

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

### **PICTET ASSET MANAGEMENT LIMITED**

Moor House – Level 11

120 London Wall

London EC2Y 5ET

United Kingdom

#### Contact details:

Simon Greaves, Head of Compliance of Pictet Asset Management Limited

Direct phone: +4420 7847 5486 direct fax +4420 7847 50 46

#### Website:

<https://www.am.pictet/en/globalwebsite/institutional>

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This brochure provides information about the qualifications and business practices of Pictet Asset Management Limited. If you have any questions about the contents of this brochure, please contact us at +44 20 7847 5486 or by email [sgreaves@pictet.com](mailto:sgreaves@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 Limited also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although Pictet Asset Management Limited 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 item which was subject to specific a material change compared to the last brochure.

- **Item 4: Advisory business:** Simon Greaves replaced David Cawthrow as Chief Compliance Officer of Pictet Asset Management Ltd ("Pictet AM Ltd" or "We") in April 2024.

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 can additionally 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 Simon Greaves, Head of Compliance of Pictet AM at +4420 7847 5486 or by email at [sgreaves@pictet.com](mailto:sgreaves@pictet.com).

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## Item 4 Advisory Business

### **The Advisory Firm**

Pictet AM Ltd has been providing both discretionary and advisory investment management services on a global scale to a wide range of international institutional clients since 1980. These clients include retirement plans, assets for corporate and government entities, foundations, and other institutional investors. Furthermore, We also act as the investment adviser or sub-adviser to US-based investment companies and other regulated and unregulated collective investment schemes in international jurisdictions.

Pictet AM Ltd is wholly owned by Pictet Asset Management Holding SA which is itself wholly owned by Pictet & Partners SCA, a Swiss holding limited partnership.

Pictet AM Ltd fully owns Pictet Asset Management (USA) Corp (“Pictet AM USA”), which is also registered as investment adviser with the SEC and performs business development activities in the USA on behalf of the Pictet AM Group. Simon Greaves replaced David Cawthrow as Chief Compliance Officer of Pictet Asset Management Ltd (“Pictet AM Ltd”) in April 2024.

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

Pictet AM Ltd provides both advisory and 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
- selection or advice of 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(s).

Pictet AM Ltd manages a wide range of equity, fixed income and multi asset strategies including total return.

## **Client needs and restrictions**

Pictet AM Ltd will usually tailor its management to its client's needs. Our institutional clients usually determine in conjunction with us 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 Ltd also serves as a portfolio manager and advisor for certain clients of one unaffiliated investment advisory group ("the sponsor") in connection with wrap fee programs. The sponsor's clients select Pictet AM Ltd to manage equity wrap-fee program accounts, and the sponsor is the client contact for wrap-fee program clients, and works with its clients to develop, and maintain, investment guidelines and to determine the amount to be managed by Pictet AM Ltd. These clients pay a single fee to the sponsor covering the services rendered by both it and the management fees for Pictet AM Ltd.

Investment management services provided to wrap fee programmes are substantially the same as those provided to non-wrap fee clients.

However, practical constraints to the management of wrap fee accounts may exist. Most notably, the smaller asset value of certain wrap fee accounts may result in slightly different returns due to limitations imposed by investment restrictions, administrative restrictions, and the wrap fees imposed by the sponsor.

In addition, Pictet AM Ltd also participates in wrap fee programs where we act purely as the model portfolio provider to the sponsor. Any changes to the model initiated by Pictet AM Ltd are communicated to the Overlay Manager, who is appointed by the sponsor as the discretionary manager, for implementation at their discretion. Pictet AM Ltd receives a portion of the wrap fee charged by the program sponsor for providing the model portfolio but is not directly involved in implementing trades for clients of the sponsor.

## **Asset under management**

Pictet AM Ltd managed approximately US\$ 22.48 billion of client assets on a discretionary basis as at 31 December 2023 and US\$ 56.8 million of client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

For its investment management services, Pictet AM Ltd charges a fee expressed as a percentage of market value of the managed assets based on the period as agreed with the client. As we only provide discretionary and non-discretionary investment management services to qualified purchasers as defined in section 2(a)(51)(a) of the Investment Company Act of 1940, our fees are subject to negotiation with clients. This can include the use of fees on a declining scale linked to the size of the account and

can in certain circumstances include a performance fee (for the latter, please refer to item 6 of this brochure).

As fees are negotiated with each client, some clients can pay a higher fee for the same investment strategy than others. Pictet AM Ltd and its fund managers could have an incentive to favour clients that pay higher 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.

We mitigate these conflicts in the following way:

- We aim to allocate investment opportunities fairly and consistently between different client accounts in the same strategy, subject to client restrictions, instructions and cash-flows. We monitor this on an on-going basis by reviewing the performance and risk indicators of similar accounts.
- Our allocation policy requires that all orders are pre-allocated, and that the actual allocation for each account is on a pro-rata basis with the size of each client's order, after considering market convention e.g. standard lot size and uneconomic allocations. Regular compliance monitoring is carried out to ensure adherence to this policy.

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

Our management fees are usually computed based on the valuation generated by Pictet AM's portfolio management systems in agreement with our clients. In such cases, there is a risk that there can be occasional differences in the valuation of assets between the Pictet AM's systems and those of the client's custodian impacting the level of management fees charged to our clients. However, in some instances, we use the clients' custodian's valuation to calculate our management fees.

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

Pictet AM Ltd's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients 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 can be invested in third party open ended mutual funds and exchange traded funds (subject to client's investment guidelines) which also charge 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 investments.

Such charges, fees and commissions are exclusive of and in addition to Pictet AM Ltd's fee, and we do not receive any portion of these commissions, fees, and costs.

In some instances, we can also invest our discretionary client assets in our in-house funds (subject to clients' investment guidelines and eligibility criteria) and in such cases we will purchase the share class with a zero-management fee. Therefore, Pictet AM Ltd will calculate its management fee as agreed in the Investment Management Agreement on the total of the client assets managed by Pictet AM Ltd.

Pictet AM Ltd may also receive fees for other funds or services:

1. **Referral fees:** Institutional clients can also sign an investment management agreement with another Pictet AM entity for clients introduced by Pictet AM Ltd Sales professionals. The relevant Pictet AM entity that will sign the agreement will receive the management fees and use a portion of this fee to remunerate Pictet AM Ltd. There are no additional fees charged to the client to remunerate Pictet AM Ltd.
2. **Distribution of Pictet AM Mutual funds:** For its work in the distribution of Pictet AM non-US regulated funds, Pictet AM Ltd will receive remuneration from Pictet AM Europe SA, Pictet AM (Hong Kong) Ltd or Pictet AM SA, the Fund Management Companies, which receive the management fee directly from the funds.

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

### Performance fees

Pictet AM Ltd can enter into performance fee arrangements with "qualified clients" determined as of the last trading day of each quarter or on another basis as agreed with the client, 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 Advisers Act of 1940 ("The Advisers Act") and Rule 205-3 thereunder.

In measuring clients' assets for the calculation of performance-based fees, we 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:

- Pictet AM Ltd and its fund managers could have an incentive to favour clients that pay performance-based fees over those that do not. This incentive could, for example, affect the

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 would otherwise be made if there are no performance fees, as these can generate a higher return. With respect to the Pictet total return funds managed by Pictet AM Ltd (please refer to item 7), the performance fee arrangement was not the product of an arm's length negotiation with a third party.

Please refer to the Side-by-side management section below, which explains how we mitigate these conflicts.

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

We 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 for another account has increased the value of the securities).

In addition, individual fund managers can receive a higher performance related bonus from managing total return funds compared to managing long-only funds.

Therefore, the results of the investment activities for one account could differ significantly from the results achieved by Pictet AM Ltd 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 could incentivise us to favour them over the client accounts paying lower management fees.

We mitigate these conflicts in the following way:

- Our trade allocation policy requires that the trade allocation for each account must be pro-rata with the size of each client's order, after considering 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 investment risk of similar accounts.

In certain circumstances, particularly when our affiliates launch a new product or provide the initial seed money, such products can 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 can give us an incentive to favour them over other client accounts.



We exercise investment responsibility or take other actions for some clients that can differ from the management given, or the timing and nature of actions taken, for other clients. This can result in materially different positions in different accounts including being long a security in certain accounts and being short in the same security in other accounts managed by us. We can 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, can also differ as a result of other factors such as cash availability for an account, the timing of an account opening, additions or withdrawals of assets, or due to client investment restrictions. Some clients may not be able to 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 could 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 Ltd, 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 Ltd allocates to the strategy, although different allocations could occur due to the different objectives, restrictions and situations of different clients, for example, due to the availability of cash, or where potential allocation to IPOs can result in an uneconomic allocation, i.e. 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**

We generally provide portfolio management services to:

- pension and profit-sharing plans
- registered mutual funds
- private investment funds
- sovereign wealth funds
- regulated and unregulated foreign funds such as UCITS funds
- other U.S. and international institutional clients.

