

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 - 29 Sep 2023)
Gross of all fees

Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023 Plurimi AI Short	-11.8	5.2	-0.5	-1.9	7.3	-5.2	-5.9	4.6	5.2				-4.6
MSCI World	7.1	-2.4	3.2	1.8	-0.9	6.1	3.4	-2.3	-4.3				11.6
2022 Plurimi AI Short	6.4	3.1	4.2	10.4	-4.0	8.7	-7.6	4.8	17.3	-4.8	-13.7	1.7	25.0
MSCI World	-5.3	-2.5	2.8	-8.3	0.1	-8.6	8.0	-4.1	-9.3	7.2	7.0	-4.2	-17.7
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 - 29 Sep 2023)
Gross of all fees and borrowing costs

Source: Bloomberg/PW

Sector exposure (%)

	AI Short	MSCI W	+/-
Communication Services	-13.3	7.3	5.9
Consumer Discretionary	-6.6	10.9	-4.3
Consumer Staples	-13.5	7.2	6.3
Energy	0.0	5.2	-5.2
Financials	-13.4	15.0	-1.6
Health Care	-16.8	12.8	4.0
Industrials	-3.2	10.8	-7.6
Information Technology	0.0	21.7	-21.7
Materials	-9.9	4.1	5.8
Real Estate	-16.6	2.3	14.3
Utilities	-6.7	2.6	4.0

Regional allocation

	AI Short	MSCI W	+/-
North America	53.6	71.4	-17.8
UK	9.7	4.0	5.7
Switzerland	0.0	3.0	-3.0
Rest of Europe	20.0	11.6	8.4
Japan	13.2	6.2	7.0
Asia & EM	3.4	3.7	-0.3

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	8.0%
Beta	1.0
AI predicted alpha	+3.4%

Performance indicators

	AI Short	MSCI World
Annualised return	-2.7	8.5
Annualised volatility	25.7	18.8
Sharpe ratio	-0.2	0.4
Best month	20.7	12.8
Worst month	-18.0	-13.2
Max drawdown	-54.4	-34.0

Holdings

	(%)
MODERNA INC	-3.5
WALGREENS BOOTS ALLIANCE INC	-3.5
SVENSKA HANDELSBANKEN-A SHS	-3.4
CHINA VANKE CO LTD-H	-3.4
DIGITAL REALTY TRUST INC	-3.4
ESTEE LAUDER COMPANIES-CL A	-3.4
WARNER BROS DISCOVERY INC	-3.4
CARREFOUR SA	-3.4
DAIICHI SANKYO CO LTD	-3.3
EDP RENOVEVEIS SA	-3.3
INTL FLAVORS & FRAGRANCES	-3.3
FORD MOTOR CO	-3.3
AT&T INC	-3.3
TYSON FOODS INC-CL A	-3.3
WELLTOWER INC	-3.3
MORGAN STANLEY	-3.3
BANK OF AMERICA CORP	-3.3
ALNYLAM PHARMACEUTICALS INC	-3.3
TELEFONICA SA	-3.3
EXELON CORP	-3.3
BAYER AG-REG	-3.3
RAKUTEN GROUP INC	-3.3
TAKEDA PHARMACEUTICAL CO LTD	-3.3
NORTHERN TRUST CORP	-3.3
BASF SE	-3.3
BRITISH LAND CO PLC	-3.2
SIMON PROPERTY GROUP INC	-3.2
VODAFONE GROUP PLC	-3.2
EAST JAPAN RAILWAY CO	-3.2
ANGLO AMERICAN PLC	-3.2

Source: Bloomberg/PW

Commentary

The strategy rose 5.2% in September, amid a fall of 4.3% from the MSCI World.

New additions:

Estee Lauder is facing a challenging year, hampered by heavy travel-retail exposure in Asia and overstocking in key locations. The US company needs to elevate its premium brands and deepen its relevance across all age groups. April's acquisition of Tom Ford may help but its margin still trails peers. Share buybacks and a raised dividend affirm cost containment, cash flow and balance-sheet strength. The company issued a cautious earnings outlook in August. Softness in the US and Europe is likely to extend until at least January, while Estee's position in local and travel retail in China is a work in progress and may not fully capture any rebound.

