

Quarterly strategy profile

Absolute Return Fixed Income

December 31, 2023
Marketing material
 For professional investors only

GENERAL INFORMATION

Composite inception:	August 31, 2012
Base currency:	USD
Reference index:	N/A

PORTFOLIO MANAGERS

	INDUSTRY EXPERIENCE SINCE	FIRM EXPERIENCE SINCE
Andres Sanchez-Balcazar ¹	1997	2011
Ossi Valtanen ¹	1999	2020
David Bopp	2001	2004
Shah Malik	2016	2023

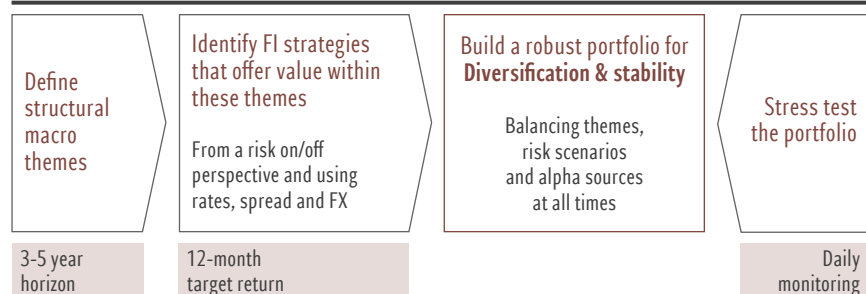
INVESTMENT PHILOSOPHY AND APPROACH

We believe that an unconstrained, flexible approach to global fixed income (FI) investing using the full spectrum of fixed-income instruments is an efficient way of achieving attractive returns while controlling downside risks.

The strategy seeks to achieve a return of 3%-4% p.a. over cash gross of fees², with an expected ex-ante volatility of 4%-6% p.a.. Our actively-managed strategy has a long-term investment horizon (beyond the economic cycle), is value-driven (independent of a central scenario or forecast) and robust (diversified and risk managed).

INVESTMENT PROCESS OVERVIEW³

Balanced and value-based investing



BENEFITS OF THE STRATEGY

- The Absolute Return Fixed Income strategy seeks to deliver stable returns over time, independent of economic cycles.
- The strategy is not dependent on a single alpha source or forecast.
- It focuses on value and uses diversification to drive risk allocation and balance.
- The strategy aims to benefit from market volatility.
- It offers low correlation with other asset classes and strategies.

1 Co-lead investment manager.

2 Over USD SOFR or equivalent in the relevant currency. This objective is based on the achievement of market assumptions approved by the portfolio management team. This target return does not in any way constitute a promise of future returns.

3 These investment guidelines are internal guidelines which are subject to change at any time and without any notice.

Source: Pictet Asset Management

COMPOSITE PERFORMANCE

For illustrative purposes

Per period and calendar year, % in USD

	COMPOSITE (NET)	COMPOSITE (GROSS)	REFERENCE INDEX (NET)
QTR	2.39	2.47	–
2023	1.20	1.55	–
2022	-5.71	-5.36	–
2021	-1.54	-1.19	–
2020	4.53	4.88	–
2019	8.37	8.72	–
2018	1.18	1.53	–
2017	2.55	2.90	–
2016	3.01	3.36	–
2015	0.43	0.78	–
2014	3.33	3.68	–
2013	1.38	1.73	–

Annualized, % in USD

	COMPOSITE (NET)	COMPOSITE (GROSS)	REFERENCE INDEX (NET)
1 year	1.20	1.55	–
2 years	-2.32	-1.97	–
3 years	-2.06	-1.71	–
5 years	1.25	1.60	–
10 years	1.67	2.02	–
SI	1.92	2.27	–

The net of fees return in this case reflects the deduction of the management fee of 0.35% per annum (which may be lower than the management fee used to calculate the net-of-fees GIPS Compliant return) and is presented as supplemental information.

IMPORTANT INFORMATION

The published performance represents past data. Past performance is not a guarantee or a reliable indicator of future performance. There is no guarantee that the same yields will be obtained in the future. The value and income of any of your investments may fluctuate with market conditions and may lose some or all its value. The portfolio may be affected by changes in currency exchange rates, which can have an adverse effect on the value or income of the portfolio.

