

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

### **PICTET ASSET MANAGEMENT (USA) CORP**

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This brochure provides information about the qualifications and business practices of Pictet Asset Management (USA) Corp. If you have any questions about the contents of this brochure, please contact us at +44 20 7847 50 40 or by email [dcawthrow@pictet.com](mailto:dcawthrow@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 (USA) Corp also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although Pictet Asset Management (USA) Corp has submitted a registration to be an 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 material changes since the last brochure.

Item 4: On 1 November 2021, Pictet & Partners became a 100% ultimate parent company of Pictet Asset Management USA Corp “(Pictet AM USA)”.

Item 8: Pictet AM USA commenced investment advisory activities through the management of the Pictet Short Term Emerging Market Local Currency Debt strategy.

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-end. We may 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 David Cawthrow, Global Co-Head of Compliance of Pictet AM at +44 20 7847 5040 or by email at [dcawthrow@pictet.com](mailto:dcawthrow@pictet.com).

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## Item 4 Advisory Business

### The Advisory Firm

Pictet AM USA carries on the following activities:

1. Investment advisory services focusing on Emerging Market Local Currency Debt.
2. Performs business development activities in the USA on behalf of two of its European affiliates, Pictet Asset Management Ltd (“Pictet AML”) and Pictet Asset Management SA (“Pictet AM SA”), which are also investment advisers registered with the SEC:
  - Pictet AML is a United Kingdom based Investment Adviser and is regulated by the Financial Conduct Authority ([www.fca.org.uk](http://www.fca.org.uk)) and registered with the SEC in the USA ([www.sec.gov](http://www.sec.gov)). You may find more information about Pictet AML business in the USA, registration and disclosure information (ADV form part 1 and Part 2) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) under the firm reference number 105205.
  - Pictet AMSA is a Swiss based Investment Adviser and is regulated by the Swiss Financial Market Supervisory Authority (“FINMA”) ([www.finma.ch](http://www.finma.ch)) and registered with the SEC in the USA ([www.sec.gov](http://www.sec.gov)). You may find more information about Pictet AMSA business in the USA, registration and disclosure information (ADV form part 1 and Part 2) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) under the firm reference number 140074.

Pictet AM USA markets the investment strategies (including segregated portfolio management capabilities and foreign funds sold on a private placement basis) of its Pictet AM Affiliates to institutional investors such as public or corporate retirement plans, government funds, as well as foundations and endowment funds in the United States. Pictet AM USA neither targets nor solicits retail clients.

Any institutional client solicited by Pictet AM USA that wishes to subscribe to any product offered by the Pictet AM Affiliates will be referred to the Pictet AM Affiliates for any subsequent follow-up.

The completion of the client on-boarding, due diligence, contractual negotiation and agreement execution is conducted by the Pictet AM Affiliates with the prospective client, with the assistance of Pictet AM USA.

When they become clients of the Pictet AM Affiliates (hereafter the “Clients”), the Clients are deemed to authorize such affiliate to provide Pictet AM USA with a technological solution enabling Pictet AM USA to have prompt read-only access to the accounts and documents of the US clients managed at Pictet AM Affiliates, for the purpose of the ongoing monitoring of

business development opportunities by Pictet AM USA, and assist in the performance of client relationship management activities in the US.

As the Pictet AM USA services offered are limited to the above-mentioned items, many sections of this Investment Adviser Brochure required by the rules and regulations for Investment Advisers do not apply to Pictet AM USA. When such situations occur and when relevant, you will be invited to consult directly the equivalent sections of the Pictet AM Affiliates Investment Adviser brochures for additional information.

Pictet AM USA is wholly owned by Pictet AML which in turn is wholly owned by Pictet Asset Management Holding SA, and ultimately owned by Pictet & Partners SCA, a Swiss Holding Limited Partnership.

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

Pictet AM USA provides discretionary investment management services focusing on Short Term Emerging Market Local Currency Debt. 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 accounts.

### **Client needs and restrictions**

Pictet AM USA 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 USA does not participate in wrap fee programs while providing portfolio management services.

