

# PICTET - WATER - GBP

INVESTMENT RESEARCH NOTE  
MARCH 2024

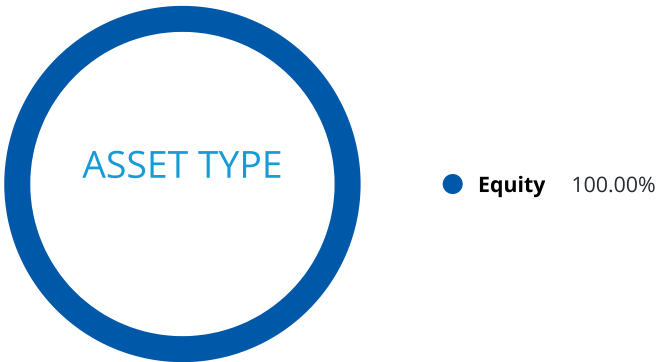
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SUMMARY

Pictet Asset Management has a long tradition of thematic investing starting from its beginnings in 1995. They manage several thematic products today using a team-based approach and concentrated number of holdings.

The strategy is managed by Pictet's thematic team with over 35 investment professionals with an average of over 15 years industry experience.

Pictet's expertise in thematic investing is captured in this well managed and risk controlled long only global equity fund. It intersects the core 'megatrends' (i.e. secular changes in society, the economy or environment) as defined by Pictet. These megatrends that Pictet define are: demographic development, sustainability, economic growth, commercialisation and health). The Fund seeks capital growth by investing in the shares of companies that have a connection with key themes surrounding the 'water-chain', i.e. demographics (the rise of urbanisation), health trends (lack of sanitation infrastructure), increased consumption, use of water in other services such as electricity. The strategy leans on Pictet's well-established thematic expertise, focusing on this global trend where the firm's belief is that the potential future growth of the water market can be superior to the world economy. based on rising demand for the commodity. The fund has a small and mid-cap focus with a high growth agenda and niche ideas. The philosophy and bottom-up, investment approach is similarly tailored towards long term investing and leads to a growth orientated portfolio with a close eye on value and quality.



INVESTMENT PROCESS

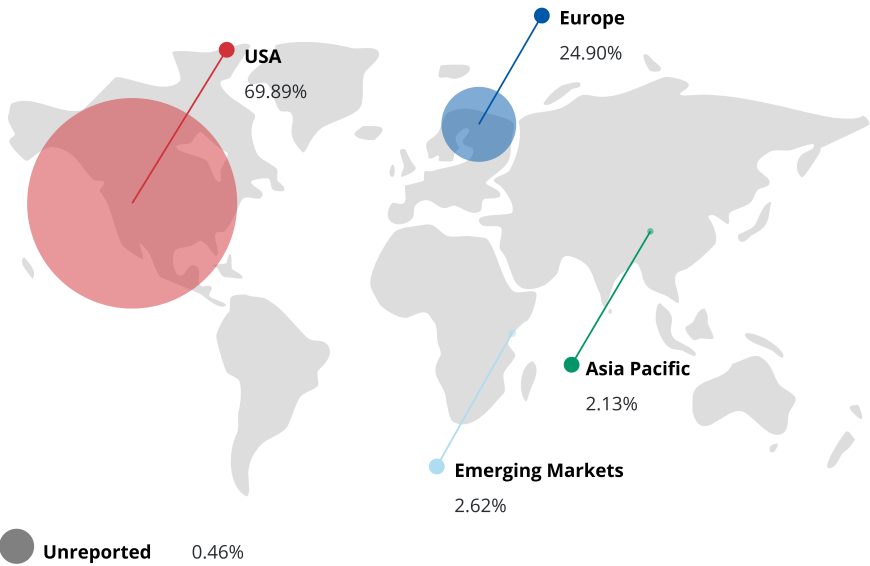
Each of pictet's thematic strategy follows an identical investment process. It is based on applying a bottom up, growth biased ('Growth at a Reasonable Price' or 'GARP') approach to identify the most attractively valued and highest quality shares within the identified universe. Companies with the opportunities for growth above consensus are sought whilst considering strongly the valuation and timing of the purchase.

