

Plurimi AI Short Equity Strategy

PLURIMI

March 2022

Objectives

The objective of the Plurimi AI Short Equity Strategy is to achieve appreciation through short selling a portfolio of global stocks. The strategy is always fully invested and rebalanced monthly with stock selection driven by artificial intelligence with machine learning techniques. The strategy can be implemented in isolation or in combination with a long equity strategy to create market neutral returns.

Key points

Bottom-up stock selection driven by Artificial Intelligence (AI) and machine learning.
Evaluating more than 5000 global stocks from 45 countries.

Objective stock selection process removes human emotion and behavioural biases.

Portfolio characteristics significantly underweight AI score, value, quality, and momentum stocks.

Key risks

Capital is at risk. Equity markets are volatile and the stocks in the strategy may rise leading to capital losses for this strategy. Stocks may rise by much more than 100%, which would lead to a larger loss than size of investment. The strategy is a focused portfolio and not as diversified as the benchmark. Returns of the strategy are impacted by borrowing costs, and shorts may be bought in, which may lead to capital losses.

Relative risk vs MSCI World (ex-ante)

Tracking error vs. short MSCI World	9.8%
Beta	1.2
AI predicted alpha	5.8%

Performance indicators (%)

	AI Short	MSCI World
Annualised return	-6.1	15.7
Annualised volatility	24.6	18.2
Sharpe ratio	-0.3	0.8
Best month	20.7	12.8
Worst month	-18.0	-13.2
Max drawdown	-54.4	-34.0

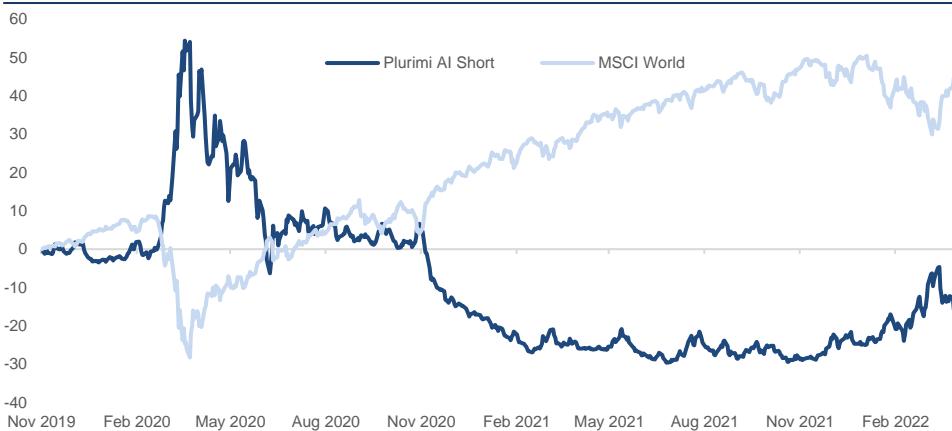
Holdings (new positions in bold)

RAKUTEN GROUP INC	-3.7
EDP-ENERGIAS DE PORTUGAL SA	-3.6
INTL FLAVORS & FRAGRANCES	-3.6
DISCOVER FINANCIAL SERVICES	-3.5
AEON CO LTD	-3.5
XPENG INC - ADR	-3.5
VONOVIA SE	-3.5
MEITUAN-CLASS B	-3.5
JUST EAT TAKEAWAY	-3.4
OCADO GROUP PLC	-3.4
SOFTBANK GROUP CORP	-3.4
CNP ASSURANCES	-3.4
PING AN HEALTHCARE AND TECHN	-3.3
CHINA MOLYBDENUM CO LTD-H	-3.3
CREDIT SUISSE GROUP AG-REG	-3.3
SIEMENS GAMESA RENEWABLE ENE	-3.3
JPMORGAN CHASE & CO	-3.3
PARAMOUNT GLOBAL-CLASS B	-3.3
WEST JAPAN RAILWAY CO	-3.3
REALTY INCOME CORP	-3.3
AMERICAN INTERNATIONAL GROUP	-3.3
P G & E CORP	-3.3
CELLNEX TELECOM SA	-3.3
ALSTOM	-3.3
TWILIO INC - A	-3.2
SIMON PROPERTY GROUP INC	-3.2
AFFIRM HOLDINGS INC	-3.2
DELIVERY HERO SE	-3.1
WELLTOWER INC	-3.0
DELTA AIR LINES INC	-3.0

