

The Pictet Group Annual Review 31 December 2018





Building Responsible Partnerships

WE ARE HONOURED

To present the fifth Annual Review of the Pictet Group, for the year 2018—again a record in terms of net income, even if uncertain markets led to a fall in assets under management or custody. As I look towards retirement in September, we welcome a new partner, already with a fruitful career at Pictet behind him. He will join the morning partners' meeting, which a colleague has compared to an orchestra tuning up, getting ready for the day ahead. A vision of harmony, perhaps. Yet it is not easy reaching decisions with seven or eight independent minds round the table. Each new proposal has to be weighed, considered, tested, slept on, until a broad consensus is achieved. It may seem like a recipe for indecision. But in business, too many decisions are taken in haste and repented at leisure. When the average tenure of a partner is over twenty years, the pressure is long term, not short term. We continue to believe that this is the model that serves clients best.

Nicolas Pictet
On behalf of the Partners

Year ended 31 December

	2018	2017	
CHF	2,694 m	2,523 m	Operating income
CHF	596 m	572 m	Consolidated profit
CHF	38.5 bn	37.3 bn	Total assets
CHF	2.95 bn	2.85 bn	Total equity
	21.1 %	20.2 %	Core tier 1 capital ratio ¹
	21.1 %	20.2 %	Total capital ratio ¹
	164 %	144 %	Liquidity coverage ratio ¹
CHF	496 bn	522 bn	Assets under management or custody

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PARTNERSHIP

While Pictet has
the legal form of a partnership,
it is a partnership
in a wider sense too.

The notion of partnership
embodies respect,
trust and interdependence
over the long term.

It means embracing diversity
and promoting
inclusion.

The Pictet Group

The Pictet Group comprises three business units — asset management, wealth management and asset services — and 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; and the asset management subsidiaries grouped under Pictet Asset Management Holding SA, a holding company belonging to the Pictet Group.

The Group is owned and managed by seven managing partners, with an independent supervisory board. Nicolas Pictet, Senior Partner, has stated his intention to retire from the partnership with effect from 1 September 2019. He is succeeded by Renaud de Planta, a partner since 1998. Sébastien Eisinger, Deputy CEO and Head of Investments at Pictet Asset Management, was elected a partner of the Pictet Group with effect from 1 April 2019. He became the forty-third partner since Pictet was founded in Geneva in 1805.

A further 38 senior executives, known as equity partners, hold equity in the Group. They each lead a strategically important function and play a central role in the development of Pictet. Elections are made every second year.

In selecting new employees and promoting career advancement, we aim 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.

² 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.

³ Leavers as a percentage of average employee count

⁴ At 1 January 2019

group full-time
equivalent employees
4358

CHF **496** BILLION
assets
under management
or custody²

27 **17**
offices countries

7.4% employee
turnover rate³

49 equity owners
including partners and
former partners⁴

PARTNERS

Nicolas Pictet *Senior Partner* · Renaud de Planta · Rémy Best · Marc Pictet
Bertrand Demole · Laurent Ramsey · Boris Collardi

EQUITY PARTNERS

Heinrich Adami · Victor Aerni · Derick Bader · Stephen Barber
Dominique Benoit · Marc Briol · Nicolas Campiche
Paul-Marie Dacorogna · Philippe de Weck · Luca Di Patrizi
Christophe Donay · Sébastien Eisinger
Jean-Claude Erne · Olivier Ginguené · Claude Haberer
Takuhide Hagino · Christèle Hiss Holliger
Philippe Liniger · Serge Mir · Christopher Mouravieff-Apostol
Epaminondas Pantazopoulos · Fabio Paolini
César Pérez Ruiz · Hans Peter Portner · Niall Quinn
Gonzalo Rengifo Abbad · Raymond Sagayam
Andres Sanchez Balcazar · Christian Schröder · Markus Signer
Hervé Thiard · Luca Toniutti · Bernd Uhe
Alberto Valenzuela · Giovanni Viani · Daniel Wanner
Pierre-Alain Wavre · Peter Wintsch

BUSINESS UNITS

Asset Management

Specialist investment
management for institutions
and investment funds

Wealth Management

Private Banking
Wealth Solutions
Family Office Services

Asset Services

Custody
Fund Solutions
Trading Services

From left:
Rémy Best, Bertrand Demole,
Boris Collardi, Nicolas Pictet,
Laurent Ramsey, Marc Pictet,
Renaud de Planta



Pictet Wealth Management

Pictet Wealth Management provides a comprehensive service for both wealthy individuals and families that goes beyond managing assets to consider wealth management in its widest sense.