### **Asset under management**

Pictet AM USA managed approximately US\$ 55 million of client assets on a discretionary basis as at 31 December 2021.

## Item 5 Fees and Compensation

Pictet AM USA will generate its revenue through the following channels:

1. **Investment Management mandates:** Our Clients will sign an investment management agreement with Pictet AM USA and accordingly, pay remuneration typically as a percentage of assets under management. If Pictet AM USA delegates a portion of the assets under management to other Pictet AM entities, a portion of this fee will be used to remunerate the delegate.

For its services, Pictet AM USA 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 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 may 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 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:

- Our allocation policy requires that the allocation for each account should 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 risk indicators of similar accounts.

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.

Pictet AM management fees are usually computed based on the client's custodian valuation. However, in some instances and in agreement with our clients, we use the valuation generated by the Pictet AM's portfolio management systems to calculate our management fees. In such cases, there is a risk that there may 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 client.

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

Pictet AM USA'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 USA'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 USA will calculate its management fee as agreed in the Investment Management Agreement on the total of the client assets managed by Pictet AM USA..

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

1. **Referral fees:** Where Pictet AM USA introduces US clients to its affiliated SEC registered investment advisers, and the client signs an Investment Management Agreement with that affiliated entity the affiliate will pay a portion of the management fee to remunerate Pictet AM USA. There are no additional fees charged to the client to remunerate Pictet AM USA.
2. **Distribution of Pictet AM Mutual funds:** For its work in the distribution of Pictet AM non-US regulated funds, Pictet AM USA will receive remuneration from Pictet AM Europe SA or Pictet Asset Management SA, the Fund Management Companies, which receive the management fee directly from the funds.



## **Item 6 Side-By-Side Management**

### **Performance fees**

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

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

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

- Pictet AM 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 our decision to effect securities transactions for some clients and not for others if we believe the transaction will be profitable (or to allocate a greater portion of a limited investment opportunity to such accounts).
- The receipt of performance fees may incentivize Pictet AM and its fund managers to make investments that are riskier or more speculative than would otherwise be made if there were no performance fees, as these may generate a higher return.

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

We may manage other accounts with substantially similar investment strategies in the future either for Pictet AM USA or other Pictet AM affiliates. 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 new issues, 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 may differ significantly from the results achieved by Pictet AM USA 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 allocation policy requires that the trade allocation for each account should 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 risk indicators of similar accounts.

In certain circumstances, particularly when our affiliates launch a new product or provide the initial seed money, such products may be wholly or principally owned by our affiliates or their clients at the outset. The ownership interest of the Pictet Group in these products or funds 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. 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 withdrawing 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 of Pictet AM USA and other Pictet AM affiliates 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 any involved Pictet AM entities, 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 USA 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 new issues may 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 expect to provide portfolio management services to:

- Unregulated foreign funds such as UCITS funds.

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

### Methods of analysis and Investment Strategies

Pictet AM USA 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.

Although we initially only manage a Short Term Emerging Local Currency Debt strategy, such strategy can include, but is 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, we can sell a security within 30 days of its acquisition as necessary or appropriate (e.g. to react to changing economic, political and / or market conditions 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 for speculative investment purposes, for efficient portfolio management purposes (e.g. to facilitate the prompt investment of a large cash flow) and for hedging purposes to alter the duration and / or currency exposure of discretionary mandate portfolios to try to protect the client's 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 USA 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. 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 USA usually relies on third party service providers in determining, from an ESG perspective, what investments to exclude from its selection of securities to purchase. This is based on our service providers' categorization of the types of companies and, industries, 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 USA, 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 USA. At the end of this item, there is a discussion of the various risks related to this strategy.

Short Term Emerging Market Local Currency Debt. (*hereafter "EMLCD"*):

Our EMLCD team believes that:

- A top-down view of the macro environment enables them to assess how attractive conditions are for taking risk
- Understanding the direction of a country's credit quality enables us to establish a bias.
- In local currency debt markets, currency and interest rates are distinct sources of alpha, which should be managed separately.
- Success is improved by timing and the disciplined management of stop and profit levels.

