

BB Global Islamic Thematic Opportunities TFI Funds Programme

Monthly report as at
31 December 2024



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EXECUTIVE SUMMARY

Key information

Fund name	BB Global Islamic Thematic Opportunities
Reference index	MSCI World Islamic (NRI)
Client reference currency	USD
Inception date	30.09.2020
Performance inception date	31.12.2022
Market value as of 31.12.2024	USD 38,599,410

Performance (%)

	PORTFOLIO	REFERENCE INDEX	EXCESS RETURN
1M	-3.68	-3.41	-0.27
3M	-5.64	-3.67	-1.97
YTD	5.62	5.37	0.25
1Y	5.62	5.37	0.25

Gross of fees, with net (of taxes) income reinvested

Source: Pictet Asset Management

1. MARKET REVIEW

The global market cap weighted index -MSCI ACWI- returned +17.49% (USD) in 2024, but this performance was quite concentrated with the Top 10 contributing to over 50% of the returns of the index which contains ca. 2600 stocks. In comparison, the equal weighted ACWI returned +5.38%, demonstrating the importance of mega caps in driving returns in 2024 supported by continued traction of the AI ecosystem. Despite reaching a peak in the first two weeks of December, the MSCI ACWI had a small negative return during the last quarter. While US markets benefited from a Republican sweep in the US elections, Europe suffered greatly in Q4, losing -10%. A combination of geo- and domestic political issues as well as weak industry and stock specific news caused the European discount to US counterparts to widen to historically high levels. Asia fared better than Europe in Q4 but could not keep up with the US despite a string of supportive measures by the central bank and government to boost the lagging Chinese economy. There was extreme dispersion in sector returns during the quarter. Materials and Health Care lost -14.5% and -11.6% respectively, while Consumer Discretionary and Communication Services gained +8.5% and +6.5% respectively resulting in a performance deviation of 23% between the best and worst sectors. The dollar continued to power ahead and won +7.65% against the major world currencies.



2. PERFORMANCE

2.1 Performance breakdown

Monthly performance (%)

	PORTFOLIO	REFERENCE INDEX	EXCESS RETURN
Dec 2024	-3.68	-3.41	-0.27
Nov 2024	2.91	3.96	-1.05
Oct 2024	-4.80	-4.07	-0.73

Gross of fees, with net (of taxes) income reinvested

Source: Pictet Asset Management

Quarterly performance (%)

	PORTFOLIO	REFERENCE INDEX	EXCESS RETURN
Q4 2024	-5.64	-3.67	-1.97
Q3 2024	1.57	3.92	-2.35
Q2 2024	1.29	-0.11	1.40

Gross of fees, with net (of taxes) income reinvested

Source: Pictet Asset Management

Performance (%)

	PORTFOLIO	REFERENCE INDEX	EXCESS RETURN
1Y	5.62	5.37	0.25

Gross of fees, with net (of taxes) income reinvested

Source: Pictet Asset Management

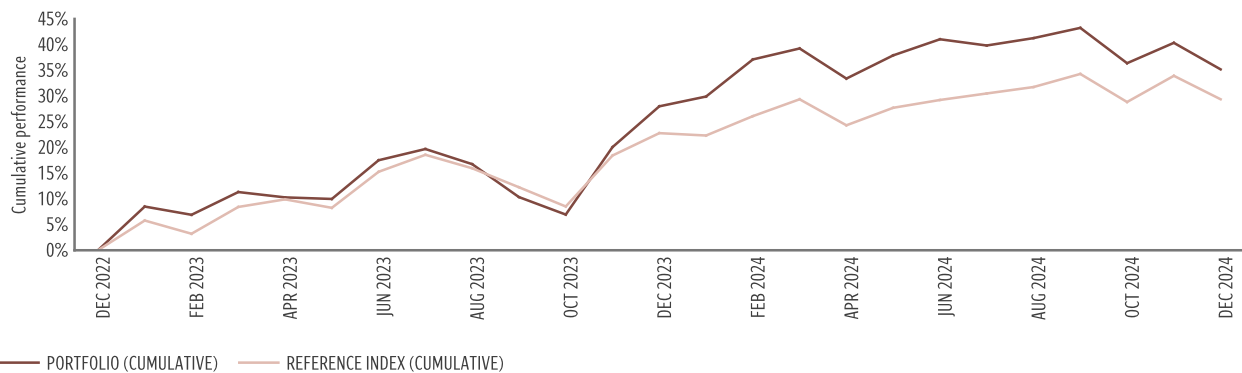
Calendar year performance (%)