We begin by understanding each client's particular circumstances: their family, their future and their wider 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 or execution-only 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.

For clients with larger fortunes whose needs are more complex, we offer a full range of personalised solutions. These include 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 the administration of portfolios.

Our investment capabilities extend across developed and emerging markets and cover almost all asset classes and currencies, including alternative investment solutions provided by Pictet Alternative Advisors SA. We also offer different jurisdictions for holding client assets, as dictated by economic, geopolitical or personal circumstances.

In short, our aim is to be the trusted adviser of reference for our clients.

5 See note 2 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, product 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 and some are responsible for new client acquisition.

CHF **210** BILLION
assets
under management⁵

21 524
investment professionals⁶
offices worldwide

310
of which private
bankers⁷

882
full-time
equivalent employees

Finding value in European real estate

Zsolt Kohalmi, Global Head of Real Estate at Pictet Alternative Advisors SA, gives three reasons for direct real estate investment. ‘First, in volatile times, some asset owners make non-rational decisions to sell. That’s an opportunity. Second, real estate returns are driven by inflation-linked rental income and by active asset management, which means low correlation to conventional asset classes. Third, even in volatile times, property keeps a latent value, particularly with good asset quality and location.’ These factors make investing into real estate in the current market one of the most attractive risk-adjusted returns available, he adds.

According to Zsolt, European property will continue to provide an attractive current yield in a low interest rate environment, given the near-record spreads over 10-year government bonds.

While rate hikes are possible, ‘given the debt levels of key European countries, in particular Italy, we do not expect to see a significant hike in interest rates during the coming years’.

Apart from pockets like Dublin, London and key German cities, there has been limited rental growth in Europe since 2008 – and very limited construction or refurbishment of

existing stock because of banks’ reluctance to lend or invest. In Europe, high office occupancy means a structural shortage of office space, pointing to scope for rental growth.

Unlike the US, few European real estate assets are professionally managed. That’s a chance to create value through refurbishment, adding space or aggregating smaller assets for institutional investors. Demographic trends are critical too. ‘Millennials demand single households and they prefer to rent than buy,’ says Zsolt. ‘Then there’s the growing need for specialised housing for Europe’s ageing population, and demand from inbound international students at the other end.’

‘We are engaged in a truffle hunt,’ he adds, ‘looking for deals with better-than-market risk-adjusted returns.’ Pictet has offices in 18 gateway cities in Europe, including soon six with dedicated real estate investment professionals ‘who have a well-trained nose and can dig up off-market transactions’. Commenting on ESG⁸, Zsolt concludes, ‘Compared with other asset classes, a responsible investment approach to real estate has a tangible and measurable impact on the social well-being of the property’s tenants and surrounding communities.’

Pictet Asset Management

Pictet Asset Management provides specialist investment management services through segregated accounts and mutual funds to professional investors and their clients globally. Our clients include some of the world's largest pension funds, financial institutions and sovereign wealth funds.

We aim to be the preferred investment partner for our clients. That means giving them our undivided attention, offering pioneering strategies that prove their value over the long term and being committed to excellence. Only in this way can our clients be confident that their future objectives will be met.

We manage equity, fixed income, alternatives and multi-asset strategies. Meanwhile, our analytical resources are organised along three strategic axes: Greater Europe, where we have a natural advantage; the Emerging World, where we have been pioneers in both equity, debt and credit markets; and Global Specialities, where we have a long record of developing original thematic strategies.

In our investment teams we believe that a collegiate style is most conducive to good investment performance over the long term. It also explains our low employee turnover and helps reinforce the relationship with our clients. In this respect we consider it fundamental to cultivate a meritocratic environment that attracts people with distinctive talent and a strong sense of team spirit.

