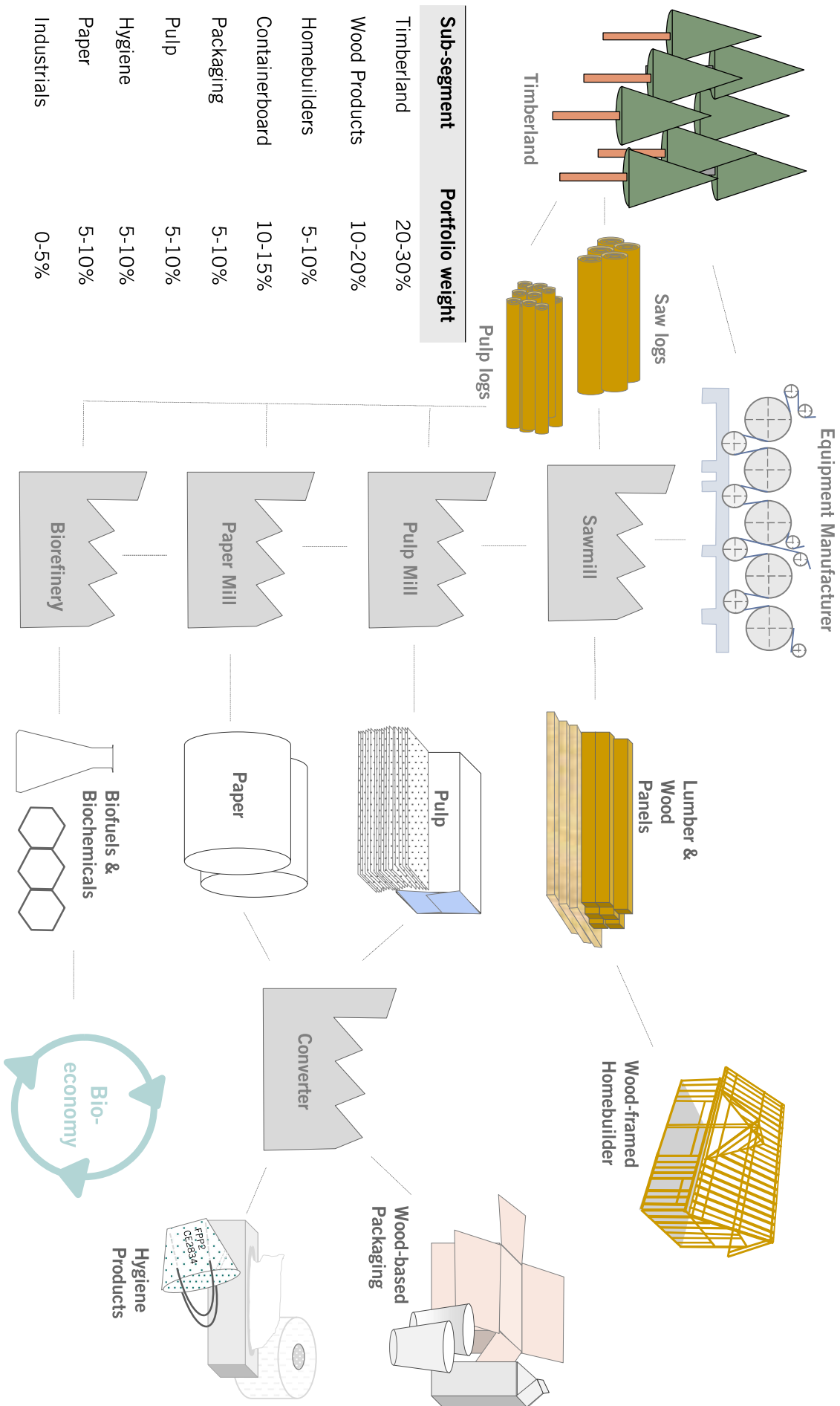


Pictet-Timber

CHRISTOPH BUTZ

September 16th, 2021

INVESTMENT UNIVERSE: THE FOREST VALUE CHAIN













Source: Pictet Asset Management, as per 31.08.2021
This is an internal guideline which can be amended at any time without notice.

WHY IS THIS AN ATTRACTIVE INVESTMENT?

- Unique investment case as the only actively managed fund world-wide that invests in stock-listed companies along the forest value chain (biological growth, discount to private equity timberland valuations, real assets)
- Robust long-term economic growth drivers driving long-term demand for wood fibres (population & GDP growth, increasing per capita consumption, rising standards of living in EM, ageing in DM, e-commerce, green consumerism)
- Strong sustainability exposure allows investors to have a positive environmental impact, while driving and benefitting from future green growth (CO₂ capture & storage, substitution of plastic and other mineral or fossil resources, ecosystem services, biodiversity)

TOP TEN POSITIONS

COMPANY	DOMICILE	MARKET CAP (\$BN)	WEIGHT IN FUND (%)	SHORT DESCRIPTION
 Rayonier	US	5.2	5.8%	Owms and manages 2.7 mn acres of forestland predominantly in the US South, Pacific NW & New Zealand.
 West Fraser	Canada	8.2	5.3%	Largest North American lumber producer with sawmills in B.C., Alberta and the US South. Through merger with Norbord, also largest NA Oriented Strandboard (OSB) producer.
 Weyerhaeuser	US	27.0	5.3%	Largest publicly listed Timber REIT, owns >1 mn acres of timberlands and produces lumber, oriented strand boards (OSB) and engineered wood products.
 PollackDeltic	US	3.5	4.3%	Owms and manages close to 2mn acres of timberland in Idaho and the U.S. South and manufactures lumber and wood products.
 StoraEnso	Finland	12.0	3.0%	Large Scandinavian forest company, integrated in packaging, pulp, paper and wood products. Owms >1m hectares in Sweden, Finland and LATAM
 WestRock	US	13.9	3.0%	Leading U.S. containerboard, corrugated box and paper-based consumer packaging company with IJs in fast growing Latam countries.
 INTERNATIONAL PAPER	US	23.5	2.9%	Largest global containerboard and corrugated box manufacturer. Also leading North American copy paper and softwood pulp manufacturer.
 mondi	UK/South Africa	13.4	2.9%	Manufactures industrial and consumer packaging paper, corrugated containers and office paper, and operates plantations and timberland in SA and Eastern Europe.
 Suzano	Brazil	16.2	2.8%	World's largest pulp producer, owns 1.3 mn hectares of Eucalyptus plantations and safeguarding 900k hectares of native forest in Brazil
 INTERFOR Building Value™	US	1.4	2.7%	Harvests timber and produces lumber products, logs and wood chips, in the U.S. South, the Pacific North West and British Columbia.

Source: Pictet Asset Management, Bloomberg, as of 31.08.2021

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Note: The mentioned financial instruments are provided for illustrative purposes only and shall not be considered as a direct offering, investment recommendation or investment advice. Effective allocations are subject to change and may have changed since the date

PICTET-TIMBER VERSUS MSCI AC WORLD SINCE INCEPTION

GIIPS[®]
Standards

COMPOSITE SUMMARY

Thematic Equities 'Timber' Consolidated

For the purpose of complying with GIIPS, 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.

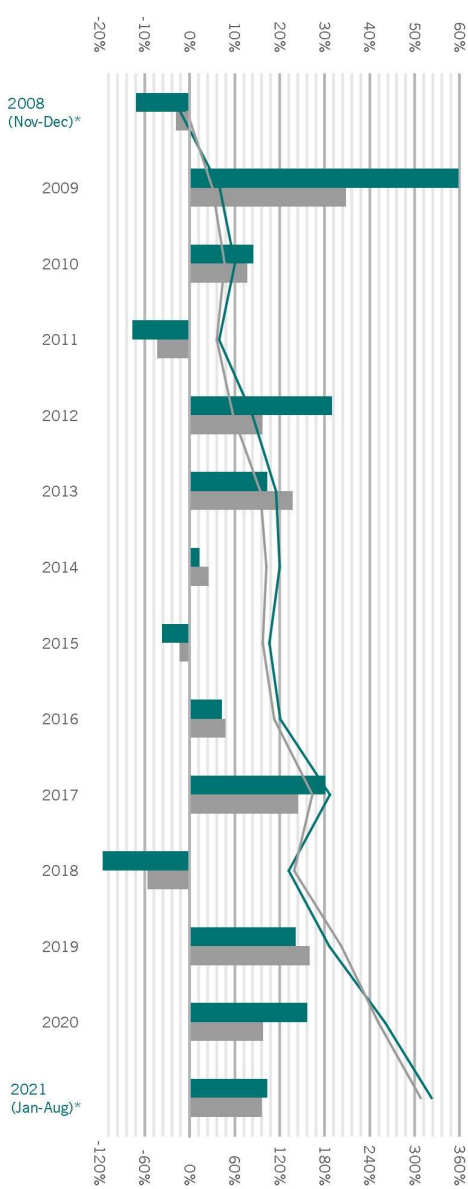
The composite encompasses actively managed portfolios invested in worldwide shares of companies active in the entire timber value chain with a focus on companies who own and/or manage forests and timberland.

