

# AI ALPHA: ILLUSION OR REALITY?

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February 2024



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**Amélie Séguin**  
Portfolio Manager  
Equities



**Nicolas Poignant**  
Portfolio Manager  
Equities

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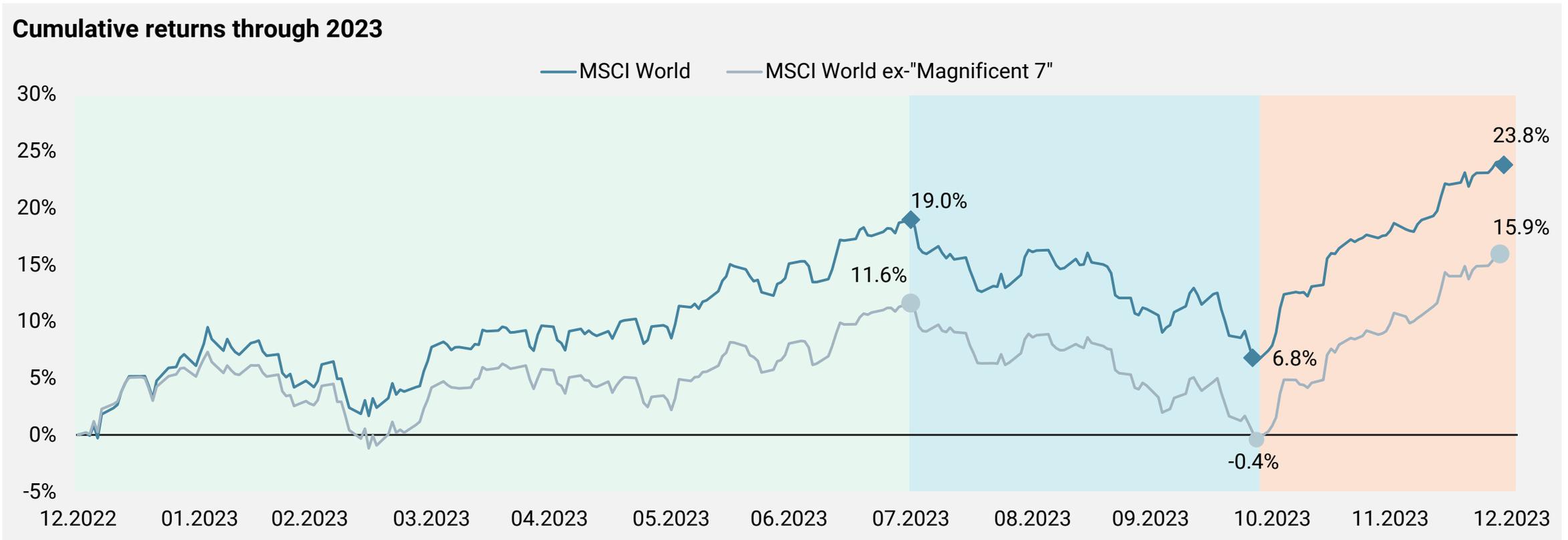


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# 2023: SENTIMENT REVERSAL AND AI HYPE

The ‘Magnificent 7’ left the rest of the market trailing behind in 2023

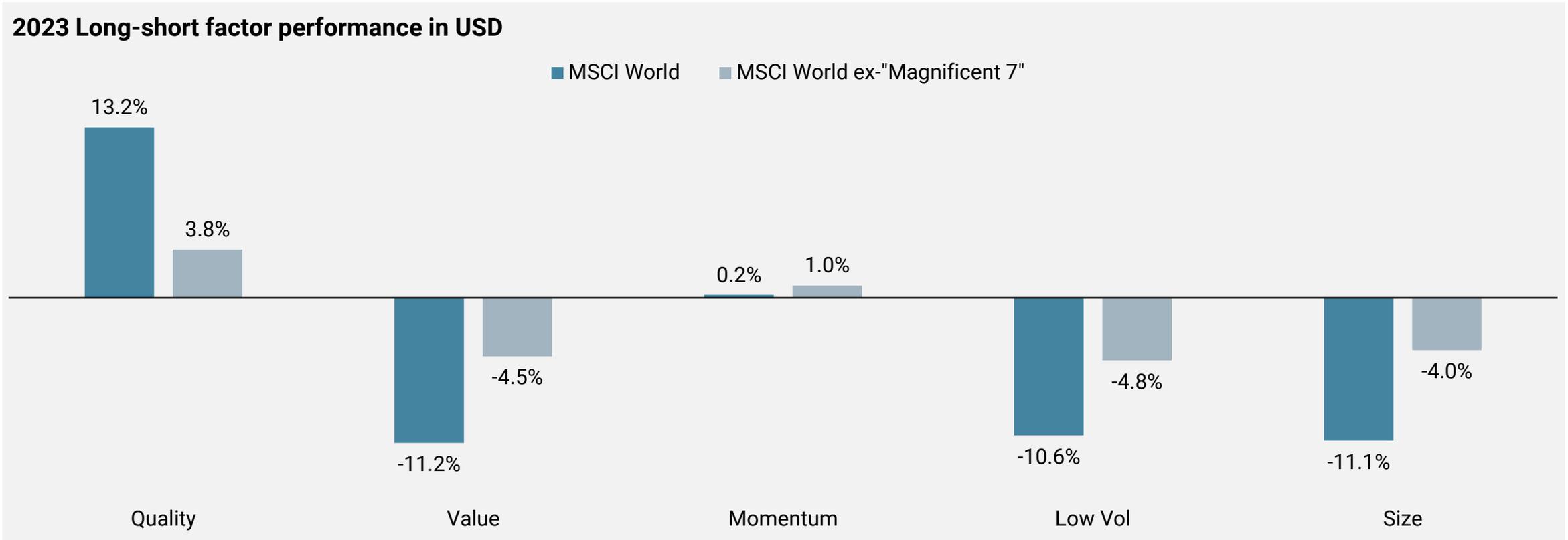


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Source: Compustats, CiQ, Unigestion, as of 31 December 2023. Magnificent 7: Alphabet, Apple, Amazon, Meta, Microsoft, NVIDIA, Tesla

# 2023: HOW 'MAGNIFICENT 7' AFFECTED FACTOR PERFORMANCE

Quality shone...but less so without the "Magnificent 7"

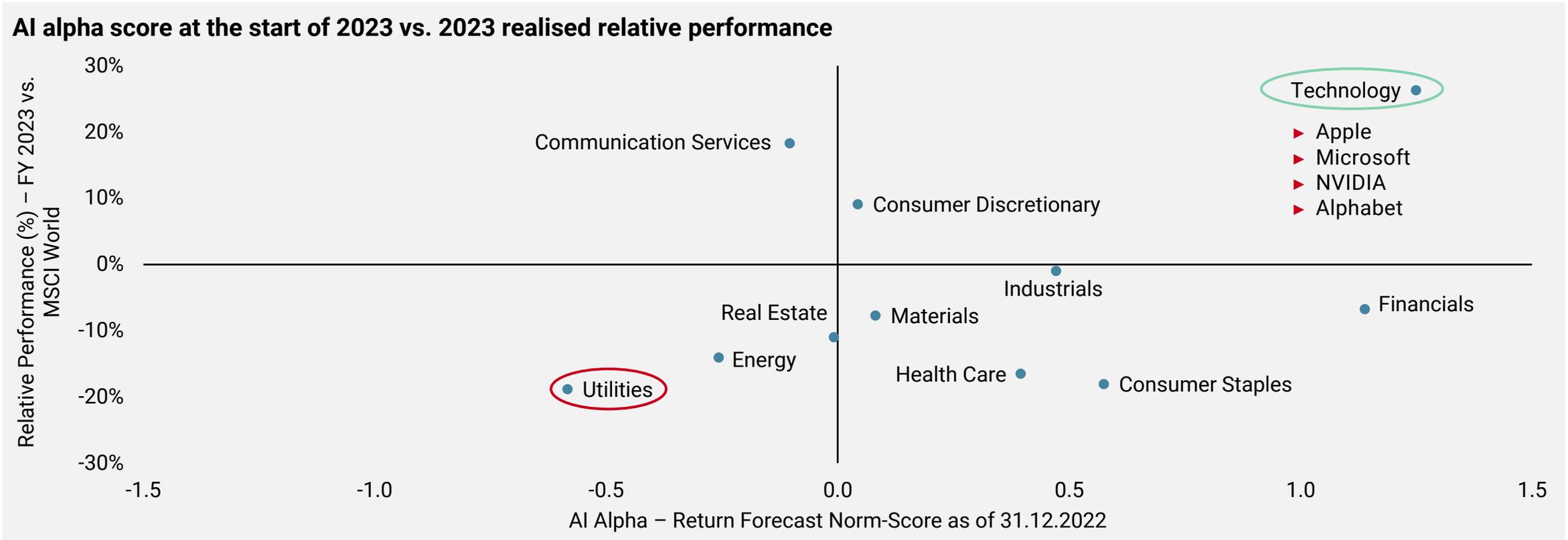


Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented. Past performance is not a reliable indicator of future results.