⁹ See note 2 relating to Pictet Group figures

¹⁰ See note 6 relating to Pictet Wealth Management figures

asset manager
since
1980

CHF **171** BILLION
assets
under management⁹

offices worldwide
17 381 investment
professionals¹⁰

7 investment
centres

full-time equivalent
employees
917

Brand quality means distinctiveness and resilience

Laurent Ramsey, Managing Partner and CEO of Pictet Asset Management (PAM), has built his career at Pictet over more than twenty years. He notes that in asset management, ‘There’s a growing dispersion between winners and losers. And a growing importance of brand, particularly for retail investors, who look for names they can trust.’ Brand quality, he says, gives resilience in less good times.

But success cuts both ways. Once, in 2002, PAM recruited someone from a big New York bank to come to Geneva. ‘It was a miracle,’ he says. Today, ‘we can recruit from largely anywhere, but it also means that competitors will try to take our best people. So our job is to make sure we have the right environment for our people to feel fulfilled and happy in what they do.’

Laurent is a leading advocate of sustainable policies, both in investment portfolios and in business practice. ‘Integrating ESG is not just a tick-the-box exercise,’ he says. ‘It’s the way you conduct investment research meetings, your investment process, reporting to clients, as well as how you engage as a firm.’

PAM has a plan to engage with up to 30 companies in 2019, not counting other collaborative initiatives. Recently PAM led a move to encourage index providers to

ban controversial weapons producers from their mainstream indices, signed by 170 institutions managing USD 7 trillion. For Laurent, it is natural for Pictet to embrace a more responsible form of capitalism. Pictet has lasted for 214 years, he says, ‘which means we have done something sustainable’.

For the firm, he sees big advantages in having both asset and wealth management. ‘The visibility of asset management in performance rankings gives the Group a more investment-led flavour’, while many of PAM’s institutional distribution partners are attracted by the wealth management brand. ‘So I think it’s a win-win to have these businesses side by side.’

As for the future, ‘We’re in the process of establishing our vision for 2025,’ Laurent says. ‘Size is not the ultimate goal. The growth of our reputation — of brand equity — is the best gauge of our success. If we deliver on the promise of performance and service, the rest follows.’

Pictet Asset Services

Pictet Asset Services manages every aspect of the asset servicing process, leaving clients free to concentrate on their own priorities—that is, generating portfolio performance and distributing their products.

Our clients include asset managers—as well as independent asset managers for private clients—and institutional clients (mainly pension funds, institutions and banks).

Relying on a unified core banking system and experienced staff, we provide cash and securities settlements, corporate actions, valuation and reporting in a consistent way around the globe.

To enable us to provide an integrated solution for regulated funds, we run dedicated third-party management companies that handle relationships with regulators and provide fund governance services in addition to fund administration. We also have related capabilities in investment control, performance measurement and risk management.

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

Pictet Trading & Sales (PTS) is our partner in providing trading services for clients. Through extensive quantitative research and market analysis, their dedicated trading teams and strategists aim to improve execution quality across all major markets around the clock.

¹¹ This figure does not include assets held in custody for internal clients, i.e., Pictet Wealth Management and Pictet Asset Management

¹² This figure does not include the 1,363 full-time equivalent employees of PAS Operations and IT, now part of a new unit called Technology & Operations, or the 177 full-time equivalent employees of Pictet Trading & Sales

CHF **156** BILLION
assets
in custody¹¹

of which CHF **61** BILLION
fund services

full-time equivalent
employees¹²
192

61 global
platform
offices

A natural evolution

Pictet's overarching purpose is to build responsible partnerships with its clients. An important part of doing this is to anticipate structural change so as to find new solutions to future needs. 'We are increasingly asked by clients to take account of the ESG dimension of their portfolios,' says Marc Briol, CEO at Pictet Asset Services (PAS).

ESG considerations and sustainability in general are already a major focus for Pictet's wealth management and institutional investment activities. Accounting for ESG in asset servicing is therefore a natural evolution for Pictet. 'If you want to be serious about managing money,' says Marc, 'you must include ESG criteria into your investment, reporting and asset servicing generally. That also means monitoring their investment managers.'

