

## CREDIT 2022 OUTLOOK

### LOOKING FOR A COMFORTABLE SPREAD CUSHION

Author

LAURÉLINE RENAUD-  
CHATELAIN  
lchatelain@pictet.com

#### SUMMARY

- > Rising government bond yields and bullish equity markets mean US and euro high yield (HY) bonds outperformed their investment-grade (IG) counterparts in 2021.
- > This year, we expect H1 to be a mirror of 2021. But our return expectations are lower for the year as a whole as credit spreads are tight by historical standards. However, as the Fed starts its rate-hiking cycle, we would expect market participants to become more selective, especially in the HY segment, where default rates could pick up slightly from low levels. This is likely to mean wider credit spreads into year-end 2022.
- > We continue to favour segments where spread cushions are comfortable. One area is financials' subordinated debt, which offer high coupons. Another is US leveraged loans, whose floating-rate features and generous credit spreads could help them outperform US high-yield bonds as monetary policy tightens.
- > Less accommodative central banks will mean a higher cost of debt and perhaps slower growth. But we still see opportunities in rising stars. Also, post-pandemic economic stimulus has a decidedly green hue. We therefore like ESG bonds with a focus on renewable energy, pollution reduction and sustainable-development goals.
- > We have recently moved to neutral from underweight on euro HY, aligning our stance with that on its US counterpart. We remain underweight on IG corporate bonds. We expect the spread cushion in HY to be comfortable enough to compensate for rising sovereign bond yields in the coming months.

CHART 1: US AND EURO INVESTMENT GRADE CREDIT SPREADS FORECASTS

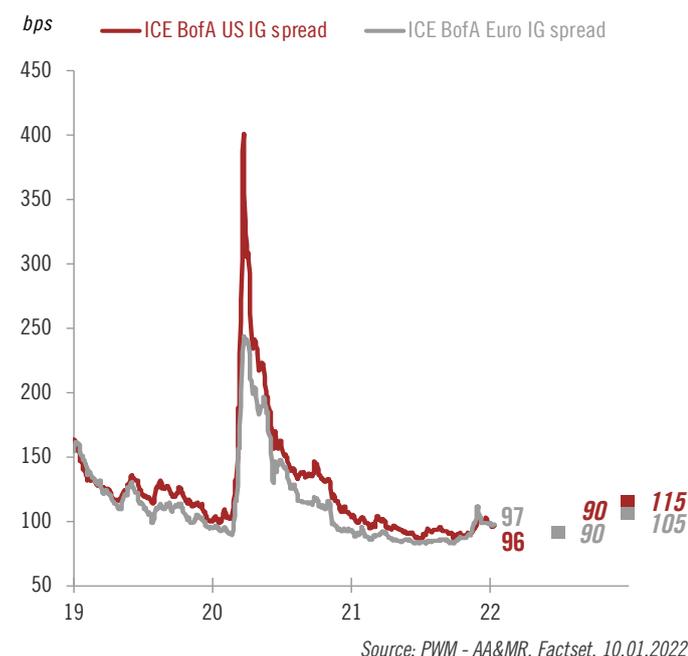
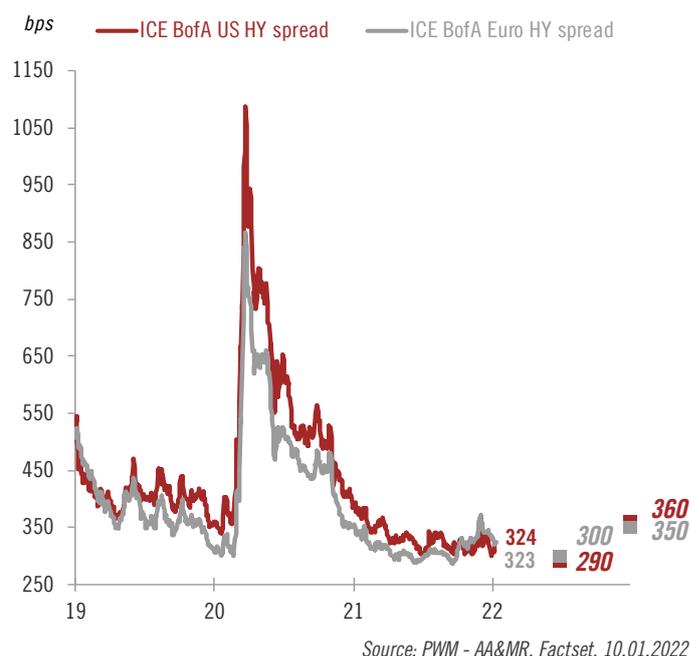


