

## **Brochure - Form ADV: part 2**

### **PICTET ASSET MANAGEMENT SA**

60, route des Acacias

1211 Geneva 73

Switzerland

Contact details:

Erika Beaumier, Head of Compliance

Direct phone 0041 58 323 1580 direct fax 0041 58 323 3030

Website:

[http://www.pictet.com/en/home/institutional\\_investors/overview.html](http://www.pictet.com/en/home/institutional_investors/overview.html)

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This brochure provides information about the qualifications and business practices of Pictet Asset Management SA ("Pictet AM SA"). If you have any questions about the contents of this brochure, please contact us at 0041 58 323 1580 or by email [ebeaumier@pictet.com](mailto:ebeaumier@pictet.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Pictet Asset Management SA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although Pictet Asset Management SA is a registered investment adviser with the SEC, registration with the SEC does not imply a certain level of skill or training.

## Item 2 Material change

Please find a summary of the following items which were subject to specific material changes compared to the last brochure.

- Item 4: Effective 1 January 2017, Renaud de Planta, former partner responsible for Pictet Asset Management, took on a wider role at the Pictet Group level and relinquished day-to-day management responsibilities at Pictet Asset Management. He does, however, continue as Chairman of the Board of Directors, and participates in certain executive committees as well as retaining a role in strategic decisions.
- Item 4: Effective 1 January 2017, Sébastien Eisinger, previously Chief Investment Officer- Fixed Income, became Deputy CEO and Head of Investments, taking responsibility for investments and operations/IT, while Raymond Sagayam assumed Sébastien's former role as Chief Investment Officer - Fixed Income.
- Item 4: Richard Heelis, retired as Chief Investment Officer – Active Equities, on 31 December 2016. Philippe de Weck succeeded him as Chief Investment Officer - Equities on 1 January 2017, with responsibility for both Active Equity and Total Return Equity investment teams.

Pursuant to SEC Rules, we will ensure that our clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business fiscal year. We may further provide other on-going disclosure information about material changes as necessary.

We will further provide our clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Erika Beaumier, Head of Compliance, at 0041 58 323 15 80 or by email at [ebeaumier@pictet.com](mailto:ebeaumier@pictet.com).

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## Item 4 Advisory Business

### The Advisory Firm

Pictet Asset Management SA (“Pictet AM SA” or “we” or “us”) has been providing discretionary investment management services on a global scale to a wide range of international institutional clients since January 2006.

On 1 April 2015, Pictet AM SA merged with Pictet Funds SA by way of absorption, which has been registered as a Swiss Fund Management Company with the Swiss Financial Market Supervisory Authority (“FINMA”) and its predecessor since 1996. The surviving entity, Pictet Funds SA, succeeded to the existing Pictet AM SA’s SEC registration and was renamed Pictet AM SA.

Clients of Pictet AM SA include retirement plan assets for corporate and government entities, foundations, and other institutional investors. Furthermore, Pictet AM SA also acts as the investment adviser or sub-adviser to regulated and other collective investment schemes in multiple international jurisdictions.

Pictet AM SA is wholly owned by Pictet Asset Management Holding SA, Geneva that is ultimately owned by Pictet & Partners SCA, a Swiss Holding Company and Pictet Canada LP, a Canadian Investment dealer.

Effective 1 January 2017, Renaud de Planta, former partner responsible for Pictet Asset Management, took on a wider role at the Pictet Group level and relinquished day-to-day management responsibilities at Pictet Asset Management. He does, however, continue as Chairman of the Board of Directors, and participates in certain executive committees as well as retaining a role in strategic decisions.

Also effective 1 January 2017, Sébastien Eisinger, previously Chief Investment Officer- Fixed Income, became Deputy CEO and Head of Investments, taking responsibility for investments and operations/IT, while Raymond Sagayam assumed Sébastien's former role as Chief Investment Officer - Fixed Income.

Richard Heelis, retired as Chief Investment Officer – Active Equities, on 31st December 2016. Philippe de Weck succeeded him as Chief Investment Officer - Equities on 1st January 2017, with responsibility for both Active Equity and Total Return Equity investment teams.

### **Type of advisory services offered**

Pictet AM SA provides discretionary investment management services to institutional clients. These services include:

- assistance in determining appropriate risk and return objectives for each client
- defining the appropriate asset mix which is most likely to achieve those objectives
- selecting specific markets, currencies and securities from those categories: and
- assuming discretionary responsibility for all aspects of day-to-day management and investment of the client's account.

Pictet AM SA's business generally consists of the following investment strategies:

- Quantitative and Index Tracking
- Multi Asset and Investment Solutions and Overlays
- Thematic equity

- Fixed income
- Total Return Equities
- Balanced
- Small Cap equities.

### **Client needs and restrictions**

Pictet AM SA will usually tailor its management to its client's needs. Our institutional clients usually determine in conjunction with Pictet AM SA the investment constraints to be followed in the management of their assets. Further details are provided in item 13 of this brochure.

### **Wrap Fees programs**

Pictet AM SA does not participate in wrap fee programs by providing portfolio management services.

### **Asset under management**

Pictet AM SA managed approximately US\$122 billion of client assets on a discretionary basis as at 31 December 2016. We do not manage client assets on a non- discretionary basis.

<h2><b>Item 5 Fees and Compensation</b></h2>
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For its services, Pictet AM SA charges a fee expressed as a percentage of market value of the assets managed determined generally as of the last trading day of each quarter or on another basis as agreed with the client. As we only provide investment advisory services to institutional clients, our fees are subject to negotiation with clients. This may include the use of fees on a declining scale linked to the size of the account, and may, in certain circumstances, include a performance fee (for the latter, please refer to item 6 of this brochure).

Fees are generally payable quarterly in arrears. Accounts initiated or terminated during a calendar quarter will be typically charged a prorated fee for the quarter.

Our management fees are usually computed based on the client's custodian valuation. However, in some instances, we use the valuation generated by in-house portfolio management systems to calculate our management fees. In such cases, there is a risk that there may be on occasions differences in the valuation of assets by our in-house systems and those of the client's custodian which may impact the level of management fees charged to our clients.

Pictet AM SA's investment advisory agreements may be terminated at any time by either the client or Pictet AM SA on a mutually acceptable period of notice, usually not more than 30 days.

Pictet AM SA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, investment managers of third party funds and other third parties such as:

- management fees of third party funds
- custodial fees
- deferred sales charges
- 
- transfer taxes
- wire transfer and electronic fund fees
- and other fees, commissions and taxes on brokerage accounts and securities transactions.

Client assets may be invested in third party mutual funds and exchange traded funds (subject to client's investment guidelines) which also charge internal management fees. These fees are disclosed in a fund's prospectus. We take these fees and other fund expenses into account when selecting funds for client investment.

Such charges, fees and commissions are exclusive of, and in addition to our fees, and we do not receive any portion of these commissions, fees, and costs.

We may also invest our client assets in our in-house funds (subject to client's investment guidelines and eligibility criteria for US clients) which also charge internal management fees. In such instances, Pictet AM SA will generally exclude the value of client assets investments in our in-house funds in the computation of our management fees.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

### **Performance fees**

Pictet AM SA may enter into performance fee arrangements with "qualified clients", and such fees are subject to individual negotiation with each such client. We will structure any performance or incentive fee arrangement to comply with Section 205(a)(1) of the Investment Advisors Act of 1940 ("The Advisors Act") and Rule 205-3 thereunder.

In measuring clients' assets for the calculation of performance-based fees, Pictet AM SA shall include realized and unrealized capital gains and losses.