Source: Compustats, CiQ, Unigestion, as of 31 December 2023 / Long-Short Factor Performance based on Norm-Score\*sqrt(Market-Weight). Magnificent 7: Alphabet, Apple, Amazon, Meta, Microsoft, NVIDIA, Tesla

# 2023: FROM AI RETURN FORECAST TO REALISED PERFORMANCE

AI alpha sector scores predicted the extreme performance of Tech and Utilities



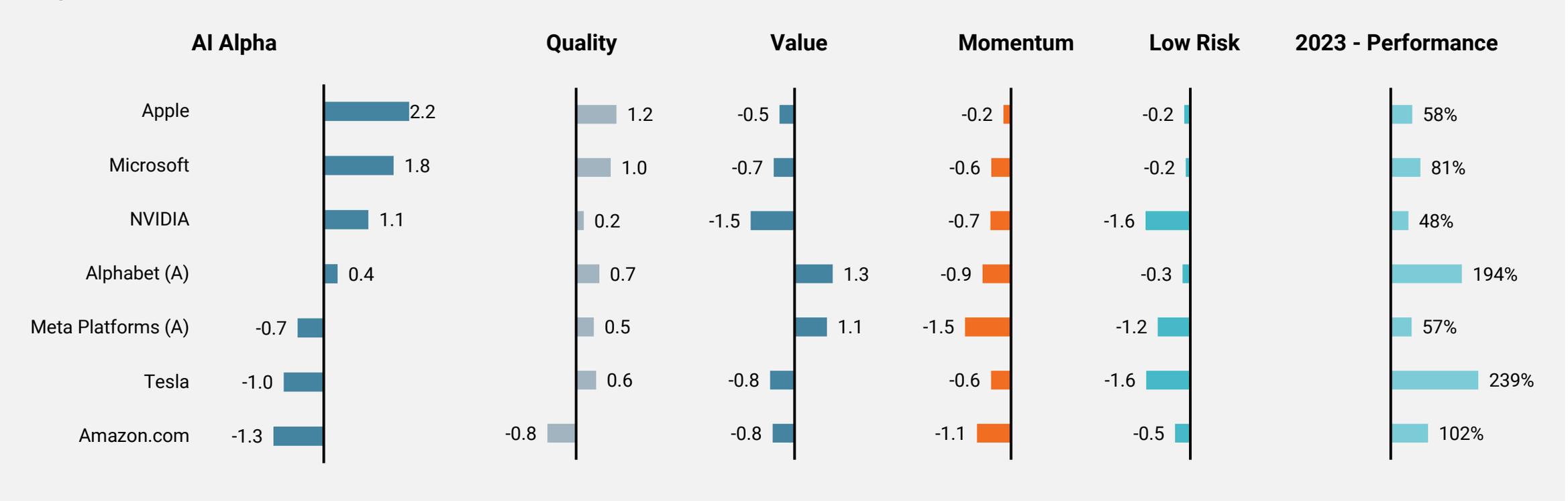
Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented. Past performance is not a reliable indicator of future results.

Source: Compustats, CiQ, Unigestion, AI Alpha Scores as of 31 December 2022. Performance for full year 2023. Magnificent 7: Alphabet, Apple, Amazon, Meta, Microsoft, NVIDIA, Tesla

# “MAGNIFICENT 7”: FACTOR PERFORMANCE DRIVERS

AI liked Apple, Microsoft and Nvidia at the beginning of 2023

“Magnificent 7” DNA – factor norm-scores as of 31.12.2022

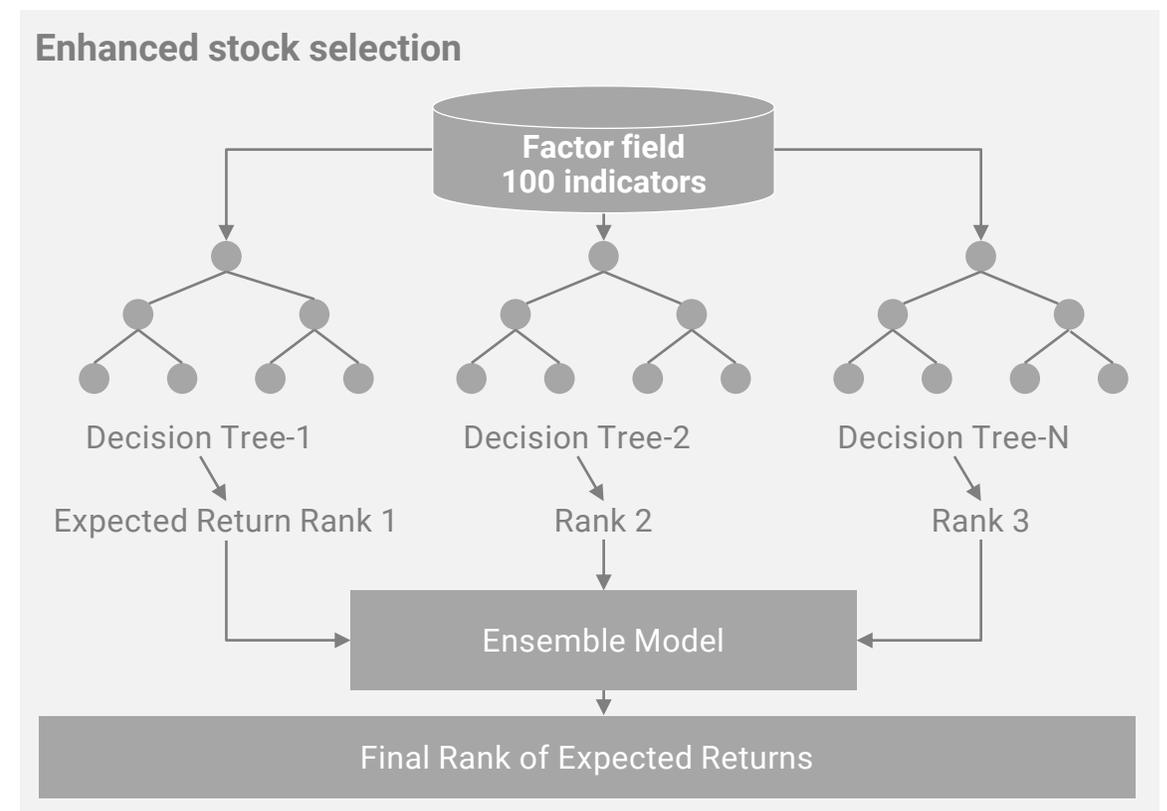
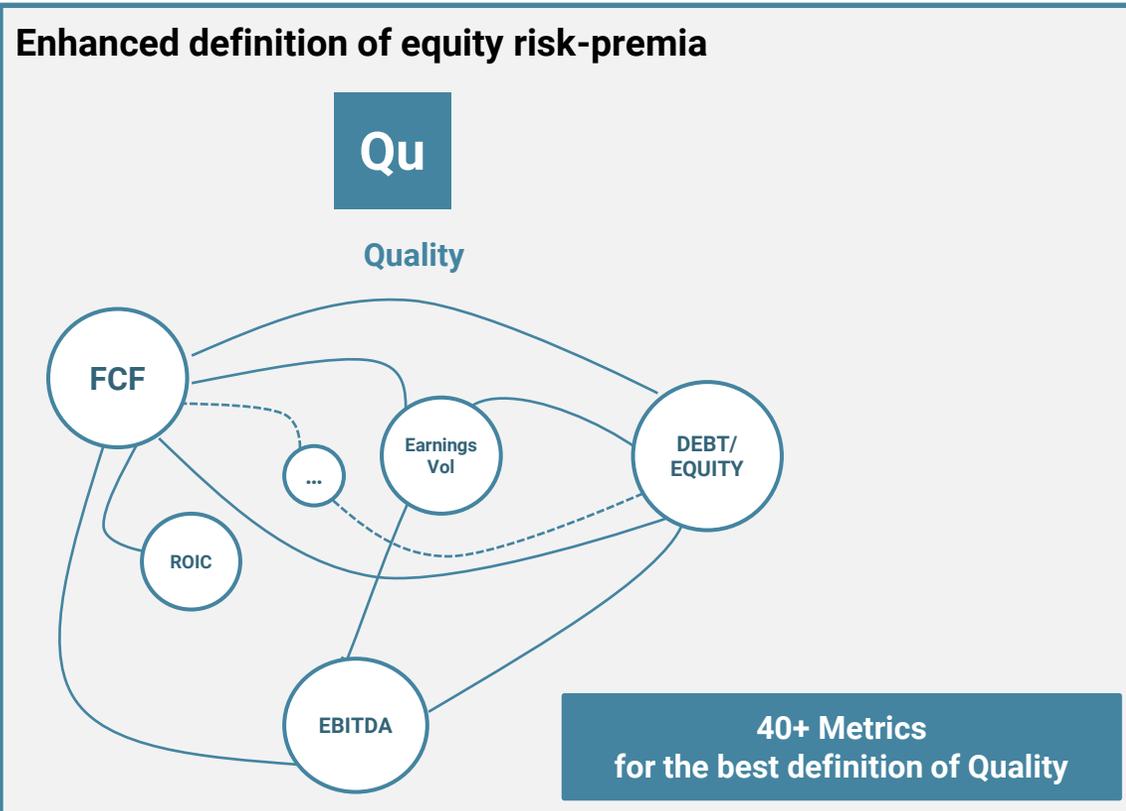


Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented. Past performance is not a reliable indicator of future results.

