an overall defensive stance. The portfolio manager added to several core long positions that had traded lower in Q1. These adds were most notable in the case of NYT, SAIL, ADSK, and FLWS.
- As the quarter went on, the investment team identified favourable risk/reward set ups in a number of travel & leisure stocks. LYV, EXPE, SIX, and BKNG were all positive contributors in the quarter. The portfolio continues to own the OTAs (EXPE, BKNG) in the belief that they will be some of the immediate beneficiaries of a coronavirus vaccine, but has exited and, in some cases, shorted other stocks in the travel & leisure space in the belief that the risk/reward set-up for the second half of the year is unattractive with the stocks at current levels.
- Current areas of focus continue to include Digital Media (NYT), Identity Security (SAIL), Intellectual Property (IDCC), and Enterprise Software (DT). The portfolio manager has recently added several new positions to the long portfolio where he and the analyst team see potential for outsized returns over the next 6-12 months. These include companies in the online pharmaceutical space, and a digital platform in the mortgage lending and insurance space.

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### Outlook

- The investment team believes that many of the secular trends in technology that underpin the fund’s investment strategy will accelerate as a result of the COVID-19 crisis. Some of these trends include digital payments, media content, remote work/play/learning, security/monitoring, e-commerce, and a diversified supply chain.
- While the initial phase of the crisis saw a largely correlated move lower in equity markets, and now major bounce for technology-related companies off of the March lows, the investment team expects to see significant dispersion in stock prices over the coming months as company-specific earnings results and metrics come into focus. This should be a favourable operating environment for long/short equity.

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