There is an initial screening of over 40,000 companies in Pictet's global universe, which then drills down into selecting those stocks related to the water-value chain - i.e. companies linked to services such as water extraction, treatment, wastewater treatment, irrigation and water quality monitoring. The investment universe is divided into three segments: water supply, water technology and environmental services. There is an Advisory Board who assess the links between megatrends and the value drivers of the theme segments. The initial universe is then reduced to around 870 water-related names. These are further screened and split into 'core' and 'opportunity' stocks, a total of around 180 names. A 'purity' screen ensures that a company must have at least 20% of their business related to water in Enterprise Value (i.e. combined value of a firm re its equity & debt) terms - the portfolio has on average a purity weighting of 60%.

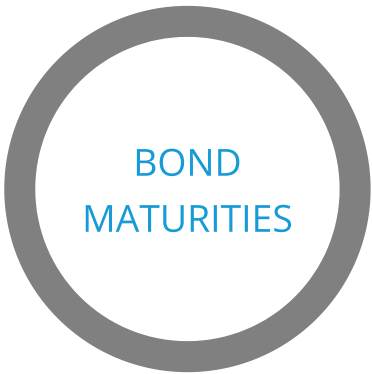
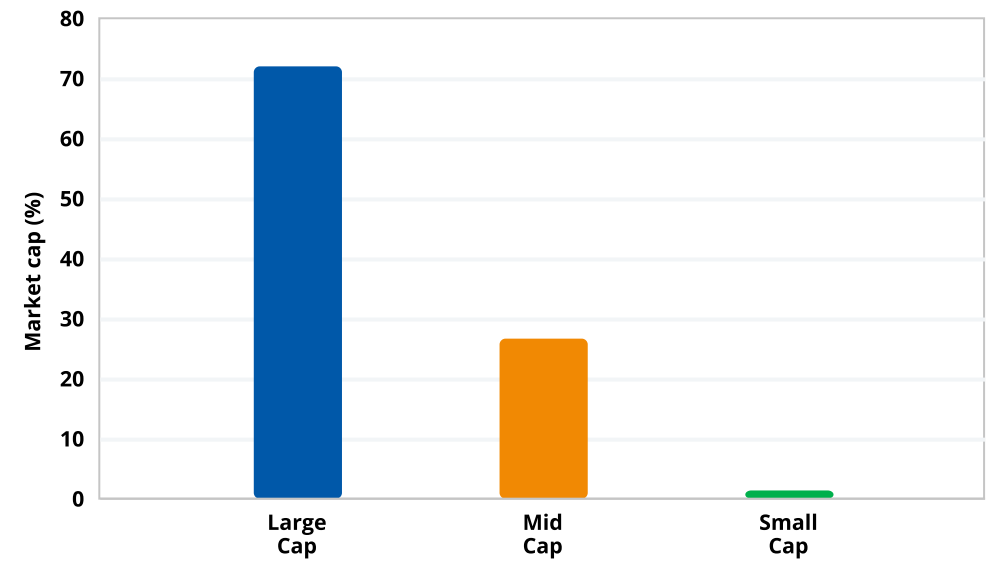
The final portfolio is a concentrated structure of between 50-80 high conviction names. Different decision weightings in terms of importance are applied to the characteristics sought (management, business franchise, attractive fundamentals) dependent on the type of stock category a holding falls into - either 'core' (positive initial weight) or 'opportunity' (zero initial weight as holdings are typically not pure or liquid enough). As an example, within the opportunity component, more emphasis is placed on the management team and business franchise relative to the company fundamentals. Portfolio construction is based on stock selection, modified by risk considerations to derive the final weightings. From the universe of best ideas, the portfolio construction process begins with an initial starting weight of 6% per stock (within the individual thematic portfolios). This is applied to each holding with a quantitative risk management tool being used to provide adjustments that consider the level of thematic exposure provided from each company - i.e. purity content, expected volatility, liquidity risk and ESG scores. Companies with more than 5% of their sales coming from the defence and offensive military industry are excluded. Management quality is assessed through a scoring mechanism while valuations support that score using a discounted cash flow approach as well as peer ratio analysis.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