CHART 2: US AND EURO HIGH YIELD CREDIT SPREADS FORECASTS



## CREDIT 2022 OUTLOOK

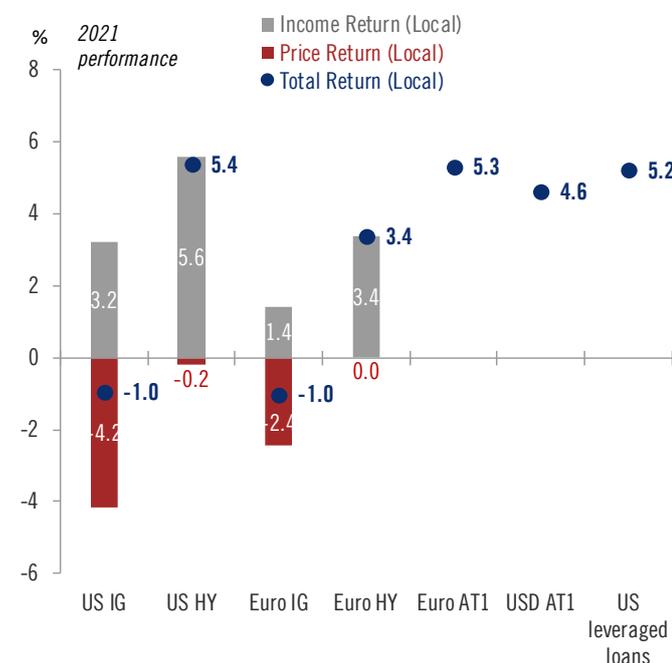
### LOOKING FOR A COMFORTABLE SPREAD CUSHION

#### A supportive credit environment

Rising government bond yields and bullish equity markets mean **US and euro HY bonds have generally outperformed their IG counterparts in 2021** (based on ICE BofAML indices, *see chart 3*). Looking in more detail, we see that **the income return offered by HY bonds' higher coupon outweighed the negative price return** linked to rising sovereign bond yields. Euro and US dollar financials' subordinated debt also posted a strong performance, with US leveraged loans sitting among the top performers in 2021.

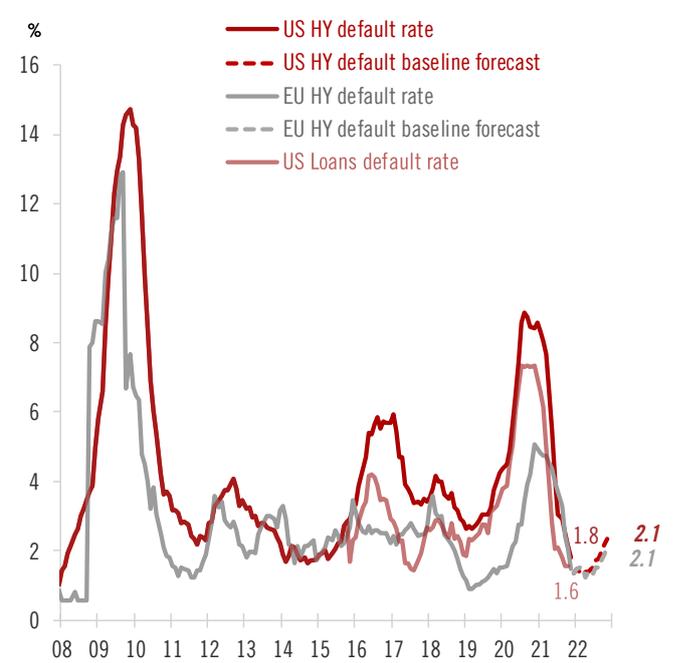
We expect H1 2022 to be a mirror image of 2021. But our return expectations are lower for this year as a whole as credit spreads are tight by historical standards (*see charts 1 and 2*). Spreads were close to 100 bps for both US and euro IG bonds, and to 320 bps for their HY counterparts on 10 January 2022. Driving spreads to historical lows was the steady decrease in the default rate on HY bonds and loans last year. **November data showed the default rate below 2% both in the US and in Europe.** This year, ratings agency Moody's expects a further decline in defaults in H1 before a slight pick-up towards 2% by the end of 2022, mostly driven by some moderation in economic growth and tightening in financial conditions as the Fed starts its rate hiking cycle. This is likely to make market participants more selective, especially in the HY segment, and could lead to slightly wider credit spreads into year-end.

