

Pictet - Security - HP CHF

Risk and reward profile

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Market review

Equities ended the month sharply lower for a second time in a row after Russia's invasion of Ukraine triggered severe Western sanctions, which include blocking Russian banks from the SWIFT global payments system. Emerging European stocks were hit the hardest with a loss of over 6%, while European equity markets also suffered a decline of over 5% in local currency terms. Stocks in the UK, Latin America and Pacific Asia defied selling pressure. IT and communication stocks were the worst performing sectors after US tech giants reported mixed earnings results. Energy and material stocks ended the month higher after oil prices jumped 11% following the Russian crisis. Defensive sectors, such as healthcare, staples and utilities, were flat. Global bonds failed to capitalize on heightened investor risk aversion as concerns persisted over the possibility of aggressive interest rate hikes in the US and higher global inflation. Regarding the security universe, Physical Security Products and Security Services were negative over the month and IT Security Products was positive.

Performance analysis

The strategy outperformed the MSCI AC World over the month. The Security Services and Physical Security Products segments were detractors to performance whilst IT Security Products was a positive contributor. The performance of Physical Security Products was negatively impacted by the safety industrial names and the life sciences names. Security Services was negatively impacted by the fintech names and the business service names. Within the IT Security Products pocket, the main detractors were the hardware security names whilst the cybersecurity names contributed positively to performance.

Portfolio activity - overweightings & underweightings

Over the month, our trading activity led to a decrease in the Security Services segment and an increase in IT Security products. In Physical Security Products, we decreased some of our industrial safety names. While in Security Services, we reduced some of the fintech exposure along with some business services names. In IT Security Products, we decreased our hardware security pocket whilst coming back in some of the cybersecurity names. Over the month, we sold one stock and bought three in the Security Services segment.

Market outlook

Given the persistent uncertainty surrounding the current state of the economy, we believe that securing the critical infrastructures of countries, protecting citizens' integrity and ensuring the ability of businesses to meet their objectives are top priorities. We therefore remain confident about the fund's ability to outpace the global equity market on earnings and cash-flow growth over the next few years, as stricter regulation (such as PSD2, GDPR) is likely to remain a key driver for security going forward; and IT systems and cybersecurity remain a priority for governments and companies. We are therefore confident that the fund is an attractive investment opportunity to capture a long-term trend with strong fundamentals and good diversification properties.

Portfolio strategy

End of February was marked by the war in Ukraine with the Russian army assaulting first Ukraine's eastern region and then the main cities across the country. Sanctions imposed by the international community were immediate and started to weigh heavily on Russia. With such a backdrop, rising energy and commodity prices are going up and will further exacerbate inflationary pressures around the world. As the trend clearly remains towards monetary tightening in the US, it could be at a slower pace than expected. In Europe, the exposure to Russia is significantly greater, consequently, the conflict and its potential impacts on the economy and the Eurozone's inflation should continue to make headlines in the coming weeks. ECB officials said they agree on reducing stimulus but want to be flexible given the current situation in Ukraine whilst leaving its policy unchanged in the short term. Downside risks remain high with regards to the potential further escalations in the conflict. With that background, the situation is very uncertain and financial markets will continue to be volatile. We will continue to reduce both our European and US cyclical names and increase the cash in the portfolio but remain on the lookout for emerging opportunities. History shows that markets are quick to sell off, but also start to recover relatively quickly once there is a rough idea to resolve the conflict.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	22.09.2015
Launch date	22.09.2015
Share class currency	CHF
Compartment currency	USD
ISIN	LU1297734565
Reference index	MSCI AC World Hedged to CHF
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

Yves Kramer
Alexandre Mouthon
Rachele Beata

Source: Pictet Asset Management

Further information can be found in the prospectus.

Pictet Asset Management

For further information,
please visit our website
assetmanagement.pictet

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