

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
2023 Plurimi AI Long Short	0.7	1.1	1.6	-0.7	-1.0	3.4	0.6	-1.3					4.5
MSCI W*0.5	3.5	-1.2	1.5	0.9	-0.5	3.0	1.7	-1.2					8.1
2022 Plurimi AI Long Short	-4.4	1.2	5.5	-3.7	0.0	-8.4	4.8	-0.5	-1.6	5.0	-1.0	-2.5	-6.3
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
2021 Plurimi AI Long Short	-1.5	0.5	1.0	4.8	0.9	0.4	5.9	1.7	-3.0	1.6	-0.9	2.6	14.6
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
2020 Plurimi AI Long Short	2.0	-1.8	0.6	2.3	7.5	2.0	8.0	0.6	-1.1	-0.3	-0.3	4.8	26.6
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
2019 Plurimi AI Long Short											2.2	3.4	5.6
MSCI W*0.5											1.4	1.5	2.9

Total return in USD terms. (1 Nov 2019 - 31 Aug 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	7.9	-0.4	North America	26.6	35.8	-9.2
Consumer Discretionary	-3.5	16.3	12.8				
Consumer Staples	-4.9	5.9	1.1	UK	-0.6	1.9	-2.5
Energy	-1.6	8.1	6.5	Switzerland	2.9	1.5	1.3
Financials	-3.4	17.8	14.5				
Health Care	-8.4	14.2	5.8	Rest of Europe	18.5	5.8	12.7
Industrials	-1.7	8.8	7.1				
Information Technology	0.0	18.0	18.0	Japan	1.9	3.1	-1.2
Materials	-4.9	2.9	-2.0				
Real Estate	-9.9	0.0	-9.9	Asia & EM	0.8	1.9	-1.1
Utilities	-3.4	0.0	-3.4				

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%)	5.7%	8.1%
Beta	0.5	1.0
Volatility	9.9%	16.1%
AI predicted alpha	4.2%	0.0%

Performance indicators (%)

	AI 100:50	MSCI World
Annualised return	10.8	9.9
Annualised vol.	10.6	18.9
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	2.1	4.8	-0.7
Est P/E	12.9	14.4	7.6
Price to Cash Flow Ratio (P/CF)	13.6	9.7	26.9

Top 10 positions

Longs	Shorts
NOVO NORDISK A/S-B	RAKUTEN GROUP INC
SHELL PLC	WARNER BROS DISCOVERY INC
HERMES INTERNATIONAL	DAIICHI SANKYO CO LTD
ALPHABET INC-CL C	TAKEDA PHARMACEUTICAL CO LTD
ADOBE INC	EDP RENOVAVEIS SA
APPLE INC	AT&T INC
ASML HOLDING NV	WELLTOWER INC
EOG RESOURCES INC	FORD MOTOR CO
STELLANTIS NV	BAYER AG-REG
ACTIVISION BLIZZARD INC	SVENSKA HANDELSBANKEN-A SHS

Source: Bloomberg/PW

Commentary

The strategy was down 1.3% in net terms for the month which compares to the MSCI World return of -2.3%. Since inception, the strategy has delivered an annualised return of 10.8%, against 9.9% for the MSCI World.

Longs:

The strategy was down by 3.1% in August.

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 trials 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.

Short:

The strategy rose 4.7% in August.

Anglo American was added early in the month, and it fell 5% after its addition. After disappointing operational performance in 2022, Anglo needs to restore market confidence that volume can be delivered. The higher capital requirement and slower ramp-up of the Woodsmith mine, alongside weaker palladium prices may also detract from the growth advantage.

China Vanke was the strongest contributor, falling 17%. The Chinese property market faces a lot of headwinds. China's post-pandemic economic recovery has faltered in recent months, as exports weakened, and a housing crisis intensified. Signs of financial stress are aplenty. China Vanke's sales reached RMB246 billion over the first eight months of 2023, down 12% YoY and underperforming the average 6% YoY growth posted by state-owned companies, owing primarily to the inactive investment since 2020. **International Flavors & Fragrances** fell 17%. IFF is facing market headwinds (primarily functional ingredients destocking), which led to a large cut in guidance in early August. Key risks going forward include impacts of the lower demand, ongoing price/cost headwinds, high working capital due to elevated inventory, integration of the N&B platform, elevated debt levels, failure to address a more diverse and larger customer base, and failure to develop new products meeting customer needs. **Walgreens Boots Alliance** fell by 14%. Walgreens' outlook is murky as CEO Steps Down, and guidance was reduced. Rosalind Brewer's departure after 2 1/2 years, coupled with expectations for fiscal 2023 EPS to be at or near the low end of its range, likely signals that Walgreens will miss its midterm targets. The stock price has fallen more than 50% during Brewer's tenure as CEO, which was marked by the decision to move into services via VillageMD. With the CFO seat also held by an interim executive, it's difficult to be constructive on the company's path forward on a strategic or financial basis.

Charter communications was the largest detractor, rising by 8%. We continue to short the stocks as we think the pandemic created a surge in broadband demand but the pull-forward and competition are causing a significant slowdown, though additions could improve in 2023 on network upgrades.

Strategy managers:

Patrick Armstrong, CFA
Eugen Fostiak

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

Holdings: 30 Long, 30 Short

Available in**Segregated account****UBS issued Actively Managed Certificates****ISIN:**

USD: CH0544047381

GBP: CH0552928746

EUR: CH1141734074

Daily Pricing from UBS

Source: UBSF on Bloomberg

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