# Global ex UK Equities

**Dorset County Council Pension Fund**

Pictet Asset Management

*Quarterly report as at 30 June 2014*

# Content

| | | |
|---|---|---|
| | **Executive Summary** | **3** |
| **1.** | **Market review** | **4** |
| **2.** | **Portfolio performance** | **5** |
| 2.1 | Performance breakdown | 5 |
| 2.2 | Performance analysis | 6 |
| 2.3 | Portfolio activity | 9 |
| **3.** | **Portfolio composition** | **10** |
| 3.1 | Active profile | 10 |
| 3.2 | Allocation profile | 11 |
| **4.** | **Market outlook** | **13** |
| 4.1 | Outlook | 13 |
| 4.2 | Strategy | 13 |
| **5.** | **Appendix** | **14** |
| 5.1 | Risk | 14 |
| 5.2 | Performance and portfolio details | 14 |
| **6.** | **Contacts & Disclaimer** | **16** |

# EXECUTIVE SUMMARY

World equity markets rose in the second quarter as the prospect of continued monetary stimulus from major central banks lifted investor sentiment. Across asset classes, the performance leader was Japanese equities, boosted by signs of improving corporate profitability.

Overall, our policy for the second quarter of 2014 delivered a performance below the composite equity benchmark. In these three months the fund delivered a total return of 1.64% compared to an index return of 2.23%. The quarterly relative return was adversely impacted by high cash levels. Japanese stocks provided a positive contribution to relative returns.

While economic activity has recovered, the rebound has been predominantly consumption driven, a trick achieved through monetary manipulation and financial market distortion. The prognosis for long-term economic growth is poor and sooner or later financial markets will comprehend that the past upturn in GDP has been at the expense of future demand. Against this backdrop, the outlook for financial markets has rarely been lower.

## KEY INFORMATION

| | |
|---|---|
| Client name | Dorset County Council Pension Fund |
| Benchmark name | MSCI Composite * |
| Client reference currency | GBP |
| Performance inception date | 31.07.1990 |
| Market value as of 31.03.2014 | 387,613,062 GBP |
| Market value as of 30.06.2014 | 391,781,550 GBP |
| Net cash in/out | -2,186,686 GBP |
| Relationship manager | Akua Brako-Raja |

## PERFORMANCE (%)

| | Portfolio | Benchmark | Excess return |
|---|---|---|---|
| 3M | 1.64 | 2.23 | -0.59 |
| YTD | 2.04 | 2.98 | -0.94 |
| 3Y (annualised) | 9.01 | 9.77 | -0.76 |
| 5Y (annualised) | 13.54 | 14.56 | -1.02 |
| 10Y (annualised) | 8.22 | 8.57 | -0.35 |
| Since inception (annualised) | 7.71 | 7.93 | -0.22 |

Gross of fees and net of income (TWR)

* Benchmark: FTSE World ex UK (TR) to December 2003; MSCI Composite (50% North America, 25% Japan, 18.75% Europe ex UK; 6.25% Pacific ex Japan) to March 2006; MSCI Composite (36% North America, 32% Japan, 24% Europe ex UK, 8% Pacific ex Japan) to August 2006; MSCI World ex UK to April 2007; MSCI Composite (53% North America, 12% Japan, 29% Europe ex UK, 6% Pacific ex Japan) TR to date.

Source: Pictet Asset Management

# 1. Market review

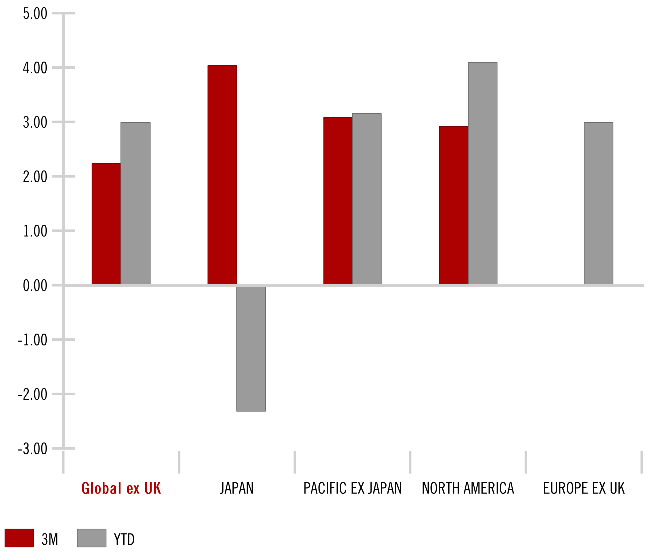
World equity markets rose in the second quarter as the prospect of continued monetary stimulus from major central banks lifted investor sentiment. In Europe, the ECB took the unusual step of cutting the commercial bank's deposit rate for excess reserves below zero and hinted at possible future QE should the need arise. Moreover the US Federal Reserve chair, Janet Yellen, reassured investors that the Fed was not ready to tighten monetary policy and would continue to support the world's largest economy. The dovish central bank rhetoric set the stage for a broad rally in equities.