At the end of 2018, PAS launched a new functionality through Pictet Connect, the Group's e-banking platform. Here, institutional clients and asset managers

are able to access ESG ratings across the range of their equity and bond holdings. These ratings are supplied by three leading providers, ensuring wide asset coverage, quality and independence.

Thierry Morand, who heads the ESG change management team for Pictet Connect, says, 'This functionality provides clients with concrete and comprehensive ESG reporting metrics. It is not only about saying that you're integrating ESG, it is about having a full look-through approach for your portfolio. This approach is still comparatively new in the asset servicing industry.'

These metrics are more than merely data. They will empower end-clients and investors. 'The moment you provide clients with access to critical ESG measures, asset managers can be constructively challenged by pension funds trustees, investors and other stakeholders,' he argues.

RESPONSIBILITY

Responsibility goes hand-in-hand with a long-term, partnership approach.

It means having a sense of responsibility and integrity not only towards the present generation but also to future generations — and to the real economy and the wider world. This is true sustainable thinking.

Thinking and acting sustainably

Sustainability is central to Pictet's thinking. Since our goal is to ensure the prosperity of our clients over the long term, we instinctively consider the interests of future generations.

We are deeply conscious of the environmental consequences of what we do, from managing the business to investing on behalf of our clients. Among other operational measures, we cut our use of single-use plastic by 83 per cent between June 2018 and the end of the year, with the goal of eliminating its use completely by end-June this year. We are also confident of achieving our target of cutting the Group's CO₂ footprint by 40 per cent per employee between 2007 and 2020.

Pictet was an early mover in sustainable investment strategies. In 2000 we launched the Water fund, the first and today the largest in its sector. In 2008 our Timber fund became, alongside other of our funds, a pioneer in its field.

Our group-wide Sustainability Board measures the environmental impact of our activities and encourages sustainable investment solutions in asset and wealth management. At PAM we are integrating environmental, social and governance (ESG) criteria into all investment decisions. At PWM a parallel programme is bringing sustainability criteria into the client offering.

Ten years ago we launched the Prix Pictet¹³. Through outstanding photography, the award aims to raise public awareness of and promote action in environmental sustainability.

But nothing is possible without our employees. Their well-being is central to a sense of responsibility towards clients, each other, our investments and the wider world in which we work and live.

¹⁴ See *A Triumph of Diplomacy*, on [beingresponsible.pictet](#)

¹⁵ See *A Decade of Charitable Action*, on [beingresponsible.pictet](#)

Pictet and philanthropy

The philanthropic action of Pictet is rooted in the spirit of the Reformation. Those who enjoyed the fruits of enterprise were expected to return something to the community through the support of public institutions and contributions to the common good.

