

PICTET GLOBAL ENVIRONMENTAL OPPORTUNITIES - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

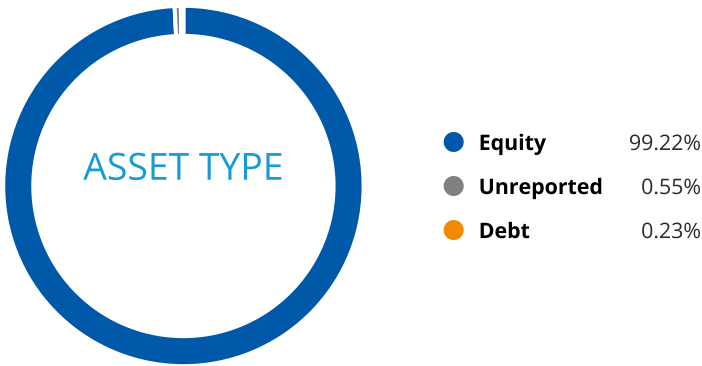
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Pictet Asset Management has a long tradition of thematic investing starting from its beginnings in 1995. They manage c.14 thematic products today using a team-based approach and concentrated number of holdings, managing over \$50n in AUM.

The strategy is managed by Pictet's thematic team with over 35 investment professionals with an average of 25 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 to invest in the companies that have a connection with key environmental solutions themes (i.e. renewable energy, sustainable agriculture) and health trends (i.e. link between pollution and health). The strategy leans on Pictet's well-established thematic expertise, focusing on global secular trends where the firm's belief is that the potential future growth of the environmental market can be superior to the world economy. The fund has a predominantly large-cap, concentrated long only approach with a high growth agenda. While it has enhanced its ESG integration into the investment process, there is still more work required to improve engagement with companies on improving their ESG policies. Our internal ESG score for this fund is therefore 3/4.



INVESTMENT PROCESS

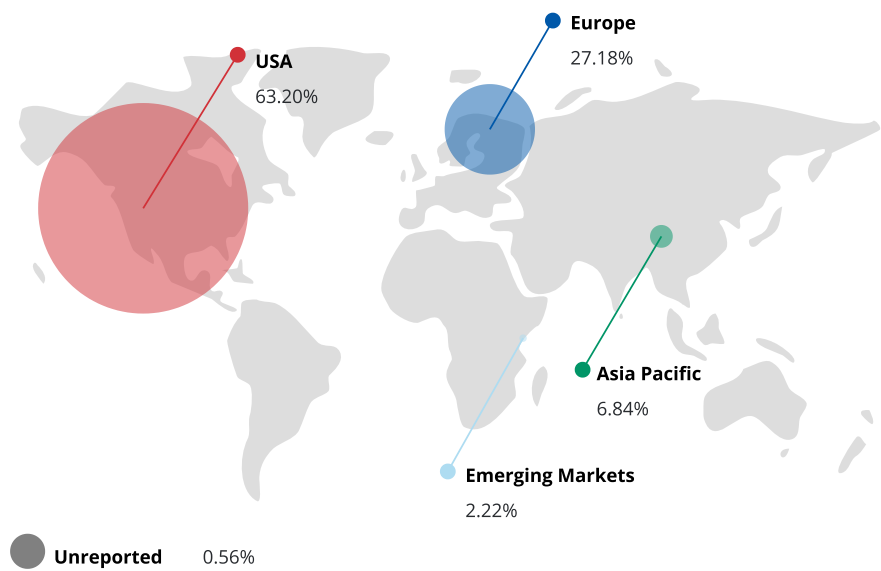
Each of pictet's thematic strategy follows an identical investment process. It is based on applying a bottom up, growth biased ('Growth at a Reasonable Price' or 'GARP') approach to identify the most attractively valued and highest quality shares within the identified universe. Companies with the opportunities for growth above consensus are sought whilst considering strongly the valuation and timing of the purchase. Active share is high at 97% versus the global equity index, while turnover is 25-30% pa. Fund capacity stands at \$7bn. The final portfolio is a concentrated structure of around 50 high conviction names.

The initial screening of c.40,000 companies in Pictet's global universe is supplemented by a 9-item 'Planetary Boundary' framework of core environmental areas, which differs the strategy from peers. This was devised by scientists to identify thresholds across these 9 'dimensions' (i.e. water, climate change, biodiversity, ocean acidification, ozone depletion, aerosol loading, land-use, nitrogen & phosphorous cycle and chemical pollution), which if crossed would lead to irreversible environmental damage. The areas within the boundaries was termed the 'safe operating space' where human activities can take place safely. This then drills down into selecting those stocks related to the environmental chain and which have at least one positive impact as defined by the Planetary Boundary. This filters down to 4000 stocks, then further fundamental screening and conviction-led scoring reduces it to 200 stocks.

