

# The Pictet Group Annual Review 31 December 2017



## WE ARE PLEASED

To present the Annual Review of the Pictet Group for the year 2017 — the most successful in our history in terms of assets under management and net income. In November we announced the direct external appointment of a new partner, for the first time in twenty years. New people contribute much to the fresh thinking on which the future of the Group depends. Many — especially the generation known as millennials — seek a wider sense of purpose in their employer and in their work. The principles on which Pictet has thrived over two centuries — independence, partnership, long-term thinking, responsibility and entrepreneurial spirit — have not changed. But we have decided to make our underlying purpose more explicit, in the following words: ‘to build responsible partnerships’ — with our clients, colleagues, communities and the companies in which we invest, in order to safeguard and transmit wealth, of all kinds, in the service of the real economy.

Nicolas Pictet  
On behalf of the Partners

### GROUP FINANCIAL SUMMARY

Year ended 31 December

	2017	2016	
CHF	2,523 m	2,177 m	Operating income
CHF	572 m	422 m	Consolidated profit
CHF	37.3 bn	38.6 bn	Total assets
CHF	2.85 bn	2.59 bn	Total equity
	20.2 %	20.4 %	Core tier 1 capital ratio <sup>1</sup>
	20.2 %	20.4 %	Total capital ratio <sup>1</sup>
	144 %	166 %	Liquidity coverage ratio <sup>1</sup>
CHF	509 bn	462 bn	Assets under management or custody

## **CONTENTS**

### **PARTNERSHIP**

- 6 — The Pictet Group
- 10 — Pictet Wealth Management
- 13 — Pictet Asset Management
- 16 — Pictet Asset Services

### **ENTREPRENEURIAL SPIRIT**

- 20 — A year of tax cuts, big tech and Bitcoin
- 21 — ‘I congratulate you on the prospect...’

### **LONG-TERM THINKING**

- 23 — The origins of the Pictet Group

### **INDEPENDENCE**

- 25 — Income statement
- 26 — Balance sheet
- 28 — Our purpose

### **RESPONSIBILITY**

- 31 — Thinking and acting responsibly
- 32 — The Prix Pictet

## PARTNERSHIP

Pictet has the legal form  
of a partnership,  
but it is also a partnership  
in a wider sense.  
The notion of partnership  
embodies respect,  
trust and interdependence.  
It also 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 six managing partners, with an independent supervisory board. On 27 November 2017 it was announced that Boris Collardi, then CEO of Julius Baer Group Ltd, had been elected as a partner of the Pictet Group, with effect from 1 June 2018. He becomes the forty-second partner since Pictet was founded in Geneva in 1805.

A further 37 senior executives, known as equity partners, hold equity in the Group. They each lead a strategically important function and play a central role in strategic and operational development. Elections are made every second year.

In selecting new employees and promoting career advancement, we aim for diversity of gender, background and education, which is, the source of 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.

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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

group full-time  
equivalent employees

4220

CHF 509 BILLION  
assets  
under management  
or custody<sup>2</sup>

27 17  
offices countries

6.5% employee  
turnover rate<sup>3</sup>

49 equity owners  
including partners and  
former partners

**PARTNERS**

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

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**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  
Christian Gellerstad · Olivier Ginguené · Claude Haberer  
Takuhide Hagino · Christèle Hiss Holliger · Barbara Lambert  
Philippe Liniger · Yves Lourdin · Simon Lue-Fong · Serge Mir  
Christopher Mouravieff-Apostol · Epaminondas Pantazopoulos  
Hans Peter Portner · Gonzalo Rengifo Abbad · Markus Signer  
Percival Stanion · Hervé Thiard · Luca Toniutti · Bernd Uhe  
Alberto Valenzuela · Giovanni Viani · Daniel Wanner  
Pierre-Alain Wavre · Peter Wintsch

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**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

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From left to right:  
Laurent Ramsey  
Rémy Best  
Bertrand Demole  
Renaud de Planta  
Nicolas Pictet, *Senior Partner*  
Marc Pictet

## 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 advice 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. In addition, our experts in family office services 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 to our clients.

