

August 2023

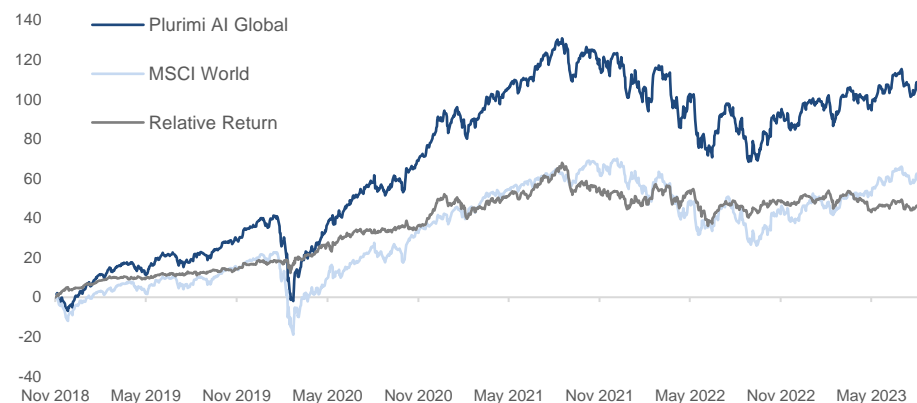
Objectives

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 2023)
Gross of all fees

Source: Bloomberg/PW

Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023 PW AI	7.0	-1.4	2.6	0.8	-4.0	6.7	3.8	-3.1					12.2
MSCI W	7.1	-2.4	3.2	1.8	-0.9	6.1	3.4	-2.3					16.6
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 - 31 Aug 2023)
Gross of all fees

Source: Bloomberg/PW

Sector exposure (%)

	PW AI	MSCI W	+/-
Communication Services	7.9	7.3	0.7
Consumer Discretionary	16.3	11.0	5.3
Consumer Staples	5.9	7.2	-1.3
Energy	8.1	4.9	3.3
Financials	17.8	14.7	3.2
Health Care	14.2	12.7	1.5
Industrials	8.8	10.9	-2.1
Information Technology	18.0	22.2	-4.3
Materials	2.9	4.1	-1.2
Real Estate	0.0	2.4	-2.4
Utilities	0.0	2.6	-2.6

Regional allocation

	PW AI	MSCI W	+/-
North America	53.2	71.6	-18.4
UK	4.3	3.9	0.4
Switzerland	2.9	3.1	-0.2
Rest of Europe	28.5	11.6	16.8
Japan	8.8	6.1	2.7
Asia & EM	2.4	3.7	-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.

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 (%)	5.7
Beta	1.1
AI predicted alpha (%)	2.4
Active share (%)	87.7

Performance indicators

	PW AI	MSCI World
Annualised return	16.7	10.7
Annualised volatility	18.5	18.3
Sharpe ratio	0.8	0.5
Best month	10.4	12.8
Worst month	-12.6	-13.2
Max drawdown	-30.5	-34.0

Holdings

	(%)
NOVO NORDISK A/S-B	4.8
SHELL PLC	4.3
HERMES INTERNATIONAL	4.2
ALPHABET INC-CL C	4.2
ADOBE INC	4.1
APPLE INC	4.1
ASML HOLDING NV	3.9
EOG RESOURCES INC	3.8
STELLANTIS NV	3.7
ACTIVISION BLIZZARD INC	3.7
ZOETIS INC	3.6
BANCO BILBAO VIZCAYA ARGENTA	3.4
AON PLC-CLASS A	3.3
VISA INC-CLASS A SHARES	3.3
AMAZON.COM INC	3.2
MICROSOFT CORP	3.1
ASAHI GROUP HOLDINGS LTD	3.1
DEERE & CO	3.1
RECRUIT HOLDINGS CO LTD	3.1
BIOGEN INC	3.0
HARTFORD FINANCIAL SVCS GRP	2.9
ARCELORMITTAL	2.9
ROCHE HOLDING AG-GENUSSCHEIN	2.9
DANONE	2.8
CAPGEMINI SE	2.8
LAS VEGAS SANDS CORP	2.7
CITIGROUP INC	2.6
MITSUBISHI CORP	2.6
PAYPAL HOLDINGS INC	2.5
ALIBABA GROUP HOLDING-SP ADR	2.4

Source: Bloomberg/PW

Commentary

The strategy was down by 3.1% in August, lagging the MSCI World return of -2.3%.

During the month we sold Fortinet, Merck, and Nippon T&T.

