

Pictet - Global High Yield - I dy USD

Risk and reward profile

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

Lower Risk			4	Higher Risk		
1	2	3		5	6	7
Typically lower rewards				Typically higher rewards		

Market review

The US High Yield fund has been turned into a Global High Yield fund on 25 February 2022. The product is no longer managed by Crescent Capital but by the Developed Market Credit (DMC) team of Pictet Asset Management. From March onwards, the monthly comment will be written by the DMC team. In terms of a brief market review, February proved a second consecutive challenging month for investors overall. At global index level, aggregate fixed income returned -1.3% (-2.9% YTD), high yield credit was -2.4% (-4.6%), and government bonds -1.0% (-2.3%). Russia's invasion of Ukraine overshadowed what had already been an eventful month. It began with growing noises that central banks would be forced to embark upon a more aggressive tightening cycle than anticipated, particularly as inflation continued to surprise on the upside. The month ended with a risk-off move prompted by warnings and then the reality of Russia's invasion of Ukraine, which in turn triggered severe sanctions on Russia that have had a severe market impact across asset classes.

Performance analysis

The Bloomberg Barclays US High Yield 2% Issuer Cap Index return -1.93% for the MTD period and -4.6% for the YTD period through 2/24/2022. Most sectors were down last month. The worst-performing sectors were wireless (-4.57%), banking (-2.59%), home construction (-2.35%), wirelines (-2.30%), and consumer products (-1.78%). The best-performing sectors were refining (+1.20%), leisure (+0.74%), oil field services (+0.24%), aerospace/defense (+0.12%), and airlines (-0.21%). All credit tiers were down last month; specifically, the Ba-rated index returned -1.21%, the B-rated index returned -0.80% and the Caa-rated returned -0.83%. For the reporting period 1/31/2022 to 2/24/2022, the Fund returned -2.18%, underperforming the benchmark by 25 basis points. The main source of underperformance was weak security selection in Technology, Basic Industry and Energy sectors. From a credit quality perspective, weak security selection in the B-rated credit tier was the main detractor from relative performance.

Portfolio activity - overweightings & underweightings

The Fund participated in two new issues, Scientific Games Holdings LP and Condor Merger Sub Inc. In terms of positioning, the exposure in Ba and higher credit tier decreased by -5.46%, B-rated credit tier increased by 3.59% and Caa-rated & below credit tier increased 1.87%. From an industry standpoint, material changes in exposures were in Energy (-5.28%), Consumer Non-Cyclical (-1.30%), Communications (+1.49%), Technology (1.12%) and Capital Goods (1.07%). All other sectors were between +/- 1.0%. As the fund turned Article 8 SFDR on the 25 of February, the manager sold bonds that were not compliant with the Pictet Asset Management Level II exclusion list; this explains the drop in Energy exposure.

Market outlook

At a macro level, the three main risks we are monitoring for 2022 are the geopolitical risks and associated sanctions on Russia, a China slowdown bleeding into global growth and the ongoing fallout of a higher inflationary backdrop. Russia's invasion is clearly at the forefront of investors' minds. We are monitoring the impact of the sanctions and what they can bring to the financial system in terms of counterparty risks; these are so far underappreciated by the market. If these risks escalate, they would undoubtedly lead to dovish central banks. However, at present they are trapped in a corner, with inflation remaining elevated but with growth at risk of slowing even before they start hiking. The Fed will still try to hike in March but might try to temper QT. Meanwhile, the ECB might have to find ways to dial down its recent hawkishness with war and sanctions on its doorstep. We still note many underlying credit market fragilities in weaker names such as questionable fundamentals, elevated corporate leverage and the overall deterioration of credit quality.

Portfolio strategy

Pictet-Global High Yield is a benchmarked fund with an ESG tilt. The fund invests in high yield issuers from developed markets, mainly the US and Europe. Portfolio construction follows a systematic, low tracking-error approach, matching sector and rating exposure of the benchmark while positively skewing portfolio performance through credit selection. The fund leverages the expertise developed for our Global Sustainable Credit strategy (SFDR Article 9). The fund AUM stood at USD 235m at the end of February.

General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	04.09.2013
Launch date	04.09.2013
Share class currency	USD
Compartment currency	USD
ISIN	LU0953040952
Reference index	ICE Developed Markets HY ESG Tilt Hedged to USD
Min. investment horizon (year(s))	3

Fees

Ongoing charges (OCR)	0.47%
Performance fee (excluded from OCR)	-
Management fee (included in OCR)	0.25%
Max. conversion fee	2.00%
Max. subscription fee	5.00%
Max. redemption fee	1.00%

Management team

Andrew Wilmont
Mathieu Magnin
Frédéric Salmon

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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