

PICTET ASSET MANAGEMENT
MARKETING MATERIAL

The Quest for Alpha in challenging markets

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PAM Secular Outlook 2023 - Summary

Global Economy

Below-trend growth, above-average and volatile inflation

- Debt, Policy rates, labour shortages, weak productivity
- DM economies growing at 1-.15%. China to become biggest economy by 2028
- Upside risks from green transition
- Downside risks
- Normalizing inflation
- Less room for monetary/fiscal expansion: debt sustainability
- Waged up, profit margins down

Financial Markets

Equity (~6%) and govt bond (~3%): returns still below historical norm

- Valuations: Fundamentals matter
- Valuation headwinds for US equities
- European and EM Asia equities to re-rate relative to US
- 2028 targets: Fed rate 2.5%, US 10Y 3.5%, ECB rate 2%, Ger Bund 2.5%
- Secular depreciation of US Dollar (>10% over next 5 years)

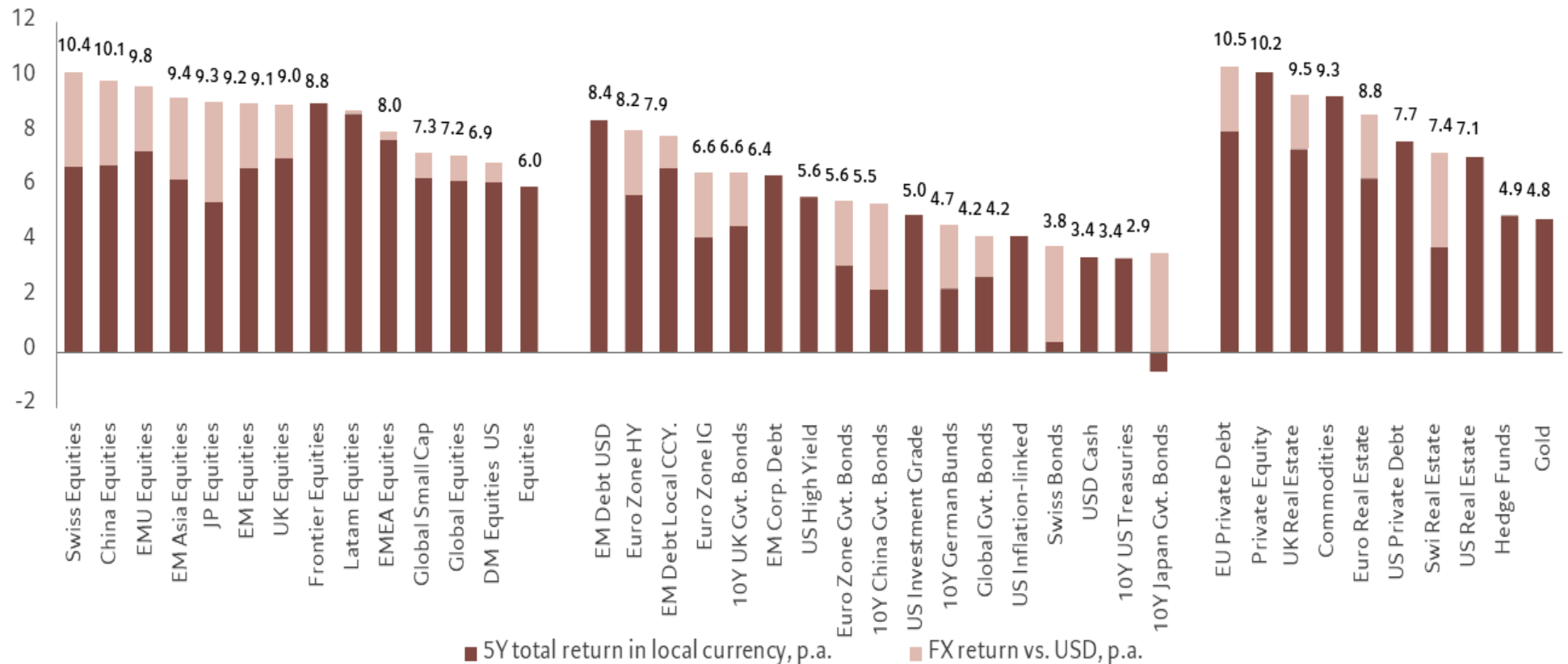
Investment Strategy

Seek exposure to alpha not beta

- Adjust allocation faster even with a longer investment time horizon
- Focus on quality stocks and secular growth themes
- Key characteristics to focus on:
 - strong competitive positions are able to generate high returns on capital
 - pricing power and are able to pass on higher costs to consumers
 - high degree of free cash flow generation, which they can use to invest in growth or return to shareholders

PAM SECULAR VIEW: ASSET RETURN FORECASTS

Asset classes 5Y return forecasts in USD, % p.a.



Source: Refinitiv DataStream, Bloomberg, Pictet Asset Management. As of 28th April 2023. Private debt return based on forecasts for direct lending. Benchmarks: MSCI indices for equities, Bofa indices for DM corporate bonds, JP Morgan indices for EM bonds and Euro-zone govt bonds, SBI for Swiss bonds, Bloomberg indices for commodities, Burgiss index for private equity, HFRI for hedge funds, NCREIF/SXI/Europe & UK closed ended funds for real estate markets, ICE Bullion for gold, US Cliffwater index for US Direct Lending.



From a benign decade...



A long period of relative certainty

Low inflation

Low rates and loose monetary policy

Generally benign geopolitical environment

Low market volatility

Rising tides lift all boats...

