

# Form ADV: Part 2A Brochure

This brochure provides information about the qualifications and business practices of Pictet North America Advisors SA. If you have any questions about the contents of this brochure, please contact us at +41 22 307 90 00 or by email at [info@pictetadvisors.com](mailto:info@pictetadvisors.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 North America Advisors SA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

#### **Geneva Head Office**

Route des Acacias 48  
CH-1211 Geneva 73  
Tel: +41 (0) 22 307 90 00  
Fax: +41 (0) 22 307 90 01

#### **Zurich Representative Office**

Bahnhofstrasse 32 CH-8001 Zurich  
Tel: +41 (0) 43 283 64 00  
Fax: +41 (0) 43 283 64 01

<https://pnaa.group.pictet/>

## **Item 2: Material Changes**

This Brochure is dated July 2<sup>nd</sup>, 2024.

There is one material change since the last annual filing on March 22<sup>nd</sup>, 2024. Karine Genevey resigned in May 2024. Jean-Jacques Vaucher is the CEO ad interim since July 1<sup>st</sup>, 2024.

The most recent version of this brochure is available by contacting Jean-Jacques Vaucher, CEO, ad interim, at +41 22 307 90 00 or by email at [info@pictetadvisors.com](mailto:info@pictetadvisors.com).

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## Item 4: Advisory Business

### THE ADVISORY FIRM

Pictet North America Advisors SA (PNAA) is a corporation organized under the laws of Switzerland, a wealth manager under the Swiss Financial Institutions Services Act (FinIA) with its head office in Geneva, and a representative office in Zurich. PNAA is registered as an investment adviser with the SEC and has been in business for 16 years. PNAA is also an exempt international adviser in the provinces of Québec, Ontario, Alberta, Nova Scotia and British-Columbia in Canada. These registrations and appointments do not imply a certain level of skill or training. PNAA is part of the Pictet Group.

PNAA completes a Form ADV which contains additional information about its business and its affiliates.

This document is filed with the SEC and is publicly available through the SEC's website: [http://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG\\_PK=142512](http://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=142512).

(PNAA's IARD Number is 142512 and its SEC Number is 801-67491).

### THE TYPES OF ADVISORY SERVICES

We provide both discretionary investment services and non-discretionary investment services mainly to individuals, trusts, estates, private funds, charitable organizations and small corporations or similar small business entities and mainly to U.S. persons.

#### a) Discretionary Mandate

Clients who wish to receive discretionary investment services will sign a Discretionary Asset Management Mandate ("Discretionary Mandate") with PNAA. Under this Discretionary Mandate, PNAA is authorized to manage the assets on a fully discretionary basis, according to the client's investment needs, objectives and restrictions. Under the Discretionary Mandate, PNAA will be solely responsible for determining the account's asset allocation and for investing the account's assets subject to restrictions, if any. PNAA

will periodically review and update discretionary accounts' asset allocation and holdings, such as in response to economic, political or market conditions.

See Item 8 below for more details on methods of analysis, investment strategies and risk of loss.

#### b) Non-discretionary Mandate

Clients who wish to receive non-discretionary investment services will sign an Advisory Mandate ("Advisory Mandate") with PNAA. Under the Advisory Mandate, PNAA will provide investment advisory advice upon request and will respond within a reasonable time frame to the client's telephone calls or e-mail requesting discussion regarding PNAA's views and recommendations concerning securities, currencies, securities markets and market trends, and related investment options, strategies, and opportunities, and will discuss the foregoing with clients at reasonable length. PNAA will also, but is not obligated to, contact the client from time to time (by phone, email, letter, or other means) with recommendations that we believe are appropriate for the client based on the Client Investment Profile. PNAA's investment recommendations under this Mandate relate (but are not limited) to stocks and other equity securities, bonds and other debt securities, money market and other cash management instruments, derivatives, mutual funds, exchange-traded funds and other investments.

Under the Advisory Mandate, the client will be solely responsible for making all investment decisions and PNAA will not have any discretionary authority over the client's account, will not regularly monitor positions held in a client's securities portfolio, and will not be responsible for automatically updating any information or recommendations previously provided, subject to adhering to PNAA's fiduciary relationship standards. In addition, PNAA is not registered as a securities broker-dealer and, therefore, does not provide brokerage services. As per the terms of the Advisory Mandate, PNAA will not monitor the client's investment portfolio (even held in

the custody of an affiliate of PNAA) or other assets to determine whether changes should be made thereto. Lastly, PNAA will not monitor information that it previously provided or recommendations it previously made to the client to determine whether such information and recommendations require updating to reflect changed market conditions or changes to the client's investment profile.

See Item 8 below for more details on methods of analysis, investment strategies and risk of loss.

### CLIENT NEEDS & RESTRICTIONS

We tailor our advisory services to the individual needs of clients based on the information they provide to us in the Client Investment Profile (as updated from time to time by the clients). Also, we generally permit discretionary clients to impose restrictions on their accounts such as on certain securities or types of securities. We generally do not permit advisory (non-discretionary) clients to impose restrictions on their accounts, as these accounts are managed on a non-discretionary basis and any restrictions desired by the client would be self-imposed.

### AMOUNT OF CLIENTS' ASSETS UNDER MANAGEMENT

As of January 31, 2024, we provide advice regarding assets representing approximately USD4,636,335,313 on a discretionary basis and USD3,476,175,111 on a non-discretionary basis, for a total of approximately USD8,112,510,424.

For greater clarity relating to the figures set out in Form ADV Part 1 (Item 5. F) as filed on the SEC website, note that we do not provide "continuous and regular supervisory services" as defined in the above-mentioned Form ADV Part 1 for non-discretionary clients (see b) above for a description of this category of clients and the services provided to them). For this reason, we have not included the assets relating to such non-discretionary clients in ADV Part 1 but are including them here.

## Item 5: Fees & Compensation

### COMPENSATION FOR ADVISORY SERVICES

We are compensated for our services with a fee based on a percentage of assets under management, with the exception of Cash Account Agreements for which we do not charge any fee as we don't provide any advice. The cash part of client portfolios however will be included in the AUM for fees calculation purposes, as it is an integral part of the strategy. Investments in collective investment vehicles (including vehicles affiliated with or managed by PNAA), typically mutual funds and exchange traded funds, will also be included in the AUM for fees calculations, although a fee for the vehicle's investment management is already deducted from the fund's Net Asset Value (NAV) or share price. Please see item 10 c) for an exception to this rule.