Over the quarter the MSCI World index rose by 2.4% (TR in GBP terms). Looking at the regions, the performance leader was Japan (+4.0% on the quarter), boosted by signs of improving corporate profitability. The Europe ex UK region, in contrast, delivered a return of 0.0%, gains in local terms offset by a fall in the value of the euro against sterling. Equities in the United States performed in-line with the index, delivering a return of 2.6% in GBP terms.

In contrast to optimistic investor expectations, a more downbeat interpretation of recent events is that economic growth has been pushed temporarily higher by accommodative monetary conditions and distorted financial markets. And taking a longer-term view one could argue that the world has enjoyed a thirty year expansion in debt and an accompanying surge in asset prices. Central Banks are understandably desperate to avoid the inevitable hangover, but ultimately the two most likely outcomes from here are a deflationary bust or an equally unpalatable large rise in consumer prices. In contrast to this prognosis, a large majority of investors appear to believe that the world can muddle through for years to come, with growth "manufactured" by Central Bank largesse.

## REGIONAL PERFORMANCE (%)

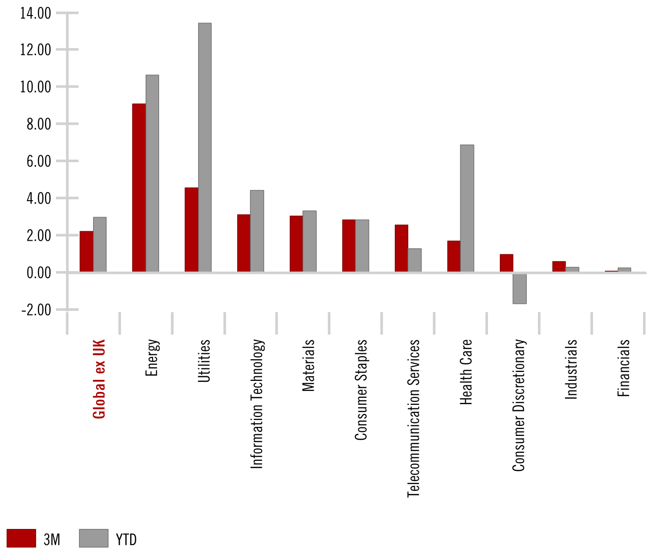
Global ex UK




Source: Pictet Asset Management / FactSet

## SECTOR PERFORMANCE (%)

Global ex UK




Source: Pictet Asset Management / FactSet

# 2. Portfolio performance

## 2.1 Performance breakdown

### MONTHLY PERFORMANCE* (%)

| | Portfolio | Benchmark | Excess return |
|---|---|---|---|
| Jun 2014 | -0.20 | -0.05 | -0.15 |
| May 2014 | 2.61 | 2.89 | -0.28 |
| Apr 2014 | -0.75 | -0.60 | -0.15 |

Gross of fees and net of income (TWR)

Source: Pictet Asset Management

### QUARTERLY PERFORMANCE* (%)

| | Portfolio | Benchmark | Excess return |
|---|---|---|---|
| Q2 2014 | 1.64 | 2.23 | -0.59 |
| Q1 2014 | 0.39 | 0.74 | -0.35 |
| Q4 2013 | 4.79 | 5.56 | -0.77 |
| Q3 2013 | 1.05 | 1.77 | -0.72 |

Gross of fees and net of income (TWR)

Source: Pictet Asset Management

### ANNUALISED PERFORMANCE* (%)

| | Portfolio | Benchmark | Excess return |
|---|---|---|---|
| 1Y | 8.05 | 10.63 | -2.58 |
| 3Y | 9.01 | 9.77 | -0.76 |
| 5Y | 13.54 | 14.56 | -1.02 |
| Since inception (annualised) | 7.71 | 7.93 | -0.22 |

Gross of fees and net of income (TWR)