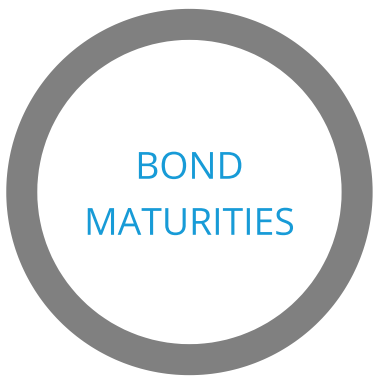
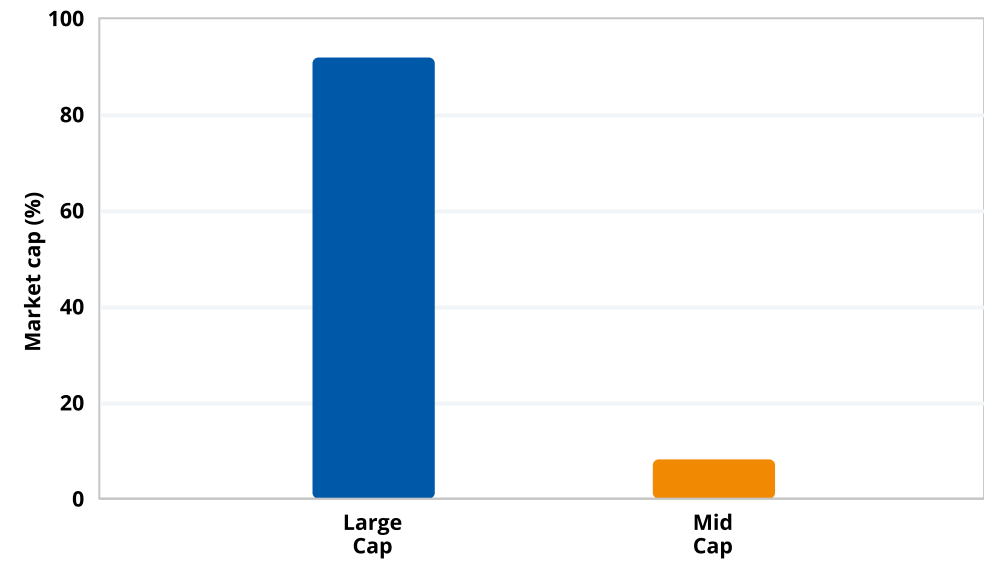
Portfolio construction process begins with an initial starting weight of 3%% per stock (depending on exposure to a theme), adjusted by risk factors and fundamentals. Weights can be reduced by 2 risk factors - low purity and liquidity/volatility range and are determined by conviction in relation to the characteristics sought (management, business franchise, attractive fundamentals). There is also an adjustment based on industry factor, if country risk or similar occurs. The final list of 200 stocks are modified by the above risk considerations and fundamental analysis to derive the final weightings. ESG is integrated into the process using external data but internally-created scoring. The team have started to enhance active engagement with companies and work closer with the team's dedicated ESG specialist.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



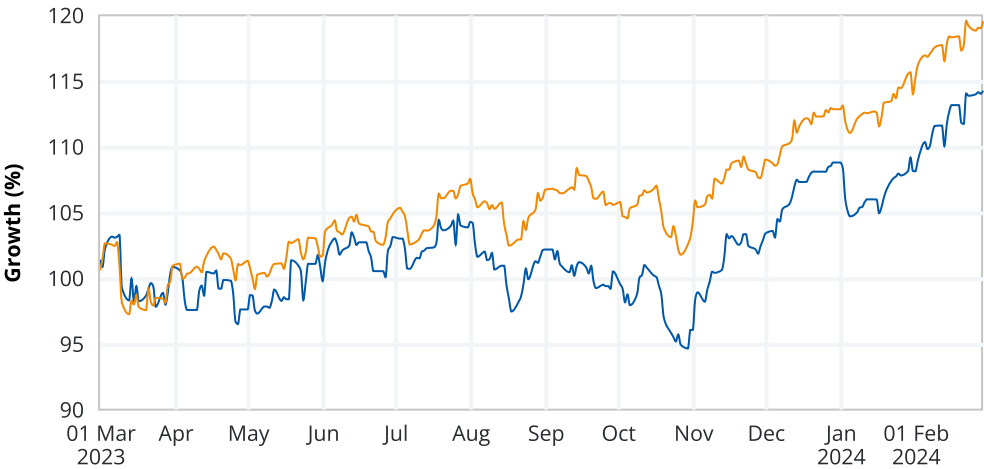
- Investment Grade 76.35%
- Unreported 23.65%