BOND  
MATURITIES

Not Applicable



BOND  
RATINGS

Not Applicable

# OVERALL PERFORMANCE

● PICTET-WATER-IDY GBP    ● MSCI World Equity Net Total Return GBP

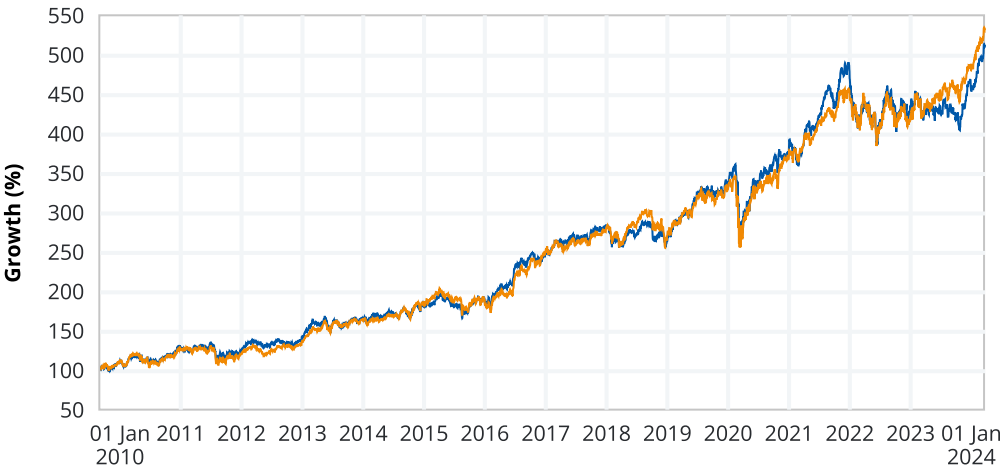
## GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