For Thematic equity composites, 'Benchmark' should be understood as being a 'Reference Index'.

No benchmark is defined because the investment strategy does not adopt any benchmark.

The presented returns of the MSCI AC World (\$) NRI index are provided solely for reference and comparison purposes as supplemental information.

ANNUAL PERFORMANCE



* Partial Period / Break

Performance (annualised beyond 1 year)

PERIOD	COMPOSITE	BENCHMARK	RELATIVE
3 Months	-1.94%	4.57%	-6.51%
Year to Date	17.16%	15.91%	1.25%
1 Year	38.52%	28.64%	9.88%
2 Years	31.23%	22.43%	8.80%
3 Years	11.53%	14.34%	-2.81%
5 Years	14.68%	14.29%	0.38%
10 Years	11.46%	11.27%	0.19%
Since Inception (31.10.2008)	11.88%	11.57%	0.31%

Risk measures (annualised)

INDICATOR	1 YEAR	3 YEARS	SINCE INCEPTION
Composite volatility	18.99%	26.07%	21.41%
Benchmark volatility	13.81%	17.94%	15.33%
Sharpe ratio	2.02	0.39	0.53
Tracking error	9.29%	11.37%	10.02%
Information ratio	0.83	-0.22	0.03
Risk indicators are calculated based on relative (geometric) return.			
Performance Gross of fees in USD as of 31.08.2021			

The Global Investment Performance Standards are a trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this report/advertisement.

Source for all tables and charts: Pictet Asset Management as of 31.08.2021.

Past performance is not a guarantee or a reliable indicator of future performance. Due to a regulatory change and increasing importance of emerging markets in the global equity allocation, the reference index has been changed retrospectively from the MSCI World to the MSCI All Countries (ACWI) on the 1st of January 2020. The strategy is not constrained by MSCI ACWI which is shown for comparison purposes only. The index does not influence portfolio construction and the strategy's investment universe extends beyond the components of the index. Alternative global equity indexes are equally appropriate.

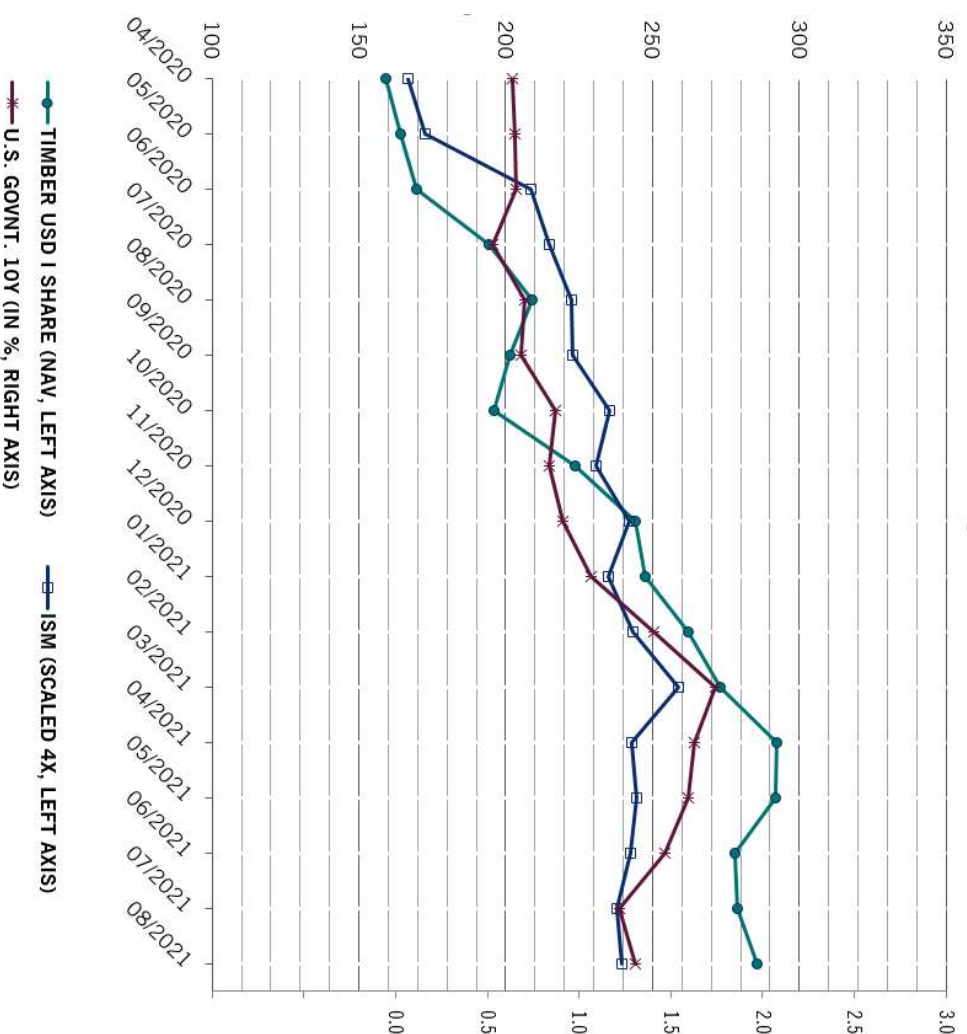
The indications are based on figures de-nominated in USD. If this currency is different from the currency of the country in which the investor is resident, the return may increase or decrease as a result of currency fluctuations.

RECENT CORRECTION IN A BROADER CONTEXT

The recent underperformance vs. the broad market needs to be understood in a broader context of falling interest rates, the stall in the value/cyclical rotation trade and the moderation in the ISM manufacturing index.