... to a challenging future



A more unforeseeable environment

Inflation

Rising rates and Quantitative Tapering

Great power tensions

Market dislocation and volatility

Fundamentals and consistency matter

The Quest for Alpha in challenging markets

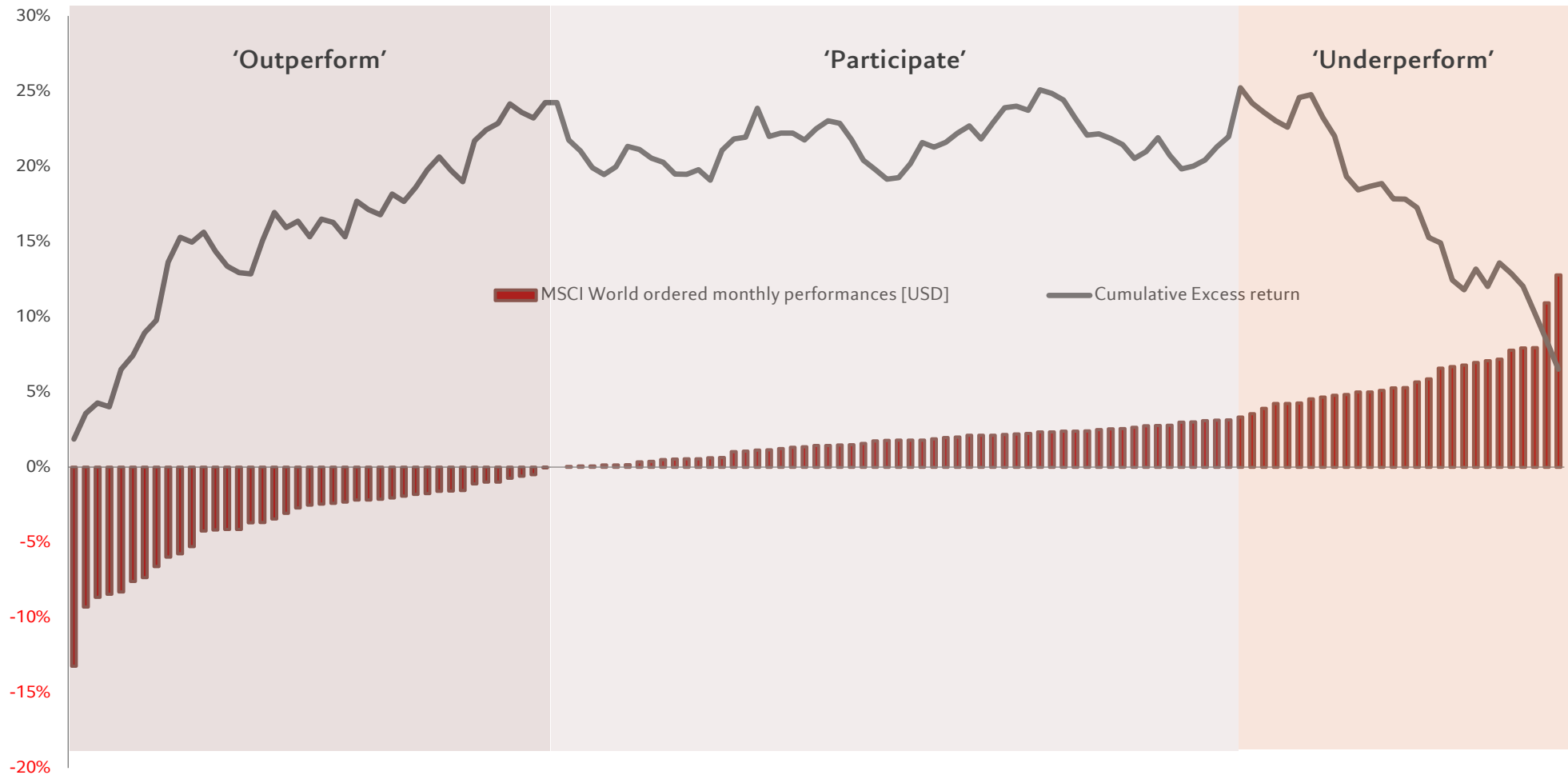
In challenging markets where downside risks are on the rise and beta is lower, we believe that a focus on defensive, quality equities can be a source of alpha for clients.

We also believe that the quantitative approach, enhanced by human oversight and effective risk management, can provide the discipline and efficiency required to identify quality companies at the right price.

This is the approach adopted by our Quest strategies, which are often used by investors to:

- diversify and complement existing growth equity allocations
- as an alternative to narrow low volatility strategies
- deliver alpha and strong sustainability characteristics

Quest delivers during the most challenged periods for the market

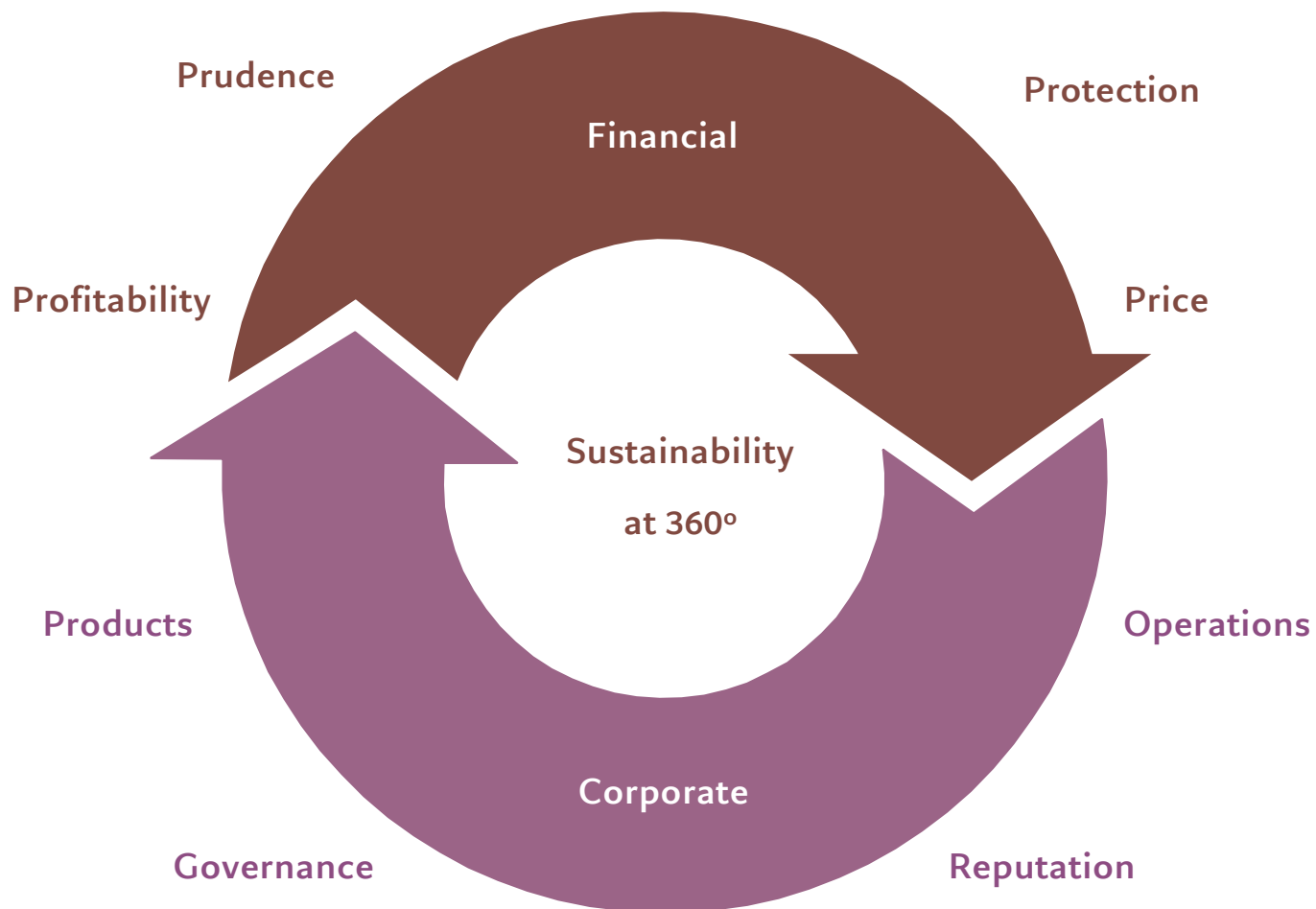


Source: Pictet Asset Management, MSCI World. *Performance is based on a representative portfolio in the Quest Global Sustainable strategy. Performance stated is net of dividend, before fees in USD. Returns are not chronological but ranked in order of worst to best MSCI World monthly performance. Data from 30.12.2012 to 28.05.2023. Past performance is a guarantee or a reliable indicator of future performance. Performance data does not include the commissions and fees charged at the time of subscribing or redeeming shares. The client's returns will be reduced by the management fees and other expenses.

Investment approach & philosophy

We believe that:

- Investors make systematic mistakes
- Quality companies with attractive valuations and lower risk outperform over time
- Robust quantitative approach removes emotional and behavioural biases
- ESG helps identify and manage the risk of company activities and behaviour



What types of companies do we invest in?

Highly profitable firms tend to surprise on the upside while loss-making/barely-profitable companies are more likely to price optimistic future growth scenarios.