Source: Pictet Asset Management

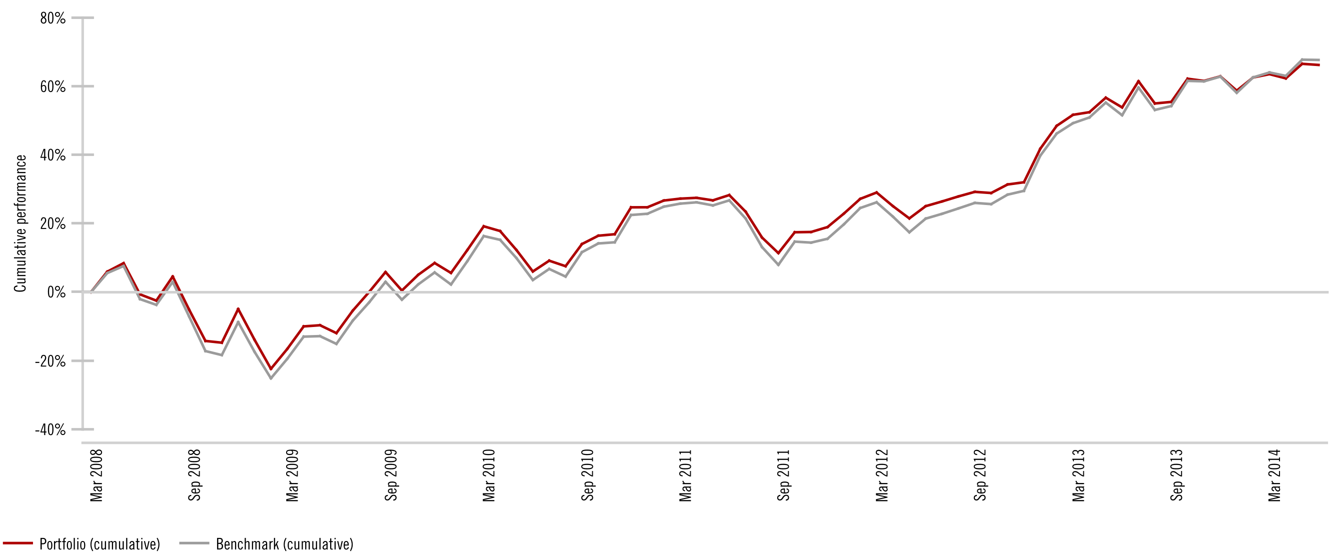
### CALENDAR PERFORMANCE* (%)

| | Portfolio | Benchmark | Excess return |
|---|---|---|---|
| YTD | 2.04 | 2.98 | -0.94 |
| 2013 | 23.37 | 25.70 | -2.33 |
| 2012 | 10.98 | 12.08 | -1.10 |
| 2011 | -4.61 | -5.66 | 1.05 |
| 2010 | 14.95 | 15.83 | -0.88 |

Gross of fees and net of income (TWR)

Source: Pictet Asset Management

### PERFORMANCE* (SINCE 31.03.2008)




Gross of fees and net of income (TWR)

* Benchmark: FTSE World ex UK (TR) to December 2003; MSCI Composite (50% North America, 25% Japan, 18.75% Europe ex UK; 6.25% Pacific ex Japan) to March 2006; MSCI Composite (36% North America, 32% Japan, 24% Europe ex UK, 8% Pacific ex Japan) to August 2006; MSCI World ex UK to April 2007; MSCI Composite (53% North America, 12% Japan, 29% Europe ex UK, 6% Pacific ex Japan) TR to date.

Source: Pictet Asset Management

## HEDGED OVERALL PERFORMANCE INCLUDING HISTORICAL EMERGING PERFORMANCE** (%)

| | Portfolio | Benchmark | Excess return |
|---|---|---|---|
| 1M | 0.63 | -0.05 | 0.68 |
| 3M | 2.82 | 2.23 | 0.59 |
| 6M | 3.47 | 2.98 | 0.49 |
| YTD | 3.47 | 2.98 | 0.49 |
| 1Y | 13.96 | 10.63 | 3.33 |
| 3Y (annualised) | 10.49 | 9.40 | 1.09 |
| Since inception (annualised) | 8.12 | 9.40 | -1.28 |

Gross of fees and net of income (TWR)

**Benchmark: FTSE World ex UK (TR) to December 2003; MSCI Composite (40% North America, 20% Japan, 15% Europe ex UK; 5% Pacific ex Japan, 20% Emerging Markets) to March 2006; MSCI Composite (27% North America, 24% Japan, 18% Europe ex UK, 6% Pacific ex Japan, 25% Emerging Markets) to August 2006; MSCI Composite (85% World ex UK, 15% Emerging Markets) to April 2007; MSCI Composite (45% North America, 10% Japan, 25% Europe ex UK, 5% Pacific ex Japan, 15% Emerging Markets) to March 2012, MSCI Composite (53% North America, 12% Japan, 29% Europe ex UK, 6% Pacific ex Japan) TR to date.