The management of accounts with performance fees gives rise to the following conflicts of interest among others:

- We may have an incentive to favour clients that pay performance-based fees over those that do not. This incentive could, for example, affect our decision to effect securities transactions for some clients and not for others if we believe the transaction will be profitable (or to allocate a greater portion of a limited investment opportunity to such accounts).
- The receipt of performance fees may incentivize us to make investments that are riskier or more speculative than we would otherwise make if we did not receive performance fees, as these may generate a higher return. With respect to the hedge funds managed by Pictet AM SA (please refer to item 7), the performance fee arrangement was not the product of an arm's length negotiation with a third party.

Pictet AM SA has implemented controls and monitoring to mitigate these conflicts.

### **Side-by-side management**

We may also manage other accounts with substantially similar investment strategies. This so-called side-by-side management of different accounts with similar investment strategies involves potential conflicts of interest.

These potential conflicts include the favourable or preferential treatment of an account or a group of accounts, conflicts related to the allocation of investment opportunities, particularly with respect to securities that have limited availability, such as initial public offerings, and transactions in one account that closely follow related transactions in a different account (e.g. purchase of securities for an account after a purchase of the same securities has increased the value of the securities).

Therefore, the results of the investment activities for one account may differ significantly from the results achieved by Pictet AM SA for other accounts.

We manage accounts with similar investment strategies which have different rates of management fees. Therefore, the accounts paying us the higher management fees incentivise us to favour them over the client accounts paying lower management fees. We mitigate this conflict in the following way:

- Our allocation policy requires that the allocation for each account should be pro-rata with the size of each client's order, after taking into account market convention e.g. standard lot size and uneconomic allocations. Regular compliance monitoring is carried out to ensure adherence to this policy.



- We aim to allocate investment opportunities fairly, and we monitor this on an on-going basis by reviewing the performance and risk indicators of similar accounts.
- The total compensation for our employees including our fund managers typically comprises a fixed salary; a performance-related bonus and a profit sharing arrangement based on group results. The remuneration structure of our employees ensures that the performance of clients with higher fee rates do not give rise to a higher individual remuneration.

In certain circumstances, particularly when our affiliates launch a new product or provide most of the initial seed money, such products may be wholly or principally owned by our affiliates or their clients at the outset. The ownership interest of the Pictet Group in these products or funds may give Pictet AM SA an incentive to favour these products or funds over other client accounts.

We exercise investment responsibility or take other actions for some clients that may differ from the management given, or the timing and nature of actions taken, for other clients which could result in materially different positions in different accounts including being long a security in certain accounts, and being short in the same security in accounts managed by our Total Return teams. We may also take positions in different directions in the same issuer for equity and fixed income accounts. However, we seek to ensure that over the long term, all clients are treated as fairly and equitably as possible relative to each other. Investment results for different accounts, including accounts that are generally managed in a similar style, also may differ as a result of these considerations and other factors such as cash availability for an account, when an account is opened relative to others and the timing of additions to or withdrawals from an account or due to client investment restrictions. Some clients may not participate at all in some investments in which other clients participate, or may participate to a different degree or at a different time than other clients do.

Our portfolio strategies for some clients could conflict with our strategies for other clients and may affect the prices and availability of the securities and other financial instruments in which clients invest.

To address these conflicts, our policies and procedures provide that investment decisions are made without consideration of the pecuniary interests of Pictet AM SA, and instead are made in accordance with our fiduciary duties to all client accounts. As discussed further in item 12 below, this generally means that all accounts managed with the same investment strategy will participate in a fair and equitable manner in investment opportunities that Pictet AM SA allocates to the strategy, although different allocations may occur due to the different objectives and situations of different clients, for example, due to the availability of cash where potential allocation to IPOs may result in an uneconomic allocation such as less than USD 10,000 for equity accounts and where minimum investment amounts for fixed income instruments are not met.

## **Item 7 Type of clients**

Pictet AM SA generally provides portfolio management services to:

- pension and profit-sharing plans
- insurance companies
- registered mutual funds
- private investment funds
- sovereign wealth funds
- foreign mutual funds such as UCITS funds
- and other U.S. and international institutions.

Accounts managed by Pictet AM SA should generally be at least US\$25 million, although we may at our discretion and, in special circumstances, manage accounts of lesser amounts.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of loss**

### **Methods of analysis and Investment Strategies**

Pictet AM SA relies on various sources of information, primarily research received both from external providers as well as from internally generated primary research. Sources of information utilised within our primary research process include the financial press, other research materials, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC and other regulators, company press releases and system generated information such as from Bloomberg Financial.

We employ a wide range of investment strategies in managing clients' assets, which include, but are not limited to long term purchase (securities held at least a year), short term purchase (securities sold within a year), short sales and covered options and / or spreading strategies. Although trading where securities sold within a year, is not an investment strategy typically used except with some of our total return

strategies, we may sell a security within 30 days of its acquisition as necessary or appropriate (e.g. to react to changing economic, political and / or market conditions, client needs depending the strategy managed). Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

We use derivative instruments such as futures, options and forward foreign exchange contracts for speculative investment purposes, for efficient management purposes (e.g. to facilitate the prompt investment of a large cash flow) and for hedging purposes to alter the equity, duration and / or currency exposure of discretionary mandate portfolios to try to protect the clients' assets against market events likely to have a negative impact on performance. The derivatives used include both exchange traded and over the counter ("OTC") derivatives.

### **Investment Strategies & Material Risks**

The following is a description of the investment strategies offered by Pictet AM SA. At the end of this item, there is a discussion of the various risks related to these strategies.

#### ***Fixed Income Money Market :***

Fixed income and money markets have become increasingly complex over recent years. The objective of our Money Market team is to preserve capital and offer liquidity to investors as well as to optimise the funds' performance given the major risks they manage which include credit, liquidity and duration and given the prevailing money market rates. Our investment process is closely integrated with the Credit Research Team, as we believe that credit is the main driver of performance and risk. On the other hand, we pay strong attention to the fund liquidity, both at the asset level and at the portfolio structure level.

Our dedicated trading team enables us to have access to all markets, both international and domestic.

With their money market products the Money Market team aims to offer investors appropriate returns on cash through active management within a structured risk framework.

Risks involved for Fixed Income Money Markets (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments.

### *Swiss Rates:*

The Swiss Rates team manages Swiss bonds with both an active and passive approach. Duration, sector and rating are carefully analysed using a multidimensional risk matrix. All positions are monitored by an experienced team dedicated to Swiss bond management.

Risks involved for Swiss Rates (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments.

### *Global Bonds:*

Our main Global Bonds products include Global Bonds, European Bonds and US Bonds. Our Fixed Income International Global Bonds team has a long term investment horizon focusing on the range of expected returns in each asset class. Our Fund Managers invest in a diversified range of fixed income strategies based on long term valuations independent of a central forecast scenario. They aim to build robust portfolios based on strategy diversification and risk budgeting per strategy. We aim for stable returns within a strict, risk-managed analytical framework. Currency offers an extra source of alpha and is managed independently. Duration, sector, rating and issuer domicile are carefully analysed using a multi-dimensional risk matrix.

Risks involved for Global Bonds (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments.

### *Investment Grade Credit*

We aim to deliver steady and sustainable capital growth by investing in investment grade bonds and other fixed and floating rate securities. By avoiding lower-quality securities, we aim to reduce risk and volatility. We consider market conditions and try to identify the most attractive investment opportunities from across the universe of investment grade bonds. Our disciplined two-stage investment process blends top-

down evaluation of the global environment with bottom-up sector and individual issuer analysis. This process allows us to better identify and deal with any inefficiency within the asset class.

