

Pictet - Nutrition - P USD

Risk and reward profile

Don't take unnecessary risks.
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Information Document.



Market review

Equities moved sharply lower for a second month 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 and US equity markets also suffered a decline of ca. 3% in Euro terms. IT, Consumer Discretionary and Communication services 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, outperformed the market and supported by a flight to quality. 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. Government bonds in the US, Eurozone, Switzerland and the UK fell around 2%, emerging local and dollar currency debt saw sharper declines. The Russian ruble fell to a record low against the dollar, losing a third of its value at one point.

Performance analysis

The strategy outperformed the broader market in February, supported by strong corporate earnings and 2022 guidance, with positive contributions from all three segments. The Food segment was driven by China Mengniu and Food Ingredients, notably DSM and IFF, all of which posted strong quarterly results and 2022 outlooks demonstrating their ability to deliver on growth and navigate an inflationary environment. Within Agri Tech, Agco delivered strong Q4/21 results and full-year 2022 guidance, benefitting from rising penetration of precision ag technologies due to high farmer income, regulatory tailwinds and short payback periods on equipment. In addition, sustainable Agri & Aquaculture, in particular Mowi and its peers, were lifted by a recovery in out-of-home eating, supportive of higher salmon volumes and pricing. The Animal Health segment also benefitted from strong Q4 earnings and robust 2022 outlooks as the tailwinds thought to be transient and related to the pandemic prove to be structural. Logistics also contributed positively to performance, notably driven by Food Waste Solutions, where companies like Darling benefit from higher inflation, and Food Distribution, where key food service players such as Compass and Sysco confirmed that they expect to emerge from the pandemic with structurally higher revenues, market share and margins.

Portfolio activity - overweightings & underweightings

At the start of the month, the strategy exited the leader in plant-based meat and a leading e-grocery player in light of rising competitive pressures and rich valuations. The strategy also took profit on McCormick, a leading spices and seasonings manufacturer, after a stellar performance since November and a leading food ingredients player due to full valuations. Proceeds from these sales were partly reinvested in Agco and Deere given attractive valuations coupled with strong fundamentals given robust demand for ag equipment with embedded precision technologies driven by a high potential return on investment for farmers and regulatory tailwinds at a time when the fleet is aged and dealer inventory levels are at multi-year lows. The strategy also strengthened its positions across Food Waste Solutions names and in Compass and Sysco during the month given the conviction that these leading foodservice players will emerge from the pandemic in a structurally stronger position and yet this is not being reflected in valuations.

Market outlook

Our global food system is at an inflection point, driven by environmental and human health crises. Three drivers that support the nutrition theme can be identified. First, given the immense pressure caused by food production on the environment, a huge opportunity exists for companies that contribute to improving sustainability of food production and food systems, from farm to fork. Precision farming, animal and plant health products and food waste solutions are seeing strong growth. Second is the demand for healthier foods. Science and technology have driven improved awareness of the impact of poor diets on health. The Covid-19 pandemic has accelerated this trend given the link between comorbidities linked to poor diets and vulnerability to infectious disease. Government policymakers are increasing demands for reformulations of food and drink products to reduce levels of sugar, salt and saturated fats while consumers are turning towards foods and supplements with functional benefits such as improving immunity. As a result, there is an increased divergence in growth between healthy, nutritious categories and traditional packaged food categories. Finally, advances in technology and an increasingly digital savvy consumer are driving dramatic growth for businesses in food e-commerce, personalized nutrition, and food traceability.

Portfolio strategy

The Nutrition strategy invests in companies from farm to fork that improve the sustainability of access to and quality of food and food production necessary for health and growth. We invest in innovative companies that provide solutions to the multiple challenges of our current food systems: improving the productivity and sustainability of food production, increasing the efficiency in nutrition processing, transportation, packaging and storage to reduce food waste, and maximising the nutritional content of the food we eat to reduce the disease and malnutrition burden caused by our current diets. We evaluate the ability of companies to generate sustainable growth, profitability, cash flow generation, and return on invested capital. 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	28.05.2009
Launch date	28.05.2009
Share class currency	USD
Compartment currency	EUR
ISIN	LU0428745748
Reference index	MSCI AC World (USD)
Min. investment horizon (year(s))	5

Fees

Ongoing charges (OCR)	2.01%
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

Mayssa Al Midani
Alex Howson

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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