



Pictet-Digital: Update Market opportunities for investors

Sylvie Sejournet / Stanislas Effront / Charles Lepetitpas / Anjali Bastianpillai

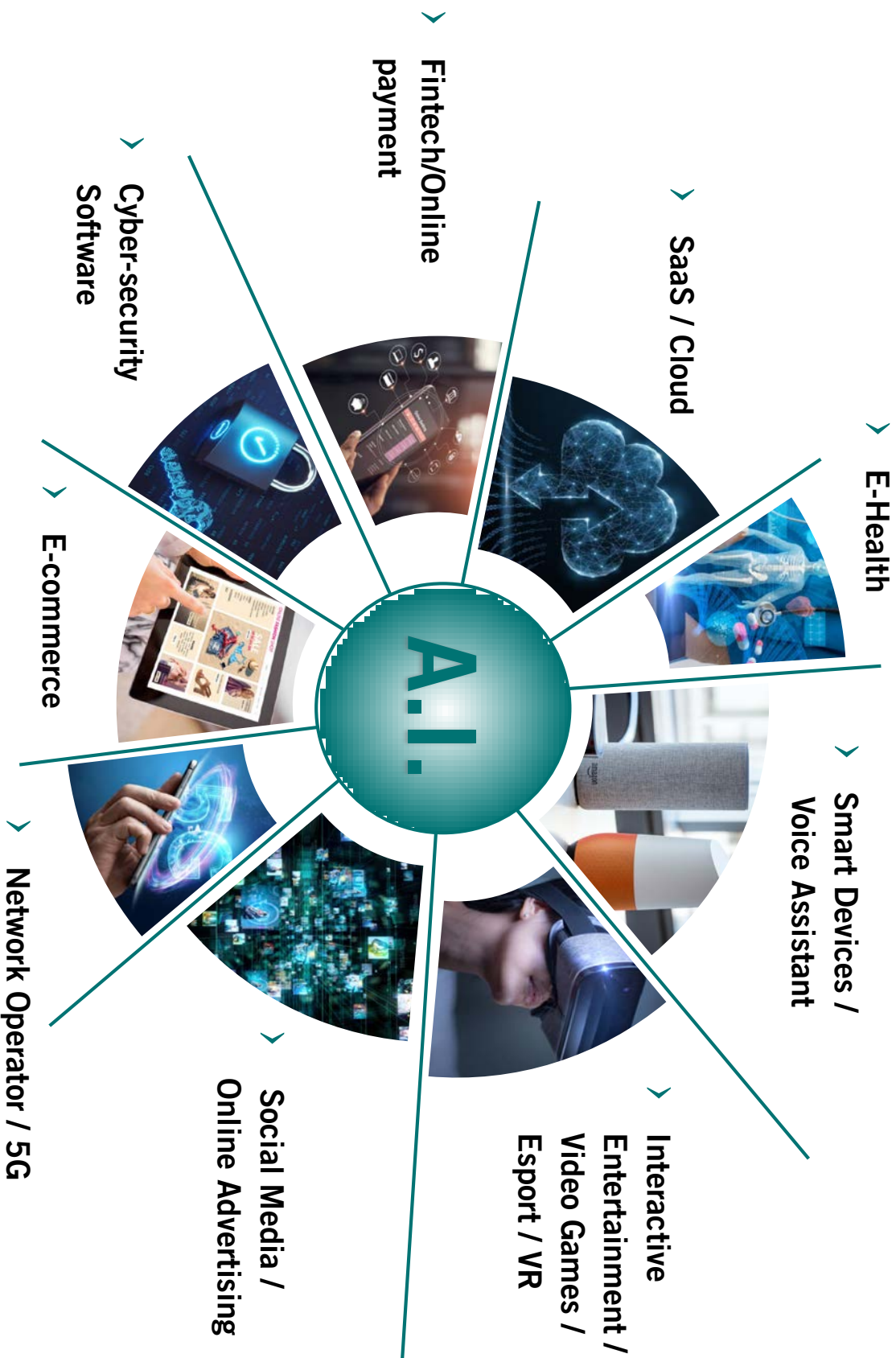


Marketing document

For professional investors only

PICTET DIGITAL UNIVERSE

➤ Digital fund focus on **data driven web based** business models



These are internal guidelines, subject to changes at any time and without any notice.

HOW DO WE APPROACH THE DIGITAL THEME

What we do

- **Digital services:** we invest in web based companies which provide interactive services powered by exponential sources of data, collected and tagged, enabling prediction through intelligent algorithms
- **Purity screen:** Invest in companies with a minimum 20% of purity ratio (revenue web based)
- **Bottom-up approach:** Pure stock picking without a macro view or benchmark constrained
- **Strict and consistent Investment Process** discipline leading to lower volatility, lower portfolio concentration
- **Highest convictions** implemented via qualitative /company factor/valuation filters
- **Strong Investment team** With more than 60 years of experience combined with Pictet ESG team, Pictet Buyside teams and a dedicated Risk manager
- **Advisory Board** of external experts providing guidance on industry developments and long-term prospects

What we don't do

- **We exclude:**
 - Electronic components companies
 - Semiconductors
 - Telecom equipment manufacturers
 - Traditional hardware businesses
- No MSCI or sector indices replication
- No sector, regional or style constraints
- Exclude any companies involved in offensive weapons and military contracting

Digital Investment Team



Sylvie Sejournet,
SFAF
Senior Investment
Manager



Stanislas Effront
Investment Manager



Charles Lepetitpas
Investment Manager



Anjali Bastianpillai,
Senior Client
Portfolio Manager

Digital Advisory Board

Dr. Torsten G. Kreindl

Managing Partner of DIVC; Board of Director at Hays.

Duncan Clark

Founder & Chairman of BD Advisors (BDA)

Antoine Blondeau

Co-Founder & Chairman of Sentient

Impact, Sustainability Research & ESG operations

Thematic Impact & Sustainability

Sandy Wolf – **Thematic Exclusions, ESG, Engagement, Impact**
Senior Product Officer

Steve Freedman, PhD – **Thematic Sustainability Research**
Sustainability & long term Thematic Research – ESG Lecturer NYU