Risks involved for Investment Grade Credit (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments
- Specific risks for Emerging markets equities or debts

***Absolute Return Fixed Income (ARFI):***

Our team manages our absolute return fixed income strategies are managed using the same investment principles and the same value-based investment process as the other strategies managed by the Global Bonds team. We aim to deliver positive absolute returns, while controlling downside risks by investing globally across all fixed income sectors in both developed and emerging markets, not constrained by a market benchmark. Our multi-stage investment process aims to build a well-diversified portfolio, balanced across our long-term investment themes, across our alpha sources of interest rates, spreads and currencies, and across risk scenarios. Although draw-downs cannot always be avoided, we have a strong focus on downside risk management.

Risks involved for ARFI (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments.
- Specific risks for Emerging markets equities or debts.

***High Yield bonds:***

We aim to achieve capital growth and generate revenue by investing in a diversified portfolio of high yield, lower quality fixed income instruments. We invest in bonds from companies from a broad range of industry sectors. The investment process uses intensive research to identify bonds with the optimum balance of risk and return. We aim to reduce default risk by achieving a high degree of diversification within the portfolio and focusing on higher-quality high yield bonds.

Risks involved for ***High Yield bonds*** (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments.

- Specific risks for Emerging markets equities or debts.

### *Small Cap Equities (hereafter “SC”)*

SC’s Fund Managers are active managers with a strong bottom-up approach and emphasis on in-depth research. They also include top-down inputs in order to adapt the portfolios structure more proactively to their macro-economic market convictions. Sector, country and regional weightings result from this process. The SC team use the “four growths” framework which is based on classifying companies according to four different categories of growth:

- - Emerging growth
- - Established growth
- - Restructuring growth, and
- - Cyclical growth.

While SC are generally more highly geared to growth than to pure value, the screens they use are effective at uncovering stocks of both types.

Risks involved for SC: (please see the end of item 8 for fuller risk descriptions)

- Major risks

### *Indexed Equity mandates*

Our indexation methodology is to build a portfolio which is as close as possible to the benchmark, that is, a fully replicated portfolio, which has the same number of stocks with the same weights as the benchmark. Full replication enables us to replicate the performance of the benchmark as accurately as possible whilst minimising the tracking error and systematic relative risks (meaning that the portfolio’s relative performance should become immunised to external shocks).

In cases where full replication is not possible, we deploy a proprietary strategy called “quasi full-replication”. This method avoids very small positions where transaction costs will be disproportionately high and any illiquid positions within the benchmark.

Risks involved for Indexed mandates (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts.

### ***Sustainable Investment Equities mandates***

We manage a range of equity products investing in companies whose Environmental, Social and Corporate Governance (ESG) characteristics that we consider to be above average. Among those companies, we favour those which have higher "financial quality", i.e. companies whose fundamentals tend to demonstrate a prudent and long-term view.

Risks involved for Indexed mandates (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts.

### ***Balanced mandates***

We manage balanced mandates according to the guidelines and objectives of each client. The Balanced team is in charge of defining the optimal Tactical Asset Allocation (hereafter "TAA") based on our own macroeconomic research. Our macro analysis is based on four pillars : economic cycle, liquidity analysis, valuation and sentiment indicators. The outcome is active management of our TAA. In terms of products, we generally use a funds solution using an active selection process, both selecting active and passive products. Both TAA and thematic selection process are applied to portfolios using a modular approach.

Risks involved for balanced mandates (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Fixed Income instruments
- Specific risks for Emerging markets equities

### ***Investment Solutions and Overlays (hereafter "ISO")***

We closely work with clients to enhance their portfolio return / risk profiles. We manage different types of hedging strategies in order to reduce some of their portfolio risks (forex, equity, duration). Moreover, we are involved in portfolio construction and asset allocation.

Risks involved for ISO (please see the end of item 8 for fuller risk descriptions):

- Major risks

- Specific risks for Fixed Income instruments

### *Thematic Equities (hereafter “TE”)*

The basis for successful theme investment lies in the identification of long-term structural changes in social and economic factors such as demographics, lifestyle, regulation and environment. We call these long-term changes ‘megatrends’. We believe that the basis for successful sector investment lies in identifying those megatrends which support long term growth, irrespective of short-term fluctuation. Coupled with our research and company management meetings, an added source of insight is our external advisory boards, composed of independent external specialists. The longevity of the themes we invest in means our funds exhibit a tilt towards secular growth.

Risks involved for TE (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts.

### *Swiss Equities*

Our philosophy is based on a core approach of looking at how companies are valued compared to their intrinsic value – either in terms of assets or the present value of future cash flows. We believe companies are either misunderstood or mispriced and only through strong fundamental research can opportunities be identified. These portfolios tend to exhibit modest tilts towards both growth and value.

Risks involved for Swiss Equities (please see the end of item 8 for fuller risk descriptions):

- Major risks.

### *Total Return Equities European mid cap companies (hereafter “Corto”)*

The Corto investment strategy is a long / short European equity strategy where objective is to achieve superior long term capital appreciation combined with a degree of downside protection. The strategy seeks to identify attractive investment opportunities, both long and short, across a broad range of European industry sectors and countries. The investment approach combines an understanding of the macro environment with a strong emphasis on stock picking through fundamental research and contacts with corporate management in order to identify companies that create / destroy value through the efficient / inefficient deployment of capital into their internal operations or into external businesses.



Risks involved for Corto (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts.

### ***Multi-strategy***

This is a market neutral-strategy that aims to deliver pure alpha from investments in the best active managers within Pictet AM.

The Investment Committee allocates capital to selected internal investment teams, to manage through a long / short approach.

The strategy has the flexibility to allocate capital to the strategies best able to capture market opportunities as they arise – a key strength of our investment approach is the proximity of the Investment Committee to the investment teams.

Selected strategies are independent from each other and provide diversification, allowing managers to focus on high-conviction bets. The strategy has an emphasis on liquid instruments, primarily across equities and fixed income.

Risks involved for Multi-strategy (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts
- Specific risks for Fixed Income instruments

### ***Total Return Equities – Agora (hereafter “Agora”)***

Agora is a European Equity Market Neutral strategy, with a catalyst approach to investing, and a focus on large-cap European companies. Catalysts that are core to this strategy can be categorized as corporate events, opportunistic trades and structural winners/losers. The portfolio is diversified across roughly 35 core investment strategies, whereby each strategy is expressed through a combination of long and short positions with the aim to isolate the idiosyncratic potential of the trade in an effort to limit the fund's exposure to systematic risk.

Risks involved for Agora (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts

### ***Total Return Equities - Atlas(hereafter "Atlas")***

Atlas is a global long/short equity strategy combining intensive bottom up fundamental research with detailed top-down analysis. The objective is to achieve long-term capital appreciation with a degree of downside protection.

Risks involved for Atlas (please see the end of item 8 for fuller risk descriptions):

- Major risks
- Specific risks for Emerging markets equities or debts

Pictet AM SA also pursues other strategies that are not available to US clients or pooled vehicles.

## **1. Major risks**

Major investment risks generally include, but are not limited to:

### ***1.1 Political, legal, tax,, market or economic developments and foreign exchange risks***

Client portfolios managed by Pictet AM SA may be adversely affected by political developments and / or changes in local laws, taxes, foreign exchange controls and exchange rates, market or economic developments.

### ***1.2. Investment risks***

The investments within a client's portfolio are subject to normal market fluctuations and other risks which are inherent in investing in securities and we give no assurances that capital appreciation or income will be achieved. The value of investments and the income from them, and therefore the value of a client's portfolio, can go down as well as up. Clients are warned that they may not get back the amount invested. Furthermore, past performance of a strategy is not a guide to its future performance.