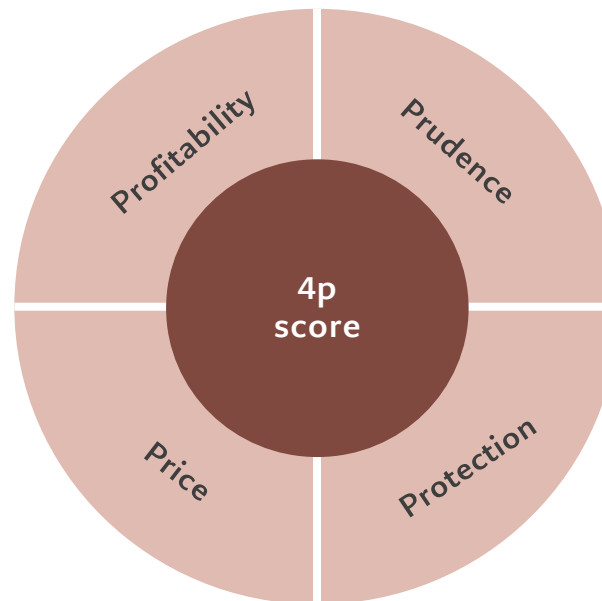
Example metric:

- Operating returns on assets

Everything else being held constant, a lower-priced company exhibits more attractive risk-adjusted return.

Example metric:

- Cash Flow/Enterprise Value



Robust and stable firms make less exciting investment cases while companies embedding a strong optionality (high financial gearing, high assets growth) are priced as “lottery tickets”.

Example metrics:

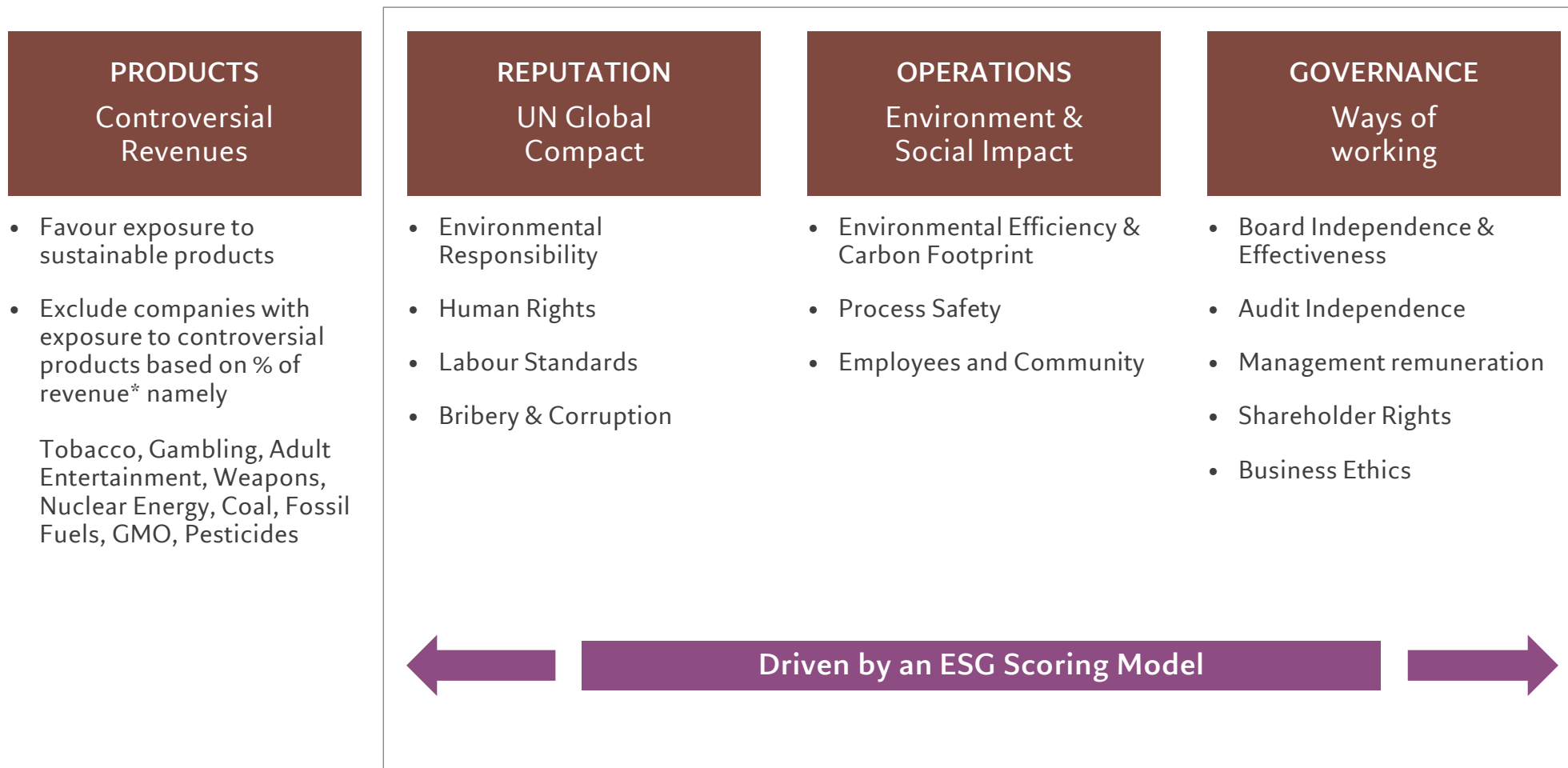
- Operating assets growth

The higher-risk equity segment is likely subject to additional buying pressure and tend to deliver sub-par returns over a cycle.

Example of metric:

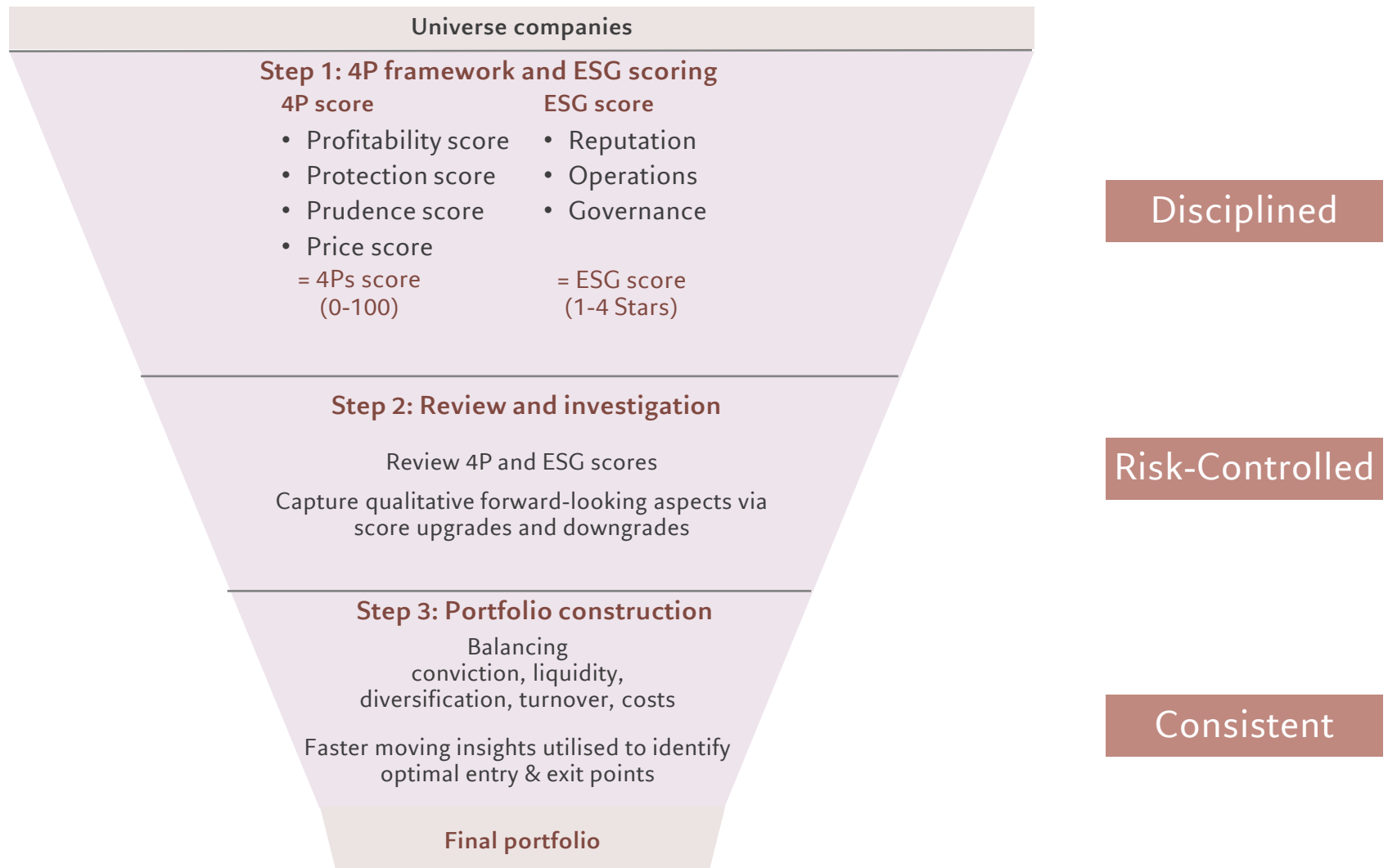
- Systematic risk

Assessing corporate sustainability profile



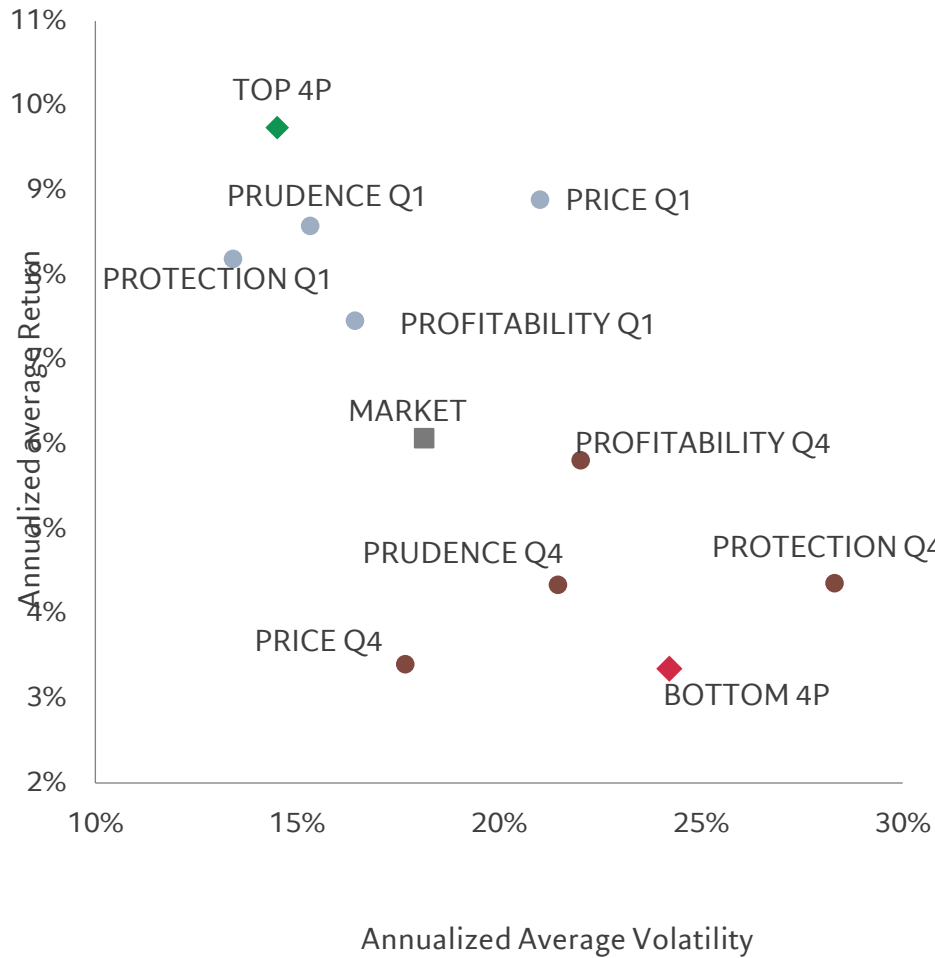
* Maximum 5% income related to controversial activities except for controversial weapons for which a 0% tolerance is applied and pesticides with a 10% tolerance. These investment guidelines are internal guidelines which are subject to changes at any time and without any notice.

