

# Pictet Asset Management

## The Group

Pictet was founded in Geneva in 1805 and is today one of the largest private banks in Europe and a leading independent asset and wealth manager. Pictet is wholly owned and managed by eight partners with unlimited liability. Throughout our history, the partnership structure has ensured stability, continuity and commitment to Pictet's strength and independence. Pictet's capital structure underpins its independence and avoids conflicts of interests. Headquartered in the heart of Europe, Pictet is a global organisation with a presence in 20 financial centres worldwide.

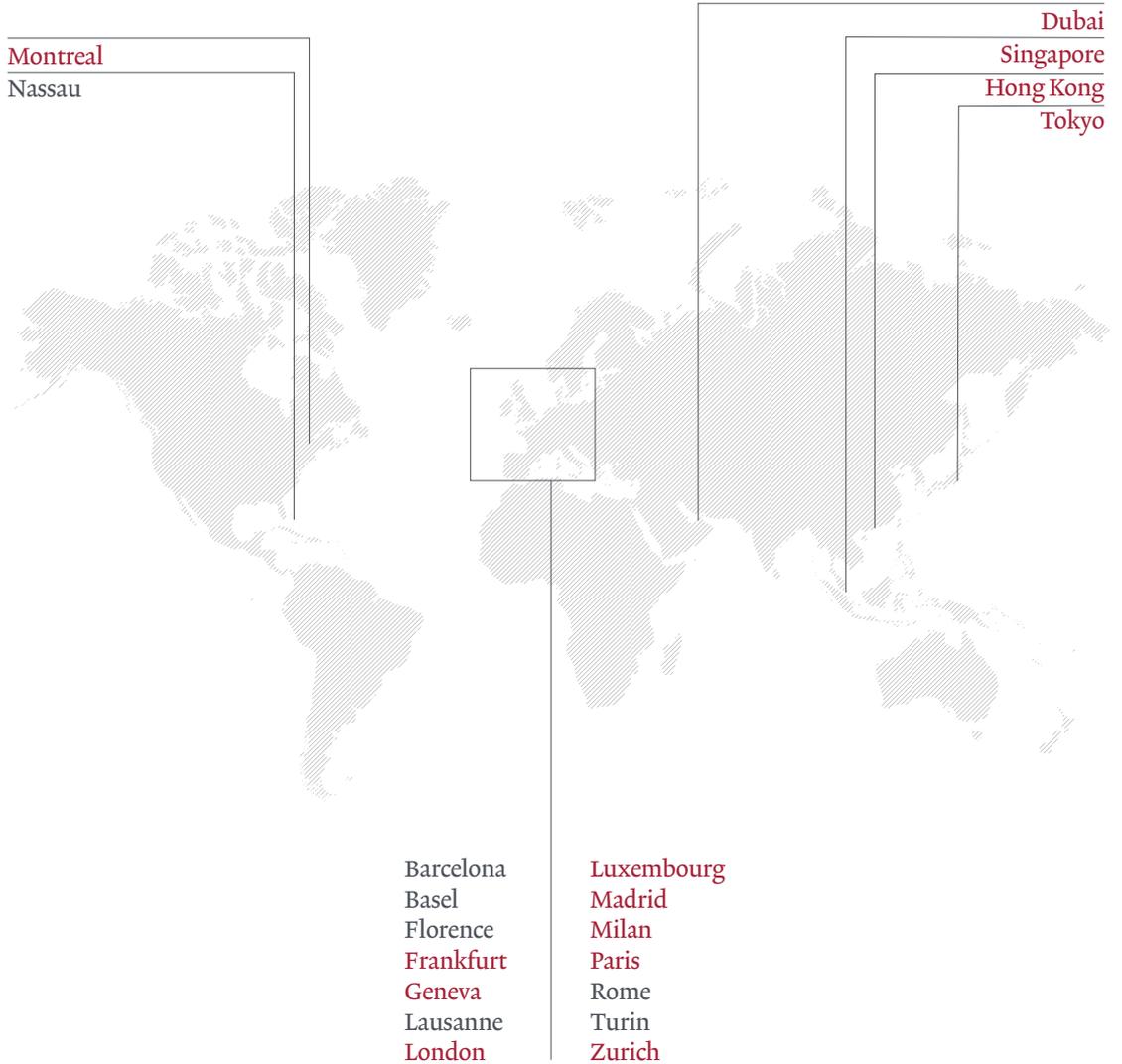
## Pictet Asset Management

Pictet Asset Management is the asset management arm of the Pictet Group, one of the leading independent asset managers in Europe. We provide specialist investment management services to institutions globally. We distribute our products across multiple channels and our clients include some of the world's largest pension funds, mutual funds, Sovereign Wealth funds and financial institutions. With thirteen business development centres around the world, Pictet Asset Management has a global reach that extends from London, Geneva, Frankfurt, Paris, Luxembourg, Milan, Madrid and Zurich to Tokyo, Hong Kong, Singapore, Dubai and Montreal. We manage money in five centres: London, Geneva, Zurich, Singapore and Tokyo.