QTR = Quarter; YTD = Year to Date;

SI = Since inception

Source: Pictet Asset Management



REPRESENTATIVE PORTFOLIO INFORMATION⁴

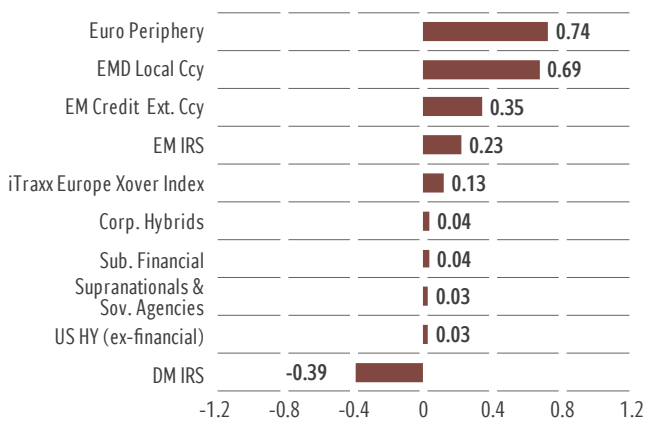
Statistics over 5 years

Beta	-5.85
Annualized volatility (%)	3.42
Information ratio	-0.091
Sharpe ratio	-0.15
Max. drawdown (%)	-9.19
Turnover (p.a.) ⁵	12.67

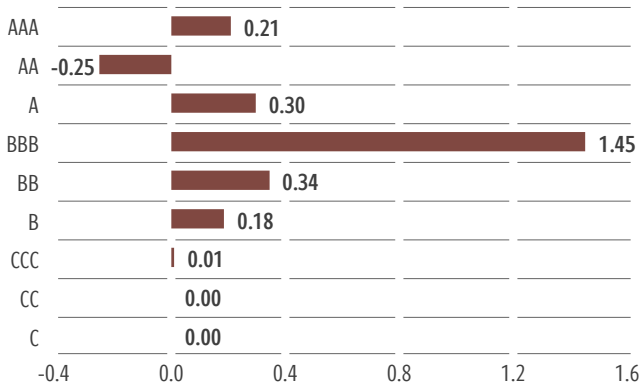
Statistics as at quarter end

Weighted average modified duration (years)	1.48
Yield to maturity (%)	0.06
Average coupon (%)	0.03
Average credit rating	BAA1

Sector breakdown - Top and bottom 5 (Spread duration contribution in years)



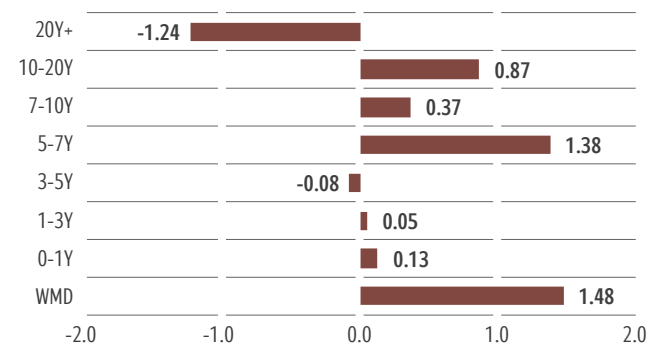
Investment rating breakdown (Spread duration contribution in years)⁷