The EMLCD process is split into two stages:

- Stage 1 assesses the global temperature for taking risk and sets the tone for our country selection.
- Stage 2 is the implementation process and separates the key sources of risk. Once a country is selected, the currency and the interest rates of that country are examined independently.

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

- ⊙ Major risks
- ⊙ Specific risks for fixed income instruments
- ⊙ Specific risks for Emerging Market securities.

## **Risk**

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

### **1. Major risks.**

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

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

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

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

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

#### ***1.3. 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.

#### ***1.4. 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 in 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 may 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.

### ***1.5. Volatility and illiquidity risks***

Due to the above-mentioned risk of instability caused by social, political and economic developments, the prices for transferable securities in which the client invest can fluctuate significantly in short-term periods. Although Pictet AM USA intends to invest predominantly on behalf of its client 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 USA to trade in that, in crisis periods, can give rise to the suspension of the valuation of our client's securities, or to the removal of a liquid market for these stocks.

### ***1.6. 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.

### ***1.7. Counterparty risks***

The insolvency or default of any other brokers involved in a transaction (including derivatives) for our client, can lead to positions being liquidated or closed out without our consent. In certain circumstances, our client may not get back the actual assets that we lodged as collateral on behalf of our client or it may have to accept any available payment in cash.

### ***1.8. Concentration risk***

If the investments of client's account are concentrated in issuers within the same country, state, geographic region, industry or economic sector, and adverse economic, business or political

developments occur, this concentration of investments can affect the value of the investments of the client's account more than if its investments were not so concentrated.

### ***1.9. Management risk***

A strategy used by 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 the clients' account may vary substantially over time.

### ***1.10. 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 client, 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.

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

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

### **1.12. 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. Such events could adversely impact (a) Pictet AM staff managing accounts, and (b) issuers, markets and economies over the short and long-term with potential material adverse effects on the value of investments, including in ways that cannot necessarily be foreseen.

### **1.13. 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 ecosystems. 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 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.

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

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

### ***2.1 Interest risk***

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

### ***2.2 Duration risk***

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

### ***2.3 Credit risk***

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

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

### ***2.4 Liquidity risk***

This is the spread between the bid and ask prices for a security being offered in the secondary market. If there is not much interest in the security, then the bid-ask spread can widen, resulting in the price of the sold security being significantly less than other similar recent transactions even when there is no change in any other significant factor. Small or mid capitalized securities

or high yield bonds often have low average daily traded value that require longer than average time to sell positions.

### ***2.5 Reinvestment risk***

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

### ***2.6 Legal and regulatory risk***

Legal and regulatory risk is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law, regulation and their evolutions apply to your 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.

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.

## **3 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:

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

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

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

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

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

The two 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.

### ***3.2 Political and economic risks***

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

### ***3.3 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 USA is unable to repatriate capital from the client's investments, in whole or in part, this can have an adverse effect on the cash flows of our client and its result.

### ***3.4 Weaker accounting standards***

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

<h2><b>Item 9 Disciplinary Information</b></h2>
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Pictet AM USA has no information to report in response to this item.

## Item 10 Other Financial Industry Activities and Affiliations

### Registration as a broker dealer

Pictet AM USA is neither registered, nor 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 USA 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.

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

Listed below are the Pictet Group legal entities with which Pictet AM USA 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 USA can use the broker-dealer services of Pictet Group brokers on a limited basis for our non-US client accounts, but our clients may 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 USA 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 this 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 orders and place orders for execution solely for its advisory clients.

3. *The potential sharing or leakage of sensitive information relating to our client, its investment and trading activities to non Pictet AM affiliates.*

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

- Physical access controls restricting access to Pictet AM premises to Pictet AM staff.
- 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.

#### 4. Referrals of clients to other Pictet Group entities.

- Pictet AM USA refers clients to other Pictet AM Group entities. The Pictet AM entity that will sign the contract with the referred client will receive the fees and use a portion of the fee to remunerate Pictet AM USA.

