Pictet - Family - I EUR

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

Global stocks and bonds closed sharply lower in January as a hawkish shift from the Fed left investors bracing for an end to the era of easy money. From discounting one hike in November, Fed futures were discounting at least five 25 bps hikes for the year at the end of January. While the prospect of a rate hike campaign unsettled markets, investors grew concerned by the possibility of an armed conflict in Ukraine and weak quarterly results from companies that had thrived during Covid-induced lockdowns. Growth stocks ended down some 9 per cent in US dollar terms over the month while "value" stocks, which suffered as countries shut down their economies during the worst of the pandemic, outperformed, down just 1 per cent. Technology stocks suffered sharp falls, with the Nasdaq Composite Index down almost 9 per cent, its worst January performance since 2008. The S&P 500 Index, meanwhile, was down 5.3 per cent in January - its worst monthly decline since March 2020. Energy stocks by contrast saw double-digit gains, rising 13 per cent as oil surged almost 17 per cent. Global bond markets ended in the red as US Treasury yields spiked. The yield on the benchmark US 10-year government bond to 1.8 per cent, some 30 basis points higher on the month. Corporate bonds also sold-off. Yields on US high-yield bonds rose to above 5.10 per cent, their highest levels since November 2020.

Performance analysis

The Fund underperformed the broader equity market in January 2022, as referenced by the MSCI ACWI Index. On an absolute level, only our exposure to Real Estate provided a positive absolute contribution, Financials and Materials outperformed while Consumer Discretionary, IT and Communication Services were the main detractors. Asia was the strongest region while Europe and North America were both negative drivers for the quarter. The biggest contributors to positive performance over the month included Longfor Group, Berkshire Hathaway and Tyson Foods. After a weak 2021 as the government tightened regulations, the Chinese real estate sector started 2022 strongly. Longfor proposed a spin-off of their property management arm, which was well received by investors. Berkshire Hathaway, a beneficiary of rising rates (insurance) and tight supply chains (rail/logistics), was strong while Tyson Foods rose on rising meat prices, exacerbated by labour supply shortages. Hermes, Shopify and Snap Inc were the leading detractors. The rotation out of highly valued growth names hit the consumer discretionary and tech sectors. Hermes, the highest rated name in the luxury sector, underperformed but ended the month off the lows following LVMH's very strong results. There were no fundamental reasons for Shopify or Snap's weak performance either; the prospect of higher interest rates caused a derating.

Portfolio activity - overweightings & underweightings

During January, the fund initiated a new position in Richemont, controlled by the Rupert Family, taking advantage of weakness in the luxury sector early in the year. We expect strong momentum in hard luxury, particularly in China, and find Richemont's pricing power in Watches attractive. We continued to build our new position in Dell towards our target weight. The position was initiated in December as we see an improved outlook for growth for the company while valuation remains modest. We continued our existing policy of adding to high conviction names in China for which we see an improved outlook for 2022. JD.com was the beneficiary in January, financed by taking profits in Walmart after resilience early in the year. Elsewhere, we sold down our position in CGI, reinvesting into TradeDesk on weakness and took profits in Houlihan Lokey after strong performance for the Financials.

Market outlook

We focus on company fundamentals rather than trying to predict any macro-economic outcomes, but the volatility in the market seems understandable given the strength in equities in 2021 and building concerns around inflation, rising rates and potentially slowing growth. We favour quality cyclical and growth names not only for now but for the long term. We expect the market to pivot back towards this style over time backed by a strong demand outlook, but given the lack of leadership in the market, we are running a more balanced portfolio so far in 2022. Corporate earnings and profitability remain strong. The risk of disappointment is rising, so running a diversified strategy with a clear focus on fundamental stock picking remains key. Long-term structural growth exposure in the digital transformation, IT, logistics and healthcare remains attractive and names with pricing power, including in luxury, are well positioned. We see an improved outlook for China in 2022, expecting policy support and strengthening demand ahead of the Winter Olympics and the 20th Communist Party Congress, and have seen early signs of this in the market to date. Overall, family businesses, with their quality profile and their strong balance sheets, look poised to outperform over the long term.

Portfolio strategy

The Pictet-Family Fund is a global equity fund investing in what we believe to be a differentiated class of equities - family-owned businesses. Family businesses are the backbone of society, both economically and socially, and have historically tended to outperform the wider market. We believe the drivers of this outperformance are based around human values and active ownership - the families are engaged owners and run their companies with a longer term vision, with concepts of stewardship, entrepreneurship and socio-emotional wealth, differentiating their companies from their peers. It is these differentiated drivers that we aim to uncover and invest in through this strategy. The objective of this fund is to outperform the broader global equity market over a full business cycle through a portfolio of 40-60 stocks, constructed from the bottom-up and unconstrained by region or sector.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	03.07.2001
Launch date	21.11.2006
Share class currency	EUR
Compartment currency	USD
ISIN	LU0131724808
Reference index	MSCI AC World (EURO)
Min. investment horizon (year(s))	5

Fees

Ongoing charges (OCR)	1.06%
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

Alain Caffort
Cyril Benier

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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