



## Commentary

The strategy fell by 2.8% in net terms for the month compared to the MSCI World index return of 1.8%. Since inception, the strategy has delivered an annualised return of 10.9%, against 12.5% for the MSCI World.

**Longs:**

The strategy was down by 0.2% in July.

During the month we removed **Ryanair** and **AMD**.

**New additions:**

**D.R. Horton** was added early in the month, and it rose 33% after its purchase. It constructs and sells single-family homes designed primarily for the entry-level and move-up markets. Through its financial services operations, it also provides mortgage financing and title agency services to homebuyers. The company may close over 90,000 homes in 2024 amid a lack of supply at lower price points. Its balance sheet is solid due to its asset-light business model and historically low leverage. Its strong cash generation may lead to more significant share buybacks. **General Electric** operates as an aircraft engine supplier company. The company provides jet and turboprop engines, as well as integrated systems for commercial, military, business, and general aviation aircraft. It has spun off its healthcare business last year and earlier this year it spun off GE Vernova, its Power and Renewable Energy. During the month it delivered strong operating profit, margin growth, and raised full-year earnings guidance.

**Paypal** rose 13%. The company reported stronger than consensus earnings, which showed progress on its turnaround efforts. Revenue was strong aided by growth in checkout volume and stronger e-commerce trends. PayPal bought back \$1.5 billion of shares in 2Q, pushing repurchase guidance up to \$6 billion in 2024 from \$5 billion, fuelled by stronger free cash flows. **Hartford Financial** rose 10%. Hartford Financial reported earnings that topped estimates. Its improving fixed-investment income may push return on equity to the high teens in 2024. **Alibaba** also rose by 10% in July. The company announced it will launch an AI-powered global search engine in September to help small and medium-sized enterprises with their sourcing needs. Investors also welcomed the company's new strategy to increase merchant service fees.

The strategy's overweight in semiconductors was a detractor in July with **AMD**, **Applied Materials** and **Renesas** all falling by more than 8% and **NVIDIA** falling by 5%. **Novo Nordisk** fell 9%, on potential growing competition in its weight loss category, with Roche aiming to accelerate its anti-obesity drugs.

**Short:**

The strategy fell 4.5% in July.

**New additions:**

**LVMH** was shorted early in July and fell 5% following its addition. It operates as a luxury goods group. The Company produces and sells wine, cognac, perfumes, cosmetics, luggage, watches, and jewellery. The stock hit a 52-week low at month end based on weakness in Chinese luxury spending. LVMH posted a 13% decline in revenue for the Asia-except-Japan region in the first half of the year. The region made up 30% of the company's total revenue. **Estee Lauder** manufactures and markets a wide range of skin care, makeup, fragrance, and hair care products. Like LVMH the conglomerate of beauty brands is not likely to see a significant rebound in FY25 due to the challenging conditions in China. Estée Lauder will likely face higher expenses and spending on brand investments will likely drain free cash flow. The stock fell 6% after its addition. **Vestas Wind Systems** manufactures, and wind turbines that generate electricity. Vestas Wind Systems serves customers worldwide. The company is marginally profitable, but its debt levels and possible waning 'Green' push from more populist governments may prove to be strong headwinds for the company. **Verizon Communications Inc.** operates as a telecommunications company. The Company provides wire line voice, data services, wireless, and internet services. The stock trades at undemanding multiples, but a competitive market environment reduces the prospects for significant profit margins.

Electric Vehicle companies, **Lucid** and **Rivian** were the largest detractors in July, as both stocks jumped by more than 20%. We continue to short the stocks as we do not think either company is on a path to profitability in the competitive market.

**Strategy managers:**

Patrick Armstrong, CFA  
Eugen Fostiak

**Target return:** 50% MSCI World +5% p.a.

**Holdings:** 30 Long, 30 Short

**Available in****Segregated account****UBS issued Actively Managed Certificates****ISIN:**

USD: CH0550137639

GBP: CH0552928746

EUR: CH1141734074

Daily Pricing from UBS

Source: UBSF on Bloomberg

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