Accounts managed by Pictet AM Ltd should generally be at least US\$50 million, although we can 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 Ltd relies on various sources of information; primarily research received both from external providers as well as internally generated primary research. Sources of information utilised within our primary research process include the financial press, meetings with company management, analysts from other financial institutions (including brokers), and independent research providers, conference attendance and 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 selling, where securities purchased within a year, is not an investment strategy typically used except with some of our total return strategies, we can sell a security within a few days of its acquisition as necessary or appropriate (e.g., to react to changing economic, political and / or market conditions and client needs, depending on 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, swaps and forward foreign exchange contracts both 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.

Pictet AM Ltd adheres to the UN Principles for Responsible Investment ("UN PRI"). We are committed to integrating material Environmental, Social and Governance ("ESG") criteria in our investment processes and ownership practices with a view to enhancing returns and/or mitigating risks over the medium to long term. We also aim to include ESG aspects in our risk management and reporting tools in order to maintain high standards of transparency and accountability.

Exclusions related to ESG apply to actively managed funds, certificates, and discretionary mandates, but do not apply to passive strategies that replicate market indices or open-ended funds managed by third-party managers.

Exclusions are based on reliable sources gathered from reputable third-party research providers, non-profit organizations and governments. Pictet AM retains full discretion over the implementation of exclusion criteria and reserves the right to deviate from third-party information on a case-by-case basis in instances where it is deemed incorrect or incomplete.

Pictet AM Ltd usually relies on third party service providers, non-profit organizations and governments in determining, from an ESG perspective, what investments to exclude from its selection of securities to purchase. This is based on our providers' categorization of the types of companies,

industries and countries, which can be excluded from our list of permissible investments. There can be no assurance that the list of exclusions, as determined by Pictet AM Ltd, and / or the third-party service is complete or that all relevant securities have been restricted. In addition, the exclusion list is subject to change at any time without notice.

## **Investment Strategies & Material Risks**

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

### ***Emerging Market Sovereign (hereafter “EMS”):***

Our EMS team believes that:

Successful investing in EM Fixed Income requires an **active and research-driven** approach using **diversified** sources of performance drivers and integration of **sustainability factors**.

- › Independent and in-depth fundamental research of EM sovereign and corporate issuers undertaken by an experienced and diverse group of EM investment specialists.
- › Consideration and application of global macroeconomic and policy analysis in the construction of EM fixed income portfolios.
- › Regional and local expertise is enhanced by a dedicated trading capability to provide additional in-depth and targeted technical knowledge and insights.
- › Sustainability research, partnership and engagement to enhance a strong risk-management mindset and investment idea generation while supporting longer-term sustainable outcomes for emerging markets.

The EMS process is split into two stages:

#### **Stage 1- Fundamental Assessment**

Our framework of fundamental assessment is established via our quarterly cycle of meetings which align with four pillars of research (Global Macro, Sovereign Assessment, ESG research and Strategic Asset Allocation)

Global Macro: conduct a top-down assessment of the global risk environment.

Sovereign Assessment: examine bottom-up country fundamentals to develop our regional and country views.

ESG Analysis: a formal component of our investment process, which is enhanced by our own Sovereign ESG philosophy and proprietary scoring with the underlying data provided by Verisk Maplecroft and Global Footprint Network.

## **Stage 2- Portfolio Construction**

The combination of quarterly and daily meetings set the backdrop for our Portfolio Managers to implement active trades in the relevant paired teams.

Once a country is selected, we examine the fundamental and short-term drivers which determine our active trades in the country.

For **interest rates**, we consider among others: monetary policy, inflation, growth, fiscal policy, and politics. We utilise outputs developed internally by our in-team strategists to gauge expected changes in central banks' policy rates using inflation, real GDP growth and real effective exchange rates as its inputs.

When evaluating **currencies**, we consider among others: interest rate differential, growth differential, balance of payments, and currency policy. Our internal models help identify countries most at risk of significant currency depreciation based on analysis of cyclical factors, change in reserves and speculative flows. We also monitor the change in the signals for each country over time.

**Short-term drivers:** We also believe that the timing of the trades is very important. We consider short-term drivers which provide the trigger for a given trade. These include: global risk, technical analysis, volatility, flows, and positioning.

The purpose of the paired team is to provide challenge and debate surrounding conviction levels, sizing, risk budgeting, profit target and stop-loss levels.

### *Off Benchmark*

In addition to taking positions in emerging bonds (denominated in USD), we may take off-benchmark exposure to emerging local rates and currencies of the counties outside the benchmark, proxy trades and emerging corporate bonds.

The investment process is a continuous life cycle subject to daily discussion and monitoring and is underlined by ongoing risk management conducted by a dedicated risk managers as well as the head of Emerging Markets Fixed Income.

### *Emerging Market Corporate Bonds (hereafter "EMC")*

Our EMC team believes that:

- › Independent research: credit selection is the primary source of alpha in the long run and needs to be in-house, done by experienced and well-connected company analysts.
- › The point in the macro as well as business cycle matters for the level of risk taking, overall duration exposure etc. The team can draw on the experience of the wider Pictet FI group for their view on the global macro as well as EM country developments.
- › Local and technical expertise are key; the intrinsic value of an EM corporate bond tends to be more influenced by domestic factors than by global industry trends. Furthermore, local flows and liquidity conditions have a major impact on how they implement their views; being close to these dynamics is thus key.

- › Sustainability factors are increasingly key for EM companies. Due to the lack of external data coverage and quality, a proprietary approach to ESG focused on the analysts' deep knowledge of and interaction with companies is essential.

The EMC process can be summarised as the following:

The investment process has 5 Stages:

1. Defining the Emerging Corporate Bond Universe:

The investment universe, i.e., the JP Morgan CEMBI BD is the starting point and is filtered using a weighted DTS methodology to capture most of the investment risk of the index (around 90%). In this way, smaller and fewer liquid issues are excluded. This is supplemented by new issues that might not yet be part of the index but that are considered attractive for further analysis.

2. Bottom-up credit score assessment:

A detailed credit assessment of each bond where a preliminary ranking of 1 to 4 is given for each security.

3. Top-down assessment:

This is determined by the outputs of the quarterly EMFI meeting scheduled and determine overall risk exposure and the EMC 'wedding cake', which summarizes the PMs' and strategist's views on duration, beta, HY versus IG allocation and regional preferences.

4. Portfolio construction:

Based on analysts' rankings, overall macro views combined with liquidity, conviction, timing and guideline specifications, PMs build the overall portfolio.

5. Portfolio oversight:

Ongoing analysis of the portfolios including of attribution, valuations, positioning and changes to top down and bottom-up views allow for optimisation and adjustments of portfolios over time.

***Global Bonds:***

Our main Global Bonds products include Global Bonds, European Bonds and US Bonds. Our 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. The team aims to build robust portfolios based on strategy diversification and risk budgeting per strategy. The team aims for stable returns within a strict, risk-managed analytical framework. 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. Duration, sector, rating, issuer domicile and currency are carefully analysed using a multi-dimensional risk matrix. The Fund Managers are mindful of risk replication and hidden correlations in order to control portfolio risk and avoid drawdowns.

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

The Global Bonds team manages our absolute return fixed income strategies using the same investment principles and value-based investment process as Global Bonds. Our Global Bonds team has a long-term investment horizon and aims 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 Fund Managers invest in a diversified range of fixed income strategies based on long term valuations independent of a central forecast scenario. The team aims to build robust portfolios based on strategy diversification and balanced risk budgeting. The team aims for stable returns within a strict, risk-managed analytical framework. 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. Duration, sector, rating, issuer domicile and currency are carefully analysed using a multi-dimensional risk matrix. The Fund Managers are mindful of risk replication and hidden correlations in order to control portfolio risk and avoid drawdowns.

### ***Climate Government Bonds (hereafter “CGB”)***

The Climate Government Bond strategy applies a sustainable strategy of allocating capital to sovereign bonds of countries with falling carbon emission trends, in view of supporting the long-term global warming objectives of the Paris Agreement (and adopted under the United Nations Framework Convention on Climate Change seeking to limit global warming), by mainly investing in bonds and other debt securities. The strategy aims to achieve similar return characteristics to the FTSE WGBI with much lower emissions. Our investment approach aims to generate good risk-adjusted returns by managing an active macro-overlay over a science-based, carbon emissions-focused sovereign bond allocation. The strategy allocates capital to countries by screening for improving trends in reduction of CO<sub>2</sub> emissions and carbon efficiency across the nations that signed the Paris Agreement in both developed and emerging markets. We look at country climate-related policies as a forward-looking component of the overall assessment and consult a board of external experts to deepen our understanding on climate policies. Our two-pillar investment process starts first with the country carbon allocation and followed by the active portfolio management over that core allocation using a risk-focused and value-based investment process. The aim of this process is to have a strategic allocation over the core carbon allocation that balances the overall portfolio from a risk on/risk off perspective as well as across the three alpha sources of interest rates, spread and FX.

