

Pictet - Premium Brands - HP USD

Risk and reward profile

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



Market review

February was a volatile month and finished with a sharp equity sell-off prompted by Russia's invasion of Ukraine, which took the world by surprise. Uncertainties as per the outcome of the war, the impact from severe sanctions from the West aimed at Russia, and mounting inflation all led to a major risk-off movement from investors. In this context, premium brands companies reported solid Q4 results, many beating expectations, emphasizing the strength of the US consumer, a rebound in Europe, and resilience in China, notably in the luxury segment. In particular, Kering, Ralph Lauren, Capri and Moncler reported strong sales with boosted profitability. Hotels also published a solid quarter, with Marriott and Intercontinental showing a sequential acceleration in leisure, room rates already above pre-Covid levels and the restart of dividends and share buyback programmes. Some companies posted mixed results such as Davide Campari, which suffered from increased costs in raw material, and Garmin, penalized by heavy investments leading to lower profit margins

Performance analysis

In February, the strategy finished in negative territory but managed to outperform the MSCI World ACWI in Euro. The best returns came from American Express, Shiseido, Capri, Ralph Lauren and Marriott following encouraging sets of results and leading to positive share price returns over the month. The main laggards were stocks with outstanding performance in 2021 and relatively high valuation multiples such as LVMH, Essilorluxottica, Tesla and L'Oreal.

Portfolio activity - overweightings & underweightings

In this context of significant market uncertainty, we took some profits from outperforming companies such as Marriott and Apple. We also reduced some companies with a more discretionary tilt and a relatively lower pricing power such as Estee lauder, Starbucks and Brown Forman. In addition, we increased Burberry, a laggard of last year, attractively valued, and with upside potential following the appointment of a new CEO. We also increased stocks which were oversold in our view such as Hermes and Tesla

Market outlook

The war in Ukraine and the subsequent international sanctions towards Russia raised significant concerns on the impact this war could have on the global economy and on consumer confidence. Looking at Premium Brands, we would expect some continued volatility until the conflict abates and resolutions start to be explored. That being said, the direct exposure of our companies to Russia and Ukraine is extremely limited, less than 2% overall on a portfolio look through basis. Our companies are also relatively well protected against raw material cost increases thanks to their high gross margins and their pricing power. We also believe structural growth drivers for our theme are intact. The most desirable and trusted brands will prevail, leading to strong sales and profitability metrics. Market correction will offer opportunities to buy back oversold stocks with the strongest fundamentals at cheaper prices.

Portfolio strategy

The strategy invests in companies with strong brands that fulfill consumers' aspirations. We favour recognized brands with high quality products, superior service and relevant digital engagement. We evaluate the ability of companies to generate sustainable growth with high profitability and strong cash-flow generation. Valuation levels must be attractive relative to growth prospects.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	16.11.2010
Launch date	16.11.2010
Share class currency	USD
Compartment currency	EUR
ISIN	LU0552610593
Reference index	
Min. investment horizon (year(s))	5

Fees

Ongoing charges (OCR)	2.05%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	1.60%
Max. conversion fee	2.00%
Max. subscription fee	5.00%
Max. redemption fee	3.00%

Management team

Caroline Reyl
Laurent Belloni

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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