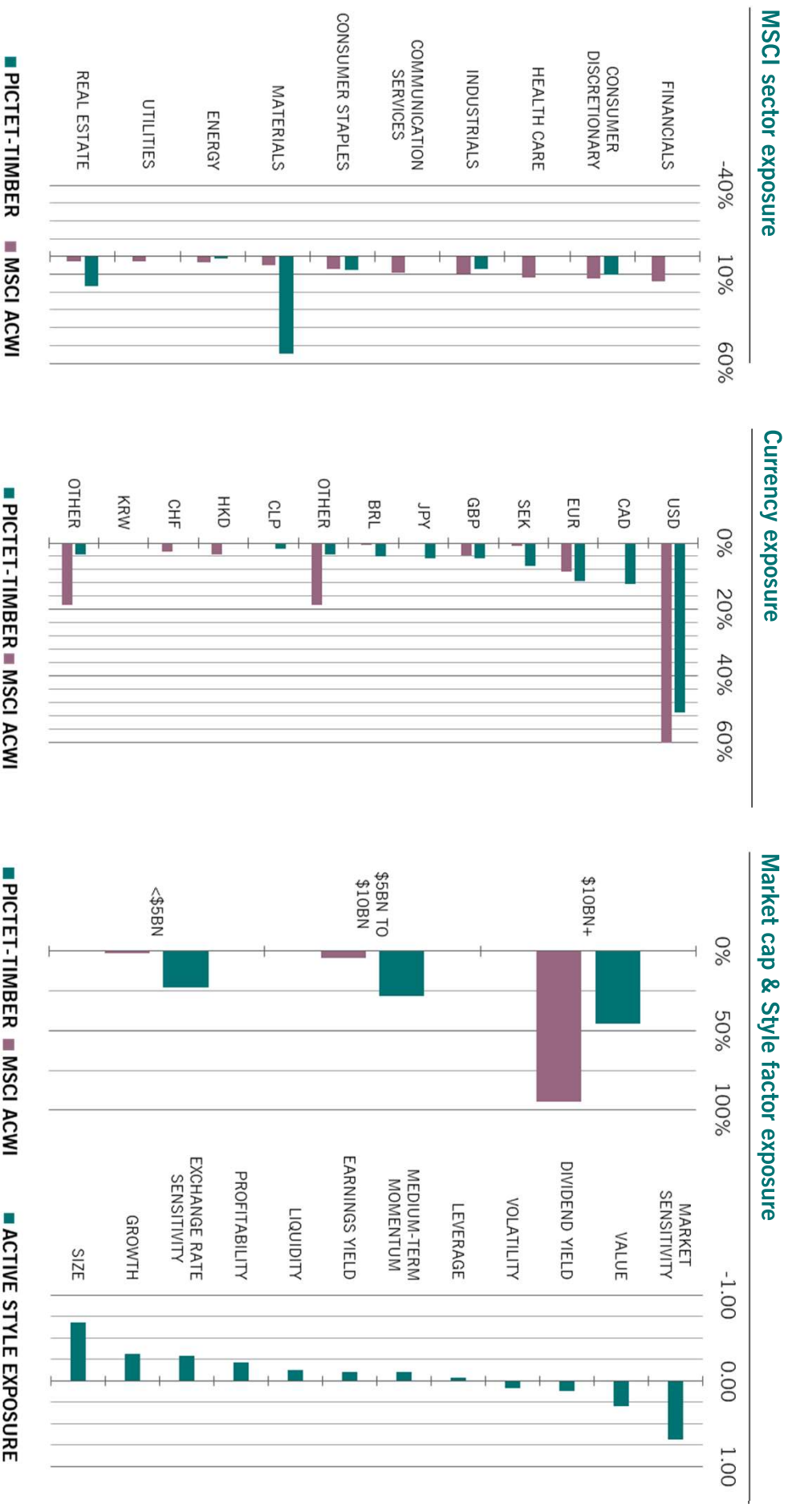
We remain convinced that the unique theme-specific drivers will play out of the longer term, but it is also a fact that over the short to mid-term, the timber strategy – due to its inherent bias to value stocks, cyclical and small cap - will always find it more difficult to outperform the broad market in an environment of falling interest rates and weaker LEIs, as such a macro environment tends to favor large cap growth stocks, which have come to dominate the broad market indices.

Pictet-Timber I versus U.S. 10y-rates and U.S. manufacturing ISM, post Covid-19



Source: Bloomberg, Pictet Asset Management, as of 31.08.2021

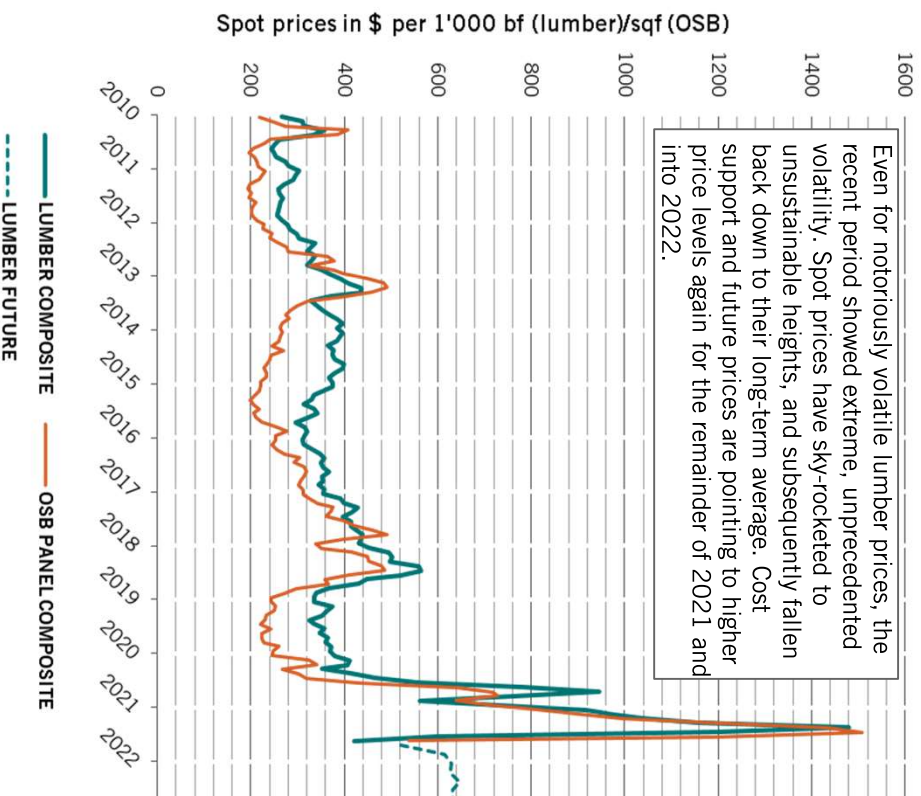
EXPOSURE ANALYSIS VS. MSCI ACWI



Source: All exposures based on Factset data. Active style exposure is the weighted sum of Z-Scores of Pictet-Timber minus weighted sum of MSCI ACWI. Pictet Asset Management, 31.08.2021
The strategy is not constrained by MSCI ACWI which is shown for comparison purposes only. The index does not influence portfolio construction and the strategy's investment universe extends beyond the components of the index. Alternative global equity indexes are equally appropriate.

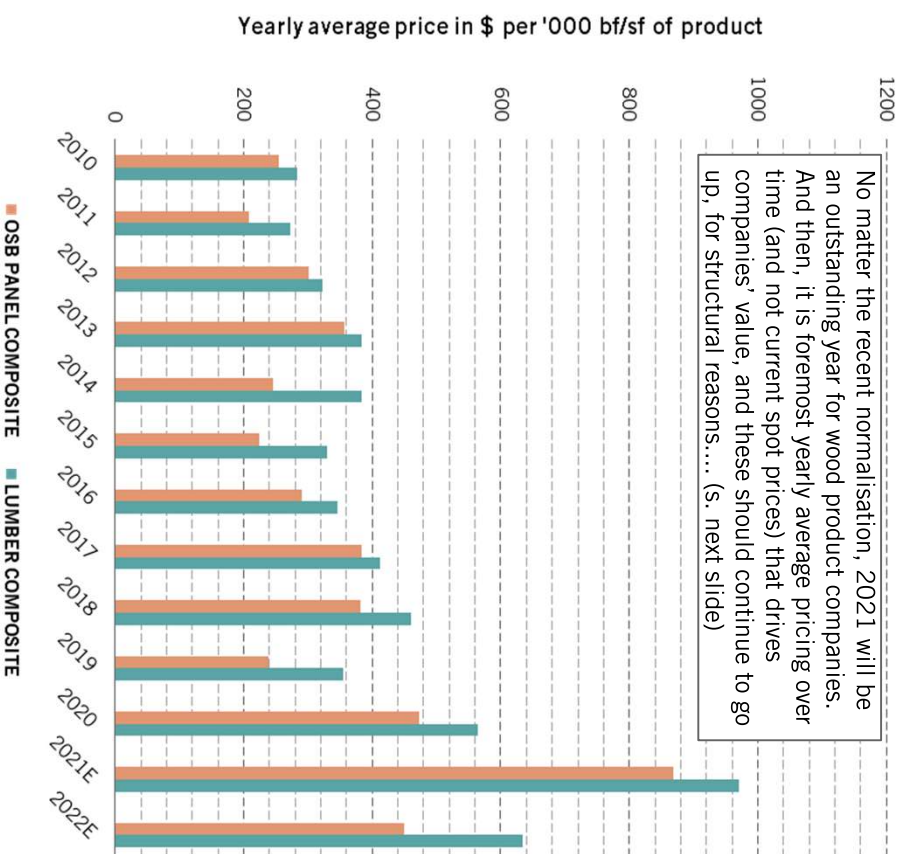
LUMBER PRICES ARE VOLATILE, BUT SHOULD MOVE UP OVER TIME

Spot pricing in USD of lumber and OSB panels in the U.S.