Source: Pictet Asset Management

### 2.2 Performance analysis

## TOP 5 POSITIVE CONTRIBUTIONS (%)

Q2 2014

| | Contribution |
|---|---|
| Pictet - Japan Index | 0.13 |
| Deutsche Bank Aktiengesellschaft | 0.05 |
| Pictet - Asian Equities (ex-Japan) | 0.05 |
| ABB Ltd. | 0.03 |
| Credit Suisse Group AG | 0.03 |

Source: Pictet Asset Management / FactSet

## TOP 5 NEGATIVE CONTRIBUTIONS (%)

Q2 2014

| | Contribution |
|---|---|
| [Cash] | -0.38 |
| Pictet - Euroland Index | -0.15 |
| H. Lundbeck A/S | -0.07 |
| ThromboGenics NV | -0.05 |
| BNP Paribas SA | -0.04 |

Source: Pictet Asset Management / FactSet

Overall, our policy for the second quarter of 2014 delivered a performance below the composite equity benchmark. In these three months the fund delivered a total return of 1.64% compared to an index return of 2.23%. Looking at the quarter in more detail, the fund's quarterly relative return was adversely impacted by above average levels of cash during a period of positive returns and by below index returns from the portfolio's European stock holdings. Over the entire turbulent period for markets between end-March 2008 and end-June 2014 the fund has performed just below the benchmark, gaining strongly in the equity downswings of 2008 and 2011, but giving relative returns back in the subsequent period of equity strength. Between end-March 2008 and end-June 2014 the total fund delivered an average annual return of 8.47% compared to an average annual index return of 8.62%. If our prognosis for the global economy and markets is correct then relative performance will improve substantially in coming quarters.

The strongest performing holdings over the quarter were Asian fund holdings, both the Japanese Index Fund and Asian Equities ex Japan Fund. There were also positive stock contributions from Japanese stocks Daiwa House, shoe retailer ABC Mart (benefiting from consolidation in the sector) and LED headlight manufacturer Stanley Electric. European stocks provided only limited support to performance with positive support from health care stock Roche.

Cash was a negative contributor, unsurprising given that the portfolio held a well above average cash holding during a period of rising share prices. The Pictet Euroland Index Fund was also a detractor from performance. Looking at stocks, the worse performing Japanese holdings were mostly the subject of profit-taking (eg Omron who manufacture factory automation and healthcare equipment) and Fuji Seal (advanced packaging materials). In Europe, exposure to Russia pushed the financial company Raiffeisen sharply lower while biotech stock

Thrombogenics also fell sharply on news that management was embarking on a strategic review.

## GEOGRAPHIC CONTRIBUTION TO PERFORMANCE (%)

Q2 2014

| | Asset allocation | Stock selection | Total |
|---|---|---|---|
| NORTH AMERICA | -0.02 | -0.03 | -0.05 |
| EUROPE EX UK | 0.09 | -0.41 | -0.32 |
| JAPAN | 0.02 | 0.06 | 0.08 |
| PACIFIC EX JAPAN | 0.01 | 0.04 | 0.05 |
| [Cash] | -0.38 | - | -0.38 |
| **Total** | **-0.27** | **-0.34** | **-0.61** |

Performances calculated GROSS in GBP

Source: Pictet Asset Management / FactSet

## SECTOR CONTRIBUTION TO PERFORMANCE (%)

Q2 2014

| | Asset allocation | Stock selection | Total |
|---|---|---|---|
| Consumer Discretionary | 0.04 | -0.06 | -0.02 |
| Consumer Staples | -0.02 | -0.05 | -0.06 |
| Energy | -0.04 | - | -0.04 |
| Financials | 0.14 | -0.01 | 0.13 |
| Health Care | 0.01 | -0.14 | -0.12 |
| Industrials | 0.05 | 0.06 | 0.11 |
| Information Technology | -0.02 | -0.08 | -0.10 |
| Materials | -0.02 | -0.03 | -0.05 |
| Telecommunication Services | - | -0.05 | -0.05 |
| Utilities | -0.03 | 0.02 | -0.01 |
| [Cash] | -0.38 | - | -0.38 |
| [Unassigned] | -0.01 | - | -0.01 |
| **Total** | **-0.27** | **-0.34** | **-0.61** |

Performances calculated GROSS in GBP
Unassigned refers predominantly to Pictet Funds

Source: Pictet Asset Management / FactSet

## 2.3 Portfolio activity

At the regional level the major change was a steady reduction in exposure to European equities. This market enjoyed a very strong rally in previous quarters as investors came to the conclusion that the euro crisis is now a relic of the past. In our view, however, as markets and growth fall in tandem in coming quarters, economic pressure will return to the Mediterranean countries, forcing euro denominated shares lower. Proceeds from Europe were directed toward Japan were a loss of economic momentum, associated with an increase in its consumption tax, had pushed equities to attractive valuations in many sectors.