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4 See note 2 relating to Pictet Group figures

5 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.

6 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's experience and some are responsible for new client acquisition.

CHF **200** BILLION  
assets  
under management<sup>4</sup>

**21 503**  
investment professionals<sup>5</sup>  
offices worldwide

of which private  
bankers<sup>6</sup>  
**286**

full-time  
equivalent employees  
**839**

## Succeeding in and explaining investment strategy as CIO

Some CIOs lead the strategic direction and implementation of investment policy; others focus on communicating investment ideas, internally and externally; others still devote their time to leading and managing a disparate group of senior fund analysts and managers — about as easy as ‘keeping frogs in a wheelbarrow,’ as an old Dutch saying has it.

In wealth management, most tend towards the first of these models, as does Cesar Perez Ruiz, Pictet Wealth Management’s CIO since 2016. ‘It’s not just about successful investment strategy. As CIO you also have to concentrate on explanation,’ he says. ‘The bankers look to the CIO for leadership and conviction. They want to know, what should we be telling our clients?’ He adds that it is vital to know how to explain complex matters in a simple and consistent way.

Cesar began his career as a fund manager. ‘There I could act on my insights — I could buy or sell a stock anytime. As CIO, by contrast, it’s about credibility, process and communication.’ The main forum for strategy formation is known as the Investment

Strategy Committee. Chaired by Cesar, it’s small enough to make decisions and, if necessary, ‘to agree to disagree’.

Like all passionate investment people, Cesar is a voracious reader. ‘I like independent thinkers that challenge your view.’ He continues. ‘I like specialist sources, and I even talk with historians such as Niall Ferguson... I look at correlations... my job is to identify when they work and find the charts that really matter.’

In order to reach a coherent strategy, ‘we form a core scenario, look for catalysts and turning points, study fund flows.’ And now? After a long period of low volatility, Cesar believes active management is back. ‘For a year we’ve thought hedge funds will outperform a 50/50 bond/equity portfolio, and that seems to be happening — for the first time in over a decade.’

He regards volatility as just another asset class. ‘If it’s low, buy protection; if high, sell volatility. So volatility provides opportunities.’ But he also understands the value of what might be called constructive paranoia. ‘I worry when the rest of the world doesn’t worry. And you need to be humble when you get things wrong. Markets tend to sell off and ask questions later.’

## 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 own clients include some of the world's largest pension funds, financial institutions and sovereign wealth funds.

We aim to be the preferred investment partner to 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.

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<sup>7</sup> See note 2 relating to Pictet Group figures

<sup>8</sup> See note 5 relating to Pictet Wealth Management figures

asset manager  
since  
**1980**

**192** BILLION  
assets  
under management<sup>7</sup>  
CHF

offices worldwide  
**17 353** investment  
professionals<sup>8</sup>

**7** investment  
centres

**860** full-time equivalent  
employees

## Integrating ESG is an ethical *and* a financial imperative

‘Environmental, social and governance — or ESG — considerations can certainly help us make better long-term investment decisions for our clients,’ says Sébastien Eisinger, Head of Investments at Pictet Asset Management (PAM).

Since the launch of its first sustainable fund in 1999, PAM has deepened its expertise and manages over CHF 10bn in sustainable strategies, including the flagship Water fund.

In 2016 PAM formed a dedicated ESG team and began implementing a firm-wide strategy to incorporate ESG factors systematically into the decisions of both equity and bond investment teams.

While there are some areas, such as controversial weapons, that are actively avoided, PAM’s approach is not intended to lead to a portfolio of ethical securities (although it may). It is about applying a wider concept of value other than the purely financial.