Pictet AM ESG Operations

Alexandra Mahler – **ESG Policies**
ESG Specialist

Philippe Le Gall – **Engagement**
Senior Engagement Specialist

Pictet AM Risk Manager David Barja Vazquez, Risk Manager

Arabella Turner – **Engagement**
ESG Specialist

Eric Borremans – **ILGCC member**
Head of ESG at Pictet AM

Thematic Equities Team

Mayssa Al Midani, CIIA

Anjali Bastianpillai,

Rachele Beata

Laurent Belloni

Grégoire Biollaz, PhD

Jennifer Boscardin-Ching

Marc-Olivier Buffle, PhD

Christoph Butz, CIIA

Xavier Chollet

Alice de Lamaze, CFA

Luciano Diana, MBA

Gillian Diesen, CAIA

Moritz Dullinger, CFA, CAIA

Yi Du

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Stephen Freedman, PhD, CFA

Ghislain Gauthier, FRM

John Gladwyn, CFA

Hayet Hammana

Lydia Haueter, CFA

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Mikael Jafs

Yves Kramer

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Cédric Lecamp

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Manuel Losa

Jan Andreas Maager, CFA

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Marco Minonne

Alexandre Mouthon, CFA

Francesco Pighini

Marien-Baptiste Pouyat

Hans Peter Portner, CFA

Peter Rawlence, CFA

Caroline Reyl

Christian Roessing, CFA

Sylvie Sejournet, SFAF

Tazio Storni, PhD

Gertjan van der Geer, CEFA

Louis Veilleux, CFA

Ivo Weinoehrl, CFA

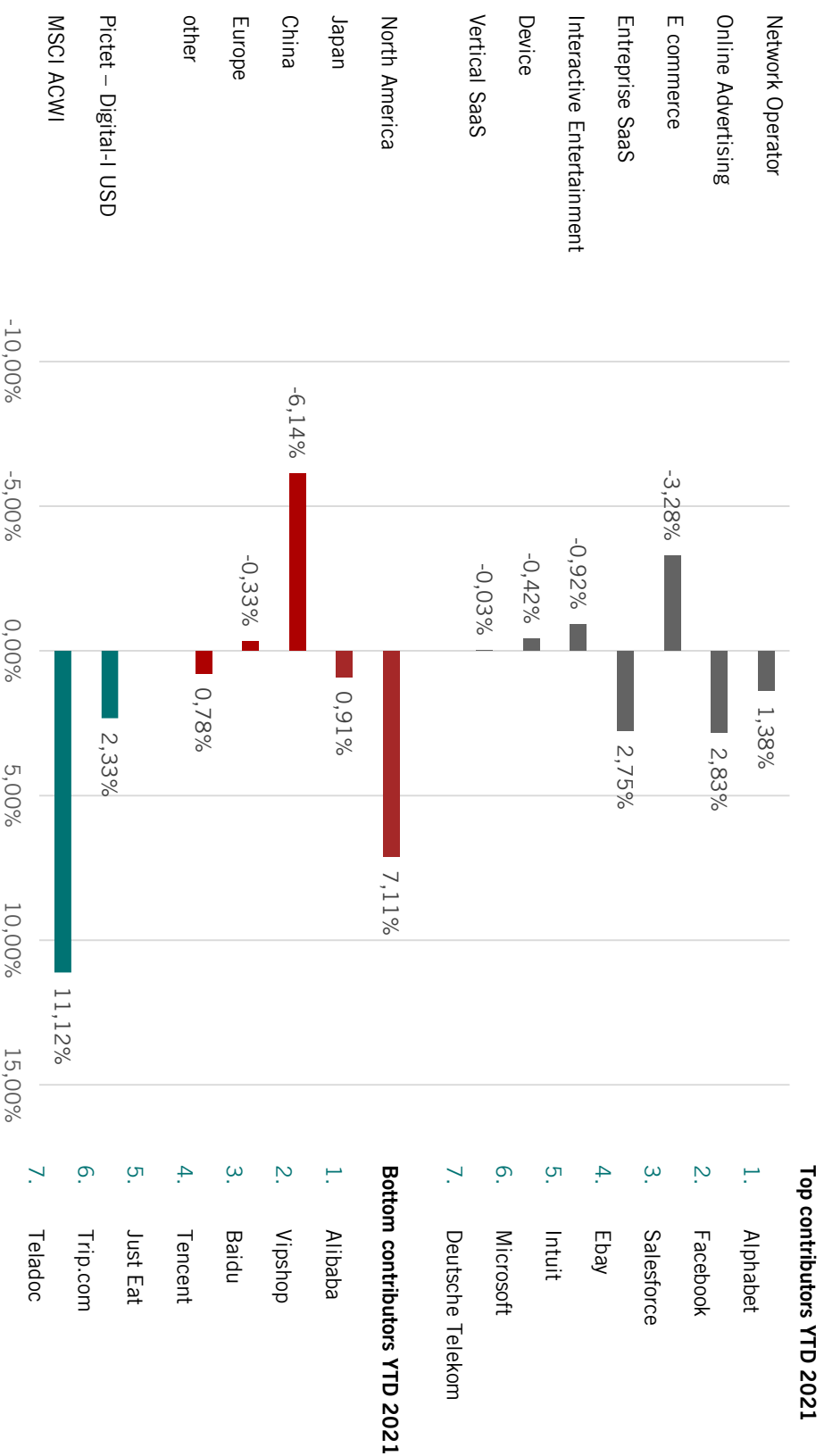
Sandy Wolf, CIIA

Regular meetings and exchange of ideas with: Pictet AM Developed Markets, Emerging Markets and Specialists Equities teams as well as ESG team

Source: Pictet Asset Management

RECENT CONTRIBUTION AND PERFORMANCE BY SEGMENTS

Absolute P&L in USD – YTD 2021



Source: Pictet Asset Management, 31.09.2021, yearly update
 *Portfolio returns are gross of fees

How is PICTET Digital Facing Regulatory Changes and Reflation

LOW CORRELATION BETWEEN PICTET DIGITAL AND INTEREST RATES

Over the last decade US 10 years interest rates fluctuated a lot in a range between 3% to 1.6%, while returns of the Pictet Digital fund continue to do well

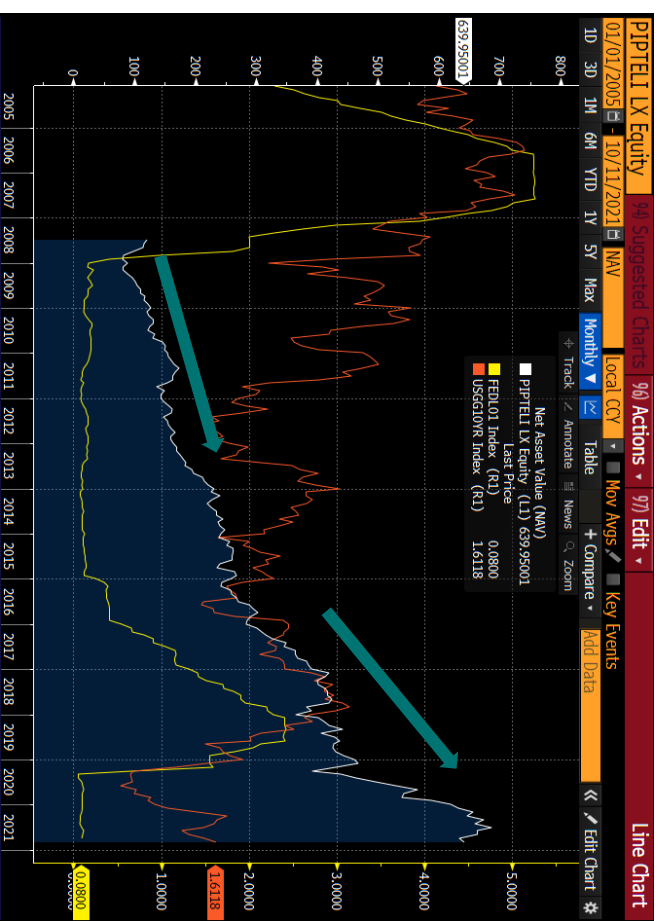
Observations

- > FED short terms rates started to be raised in 2016 – Pictet Digital returned +9.2% in 2016
- > Tapering started in 2014 and FED reduced its Balance sheet between beginning 2018 to sept 2019 – Pictet Digital returned respectively in 2017 +38%, in 2018 -6%, in 2019 +26.4%
- > Market reactions has always created opportunity to add selectively on weaknesses

Opportunities

- 1 Thanks to its rigorous investment process, the Pictet Digital Fund has limited exposure to high multiples & stretched valuations stocks
- 2 Moreover, the fund has a large exposure to Quality stocks with a strong BS to support sustainable growth
- 3 Excessive market reactions provide the opportunity to add selectively on weakness, hence benefiting from wide downside dispersion, offering attractive risk rewards

US ST & LT Treasury Yields vs Pictet Digital



Source: Bloomberg

END OF COVID-19 BRINGS OPPORTUNITIES FOR PICTET DIGITAL

DIGITAL SUBSECTOR BENEFITORS

- Alternative software / SaaS (secularly well positioned names) will benefit from **higher IT spending**. More collaborative tools need to be deployed for Finance, Sales, HR or IT corporate departments to improve productivity and cut costs further.
- **Cloud software adoption** growth is set to accelerate in the wake of the disruption caused by Covid
- **Online advertising spending** ramping up vs 2020 (Consumer discretionary and Brands names coming back to promote them self)
- **Food delivery** supported as more people go back to work
- **Ride sharing** improving as economy reopens
- **Online travel** recovering with vaccine rolling out

RISK

- Reopening and a macro improvement could further Erode margin due to higher LABOR costs, higher S&M/COGS costs. This will affect mainly SME and Concept (Speculative) stocks with low profitability.

