

## Objectives

The objective of the Plurimi AI global equity strategy is to achieve long-term capital appreciation through investments in global stocks. The strategy is always fully invested and seeks to maximise returns vs. the MSCI World benchmark by employing active bottom-up stock selection, which is driven by artificial intelligence with machine learning techniques, and discretionary top-down regional and style allocations.

## Risk and return targets

- Typical beta: 1.0
- Beta range 0.9-1.1
- Return target: MSCI World +3% per annum over a market cycle

## Total return (%)



Total return in USD terms. (30 Nov 2018 - 31 Aug 2022)  
Gross of all fees

Source: Bloomberg/PW

## Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2022 PW AI</b>	-7.1	-0.3	4.2	-8.2	1.8	-12.6	9.1	-2.5					-16.1
MSCI W	-5.3	-2.5	2.8	-8.3	0.1	-8.7	8.0	-4.1					-17.7
<b>2021 PW AI</b>	0.5	1.5	2.5	5.2	2.7	2.1	3.0	4.1	-4.6	3.5	-3.1	3.4	22.4
MSCI W	-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
<b>2020 PW AI</b>	-0.2	-7.0	-9.7	9.9	8.9	4.3	6.7	4.5	-2.3	-0.9	10.4	7.6	34.4
MSCI W	-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
<b>2019 PW AI</b>	10.4	4.5	2.9	2.7	-5.2	7.8	0.7	-1.3	1.7	4.2	2.3	4.7	40.5
MSCI W	7.8	3.1	1.4	3.6	-5.7	6.7	0.5	-2.0	2.2	2.6	2.8	3.0	28.5
<b>2018 PW AI</b>												-3.6	-3.6
MSCI W												-7.6	-7.6

Total return in USD terms. (30 Nov 2018 - 31 Aug 2022)  
Gross of all fees

Source: Bloomberg/PW

## Sector exposure (%)

	PW AI	MSCI W	+/-
Communication Services	10.0	7.2	2.8
Consumer Discretionary	13.3	11.3	2.1
Consumer Staples	9.3	7.6	1.7
Energy	8.4	5.2	3.2
Financials	3.4	13.4	-10.1
Health Care	14.0	13.2	0.7
Industrials	10.0	10.1	0.0
Information Technology	20.9	21.7	-0.8
Materials	10.7	4.2	6.6
Real Estate	0.0	2.9	-2.9
Utilities	0.0	3.2	-3.2

## Regional allocation (%)

	PW AI	MSCI W	+/-
North America	55.3	71.5	-16.2
UK	4.4	4.4	0.0
Switzerland	3.0	3.1	-0.1
Rest of Europe	26.8	10.7	16.0
Japan	10.4	6.1	4.3
Asia & EM	0.0	4.1	-4.1

## 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.

Top-down region and style allocations.

Portfolio characteristics skewed towards value, quality, and momentum stocks.

## Key risks

Capital is at risk. Equity markets are volatile and the stocks in the strategy may outperform or underperform the benchmark. The strategy is a focused portfolio and not as diversified as the benchmark. The strategy takes significant regional and sector differences from the benchmark which are intended to improve returns but can lead to capital loss.

## Relative risk vs MSCI World (ex-ante)

Tracking error (%)	7.0
Beta	1.1
AI predicted alpha (%)	3.3
Active share (%)	90.5

## Performance indicators (%)

	PW AI	MSCI World
Annualised return	18.2	9.3
Annualised volatility	18.4	18.5
Sharpe ratio	0.9	0.4
Best month	10.4	12.8
Worst month	-12.6	-13.2
Max drawdown	-30.5	-34.0

## Holdings (%)

CORTEVA INC	5.1
MCKESSON CORP	4.8
SHELL PLC	4.4
FAST RETAILING CO LTD	4.2
EOG RESOURCES INC	4.0
APPLE INC	3.8
ALPHABET INC-CL C	3.7
AP MOLLER-MAERSK A/S-B	3.6
WILLIAMS-SONOMA INC	3.5
ACTIVISION BLIZZARD INC	3.5
ARCHER-DANIELS-MIDLAND CO	3.4
NIPPON YUSEN KK	3.4
CITIGROUP INC	3.4
SWEDISH MATCH AB	3.1
ASML HOLDING NV	3.1
THERMO FISHER SCIENTIFIC INC	3.1
NOVO NORDISK A/S-B	3.1
ROCHE HOLDING AG-GENUSSCHEIN	3.0
DEERE & CO	3.0
PAYPAL HOLDINGS INC	3.0
STELLANTIS NV	3.0
VISA INC-CLASS A SHARES	2.9
ADVANCED MICRO DEVICES	2.9
ARCELORMITTAL	2.8
NIPPON TELEGRAPH & TELEPHONE	2.8
MOSAIC CO/THE	2.8
DANONE	2.8
CAPGEMINI SE	2.7
LVMH MOET HENNESSY LOUIS VUI	2.6
FORTINET INC	2.6

Source: Bloomberg/PW

## Commentary

The strategy was down by 2.5% in August, beating the MSCI World return of -4.1%.