Source: Bloomberg, Pictet Asset Management, as of 31.08.2021

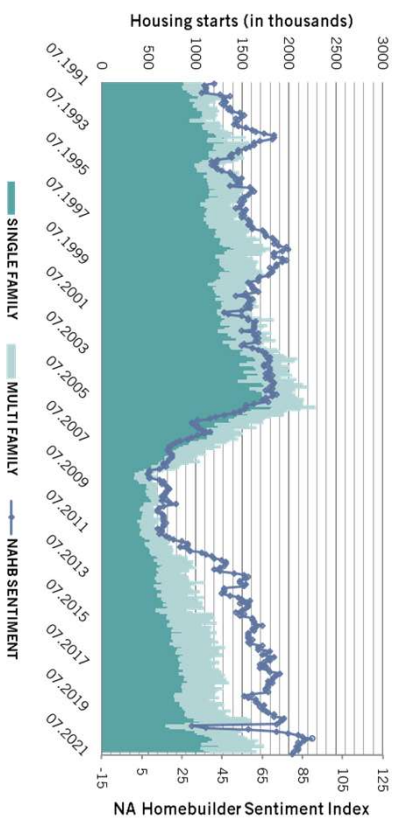
Average yearly prices of Lumber and OSB panels in the U.S.



Source: Bloomberg, Random Lengths, Pictet Asset Management, as of 31.08.2021

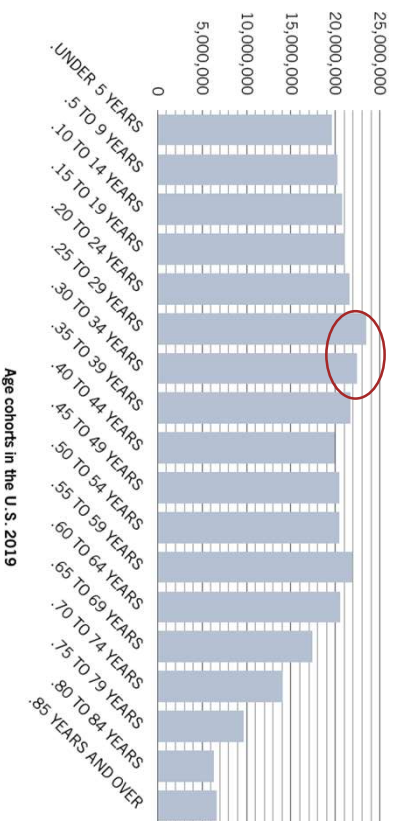
ROBUST HOUSING FUNDAMENTALS DRIVE INCREASING DEMAND FOR WOOD

U.S. Housing Starts and homebuilder sentiment



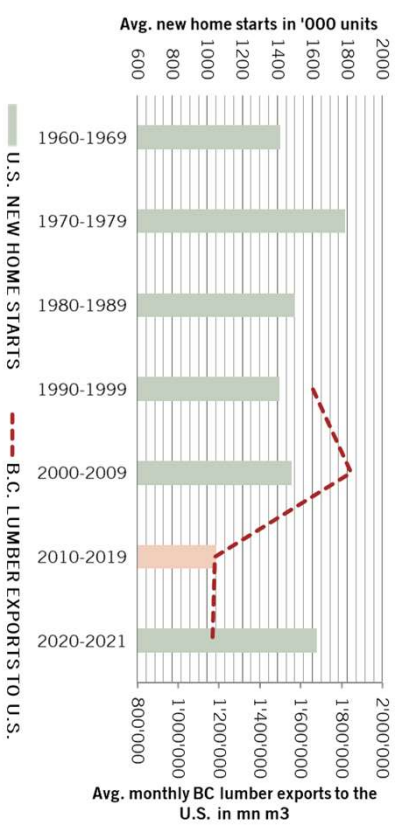
Source: U.S. Census Bureau, Bloomberg, Pictet Asset Management as of 31.08.2021

Strong demographic tailwinds for housing demand



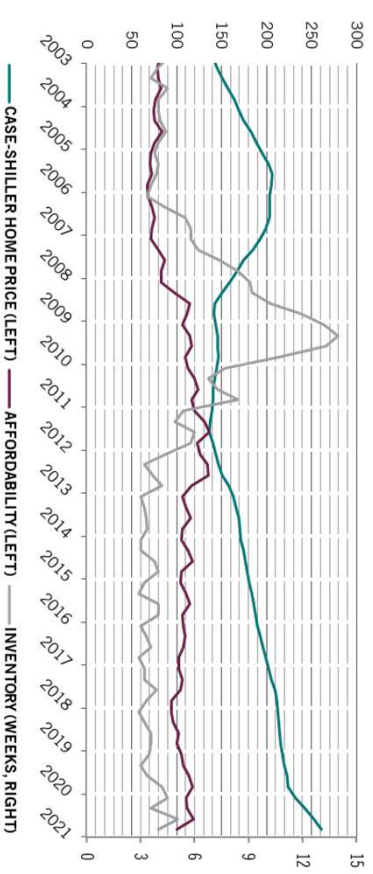
Source: U.S. Census, Bloomberg, Pictet Asset Management, 31.08.2021

Making up for a 'lost decade' in housing, while B.C. is 'maxed' out



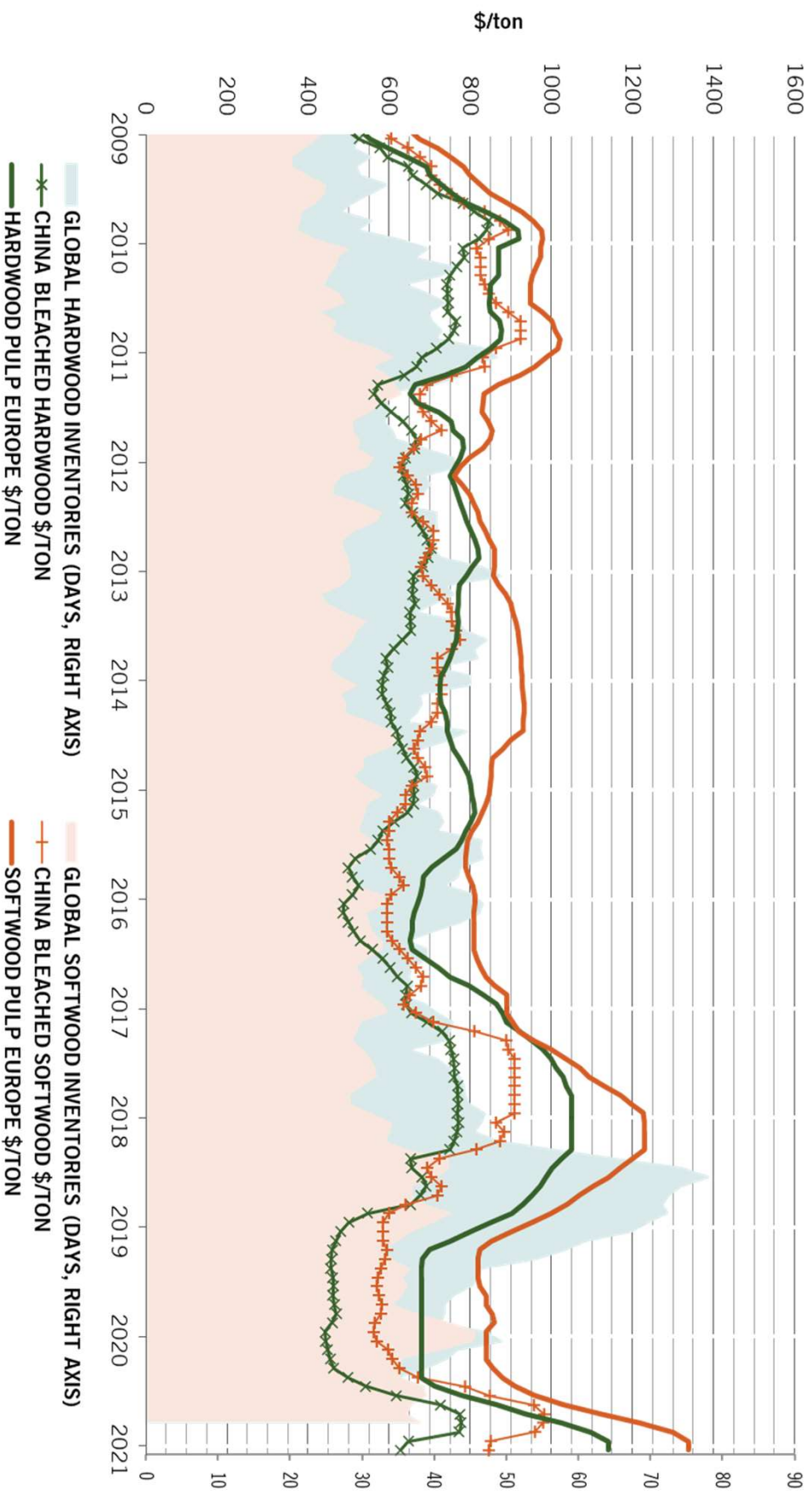
Source: U.S. Census Bureau, BC Stats, Bloomberg, Pictet Asset Management, 31.08.2021