With regard to cash the steady policy through 2013 and through the first quarter of 2014 has been to gradually reduce US$ exposure and raise Japanese yen exposure. The yen had little value in 2012 but after sharp falls in 2013, courtesy of a rapid expansion in the Japanese monetary base, this currency is now one of the most attractive in the world. We expect to see a rapid appreciation of the yen through coming quarters as global equities fall.

Activity across individual European stock positions was low, although at the start of the quarter a position was initiated in Fresenius Medical Care where a return to growth is expected through a combination of commercial rate increases, cost savings and capital allocation. We also witnessed several changes in Japanese stock holdings with the addition of trading company Itochu, small motor manufacturer Nidec Corp and drinks manufacturer Suntory Beverage. The reason for adding Itochu was valuations, with a dividend yield reaching 4%, while Nidec and Suntory offer strong growth potential within their respective spheres of operation.

# 3. Portfolio composition

## 3.1 Active profile

### TOP 10 OVERWEIGHT POSITIONS (%)

| Company name | Portfolio | Benchmark | Active weight |
|---|---|---|---|
| Roche Holding Sa | 1.39 | 0.97 | 0.42 |
| Total Sa | 1.12 | 0.72 | 0.41 |
| Adidas Ag | 0.47 | 0.10 | 0.37 |
| Nestle Sa, Cham & Vevey | 1.51 | 1.16 | 0.35 |
| Schneider Electric Se | 0.58 | 0.23 | 0.35 |
| Alfa Laval Ab | 0.38 | 0.04 | 0.34 |
| Publicis Groupe Sa | 0.40 | 0.07 | 0.33 |
| Bnp Paribas Sa | 0.65 | 0.33 | 0.32 |
| Astaldi Spa | 0.29 | - | 0.29 |
| Deutsche Boerse Ag | 0.35 | 0.07 | 0.28 |

Source: Pictet Asset Management

### TOP 5 UNDERWEIGHT POSITIONS (%)

| Company name | Portfolio | Benchmark | Active weight |
|---|---|---|---|
| Novartis Inc | 0.38 | 0.96 | -0.59 |
| Novo Nordisk A/S | - | 0.42 | -0.42 |
| Sanofi Sa | 0.19 | 0.59 | -0.40 |
| BASF | 0.16 | 0.50 | -0.34 |
| Siemens Ag | 0.16 | 0.48 | -0.33 |

Source: Pictet Asset Management

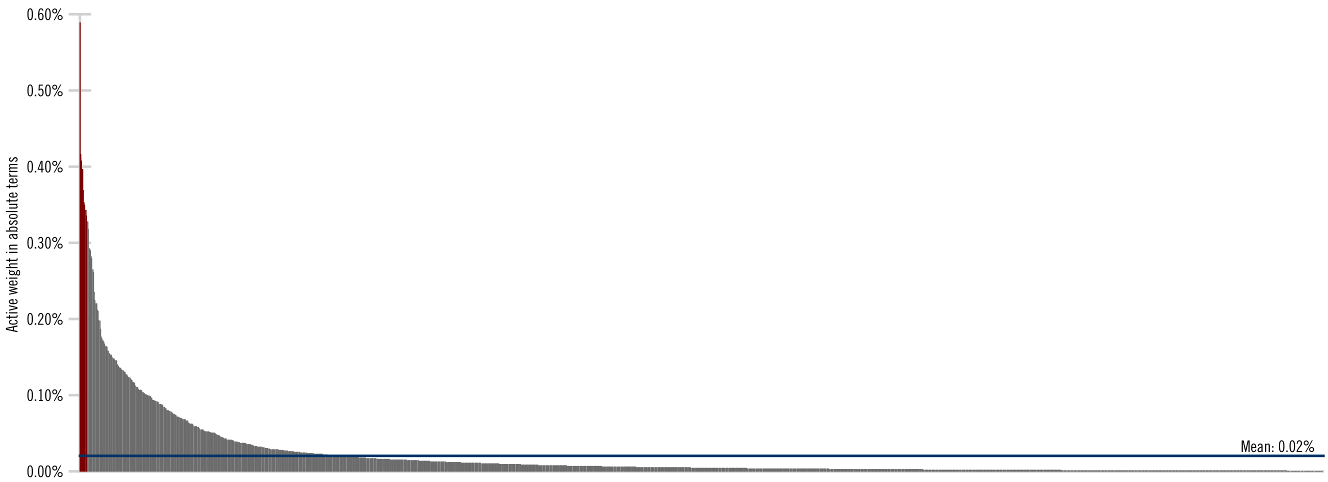
### PORTFOLIO CHARACTERISTICS

| | Portfolio | Benchmark |
|---|---|---|
| Number of stocks | 858 | 1,962 |
| Weighted average market cap. (m. ref. ccy) | 56,434.35 | 51,138.65 |
| P/BV | 4.28 | 3.86 |
| P/CF (FY1) | 12.82 | 12.30 |
| P/E (FY1 Est) | 18.02 | 17.67 |
| PEG Ratio | 2.05 | 1.98 |
| Net Debt to Equity (%) | 23.94 | 27.57 |
| Active share* (%) | 19.81 | - |

* A measure of how much of the portfolio is different from the benchmark, expressed as the sum of all absolute active weights divided by two.

