

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

## UBAM - GLOBAL CARRY

A cash- and cost-efficient solution offering access to liquid carry from global equity-neutral strategies

### Key points

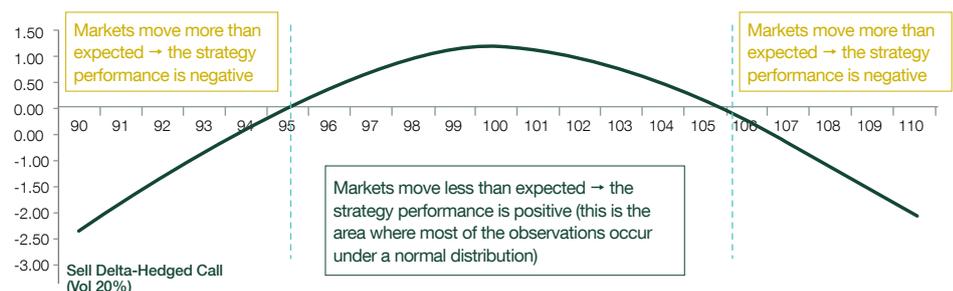
- ◆ *Liquid carry overlay solution seeking to complement a traditional fixed-income allocation giving expectations of a rising yield environment*
- ◆ *Core strategy implemented through delta-hedged call-selling on world equity indices*
- ◆ *Market-neutral equity exposure on average; no duration*
- ◆ *Systematic approach*
- ◆ *UCITS, daily liquidity, cash-efficient solution*
- ◆ *Target performance: Libor +3%*
- ◆ *Target volatility: 3%*

### Investment case: Providing alternative sources of yield to traditional bonds

- ◆ With current yields at historical lows, investors find it challenging to extract a satisfying level of steady income from traditional fixed-income instruments
- ◆ This market regime is expected to last, with investors facing increased interest-rate volatility due to a new rising rate cycle in the US and quantitative easing ending in other regions, such as Europe
- ◆ In this context, an increasing number of bond investors are looking for additional sources of yield to complement their fixed-income portfolio
- ◆ UBAM – Global Carry is a carry strategy which provides access to recurrent yield with no fixed-income duration. It is achieved through the implementation of systematic delta-hedged call-selling on world equity indices in order (i) to capture risk premia related to equity volatility and (ii) maintain a low exposure to equity markets

### Fund concept: Gaining extra yield from call selling, with low market beta

- ◆ A global portfolio investing in major, highly liquid and listed instruments, including equity index futures and options, volatility futures, and T-Bills for cash
- ◆ Regional exposure: 60% US, 20% Europe, 10% Japan and 10% UK
- ◆ Carry overlay is achieved through the implementation of:
  - ▶ A call-selling strategy on world equity indices to capture risk premia related to equity volatility (90% of the overlay allocation)
  - ▶ A tail-risk strategy which buys volatility future indices and tends to offer some protection in case of turbulent markets (10% of the overlay allocation)
- ◆ Both strategies are delta-hedged, resulting in very limited equity beta at portfolio level
- ◆ The target is a Libor +3% net return per annum with a 3% volatility budget
- ◆ Payout profile of the delta-hedged call-selling strategy (core allocation of the portfolio):

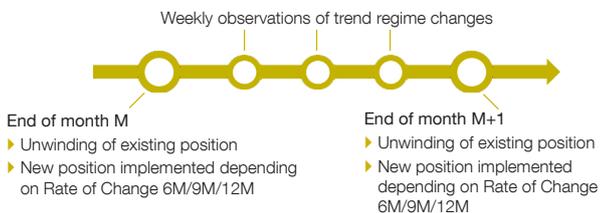


## Delta-hedged call-selling component

- Implemented at the end of each month on four global equity indices and according to the following regional split:
  - S&P 500 → 60% of the strategy allocation
  - Euro Stoxx 50 → 20% of the strategy allocation
  - Nikkei 225 → 10% of the strategy allocation
  - FTSE 100 → 10% of the strategy allocation