In addition:

- All the compliance activities of the Pictet AM group are supervised by the Global Co-Heads of Pictet AM Compliance, to ensure that a common standard is applied to all Pictet AM entities providing key services to Pictet AM USA.
- All Pictet AM entities 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 compliance monitoring programme in place that is reasonably designed to ensure that the activities carried out by related entities to Pictet AM USA are carried out in compliance with all relevant rules and regulations.

#### *Pictet Asset Management Limited (Pictet AM Ltd)*

Pictet AM Ltd, is the parent company of Pictet AM USA and is registered as an investment adviser with the SEC and is authorized and regulated by the Financial Conduct Authority in the United Kingdom.

Pictet AM Ltd's business mainly comprises managing a wide range of equity, fixed income and multi asset strategies, including total return, on behalf of institutional clients and collective investments. Pictet AM USA can refer to Pictet AM Ltd clients wanting to invest in strategies managed by Pictet AM Ltd. Furthermore, Pictet AM Ltd also shares research with Pictet AM USA for the Emerging Market Debt strategies.

In addition, the Emerging Market Debt product offered by Pictet AM USA is partially managed by a fund manager based in Pictet AM Ltd.

#### ***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 USA refer to Pictet AM SA clients wanting to invest in strategies managed by Pictet AM SA.

Pictet USA can market the following private funds managed by Pictet AM SA to accredited investors: two no-load Delaware Limited Liability Companies (“LLC”) for whom Pictet AM Ltd acts as investment adviser. These are diversified and open-ended investment companies called:

- Pictet International Equity Fund LLC
- Pictet International Equity Opportunities Fund LLC.

Pictet AM SA is also the manager and investment advisor of two hedge funds domiciled in the Cayman Islands that are available to US investors.:

- Agora Master Fund LP
- Alphanatics Master Fund LP.

The four above funds are “Private Funds” as defined under SEC rule 203 (b)(3) – 1, and are only to be marketed to “accredited investors” as defined in Regulation D.

Pictet AM USA use the services of the trading desks of Pictet AM SA and Pictet AM Sing (see below) to execute orders or place orders for the execution of orders for our clients.

#### ***Pictet Asset Management (Singapore) Pte Ltd (“Pictet AM Singapore”)***

Pictet AM Singapore is an affiliate company of Pictet AM USA which is registered with the Monetary Authority of Singapore and the SEC.

We use the services of a dedicated trading desk at Pictet AM Singapore to 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.

In addition, the Emerging Market Debt products offered by Pictet AM USA is managed by a Fund Management team whose staff is based in Pictet Ltd, Pictet AM Singapore and Pictet AM USA.

### ***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 Luxembourg based affiliate of Pictet AM USA. Pictet AM Europe is the Fund Management Company of the Pictet AM Group Luxembourg mutual funds which are neither marketed to nor target US clients. Pictet AM Europe has delegated the management of one of its mutual funds to Pictet AM USA.

### ***Pictet & Cie (Europe) SA***

Pictet & Cie (Europe) SA is licensed as a bank with the Commission to Surveillance of the Finance Sector in Luxembourg. It is engaged in the provision of asset management and custodial services. Pictet AM USA manages s Luxembourg regulated UCITS fund whose custodian is Pictet & Cie (Europe) SA.

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

Banque Pictet & Cie SA is licensed as a bank and broker dealer with the Swiss Financial Market Supervisory Authority FINMA. It is engaged in the provision of asset management, custodial and broker dealer services, and may provide general research information to Pictet AM USA and can refer or delegate clients to Pictet AM USA.

Pictet AM USA can use the broker-dealer services of Banque Pictet & Cie SA on a limited basis for non-US client accounts, but any client may request that Banque Pictet & Cie SA not be used as broker for their accounts.

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

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

Pictet AM Inc is the Montreal based affiliate company of Pictet AM USA and is registered with several Canadian provincial financial regulators as a Portfolio Manager. Pictet AM Inc conducts business development activities of Pictet AM entities in Canada with supporting client servicing activities for Canadian clients primarily serviced by those entities.



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

### **Code of Ethics**

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

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

Our staff are required to follow Pictet AM’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Pictet AM USA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Pictet AM USA’s client. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Pictet AM USA 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.