Equities moved lower on hawkish central bank policy indications and slowing global economic growth. The strategy continues to be overweight fitness, momentum and value. The US remains the largest underweight and Europe is the largest regional overweight. Materials remains the largest overweight in the strategy, and financials is the largest underweight. The system predicts a 9.6% strategy return over the coming year vs a market return of 6.3%. In aggregate the strategy trades at 8.7x estimated earnings and generates a return on capital of 15.2%. This compares to the MSCI World at 15x and 7.5% respectively.

No changes were made during the month.

The strategy's energy and agribusiness holdings were the largest contributors in August. **Corteva, Archer Daniels Midland, Deere and Mosaic** all rose by more than 5%. Climate change leading to droughts in some areas and floods in other areas is impacting farming yields. Russia's invasion of Ukraine is also dramatically impacting grains distribution and potash exports. We expect this to lead to higher agricultural prices and more money being spent on farming equipment, pesticides and fertilizers. Global fertilizer-market tightness should extend into 1H23, we believe, keeping prices elevated despite a wide divergence in consensus that highlights the potential for declines. A prolonged supply crunch for natural gas and therefore nitrogen, which farmers can't skip, may give fertilizer producers a prolonged boost. **Corteva's** strong new products, and cuts to legacy royalty costs should lead to earnings growth. A highly volatile commodity environment for farmers enhances the value of Corteva's uniquely direct sales approach. Though cost risks are widespread and may threaten farmers' short-term purchasing strength, Corteva is financially strong and bolstering its margin of safety with restructuring steps to cut costs. **ADM** is strategically positioned to benefit from new businesses to capture future trends, which may drive its profit growth for years to come. Renewable jet fuel, plant protein and nutrition are some of its growth drivers for the next decade. The company may also be well-positioned to gain from the U.S. government's climate-change initiatives over the next three years.

Technology exposure was a large detractor in August. **Fortinet** missed its earnings estimates, and fell by 18% in August. We have kept the position as Fortinet's integrated offering, lower pricing vs. peers. The company's traction with service providers has helped market-share gains and faster uptake at large enterprise customers. Its increase in product sales is outperforming firewall peers including Check Point and Cisco, which have seen muted appliance revenue growth amid their pivot to cloud products. **ASML** fell by 14%. The global chip shortage has may be ending but ASML's sales growth may continue into 2023 due to strong underlying demand for lithography tools and a delay of sales recognition from 2022 to 2023. Demand from advanced-chip customers, including TSMC, Samsung and Intel, which are aggressively investing in 7- to 3-nanometer technologies, may rise. ASML's next-generation extreme ultraviolet (EUV) lithography tools could have higher selling prices, boosting its operating profit. The market for EUV is strong as it makes the most advanced chips, where ASML has a 100% market share.

### Strategy managers:

Patrick Armstrong, CFA  
Eugen Fostiak

**Target return:** MSCI World +3% p.a.

**Holdings:** 30

### Portfolio characteristics

	AI PW	MSCI World
Dividend Yield	2.9	2.5
Price to Earnings Ratio (P/E)	7.3	17.0
Price to Cash Flow Ratio (P/CF)	7.1	10.9
Price to Book Ratio (P/B)	2.0	2.7
Total Debt to Common Equity	91	146
Current Ratio	1.3	1.2
BEST ROE	7.7	30.5
Operating Income Growth	73	17.4
Sales Growth	17.8	11.3
BEST P/E	8.7	15.0
Debt/EBITDA	2.4	3.2
BEST EV/EBITDA	11.2	10.4
Profit Margin	13.5	10.6
ROC	15.2	7.5

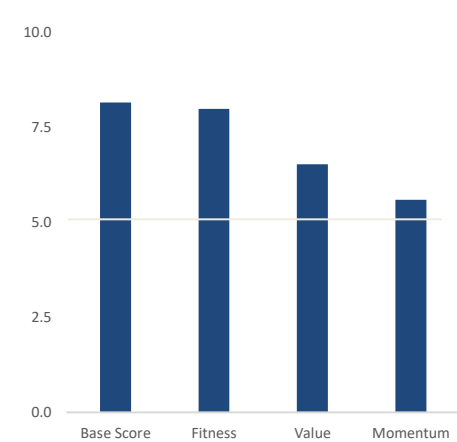
## Performance attribution (%)

Attribution vs MSCI World	Since inception	1 month
Total	47.4	1.7
Sector Allocation	+7.9	+0.8
Region Allocation	+4.1	+0.4
Styles	+2.0	-0.3
Stock Specific	+32.1	+0.2

Top 5 contributors	1 month return
MCKESSON CORP	7.6
CORTEVA INC	7.0
EOG RESOURCES INC	9.1
PAYPAL HOLDINGS INC	8.0
ARCHER-DANIELS-MIDLAND CO	6.7

Bottom 5 contributors	1 month return
FORTINET INC	-18.4
ASML HOLDING NV	-13.7
AP MOLLER-MAERSK A/S-B	-11.4
ADVANCED MICRO DEVICES	-10.2
THERMO FISHER SCIENTIFIC INC	-8.9

## Style characteristics (5 is neutral with Index)



# P L U R I M I

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