EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

Authors

AA&MR TEAM
lchatelain@pictet.com
dochen@pictet.com

ADVISORY FI TEAM
ccadavid@pictet.com
mzhao@pictet.com
iramirez@pictet.com

SINGLE ASSET FI TEAM
twu@pictet.com
ikeenan@pictet.com
osabet@pictet.com

SUMMARY

- Overall, we think there are reasons for investors to be more optimistic on emerging market (EM) debt in 2019. A Fed pause, a limited rise in US Treasury yields, a weaker US dollar and an eventual US-China trade truce could all be tailwinds for EM debt after poor returns in 2018.
- Furthermore, monetary and fiscal stimulus should help put a floor on the recent Chinese growth slowdown. Along with some policy relaxation (notably in the property and refinancing space), this could support Chinese credit.
- However, elections this year in India, Indonesia, South Africa and Argentina could still rattle bond investors should the winning parties prove less market friendly than the incumbent ones. Moreover, political and geopolitical uncertainties still remain high in key EM countries. The new populist presidents of Brazil and Mexico will have to prove they can reform their economies and implement their agendas while retaining investor confidence. Russia for its part, despite remaining an attractive destination for fixed-income investors, is at the mercy of further US sanctions.
- The above mentioned tail- and headwinds, along with the recent global growth slowdown that has recently pushed the oil price lower, mean that selectiveness will be key to navigate the complex EM debt space in 2019. For this reason, Pictet Wealth Management is neutral on EM debt in general and looking for opportunities in sovereign local currency debt and corporate hard currency debt. To this end, we take into account individual country stories and favour a defensive approach by selecting quality names.

Country	Tailwinds	Risks	PWM positioning*
China	Monetary and fiscal stimulus	Growth slowdown and trade tensions with the US	*OW* short-to-mid dated IG state-owned enterprises. *OW* BB-rated property names with improving sales
India	Looser monetary and fiscal policies along with low oil prices	Upcoming elections with risk of the opposition winning	*OW* IG corporates due to reasonable valuations. *N* on HY corporates due to tight valuations
Indonesia	Weaker US dollar and improving fiscal deficit	Upcoming elections and growth slowdown in Asia	*OW* BBB quasi-sovereigns due to the attractive carry
South Africa	Implementation of economic reforms by the government	Upcoming elections and low growth	Wait for elections outcome
Argentina	Implementation of economic reforms by the government	Upcoming elections and risk of a debt event	*UW* all fixed income segments

EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

Brazil	Market-friendly new government with Jair Bolsonaro	Reform of the social security by the new government	*OW* local currency sovereign bonds and hard corporate debt in US dollar
Mexico	Weaker US dollar and the trade deal with the US	Potentially market-unfriendly new government with AMLO	*OW* hard currency debt of high-rated Mexican companies with strong balance sheets
Russia	Strong sovereign and corporate balance sheets and low issuance	Further US sanctions linked to the 2016 US presidential election	*OW* government-related entities of strategic importance for the country. *UW* private corporates
Gulf Cooperation Council	Defensive segment and upcoming inclusion in EM bonds benchmarks	Oil price volatility and geopolitics	*OW* hard currency corporate names
Turkey	Low oil price and a weaker US dollar	High current account deficit and foreign currency debt	*UW* all fixed income segments

** Overweight = OW, Neutral = N, Underweight = UW*

A likely Fed pause and US-China truce to the rescue

The Fed's monetary policy, with its impact on US Treasury yields and global liquidity, as well as the US dollar are usually two key factors in the performance of EM fixed income. Hence, last year's poor returns can be explained by successive rate hikes by the Fed, which pushed US Treasury yields higher, as well as by a stronger-than-expected US dollar. In addition, the continued reduction of the Fed's balance sheet and the tapering of the European Central Bank (ECB)'s asset purchase programme reduced global liquidity and increased financial market volatility.

As EM bonds are usually seen as more risky than their developed markets (DM) counterparts, their negative total return performance in 2018 is not surprising when one considers the forces at work (-2.2% for EM corporate in US dollar[1] and -4.7% for local currency (LC) sovereign bonds hedged in US dollar[2]). These same forces explain why, EM countries running current-account deficits proved the most vulnerable, with Argentina and Turkey at the top of the list, as government and companies there found it harder to access US dollar funding.

