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PICTET
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Building Responsible Partnerships

1805

TO OUR CLIENTS, COLLEAGUES, COMMUNITIES AND COMPANIES IN WHICH WE INVEST

In our long history, we have survived crises and protected our clients by focusing on our strengths, marshalling our resources and keeping our eyes firmly fixed on the long term. Rarely have these virtues been more relevant. We cannot know the eventual implications of Russia's invasion of its neighbour Ukraine, but the war has already dealt a seismic blow to the geopolitical and economic world order. Ironically, the conflict commenced just as the Covid-19 pandemic seemed to be receding and we were able to announce all-time highs in assets under management and profits. Fortunately, our strong results and rock-solid balance sheet reinforce 'the Pictet fortress', which should give particular reassurance to our clients. It also means we have the capacity to continue investing in talent and technology. The investment leadership of our people, their unity and responsible approach are enduring strengths, as we advise our clients on how to navigate the months and years ahead. So while we hope for better times, we are prepared for the challenges before us.

RENAUD DE PLANTA
On behalf of the Managing Partners

GROUP FINANCIAL SUMMARY

In this document the terms 'Pictet Group' or 'the Group' or 'Pictet' denote all entities in which the Partners collectively have a direct or indirect majority stake

1 The financial figures in this publication are based on non-audited figures and may be adjusted in the normal course of a yearly audit. The latest Pictet Group financial report can be found on our website group.pictet

2 For definitions, please refer to notes on *Financial ratios* on page 31

Year ended 31 December[1]

	2021	2020	
CHF	3,251 m	2,885 m	Operating income
CHF	1,008 m	577 m	Consolidated profit
CHF	48.9 bn	45.3 bn	Total assets
CHF	3.68 bn	3.17 bn	Total equity
	22.5 %	20.6 %	Common Equity Tier 1 ratio[2]
	22.7 %	20.6 %	Total capital ratio[2]
	164 %	182 %	Liquidity coverage ratio[2]
CHF	698 bn	609 bn	Assets under management or custody

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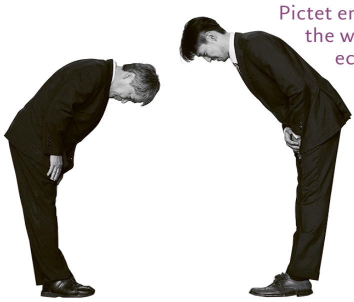


1981
Pictet enters what is then the world's second-largest economy, opening an office in Tokyo.

PARTNERSHIP

While Pictet has
the legal form of a partnership,
it is also a partnership
in a wider sense. Partnership
embodies respect, trust
and interdependence over
the long term. It also
means embracing diversity and
promoting inclusion.

THE PICTET GROUP

The Pictet Group comprises four business units: asset management, wealth management, alternative advisors and asset services. It is constituted as a *société en commandite par actions* (a corporate partnership), which is the managing entity of the Group.

The principal operating companies are the Swiss bank, Banque Pictet & Cie SA; Pictet & Cie (Europe) SA; Bank Pictet & Cie (Asia) Ltd; as well as the asset management and alternative investments subsidiaries grouped under Pictet Asset Management Holding SA and Pictet Alternative Advisors Holding SA respectively, both holding companies belonging to the Pictet Group.

Other than the head office in Geneva, Pictet has 29 offices in 19 countries around the world.

The Group is owned and managed by eight Managing Partners, and overseen by an independent supervisory board. Renaud de Planta, a Partner since 1998, has been Senior Partner since 1 September 2019.

At 1 April 2022, a further 50 senior executives, known as Equity Partners, held equity in the Group. Each leads a strategically important function and plays a central role in the development of Pictet. Elections are made every second year.

In selecting new employees and promoting career advancement, Pictet aims for diversity of gender, background and education, which together contribute to diversity in thought, opinion and experience. But diversity also goes hand in hand with inclusion – that is, making each employee feel valued and giving each a voice in daily business.

3 The term 'assets under management or custody' excludes double counting. It represents the assets of private and institutional clients looked after by the Pictet Group. These assets may be managed through individual discretionary mandates, benefit from value-added services such as investment advice, or simply be under deposit.

Group full-time equivalent employees

5040

CHF **698** BILLION in assets under management or custody[3]

30 offices

19 countries

73% cut of CO_2 emissions per employee between 2007 and 2020

Commitment to achieving net-zero emissions by

2050

4 The 12 new Equity Partners appointed on 1 April 2022 are denoted in bold

PARTNERS

Renaud de Planta *Senior Partner* • Rémy Best • Marc Pictet • Bertrand Demole
Laurent Ramsey • Sébastien Eisinger • Elif Aktuğ • François Pictet

EQUITY PARTNERS[4]

Victor Aerni • **Maurizio Arrigo** • Derick Bader • Xavier Barde • **Mary-Therese Barton**
Marc Briol • Yves Bruggisser • Nicolas Campiche • Andrea Delitala
Philippe de Weck • **Luciano Diana** • Elizabeth Dillon • Luca Di Patrizi • Christophe Donay
Armin Eiche • Jean-Claude Erne • Olivier Ginguené • Takuhide Hagino
Christèle Hiss Holliger • **Sven Holstenson** • Zsolt Kohalmi • **Hubertus Kuelps**
Gaspare La Sala • **Peter Lingen** • Philippe Liniger • **Alessandra Losito**
Christopher Mouravieff-Apostol • **Jean-Philippe Nerfin** • **Alex Ng** • Epaminondas Pantazopoulos
Fabio Paolini • **Paolo Paschetta** • Claude-Joseph Pech • César Pérez Ruiz
Grégory Petit • Hans Peter Portner • Niall Quinn • Lorenz Reinhard • Gonzalo Rengifo Abbad
Raymond Sagayam • Andres Sanchez Balcazar • Christian Schröder
Markus Signer • Hervé Thiard • Bernd Uhe • Alberto Valenzuela • Giovanni Viani
Junjie Watkins • Pierre-Alain Wavre • Peter Wintsch