The above allocation split is a fair proxy of the current MSCI World allocation

- Portfolio management based on quantitative signals:
  - Monthly adjustments based on trend-following signals for 6-, 9-, and 12-month horizons:
    - signals indicate a bull regime → Sell a slightly “out of the money” (OTM) call with a 40% delta
    - signals indicate a bear regime → Sell a slightly “in the money” (ITM) call with a 60% delta
  - Additional weekly adjustments to adapt to any trend change:
    - signals change from bear to bull regime → Buy back the 60% delta call and sell the 40% delta call
    - signals change from bull to bear regime → Buy back the 40% delta call and sell the 60% delta call



Source: UBP. For illustrative purposes only

## Investment team

- UBP Cross Asset Solutions team
- 5 people led by Philippe Henry
- Long track record in managing volatility strategies, including carry overlay
- Strong and rigorous risk management process

## General information (Institutional share class IC)

Fund name	UBAM – Global Carry
Legal structure	Luxembourg-incorporated SICAV / UCITS
Launch date	June 2017
Valuation day	Daily (D)
Subscription terms	Cut-off: D - 1BD; Settlement: D + 2BD
Redemption terms	Cut-off: D - 1BD; Settlement: D + 2BD
Fee structure	0.50% management fee, no performance fee
Minimum subscriptions	None
Currency	USD (base currency), EUR, CHF, GBP, SEK

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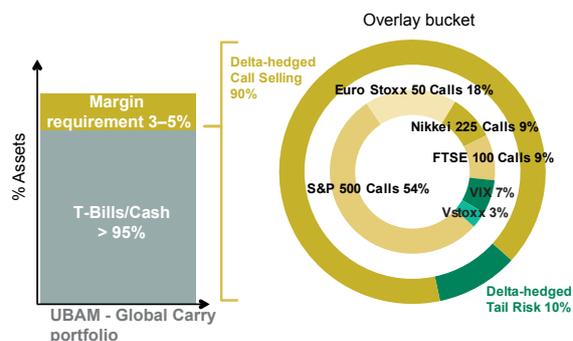
## Union Bancaire Privée, UBP SA

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## Delta-hedged tail risk component

- The intensity of the dynamic long volatility exposure is based on the aggregation of long exposure and the following signals, which are monitored and implemented every day:
  - Term structure Normal stage (i.e. contango, upward sloping) or stressed markets (i.e. backwardation, downward sloping)
  - Trend following Momentum of implied volatility instruments
  - Volatility regime In a low, middle or high percentile over one year
- Signals are monitored and implemented each day

## Portfolio mechanism and holdings



- The 3–5% margin requirement enables the implementation of an UCITS-compliant carry overlay solution composed of delta-hedged call-selling (90% of the strategy allocation) and delta-hedged tail risk buying (10% of the strategy allocation)
- The majority of the portfolio (> 95%) is held in T-Bills and cash

## Main risks

With lower risk,						With higher risk,
potentially lower rewards						potentially higher rewards
1	2	3	4	5	6	7

SRRI relates to the IC USD share class LU1603357937 as of 31.01.2019. This indicator represents the annual historical volatility of the fund. Risk category reflects level of risk and return profile: 1 lowest; 2 low; 3 limited; 4 average/moderate; 5 high; 6 very high; 7 highest risk. Historical data such as that used to calculate the synthetic indicator cannot be considered as a reliable indication of the fund’s future risk profile. The risk category associated with the fund is not guaranteed and may change over time.

Currency hedging	Yes (against base currency)
ISIN codes	USD: LU1603357937 ; EUR: LU1603358158 CHF: LU1603358406 ; GBP: LU1603358828 SEK: LU1603358661
Registration for sale	AT, BE, CH, DE, ES, FI, FR, GB, Gl, IT, LU, NL, PT, SE
Management company	UBP Asset Management (Europe) S.A. Luxembourg
Investment manager	Union Bancaire Privée, UBP SA
Custodian	BNP Paribas Securities Services Luxembourg Branch
Administrator	CACEIS Bank Luxembourg
Auditor	Deloitte SA