Source: Compustats, CiQ, Unigestion, as of 31 December 2022. Magnificent 7: Alphabet, Apple, Amazon, Meta, Microsoft, NVIDIA, Tesla

# HOW DOES AI HELP?

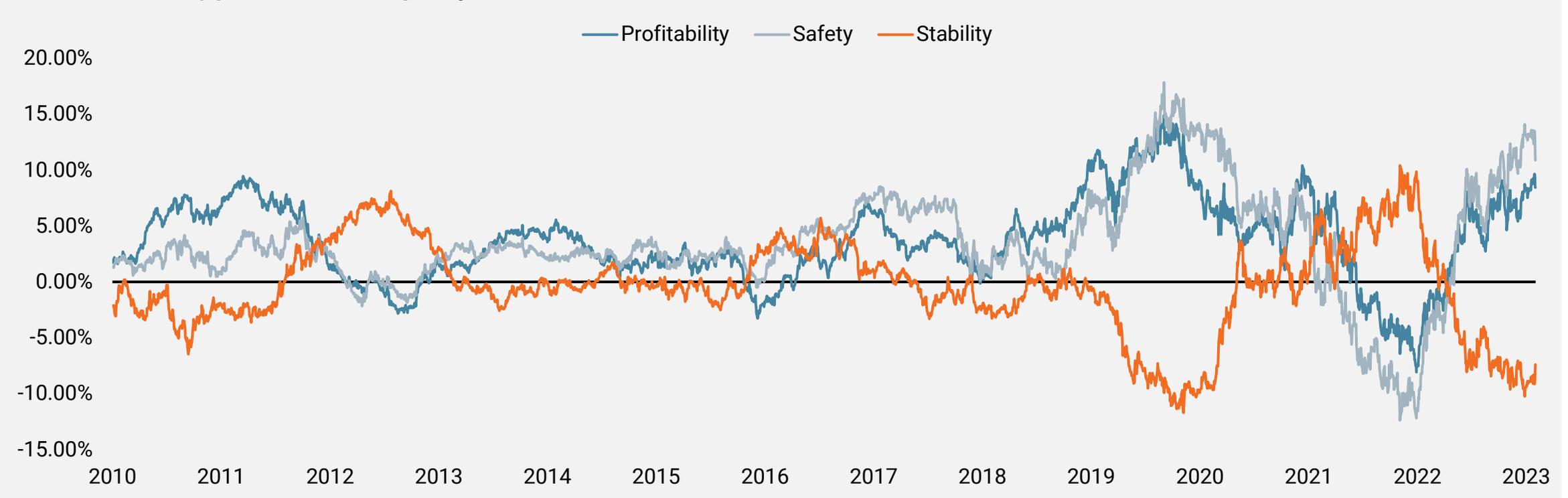
Uncover non-linear relationships across variables to seek the highest alpha potential



# DIFFERENT WAYS OF DEFINING QUALITY = DIFFERENT PERFORMANCE PATTERNS

AI can be utilised to play the cyclical nature of metrics and maximise performance potential

12-months rolling performance of quality definitions



Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented

Source: Compustats, CiQ, Unigestion, as of 31 December 2023

# AI RISK PREMIA – QUALITY – THE ‘APPLE’ CASE STUDY

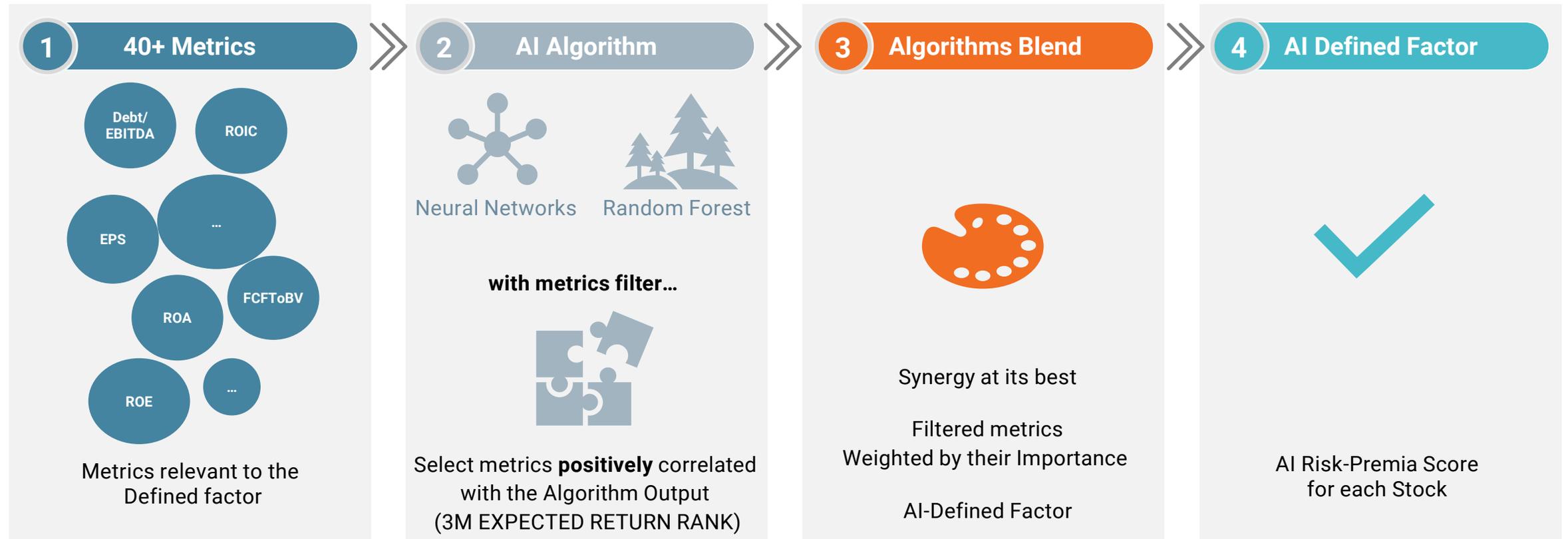
Apple deemed continuously as a high quality company by AI for over 10 years, unlike the traditional definition



Source: Bloomberg, Unigestion, as of 28.02.2023 ; Traditional Quality defined by 1/3 Profitability, 1/3 Safety, 1/3 Stability  
Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for illustration purposes only.  
Computation based on MSCI World universe on the period from 31.12.2009 to 31.01.2023

# HOW WE SELECT METRICS FOR A FACTOR

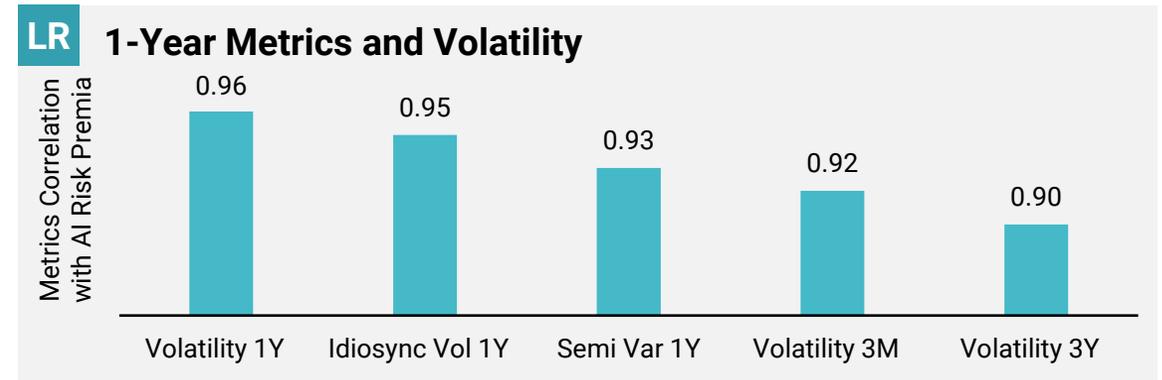
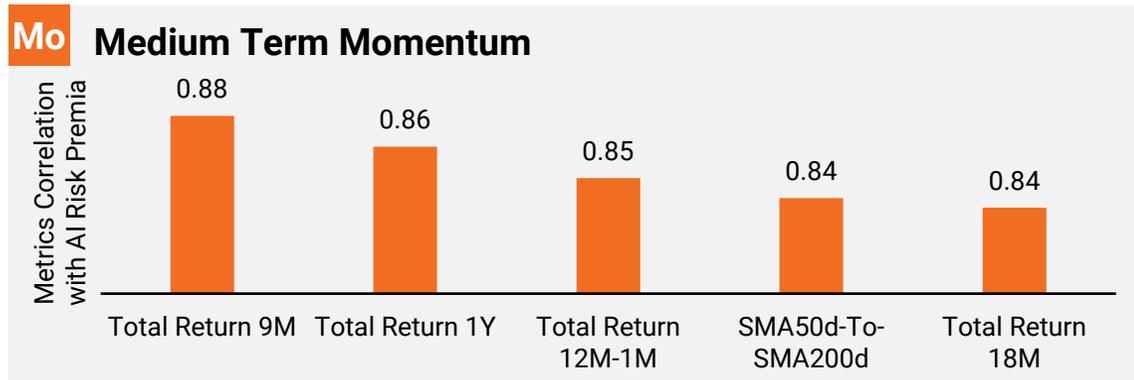
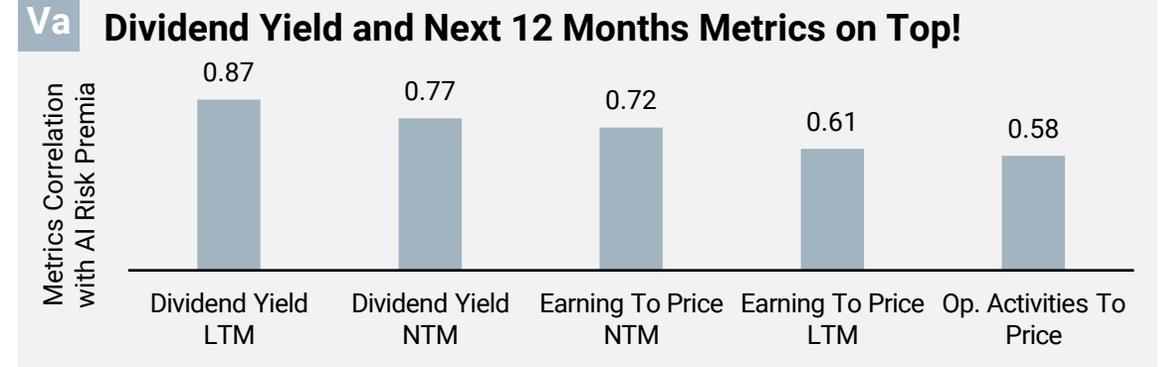
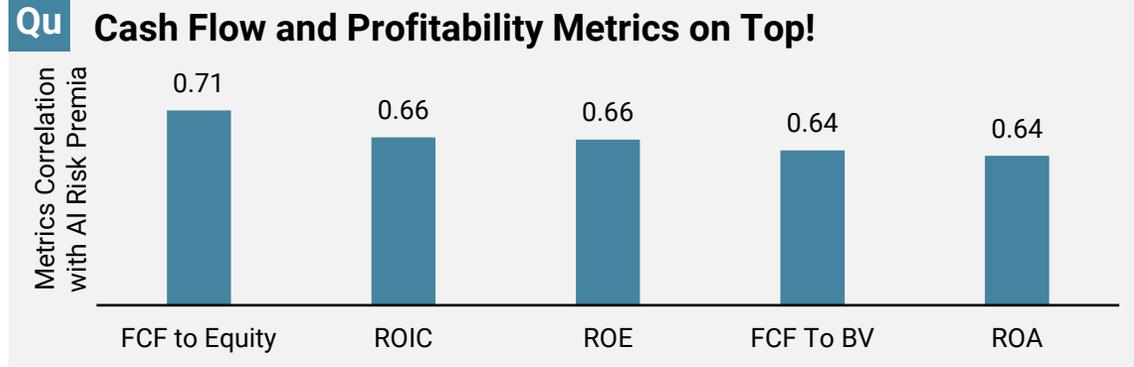
## From AI algorithm to stock selection



