

Pictet - Global Environmental Opportunities - 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 slightly underperformed the MSCI AC World Index during the quarter. By segment, Energy Efficiency performed particularly well, as solid earnings reports and positive outlook commentary drove upgrades and multiple expansions across industrial, semiconductor and building efficiency names such as Eaton, Schneider, Applied Materials, Tokyo Electron, ASML and Trane Technologies. This was more than enough to offset idiosyncratic softness in Aptiv, Shimano, ON Semi and Infineon. The Waste Management & Recycling segment also performed well, as US waste management stocks such as WM, Waste Connections and Republic Services posted robust earnings reports and their strength more than offset some softness in SIG Group and Stora Enso. In Pollution Control, environmental consultants Tetra Tech and WSP Global performed well amidst positive industry tailwinds. Within Dematerialized Economy, Synopsys, Cadence, PTC and Autodesk contributed positively, whilst Dassault Systemes and Ansys detracted. Within Water Supply & Technologies, solid earnings and outperformance from technology providers Xylem and Veralto were somewhat offset by ongoing softness at American Water Works. The Sustainable Agriculture & Forestry segment performed well following early signs of a return to organic growth at Givaudan and Symrise.

PORTFOLIO ACTIVITY - OVERWEIGHTINGS & UNDERWEIGHTINGS

During the quarter, we increased our exposure to Energy Efficiency and Dematerialized Economy whilst reducing our Waste Management & Recycling exposure. The majority of our portfolio activity was in Energy Efficiency, where we initiated a position in Siemens, increased our position in Equinix, added to Carrier on relative weakness, took some profits in Eaton following very strong performance and we exited our positions in Aptiv and Shimano due to a worsening outlook for their respective end-markets. In Dematerialized Economy, we initiated a position in Bentley Systems, a leading infrastructure engineering software provider with attractive demand tailwinds. In Waste Management & Recycling, we reduced exposure to sustainable packaging stocks such as Smurfit Kappa and SIG Group, while we exited Stora Enso altogether in order to fund more attractive portfolio opportunities elsewhere. In Sustainable Agriculture & Forestry, we also reduced Weyerhaeuser and West Fraser to fund other opportunities. Within Water Supply & Technology, we reduced our position in American Water Works on slightly lower organic growth expectations.

MARKET OUTLOOK

Energy Efficiency and Dematerialized Economy, two of our largest portfolio segments, show strong fundamentals for 2024. Demand for energy-saving technologies remains robust, and our companies are starting to benefit from the positive impact of the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) in the US. These represent a multi-year investment cycle for semiconductor and battery plants, electricity grid modernization, renewable energy capacity, green buildings and EV infrastructure, which adds growth and revenue visibility to our companies. As a consequence of this, the end-market demand for environmental services within the Pollution Control segment also remains very healthy, particularly in the US. Within Dematerialized Economy, demand for simulation software, Electronic Design Automation and Product Life-Cycle Management solutions is accelerating. US Waste Management companies will continue to experience positive business trends. In general, most of our portfolio holdings have sufficient pricing power and balance sheet strength to navigate well in the current environment. Supply chain constraints are easing and this should provide a tailwind for margins in the coming months.

PORTFOLIO STRATEGY

Our strategy focuses on investing in environmental solutions providers. Exposure to environmental trends offers investors attractive risk-adjusted returns, regardless of the stage of the economic cycle. We favour solutions providers with wide economic moats, robust profitability, healthy balance sheets and business models that don't rely on government subsidies. Our bottom-up investment process results in a concentrated global portfolio with a growth and quality bias. Long term, the trends of population growth and rising living standards are inescapable and so is the growing strain on natural resources. Awareness of environmental issues has grown tremendously in the last few years and is now deep-seated, top of mind for an entire generation of citizens, consumers and investors.



General information

Legal form	Sub-fund of a SICAV
Regulatory status	UCITS
Domicile	Luxembourg
Inception date	10.09.2010
Launch date	10.09.2010
Share class currency	EUR
Compartment currency	EUR
ISIN	LU0503631714
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 (EUR), 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 with a low environmental footprint that contribute to solving global environmental challenges such as the transition towards a lower carbon economy, sustainable resources management, monitoring and prevention of pollution, or for example protection of scarce resources such as water. 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

EUR

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 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)	2%
Performance fee (excluded from OCR)	0% of the outperformance against the Index since the last performance fee payment
Entry and exit Costs ¹	-

¹We 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

For Professional Investors only

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Pictet Asset Management
Manager Comments



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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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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The list of countries where the Fund is registered can be obtained at all times from Pictet Asset Management (Europe) S.A., which may decide to terminate the arrangements made for the marketing of the Fund or compartments of the Fund in any given country. In Switzerland, the representative agent is Pictet Asset Management S.A. and the paying agent is Banque Pictet & Cie S.A. Pictet Asset Management (Europe) S.A. has not taken any steps to ensure that the securities referred to in this document are suitable for any particular investor and this document is not to be relied upon in substitution for the exercise of independent judgment. Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. 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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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