The fee schedule for discretionary asset management services is the following subject to a minimum quarterly fee of CHF 4,250:

#### Standard Annual Fee Rates for Discretionary Asset Management Services

ACCOUNT VALUE IN CHF**	MARGINAL RATE	EFFECTIVE RATE*
0 to 2,000,000	0.85%	0.85%
2,000,001 to 5,000,000	0.75%	0.79%
5,000,001 to 10,000,000	0.65%	0.72%
10,000,001 to 25,000,000	0.55%	0.62%
25,000,001 to 50,000,000	0.45%	0.53%
50,000,001 and above	As agreed	

Minimum quarterly fees: CHF 4,250

\*The effective rates are given as an example for information purposes only and have been rounded to the second decimal. The effective rates shown in the chart have been calculated assuming the maximum account assets level amount in the corresponding "breakpoint" range. Effective rate on a client's account differs depending on account asset levels.

\*\* The Swiss Franc is the reference currency used for fees calculation. If the client requests another reference currency, we will apply the current exchange rate at the time of the client account debit.

The fee schedule for the non-discretionary asset management services is the following subject to a minimum quarterly fee of CHF 1,000:

#### Standard Annual Fee Rates for Non-Discretionary Services

ACCOUNT VALUE IN CHF**	MARGINAL RATE	EFFECTIVE RATE*
0 to 2,000,000	0.200%	0.20%
2,000,001 to 5,000,000	0.175%	0.19%
5,000,001 to 10,000,000	0.150%	0.17%
10,000,001 to 25,000,000	0.125%	0.14%
25,000,001 to 50,000,000	0.100%	0.12%
50,000,001 and above	As agreed	

Minimum quarterly fees: CHF 1,000

\*The effective rates are given as an example for information purposes only and have been rounded to the second decimal. The effective rates shown in the chart have been calculated assuming the maximum account assets level amount in the corresponding "breakpoint" range. Effective rate on a client's account differs depending on account asset levels.

\*\* The Swiss Franc is the reference currency used for fees calculation. If the client has requested another reference currency, we will then apply the current exchange rate at the time of the client account debit.

These standard fee rates are negotiable, and we reserve the right to negotiate fees with clients.

## FEES DEDUCTION

When elected by clients to act as custodian, our fees are debited directly by our affiliate banks on a quarterly basis in arrears, on the first Monday following the 15th of the last month of the quarter. The value date of the debit will be the last business day of the quarter. Fees are calculated based on the average of the end-of-month balances of the three previous months. For example, the first quarter of each calendar year, fees will be debited on the first Monday after March 15, and will cover December, January and February.

Where a non-affiliated custodian is selected by a client, we will work with that client and custodian regarding the debiting of our fees by the custodian on a mutually agreeable basis. Our fees are calculated based on the value of the client's assets under management, as determined by the client's custodian.

## OTHER TYPES OF FEES AND EXPENSES

Brokerage commissions, transaction fees, custodian fees, other related costs and expenses which shall be incurred by the clients are exclusive and in addition to our advisory services fees.

Clients incur additional charges such as stamp duties, taxes, commission charges, exchanges and other fees charged by third-party brokers including related brokers. More specifically, third-party brokers including related brokers charge commissions when acting as agent, or a mark-up when acting as principal, plus fees to execute securities transactions. Those commissions and mark-up fees are passed on by brokers to our clients. Mutual funds and exchange traded funds also charge internal management and administration fees, which are disclosed in each fund's prospectus and are not included in our advisory services fee. See Item 12 below for more details on brokerage practices.

PNAA does not reduce its Advisory Services fees to offset any of the above fees, costs or expenses.

## NO OTHER COMPENSATION

PNAA and its employees do not accept compensation for the sale of securities or other investment products. PNAA does not charge clients any transaction-based fees. In addition, Pictet does not charge clients routings fees when transmitting orders to third party brokers for execution. PNAA is not registered as a securities broker-dealer and, therefore, does not provide brokerage services. See Item 14 below for more details on client referrals and other compensation.

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

We do not charge performance-based fees to any clients.

We recognize that conflicts related to side-by-side management of different accounts exist for other reasons. For example, our portfolio managers manage more than one discretionary account (client account or affiliated private fund account) according to the same or a substantially similar investment strategy. Side-by-side management of different types of accounts by portfolio managers involves potential conflicts of interest that arise when two or more accounts invest in the same securities or pursue a similar strategy. These potential conflicts include the favorable 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., a purchase of securities for an account after a purchase of the same securities in another account has increased the value of the securities). In addition, the results of the investment activities for one account may differ significantly from the results achieved by PNAA for other accounts.

We manage an affiliated private fund of hedge funds, held by some of our clients. The fund selects third party and/or affiliated hedge funds and has therefore an incentive to favor an affiliated fund versus a third-party fund. This is addressed by various measures such as offsetting the fees so as to avoid "double dipping" and having a documented and controlled selection process in place. Some affiliated underlying funds receive performance fee, however no such fee is paid to PNAA. See Item 10 for further information.

We have policies and procedures in place aiming at ensuring that all client accounts are treated fairly and equitably. For example, we strive to equitably allocate investment opportunities among relevant accounts over time. In addition, investment decisions for each account are made with specific reference to the individual needs and objectives of the account. Accordingly, we give advice or exercise investment responsibility or take other actions for some clients (including related persons) that differ from the advice given, or the timing and nature of actions taken, for other clients. Investment results for different accounts, including accounts that are generally managed in a similar style, also differ as a result of these considerations. As a result, some clients will not participate at all in some investments in which other clients participate or will participate to a different degree or at a different time than other clients do.

Please see Item 12, Brokerage Practices, for more information regarding allocation of investment opportunities.

## Item 7: Types of Clients

As noted in Item 4 above, we advise mainly individuals, trusts, estates, private funds, charitable organizations and small corporations or similar small business entities that are mainly U.S. persons. Although there is no minimal dollar value for establishing a discretionary or non-discretionary asset management account with us, we believe that a minimum of approximately USD5,000,000 typically allows for an adequate diversification of the clients' portfolio. We enter into agreements with clients who have different account sizes and, in special circumstances, accept lesser amounts in our discretion.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

### METHODS OF ANALYSIS

#### a) Discretionary Mandates

For our discretionary clients, we generally focus on allocating investments among various asset classes, following a top-down investment approach, with the asset allocation decision being the biggest source of alpha. We seek international diversification in an effort to enhance portfolio return while trying to diversify risks. Our securities analysis methods include, but are not limited to, fundamental, quantitative and technical research. We will also use hedging strategies to alter the equity 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. Our clients' discretionary managed portfolios include various instruments including, but not limited to, equity securities, corporate debt securities, commercial papers, certificates of deposit, municipal and governmental securities, mutual and exchange-traded fund shares, precious metals, derivatives and alternative investments such as funds of hedge funds.