### ***Total Return Merger Arbitrage***

The manager pursues a merger arbitrage strategy investing in announced Merger and Acquisition (M&A) transactions predominantly in Europe and in the US.

The manager assesses transactions with an opportunistic approach to select the transactions that offer the best risk / reward profile by doing an in-depth analysis of each transaction combined with a bottom-up fundamental assessment of the companies involved. The strategy seeks to achieve returns that are uncorrelated with the broader market.

### *Private Debt – European Direct Lending*

Pictet European Direct Lending is a pan-European private debt strategy focused on delivering superior risk-adjusted returns from a portfolio of first-lien senior secured loans, underpinned by Pictet' ESG principles and a robust risk management framework. The strategy leverages on a differentiated, origination-led approach, partnering selectively with mature, niche market leaders across Europe's lower mid-market, notably within Healthcare, Education, Business Services, and Software/Tech.

### *The Global Emerging Markets Equity Long/Short (GEM L/S)*

The Global Emerging Markets Equity Long/Short (GEM L/S) strategy aims to deliver consistent steady returns with low correlation to wider equity markets. The strategy uses a bottom-up fundamental approach to investing complemented with a top-down understanding of the regions and countries we invest in. While equity focused the strategy will have the ability to invest across the capital structure in order to achieve the optimal risk/reward. The portfolio will be made up of core alpha long and short positions complemented with catalyst driven and opportunistic trades.

### *Global Thematic Opportunities (hereafter "GTO")*

The strategy invests mainly in companies that may benefit from global long-term themes resulting from secular changes in economic, social and environmental factors such as demographics, lifestyle or regulations. We believe that equity markets tend to under-price the persistence of secular growth. In our framework, we look for stocks with value drivers (sales growth and margins) linked to megatrends, where our research leads us to believe that margins and sales growth will not fade. The resulting unnecessary risk premium is our source of value creation relative to a passive investment in the global equity market.

The fund invests mainly in companies that are related to thematic activities such as products and services supporting the energy transition, circular economy, energy efficiency, water quality and supply, sustainable forestry and agriculture, sustainable cities, nutrition, human health and therapeutics, personal self-fulfilment, security, luxury products, digital disruption or other relevant economic activities. Our investment team believes that a focused, unconstrained thematic investing approach to owning companies whose value drivers are underpinned by secular growth can outperform the global equity market.

The underlying thematic investment universes are dynamic and maintained through primary research, and through input from our dedicated advisory boards composed of academic and industry specialists. Thematic single theme portfolios are built upon these universes. Our global thematic portfolio selects the best opportunities from these underlying thematic portfolios based on fundamental analysis, while remaining unconstrained with regards to regions, sectors or sizes.

### *Global Emerging Market Equities (hereafter “GEM”)*

We are active, bottom-up investors focussed on fundamental analysis. The strategy's philosophy is based upon two pillars: 1) a view of cash returns and cash generation, 2) a focus on valuation. This philosophy helps to identify market mispricing primarily across two areas, namely where the market underestimates:

1. structural compounders – companies that can sustain their above average/above market returns, cash generation and growth rates.
2. cyclical turnarounds – either where the company is experiencing temporarily depressed returns which the market incorrectly extrapolates into the future or the company's cash flows are at a cycle peak, which should not be extrapolated into the future.

We will only invest in these companies at attractive valuations. We believe a portfolio made up of companies like this should be able to outperform across market cycles. Consistent with our fiduciary duty to act in the best interests of our clients, we integrate material ESG factors into our investment research, portfolio construction, portfolio review and active ownership processes. ESG research and integration help shape our engagement and voting activities. Any information we gather from these feeds back into investment analysis, and hence can have an impact on subsequent investment decisions, resulting in an approach that we believe enhances our ability to generate long-term risk adjusted investment returns.

### *Japanese Equities*

Every step of the Japanese Equities team's investment process is informed by their philosophy. They seek companies for which the market underappreciates the level of growth, the balance sheet quality, the profitability and, ultimately, the cashflow generation ability over the long term. The team take a bottom-up, fundamental investment approach to investing, creating portfolios with a core/blend style. The benchmark does not drive the weight or positioning of the portfolio – if the team does not find a stock attractive, they will not hold it. Sector exposures are by-products of stock selection and are not specifically targeted. Equally, factor exposure is residual of the stock selection process. While it is routinely monitored it does not drive stock selection.

### *Global Major Players (hereafter “GMP”)*

The philosophy of GMP is based on a core belief that a portfolio of high quality, leading global companies will be able to sustain higher earnings growth and outperform the market across market cycles. Based on an active, bottom-up approach the strategy looks to capture both structural and cyclical opportunities and capitalise on market mispricing of these leading global companies. The GMP investment process scores companies in its universe on four main pillars: brand, consistency, defensibility and valuation to arrive at an aggregate score of suitability for the portfolio.



### ***International Multi Asset & Strategy (hereafter “IMAS”)***

We use a long only, top-down approach with strong risk controls to build a diversified portfolio of assets. The portfolio is not managed to a specific benchmark and has the flexibility to allocate to different asset classes, including emerging market equities and bonds, based on the qualitative assessment of the investment team. Dynamic asset allocation is at the heart of our investment process and enables us to adapt to the rapidly changing markets of today. We have the flexibility to invest directly in the underlying securities, in an in-house fund or in a fund managed by a third-party manager.

### ***Active Fundamental Systematic Credit***

We aim to deliver steady capital growth over a period defined for each product by investing in corporate bonds and other fixed and floating rate securities. The investment team has extensive experience investing across cycles with a view to delivering diversification and macro risk management in a variety of regimes. Thanks to sector diversification as well as duration and macro hedge management, we aim to reduce risk and volatility. We consider market conditions and business cycles and try to identify the most attractive investment opportunities from across the universe of corporate bonds. Our disciplined 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. Our investment process is closely integrated with the Credit Research Team, as we believe that credit is an important driver of performance and risk. The strategies managed by this team are benchmark aware.

### ***Total & Absolute Return Credit***

We aim to deliver steady capital growth over a period defined for each product by investing in corporate bonds and other fixed and floating rate securities. The investment team has extensive experience investing across cycles with a view to delivering diversification and macro risk management in a variety of regimes. Thanks to sector diversification as well as duration and macro hedge management, we aim to reduce risk and volatility. We consider market conditions and business cycles and try to identify the most attractive investment opportunities from across the universe of corporate bonds. Our disciplined 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. Our investment process is closely integrated with the Credit Research Team, as we believe that credit is an important driver of performance and risk. The strategies managed by this team are unconstrained.

### ***Global Sustainable Credit***

We aim to deliver steady capital growth by investing in corporate bonds in different currency and other fixed and floating rate securities. The investment team has extensive experience investing across cycles

with a view to delivering diversification and macro risk management in a variety of regimes. The investment process aims to achieve a positive environmental and social impact by only investing in companies supporting the energy transition, circular economy, energy efficiency, water quality and supply, healthcare and social integration, as well as in ESG Labelled Bonds and in companies with a low environmental footprint with consideration of, but not limited to, carbon intensity. The strategy integrates environmental, social and corporate governance (ESG) factors based on proprietary and third-party research to evaluate investment risks and opportunities. By favouring relatively stronger balance sheets and avoiding poorly rated ESG issuers, we aim to reduce risk and volatility. Our investment process is closely integrated with the Credit Research Team, as we believe that credit is an important driver of performance and risk.

### ***Total Return Global Consumer***

The Total Return Global Consumer equities strategy follows a market neutral approach to investing and covers a broad range of consumer, technology, media and telecommunications sectors globally. The strategy seeks to provide long-term capital appreciation by investing primarily in liquid and large caps in developed markets.

The investment team uses a bottom-up approach targeting strong equity alpha and a low correlation to the stock market.

The strong emphasis on deep fundamental analysis aims to generate high conviction positions with non-consensual insight and idiosyncratic returns.

### ***Total Return Global Market Neutral Equities***

The Total Return Global Market Neutral equities strategy follows a market neutral approach to investing with a focus on 3 key sectors: Healthcare, TMT and Consumer. The strategy seeks to provide long-term capital appreciation by investing primarily in liquid large caps in developed markets.

The investment team uses a rigorous bottom-up fundamental approach targeting strong equity alpha and a low correlation to the stock market. The strong emphasis on deep fundamental analysis aims to generate high conviction single name positions on both the long and the short side.

### ***Total Return Distressed & Special Situations (hereafter "TRDSS")***

TRDSS operates an absolute return long/short credit focused strategy seeking to generate attractive returns through the cycle with low correlation to traditional asset classes. The investment manager takes a long/short approach to investing in financially stressed and distressed companies, predominantly in Europe, although with the ability to source ideas globally. Deep fundamental research underpins the investment process with both long and short positions, capital structure trades and, where appropriate recovery rates. Liquidity and jurisdiction are taken into consideration when constructing a balanced portfolio from a bottom-up standpoint across a diversified range of issuers. The investment manager will however typically implement selective, concentrated high conviction

positioning where opportunities arise. The strategy targets the more liquid end of the distressed investing spectrum, as such focusing primarily on larger capital structures.