Indeed the argument is not just ethical — there is a growing body of academic research which makes a strong financial case too. Companies that actively apply sustainability principles tend to have higher credit ratings, lower cost of capital, stronger finances and better share price performance.

At a time when the environmental market is growing at twice the rate of the global economy, companies with poor ESG practices

can suffer reputational and financial damage. As the cost of producing and storing renewables falls and as governments globally prepare to meet the Paris Accord targets, some business models may even cease to be viable.

‘By including ESG criteria in our investment processes, we aim to enhance returns and mitigate risks,’ says Eric Borremans, Head of ESG. ‘They are critical in assessing the intrinsic value of a business.’

It can be plausibly argued that ESG engagement adds value under any scenario: a good issuer should outperform over the long term, while a manager can provoke positive change in a second-rate issuer. And in a poor issuer, a manager can join forces for improvement.

Active engagement can really add value. ‘Today, we vote at over 3,000 company meetings per year,’ says Arabella Turner, ESG Specialist. ‘Our combined equity and bond holdings give us enormous power over issuers to influence their ESG performance.’

The opportunities are expanding fast, and as demand for responsible investments continues to grow, taking the long view is more important than ever. ‘That means embracing sustainability in our day-to-day investment decisions, in active ownership, in risk management and in reporting practices too,’ says Eric Borremans.

## 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 an 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 also run dedicated third-party management companies that handle relationships with regulators and provide fund governance services in addition to fund administration. We furthermore offer a set of related capabilities in investment control, performance measurement and risk management.

As the Pictet Group has no investment banking activities, we can act without conflicts of interest and to the best advantage of our clients.

We work jointly with Pictet Trading & Sales (PTS) to provide trading services for clients. The dedicated trading teams and strategists of PTS aim to improve execution quality across all major markets around the clock, through extensive quantitative research and market analysis.

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9 See note 2 relating to Pictet Group figures

10 Figure does not include 178 full-time equivalent employees of Pictet Trading & Sales

CHF **245** BILLION  
fund services

BILLION  
assets in custody<sup>9</sup>  
CHF **459**

**1072**  
full-time equivalent  
employees<sup>10</sup>

**10** **1**  
booking centres global  
platform

## An asset service worthy of its name

In terms of asset classes, any servicing function worthy of its name needs both to respond to client demand and to anticipate future trends—and to invest accordingly. Private equity and real estate are two specific areas of growth. Here Pictet Asset Services (PAS) has built a servicing capacity across the entire value chain, from fund administration, transfer agent, valuation and reporting to net asset value (NAV) calculation.

‘Only with regular training to reinforce professional expertise and constant investment to exploit the latest technology,’ says Marc Briol, CEO of PAS, ‘are we able to support expanding interest from private clients, institutions and family offices.’

Specifically, PAS can now provide a full operational and servicing platform for European real estate, where Pictet Alternative Advisors (which has long offered a range of hedge fund and private equity strategies) has recently created a new management team.

None of this would be possible without a dedicated department to respond to initiatives from clients as well as from internal sources. In particular, our *Investor Solutions* team

analyses the feasibility of client projects and recommends an operational model adapted to their needs.

Once a project is launched, the *Fund Services* and *Investment Services* teams take over for operational matters. PAS also offers *Corporate Services* for directorships and domicile. ‘We have built a team of specialists in servicing private equity and real estate assets,’ explains Frédéric Bock, who heads the private equity and alternatives team at PAS.

The deployment of a global IT platform for the administration of assets and funds of private equity and real estate has a number of benefits. ‘For example, all parties can now book their own actions,’ says team coordinator, Sulamita Fernandes, ‘allowing operations to be optimised in a highly flexible manner.’ Crucially, this platform is linked into Pictet Connect, the dedicated digital interface for clients, raising the quality of reporting to a new level.

## ENTREPRENEURIAL SPIRIT

It is the fate of many businesses that they lose their boldness, adaptability and originality as they grow. They become process-driven bureaucracies.