Source: Compustats, CiQ, Unigestion, as of 31.12.2023

# AI RISK PREMIA – DYNAMIC DEFINITION OF EQUITY FACTORS

Definition evolves over time

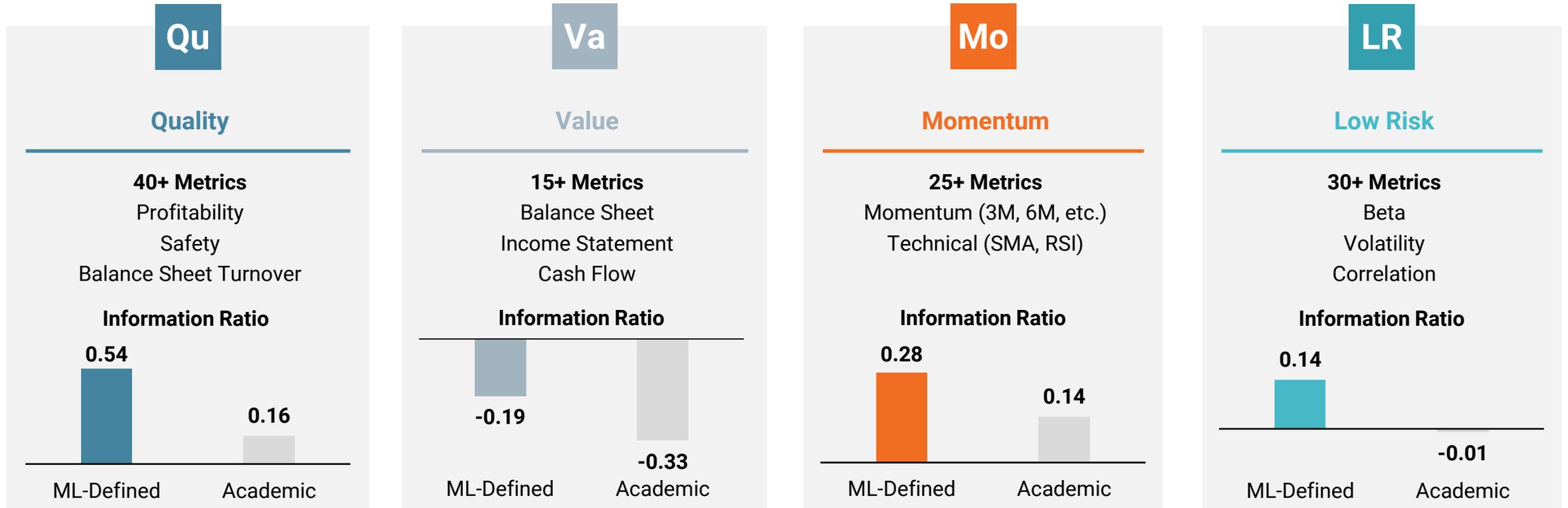


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Source: Compustats, CiQ, Unigestion, as of 31 December 2023

# AI VERSUS ACADEMIC MEASURES

AI significantly improves the performance of risk-premia in comparison with the academic definition



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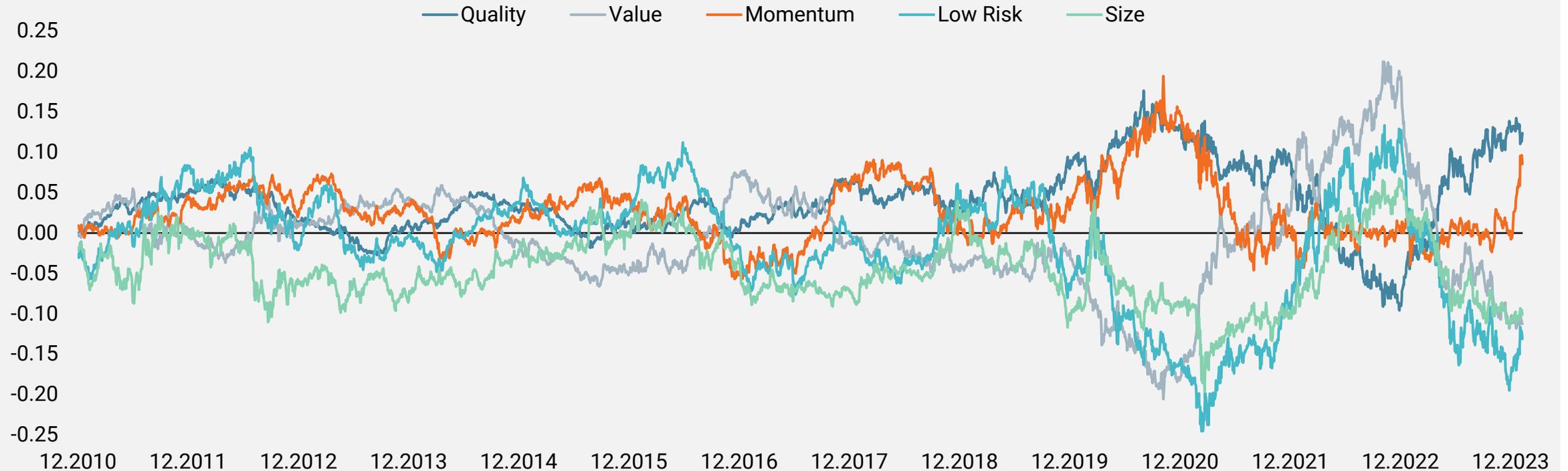
For illustrative purpose only. Performance is shown net of estimated transaction costs and gross of management fees In USD.

Source: Unigestion, S&P Global. Artificial Intelligence score uses a blend of Random Forest and Neural Network algorithm to forecast 3 months returns based on a 10-year lookback window. Risk statistics are calculated with weekly returns on the MSCI World Developed Universe from 31.12.2009 until 31.12.2023.

# CYCLICALITY OF INVESTMENT STYLES

AI helps to harvest the cyclical nature of styles via stock selection by uncovering non-linear relationships

12-Months Rolling Performance of Styles



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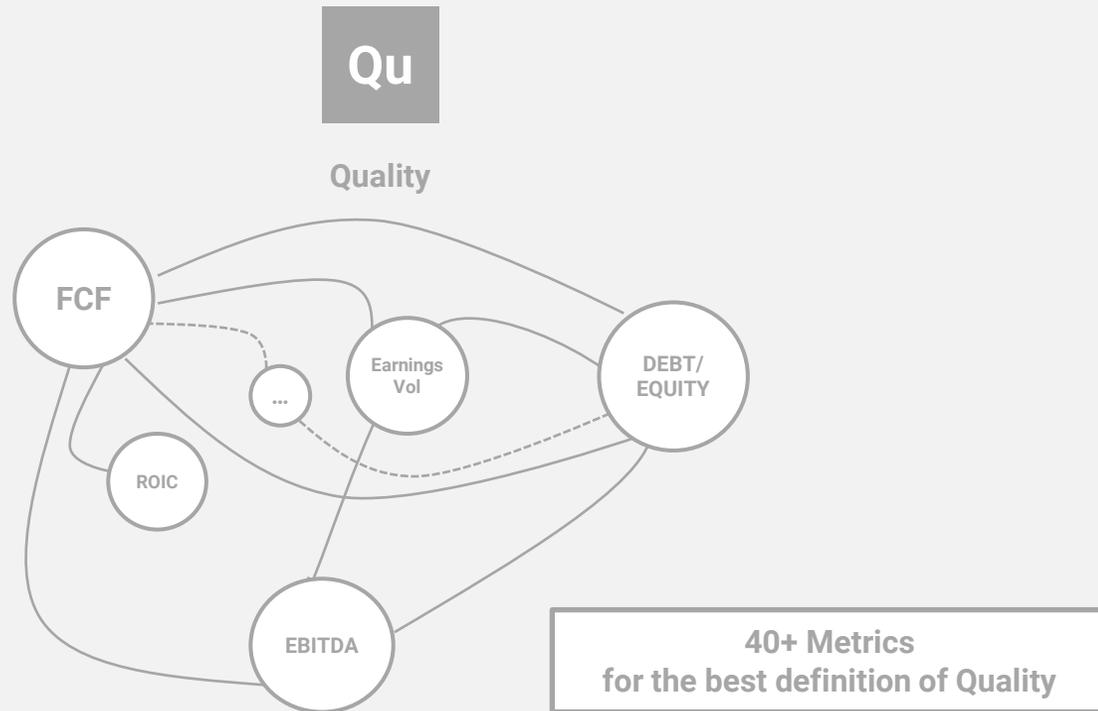
For illustrative purpose only. Performance is shown net of estimated transaction costs and gross of management fees in USD.