As at the end of December 2010 assets under management and custody within the Pictet Group totalled USD 399 billion (CHF 372 billion/EUR 297 billion) of which assets managed by Pictet Asset Management amounted to USD 130 billion (CHF 122 billion/EUR 97 billion).

# Worldwide locations\*

With thirteen business development centres around the world, Pictet Asset Management has a global reach



*\*Pictet Asset Management offices in red*

We believe in  
organic growth  
and take a  
long-term view  
in the best  
interests  
of our clients

### **Our mission**

We are dedicated to reaching the highest global standards in all aspects of asset management. We aim to add value consistently for our clients through higher risk-adjusted returns solidly grounded in our own expertise. We aim to be known as an investment led service company providing world class investment management services to professional investors.

### **Our investment principles**

We believe that markets and stocks often depart from fair value and that we are able to exploit those differences profitably. We try to avoid the consensus, without being unthinking contrarians. The size of our active positions reflects the strength of our convictions and we believe that consistent good performance comes from diversification and a broad range of research inputs. Our investment disciplines should be difficult to reproduce externally. Value creation requires a framework in which investment managers can confidently allocate active risk according to expected active return, whether in relative or absolute return strategies. Our customised multi-factor risk models allow equity managers to identify the contribution to risk of each element of the portfolio, whether by region, country, sector or stock. Bond managers can see duration, yield curve, forex and credit contributions. All managers monitor liquidity.

### **Investment teams**

Our investment teams are organised along sector and/or geographical lines. Each investment team draws upon a range of external and internal resources, including our own investment analysts. The traditional, regional organisation of expertise sits alongside a global sector based structure. Pictet Asset Management's investment analysts provide a research platform for the investment managers. We offer long-only, indexed, total return and hedge fund strategies in a broad range of asset classes, available in either pooled or segregated form.

## Expertise in equity strategies

### Emerging equities

Pictet Asset Management is a global pioneer in the emerging markets asset class. We are a core manager with an active, bottom-up methodology and a value bias. We identify the best opportunities through an objective combination of current valuations and implied future growth. At the centre of our process is our proprietary database which helps us to identify mispriced companies by capacity replacement value. We employ distinctive value-based methods for financials and intellectual property/ service companies. In-depth fundamental analysis is conducted on every value opportunity.

### Sectors & themes

Pictet has been a pioneer of thematic investment strategies since 2000 when we launched the Pictet Water fund. The basis for successful theme investment lies in the identification of long-term structural changes in social and economic factors such as demographics, lifestyle, regulation and environment. We call these long-term changes ‘megatrends’ and aim to identify those that have the potential for long-term growth. We offer eleven sector or theme strategies: Water, Clean Energy, Timber, Agriculture, Environmental Opportunities, High Dividend Selection, Premium Brands, Security, Digital Communications, Biotechnology and Generics (the last two are managed externally). Global Megatrend Selection (9 themes) and Environmental Megatrend Selection (4 themes) combine individual themes in one product.

### Developed equities

Developed Equities is divided into five equity portfolio teams: Global, EAFE, Japan, Europe and Swiss. Our philosophy is based on a core approach of looking at how companies are valued compared to their intrinsic value – either in terms of assets or the present value of future cash flows. We believe companies are either misunderstood or mispriced and only through strong fundamental research can opportunities be identified. These portfolios tend to exhibit modest tilts towards both growth and value. We also offer US Equities managed by an external manager.

### Small cap equities

With an investment universe of over ten thousand companies, smaller companies provide excellent under-researched investment opportunities. We have built our skills in smaller companies investment since 1986 with a bottom-up approach. Our style is based on our proprietary ‘G4’ research framework (G4: emerging growth and established growth, defensive growth and cyclical growth). We purchase value stocks if a catalyst for the realisation of value can be identified. For true growth stocks we look for positive change in operating performance relative to valuation as the catalyst.

## Strong fixed income capabilities

### Global & regional bonds

Our main Global & Regional Bonds products include Global Bonds, European Bonds and US Bonds. We aim for stable returns within a strict, risk-managed analytical framework. Currency offers an extra source of alpha and is managed independently. We manage Swiss Bonds with both an active and passive approach. Duration, sector, rating and issuer domicile are carefully analysed using a multi-dimensional risk matrix.

### Money market

With our Money Market products we aim to offer investors attractive returns on cash through active management within a structured risk framework.

### Corporate bonds

Credit includes both Euro High Yield and Euro Investment Grade Corporate Bond portfolios. High Yield falls into three broad groups: leveraged buy-outs and 'good' high yields, fallen angels, or blue chip companies whose credit ratings have deteriorated, and distressed debt. Our investment process concentrates on identifying issuers with unrecognised, or under-appreciated, recovery or deleveraging potential. We also offer US High Yield and Convertible Bonds managed by an external manager.

