

Pictet - Japanese Equity Selection - P JPY

Risk and reward profile

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



Market review

Equities had a volatile start to the year. Global indices initially had to contend with a potential wider fall-out after the assassination of Iranian Major General Qassem Soleimani, before shaking off these concerns to hit record highs. Markets then lurched into negative territory as news of the coronavirus spreading across China and beyond took hold. For Japan, it was hoped that having experienced a slowdown in household spending in response to the October tax-hike and various weather-related disasters, the government's emergency fiscal stimulus package would help put a floor on growth. Combine this with an easing of overseas risks such as the US-China trade war, Brexit-related disruptions as well as improved data in China and other Asian trade bellweathers; and there were grounds for an optimistic outlook. However, all of this is currently put on hold as investors try to understand the magnitude of the impact of the coronavirus and how long it may last. Energy was the weakest sector over the month followed by utilities and financials. Only two sectors posted positive returns in January: real estate and health care.

Performance analysis

The fund outperformed its benchmark during January, aided by positive stock selection in consumer staples (Seven & I Holdings, Asahi Group Holdings), consumer discretionary (holding Suzuki rather than Honda or Nissan) and communication services (solid returns from the game software company Nexon). Stock selection detracted from performance within information technology and health care. Mitsui Fudosan was the largest contributor to performance in the month. The real estate company announced a rise in its net profit forecast due to the sale of shares in Oriental Land while the sector continues to perform well on the back of strong office rental rates. Shin-Etsu Chemical, the silicon wafer manufacturer, also performed well, announcing strong results with signs of improvement in their PVC business and solid wafer numbers. One of the fund's largest positions, Hitachi, detracted from performance over the month. The stock, along with other industrials, was weak in January and finished the month announcing operating profits and revised full-year guidance below market expectations. We believe the company will improve margins through improved governance, focusing on their core businesses and carving out any non-core operations and cutting costs.

Portfolio activity - overweightings & underweightings

There was little change in the fund over the month. We trimmed some stocks that have performed very strongly over the last year, such as Bandai Namco, and continued to build our position in Rengo, the cardboard and packaging manufacturer.

Market outlook

Prior to the coronavirus, there were signs that global growth could be improving, with the US looking especially buoyant and business sentiment had broadly rebounded from last year's lows. News of the Phase-One trade deal between China and the US also helped. Now the outlook is more uncertain. Investors are only able to draw parallels with the previous big coronavirus epidemic to spread from China, SARS, in 2003. However, there are differences between what is unfolding now and what occurred in 2003. The coronavirus seems less deadly, but is also less easy to contain. And critically, China's share of the global economy is four times larger than it was in 2003. Japan, like all economies, will be impacted, but we believe the impact will be temporary and we expect that China will move to support their economy through emergency fiscal measure as and when required.

Portfolio strategy

As is indicated from the minimal activity in the portfolio, we have not changed our strategy in light of the coronavirus. The only changes we would look to make is to add to any of our stocks that are unduly punished by market fears. We continue to have a strong overweight in cyclical areas. We retain our overweight position in component and silicon wafer companies as they have yet to benefit fully from the investor expectation of the lift in volumes that the rise in semiconductor production equipment capex is implying. We remain underweight the classically "defensive" sectors where it continues to be a struggle to find quality companies trading at attractive valuations.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	28.11.2003
Launch date	22.11.2006
Share class currency	JPY
Compartment currency	JPY
ISIN	LU0176900511
Reference index	MSCI Japan (JPY)
Min. investment horizon (year(s))	5

Fees

Ongoing charges (OCR)	1.52%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	1.20%
Max. conversion fee	2.00%
Max. subscription fee	5.00%
Max. redemption fee	3.00%

Management team

Adrian Hickey
Sam Perry
Serena Robinson

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

This marketing material is issued by the Fund Management Company, Pictet Asset Management (Europe) S.A., a company authorized and regulated by the Luxembourg regulator "Commission de Surveillance du Secteur Financier". It is neither directed to, nor intended for distribution or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The information contained in this document is for information purposes only. It cannot be used as a basis for subscription and does not form part of a contract. The latest version of the fund's prospectus, Key Investor Information Document, annual and semi-annual reports must be read before investing. They are available in English and in the local language of each country where the compartment is registered, free of charge on www.assetmanagement.pictet or at Pictet Asset Management (Europe) S.A., 15 avenue J.F. Kennedy, L-1855 Luxembourg, or at the office of the Fund local agent, distributor or centralizing agent if any. In Switzerland, the representative agent is Pictet Asset Management S.A. and the paying agent is Banque Pictet & Cie S.A. Pictet Asset Management (Europe) S.A. has not taken any steps to ensure that the securities referred to in this document are suitable for any particular investor and this document is not to be relied upon in substitution for the exercise of independent judgment. Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Before making any investment decision, investors are recommended to ascertain if this investment is suitable for them in light of their financial knowledge and experience, investment goals and financial situation, or to obtain specific advice from an industry professional. Holdings do not represent the full portfolio. There is no guarantee that these securities will be held in the future and you should not assume that investment in the securities listed was, or will be profitable. Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time. For hedged share classes, only the compartment's consolidation currency is hedged into the share class currency. Foreign exchange exposure, resulting from assets in the portfolio which are not denominated in the consolidation currency, can remain. NAVs relating to dates on which shares are not issued or redeemed ("non-trading NAVs") in your country may be published here. They can only be used for statistical performance measurements and calculations or commission calculations and cannot under any circumstances be used as a basis for subscription or redemption orders. The published performance represents past data. Past performance may not be a reliable guide to future performance. There is no guarantee that the same yields will be obtained in the future. The value and income of any of your investments may fluctuate with market conditions and may lose some or all its value. The fund may be affected by changes in currency exchange rates, which can have an adverse effect on the value or income of the fund. Performance is shown based on the share class NAV per share (in the share class currency) with dividends reinvested (for distributing share classes), including actual ongoing charges, and excluding subscription/redemption fees and taxes borne by the investor. Inflation was not taken into account. As a subscription fee calculation example, if an investor invests EUR 1000 in a fund with a subscription fee of 5%, he will pay to his financial intermediary EUR 47.62 on his investment amount, resulting with a subscribed amount of EUR 952.38 in fund shares. In addition, potential account keeping costs (by your custodian) may reduce the performance. Indices do not include fees or operating expenses and you cannot invest in them.

Any index data referenced herein remains the property of the Data Vendor. Data Vendor Disclaimers are available on assetmanagement.pictet under "Resources" section.

No part of this material may be copied or redistributed without Pictet Asset Management prior written consent. ©2019 Pictet