Our conservative investment style and advices tend to focus primarily on long-term purchases. We also generally focus on liquid investments,

investment grade fixed income instruments and well-known funds. In addition, we aim at avoiding micro cap securities, certain unstable countries, leverage and derivatives for speculative purposes.

Generally, clients should keep in mind that all types of investments in financial instruments involve risks of loss.

#### b) Non-Discretionary Mandates

For our non-discretionary clients (advisory clients), we provide a trade-by-trade basis advice, tailored to each client depending on individual needs and profile. We provide advice on various instruments including, but not limited to, equity securities, warrants, corporate debt securities, commercial papers, certificates of deposit, municipal securities, mutual and exchange-traded fund shares, governmental securities, options, precious metals, derivatives and alternative investments (including hedge funds and private equity vehicles).

Generally, clients should keep in mind that all types of investments in financial instruments involve risks of loss.

### KEY INVESTMENT STRATEGIES & MATERIAL RISKS

#### a) Discretionary Mandates

We offer discretionary clients depending of their profiles various strategies including, but not limited to, fixed income, conservative, moderate growth, growth, cash & gold, US, Swiss and international equities.

These strategies involve financial instruments with different risk levels from lower risk (e.g. cash and fixed income securities) to higher risk (e.g. equities in emerging countries). For example, the discretionary mandates offer:

- low risk strategies including, but not limited to, enhanced fixed income investments;
- balanced risk strategies investing mainly in fixed income instruments and equities. The level of risk for such strategies range from medium risk where the equities level is lower than the fixed income level, to higher risk where the equities part is higher than the fixed income level;

- medium risk strategies including but not limited to 100% equities either global, US or specific markets, cash management or precious metal, and
- high risk strategies including, but not limited to, strategies where the equities level is much higher than the fixed income level.

Our discretionary mandates can opportunistically also include a portion of alternative investments (funds of hedge funds) and/or precious metals to seek diversification of financial instruments and markets (including emerging countries).

All positions can be held directly or indirectly through funds (including affiliated funds).

#### b) Other Material Risks

Associated with Discretionary & Non-Discretionary Mandates Investing in financial instruments including securities involves a risk of loss that clients should be prepared to bear. Other usual material risks relating to investments include, but are not limited to:

**Market Risk** – market price of securities can go up or down, sometimes rapidly or unpredictably, and can lead clients to lose up to their whole investment. Market risk exists in all types of investments.

**Liquidity Risk** – a particular security or other instruments can become difficult to trade. An illiquid asset reduces the returns because the investor is not able to sell the assets at the time desired for an acceptable price or is not able to sell the assets at all.

**Credit/Counterparty Risk** – possibility that the issuer or guarantor of a fixed income security, a bank or the counterparty of a derivatives contract will default on its obligation to pay interest and/or principal, which could cause an investor to lose money.

**High Yield Risk** – lower-quality debt securities as rated by the major credit rating agencies (those of less than investment grade quality, commonly known as “high yield bonds” or “junk bonds”) are riskier, speculative and involve greater risk of default.

**Interest Rate Risk** – debt securities fluctuate in value as interest rates change. The general rule is that if

interest rates rise, the market prices of debt securities will usually decrease and vice versa.

**Commodities Risks** – commodities prices can be very volatile and show important fluctuation on short periods of time; with the exception of precious metals, we do not invest directly in commodities.

**Foreign/Emerging Markets** – foreign securities involve the risk of loss due to political, economic, regulatory, and operational uncertainties, currency fluctuations, and generally higher credit risks for foreign issuers. Clients should be aware that all these risks are heightened in emerging markets more specifically. Investing in foreign or emerging markets is generally intended only for clients who are able to bear and assume the increased risk that they represent.

**Currency Risk** – form of risk that generally arises from the change in price of one currency against another. Whenever clients have assets or business operations across national borders, they face currency risk if their positions are not hedged. Currency risks are not always hedged.

We strive to mitigate the above risks by monitoring, among others, markets, economic conditions, industries concerns and changes to general outlooks on corporate earnings, regulatory developments, monetary policies by central banks, changes to interest or currency rates or adverse investor sentiment in general.

**Different financial instruments involve different levels of exposure to risk and are therefore inappropriate to your circumstances or risk appetite.**

Please consult the Appendix 2 to this brochure entitled “General Risk Warnings” for additional risk information per financial instrument type.

## Item 9: Disciplinary Information

Form ADV Part 2A requires a registered investment adviser like PNA A to disclose legal or disciplinary events involving the firm or our managed employees that are material to your evaluation of our business or integrity of our management. At this time, we have no information to report that is applicable to this item.

As noted in Item 4 above, PNA A also completes a Form ADV which contains additional information about its business and its affiliates, including legal or disciplinary events. This document is filed with the SEC and is publicly available through the SEC’s website:

[http://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG\\_PK=142512](http://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=142512). (PNA A’s IARD Number is 142512 and its SEC Number is 801-67491)

## Item 10: Other Financial Industry Activities and Affiliations

### OTHER REGISTRATIONS & MATERIAL CONFLICTS

In addition to PNA A, other Pictet affiliates are registered with the SEC, and PNA A has certain business dealings or shares premises with other affiliates of the Pictet Group, which have various registrations with foreign regulators. These affiliates however do not have a controlling influence over PNA A.

### MATERIAL RELATIONSHIPS OR ARRANGEMENTS WITH AFFILIATED ENTITIES

a) PNA A and Pictet  
Pursuant to a service level agreement supplemented by a brokerage agreement (Order Handling SLA & Brokerage Agreement), Pictet acts as broker-dealer for our clients’ transactions as further described under Item 12 below. Our clients’ transactions are executed by Pictet or transmitted to third-party broker-dealers (including related brokers) for execution. As noted in Item 5 above, Pictet does not charge clients routings

fees when transmitting orders to third party brokers for execution. However, our clients will be charged the brokers’ commissions as also described under Item 5. As further explained under Item 12 below, our clients’ orders are not aggregated with Pictet clients’ orders. Pictet acts, from time to time, as principal by being the counterparty for certain types of client transactions such as Forex (option, spot, swap, forward) and precious metal (gold, silver, platinum & palladium) as well as use its Eurex membership to place derivatives on this market.

