

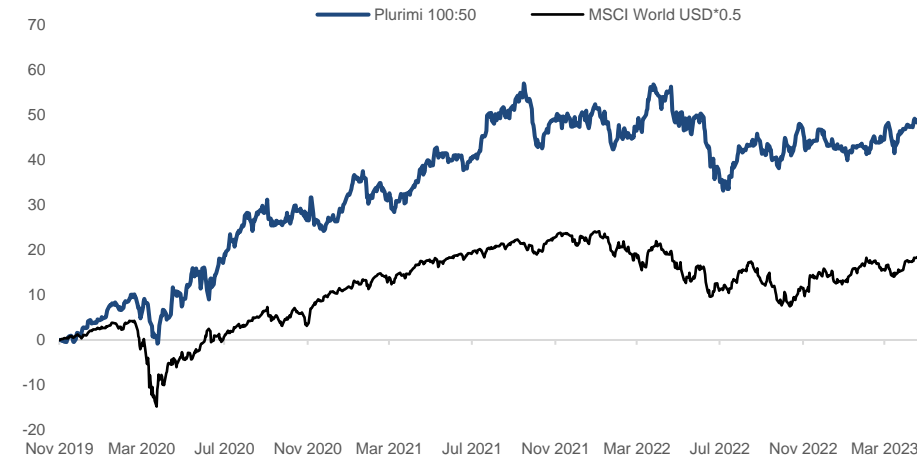
## Objectives

The objective of the Plurimi AI Long/Short Equity Strategy is to achieve capital appreciation through a combination of owning a portfolio of global stocks with attractive valuation, growth and quality factors and shorting stocks with poor quality, momentum and value characteristics. The strategy combines a 100% allocation to the Plurimi Global Equity strategy and 50% allocation to the Plurimi AI short strategy. Stock selection is driven by artificial intelligence with machine learning techniques.

## Risk and return targets

- Typical Beta range 0.3 to 0.6
- Return target: 50% of MSCI World return + 5% per annum

## Total return (%)



## Monthly performance (%)

Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2023 Plurimi AI Long Short</b>	<b>0.7</b>	<b>1.1</b>	<b>1.6</b>	<b>-0.7</b>									<b>2.8</b>
MSCI W*0.5	3.5	-1.2	1.5	0.9									4.9
<b>2022 Plurimi AI Long Short</b>	<b>-4.4</b>	<b>1.2</b>	<b>5.5</b>	<b>-3.7</b>	<b>0.0</b>	<b>-8.4</b>	<b>4.8</b>	<b>-0.5</b>	<b>-1.6</b>	<b>5.0</b>	<b>-1.0</b>	<b>-2.5</b>	<b>-6.3</b>
MSCI W*0.5	-2.6	-1.2	1.4	-4.1	0.1	-4.3	4.0	-2.1	-4.6	3.6	3.5	-2.1	-8.8
<b>2021 Plurimi AI Long Short</b>	<b>-1.5</b>	<b>0.5</b>	<b>1.0</b>	<b>4.8</b>	<b>0.9</b>	<b>0.4</b>	<b>5.9</b>	<b>1.7</b>	<b>-3.0</b>	<b>1.6</b>	<b>-0.9</b>	<b>2.6</b>	<b>14.6</b>
MSCI W*0.5	-0.5	1.3	1.7	2.3	0.7	0.8	0.9	1.3	-2.1	2.8	-1.1	2.2	10.8
<b>2020 Plurimi AI Long Short</b>	<b>2.0</b>	<b>-1.8</b>	<b>0.6</b>	<b>2.3</b>	<b>7.5</b>	<b>2.0</b>	<b>8.0</b>	<b>0.6</b>	<b>-1.1</b>	<b>-0.3</b>	<b>-0.3</b>	<b>4.8</b>	<b>26.6</b>
MSCI W*0.5	-0.3	-4.2	-6.6	5.5	2.4	1.3	2.4	3.4	-1.7	-1.5	6.4	2.1	8.8
<b>2019 Plurimi AI Long Short</b>											<b>2.2</b>	<b>3.4</b>	<b>5.6</b>
MSCI W*0.5											1.4	1.5	2.9

Total return in USD terms. (1 Nov 2019 - 28 Apr 2023)  
Net of annual 1.7% management and custody fees.

Source: Bloomberg/PW

## Sector exposure and valuations

	AI Short *0.5	AI Long	Total		AI Long Short	MSCI W *0.5	Relative
Communication Serv.	-8.3	9.6	1.3	North America	21.8	34.8	-13.0
Consumer Discretionary	-9.7	13.6	3.9				
Consumer Staples	-3.4	3.2	-0.1	UK	1.3	2.2	-0.8
Energy	-1.7	8.4	6.8	Switzerland	0.0	1.7	-1.7
Financials	-4.9	21.7	16.8				
Health Care	-3.3	14.9	11.7				
Industrials	0.0	5.8	5.8	Rest of Europe	23.7	6.3	17.4
Information Technology	-3.3	14.2	11.0	Japan	4.1	3.0	1.0
Materials	-1.7	5.7	4.0				
Real Estate	-12.1	0.0	-12.1	Asia & EM	-0.9	2.0	-2.9
Utilities	-1.6	2.8	1.2				

## Key points

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

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 positions in the strategy may rise leading to capital losses for this strategy. 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.

