

Pictet - Short-Term Money Market USD - 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

Economic figures published in February were overall strong: retail sales and industrial production rebounded above expectations and are now both above their pre-pandemic levels. Employment also surprised on the upside, with actual figures of January job creations well above expectations (467k against 125k). Finally, inflation came as a shock, as the 7.5% y-o-y CPI headline rate was the highest in the last 40 years. All contributed to further Fed hawkishness and the January FOMC minutes showed that FOMC members judged that it would 'soon be appropriate' to raise the Fed Funds rate, that the pace should be faster than in the last cycle and that the reduction in the balance sheet should be done at a faster pace. In this environment the market rapidly priced in seven 25bp rate hikes over the coming year. The Russian invasion of Ukraine, however, blurred the whole picture: on one side, worries around oil and gas supply raised inflation expectations and added to the rate-hike expectations but on the other side the global negative effects on growth linked to the war and the sanctions imposed to Russia contributed to a downward reduction in the number of rate hikes. Overall, however, USD liquidity tightened as shown by the widening in the EUR/USD basis swaps, but short-term markets continued to function, reacting differently from during the March 2020 Covid crisis.

Performance analysis

During the month of February, the very volatile and adverse market conditions had a limited impact on the fund's performance thanks to its defensive duration and credit approach.

Portfolio activity - overweightings & underweightings

The fund's weighted average maturity remained stable over the month at a low level, around 28 days, as we stayed defensive in a rising and volatile yield environment. As for the weighted average life, it increased by 6 days to 91 days at the end of February. We invested mostly on one-to-three-month maturities but extended our investments on opportunities to grasp better credit spread, hedging the duration risk with OIS: Singapore Treasury Bills 6 months, Roche Kapitalmarkt 9 months. We also increased our cash and Treasury Bill allocation to 15% for the former and 15% for the latter (Germany, Japan, Denmark, Singapore, Switzerland) at the end of the month.

Market outlook

The next few weeks and months will continue to be dominated by the same themes: inflation, rate hikes and Russia/Ukraine war. The tightening in monetary policy leaves no doubt considering very high and resilient inflation, and a first hike is expected at the March FOMC meeting. A 50bp hike that was once on the table looks now highly unlikely due to the geopolitical developments. The Federal Reserve will, however, walk the rate hike path, probably opting for 25bp rate hikes at most of its 2022 FOMC meetings and beyond. It will probably also embark on quantitative tightening later in the year but will remain attentive to USD liquidity.

Portfolio strategy

We will remain defensive going forward, keeping high liquidity in the portfolio through rather short-term investments but we will also take advantage of a widening in the credit spreads to invest on long periods, hedging the duration risk with OIS swaps, or on SOFR FRNs. We will keep on focusing on high-quality issuers, especially when investing on long periods.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	08.05.2001
Launch date	08.05.2001
Share class currency	USD
Compartment currency	USD
ISIN	LU0128497707
Reference index	FTSE USD 1-Month Eurodeposit (USD)
Min. investment horizon (days)	1-5
Money Market Category	Short-Term Money Market Fund
NAV Type	VNAV
Fund Rating	

Fees

Ongoing charges (OCR)	0.15%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	0.07%
Max. conversion fee	2.00%
Max. subscription fee	5.00%
Max. redemption fee	1.00%

Management team

Jean Braun
Philippe Billot

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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The money market fund ("MMF") is not a guaranteed investment vehicle. An investment in MMF is different from an investment in deposits, there is in particular a risk that the principal invested in a MMF is capable of fluctuation. The Fund does not rely on external support for guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share and the risk of loss of the principal is to be borne by the investor.

The rating of the Fund was solicited or financed by the MMF or by the manager of the MMF.

The MMF uses the derogation to invest more than 5% of its assets in money market instruments issued by the same body and is authorised to invest up to 100% of its assets, in accordance with the principle of risk spreading, in Money Market Instruments issued or guaranteed separately or jointly by the EU, the national, regional and local administrations of the Member States of the EU or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States of the EU belong.

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