	PORTFOLIO	REFERENCE INDEX	EXCESS RETURN
2024	5.62	5.37	0.25
2023	28.00	22.78	5.22

Gross of fees, with net (of taxes) income reinvested

Source: Pictet Asset Management

Performance since 31.12.2022



Gross of fees, with net (of taxes) income reinvested

Source: Pictet Asset Management

2.2 Performance analysis

The portfolio ended December slightly behind the reference benchmark, in a negative month, bringing Q4 to a disappointing close in terms of relative performance. The portfolio ends 2024 up +5.62%, +26bps ahead of the benchmark (+5.37%). The portfolio quarterly underperformance was driven by negative selection in both Consumer Discretionary (more on this later) and in Information Technology. This was partially offset by our positive selection in Communication Services and our underweight in Materials. At the stock level, our underweight in Tesla (classified under Consumer Discretionary) accounted for most of the negative selection effect in this segment: the stock is on a tear since the US elections and returned +54% in the quarter alone. TopBuild, also classified under Consumer Discretionary, detracted and added to negative selection effect. Lululemon was a key contributor to performance this quarter, recovering +40.9%; but this was not enough to pare relative underperformance. Two large positions weighed negatively on Q4 performance: firstly, ASML (dropped nearly -20% in October), and more recently Novo Nordisk, as it ended December -18.9% in portfolio currency. Alphabet and Salesforce were top positive contributors, returning respectively +14% and +23% over the quarter.

On December 20th, Novo Nordisk announced their much-anticipated CagriSema weight-loss data, and these were relatively disappointing with a 22.7% weight loss after 68 weeks, below the management guidance of at least 25%. Despite the fact that expectations of positive results somehow diminished with the time, as market participants had been eagerly waiting the entire second half of the year, this remained a surprise and led to a significant stock drop, with Novo losing as much as -25% on the day. The trial's flexible design likely under-reported the drug's efficacy, and a new trial without this flexibility is planned. Only 57% of patients went for the highest tolerable CagriSema dose at the end of the trial, and there was no indication of side effects in the trial. Despite the setback, 22.7% weight loss is still impressive and better than Novo's existing drug Wegovy. The company believes they can achieve higher weight loss with a non-flexible trial design thanks to good tolerability. Novo will also continue developing another diet drug, Amycretin, which is in phase 2. While the news impacts short-term growth expectations, Novo remains a strong long-term investment. We tactically added to the position on the day, as we saw the drop offered a buying opportunity given the company's solid position in global pharma.

Lululemon's third-quarter results surpassed expectations, delivering a beat and raise. Total net revenue climbing 8.7% year-on-year (vs +6.9% consensus) to \$2.4 billion, largely fueled by



robust international growth, especially in China, where revenue surged 39% in constant currency. The company's adjusted operating margin saw an improvement of 70 basis points to reach 20.5%, above 19.7% consensus, while adjusted earnings per share increased by 13%. The margin beat was driven by better gross margins, which benefited from a 50bps improvement in product margin (driven by another inventory provision and favorable initial mark-up), and a 10bps benefit from FX, which more than offset 20bps of deleverage and flat markdowns. In North America, the U.S. market remained stable, but Canada experienced a positive revenue growth of 9%. The group raises its FY adj. EPS guidance, now guided at \$14.08-\$14.16 vs. \$13.95-\$14.15 prior, above consensus at \$13.97. Within this, management now expects FY24 sales at \$10.452-\$10.487bn (vs. \$10.375-\$10.475bn prior), above consensus at \$10.438. Management's commentary regarding the forward outlook was stronger on the quarter's call, as the company is prioritizing the introduction of seasonal newness in its product assortments by Q1 2025 to enhance revenue per guest. Looking forward, Lululemon plans to broaden its international presence with new store openings in Italy and several other countries through its franchise model. Despite a challenging macroeconomic environment, the company remains optimistic about its growth strategies and is on track to meet its Power of Three x2 revenue target of \$12.5 billion by 2026.