CHART 3: CREDIT 2021 TOTAL RETURN PERFORMANCE BREAKDOWN



Source: PWM - AA&MR, Factset, 31.12.2021

CHART 4: US AND EURO HIGH YIELD AND US LOANS DEFAULT RATE



Source: PWM - AA&MR, Moody's, November 2021

**As the Fed prepares to start its rate hiking cycle in the coming months, there is a risk that bond volatility rises, in particular in the riskiest credit segments.** Yet, in 2017 (the last time the Fed started raising rates in earnest) the gap between the highest and lowest US HY spreads was actually the narrowest since 2012. Despite Fed rate rises, looking at six-month annualised volatility of US HY total returns, **we calculate that volatility**

## CREDIT 2022 OUTLOOK

### LOOKING FOR A COMFORTABLE SPREAD CUSHION

**averaged 2.2% both in 2017 and 2018**, which is much lower than the 5.3% in 2016 for example. The figure is even lower for **US leveraged loans, where volatility was closer to 0.5% at the time**.

**Based on this precedent, we do not expect a sharp rise in volatility for HY bonds this year**, because what seems to matter more than Fed monetary policy is economic growth. As long as growth remains as robust as we expect (our economist forecasts US real GDP growth to reach 3.4%), volatility should stay in a low-to-medium range as **investors continue to look for high coupons and low duration in credit due to the risk of higher sovereign bond yields**.

#### Coupon to compensate for rising sovereign bond yields

We continue to favour credit segments with comfortable spread cushions, which could compensate for the price loss we expect due to higher core sovereign bond yields this year (see [Our 2022 scenario for US and German government bonds](#)).

**One area is financials' subordinated debt** (in particular additional tier-1 instruments (AT-1)). **Spreads on AT-1s have widened since September**, partly because of concerns that some issuers would not find it economical to redeem credits at their call date due to rising long-term sovereign bond yields. But we believe that current valuations already discount most of this extension risk.

**Euro financial subordinated debt carries higher coupons than euro IG bonds**, because the former are often rated HY even though the issuers typically have an IG rating (see [chart 5](#)). We prefer euro AT-1s over US dollar ones, which have thinner spread cushions. We also dislike long-dated calls, which could still underperform in our view.

**The other area we like is US leveraged loans**, whose floating-rate features and generous credit spreads could help them **outperform US HY bonds** this year should the Fed hikes rates three times as we expect. **The default rate on US leveraged loans has been declining sharply** (to 1.6% in November, see [chart 4](#)). In addition, using the same measure of **volatility described above for HY, we see that it has historically been lower in leveraged loans than in US HY** and stands currently close to 0.5% versus 2.4% for US HY (on 10 January). Part of the reason for this is the rise of collateralised loan obligations (CLOs, USD834 bn at end December), which now represent 63% of US leverage loans outstanding. The turnover of CLO holdings is usually low, bringing down turnover in the overall leveraged loan market.

**Another attractive feature of leveraged loans is their floating rate**. This means that, for example, the modified duration of a loan based on the US dollar three-month LIBOR (London Interbank Offered Rate) is 0.25 years, as the coupon adjusts every three months. **Floating-rate instruments are typically attractive when the Fed hikes rates because the coupon paid increases with each hike**. US leveraged loans outperformed US HY bonds in 1999-2000, 2005 and 2018 (periods of rising rates) thanks in part to this floating-rate feature.

**However, the ongoing transition from the LIBOR benchmark rate also represents a risk for investors**. The US dollar LIBOR is set to be phased out completely by June 2023, but new contracts cannot use the LIBOR as a reference rate since 1 January this year. No substitute benchmark has emerged yet, although this could be the Secured Overnight

## CREDIT 2022 OUTLOOK

### LOOKING FOR A COMFORTABLE SPREAD CUSHION

Financing Rate (SOFR), which is being increasingly referenced as a fallback in derivative and loan contracts. **Generalised adoption of the SOFR as an accepted benchmark is likely to mean reduced returns for investors** since, as an overnight collateralised rate, it lies close to the lower-bound of the Fed fund target (0.05%), compared to 0.24% for the Libor (both on 7 January). The LIBOR also tends to rise sharply at times of financial stress.

**Another risk regarding leveraged loans is the rise in covenant-lite issues, which now represent 92% of leveraged-loan issuance.** Although in times of robust growth reduced protection for creditors is not a concern, the rise in covenant-lite could mean a lower recovery rate in the next economic downturn.