Under the Code, certain classes of securities have been designated as exempt transactions from Compliance’s pre-approval, based upon a determination that trading these would not materially interfere or conflict with the best interests of our clients, for example G20 Government debt and third party mutual funds where Pictet AM does not act as investment adviser. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances 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 under the Code of Ethics, 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 USA clients. Furthermore, Pictet AM USA does not undertake

any proprietary investment, nor do other entities of the Pictet Group conduct any proprietary investment on behalf of Pictet AM USA or any other Pictet AM entity.

Some entities of the Pictet Group can buy or sell securities for their own accounts that Pictet AM USA may have bought or sold on behalf of its clients. However, there are strict Chinese walls 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 USA and its affiliates may recommend to or purchase or sell on behalf of our client, securities or other investment products in which Pictet AM USA, 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 USA occasionally places orders in securities issued by clients of Pictet AM USA or another Pictet AM affiliate but regular monitoring of trading in such securities are carried out 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, one of the SEC registered Pictet AM entities can decide to cross securities from one client to another. These trades are executed by external brokers at an independently determined market price and usually at lower than normal broker commissions. No Pictet AM entity will receive fees for such transactions. ERISA plan clients and US 1940 Act Investment Companies cannot participate in cross trades.

Pictet AM USA's client can request a copy of the firm's Code of Ethics by contacting David Cawthrow, Global Co-Head of Compliance of Pictet AM at +44 207 847 5040 or by email at [dcawthrow@pictet.com](mailto:dcawthrow@pictet.com).

## **Gifts and Entertainment**

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 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**

This section is not applicable.

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

We or our Pictet AM affiliates sometimes provide portfolio holdings information to investors or entities that have been retained by investors in our managed fund to evaluate portfolio risk including sustainability risk and for regulatory reporting purposes. We or our Pictet AM affiliates provide this information in our sole discretion and reserve the right to cease providing information at any time. We make reasonable efforts to preserve the confidentiality of the information we provide, such as by entering into non-disclosure agreements, but we cannot guarantee that the entities to which we provide information will fulfil their confidentiality obligations.

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

## **Item 12 Brokerage Practices**

Pictet AM USA does not have a trading desk and delegates the placement of our client orders to other SEC registered Pictet AM entities. Please find below the brokerage policies of our SEC registered Pictet AM entities.

### **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.

As Pictet AM USA delegates the placement of client orders to Pictet AM SA, Pictet AM Ltd and Pictet AM Singapore ("Pictet AM Trading Affiliates"), these affiliates have the discretionary authority to select the brokers, dealers and banks through which transactions for our clients are executed, as well as the commission rates and spreads to be paid.

All brokers used must be approved by the Pictet Group Counterparty Risk Committee under the delegated authority of the Group Treasury Committee. When assessing a broker, the Group Counterparty Risk Committee takes a risk-based approach which considers both quantitative and qualitative factors 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.

Our Pictet AM Trading Affiliates may use affiliated brokers as described in item 10 above on a limited basis. In all instances, affiliated brokers 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 may request that an affiliated broker is not used to execute transactions for its account. Our Pictet AM Trading Affiliates 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, our Pictet AM Trading Affiliates will deal directly with the market maker in a security. They do not enter into express or implied agreements with brokers based on their or our interest in receiving client referrals.

### **Best execution**

Pictet AM has a Best Execution Policy, which sets out the most important and relevant execution factors 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.

Pictet AM Trading Affiliates, (Pictet AM SA for fixed income transactions) 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.

Pictet AM reviews its best execution policy at least annually and whenever a material change occurs that affects its ability to continue to obtain the best possible results for its 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 of our affiliate Pictet AM SA for fixed income trades.

### **Research**

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.

Following the implementation of the European Union Markets in Financial Instrument Directive II ("MiFID II") on 3<sup>rd</sup> January 2018, all research used for the benefit of fixed income strategies managed by Pictet AM is paid for from Pictet AM's own Profit & Loss account and is no longer paid for using clients' dealing commissions.