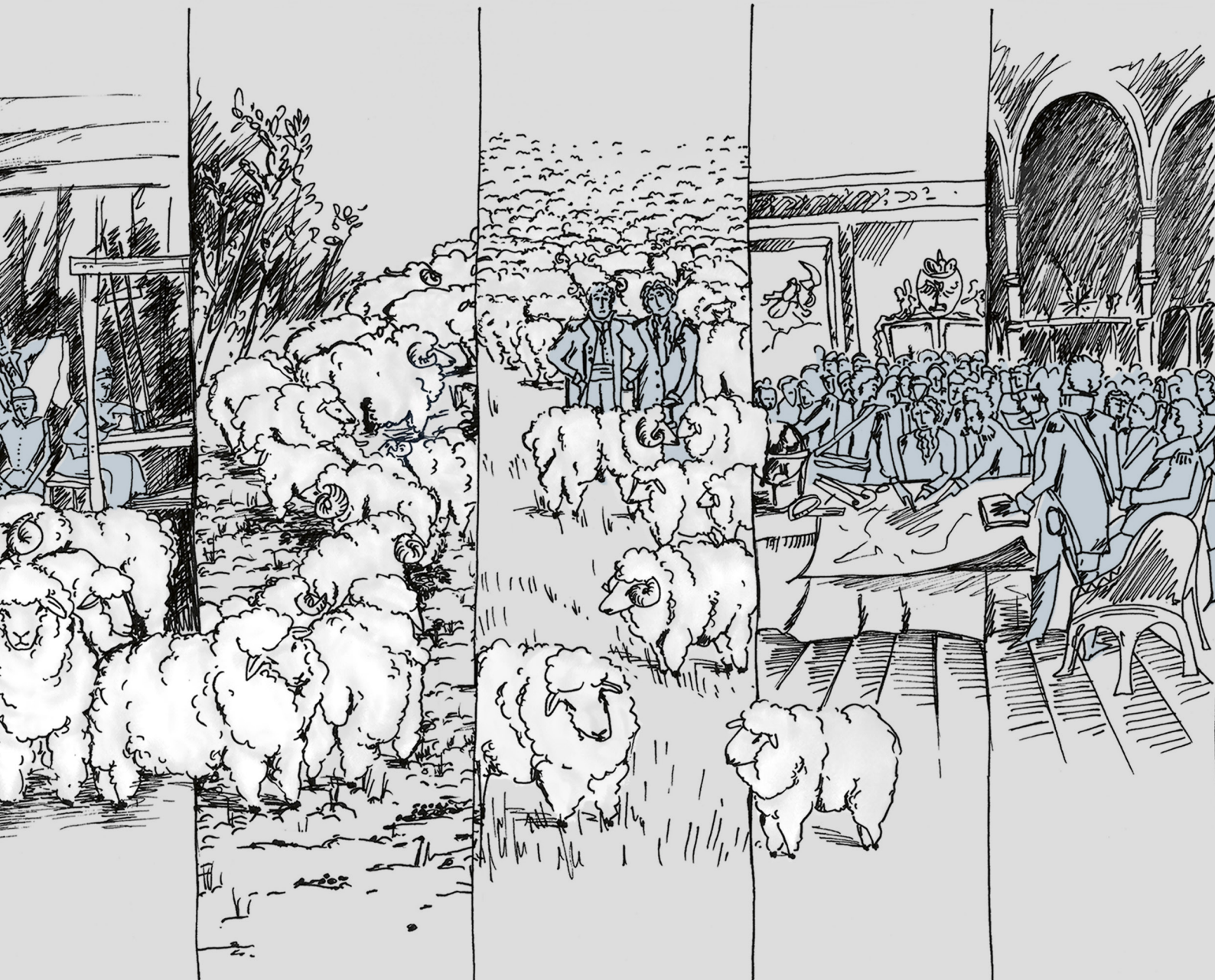
An early example was Charles Pictet de Rochemont, who re-entered politics after retirement, ensuring that Geneva joined the Swiss Confederation in 1815.¹⁴ Later, Jean Pictet was instrumental in drafting the 1949 Geneva Conventions on the protection of war victims and active in the International Committee of the Red Cross. Meanwhile, former partner Jean-Jacques Gautier founded the Swiss Committee against Torture in 1977.

Many former partners have been and are active in philanthropy, while the Group financed the International Museum of the Reformation among other charitable projects to mark Pictet's bicentenary in 2005.

A decade ago, the Pictet Group Charitable Foundation was formed as the platform for Pictet's philanthropy. A total of CHF42 million has since been donated to charities in the social welfare and humanitarian fields, as well as in medical research and assistance, education and culture, both in Switzerland and abroad.¹⁵

In the coming years, the partners intend to give even greater weight to the Group's philanthropic activities, with an increased focus on the environment.

www.beingresponsible.pictet



The Prix Pictet since 2008

In 2008 the partners of the Pictet Group created the Prix Pictet award to draw worldwide attention to, and stimulate action on, issues of environmental sustainability through photography. The award is considered one of the most prestigious prizes in global photography.

In seven themes since foundation, the Prix Pictet has tackled *Water, Earth, Growth, Power, Consumption, Disorder* and *Space*. The prize is currently awarded on a two-year cycle. The final award for the next theme, *Hope*, takes place in November 2019 at the Victoria and Albert Museum, London.