Home prices, affordability and home inventory



Source: U.S. Census, Bloomberg, Pictet Asset Management, 31.08.2021

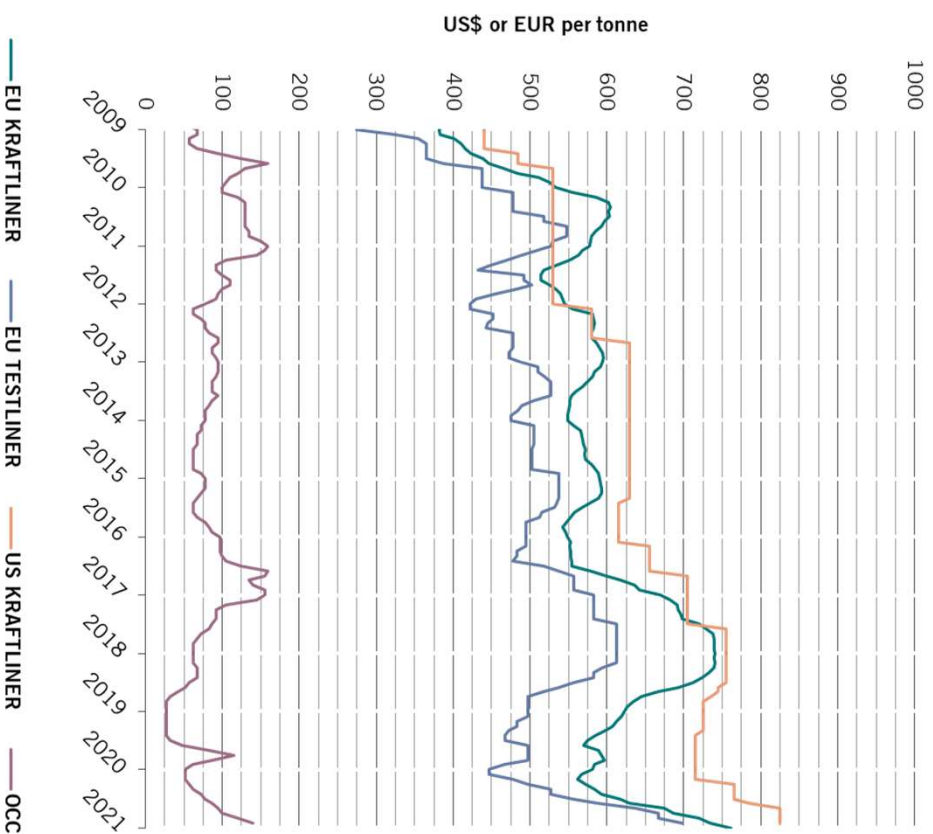
PULP: PRICES IN CHINA HAVE CORRECTED, BUT REMAIN ATTRACTIVE



Source: Risi Fastmarkets, Pictet Asset Management, as of 31.08.2021

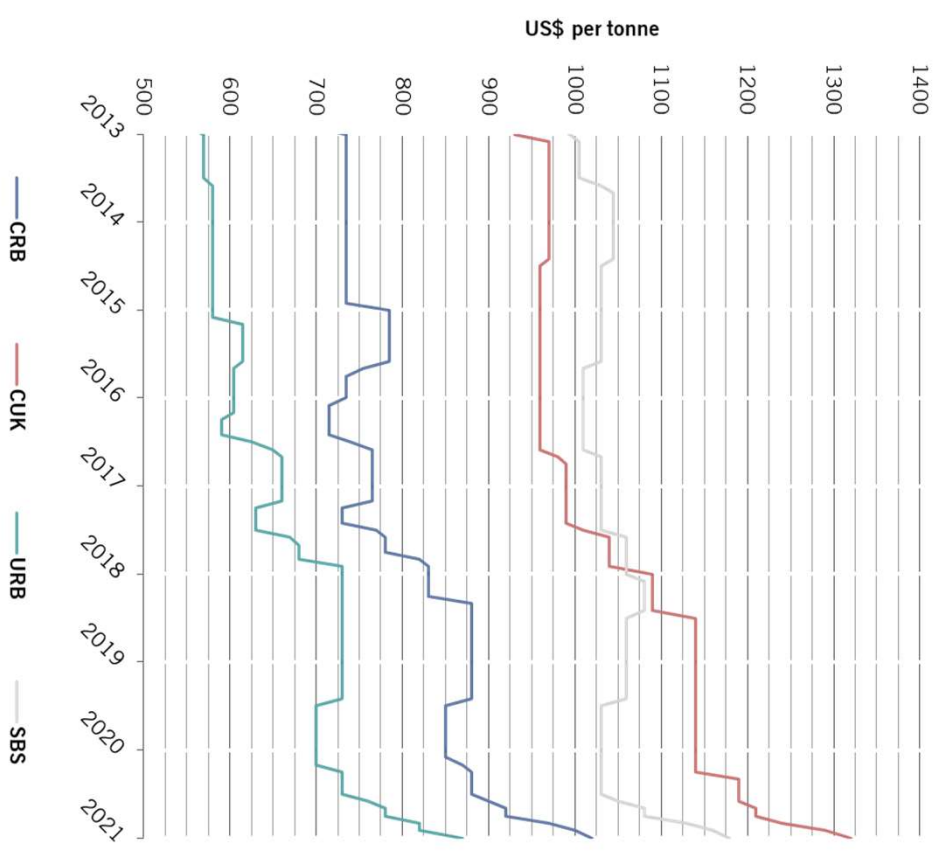
PACKAGING IS VERY STRONG, DRIVEN BY E-COMMERCE & PLASTIC SUBSTITUTION

Containerboard grades (outer 'transport' packaging)



Source: Risi Fastmarkets, Pictet Asset Management, as of 31.08.2021

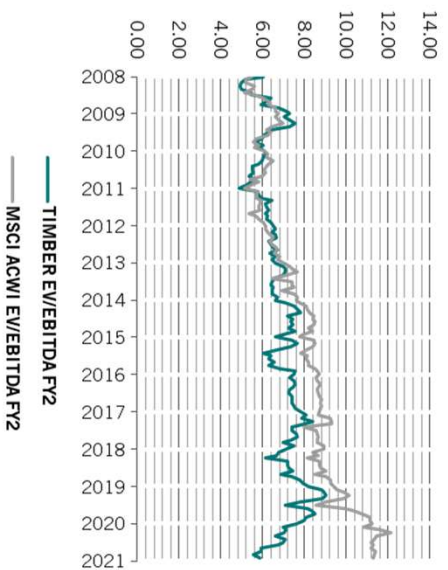
Boxboard grades (product & consumer packaging)



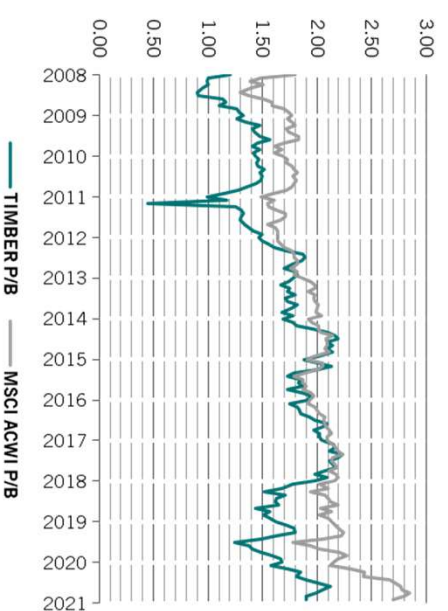
Source: Risi Fastmarkets, Pictet Asset Management, as of 31.08.2021