CONCLUSION

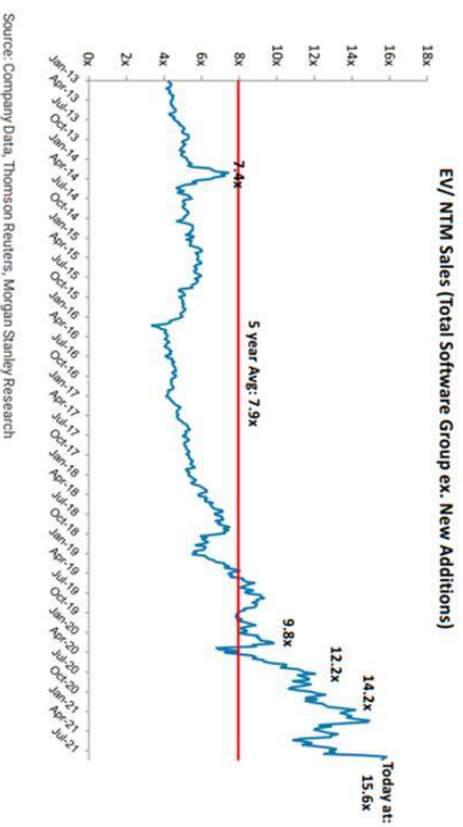
- Names with reasonable Valuation and strong FCF/earning/EPS support may be the best to absorb Reflation costs

CURRENT MARKETS RISK ARE ACTIVELY MANAGED WITHIN PICTET DIGITAL

Be careful of some topish valuations within the US software bracket

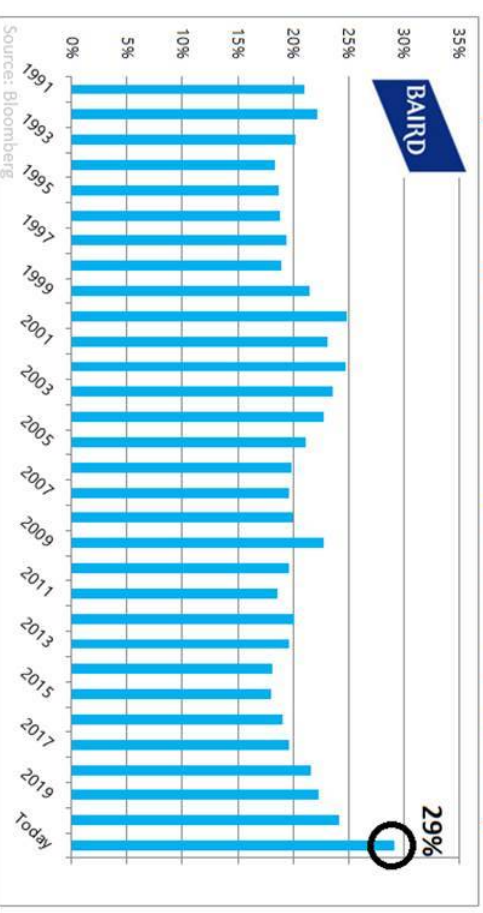
Overconcentrated index

Exhibit 1 : Overall Software Multiples Now at 15.6x, almost double 5-year Avg.



- **Software current valuations are back to their peak ...**
Based on our strict investment philosophy, Pictet Digital already made its selection

Top 10 stocks as % of total S&P500 market cap



- **High concentration risk:** The chart shows that the biggest 10 stocks in the S&P500 (AAPL, MSFT, GOOGLE, AMZN, FB, TSLA, BRKB, NVDA, V & JPM) are 29% of the index as of today of which about 1/5 is coming from AAPL, MSFT, GOOGLE, AMZN, FB
- Pictet Digital based on its investment philosophy offers **prudent risk management approach**, avoiding speculation when stocks are irrational

Source: Pictet Asset Management, as of 14.09.2021

CAPTURING ATTRACTIVE RISK REWARDS WITHIN PICTET DIGITAL

Asymmetric risk return

Name	M1D	Q1D	Y1D
S&P500 Media & Entertainment	-7.14%	2.58%	26.06%
MSXFFANG	-4.13%	4.50%	22.81%
Megacap Tech	-7.51%	1.70%	22.28%
Semiconductor Equipment	-5.32%	-7.05%	21.91%
PC Exposure	-5.82%	-0.18%	20.80%
Cyber Security	-6.75%	9.19%	20.61%
Machine Learning	0.33%	9.03%	19.52%
Industrial Levered Semis	2.41%	5.43%	19.32%
Broadcasting	0.61%	-5.13%	19.31%
Technology Hardware	-7.08%	-3.29%	18.53%
Semiconductors (SOX)	-4.54%	-2.32%	17.60%
Old Technology	-4.53%	-1.24%	16.95%
Hardware & Communications	-6.69%	-4.47%	16.76%
S&P500 IT	-5.78%	1.34%	15.28%
Advertising	-2.03%	-4.88%	15.24%
NASDAQ 100	-5.69%	1.09%	14.58%
Growth Software	-4.48%	7.29%	10.91%
Software	-4.71%	2.09%	8.63%
SOFTWARE 8X EV/ SALES	-6.09%	2.17%	7.73%
Telco Services	-5.74%	-3.33%	6.14%
Communications Equipment	-6.67%	-7.67%	5.76%
Cable & Satellites	-8.38%	-1.76%	3.63%
AMAZON.COM INC	-5.35%	-4.51%	0.86%
Payments	-4.63%	-4.70%	0.72%
Apple Supply Chain	-5.80%	-7.82%	0.61%
Telcommunications	-5.30%	-7.47%	0.45%
SPAC Index	-1.84%	-7.69%	-9.62%
ARK INNOVATION ETF	-9.42%	-15.48%	-11.21%
China ADRs	-9.62%	-29.25%	-31.29%
China Internet (KWEB)	-7.23%	-32.19%	-38.38%

While 5G network operators offer some interesting risk reward

As a consequence and based on our investment philosophy we try to take advantage of market asymmetric returns, shifting profit taken towards better risk returns names like 5G network operators companies (20% of the portfolio). As the credit markets have been very good, most telco operators have been attentive to their maturities and refinanced a lot of their debt and cleared out near-term maturities. So from an interest cost perspective, there is limited upside exposure.

The dividend yields should be perceived as attractive and relevant as still higher than in credit debt markets, unless rates go above 4%.

Chinese internet names pullback offer attractive risk reward

Pictet Digital has an exposure to Chinese internet stocks of 19% and sees the current drawdown as an opportunity to accumulate. Since their 52weeks peak a significant numbers of names went down between 55% to 30% following these forced liquidations, and other regulations headwinds.

Source: Pictet Asset Management, as of 30.09.2021

CHINA – MASSIVE RESET OF REGULATION PAVES THE WAY FOR SUSTAINABLE GROWTH

OPPORTUNITIES

- Pictet Digital team has the experience of investing in China since 2008 and absorb volatility. We already faced multiples changes and policy reviews such as in 2011 on VIE structure/delisting, or in 2018 with online gaming deep restriction for minor's time spent and games pipelines, social platform and microblogs reviews as well as e-commerce "anti-brushing" policy.
- Rebalancing short-term growth for more Sustainable LT growth:
 - Tackling social inequality
 - Limiting antitrust
 - Implementing new security data protection policies on Cloud, e-commerce, online advertising and online gaming
 - Prioritizing quality on the supply chain is positive for the tech sector

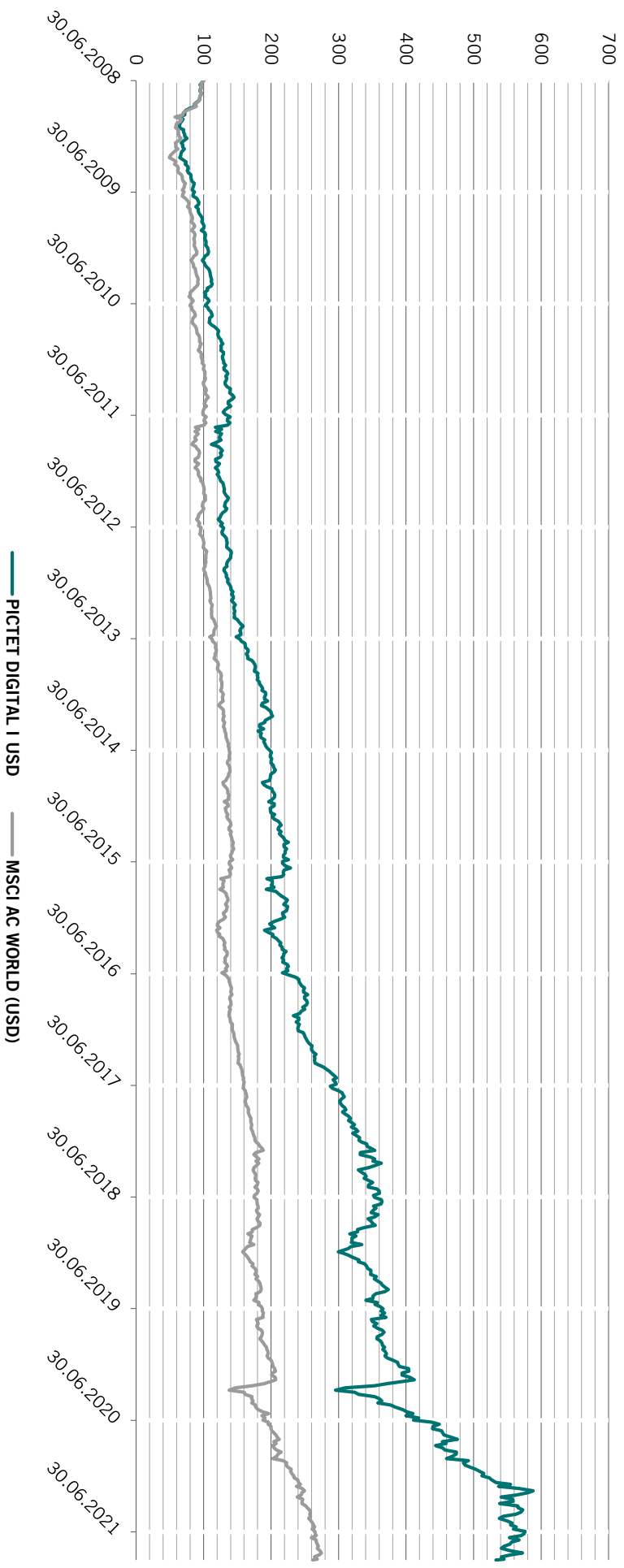
RISK

- The newly introduced policies can continue to temporarily affect Digital players near-term operations and financial outlook, but we view them as manageable with low double-digit earnings impact which we believe is already priced in. Hence, the current fears look overdone, especially because there is much more clarity on regulations now.

