

Pictet - Clean Energy Transition - 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. 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.

PERFORMANCE ANALYSIS

The strategy underperformed the MSCI ACWI during the quarter, mostly driven by the increase in interest rates in the period, which has continued to negatively impact renewables and the EV sector. The more challenging environment in renewables is why we have 2x less exposure compared to 2020, while we see compelling opportunities in other segments such as Enabling Technologies, illustrating again the benefits of a holistic approach to the theme. Enabling Technologies, together with Green Buildings and Efficient Manufacturing, outperformed the index. Applied Materials and ASML were the main contributors in Enabling Technologies while Trane and TopBuild continued to lead the outperformance in Green Buildings. Finally, Eaton and Linde were the main contributors in Efficient Manufacturing. Regarding underperformance, RWE was the main detractor in Wind, Sunnova in Solar, and Albemarle in Energy Storage.

PORTFOLIO ACTIVITY - OVERWEIGHTINGS & UNDERWEIGHTINGS

During the quarter, the investment team exited several positions in Efficient Manufacturing such as Ansys, Altair and Dassault, and took profits on Synopsys, Cadence and PTC on valuation grounds after strong performance. The investment team also took profits on Applied Material, ASML and Equinix after a strong performance in the quarter. Regarding Renewables, the team exited EDPR and Sunnova despite underperformance as they see better risk/reward opportunities in other sectors. The proceeds were used to increase exposure to Vestas, Array and Broadcom early in the quarter as well as to initiate a position in Brazilian utility Equatorial.

MARKET OUTLOOK

The outlook for investing in the clean energy transition continues to look promising despite some shorter-term headwinds. Global support remains strong for decarbonisation and rapid action to transition the economy towards a more sustainable future, despite heightened fiscal deficit concerns and higher financing costs in major developed economies. Once interest rates start to stabilise and eventually trend downwards, we believe this will greatly reduce the recent headwinds for the energy transition in terms of financing costs as well as provide significant valuation support going forward. Overall, rapid technological innovation will allow even greater electrification of transport, buildings, and factories while solar and wind will be the major sources of this new electricity supply based on cost competitiveness. Increasing awareness, advancing technologies, and rapidly declining costs, together with legislation increasingly fighting air pollution and climate change, have led to multiple inflexion points across this investment universe.

PORTFOLIO STRATEGY

The strategy continues to focus on investing in companies that have a strong market position in their respective industries and are able to yield pricing power and deliver profitable growth. It continues to focus on companies that have favourable cash flows relative to their market-implied valuation.



General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	14.05.2007
Launch date	14.05.2007
Share class currency	EUR
Compartment currency	USD
ISIN	LU0280435388
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 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 that contribute to lowering carbon emissions by, for instance, favouring clean energy in their production process. The Compartment may invest worldwide, including in emerging markets and Mainland China.

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 9. 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

For Professional Investors only



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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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. 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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