

# UBAM – MULTIFUNDS ALLOCATION RESPONSIBLE INCOME

Quarterly Comment | Q1 2024

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](http://ubp.com) or in the latest prospectus

## Market Comment

- Supported by optimism around a softer landing in the US, the AI hype and soon to come interest rate cuts, equity markets continued their climb in Q1 2024, with many of the main indices making new all-time highs. In March, performance drivers started to broaden with energy and banks contributing positively, as investors were looking for attractively priced areas of the market away from the diverging “Mag 7”. The MSCI AC World rose +8.1% over the quarter, with Japanese equities up +17.3%, US equities +10.6%, Swiss equities +6.0%, European equities +7.6%, and Emerging Market equities +2.1% (performances as of 28.03.2024, in local currencies).
- US GDP growth for Q4 23 came in slightly above estimates at 3.4% qoq but showed some slowdown from the previous quarter. Activity is expected to moderate in Q1 2024, but average growth for the full year should remain in a 2%-2.5% range after 2.3% in 2023. This would support the soft-landing scenario as US consumers continue to benefit from a tight employment market. The US Fed announced no change in key rates during their March meeting, as inflation remained elevated coupled with solid activity and strong labour indicators. The US yearly inflation trend increased for end of February from 3.1% to 3.2%. In a similar move, the ECB kept interest rates unchanged in March and cut its 2024 inflation forecast to 2.3%. The yearly headline inflation print for the Eurozone fell slightly in February, but core inflation remained above 3% yoy. Manufacturing PMI for the Eurozone came in better than expected at 46.1 for March, with less pronounced negative business sentiment and improving confidence about the economic recovery.
- Following the significant rally in fixed income markets in December on the back of the shift in communication from Fed Chair Powell in particular, January saw markets in more of a holding pattern. US investment grade spreads for example were 1 bp wider on the month, whilst the European equivalent was still 6 bps tighter. Within rates markets, US 10-year yields were 3 bps higher in January, whilst German 10-year Bund yields were 15 bps higher, with curves steepening as front ends continued to outperform following less hawkish communication.
- European rates underperformed herein, as the ECB appeared less willing to commit towards an easing guidance in the near-term, although President Lagarde herself admitted at the ECB meeting that rate cuts could come as soon as the summer, whilst not closing the door to an earlier rate cut either if the data warrants.

Sources: *UBP, Bloomberg Finance LP.*



---

### *Performance Review*

- The first quarter of 2024 saw positive absolute returns. Performance relative to the composite benchmark was only slightly positive over the quarter.
- Style allocation and manager selection contributed positively.
- Within fixed income our inflation linked stance proved positive. Regarding equities, our exposure to Asian environment equities contributed negatively.
- About fixed income, manager selection was positive across the board. Within equities, manager selection was negative with no major outlier.

---

### *Portfolio Activity*

- During the quarter, portfolio activity was low as preference was maintained to capitalise on a conviction-based portfolio.
- We increase quality style while slightly reducing other positions. Valuation have come down and we saw a good entry point
- During the first quarter we rebalanced the portfolio back to neutral following the rally in equities.

*Sources: UBP, Bloomberg Finance LP.*



---

## Outlook

- At the beginning of 2024, major central banks were guiding towards rate cuts by the end of Q2, and therefore the focus during this quarter will be on whether the data allows them to deliver on this prior guidance. Whilst we see the path for near term rate cuts from the ECB & BoE as more likely than not given the disinflation trend being observed, there remains more uncertainty on the timing of the Fed's first rate cut amid a stronger growth backdrop and recent stickiness in inflation. Overall, we expect for the rate cutting cycle to likely be very gradual in nature when it does commence, which favours a strategic allocation to fixed income to benefit from higher yields over the medium term and taking advantage of the carry opportunity that continues to present itself today.
- One of the key developments over the last quarter was the updated economic projections released by the Fed at the March meeting. Of significance were the large upward revisions to growth, with real GDP estimated at 2.1% for this year compared to 1.4% previously. US growth is being supported by a resilient consumer on the back of tight labour markets and an improving supply-side story amid rising immigration and improving productivity. The growth upgrade was also met with a revision higher to the inflation forecasts, with core PCE for example seen at 2.6% for this year, up from 2.4% previously. Despite these hawkish revisions, the Fed left its near term guidance within the dot-plot projections unchanged, to show three rate cuts for this year, whilst it did remove one rate cut further out, resulting in the end-2026 dot to be at 3.1% compared to 2.9% previously. Fed Chair Powell also maintained his message from prior meetings by guiding towards rate cuts later this year, although requiring a couple months of more data to confirm that the disinflation trend is intact given recent disappointing readings.
- Given the prevailing market concentration levels particularly around US tech names, investors should factor in the risks of a negative market surprise linked to geopolitics and elections, interest rate moves or AI results. After 0% EPS growth delivered in 2023, the highly anticipated first earnings season of the year could bring some volatility, especially around names with extended valuation levels. We believe that investors should privilege active bottom-up strategies exposed to diversified sources of performance.