CONCLUSION

- The largest Digital players are the best positioned to embrace these new regulations. These companies should empower innovation more advanced than their peers in the West and have the scale to absorb regulatory costs and continue to generate growth profits.
- Digitalization remains a strategic goal to access China supremacy.
- The Digital Team is aware of the opportunities that such markets anomalies offer.

REVIEW OF PERFORMANCE, AS OF 30TH SEPTEMBER 2021



	YTD	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS CUM.PERF	SINCE INCEPTION CUM. PERF
Pictet-Digital – I USD	2.33%	-4.59%	-7.72%	-2.06%	16.61%	51.08%	433.11%
MSCI ACWI	11.12%	-4.13%	-1.05%	6.26%	27.44%	42.69%	161.40%

Fund launch: 30/06/2008. Source: Pictet Asset Management

Performance Net of fees. MSCI ACWI NRI (net reinvested dividend)

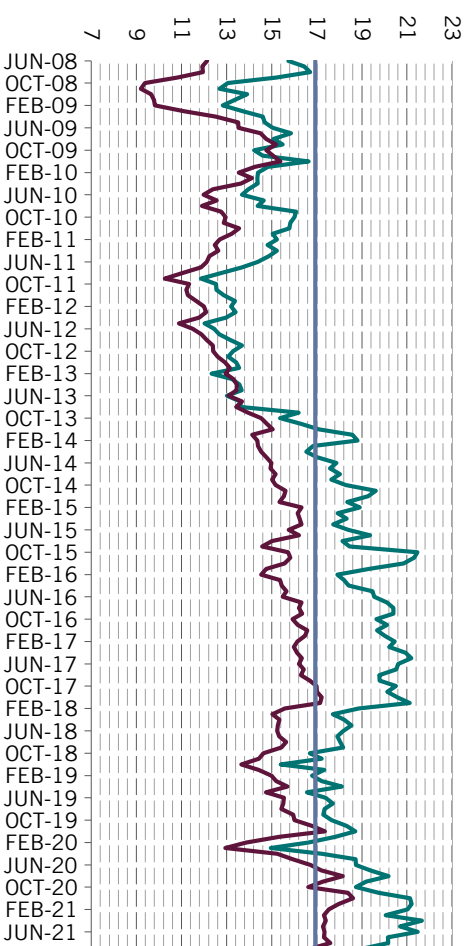
Past performance is not a guarantee or a reliable indicator of future performance

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.

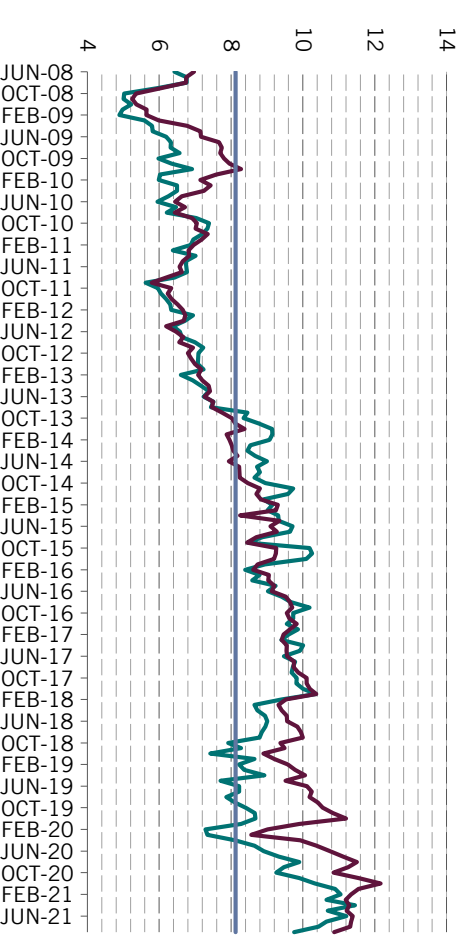
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CURRENT FUND VALUATION VS. MSCI ACWI

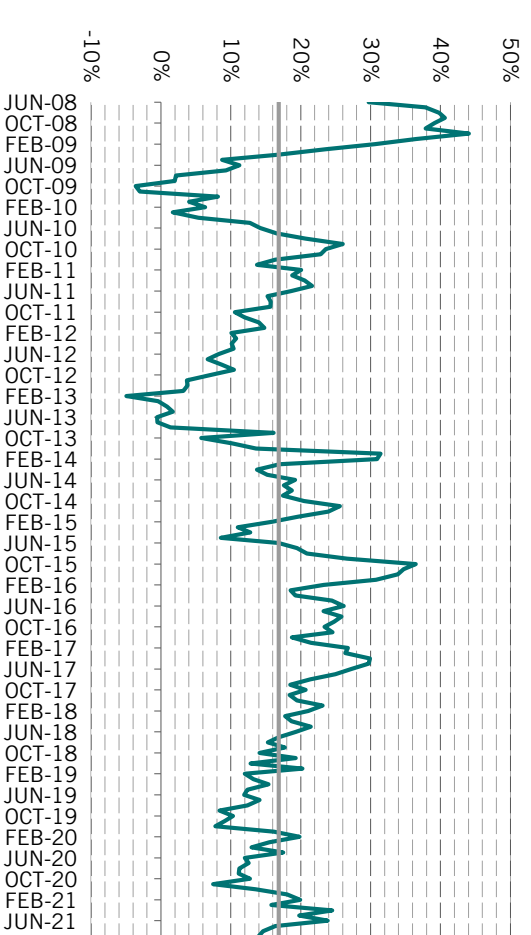
Pictet Digital and MSCI ACWI monthly PE FY2



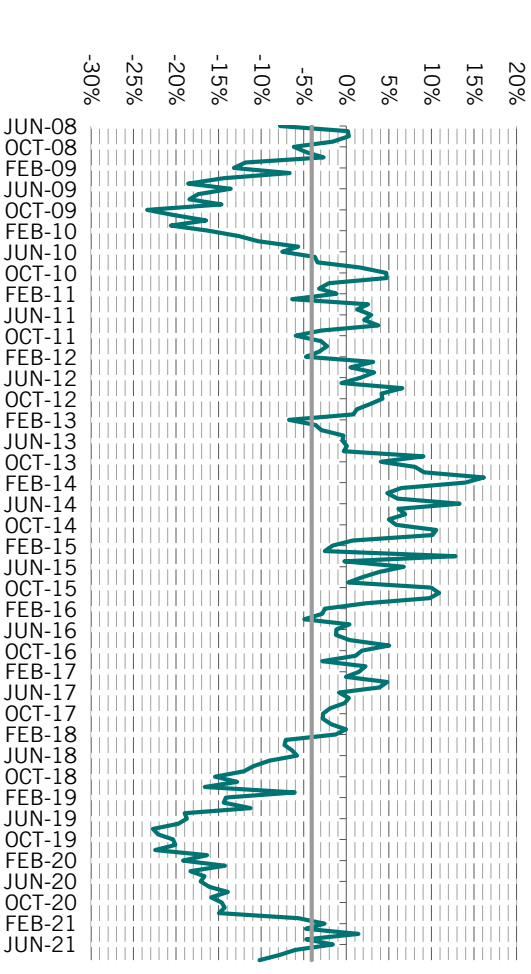
Pictet Digital and MSCI ACWI monthly EV/EBITDA FY2