### ***1.3. Risks for derivatives instruments***

In the normal course of business, we may trade various financial derivative instruments and enter various investments contracts including forward and future contracts, options, swaps, warrants other derivative contracts, short sales, margin and leverage with different risk profiles. We may also invest on behalf of our clients directly in such financial instruments to manage volatility and to hedge the currency exposure risk.

The markets in derivative instruments can be highly volatile, illiquid and may be difficult to price. In addition, because of their complex nature, some derivatives may not perform as intended. Such instruments often carry a high degree of risk as they often involve a high degree of gearing or leverage so that a relatively small movement in the price of the underlying security may result in a disproportionately large movement, unfavourable or favourable, in the price of the derivative. In certain circumstances, this may result not only in the loss of the original investment, but also in an unquantifiable further loss exceeding any margin deposit. This may increase the volatility of the portfolios which are invested in derivatives and may result in the liquidation of the portfolio securities when it may not be advantageous to do so.

#### **1.4. *Volatility and illiquidity risks***

Due to the above mentioned risk of instability caused by social, political and economic developments, the prices for transferable securities in which the clients invest may fluctuate significantly in short-term periods. Although Pictet AM SA intends to invest predominantly on behalf of its clients in listed securities or in securities traded on regulated markets, some risk of illiquidity may still exist, due to the relatively undeveloped nature of certain stock markets, or the nature of certain small cap securities which the client may authorise Pictet AM SA to trade in that, in crisis periods, may give rise to the suspension of the valuation of one or several clients' securities, or to the removal of a liquid market for these stocks.

#### **1.5. *Currency exchange risks***

Where a liability in one currency is to be matched by an asset in a different currency, or where the services to be provided under a client's agreement relate to an investment denominated in a currency other than the currency in which an account is valued, a movement of exchange rates may have a separate effect, unfavourable as well as favourable, on the gain or loss which would otherwise be experienced on the investment.

#### **1.6. *Counterparty risks***

The insolvency or default of any other brokers involved in a transaction for clients of Pictet AM SA, may lead to positions being liquidated or closed out without our consent. In certain circumstances, our clients may not get back the actual assets that we lodged as collateral on behalf of our clients or they may have to accept any available payment in cash.

### **1.7     *Capitalisation risks***

Investments in small- and mid-capitalisation companies may be more volatile and more illiquid than investing in large-cap companies. Investments in small-cap companies may have additional risks because these companies have limited product lines, markets or financial resources.

### **1.8     *Concentration risk***

If the investments of client's account are concentrated in issuers within the same country, state, geographic region, industry or economic sector, and adverse economic, business or political developments occur, this concentration of investments may affect the value of the investments of the client's account more than if its investments were not so concentrated.

### **1.9     *Management risk***

A strategy used by Pictet AM SA may fail to produce the intended results for a client's account, including the risk that the entire amount invested may be lost. There is no guarantee that the investment objective of an account managed by Pictet AM SA will actually be achieved and investment results of the client's account may vary substantially over time.

### **1.10   *Model risk***

The management of a client's account by Pictet AM SA may include the use of various proprietary quantitative or investment models. There may be deficiencies in the design and operation of these models, including as a result of shortcomings or failures of the processes, people or systems. Investments selected using models may perform differently than expected as a result of the factors used in the models, the weight placed on each factor, changes from the factor's historical trends, and technical issues in the construction and implementation of the models. There is no guarantee that the use of these models will result in effective investment decisions for the client's account.

### **1.11   *Restricted Investment risks***

Restricted securities are those that may not be sold to the public without effective registration statement under the U.S. Securities Act of 1933, as amended, or if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. These restrictions could prevent a client's account from promptly liquidating unfavourable positions and subject such client's account to substantial losses.

### **1.12   *Cyber security Risk***

With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, a company in which we have invested on behalf of our clients or we may be prone to operational and informational security risks resulting from breaches in cyber security (“cyber-attacks”). A cyber-attack refers to both intentional and unintentional events that may cause us or the invested company to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber-attacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices that are used to service the Fund’s operations through “hacking” or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on our firm or invested company’s websites (i.e. efforts to make network services unavailable to intended users). In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on our firm or invested company’s systems.

Cyber security failures or breaches by our firm or the invested company’s affiliates or service providers, may cause disruptions and impact the business operations, potentially resulting in financial losses to our firm or the invested company, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. In addition, substantial costs may be incurred in attempting to prevent any cyber incidents in the future.

## **2. Specific risks related to fixed income instruments**

In addition to the major risks, there are some specific risks for fixed income investments, and the main ones are defined below:

### **2.1. Interest risk**

Interest rate risk is the risk borne by an interest-bearing asset, such as a bond, due to the variability of interest rates. In general, as rates rise, the value of a fixed rate bond will fall, and vice versa.

### **2.2. Duration risk**

The duration risk is how the price of a fixed income instrument changes in response to interest rate changes. As interest rates change, the price does not change linearly, but rather is a convex function of interest rates which will affect the value of the price of the fixed income instrument.

### **2.3. Credit risk**

The credit risk is an investor's risk of loss of a fixed income instrument arising from a borrower who does not make payments as promised. This risk can impact the coupon paid and / or the principal which may cause a decrease in the value of the investment. There are three types of credit risk:

- Default risk is the risk that the issuer will default on its payments, which jeopardizes both interest and principal.
- Credit spread risk results because the market perceives that the issuer is in weaker financial health and may have trouble maintaining payments in the future, resulting in a larger spread between bid and ask prices in the secondary market.
- Downgrade risk is the risk that the current credit rating will be downgraded by one or more of the credit rating agencies.

### **2.4. Liquidity risk**

This is the spread between the bid and ask prices for a security being offered in the secondary market. If there is not much interest in the security, then the bid-ask spread may be wide, which means that the price of the sold security may be significantly less than another similar recent transaction even when there is no change in any other significant factor.

### **2.5. Reinvestment risk**

Reinvestment risk is based on the assumption that cash flows from a fixed-income security are reinvested, so that interest can be earned on interest, and thus, the risk is that the reinvested money will not earn the same rate of return as the original investment.

### **2.6. Legal risk**

Legal risk is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to your business, its relationships, processes, products and services including the price of a security.

Legal risk may be associated with the tax exemption of particular bonds, especially municipal bonds. Because municipal bonds are exempt from federal taxation, and, may also be exempt from state and local taxes, municipalities can pay a lower interest rate. The higher the tax rate of the exempt taxes, the lower the interest rate that the municipality has to pay to sell its bonds. However, if tax rates decline, then the advantage of the tax exemption also declines, and with it, the price of the bond in the secondary market. This is known as tax risk.

The second type of legal risk occurs because tax-exempt securities have to satisfy specific legal requirements, and if it is later determined that the security does not satisfy these requirements, its tax-exempt status may be eliminated, which would reduce not only the effective return of the security after taxes, but it would reduce the price of the security in the secondary market because its now taxable yield / dividend would have to equal the taxable yield / dividend of other, comparable securities.

### **3. Specific risks related to emerging markets equities or debt**

There are some specific risks for emerging markets equity and debt portfolios and the main ones are defined below:

#### **3.1. *General emerging markets risks***

Clients should be aware that, due to the social, political and economic situations in emerging countries, investment in emerging market securities presents greater risk and is intended only for investors who are able to bear and assume this increased risk. Emerging market securities are generally only suitable for investors seeking a long-term investment.

Investing in emerging market securities is subject to other risks including:

- Political and economic risks
- Capital repatriation restrictions
- Weaker accounting standards
- Counterparty risks and

- Volatility and / or illiquidity risks in the markets of the emerging countries.