CHART 5: EURO SENIOR AND SUBORDINATED CORPORATE BONDS

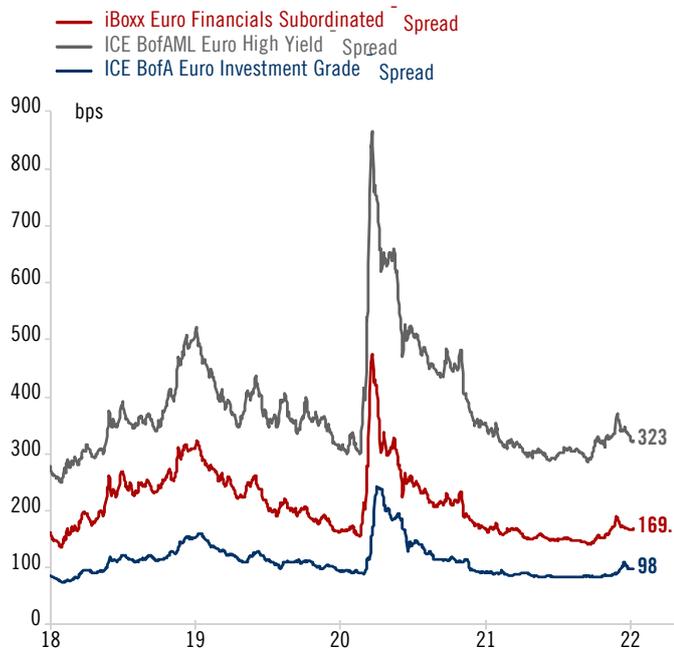
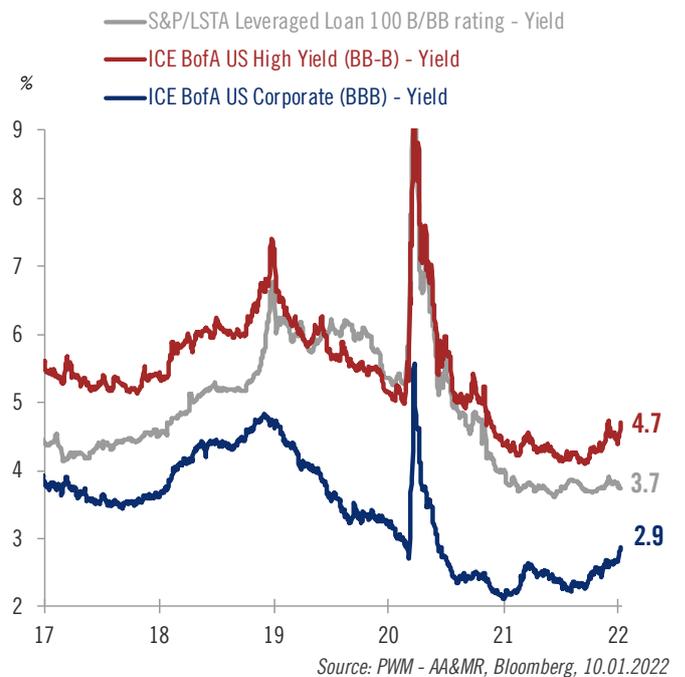


CHART 6: YIELDS ON US IG AND HY BONDS AND ON US LOANS



### Looking for rising stars and ESG bonds

Less accommodative central banks will likely mean a higher cost of debt and perhaps slower economic growth. As spreads are tight by historical standards and as we expect core sovereign bond yields to rise this year, **we are adopting a solidly bottom-up approach to credits.** In particular, **we still see opportunities in rising stars** (high-yield bonds on the cusp of upgrade to investment grade).

After turning negative in 2019 in the US and in 2020 in Europe, the rating drift turned positive again last year (see chart 7). This means that **rating upgrades have been outstripping downgrades – an environment that tends to favour the emergence of rising stars.** Although credit spreads on rising star candidates usually tighten in advance of their ratings upgrade, **we have identified a few issuers where we still see room for further spread tightening.**

## CREDIT 2022 OUTLOOK

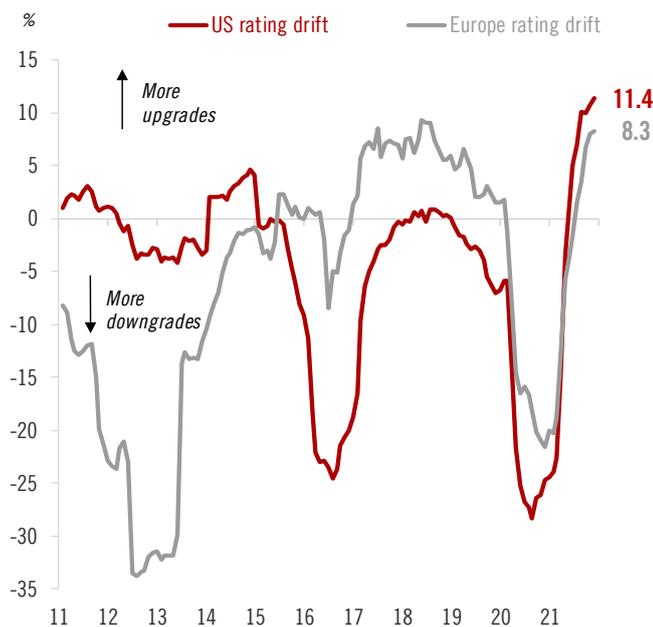
### LOOKING FOR A COMFORTABLE SPREAD CUSHION