VALUATION: LARGE DISCOUNT VS. BROAD MARKET

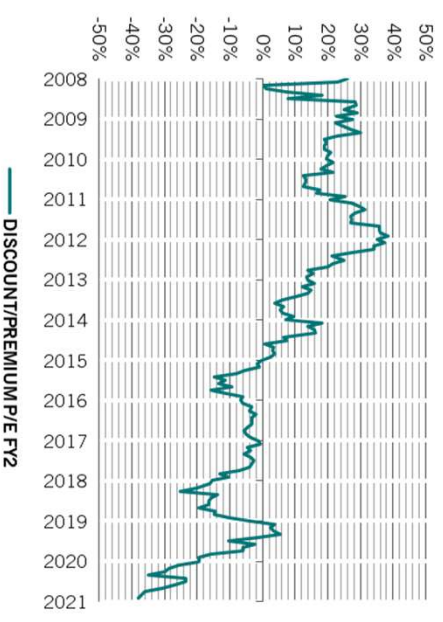
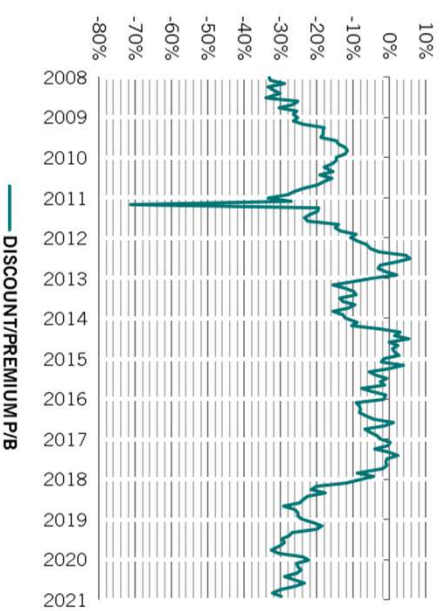
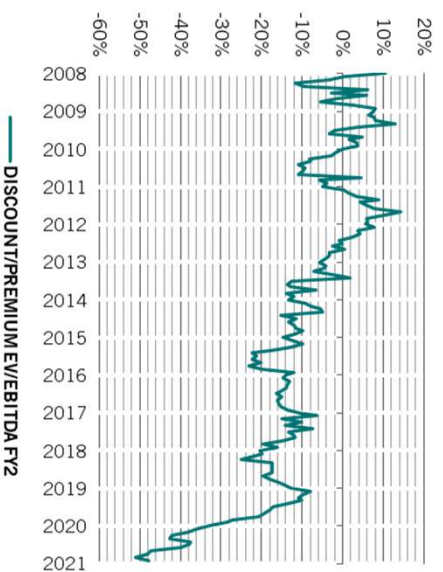
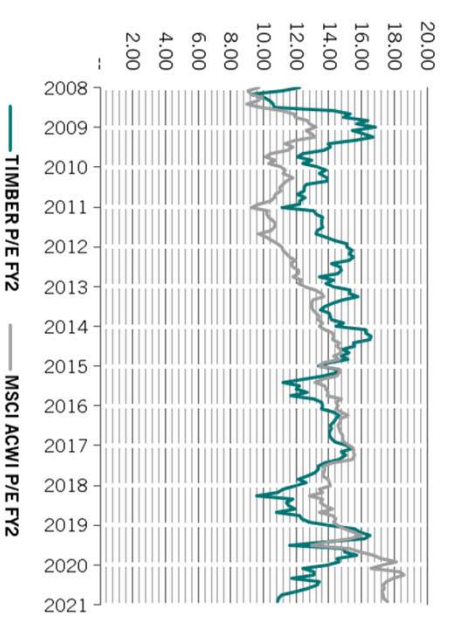
EV/EBITDA



Price/Book



P/E



Source: Factset, Pictet Asset Management as of 31.08.2021

OUTLOOK FOR SUB-SEGMENTS

Weight in Portfolio, market fundamentals & mid-term outlook for Timber sub-segments

SUB-SEGMENT	WEIGHT	SITUATION & OUTLOOK	PREVIOUS	TREND
Timberland	20%	The price of logs in the US South has continued to tick up in more tensioned wood baskets but remains near historical lows as excess inventory on the stump delays a quicker return to the long-term mean. In the PNW, log pricing has improved significantly, driven by strong demand from sawmills and export. Pricing for prime timberland remains strong in all regions, while inflation fears keep the interest in the asset class high. Smaller pure timberland REITs continue to trade at very attractive discounts.	➔	➔
Wood Products	18%	Production curtailments during the first Covid shock last spring, combined with a strong rebound in residential construction, repair & remodeling, has depleted inventories and caused lumber prices to soar to unseen new highs. Some moderation on the housing front, but foremost a fall-off in DIY activity has caused lumber prices to deflate quickly over the last 3 months, to just under 400\$. With cash cost in B.C. currently above 500\$, some curtailments have already been announced, and should be supportive for lumber moving forward. OSB panels have also come down a great lot, but seem to have found a bottom at the 400\$ level, which is at the upper end of its historical trading range.	➔	➔
Home-builders	9%	Housing starts came in at 1'534k units, somewhat below estimates, while permits surprised to the upside at 1'635k units. Homebuilder sentiment fell to 75, down from 80. While some see the recent moderation as the beginning of the end of this housing cycle, homebuilders see continued strong demand, but have started to meter their sales to protect high margins. Housing demand is underpinned by favorable demographics, record-low mortgage rates and inventory, but rising home prices might at some point start to price out entry level buyers.	➔	➔
Container-board	15%	Producers of containerboard and corrugated boxes both in Europe and the U.S. have seen continued strong demand ever since the pandemic led to a significant acceleration in e-commerce, allowing producers to implement several rounds of price hikes. Demand at this point seems structurally higher and able to absorb the capacity additions that are in the pipeline.	➔	➔
Packaging	9%	All recycled cardboard grades (URB, CRB and CUK) were up another 30-50\$ per ton in June, while virgin SBS also moved up by a similar amount, corresponding to price increases of 3-5% for these grades. Cost inflation is an issue, but the strong demand allows producers to continue to hike prices to protect their margins. Substitution for plastic in packaging should provide increasing support for paper-based consumer packaging longer-term.	➔	➔
Pulp	7%	Pulp markets have come off their recent highs in China, but now seem to stabilize for both softwood and hardwood. Prices in Europe still held up during August, but might consolidate somewhat as the spread over China prices has become quite substantial. Prices for dissolving wood pulp for viscose production, and fluff pulp for absorbent hygiene products, have plateaued at a high level, but might also come in a bit. All in all, pulp markets should remain reasonably supported, as meaningful new capacity is only ramping up later this year and next.	➔	➔
Hygiene	8%	This defensive and consumer-oriented segment has resisted well in the pandemic and benefited from low pulp input costs for most of last year, but subsequently, rapidly rising pulp prices have squeezed margins and pressured stocks. Several companies have started to hike topline prices, which should allow them to recover and even expand margins, particularly if pulp prices were to consolidate yet further.	➔	➔
Paper	7%	Demand for most printing & writing paper grades has tanked in the pandemic, accelerating the secular demand decline which was already going on for many years. Companies have been swift to announce capacity reductions, and even though more will be needed at some point, the stronger than expected demand recovery has already allowed for low-single digit price increases for coated and uncoated wood-free, and even mid to high single digit increases for magazine paper and newsprint, in July and August.	➔	➔
Industrials	4%	Capital goods manufacturers for the paper and pulp industry have benefited from a catch-up in delayed maintenance work in the industry in the second half of 2020 and into 2021, as Covid-19 induced restrictions were lifted. Conversions from paper to packaging, construction of recycled pulp mills as China phases out OCC, and the ongoing investment cycle provides further support to companies in this segment.	➔	➔

Source: Pictet Asset Management as of 31.08.2021
Effective allocations are subject to change and may have changed since the date.