Research is bought for the benefit of clients of Pictet AM USA by the managers and analysts responsible for a defined set of products and portfolios. A budget is calculated for each team using the Pictet AM approach and parameters. This budget is reviewed by the CIO and approved by the Research Committee, who oversee all research budgets and review these budgets on a quarterly basis.

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

- Impairing our ability to negotiate costs 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, Pictet AM generally aggregate multiple transactions into one order so that as many eligible clients may participate equally over time on a fair and equitable basis, in terms of best available cost, efficiency and terms. Each client that participates in an aggregated order participates at the average price. 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 any Pictet AM or Pictet group entity, nor their employees.

Aggregation may on occasion work to the disadvantage of a client in relation to an order. Trade allocations are monitored by the Compliance department on a periodic basis.

### **Reallocations**

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

### **Trade Errors**

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

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

## **Item 13 Review of Accounts**

The fund managers have day-to-day responsibility for supervision of the clients account, including complying with investment restrictions which are also independently monitored by Pictet AM SA Investment & Anti-Money Laundering (“AML”) Controlling department on a daily basis, and they also ensure that any appropriate corrective actions are promptly carried out and that breaches are reported to the client.

In addition, Pictet AM carry 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 / Head of Investment
- The Head of the investment team under review, together with the Senior Portfolio Managers from that team
- The Head of the Pictet AM Investment Risk and Performance Analysis Department
- The Chief Investment Officer of the investment team under review
- The Risk Manager or its deputy for the relevant investment team.

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

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

1. A monthly report, except for quarter ends, that includes a valuation, transaction statement and a performance summary. These statements describe all assets held, the quantity and market price in local currency for each position and the market value of the account expressed in the client's base currency translated at the current rates of exchange. They also include the top and bottom 5 holdings. Positions are broken down by type of asset and by market value or currency of denomination and are expressed as weight of the portfolio and benchmark. All changes in holdings and income and expense items are listed by date.
2. A quarterly report, which provides the information included in the monthly report as at the quarter end, together with (a) a Fund Manager's report, including a review of fund performance together with performance attribution, and (b) an Investment review and outlook.

Please note that the valuation of a client account will be generated by Pictet AM's investment accounting 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 can provide alternative reporting to satisfy the differing reporting requirements of its clients.

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

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

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

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

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

Very senior managers can receive additional remuneration via the Pictet AM Long Term Incentive Plan and / or by virtue of being an Equity Partner of the Pictet Group.

Pictet AM USA will be remunerated by another SEC registered Pictet AM entity for the institutional clients introduced by Pictet AM USA who sign an investment management agreement with such other SEC registered Pictet AM entity. Pictet AM USA does not deduct fees from any Pictet AM Affiliate clients' assets or bill such clients for any fees incurred.

Prospects successfully referred to Pictet AM Affiliates as clients do not pay Pictet AM USA any fees and its supervised persons do not accept compensation from such clients of Pictet AM Affiliates for any reason related to the sale of securities or other investment products.

## **Item 15 Custody**

Pictet AM USA does not have direct 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 USA 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 may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 Investment Discretion**

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

Pictet AM affiliates try 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 Pictet AM clients. Our institutional clients usually determine in conjunction with the relevant Pictet AM entity who signed the management agreement the investment constraints to be followed in the management of their assets.

For regulated and unregulated funds, Pictet AM authority to trade securities may 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 USA in writing prior to the commencement of investment management activities.

## **Item 17 Voting client Securities**

Pictet AM USA only offers a fixed income strategy, therefore we are unlikely to perform proxy voting for our client. However, Pictet AM's voting policy is disclosed below for the sake of transparency.

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 [1]:

- For actively managed funds, we aim to vote on 100 per cent of equity holdings.

- For passive strategies, we aim to vote on companies representing 80% 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 under: <https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2021/pictet-asset-management/responsible-investment-policy.pdf>. (Comment: Please confirm that the proxy voting policy is only included in the Socially Responsible Investment Policy or add the most relevant weblink). 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://www.group.pictet/pictet-group-privacy-notice>

**Last updated: 25 March 2022**