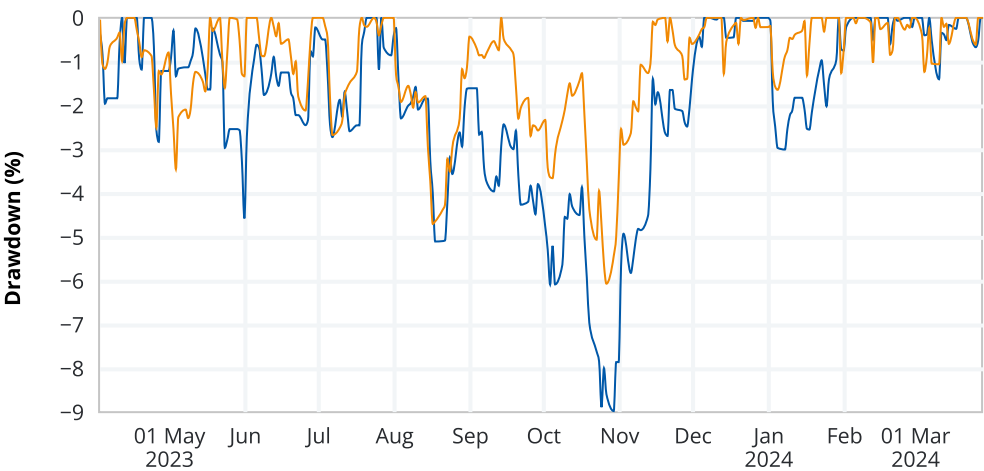
## GROWTH (%) - FROM INCEPTION

11 Sep 2009 - 29 Mar 2024



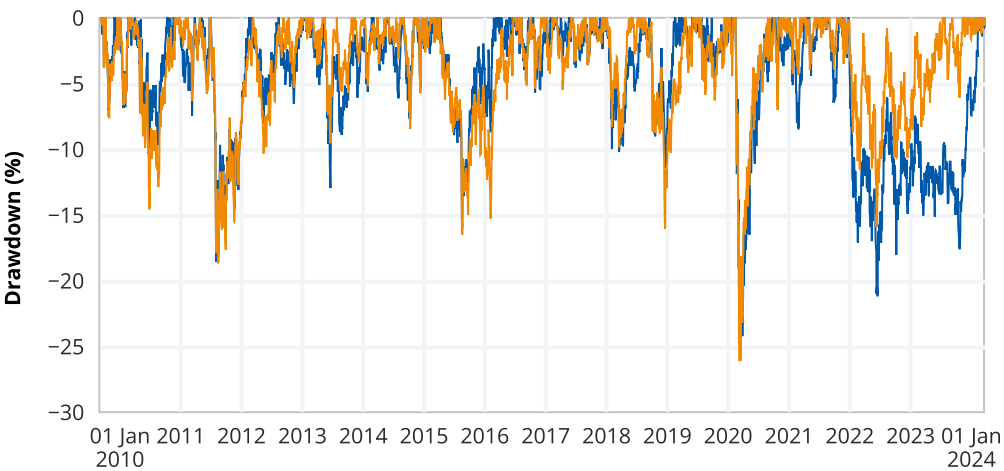
## DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



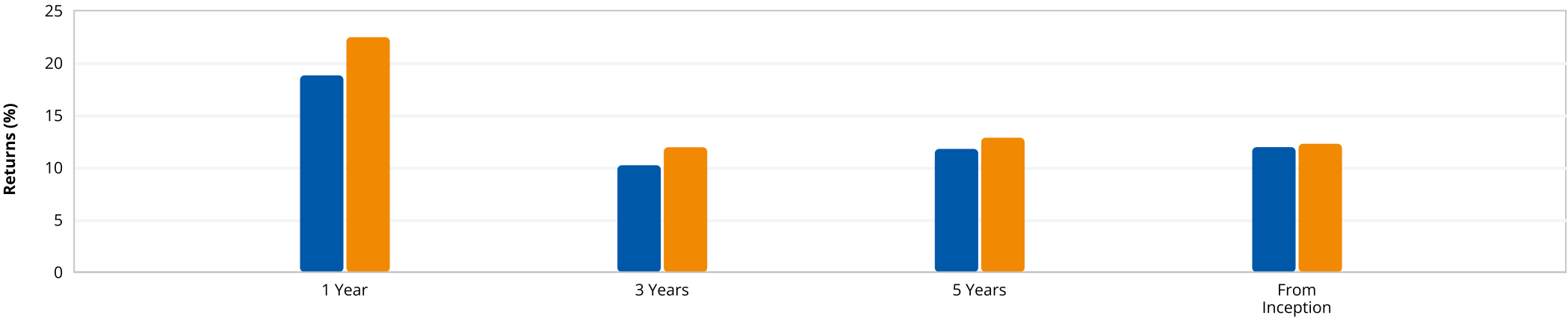
## DRAWDOWN (%) - FROM INCEPTION

11 Sep 2009 - 29 Mar 2024



# RETURNS

● PICTET-WATER-IDY GBP    ● MSCI World Equity Net Total Return GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.63	5.91	4.19										9.66
2023	2.44	-0.32	-0.43	-0.39	-2.10	3.17	1.12	-0.77	-2.22	-4.22	6.30	7.65	10.01
2022	-10.76	-3.40	4.96	-0.72	-3.74	-5.29	10.69	0.40	-4.96	1.29	1.27	-1.78	-12.85
2021	0.40	-2.64	5.89	6.85	-0.16	1.94	5.10	4.37	-3.22	2.98	4.25	2.58	31.61
2020	2.74	-7.74	-10.40	8.52	7.10	1.31	2.41	0.92	4.04	-2.99	5.18	0.76	10.54
2019	5.39	3.54	3.77	2.57	-1.17	5.68	5.01	-0.37	-0.04	-1.52	1.49	1.67	28.91