Investment process overview

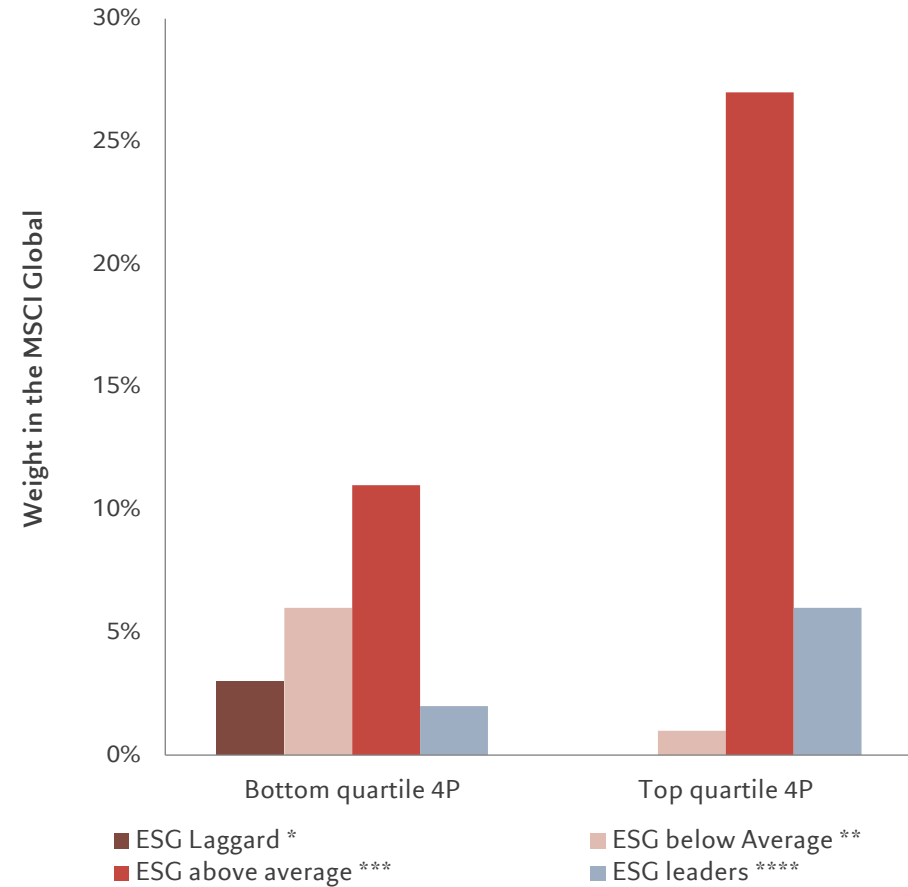


Sustainability at 360 degrees: interplay of dimensions

4P framework: the whole is greater than the sum of the parts

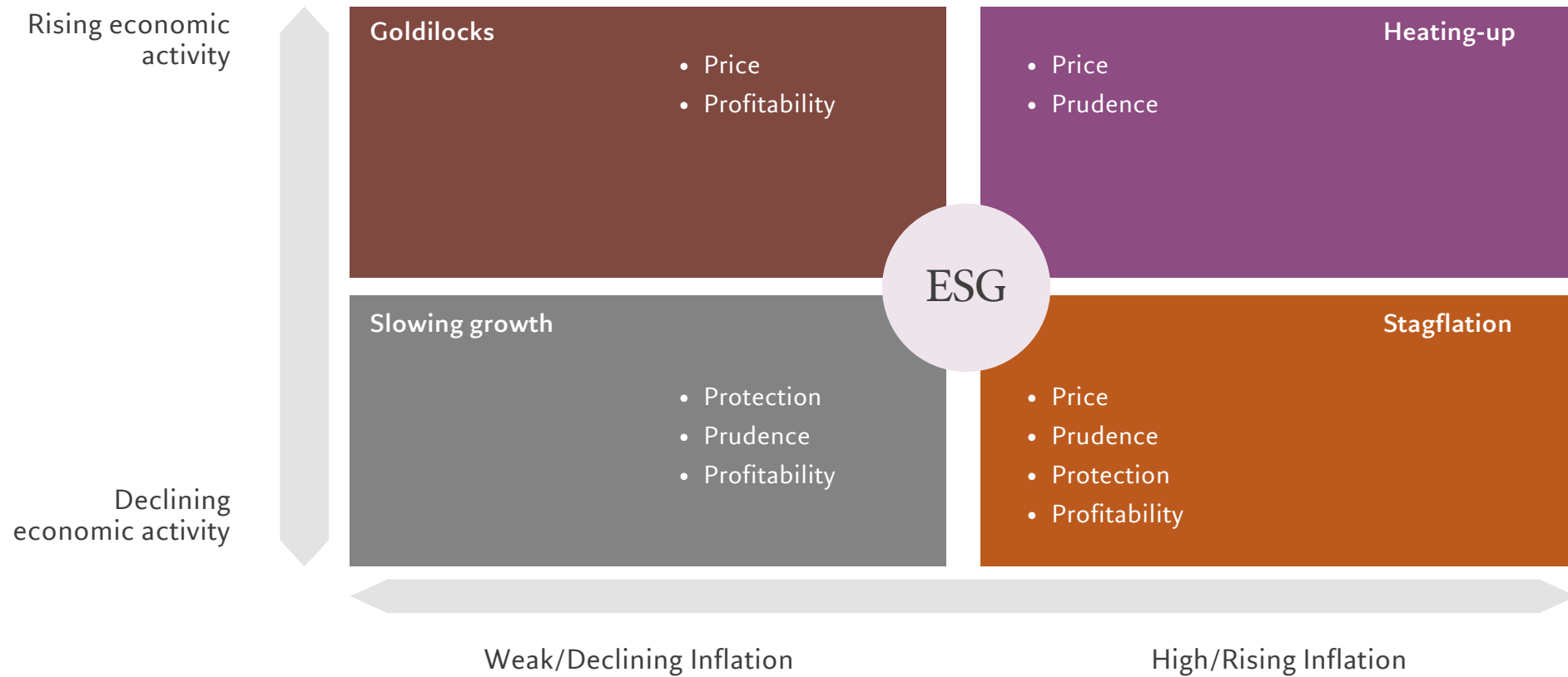


In large cap stocks, top 4P and ESG are positively correlated



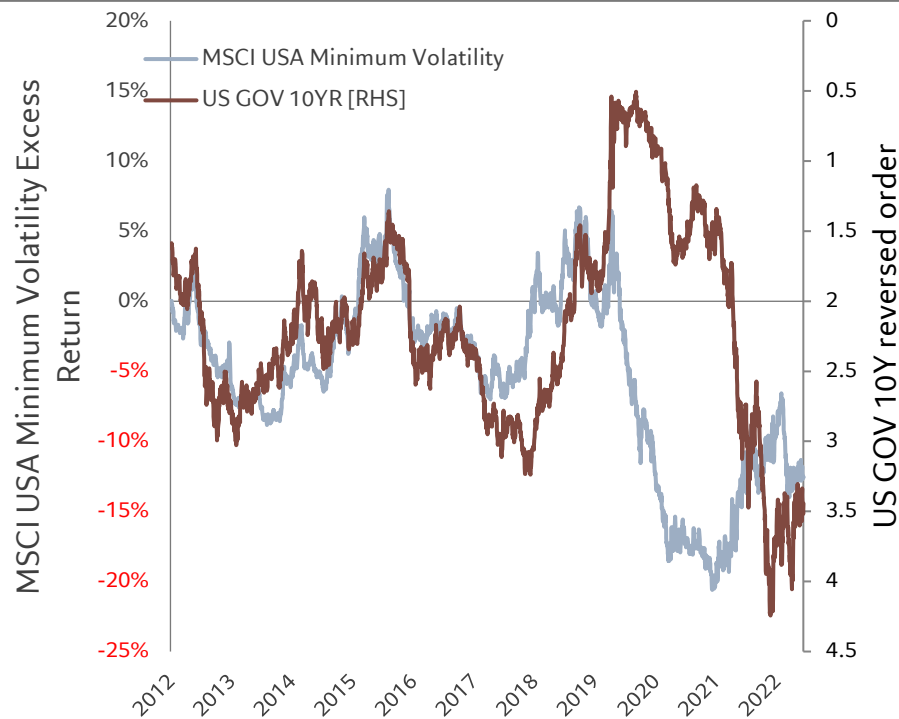
Source: Scatter plot data from 31.12.1992 to 28.06.2023 presented for illustrative purposes. ESG star distribution as of 28.06.2023. Past performance is not a guarantee or a reliable indicator of future performance. Performance data does not include the commissions and fees charged at the time of subscribing or redeeming shares. The client's returns will be reduced by the management fees and other expenses.

Quest to navigate through the cycle



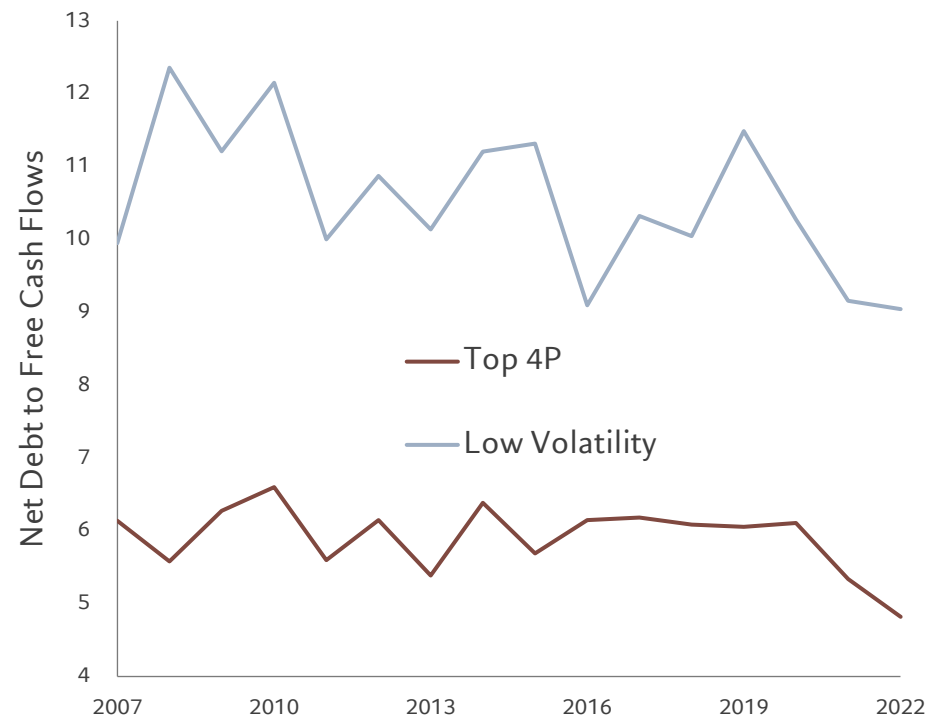
Behaviour and hidden risks

Low Volatility as a bond proxy ...



