

Pictet - Premium Brands - HR 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	LU0552611484
Reference index	
Min. investment horizon (year(s))	5

Fees

Ongoing charges (OCR)	2.75%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	2.30%
Max. conversion fee	2.00%
Max. subscription fee	3.00%
Max. redemption fee	1.00%

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

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