The two last risk types have already described in the major risks but their impact and / or occurrence may even be greater for emerging markets than for developed ones. These other three risks are described in more detail below.

### 3.2. *Political and economic risks*

In most of the emerging countries in which Pictet AM SA invests on behalf of its clients, the governments have implemented or are implementing policies of economic and social liberalisation. Although it is presumed that these reforms should be beneficial to these economies in the long term, there is no guarantee that these reforms will be continued or that they will achieve the expected results. These reforms may be challenged or slowed by political or social events or by national or international armed conflicts. All these political risks may affect the capital gains objectives set for the clients investing in emerging countries.

### 3.3. *Capital repatriation restrictions*

The repatriation of capital with regard to investments made in certain securities or countries may be restricted during certain times from the date of such investments or even indefinitely. If Pictet AM SA is unable to repatriate capital from the clients' investments, in whole or in part, this may have an adverse effect on the cash flows of our clients and their results.

### 3.4. *Weaker accounting standards*

In some emerging markets, the applicable accounting and auditing standards are not as strict as those applied in the USA. Consequently, the accounting and financial information on the companies in which the clients are invested may be more cursory and less reliable.

## Item 9 Disciplinary Information

Pictet AM SA has no information to report in response to this item.



## **Item 10 Other Financial Industry Activities and Affiliations**

### **Registration as a broker dealer**

Pictet AM SA is not a broker dealer but an institutional asset manager which is part of the Pictet Group.

### **Registration with the National Futures Authority**

Pictet AM SA is neither registered with the CFTC as a Futures Commission Merchant, Commodity Pool Operator, nor a Commodity Trading Advisor and is not an associated person of any such registered entities. However, we are registered with the National Futures Authority as an Exempt Commodity Pool Operator and Exempt Commodity Trading Advisor.

### **Material related persons to Pictet AM SA, their material conflict and how they are addressed**

Pictet AM SA is the manager of three no-load Delaware Limited Liability Companies (hereafter “LLCs”) which are diversified, open-ended investment companies called:

1. Pictet International Equity Fund, LLC
2. Pictet Emerging Local Currency Debt Fund, LLC
3. Pictet Global Emerging Debt Fund, LLC

Please note that our related entities, Pictet Asset Management Ltd (“Pictet AM Ltd”) and Pictet Asset Management (Singapore) Pte Ltd, act as investment advisors to those LLCs.

Pictet AM SA is also the manager and investment advisor of four Cayman hedge funds which all have a US feeder for US investors. The latter are called:

1. Agora European Fund LP
2. Alphanatics Fund LP
3. Atlas Fund LP
4. Corto Fund LP

The seven above funds are “Private Funds” as defined under SEC rule 203 (b)(3) – 1, and are only marketed to “accredited investors” as defined in Regulation D. These seven funds are clients of Pictet AM SA and are treated with the same due diligence and fairness as any other of our clients in compliance with SEC rules.

Pictet AM SA does not recommend or select other investment advisors for its US clients.

Listed below are the Pictet Group legal entities with which Pictet AM SA has a relationship or arrangement that is material to our advisory business, or to our clients.

All of the compliance activities of the Pictet AM group are supervised by the Head of Pictet AM Compliance, to ensure that a common standard is applied to all entities providing key services to Pictet AM SA.

All Pictet AM companies have robust “Chinese Walls” in place to mitigate and reduce potential conflicts arising, which include:

- Physical access controls restricting access to Pictet AM premises to Pictet AM staff.
- The use by Pictet AM of separate systems for portfolio management, trading and investment accounting from the rest of the Pictet Group, with strict controls in place to prevent any access by non-Pictet AM staff to Pictet AM systems.
- There are no shared employees between Pictet AM and the rest of the Pictet Group who carry out activities of portfolio management, operations or trading for Pictet AM and other parts of the Pictet Group.

In addition, all Pictet AM entities are subject to the Pictet AM Code of Ethics and Core Compliance Manual or equivalent procedures. . These set the required high professional standards of behaviour that all Pictet AM employees are expected to follow in the conduct of their personal and professional affairs in compliance with the SEC rules and those of any other regulators to whom these entities are subject to.

There is also a compliance monitoring programme in place that is reasonably designed to ensure that the activities carried out by related entities to Pictet AM SA are carried out in compliance with all relevant rules and regulations.

### ***Banque Pictet & Cie SA***

Banque Pictet & Cie SA is licensed as a bank and broker dealer with the Swiss Financial Market Supervisory Authority (FINMA). It is engaged in the provision of asset management, custodial and broker dealer services and may provide general research information to Pictet AM SA and refer or delegate clients to Pictet AM SA. Banque Pictet & Cie SA also provides certain administrative and IT services to Pictet AM SA. Otherwise, there is no material business relationship between Pictet AM SA and Banque Pictet & Cie SA.

Pictet AM SA may use the broker-dealer services of Banque Pictet & Cie SA for non-US client accounts on a limited basis, but any client may request that trades are not executed using Banque Pictet & Cie SA as broker. If Banque Pictet & Cie SA is used as a broker, it must comply with our best execution policy.

### ***Pictet Asset Management Limited***

Pictet AM Ltd, (based in London) is an affiliate company to Pictet AM SA that is authorised and regulated by both the Financial Conduct Authority in the United Kingdom and the SEC.

Pictet AM Ltd's business mainly comprises managing active accounts for institutional clients, including collective investment schemes, specializing in Emerging Markets, Small Cap and Developed Country equities, together with Emerging Market Debt, Emerging Market Corporate bonds, Multi Asset and Strategy and Total Return Credit.

Pictet AM Ltd may refer any potential clients wanting to invest in strategies managed by Pictet AM SA to Pictet AM SA and Pictet AM SA may refer any potential clients wanting to invest in strategies managed by Pictet AM Ltd to Pictet AM Ltd. Furthermore, Pictet AM SA and Pictet AM Ltd may also share research.

We generally use the services of the trading desks of Pictet AM Ltd to place orders for the execution of equities, equity related derivatives and corporate bond securities for long-only clients, in non-Asian markets. Pictet AM Ltd trades solely on an agency basis, does not trade as principal and does not undertake any own account trading.

Pictet AM Ltd also conducts business development activities for Pictet AM SA in the USA.

### ***Pictet Asset Management (Singapore) Pte Ltd ("Pictet AM Singapore")***

Pictet AM Singapore is an affiliate company of Pictet AM SA which is registered with the Monetary Authority of Singapore and the SEC. We use the services of a dedicated trading desk at Pictet AM Singapore to mainly place orders for the execution of transactions in Asian fixed income securities.

The purpose of this arrangement is to utilize a trading desk in the same time zone as the relevant markets that are being invested in. There is no additional cost to clients for this service. Pictet AM Singapore acts solely as agent, and does not charge any commission or mark-up additional to that charged by the executing broker.

The trading desk in Singapore places orders for the execution of trades only for the clients of the Pictet AM group of companies.

***Pictet Asset Management (Hong Kong) Ltd (“Pictet AM Hong Kong”)***

Pictet AM Hong Kong is an affiliate company of Pictet AM SA which is regulated by the Hong Kong Securities & Futures Commission. We use the services of a dedicated trading desk at Pictet AM Hong Kong to place orders for execution of transactions mainly in Asian equity instruments.

The purpose of this arrangement is to utilize a trading desk in the same time zone as the relevant markets that are being invested in. There is no additional cost to clients for this service. Pictet AM Hong Kong acts solely as agent, and does not charge any commission or mark-up additional to that charged by the executing broker.

