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EVOVEST

ARASQ Participation

Our recent participation in the ARASQ Conference held in Gatineau this past September provided an exceptional platform for connecting with pension plans and introducing our firm to a wider audience.

Throughout the conference, we engaged in meaningful discussions with representatives from various pension plans. We showcased our innovative solutions and personalized approach that distinguishes Evovest, emphasizing how we can assist in optimizing their investment strategies and financial planning.

Our presence at the ARASQ Conference enabled us to forge new connections and deepen existing relationships. We eagerly anticipate the exciting prospects that have arisen from this conference and will continue to pursue opportunities for growth and collaboration in the coming months.

R&D Developments: Target by Sub-Universe

To kick off our efforts, we created an independent model for each investment sub-universe, each with a specific task to be accomplished through the machine learning process.

Our primary focus was on modeling excess returns in comparison to the benchmark of each sub-universe. We carefully considered operational constraints, as a unified model would significantly complicate the data update cycle, given the time zone differences between Asian and North American countries. While this approach meant that our models were trained on a smaller dataset, it offered the advantage of diversification through slightly different signal interpretations for each sub-universe.

As we worked toward unifying the models, we had to devise several design innovations because having a common task for all sub-universes presented challenges.

Our solution allowed us to trade daily without being constrained by the data update cycle, effectively solving the problem of modeling excess returns for each sub-universe.

Furthermore, incorporating more data into the algorithms improved the accuracy of our investment signals.

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Swap Trading

During the third quarter, we made important operational advancements by incorporating equity synthetics for some of our exposure outside North America in the alternative strategy.

This integration from the team not only enhanced our operational efficiency but also resulted in cost savings for our clients. It exemplifies our team's ability to integrate innovative solutions to gain a competitive edge.

Quarterly Market Comment

In the third quarter of 2023, global stocks experienced a downturn following a strong first half. Investors initially had high hopes, believing the Federal Reserve had successfully managed the economy's transition and the end of monetary tightening. However, these expectations dwindled in August and September as the prospect of prolonged higher interest rates loomed.

In this context, **Evovest's Global Market Capitalization Weighted strategy** outperformed its benchmark index, returning 0.2% compared to -1.9%.

This outperformance was attributed to a defensive positioning and overweight exposure to high-momentum stocks, while the negative impact of a bias towards small-cap stocks in the previous quarter faded. Positive contributors included Celestica, Kobe Steel, and Alphabet, while underweight positions in Apple, Tesla, and ASML supported the performance.

Meanwhile, **Evovest's Global Market Neutral strategy** saw a negative return of -0.8% in Q3, benefiting from short positions in high-volatility stocks but still not enough to offset the overall market decline. Positive contributors included long positions in Babcock International Group and Kobe Steel, while short positions in Apellis Pharmaceuticals and others were beneficial.

Finally, the **Evovest's Global Equal Weighted strategy** underperformed its benchmark with a return of -2.8%, mainly due to a defensive posture during a July rebound. Despite positive contributions from certain stocks like Nvidia and Valero, underperforming stocks such as FMC and Estee Lauder had a more significant impact on its performance.

ABOUT EVOVEST

Evovest is a Montreal-based investment firm using data-driven and human designed techniques to manage equity portfolios. Founded in 2017, Evovest has more than $125 million in assets under management through in HNW and institutional portfolios managed with cutting-edge and evolutive models. Its mission is to bring diversification in equity strategies through an innovative investment process by using AI and machine learning. The firm has seven employees in a streamlined structure that ensures the alignment of interests via ownership. Evovest is B-Corp certified and strives to create a strong sense of community by promoting diversity and inclusivity throughout the firm.

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