Source: Pictet Asset Management / FactSet

## ACTIVE SHARE* PROFILE (TOP 10 HIGHLIGHTED)




* Represented graphically by the variation of each portfolio holding from the benchmark in absolute terms.

Source: Pictet Asset Management

### 3.2 Allocation profile

## TOP 10 HOLDINGS (%)

| Company name | Portfolio | Benchmark | Active weight |
|---|---|---|---|
| Nestle Sa, Cham & Vevey | 1.51 | 1.16 | 0.35 |
| Apple Inc | 1.49 | 1.55 | -0.05 |
| Roche Holding Sa | 1.39 | 0.97 | 0.42 |
| Total Sa | 1.12 | 0.72 | 0.41 |
| Exxon Mobil Corp | 1.12 | 1.16 | -0.04 |
| Toyota Motor Corp | 0.85 | 0.72 | 0.13 |
| Microsoft Corp, Redmond, Wa | 0.85 | 0.88 | -0.03 |
| Google Inc | 0.84 | 0.88 | -0.03 |
| Johnson & Johnson | 0.76 | 0.79 | -0.03 |
| General Electric Co | 0.68 | 0.70 | -0.02 |

Source: Pictet Asset Management

## GEOGRAPHIC PROFILE (%)

| | Portfolio | Benchmark | Weight |
|---|---|---|---|
| North America | 51.22 | 52.93 | -1.70 |
| Europe Ex UK | 24.34 | 29.03 | -4.69 |
| Japan | 12.38 | 12.00 | 0.38 |
| Pacific Ex Japan | 2.98 | 6.05 | -3.07 |
| Cash & Equivalent | 9.08 | - | 9.08 |
| **Total** | **100.00** | **100.00** | **0.00** |

Source: Pictet Asset Management

## SECTOR PROFILE (%)

| | Portfolio | Benchmark | Weight |
|---|---|---|---|
| Energy | 8.12 | 8.61 | -0.48 |
| Materials | 2.86 | 5.60 | -2.74 |
| Industrials | 9.22 | 12.12 | -2.90 |
| Consumer Discretionary | 9.44 | 12.54 | -3.10 |
| Consumer Staples | 6.40 | 9.24 | -2.85 |
| Health Care | 8.68 | 11.62 | -2.94 |
| Financials | 13.97 | 20.29 | -6.32 |
| Information Technology | 10.84 | 12.89 | -2.05 |
| Telecommunication Services | 2.12 | 3.73 | -1.61 |
| Utilities | 1.82 | 3.35 | -1.53 |
| Unassigned Group | 17.45 | - | 17.45 |
| Cash & Equivalent | 9.08 | - | 9.08 |
| **Total** | **100.00** | **100.00** | **0.00** |

Unassigned Group consists predominantly of Pictet Funds

Source: Pictet Asset Management

# 4. Market outlook

## 4.1 Outlook

Policy choices in recent years have been driven by political expediency on the one hand and by a failure to understand the cause of the 2007 and 2008 financial market crisis on the other. Today's accepted wisdom amongst key policy makers appear to be that Quantitative Easing has worked and that growth across most developed economies has returned to a sustainable upward path. The reality is somewhat different. Debt levels remain very high, savings low and capital expenditure, the lifeblood of long-term economic activity well below average. It is true that growth has recovered, but this rebound has been predominantly consumption driven, a trick achieved through monetary manipulation and financial market distortion. The prognosis for long-term economic growth is very poor and sooner or later financial markets will comprehend that the past upturn in GDP has been at the expense of future demand. Against this backdrop, the outlook for financial markets has rarely been lower.

The elevation in the value of financial assets relative to non-financial assets has produced a huge widening in standards of living between areas with a positive sensitivity to financial assets (London property, Hong Kong property etc.) and other areas with a bias towards the productive sectors of the economy. The ratio between the cost of London property and property in the rest of country has never been wider. This is not a source of strength, but a consequence of on-going monetary manipulation by policymakers. And the divergence within London between the top and bottom quartiles has also widened markedly. Wealth and income distortions are also evident in the US where levels of inequality have reached alarming levels. In 2012 the top 1% accounted for 19.3% of total household income (excluding capital gains), the largest share since 1928. Hardly an encouraging statistic – the S&P Composite fell 86% between its 1929 peak and its 1932 low.

