

U ACCESS (IRL) SHANNON RIVER UCITS

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 or in the latest prospectus.

Market Comment

- The fourth quarter of 2023 delivered a “Santa rally” for investors fuelled by rate cut expectations following the Fed’s pivot towards a more dovish stance. After a slight correction in Q3 following stronger economic and CPI data and fears of “higher for longer” coming back, markets resumed their bullish trajectory that started in Q4 of 2022. Equity markets rallied across the board, led by the US. For the full year, Developed Market (DM) equities outperformed Emerging Markets (EM) with Japan the top performer (+28.3% for the Topix) followed closely by the US (+26.3% for the S&P 500). All styles saw positive returns, with REITs, Growth and Small Cap leading the way given their relative sensitivity to interest rates. The market seem to be in a goldilocks scenario, pricing in six rate cuts for the Fed in 2024. The only asset class in negative territory in Q4 were commodities (-4.6% in Q4; -7.9% YTD).
- Given this backdrop, essentially all fixed income assets rallied sharply. Government bonds, EM Debt, High Yield (HY) and Investment Grade (IG) bonds posting mid-to-high single digit returns for the quarter, pushing all of them in positive territory YTD. In terms of regions, the strongest returns came from EM Debt (+9.3%), followed by Euro Government Bonds (+7.2%) and US Treasuries (+5.7%). In the HY space, the US (+5.7%) outperformed Europe (+5.5%). Global IG (+8.8%) and Inflation linked bonds (+8.6%) complete this bullish picture. On the economic front, the market seems to have shifted from focusing from growth to focusing on inflation in anticipation of the Fed’s future moves. This observation is supported by the fact that economic data remained more resilient than many had expected, while inflation dropped significantly in Q4. The market also seems to have mostly priced out a hard landing scenario.
- 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.

Sources: UBP, Bloomberg Finance LP, BofA Merrill Lynch

Performance Review

- For the fourth quarter of 2023, U Access (IRL) Shannon River UCITS returned +11.88%, bringing the YTD to +28.6% (Class B USD, net of fees). During Q4 2023, the long book added +19.67%, while the short book detracted -6.70% (gross of fees). Major stock indices rose in the fourth quarter. The S&P 500 gained +11.69%, the Russell 2000 +14.03% and the Nasdaq +13.79%. CCMP ex the top 8 was +13.5% for the quarter.
- The portfolio’s top contributors in Q4 were led by examples of our differentiated technology portfolio, with Interdigital, Inc. (IDCC) +2.97%, Wix.com, Ltd. (WIX) +2.76%, GoDaddy Inc. (GDDY) +2.48%, Celestica Inc. (CLS) +1.55%, and Advanced Micro Devices, Inc. (AMD) +1.47%.



Q4 2023

- Top detractors for the quarter were a short index of semiconductor stocks at -0.79%, an index short -0.77% and a short basket of software stocks at -0.52%.

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.
- In Q4, the portfolio manager actively managed Gross and Net exposure over the quarter. Gross exposure was in the 89-143% range, while Net exposure was in the 18-44% range.
- Top high conviction long ideas currently include Wix.com Ltd. (WIX), Interdigital Inc. (IDCC), Tower Semiconductor Ltd. (TSEM), Celestica Inc. (CLS), and Flex Ltd (FLEX).
- Our short book is currently comprised almost entirely of single stock “alpha” shorts with some custom basket and ETF exposure. Areas of focus include software and semiconductor exposure.

Outlook

- Shannon River continues to find increased dispersion and a large and diverse opportunity set outside of the “Magnificent 7.” A normalized rate environment is historically better for stock pickers and the team continues to identify mispriced growth within established secular trends.
- Shannon River has a differentiated, customer-centric research process, with a focus on unit economics, free cash flow, sustainable growth, and attractive margin profiles. The team avoids “story stocks” with dubious earnings prospects.
- The portfolio is highly diversified across many sectors. The team is both revisiting companies that it has known over its 20 year track record, and initiating positions in newer companies that it has followed but has been waiting for attractive entry points. These included companies in payments, semis, industrial automation, and software, to name a few.
- Long WIX (Wix.com Ltd.)
 - Mispriced growth asset as business has rerated lower as margins have inflected higher
 - AI enabled features across the business set to reaccelerate top line growth
 - 2025 targets are conservative and believe they can be achieved exiting 2024
- Long TSEM (Tower Semiconductor Ltd.)
 - We have been involved with the company for almost 15 years
 - Stock dislocation stemming from a regulatory roadblock resulting in a failed acquisition by INTC
 - End markets bottoming out and inventory corrections close to completion
 - Benefits from continued secular growth in outsourcing
 - Has acquired semi fabs from INTC/STM that should drive growth for ~5 years



- Long INFA (Informatica, Inc.)
 - Accelerating growth, driven by cloud data management demand and some early AI use cases
 - Compounding earnings faster than topline with margins step function higher
 - Viewed and priced like legacy tech, our variant perspective is that INFA has completely rearchitected and is very relevant in the new data stack. Could also see AI tailwinds emerge.
- Short – The team is finding a better environment for shorting stocks within the significant dispersion in SMID cap. There are many companies that the team does not feel will grow into their valuation and/or have some flaw in their business model or until economic that will manifest in earnings disappointments in the coming quarters.



Q4 2023

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