

Strategy Performance: A Tale of Two Sides

This past quarter presented a mixed picture for our strategies. Our Global Equal Weighted Equity strategy continued to add value, generating a return of +0.95% relative to the MSCI World Equal Weighted Index before management fees. In contrast, our Global Market Neutral strategy decreased by 7.20% during the same period. Our long-only strategy is built using the same investment signals as the long side of our market-neutral portfolio. Therefore, the market-neutral strategy's underperformance was concentrated in its short positions. We were particularly impacted by short positions in unprofitable companies fueled by speculative bets on their future prospects. A prime example is Joby Aviation, a flying taxi company, which detracted approximately 0.65% from our returns. While these results are challenging, they have led us to identify a key area for improvement. We are developing an "uncertainty matching" mechanism to better align risk on both the long and short sides of the portfolio.

SEM Conference

We were pleased to participate in the Small and Emerging Manager (SEM) conference in Chicago, a great initiative by La Caisse de dépôt et placement du Québec (CDPQ). We would like to thank Odrée Ducharme for the opportunity. This unique event brought together approximately one hundred selected managers and fifty allocators from across North America. The format eschewed pitches in favor of frank conversations, constructive feedback, and rich exchanges between peers. These moments of collaboration and sharing are essential to growing our ecosystem and supporting the emergence of local talent.

NYC Investor Meetings

We were happy to meet with prospective investors in New York City in September. While some discussions naturally focused on the recent drawdown in our Global Market Neutral strategy, we also engaged in constructive conversations on many other themes. A key piece of feedback we received concerned our view of stock-specific risk, which may have been misaligned with the market's current perspective. Specifically, our focus on a long-term risk horizon may differ from the market's emphasis on point-in-time risk snapshots. We are actively working to incorporate this feedback to enhance our risk management framework.

Three-Year Track Record: Global Market Cap Weighted Strategy

We are proud to have achieved a three-year track record for our Global Market Cap Weighted Equity strategy. Benchmarked against the MSCI World Index, the strategy has added 1.9% per annum before fees, exhibited a lower beta (0.84), and maintained a tracking error of 4.3%.

ABOUT EVOVEST

Evovest is an innovative equity portfolio manager. Our systematic investment process follows a scientific approach by combining fundamental analysis expertise and a deep knowledge of machine learning. Its mission is to bring diversification in equity strategies through an innovative investment process. The firm is employee-owned with a streamlined structure that ensures the alignment of interests. Evovest is B-Corp certified and strives to create a strong sense of community by promoting diversity and inclusivity throughout the firm.