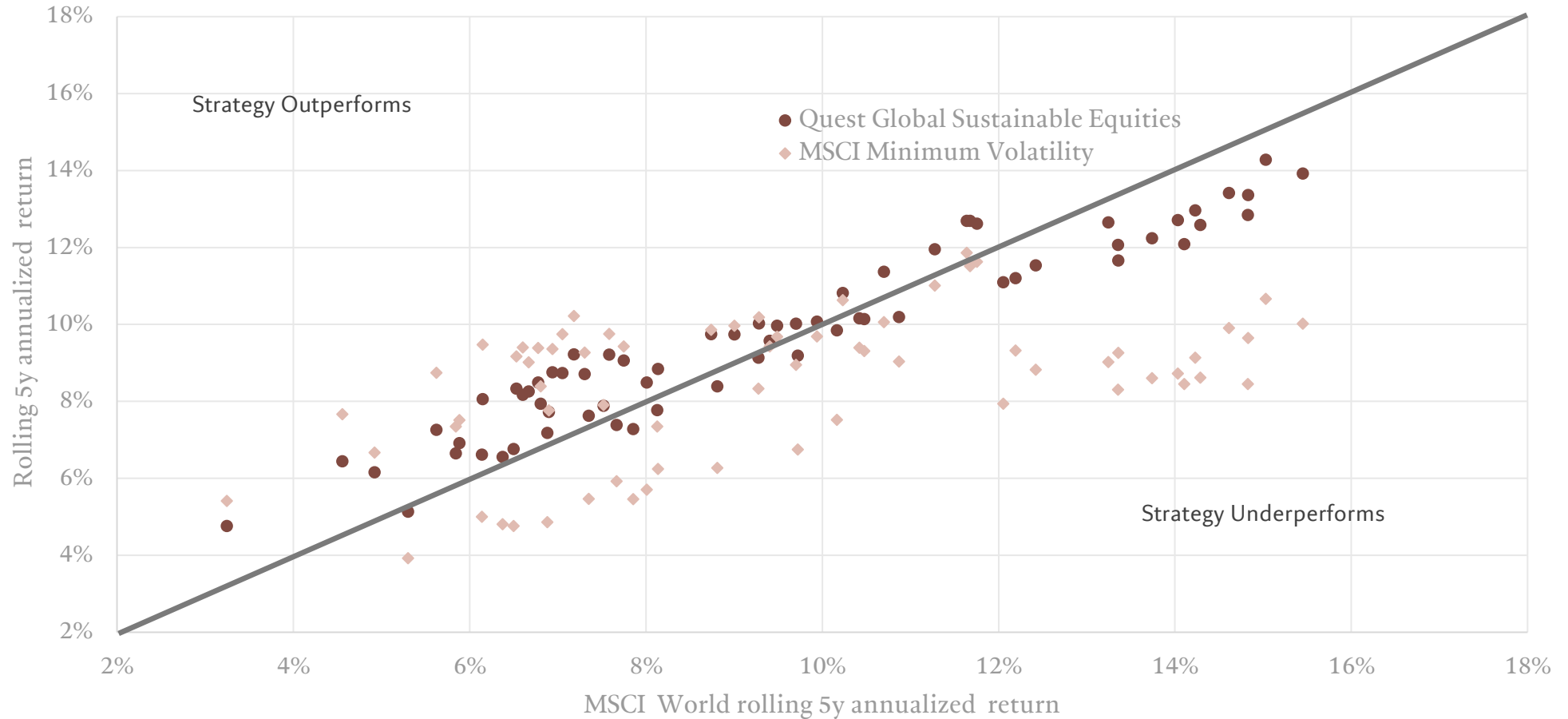
Source: Bloomberg, Refinitiv. Data from 30.11.2012 to 10.05.2023

... but comes with high leverage, adding other measures helps Quest overcome this (4P)



Source: Pictet Asset Management, Refinitiv. Data as of 31.05.2023

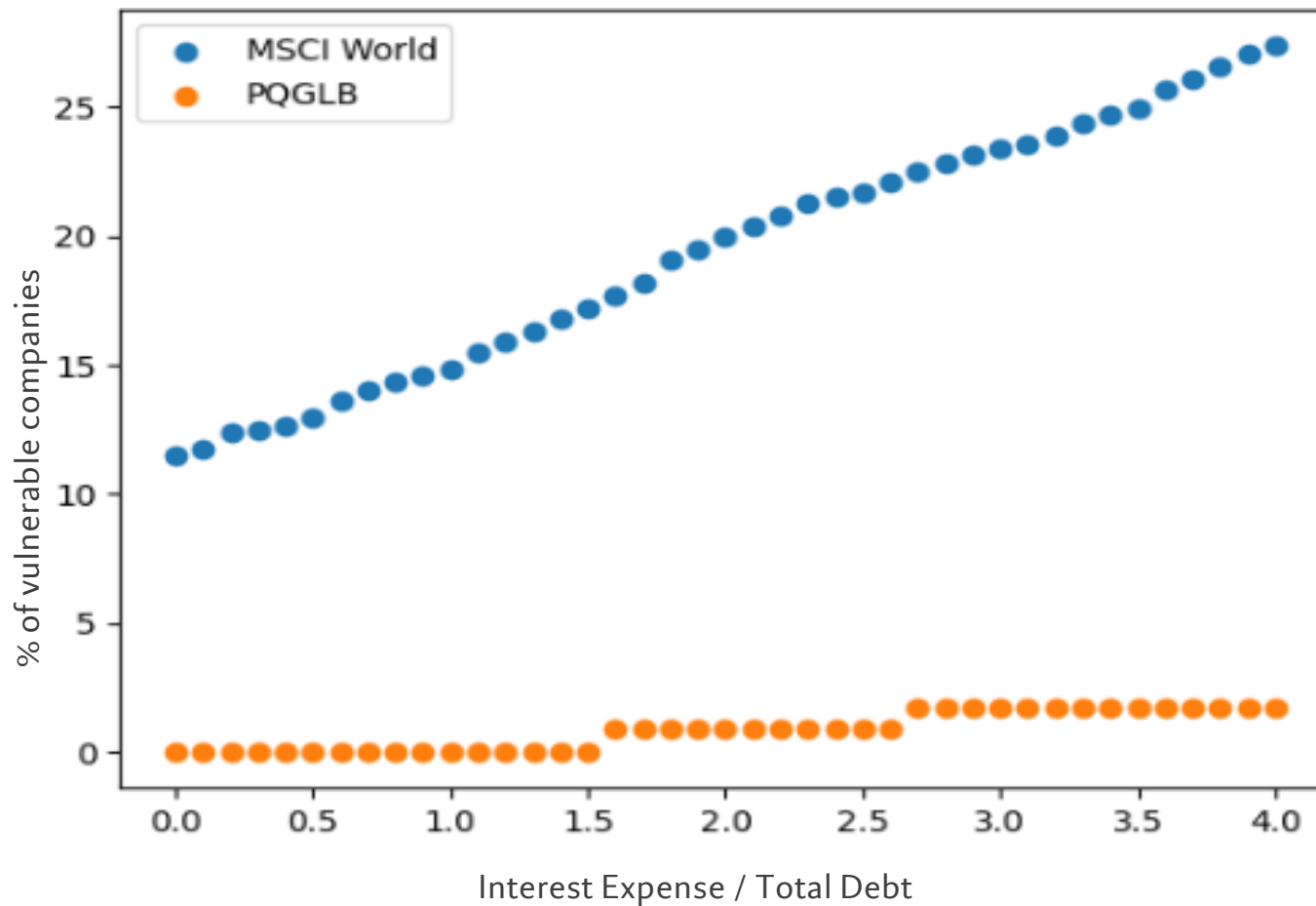
Quest delivers more consistent outcomes than the MSCI Minimum Volatility on a 5Y rolling basis