While PNA A and Pictet do not share staff, two of PNA A’s members of the Board of Directors (including the Chairman) have executive functions at Pictet.

In addition to the above, we have other arrangements with Pictet regarding various corporate support services, all of which are generally unrelated to the investment advisory services we provide to our clients.

b) Clients and PNA A affiliates  
Clients have the option to enter directly into the separate non-investment advisory related arrangements described below with some other entities of the Pictet Group. PNA A is not party to these arrangements and does not receive compensation in relation to those arrangements, but has a general indirect incentive, being part of the Pictet Group, to refer business to its affiliated entities.

i) Custody Services  
PNA A’s clients who select Pictet to provide custodial services for their assets, will enter into a separate custodial arrangement directly with Pictet. Pictet also provides other non-investment related services to our clients, including clearing, matching and settlement of trades into client accounts, valuation of assets and provision of statements, pursuant to separate agreements between each client and Pictet. See Item 15 for more information.

ii) Brokerage Services  
Clients select the broker of their choice. In this context, we propose Pictet Overseas Inc., an affiliate of PNA A, to our Clients for brokerage



trading services. If Clients select Pictet Overseas Inc., they will then enter into a separate brokerage arrangement directly with this affiliate. For greater clarity, PNA A is not a party to this separate brokerage agreement. Under such brokerage arrangement, clients will place directly trades in securities with Pictet Overseas Inc.

#### c) Private Fund

We manage a private fund entirely dedicated to our clients for their investments in alternative funds such as hedge funds. This fund, its General Partner, its custodian and its administrator are all our affiliates. The fund selects third party and/or affiliated hedge funds with an incentive to favor an affiliated fund versus a third-party fund. The conflicts of interests are addressed through a number of measures including: offsetting the fees so as to avoid “double dipping”; not allowing any specific remuneration to our staff involved in the management of the fund for that activity; having a documented and controlled investment selection process in place. Ultimately, when some affiliated underlying funds receive performance fees, no such fee is paid to PNA A. See Items 6 above, 11 and 14 below for more details.

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

### CODE OF ETHICS

We strive to adhere to certain standards of conduct based on principles of professionalism, integrity, honesty and trust, and 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 Access Persons must comply with the Code which covers the following key areas:

- A. Prohibition against insider trading
- B. Staff personal account dealing rules
- C. Gifts and entertainment rules
- D. Protecting the confidentiality of client information
- E. Dealing with personal conflicts of interest of Supervised Persons
- F. Respecting PNA A corporate confidential information

Among other things, the Code also includes policies and procedures relating to the personal investment activities of our Access Persons, including transactions involving securities that PNA A has recommended to its clients and that are held by its clients. Depending upon a person’s functions, duties and obligations, the Code places some restrictions, requires pre-clearance and/or reporting of certain personal securities transactions, and imposes timing and other restrictions on transactions, outright prohibitions and compliance certification. The Code also requires the maintenance and review of certain records as well as periodic meetings to familiarize persons subject to the Code with their responsibilities under it.

We owe a fiduciary duty to our clients and a duty to act in the best interests of our clients. This duty generally requires that the interests of clients be placed above the interests of PNA A, its employees and all Associated Persons whenever a conflict is present. In addition, we must treat all clients equitably. Therefore, we expect that all of our Access Persons will observe the highest standards of honesty, integrity and professionalism as noted above. More specifically, we always expect that, our Access Persons will:

- A. Comply with all relevant laws and regulations;
- B. Place the interests of our clients first;
- C. Conduct all personal securities transactions in compliance with the Code of Ethics and avoid any actual or potential conflict of interest, or any abuse of their position of trust and responsibility;
- D. Hold all client information, including securities holdings and financial information in confidence;
- E. Maintain independence in the decision-making process on behalf of clients.

If a person subject to the Code fails to comply with it, such person can be subject to sanctions, which include, but are not limited to, warnings, disgorgement of profits, restrictions on future personal trading, and in the most severe cases the possibility of dismissal.

Clients and prospective clients can review a copy of the Code by contacting us at the address or telephone number listed on the first page of this brochure.

### PARTICIPATION OR INTERESTS IN CLIENTS TRANSACTIONS AND PERSONAL TRADING

We recommend to our clients that they buy or sell interests in the same investment products in which our employees (including their connected persons) or affiliates have from time to time some financial interest, including ownership. Further, we occasionally recommend to our client’s investments in one or more investment vehicles, including mutual funds and other pooled investment vehicles, in which we, our affiliates or other related persons have a financial interest as investment manager, general partner, trustee, or co-investor. However, any such recommendations would be based on the best interest of the relevant client(s). Further, we do not receive any compensation as a result of these recommendations. Lastly, personal transactions and holdings of our employees are subject to the Code of Ethics and related controls described above.

Although we do not hold proprietary positions, our employees or some of our affiliates have the right to own, buy or sell for themselves (proprietary account of our affiliates where applicable) the same securities that they or we have recommended to clients. The risks associated with personal trading is that individuals will benefit or seek to benefit personally with respect to a personal security holding from client transactions in the same or a similar security. However, our employees (and other access persons where applicable) are subject to the Code of Ethics and related controls described above. In addition, there are information barriers in place between us and our affiliates, including separate staff.

PNA A is the investment manager of an investment vehicle organized as a limited partnership under the rules of the Cayman Islands. Its General Partners is a company limited by shares (also under the rules of the Cayman Islands) related to the Pictet Group; its administrator is FundPartner Solutions (Europe) SA,

an entity part of the Pictet Group, and the custodian is Pictet & Cie (Europe) SA. This fund has been created exclusively for certain clients, to facilitate participations in third party hedge funds or funds of hedge funds. PNA A addresses the conflicts of interest related to this structure by disclosing it to the Clients/investors, by verifying that the additional fees, if any, relate to services effectively provided, and by ensuring on a case-by-case that the investment is in the Client's best interest and is suitable to their investment profile.

As mentioned in Item 10 above, Pictet acts, from time to time, as principal by being the counterparty for certain types of client transactions such as Forex (option, spot, swap, forward) and precious metal (gold, silver, platinum & palladium) as well as use its Eurex membership to place derivatives on this market.

Please also see Item 6 above, regarding side-by-side management and related conflicts and controls.