Source: Unigestion, S&P Global. Performance are calculated with weekly returns on the MSCI World Developed Universe from 31.12.2009 until 31.12.2023.

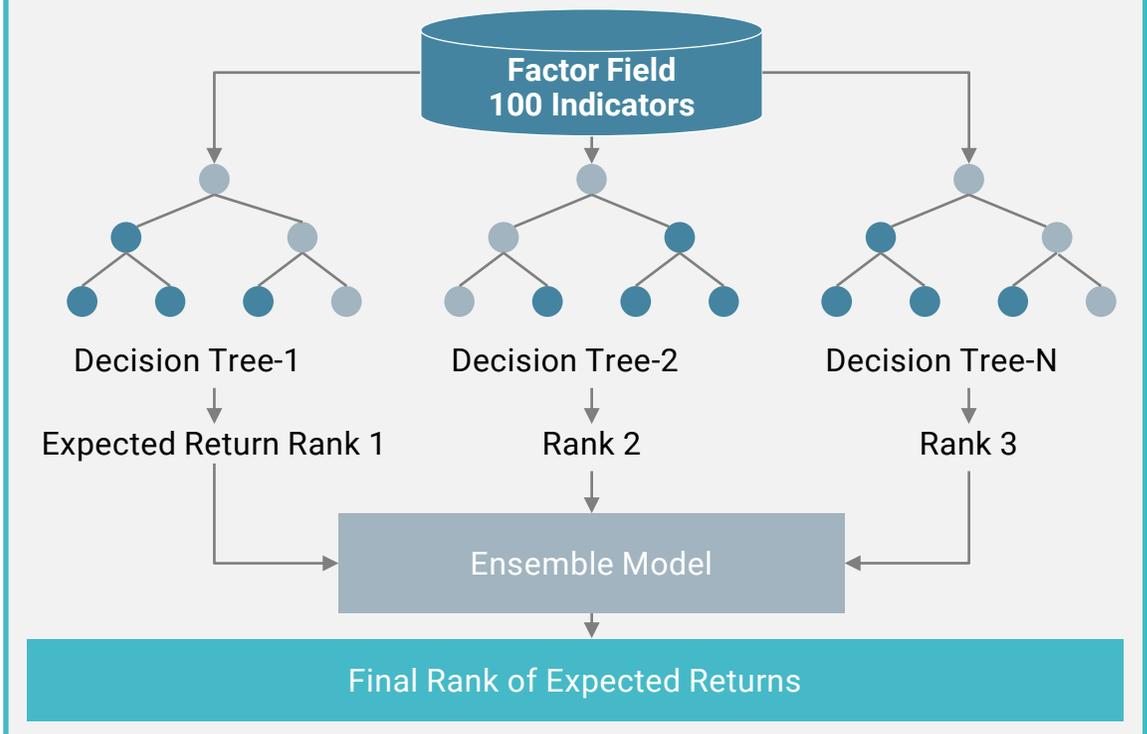
# SO, WHERE CAN AI HELP?

## Hunting for the highest alpha potential

### Enhanced Definition of Equity Risk-Premia

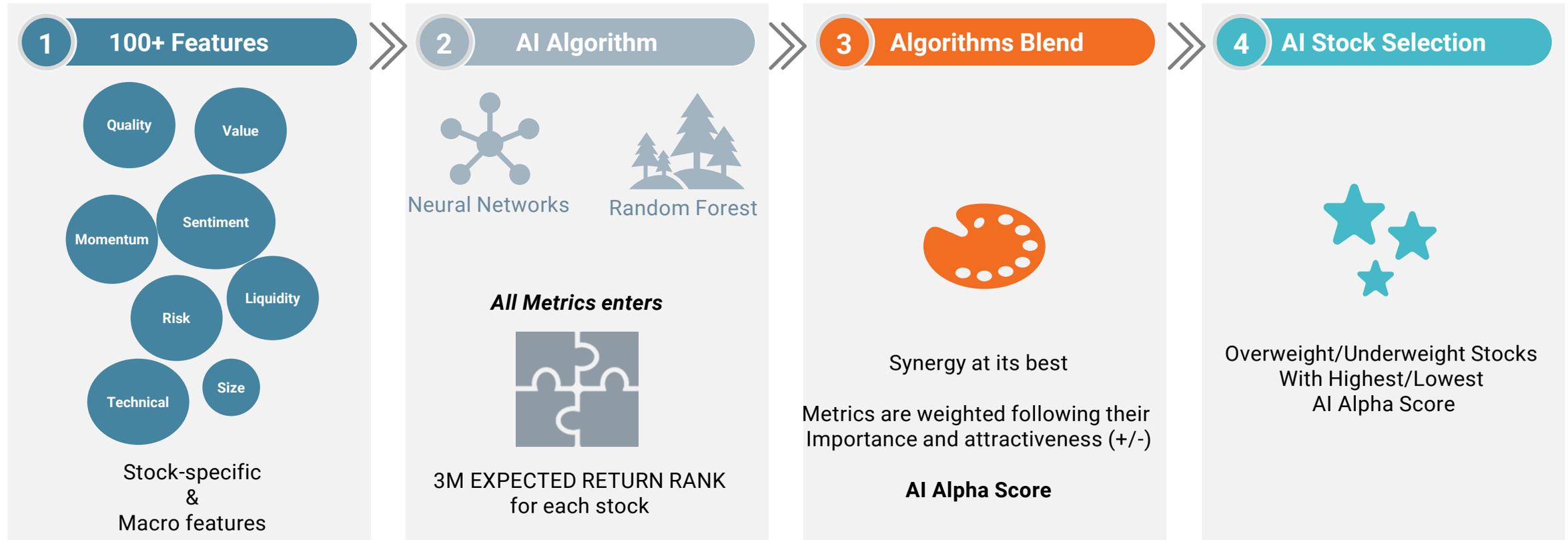


### Enhanced Stock Selection



# HOW AI WORKS

## From 100+ features to stock selection



Source: Compustats, CiQ, Unigestion, as of 31.12.2023

# AI ALPHA: WHATS IN FAVOUR FOR 2024?

## AI prefers Quality and Momentum

### Top 5 Stocks

Name	Sector	Country	AI Rank	Value		Quality		Momentum		Risk	
				Earnings /Price	EBITDA /EV	FCF /BV	ROIC	MOM12M	MOM6M	Variance 3M	Variance 1M
Hermes International	Consumer Discretionary	France	100%	17%	21%	86%	95%	57%	27%	27%	51%
Apple	Technology	United States	100%	42%	33%	97%	99%	82%	34%	20%	23%
Geberit	Industrials	Switzerland	99%	36%	34%	92%	97%	62%	77%	74%	45%
Ferrari	Consumer Discretionary	Italy	99%	16%	20%	93%	94%	91%	53%	56%	21%
L'Oreal	Consumer Staples	France	99%	20%	27%	68%	94%	74%	60%	34%	14%

### Bottom 5 Stocks

Name	Sector	Country	AI Rank	Value		Quality		Momentum		Risk	
				Earnings /Price	EBITDA /EV	FCF /BV	ROIC	MOM12M	MOM6M	Variance 3M	Variance 1M
Alstom	Industrials	France	1%	8%	28%	4%	9%	0%	0%	99%	99%
Wharf	Real Estate	Hong Kong	0%	7%	10%	0%	7%	86%	99%	86%	56%
BayCurrent Consulting	Industrials	Japan	0%	42%	50%	99%	98%	15%	72%	99%	98%
Moderna	Health Care	United States	0%	2%	2%	7%	2%	0%	6%	94%	95%
arGEN-X	Health Care	Belgium	0%	9%	2%	1%	1%	30%	4%	100%	97%

