Plurimi AI Long/Short Equity 100:50 (GBP)
December 2023

PLURIMI

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 and is rebalanced monthly. 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

Key points

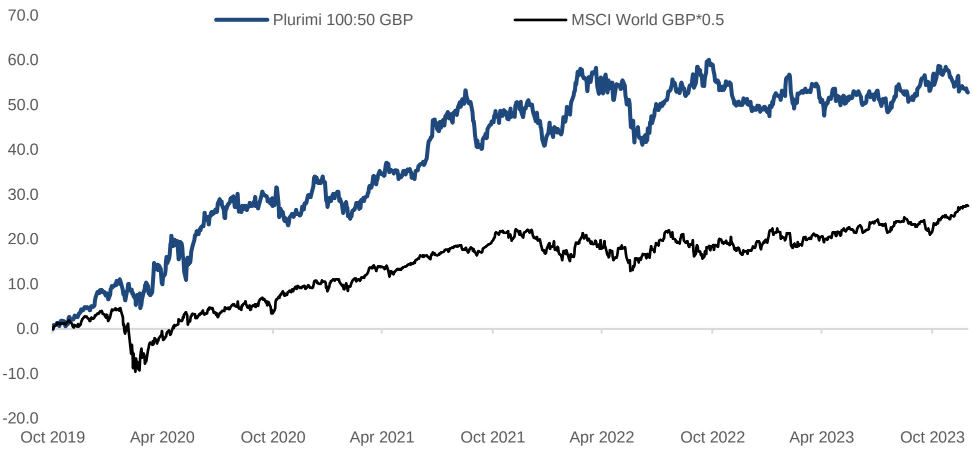
Bottom-up stock selection driven by Artificial Intelligence (AI) and machine learning. Evaluating more than 5000 global companies.

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.

Total return (%)



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%)	5.6%	7.5%
Beta	0.5	1.0
Volatility	9.6%	13.2%
AI predicted alpha	4.1%	0.0%

Monthly performance (%)

Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023 Plurimi AI Long Short	**-0.6**	**1.9**	**0.6**	-1.5	-0.5	2.1	0.0	-0.8	-0.5	2.2	1.2	-2.2	**1.9**
MSCI W*0.5	2.3	-0.4	0.5	0.1	0.2	1.7	1.1	-0.4	-0.3	-1.2	2.4	2.1	**8.5**
2022 Plurimi AI Long Short	**-4.1**	**1.8**	**6.6**	**-1.4**	**-0.1**	**-6.7**	**4.8**	**2.0**	**0.4**	**3.3**	**-2.6**	**-3.1**	**0.0**
MSCI W*0.5	-2.2	-1.3	2.4	-1.9	-0.1	-2.6	3.9	0.1	-2.7	2.0	1.7	-2.6	-3.5
2021 Plurimi AI Long Short	**-1.6**	**-0.5**	**1.5**	**4.6**	**-0.5**	**1.9**	**6.1**	**2.3**	**-2.0**	**0.9**	**0.7**	**1.8**	**15.9**
MSCI W*0.5	-0.7	0.4	2.4	2.2	-0.6	2.2	0.6	1.8	-1.1	2.0	0.7	0.9	11.2
2020 Plurimi AI Long Short	**2.3**	**-0.2**	**2.0**	**1.3**	**8.7**	**2.0**	**4.9**	**-0.5**	**0.7**	**-0.5**	**-1.6**	**3.2**	**24.2**
MSCI W*0.5	0.0	-2.7	-5.3	4.5	3.5	1.4	-0.7	2.3	0.0	-1.5	4.6	0.9	6.8
2019 Plurimi AI Long Short											**2.0**	**2.1**	**4.2**
MSCI W*0.5											1.4	0.3	1.7

Total return in GBP terms. (1 Nov 2019 - 29 Dec 2023)
Net of annual 1.7% management and custody fees.

Source: Bloomberg/PW

Performance indicators (%)

	AI 100:50	MSCI World
Annualised return	10.7	11.4
Annualised vol.	9.4	13.8
Sharpe ratio	0.9	0.7
Best month	8.7	9.3
Worst month	-6.7	-10.6
Max drawdown	-10.9	-26.1

Yield & earnings characteristics

	AI Long	AI Short	Net
Dividend Yield	2.1	4.1	0.2
Est P/E	13.2	15.3	11.0
Price to Cash Flow Ratio (P/CF)	15.6	8.5	

Sector exposure and valuations

	AI Short *0.5	AI Long	Total
Communication Serv.	-5.0	4.2	-0.8
Consumer Discretionary	-8.2	16.6	8.4
Consumer Staples	-8.4	8.3	-0.1
Energy	0.0	8.2	8.2
Financials	-3.4	18.4	15.0
Health Care	-10.1	13.9	3.7
Industrials	-3.4	12.1	8.7
Information Technology	-1.7	18.3	16.6
Materials	-3.3	0.0	-3.3
Real Estate	-3.3	0.0	-3.3
Utilities	-3.1	0.0	-3.1

	AI Long Short	MSCI W *0.5	Relative
North America	36.9	35.9	1.0
UK	2.5	1.9	0.6
Switzerland	2.9	1.5	1.4
Rest of Europe	10.4	5.9	4.4
Japan	-3.1	3.0	-6.1
Asia & EM	0.4	1.8	-1.4