More specifically the investment manager takes a flexible approach to expressing trade theses on both the long and short side through:

- Bonds
- Loans
- Credit derivatives
- Equities (listed and post re-organisation).

#### ***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.

#### ***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. The portfolio is diversified across roughly 50 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.

#### ***Quest - Sustainable Investment Equities mandates***

We manage a range of equity products across developed and emerging markets. We invest in companies that are fundamentally solid, reliably profitable, robust, reasonably priced and whose Environmental, Social and Corporate Governance (ESG) characteristics are considered to be above average. We believe that companies with stable profitability, healthy balance sheets and whose shares trade at attractive valuations, should fare better in periods of market turbulence, meaning they can deliver superior returns over the long run. ESG Scoring is also applied to all the companies in the investment universe ensuring that we invest in companies with sound ESG practices. We exploit the scalability and rigour of a quantitative investment approach, further enhanced by fundamental oversight.

## *Positive Change*

Positive Change is an unconstrained, large-cap, global equity strategy with improving impact at its core – assessed by improving alignment to the United Nations Sustainable Development Goals. The strategy seeks to outperform the global equity market through a full business cycle. Based on an active, bottom-up approach, informed by the output of Pictet's AI-based SDG Alignment Indicator and backed by fundamental research, the strategy looks to capture the market mispricing of the superior returns and structural growth of companies with leading alignment, and the re-rating potential as companies with lower alignment improve. We seek to invest the portfolio in companies that generate attractive returns and cash flow, enjoy high barriers to entry, and trade at attractive valuations.

## **Risk**

Investing in securities involves the risk of loss that clients should be prepared to bear. These risks are described in more detail below.

### **1. Major risks for PAM Ltd**

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

#### *1.1. General Portfolio Risks*

**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 can affect the value of the investments of the client's account more than if its investments were not so concentrated. . Concentration risk also relates to large positions in a single issuer relative to a client account asset base.

**Corporate Event risks:** Investments in companies that are the subject of publicly disclosed mergers, takeover bids, exchange offers, tender offers, spin-offs, liquidations, corporate restructuring, and other similar transactions may not be profitable due to the risk of transaction failure.

**Counterparty risks:** The insolvency or default of any other brokers involved in a transaction (including derivatives) for clients of Pictet AM, can 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.

**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 can have a separate effect, unfavourable as well as favourable, on the gain or loss which would otherwise be experienced on the investment.

**Economic risk:** The economic cycle and macroeconomic situation of a country, a region or the global economy can have a significant influence on prices of financial instruments.

**Frequent Trading and Portfolio Turnover Rate risks:** High turnover and frequent trading in an Advisory Account could result in, among other things, higher transactions costs and adverse tax consequences.

**Inflation:** Most economies have begun to experience higher-than-normal inflation rates. It remains uncertain whether substantial inflation will be sustained over an extended period of time and/or have a significant adverse effect on economies. Inflation and rapid fluctuations in inflation rates have had in the past, and will likely in the future have, negative effects on economies and financial markets.

**Recession risk:** A client portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay their debt obligations during these periods. Therefore, during these periods, a client's non-performing assets may increase, and the value of its portfolio may decrease. An economic downturn could disproportionately impact the industries in which a client account invests, causing it to be more vulnerable to losses in its portfolio, which could negatively impact financial results.

**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 or product is not a guide to its future performance.

**Investments in Undervalued Assets risks:** The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

**Liquidity risk:** Liquidity risk is a financial risk that for a certain period of time a given financial asset, Security or Commodity cannot be traded quickly enough in the market without impacting the market price.

**Legal and regulatory risk:** Legal and regulatory risk is the risk of financial or reputational loss that can result from a lack of awareness or misunderstanding of ambiguity in, or reckless indifference to, the way law, regulation and their evolutions apply to our business, its relationships, processes, products and services including the price of a security. In addition, law, regulation and their evolution can also impact our investment process and the performance of our managed accounts.

**Tax risk:** The risk of loss incurred by changes in tax regimes, loss of tax status or advantages. This may impact the client account's strategy, asset allocation and value. Furthermore, 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 can be eliminated, which would reduce not only the effective return of the securities after taxes, but it would also 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

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

**Model risk:** The management of a client's account by Pictet AM can 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 can 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.

**Risk to Purchase of Securities and Other Obligations of Financially Distressed Companies:**

Bonds from issuers in distress are often defined as those (i) that have been given a very speculative long-term rating by credit rating agencies or those (ii) that have filed for bankruptcy or expected to file for bankruptcy. In some cases, the recovery of investments in distressed or defaulted debt securities is subject to uncertainty related to court orderings and corporate reorganisations among other things. Companies which issued the debt that have defaulted may also be liquidated. In that context, the fund may receive, over a period of time, proceeds of the liquidation. The received amounts may be subject to a case-by-case specific tax treatment. The tax may be reclaimed by the authority independently from the proceeds paid to the fund. The valuation of distressed and defaulted securities may be more difficult than other higher rated securities because of a lack of liquidity. The Compartment may incur legal expenses when trying to recover principal or interest payments. Investment in this kind of securities may lead to unrealised capital losses and/or losses that can negatively affect the net asset value of the client accounts.

**Restricted securities risks:** Restricted securities are those that cannot be sold to the public without effective registration statement under the U.S. Securities Act of 1933, as amended, or if they are unregistered, can 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.

**REITs risk:** The value of real estate securities in general, and REITs in particular, are subject to the same risks as direct investments in real estate and mortgages, and their value will be influenced by many factors including the value of the underlying properties or the underlying loans or interests. The underlying loans may be subject to the risks of default or of prepayments that occur later or earlier than expected and such loans may also include so-called "subprime" mortgages. The value of these securities will rise and fall in response to many factors, including economic conditions, the demand for rental property, interest rates and, with respect to REITs, the management skill and creditworthiness of the issuer. In particular, the value of these securities may decline when interest rates rise and will also be affected by the real estate market and by the management of the underlying properties. REITs may be more volatile and/or more illiquid than other types of equity securities.

**Valuation risk:** Valuation risk is the financial risk that an asset is overvalued and is worth less than expected when it matures or is sold. Factors contributing to valuation risk can include incomplete data,

market instability, financial modelling uncertainties and poor data analysis by the people responsible for determining the value of the asset.

**Volatility and illiquidity risks:** Due to the risks of instability caused by social, political and economic developments, the prices for transferable securities in which the clients invest can fluctuate significantly in short-term periods. Although Pictet AM intends to invest predominantly on behalf of its clients in listed securities or in securities traded on regulated markets some risk of illiquidity can 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 to trade in that, in crisis periods, can 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.

**Settlement risk.** The risk of loss resulting from a counterparty's failure to deliver the terms of a contract at the time of settlement. The acquisition and transfer of holdings in certain investments may involve considerable delays and transactions may need to be carried out at unfavourable prices as clearing, settlement and registration systems may not be well organised in some markets.

### *1.2. Primary Risks Applicable to Derivatives Investments, Commodities and Short Sales*

**Commodity Exposure risks:** Exposure to the commodities markets may result in greater volatility than investments in traditional securities due to changes in overall market movements, commodity index volatility, changes in interest rates, factors affecting a particular industry or commodity, as well as changes in value, supply and demand and governmental regulatory policies.

**Risks for derivative instruments:** In the normal course of business, we can trade various financial derivative instruments and enter various derivative contracts including forward and future contracts, options, swaps, warrants, other derivative instruments, short sales, margin and leverage with different risk profiles. In some instances, we can 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 difficult to price on some occasions. In addition, because of their complex nature, some derivatives may not always perform as intended on some occasions. 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 can potentially result in a disproportionately large movement, unfavourable or favourable, in the price of the derivative in some instances. In certain circumstances, this can result not only in the loss of the original investment, but also in an unquantifiable further loss exceeding any margin deposit. This can increase the volatility of the portfolios which are invested in derivatives and can result in the liquidation of the portfolio when it is not advantageous to do so.

**Collateral risk:** The risk of loss caused by delayed or partial recovery as well as loss of rights on assets pledged as collateral. Collateral can take the form of initial margin deposits or assets with a counterparty. Such deposits or assets may not be segregated from the counterparty's own assets and being freely exchangeable and replaceable, the client account may have a right to the return of equivalent assets rather than the original margin assets deposited with the counterparty. These deposits or assets may exceed the value of the relevant client account's obligations to the counterparty in the event that the counterparty requires excess margin or collateral. In addition, as the terms of a derivative

may provide for one counterparty to provide collateral to the other counterparty to cover the variation margin exposure arising under the derivative only if a minimum transfer amount is triggered, client accounts may have an uncollateralised risk exposure to a counterparty under a derivative up to such minimum transfer amount. Where a client account receives collateral, investors must notably be aware that:

(A) in the event of the failure of the counterparty with which cash of a client account has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded and that

(B)

- (i) locking cash in transactions of excessive size or duration,
- (ii) delays in recovering cash placed out, or
- (iii) difficulty in realising collateral

may restrict the ability of the client account to meet redemption requests, security purchases or, more generally, reinvestment.

