

# Plurimi AI Short Equity Strategy

PLURIMI

August 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.

## Risk and return targets

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

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	11.7%
Beta	1.3
AI predicted alpha	+5.2%

## Performance indicators (%)

	AI Short	MSCI World
Annualised return	-1.5	7.7
Annualised volatility	24.8	19.3
Sharpe ratio	-0.1	0.3
Best month	20.7	12.8
Worst month	-18.0	-13.2
Max drawdown	-54.4	-34.0

## Holdings (new positions in bold)

	(%)
BOEING CO/THE	-3.5
<b>WARNER BROS DISCOVERY INC</b>	-3.5
ADIDAS AG	-3.5
<b>ROKU INC</b>	-3.5
VONOVA SE	-3.4
<b>KONINKLIJKE PHILIPS NV</b>	-3.4
PARAMOUNT GLOBAL-CLASS B	-3.4
PRUDENTIAL FINANCIAL INC	-3.4
FAURECIA	-3.4
XPENG INC – ADR	-3.4
<b>BRITISH LAND CO PLC</b>	-3.4
RAYTHEON TECHNOLOGIES CORP	-3.4
INTL FLAVORS & FRAGRANCES	-3.4
HENNES & MAURITZ AB-B SHS	-3.4
RAKUTEN GROUP INC	-3.4
<b>INTEL CORP</b>	-3.4
ALSTOM	-3.4
<b>WILLIAMS COS INC</b>	-3.4
SIMON PROPERTY GROUP INC	-3.4
OCADO GROUP PLC	-3.4
CREDIT SUISSE GROUP AG-REG	-3.3
REALTY INCOME CORP	-3.3
WELLTOWER INC	-3.3
<b>APTIV PLC</b>	-3.3
APOLLO GLOBAL MANAGEMENT INC	-3.2
CELLNEX TELECOM SA	-3.2
WEST JAPAN RAILWAY CO	-3.1
GENERAL MOTORS CO	-3.1
AEON CO LTD	-3.0
LUCID GROUP INC	-2.8

Source: Bloomberg/PW

## Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2022</b>													
Plurimi AI Short	<b>6.4</b>	<b>3.1</b>	<b>4.2</b>	<b>10.4</b>	<b>-4.0</b>	<b>8.7</b>	<b>-7.6</b>	<b>4.8</b>					<b>27.5</b>
MSCI World	-5.3	-2.5	2.8	-8.3	0.1	-8.6	8.0	-4.1					-17.5
<b>2021</b>													
Plurimi AI Short	<b>-4.1</b>	<b>-1.6</b>	<b>-3.1</b>	<b>-0.4</b>	<b>-2.2</b>	<b>-2.5</b>	<b>6.3</b>	<b>-4.4</b>	<b>3.6</b>	<b>-3.4</b>	<b>4.6</b>	<b>-0.6</b>	<b>-8.2</b>
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
<b>2020</b>													
Plurimi AI Short	<b>4.7</b>	<b>10.5</b>	<b>20.7</b>	<b>-14.9</b>	<b>-2.7</b>	<b>-4.3</b>	<b>2.7</b>	<b>-7.4</b>	<b>2.5</b>	<b>1.6</b>	<b>-18.0</b>	<b>-6.3</b>	<b>-15.8</b>
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
<b>2019</b>													
Plurimi AI Short											<b>-0.3</b>	<b>-2.6</b>	<b>-2.9</b>
MSCI World											2.8	3.0	5.9

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

Gross of all fees

Source: Bloomberg/PW

## Sector exposure (%)

## Regional allocation (%)

	AI Short	MSCI W	+-/-
Communication Services	-13.6	7.2	6.3
Consumer Discretionary	-26.3	11.3	15.0
Consumer Staples	-6.3	7.6	-1.3
Energy	-3.4	5.2	-1.8
Financials	-10.0	13.4	-3.5
Health Care	-3.4	13.2	-9.8
Industrials	-13.4	10.1	3.3
Information Technology	-3.4	21.7	-18.3
Materials	-3.4	4.2	-0.8
Real Estate	-16.8	2.9	13.9
Utilities	0.0	3.2	-3.2

	AI Short	MSCI W	+-/-
North America	50.0	71.5	-21.5
UK	6.8	4.4	2.4
Switzerland	3.3	3.1	0.2
Rest of Europe	27.0	10.7	16.3
Japan	9.5	6.1	3.3
Asia & EM	3.4	4.1	-0.7

Source: Bloomberg/PW

**Commentary**

The strategy rose 4.8% in August, amid a fall of 4.1% from the MSCI World.

The portfolio is overweight stocks that trade with significantly lower momentum and fitness scores than the benchmark. During the month we increased short exposure to companies with economic risk in Europe and increased the short exposure to UK real estate as higher rates put pressure on valuations.

Shorts in JustEat, Delivery Hero, Uber, Siemens Energy, Oriental Land, Mercadolibre, AT&T were closed during the month..

**Xpeng** missed vehicle delivery estimates and fell 24% during the month, making it the largest contributor for the month. **Faurecia SE** designs and manufactures automotive parts. It fell by 19% as it has been unable to pass on higher costs to its consumers.