With a central bank supporting demand, firms have taken a back seat, cutting investment. Such behaviour is of course excellent for near-term profits, but very poor for long-term economic activity and long-term profits. In the early 1970s, US companies invested 15 times as much cash as they distributed to shareholders; in recent years the ratio has dropped back to below two. With executives paid in bonuses linked to their share price there is an obvious incentive to boost short-term share performance over the expense of long-term growth. Corporate executive remuneration packages need to change, but this will not happen while the current policy structure is seen to be succeeding.

## 4.2 Strategy

Given our pessimistic long-term outlook for markets the most appropriate asset allocation policy is to structure portfolios defensively, to raise the level of defensive assets in response to market advances and only to buy equities after a substantial and prolonged fall in global share prices. Cash levels were 1½% at the market low point in March 2009, 5½% at the end of 2011, close to 8½% at the end of the final quarter of 2013 and 9¼% at the end of the second quarter of 2014. The fund's current structure is consistent with our expectation of very low future equity returns. As a result of equity sales in 2013 and early 2014, the portfolio is now more defensively positioned than it was before the significant falls in stock markets seen in the second half of 2008.

At the asset level we expect to continue our policy of reducing exposure to high beta, namely Euroland equities, and raising exposure to defensive assets such as low beta Asian stocks and Japanese yen cash. Our individual European share holdings are now low beta on average while our Japanese holdings have also witnessed a sharp reduction in beta in the last three years. Overall then the portfolio remains defensively structured as we move through the summer months of 2014.

Japan was criticised in the 1990s for adopting a monetary regime which enabled insolvent firms to keep trading, effectively trapping capital in zombie enterprises which could not be used to support other, more productive parts of the economy. Today, the whole world has gladly embraced such measures, convincing investors that entire insolvent countries (Greece, Spain) can be supported indefinitely. Of course which so much of the world's capital now employed unproductively, supporting defunct companies and countries, growth prospects are very poor. High share prices and low global growth make an uncomfortable mix which should make all long-term investors seek refuge in defensive assets.

# 5. Appendix

## 5.1 Risk

### RISK STATISTICS EX-POST - 3 YEARS

| | Portfolio |
|---|---|
| Annualised volatility (%) | 10.26 |
| Tracking error (%) | 1.39 |
| Information ratio | -0.50 |

Source: Pictet Asset Management

## 5.2 Performance and portfolio details

### GEOGRAPHIC CONTRIBUTION TO PERFORMANCE (%)

Q2 2014

| | Portfolio average weight | Portfolio total return | Benchmark average weight | Benchmark total return | Allocation effect | Selection effect | Total effect |
|---|---|---|---|---|---|---|---|
| **Total** | **100.00** | **1.62** | **100.00** | **2.23** | **-0.27** | **-0.34** | **-0.61** |
| **NORTH AMERICA** | **50.90** | **2.84** | **52.92** | **2.91** | **-0.02** | **-0.03** | **-0.05** |
| Canada | 3.61 | 6.56 | 3.78 | 7.32 | -0.01 | -0.03 | -0.03 |
| United States | 47.29 | 2.56 | 49.14 | 2.57 | -0.01 | -0.01 | -0.02 |
| **EUROPE EX UK** | **24.55** | **-1.63** | **28.93** | **0.01** | **0.09** | **-0.41** | **-0.32** |
| Austria | 0.11 | -3.82 | 0.17 | -2.70 | - | - | - |
| Belgium | 0.22 | -18.73 | 0.76 | 2.94 | - | -0.05 | -0.05 |
| Denmark | 0.33 | -16.63 | 0.86 | 0.71 | 0.01 | -0.06 | -0.06 |
| Euroland Funds | 6.23 | -0.06 | - | - | -0.15 | - | -0.15 |
| Finland | 0.08 | -3.72 | 0.55 | 2.99 | -0.01 | -0.01 | -0.01 |
| France | 4.12 | -1.65 | 6.51 | -0.16 | 0.05 | -0.06 | -0.01 |
| Germany | 3.57 | -2.32 | 5.84 | -0.30 | 0.06 | -0.07 | -0.02 |
| Ireland | - | - | 0.20 | -11.23 | 0.03 | - | 0.03 |
| Italy | 1.12 | 1.11 | 1.65 | -2.24 | 0.03 | 0.04 | 0.06 |
| Netherlands | 0.53 | -5.31 | 1.68 | -1.85 | 0.05 | -0.02 | 0.03 |
| Norway | 0.33 | 2.70 | 0.54 | 8.05 | -0.01 | -0.02 | -0.03 |
| Portugal | - | -0.02 | 0.12 | -4.30 | 0.01 | - | 0.01 |
| Spain | 1.22 | 1.33 | 2.28 | 4.68 | -0.02 | -0.04 | -0.06 |
| Sweden | 1.15 | -6.24 | 2.01 | -2.66 | 0.05 | -0.05 | - |
| Switzerland | 5.55 | -1.23 | 5.76 | -0.13 | 0.02 | -0.06 | -0.05 |
| **JAPAN** | **11.20** | **4.57** | **12.05** | **4.03** | **0.02** | **0.06** | **0.08** |
| Japan | 5.17 | 5.34 | 12.05 | 4.03 | -0.12 | 0.07 | -0.05 |
| Japan Funds | 6.03 | 3.92 | - | - | 0.13 | - | 0.13 |
| **PACIFIC EX JAPAN** | **3.85** | **4.39** | **6.10** | **3.08** | **0.01** | **0.04** | **0.05** |
| Asia Ex Japan Funds | 2.30 | 3.85 | - | - | 0.05 | - | 0.05 |
| Australia | 0.24 | 1.34 | 1.67 | 0.28 | 0.03 | -0.01 | 0.03 |
| China | 0.22 | 15.35 | 1.13 | 3.14 | -0.01 | 0.03 | 0.02 |
| Hong Kong | 0.50 | 5.66 | 0.61 | 5.34 | - | - | - |
| Indonesia | - | - | 0.16 | -1.76 | 0.01 | - | 0.01 |
| Korea | 0.21 | 8.56 | 0.98 | 3.73 | - | - | - |
| Malaysia | - | - | 0.24 | 0.92 | - | - | - |
| New Zealand | - | - | 0.03 | -3.46 | - | - | - |
| Philippines | - | - | 0.06 | 6.49 | - | - | - |