## Item 12: Brokerage Practices

### BROKERS SELECTION

#### a) Discretionary mandates

With clients under discretionary mandate, we have the authority and discretion to determine the securities, and the amounts of securities, to be bought or sold for clients' accounts, subject to restrictions clients have imposed as noted in Item 4 above.

As noted in Items 5 and 10 above, however, we do not execute our clients' transactions ourselves. Pictet and POI are acting as broker-dealer for our clients' transactions as follows:

- Pictet acting as introducing broker-dealer by transmitting the received orders from us to third-party brokers including its related entities such as Pictet Canada LP (Canadian Broker) which re-transmits to Pictet Overseas Inc. (SEC/FINRA broker) for the execution or selecting the appropriate counterparty at its discretion;
- Pictet acting as executing broker itself or acting as counterparty for transactions at its discretion; and
- POI acting as executing broker itself.

In case Pictet acts on an agency basis, it charges 5 basis points on all trades placed in the Swiss market or 7 bps for trades placed on other markets. These fees are subject to annual review in order to be in line with the market's practices. Pictet doesn't charge any fees when it directs the trade to another party (i.e., the third-party broker) as it is only acting as an intermediary in the transaction. When Pictet executes trades, an affiliate of PNA A earns fees. This represents a conflict of interest, but PNA A believes in the high quality of Pictet's execution capabilities and that its clients have retained PNA A for the holistic services of the Pictet group of companies.

We do not currently enter into brokerage arrangements with non-affiliated brokers and do not select the specific brokers or counterparties to be used for a client transaction.

Pursuant to the Order Handling SLA & Brokerage Agreement discussed under Item 10 above, Pictet maintains an approved list of brokers. Pictet is responsible for applying on a trade-by-trade basis its best execution policy. Pictet's best execution policies provide that in selecting brokers and determining the reasonableness of their commissions, the determinative factor is not only the lowest possible commission cost but also whether the transaction represents the best qualitative execution, taking into consideration many factors. Pictet will consider, among other things, the full range of a broker's services including the value of research provided, if any, execution capabilities on international markets including block positioning, financial stability, ability to maintain confidentiality, adequate settlement/delivery capabilities, ability to obtain best price by querying many markets and using smart routers, commission rates and responsiveness. Accordingly, although Pictet will seek competitive commission rates, it is not obligated to choose the broker-dealer offering the lowest available commission rate if, in its reasonable judgment, there is a material risk that the total cost or proceeds from the transaction might be less favorable than elsewhere, or, if a higher commission is justified by the trading provided by the broker-dealer, or if other considerations, such as those set forth above dictate utilizing a different broker-dealer.

Pictet acts also, from time to time, as principal by being the counterparty for certain type of transactions such as Forex (option, spot, swap, forward) and precious metal (gold, silver, platinum & palladium) as well as use its Eurex membership to place derivatives on this market.

Under the Order Handling SLA, Pictet also provides assistance to PNA A in connection with the following:

- Subscription and redemption of mutual funds
- Participation in private equities
- IPOs and new bonds issues subscription

We have an obligation to seek "best execution" for client transactions. Best execution generally refers to the execution of portfolio transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC defines best execution as "best qualitative execution", not merely the lowest possible execution cost. In evaluating the quality of execution and selecting broker-dealers to execute client transactions, we consider various factors, such as execution capability, commission rate (or spread), financial responsibility and responsiveness.

### RESEARCH & SOFT DOLLARS BENEFITS

We do not currently enter into third party soft-dollar arrangements with any related or external brokers. However, Pictet has such arrangements directly with third-party brokers for which PNA A is not a party to.

In formulating investment advice, we rely on various sources of information, mainly third-party research materials, corporate rating services, company's press releases, annual reports, prospectuses, filings with the SEC, Bloomberg and other financial networks. On a periodic basis, our investment specialists attend conferences organized by external research firms on various industries or markets. In addition, we receive and utilize research reports and market analysis from Pictet and its affiliates. Our personnel participate in investment committees and meetings with Pictet to discuss or gain information concerning investment opportunities, markets, corporate actions and strategies.

Although Pictet provides us with research and information about markets and financial instruments, Pictet does not provide advice or recommendations to our clients. We formulate our own investment advice and recommendations for our clients. In addition, our receipt of research and other information from Pictet is not a factor contributing to our decision to continue outsourcing the routing of orders to Pictet under the Order Handling SLA.

**BROKERAGE FOR CLIENT REFERRALS**

We do not receive client referrals from external brokers, dealers or financial intermediaries, and there are no such arrangements in place.

See Item 14 below for more details on client referrals.

**DIRECTED BROKERAGE**

If a client asks to direct transaction(s) to a specific broker or brokers for execution, we are unable to achieve most favorable execution, which can result in additional costs and expenses for the client. For example, clients could pay higher brokerage commissions and receive a less favorable price when buying or selling if they cannot participate in an aggregated trade along with other client orders executed through brokers that Pictet selected. See below for more detail about trade aggregation.

**TRADE AGGREGATION**

When buying and selling investments for clients, we generally aggregate multiple transactions into one order. Each client that participates in an aggregated order participates at the average price. In case of partial execution of an aggregated order, the executed trades and related external broker's commissions are both allocated on a pro rata basis. Should the prorated allocation lead to uneconomical or unsuitable results, or in the case of securities issued by specific lots, we shall modify the allocation and document the reason for this decision. In aggregating orders and allocating such orders, we seek fairness among our clients over time. Also, our client orders can not be aggregated with non PNAAClient orders or with the orders of PNAAClient Access Persons.

**ALLOCATION OF INVESTMENT OPPORTUNITIES**

From time to time, two or more accounts intend to invest in the same securities or pursue a similar strategy. In such cases, we seek to ensure that one account or group of accounts is not favored or preferred over another account or group of accounts. We strive to be particularly sensitive to this potential conflict where a particular investment opportunity has limited availability, such as initial public offerings or new/subsequent issues.

As noted under Item 6, we have policies and procedures designed to seek to ensure that client accounts are treated fairly and equitably over time regarding the allocation of investment opportunities.

b) Non-Discretionary mandates  
For clients with non-discretionary (i.e. advisory) accounts, we deliver our non-discretionary advice. Typically, they also need an avenue to trade in securities and most advisory clients open and maintain brokerage accounts with POI, an affiliate of PNAAClient, to provide brokerage services on a needed basis. Under such brokerage arrangement, clients will place directly trades on securities with POI. For greater clarity, Pictet does not act as broker for such order placed directly by client s to POI.