BUSINESS UNITS

Asset Management

Specialist investment management for institutions and investment funds

Alternative Advisors

Private Equity
Real Estate
Hedge Funds

Wealth Management

Private Banking
Wealth Solutions
Family Office Services

Asset Services

Custody
Fund Solutions
Trading Services

Sébastien Eisinger Elif Aktuğ Renaud de Planta
Laurent Ramsey

The picture was taken by the Swiss photographer Marco Grob. It was part of a series shot in the garden of former Senior Partner Jacques de Saussure's house in the old town of Geneva. 6 September 2021

Rémy Best
Bertrand Demole
Marc Pictet
François Pictet

ENTREPRENEURIAL SPIRIT

Independence, long-term thinking, partnership and responsibility count for little if we do not keep our entrepreneurial spirit alive. Many businesses lose their boldness, adaptability and originality as they grow. They become process-driven bureaucracies. Pictet is determined to stay true to its entrepreneurial origins.

Tackling global challenges

If the past year has taught us anything, it is the importance of human resilience and ingenuity. Both are critical to how we tackle the pressing challenges we face: to our health, our democracies, and our climate.

While Covid-19 is unlikely to become a distant memory soon, we are finding ways of living with the disease. The vaccine achievement and therapies scientists have developed give us hope not only for this pandemic, but also a number of other health problems.

Russia's invasion of Ukraine has presented the world with a war that undermines the principles of international diplomacy. Its outcome remains uncertain, yet we can already conclude that relying on unpredictable regimes for our energy needs is no longer tenable.

The undeniable truth is that Covid, the assault on Ukraine and last year's COP26 meeting in Glasgow all point to the same conclusion: the necessary and swift transition to a more sustainable world economy. A herculean task, given the level of multilateralism required at a time when the geopolitical world has fractured and deglobalisation is accelerating.

Amidst the turmoil, it would be easy to overlook a major economic turning point. For 40 years, long-term interest rates fell, ending close to or even below zero. Quantitative easing after the 2008 global financial crisis drove up asset prices, but failed to ignite consumer price inflation. Combined with the excessive fiscal and monetary stimulus during the pandemic, the long-predicted upturn in inflation is now happening. Policymakers will need to find a balanced response while handling the severe and ongoing economic effects from the pandemic and the conflict in Ukraine as well as the significant costs of decarbonisation.

In times of global unease, we retain perspective by remembering that Pictet, as a privately owned company, has always resisted the temptations of short-term thinking and instead opted for a focus on the long term. This approach has served our clients and Pictet well for 217 years.

1986
To serve clients living in Southeast Asia, Pictet establishes a presence in Hong Kong.

PICTET WEALTH MANAGEMENT

Pictet Wealth Management provides a comprehensive service for wealthy individuals and families alike. This goes beyond simply managing assets, to considering wealth management in its widest sense.

Our integrated approach is built on three pillars: wealth, investment, and banking services.

We consider each client's particular requirements regarding their family, future and extended ambitions, whether philanthropic or otherwise. Clients then decide how much they wish to be involved in the investment process, from delegating the management of their wealth to taking advantage of our investment advisory services.

This allows us to define an investment strategy that meets their financial goals in the context of their broader aspirations. Finally, we add the operational platform best suited to achieving these goals.

Our investment capabilities extend across developed and emerging markets, covering a broad range of asset classes, including our expertise in private assets. We also offer our international capabilities in holding client assets, as demanded by economic, geopolitical or personal circumstances.

For clients whose needs are more complex, we offer a full range of personalised services including dedicated holding structures, bespoke reporting, global custody and direct access to trading services. Our experts in family office services also help clients with multi-generation wealth transmission by designing the most appropriate governance for the family organisation, investment strategy and administration of portfolios.

We pride ourselves on being the trusted advisor to each and every one of our clients.

5 See note 3 relating to Pictet Group figures

6 Investment professionals are defined as all staff whose principal activity is in the area of investment research and analysis, portfolio management, trading, wealth planning, investment advisory, sales, marketing or client relationship management, or the management of such activities. Not included are those occupying, for example, pure operational, mid-office, compliance or risk management functions.

7 Private bankers are defined as all staff whose principal activity is to actively advise clients on wealth management solutions. They ensure the quality of the client experience while some are responsible for new client acquisition.

CHF 274 BILLION in assets under management[5]

22 offices worldwide

611 investment professionals[6]

1124 full-time equivalent employees

355 of which are private bankers[7]

1987
Pictet becomes the first Swiss financial firm to receive a discretionary investment management licence in Japan.

After the baby boomers

It has been termed 'the great wealth transfer' of the 21st century — a shift of demographics and finances with far-reaching implications for families, business owners, markets and investors.

The generation born between 1944 and 1964, the baby boomers, profited from decades of prosperity, during which companies were founded, businesses built, and wealth accumulated on an unprecedented scale. The next generation now stands to inherit. 'Natural wealth distribution of this magnitude is unparalleled,' says Giovanni Viani, Head of Europe & North America at Pictet Wealth Management (PWM). 'It is a process that will continue for years and, while it offers opportunities, it warrants careful planning in taking the next generation's worldview, interests and goals into account.'

