

Pictet - Security - P EUR

Risk Considerations

All forms of investment involve risk. The value of investments and the income derived from them is not guaranteed and it can fall as well as rise and you may not get back the original amount invested. Please refer to the prospectus for further information.

MARKET REVIEW

Equities outperformed bonds by a wide margin in the first quarter of 2024 as expectations intensified that central banks in developed markets would join their emerging counterparts in cutting interest rates in the coming months – a move that would support corporate earnings. US and Japanese stocks were the best performers. Tokyo stocks remain the biggest winner so far this year. A virtuous cycle of increasing wages, rising consumer spending and moderately higher inflation is likely to underpin growth in the world's third-largest economy. Emerging markets trailed the overall market. MSCI China in USD continued to lose terrain with the index now almost down 60% since its peak in early 2021. The best sectors were Communication Services and IT as AI continued to drive the narrative, while defensive sectors such as Staples, Utilities and Materials trailed the overall market. Large caps globally did better than small caps in the first quarter despite the market broadening out beyond the Magnificent 7. The Dollar edged higher in the quarter, leaving other major currencies in the red. The Japanese Yen fell by more than 7% as expectations rose that the Bank of Japan is unlikely to deliver aggressive interest rate hikes. Regarding the security universe, IT Security Products, Physical Security Products, and Security Services were all positive over the quarter.

PERFORMANCE ANALYSIS

The strategy underperformed the MSCI AC world over the quarter, although all three segments contributed positively to performance. Physical Security Products was positively impacted by the industrial safety sub-segment, with a company well positioned to benefit from multi-year AI demand tailwinds. However, it was negatively impacted by the transportation safety sub-segment, largely due to slower EV adoption in the near term. Security Services was positively impacted by the specialised security services and secured payments sub-segments, with Ecolab posting strong results on margins expanding faster than expected due to raw material price deflation. Within secured payments, Fiserv's merchant business continues to show healthy underlying growth trends, with Clover's growth accelerating. Within the IT Security Products pocket, performance was driven by the cybersecurity and semiconductor applications sub-segments, with CrowdStrike reporting record results as they continued to execute well despite the macro backdrop, a demonstration of the strength of their platform offering. Within semiconductors application, KLA performed well due in part to their AI-related exposure and their formidable portfolio that specialises in process control and yield management solutions that ensure the quality and efficiency of semiconductor devices.

PORTFOLIO ACTIVITY - OVERWEIGHTINGS & UNDERWEIGHTINGS

Over the quarter, our trading activity led to an increase in the IT Security Products segment and a decrease in the Physical Security Products and Security Services segments. In Physical Security Products, we mainly decreased our industrial safety segment. In Security Services, we decreased our specialized security services segment. In IT Security Products, we added to our semiconductor applications and cybersecurity segments. Over the quarter, we sold four names, three in the Security Services segment and one in the IT Security Products segment.

MARKET OUTLOOK

Given the persistent uncertainties surrounding the current state of the world, 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. Given the Russia-Ukraine conflict, key structural themes will redefine Europe, among them Cybersecurity, Reshoring and Security of Supply Chains. Cyber is the new war frontier. The conflict has further highlighted the increasing importance of cybersecurity in conflicts given that the Russian invasion was accompanied by coordinated cyberattacks. Going forward, malware, phishing and attacks on infrastructure are likely to happen at a higher rate. The emergence of generative AI is opening new opportunities in the semiconductor design/manufacturing space and increasing the need for more space in refurbished Data Centers (power and thermal management). 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. The fund is an attractive investment opportunity to capture long-term new opportunities benefitting from strong fundamentals and good diversification properties.

PORTFOLIO STRATEGY

In 2024, investors are facing a remarkable change in the economic landscape vs. 2023 (higher rates and recession). The global economy may be slowing but it could remain resilient enough. Inflation is declining around the world, albeit with bumps, which should encourage most major central banks to terminate their tightening campaign and start cutting interest rates in the coming months. From a region perspective, business cycle indicators show that while emerging market economies remain resilient, developed markets are slowing. The US economy could slow because consumption could start to retreat as American households work through the saving surplus they built up during Covid. The eurozone is also subdued, with countries dependent on manufacturing faring especially badly. But that should improve with China's slow recovery. Japan remains the one bright spot in the developed world. In such times, with above-normal volatility levels expected, security spending will remain the top priority. This is further supported by strong regulations. We will add selectively into companies with strong fundamentals.



General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	31.10.2006
Launch date	31.10.2006
Share class currency	EUR
Compartment currency	USD
ISIN	LU0270904781
Reference index	MSCI AC World (EUR)
Min. investment horizon (year(s))	5

INVESTMENT OVERVIEW

OBJECTIVE

To increase the value of your investment while seeking to achieve a positive environmental and/or social impact.

REFERENCE INDEX

MSCI AC World (USD), an index that does not take into account environmental, social and governance (ESG) factors. Used for risk monitoring, performance objective and performance measurement.

PORTFOLIO ASSETS

The Compartment mainly invests in equities of companies providing safety and security products for systems, people or organisations. The Compartment may invest worldwide, including in emerging markets and Mainland China. The targeted companies will be active, mainly, but not exclusively, in the following areas

Security services across the physical and digital world, IT network security and identification solutions, as well as physical security solutions and tools that help to protect people, vehicles, and buildings in both personal and professional settings.

DERIVATIVES AND STRUCTURED PRODUCTS

The Compartment may use derivatives to reduce various risks (hedging) and for efficient portfolio management, and may use structured products to gain exposure to portfolio assets.

COMPARTMENT CURRENCY

USD

INVESTMENT PROCESS

In actively managing the Compartment, the Investment Manager uses a combination of market and fundamental company analysis to select securities that it believes offer favourable growth prospects at a reasonable price. The Investment Manager considers ESG factors a core element of its strategy by seeking to invest mainly in economic activities that contribute to an environmental and social objective whilst avoiding activities that adversely affect society or the environment. Voting rights are methodically exercised and there may be engagement with companies to positively influence ESG practices. For further information, please refer to our exclusion framework in the Responsible Investment policy*, SFDR product category Article 8. The portfolio composition is not constrained relative to the benchmark, so the similarity of the Compartment's performance to that of the benchmark may vary.

Fees

Ongoing charges (OCR)	1.99%
Performance fee (excluded from OCR)	0% of the outperformance against the Index since the last performance fee payment
Entry and exit Costs ¹	-

1. We do not charge an entry or exit fee, however the person selling you the product may charge you up to a maximum of 5% for entry fee, up to 1% as an exit fee and up to 2% as a conversion fee.



Management team

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 for all investors excepted investors based in the United Kingdom

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The decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its prospectus, or in the information which is to be disclosed to investors. Pictet Asset Management retains full discretion over the implementation of exclusion criteria and reserves the right to deviate from third-party information on a case-by-case basis. For more information, please refer to the Pictet Asset Management Responsible Investment Policy. For passive strategies exclusions are implemented to the extent portfolio structure, weight deviations, volatility and performance are not materially affected.

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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. 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. 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