Plurimi AI Global Equity Strategy

PLURIMI

December 2022

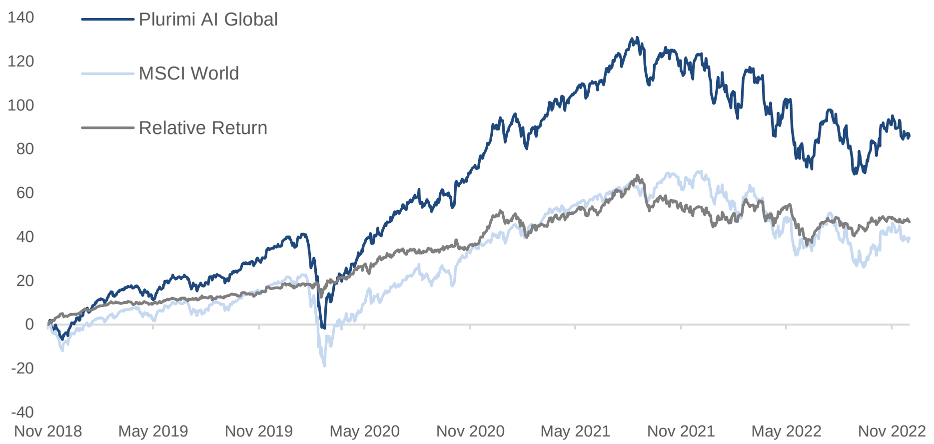
Objectives

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 - 30 Dec 2022)
Gross of all fees

Source: Bloomberg/PW

Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022 PW AI	**-7.1**	**-0.3**	**4.2**	**-8.2**	**1.8**	**-12.6**	**9.1**	**-2.5**	**-9.7**	**8.2**	**5.9**	**-3.8**	**-16.5**
MSCI W	**-5.3**	**-2.5**	**2.8**	**-8.3**	**0.1**	**-8.7**	**8.0**	**-4.1**	**-9.3**	**7.2**	**7.0**	**-4.2**	**-17.9**
2021 PW AI	**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
2020 PW AI	**-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
2019 PW AI	**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
2018 PW AI												**-3.6**	**-3.6**
MSCI W												-7.6	-7.6

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

Source: Bloomberg/PW

Sector exposure (%)

	PW AI	MSCI W	+/-
Communication Services	9.5	6.4	3.1
Consumer Discretionary	10.2	10.0	0.2
Consumer Staples	6.5	7.9	-1.4
Energy	11.6	5.7	5.9
Financials	8.6	14.2	-5.6
Health Care	15.3	14.6	0.7
Industrials	10.1	10.7	-0.6
Information Technology	17.9	20.2	-2.3
Materials	10.4	4.5	6.0
Real Estate	0.0	2.7	-2.7
Utilities	0.0	3.2	-3.2

Regional allocation (%)

	PW AI	MSCI W	+/-
North America	49.3	69.9	-20.5
UK	8.2	4.7	3.5
Switzerland	3.0	3.3	-0.3
Rest of Europe	33.3	12.0	21.4
Japan	6.1	6.3	-0.1
Asia & EM	0.0	3.9	-3.9

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 (%)	9.8
Beta	1.0
AI predicted alpha (%)	2.9
Active share (%)	90.1

Performance indicators (%)

	PW AI	MSCI World
Annualised return	16.4	8.4
Annualised volatility	19.1	19.1
Sharpe ratio	0.8	0.4
Best month	10.4	12.8
Worst month	-12.6	-13.2
Max drawdown	-30.5	-34.0

Holdings (%)

MCKESSON CORP	4.9
SHELL PLC	4.8
CORTEVA INC	4.7
EOG RESOURCES INC	4.3
ASML HOLDING NV	4.0
HERMES INTERNATIONAL	3.9
NOVO NORDISK A/S-B	3.9
ARCHER-DANIELS-MIDLAND CO	3.7
DEERE & CO	3.6
ASTRAZENECA PLC	3.5
ACTIVISION BLIZZARD INC	3.4
AP MOLLER-MAERSK A/S-B	3.4
EQT AB	3.2
ARCELORMITTAL	3.2
LVMH MOET HENNESSY LOUIS VUI	3.2
APPLE INC	3.2
STELLANTIS NV	3.2
CITIGROUP INC	3.1
NIPPON YUSEN KK	3.1
VISA INC-CLASS A SHARES	3.1
ALPHABET INC-CL C	3.0
NIPPON TELEGRAPH & TELEPHONE	3.0
ROCHE HOLDING AG-GENUSSCHEIN	3.0
DANONE	2.8
CAPGEMINI SE	2.7
FORTINET INC	2.7
MOSAIC CO/THE	2.5
CAMECO CORP	2.5
PAYPAL HOLDINGS INC	2.3
HARTFORD FINANCIAL SVCS GRP	2.3

Source: Bloomberg/PW

Commentary

The strategy was down by 3.8% in December, beating the MSCI World return of -4.2%. For 2022 the strategy fell by 16.5% which compares to a fall of 17.9% form the MSCI World.