3. PORTFOLIO COMPOSITION

We traded little in October. We failed to see confirmation of our thesis in Samsung Electronics given the ongoing delays in the HBM3E certification from Nvidia, coupled with weaker memory profit from NAND. The announcement of Nvidia agreeing to use Samsung HBM products (i.e. conditional on specs, which mean not fully-certified yet) offered some relief in the name but this would now more likely only limit further downside and appears as a consolation prize, somehow. In a context of low growth across smartphone, OLED, and consumer electronics, and a risk of mis-execution on HBM3E (our original catalyst to the upside) and the 1c-nanometer re-design, we exited the name in the first half of October. We did not initiate new positions; we added to ASML and Idexx Laboratories on weakness, and we bolstered our position in Sabesp, a top conviction from our Water strategy, as its investment rationale now moved to the post-privatization phase. We see upside in the name given its current attractive valuation (at a discount to RAB), the new high-quality management team in place (CEO: Carlos Piani, coming from Equatorial Energia) and the new supportive regulatory framework (which enables higher efficiency gains that can be retained via staggered sharing rule, vs. 100% share prior).

Portfolio activity picked up in November. We exited Hexagon during the month. Corporate governance improvement has been a pillar of our investment rationale for the company. The surprise step down of the CEO announced this month marks a step-back and raises some questions about management. While other catalysts remain in place such as the potential separation of the Asset Life Cycle division, uncertainty increased and we see more attractive risk reward profiles elsewhere. We also exited our remaining position in the Taiwan Semiconductor during the month. We had started to reduce the position recently as the company lost its Shariah compliant rating. As we approach the 6-month anniversary of the rating change and the stock remain non-compliant, we exited fully and reallocated some of the proceeds to convictions holdings in the semiconductor supply chain such as Lam Research.

We initiated a position in Palo Alto Networks in November. The world's biggest standalone security company (\$8B revenue, supporting over 80k enterprise customers) provides a single-vendor SASE (Secure Access Service Edge) solution that offers multiple converged-network and security-as-a-service capabilities. This is quite rare in the world of cyber security and this sort of "platformization" could be a competitive advantage. The cybersecurity market is undergoing a transitional period where newer players that are software/cloud-based are taking market share from hardware-based incumbents. This secular trend should bode well for Palo Alto Networks who run a



platform of both software and hardware-based services. Palo Alto benefits from attractive growth prospects with a Total Addressable Market across its three markets expected to grow at a ~16% CAGR from \$104B in '23 to \$210B in '28. For Palo, this would translate into solid mid-teens EPS growth and transition to a 30%+ EBITDA margin profile as the company capitalizes on its platformization.

In December, we did not initiate nor exit positions. However, we added to quality names that came under pressure such as Novo and Cintas.



4. MARKET OUTLOOK

4.1 Outlook

The elephant in the room is of course the prospect of full-on trade wars but the momentum and efficacy of stimulus in China and European political uncertainty should also keep investors on tenterhooks in the coming months. A globally coordinated policy easing cycle and resilient growth remains supportive of risk assets, but the margin of error is thin. Equities continue to benefit from a still supportive growth/inflation mix and a favourable liquidity backdrop. Valuations continue to be stretched in the US and sentiment elevated, but neither are at extremes suggesting a major market peak. Poor progress on further disinflation and a renewed trade war remains the biggest near-term threat. US equities will continue to benefit from earnings dynamics that remain healthy and the 'America first' policy mix of lower taxes, deregulation and tariffs which are netting out to be a relative positive impact on US equities. Europe's outlook is less positive given concerns over German GDP growth, French fiscal risk and the effect of tariffs and geopolitics on European growth, but the current discount to US counterparts is exceptionally large and expectations therefore low. While we see the first green shoots in China, we still need to see the lasting effects of stimulus on consumer spending and a further stabilization of the housing market.

4.2 Strategy

Despite the strong performance of global markets in 2024, the market continues to underprice the persistence of secular growth. We pick stocks with value drivers (sales growth and margins) linked to megatrends, where our research leads us to believe that margins and sales growth will not fade. The resulting unnecessary risk premium is our source of value creation relative to a passive investment in the global equity market. We expect companies that benefit from secular tailwinds to outgrow the market over a full economic cycle but especially during parts of the economic cycle where cyclical growth is under pressure. We focus on those secular growth stocks where we believe the market significantly undervalues their long-term potential. We currently find many of these investment opportunities in companies related to secular growth drivers in Enabling Technology, Health Innovators, Digital Disruption, Smart Construction and Industrial Automation. The portfolio generates a weighted return on invested capital today of 22.63% while the market currently prices in only 18.72%, leaving significant upside potential.



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