

## Pictet - Biotech - I USD

### Risk and reward profile

Don't take unnecessary risks.  
 Read the Key Investor  
 Information Document.



### Market review

The most important market moving event in February was Russia's invasion of Ukraine. Safe havens such as gold were sent soaring, but so were energy titles, while people further divested riskier assets. The general market environment continues to be fearful and volatile; however, it looks like biotech at least found a temporary support.

### Performance analysis

Broad markets dragged down by tech underperformance were closing slightly below the biotech strategy. Specific to biotech, we saw very negative trading even on positive earnings calls, and companies missing consensus only slightly were punished severely by the market. The stocks that were positive contributors were those with strong product launches underway such as Intracellular therapeutics and Biocryst. High quality, diversified names, such as Alnylam, also recovered well from the sell-off in the beginning of the year and had positive contribution. Negative contribution came from stocks that had disappointing earnings, such as Seagen, which disappointed analysts, and markets with lower-than-expected sales due to strong competition. Incyte had a similar negative reaction to earnings. Both have recovered quite a bit since.

### Portfolio activity - overweightings & underweightings

We continue to increase our position in Nanostring and gradually entered a new position in Xenon and Neurocrine as we felt that the current valuations were offering a good entry point for such interesting milestones. In addition, we decreased our position in TG therapeutics, IGM Biosciences and Aurinia.

## Market outlook

With leading indicators pointing towards slowing growth due to the heavy sanctions imposed on Russia and the soaring oil price, earnings growth may be in high demand. High-quality drug launches could fulfil that aspiration and prove utter scarcity value. We have already seen a propensity of investors to have less exposure to binary events and seek higher visibility, quality names as safe havens, and we expect this to continue. Meanwhile, this could open up opportunities for acquisitions to take place as smaller companies are feeling increased pressure on the side of their shrinking balance sheets, unable to tap markets for capital given the adverse environment. Hence, we expect the bid-ask spread to reset and deals to actually take place as large-caps have been talking about wanting to acquire for years now. While drug pricing regulations are always a mental Damocles sword to biotech investors, it again seems to have no teeth as the Build Back Better plan, which would include some price negotiation provisions, is dead on arrival; and the midterms are approaching rapidly, with Democrats appearing almost certain to lose the house of representatives and with that any chance on passing regulation. We remain convinced that companies with high innovation capacity and providing impactful solutions for patients will be in pole position for either commercial success or takeouts.

## Portfolio strategy

We remain focused on the long-term innovation of a lot of our SMID cap companies. While the style of our exposure continues to undermine short-term performance, we remain steadfast on the fundamentals of these companies. We believe that the valuation discrepancy versus the rest of the market is too wide to discount and sentiment is 180 degrees opposite of where it stood twelve months ago. We think selecting companies with a deep innovation capacity as well as a strong strategic view is key to delivering superior value to all stakeholders, including investors. Paired with rigorous fundamental analysis of financials based on DCF models and assessment of scientific and clinical data, we need to consider other factors such as the severity of the unmet need a company addresses, reasonable pricing and patient access to a drug. On top of this bottom-up, fundamental analysis, we apply a systematic approach to portfolio construction and diversification/risk budgeting.

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## General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	27.06.2000
Launch date	05.12.2006
Share class currency	USD
Compartment currency	USD
ISIN	LU0112497283
Reference index	MSCI AC World (USD)
Min. investment horizon (year(s))	5

## Fees

Ongoing charges (OCR)	1.10%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	0.80%
Max. conversion fee	2.00%
Max. subscription fee	5.00%
Max. redemption fee	1.00%

## Management team

Tazio Storni  
Marco Minonne  
Lydia Haueter

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Source: Pictet Asset Management

**Further information can be found in the prospectus.**

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Pictet Asset Management

For further information,  
please visit our website  
[assetmanagement.pictet](http://assetmanagement.pictet)

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