**Item 13: Review of Accounts**

**PERIODICAL REVIEW**

After account opening approval, each client account is assigned to one of our Client Advisors. Our Chief Investment Officer and portfolio management team regularly monitor discretionary accounts, followed by the monthly investment controlling review aiming at monitoring performance statistics, compliance with investment restrictions and allocation grids per discretionary mandate types.

Lastly, the appointed Client Advisor reviews client investment objectives for both discretionary and non-discretionary clients on an annual basis.

**PUNCTUAL REVIEWS**

Punctual reviews are also made by the Chief Investment Officer (and/or members of the portfolio management team) and/or the Client Advisor as deemed required.

The Client Advisor will also perform a review in response to various factors including, but not limited to, market conditions, changes in Client's Investment Profile, etc.

**REPORTS TO CLIENTS**

We do not ourselves issue client reports. Pictet, when acting as custodian, issues directly to client's regular written reports on their accounts ("Reports"). Such Reports are issued at least on a quarterly basis (or on a monthly basis at the client's option) and include a valuation, transaction statements and a performance summary. These Reports typically 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 current rates of exchange, which are also shown. Clients should carefully review those Reports. Where a non-affiliated custodian is selected by a client, we will work with that client and custodian regarding the nature and frequency of client reports.

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

We do not accept from non-client's economic benefit, including sales awards for providing investment advice or other advisory services to our clients.

We do, from time to time, refer clients to some Pictet Group entities (or to non-affiliated entities and persons) for additional services such as custody, trust and estate planning, or tax optimization and reporting. We do not receive any remuneration or fee for such referrals (but do have a general indirect incentive, being part of the Pictet Group, to refer to our affiliated entities where possible) and the Pictet Group entities do not charge clients more as a result of such referrals.

Pictet Group entities also refer, from time to time, clients to us, but we do not pay or receive any remuneration or fee for such referrals. We do not charge our clients more as a result of these referrals. In addition, potential client referrals from Pictet are not a factor contributing to our decision to retain Pictet as broker under the Order Handling SLA & Brokerage Agreement.

Occasionally, we enter into relationships with solicitors to refer prospective clients to us. They are paid a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act. This fee is generally calculated based on a percentage of asset under management and is disclosed to you as per our related policy. This referral fee paid to solicitors does not result in any additional charge to our clients.

### Item 15: Custody

PNAA does not have direct custody of client assets. Pictet, where acting as qualified custodian, sends quarterly (or more frequent) account statements directly to clients. Where a non-affiliated custodian is selected by a client, we will work with that client and custodian to ensure that the custodian sends directly the Reports to our clients.

Clients should carefully review those reports received from their custodians. See Form ADV, Item 9 and Schedule D, Section 7A, 9C for more information relating to Pictet acting as qualified custodian.

### Item 16: Investment Discretion

PNAA receives and exercises discretionary authority to manage investments on behalf of discretionary clients. As noted in Item 4 above, some discretionary clients impose limitations on this discretion with respect to certain aspects of the management of their account.

We typically assume and receive this discretionary authority through the written Discretionary Mandate, completed by the Client Investment Profile.

### Item 17: Voting Client Securities

We have a policy to not accept proxy voting responsibility for securities held in our clients' accounts subject that we will exercise investment authority for certain corporate actions (including, but not limited to, take-over, dividend in cash or shares, rights offering, offer to redeem, split, reverse split, change in nominal value, etc) in connection with the discretionary accounts. For the nondiscretionary advisory clients, corporate actions are discussed with them prior to the event taking place. Clients should make arrangement directly with their custodian to vote proxies for securities or to obtain proxies or other solicitation materials directly from their custodian.

### Item 18: Financial Information

Form ADV 2A requires us to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. At this time, we have no information to report that is responsive to this item.

# Appendix 1

## PRIVACY POLICY

### Privacy Notice – More Information on Privacy of Your Information

We Take Important Steps to Help Safeguard the Information We Collect About Our Clients

At PNA A, we are committed to safeguarding our clients' personal information. This notice describes the personal information that PNA A collects regarding an individual's current or former relationships with PNA A and how PNA A handles and protects that information. As part of PNA A's normal business practices, PNA A distributes a Privacy Notice annually or when significant changes are made to it.

#### Why and How PNA A Collects Personal Information

PNA A collects personal information to enable it to provide services to clients and to conduct its business. For example, PNA A collects personal information to:

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

PNA A collects information from a variety of sources, including:

- Account opening documentation and other forms submitted to PNA A or its affiliates in the Pictet Group, which provide information such as the name, address, email address, telephone numbers, date of birth, Social Insurance or other identification number, occupation, financial goals, assets, income and source of funds of our clients or their representatives.
- Our clients' transactions or communications with PNA A and PNA A's affiliates in the Pictet Group.

#### Who Has Access to Personal Information

PNA A maintains personal information about clients, their representatives and authorized persons on PNA A's client database. Access to this database is restricted to employees of PNA A or certain employees of PNA A's affiliates that provide services for PNA A under service level agreements with client confidentiality safeguards.

#### How PNA A Protects Personal Information

All PNA A employees who have access to personal information are required to maintain and protect the confidentiality of that information and must follow established procedures. PNA A maintains physical, electronic and procedural safeguards (including firewalls, user authentication systems and access control mechanisms) to protect personal information and to comply with all applicable laws and regulations.

#### Why and How PNA A Shares Information With its Affiliates

Personal information about PNA A's clients, their representatives and authorized persons is shared with certain PNA A's affiliates, subject to service level agreements as described above, and as required or permitted by client agreement or applicable law.

PNA A's affiliates will not use any information received from PNA A to solicit you.

#### Why and How PNA A Shares Information with Non-affiliated Third Parties

PNA A does not and will not rent or sell the personal information of its clients, their representatives or authorized persons. However, PNA A shares this information with Pictet or with companies that PNA A hires to perform services for it. In these cases, PNA A requires these non-affiliated third parties with which PNA A shares personal information to agree to strictly limit the use of such information to the purposes for which it was provided.

#### Sharing Information with Providers of Financial Instruments

Some providers of certain financial instruments (e.g., issuers of structured products, investment companies, or limited partnerships), whether affiliates or not, require PNA A or its affiliates to disclose personal information including a tax identification number ("TIN") or other identifiers. Where client objectives permit and applicable law allows, we require such providers to agree to strictly limit their use of the information only to the purpose for which it was provided.