It would be a mistake to assume that the inheriting generation is a homogeneous group with similar aspirations. In particular, they may no longer feel an obligation to take on the family business as younger generations have in the past. Separately, their parents may find a full or partial sale of their business an irresistible prospect, given the current boom in private equity. Besides, Giovanni believes that looking at wealth transfer through a family or family-business lens is too simplistic, and other factors need to be taken into account.

'So much has changed from an investment, and asset allocation perspective. A traditional portfolio mix of equities and bonds ignores new areas that have emerged during the last few years. Strategies that include alternative assets, impact investing, and philanthropy are now priorities for these next-generation family members. They want to diversify portfolios, reduce risk and use family wealth to shape the future.'

Recalibrating a portfolio or dealing with a large liquidity event (a sale) requires experience, expertise and a trusted advisor.

'At PWM, we are able to harness the expertise of the entire Group — from colleagues in alternative investments, asset servicing and asset management. This allows us to give our clients the best possible advice, be they individuals passing on wealth or younger inheriting generations.'

Whether advising on transferring a family business or managing a portfolio after a sizable inheritance, Giovanni emphasises the long term.

'Clients frequently mention Pictet's differentiators: the partner model, our investment expertise and the continued involvement of the founding families. It's a combination few others can offer and leaves them assured that we understand them.'

PICTET ASSET MANAGEMENT

Pictet Asset Management provides specialist investment management services across a range of strategic capabilities including multi-asset solutions, thematic equities, emerging markets and alternatives.

Our clients include financial institutions, pension funds, foundations and financial advisors. We aim to be the investment partner of choice, offering original strategies that outperform over the long term and irreproachable client service. As an active manager, we focus on strategies that cannot be easily replicated.

We incorporate environmental, social and governance (ESG) factors into all our investment decisions and responsibility is central to our approach. In that respect, we actively exercise our rights as investors and engage with companies and sovereign issuers directly wherever possible. Our clients' interests take precedence over growing our assets under management. We do not hesitate to close strategies to new investors to protect our ability to add value.

By having an investment philosophy that we implement rigorously through a disciplined and focused process, we allow our clients to be confident that their future objectives can be met. Our investment approach emphasises valuation across equities, credit, sovereign debt and currencies, while risk management is an integral part of the decision-making process.

Our independence sustains our ability to innovate. We constantly explore opportunities to uncover new sources of return and commit substantial resources to building and maintaining our strategic capabilities.

We aim to create a collegiate atmosphere, allowing ideas to mature, experience to accumulate and our people to reach their full potential. In this respect, we consider it fundamental to cultivate a meritocratic environment that attracts people with unusual talent and a strong sense of team spirit.

asset manager since
1980

CHF 259 BILLION in assets under management[8]

18 offices worldwide

407 investment professionals[9]

7 investment centres

1078 full-time equivalent employees

8 See note 3 relating to Pictet Group figures

9 See note 6 relating to Pictet Wealth Management figures

The ESG revolution is not (yet) all-consuming

Talk of responsible capitalism and socially conscious investing is everywhere. And it's not just talk. The value of investments that embed environmental, social, and governance (ESG) criteria has grown by 55 per cent in the past five years to around USD 35 trillion in 2021.

Yet, the ESG revolution is not as all-consuming as it appears. So far, it has mainly been an equity market phenomenon.

But this is about to change, says Mary-Therese Barton, head of emerging market debt at Pictet Asset Management (PAM). 'Research we commissioned this year shows that ESG-labelled bonds account for just 2 per cent of the total outstanding, or less than USD 3 trillion,' she explains. 'But we also found that financing the COP-26 net-zero pledges will require the ESG- and climate-aligned bond market to grow to as much as USD 60 trillion by the end of the decade.'

Given the size of global fixed income markets – investors hold more than USD 120 trillion in debt securities worldwide – the transformation is likely to be disruptive. It's a future Mary-Therese and her colleagues at PAM have been preparing for. They are convinced that as green, sustainability-linked and social bonds become mainstream investments, emerging markets will come to the fore.

'Emerging market nations are among the most vulnerable to climate change,' she explains, 'but at the same time, they can become leaders in many of the technologies we need for the transition. Fully fledged ESG bond markets will help direct financial resources in emerging economies towards positive change and a more sustainable future.'

Since Mary-Therese began investing in emerging market sustainable debt in 2018, her vision has been vindicated. The range of sustainable bond indices is broadening, while the number of emerging market debt ESG funds is gathering pace. Also, Mary-Therese observes, many index providers now include green and other ESG sovereign bonds as standard in their emerging market benchmarks.

'We expect the ascent of ESG bonds to continue,' Mary-Therese says. 'By the end of this decade, there won't be any investors who don't have a significant allocation to ESG bonds in their portfolios.'

'A Chinese saying goes,
"Wealth never survives
three generations."
It doesn't have to be that way.'

MARC PICTET

Number of
billionaires in China
in 1999 = 0
In 2021 = Nearly 1,200

PICTET ALTERNATIVE ADVISORS

Pictet Alternative Advisors provides alternative investment services in private equity, real estate and hedge funds, both directly and through selected external managers. Our mission is to invest in, manage and advise on alternative investment portfolios for private and institutional clients of Pictet Asset Management and Pictet Wealth Management.

Our first private equity investments were made in 1989, and in hedge funds in 1991. Since 2004, we have also invested indirectly on behalf of clients in real estate. By building close, long-term relationships with managers in these fields, we are able to gain access to leading funds and to attractive co-investment opportunities. In 2018, we began to expand into direct capabilities, starting with the launch of a European real estate fund.

We collaborate with teams across the Group with distinctive expertise in alternative assets, including Pictet Asset Management—who have been advising clients since 1980 and have developed one of Europe's leading hedge fund franchises.