In case of reinvestment of cash collateral such reinvestment may

- (i) create leverage with corresponding risks and risk of losses and volatility,
- (ii) introduce market exposures inconsistent with the objectives of the client account, or
- (iii) yield a sum less than the amount of collateral to be returned.

Generally, in case of reinvestment of cash collateral all risks associated with a normal investment apply.

In either case, where there are delays or difficulties in recovering assets or cash, collateral posted with counterparties, or realising collateral received from counterparties, client accounts may encounter difficulties in meeting redemption or purchase requests or in meeting delivery or purchase obligations under other contracts.

**Short Selling risks:** Short selling involves the risk of potentially unlimited losses and the inability to reacquire a security or close the transaction in a timely manner or at an acceptable price.

### *1.3. Primary Risks Applicable to Environment and to Sustainable Investment Strategies*

**Environmental risks and Natural Disasters:** Investments in or relating to real estate assets may be subject to liability under environmental protection statutes, rules and regulations, and may also be subject to risks associated with natural disasters.

**Sustainability risks:** The risk arising from any environmental, social or governance events or conditions that, were they to occur, could cause a material negative impact on the value of the investment. Specific sustainability risks will vary for each portfolio, and include but are not limited to the following:



- **Transition risk:** The risk posed by the exposure to issuers that may be negatively impacted by the transition to a low carbon economy due to their involvement in the exploration, production, processing, trading and sale of fossil fuels, or their dependency upon carbon intensive materials, processes, products and services. Transition risk may result from several factors, including rising costs and/or limitation of greenhouse gas emissions, energy-efficiency requirements, reduction in fossil fuel demand or shift to alternative energy sources, due to policy, regulatory, technological and market demand changes. Transition risks may negatively affect the value of investments by impairing assets or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.
- **Physical risk:** The risk posed by the exposure to issuers that may potentially be negatively impacted by the physical impacts of climate change. Physical risk includes acute risks arising from extreme weather events such as storms, floods, droughts, fires or heatwaves, and chronic risks arising from gradual changes in the climate, such as changing rainfall patterns, rising sea levels, ocean acidification, and biodiversity loss. Physical risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.
- **Environmental risk:** The risk posed by the exposure to issuers that may potentially be causing or affected by environmental degradation and/or depletion of natural resources. Environmental risk may result from air pollution, water pollution, waste generation, depletion of freshwater and marine resources, loss of biodiversity or damages to eco-systems. Environmental risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.
- **Social risk:** The risk posed by the exposure to issuers that may potentially be negatively affected by social factors such as poor labour standards, human rights violations, damages to public health, data privacy breaches, or increased inequalities. Social risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.
- **Governance risk:** The risk posed by the exposure to issuers that may potentially be negatively affected by weak governance structures. For companies, governance risk may result from malfunctioning boards, inadequate remuneration structures, abuses of minority shareholders or bondholders' rights, deficient controls, aggressive tax planning and accounting practices, or lack of business ethics. For countries, governance risk may include governmental instability, bribery and corruption, privacy breaches and lack of judicial independence. Governance risk may negatively affect the value of investments due to poor strategic decisions, conflicts of interest, reputational damages, increased liabilities or loss of investor confidence.

In addition, there are the following risks relating to Environmental, Social, and Governance ("ESG") investing:

- **Investment Return risk from ESG Investment:** ESG investments may not provide as favourable returns or protection of capital as other investments and may be more concentrated in certain sectors than investments that are not ESG securities.

- **ESG Definition risk:** There is a risk that market participants can have different definitions and interpretations of ESG criteria, and therefore assessments on whether securities are ESG compliant or not can differ between them.
- **ESG Public Sector Subsidy / Funding risk:** Certain environmental and social impact investments depend on government funding, tax credits or other state or private sector provided subsidies, which are not guaranteed to remain in place for the life of the investment.

#### ***1.4. Primary Risks Applicable to Market Abuse and Market Disruptions***

**Trading venues risk.** The risk that exchanges discontinue the trading of assets and instruments. Suspensions and de-listings constitute the main risks related to trading exchanges. Pictet AM may not be able to trade certain client assets for a period of time.

**Failure of Brokers, Clearing Houses, Counterparties and Exchange risks:** An Advisory Account will be exposed to the credit risk of the counterparties with which, or the brokers, clearing houses, dealers, exchanges and other trading platforms through which, it deals.

**Improper Market Actors:** There can be no assurance that any form of regulation or any market constraints would prevent certain other market actors from engaging in fraud, market manipulation, market abuse, or improper influence in the future, which may have a material adverse effect on Advisory Accounts and their Investments. There can be no assurance that any redress would be available to, or would be practical for, Advisory Accounts to pursue with respect to any such fraud, market manipulation, market abuse, or improper influence.

**Market Abuse risk:** Certain markets have a history of alleged or actual price manipulation and market abuse and improper influence. Any fraud, price manipulation, market abuse, or improper influence in markets in which Advisory Accounts invest, directly or indirectly, may have an adverse effect on such Advisory Accounts.

**Market Disruption Risks and Terrorism risks:** A number of events could have adverse effects on the global economy and may exacerbate some of the general risk factors related to investing in certain strategies.

**Operation of Markets risks:** Advisory Accounts may incur losses in the event of the early closure of, complete closure of, suspension of trading in, or similar interruptions affecting one or more domestic or international markets, trading venues, or clearing houses on or through which Pictet AM trades for such Advisory Accounts.

#### ***1.5. Primary Risks Applicable to Technology Company Investments***

**Intellectual Property risks related to Technology Companies:** Risks Related to Intellectual Property—Technology Companies tend to be highly dependent upon intellectual property. Technology Companies may incur substantial costs to license, develop, maintain and protect intellectual property, including litigation to enforce intellectual property rights and defend against intellectual property violation claims from other companies. If the intellectual property on which a Technology Company relies becomes obsolete or unavailable to it, including due to prohibitively expensive licensing fees or a

finding that they have violated other companies' intellectual property rights, the value of the Technology Company could be materially impaired, and the Advisory Accounts could incur losses.

#### ***1.6. Technology Sector Risks:***

Stock prices of technology companies may experience significant price movements as a result of intense market volatility, worldwide competition, consumer preferences, product compatibility, product obsolescence, government regulation, or excessive investor optimism or pessimism.

#### ***1.7. Primary Risk Applicable to Political and Health special situations***

**Political, legal, tax, market or economic developments and foreign exchange risks:** may arise from sudden changes in political regime and foreign policy which may result in large, unexpected movements in the level of currencies, repatriation risk (i.e. restrictions on repatriation of funds from emerging countries) and volatility risk. This may lead to increased fluctuations in the exchange rate for these countries, asset prices and capital repatriation restrictions risk. In extreme cases, political changes can stem from terrorist attacks or lead to economic and armed conflicts. Some governments are implementing policies of economic and social liberalisation but there is no assurance that these reforms will be continued or that they will be beneficial to their economies in the long term. These reforms may be challenged or slowed by political or social events, or by national or international armed conflicts (such as the conflict in the former Yugoslavia). All these political risks may impair objectives set for our clients and negatively impact the assets of their accounts. Client portfolios managed by Pictet AM can be adversely affected by political developments and / or changes in local laws, taxes, foreign exchange controls, exchange rates, market or economic developments.

**Public health risks:** Managed accounts could be materially adversely affected by the widespread outbreak of infectious diseases or other public health crises, including the Covid-19 pandemic. Public health crises such as the Covid-19 pandemic, together with any containment or other remedial measures undertaken or imposed, could have a material and adverse effect on managed accounts and their investments.

**Russian Invasion of Ukraine:** Russia's invasion of Ukraine and corresponding events which began in February 2022, has had, and could continue to have, severe adverse effects on regional and global economic markets. Following Russia's actions, various governments, including the United States, have issued broad-ranging economic sanctions against Russia, including, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; a commitment by certain countries and the European Union to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications ("SWIFT"), the electronic banking network that connects banks globally; and restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. The duration of ongoing hostilities and the vast array of sanctions and related events cannot be predicted. Those events present material uncertainty and risk with respect to markets globally, which pose potential adverse risks to Advisory Accounts and the performance of their investments and operations.

## **1.8. Inherent Business Risks**

**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 our operations through “hacking” or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks can 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 an 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 can be incurred in attempting to prevent any cyber incidents in the future.

**Data Sources risks:** Information from third party data sources to which Pictet AM subscribes may be incorrect.

**Dependence on Key Personnel:** Advisory Accounts rely on certain key personnel of Pictet AM who may leave Pictet AM or become unable to fulfil certain duties.

**Electronic Trading:** Our clients’ trades on electronic trading and order routing systems, can experience component failure and issues with system access, varying response times and security.

**Force Majeure:** Advisory Account investments may be vulnerable to a force majeure event, including acts of God, war and strike, which could result in the destruction, impairment or loss of profitability for the investments.

