

Pictet - Ultra Short-Term Bonds EUR - I

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

The Short-Term Money Market evolved in quite exceptional circumstances during the month of February. While the public health crisis is not yet over and European inflation is at its highest level in decades, a diplomatic crisis has developed and Russia has, in the end, attacked its Ukrainian neighbor. In this unfavorable context, to say the least, the Money Market segment of the curve behaved resiliently while the Short-Term (one to three years) segment of the curve was deeply impacted by rising rates and the widening of Swap Spreads. Given the fears that rising energy prices would weigh on inflation, the upward trend in short rates continued during the first part of the month before correcting partially. It is notable that maturities below three months were very stable (with one and three-month Euribor progressing by about 0.01%) and that market liquidity was maintained at decent levels on all segments of the Short-Term curve.

Performance analysis

During the month of February 2022, the Fund performance of the fund has been negatively impacted by an environment of rising rates and the widening of credit spreads.

Portfolio activity - overweightings & underweightings

During the period under review, we reduced the portfolio's WAM (from 346 to 340 days) and its WAL (from 611 to 590 days). To this end, the main activities of the portfolio were sales. These represented 21.5% of the portfolio. They involved maturities between 2022 and 2024. Some securities were sold for credit quality reasons (Philips, Ausnet), others for relative value reasons (KBC), and, finally, many securities with maturities of less than one year were sold. New investments were subdued (3.4% of the portfolio) and mainly focused on very short maturities (three months) and marginally on 2024 maturities.

Market outlook

Following the ECB's press conference, several GC members expressed their views (the tone was overall less hawkish), starting with President Lagarde in front of the European Parliament (7 February), where she stated that any move on policy will depend on data and be gradual. The ECB is very faithful to its sequence, i.e. no rate hike until asset purchases are completed. Chief economist Lane continues expecting inflation to ease. He warned about the impact of a premature tightening on economic activity that would not reduce inflation. This was echoed by President Lagarde while clarifying that the ECB is not in a wait-and-see mode as it has already taken measures by planning to finish PEPP in March. On the rate front, the ECB should wait for more evidence that inflation will stabilize at target in the medium term; wage developments so far point to a rate hike in Q1 2023. The overall uncertainty has increased due to the military conflict in Ukraine, which might lead to energy shortages, higher energy prices, increased inflationary pressures and weaker sentiment. In that context, the ECB would look through this temporary supply shock (more than half of the cold season is over), reducing the possibility of seeing a rate hike anytime soon.

Portfolio strategy

As for the portfolio duration, we will maintain a relatively high portfolio duration given the lackluster inflation outlook in the eurozone. Regarding credit exposure, we will keep a conservative approach as for corporate issuers and keep a large allocation on banking and financial names.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	28.06.2019
Launch date	28.06.2019
Share class currency	EUR
Compartment currency	EUR
ISIN	LU2009036927
Reference index	Euro Short Term Rate (ESTR)
Min. investment horizon (year(s))	1

Fees

Ongoing charges (OCR)	0.27%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	0.12%
Max. conversion fee	2.00%
Max. subscription fee	5.00%
Max. redemption fee	1.00%

Management team

Philippe Billot
Jean Braun

Source: Pictet Asset Management

Further information can be found in the prospectus.

Pictet Asset Management

For further information,
please visit our website
assetmanagement.pictet

Important Information

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