

Independence of Financial Research

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Introduction

The following information applies to financial research, published by the Research department of the Pictet Wealth Management division (hereinafter “PWM”) at Banque Pictet & Cie SA (hereinafter “the Bank”), in compliance with laws, regulations, and relevant international standards applicable to research. This information summarizes the internal procedures and policies, including standards of good practice, designed to assist in identifying conflicts of interest that might affect the impartiality of research. If a conflict of interest cannot be avoided in an individual instance or cannot be satisfactorily resolved in accordance with the Code of Ethics & Professional Conduct, the Bank will forgo publication of research reports on the company in question.

Ethical Values

Financial analysts dedicated to research are required to observe high standards of integrity and ethical behaviour. Each employee is obliged to adhere to the ethical values defined in the Bank’s Code of Ethics & Professional Conduct and always commits to act in good faith, responsibly, with competence and diligence abiding by all applicable laws, rules and regulations as well as the internal procedures & directives of the Bank.

Financial analysts are independent and separate, from an organisational, hierarchical and functional perspective, from the units that are responsible for issuing and trading securities including proprietary trading. Financial analysts may not hold executive office or have some other significant influence at the company being analysed and are generally prohibited from acquiring, either directly or via third parties for their own account any securities of the company being analysed.

Financial analysts may not accept any requests to produce research reports for which the result has been defined in advance and may not accept any privileges, gifts or other favours offered to them by companies they analyse. Similarly, Financial analysts may not give any promises to publish favourable research reports, a specified rating or a specified price target. Additionally, if a Financial analyst receives any kind of non-public information in the course of their activity, they will decide on how to proceed in agreement with the Bank’s Compliance department.

If the Bank holds for its own account more than 50% of the voting rights of a listed company, it may not include that company in its own financial research.

Equity and Credit Research Units

The Equity and Credit Research Unit (hereinafter “**Research Unit**”) is organizationally, hierarchically and functionally separate from the securities trading (incl. proprietary trading) and sales department as well as the credit department. The Research Unit includes the Equity Research (**ER**) team and the Fixed Income Research (**FIR**) team.

HR Compliance unit monitors the transactions conducted by Financial analysts and ensures that they comply with the Bank’s Code of Conduct and others internal applicable directives.

Moreover, financial analysts’ remuneration is not linked to any targets related to companies analysed or any specific transactions in securities trading or selling.

Preparation and distribution

The Bank’s policy is only to publish financial research that is impartial, independent, clear, fair and not misleading.

The Financial analyst may not provide the company being analysed with any research for approval before those results are published.

Methodology

Top-down macroeconomic research, forecast and investment recommendations

The fundamental assessment is derived using a top-down approach. Based on a quantitative and qualitative assessment of real economy and monetary indicators, the Chief Investment Officer (hereinafter “**CIO**”), Asset Allocation & Macro Research (hereinafter “**AA&MR**”) teams provide macroeconomic research views on the major economies and asset-classes and the CIO Office infers its consequences for portfolio on shorter term horizon. These teams focus and adapt the research views to the needs of the Bank’s clients; they provide in-depth analysis on topics for both the Bank’s asset allocation as well as theme-oriented research.

In doing so, they may provide forecasts on gross domestic product (**GDP**), growth, inflation, interest rates, exchange rates, central bank policies, as well as other technical indicators (e.g. fund flows, cash allocations, etc.). They also offer geopolitical analysis for the covered markets and they provide economic analysis in a variety of thematic areas for different asset classes.

The views and forecasts of Global Investment Committee, headed by the CIO, flow into the investment process and are provided to the other asset classes as one input factor for their recommendations. Forecasts are reviewed regularly and if necessary, in ad hoc meetings. The views and forecasts are regularly communicated.

Equity Research team

At a sector, region and stock level, the analysis implies both, qualitative and quantitative factors. The research process combines a top down overlay with a bottom up analysis in order to identify investment themes resulting in single stock recommendations that are likely to outperform the relevant market benchmark. The recommendation considers the relative attractiveness of individual stocks within the sector/industry with respect to several factors such as earnings growth, profitability, balance-sheet structure and high governance, environmental and social standards.

The valuation methodologies applied include discounted cash flow calculations (DCF) and valuation multiples (e.g. price/earnings, EV/EBITDA, price/book value). The price target could be derived from a single or multiple valuation methods. In the latter case, the analyst applies a weight to the output from each valuation method to arrive at a weighted average price target.