**Social Media risks:** The dissemination of negative or inaccurate information about issuers, in which Advisory Accounts invest, via social media could harm their business, reputation, financial condition, and results of operations, which could adversely affect Advisory Accounts and, due to reputational considerations, influence Pictet AM decision as to whether to remain invested in such issuers

**Technological Developments:** The widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require issuers in which Advisory Accounts invest to incur substantial expenditures to modify or adapt their services or infrastructure to such new technologies, which could adversely affect their results of operations or financial condition. In addition, new services or technologies offered by competitors or new entrants may make such issuers less differentiated or less competitive when compared to other alternatives.

**Timing of Implementation risks:** There may be delays in the implementation of investment strategies, including as a result of differences in time zones and the markets on which securities trade.

## 2. Specific Risks Applicable to Equity and Fund Investment

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

**IPO/ New Issues risks:** The purchase of IPO/New Issue shares may involve high transaction costs and such shares may be subject to greater risks than investments in shares of publicly traded companies. . IPO securities have no trading history, and the available information related to the company may be limited. As a consequence, the prices of securities sold in IPOs may be highly volatile. The client account may also not receive the targeted subscribed amount which can impact its performance. Such investments can generate substantial transaction costs.

## 3. Specific risks related to fixed income instruments and other debt instruments

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

**Credit risk:** The credit risk is an investor's risk of loss from 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 can 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 where 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.

**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.

**Illiquidity - Restrictions on Transfer and Withdrawal on debts:** Investments in certain debt strategies such as Distressed or Private Debt are highly illiquid. Except in certain very limited circumstances investors will not be permitted to transfer their interests without the prior written consent of the board of managers or general partner of the debtor company which may be granted or withheld in its sole discretion. The transferability of interests in the debt also can be subject to certain restrictions contained in the debtor company's constitutive documents and restrictions on resale imposed under applicable securities laws.

**Interest Rate 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.

**London Interbank Offered Rate (“LIBOR”) Discontinuance risk:** Risks Related to the Discontinuance of London Interbank Offered Rates, in particular LIBOR— Advisory Accounts that undertake transactions in instruments that are valued using LIBORs or other interbank offered rates (“IBORs”) or enter into contracts which determine payment obligations by reference to LIBOR or other IBOR rates may be adversely affected as a result of ongoing changes related to LIBOR. Certain LIBOR settings (including all seven Euro and Swiss franc LIBOR tenors, overnight, one-week, two-month and 12-month sterling LIBOR, spot next, one-week, two-month and 12-month yen LIBOR, and one-week and two-month U.S. dollar LIBOR) permanently ceased to be published as of December 31, 2021. Publication of the overnight and 12-month U.S. dollar LIBOR settings will permanently cease immediately after June 30, 2023. Synthetic one-, three- and six-month USD LIBOR are expected to permanently cease after September 30, 2024. However, the U.S. federal banking agencies have issued guidance strongly encouraging banking organizations to cease using U.S. dollar LIBOR as a reference rate in any new contracts. It is uncertain whether or for how long LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what effect any such changes may have on the financial markets for LIBOR-linked financial instruments.

**Non-Investment Grade Investment risk:** Non-investment grade fixed-income securities are considered speculative and are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations, greater price volatility, interest rate sensitivity and less secondary market liquidity.

**Reinvestment risk:** Reinvestment risk assumes 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. The same applies to Sukuk investments where the pre-agreed profit margin replaces the interest earned on a fixed income security.

**Revolving Credit Facilities:** Advisory Accounts may acquire or originate revolving credit facilities in connection with their investments in other assets. Since drawing down funds of a revolving credit facility can typically be done quicker than calling capital under an Advisory Account, client(s) of such Advisory Account may be required to contribute the full amount that could be drawn by such borrowers before or at the time such credit facility is established. Such borrower might not fully draw down its available credit and, as a result, such Advisory Account could either hold unemployed funds and/or not call all committed capital, which may adversely affect its returns.

**Loans to private companies risk:**

The Private Debt strategy may be committed to the origination or purchasing of loans to small and medium-sized, privately owned businesses. Compared to larger, publicly owned firms, such companies generally have limited financial resources and access to capital and higher funding costs. They may be in a weaker financial position and may need more capital to expand or compete. These companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors’ actions and market conditions, as well as general economic downturns. There may not be as much information publicly available

about these companies as would be available for public companies and such information may not be of the same quality. These companies are also more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations. The above challenges increase the risk of these companies defaulting on their obligations.

#### 4. Specific risks related to emerging market securities

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

**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 markets are often less regulated and less transparent than developed markets and are often characterised by poor corporate governance systems, non-normal distributions of returns and are more exposed to market manipulation. The risk of fraud is usually greater in emerging countries than in developed countries. Companies in which frauds are uncovered may be subject to large price movements and/or suspension of quotation. The risk that audit firms fail to uncover accounting errors or frauds is usually larger in emerging countries than in developed countries. 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 latter risk types have already been described in the major risks section, but their impact and / or occurrence can even be greater for emerging markets than for developed ones. These other three risks are described in more detail below.

**Political and economic risks:** please refer to the definition of political risk and their impact on our clients assets under the section above 1.7 Primary Risk Applicable to Political and Health special situations.

**Capital repatriation restrictions:** The repatriation of capital regarding investments made in certain securities or countries can be sometimes restricted during certain times from the date of such investments or even indefinitely. If Pictet AM is unable to repatriate capital from the clients'

investments, in whole or in part, this can have an adverse effect on the cash flows of our clients and their results.

**Risk of investing in the PRC.** Investments in the PRC are subject to restrictions by the local regulators and include among other things: daily and market aggregate trading quotas, restricted classes of shares, and capital restrictions and ownership restrictions. The PRC authorities could impose new market restrictions, capital restrictions as well as nationalise, confiscate and expropriate firms or assets.

**China RMB - Qualified Foreign Institutional Investor (R-QFII), Stock Connect, Bond Connect and China Interbank Bond Market (CIBM) risks:** these trading programmes can be subject to additional risks related to ownership rights, clearing & settlement, trading quotas and operational issues.

**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 can be more cursory and less reliable.

## Item 9 Disciplinary Information

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

## Item 10 Other Financial Industry Activities and Affiliations

### Registration as a broker dealer

Neither Pictet AM Ltd nor any of its management persons is registered, or has an application pending to register, as a broker dealer or as a registered representative of a broker dealer.

### Registration with the National Futures Authority

Pictet AM Ltd is neither registered 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 recorded with the National Futures Authority as an Exempt Commodity Pool Operator and Exempt Commodity Trading Advisor.

### Material affiliates of Pictet AM Ltd, their material conflicts and how they are addressed

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



The material conflicts, arising from our business relationships with our affiliated entities, are set out below together with details of how they are managed.

1. *The execution of orders by affiliated brokers.*

Pictet AM Ltd uses the broker-dealer services of Pictet Group brokers on a limited basis for non-US client accounts, but any client can request that trades are not executed using such brokers. If Pictet Group brokers are used, they must comply with our best execution policy, and only charge an arms-length commission or spread. There is regular monitoring of these requirements.

2. *The use of Pictet AM Group affiliates to execute orders or place orders for execution into the market.*

Where Pictet AM Ltd directs client orders to other Pictet AM trading desks for trade execution, these trades must be executed in accordance with the Pictet AM Best Execution Policy, and there is no additional cost to clients for this service. There is regular monitoring of adherence to our Best Execution Policy. All Pictet AM entities act solely as agent, and do not charge any commission or mark-up additional to that charged by the executing broker.

The Pictet AM Group trading desks execute and place orders for execution solely for its advisory clients.

3. *The potential sharing or leakage of sensitive information relating to clients, their investment and their trading activities to affiliates.*

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

- Physical access controls restricting access to Pictet AM premises to Pictet AM staff.
- Controls restricting investment department systems’ access to sensitive investment management and trading information to the relevant investment teams only.
- 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.

We disclose in the section below on the Pictet affiliates with whom Pictet AM Ltd has an arrangement that is material to its advisory business, if some potentially sensitive client information is provided to those affiliates, the potential material conflicts of interest and how these are monitored.

4. *Referrals of clients to / from other Pictet Group entities.*

Clients can be referred to / from Pictet AM Ltd by / to other Pictet Group entities. However, Pictet AM Ltd does not make or receive any payments for US client referrals, except for payments made to Pictet AM US which solicits US business on behalf of the Pictet Group. Pictet AM USA receives a fee from Pictet AM Ltd for mandates that are solicited by it.

In addition:

- All the compliance activities of the Pictet AM group are supervised by Karine Valtanen, the Global Head of Pictet AM Compliance, to ensure that a common standard is applied to all Pictet AM entities providing key services to Pictet AM Ltd.
- All Pictet AM entities except Pictet AM Japan are subject to the Pictet AM Code of Ethics, Core Compliance Manual, together with relevant Compliance and Business Risk Policies and Procedures, or the equivalent thereof. 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 risk-based compliance monitoring programme in place that is reasonably designed to ensure that the activities carried out by related entities to Pictet AM Ltd are performed 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 can provide general research information to Pictet AM Ltd and can refer or delegate clients to Pictet AM Ltd.