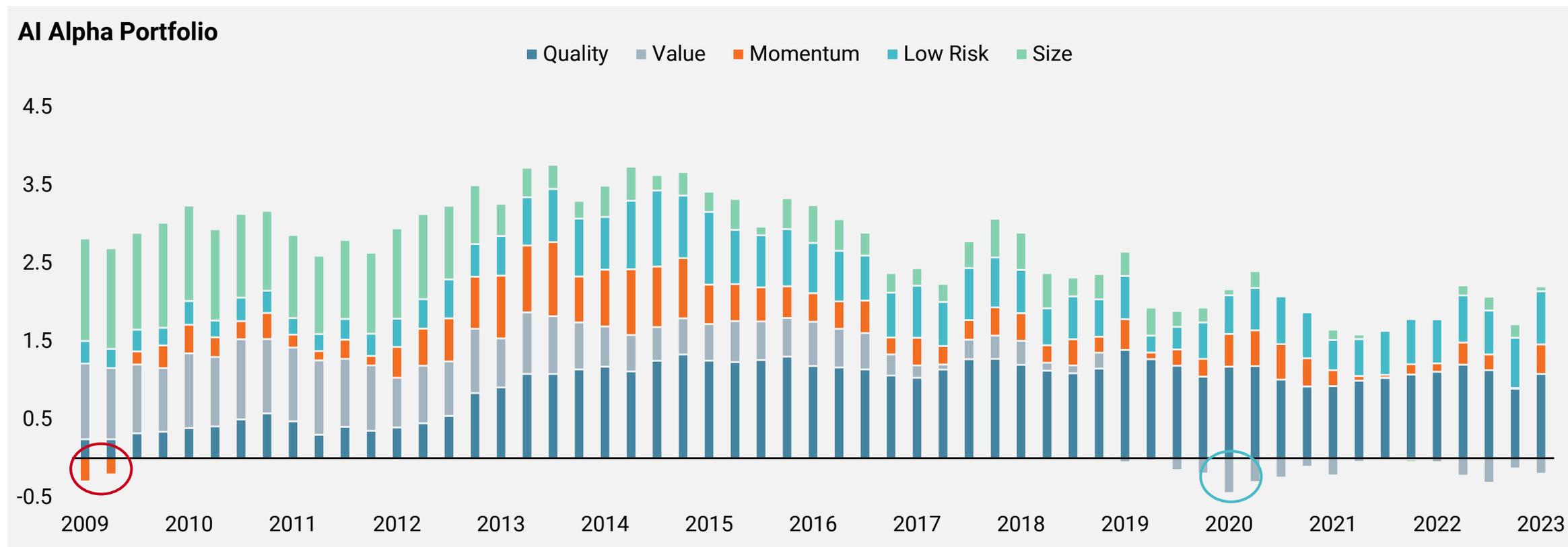
0% **Cumulative Rank** 100%

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Source: Compustats, CiQ, Unigestion, as of 31.01.2024 based on MSCI World Investment Universe. Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for illustration purposes only.

# AI ALPHA – CONTRARIAN VIEWS

Take equity exposure at a premium and large cap when required



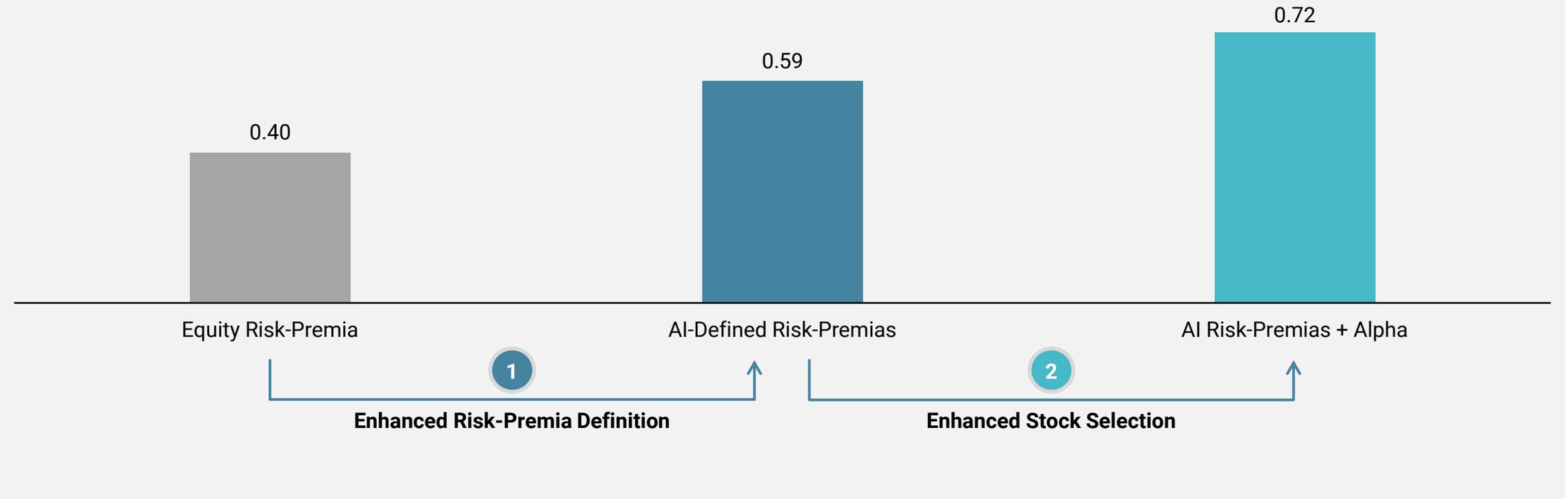
Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented. Past performance is not a reliable indicator of future results.

Source: Unigestion, Bloomberg, S&P Capital IQ as at 31.12.2023. Based on positioning of portfolios for rebalancing. Axis-Y of the charts represent the relative aggregate factor score vs MSCI World. Allocations are subject to change.

# AI RISK-PREMIA AND AI ALPHA: A WINNING COMBINATION?

Backtests show stronger risk-adjusted excess returns

## AI Brings Higher Information Ratios on Both Risk-Premia and Stock Selection

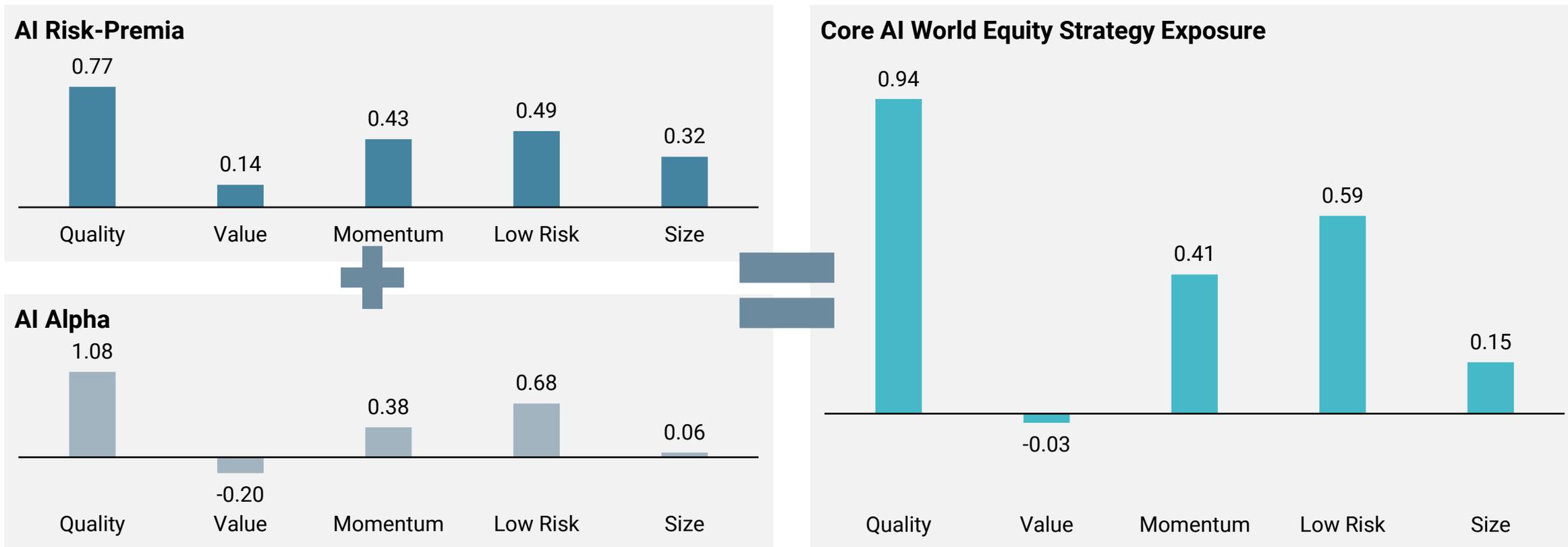


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Source: Unigestion, S&P Global. Artificial Intelligence score uses a blend of Random Forest and Neural Network algorithm to forecast 3 months returns based on a 10-year lookback window. Risk statistics are calculated with weekly returns on the MSCI World Developed Universe from 31.12.2009 until 31.12.2023.

# EQUITIES CORE AI WORLD – FACTOR EXPOSURES: COMPLEMENTARITY

AI risk premia seek long-term style exposures while AI alpha may be contrarian



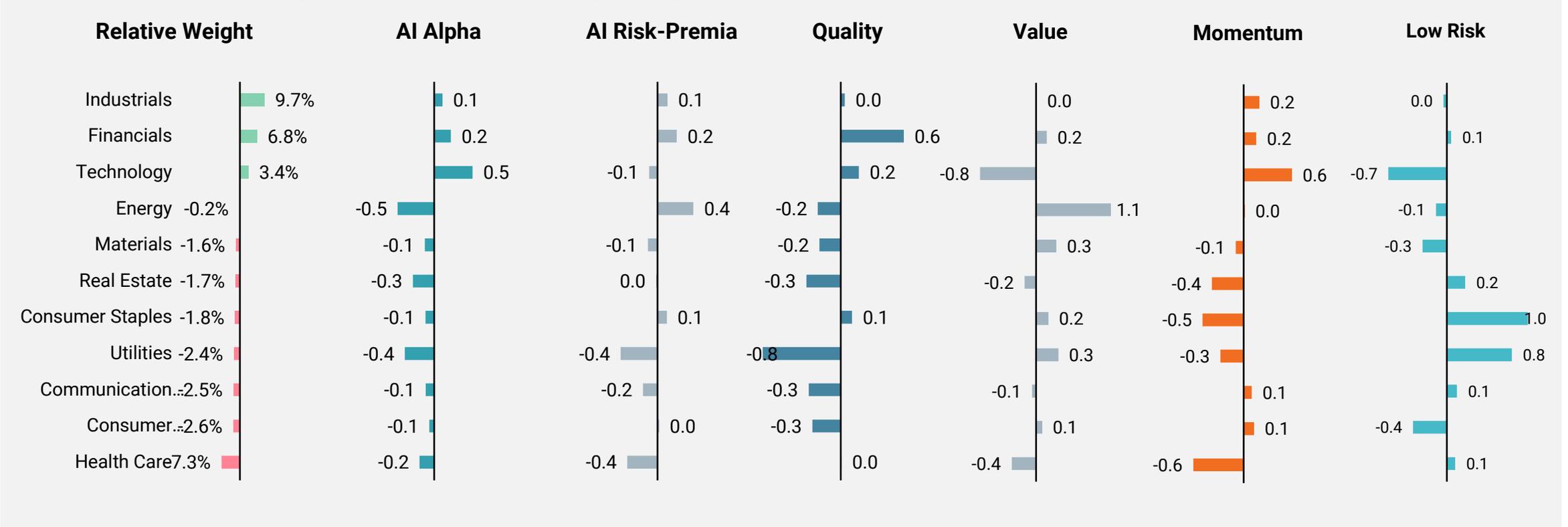
Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented. Past performance is not a reliable indicator of future results.