The Pictet Group's growing investment in alternative asset resources will make an important contribution to the investment opportunities available for our clients in the coming years.

10 Client assets invested in hedge funds, private equity and real estate funds. This figure is included in the assets under management of Pictet Wealth Management and Pictet Asset Management. See note 3 relating to Pictet Group figures.

11 See note 6 relating to Pictet Wealth Management figures

CHF **32** BILLION in assets under management[10]

More than **30** years of experience in alternatives

full-time equivalent employees **112**

57 investment professionals[11]

First co-investment **1992**

The rise and democratisation of private markets

Once the preserve of institutional and so-called sophisticated investors, private markets have grown rapidly over the past two decades. Assets under management in so-called alternative strategies have risen from USD 4.1 trillion in 2010 to more than USD 11 trillion in 2020. This is predicted to grow to USD 17 trillion by 2025, as investors turn increasingly to private equity, distressed debt, and real estate.

'Private markets have become an essential source for investors seeking to diversify their portfolios beyond publicly traded equities and fixed income to generate better returns,' says Elif Aktuğ, one of the eight Managing Partners of Pictet and head of Pictet Alternative Advisors (PAA). 'Making them accessible to a wider group of investors has merits,' she says, while noting that the asset class has characteristics that don't necessarily suit everyone.

Light regulation, historically low interest rates and — potentially — above-average returns are just some of the reasons that have attracted an expanding pool of investors.

Such is the rise of private markets that policymakers are now working on ways to open the way for smaller investors to access the potential benefits. For example, UK regulators are planning to allow pension fund savers to enter alternative asset classes. In Europe, European Long-Term Investment Funds (ELTIFs) now give non-professional investors access to deals requiring long-term capital.

'At PAA, we are adapting and broadening our offering,' says Elif. 'This year, we launched an ELTIF structured vehicle that seeks investments in real estate and related companies in Germany, Spain, the UK and the Nordics — the first in Europe.'

Still, those used to the simple structures and immediate liquidity of conventional funds may find some aspects of private markets unsettling.

The longer-term commitment needed to invest in these assets demands a different perspective from investors, who will need to consider performance throughout a cycle. Illiquidity risk, meanwhile, prevents redemption at the time of their choosing. Also, the particular fee arrangements associated with private assets need to be clearly understood.

'The democratisation of private markets is set to continue, even increase in pace, according to Elif. 'For those with few savings and a need for liquidity, investing in this asset class would be unadvisable. However, if handled correctly, this development should be positive for new entrants who can make the most of the opportunities, diversify their portfolios and — possibly — generate better returns.'

PICTET ASSET SERVICES

Pictet Asset Services (PAS) is quality and performance focused, allowing clients to concentrate on their own priorities: generating portfolio performance and distributing their products.

Our clients include fund managers, independent asset managers and institutional investors. We act as an asset servicing boutique and offer standard and bespoke custody, fund and trading solutions, in addition to cash and securities settlements, corporate actions, valuations and reporting.

Pictet Connect, a dedicated online platform, provides simple and secure digital access to real-time information and reports regarding their portfolios. Additionally, our Portfolio Management Systems' (PMS) integration and other bespoke solutions enable seamless front-to-back integration.

Our fund administration services include all processes from NAV calculation and fund accounting to maintaining shareholder registers. We also have access to dedicated third-party management companies that are able to manage relationships with regulators. All our fund services are managed in-house, ensuring consistent standards and promotion of our risk-aware culture through the whole value chain.

Through a dedicated access to Pictet Trading and Sales (PTS), we also offer round-the-clock execution capabilities through a single entry point across asset classes – including equities, bonds, foreign exchange, derivatives and mutual funds.

As the Pictet Group does not have any investment banking activities, we can always act without conflicts of interest and to the best advantage of our clients.

12 This figure does not include assets held in custody for internal clients, that is, Pictet Wealth Management and Pictet Asset Management

13 This figure does not include the 1,479 full-time equivalent employees of PAS Operations, now part of a division called Technology & Operations, or the 173 full-time equivalent employees of Pictet Trading & Sales

CHF **216** BILLION assets in custody[12]

of which CHF **104** BILLION fund services

228 full-time equivalent employees[13]

6 offices worldwide

1 global platform

New opportunities for asset servicing

Challenges to the asset servicing industry come in waves. In its earliest days, the central task was to hold and manage safely the paper share and bond certificates of clients — and detach coupons to collect periodic dividend payments.

With the first mainframe computers in the 1960s, it became possible to computerise client files and consolidate securities holdings from different custodians. As information technology advanced, securities became dematerialised and client data became completely digital. It could be collected, analysed and presented in endless ways.

Regulation also comes in waves — historically passing through long cycles of tightening and loosening. An intense and unrelenting phase of regulation began after the global financial crisis in 2008, much of it designed to protect the individual investor. Accordingly, the central concern of clients and their asset servicers has been adapting their systems and processes to ensure compliance with the complex demands of the global regulatory environment.

That phase is ending. The next couple of years will see digital- and data-driven innovation disrupt the front-, middle-, and back-office operations. This offers the potential to increase efficiencies, reduce risk, and improve client services, according to Marc Briol, CEO of Pictet Asset Services (PAS).

'In the past we could replace repetitive, manual and cost-inefficient processes,' says Marc. 'Technological innovations allow us to exploit data and innovate in the fields of custody and fund administration.' With the vast data sets now on hand, there are few limits to the potential insights available to clients. One growing area is the ESG-related environment.

Recognising the need to customise specific functions to clients' requirements is something Marc believes can be traced back to a simple yet often overlooked Pictet trait — listening to clients.