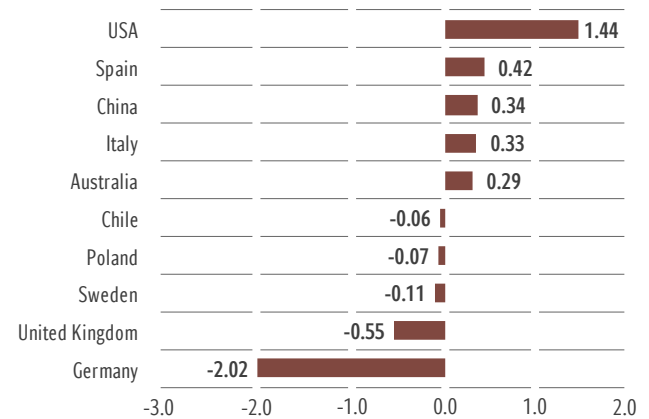
Top 10 issuers (MV% of assets)⁶

ISSUER	COUNTRY	%
Japan	Japan	19.0
USA	USA	18.1
Brazil	Brazil	6.8
Italy	Italy	5.5
Spain	Spain	3.5
South Africa	South Africa	3.4
Peru	Peru	2.6
China	China	2.1
Germany	Germany	1.4
Mexico	Mexico	1.1

Duration contribution (in years)



Country breakdown - Top and bottom 5 (Duration contribution in years)⁸



⁴ Portfolio information refers to a portfolio that is representative of the strategy presented in this document and included in the composite used in the Composite Performance section.

⁵ Turnover: Please note that the above turnover figure represents the 5Y average of 1Y rolling Cashflow-Adjusted Turnover, which is calculated monthly as [(Purchases + Sales - (Absolute value of Net Cashflow))/2]/Average Market Value.

⁶ The mentioned financial instruments are provided for illustrative purposes only and shall not be considered as a direct offering, investment recommendation or investment advice. Reference to a specific security is not a recommendation to buy or sell that security.

⁷ For CDS (credit default swaps), spread duration is used.

⁸ Countries excluded if less than 0.05 duration contribution in absolute terms.

Effective allocations are subject to change and may have changed since the reporting date.

MV = Market value

Source: Pictet Asset Management



Risk considerations

The portfolio may be exposed to the following risks which may negatively impact its performance:

- Financial Derivatives risk: the leverage resulting from derivatives amplifies losses in certain market conditions.
- Counterparty risk: losses occur when a counterparty does not honor its obligations related to contracts such as over-the-counter derivatives.
- Credit risk: sudden losses may occur when issuers of debt securities default on their payment obligations.
- Investments in emerging markets are generally more sensitive to risk events, such as changes in the economic, political, fiscal and legal environment, as well as fraud.
- Contingent Convertible (“CoCo”) investments may result in losses when regulatory or issuer-motivated triggering events cause a total loss of the investment or a conversion to equity.
- Operational risk: losses resulting from human errors, system failures, incorrect valuation and safekeeping of assets.
- Sustainability risk: ESG related risk events or conditions could cause a material negative impact on the value of the investment if they were to occur.

COMPOSITE DISCLOSURE

For illustrative purposes only

Composite: Global Fixed Income Absolute Return Consolidated
 Benchmark: The investment approach implies that it is not appropriate to compare the performance of the composite against a specific benchmark.
 Currency: USD
 Returns as of: December 31, 2023
 Inception date: August 31, 2012
 Creation date: March 04, 2014

PERIOD	COMPOSITE RETURN (NET %) ⁹	COMPOSITE RETURN (GROSS %)	BENCHMARK RETURN (%)	COMPOSITE 3YR STANDARD DEVIATION (GROSS % P.A.) ¹⁰	BENCHMARK 3YR STANDARD DEVIATION (GROSS % P.A.) ¹⁰	NUMBER OF PORTFOLIOS ¹¹	COMPOSITE ASSETS (USD M) ¹¹	COMPOSITE DISPERSION (%)	TOTAL FIRM ASSETS (USD M) ¹¹
2023	1.03	1.55	–	3.10	–	1	286	–	259,262
2022	-5.65	-5.36	–	3.74	–	1	984	–	235,637
2021	-1.48	-1.19	–	3.14	–	1	2,274	–	283,101
2020	4.45	4.88	–	3.04	–	2	2,500	–	251,670
2019	8.32	8.72	–	1.85	–	2	2,265	–	206,994
2018	1.10	1.53	–	1.56	–	2	1,987	–	172,139
2017	2.24	2.90	–	1.80	–	2	2,651	–	195,459
2016	2.88	3.36	–	1.97	–	2	1,606	–	157,225
2015	0.40	0.78	–	2.40	–	2	1,199	–	144,971
2014	3.09	3.68	–	–	–	2	652	–	151,591
2013	1.24	1.73	–	–	–	2	79	–	150,803

9 The net-of-fees returns are not “swing factor” adjusted and are based on the capital-weighted aggregation of the different portfolios included in this composite. As a consequence, they don’t reflect the real net-of-fees return of any given portfolio.

