

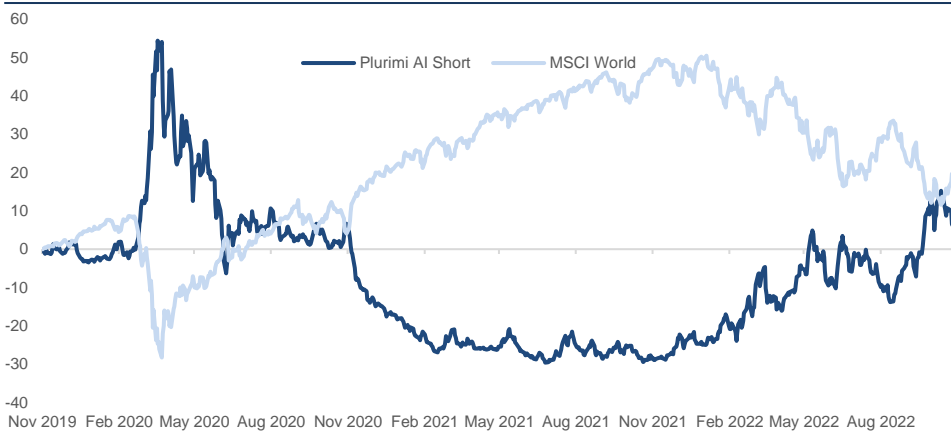
Objectives

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.

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 Oct 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	10.4	-4.0	8.7	-7.6	4.8	17.3	-4.8			42.3
MSCI World	-5.3	-2.5	2.8	-8.3	0.1	-8.6	8.0	-4.1	-9.3	7.2			-19.7
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 Oct 2022)
Gross of all fees and borrowing costs

Source: Bloomberg/PW

Sector exposure (%)

	AI Short	MSCI W	+/-
Communication Services	-13.7	6.6	7.0
Consumer Discretionary	-22.0	10.7	11.3
Consumer Staples	-6.4	7.7	-1.3
Energy	-7.0	5.8	1.2
Financials	-3.0	13.8	-10.7
Health Care	-3.4	14.3	-10.9
Industrials	-17.1	10.3	6.8
Information Technology	-6.8	21.1	-14.4
Materials	-3.5	4.1	-0.6
Real Estate	-17.3	2.6	14.6
Utilities	0.0	3.0	-3.0

Regional allocation

	AI Short	MSCI W	+/-
North America	51.0	71.9	-20.9
UK	6.6	4.4	2.2
Switzerland	3.0	3.1	-0.1
Rest of Europe	27.4	11.0	16.4
Japan	9.6	5.8	3.8
Asia & EM	2.4	3.8	-1.4

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	12.6%
Beta	1.3
AI predicted alpha	+5.5%

Performance indicators

	AI Short	MSCI World
Annualised return	2.3	6.3
Annualised volatility	26.2	20.0
Sharpe ratio	0.0	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)

	(%)
RAYTHEON TECHNOLOGIES CORP	-3.7
CELLNEX TELECOM SA	-3.7
ALSTOM	-3.6
INTEL CORP	-3.6
REALTY INCOME CORP	-3.5
WILLIAMS COS INC	-3.5
INTL FLAVORS & FRAGRANCES	-3.5
FAURECIA	-3.5
WELLTOWER INC	-3.5
APTIV PLC	-3.5
ROKU INC	-3.5
KINDER MORGAN INC	-3.4
VONOVIA SE	-3.4
BRITISH LAND CO PLC	-3.4
SIMON PROPERTY GROUP INC	-3.4
FEDEX CORP	-3.4
KONINKLIJKE PHILIPS NV	-3.4
ROGERS COMMUNICATIONS INC-B	-3.4
BOEING CO/THE	-3.3
RAKUTEN GROUP INC	-3.3
ADIDAS AG	-3.3
AEON CO LTD	-3.3
PARAMOUNT GLOBAL-CLASS B	-3.2
SHOPIFY INC - CLASS A	-3.2
OCADO GROUP PLC	-3.1
HENNES & MAURITZ AB-B SHS	-3.1
WEST JAPAN RAILWAY CO	-3.1
CREDIT SUISSE GROUP AG-REG	-3.0
DOORDASH INC - A	-2.9
XPENG INC - ADR	-2.4

Source: Bloomberg/PW

Commentary

The strategy fell 4.8% in October, amid a rise of 7.2% from the MSCI World.

The portfolio is overweight stocks that trade with significantly lower momentum and fitness scores than the benchmark. The strategy shorts stocks trading at 25.6x forecast earnings, while the MSCI World trades at 14.9x forecast earnings.