## Disclaimer

**This is a marketing document and is intended for informational and/or marketing purposes only. It is intended to be used only by the person(s) to whom it was delivered.** It 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 Professional clients in Switzerland or Professional clients or an equivalent category of investor 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 at any person or entity at 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 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 makes no representations, provides no warranty and gives no undertaking, express or implied, regarding any of the information, projections or opinions contained herein, nor does it accept any liability whatsoever 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 investors may not get back some or all of their original capital. Any performance data included in this document does not take into account fees, commissions, 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 investors' returns. All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements do not guarantee future performances. The financial projections included in this document do not constitute forecasts or budgets; they 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 also disclaims any obligation to update forward-looking statements, as a result of new information, future events or otherwise. The contents of this document should not be construed as any form of advice or recommendation to purchase or sell any security or funds. It does not replace a prospectus or any other legal documents, which 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 their 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 carefully read the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional counsel from their financial, legal and tax advisors. The tax treatment of any investment in a Fund depends on the investor's individual circumstances and may be subject to change in the future. This document should not be deemed an offer nor a solicitation to buy, subscribe to, or sell any currency, funds, products, or financial instruments, to make any investment, or to 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 solicitation. Telephone calls to the telephone number stated in this presentation may be recorded. UBP will assume that, by calling this number, you consent to this recording.

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability - related disclosures in the financial services sector (the "Disclosures Regulation" or "SFDR"), funds are required to make certain disclosures. Funds falling under the scope of Article 6 of the SFDR are those which have been deemed not to pursue an investment approach that explicitly promotes environmental or social characteristics or has sustainable investment as their objective. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. Notwithstanding this classification, the Investment Managers may take account of certain sustainability risks as further described in the fund's prospectus. Funds falling under the scope of Articles 8 or 9 of the SFDR are those subject to sustainability risks within the meaning of the SFDR. The sustainability risks and principal adverse impacts as stipulated in the SFDR are described in the prospectus. In addition, unless otherwise specified, all funds apply the UBP Responsible Investment policy, which is available on <https://www.ubp.com/en/investment-expertise/responsible-investment>

UBP relies on information and data collected from ESG third party data providers which may prove to be incorrect or incomplete. Although UBP applies a proven selection process of such third-party providers, its processes and proprietary ESG methodology may not necessarily capture appropriately the ESG risks. Indeed, data related to sustainability risks or PAI are today either not available or not yet systematically and fully disclosed by issuers, may be incomplete and may follow various methodologies. Most of the ESG factors information is based on historical data that they may not reflect the future ESG performance or risks of the investments.

ESG information providers: Although Union Bancaire Privée, UBP SA, ESG information providers (the "ESG Parties") obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

### **This content is being made available in the following countries:**

**Switzerland:** UBP is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA). The head office is Union Bancaire Privée, UBP SA, 96-98 rue du Rhône, P.O. Box 1320, 1211 Geneva 1, Switzerland.  
[ubp@ubp.com](mailto:ubp@ubp.com) | [www.ubp.com](http://www.ubp.com)

**United Kingdom:** UBP is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA.

**France:** Sales and distribution are carried out by Union Bancaire Gestion Institutionnelle (France) SAS, a management company licensed by the French Autorité des Marchés Financiers, - licence n° AMF GP98041; 116, av. des Champs Elysées | 75008 Paris, France T +33 1 75 77 80 80 Fax +33 1 44 50 16 19 [www.ubpamfrance.com](http://www.ubpamfrance.com)

**Luxembourg:** through UBP Asset Management (Europe) S.A., a Management Company authorised under Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment (the "2010 Law") and an Alternative Investment Fund Manager authorised under the Law of 12 July 2013 (the "AIFM Law"), which manages undertakings for collective investment subject to Part I of the 2010 law and other types of funds which qualify as alternative investment funds. 287-289, route d'Arlon P.O. Box 79 1150 Luxembourg T +352 228 007-1 F +352 228 007 221.

**Hong Kong:** UBP Asset Management Asia Limited (CE No.: AOB278) is licensed with the Securities and Futures Commission to carry on Type 1 – Dealing in Securities, Type 4 – Advising on Securities and Type 9 – Asset Management regulated activities. The document is intended only for Institutional or Corporate Professional Investor and not for public distribution. The contents of this document have not been reviewed by the Securities and Futures Commission in Hong Kong. Investment involves risks. Past performance is not indicative of future performance. Investors should refer to the fund prospectus for further details, including the product features and risk factors. The document is intended only for Institutional Professional Investor and not for public distribution. The contents of this document and any attachments/links contained in this document are for general information only and are not advice. The information does not take into account your specific investment objectives, financial situation and investment needs and is not designed as a substitute for professional advice. You should seek independent professional advice regarding the suitability of an investment product, taking into account your specific investment objectives, financial situation and investment needs before making an investment.

The contents of this document and any attachments/links contained in this document have been prepared in good faith. UBP Asset Management Asia Limited (UBP AM Asia) and all of its affiliates accept no liability for any errors or omissions. Please note that the information may also have become outdated since its publication. UBP AM Asia makes no representation that such information is accurate, reliable or complete. In particular, any information sourced from third parties is not necessarily endorsed by UBP AM Asia, and UBP AM Asia has not checked the accuracy or completeness of such third-party information.

**Singapore:** This document is intended only for accredited investors and institutional investors as defined under the Securities and Futures Act (Cap. 289 of Singapore) ("SFA"). Persons other than accredited investors or institutional investors (as defined in the SFA) are not the intended recipients of this document and must not act upon or rely upon any of the information in this document. The financial products or services to which this material relates will only be made available to clients who are accredited investors or institutional investors under the SFA. This document has not been registered as a prospectus with the MAS. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this product may not be circulated or distributed, nor may the product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to institutional investors under Section 274 or 304 of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) to relevant persons pursuant to Section 275(1) or 305(1), or any person pursuant to Section 275(1A) or 305(2) of the SFA, and in accordance with the conditions specified in Section 275 or 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This advertisement has not been reviewed by the Monetary Authority of Singapore.