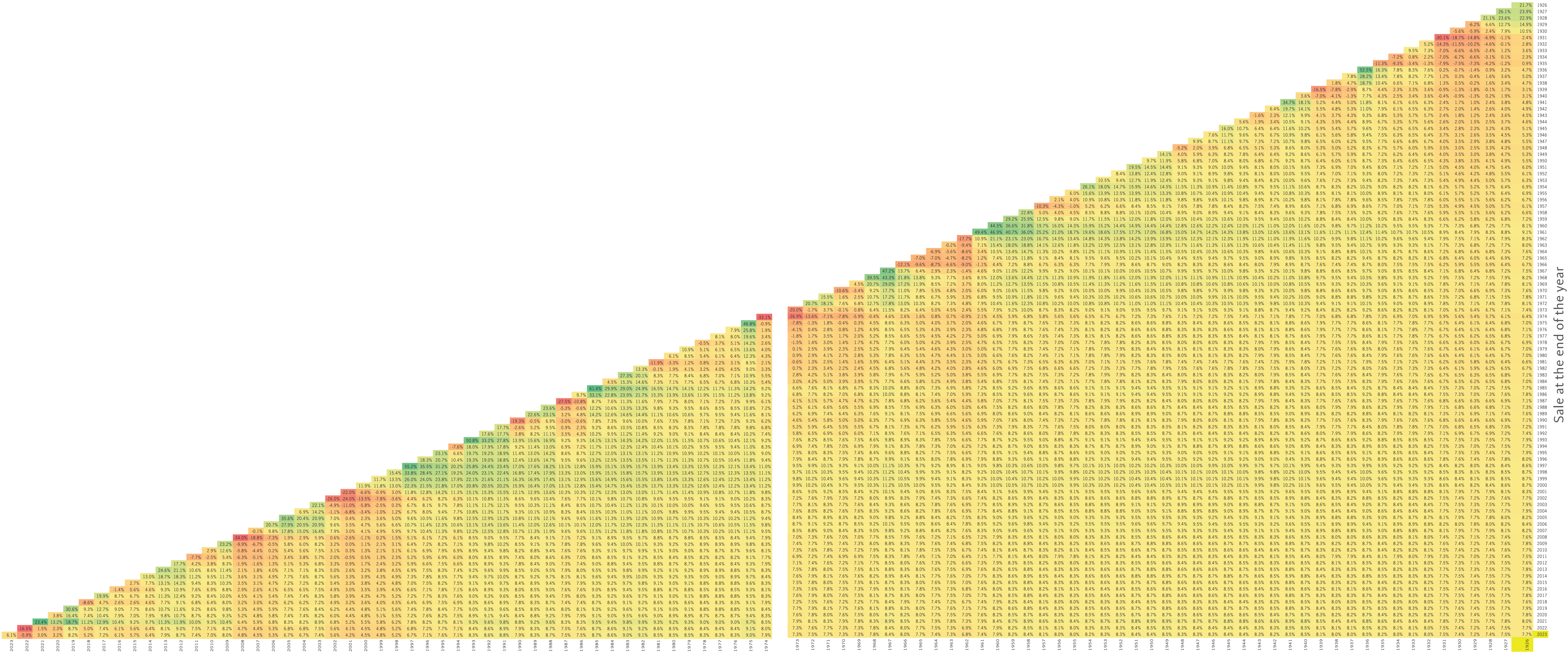
PICTET
1805

Average annual return of Swiss equities since 1926



Sale at the end of the year

Purchase at the begining of the year

Source: Pictet Wealth Management, FactSet, as of 31.12.2023

Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

Glossary of Risks

Derivative and leverage risks: Investing in derivative instruments or leveraging an investment can lead to a high degree of financial risk. Changes in the price of an underlying security, investment, interest rate or benchmark can result in proportionally larger changes in the price of the derivative instrument or investment, resulting in losses that can in certain circumstances exceed the cost of the investment. There is also a potential risk of default by a counterparty and the risk that that these products may not be liquid.

Commodity risk: The value of commodity-linked instruments can fluctuate substantially due to changes in supply and demand as well as due to political, economic and market events.

Company-specific risk: Company-specific risk (or unsystematic risk) is specific to an individual company. For example, even if the stock market or the share prices of comparable companies are rising, certain company-specific news can have a negative impact on the share price.

This company-specific news can include negative events such as strikes, management crises and poor annual results as well as positive news such as winning a major contract, the launch of innovative products and a favourable market outlook. Extraordinary events within a company may cause the share price to fluctuate (volatility) and cannot be foreseen.

Concentration risk: Refers to identifying the risk in a portfolio arising from a concentration in a single asset, counterparty, sector or country.

Counterparty/issuer risk: The risk of losing part or all of an investment due to the insolvency of the issuer of the financial instrument. This risk is particularly relevant for structured products, derivatives and certain ETFs (exchange-traded funds).

Country risk: Country risk should be considered when investing in a foreign country and in particular in emerging markets, e.g. the risk of investing in shares of a foreign company that is exposed to the risk of nationalisation or the inability to repatriate proceeds of an investment due to capital controls.

Credit and default risk: This risk arises when the financial health of an issuer of a fixed-income security deteriorates, leading to the issuer's inability or unwillingness to repay the bond or meet contractual obligations (interest or principal repayments). This can result in a decline in the value of the bonds or render them worthless.