Risk and return targets

- Typical Beta range -0.9 to -1.3
- Return target: +4% - MSCI World over a market cycle

Total return (%)



Total return in USD terms. (1 Nov 2019 - 31 Mar 2022)

Gross of all fees

Source: Bloomberg/PW

Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022													
Plurimi AI Short	6.4	3.1	4.2										14.4
MSCI World	-5.3	-2.5	2.8										-5.1
2021													
Plurimi AI Short	-4.1	-1.6	-3.1	-0.4	-2.2	-2.5	6.3	-4.4	3.6	-3.4	4.6	-0.6	-8.2
MSCI World	-1.0	2.6	3.4	4.7	1.5	1.5	1.8	2.5	-4.1	5.7	-2.2	4.3	21.8
2020													
Plurimi AI Short	4.7	10.5	20.7	-14.9	-2.7	-4.3	2.7	-7.4	2.5	1.6	-18.0	-6.3	-15.8
MSCI World	-0.6	-8.4	-13.2	11.0	4.9	2.7	4.8	6.7	-3.4	-3.0	12.8	4.3	16.5
2019													
Plurimi AI Short											-0.3	-2.6	-2.9
MSCI World											2.8	3.0	5.9

Total return in USD terms. (1 Nov 2019 - 31 Mar 2022)

Gross of all fees and borrowing costs

Source: Bloomberg/PW

Sector exposure (%)

Regional allocation (%)

	AI Short	MSCI W	+/-		AI Short	MSCI W	+/-
Communication Services	-9.9	7.9	2.0	North America	39.2	70.9	-31.6
Consumer Discretionary	-20.4	11.6	8.8	UK	3.4	4.4	-1.0
Consumer Staples	-6.9	7.0	-0.2	Switzerland	3.3	3.2	0.1
Energy	0.0	4.3	-4.3	Rest of Europe	26.7	11.4	15.3
Financials	-16.8	13.7	3.1	Japan	13.8	6.1	7.7
Health Care	0.0	12.9	-12.9	Asia & EM	13.6	4.1	9.5
Industrials	-12.8	10.0	2.8				
Information Technology	-6.5	22.4	-16.0				
Materials	-6.9	4.5	2.4				
Real Estate	-13.0	2.8	10.2				
Utilities	-6.9	2.9	4.0				

Source: Bloomberg/PW

Commentary

The strategy rose 4.2% in March, despite a rise of 2.8% from the MSCI World.

The portfolio is overweight stocks that trade with significantly lower momentum and fitness scores than the benchmark. Allocations to expensive consumer technology, fintech and EV & clean energy drive the high estimated price to earnings ratio to 34x, which compares to 17x for the MSCI World. The largest overweight sector is consumer.

High multiple, no earnings companies like **Xpeng**, **Delivery Hero**, **Peloton** fell by 15% in a rising market. Renewable energy companies **Vestas Wind** and **Siemens Gamesa** also fell by 10% in March.