Kofi Annan, President of the Prix Pictet since inception, to whom Pictet owes so much, died in August 2018. In the book *Space* he wrote, ‘...perhaps in [our] ability to carry on in adversity lies hope for us all. Hope that, despite the ... damage we have visited upon the natural world and upon the lives of our... fellow citizens, it is not too late..’

Submission is by nomination. Over 320 nominators— independent experts in photography from 70 countries and six continents — may recommend recent portfolios from up to three photographers each.

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 powerful visually and in the message conveyed on the given theme.

The portfolios submitted 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.

INDEPENDENCE

Our independence is rooted
in Swiss tradition,
and protected by the absence
of external shareholders.

It means we are free
to concentrate on the interests
of our clients, colleagues,
communities and the companies
in which we invest.

This allows the independence
of mind that is crucial
to successful investment
performance.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December

	2018	2017
	CHF 000	CHF 000
Net interest income	291,789	257,629
Net fee and commission income	2,222,325	2,067,717
Fees from securities trading and investment activities	2,972,104 ^A	2,771,114 ^A
Fees from lending activities	4,440	4,309
Fees from other services	23,210	21,769
Commission expenses	(777,429) ^B	(729,475) ^B
Income from trading activities and the fair value option	173,519 ^C	191,178 ^C
Other ordinary income	6,128	6,128
Operating expenses	(1,860,181)	(1,705,328)
Personnel expenses	(1,319,799)	(1,274,505)
General and administrative expenses	(540,382) ^D	(430,823) ^D
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(44,399)	(48,510)
Changes to provisions and other value adjustments, losses	(26,562)	(32,770)
Operating result	762,619	736,044
Extraordinary income	682	390
Extraordinary expenses	(424)	(20)
Taxes	(166,941)	(163,917)
Consolidated profit	595,936	572,497

CONSOLIDATED BALANCE SHEET
at 31 December

	2018	2017
ASSETS	CHF 000	CHF 000
Cash and balances with central banks	14,528,429 ^E	16,258,114 ^E
Due from banks	1,604,059 ^F	1,322,792 ^F
Due from securities financing transactions	1,906,000	619,108
Due from clients	8,586,560 ^G	8,360,086 ^G
Trading portfolio assets	63,923	79,453
Positive replacement values of derivative financial instruments	1,075,119	1,059,140
Other financial instruments at fair value	817,432 ^H	529,280 ^H
Financial investments	8,787,957 ^I	7,972,585 ^I
Accrued income and prepaid expenses	410,864	434,081
Non-consolidated participations	5,956	6,950
Fixed assets	446,109	459,051
Other assets	241,776	187,138
Total assets	38,474,184	37,287,778
LIABILITIES AND EQUITY	CHF 000	CHF 000
Due to banks	1,334,286 ^J	882,388 ^J
Liabilities from securities financing transactions	240,565	1,332,492
Amounts due in respect of client deposits	30,648,822 ^K	29,368,778 ^K
Trading portfolio liabilities	11,732	943
Negative replacement values of derivative financial instruments	1,045,221	1,049,731
Liabilities from other financial instruments at fair value	893,575	566,202
Accrued expenses and deferred income	869,032	797,182
Other liabilities	245,765	219,328
Provisions	239,417 ^L	222,895 ^L
Total equity	2,945,769^M	2,847,839^M
Equity owners' contribution	638,386	684,922
Capital reserve	11,664	11,664
Retained earnings reserve	1,713,853	1,595,842
Currency translation reserve	(14,070)	(17,086)
Consolidated profit	595,936	572,497
Total liabilities and equity	38,474,184	37,287,778

- 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 counterparty 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. In Pictet's case, equity, core tier 1 capital and total capital all amount to the same figure, since Pictet holds only the strongest form of capital.
- Core tier 1 capital ratio (21.1%)**
In Pictet's case, the core tier 1 capital ratio and the total capital ratio are identical (see note M, *Total equity*): namely the ratio of equity to risk-weighted assets. These measures aim to reflect the economic strength of a financial institution by taking into account the riskiness of its assets and its 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.

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 consequently of the Pictet Group.