Also, there is a decidedly green hue to post-pandemic economic stimulus. We therefore like Environmental Social Governance (ESG) investments, including ESG bonds with a focus on renewable energy, pollution reduction and sustainable-development goals.

**Investors and issuers alike are fond of these new instruments.** In 2021, US dollar issuance of ESG bonds increased by 80% and euro issuance by 120%, representing 5% and 20% of total net issuances, respectively (see chart 8). A sign of the growing size and maturity of the ESG bond market is the gradual reduction of the premium on ESG bonds (over classic corporate bonds with similar ratings) from about 20 bps back in 2020 to about 6 bps in H2 2021.

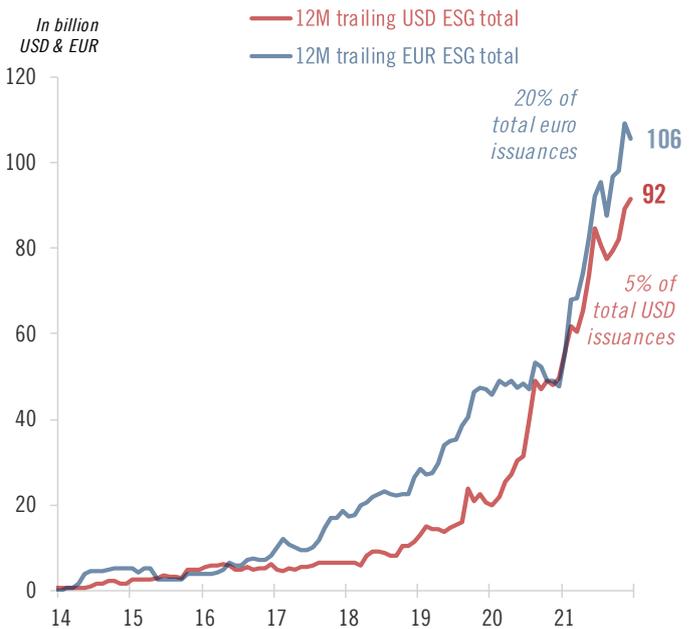
**In conclusion, we remain underweight investment-grade credit,** as their tight spreads offer little protection against the rise in core sovereign bond yields that we expect. **We have moved to neutral from underweight on euro HY bonds, aligning our stance with that on their US counterparts.** We expect the spread cushion in HY on both sides of the Atlantic to be comfortable enough to compensate for rising sovereign bond yields in the coming months.

CHART 7: US AND EURO CREDIT RATING DRIFT



Source: PWM - AA&MR, Moody's, November 2021

CHART 8: US DOLLAR AND EURO ESG BOND 12-MONTH TRAILING ISSUANCES



Source: PWM - AA&MR, Credit research, Dealogic, December 2021

Distributors: Banque Pictet & Cie SA, Route des Acacias 60, 1211 Geneva 73, Switzerland and Pictet & Cie (Europe) SA, 15A, avenue J. F. Kennedy, L-1855 Luxembourg/B.P. 687 L-2016 Luxembourg.

Banque Pictet & Cie SA is established in Switzerland, exclusively licensed under Swiss Law and therefore subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA).

Pictet & Cie (Europe) SA is established in Luxembourg, authorized and regulated by the Luxembourg Financial Authority, Commission de Surveillance du Secteur Financier.

This marketing communication is not intended for persons who are citizens of, domiciled or resident in, or entities registered in a country or a jurisdiction in which its distribution, publication, provision or use would violate current laws and regulations.

The information, data and analysis furnished in this document are disclosed for information purposes only. They do not amount to any type of recommendation, either general or tailored to the personal circumstances of any person. Unless specifically stated otherwise, all price information is indicative only. No entity of the Pictet Group may be held liable for them, nor do they constitute an offer or an invitation to buy, sell or subscribe to securities or other financial instruments. The information contained herein is the result neither of financial analysis within the meaning of the Swiss Bankers Association's Directives on the Independence of Financial Research, nor of investment research for the purposes of the relevant EU MiFID provisions. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness.