In particular, PNA A or its affiliates are required to share information with certain fund managers in accordance with Rule 22c-2 under the Investment Company Act of 1940. This rule is intended to help address abuses associated with short-term trading of fund shares. The rule requires an open-end fund and its intermediaries to provide the fund's management the ability to identify investors whose trading violates fund restrictions on short-term trading. PNA A or its affiliates are required to provide all the information as set out in Rule 22c-2, amongst others name, TIN, number of shares, held and dates of transactions.

#### Sharing Information to Regulators

PNA A discloses personal information to the Swiss Financial Market Supervisory Authority (FINMA), the US Securities and Exchange Commission (SEC), our external auditors or certain other regulators as required or permitted by applicable law for regulatory or enforcement purposes (e.g. anti-money laundering investigations).

#### Accessing and Revising Personal Information

PNA A will endeavor to keep its client files complete and accurate. Most of the information PNA A collect is from the applications and forms that clients have submitted to obtain services from PNA A or its affiliates. PNA A will provide clients with reasonable access to this information. This information is reflected in the documentation that PNA A provides or makes available to its clients. Clients are encouraged to review this information and notify their PNA A client advisor if this information should be corrected or updated or if they have any questions or concerns about their personal information.

# Appendix 2

## GENERAL RISK WARNINGS

The general risk warnings are provided to you as clients of PNA.

Different instruments involve different levels of exposure to risk and therefore are inappropriate to your circumstances or risk appetite. You should not deal in any instruments unless you are satisfied that you understand their nature and the extent of potential risk.

These risk warnings cannot disclose all the risks and other significant aspects of the financial instruments in which we deal on your behalf. Neither do these risk warnings constitute any advice which we could provide to you.

In relation to derivatives, these risk warnings cannot disclose all the risks and other significant aspects of warrants and/or derivative products such as futures, options, and contracts for differences. Although can be used for the management of investment risk, some of these products are unsuitable for many investors.

## FINANCIAL INSTRUMENTS

### 1. Warrants

#### Nature

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a 'covered warrant').

#### Risks

It is important to note that a relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavorable or favorable, in the price of the warrant. As a result, the prices of warrants can be volatile.

The right to subscribe conferred by a warrant is generally limited by time, which means that if the investor fails to exercise this right within the predetermined timescale then the investment becomes worthless.

It is therefore important to understand that if you are considering purchasing a warrant you should be prepared to lose all of the money you have invested plus any commission or other transaction charges.

### 2. Securitized derivatives

#### Nature

Certain types of securitized derivatives, including covered warrants, contain a time-limited right to buy or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment.

Other types of securitized derivatives give you rights under a contract for differences which allow for speculation on the changes in the value of a particular kind of property (of any description) or changes in the value of an index, such as the SP500 index or any other index.

In both cases, the investment or property are referred to as the "underlying instrument".

#### Risks

Securitized derivatives often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavorable or favorable, in the price of the securitized derivative which means that the price of these instruments can be volatile.

Securitized derivatives have a limited life and can (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected.

As a result of this risk, you should only buy these products if you are prepared to lose all of the money you have invested plus any commission or other transaction charges.

You should consider carefully whether or not this product is suitable for you in light of your circumstances and financial position and if you are in any doubt you should seek professional advice.

### 3. Contracts for difference

#### Nature

Futures and options contracts can also be referred to as contracts for difference. These can be options and futures on the SP500 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash.

#### Risks

Investing in a contract for difference carries a high degree of risk because the 'gearing' or 'leverage' often obtainable means that a small deposit or down payment can lead to large losses as well as gains.

This also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment and this can work against you as well as for you.

### 4. Options

#### Nature

An option is an instrument sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

There are many different types of options with different characteristics and risks. Two examples are set out below.

#### Risks of buying options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges.

#### Risks of writing options:

If you write an option, the risk involved is considerably greater than buying options. You are liable for margin to maintain its position and a loss could be sustained well in excess of the premium received.

When writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price.

If you already own the underlying asset which you have contracted to sell (when the options will be known as ‘covered call options’) the risk is reduced.

If you do not own the underlying asset (‘uncovered call options’) the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

#### 5. Collective investment products

##### Nature

Collective Investment products include but are not limited to Mutual Funds, Exchange Traded Funds (ETFs), private funds, Real Estate Investment Trusts (REITs) and hedge funds. These are all investment vehicles that invest their assets in the securities of other issuers, or in cash, in accordance with their own internal rules.

REITs are listed companies. Investment Trusts and REITs trade at a discount or premium to the cumulative value of their underlying investments, depending on the demand for their shares. Unit Trusts and ICVCs are usually priced daily using a set formula based on their net assets minus charges.

Some collective investment products specialize in certain countries or sectors and you should read the terms of any key features document or prospectus carefully before deciding on an investment.

##### Risks

The value of an investment in a collective investment product is determined by the value of the underlying investment made by the product’s managers.

As with individual equities, the value of your investment can go down as well as up and you might not get back the original amount you invested.

Any income you receive from your investment in a collective investment scheme varies with the dividends or interest paid by the underlying investments and so could fall as well as rise.

Collective investment products that focus on a country, sector or market index possibly display greater volatility than the wider market and so should be considered as higher risk than more widely invested collective investment products.

It is impossible to trade units or shares in collective investment products if there is no liquid market.

In the case of open-ended funds, in particular hedge funds, there will probably be limits to your ability to redeem units while some funds also engage in shorting or leveraging techniques.

#### 6. Shares

##### Nature

Shares, known as equities, represent a portion of a company’s share capital. The extent of your ownership in a company depends on the number of shares you own in relation to the total number of shares in issue.

Some shares are bought and sold on stock exchanges and their values can go down as well as up in line with market conditions. These shares are termed “quoted”.

##### Risks

In respect of unlisted shares or shares in small companies, there is an extra risk of losing money when such shares are bought or sold as there usually is a big difference between the buying and selling price. Shares in companies incorporated in emerging markets are generally harder to buy and sell than those in more developed markets and such companies aren’t necessarily regulated as strictly.

#### 7. Specialist sector investments

Investing in shares that are concentrated in a specialist sector is considered to be a higher risk strategy, due to the concentrated exposure to the market sector in question.

Whilst such investments theoretically offer greater returns over the long term, this can be coupled with the risk of higher volatility.