OVERALL PERFORMANCE

● Pictet Global Environmental Opportunities GBP Inc ● FTSE World Equity Total Return GBP

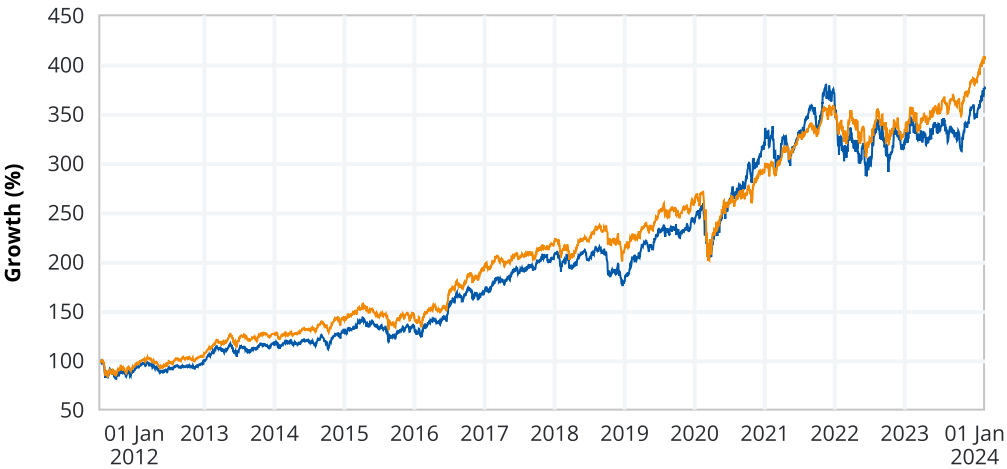
GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



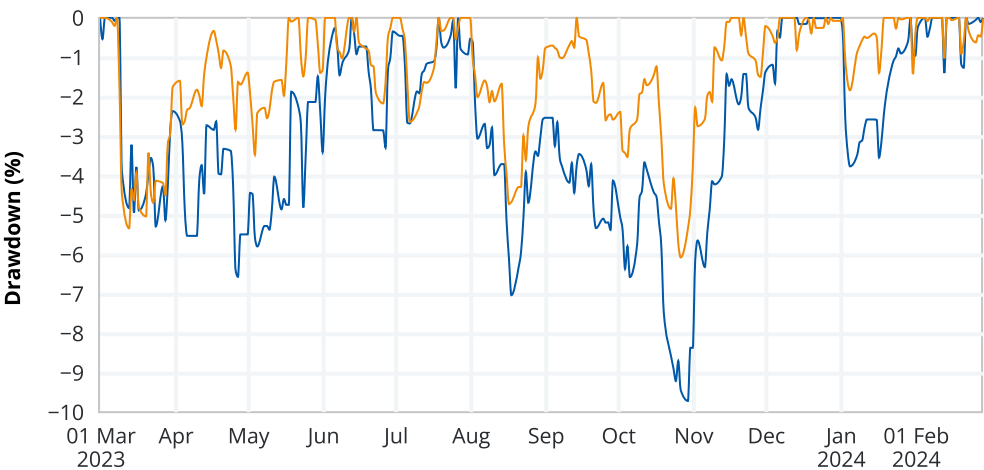
GROWTH (%) - FROM INCEPTION

13 Jul 2011 - 29 Feb 2024



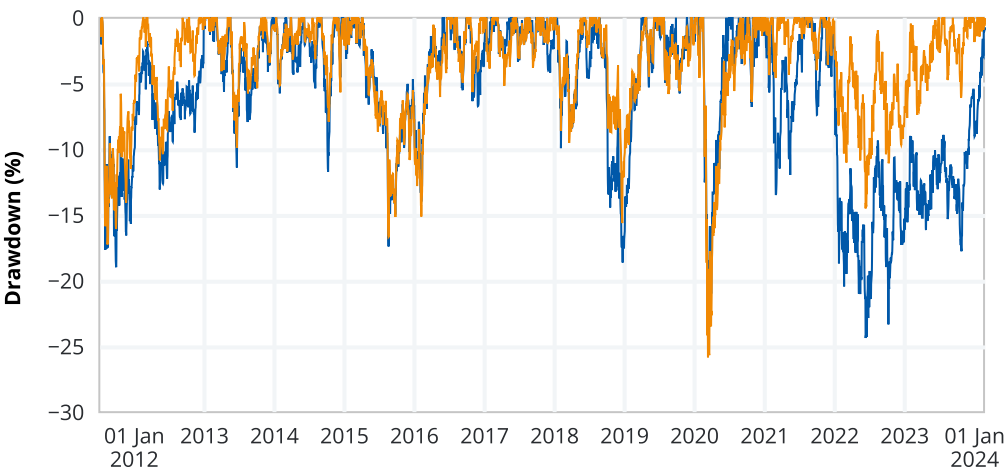
DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



