

March 2024

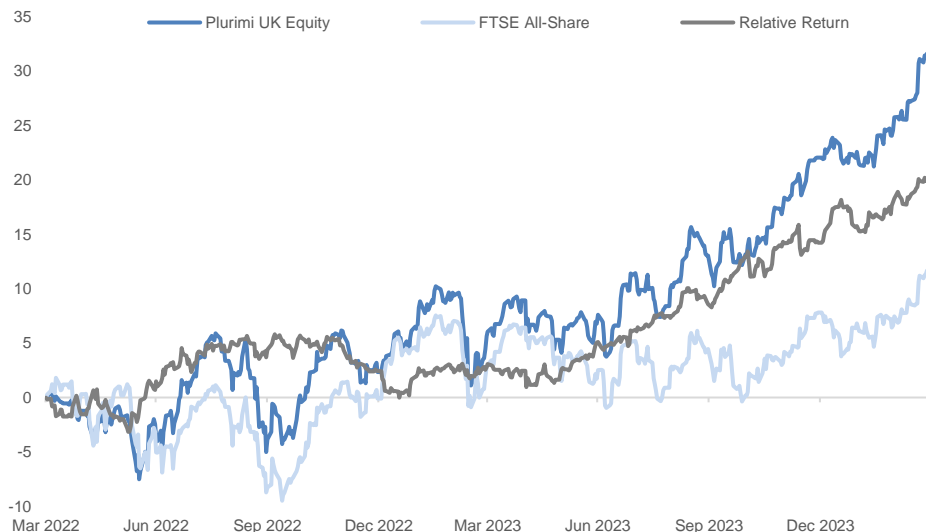
Objectives

The objective of the Plurimi UK Equity strategy is to achieve long-term capital appreciation through investments in UK stocks. The strategy is always at least 95% invested and seeks to maximise returns vs. the FTSE All-share benchmark by employing active bottom-up stock selection, which is driven by artificial intelligence with machine learning techniques, and discretionary sector and style allocations.

Risk and return targets

- Typical beta: 1.0
- Beta range 0.8-1.2
- Return target: FTSE All-share +3% per annum over a market cycle

Total return (%)



Total return in GBP terms. (31 Mar 2022 - 29 Mar 2024)

The returns are gross and do not reflect the deduction of investment management fees, which will reduce return.

Source: Bloomberg

Monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024													
Plurimi UK	-0.2	2.3	5.9										8.2
FTSE All	-1.3	0.2	4.7										3.6
2023													
Plurimi UK	4.0	2.6	-2.7	2.8	-4.5	3.5	3.7	-1.2	2.7	0.0	4.0	4.0	20.0
FTSE All	4.5	1.5	-2.8	3.4	-4.6	1.0	2.6	-2.5	1.8	-4.1	3.0	4.5	7.7
2022													
Plurimi UK				-1.2	0.1	-2.5	5.2	1.1	-6.3	3.9	6.3	-3.7	2.3
FTSE ALL				0.3	0.7	-6.0	4.4	-1.7	-5.9	3.1	7.1	-1.4	-0.3

Total return in GBP terms. (31 Mar 2022 - 29 Mar 2024)

The returns are gross and do not reflect the deduction of investment management fees, which will reduce return.

Source: Bloomberg

Sector exposure (%)

	Strategy	Benchmark	+/-
Communication Services	6.1	7.4	-1.3
Consumer Discretionary	13.9	10.7	3.2
Consumer Staples	10.4	6.5	3.9
Energy	9.4	4.5	4.9
Financials	21.6	15.4	6.3
Health Care	5.2	12.0	-6.8
Industrials	24.9	11.2	13.6
Information Technology	8.4	23.7	-15.3
Materials	0.0	3.9	-3.9
Real Estate	0.0	2.3	-2.3
Utilities	0.0	2.4	-2.4

Key points

Bottom-up stock selection driven by Artificial Intelligence (AI) and machine learning. Evaluating more than 500 UK equities.

Objective stock selection process removes human emotion and behavioural biases.

Top-down sector 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 stock specific risk, and sector differences from the benchmark which are intended to improve returns but can lead to capital loss.

Relative risk vs FTSE All-share (ex-ante)

Tracking error (%)	6.5
Beta	0.9
AI predicted alpha (%)	2.3
Active share (%)	90.2
Performance indicators	(%)

	Strategy	Benchmark
Annualised return	15.2	5.7
Annualised volatility	11.7	12.2
Sharpe ratio	1.4	0.5
Best month	10.4	7.1
Worst month	-6.3	-6.0
Max drawdown	-10.3	-11.1

Holdings

	(%)
SAGE GROUP PLC/THE	8.4
ROLLS-ROYCE HOLDINGS PLC	8.1
BARCLAYS PLC	6.8
RELX PLC	6.7
ASSOCIATED BRITISH FOODS PLC	6.2
INFORMA PLC	6.1
PEARSON PLC	6.0
WISE PLC - A	5.9
BAE SYSTEMS PLC	5.6
COMPASS GROUP PLC	5.6
GSK PLC	5.2
BP PLC	4.7
SHELL PLC	4.7
IG GROUP HOLDINGS PLC	4.7
EASYJET PLC	4.4
LONDON STOCK EXCHANGE GROUP	4.3
IMPERIAL BRANDS PLC	4.2
INTERCONTINENTAL HOTELS GROU	2.3

Source: Bloomberg/PW

Commentary

For the quarter the strategy rose by 8.2%, which compares to the FTSE All Share return of 3.6% for the period. UK equities continue to trade at discounted multiples to the rest of the developed world.