Currency/exchange rate risk: This risk arises when the reference currency differs from the investment currency. Fluctuations in foreign exchange rates directly impact (positively or negatively) the value/price or income of the holdings. Funds that attempt to hedge against currency risk can mitigate the direct impact of currency movements but cannot completely isolate the indirect effect of foreign exchange fluctuations. When investing in structured products, investors may benefit from an embedded hedge of the underlying currency risk that is referred to as a quanto.

Economic risk: The economic cycle and macroeconomic situation of a country, a region or the global economy can have a significant influence on prices of financial instruments.

Emerging market risk: Investing in emerging markets carries a heightened risk profile; liquidity may be less reliable and price volatility can be higher than that experienced in more developed economies, potentially resulting in sudden and significant de clines in value. Emerging markets have less sophisticated rules governing the clearing and settlement of transactions and investor protection.

High yield bond risk: Portfolios with high exposures to non-investment grade debt instruments (S&P/Moody's Credit Rating: BB+ and below) have a higher exposure to credit and default risk.

Inflation risk: Inflation risk should be considered in particular when investing in emerging markets or fixed-rate investments. Inflation is defined as the rate at which prices increase in an economy. Inflation can lead to currency depreciation and reduce the real returns of investments and financial instruments.

Interest rate risk: Changes in interest rates usually result in an opposite movement in the value of bonds and other debt instruments (e.g. a rise in interest rates is generally reflected by a fall in bond prices). The longer the maturity of the bond (the time when the principal is due to be repaid), the higher the interest rate risk. This is the commonly referred to as duration risk.

Liquidity risk: When market conditions are unusual or characterised by particularly low volumes, a portfolio can encounter difficulties in valuing and/or trading some of its assets. For funds, liquidity constraints can arise, resulting in limited availability for subscriptions and redemptions or lockups can be imposed, meaning investors are subject to market risk during interim pricing periods and may have limited ability to access funds at short notice. For structured products, liquidity risk could materialize before maturity as investors can encounter difficulties in selling the product on the secondary market. The investor may receive less than their initial investment if the product is sold on the secondary market (if the parameters impacting the product market value are unfavourable).

Market risk: Financial instruments are subject to price fluctuation/volatility and to political and economic risks which can significantly impact the performance of the financial instrument/portfolio.

Political risk: Countries with unstable political leadership or where politics strongly influence markets and business practices may be subject to greater volatility. Political risk may include potential for currency controls that would disrupt the financial markets in that country.

Reinvestment risk: The risk that coupons from a bond will not be reinvested at the same interest rate as when the bond was issued. This risk is related to the fluctuation of interest rates, where an increase in interest rates will be positive for the investor and a decrease unfavourable.

Risks linked to costs/charges: All investments incur various charges regardless of whether or not the investment return is positive or negative. When the investment return is very low or negative, these charges can significantly impact the overall return.

Smaller company risk: Securities of smaller companies may be less liquid than larger companies. Securities of smaller companies may be more price volatile and entail greater risk.

Sustainability risk: The risk arising from any environmental, social or governance events or conditions that, were they to occur, could have a material negative impact on the value of the investment. Specific ESG/sustainability risks vary for each compartment and asset class and include, but are not limited to, the following:

* **Climate transition risk:** This refers to the risk associated with the exposure to issuers that may be negatively affected by the transition to a low-carbon economy due to their involvement in fossil fuel exploration, production, processing, trading and sale, or their dependency on carbon-intensive materials, processes, products and services. Transition risk may result from several factors, including rising costs and/or the limitation of greenhouse gas emissions, energy-efficiency requirements, the reduction in fossil fuel demand or the shift to alternative energy sources due to policy, regulatory, technological and market demand changes. Transition risks can negatively affect the value of investments by impairing assets or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Climate physical risk:** This refers to the risk associated with the exposure to issuers that may be negatively affected by the physical impact of climate change. Physical risk includes acute risks arising from extreme weather events such as storms, floods, droughts, fires or heatwaves, and chronic risks from gradual climate changes, such as changing rainfall patterns, rising sea levels, ocean acidification, and biodiversity loss. Physical risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

* **Environmental risk:** This refers to the risk associated with the exposure to issuers that may be affected by environmental degradation and/or the depletion of natural resources. Environmental risk can result from air pollution, water pollution, waste generation, the depletion of freshwater and marine resources, the loss of biodiversity or damages to ecosystems. Environmental risks can negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Social risk:** This refers to the risk associated with the exposure to issuers that may be negatively affected by social factors such as poor labour standards, human rights violations, damages to public health, data privacy breaches or increased inequalities. Social risks can negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Governance risk:** This refers to the risk associated with issuers that may be negatively affected by weak governance structures. For companies, governance risk can result from malfunctioning boards, inadequate remuneration structures, abuses of minority shareholders or bondholders' rights, deficient controls, aggressive tax planning and accounting practices or lack of business ethics. For countries, governance risk can stem from governmental instability, bribery and corruption, privacy breaches and lack of judicial independence. Governance risk may negatively affect the value of investments due to poor strategic decisions, conflicts of interest, reputational damages, increased liabilities or loss of investor confidence.

Our investments take into account Sustainability Risks, by integrating in the investment process Environmental Social and Corporate Governance (ESG) factors, based on proprietary and third-party research, to evaluate both investment risks and opportunities.

Consequent impacts to the occurrence of Sustainability Risks can be many and varied according to a specific risk, region or asset class. Generally, when a Sustainability Risk occurs for an asset, there will be a negative impact and potentially a partial or total loss of its value. However, the integration of Sustainability Risks analysis should mitigate the impact of such risks on the value of the investments and could help enhance long-term risk adjusted returns for investor.

Source: SIX Swiss Exchange

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