Source: Pictet Asset Management, MSCI World. *Performance is based on a representative portfolio in the Quest Global Sustainable strategy. Performance stated is net of dividend, before fees in USD. Returns are not chronological but ranked in order of worst to best MSCI World monthly performance. Data from 30.11.2012 to 28.04.2023. Past performance is a guarantee or a reliable indicator of future performance. Performance data does not include the commissions and fees charged at the time of subscribing or redeeming shares. The client's returns will be reduced by the management fees and other expenses.

Vulnerable companies in a rising rates environment

Percentage of vulnerable companies to an increase of interest rates



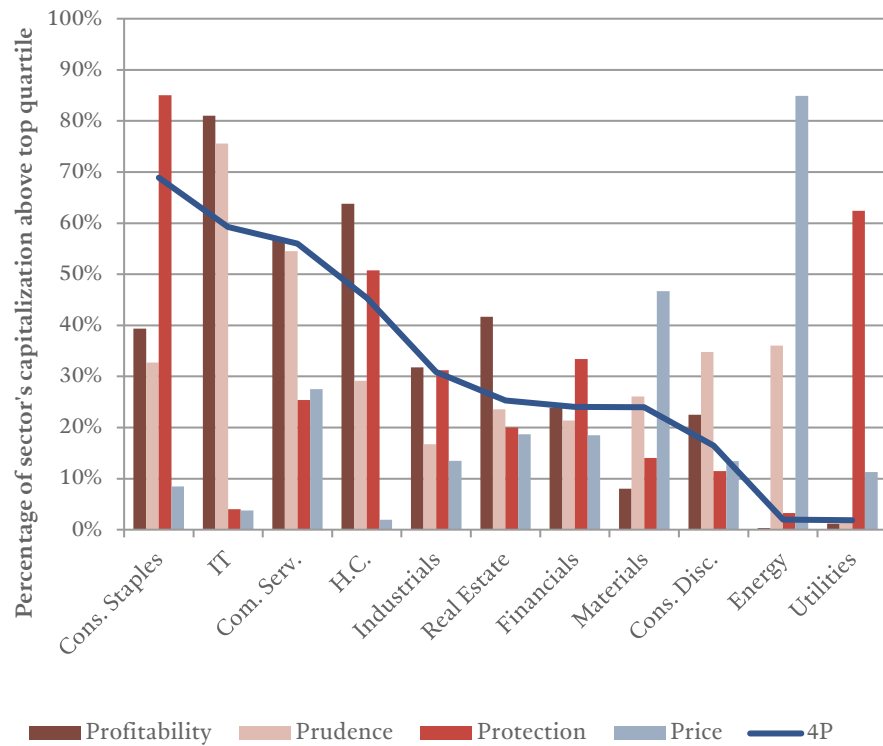
Vulnerability criteria:

*Interest expense > 0.5 * Operating income*

Source: Worldscope

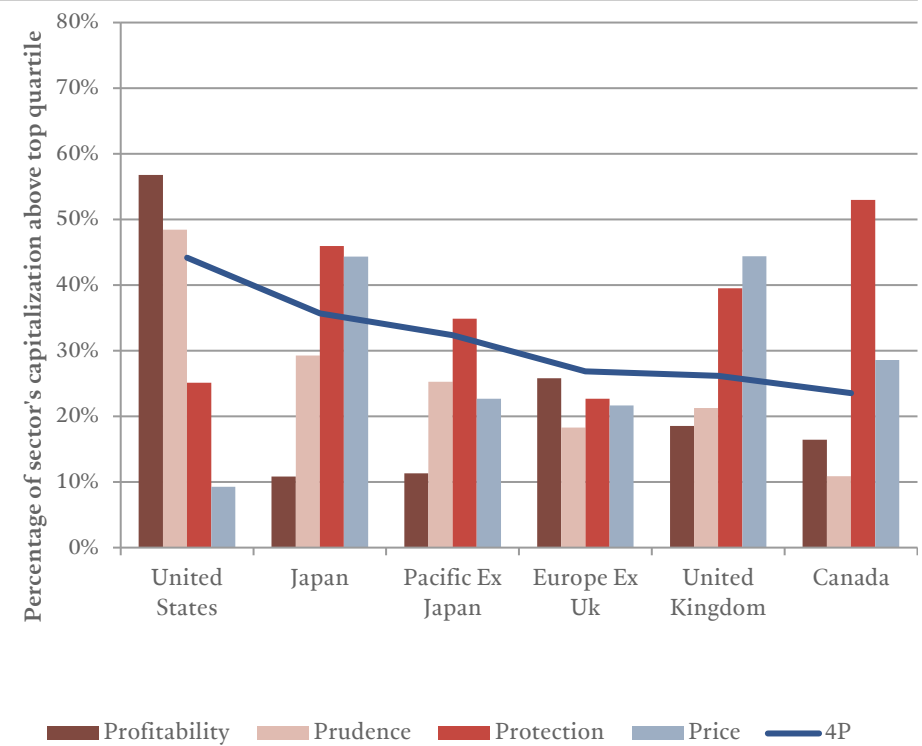
Market screening through the 4P lenses

By sector



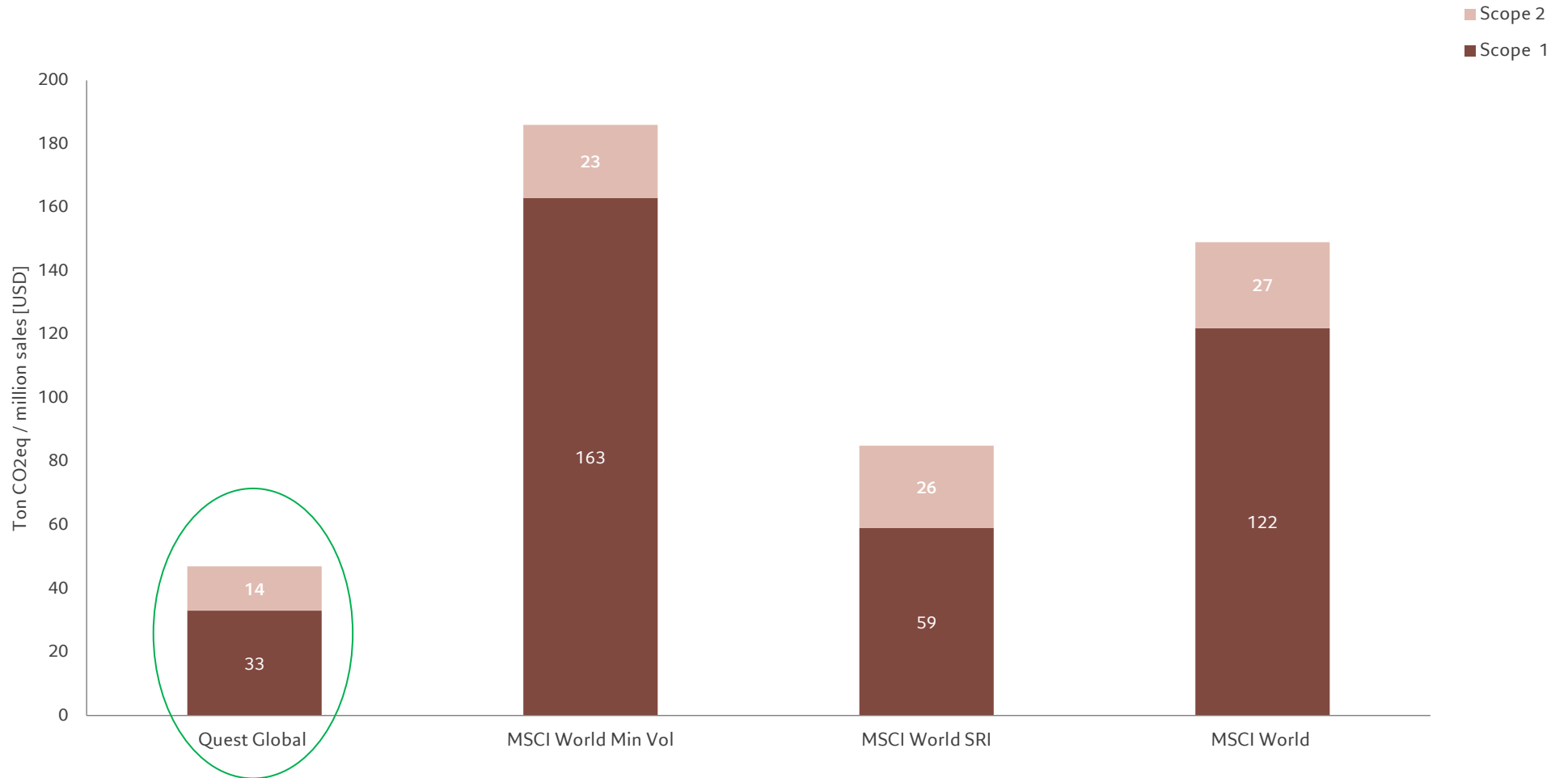
Source: Pictet Asset Management, Refinitiv. Data as of 31.05.2023

By region



Source: Pictet Asset Management, Refinitiv. Data as of 31.05.2023

Quest has lower carbon emissions



Source: Trucost. Data as of 31.05.2023.

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To find out more about Quest please visit our website-



<https://am.pictet/en/quest-equities>

COMPOSITE SUMMARY

Quest Global Sustainable Equities MSCI World 'Global Defensive/USD' Consolidated

For the purpose of complying with GIPS, the Firm is defined as Pictet Asset Management (Pictet AM) and comprises all assets managed in Switzerland by Pictet Asset Management S.A. (including its branches), in the United Kingdom by Pictet Asset Management Limited (including its branches), in Italy by Pictet Asset Management Ltd Succursale Italiana, in Hong Kong by Pictet Asset Management (Hong Kong) Limited, in Japan by Pictet Asset Management (Japan) Ltd and in Singapore by Pictet Asset Management (Singapore) Pte Ltd.

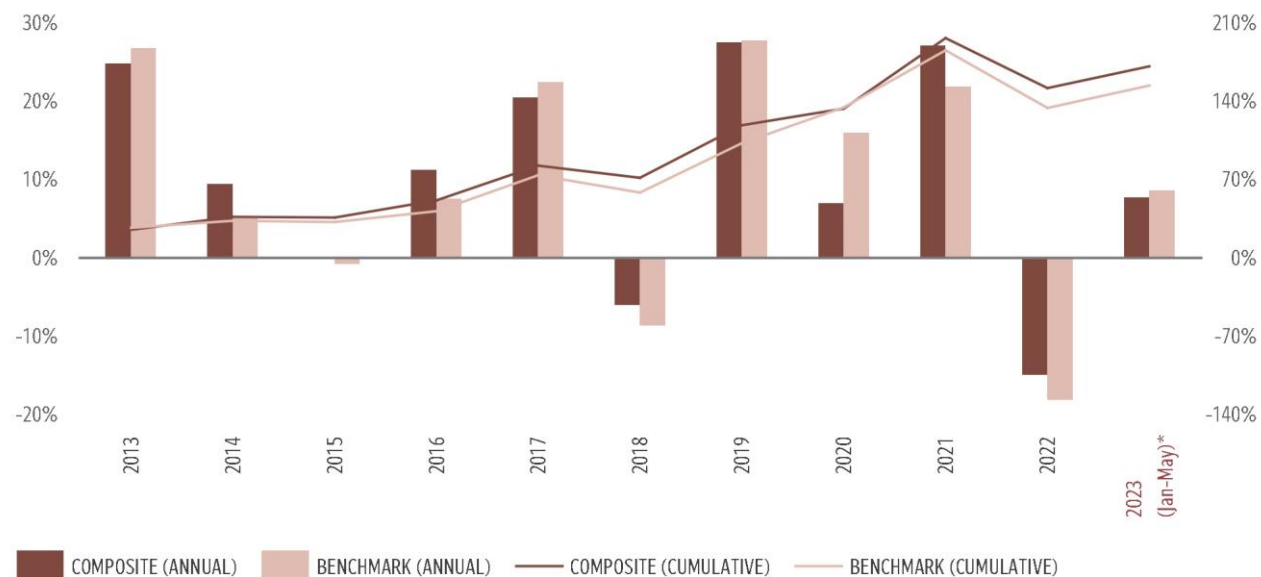
Portfolios must have a minimum size of 10,000,000 US Dollar in order to be included in the composite. Portfolios are excluded from the composite if their market value falls below 7,000,000.

The composite encompasses actively managed portfolios investing in quality companies globally and well diversified across stocks, sectors and regions. The strategy is following sustainable investing.

The composite is measured against the 100% MSWRLD \$_NRI (MSCI WORLD (\$)) (NRI) benchmark.

ANNUAL PERFORMANCE

CUMULATIVE PERFORMANCE



Performance (annualised beyond 1 year)

PERIOD	COMPOSITE	BENCHMARK	RELATIVE
3 Months	4.33%	3.85%	0.48%
Year to Date	7.67%	8.52%	-0.86%
1 Year	3.91%	2.07%	1.84%
2 Years	1.21%	-1.43%	2.64%
3 Years	11.64%	10.96%	0.68%
5 Years	8.81%	7.79%	1.02%
10 Years	9.26%	8.59%	0.67%
Since Inception (31.12.2012)	10.04%	9.34%	0.70%

Risk measures (annualised)

INDICATOR	1 YEAR	3 YEARS	SINCE INCEPTION
Composite volatility	20.91%	16.57%	13.26%
Benchmark volatility	21.61%	17.65%	14.42%
Sharpe ratio	0.02	0.62	0.68
Tracking error	3.70%	4.21%	3.76%
Information ratio	0.49	0.15	0.17

Risk indicators are calculated based on relative (geometric) return.
Performance Gross of fees in USD as of 31.05.2023



1.

Now it's time for Q&A