During the quarter we sold AstraZeneca, Centrica and Harbour Energy, and added EasyJet, Barclays and Intercontinental Hotels Group.

Centrica was the largest equity detractor before its removal.

Similarly **Harbour Energy** became an exit after giving away close to entire 20% gain of the previous quarter.

Latest addition of **Intercontinental Hotels Group**, a globally diversified operator of hotel businesses, as well as hotel loyalty and priority club rewards programs, was a relative detractor in the strategy.

EasyJet is seeing strong demand which is driving profit growth. It is adding seats via newer, larger planes in slot-constrained airports. The company's healthy cashflow supports its dividends and new investment in its fleet. The stock trades at less than 9x forecast earnings.

Barclays was added based on its attractive valuation. Barclays trades at less than 0.4x book valuation, which is among the lowest of major European peers. Its capital positions is also a strength, reaching 13.8% in 4Q. The stock rose 14% after its purchase.

Rolls Royce rose 42% in Q1 2024. We expect Rolls Royce will be well positioned to capitalize on growth in global defence spending. Rolls-Royce's civil-engine business is powering its turnaround as long-haul travel recovers, boosting wide-body utilization, though inflation and supply chains are risks. Engine flight hours are rising, boosting high-margin spares demand and hourly maintenance cash flows, with most engine types within 15% or better of 2019. Efficiency improvements across the businesses and paying down debt to improve credit ratings should add to gains.

BAE Systems rose 22%. BAE Systems plc develops, delivers, and supports advanced defence and aerospace systems. The Group manufactures military aircraft, surface ships, submarines, radar, avionics, communications, electronics, and guided weapon systems. The company should benefit from an increase in defence spending

Sage Group rose 9%. The Group develops, publishes, and distributes accounting and payroll software for personal computer systems. Sage Group rose after outlining a buyback of up to 350 million pounds worth of shares and reported double-digit revenue growth for fiscal 2023. The software company said that the share buyback program reflects the board's confidence in its strong cash generation and long-term growth strategy. It added that the company continues to have considerable financial flexibility to drive the execution of its growth strategy.

Wise rose 6% during the quarter. The company beat consensus estimates for revenue and earnings during the quarter, and this led to a wave of upgrades in target prices from sell side brokers.

Strategy managers:

Patrick Armstrong, CFA
Eugen Fostiak

Target return: FTSE All Share +3% p.a.

Holdings: 18

Portfolio characteristics

	Strategy	FTSE All-Share
Dividend Yield	2.9	2.2
Price to Earnings Ratio (P/E)	15.7	22.3
Price to Cash Flow Ratio (P/CF)	8.1	15.8
Price to Book Ratio (P/B)	2.2	3.3
Total Debt to Common Equity	211	143
Current Ratio	1.0	1.2
Est ROE	16.2	29.1
Operating Income Growth	10	2.3
Sales Growth	4.9	3.5
Est P/E	12.8	18.6
Debt/EBITDA	1.8	3.2
Est EV/EBITDA	6.2	12.4
Profit Margin	10.1	9.6
ROC	4.9	7.1

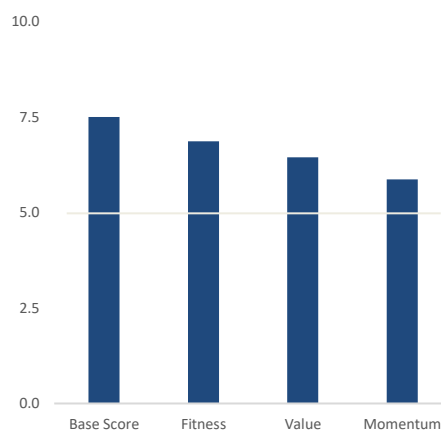
3 months performance contribution (%)

	Attribution
Communication Services	0.4
Consumer Discretionary	1.0
Consumer Staples	0.4
Energy	0.0
Financials	1.2
Health Care	0.8
Industrials	4.5
Information Technology	0.8
Materials	0.0
Real Estate	0.0
Utilities	-0.9

Top contributors	Return
ROLLS-ROYCE HOLDINGS PLC	42.4
BAE SYSTEMS PLC	21.5
GSK PLC	18.9
BARCLAYS PLC	14.0
SAGE GROUP PLC/THE	9.1

Bottom contributors	Return
CENTRICA PLC	-11.3
HARBOUR ENERGY PLC	-18.4
IG GROUP HOLDINGS PLC	-2.8
INTERCONTINENTAL HOTELS GROUP	-5.0
ASTRAZENECA PLC	-1.7

Style characteristics (5 is neutral with Index)



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