Except for any obligations that any entity of the Pictet Group might have towards the addressee, the addressee should consider the suitability of the transaction to individual objectives and independently assess, with a professional advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

Furthermore, the information, opinions and estimates in this document reflect an evaluation as of the date of initial publication and may be changed without notice. The Pictet Group is not under any obligation to update or keep current the information contained herein. In case this document refers to the value and income of one or more securities or financial instruments, it is based on rates from the customary sources of financial information that may fluctuate. The market value of financial instruments may vary on the basis of economic, financial or political changes, currency fluctuations, the remaining term, market conditions, the volatility and solvency of the issuer or the benchmark issuer. Some investments may not be readily realizable since the market in the securities can be illiquid. Moreover, exchange rates may have a positive or negative effect on the value, the price or the income of the securities or the related investments mentioned in this document. When investing in emerging countries, please note that the political and economic situation in those countries is significantly less stable than in industrialized countries. They are much more exposed to the risks of rapid political change and economic setbacks.

Past performance must not be considered an indicator or guarantee of future performance, and the addressees of this document are fully responsible for any investments they make. No express or implied warranty is given as to future performance. Moreover, forecasts are not a reliable indicator of future performance. The content of this document can only be read and/or used by its addressee. The Pictet Group is not liable for the use, transmission or exploitation of the content of this document. Therefore, any form of reproduction, copying, disclosure, modification and/or publication of the content is under the sole liability of the addressee of this document, and no liability whatsoever will be incurred by the Pictet Group. The addressee of this document agrees to comply with the applicable laws and regulations in the jurisdictions where they use the information reproduced in this document.

This document is issued by Banque Pictet & Cie SA. This publication and its content may be cited provided that the source is indicated. All rights reserved. Copyright 2022.

Distributor: Pictet & Cie (Europe) S.A., London branch ("Pictet London Branch")

This is a marketing communication distributed by Pictet London Branch.

This document sets forth neither a personal recommendation tailored to the needs, objectives and financial situation of any individual or company (investment advice as defined in the Financial Conduct Authority's Handbook of rules and guidance (the "FCA Handbook")), nor the results of investment research within the meaning of the FCA Handbook. Moreover, it does not constitute an offer, or an invitation to buy, sell or subscribe to securities or other financial instruments, nor is it meant as a proposal for the conclusion of any type of agreement. Furthermore, this document should not be considered a suitability report as Pictet London Branch has not received all the necessary information on the recipient to complete its suitability assessment that covers the recipient's knowledge and experience, tolerance to risk, investment needs and the recipient's ability to absorb financial risk. Should its addressee decide to proceed to any transaction in relation to a financial product referred to herein, this will be in his sole responsibility, and the suitability/appropriateness of the transaction and other financial, legal and tax aspects should be assessed by an expert.

Any information contained in this document is disclosed for information purposes only, and neither the producer nor the distributor can be held liable for any fluctuation of the price of the securities. No express or implied warranty is given as to future performance. The opinions expressed reflect an objective evaluation of information available to the general public, such as rates from customary sources of financial information. The market value of securities mentioned may vary on the basis of economic, financial or political changes, the remaining term, market conditions, the volatility and solvency of the issuer or the benchmark issuer. Moreover, exchange rates may have a positive or negative effect on the value, the price or the income of the securities or the related investments mentioned in this document. It is also expressly noted that forecasts are not a reliable indicator of future performance, while past performance is not a reliable indicator of future results.

You shall only take investment decisions when you fully understand the relevant financial product and the involved risks. In particular, the relevant product documentation (such as the issuance program, final terms, prospectus, simplified prospectus and key (investor) information document), as well as Appendix 4: Risk Warnings Relating to Trading in Financial Instruments of the Terms and Conditions of Pictet London Branch, shall be read. Structured products are complex financial products and involve

a high degree of risk. The value of structured products depends not only on the performance of the underlying asset(s), but also on the credit rating of the issuer. Furthermore, the investor is exposed to the risk of default of the issuer/guarantor.

In respect of any product documentation, including key information documents of Packaged Retail and Insurance-based Investment Products (“KIDs”) and key investor information documents of Undertakings for Collective Investment in Transferable Securities (“KIID”), please note that these may change without notice. You should therefore ensure that you review the latest version of them prior to confirming to Pictet London your decision to invest. If you have been provided with a link to access the respective KID/KIID/other product document, you should therefore click on the link immediately before confirming to Pictet London Branch your decision to invest, in order to review the most recent version of the respective KID/KIID/other product document. If you have not been provided with a link to access the relevant document, or if you are in any doubt as to what the latest version of the respective KID/KIID/other product document is, or where it can be found, please ask your usual Pictet London Branch contact.