### Emerging debt

Pictet Asset Management has built extensive experience investing in local emerging bond markets since we launched our first Emerging Market Debt product in 1998. We combine a top-down view of the macro environment with a bottom-up analyses of country fundamentals. The top-down view determines the general outlook for emerging markets and gives us an understanding of how attractive conditions are for taking risk. The bottom-up process is the key driver of currency and interest rate positions within the identified countries. In local currency debt markets, currency and interest rates are distinct sources of alpha, which should be managed separately.

# Specialist products and alternative investments

## Balanced mandates

Pictet manages balanced mandates according to the guidelines and objectives of each client. The team defines an optimal asset allocation and draws on the know-how of equity and bond specialists throughout Pictet Asset Management to construct client portfolios.

## Indexed products

Pictet manages a range of indexed equity products using a proprietary method called “optimised quasi full-replication”. Our indexation methodology is to build a portfolio which is as close as possible to a full replication portfolio. Our method takes into account the fact that it is beneficial for the investor to avoid very small trades, which are expensive, and to avoid trading in any illiquid portion of the benchmark.

## Socially responsible investment (SRI)

Our Socially Responsible Investment (SRI) approach aims to meet both our clients’ financial objectives and their concerns about social, environmental and governance issues. Our goal is to favour companies that excel in continuity, stability and responsibility whilst delivering higher risk-adjusted returns. We define sustainability as corporate economic activity that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

## Commodity strategies

Our investment strategies also include commodities, offering clients the possibility to diversify their portfolios outside conventional asset classes and to optimise the return and risk profiles of their portfolios.

## Alternative investments

We manage total return products which aim to capture our best ideas whether internally or externally generated. We offer the following alternative investment strategies:

- Multi-strategy, market neutral, multi-manager hedge fund
- European equity long/short (mid/small cap bias)
- Chinese equity long/short
- Absolute return

Pictet Asset Management also distributes a range of funds of hedge funds and a fund of private equity funds on behalf of Pictet Alternative Investments.



**Risk  
management  
and control is  
a pivotal part of  
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analysis, debate  
and decision  
making**

**Risk and performance measurement**

Risk management and control is a pivotal part of our investment analysis, debate and decision making. It exists for all mandates and all managed portfolios. Portfolio managers have instant and seamless access to full risk analysis, while Pictet Asset Management's Risk Control Unit independently monitors the risk dimensions appropriate to each mandate. Our internal compliance function provides a second level of control which covers mandate guidelines. We have a dedicated Performance Measurement unit. As a firm we comply with Global Investment Performance Standards (GIPS). Our figures are verified annually by an independent auditor to ensure transparency, consistency and integrity of performance procedures and reporting.

**Compliance**

All our employees have a duty to stay within the rules and laws of the jurisdictions in which we operate. Our compliance team is responsible for advising staff on continued compliance with their relevant legal and regulatory obligations, as well as regularly monitoring those obligations.

**Excellence in Client Service**

At Pictet Asset Management we are committed to providing professional service of all-round excellence to our clients. To achieve this objective we aim to develop a mutually trusting relationship with our clients, to identify client needs and provide the investment solutions they require and to provide accurate, timely and informative reporting.

**Our aim is to reach the highest global standards in all aspects of asset management operations**

### **Operations**

We are committed to providing the highest global standards in all aspects of asset management operational support. Above all, we aim to add value consistently for our clients through:

- First class trading and execution capabilities
- Value adding portfolio measurement analytics
- Accurate data provision
- Leading edge technological platform
- A controlled operational risk environment
- Managing counterparty risk

In meeting these objectives we are able to offer a reporting service that is proactive, informed and adapted to each client's individual specification. We maintain our edge in in-house performance measurement, attribution and risk analysis through regular upgrades of our systems. By providing reliable and transparent data for our clients, we demonstrate our commitment to achieving the highest standards of compliance. Pictet is committed to providing world class IT solutions to ensure that we avoid logistical constraints on our ability to manage client portfolios. Our processing and reporting systems revolve around the central axes of SimCorp, our accounting platform, and PAMFolio, our front-end, proprietary portfolio management system.

### **Business risk**

Pictet Asset Management has a dedicated business risk unit with the task of identifying, monitoring and managing the business and strategic risks faced by Pictet Asset Management. This unit maintains a detailed risk matrix which defines the nature, extent and frequency of each risk identified.

# Contacts

For further information, please contact our local offices:

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Pictet Asset Management ("PAM") definition: In this document, Pictet Asset Management includes all the operating subsidiaries and divisions of the Pictet Group that carry out institutional asset management: Pictet Asset Management SA, a Swiss corporation registered with the Swiss Financial Market Supervisory Authority FINMA, Pictet Asset Management Limited, a UK company authorised and regulated by the Financial Services Authority, and Pictet Asset Management (Japan) Limited, a Japanese company regulated by the Financial Services Agency of Japan.

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