Pictet has kept its entrepreneurial spirit alive by finding the right balance between order and disorder, and is determined to continue to do so.

## A year of tax cuts, big tech and Bitcoin

Puffed up by Brexit and emboldened by Donald Trump's presidential win, populism was going to sweep across Europe in 2017.

It didn't quite happen. True, there's a swelling tide of nationalism in former communist states. But the election of the youthful centrist, Emmanuel Macron, as French president in May 2017 has helped restore the confidence of Europe's political establishment.

While Brexit negotiations limp towards an uncertain conclusion, the UK political class is torn between a liberated, entrepreneurial vision of 'life after Europe', and a dystopian scenario painted by those who cleave to the status quo.

In the US Donald Trump has completed his first year and passed the first major tax reform in 20 years. The equity markets have both anticipated and welcomed his tax cuts and promises of deregulation while observing his foreign policies with equanimity.

In Europe, by contrast, the MiFID II regulation introduced on 1 January 2018 to improve investor protection and raise transparency has proved costly and complex. The industry has criticised the new transaction cost methodology and new risk

warnings based on past volatility. But asset and wealth managers will adapt.

Four themes stand out from last year. First, the rise of Bitcoin and other cryptocurrencies — Ponzi schemes, an old-fashioned bubble or the future of money? Second, the revolt against 'Big Tech', or 'the algocracy'—said to exploit our private data and manipulate our psychology for monopoly profit; alongside, third, fear and excitement over advances in artificial intelligence. Lastly, the Hollywood harassment story, whose fall-out is shining a spotlight on the inequality of women in politics, entertainment and business.

The investment background remains broadly favourable, as the world experiences synchronised economic growth for the first time in over a decade. Interest rates seem to be on a gradually rising trajectory, but not enough to destabilise the expansion.

At Pictet we have allocated our largest ever investment to digital projects, while net recruitment in 2018 is also likely to be at a high. We opened our 27<sup>th</sup> office, in Stuttgart, last September, and appointed our first 'outside' managing partner in 20 years. We are embracing, and shaping, the future.



'I congratulate you on the prospect that you will soon be able to work for yourself — not that this is a carefree pleasure at such a difficult time as this. The talent of a trader, after all, does not merely consist in knowing how to calculate bank transactions and recognise the price of goods; it consists, above all, in being able to weigh up the political events of Europe. Indeed, the most adept of men can be mistaken here; and it is especially those who have a partisan spirit and are prejudiced in favour or against a cause that err daily [...] I say this to you frankly to urge you, if your hopes do indeed come true, to guard against any prejudice and to judge political events as if you had no interest in them at all.'

Augustin-Pyramus de Candolle  
writing to his brother  
Jacob-Michel-François (co-founder of Pictet)  
Geneva, 11 October 1800  
From the de Candolle family archives



## LONG-TERM THINKING

To think long term means to resist the temptations of short-term fashions in favour of sustainable decision-making and focus in both our investments and our businesses, to the lasting benefit of all our stakeholders and consequently of the Pictet Group.

## The origins of the Pictet Group

In 1798 the city state of Geneva was annexed by the French Directoire and became the capital of the Département du Léman. It joined the Swiss Confederation in 1815 after the end of the Napoleonic Wars — in large part owing to the diplomatic efforts of a certain Charles Pictet de Rochemont.

War and blockade had interrupted the 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 burnt strong. As the post-Revolutionary inflation subsided, a new generation of financial partnerships emerged, 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 signed, with three limited partners, the *scripte de société* that created the original partnership of de Candolle, Mallet & Cie.

With share capital of 125,000 Geneva pounds (about 30 million Swiss francs in today's money), Pictet's founders described their purpose as, 'to trade in goods and articles of all types, collect annuities and undertake speculation in commodities'. Before long the bank gave 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 joined the partnership. He became sole proprietor in 1848 and remained at the head of the bank until his retirement in 1878.

