00146800

Portfolio report

UBS International Share Fund
Global Equity
Client report from 01.07.2024 to 30.09.2024

Performance Comments

After fees and expenses, the fund decreased by 0.27% over the quarter, underperforming its benchmark.

% Return (Net)	Fund[1]	Benchmark*	Difference
3 months	(0.27)	2.30	(2.57)
1 years	11.11	23.21	(12.10)
3 years	6.31	10.56	(4.25)
5 years	10.46	12.48	(2.02)
Calendar Year to Date	6.41	17.00	(10.59)
Since inception (11/92)	7.21	8.50	(1.29)

[1] Performance figures are net of ongoing fees and expenses.

*MSCI World Equity Accumulation Index ex Australia (in $A)

The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns.

Source: UBS Asset Management. These figures refer to the past. Past performance is not a reliable indicator of future results.

The International Share Fund (ISF)'s underperformance in Q3 2024 was mainly a result of negative stock selection in Industrials and Communication Services. Meanwhile, our underweight to the Information Technology sector contributed positively, followed by stock selection in Health Care.

Largest stock contributors (Quarter):

Koninklijke Philips shares continued to rally following an upbeat Capital Markets Day in the Netherlands which highlighted the company's competitive strengths, as investors slowly continue to revisit the name as legacy legal and quality issues continue to be resolved. .

Not owning **NVIDIA** contributed positively over the quarter as the stock gave back some of their strong YTD gains amid a slight market rotation away from growth tech stocks, particularly due to a pullback in the AI rally. NVDA reported some gross margin pressure driven by the cost associated with delays in their Blackwell chip.

Our underweight position in **Microsoft** added value as shares sold off on the back of lower than expected Azure cloud computing growth, despite delivering beats in overall sales and profit growth for the quarter. This follows a period of share price decline this month as cooler inflation readings in the US and optimism around impending Fed rate cuts spurred a market rotation away for mega cap tech stocks.

Our underweight position in **Microsoft** added value as shares sold off on the back of lower than expected Azure cloud computing growth, despite delivering beats in overall sales and profit growth for the quarter. This follows a period of share price decline this month as cooler inflation readings in the US and optimism around impending Fed rate cuts spurred a market rotation away for mega cap tech stocks.

ServiceNow shares rose on the back of ongoing optimism around AI and resilient demand for its workflow automation platform.

Haleon shares traded up following the company's Q2 earnings print with +4.1% revenue growth for the quarter exceeding expectations, coupled with an increase in guidance for organic profit growth for the year.

Largest stock detractors (Quarter):

Intel shares dropped following disappointing quarterly results as EPS was below expectations and weak consumer demand led to gross margin underperformance. The company have announced a 10 billion USD cost reduction initiative which includes a significant headcount reduction. Intel announced dividends will be suspended until Q4, lowering investor sentiment.

Micron Technology shares faced pressure as investors anticipate the effects of a potential expansion of the US Government export bans to China to high-bandwidth memory (HBM) chip. Also sentiment remains weak as investor's continue to pounder the likelihood of a recession in the US.

Moderna shares fell over the quarter as the company revised current year sales guidance down meaningfully due to lower than expected 2H2024 COVID related sales as well as a slower ramp for the company's new RSV vaccine. In addition, the company announced the timeline for cancer vaccine has been moved back by one year due to FDA not pursuing an accelerated approval pathway, lowering investor sentiment.

Cadence Designs System shares decreased this quarter as Q3 forecasts came in below estimates. The chip design software maker forecast EPS came in at $1.4 billion, below estimates of $1.6 billion. Despite an 8% rise in revenue for Q2 from the previous year and an upgrade cycle towards the end of the year, investors remained concerned of increasing competition in semiconductor software.

Dollar Tree shares were weighed by lowered expectations ahead of their Q2 results, as spending trends across retail and particularly discount retailers showed some consumer weakness.

Stock Contributors & Detractors (%)

Company name	Return	Contribution	Over / underweight
Koninklijke Philips	25.02	0.44	OW
NVIDIA	(0.15)	0.37	UW
Microsoft	(7.15)	0.22	UW
ServiceNow	9.45	0.19	OW
Haleon	25.07	0.19	OW
Total of top 5 Contributors		**1.41**	
Intel Corp	(26.60)	(0.57)	OW
Micron Technology In	(24.03)	(0.42)	OW
Moderna Inc	(45.82)	(0.39)	OW
Cadence Designs Sys	(15.22)	(0.36)	OW
Dollar Tree Inc	(36.60)	(0.36)	OW
Total of top 5 Detractors		**(2.10)**	

Note: Position at quarter-end, which may be different to the position during the quarter.

