

# Kosmos

Pictet Total Return-Kosmos-I EUR | Monthly Newsletter

## A global credit long/short fund which aims to generate credit alpha in all market conditions

### Market review

March was characterised by yet more new issue supply but still tighter spreads, with post LTRO liquidity continuing unabated. We have witnessed one of the heaviest quarters of issuance for some time, with 53bn euros of corporate supply. Despite this, cash spreads outperformed, with the Iboxx Euro Corporates index rallying by 115bp to end at Bund +245bp. As we approached month-end, new issue premiums were starting to dissipate but demand continues to be strong. Several deals 'cleared' at nearly nil new issue concession, despite starting the year with an average premium of 40-50bp, reflecting the under-invested status in the investment community.

### Performance analysis

The Fund had a net return of 50bps in March, experiencing very little beta contribution to the portfolio as we were

neutral/short on an overall basis despite the market rally. Returns were driven by broader sectoral/geographical themes and cash bonds playing 'catch-up' to the CDS rally.

### Portfolio activity

On a net basis we were long risk in January and February, but took this position to flat/short in March, by reducing exposure to Europe and LatAm. We took profit on various positions, notably a net long on European financials and corporates in LatAm. Our overall gross exposure bias has also declined as we have taken profit on our positions from approximately 2.4x to 2.0x but it still remains within our target range of 2-3x.

### Market outlook

Given the huge outperformance in the credit asset class for Q1, incremental performance will not now continue at

### Performance % in EUR net of fees

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011	—	—	—	—	—	0.2 <sup>1</sup>	0.8	0.9	-0.1	0.2	0.3	0.3	2.6 <sup>2</sup>
2012	0.5	0.8	0.5	—	—	—	—	—	—	—	—	—	1.8

<sup>1</sup>Inception date: 23.06.2011 <sup>2</sup>Partial year

For professional investors only

### At a glance

End of month NAV	EUR 104.40
Inception	23 June 2011
Gross credit exposure <sup>1</sup>	201.9%
Directional position	-5.1%
Credit spread sensitivity (Cr01)	EUR -18,972
Volatility ex post <sup>2</sup>	1.0%
VaR 99% 1 month	0.64%
Sharpe ratio	4.3
Max. draw down	-0.49%
Fund size	EUR 381.8m

<sup>1</sup>Notional sums of longs and shorts divided by the NAV

<sup>2</sup>Annualised since inception

### Performance summary % in EUR net of fees

Return of the month	0.5
Return YTD	1.8
Cumulative return since inception <sup>1</sup>	4.4

<sup>1</sup>Inception date: 23.06.2011

### Market performance summary % in EUR

	Eonia Capitalization index
Return of the month	0.0
Return YTD	0.1
Cumulative return since inception <sup>1</sup>	0.6

<sup>1</sup>Inception date: 23.06.2011

### Credit positions

	Number	% <sup>1</sup>
Long	23	67.5
Short	45	134.4

<sup>1</sup>As a % of gross exposure

### Gross exposure by asset type – longs in %

Bonds	38.4
CDS	15.5
Credit derivatives indices	13.6
Credit index options	0.0

### Gross exposure by asset type – shorts in %

Bonds	0.0
CDS	134.0
Credit derivatives indices	0.0
Credit index options	0.4

All data presented as at 30.03.2012 for the I EUR share class

Source: Pictet

the same pace. Macro and geopolitical themes have not changed significantly and concerns beyond Greece may attract attention in Spain, Italy and Portugal. As we approach a closely fought presidential election in France, this could also be another source of renewed volatility/focus. The MENA region remains stable for the time being, and despite mixed signals from the Fed regarding further QE, we feel the US recovery is still largely on track.

### Portfolio strategy

We go into April having taken profit and reduced net long exposure overall, particularly in Europe. In the CEE space, Russia is a tactical/short-term long given its positive correlation with oil prices and some interesting primary market opportunities, but we do not expect this to be a core position. Broader geographical themes from the previous three months remain in place, although we are reluctant to significantly increase our net long exposure to Europe.

### Gross exposure by sector in %

	Long	Short
Auto	0.0	0.0
Basic Materials	4.2	8.6
Communications	0.0	13.0
Consumer, Cyclical	2.4	10.3
Consumer, Non-Cyclical	1.4	31.2
Diversified	0.0	2.3
Energy	2.1	0.0
Financial	38.1	31.4
Government	1.6	23.7
Index	13.6	0.4
Industrial	0.0	6.6
Media	0.0	0.0
Technology	0.0	2.9
Utilities	4.2	3.9

### Gross exposure by credit rating in %

	Long	Short
AAA	12.2	0.0
AA	7.9	7.0
A	17.2	74.4
BBB	13.9	45.4
BB	2.8	7.1
Index	13.6	0.4

### Gross exposure by region in %

	Long	Short
Europe	46.9	64.8
LatAm	2.7	3.6
Central and Eastern Europe	6.3	5.8
MENA	5.1	7.8
Asia	1.6	18.8
North America	5.0	33.5

## Fund information

Fund name	Pictet Total Return-Kosmos-I EUR
Inception	23 June 2011
Domicile	Luxembourg
Portfolio managers	Kazik Swiderski and Raymond Sagayam
Legal status	Luxembourg SICAV – Part I – UCITS IV compliant
Base currency	EUR
Share classes	EUR, CHF, GBP, USD
Dealing day	Friday
Subscriptions	Weekly with 3 business days' notice
Redemptions	Weekly with 3 business days' notice
Management fees	1.1%
Adm. & cust. fees	0.4%
Performance fees	20% high watermark Hurdle rate: Eonia
Bloomberg	PCOSIIE LX

All data presented as at 30.03.2012  
for the I EUR share class

Source: Pictet

This marketing document is issued by Pictet Funds (Europe) SA. It is neither directed to, nor intended for distribution or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Only the latest version of the fund's prospectus, regulations, annual and semi-annual reports may be relied upon as the basis for investment decisions. These documents are available on [www.pictetfunds.com](http://www.pictetfunds.com) or at Pictet Funds (Europe) SA, 3 Boulevard Royal, L-2449 Luxembourg. The information and data presented in this document are not to be considered as an offer or solicitation to buy, sell or subscribe to any securities or financial instruments. Information, opinions and estimates contained in this document reflect a judgment at the original date of publication and are subject to change without notice. Pictet Funds (Europe) SA has not taken any steps to ensure that the securities referred to in this document are suitable for any particular investor and this document is not to be relied upon in substitution for the exercise of independent judgment. Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Before making any investment decision, investors are recommended to ascertain if this investment is suitable for them in light of their financial knowledge and experience, investment goals and financial situation, or to obtain specific advice from an industry professional. Risk factors are listed in the fund's prospectus and are not intended to be reproduced in full in this document. Past performance is neither a guarantee nor a reliable indicator of future results. Performance data does not include the commissions and fees charged at the time of subscribing for or redeeming shares. This marketing material is not intended to be a substitute for the fund's full documentation or for any information which investors should obtain from their financial intermediaries acting in relation to their investment in the fund or funds mentioned in this document.

This document is for professional investors only.

© Copyright 2012 Pictet - Issued in April 2012.

**Pictet Asset Management Limited**  
 Moor House  
 120 London Wall  
 London EC2Y 5ET

For further information, please visit our website  
[www.pictet.com](http://www.pictet.com)