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
PICTET-WATER-IDY GBP	18.81	10.22	11.78	11.95
MSCI World Equity Net Total Return GBP	22.46	11.94	12.85	12.27

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
PICTET-WATER-IDY GBP	18.66	33.68	74.14	413.41
MSCI World Equity Net Total Return GBP	22.27	40.02	82.60	434.83

● PICTET-WATER-IDY GBP    ● MSCI World Equity Net Total Return GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	PICTET-WATER-IDY GBP	MSCI World Equity Net Total Return GBP
RETURNS (%)	18.81	22.46
VOLATILITY (%)	11.51	9.92
ALPHA	-0.14 *	
BETA	1.06 *	1.00
CORRELATION	0.85 *	1.00
SHARPE RATIO	1.15	1.68
SORTINO RATIO	1.78	2.61
MAX DRAWDOWN (%)	-8.98	-6.07

\*Calculated over a 3 year period where history permits.

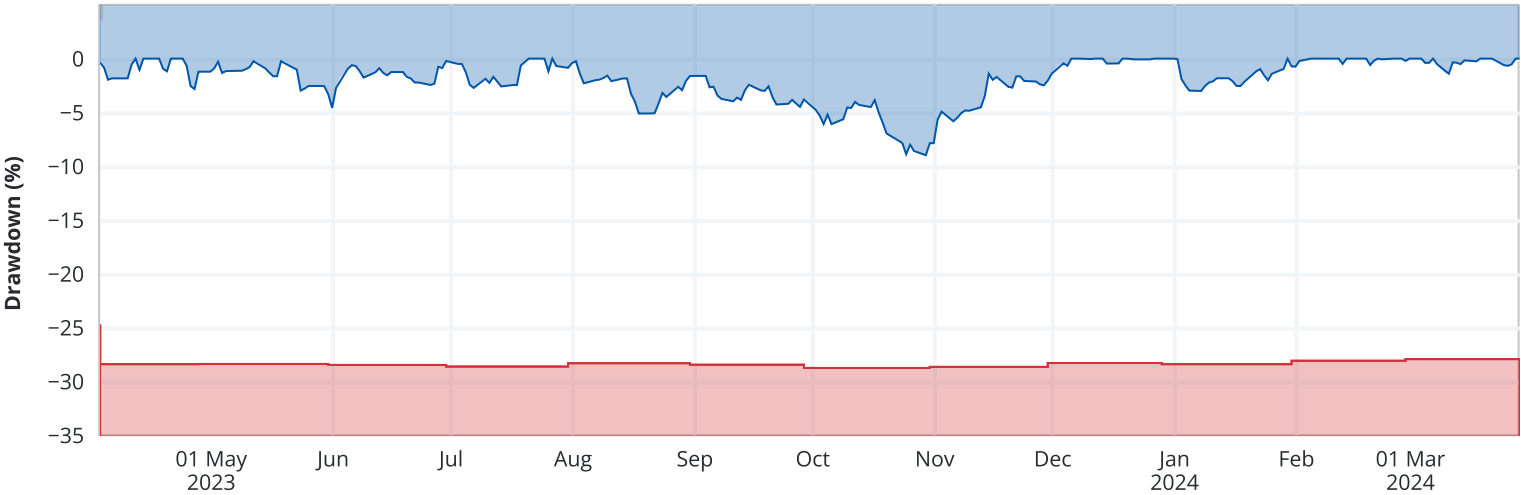
PERFORMANCE - FROM INCEPTION

11 Sep 2009 - 29 Mar 2024

	PICTET-WATER-IDY GBP	MSCI World Equity Net Total Return GBP
RETURNS (%)	11.95	12.27
VOLATILITY (%)	14.69	14.84
ALPHA	0.06	
BETA	0.92	1.00
CORRELATION	0.87	1.00
SHARPE RATIO	0.74	0.75
SORTINO RATIO	1.05	1.07
MAX DRAWDOWN (%)	-25.94	-26.11

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

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