Shorts in Lucid, Prudential and Warner Bros were removed.

We added **Shopify** at the end of the month. Shopify benefits from a strong position as merchants use its multi-channel cloud-based software platform to sell products and services. Value-added services such as payments, shipping and capital lending all offer potential growth, but a slowing consumer may put a strain on the outlook. The stock remains expensive despite the large selloff this year. It is loss making in 2022 and will likely be loss making in 2023. **Rogers Communications** revenue and margin growth may come under pressure. Rogers' proposed acquisition of Shaw, may face regulatory challenge and prove dilutive to equity owners. **Kinder Morgan** will likely keep pursuing M&A in a limited growth environment, and the risk of overpaying in a hot market is a real possibility. It has not been active in selling noncore assets and Valuation may stall as investors appear to have augmented interest in more focused companies rather than diversified ones.

Xpeng was the largest contributor in October. The stock fell 45%. The US has curtailed semiconductor sales to China and this can be a significant headwind for the company. President Xi consolidated power at the Party Congress during the month which also creates risks for technology companies and creates risks for the prospects for trade. **Philips** fell by 19%. The company has seen a 5% organic sales decline and an adj. EBITA margin of 4.8%. The low margin and cyclical exposure will be headwinds for the company in the coming quarters. Philips has a record of returning excess cash to shareholders through dividends, but the cash it does retain is often used on expensive acquisitions. **Adidas** fell by 16%. The company ended its relationship with Kanye West, which removes a PR headache but reduces the revenue outlook for the company. Adidas depends more on fashion trends than some other athletic brands and has benefited from the recent athleisure and retro trends. Adidas' sales and margins could suffer if the trends fade.

Faurecia and **Alstom** were the largest detractors, rising by 36 and 26% respectively. Faurecia operates in the fiercely competitive, capital-intensive, highly cyclical automotive parts supply industry. The stock trades at undemanding multiples but could face a steep decline in earnings as Europe's economy falls into recession. Alstom has more than 75% of its workforce inside Europe, it is difficult for Alstom to restructure and cut costs, owing to restrictive labour policies in European countries such as France. As revenue slows the company's largely fixed cost base it's a significant risk.

Strategy managers:

Patrick Armstrong, CFA
Eugen Fostiak

Target return: +4% - MSCI World

Holdings: 30

Portfolio characteristics

	AI Short	MSCI World
Dividend Yield	3.3	2.6
Price to Earnings Ratio (P/E)	-	16.4
Price to Cash Flow Ratio (P/CF)	4.0	10.6
Price to Book Ratio (P/B)	1.2	2.7
Total Debt to Common Equity	194	147
Current Ratio	1.1	1.2
BEST ROE	-6.1	29.4
Operating Income Growth	43	11.6
Sales Growth	-7.0	10.8
BEST P/E	25.6	14.9
Debt/EBITDA	6.4	3.1
BEST EV/EBITDA	10.7	10.2
Profit Margin	-0.2	10.4
ROC	1.9	7.4

Performance attribution (%)

vs. Short MSCI World	Since inception	1 month
Total	+27.2	+2.4
Sector Allocation	+3.3	-0.1
Region Allocation	+2.5	+0.4
Styles	+1.6	+0.0
Stock Specific	+21.0	+2.0

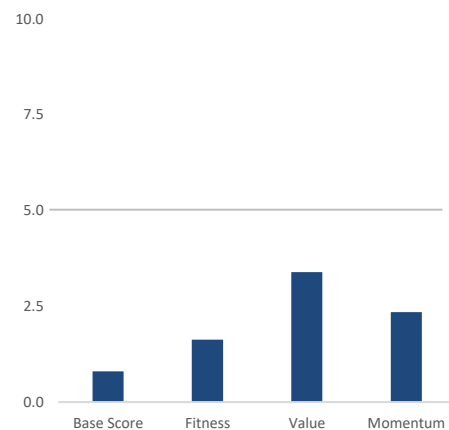
Top 5 contributors	1 month return
XPENG INC - ADR	-44.6
KONINKLIJKE PHILIPS NV	-19.2
ADIDAS AG	-16.0
DOORDASH INC - A	-12.0
WELLTOWER INC	-5.1

Bottom 5 contributors	1 month
FAURECIA	35.8
ALSTOM	25.7
SIMON PROPERTY GROUP INC	21.4
PRUDENTIAL FINANCIAL INC	18.7
BOEING CO/THE	17.7

Source: PW/Bloomberg

Source: PW/Bloomberg

Style characteristics (5 is neutral with Index)



Source: BW/PW

P L U R I M I

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