Pictet AM- in Hong Kong places orders for the execution of trades only for the clients of the Pictet AM group of companies.

***Pictet Asset Management Inc (“Pictet AM Inc”)***

Pictet AM Inc is the Montreal based affiliate of Pictet AM SA, and is registered as an investment advisor by the SEC and with several Canadian provincial financial regulators . PAM Inc conducts business development activities of Pictet AM SA in Canada and the USA. Pictet AM Inc’s sole activity is business development.

Pictet AM Inc staff have view only access of the portfolios of our North American clients and are not able to create orders or place orders for the execution trades for any client accounts.

***Pictet Asset Management (Europe) SA (« Pictet Europe »)***

Pictet Europe is regulated by the Luxembourg Financial Authority, Commission de Surveillance du Secteur Financier, and is the subsidiary of Pictet AM SA. Pictet Europe is the Management Company of the Pictet AM Group Luxembourg mutual funds which are neither marketed nor targeted at US clients. Pictet Europe has delegated the management of a number of its Luxembourg mutual funds to Pictet AM SA.

***Pictet Asset Management (Japan) Ltd (“Pictet AM Japan”)***

Pictet AM Japan is an affiliate company of Pictet AM SA and is regulated by the Japanese Financial Service Agency. Pictet AM Japan is primarily involved in distribution activities for Japanese domestic investors.

Pictet AM Japan may refer to Pictet AM SA clients wanting to invest in strategies managed by Pictet AM SA. Furthermore, Pictet AM Japan and Pictet AM SA may also share research.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We strive to adhere to the highest industry standards of conduct based on the principles of professionalism, integrity, honesty and trust and we have adopted a Code of Ethics (“Code”) under SEC Rule 204A-1 to help us meet these standards and prevent conflicts of interest. All our staff and connected persons must comply with the Code, which covers the following key areas:

- Prohibition against insider trading
- Personal account dealing rules
- Gifts and entertainment
- Protecting the confidentiality of client information
- Dealing with personal conflicts of interest of supervised persons
- Respecting Pictet AM SA corporate confidential information.

We anticipate that, in appropriate circumstances, consistent with clients’ investment objectives, we will cause accounts over which we have management authority to effect the purchase or sale of securities in which Pictet AM SA, its affiliates and / or clients, directly or indirectly, have a position of interest.

Our staff are required to follow Pictet AM’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Pictet AM SA and its affiliates may trade for their own accounts in securities which are recommended to and / or purchased for Pictet AM SA’s clients. The Code of Ethics

is designed to assure that the personal securities transactions, activities and interests of the employees of Pictet AM SA will not interfere with:

- making decisions in the best interests of advisory clients; and
- implementing such decisions

while, at the same time, allowing employees to invest for their own accounts.

Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics, to reasonably prevent conflicts of interest between us, our staff and our clients.

Some entities of the Pictet Group undertake trading for their own accounts. This is managed by dedicated teams within those entities who have no responsibility for managing assets nor executing trades on behalf of Pictet AM SA clients. Furthermore, Pictet AM SA does not undertake any proprietary investment, nor does any other entity of the Pictet Group conduct any proprietary investment on behalf of Pictet AM SA or any other Pictet AM entity.

Some entities of the Pictet Group may buy or sell securities for their own accounts that Pictet AM SA may have bought or sold on behalf of its clients. However, there are strict Chinese walls in place between Pictet AM SA and those entities, including separate staff, investment management, accounting and trading systems, so that the staff of those group entities that manage this type of account have no access to the orders, transactions or positions of Pictet AM SA clients.

Pictet AM SA and its affiliates may from time to time recommend to or purchase or sell on behalf of clients, securities or other investment products in which Pictet AM SA, its affiliates, or other related persons have a financial interest as investment manager, general partner, or as a co-investor in such investment products.

In addition, due to the nature of its clientele, Pictet AM SA may from time to time trade in securities issued by its clients but we carry out regular monitoring of trading in such securities to ensure it is consistent with our procedures for the management of inside information

Where it is permitted by, and in the best interests of both clients, Pictet AM SA may decide to cross securities from one client to another. These trades are effected via external or affiliated brokers at an independently determined market price and usually at lower than normal broker commissions. We will receive no fees for such transactions. ERISA plan clients may not participate in cross trades.

Pictet AM SA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Erika Beaumier, Head of Compliance, at 0041 58 323 1580 or by email at [ebeaumier@pictet.com](mailto:ebeaumier@pictet.com).

### **Gifts and Entertainment.**

Brokers, counterparties, service providers and other third parties with whom we do business occasionally provide gifts and entertainment to our principals and employees. We, and our affiliates, may enter into business transactions and relationships on behalf of a client with the providers of such gifts and entertainment. Such gifts and entertainment create a conflict of interest in our selection and retention of these donors as service providers for Clients. To address this conflict, we have adopted policies and procedures to monitor gifts and entertainment given and received by our principals and employees.

We also have policies and procedures in place to help us monitor the US political contributions that our principals and employees make to public officials and candidates for elected office in accordance with the requirements of Rule 206(4)-5 of the Investment Advisers Act of 1940.

### **Side Letters.**

We sometimes enter into side letters with prospective investors in investment funds that we manage. These side letters allow for different terms than the terms applicable to other fund investors, including terms related to information rights and confidentiality obligations. In general, we will not notify other fund investors when we enter into these agreements but will ensure that no client is disadvantaged by such side letters. The same applies if a client requires us to sign a Most Favoured Nation clause.

### **Disclosure of Portfolio and Other Information.**

We sometimes provide portfolio holdings information to investors or entities that have been retained by fund investors in our managed funds to evaluate portfolio risk. We provide this information in our sole discretion, and reserve the right to cease providing information at any time. We make reasonable efforts to preserve the confidentiality of the information we provide, such as by entering into non-disclosure

agreements, but we cannot guarantee that the entities to which we provide information will fulfil their confidentiality obligations.

In the course of conducting due diligence, investors in our managed funds periodically request information pertaining to their investments, and pertaining to us. We may respond to these requests, and may provide information that is not generally made available to other investors in the same fund. When we provide this information, we do so without an obligation to update the information provided. However, we endeavour to provide the information requested in the most current form available.

## **Item 12 Brokerage Practices**

### **General brokerage practices**

In its capacity as discretionary investment manager, Pictet AM SA has the authority to determine the securities, and the amounts of securities, to be bought or sold for a client's account, subject to compliance with the client's objectives and investment guidelines.

Pictet AM SA also has the discretionary authority to select the brokers, dealers and banks through whom it will execute transactions for the benefit of its clients, and also of the commission rates paid.

All brokers used must be approved by the Pictet Group Counterparty Risk Committee under the delegated authority of the Group Treasury Committee. When assessing a broker, the Group Counterparty Risk Committee takes a risk based approach which considers both quantitative and qualitative factors. Each broker assessment is bespoke, with a different emphasis on various evaluation criteria according to the market and nature of future transactions.

We may use affiliated brokers as described in item 10 above on a limited basis. In all instances, affiliates are not paid more than a standard commission rate, or spread in the case of securities that are dealt net of commission such as fixed interest securities. Any client may request that we not use affiliated brokers to execute transactions for its account. We carry out regular monitoring to ensure that best execution is achieved on the placement of orders for execution by affiliated entities, and also of the volumes of orders by such entities.

In relation to some of its investment strategies, Pictet AM SA may place order for execution of the trades of standardized futures and OTC derivatives as agent on behalf of its clients as disclosed.

Where advantageous, Pictet AM SA will deal directly with the market maker in a security. Pictet AM SA does not enter into express or implied agreements with brokers based on Pictet AM SA's interest in receiving client referrals.