The origins of the Pictet Group

In 1798 the city state of Geneva is annexed by the French Directoire and becomes the capital of the Département du Léman. After the Napoleonic Wars end in 1815, Geneva joins the Swiss Confederation—in large part owing to the diplomatic efforts of a certain Charles Pictet de Rochemont.

War and blockade had interrupted watch exports—Geneva's forte—while the French monarchy's default after the Revolution had led to the collapse of most of the existing banks. Yet Geneva's entrepreneurial flame, kindled by Calvinist habits of discipline and hard work, and fanned by the optimism of the Enlightenment, still burns bright. As the post-Revolutionary inflation subsides, a new generation of financial partnerships emerges, later to be known as private bankers.

The formal history of Pictet begins in Geneva on 23 July 1805. On that day, Jacob-Michel-François de Candolle and Jacques-Henry Mallet sign, with three limited partners, the *scripte de société* that creates the original partnership of de Candolle, Mallet & Cie.

Beginning with share capital of 125,000 Geneva pounds (about 30 million Swiss francs in today's money), Pictet's founders describe their purpose as, 'to trade in goods and articles of all types, collect annuities and undertake speculation in commodities'. Before long the bank gives up these activities to specialise in currency trading and the management of wealth.

Surviving account books and documents show that as early as the 1830s the bank held a broad range of securities on behalf of clients to ensure that risks were properly diversified.

On the death of de Candolle in 1841, his wife's nephew Edouard Pictet joins the partnership. He becomes sole proprietor in 1848 and remains at the head of the bank until his retirement in 1878.

ENTREPRENEURIAL SPIRIT

Independence, long-term thinking, partnership and responsibility are nothing if we do not keep our entrepreneurial spirit alive.

It is the fate of many businesses that they lose their boldness, adaptability and originality as they grow.

They become process-driven bureaucracies. Pictet is determined to stay true to its entrepreneurial origins.

Of Thucydides, populism and plastic

Last year wasn't exactly a reversal of 2017, as certain patterns that emerged in the previous year persisted and indeed became more pronounced — notable among them Big Tech's fall from grace and the rise of populist movements globally. But the benign economic outlook and the markets' relatively sanguine psychology were upset by a major new development: America's trade war with China.

Some argue that the conflict over trade between the US and China has its origins in the 'Thucydides trap'— the idea that rivalry inevitably arises between an established power and a rising one. The decision of the US president, Donald Trump, to impose tariffs on half of Chinese imports (and threaten to raise them further) and other tactics is as much about America's fear of China as a competing AI superpower and a rising military giant in the Pacific as it is about trade deficits.

Either way, growth prospects have been undermined around the world, and in 2018 the number of rising asset classes was the lowest in four decades. It hasn't helped, either, that US interest rates began to rise as the Federal Reserve withdrew quantitative easing, nor that the Chinese economy is visibly slowing.

In politics, populism is alive and well. Right-wing populist parties have come to power or been re-elected in Brazil, Italy and Hungary. On the left, meanwhile, populism has

asserted itself in Mexico, in the US mid-term elections, and in the *gilets jaunes* protests in France — not to mention the continued levitation of Jeremy Corbyn in the UK.

In the Brexit negotiations, the UK government failed to get a parliamentary majority by the 29 March deadline for its withdrawal deal agreed with the EU. At the time of writing, the possibility remained of no deal, a second referendum, a long delay, or even a revocation of Article 50. Only one thing is clear: this is a saga whose ramifications will play out for a long time to come.

It is encouraging that climate change and the environment have moved up the global agenda, exemplified by public protests and campaigns against single-use plastic. ESG is becoming mainstream, reinforcing Pictet's long-held investment and business principles.

Fortunately, as a private business, we at Pictet can afford to take a long view. We intend to increase net recruitment in 2019 and to add offices in new regions to be able to serve our clients even better.

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The listings on this page show the Pictet Group's active subsidiaries, branches and representative offices at 1 April 2019.

*Pictet Alternative Advisors SA has Real Estate professionals based in Geneva, London, Luxembourg, Madrid and Stockholm at 1 April 2019.

ABOUT THIS REVIEW

This review is published in English, French and German. It is also available as a pdf from our website, *group.pictet*, where a regulatory annual report with more detailed financial information may be found.

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