



Q1 2021

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

### Market Comment

- The first quarter of 2021 was dominated by rising bond yields and the outperformance of value and small-cap equities. In terms of regions, Japan and Europe were the strongest equity markets in Q1 while Asia and EM underperformed. Chinese equities sold-off from mid-February until the end of the quarter, due to a combination of cyclical concerns, fears of policy tightening, increased regulatory/anti-trust pressure by domestic Chinese authorities and geopolitical tensions. Most commodities continued to rally in Q1.
- The main drivers of market action in Q1 were the large stimulus coming from various governments, the US in particular, and the progress on the Covid-19 vaccine rollout, fuelling investor's optimism on global growth prospects. The size of the US stimulus package and the prospect of a large infrastructure plan, both unprecedented in size, also increased the prospects of higher inflation. Most fixed income markets suffered as a result, both in Developed and Emerging markets.
- 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 first quarter of 2021, U Access (IRL) Shannon River UCITS returned -2.54%. (Class B USD, net of fees). During Q1 2021, the long book contributed +8.19%, while the short book detracted -9.87% (gross of fees). The fund finished the quarter with approximately \$206 million in assets.
- The portfolio's top contributors in the quarter were Sonos (SONO) at +196 bps, followed by a software sector hedge at +157 bps, Zur Rose (ROSE SW) at +135 bps, Stamps.com (STMP) at +132 bps and Sprout Social (SPT) at +130 bps.
- The first quarter was a difficult one for technology long/short funds in general. The investment team avoided the Game Stop (GME) debacle and related short squeezes in January. The portfolio manager seeks to avoid crowded trades in general. A sharp rotation out of technology shares and into cyclical/value names led to a correction in the long book in March. Shorts in the software sector helped to offset some of the losses, though shorts related to cyclical small caps and the "re-opening" trade were generally small detractors.
- On the negative side, the portfolio's largest detractors in Q1 were hedges related to the Russell 2000 and the Nasdaq Composite. Warner Music Group (WMG) was the detractor on the long side at -61 bps. Three single stock shorts related to entertainment and leisure detracted approximately -50 bps each.
- Company-specific news and data points were positive across the long portfolio in Q1. The investment team feels that the "set-up" for Q1 earnings reports in late-April and early May is a favourable one as expectations have been tempered while fundamentals appear to be strong.

All performance figures are given net of fees. Past performance is not a guide to current or future returns. See full disclaimer at the end of the document.



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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.

- The portfolio manager continues to see significant upside to legacy positions with pending catalysts including IDCC, DT, NYT, and ADSK. Newer positions on the long side include Sprout Social (SPT), Zynga (ZNGA), GoDaddy (GDDY), and Manhattan Associates (MANH).
- Current areas of focus continue to include e-Commerce (SPT, GDDY, ROSE SW, TGT), digital content (NYT, WMG), Enterprise Software (DT, ADSK), re-opening (TRIP), and hardware (SONO, AMBA)
- The investment team is paying close attention to the dozens of SPAC deals in our sectors. The team believes that there will be a wide dispersion of outcomes for these acquisitions, and both long and short opportunities should be plentiful.

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## Outlook

- Strong secular trends in technology will continue to offer opportunities in 2021. The investment team is focused company-specific situations in enterprise software, consumer technology, e-commerce and omni-channel commerce, digital content, online travel, and intellectual property. The investment team is working to parse out sustainable winners from episodic pandemic winners.
- The portfolio manager will continue to seek a balance in the portfolio between growth companies, value-with-a-catalyst, and company-specific transitions.
- The spread between current stock prices and the team's internal near-term price targets widened significantly in March. It doesn't expect this dislocation to last for long.

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