10 Ex-post standard deviation; not presented if less than 36 months returns are available.

11 As of end of period.

Past performance is not a guarantee or a reliable indicator of future performance.

Source: Pictet Asset Management

Disclosures

Composite description

The composite encompasses actively managed portfolios which follow an investment strategy seeking to emphasise absolute return rather than relative performance and which aim to generate annual returns of 3% to 5% per year over a 3 to 5 year investment cycle using broad fixed income universe and having an ex-ante volatility not higher than 8% per year and to achieve positive absolute returns by investing primarily in any form of debt securities such as government variety of fixed income investment strategies to generate a positive return superior to the risk free rate.

No benchmark is associated with this composite.



Compliance with GIPS, verification and inception date

Pictet AM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Pictet AM has been independently verified by PricewaterhouseCoopers for the periods from December 31, 1990 to December 31, 2022. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firmwide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Definition of the firm and investment discretion

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.

Calculation of return of the portfolio, composite and benchmark

Segregated portfolios returns are calculated gross of fees; i.e. after deduction of transaction fees (brokerage, stamp duties, etc.), but before deduction of management fees, and custody charges. Pictet AM bundled all-in fees may include management fees, Pictet's handling fees, as well as Pictet's custody charges. In some rare cases, correspondent fees are also included. Since January 01, 2006, the transaction cost portion of the Pictet AM all-in fees is treated on a net basis. Reclaimed withholding taxes are taken into account at the time of their payment. Income of all funds are accounted for net of withholding tax. However, since 1996 Swiss Equity and Swiss Bond composites are calculated gross of withholding tax. Returns of Swiss Balanced composites are calculated net of withholding tax prior to December 31, 2001 and gross of withholding tax from January 01, 2002. Fixed Income securities are accounted for on an accrual basis and dividends as well from July 01, 2010.

The monthly composite performance is calculated by weighing the performance of each individual portfolio by its respective value within the composite at the beginning of the month. These monthly returns are geometrically linked to generate returns for time periods longer than one month. All transactions are taken into consideration on their trade date.

The performance of all pooled portfolios is calculated on a daily basis using the Net Asset Values (NAV) per share. These figures are calculated gross of fees by adding back the Total Expense Ratio (TER) to the NAV based return. The NAV calculation fully accounts for all revenues on an accrued basis.

Since January 01, 2013 the gross-of-fees return of pooled portfolios is calculated on the basis of the "unswung" NAV that does not reflect additional "swing factor" charges applied to subscriptions and redemptions, and by adding back the daily accrued Total Expense Ratio (TER).

Use of derivative instruments

Portfolios within the composite are not leveraged. However, derivatives may be used for tactical reasons.

Calculation of risk measures

Composite dispersion is calculated as the equal-weighted standard deviation of the portfolio returns within the composite if there have been more than 4 portfolios in the composite during the entire reporting period. The three year ex-post standard deviation of the composite and the benchmark is not presented if less than 36 months returns are available. The Sharpe ratio measures the excess return on a risk free investment for a consented risk. In the case of the Sharpe ratio, the risk is calculated from the volatility. The Tracking Error indicates how closely a portfolio follows the index to which it is benchmarked. The Information Ratio measures risk relative to benchmark. The Beta defines the sensitivity of the portfolio to market movements. The presented risk measures are using the same return type than the performance numbers presented in this report.

The risk-free rate used to calculate the additional risk measures is the Treasury Bill \$ 3M ESD.

Other information

A detailed description of the Global Fixed Income Active investment approach and a full list of all Pictet AM's composites descriptions is available on request.

Additional information regarding policies for calculating and reporting returns, valuing portfolios and preparing compliant presentations are available upon request.



For more information
Pictet Asset Management
assetmanagement.pictet

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