Technicals

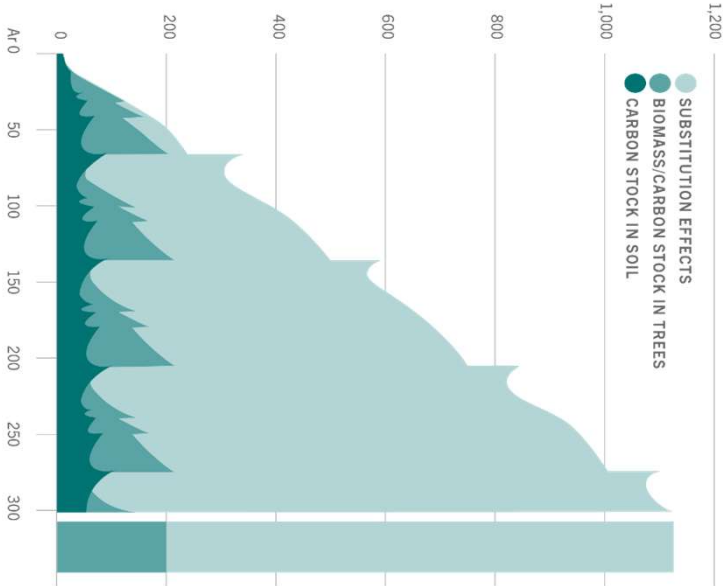
COMMITMENT TO SUSTAINABLE FOREST MANAGEMENT

- We believe some forests should be protected forever, because of their uniqueness and high biological value. But many forests have been managed by humans for centuries, and these forests should continue to be managed sustainably, because...
- Wood is the only renewable, and scalable, raw material we have that can help us reduce our dependence on fossil and other finite resources in any meaningful way
- Pictet-Timber does not invest in ecologically sensitive forests biomes, or in countries and regions, where forest legislation or governance is weak and unable to guarantee or enforce forest integrity
- The forests and plantations our companies manage, or from which they source their wood, are to the largest possible degree certified according to internationally recognized sustainable management standards such as FSC, PEFC, or SFI

A MANAGED FOREST CAPTURES MORE CO₂ THAN UNMANAGED ONE

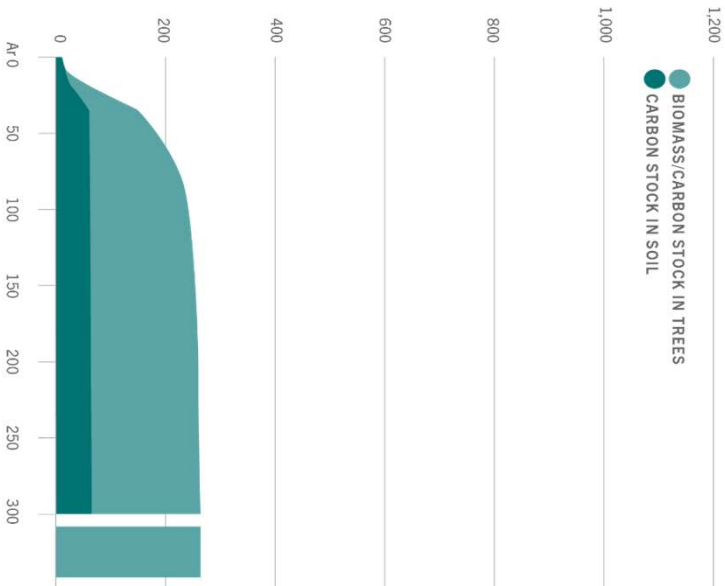
- Timberland companies replant approximately 3-4 seedlings for every mature tree harvested
- Trees absorb CO₂ while growing, but wood products act as a carbon sink and can substitute the use of fossil-based materials
- Therefore, a sustainably managed forest can actually bind carbon than when trees are just left growing