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

The Pictet Wealth Management ("Pictet WM") business unit of the Pictet Group and the Pictet AM Group have started a joint ESG engagement for a limited number of companies to increase the effectiveness of the Pictet Group's engagement with these Companies. As a result, the Pictet AM and Pictet WM business lines share their global holdings of approximately 100 such companies. These global holdings are only shared between the relevant ESG teams of Pictet WM and Pictet AM and not with investment teams.

Banque Pictet & Cie also provides certain administrative, support and IT services to Pictet AM Ltd. Otherwise, there is no material business relationship between Pictet AM Ltd and Banque Pictet & Cie SA.

### ***Pictet Asset Management SA ("Pictet AM SA")***

Pictet AM SA is registered as an investment adviser with the SEC and is regulated in Switzerland by the Swiss Financial Markets and Supervisory Authority ("FINMA").

Pictet AM SA manages a wide range of equity, fixed income and multi asset strategies including total return.

Pictet AM SA refers to Pictet AM Ltd clients wanting to invest in strategies managed by Pictet AM Ltd, and Pictet AM Ltd refers to Pictet AM SA clients wanting to invest in strategies managed by Pictet AM SA. Furthermore, Pictet AM Ltd also shares internally produced research with Pictet AM SA for some strategies.

Both entities delegate the management of a part or all of some of their client accounts to each other.

Pictet AM SA and Pictet AM Ltd have formed centralized dealing desks primarily specializing in fixed income securities and active equities, respectively. Therefore, we generally direct our non-Asian total return equity and fixed income trades, excluding emerging corporate bonds, to the Pictet AM SA trading desks for execution. Pictet AM SA directs most of its non-Asian long-only equity trades to the Pictet AM Ltd dealing desk for trade execution.

Pictet AM SA is also the manager and investment advisor of the Agora Fund LP, which is a hedge fund domiciled in Cayman Islands for whom Pictet AM Ltd acts as a sub investment adviser. This fund is a "Private Fund" as defined under SEC rule 203 (b)(3) – 1, and is only to be marketed to "accredited investors" as defined in Regulation D.

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

Pictet AM Singapore 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 execute orders or place orders for the execution of transactions mainly 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.

The investment strategy "Emerging Markets Fixed Income Total Return" offered by Pictet AM Singapore is partly advised by staff based in Pictet AM Ltd.

In addition, the Emerging Market Fixed Income - Sovereigns and Emerging Market Fixed Income - Corporate products offered by Pictet AM Ltd are partially managed or advised by staff based in Pictet AM Singapore, who mainly focus on the Asian fixed income markets. These managers solely provide investment advisory and research services to fixed income clients of the Pictet AM group of companies.

***Pictet Asset Management (Hong Kong) Ltd ("Pictet AM Hong Kong")***

Pictet AM Hong Kong is regulated by the Securities & Futures Commission of Hong Kong.

We use the services of a dedicated trading desk at Pictet AM Hong Kong to execute orders or 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.

In addition, certain accounts which are lead managed by Pictet AM Hong Kong delegate part of the management of the accounts to Pictet AM Ltd and certain accounts which are lead managed by Pictet AM Ltd delegate part of the management of these accounts to Pictet AM Hong Kong.

***Pictet Asset Management Inc ("Pictet AM Inc")***

Pictet AM Inc is based in Montreal and is registered with l'Autorité des marchés financiers in Québec and all other Canadian provincial financial regulators as a portfolio manager. PAM Inc conducts business development activities for Pictet AM Ltd in Canada. Pictet AM Inc staff have "view only" access to the portfolios of our Canadian clients which they are servicing and are not able to create orders or place orders for the execution of trades for any client accounts.

***Pictet Asset Management (USA) Corp ("Pictet AM USA")***

Pictet AM USA is registered as an investment adviser with the SEC. Pictet AM USA conducts business development activities for Pictet AM Ltd in the USA assisting Pictet AM Ltd with client relationship management activities for its US clients.

Pictet AM USA and Pictet AM Ltd also provides investment advisory services to accounts whose strategies are Emerging Markets Fixed Income Sovereigns and Global Emerging Market Equities Long / Short. None of these products are available to US investors.

***Pictet Asset Management (Europe) SA ("Pictet AM Europe")***

Pictet AM Europe is regulated by the Luxembourg Financial Authority, Commission de Surveillance du Secteur Financier, and is the Fund Management Company of the Pictet AM Group Luxembourg mutual funds which are neither marketed to nor target US clients except to US based intermediaries and wealth managers for distribution to their offshore clients. Pictet AM Europe has delegated the management of a number of its Luxembourg mutual funds to Pictet AM Ltd.

In March 2023, Pictet AM Europe merged with Pictet Alternative Advisors (Europe) SA whose advisory activity includes private assets and hedge fund solutions which are only marked to US based intermediaries and institutional investors.

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

Pictet AM Japan is regulated by the Japanese Financial Services Agency, and it is primarily involved in distribution activities for Japanese domestic investors and manages Japanese domestic funds.

Pictet AM Japan refer to Pictet AM Ltd clients wanting to invest in strategies managed by Pictet AM Ltd. Furthermore, Pictet AM Japan also provides investment advisory services to accounts whose strategy is Japanese Equities. Pictet AM Japan and Pictet AM Ltd 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 manage conflicts of interest. All our staff and connected persons must comply with the Code, which covers the following key areas:

- Personal account dealing rules
- Gifts and entertainment
- Protecting the confidentiality of client information
- Dealing with personal conflicts of interest
- Respecting Pictet AM Ltd and Pictet confidential information.

Subject to satisfying this policy and applicable laws, officers, directors and employees of Pictet AM Ltd and its affiliates within the Pictet AM group can trade for their own accounts in securities which are recommended to and/or purchased for Pictet AM Ltd’s clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Pictet AM Ltd will not interfere or conflict 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.

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 permits 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 by our Business Ethics team on a daily basis, to manage conflicts of interest between us, our staff and our clients.

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

Some entities of the Pictet Group outside of Pictet AM can buy or sell securities for their own accounts that Pictet AM Ltd may have bought or sold on behalf of its clients. However, there are strict Information Barriers in place between Pictet AM entities and those other group entities, including separate staff, 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 clients.

Pictet AM Ltd and its affiliates can recommend to or purchase or sell on behalf of clients, securities or other investment products in which Pictet AM Ltd, 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 Ltd occasionally places orders 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 Ltd can decide to cross securities from one client to another. These trades are executed via external 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 and US 1940 Act Investment Companies cannot participate in cross trades.

Pictet AM Ltd's clients or prospective clients can request a copy of the firm's Code of Ethics by contacting Simon Greaves, Head of Compliance of Pictet AM Ltd at +4420 7847 5486 or by email at [sgreaves@pictet.com](mailto:sgreaves@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, 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 and limit 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 information about in-house funds managed by Pictet AM to investors or entities that have been retained by investors in our managed funds for the purposes of evaluating portfolio risk including sustainability risk, and for regulatory reporting. We provide this information at 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 to us. When we respond to these requests, we can provide information that is not generally made available to other investors in the same fund and, 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 in compliance with our Portfolio Information Disclosure Policy.

## **Item 12 Brokerage Practices**

### **General brokerage practices**

In our capacity as discretionary investment manager, we have 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 investment objectives and guidelines.

We also have the discretionary authority to select the brokers, dealers and banks through which we will execute transactions for the benefit of our clients, as well as the commission rates paid.

All brokers used must be approved by the Pictet Group Counterparty Risk Committee. When assessing a broker, the Group Counterparty Risk Committee takes a risk-based approach which considers both quantitative and qualitative factors such as the broker's financial strength, its regulator and if the broker is used for delivery versus payment or more complex security deliveries. Each assessment is bespoke, with a different emphasis on various evaluation criteria according to the market and nature of future transactions.

We use affiliated brokers as described in item 10 above on a limited basis. In all instances, affiliates are not paid more than a standard rate, or spread in the case of securities that are dealt net of commission such as fixed interest securities. Any client can 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 trades executed via affiliated entities, and of the volumes of transactions executed by such entities.

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

### **Best execution**

Pictet AM has a Best Execution Policy, which sets out the most important and relevant execution factors and execution criteria we take into account in complying with our best execution obligations i.e. to ensure that our client trades achieve the best possible result on a consistent basis, where we either execute our client's order directly on a trading venue or place the order with an approved broker for execution on their behalf.

We 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 our policy continue to provide the best possible result for our clients.

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

The Pictet AM Trade Execution Committees for Equities and Fixed Income are responsible for overseeing the best execution arrangements and policy within Pictet AM.

In addition, on-going compliance with our best execution policy is monitored firstly by the traders, and, secondly by Compliance.

### **Research and other soft dollar benefits**

Portfolio transactions can be executed through brokers who have 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.