In December Global equities sold off as 10 year yields moved higher and large cap technology stocks moved lower. **Novo Nordisk** rose by 10%. Novo Nordisk's growth prospects appear assured, justifying its premium valuation vs. large pharma peers. The stock trades at 30x forecast earnings but growth in its drugs for diabetes and obesity look set to beat consensus estimates. **Astra Zeneca** also delivered a positive return for the month.

Shipping companies **Moller Maersk** and **Nippon Yusen** rose by 7% as the market started to price in the potential for China re-opening its economy. **Activision** delivered a positive return of 4% in a down month as Microsoft reiterated its commitment to a $95 offer it has made for the company. Luxury **companies LVMH** and **Hermes** delivered flat returns in the falling market.

Apple and **Alphabet** were large detractors falling by 12%. Large cap tech was punished by lower multiples as interest rates moved higher. Following large selloffs these stocks now both trade at less than 20x earnings which represents good value given their dominant market positions leading to defendable margins. **Mosaic** was the worst performer, falling by 15%. The company reported that its potash revenue for October and November rose to $780 million from $529 million from the same period a year ago, while phosphate revenue declined to $785 million from $902 million. Trading at less than 5x forecast earnings we are optimistic on the potential re-rating of the stock next year.

Equity multiples have fallen from stretched to fair during the year as equity markets moved lower. We have more than half of the portfolio allocated to US equities, but that is 20% less than the benchmark weight. Overall revenue growth and earnings growth was fairly robust in 2022, but lower multiples led the selloff. We expect 2023 will see more differentiated returns, where companies that can maintain profit margins will perform strongly, while companies which cannot defend their margins will see more downside in terms of earnings and stock prices. We have positioned the portfolio with overweights in Energy, Luxury consumer, Healthcare and agribusiness equities. We are attracted to the ability of companies in these sectors to defend their profit margins for various reasons. During the month we did not make any changes.

Strategy managers:
Patrick Armstrong, CFA
Eugen Fostiak

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

Holdings: 30

Portfolio characteristics

	AI PW	MSCI World
Dividend Yield	3.4	2.6
Price to Earnings Ratio (P/E)	7.2	16.7
Price to Cash Flow Ratio (P/CF)	6.6	11.0
Price to Book Ratio (P/B)	1.9	2.8
Total Debt to Common Equity	88	147
Current Ratio	1.3	1.2
Est ROE	20.5	22.7
Operating Income Growth	50	8.2
Sales Growth	16.3	9.8
Est P/E	10.4	15.0
Debt/EBITDA	2.4	3.1
Est EV/EBITDA	10.5	10.2
Profit Margin	13.3	10.4
ROC	15.0	7.5

1 month performance contribution (%)

	Attribution
Communication Services	-0.2
Consumer Discretionary	-0.5
Consumer Staples	-0.1
Energy	-0.7
Financials	-0.4
Health Care	0.2
Industrials	0.3
Information Technology	-1.5
Materials	-1.1
Real Estate	0.0
Utilities	0.0

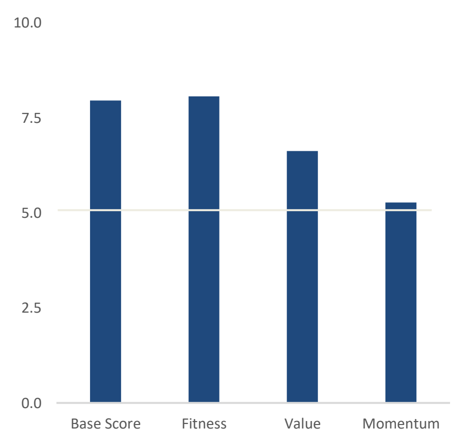
Source: PW/Bloomberg

Top contributors	Return
NOVO NORDISK A/S-B	9.9
NIPPON YUSEN KK	8.2
AP MOLLER-MAERSK A/S-B	5.4
NIPPON TELEGRAPH & TELEPHONE	4.1
ACTIVISION BLIZZARD INC	3.5

Bottom contributors	Return
CORTEVA INC	-12.5
APPLE INC	-12.2
ALPHABET INC-CL C	-12.5
MOSAIC CO/THE	-14.5
EOG RESOURCES INC	-7.7

Source: PW/Bloomberg

Style characteristics (5 is neutral with Index)



Source: BW/PW

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