Morgan Stanley and **Bank of America** were shorted in the final week of the month. US banks capital requirements will increase as much as 19%, if regulators' so-called Basel III endgame proposal is implemented. We expect it will be put in place by before the end of next year. The rule, which applies to banks above \$100 billion in assets, could also damp market-making activity. A three-year implementation period would likely begin July 1, 2025. Bank of America's benefit from higher interest rates will moderate in the remainder of 2023, crimped by deposit pricing and loan risks, with loss provisions the biggest potential swing factor. CEO Brian Moynihan's strategy of pursuing organic gains may not mitigate margin downside. Expense discipline will not create sustainable growth. Morgan Stanley has tilted toward wealth and asset management, and this shift along with a cost focus will help profitability, but it won't be immune to tough markets.

Warner Bros was the strongest contributor falling by 17%. Deal expenses and restructuring have forced the company to trim Ebitda guidance. **Walgreens** fell by 12%. Concerns around the direction of the core business in fiscal 2023 remains the largest issue with the stock. Its transformation into a broader health-care services company is still in the early stages and the ramp-up is behind initial expectations. Svenska Handelsbanken was the largest detractor rising by 8%. The Bank offers corporate finance, securities brokerage, commodity trading, structured products, custody solution, and institutional asset management services. We continue to short the stock. Sweden's three biggest lenders fall in Stockholm trading following a proposal by the Social Democrats to impose a temporary tax on the excess profits of banks

Strategy managers:

Patrick Armstrong, CFA
Eugen Fostiak

Target return: +4% - MSCI World

Holdings: 30

Characteristics

	AI Short Strategy	MSCI World
Dividend Yield	4.7	2.4
Price to Earnings Ratio (P/E)	23	18.8
Price to Cash Flow Ratio (P/CF)	11.0	13.5
Price to Book Ratio (P/B)	1.1	2.9
Total Debt to Common Equity	181	145
Current Ratio	1.1	1.2
Est ROE	-12.5	37.8
Operating Income Growth	57	-1.3
Sales Growth	-2.5	5.9
Est P/E	13.4	16.1
Debt/EBITDA	6.9	3.2
Est EV/EBITDA	8.8	10.9
Profit Margin	1.0	9.6
ROC	3.3	7.2

Characteristics are shown for each stock in the strategy vs. the MSCI World. As the strategy shorts stocks, items such as a dividend yield are a measure of what needs to be paid, rather than what is received as a yield.

1 month performance contribution (%)

	Attribution
Communication Services	0.6
Consumer Discretionary	-0.3
Consumer Staples	1.0
Energy	0.1
Financials	0.0
Health Care	1.2
Industrials	-0.1
Information Technology	0.0
Materials	0.3
Real Estate	1.1
Utilities	0.5

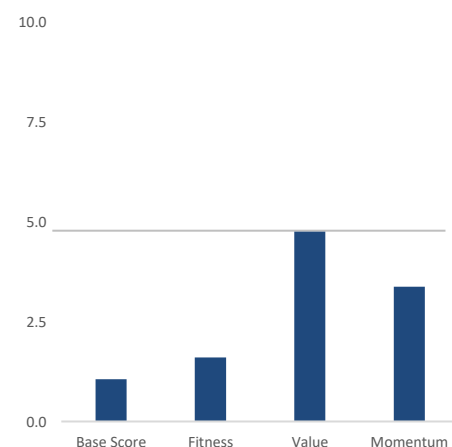
Source: PW/Bloomberg

Top contributors	Return
WARNER BROS DISCOVERY INC	-17.4
BAYER AG-REG	-12.3
WALGREENS BOOTS ALLIANCE INC	-12.1
EDP RENOVAVEIS SA	-10.5
BASF SE	-10.5

Bottom contributors	Return
SVENSKA HANDELSBANKEN-A SHS	7.6
RAKUTEN GROUP INC	5.3
ANGLO AMERICAN PLC	3.9
TAKEDA PHARMACEUTICAL CO LTD	2.5
FORD MOTOR CO	2.4

Source: PW/Bloomberg

Style characteristics (5 is neutral with Index)



Source: BW/PW

P L U R I M I

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