New additions:

Rakuten offers internet services in Japan and internationally. It operates through three segments: Internet Services, FinTech, and Mobile segments. The company has no profits, and Amazon Japan and other local e-commerce players continue to compete aggressively with Rakuten which impact potential profits. Rakuten Card and its mobile payment will see challenges from Apple, Yahoo Card and Line Card. **International Flavors and Fragrances** together with its subsidiaries, manufactures and sells cosmetic active and natural health ingredients for use in various consumer products. The integration of Frutarom will prove challenging, perhaps weighing on companywide profitability over the medium term. IFF's high share of sales in developing markets (roughly 50%) brings increased volatility and exposure to currency, country, and geopolitical risks. **JP Morgan**, as a systemically important firm, is likely to remain under the regulatory microscope indefinitely. It is hard to imagine much regulatory relief for an institution the size of JPMorgan. It's difficult to quantify potential exposures (let alone losses) created by the firm's trading activities, as evidenced by the London Whale incident. Reversion to the mean seems to be a powerful force in the competitive banking industry, and there is no reason why JPMorgan should be permanently immune to the kinds of problems that have cropped up at its competitors. **Simon Property** owns and operates shopping malls. Shifts in consumer behaviour, greater adoption of e-commerce, and technological advances should significantly disrupt retailer and mall profitability. Retailers are looking to reduce store counts and average store size, so Simon may need to make significant concessions to keep existing tenants and attract new tenants to fill both in-line and anchor spaces. Given the relative maturity of the U.S. retail market and the size of the company, Simon may be encouraged to seek larger, riskier investments domestically and abroad to move the needle. **Wellcare** operates health care infrastructure and senior homes. Healthcare reform notably affects the operations of Welltower and its tenants, especially its exposure to the post-acute business. If the company does not anticipate and adapt to changes, performance could meaningfully decline, leading to further rent cuts or asset dispositions. Growth in Welltower's senior housing operating assets could remain low if the high levels of new competitive supply persist. Welltower's international investments could expose the firm to greater volatility than they are worth. The capital and time could ultimately prove to be better spent elsewhere.

Strategy managers:

Patrick Armstrong, CFA
Eugen Fostiaik

Target return: +4% - MSCI World

Holdings: 30

Portfolio characteristics

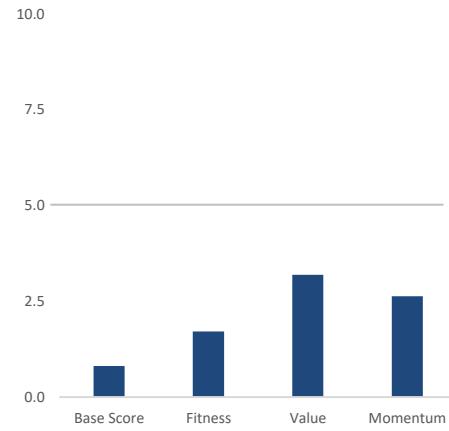
	AI Short	MSCI World
Dividend Yield	2.1	2.2
Price to Earnings Ratio (P/E)	663	20.1
Price to Cash Flow Ratio (P/CF)	6.2	13.6
Price to Book Ratio (P/B)	1.4	3.1
Total Debt to Common Equity	179	142
Current Ratio	1.1	1.2
BEST ROE	-3.5	33.3
Operating Income Growth	-158	85.9
Sales Growth	-21.8	17.3
BEST P/E	33.5	17.4
Debt/EBITDA	8.4	3.2
BEST EV/EBITDA	17.1	11.8
Profit Margin	1.1	11.5
ROC	3.3	7.6

Performance attribution (%)

vs. Short MSCI World	Since inception	1 month
Total	+28.1	+7.0
Sector Allocation	+4.0	+0.2
Region Allocation	+3.8	+0.5
Styles	+2.1	+0.3
Stock Specific	+19.0	+6.0

Top 5 contributors	1 month return
SIEMENS GAMESA RENEWABLE ENE	-23.7
DELIVERY HERO SE	-17.4
XPENG INC - ADR	-24.1
VESTAS WIND SYSTEMS A/S	-12.6
PELOTON INTERACTIVE INC-A	-15.6

Bottom 5 contributors	1 month
PARAMOUNT GLOBAL-CLASS B	24.4
AFFIRM HOLDINGS INC	10.6
WELLTOWER INC	12.6
SOFTBANK GROUP CORP	3.3
CELLNEX TELECOM SA	6.5

Style characteristics (5 is neutral with Index)

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