# Appendix 3

## GLOSSARY OF RISKS

### Derivative and leverage risks

Investing in derivative instruments or leveraging an investment can lead to a high degree of financial risk. Changes in the price of an underlying security, investment, interest rate or benchmark can result in proportionally larger changes in the price of the derivative instrument or investment, resulting in losses that can in certain circumstances exceed the cost of the investment. There is also a potential risk of default by a counterparty and the risk that these products may not be liquid.

### Commodity risk

The value of commodity-linked instruments can fluctuate substantially due to changes in supply and demand as well as due to political, economic and market events.

### Company-specific risk

Company-specific risk (or unsystematic risk) is specific to an individual company. For example, even if the stock market or the share prices of comparable companies are rising, certain company-specific news can have a negative impact on the share price.

This company-specific news can include negative events such as strikes, management crises and poor annual results as well as positive news such as winning a major contract, the launch of innovative products and a favourable market outlook. Extraordinary events within a company may cause the share price to fluctuate (volatility) and cannot be foreseen.

### Concentration risk

Refers to identifying the risk in a portfolio arising from a concentration in a single asset, counterparty, sector or country.

### Counterparty/issuer risk

The risk of losing part or all of an investment due to the insolvency of the issuer of the financial instrument. This risk is particularly relevant for structured products, derivatives and certain ETFs (exchange-traded funds).

### Country risk

Country risk should be considered when investing in a foreign country and in particular in emerging markets, e.g. the risk of investing in shares of a foreign company that is exposed to the risk of nationalisation or the inability to repatriate proceeds of an investment due to capital controls.

### Credit and default risk

This risk arises when the financial health of an issuer of a fixed-income security deteriorates, leading to the issuer's inability or unwillingness to repay the bond or meet contractual obligations (interest or principal repayments). This can result in a decline in the value of the bonds or render them worthless.

### Currency/exchange rate risk

This risk arises when the reference currency differs from the investment currency. Fluctuations in foreign exchange rates directly impact (positively or negatively) the value/price or income of the holdings. Funds that attempt to hedge against currency risk can mitigate the direct impact of currency movements but cannot completely isolate the indirect effect of foreign exchange fluctuations. When investing in structured products, investors may benefit from an embedded hedge of the underlying currency risk that is referred to as a quanto.

### 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.

### Emerging market risk

Investing in emerging markets carries a heightened risk profile; liquidity may be less reliable and price volatility can be higher than that experienced in more developed economies, potentially resulting in sudden and significant declines in value. Emerging markets have less sophisticated rules governing the clearing and settlement of transactions and investor protection.

### High yield bond risk

Portfolios with high exposures to non-investment grade debt instruments (S&P/Moody's Credit Rating: BB+ and below) have a higher exposure to credit and default risk.

### Inflation risk

Inflation risk should be considered in particular when investing in emerging markets or fixed-rate investments. Inflation is defined as the rate at which prices increase in an economy. Inflation can lead to currency depreciation and reduce the real returns of investments and financial instruments.

### Interest rate risk

Changes in interest rates usually result in an opposite movement in the value of bonds and other debt instruments (e.g. a rise in interest rates is generally reflected by a fall in bond prices). The longer the maturity of the bond (the time when the principal is due to be repaid), the higher the interest rate risk. This is commonly referred to as duration risk.

### Liquidity risk

When market conditions are unusual or characterised by particularly low volumes, a portfolio can encounter difficulties in valuing and/or trading some of its assets. For funds, liquidity constraints can arise, resulting in limited availability for subscriptions and redemptions or lockups can be imposed, meaning investors are subject to market risk during interim pricing periods and may have limited ability to access funds at short notice. For



structured products, liquidity risk could materialize before maturity as investors can encounter difficulties in selling the product on the secondary market. The investor may receive less than their initial investment if the product is sold on the secondary market (if the parameters impacting the product market value are unfavourable).

#### Market risk

Financial instruments are subject to price fluctuation/volatility and to political and economic risks which can significantly impact the performance of the financial instrument/portfolio.

#### Political risk

Countries with unstable political leadership or where politics strongly influence markets and business practices may be subject to greater volatility. Political risk may include potential for currency controls that would disrupt the financial markets in that country.

#### Reinvestment risk

The risk that coupons from a bond will not be reinvested at the same interest rate as when the bond was issued. This risk is related to the fluctuation of interest rates, where an increase in interest rates will be positive for the investor and a decrease unfavourable.

#### Risks linked to costs/charges

All investments incur various charges regardless of whether or not the investment return is positive or negative. When the investment return is very low or negative, these charges can significantly impact the overall return.

#### Smaller company risk

Securities of smaller companies may be less liquid than larger companies. Securities of smaller companies may be more price volatile and entail greater risk.

#### Sustainability risk

The risk arising from any environmental, social or governance events or conditions that, were they to occur, could have a material negative impact on the value of the investment. Specific ESG/sustainability risks include, but are not limited to, the following:

- **Climate transition risk**

This refers to the risk associated with the exposure to issuers that may be negatively affected by the transition to a low-carbon economy due to their involvement in fossil fuel exploration, production, processing, trading and sale, or their dependency on carbon-intensive materials, processes, products and services. Transition risk may result from several factors, including rising costs and/or the limitation of greenhouse gas emissions, energy-efficiency requirements, the reduction in fossil fuel demand or the shift to alternative energy sources due to policy, regulatory, technological and market demand changes. Transition risks can negatively affect the value of investments by impairing assets or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

- **Climate physical risk**

This refers to the risk associated with the exposure to issuers that may be negatively affected by the physical impact of climate change. Physical risk includes acute risks arising from extreme weather events such as storms, floods, droughts, fires or heatwaves, and chronic risks from gradual climate changes, 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**

This refers to the risk associated with the exposure to issuers that may be affected by environmental degradation and/or the depletion of natural resources. Environmental risk can result from air pollution, water pollution, waste generation, the depletion of freshwater and marine resources, the loss of biodiversity or damages to ecosystems. Environmental risks can negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

- **Social risk**

This refers to the risk associated with the exposure to issuers that may 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 can negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

- **Governance risk**

This refers to the risk associated with issuers that may be negatively affected by weak governance structures. For companies, governance risk can 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 can stem from 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.

Consequent impacts to the occurrence of Sustainability Risks can be many and varied according to a specific risk, region or asset class. Generally, when a Sustainability Risk occurs for an asset, there will be a negative impact and potentially a partial or total loss of its value. However, the integration of Sustainability Risks analysis should mitigate the impact of such risks on the value of the investments and could help enhance long-term risk adjusted returns for investor.

Source: SIX Swiss Exchange