Top 10 positions

Longs	Shorts
NOVO NORDISK A/S-B	MODERNA INC
STELLANTIS NV	RAKUTEN GROUP INC
SHELL PLC	SOFTBANK GROUP CORP
ADOBE INC	NTT DATA GROUP CORP
HERMES INTERNATIONAL	CNH INDUSTRIAL NV
ALPHABET INC-CL C	TYSON FOODS INC-CL A
APPLE INC	ALNYLAM PHARMACEUTICALS INC
EOG RESOURCES INC	MORGAN STANLEY
BANCO BILBAO VIZCAYA ARGENTA	SARTORIUS STEDIM BIOTECH
APPLIED MATERIALS INC	TAKEDA PHARMACEUTICAL CO LTD

Source: Bloomberg/PW

Commentary

The strategy fell by 2.2% in net terms for the month which compares to the MSCI World return of 3.8% in GBP terms. Since inception, the strategy has delivered an annualised return of 10.7%, against 11.4% for the MSCI World in GBP terms.

Longs:

The strategy rose by 2.0% (+2.9% USD terms) in December.

Since inception the strategy has delivered an annualized return of 16.4%, which compares to the MSCI World return of 11.4% per annum.

Recruit Holdings rose by 13%. The company announced a share buyback program of up to 2.5% of all shares outstanding. The company believes that the macroeconomic environment and the human resources matching market continue to be difficult to forecast, so in accordance with its capital allocation policy, it decided to buy back shares considering factors such as future investment capacity, share price levels, market conditions, and financial conditions. **Zoetis** rose by 11%. Zoetis' diversified companion-animal platform across pharmaceuticals, diagnostics and pet insurance appears to be well positioned to take advantage of the growth in the animal-health market, driven by heightened pet spending from younger generations, coupled with greater life expectancy for pets that require more expensive care. The company raised its dividend by 15% to 43cents per share. **Citi Group** rose by 11%. The stock benefitted from a broad rally in US bank stocks. The US yield curve remains inverted but the prospect of cuts from the Fed are increasing chances for improved interest margin for the sector.

Aon was the largest detractor falling by 12%. The insurance consulting firm fell after announcing it has entered into pact to buy NFP, a global professional services firm, for an estimated $13.4 billion in cash and stock. Aon said deal will be funded by $7 billion of cash and $6.4B of Aon stock. **Bunge** fell 9%. Bunge's profit slid in the third quarter on lower sales as volumes weakened in its agribusiness. Bunge's agribusiness, which accounts for a majority of its revenue, logged lower volumes and sales for the quarter as higher results in the processing side of the business were more than offset by lower results on the merchandising side. The stock trades at less than 8x forecast earnings, which we think represents good value, and already discounts the weak volume growth of the company.

As we head into 2024 the repricing of the interest rate outlook now looks to be completed. After a strong 2023 valuation for global stocks are above the historical median. This may make it harder to extend the multiple expansion of 2023. Our base case is that global earnings growth will push equities higher in 2024. A rate cut cycle, supported by drivers from AI, and ideally a tail wind from reduced geopolitical competition.

Short:

The strategy fell by 7.5% (-8.4% USD terms) in December.

New additions: **Softbank's** strategy may not lead to an increase in its net asset value. Risk of AI investing is high given the run-up in valuations. The company has lost the first-mover advantage to peers. Share buybacks are possible following the ARM IPO but the valuation remains too high in our opinion. **NTT Data Group** is an IT service providers. specializing in systems integration with a broad range of related services that includes consulting, network development, and custom software development. Nippon Telegraph owns about 54% of NTT DATA. The stock has underperformed in 2023 but still trades at over 21x forecast earnings. Sartorius Stedim Biotech develops and manufactures laboratory technologies and equipment for the pharma and food industries, as well as for public research institutes and laboratories. The stock trades at more than 53x forecast earnings and has a large level of debt which will likely be rolled into higher yielding debt as it matures. **Rivian** develops, manufactures, and sells electric vehicles and accessories. The company offers five-passenger pickup trucks and seven-passenger sports utility vehicles. Its most recent delivery numbers signal overproduction on weakening EV demand as it ramps up plant capacity. The stock is likely years away from profitability and may never get there. **HSBC** is classified as a Globally Systematically Important Bank and is required to hold an extra 2% capital buffer. The U.K. and Hong Kong are core markets for the bank and uncertainty and poor growth impacts both locations.

Chinese equities were the top contributors. **Prosus** fell 11% after its massive holding in Tencent missed earnings. **China Vanke** fell 9% as high debt levels and the outlook for Chinese property market impact the growth potential for the company. **Walgreen's** was the largest detractor rising by 30% after beating earnings estimates. **Moderna** rose 27% following a range of broker upgrades and after the drugmaker said study results showed that its personalized vaccine developed with Merck & Co. helped prevent the recurrence of severe skin cancer for three years.

Strategy managers:
Patrick Armstrong, CFA
Eugen Fostiak

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

Holdings: 30 Long, 30 Short

Available formats:

Segregated account

UBS issued Actively Managed Certificates

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USD: CH0544047381
EUR: CH1141734074

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