Regarding the ESG considerations, our analysts take them into account as part of their research activities. Criteria include an ESG analysis of the companies, based on an in-house scoring methodology and the so-called “Pictet Scorecard”. More details on how we incorporate ESG factors in our research can be found in our PWM Responsible Investing Policy

Equity Ratings and Recommendations

The stock recommendations are dependent on the expected relative performance of the individual stocks on a 1-3 years investment horizon and these are “Strong Buy”, “Buy”, “Hold”, “Caution”, “Sell” and “PWM Universe”.

PWM EQUITY RATINGS

Rating	Description
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PWM EQUITY RATINGS

Strong Buy	Instruments categorised as Strong Buy are our top convictions over a 1 to 3 years' time horizon. These instruments are expected to strongly outperform their benchmark or sector during this period.
Buy	Instruments categorised as Buy have significant likelihood to outperform their benchmark or sector on a 1 to 3 years' time horizon.
Hold	Instruments categorised as Hold are expected to perform in-line with their benchmark or sector on a 1 to 3 years' time horizon.
Caution	Instruments categorised as Caution are expected to underperform their benchmark or sector on a 1 to 3 years' time horizon.
Sell	Instruments categorised as Sell could: 1) be expected to significantly underperform their benchmark or sector on a 1 to 3 years' time horizon; or 2) not fulfil our due diligence standards; or 3) pose an increased risk from an investment/liquidity/reputational perspective.
PWM Universe	Instruments categorized as PWM Universe are to be considered as being part of our Investable Universe. For this specific part of the universe, we leverage research from our third-party research provider, Morningstar.

Instruments rated Strong Buy, Buy, Hold, Caution, and Sell are covered by our internal Equity Research team. These instruments and companies are our strongest convictions in their specific sectors. For proactive recommendations to clients, our advisors will typically prefer the internal coverage, when possible and suitable.

The internal Equity Research coverage is based on fundamental research and in-house economic models and come with an increased level of service of follow-up from our analysts.

In order to serve our global clients' needs, it was decided to expand the investable universe, and leverage a third-party provider to source independent research. A quantitative-based process, described later in this document, provide us with comfort on the financial solidity and quality of these companies, but we leverage



content and research from our 3rd party provider to build our custom reports. These instruments are typically selected by our advisors when there are no better alternatives in the internal coverage, or in case we do not cover a specific region, sector, or company.

MorningStar Equity Research

The large, independent investment research team at Morningstar Inc. (Morningstar) allows Banque Pictet SA to offer a broad equity universe of ~1000 stocks and focus on the core universe of ~300 stocks covered internally by the ER team. This approach provides investment insights based on global expertise.

For definitions (e.g. star ratings, moat, etc.) and the used methodologies (Morningstar Equity Research Methodology and the Morningstar Quantitative Equity Ratings Methodology), please click on the following link:

<https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx>

Regarding the ESG considerations, our 3rd party provider incorporates various ESG / RI criteria and metrics that are made available as part of our custom reports.

PWM Universe Equity Selection Criteria

The stocks that are under the coverage of Morningstar can be included in our equity universe as “PWM Universe” stocks, if the stocks satisfy various criteria and follow the selection process described below:

First, the stocks that are covered by the ER team cannot be labelled as “PWM Universe” stocks.

Secondly, five filters are applied on the stocks to filter out the ones that do not satisfy the criteria. The five filters are as follows:

1. Stocks that have a market capitalization of less or equal to USD 2 billion are excluded.
2. Stocks that have a one-year average liquidity less or equal to USD 10 million are excluded.
3. Stocks that are traded over-the-counter or are traded on restricted exchanges are excluded.

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4. Stocks that have a class of shares which is different from + and B are excluded. The exclusion does not apply to H-shares in China.
 5. Stocks that are not listed on their primary exchanges are excluded.

Thirdly, two additional filters due to internal directives are applied on the stock to filter out the ones that do not satisfy the criteria. The two filters are as follows:

1. Stocks that are part of our internal “Controversial Weapons businesses” exclusion list are removed from the universe
2. Stocks that have more or equal to 25% of revenue from the production or retail of recreational cannabis are excluded.

Next, the stocks that remain in the selection process are assessed on their risk based on the Quality and Leverage Factors. These two factors are developed internally by our Quant Team. Within a sector, the stocks that are ranked at the bottom 9th and 10th deciles in both Factors are excluded.

Finally, the ER Team has the possibility to review the stocks that remained in the selection process for further qualitative exclusions, based on their knowledge of the sector or the company.

After the steps explained above, the stocks that remain in the selection process are the stocks included in our equity universe and are labelled as “PWM Universe” stocks.

