PICTET
Asset Management

Pictet - Global Thematic Opportunities - I USD

Risk and reward profile

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

Lower Risk						Higher Risk
1	2	3	4	5	**6**	7
Typically lower rewards						Typically higher rewards

Market review

Equities ended the month sharply lower for a second time in a row after Russia’s invasion of Ukraine triggered severe Western sanctions, which include blocking Russian banks from the SWIFT global payments system. Emerging European stocks were hit the hardest with a loss of over 6%, while European equity markets also suffered a decline of over 5% in local currency terms. Stocks in the UK, Latin America and Pacific Asia defied selling pressure. IT and communication stocks were the worst performing sectors after US tech giants reported mixed earnings results. Facebook parent Meta recorded the worst single-day fall in its history after reporting slower user growth in its Facebook app. Netflix and Spotify also suffered heavy sell-offs. Energy and material stocks ended the month higher after oil prices jumped 11% following the Russian crisis. Defensive sectors, such as healthcare, staples and utilities, were flat. Global bonds failed to capitalize on heightened investor risk aversion as concerns persisted over the possibility of aggressive interest rate hikes in the US and higher global inflation. Government bonds in the US, Eurozone, Switzerland and the UK fell around 2%, emerging local and dollar currency debt saw sharper declines. The Russian ruble fell to a record low against the dollar, losing a third of its value at one point.

Performance analysis

February was a tough month for the portfolio. Our core overweights in healthcare and industrials were good from an allocation standpoint as these sectors performed better than market, but our biggest sector, IT, underperformed. Energy and materials are absent from our portfolio given lack of long-term thematic growth drivers; these two sectors performed well in February. On an individual stock basis, negative contributors came mainly from companies that reported strong earnings but issued conservative guidance. Electronic Payments companies Fidelity National Information Services and PayPal both published a small earnings beat for Q4 2021 but were careful in guiding the market on the first part of this year. PayPal also announced a change in focus, targeting average revenue per user instead of the number of users as the return on customer acquisition costs are not attractive for customers with a near-dormant account. Industrial Efficiency company Zebra Technologies suffered the same fate, reporting strong Q4 results but guiding to lingering freight and logistics headwinds that will impact Q1 2022. Lastly, Ericsson, in Connectivity, suffered from newsflow on misstandings in Iraq. Positive performance came from Capri, the US Luxury name that is undergoing a successful transformation, with its Michael Kors brand recovering strongly and Versace showing great margin performance.

Portfolio activity - overweightings & underweightings

At the beginning of February, we added the largest eyewear company in the world to the portfolio, EssilorLuxottica. The company will benefit from ongoing reopening and still has significant synergy benefits that will flow through to the bottom line after Essilor's merger with Luxottica and the takeover of GrandVision. To fund the purchase, we have sold our holdings of Stanley Black & Decker, a stock we highly appreciate but cannot justify owning anymore in our portfolio as they are selling their security business, which was the reason for its inclusion in the portfolio. We used the violent reactions to results and guidance to add to our conviction positions in Meta, PayPal and Garmin as the long-term investment cases remain intact and short-term volatility results in an interesting buying opportunity. In the same manner, we took advantage of relative outperformance of NextEra, Baidu and Alphabet to reduce these positions back to target weight.

Market outlook

Just as the Covid crisis has begun to fade, a conflict in Ukraine is erupting. The question is to what extent will Russia’s invasion undermine the global economic recovery. Some global industries will be directly affected, but it is the second-round effects on European inflation and consumer confidence that also need to be monitored. Still, our business cycle indicators point to a positive outlook for the global economy, with all major economies expected to grow between 3% and 5%. The Russian-Ukrainian conflict might push out some of the more hawkish elements at the world's major central banks. So while the trend clearly remains towards monetary tightening, it could be at a slower pace than the markets have been pricing. World retail sales may have peaked, but they remain above trend. Industrial production and exports are accelerating. Services affected by Covid are poised to boom, not least travel and mass events. The US economy, which is least likely to be affected by Ukraine, shows strong underlying consumer demand and a resilient housing sector. Europe is vulnerable to its reliance on Russian gas, but the overall trend is towards recovery and monetary policy is likely to remain supportive, while China is starting to recover. Even with the latest spike in oil prices, inflation should peak towards the end of the first quarter or early in the second across all major regions.

Portfolio strategy

The market continues to underprice the persistence of secular growth. We pick stocks with value drivers (sales growth and margins) linked to megatrends, where our research leads us to believe that margins and sales growth will not fade. The resulting unnecessary risk premium is our source of value creation relative to a passive investment in the global equity market. We currently find many of these investment opportunities in companies related to secular growth drivers in Personal Health & Wellbeing, Resource Efficiency, Connectivity, Industrial Efficiency and Digital Disruption. The portfolio generates a weighted return on invested capital today of 21.24% while the market currently prices in only 13.85%, leaving significant upside potential.

Source: Pictet Asset Management

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	20.09.2016
Launch date	20.09.2016
Share class currency	USD
Compartment currency	USD
ISIN	LU1437675744
Reference index	MSCI AC World (USD)
Min. investment horizon (year(s))	5

Fees

Ongoing charges (OCR)	1.11%
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

Gertjan Van Der Geer
Hans Peter Portner
Jan Andreas Maager
Ghislain Gauthier

Source: Pictet Asset Management

Further information can be found in the prospectus.

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For further information, please visit our website assetmanagement.pictet

Important Information