## INDEPENDENCE

Having no external shareholders and rooted in Swiss traditions of independence, 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

	2017	2016
	CHF 000	CHF 000
Net interest income	257,629	197,682
Net fee and commission income	2,067,717	1,787,504
Fees from securities trading and investment activities	2,771,114 <sup>A</sup>	2,403,324 <sup>A</sup>
Fees from lending activities	4,309	4,463
Fees from other services	21,769	17,044
Commission expenses	(729,475) <sup>B</sup>	(637,327) <sup>B</sup>
Income from trading activities and the fair value option	191,178 <sup>C</sup>	185,581 <sup>C</sup>
Other ordinary income	6,128	6,044
Operating expenses	(1,705,328)	(1,573,639)
Personnel expenses	(1,274,505)	(1,129,964)
General and administrative expenses	(430,823) <sup>D</sup>	(443,675) <sup>D</sup>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(48,510)	(44,395)
Changes to provisions and other value adjustments, losses	(32,770)	(16,363)
<b>Operating result</b>	<b>736,044</b>	<b>542,414</b>
Extraordinary income	390	1,551
Extraordinary expenses	(20)	(130)
Taxes	(163,917)	(121,772)
<b>Consolidated profit</b>	<b>572,497</b>	<b>422,063</b>

**CONSOLIDATED BALANCE SHEET**  
at 31 December

	2017	2016
ASSETS	CHF 000	CHF 000
Cash and balances with central banks	16,258,114 <sup>E</sup>	14,186,181 <sup>E</sup>
Due from banks	1,322,792 <sup>F</sup>	1,768,531 <sup>F</sup>
Due from securities financing transactions	619,108	997,000
Due from clients	8,360,086 <sup>G</sup>	7,696,811 <sup>G</sup>
Trading portfolio assets	79,453	79,083
Positive replacement values of derivative financial instruments	1,059,140	1,526,329
Other financial instruments at fair value	529,280 <sup>H</sup>	567,842 <sup>H</sup>
Financial investments	7,972,585 <sup>I</sup>	10,729,832 <sup>I</sup>
Accrued income and prepaid expenses	434,081	329,741
Non-consolidated participations	6,950	8,396
Fixed assets	459,051	477,702
Other assets	187,138	193,960
<b>Total assets</b>	<b>37,287,778</b>	<b>38,561,408</b>
LIABILITIES AND EQUITY	CHF 000	CHF 000
Due to banks	882,388 <sup>J</sup>	1,235,394 <sup>J</sup>
Liabilities from securities financing transactions	1,332,492	776,523
Amounts due in respect of client deposits	29,368,778 <sup>K</sup>	30,812,229 <sup>K</sup>
Trading portfolio liabilities	943	9,064
Negative replacement values of derivative financial instruments	1,049,731	1,520,223
Liabilities from other financial instruments at fair value	566,202	580,910
Accrued expenses and deferred income	797,182	608,623
Other liabilities	219,328	249,234
Provisions	222,895 <sup>L</sup>	183,144 <sup>L</sup>
<b>Total equity</b>	<b>2,847,839<sup>M</sup></b>	<b>2,586,064<sup>M</sup></b>
Equity owners' contribution	684,922	765,541
Capital reserve	11,664	11,664
Retained earnings reserve	1,595,842	1,394,565
Currency translation reserve	(17,086)	(7,769)
Consolidated profit	572,497	422,063
<b>Total liabilities and equity</b>	<b>37,287,778</b>	<b>38,561,408</b>

- 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 (20.2%)**  
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 (144%)**  
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.

## Our purpose is...

**A**pplicants to Pictet come in and say they like the traditionalism. But we are not a Potemkin village; we are full of fresh ideas inside. We have six partners who meet together three times a week. We don't have a revolution every five years when there's a new CEO; it's a continuous evolution. We are also, genuinely, client-focused. I like to think that Pictet makes a net contribution to society, to making the world a better place. Our top managers — our partners — are also our owners, so we do not have the agency problem. And as long as employees are treated fairly, they will commit themselves to Pictet, and respect and trust colleagues.