'We are currently implementing solutions that not only allow desktop execution and trade analysis, but also integrate our clients' technology with our infrastructure. It means third-party portfolio management systems can now access and perform multiple functions, including order management, modelling, and compliance-related tasks.'

At PAS, putting client needs first and using the expertise and knowledge of the entire Group is something Marc believes differentiates Pictet.

'We aim to solidify our position and make a difference as a trusted business partner by listening, providing market and portfolio data and engaging with policymakers.'

2005
The Pictet Global Income Stock fund becomes Japan's largest equity fund.

LONG-TERM THINKING

To think long term means to resist the temptations of short-term fashion in favour of sustainable decision-making. Both our investments and our businesses have a long-term focus, to the lasting benefit of all stakeholders and thus of the Pictet Group.

Throughout the centuries, most Pictets had been ministers of the Church, soldiers, councillors, scientists and academics. The first documented Pictet in finance does not appear until 1707 – the young André, who hoped, in vain, to profit from the Wars of the Spanish Succession.

The firm that was to become Pictet emerged from the ashes of the French Revolution. Louis XVI's government, desperately raising foreign loans in its final years, restructured and largely reneged on its debts, causing many Geneva partnerships to collapse. Family estates had to be sold, leaving heirs bereft.

But some families retained wealth. New banking partnerships began to form once France annexed the city state in 1798, giving Geneva a measure of stability and security. After Napoleon pulled out of Geneva in 1813, the so-called Restoration marked the beginning of several decades of peace and rising prosperity.

Two families with capital were the de Candolles and the Mallets, who in 1805 formed De Candolle, Mallet & Cie: the partnership that was to become Pictet. Jacob-Michel-François de Candolle, brother of the celebrated botanist, soon brought in a Turrettini, and then, in 1836, his wife's nephew, Edouard Pictet-Prevost, who became a Partner in 1841.

Between 1848 and 1926, the bank was continuously headed by a Pictet, first Edouard, then Ernest, and third, Guillaume – each drawing their last breath while still occupying the senior partner's chair.

Their persistence had the great merit of stabilising the bank's *raison sociale* – the only one of the partnerships existing before Geneva's 1846 Radical Revolution to do so in the second half of the 19th century.

This is the era in which Pictet established itself as the most solid and respectable bank in Geneva.

1805

2015
Pictet launches a pioneering Chinese local currency bond fund.

2010
Pictet launches its 'Mandarin' strategy, one of the first long-short equity funds focused on Greater China.

A HEAD START IN ASIA

For many investors today, 'Asia' means one thing: China. But the world was very different 40 years ago, when Pictet first set foot in the East. The year was 1981 and Deng Xiaoping, then paramount leader of Communist China, had only just begun his programme of economic reforms. The hot spot for equity investment was Japan. At the time, the Tokyo market accounted for almost half of non-US stock market capitalisation; towards the end of the decade, it would approach half of global equity market value. In turn Japanese institutions and individuals were enthusiastically seeking opportunities overseas.

As one of the earliest asset managers to open in the Japanese capital, Pictet made a head start, installing the first non-Swiss manager in a Pictet outpost. For the next 25 years, colleagues visited Japan assiduously, cultivating clients and building a business.

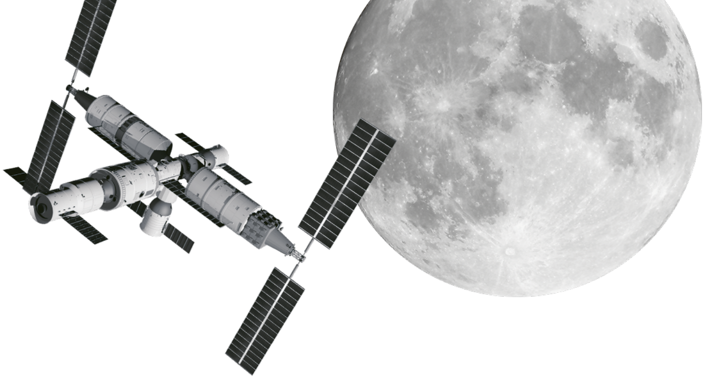
But the 1990s was Japan's 'lost decade' after the bubble burst. It wasn't until Pictet launched its first thematic funds in Japan that the business found a secure footing. They included Water, Premium Brands and the Global Income Stock fund (which became by far Japan's largest equity mutual fund), distributed through banks and bro-

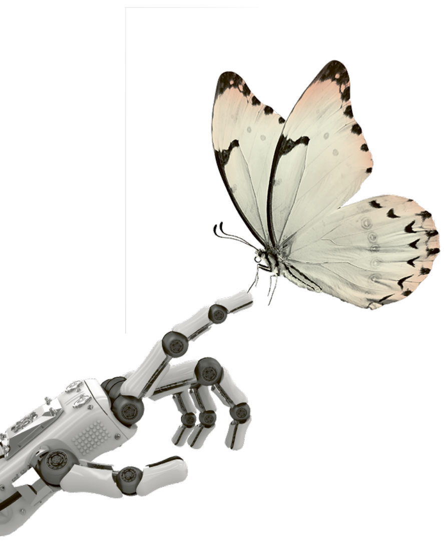
kers nationwide. After Tokyo, the biggest financial centre in 1980s Asia was Hong Kong. Here Pictet opened an asset and wealth management presence in 1986, soon after China and the UK had agreed a protocol for Hong Kong's return to Chinese sovereignty in 1997. Two years before the handover, Pictet established a corresponding office in Singapore, where future Partner Laurent Ramsey spent four years for Pictet Asset Management.