## Best execution

Pictet AM has a Best Execution Policy which sets out the most important and / or relevant factors that it takes into account in complying with our best execution obligations i.e. to ensure that our client trades achieve the best possible result when we place an order for execution on behalf of our clients.

Pictet AM will monitor the effectiveness of our best execution policy and execution arrangements to identify, and where appropriate, correct any deficiencies. This will include an assessment of whether the execution venues included in this policy continue to provide the best possible result for our clients.

We will review this best execution policy at least annually and whenever a material change occurs that affects our ability to continue to obtain the best results for our clients on a consistent basis.

The Trade Execution Committee oversees best execution, including the review of transaction cost analysis (for active equities) and compliance with the best execution policy. In addition, compliance with our best execution policy, is monitored on an on-going basis firstly by the traders, and, secondly by Compliance.

## Research and other soft dollar benefits

Portfolio transactions may be executed through brokers who provided research and investment ideas, if otherwise consistent with the achievement of best execution, but the over-riding factor in the selection of a broker is the achievement of best execution.

Pictet AM SA uses research received from a variety of external sources, including brokers and third party and other independent research providers ("external research"). In accordance with applicable laws and its fiduciary obligations, Pictet AM SA may use a percentage of client dealing commissions to pay for external research that assists in the investment decision-making process of its investment managers. This is done either through the payment of a bundled commission rate directly to the executing broker or under a commission sharing agreement (CSA). In all cases, the provision of external research will be dependent of the ability to fulfil our best execution obligations to clients as well as our obligations under Section 28 (e) of the Securities and Exchange Act of 1934.

These obligations are met by ensuring that all external research paid for through client generated trading commission must :

1. be capable of adding value to the decision-making process by providing new insights that inform the investment manager when making investment decisions,
2. must represent original thought in the critical and careful consideration and assessment of news and existing facts and must not merely repeat or repackage what has been presented before,
3. show intellectual rigour and must not merely state what is common knowledge or self-evident; and
4. provides the investment manager with meaningful conclusions based on analysis or manipulation of data.

Access to the best external research is an important factor in helping our investment professionals to manage money successfully and achieve the investment objectives of our clients. Pictet AM SA pay for external research through the careful management and use of commissions generated from trades that we

place of execution on behalf of our clients. We have no incentive to pay brokerage commissions unless the research service provided can be of benefit to the performance of our clients' portfolios. When executing transactions, we strive to ensure that we obtain the best possible result for our clients

Pictet AM Research Commission Governance Committee works with the CIOs to agree an annual research budget for each relevant equity investment team.

The relevant equity investment teams allocate their annual research budget to eligible brokers and independent research providers through the quarterly broker vote process, which sets the research commission target for the quarter. Once the target has been reached at individual team level, trading will be undertaken on an execution only basis with the relevant broker.

The external research services consumed by Pictet AM SA are used for the benefit of all clients and not just for the benefit of those clients whose transactions were allocated to the broker providing the research service. Pictet AM SA regularly review and evaluate trading costs and the continuing value of the research services it uses to ensure the use of clients' funds for a service remains appropriate and offers good value for clients. In addition, Pictet AM SA or its affiliate company, Pictet AM Ltd also reviews the research services provided by brokers to ensure that they meet standards of section 28( e) of the Securities Exchange Act of 1934. In order to do so, Pictet AM SA and Pictet AM Ltd will make a good faith determination to ensure that the amount of the commission charged is reasonable in relation to the value of the research services received.

The Compliance department of our affiliate company, Pictet AM Ltd, perform quarterly monitoring to ensure investment managers have properly assessed the quality and value of the research services received and are able to provide evidence that these services continues to be eligible for payment using client dealing commission.

When executing trades under a commission sharing agreement (CSA), the commissions paid by our clients will be not be higher than for trades not executed under such an agreement. Commission sharing agreements are not dependent upon us placing specific volumes of business with individual brokers, and all CSA's or similar arrangements contain contractual provisions requiring the executing broker to provide best execution.

### **Brokerage for client referrals**

We do not receive client referrals from brokers and there are no such arrangements in place.

### **Directed brokerage**

Although it strongly discourages the practice of directed commission, Pictet AM SA may agree with a client's request to direct brokerage transactions for the client's account to a specific broker or brokers. However, directed brokerage at the request of clients may impede the achievement of best execution on portfolio transactions by:

- Impairing the Advisor's ability to negotiate commission rates and other terms on behalf of directed brokerage clients.
- Denying to directed brokerage clients the benefit of our experience in selecting broker-dealers who are able to efficiently execute difficult trades.
- Limiting directed brokerage clients' opportunities to obtain lower transaction costs and better prices by aggregating their orders with orders for other clients.
- Receiving less favourable prices on securities transactions to the extent that we must place transaction orders for directed brokerages clients after placing aggregated orders for other clients.

### **Trade aggregation**

When buying and selling securities and other investment products for clients, we generally aggregate multiple transactions into one order so that as many eligible clients may participate equally over time on a fair and equitable basis, in terms of best available cost, efficiency and terms. Each client that participates in an aggregated order participates at the average price.

In the case of the partial execution of an aggregated order, the executed trades and related external broker commissions are normally allocated on a pro rata basis subject to complying with market conventions on minimum fill and increments, and to avoid uneconomic allocations.

Clients' orders are only aggregated with other clients' orders and not with orders for any Pictet AM or Pictet group entity, nor their employees. Trade allocations are monitored by the Compliance department on a periodic basis.

### **Reallocations**

Occasionally, we may reallocate transactions in order to correct an error in the original order or the original allocation. We have procedures in place, and carry out compliance monitoring to ensure that such reallocations are carried out fairly and in full compliance with our fiduciary duty.

### **Trade Errors**

We have established policies and procedures for the handling of trading errors in client accounts. Pursuant to these policies and procedures, we aim to correct errors as soon as practicable after discovery and will always ensure that clients do not suffer any loss as a result of the error.

All errors are overseen by the Business Risk Department, who report all identified errors and breaches for scrutiny by the Pictet AM Business Risk & Compliance Committee, and the Pictet AM Risk Committee.

### **Initial Public Offerings (“IPOs”)for US securities**

If the client authorises us to invest in IPOs, we will only allocate US IPOs to investors in funds and separately managed accounts in which beneficial owners are eligible to participate therein, as defined under Rule 5130 of the Financial Industry Regulatory Authority, as amended, supplemented.

## **Item 13 Review of Accounts**

Following the take on of the client, the primary (or in their absence, the alternate) portfolio manager assumes day-to-day responsibility for supervision of the account including complying with investment restrictions.

Investment restrictions on a client’s account are also independently monitored by the Compliance department on a daily basis. They also ensure that any appropriate corrective actions are promptly carried out and that breaches are reported to the client.

In addition, Pictet AM SA carries out formal risk and performance reviews of all products, on a periodic basis, where the performance and risk characteristics of the portfolio are reviewed by a committee usually consisting of:

- Deputy CEO / Head of Investment

- The Head of the investment team under review, together with the Senior Portfolio Managers from that team
- The Head of the Pictet AM Investment Risk and Performance Analysis Department
- The Chief Investment Officer of the investment team under review.

In addition, the CEO and Chief Risk Officer may attend such meetings on an ad hoc basis, especially for significant strategies.

Pictet AM SA's standard reporting package for segregated clients includes the following:

1. A monthly report, except for quarter ends, that includes a valuation, transaction statements and a performance summary. These statements describe all assets held, the quantity and market price in local currency for each position and the market value of the account expressed in the client's base currency translated at the current rates of exchange. Positions are broken down by type of asset and by market value or currency of denomination. All changes in holdings and income and expense items are listed by date.
2. A quarterly report, which provides the information included in the monthly report as at the quarter end, together with (a) a Fund Manager's report, including a review of fund performance together with performance attribution, and (b) an Investment review and outlook.