Finance officer

**O**ur purpose should be to manage the assets, wealth, savings of our clients in a long-term relationship of trust and security, and in as sustainable a manner as possible. In doing so our aim should be to protect and build their wealth or capital over the long term.

Communications director

**T**o trade in goods and articles of all types, collect annuities and undertake speculation in commodities.

Pictet's purpose as described in its articles of association in 1805

**M**ission statements and corporate value declarations all seem like PR exercises these days. Executive management in quoted companies last on average just over four years, with the very obvious goal of raising the price of their share options. Very few managements look beyond this. The fact that we are always engaged in thinking about the next twenty years, if not longer (and how to maintain and pass on the goodwill in the partnership), puts us in a completely different place when trying to build trusting relationships with clients.

Institutional asset manager

**W**hat is our purpose? I would say, to make the investment world simple and understandable to our clients and to increase the value of their assets over time; to guide our clients in investment so that they may prosper; to constantly adapt how we invest our clients' wealth to the new environment.

Private banker

**U**ltimately to manage our clients' money and making a return for Pictet that reflects our investment performance.

Private banker

**I** hope that I am not alone expressing my idea of purpose. We have a limited time horizon on this beautiful planet. That's why we have to respect a higher principle. We do so by not wasting our time. We deliver the best we can using our skills with passion and strive for excellence. It is a sign of achievement when this passionate work leads to a profit, but you use this profit wisely in a non-hedonistic way that also benefits others.

Institutional asset manager

**W**hat drives us is 'the success of the most demanding investors'. Only if top investors succeed will we be successful as a firm. The younger generation increasingly focuses on themes such as responsibility, diversity, intellectual stimulus; and internally we need to reflect that too.

Asset services director

**I** was asked by a 9-year old what I did. It's difficult. For an adult, I would summarise our purpose as: to meet clients' long-term investment goals, by investing savings in a trustful and transparent way. To achieve that we need to recruit and retain employees in a collaborative and fair environment. Of course we are profit-making. But we do need to change the working culture in areas such as flexible hours, millennials and diversity.

Human resource director

**F**ais bien et laisse dire  
Former motto of the Pictet family, used by Pictet & Cie from the 1950s to 1970s

**P**ictet is unique in building trust-based professional relationships with a real commitment for the long term. We put client interests first.

Institutional sales and marketer

**O**ur purpose is twofold. First, we help people achieve their dreams and hopes. What this industry does is actually very noble. People work hard all their life and save. If we invest their savings well, then we're adding enormous social value. Second, we facilitate the flow of capital towards the industries, the projects that humankind needs to safeguard our future, to invest in the technologies that will improve people's lives. It's as simple as that.

Institutional sales and marketer

**T**o invest for the long-term benefit of our clients and our society.

Wealth management portfolio manager

**B**eyond managing our clients' money and making a profit, I think the purpose of Pictet is resilience: to continue to be there, to manage clients' assets in the long term and to employ future generations.

Senior alternatives manager

**M**y purpose is to perform my duty towards the family, to hand over to a next generation — a succeeding partner — and so to maintain the sense of permanence at Pictet. This is my duty to clients and to employees equally. To continue throughout the cycles, not to sell out at the top, for example; not to maximise profit over the short term, but to maximise the likelihood of Pictet surviving and prospering over the very long term.

Managing partner

**T**o enhance the wealth or pension savings of our clients, safeguard it, grow it, and ultimately to use the money for some better purpose. And in investing, to allocate capital to the best companies.

Institutional marketer

**T**he purpose of Pictet: to be a prosperous and healthy group, contributing in this way to sustainable growth and responsible investments for our clients, people and society.