The global financial crisis of 2008 reinforced the Partners' conviction that global economic leadership was moving east. They adopted an expansionary business plan for wealth management out of Hong Kong and Singapore. In Northeast Asia, Pictet Asset Management opened in Taipei in July 2011 to cover fund distribution and institutional clients. That October, a branch of PAM's Tokyo subsidiary broke ground in Osaka to serve both money centre banks and regional banks as distributors of Pictet's mutual funds.

In late 2020 Pictet Asset Management created an investment research office in Pudong Shanghai with the medium-term objective of developing a fund management business there. Since China – as the world's second-largest economy, with a savings ratio of 47 per cent of GDP – will soon be the biggest savings market in the world, it may well become Pictet's most important global outpost. Yet both Singapore and Hong Kong, with over 400 staff combined, are central to Pictet's future in the region, while Japan remains one of Pictet's most well-established and successful locations worldwide.

If the future is Asia, Pictet and its clients are well placed to prosper together.





THE PAST, PRESENT AND FUTURE OF PRIVATE MARKETS

Today, 'alternative assets' denotes any investment other than equities, bonds or cash. But what was alternative in the 19th century – heyday of the Industrial Revolution – when equity markets were in their infancy, and government or municipal securities dominated the bond markets? The quintessential investment was the railway. At first, private capital provided the financing, but as the scale of enterprises expanded, capital needs outgrew the capacity of purely private interests. An early – and by far the biggest infrastructural venture – was the public-private partnership that completed the US transcontinental railroad in 1869.

With the growth of centralised stock exchanges and the popularisation of joint stock companies, many investors were content sticking to publicly traded securities. But the industrial pioneers of the age were beginning to shape the alternatives industry as we know it. In 1893, for example, Ernest Pictet formed a company to buy farmland in Tuscany, introducing mechanisation, raising productivity and selling on – now standard features of private equity (PE) investing. The first recognised leveraged buyout came in 1901 when JP Morgan used equity and debt financing to acquire Carnegie Steel and form the world's largest company.

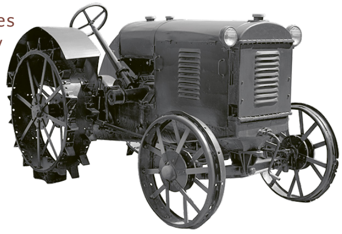
As institutional investment grew in the 1950s and 60s, the benefits of diversification became apparent. Portfolio investors began to add real estate to their equity and bond holdings. Meanwhile, venture capitalists emerged

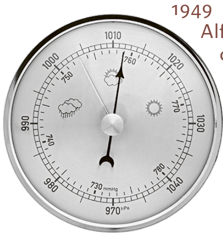
from Silicon Valley's semiconductor industry, with future household names like Kleiner Perkins and Sequoia Capital opening for business in 1972. Yet, even in the US, private market investing remained a fringe activity until the 1980s, when leveraged buyouts thrived and some of today's largest PE firms were founded. Over the next decade, alternatives expanded, and hedge fund managers in particular flourished. During that time, the young Bertrand Demole started to attend meetings with prolific managers, such as Paul Tudor Jones, Julian Robertson and George Soros.

At the same time Pictet became the first European client of now established PE firms such as Carlyle and Blackstone, forming its own manager selection unit (forerunner of Pictet Alternative Advisors) in 1991. The global financial crisis in 2008 proved perilous for alternatives, but the concept prevailed. Not long after, Pictet Equity Partner Pierre-Alain Wavre founded a specialist in-house investment unit called Pictet Investment Office. The team's network, alongside long-standing relationships with principals of PE funds, generates major investment opportunities. One example is the early-stage backing of a small company that used synthetic mRNA technology to develop one of the first Covid-19 vaccines – Moderna.

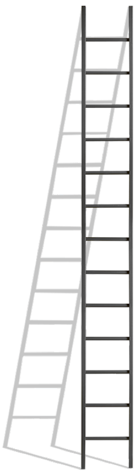
Alternatives now face fresh challenges in the shape of soaring inflation and rising interest rates. Still, the technologies of the next industrial revolution, including artificial intelligence, quantum computing and distributed ledgers, offer new and promising horizons for this most intrepid of asset classes.

1893
Ernest Pictet buys struggling farms in Tuscany, modernises them and sells the thriving ventures — applying strategies that later became standard features of private equity investing.





1949
Alfred Winslow Jones creates the first market-neutral hedge fund.



AuM in alternative strategies increased from USD 4.1 trillion in 2010 to more than USD 11 trillion in 2020. By 2025, this figure is predicted to reach USD 17 trillion.

INDEPENDENCE

Rooted in Swiss tradition, our independence is protected by the absence of external shareholders. It frees us to concentrate on the interests of our clients, colleagues, communities and the companies in which we invest. And it underpins the independence of mind that lies at the heart of successful investment performance.