Pictet London Branch is not the manufacturer of the product(s) and the KID/KIID/other product document is provided by a third party. The KID/KIID/other product document is obtained from sources believed to be reliable. Pictet London Branch does not make any guarantee or warranty as to the correctness and accuracy of the data contained in the KID/KIID/other product document. Pictet London Branch may not be held liable for an investment decision or other transaction made based on reliance on, or use of, the data contained in the KID/KIID/other product document.

By subscribing to the product(s) proposed herein, you acknowledge that you have (i) received, in good time, read and understood any relevant documentation linked to the product(s), including, as the case may be, the respective KID/KIID/other product document; (ii) taken note of the product(s) restrictions; and (iii) meet the applicable subjective and objective eligibility conditions to invest in the product(s).

Pictet London Branch may, if necessary, rely on these acknowledgements and receive your orders, to transmit them to another professional, or to execute them, according to the relevant clauses of your mandate, as well as the Terms and Conditions of Pictet London Branch.

The content of this document shall only be read and/or used by its addressee. Any form of reproduction, copying, disclosure, modification and/or publication in any form or by any means whatsoever is not permitted without the prior written consent of Pictet London Branch and no liability whatsoever will be incurred by Pictet London Branch. The addressee of this document agrees to comply with the applicable laws and regulations in the jurisdictions where they use the information provided in this document.

Pictet London Branch is a branch of Pictet & Cie (Europe) S.A.. Pictet & Cie (Europe) S.A. is a société anonyme (public limited liability company) incorporated in Luxembourg and registered with the Luxembourg Registre de Commerce et des Sociétés (RCS no. B32060). Its head office is at 15A, avenue J.F. Kennedy, L-2016 Luxembourg. Pictet London Branch is registered as a UK establishment with Companies House (establishment number BR016925) and its UK establishment office address is Stratton House 6th Floor, London, 5 Stratton Street, W1J 8LA.

Authorised and regulated by the Commission de Surveillance du Secteur Financier. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website.

Distributors: Bank Pictet & Cie (Asia) Ltd (“BPCAL”) in Singapore and/or Banque Pictet & Cie SA, Hong Kong Branch (“Pictet HK Branch”) in Hong Kong.

The information, tools and material presented in this document are provided for information purposes only and are not to be used or considered as an offer, an invitation to offer or solicitation to buy, sell or subscribe for any securities, commodities, derivatives, (in respect of Singapore only) futures, or other financial instruments (collectively referred to as “Investments”) or to enter into any legal relations, nor as advice or recommendation with respect to any Investments. This document is intended for general circulation and it is not directed at any particular person. This document does not have regard to the specific investment objectives, financial situation and/or the particular needs of any recipient of this document. Investors should seek independent financial advice regarding the appropriateness of investing in any Investments or adopting any strategies discussed in this document, taking into account the specific investment objectives, financial situation or particular needs of the investor, before making a commitment to invest.

BPCAL/Pictet HK Branch has not taken any steps to ensure that the Investments referred to in this document are suitable for any particular investor, and accepts no fiduciary duties to any investor in this regard, except as required by applicable laws and regulations. Furthermore, BPCAL/Pictet HK Branch makes no representations and gives no advice concerning the appropriate accounting treatment or possible tax consequences of any Investment. Any investor interested in buying or making any Investment should conduct its own investigation and analysis of the Investment and consult with its own professional adviser(s) as to any Investment including the risks involved.

This document is not to be relied upon in substitution for the exercise of independent judgment. The value and income of any Investment mentioned in this document may fall as well rise. The market value may be affected by, amongst other things, changes in economic, financial, political factors, time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Furthermore, foreign currency rates of exchange may have a positive or adverse effect on the value, price or income of any Investment mentioned in this document. Accordingly, investors must be willing and able to assume all risks and may receive back less than originally invested.

Past performance should not be taken as an indication or guarantee of future performance and no representation or warranty, expressed or implied, is made by BPCAL/Pictet HK Branch regarding future performance.