Compliance officer

**S**ustine et abstine  
Motto of the Pictet family

... to build responsible partnerships

## RESPONSIBILITY

Responsibility goes hand-in-hand with a long-term 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 responsibly

Sustainability is central to Pictet's thinking. As we are set on ensuring the prosperity of our clients over the long term, we instinctively consider the interests of future generations.

We are acutely conscious of the environmental consequences of what we do, from managing the business to investing on behalf of our clients. In our operations we have, among other measures, set strict targets for cutting the Group's CO<sub>2</sub> footprint per employee by 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. Among others, our Timber fund, in 2008, became a pioneer in its field.

Our group-wide forum, the Sustainability Board, measures the environmental impact of our activities and encourages sustainable investment solutions in asset and wealth management. At PAM we have begun to integrate environmental, social and governance (ESG) criteria into all investment decisions. At PWM, a parallel programme exists to introduce sustainability criteria into the client offering.

More broadly, Pictet has a tradition of philanthropy that is rooted in the spirit of the Reformation. Over many years, Pictet's partners have actively contributed to medical research, culture, and social and humanitarian causes. The Pictet Group Charitable Foundation, established in 2009, provides a corporate framework for the Group's philanthropic activities.

In 2008 we launched the Prix Pictet.<sup>11</sup> Through outstanding photography, the award aims to raise public awareness of and promote action in environmental sustainability.

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

## HEAT MAPS

Richard Mosse's project documents refugee camps and staging sites using an extreme telephoto military-grade thermal camera that can detect body heat from a distance of 30.3 km. The camera is used against its intended purpose of battlefield awareness and border enforcement to map landscapes of human displacement. Each image has been painstakingly constructed from a grid of almost a thousand smaller frames, each with its own vanishing point.

Very large in scale, each *Heat Map* reveals intimate details of fragile human life in squalid, nearly unliveable conditions on the margins and in the gutters of first world economies. Reading heat as both metaphor and index, the project meditates on the struggle and condition of refugees through ideas of hypothermia, climate change, mortality and Giorgio Agamben's concept of 'bare life'.

From the artist's statement  
in the book *Space*, Prix Pictet 2017



Idomeni Camp, 2016  
from the series *Heat Maps*, 2016-17  
© Richard Mosse  
Jack Shainman Gallery, New York  
and Prix Pictet 2017

## The Prix Pictet's tenth anniversary

In 2008 the partners of the Pictet Group created the Prix Pictet award, to draw worldwide attention to and stimulate action on issues of sustainability through the medium of photography.

This year therefore marks the tenth anniversary of an award that is now widely acknowledged to be one of the most prestigious prizes in global photography.

The Prix Pictet has tackled seven environmental themes since foundation, beginning with *Water*, then *Earth, Growth, Power, Consumption, Disorder* and *Space*. The winner of *Space* was the Irish photographer, Richard Mosse.<sup>12</sup>

The prize is currently awarded on a two-year cycle. The next theme will be announced later in 2018 and the final award made in November 2019.

Submission is by nomination. The register of nominators runs to over 270 independent experts in photography from around 70 countries and six continents, who may recommend recent portfolios from up to three photographers each. The prize jury comprises renowned curators, critics and practitioners, each with an expertise in the visual arts or sustainable practice.

They are required to select a shortlist of twelve, whose work is powerful not only visually, but also in the message it conveys on the given theme. The 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 photo-journalism to fine art and conceptual photography – and the shortlist is exhibited widely – the selection is in effect an act of curation.

To date the Prix Pictet has been shown in over 75 museums and leading galleries worldwide. Recent exhibitions of *Space* have taken place in London, Arles, Zurich, Tokyo, Moscow, Stuttgart and Mexico City.

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The listings on this page show the Pictet Group's active subsidiaries, branches and representative offices at 1 April 2018.

#### ABOUT THIS REVIEW

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