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER

	2021	2020
	CHF 000	CHF 000
Net interest income	163,846	140,322
Net fee and commission income	2,886,258	2,518,997
Fees from securities trading and investment activities	3,984,884 [A]	3,380,390 [A]
Fees from lending activities	4,890	5,456
Fees from other services	9,814	13,974
Commission expenses	(1,113,330) [B]	(880,823) [B]
Income from trading activities and the fair value option	192,992 [C]	221,950 [C]
Other ordinary income	8,161	3,461
Operating expenses	(2,205,456)	(2,111,677)
Personnel expenses	(1,607,961)	(1,578,336)
General and administrative expenses	(597,495) [D]	(533,341) [D]
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(51,731)	(53,228)
Changes to provisions and other value adjustments, losses	(70,490)	(26,101)
Operating result	**923,580**	**693,724**
Extraordinary income	306,004	372
Extraordinary expenses	(108)	(136)
Taxes	(221,593)	(117,246)
Consolidated profit	**1,007,883**	**576,714**

The three golden rules
of managing risk
in alternative assets
1 Invest in quality
2 Manage your liquidity
3 Avoid excessive leverage

BERTRAND
DEMOLE

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

	2021	2020
ASSETS	**CHF 000**	**CHF 000**
Cash and balances with central banks	11,668,513[E]	13,869,915[E]
Due from banks	2,003,865[F]	1,597,424[F]
Due from securities financing transactions	5,913,000	3,758,383
Due from clients	9,819,087[G]	8,320,080[G]
Trading portfolio assets	37,074	47,073
Positive replacement values of derivative financial instruments	1,108,905	1,450,531
Other financial instruments at fair value	1,800,725[H]	1,432,513[H]
Financial investments	15,379,876[I]	13,301,761[I]
Accrued income and prepaid expenses	688,695	683,024
Non-consolidated participations	6,904	5,845
Fixed assets	174,916	474,827
Other assets	322,184	404,489
Total assets	**48,923,744**	**45,345,865**

LIABILITIES AND EQUITY	**CHF 000**	**CHF 000**
Due to banks	1,215,145[J]	1,392,722[J]
Liabilities from securities financing transactions	1,501,727	1,402,249
Amounts due in respect of client deposits	37,358,724[K]	34,423,463[K]
Trading portfolio liabilities	7,553	6,676
Negative replacement values of derivative financial instruments	1,169,539	1,728,573
Liabilities from other financial instruments at fair value	1,996,105	1,639,385
Accrued expenses and deferred income	1,368,326	1,106,919
Other liabilities	301,952	250,328
Provisions	324,728[L]	227,564[L]
Total equity	3,679,945[M]	3,167,986[M]
Equity owners' contribution	691,063	780,519
Capital reserve	11,664	11,664
Retained earnings reserve	1,988,736	1,808,262
Currency translation reserve	(19,401)	(9,173)
Consolidated profit	1,007,883	576,714
Total liabilities and equity	**48,923,744**	**45,345,865**

A **Fees from securities trading and investment activities** includes fees earned from the management, administration and custody of client investments, as well as related brokerage services.

B **Commission expenses** includes custody and brokerage fees paid to third parties.

C **Income from trading activities and the fair value option** mainly includes earnings from foreign exchange operations on behalf of clients and from sales of certificates to clients (see note H, *Other financial instruments at fair value*).

D **General and administrative expenses** includes all operating costs other than those related to personnel. The two main items are information technology such as banking platform maintenance and upgrade, and physical infrastructure such as rents.

E **Cash and balances with central banks** are effectively on call and held in order to carry out ordinary payment operations on behalf of clients and to meet their cash withdrawals.

F **Due from banks** includes cash deposits with bank counterparties, typically arising from securities transactions by clients or from client deposits made in currencies other than the Swiss franc. The counter party risk of such banks is managed by Pictet's Treasury Committee, which decides on limits for each counterparty.

G **Due from clients** includes securities-backed, so-called Lombard loans made to clients. The risk arising from these loans is generally limited, as Pictet adopts a conservative approach to loan collateralisation.

H **Other financial instruments at fair value** represents the value of financial assets bought as underlying assets for certificates sold to clients. The value of these underlying assets is also shown on the liabilities side of the balance sheet under *Liabilities from other financial instruments at fair value*. The risk of such certificates is borne entirely by clients.

I **Financial investments** includes investments into money market instruments and straight bonds issued by corporations, governments or supranational institutions. The credit risk of such bond issuers is managed by Pictet's Treasury Committee, which decides on limits by credit rating and geography. As a rule Pictet does not invest in structured financial products.

J **Due to banks** includes liabilities vis-à-vis bank counterparties, generally arising from client transactions. As a rule Pictet does not rely on short-term capital market funding.

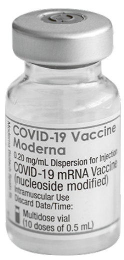
K **Amounts due in respect of client deposits** represents cash deposits of clients.

L **Provisions** covers risks, including legal expenses, arising from an identifiable cause and for which a potential cost and likely time frame for payment can be estimated.

M **Total equity** is the capital that the equity owners have entrusted to the Pictet Group. It also corresponds to the net value of the Pictet Group from an accounting point of view.

The total capital ratio (22.7%) measures total regulatory capital against risk-weighted assets. This ratio is commonly used to gauge the strength of a financial institution by weighing its loss-absorbing capacity against the riskiness of its assets and operations.

Liquidity coverage ratio (164%) The liquidity coverage ratio is the ratio of highly liquid assets to expected short-term liabilities. This measure aims to reflect the ability of a financial institution to withstand short-term liquidity disruptions such as sudden cash withdrawals from clients. The Pictet Group's high ratio is explained by its large cash deposits with central banks and investments in highly liquid bonds.



2014
Pictet is an early-stage investor in Moderna, backing the company before it goes public.

RESPONSIBILITY

Responsibility goes hand in hand with a long-term, partnership approach. It ensures a sense of responsibility and integrity towards not only the present generation but also to future generations – and towards the real economy and the wider world. This is the true meaning of sustainable thinking.

2021
Global Private Equity backed M&A reaches US$839.6 billion. Favoured sectors were technology, healthcare and retail.

THINKING AND ACTING RESPONSIBLY

Pictet's thinking has always been defined by a sense of responsibility. While the Covid-19 pandemic illustrated how much economies depend on the health of the population, it has also demonstrated humanity's capacity for successful scientific innovation.