All research used for the benefit of long-only equity, multi-asset and fixed income strategies managed by Pictet AM Ltd is paid for from Pictet AM Ltd's own Profit & Loss account.

However, research consumed by the Pictet AM Equity Total Return investment teams where at least one team member is based in Pictet AM Ltd is paid for with relevant client commissions, which are collected through a separate Research Payment Account ("RPA") managed by our external RPA Administrator.

Where an account / fund pays for research via an RPA, Pictet AM Ltd must comply with the Financial Conduct Authority rules on inducements and research, namely:

1. Undertake an assessment of the quality and value of the research purchased, including the setting of a research budget, which is then allocated fairly to each relevant client account.



2. Record and demonstrate how this research benefits the clients and contributes to better investment decisions.
3. Address the possible conflicts of interest that could arise between Pictet AM Ltd and its clients, as well as between its clients.
4. Provide information about the budgeted amount Pictet AM Ltd has set for research and the amount of the estimated charge for each client on an ex-ante basis as well as provide annual information on the total costs that each client has incurred for research on an ex-post basis.

In order for the research services to be eligible for payment via the RPA account, they must meet the following criteria to be classified as “substantive research”:

- We expect that the research will help us to form views more effectively and to make better investment decisions in client portfolios.
- The research represents original thought, in the analysis of information and assessment of outlook.
- The research has intellectual rigour and goes beyond stating the self-evident
- The research involves the analysis or manipulation of data to reach meaningful conclusions.

In addition, Pictet AM Ltd also reviews the research services provided by brokers and independent Research Providers, which are paid by the RPA to ensure that these services meet the standards set out in section 28(e) of the Securities Exchange Act of 1934. Such a review is carried out on a sample and on-going basis.

Pictet AM Ltd regularly reviews and evaluates trading costs and the continuing value of the equity research services it uses to ensure the use of clients’ funds for a service remains appropriate and offers good value for clients.

Pictet AM Ltd will ensure that the use of client dealing commissions for the purchase of equity research via an RPA has been conducted in accordance with the relevant principles and regulations, and in accordance with our internal policies and procedures.

The purchase of research including the setting and monitoring of a research budget is overseen by the Pictet AM Research Committee.

### **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 brokerage commission, Pictet AM Ltd can 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 can limit or impede our ability to achieve best execution on portfolio transactions by:

- Impairing our 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 can 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.

In addition, such brokers may not have been subject to the due diligence and approval of the Pictet Group Counterparty Risk Committee as described earlier in this section.

## **Trade aggregation**

When buying and selling securities and other investment products for clients, we generally aggregate multiple transactions so that as many eligible clients can 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. However, in some instances where aggregation is not possible, certain client accounts may trade the same securities after other client accounts, and this can impact the execution prices obtained by different clients. 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 Pictet AM clients' orders and not with orders for the clients of other Pictet Group entities nor with any Pictet AM or Pictet group entity, nor their employees. Aggregation can on occasion work to the disadvantage of a client in relation to a particular order. Trade allocations are monitored by the Compliance department on a periodic basis.

## **Reallocations**

Occasionally, we 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.

## Errors and Breaches

We have established policies and procedures for the handling of errors and breaches 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.

Breaches are overseen by Compliance, and 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.

### 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 which are also independently monitored by the Investment & Anti-Money Laundering ("AML") Controlling department on a daily basis. Investment and AML Controlling ensures that any appropriate corrective actions are promptly carried out and that breaches are reported to the client.

In addition, Pictet AM Ltd 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:

- Co-CEO
- The Chief Investment Officer of the investment team under review
- Chief Investment Risk & Data Officer
- 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 Department
- The Risk Manager or their deputy for the relevant investment team.

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

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

A monthly and/or a quarterly report, including a valuation, a performance summary (incl. contribution and/or attribution analysis), and manager comments about the portfolio activity, the performance as well as the market review and outlook. The valuations are broken down by type of asset, by currency, by geography and by sector. They are expressed as weight of the portfolio and benchmark.

Please note that the valuation of a client account will be generated by Pictet AM's investment accounting and portfolio management systems. Therefore, there is a risk that on occasions, there are 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 Ltd can provide alternative reporting to satisfy the different reporting requirements of its clients, including reports with details on transactions and fees.

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 Ltd markets its services via its own Institutional and Intermediaries Sales Departments, or the similar 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.

Please note that scores for gross and net revenues are determined at team level and at the level of the individual.

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

Very senior managers can receive additional remuneration via the Pictet AM Long Term Incentive Plan.

Our SEC registered subsidiary, Pictet AM USA refers US clients to Pictet AM Ltd and to other SEC registered Pictet entities. Pictet AM USA will be remunerated by Pictet AM Ltd for the institutional clients introduced by it. There is no additional charge made to clients to pay for the remuneration of Pictet AM US.

Pictet AM Ltd can pay compensation to external introducers for client referrals for non-US clients. This will typically represent a percentage of the annual management fee paid by the introduced client to Pictet AM Ltd and will be fully disclosed to the client. This cost is fully borne by Pictet AM Ltd and does not result in any additional cost to the referred client.

Pictet AM Ltd can from time to time refer clients to other Pictet group entities for advisory services. Pictet AM Ltd will receive a distribution fee for such referrals from the other Pictet Group entity.

## **Item 15 Custody**

Pictet AM Ltd does not have direct custody of client assets and is not permitted by the Financial Conduct Authority in the United Kingdom to have custody of client assets.

US clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian, that holds and maintains their managed assets. Pictet AM Ltd urges its clients to carefully review such statements and compare such official custodial records to the account statements that clients receive from us as described in section 13. Our statements can vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 Investment Discretion**

Pictet AM Ltd usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and number 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 Ltd 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 Ltd the investment constraints to be followed in the management of their assets.

For regulated and unregulated funds, Pictet AM Ltd's authority to trade securities can also be limited by certain federal securities and tax laws and regulations that require the diversification of investments.

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

## **Item 17 Voting client Securities**

Our proxy voting policy is based on generally accepted standards of best practice in corporate governance including board composition, executive remuneration, risk management and shareholder rights. Because the long-term interests of shareholders are our paramount objective, we do not always support the management of companies and may vote against management from time to time. We also reserve the right to deviate from our voting policy to take into account company-specific circumstances.

In accordance with SEC guidance on proxy voting responsibilities, a client and Pictet AM, as investment advisor, can agree:

- that we would not exercise voting authority where this would impose implied costs on the client, for example restricting the use of securities for lending in order to preserve the right to vote;
- that we will focus voting resources only on particular types of proposals based on the client's preferences, for example proposals relating to contested elections for directors;
- that we would not exercise voting authority on certain types of matters where the cost of voting would be high, or the benefit to the client would be low; and
- the circumstances under which casting a vote would not reasonably be expected to have a material effect on the value of the client's investment.

Furthermore, in considering whether our proxy voting policies and procedures are reasonably designed to ensure compliance with SEC Rule 206(4)-6 and to fulfil our fiduciary duty to multiple clients, Pictet AM considers whether voting all of our clients' shares in accordance with a uniform voting policy is in the best interest of each of our clients.

Finally, Pictet AM, as investment advisor, is not required to vote every proxy: (i) provided it has been agreed in advance to limit the conditions under which we would exercise voting authority; or (ii) it has been determined that refraining from voting is in the best interest of that client, for example where cost is expected to exceed benefit. Other reasons for not voting can include circumstances where a Power of Attorney is not in place; voting recommendations not completed in time; an account is in process of being set up; and voting restrictions on embargoed companies.

To assist in exercising proxy votes, we use the services of third-party advisors, whose expertise and international experience allows us to vote at all relevant company meetings worldwide.

The following principles are used to define the scope of accounts and securities eligible for proxy voting :

- For actively managed funds, we aim to vote on 100% of equity holdings.
- For passive strategies, we aim to vote on companies representing 80 per cent by weight of underlying benchmarks. This target can be revised upwards or downwards for specific strategies depending on factors such as portfolio size, geography, or market capitalization.
- For segregated accounts, including mandates and third-party (i.e., sub-advisory) mutual funds managed by Pictet AM, clients who delegate the exercise of voting rights to us have the choice between Pictet AM's policy or their own voting policy.

Conflicts of interest related to proxy voting are included in our policies, procedures or systems and controls and reviewed on a regular basis.

A complete record of our proxy voting activity is made publicly available on our website as part of our Responsible Investment Policy at <https://am.pictet/-/media/pam/pam-common-gallery/pictet-asset-management/responsible-investment-policy.pdf>.

This information is also available for clients on request at portfolio level for open-ended funds and segregated accounts.

## **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 bankruptcy proceedings.

We do not require or solicit the prepayment of fees.

## Privacy Notice

As our Group privacy notice has been slightly amended with no material changes for our clients, please click on the attached link to view the updated privacy notice:

[https://itc.pictet.com/asset/pdf/adgdprinfen\\_v1.1a\\_14072020BP.pdf](https://itc.pictet.com/asset/pdf/adgdprinfen_v1.1a_14072020BP.pdf)

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