Market Attribution (%)

Market Name	Contribution	Over / underweight
Netherlands	0.52	OW
France	0.23	OW
Denmark	0.16	UW
Japan	0.16	OW
Australia	0.12	OW
Total of top 5 Contributors	**1.19**	
United States	(3.28)	UW
Canada	(0.13)	UW
Germany	(0.09)	UW
Hong Kong	(0.08)	UW
Singapore	(0.04)	UW
Total of top 5 detractors	**(3.77)**	

Note: Position at quarter-end, which may be different to the position during the quarter.

Sector Attribution (%)

Sector Contributors	Contribution	Over / underweight
Health Care	0.12	OW
Materials	0.05	UW
Sector Detractors		
Communication Services	(0.73)	OW
Industrials	(0.64)	UW
Real Estate	(0.21)	UW
Utilities	(0.20)	UW
Financials	(0.18)	OW
Consumer Discretionary	(0.17)	OW
Energy	(0.16)	UW
Information Technology	(0.07)	UW
Consumer Staples	(0.03)	OW

Note: Position at quarter-end, which may be different to the position during the quarter.

Portfolio Positioning

Active Positions by Stock (%)

Top 5 Overweights		Top 5 Underweights	
ServiceNow	2.97	Apple	(4.95)
Fidelity National Information Services	2.59	NVIDIA	(3.54)
Take-Two Interactive Software	2.55	Alphabet	(2.65)
Koninklijke Philips	2.40	Meta Platforms	(1.83)
AIB	2.11	Microsoft	(1.78)

Active Positions by Sector (%)

Overweights		Underweights	
Health Care	3.57	Information Technology	(4.99)
Financials	3.33	Real Estate	(2.23)
Consumer Discretionary	2.45	Utilities	(2.05)
Consumer Staples	0.44	Communication Services	(0.76)
Energy	0.18	Industrials	(0.30)
		Materials	(0.02)

Active Positions by Market (%)

Top 5 Overweights		Top 5 Underweights	
United Kingdom	6.60	United States	(8.14)
Switzerland	2.34	Germany	(2.31)
Netherlands	2.05	Canada	(1.80)
Ireland	1.98	Denmark	(0.86)
Spain	1.12	Sweden	(0.84)

Note: Position at quarter-end, which may be different to the position during the quarter.

Market Review

The market's narrative shifted back to "soft landing" in September as a substantial shift in the Fed's reaction function and a 50bps rate cut cleared the way for easier financial conditions to stabilize the labor market. Global stocks rose to a new all-time high, with US tech and cyclical sectors in the lead. Meanwhile, fixed income generally benefited from the unfolding global monetary easing cycle. The big outperformer over the past month has been Chinese equities. The announcement of significant monetary and potentially fiscal stimulus measures sparked an impressive rally. Metal prices also benefited from the hope for a better Chinese growth outlook. But the oil price dropped significantly through September due to higher expected supply from OPEC+ on the horizon. The US dollar depreciated against almost all other major currencies, driven by Fed cuts and China stimulus.

Outlook & Strategy

Looking ahead, our base case scenario is that softer inflation and easing monetary policy should be supportive of greater economic breadth and better earnings accruing to more companies, which should spur a rotation out of mega cap stocks into other areas of the market. We anticipate that this will result in a long overdue broadening out of equity market gains, which should be beneficial for our performance.

In the near term, we expect to see elevated market volatility as investors continue to weigh the direction of the global economy, potential growth concerns, and the upcoming US presidential election, for example. We believe the market volatility presents compelling investment opportunities where share prices have been dislocated from underlying fundamentals. In this environment, we favor companies with strong cash flows and a margin of safety and are of the view that as fundamentals reassert themselves in the medium term, these companies will perform well and help to recover some of our relative performance. In fact, we have remained highly active amid recent market volatility by trimming some recent strong performers and reallocating capital to stocks which have strong upside potential with limited downside.

UBS Asset Management (Australia) Ltd

ubs.com

UBS