Source: Compustats, CiQ, Unigestion, as of 31 December 2023. Relative Exposure in Norm-Score vs the MSCI World Index

# EQUITIES CORE AI WORLD – SECTOR VIEWS

Combination of AI alpha and risk-premia deliver a balanced exposure

Sector DNA – Equally Weighted Norm-Scores Aggregated by GICS Sector Level 1



Source: Compustats, CiQ, Unigestion, as of 31 December 2023. Allocations are subject to change.

# “MAGNIFICENT 7”: THE HOUSE VIEW

## The tech leaders are not born equal

### “Magnificent 7” DNA – Factor Norm-Scores



Source: Compustats, CiQ, Unigestion, as of 31 December 2023

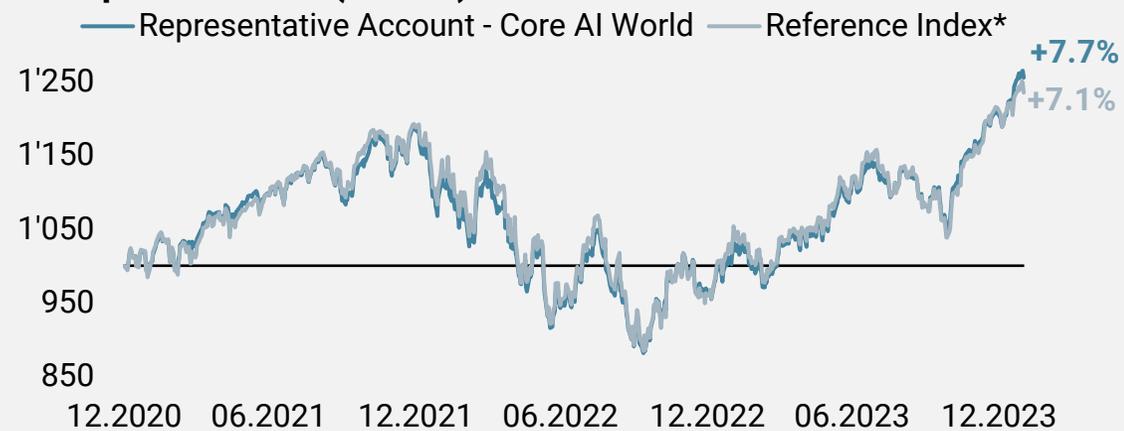
Magnificent 7: Alphabet, Apple, Amazon, Meta, Microsoft, NVIDIA, Tesla

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# REAL LIFE PERFORMANCE IN PERSPECTIVE (1)

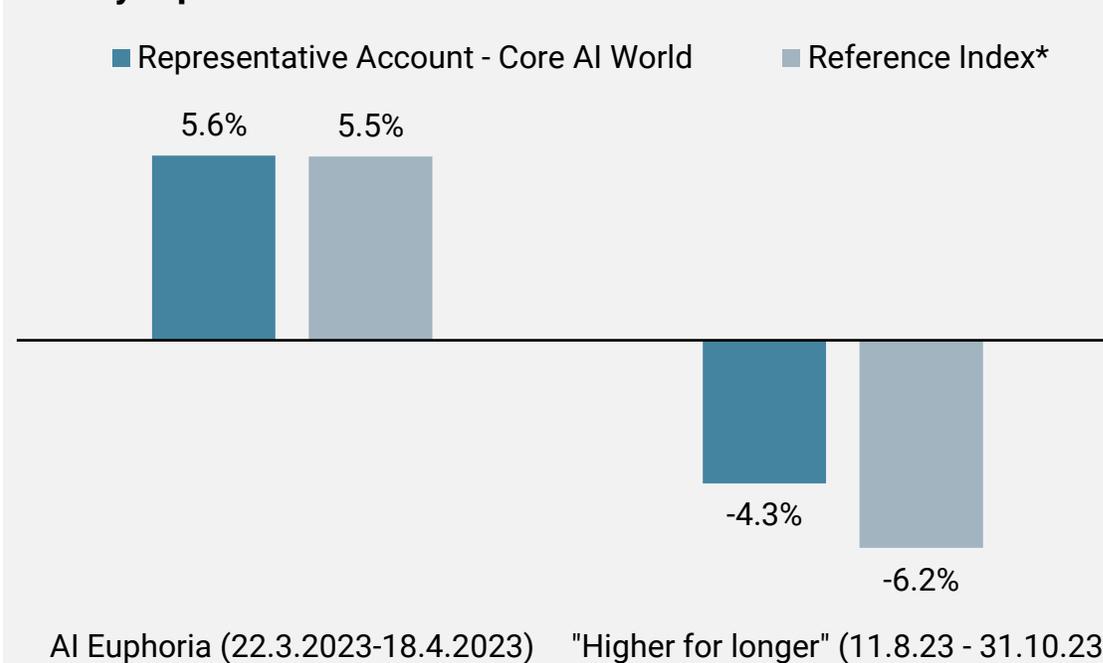
## Core AI World: small outperformance in a period when traditional active management struggled

### Cumulative Performance of Representative Account Since AI Implementation (in USD)



Cumulative	Representative Account	Reference Index
Performance p.a.	+7.7%	+7.1%
Tracking Error	2.9%	
Beta	0.9	

### Steady Alpha Generation Across Market Conditions



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\*The reference index of the representative account is composed of MSCI World ex EMU EUR hedged (M0WOMHEU) from 31.12.2020 to 31.03.2021, then MSCI World ex EMU net TR EUR (MSDEWEMN) from 01.04.2021 to 28.02.2022, then MSCI World ex EMU Net TR ESG Screened from 01.03.2022 to 15.12.2023, and then from 18.12.2023, the reference index is 76.5% MSCI USA ESG Screened EUR & 23.5% MSCI Pacific ESG Screened EUR.

The performance of the representative account is shown since 31.12.2020, as the Core AI Strategy was implemented in December 2020, adapting an existing mandate launched in 2017.

## Unigestion Global Developed Core AI Equities (USD)

31 December 2015 through 31 December 2023

Year	Composite Return Gross of Fees	Composite Net Return	Benchmark Return	Number of Accounts	Internal Dispersion	Composite 3-Yr Std Dev	Benchmark 3-Yr Std Dev	Composite AUM (M)	Firm AUM (M)
2016	9.31%	8.23%	7.51%	1	-	-	-	84.41	18,144.46
2017	22.21%	21.00%	22.40%	2	-	-	-	214.35	22,248.88
2018	-15.47%	-16.30%	-8.71%	2	-	10.30%	10.73%	243.38	21,728.18
2019	21.48%	20.28%	27.67%	1	-	11.58%	11.45%	205.05	22,223.47
2020	14.80%	14.22%	15.90%	1	-	18.30%	18.73%	199.85	21,931.68
2021	18.30%	17.71%	21.82%	1	-	16.95%	17.46%	258.32	21,430.32
2022	-18.41%	-18.82%	-18.14%	1	-	20.02%	20.98%	203.71	17,959.18
2023	25.13%	24.51%	23.79%	1	-	15.88%	17.13%	124.06	17,379.36

**Special Disclosure:** Prior to 30.06.2023, the composite name was Unigestion Global Developed Core Equity. Since 30.06.2023, the new name is Unigestion Global Developed Core AI Equities.

**Compliance Statement:** Unigestion claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Unigestion data has been independently verified until 2020.

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**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**Composite Description:** The Unigestion Global Developed Core AI Equities Composite was created by Unigestion on 04 January 2015 while The initial date of Composite performance began on 31 December 2015. The Unigestion Global Developed Core AI Equities composite consists of accounts which aim to take advantage of equity risk premia exposures while controlling portfolio risk.

**Benchmark:** The benchmark is the MSCI World TR Net in USD, which is designed to measure the equity market performance of developed world countries. Benchmark returns are net of withholding taxes.

**Fees:** In April 2021, Unigestion adapted the GIPS net of fees calculations methodology, in order to provide our clients with a better representation of net returns. Prior to the change, we used the max fee methodology, while after the change we use the most representative fee methodology. The change has been applied on all net returns (including the history).

Gross returns are presented gross of management fees, administrative fees but net of all trading costs and withholding taxes. Net returns are now calculated net of model fees and are derived by subtracting the most representative fee rate, which is 0.99% for time period 31/12/2015 through 31/12/2019, 0.50% from 01/01/2020, in effect for the respective time period from the gross returns each month.

**List of Composites:** A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

**Minimum Account Size:** The minimum account size for this composite is 5'000'000.- USD.

**Valuation:** Valuations are computed in USD. Performance results are reported in USD.

**Internal Dispersion & 3YR Standard Deviation:** Gross returns are applied in the calculation of this report's risk metrics. Internal dispersion is not presented when there are five or fewer portfolios within the composite for the annual period. 3 year ex-post standard deviation statistics is not presented when there are fewer than 36 consecutive monthly composite returns.