Means of Communication and Publication

Publications will include stocks covered by the Equity Research team as well as stocks covered by Morningstar. The Morningstar-covered stocks are based on Morningstar analysis and its respective methodology, with Banque Pictet SA acting as content distributor.

Fixed Income Research

The fixed income research is based on a regular assessment of fundamental data and market levels. The analysis is quantitative and qualitative in nature. In this regard, the analysis covers a wide spectrum of issuers. With respect to the assessments of issuers’ credit profiles, the analysis is the final product of a classic credit analysis protocol, appraisals by the ratings agencies, evaluations of sentiment and bond technical as well as relative value. The



fundamental analysis focusses on credit quality and contains an assessment of possible event risks (process risks, acquisitions, etc.).

Bond Ratings and Recommendations

The bond recommendations are “Strong Buy”, “Buy”, “Hold”, “Caution”, “Sell” and “PWM Universe”

PWM BOND RATINGS

Rating	Description
Strong Buy	Instruments categorised as Strong Buy are our top convictions over a 1 to 3 years’ time horizon. These instruments are expected to strongly outperform their benchmark or sector during this period.
Buy	Instruments categorised as Buy have significant likelihood to outperform their benchmark or sector on a 1 to 3 years’ time horizon.
Hold	Instruments categorised as Hold are expected to perform in-line with their benchmark or sector on a 1 to 3 years’ time horizon.
Caution	Instruments categorised as Caution are expected to underperform their benchmark or sector on a 1 to 3 years’ time horizon.
Sell	Instruments categorised as Sell could: 1) be expected to significantly underperform their benchmark or sector on a 1 to 3 years’ time horizon; or 2) not fulfil our due diligence standards; or 3) pose an increased risk from an investment/liquidity/reputational perspective.
<i>PWM Universe</i>	<i>Instruments categorized as PWM Universe are within our Investable Universe based on quantitative metrics only. No fundamental research by our internal analysts is provided for these instruments.</i>

Instruments rated Strong Buy, Buy, Hold, Caution, and Sell are covered by our internal Credit Research team. These instruments and companies are our strongest convictions in their specific sectors. For proactive recommendations to clients, our advisors will typically prefer the internal coverage, when possible and suitable.



The internal Credit Research coverage is based on fundamental research and in-house economic models and come with an increased level of service of follow-up from our analysts.

Individual bonds are assessed based on the issuer's credit view, bond specific factors and relative value considerations as well as on forecasts for total returns on an approximately 3–6-month horizon.

In order to serve our global clients' needs, it was decided to expand the investable universe, and leverage a quantitative-based selection process to provide us with comfort on the credit risk linked to issuers not covered by our Credit Research team. This process refers only to Government-issued bonds and Corporate Investment Grade bonds.

Instruments rated PWM Universe are typically selected by our advisors when there are no better alternatives in the internal coverage, or in case we do not cover a specific region, sector, or company.

PWM Universe Bonds Selection Criteria

The bonds that are in our PWM Fixed Income Book can be included in our fixed income universe as “PWM Universe” bonds, if the bonds satisfy various criteria and follow the selection process described below:

First, we exclude:

1. The bonds that are covered by the CR team.
2. The convertible bonds, LEGT1, AT1, preferred shares, all internal ISINs and bonds that are flagged “Compliance”. Bonds that are flagged “Compliance” are bonds that have no fallback clause when LIBOR has disappeared
3. The bonds that are issued in the currencies that are not covered by the AA&MR team (Asset Allocation & Macro Research)
4. The bonds from issuers included in our “Controversial Weapons businesses” list are removed from the universe

Secondly, we distinguish (1) bonds issued by governments, supranationals, municipals and agencies, from (2) corporate bonds.

For bonds issued by governments, supranationals, municipals and agencies, we include in the PWM Universe:

1. Bonds that are issued by the countries covered by AA&MR team.



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2. Bonds that have a rating equal or higher than AA. As we consider several rating agencies to determine the bond rating, the bond rating is computed as the average of the bond rating across the rating agencies.
 3. If the bonds are below a rating of AA, and also below or equal to 2% of cumulative default probability and the duration is below or equal to 15 year

For corporate bonds, we include in the PWM Universe, if the bond satisfies the criteria below:

1. Every rating agency grades the bond as an Investment Grade bond.
2. The bond has a cumulative default probability under or equal to 2%.
3. The bond has a duration that is lower or equal to 15 years.

Methodology Review

This document will be reviewed at least every year or as changes in the Research methodology occurs.

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