Roche was added early in the month. Roche has been a poor performer this year as it has a major headwind in the form of 5 billion francs of Covid-19-related revenue recorded in 2022 that isn't expected to recur, making 2023 something of a transition earnings year. 2023 also brings a new CEO and new Pharma and Diagnostic heads for the market to assess. The stock has traditionally traded at a premium to peers but has fallen to a discount for the reasons listed. We think this represents a good entry point before the company's Analyst day in September where it will discuss its pipeline of new drugs. The stock trades at less than 15x forecast earnings and pays a Swiss Franc yield of 3.5%. **Recruit Holdings** provides human resource technology, marketing media, and temporary staffing services. The company continues to reduce costs and focus on profitability. Revenue from paid job advertisements is stagnant but the company is consistently buying back shares and it is trading at 13x EV/Ebitda which is a discount to peers. **Amazon** was added towards the end of the month as the stock pulled back from July highs. Amazon's growing ad business and continued strength from Amazon Web Services should lead to more strong results. Cost cuts and resilient pricing are producing improved margins. Pharmacy and growth in grocery are potential upside revenue generators. The stock continues to trade at elevated multiples, but at 20x 2026 forecast earnings there is a prospect for realistic upside should the company beat expectations.

Novo Nordisk is the strategy's largest weight and its best performer in August. The stock rallied by 15% on positive trial results for weight loss drug Ozempic. Its use reduced symptoms of heart failure in obese patients in a first-of-its-kind clinical trial. Scientists are investigating more future applications for the drug beyond its current usage. It has prospects to be used as an insurable health related drug, expanding its use beyond vanity. **Aon** rose by 5%. The Company is comprised of risk and insurance brokerage consulting. It has produced better margin and growth than large peers, and following the failed acquisition of Willis Towers Watson it can focus on organic growth. Market conditions should be accommodative in the near term, but costs are rising. Aon's target for mid-single-digit or higher organic revenue growth in 2023 seems fair. **Visa** rose by 4%. Visa and Mastercard Inc. are planning to boost the fees that many retailers pay when accepting customers' credit and debit cards. The additional Visa charges are slated to begin in October for online transactions, followed in April by new fees for commercial credit, debit and prepaid cards.

Fortinet was the largest detractor, falling 25% after it missed consensus earnings and revenue estimates. We removed the stock shortly after the announcement. **Paypal** fell 18% on reported 2Q23 revenue which was down 8% but it delivered EPS in-line with expectations. The stock trades at attractive multiples and continues to deliver attractive top line growth.

Strategy managers:

Patrick Armstrong, CFA
Eugen Fostiak

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

Holdings: 30

Portfolio characteristics

	AI PW	MSCI World
Dividend Yield	2.1	2.3
Price to Earnings Ratio (P/E)	14.4	19.7
Price to Cash Flow Ratio (P/CF)	13.6	14.0
Price to Book Ratio (P/B)	2.2	3.0
Total Debt to Common Equity	134	145
Current Ratio	1.4	1.2
Est ROE	10.5	29.5
Operating Income Growth	-10	-1.5
Sales Growth	4.0	5.3
Est P/E	12.9	16.8
Debt/EBITDA	3.3	3.2
Est EV/EBITDA	14.4	11.3
Profit Margin	10.7	9.6
ROC	5.7	7.2

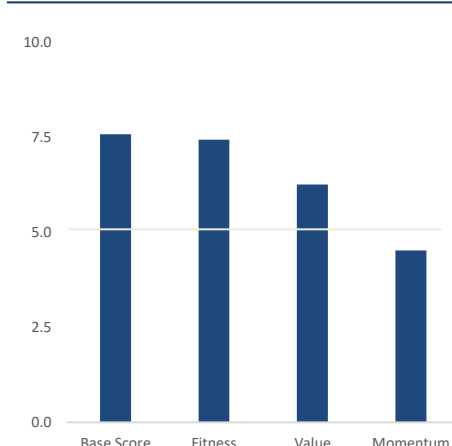
1 month performance contribution (%)

	Attribution	Top contributors	Return
Communication Services	0.1	NOVO NORDISK A/S-B	15.4
Consumer Discretionary	-1.2	AON PLC-CLASS A	4.7
Consumer Staples	-0.2	ALPHABET INC-CL C	3.2
Energy	0.0	RECRUIT HOLDINGS CO LTD	4.1
Financials	-0.6	VISA INC-CLASS A SHARES	3.5
Health Care	0.5		
Industrials	-0.1	Bottom contributors	Return
Information Technology	-1.4	FORTINET INC	-24.6
Materials	-0.3	PAYPAL HOLDINGS INC	-17.6
Real Estate	0.0	STELLANTIS NV	-9.5
Utilities	0.0	CITIGROUP INC	-12.4
		ASML HOLDING NV	-8.1

Source: PW/Bloomberg

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Style characteristics (5 is neutral with Index)



Source: BW/PW

P L U R I M I

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