**Performance disclaimer:** Past performance is not a reliable indicator of future results, the value of investments can fall as well as rise and there is no guarantee that your initial investment will be returned. Returns may increase or decrease as a result of currency fluctuations. Performance includes reinvestment of dividends and other earnings.

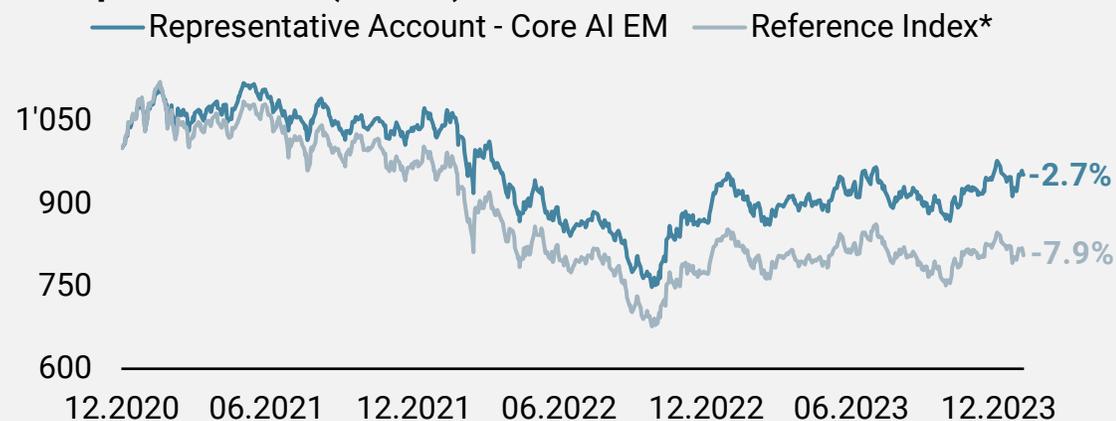
The Composite has been managed with AI since December 2020, adapting the existing composite launched in 2016.

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# REAL LIFE PERFORMANCE IN PERSPECTIVE (2)

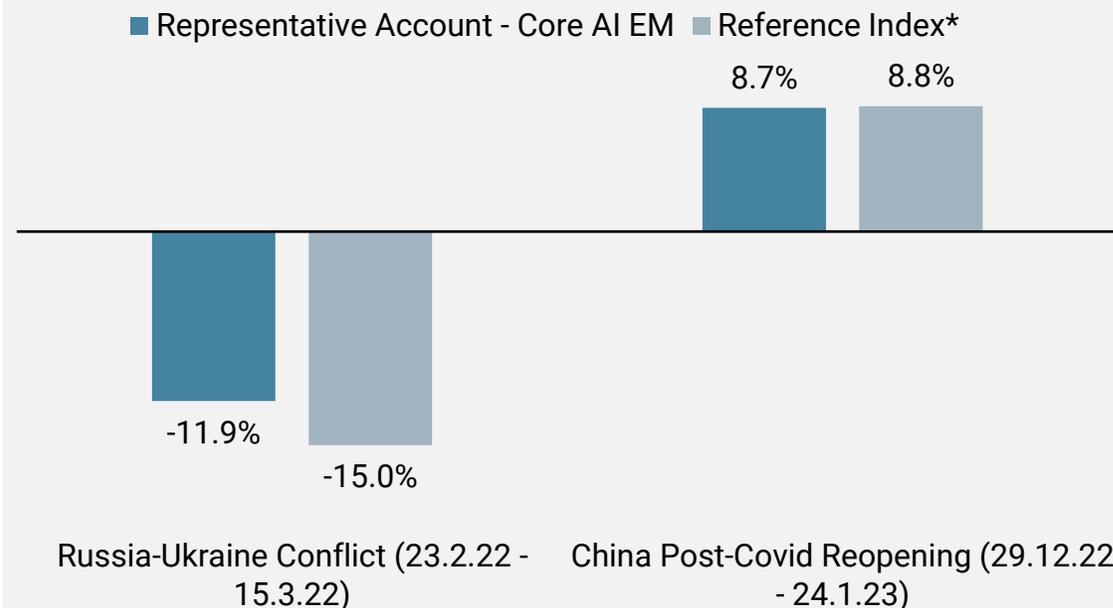
## Core AI Emerging Markets: strong outperformance across market conditions

### Cumulative Performance of Representative Account Since AI Implementation (in USD)



Cumulative	Representative Account	Reference Index
Performance p.a.	-2.7%	-7.9%
Tracking Error	3.9%	
Beta	0.9	

### Steady Alpha Generation Across Market Conditions



Refer to the Important Information section at the beginning of this presentation, which provides additional information applicable to the material presented. Past performance is not a reliable indicator of future results. Performance is shown gross of fees, thereby the inclusion of fees, costs and charges will reduce the investment returns. Returns may increase or decrease as a result of currency fluctuations. Data as of 31.01.2024

\*The reference index of the representative account is composed from MSCI Emerging Markets TR Net from 31.12.2020 to 28.02.2022 and then, from 01.03.2022 the reference index is MSCI EM Net TR ESG Screened.

The performance of the representative account is shown since 31.12.2020, as the Core AI Strategy was implemented in December 2020, adapting an existing mandate launched in 2017.

## Unigestion Emerging Markets Core AI Equities (EUR)

31 March 2017 through 31 December 2023

Year	Composite Return Gross of Fees	Composite Net Return	Benchmark Return	Number of Accounts	Internal Dispersion	Composite 3-Yr Std Dev	Benchmark 3-Yr Std Dev	Composite AUM (M)	Firm AUM (M)
2017	1.96%	1.47%	9.72%	1	-	-	-	119.98	18,533.01
2018	-6.10%	-6.71%	-10.27%	1	-	-	-	149.37	19,007.29
2019	10.89%	10.17%	20.61%	1	-	-	-	164.92	19,798.19
2020	-0.97%	-1.47%	8.54%	1	-	14.64%	17.04%	290.37	17,924.63
2021	11.57%	11.02%	4.86%	1	-	14.23%	16.40%	382.60	18,844.81
2022	-11.06%	-11.50%	-14.85%	1	-	16.54%	17.48%	340.49	16,827.53
2023	8.90%	8.36%	6.11%	1	-	12.74%	13.51%	248.37	15,732.91

1: This year is incomplete, it starts in March.

**Special Disclosure:** Prior to 30.06.2023, the composite name was Unigestion Emerging Markets Core Equity. Since 30.06.2023, the new name is Unigestion Emerging Markets Core AI Equities.

**Compliance Statement:** Unigestion claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Unigestion data has been independently verified until 2020.

**Definition of the Firm:** For the purposes of applying the GIPS Standards, the firm is defined as Unigestion. Unigestion stands for the Unigestion Group and includes all Unigestion subsidiaries (Unigestion Asset Management (France) SA, Unigestion SA, Unigestion (UK) Ltd, Unigestion (US) Ltd, Unigestion Asset Management (Canada) Inc, Unigestion Asia Pte Ltd). Individual subsidiaries of the Unigestion Group do not claim GIPS compliance on a stand-alone basis. Unigestion is responsible for managing assets on the behalf of institutional investors. Unigestion invests in several strategies for institutional clients: Equities, Hedge Funds, Private Assets and the solutions designed for the clients of our Multi-Asset & Wealth Management department. The GIPS firm definition excludes the Fixed Income Strategy Funds, which started in January 2001 and closed in April 2008, and the accounts managed for private clients. Unigestion defines the private clients as High Net Worth Families and Individual investors.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**Composite Description:** The Unigestion Emerging Markets Core AI Equities Composite was created by Unigestion on 22 March 2017 while The initial date of Composite performance began on 31 March 2017.

**Benchmark:** The benchmark is the MSCI Emerging Markets TR Net Conv EUR. Benchmark returns are net of withholding taxes.

**Fees:** In April 2021, Unigestion adapted the GIPS net of fees calculations methodology, in order to provide our clients with a better representation of net returns. Prior to the change, we used the max fee methodology, while after the change we use the most representative fee methodology. The change has been applied on all net returns (including the history).

Gross returns are presented gross of management fees, administrative fees but net of all trading costs and withholding taxes. Net returns are now calculated net of model fees and are derived by subtracting the most representative fee rate, which is 0.65% for time period 31/03/2017 through 31/12/2019, 0.50% from 01/01/2020, in effect for the respective time period from the gross returns each month.

**List of Composites:** A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

**Minimum Account Size:** The minimum account size for this composite is 5'000'000.- EUR.

**Valuation:** Valuations are computed in EUR. Performance results are reported in EUR.

**Internal Dispersion & 3YR Standard Deviation:** Gross returns are applied in the calculation of this report's risk metrics. Internal dispersion is not presented when there are five or fewer portfolios within the composite for the annual period. 3 year ex-post standard deviation statistics is not presented when there are fewer than 36 consecutive monthly composite returns.

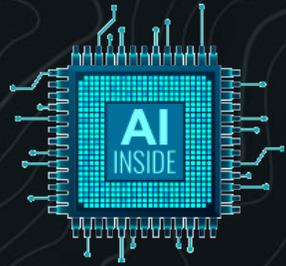
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# AI ALPHA IN A NUTSHELL

Combining mind and machine to deliver enhanced performance potential



Uncover non-linear relationships across variables to **harvest the cyclicity of Premia**



Adapt to **changing economic and market conditions**



Seek exposures to stocks with the **highest Alpha Potential**



Q&A

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