P/E Premium / Discount Pictet Digital vs MSCI ACWI



EV/EBITDA Premium / Discount Pictet Digital vs MSCI ACWI



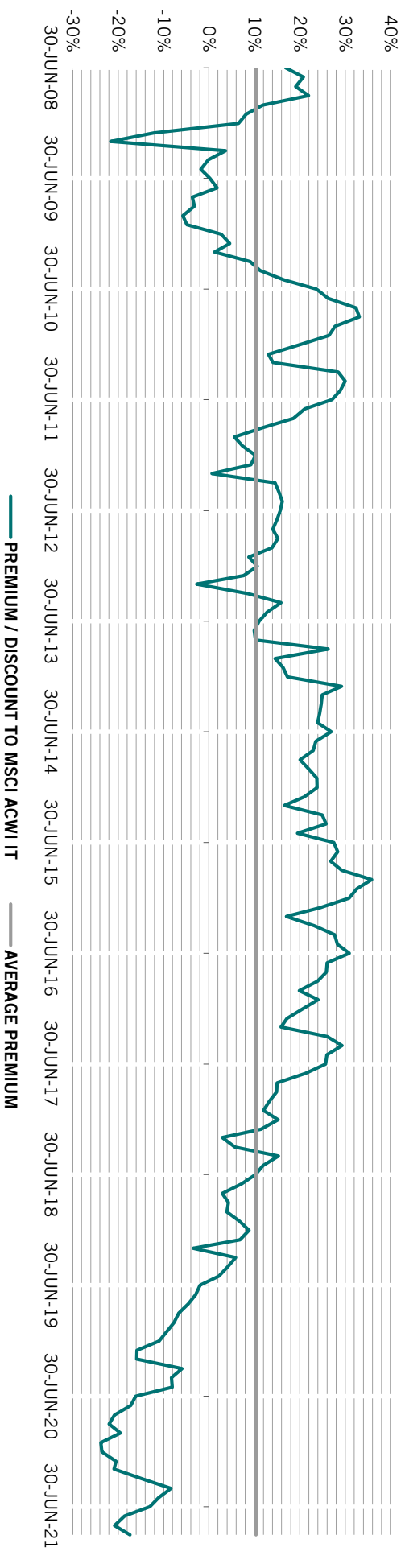
Note: Data as of 30/09/2021 versus MSCI ACWI in USD

Source: Pictet Asset Management

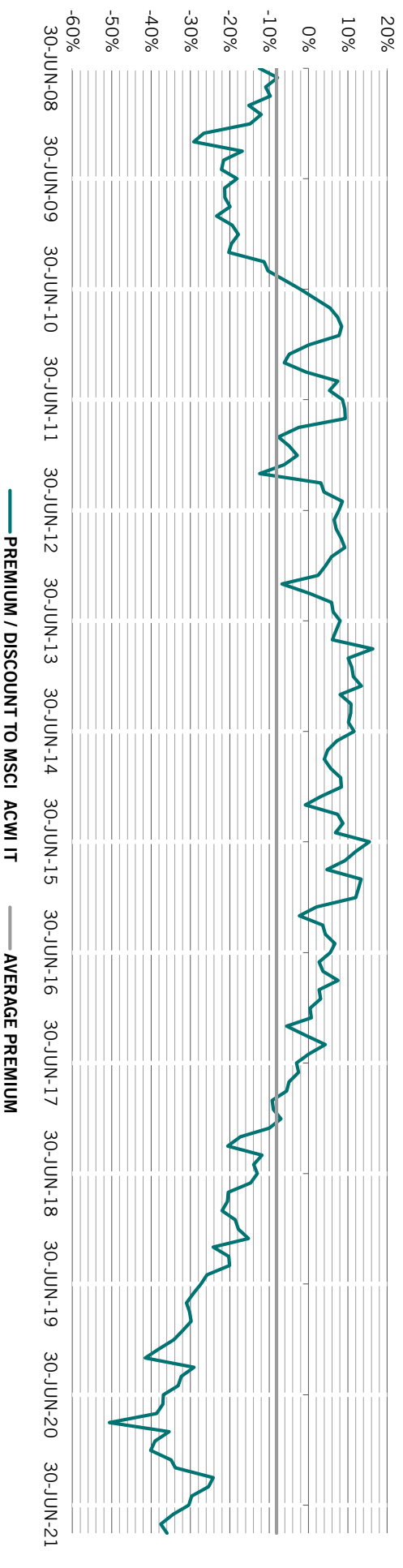
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RELATIVE FUND VALUATION VS. MSCI ACWI IT

P/E FY2 Premium / Discount Pictet Digital vs MSCI ACWI IT



EV/EBITDA FY2 Premium / Discount Pictet Digital vs MSCI ACWI IT



Note: Data as of 30/09/2021 versus MSCI ACWI in USD

Source: Pictet Asset Management

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PICTET DIGITAL OFFERS CHEAPER VALUATIONS & MORE GROWTH

Portfolio valuation vs. growth

	EPS GROWTH FY2	PE FY2	PEG	SALES GROWTH FY2	EV/EBITDA FY2
Portfolio:					
> weighted average	12.3%	21.5x	1.8	10.4%	9.8x
> Median	13.9%	21.8x	1.6	13.1%	14.2x
MSCI ACWI:	7.5%	17.2x	2.3	5.9%	10.8x
MSCI ACWI IT:	11.3%	24.2x	2.1	8.0%	15.9x

Portfolio vs. MSCI ACWI IT*

14% discount to PEG

30% more Sales growth

10% discount on EV/EBITDA FY2

* MSCI ACWI IT is just a reference and does not represent Pictet Digital's official Benchmark

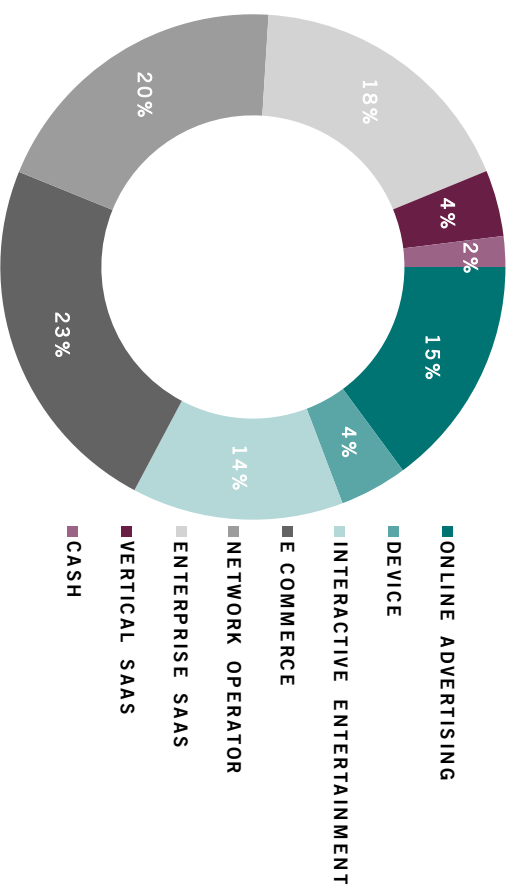
Note: Data as of 30.09.2021 versus MSCI ACWI in USD

Source: Pictet Asset Management

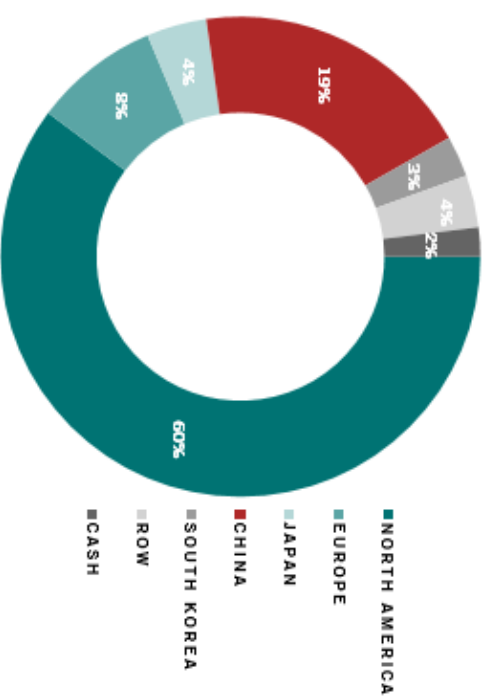
Due to a regulatory change and increasing importance of emerging markets in the global equity allocation, the reference index has been changed retrospectively from the MSCI World to the MSCI All Countries (ACWI) on the 1st of January 2020. The strategy is not constrained by MSCI ACWI which is shown for 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.