## Risk (ex-ante), against MSCI World for relative

	100:50	MSCI W
Value at Risk (monthly 97.5%)	5.8%	10.7%
Beta	0.5	1.0
Volatility	10.2%	18.8%
AI predicted alpha	4.7%	0.0%

## Performance indicators (%)

	AI 100:50	MSCI World
Annualised return	11.4	9.0
Annualised vol.	10.9	19.4
Sharpe ratio	0.9	0.4
Best month	8.0	12.8
Worst month	-8.4	-13.2
Max drawdown	-15.2	-34.0

## Yield & earnings characteristics

	AI Long	AI Short	Net
Dividend Yield	2.7	3.8	1.8
Est P/E	11.7	25.6	7.5
Price to Cash Flow Ratio (P/CF)	9.2	17.0	6.0

## Top 10 positions

Longs	Shorts
SHELL PLC	EQUITY RESIDENTIAL
HERMES INTERNATIONAL	EQT AB
NOVO NORDISK A/S-B	WELLTOWER INC
ASML HOLDING NV	SIMON PROPERTY GROUP INC
APPLE INC	VODAFONE GROUP PLC
MERCK & CO. INC.	REALTY INCOME CORP
EOG RESOURCES INC	BRITISH LAND CO PLC
BIOGEN INC	VONOVIA SE
ALPHABET INC-CL C	INTL FLAVORS & FRAGRANCES
FORTINET INC	DELL TECHNOLOGIES -C

Source: Bloomberg/PW

## Commentary

The strategy was down 0.7% in net terms for the month which compares to the MSCI World return of 1.8%. Since inception the strategy has delivered an annualised return of 11.4%, against 9.0% for the MSCI World.

**Longs:**

The strategy was up by 0.8% in April, lagging the MSCI World return of 1.8%.

Global equities moved higher on strong earnings from large cap technology stocks and abating fears surrounding the banking sector. Technology, and Communication sectors are up by 22% year to date, and are the primary driver of returns.

We sold **Infosys** during the month.

**New additions:**

**Verbund** is an electric utility company and operates hydro-electric, thermal, and wind power generators. The stock trades at 10x earnings and offers a dividend yield of 3%. The predictable cash flows and low beta are attractive to us as the global economy slows and equity markets moving to higher valuations.

**Hermes** rose by 8%. Revenue growth continues to improve, and €15 billion in sales next year is a realistic target. **Banco Bilbao Vizcaya Argentaria** rebounded from a poor March, and rose by 7%. At month end it announced profit rose more than expected in the first three months of the year as official interest-rate hikes helped offset a new windfall tax and a rise in costs. The stock trades only 6.5x forecast earnings and it pays a dividend yield of 6.5%. **Merck, Biogen and Novo Nordisk** all delivered strong returns in April as the healthcare sector outperformed the broader market and all of those stocks outperformed the sector return.

Stock selection in technology and communications sectors was a negative in April. The sectors rallied but our positions lagged the market. **ASML** fell by 7% in April. Its earnings and revenues met market expectations but Extreme ultraviolet lithography sales were slightly below consensus. The company continues to have a significant order backlog of 3.8 billion euros and the company has provided guidance that it will generate gross margins of more than 50% in 2023. **Activision** fell by 9% as the UK competition authority vetoed the acquisition by Microsoft. **Infosys** fell by 15% was sold following a disappointing earnings release and weak guidance. **Alibaba** was a large detractor falling by 17%. The near term profit outlook may be impaired by cloud service price cuts, as it attempts to defend market share and focus on longer-term growth. The stock has fallen to 11x forecast earnings, which looks like good value to us despite geo-political risks relating to US/China relations.

**Short:**

The strategy fell 2.6% in April, amid a rise of 1.8% from the MSCI World.

During the month the strategy added a significant short exposure to real estate and property companies in Germany, US and China.

New positions: **Charter Communications, Rakuten, Wallgreens Boots**

**Charter Communications** is a cable telecommunications company. Charter's 76,000 broadband subscriber additions in 1Q were fewer than its 105,000 gains in 4Q, suggesting that subscriber growth may remain muted despite the operator's rural broadband rollouts. The tepid broadband environment, combined with elevated capital spending, triggered a 63% plunge in 1Q free cash flow that may weigh on buybacks, a cornerstone of the company's narrative. **Rakuten** provides Internet services, Internet finance services mainly in Japan. The group's operating profit could remain negative through 2024. Rakuten Group's negative return on invested capital is symptomatic of its challenges and risks. **Wallgreens Boots'** sales are historically driven by its domestic pharmacy unit, but it is attempting to transform into a broader healthcare service company. We think the market is pricing an optimistic scenario which will be difficult to achieve. Walgreens has paused share buybacks which may impede performance.

**Nio and Rivian were positive contributors as they fell by 25% and 17% respectively.** The companies design and manufacture electric vehicles. We think all automakers are facing rising costs and slowing demand, and expect small-scale, unprofitable EV-only brands are vulnerable to further share price weakness. **Norther Trust** fell by 11% on negative revisions to earnings estimates.

**Delivery Hero rose by 17%.** It provides online food ordering services and remains unprofitable. Its cautious investment mirrors rivals' efforts to reach profitability, but the market is extremely competitive. Any price hikes should lead to volume losses. **Electrolux rose by 24%** on earnings that beat expectations. It is an appliance company based in Sweden. The Company's products include refrigerators, dishwashers, washing machines, cookers, vacuum cleaners, air conditioners and small domestic appliances. A weakening consumer environment may pose risks to the company's revenues and profit margin going forward. **Philipps** rose by 19% on the back of strong revenue growth from a surprisingly reliant consumer. We are continuing to short the stock on the expectation that mass market consumer stocks will have to suffer margin contraction as the economic outlook slows.

**Strategy managers:**

Patrick Armstrong, CFA  
Eugen Fostiak

**Target return:** 50% MSCI World +5% p.a.

**Holdings:** 30 Long, 30 Short

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