**New additions:**

**Roku** operates a TV streaming platform. Roku's advertising is being hurt badly by an advertiser pullback on economic woes, and while active account growth may moderate on TV supply-chain bottlenecks. Roku missed consensus estimates in its last report and lowered its guidance by 22% for Q3. A risk with the short is Roku is a potential takeover target, but its still hefty valuation puts it beyond the reach of media acquirers. **British Land** may face a crisis as access to capital is heavily discounted and borrowing costs are elevated, leaving asset rotation as the only viable option to fund upgrades while keeping leverage low enough to withstand shocks. Building-cost inflation and escalating borrowing costs are pressuring property yields and cutting commercial- property values. **Warner Bros. Discovery**, formed by the combination of Warner Media and Discovery. Deal expenses and restructuring costs suggest near-term clouds, forcing the company to lower its Ebitda guidance. The company is taking a measured approach to its direct-to-consumer model that will include the Discovery+ and HBO Max platforms, even as investors seek clarity on the strategy. Generating free cash flow and rapid deleveraging are areas of risk. **Adidas** lowered 2022 outlook for currency-neutral sales to rise by mid- to high-single digits is a by-product of continued weakness in China and a potential slowdown in EMEA, despite strong demand in western regions. The recent announcement for Kasper Rorsted to step down as Adidas CEO in 2023 may be a result of recent weakness at the brand. Continued pressures in China, including lockdowns and consumer boycotts will be headwinds for the stock. **Aptiv** is developing technologies that connect, electrify and enhance the safety of modern vehicles. Significant scale may not be achieved until after mid-decade, as automakers' approach to global production structurally shifts to fewer units with increased technology driving higher transaction prices. Vehicle safety and connectivity are technologies that many buyers are willing to pay a premium for, though demand may come under duress as economic momentum slows. The stock trades at 30x forecast earnings. **Phillips** is at risk of a significant contraction in a European recession. Industrials will need to adapt to faster, more-volatile pricing and cost-development swings, posing a threat to margin development. Supply constraints could linger, and Phillips ability to offset costs via price hikes may be nearing its limit, given near-term risks to economic growth.

**Strategy managers:**

Patrick Armstrong, CFA  
Eugen Fostiaik

**Target return:** +4% - MSCI World

**Holdings:** 30

**Portfolio characteristics**

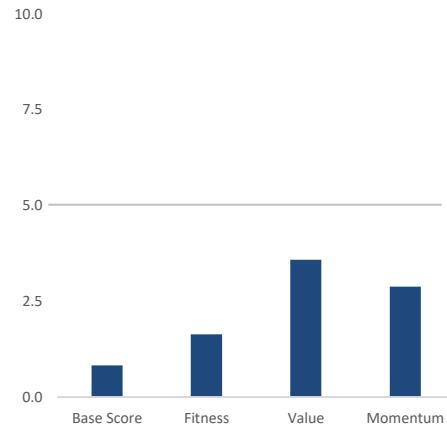
	AI Short	MSCI World
Dividend Yield	2.9	2.5
Price to Earnings Ratio (P/E)	370	17.0
Price to Cash Flow Ratio (P/CF)	4.2	10.9
Price to Book Ratio (P/B)	1.2	2.7
Total Debt to Common Equity	191	146
Current Ratio	1.1	1.2
BEST ROE	-5.8	30.5
Operating Income Growth	55	17.4
Sales Growth	-6.9	11.3
BEST P/E	21.3	15.0
Debt/EBITDA	7.3	3.2
BEST EV/EBITDA	10.1	10.4
Profit Margin	0.5	10.6
ROC	2.4	7.5

**Performance attribution (%)**

vs. Short MSCI World	Since inception	1 month
Total	+19.4	+0.7
Sector Allocation	+2.3	+0.1
Region Allocation	+2.1	-0.0
Styles	+1.1	-0.1
Stock Specific	+13.7	+0.5

Top 5 contributors	1 month return
XPENG INC - ADR	-24.2
FAURECIA	-19.1
HENNES & MAURITZ AB-B SHS	-17.6
VONOVIA SE	-18.0
LUCID GROUP INC	-15.9

Bottom 5 contributors	1 month
UBER TECHNOLOGIES INC	36.5
MERCADOLIBRE INC	25.9
WEST JAPAN RAILWAY CO	7.5
WILLIAMS COS INC	5.6
GENERAL MOTORS CO	5.6

**Style characteristics (5 is neutral with Index)**

# PLURIMI

## DISCLAIMER

The information and opinions expressed in this publication were produced by Plurimi Wealth LLP (Plurimi). This publication is intended for information purposes only and does not constitute an offer, a recommendation or an invitation by, or on behalf of Plurimi to make any investments. Opinions and comments of the authors reflect their current views, but not necessarily of other Plurimi entities or any other third party. This publication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Before entering into any transaction, an investor should consider the suitability of the transaction against their individual circumstances and objectives. Any investment or trading or other decision should only be made after a review of the relevant product term sheet, subscription agreement, information memorandum, prospectus or other offering document relating to the issue of the securities or other financial instruments. Nothing in this publication constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate for an investor's circumstances, or otherwise constitutes a personal recommendation for any specific investor. Plurimi recommends that you independently assess, with a professional advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences. Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. An investor may not get back the amount invested or may be required to pay more. Although the information and data herein are obtained from sources believed to be reliable, no representation is made that the information is accurate or complete. Plurimi do not accept liability for any loss arising from the use of this publication. This publication cannot be reproduced or used for any other purpose and can only be distributed in countries where its distribution is legally permitted. This publication may relate to investments or services of an entity/person outside the UK, or to other matters which are not regulated by the FCA, or in respect of which the protections of the FCA for retail clients and/or the UK Financial Services Compensation Scheme may not be available. Further details as to where this may be the case are available on request in respect to this document, please contact your Plurimi Relationship Manager.

Plurimi Wealth LLP, a limited liability partnership, is incorporated in England & Wales with registered number OC326895. Authorised and Regulated by the Financial Conduct Authority ("FCA") 466728.