Please note that the valuation of a client account will be generated by Pictet AM's investment accounting portfolio management systems. Therefore, there is a risk that there may on occasions be differences in the valuation of assets by Pictet AM's systems and the valuation by the client's custodian.

Whilst the above is the standard reporting package, Pictet AM SA can provide alternative reporting to satisfy the differing reporting requirements of its clients.

Following formal reviews and from time to time, additional supplementary information and reports are prepared for the client, highlighting characteristics such as average maturity, regional asset mix, largest holdings, etc.

## **Item 14 Client Referrals and Other Compensation**

Pictet AM SA markets its services via the Business Development departments of other Pictet AM Group companies. These staff are paid a salary, a profit share based on the Pictet Group's results and a bonus. The criteria used in determining the size of a member of the Business Development staff's bonus are:

- Net new revenues introduced during the year.
- Gross new revenues introduced during the year.
- Qualitative and / or soft scores, including for example teamwork.

There is also a potential deduction to bonuses in the event of a poor Compliance score by individuals.

Our two SEC registered affiliates, Pictet AM Inc and Pictet AM Ltd, refer North American clients to Pictet AM SA.

Pictet AM Ltd reimburses all the costs of Pictet AM Inc, and Pictet AM SA reimburses the costs of the US Sales Team, both on a cost-plus basis.

Pictet AM SA does not pay compensation for client referrals to any external parties, in respect of SEC regulated business.

Pictet AM SA may from time to time refer our clients to other non Pictet AM group entities for additional services. Pictet AM SA will not receive any remuneration or fee for such referrals. Pictet Group entities may also, from time to time, refer clients to us, but will not receive any remuneration or fee for such referrals.

## **Item 15 Custody**

Pictet AM SA does not have direct custody nor has any entity of the Pictet Group for our US clients.

US clients should receive at least quarterly statements from their bank, broker-dealer or other qualified custodian whether from the Pictet Group or a third party, that holds and maintains client's investment

assets. Pictet AM SA urges its clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to its clients. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Where Pictet AM SA is Manager of a Private Fund that is marketed to US investors, Pictet AM SA ensures that audited accounts prepared under US GAAP (or its equivalent) are sent to all investors within 120 days of the fund's financial year end.

## **Item 16 Investment Discretion**

Pictet AM SA usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and investment restrictions for the particular client account.

Pictet AM SA tries to manage different client accounts within the same product grouping in a similar manner. However, this will always be carried out in accordance with the investment guidelines provided by our clients. Our institutional clients usually determine in conjunction with Pictet AM SA the investment constraints to be followed in the management of their assets.

For registered investment companies, Pictet AM SA's authority to trade securities may also be limited by certain federal securities and, tax laws and regulations that require the diversification of investments and favour the holding of investments once made.

Investment guidelines and restrictions must be provided to Pictet AM SA in writing prior to the commencement of investment management activities.

## **Item 17 Voting Client Securities**

If requested by the client, Pictet AM SA will accept the authority to vote on behalf of client securities.

Pictet AM SA outsources the administration of all voting activities to ISS, a firm specialising in the provision of corporate governance services. ISS performs the voting activities based on the Pictet AM proxy voting policy or the client proxy voting policy . The Pictet AM proxy voting policy document can be obtained upon request from Pictet AM SA. The Pictet AM proxy voting policy is reasonably designed to assist Pictet AM SA in voting proxies in the best interests of its clients. Our policy addresses matters that are commonly submitted to shareholders of a company for voting, including but not limited to, issues relating to the board of directors, capital structure, auditors, mergers and corporate restructuring. ISS provides our affiliate Pictet AM Ltd with a monthly report for Pictet AM entities that includes the details of all resolutions and their respective votes, and various statistical analyses. This is produced at a client level, and is included in Pictet AM SA's client reports unless the client does not want such information.

## **Item 18 Financial Information**

This item is not applicable.

We are required in this item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

We do not require or solicit the prepayment of fees.



## Privacy Notice

### **We Take Important Steps to Help Safeguard the Information We Collect about Our clients**

At Pictet Asset Management SA (“Pictet AM”) we are committed to safeguarding our clients’ personal information. This notice describes the personal information we collect regarding an individual’s current or former relationships with Pictet AM and how we handle and protect it. As part of our normal business practices, we distribute our Privacy Notice annually or when significant changes are made to it.

### **Why and How We Collect Personal Information?**

We collect personal information to enable us to provide products and services to our clients and in order to conduct our business. For example, we collect personal information to:

- Help us evaluate the needs of our clients and comply with our regulatory obligations
- Process requests and transactions
- Provide our clients with an effective and efficient service.

We collect information from a variety of sources, including:

- Account opening documentation and other forms submitted which provide information such as the name, address, email address, and telephone numbers of individuals that represent our clients and assets of our clients,
- Our clients’ transactions or communications with us and our affiliated companies.

### **Who Has Access to Personal Information?**

We maintain personal information about our clients, their representatives and authorized persons on our client database. Access to this database is restricted to employees of Pictet AM.

### **How We Protect Personal Information?**

Our Code of Ethics, which applies to all employees restricts the use of client information, and requires that it be held in the strictest confidence and be used for valid business purposes only. The Code of Ethics also requires that all employees follow established procedures for the protection of client information. We maintain physical, electronic and procedural safeguards (including firewalls, user authentication systems and access control mechanisms) to protect personal information and to comply with all applicable laws and regulations.

### **Why and How We Share Information With Our Affiliates?**

Personal information about our clients, their representatives and authorized persons may be shared with a number of our affiliates, as described above, and as required or permitted by applicable law.

By contracting with Pictet AM SA, US clients hereby authorize Pictet AM SA to provide Pictet Asset Management Inc (“Pictet AM Inc”) in Canada and Pictet Asset Management Limited (“Pictet AM Ltd”) in the United Kingdom with a technological solution enabling Pictet AM Inc and Pictet AM Ltd to have prompt read-only access to the assets managed at Pictet AM Ltd, Pictet AM Singapore and Pictet AM SA for the purpose of ongoing monitoring of the activities of clients introduced and serviced by Pictet AM Inc or Pictet AM Ltd.

### **Why and How We Share Information With Non-affiliated Third Parties?**

We do not and will not rent or sell the personal information of our clients, their representatives or authorized persons. However, we may share this information with companies that we hire to perform services for us, such as providers of proxy voting, class action administration services and providers of client servicing systems. In these cases, we require these non-affiliated third parties with whom we share personal information to agree to limit the use of such information to the purposes for which it was provided, and to have adequate systems and controls to ensure the security of information provided to, or held by them.

Finally, we may disclose personal information to others, including non-affiliated companies and regulatory authorities, as required or permitted by applicable law. For example, we may disclose personal information :

- To comply with investigations by regulatory authorities or law enforcement agencies e.g. anti-money laundering investigations.
- To protect against or prevent fraud, unauthorized transactions, claims or other liabilities.
- To legal or other professional advisors, for example for the completion of statutory audits and ISAE 3402 examinations.
- To providers of certain financial products (e.g. issuers of structured products) who may require the disclosure of certain client information, including details of identification. Where client agreements permit, and applicable laws allows, we require such providers to agree to strictly limit their use of the information only to the purpose for which it is provided.
- Where required by counterparties for regulatory or risk management purposes, when opening trading agreements, such as ISDA's.

**Last updated: 28<sup>th</sup> March 2017**