Sustainably managed forest



Source: Holmen, 2019

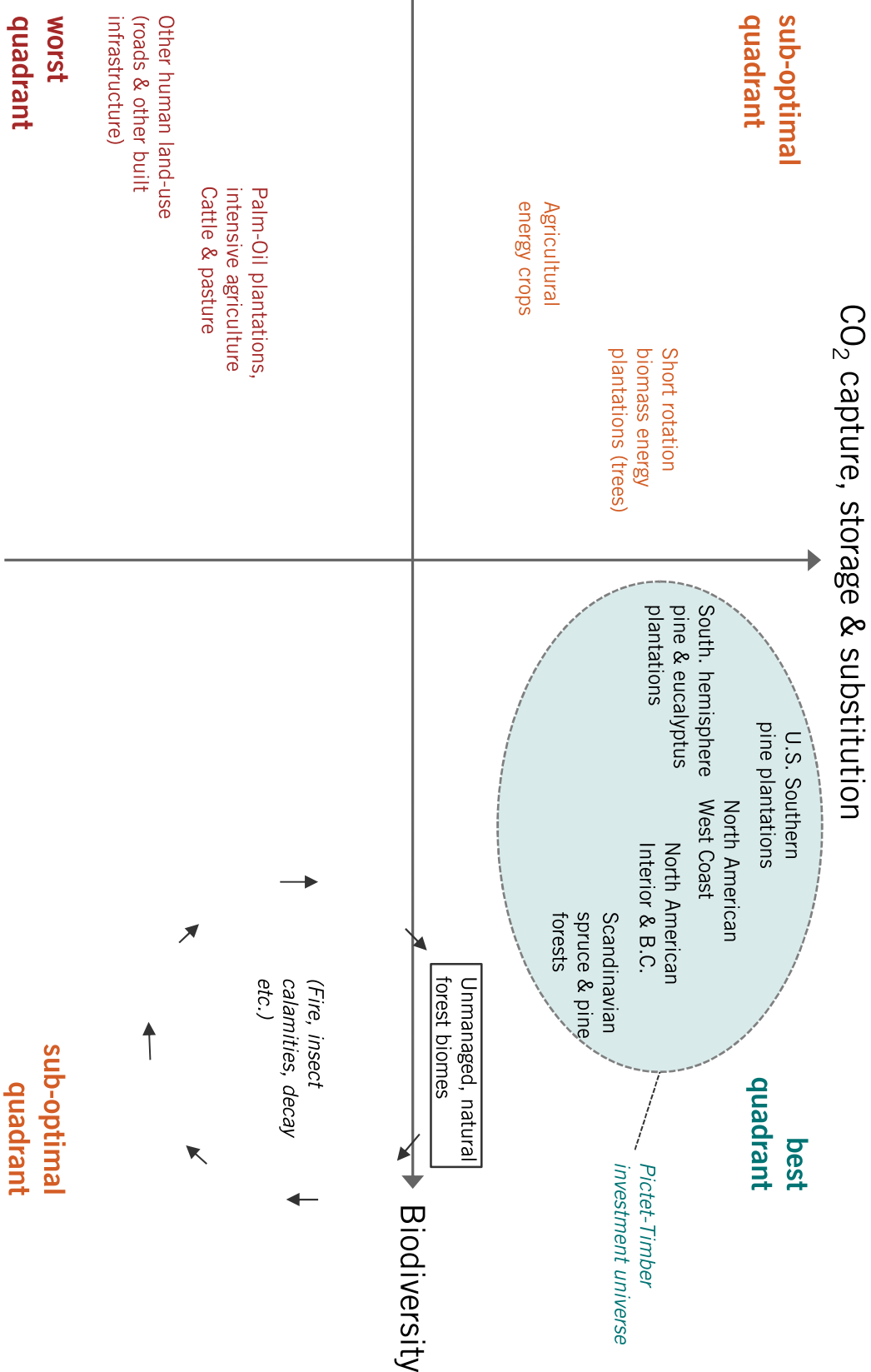
Unmanaged forest



Source: Holmen, 2019

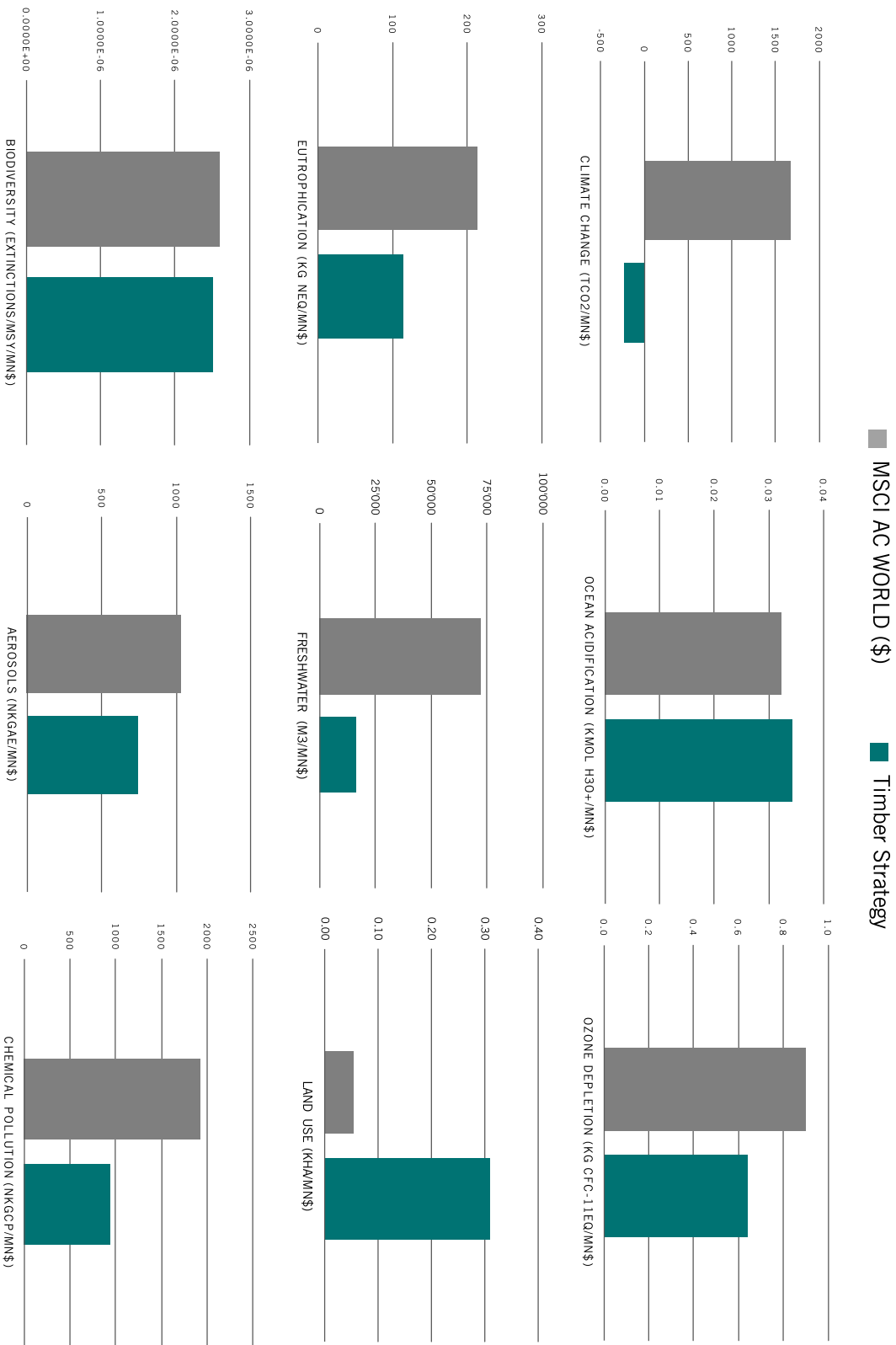
Source: Holmen, 2021. Pictet Asset Management, as per 31.08.2021

POSITIVE CONTRIBUTION TO BOTH CLIMATE CHANGE & BIODIVERSITY



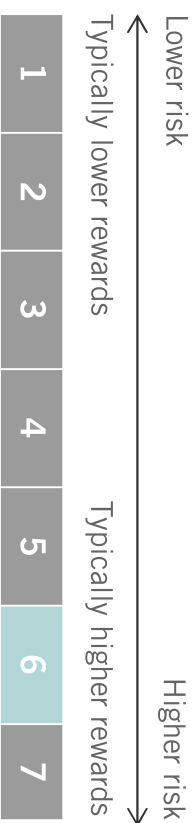
Source: Pictet Asset Management as of 31.08.2021

TIMBER - ENVIRONMENTAL IMPACT (PLANETARY BOUNDARIES)



Source: Pictet Asset Management, as of 31.03.2021 (quarterly update, but currently under review). **Biodiversity:** The PB metric for biodiversity (species extinction) is spanning long time scales and cannot be directly observed or measured for our companies. The model therefore uses certain input variables to approximate the impact on species loss, with the most important one being land use. This measure does not take into account all the positive ecosystem and biodiversity contributions of sustainably managed forests (provide habitat for wildlife, protection of soil, water cycle etc.). And as the land-use for the Pictet-Timber is much higher than for the MSCI ACWI, our positive biodiversity delta over the broad market is grossly understated. **Land Use:** As for land-use, forestry activities indeed occupy a lot of land, which is intuitive as our companies are large landowners. That is why the PB's land indicator overshoots the broad market so clearly. However, the PB model only uses quantitative land-use and does not express itself on the quality of the land-use. But forestry is generally considered to be the most benign human land-use, as sustainably managed forests still provide valuable habitat for species and provide ecosystem services. So the superior land-use is actually a good thing in this case.

Risk indicator for the I-USD share class



- › The risk category shown is based on historical data and may not be a reliable indication for the future risk profile of the Share class.
- › The risk category shown is not a target or a guarantee and may change over time.
- › The lowest category does not mean a risk-free investment.
- › Equity investments are subject to high price volatility (variations in net asset value of the Share class) but may offer rewards in line with the risks taken, which is why this Share class is in this risk category.
- › This value is affected by various factors, including:
 - The Compartment offers no capital guarantee or asset protection measures.
 - The Compartment may invest in emerging markets.
 - This asset class is subject to political and economic risks which may have a significant impact on the Compartment's performance and volatility.
 - Because of our investment approach, the Compartment may be exposed to currency risk.

- › The Share class also bears the following risks that are not explained by the synthetic risk indicator:

- Liquidity risk: when market conditions are unusual, or a market is characterised by particularly low volumes, the Compartment may encounter difficulties in valuing and/or trading some of its assets, particularly to satisfy large redemption requests.
- Operational risk: the Compartment is subject to the risk of material losses resulting from human error or system failures or incorrect valuation of the underlying securities.
- Counterparty risk: the use of derivatives in the form of contracts with counterparties may imply significant losses if a counterparty defaults and cannot honour its liabilities.
- Investments in REITs may be subject to increased liquidity risk and price volatility due to changes in interest rates and/or economic conditions.
- Investments in mainland China are subject to restrictions by the local regulators, and include among other things: daily and market aggregate trading quotas, restricted classes of shares, capital restrictions and ownership restrictions.
- 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.

TECHNICALS

Management company:	Pictet Asset Management (Europe) S.A., part of the Pictet group
Name:	Pictet-Timber
Domicile/ Legal status:	compartment of the Pictet Luxembourg SICAV, UCITS compliant
Custodian:	Pictet & Cie (Europe) S.A.
Consolidation currency:	USD
Calculation:	daily; settlement NAV + 2
Inception:	30 September 2008
Fund size:	USD 1'672 mn as of August 31, 2021
Dividend:	reinvested (I, P-Cap, R) or distributed (P-Distr)
Reference Index:	MSCI World (net div reinvest)
Subscription Fee:	Maximum 5%
Redemption Fee:	Maximum 3%
Switch Fee:	Maximum 2%
Investment horizon:	The fund may not be appropriate for investors who plan to withdraw their money within 5 years

Source: Pictet Asset Management as of 31.08.2021

Due to a regulatory change and increasing importance of emerging markets in the global equity allocation, the reference index has been changed retrospectively from the MSCI World to the MSCI All Countries (ACWI) on the 1st of January 2020. The strategy is not constrained by MSCI ACWI which is shown for comparison purposes only. The index does not influence portfolio construction and the strategy's investment universe extends beyond the components of the index. Alternative global equity indexes are equally appropriate.

TECHNICALS

Share classes:

Class	ISIN	MF(%)	TER(%)	ONGOING CHARGES *
HP EUR	LU0372507243	1.60	2.07	2.08
HR EUR	LU0434580436	2.30	2.77	2.78
HI EUR	LU0434580865	0.80	1.17	1.18
I EUR	LU0340568823	0.80	1.12	1.12
I USD	LU0340557262	0.80	1.12	1.13
Idy GBP	LU0448837087	0.80	1.12	1.13
P EUR	LU0340559557	1.60	2.02	2.03
P USD	LU0340557775	1.60	2.02	2.03
Pdy GBP	LU0340560480	1.60	2.02	2.03
Pdy USD	LU0340558237	1.60	2.02	2.03
R EUR	LU0340569805	2.30	2.72	2.73
R USD	LU0340568583	2.30	2.72	2.73
Z USD	LU0434580600	0.00	0.12	0.13
Z EUR	LU1225778643	0.00	0.13	0.13
HZ EUR	LU1688405353	0.00	0.18	0.17

I-Shares: minimum investment USD 1'000'000; Source: Pictet Asset Management, TER as of 31.08.2021, *Ongoing charges as of 31.12.2020 (yearly update).

For more information,
visit our website

PICTET ASSET MANAGEMENT assetmanagement.pictet

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