PORTFOLIO BREAKDOWNS

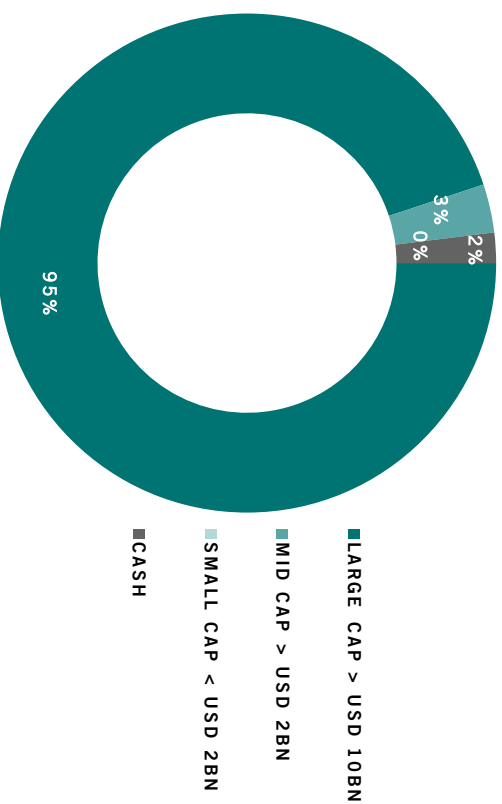
Thematic breakdown



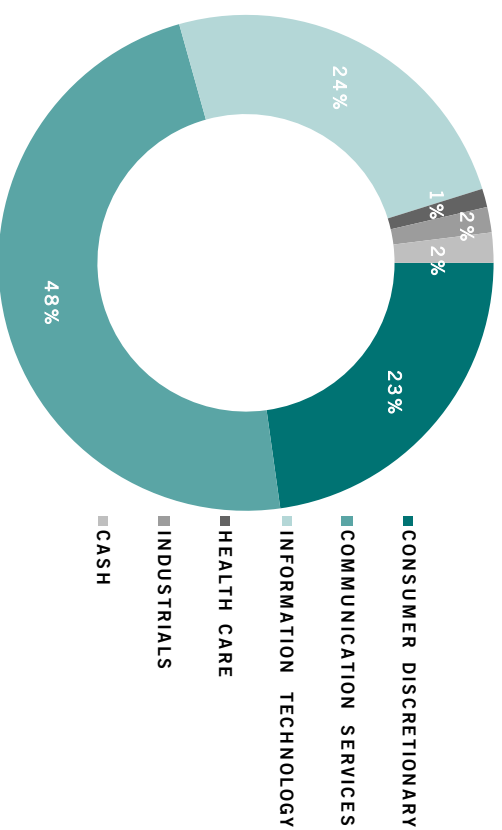
Geographic breakdown



Market cap breakdown



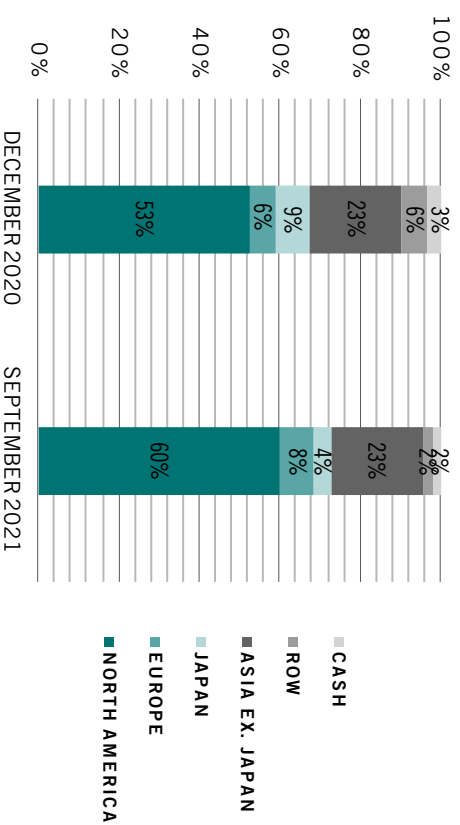
MSCI sector breakdown



Source: Pictet Asset Management 30/09/2021
 Effective allocations are subject to change and may have changed since the date.

RECENT CHANGES IN THE FUND

Geographic allocation - YTD view



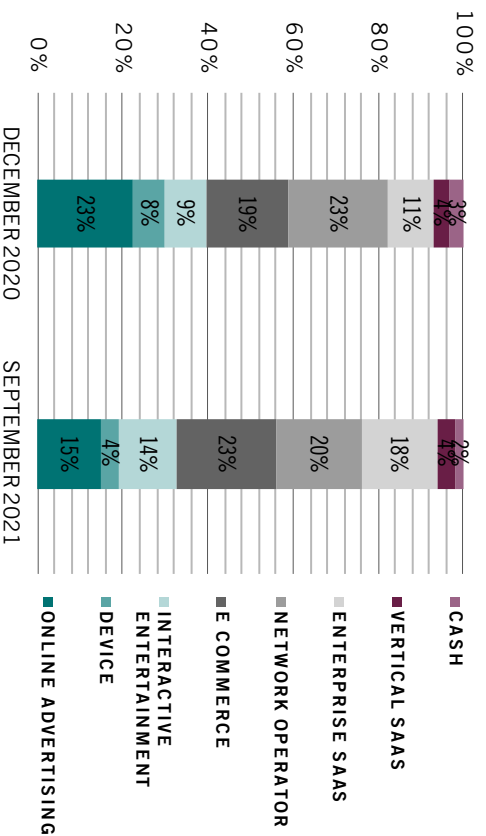
Major investment decisions over the last 6 months:

Bought Teladoc, Trip.com, Ncsoft, NTT

Added Tencent, Alibaba, CRM, Baidu, BT, Match, Just Eat Takeaway, Tripadvisor

Sold Zscaler, TME, Spotify, Z Holding, Teamviewer





Reduced Mercadolibre, Ebay, Alphabet, Intuit



Source: Pictet Asset Management, as of 31/09/2021

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TOP 10 HOLDINGS – LOW CONCENTRATION

COMPANY	DOMICILE	% IN FUND	SECTOR	MARKET CAP (\$Bn)	% PURITY	PRODUCT AND SERVICES
 Alibaba.com	Ch	5.9%	E-commerce	397.2	80%	Leading chinese internet company (social network, web portals, e-commerce, online games)
 salesforce	Us	4.8%	Enterprise SaaS	265.5	60%	CRM software
 Tencent 腾讯	Ch	4.4%	Interactive Entertainment	568.8	90%	Leading chinese internet company, provides social networking, music, e-commerce, mobile games, payment systems, and AI solutions.
 facebook.	Us	3.8%	Online Advertising	956.9	90%	Online social network with subsidiaries such as Instagram, Whatsapp or Oculus
 verizon	Us	3.4%	Network operator	223.6	40%	Broadband and telecommunications company
 百度	Ch	3.3%	Online Advertising	53.1	80%	Largest Chinese search engine
 matchgroup	Us	3.1%	Interactive Entertainment	43.5	80%	Match Group is the global leader in online dating, with an estimated ~50%+ share of global online dating. Its largest brands include Tinder, Meetic, and Hinge
 PayPal	Us	3.0%	Vertical SaaS	305.8	60%	One of the world's largest Internet payment company
 amazon	Us	2.9%	E-commerce	1663.7	70%	E-commerce and cloud computing company (AWS)
 Deutsche Telekom	Ge	2.8%	Network operator	100.1	40%	The leading telecom player in Germany, offers a full range of fixed-line & mobile services, Internet access, and combined information technology for businesses.