| | Portfolio average weight | Portfolio total return | Benchmark average weight | Benchmark total return | Allocation effect | Selection effect | Total effect |
|---|---|---|---|---|---|---|---|
| Singapore | 0.38 | 0.94 | 0.36 | 3.92 | 0.01 | -0.01 | -0.01 |
| Taiwan | - | - | 0.74 | 7.61 | -0.04 | - | -0.04 |
| Thailand | - | - | 0.14 | 5.08 | - | - | - |
| **[Cash]** | **9.50** | **-1.58** | **-** | **-** | **-0.38** | **-** | **-0.38** |
| [Cash] | 9.50 | -1.58 | - | - | -0.38 | - | -0.38 |

Performances calculated GROSS in GBP

Source: Pictet Asset Management / FactSet

## SECTOR CONTRIBUTION TO PERFORMANCE (%)

Q2 2014

| | Portfolio average weight | Portfolio total return | Benchmark average weight | Benchmark total return | Allocation effect | Selection effect | Total effect |
|---|---|---|---|---|---|---|---|
| **Total** | **100.00** | **1.62** | **100.00** | **2.23** | **-0.27** | **-0.34** | **-0.61** |
| Consumer Discretionary | 9.21 | 0.30 | 12.51 | 0.97 | 0.04 | -0.06 | -0.02 |
| Consumer Staples | 6.63 | 2.12 | 9.38 | 2.84 | -0.02 | -0.05 | -0.06 |
| Energy | 7.93 | 9.04 | 8.45 | 9.08 | -0.04 | - | -0.04 |
| Financials | 14.07 | -0.02 | 20.44 | 0.07 | 0.14 | -0.01 | 0.13 |
| Health Care | 8.75 | 0.12 | 11.51 | 1.69 | 0.01 | -0.14 | -0.12 |
| Industrials | 9.23 | 1.28 | 12.29 | 0.61 | 0.05 | 0.06 | 0.11 |
| Information Technology | 10.80 | 2.35 | 12.79 | 3.12 | -0.02 | -0.08 | -0.10 |
| Materials | 2.91 | 1.99 | 5.61 | 3.03 | -0.02 | -0.03 | -0.05 |
| Telecommunication Services | 2.16 | 0.19 | 3.77 | 2.58 | - | -0.05 | -0.05 |
| Utilities | 1.90 | 5.82 | 3.26 | 4.57 | -0.03 | 0.02 | -0.01 |
| [Cash] | 9.50 | -1.58 | - | - | -0.38 | - | -0.38 |
| [Unassigned] | 16.90 | 2.21 | - | - | -0.01 | - | -0.01 |

Performances calculated GROSS in GBP
Unassigned refers predominantly to Pictet Funds

Source: Pictet Asset Management / FactSet

# 6. Contacts & Disclaimer

## Contacts

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## Disclaimer

**For more information, please contact your Client Relationship Manager.**



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