This document does not constitute the investment policy of BPCAL/Pictet HK Branch, or an investment recommendation, and merely contains the different assumptions, views and analytical methods of the analysts who prepared them. Furthermore, the information, opinions and estimates expressed herein reflect a judgment at its original date of publication and are subject to change without notice and without any obligation on BPCAL/Pictet HK Branch to update any of them. BPCAL/Pictet HK Branch may have issued or distributed other reports or documents that are inconsistent with, and reach different conclusions from, the information presented in this document.

While the information and opinions presented herein are from sources believed to be reliable, BPCAL/Pictet HK Branch is not able to, and do not make any representation or warranty as to its accuracy or completeness. Accordingly, BPCAL/Pictet HK Branch accepts no liability for loss arising from the use of or reliance on this document

presented for information purposes only. BPCAL/Pictet HK Branch reserves the right to act upon or use any of the information in this document at any time, including before its publication herein.

BPCAL/Pictet HK Branch and its affiliates (or employees thereof) may or may not have long or short positions in, and buy or sell, or otherwise have interest in, any of the Investments mentioned herein, and may or may not have relationships with the issuers of or entities connected with Investments mentioned in this document. BPCAL/Pictet HK Branch and their affiliates (or employees thereof) may act inconsistently with the information and/or opinions presented in this document.

The information used to prepare this document and/or any part of such information, may have been provided or circulated to employees and/or one or more clients of BPCAL/Pictet HK Branch before this document was received by you and such information may have been acted upon by such recipients or by BPCAL/Pictet HK Branch.

This document is provided solely for the information of the intended recipient only and should not be reproduced, published, circulated or disclosed in whole or in part to any other person without the prior written consent of BPCAL/Pictet HK Branch.

#### Singapore

This document is not directed to, or intended for distribution, publication to or use by, persons who are not accredited investors, expert investors or institutional investors as defined in section 4A of the Securities and Futures Act (Cap. 289 of Singapore) ("SFA") or any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject BPCAL and any of its affiliates or related corporations to any prospectus or registration requirements.

BPCAL is a wholesale bank regulated by the Monetary Authority of Singapore ("MAS") under the Banking Act Cap. 50 of Singapore, an exempt financial adviser under the Financial Advisers Act Cap. 110 of Singapore ("FAA") and an exempt capital markets licence holder under the SFA. Please contact BPCAL in Singapore in respect of any matters arising from, or in connection with this document.

#### Hong Kong

This document is not directed to, or intended for distribution, publication to or use by, persons who are not "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder (the "SFO") or any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Pictet HK Branch and any of its affiliates or related corporations to any prospectus or registration requirements. If you do not want Pictet HK Branch to use your personal information for marketing purposes, you can request Pictet HK Branch to stop doing so without incurring any charge to you. In distributing investment products as agents for third party service providers, Pictet HK Branch is an agent of the third party service provider and the product is a product of the third party service provider but not Pictet HK Branch. In respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between Pictet HK Branch and you out of the selling process or processing of the related transaction, Pictet HK Branch is required to enter into a Financial Dispute Resolution Scheme process with you; however any dispute over the contractual terms of the product should be resolved between directly the third party service provider and you.

Banque Pictet & Cie SA is a limited liability company incorporated in Switzerland. It is an authorized institution within the meaning of the Banking Ordinance and a registered institution (CE No.: BMG891) under the SFO carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The registered address of Pictet HK Branch is 9/F., Chater House, 8 Connaught Road Central, Hong Kong.

**Warning:** The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Please contact Pictet HK Branch in Hong Kong in respect of any matters arising from, or in connection with this document.

**Distributor:** Pictet Bank & Trust Limited, where registered office is located at Building 1, Bayside Executive Park, West Bay Street & Blake Road, Nassau, New Providence, The Bahamas.

The document is not directed to, or intended for distribution or publication to or use by persons who are not Accredited Investors (as defined in the Securities Industry Regulations, 2012) and subject to the conditions set forth in the Securities Industry Regulations, 2012 or to any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Pictet Bank & Trust Limited to any prospectus or registration requirements. Pictet Bank & Trust Limited is incorporated in The Bahamas with limited liability. It is a bank and trust company that is licensed in accordance with the Banks and Trust Companies' Regulation Act and is regulated by the Central Bank of The Bahamas. Additionally, Pictet Bank & Trust Limited is registered with the Securities Commission of The Bahamas as a Broker Dealer II and is approved to (i) Deal in Securities 1.(a) & (c); (ii) Arrange Deals in securities; (iii) Manage Securities; (iv) Advise on Securities.

**Warning:** The content of this document has not been reviewed by any regulatory authority in The Bahamas. You are, therefore, advised to exercise caution when processing the information contained herein. If you are in any doubt about any of the content of this document, you should obtain independent professional advice.