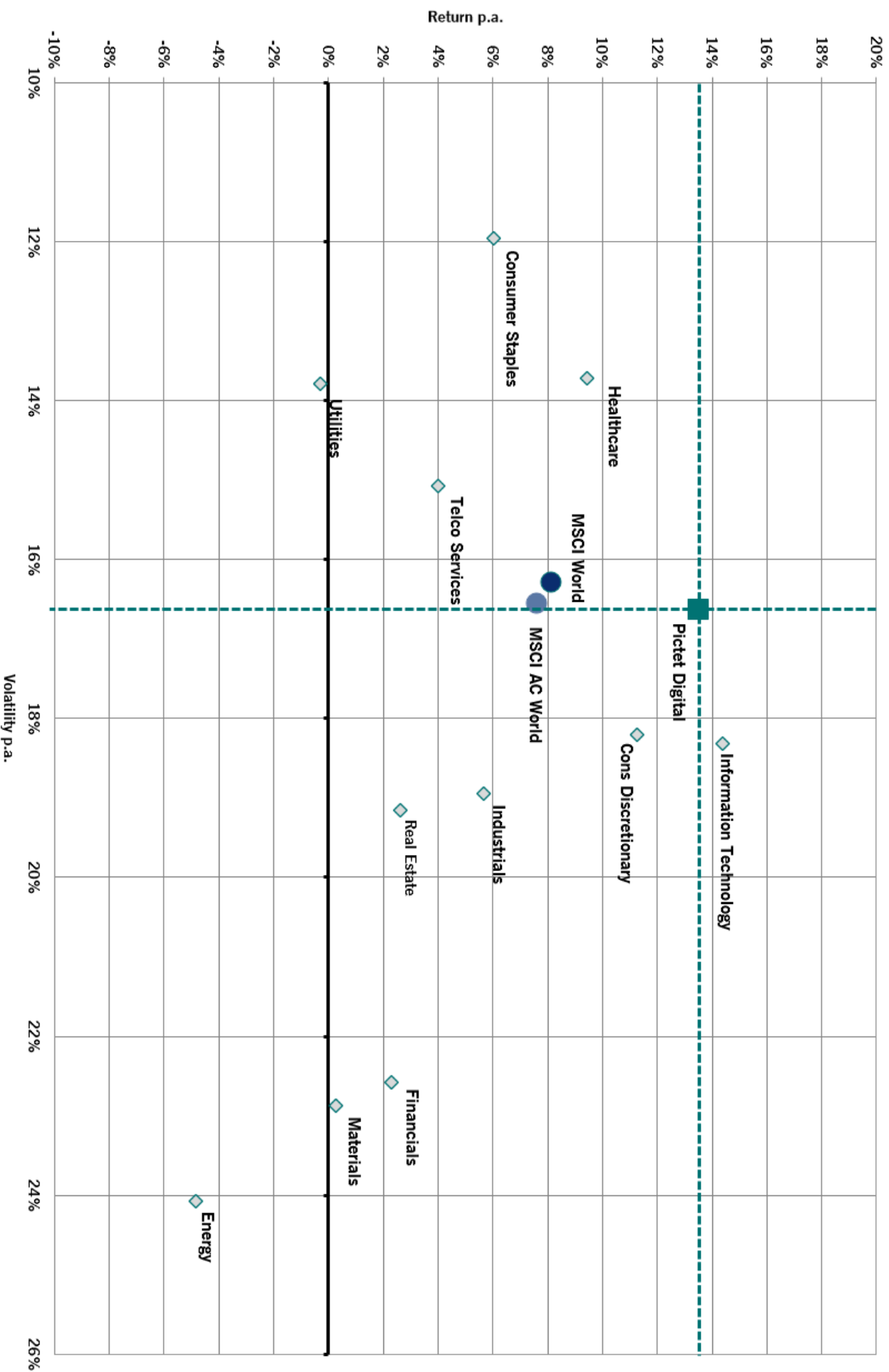
Source: Pictet Asset Management, as of 30/09/2021

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Note: The stock is shown for illustrative purposes and may be sold at any time without prior notice and shall not be considered as investment recommendation

PICTET - DIGITAL, AN ATTRACTIVE RISK/RETURN PROFILE



Source: Pictet, NAV P share class in USD, since fund inception 30/06/2008 to 30/09/2021

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**For further information, please
visit our websites**

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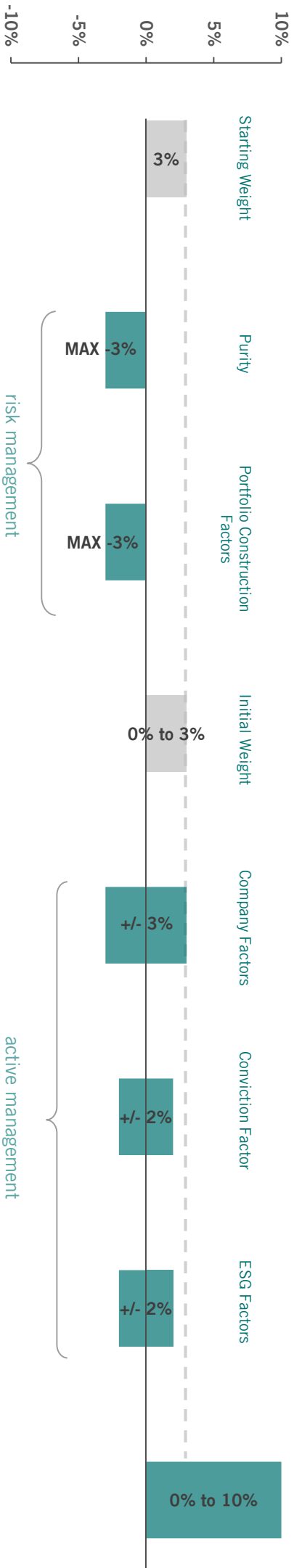
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Appendix.

PICTET DIGITAL INVESTMENT PHILOSOPHY – PORTFOLIO CONSTRUCTION

Portfolio Weight



Starting weight 3%

- > Benchmark agnostic – requires systematic approach
- > Equal weight at 3% before embedding risk factors
- > Hypothetical 10% process max is UCITS compliant

Risk management discount 3%

- > **Purity Discount (20% min required)**
 - We discount the % that is not digital on linear basis (if 80% is digital: 20% is discount)
- > **Portfolio Construction Factor**
 - *Volatility*: we discount the Volatility vs the median of the universe with linear adjustment
 - *Liquidity*: Out of 3% position, We discount the % unsold within 10 days at 20% of the volume

Company factors 3%

- > **Business Franchise**
 - Revenue growth / stability
 - Sustainable / high margins
 - Capital intensity
- > **Management score**
 - CFROI, M&A, capital structure
- > **Attractiveness**
 - Automated relative valuation
 - Quality of operations, op. Momentum

Fundamental 2% Conviction – Tactical

- > **Valuation**
 - DCF / multiple / SOTP proprietary valuation models
- > **PM Conviction**
 - Based on research, company meetings, analyst interactions, deep-dives

ESG factors 2%

- > **Standardized ESG Score**
 - Sustainalytics for Controversies
 - ISS for Governance
 - CFRA for Accounting
- > **Pictet Digital proprietary ESG Score (8 metrics)**
 - Dematerialization
 - Health impact
 - Data Protection...
- > **ESG Engagement Score**
 - Engage with Mgmt. on ESG issues & related initiatives
- > **Material ESG Industry Factor**
 - ESG malpractices vs. ESG best practices

Portfolio weight

- > A fully risk-adjusted target weight in the portfolio
- > High conviction portfolio with 40-60 holdings in the fund

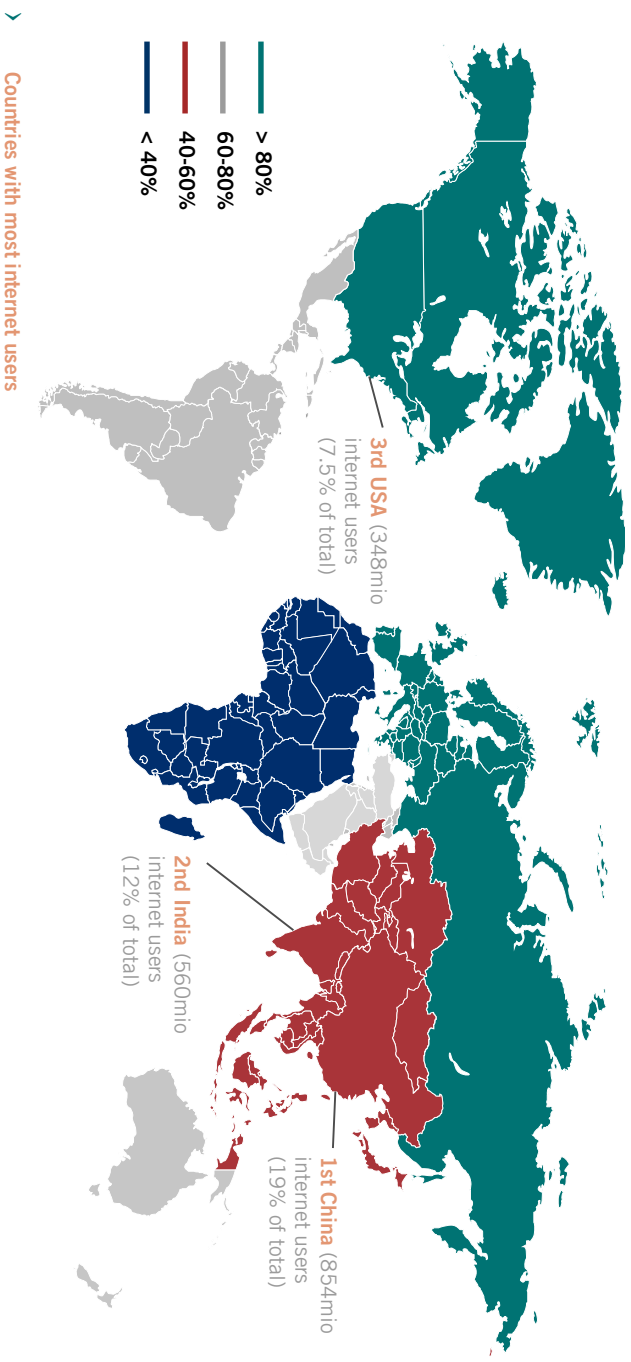
Catalysts for Digital

GLOBAL DIGITALIZATION IS RAMPING UP

The digital momentum is boosted by a larger hashtag demo:

- > A worldwide internet penetration of 65.6%
- > The Generation Z (1996-2016) is just entering the workforce and will dominate the world looking to use more digital services
- > Gen Z is the largest generation, at 2.5bn individuals, accounting for 32% of the global population

Internet penetration rates



Generation Z

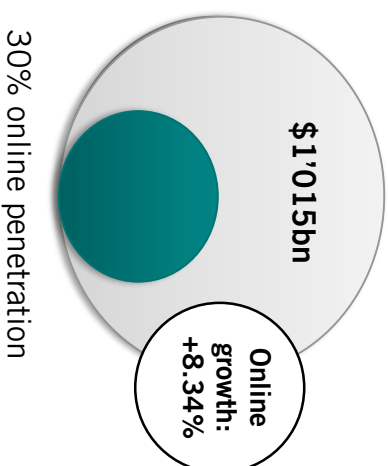


- 98% own a Smartphone
- 50% are connected online for 10 hours a day
- 70% Watch more than two hours of youtube each day

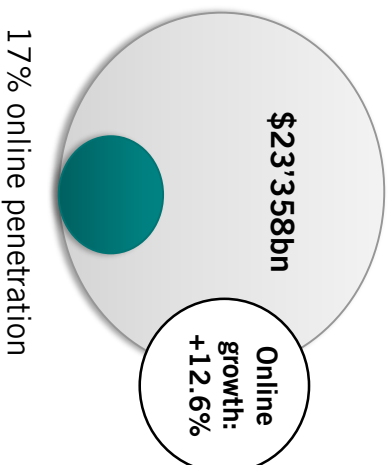
PICTET – DIGITAL STRONG STRUCTURAL GROWTH STORY

➤ Total Digital market opportunities could reach \$5Trn in the next 5 years

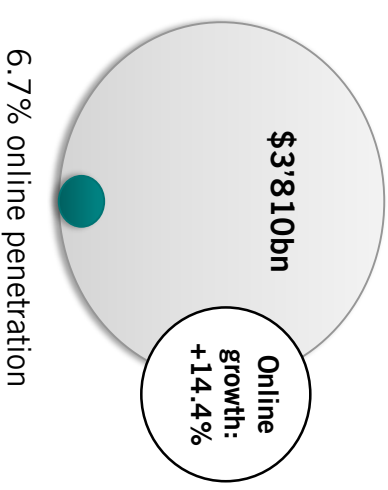
Traditional Advertising vs Online Advertising



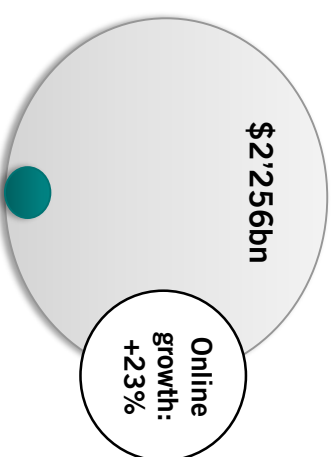
Retail vs E-Commerce



Traditional IT vs Cloud Spending



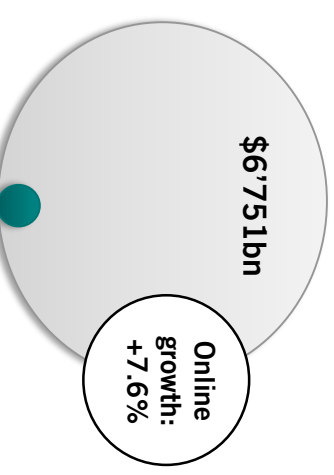
Global Food Service Market* vs Online Food Delivery



Healthcare spending vs. Digital health



Total Consumer & SMB loans vs. Fintech lending



*Includes Restaurants, grocery and food delivery markets

Sources: IAB marketer June 2020, Emarketer May 2020, Gartner July 2020, Statista September 2020, IFPI May 2020, Statista May 2020, UBS Evidence Lab March 2021, IHS Markit sept 2020, Gminsight June 2020, LearnBonds October 2020, PR Newswire October 2020

PICTET – DIGITAL KEY LONG TERM GROWTH FACTORS

THEME	OPPORTUNITY	OUTLOOK
Artificial Intelligence (AI)	<ul style="list-style-type: none"> ➤ USD\$126bn market by 2025 (ex Hardware), growing at a 41% CAGR over the next 5 years 	<ul style="list-style-type: none"> ➤ AI drives the fourth industrial revolution, a hundred-year process for which we are in the first few. ➤ Entire segments are characterized by more AI being part of more and more sophisticated algorithms offering deep learning capabilities and other functionalities like virtual personal assistant, gesture recognition and speech recognition
	<ul style="list-style-type: none"> ➤ Cloud based revenues expected to grow from ~USD150bn currently to USD350bn in 5 years 	<ul style="list-style-type: none"> ➤ Cloud is the only compute environment that can scale to meet the challenges of exponential data collection (only pay for what you use) ➤ Users will only pay for what they use. ➤ Most organization will outsource AI to the cloud
Blockchain	<ul style="list-style-type: none"> ➤ Profound transformational potential (i.e. lower costs, scalability, increased transparency and security) 	<ul style="list-style-type: none"> ➤ Following the crypto collapse, blockchain is emerging now in real world applications with smart contracts ➤ While still in infancy stage, Blockchain helps to keep data private and anonymous. ➤ Data will be fragmented, transforming and improving Digital /application solutions within Ehealth, Online Payment, Cloud, Legal, Accounting, Logistic, HR, CRM, and Supply Chain
	<ul style="list-style-type: none"> ➤ 5G will drive a ~10x improvement in wireless networks capacity speeds and reduce latency 	<ul style="list-style-type: none"> ➤ 5G is a key technology required to support exponential growth in data volume (IOT connection, online gaming...). It is designed with AI in mind ➤ It will help to reduce latency, speed up capacity (connecting billions of sensors/smartphones) ➤ It improves real-time self-learning wireless networks, better call center interactions for customers, improved privacy and security

Source: BOFAML

AI OPPORTUNITIES CAPTURED WITHIN DIGITAL

Artificial Intelligence (A.I.) Potential

- > The \$22bn A.I. software market in 2020 is expected to grow to **\$126bn** by **2025**, including a wide array of applications such as natural language processing, Predictive health, and machine learning (ML)
- > That reflects a longer-term **41% 5-year CAGR** for the AI market
- > The trend is far from being finished as connection will become faster with 5G , accelerating the digital deployment. Computing power, Quantum computing, Analytics, processing data in real time will improve the business efficiencies leading to better prediction, while A.I. and ML algorithms will improve data quality and will make analytics tools more intuitive

Artificial Intelligence software revenues 2020-2025 (\$bn)



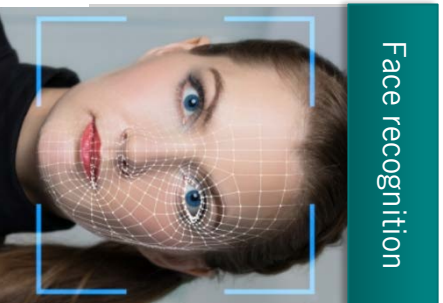
Natural Language Processing



Machine Learning Model



Predictive Health



Face recognition



Recommendation Engines



Intelligent Personal Assistant

Source: Statista