But a more significant challenge looms in the shape of climate change and nature loss. The world needs to drastically reduce its emissions and transition to a low-carbon and nature-positive economy. This is why we have made a commitment to set 1.5°C-aligned science-based decarbonisation targets, and to reach net zero across our operations and our investments by 2050.

In 2000, long before climate change and water scarcity were considered global threats, Pictet launched the pioneering Water Fund. We now integrate environmental, social and governance (ESG) factors into at least 75 per cent of actively managed assets across asset and wealth management.

At Pictet, we cut CO_2 emissions per employee by more than 70 per cent between 2007 and 2020. In 2022 we will publish a comprehensive climate action plan, including interim decarbonisation targets for our investments and our operations and aim for full integration of ESG and active ownership principles in all investment processes.

The Pictet Group Foundation supports projects globally that build resilient communities and sustainable ecosystems and have a particular focus on water and nutrition – two major fields for Pictet's responsible investment activities. The endowment was increased by CHF 40 million in 2021 and currently stands at CHF 90 million.

We have always considered not only the interests of the present but also of future generations. The most powerful way we can do this is by investing responsibly on behalf of our clients. This is the highest contribution we can make to the future of sustainable life on the planet.

THE PRIX PICTET

The Partners of the Pictet Group created the Prix Pictet award in 2008 to draw worldwide attention to, and stimulate action on, issues of environmental sustainability through outstanding photography. The award is widely acknowledged as one of the most prestigious prizes in global photography.

The prize is awarded on an approximately two-year cycle. In nine cycles since foundation, the Prix Pictet has addressed the themes of *Water*, *Earth*, *Growth*, *Power*, *Consumption*, *Disorder*, *Space*, *Hope* and *Fire*. The ninth Prix Pictet was won by US photographer Sally Mann for her series *Blackwater* and the prize presented at the Victoria and Albert Museum, London, in December 2021. Submission is by nomination. Over 300 nominators – independent experts in photography from 66 countries and six continents – may recommend recent portfolios from up to three photographers each.

To date, over 3,000 photographers have been nominated and the nine cycles have together been shown at over 100 exhibitions in more than 25 countries.

The prize jury comprises curators, critics and practitioners with an expertise in the visual arts or sustainable practice. They are required to select a shortlist of twelve, whose work is equally powerful visually and in the message conveyed on the given theme.

Submitted portfolios must have narrative drive, and are likely to be deeply researched and several years in the making. Since the Prix Pictet accepts work ranging from documentary or photojournalism to fine art and conceptual photography – and the shortlist is widely exhibited – the selection is in effect an act of curation.

A refuge from living hell

The American poet Longfellow described the Great Dismal Swamp as a terrifying place 'where hardly a human foot could pass, or a human heart would dare'.

Situated just 26 miles south of Point Comfort, the grotesquely ill-named spit of land where the first slave ship docked in America occupies over 2,000 square kilometres. Slithering with snakes, often venomous, the air thick with biting insects and the heavy foliage offering protection to panthers, bears and alligators, the swamp contained an enemy even greater: the slave catchers and their fearsome dogs.

Yet escaped slaves viewed the swamp as preferable to the living hell of enslavement.

Operating on the 'dead or alive' theory, angry slave catchers and owners sometimes surrounded the maroon swamp communities and set fire to them, burning their quarry alive. For the inhabitants, even that was preferable to being returned to their owners and the excruciating punishments that would ensue.

By the time I was exploring it, vast fires, easily viewed from space, had begun consuming the swamp and continued to burn. Thick smoke billowed up ceaselessly, not just for days or weeks, but off and on for years. In some kind of poetic, metaphoric righteousness, even the soil itself burned.

The fires in the Great Dismal Swamp seemed to epitomise the great fire of racial strife in America — the Civil War, emancipation, the Civil Rights Movement, in which my family was involved, the racial unrest of the late 1960s and most recently the summer of 2020.

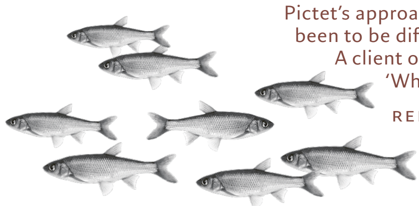
Perhaps we do need to tear down before we can rebuild; perhaps fire, uniquely, does cleanse and restore, yielding the small green sprigs and vines starting now to revitalise the swamp, offering hope for restoration. But fire does not destroy memories, and no matter how our laws are revised to be more equitable or how our tortured racial past might somehow be mitigated or how completely the Great Dismal Swamp is engulfed in flames, no one will forget.

Text based on Sally Mann's artistic statement for the *Blackwater* series

Sally Mann, *Blackwater 13*, 2008-12, from the series Blackwater, 2008-12, Tintype, Courtesy of the artist and Gagosian.

Sally Mann was born in Lexington, Virginia, USA, in 1951. She is known for her photographs of intimate and familiar subjects rendered both sublime and disquieting. Her works explore family, social realities, and the passage of time, capturing tensions between nature, history, and memory.

1805



Pictet’s approach has always
been to be different.
A client once told us,
‘When others zig, you zag.’

RENAUD DE PLANTA

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● Booking centres

The listings on this page show the Pictet Group's active subsidiaries, branches and representative offices at 1 April 2022

* Pictet Alternative Advisors SA has real-estate professionals based in Berlin, Geneva, London, Luxembourg, Madrid and Stockholm at 1 April 2022

ABOUT THIS REVIEW

This Review is published in English, German and French, as well as traditional and simplified Chinese. It is also available as a PDF from our website, group.pictet, where a regulatory Annual Report with more detailed financial information may also be found.

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