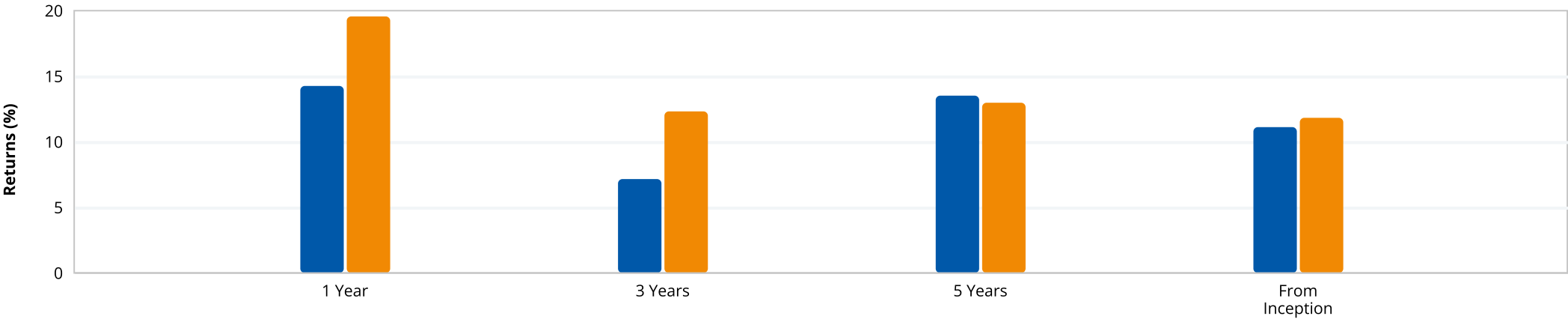
DRAWDOWN (%) - FROM INCEPTION

13 Jul 2011 - 29 Feb 2024



RETURNS

Pictet Global Environmental Opportunities GBP Inc FTSE World Equity Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.59	5.64											5.02
2023	4.69	0.02	0.85	-3.20	3.29	2.27	0.71	-1.66	-1.59	-4.42	7.11	5.74	13.93
2022	-13.80	-1.26	5.02	-3.10	-2.40	-7.25	13.86	-1.06	-6.30	0.75	5.01	-3.71	-15.68
2021	0.67	-3.23	2.21	2.42	-1.51	4.35	1.84	6.11	-3.07	2.14	5.06	0.83	18.79
2020	1.56	-7.17	-5.89	8.72	8.30	3.02	2.28	3.28	4.04	-1.61	8.04	4.00	30.76
2019	6.84	4.93	4.69	4.53	-2.76	6.24	4.26	-1.53	1.12	-2.67	3.73	1.30	34.54

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Pictet Global Environmental Opportunities GBP Inc	14.26	7.16	13.52	11.12
FTSE World Equity Total Return GBP	19.56	12.32	12.98	11.83

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Pictet Global Environmental Opportunities GBP Inc	14.26	23.01	88.06	276.81
FTSE World Equity Total Return GBP	19.56	41.57	83.67	308.49

Pictet Global Environmental Opportunities GBP Inc FTSE World Equity Total Return GBP

PERFORMANCE - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024

RETURNS (%)	14.26	19.56
VOLATILITY (%)	14.06	10.66
ALPHA	-0.55 *	
BETA	1.27 *	1.00
CORRELATION	0.87 *	1.00
SHARPE RATIO	0.64	1.31
SORTINO RATIO	0.91	1.96
MAX DRAWDOWN (%)	-9.72	-6.08

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

13 Jul 2011 - 29 Feb 2024

RETURNS (%)	11.12	11.83
VOLATILITY (%)	16.27	14.53
ALPHA	-0.08	
BETA	1.05	1.00
CORRELATION	0.88	1.00
SHARPE RATIO	0.62	0.74
SORTINO RATIO	0.87	1.04
MAX DRAWDOWN (%)	-24.36	-25.83

SIMPLE STRESS TEST DRAWDOWN (%)

1 Mar 2023 - 29 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

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