As we move further into 2019, there are reasons to be more optimistic about EM debt in general. We expect the Fed to pause its hiking cycle due to stock market volatility, as well as slowing US economic growth and relatively contained inflation. The deceleration in US economic growth (we expect 2.2% GDP (gross domestic product) growth after 2.9% in 2018) will follow a trend already observed globally. In that regard, having been pushed higher by the Fed rate hikes and accelerating US growth in 2018, **the scope for further rises in US Treasury yields this year is limited**. However, a rebound in the oil price and accelerating US wage growth could still push up the inflation expectations embedded in

[1] JP Morgan CEMBI broad index
[2] JP Morgan GBI-EM broad diversified composite index

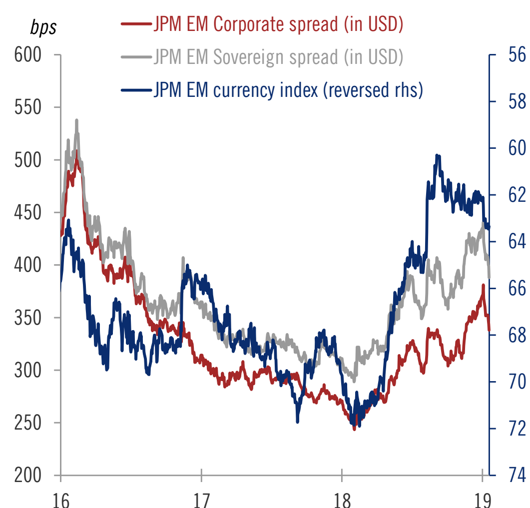
EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

US Treasury yields. For this reason, we continue to expect the 10-year US Treasury yield to move gradually above 3.0% this year, from 2.75% currently (on January 18).

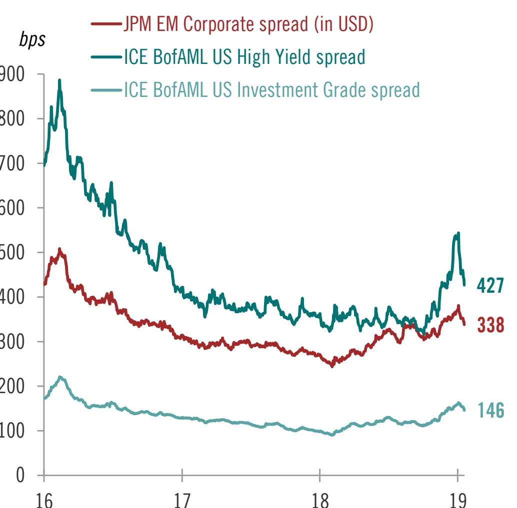
As the interest rate and growth differential between the US and other regions are two key factors in determining the US dollar's direction, we expect its strength to wane as the year progresses. **The dollar has already been weakening against some EM currencies since Q4**, which explains the recent relative resilience of EM spreads relative to benchmark DM bonds in December (*see Chart 1*). EM valuations look quite reasonable versus other segments of the fixed income market. For example, EM corporate spreads in US dollar remain wide, and much closer to US high yield (HY) credit spreads, despite consisting of only 40% of HY bonds (*see Chart 2*). Combined with further potential for US dollar weakness, this could prop up EM corporate and sovereign bonds performance. However, slowing global growth and election risks, as well as other political and geopolitical uncertainties will continue to be an issue for EM debt, so selectiveness remains key.

CHART 1: EM SPREADS[3] VS. EM CURRENCIES[4]



Source: PWM - AA&MR, Factset, Bloomberg, 18.01.2019

CHART 2: EM[5] AND US CORPORATE SPREADS



Source: PWM - AA&MR, Factset, 18.01.2019

The relationship between the world's two largest economies, China and the US, will remain a major driver of EM bonds markets in 2019. For most of 2018, US-China trade tensions hurt the Chinese economy and its credit market, but had little impact on the US. However, in Q4 this asymmetric relationship became much more balanced, with a global credit (and equity) sell-off and signs that US manufacturing was slowing down. As a result, the pressure to reach a trade deal has shifted towards the US, with president Trump tying his fortunes to those of the US stock market. **We expect a trade truce between the US and China before the December moratorium on fresh tariffs expires in March, which should sustain the recent credit markets relief** (from 2-18 January). However, thorny long-term issues, such as China's economic (and technological) rise are unlikely to find an easy resolution and could come back to haunt markets.

Monetary and fiscal stimulus to help the corporate space in China

[3] JP Morgan EM Corporate (CEMBI broad diversified index), JP Morgan EM sovereign (EMBI global index)
[4] JP Morgan EM currency index (TRY, RUB, HUF, ZAR, BRL, MXN, CLP, CNH, INR, SGD)
[5] JP Morgan EM Corporate (CEMBI broad diversified index)

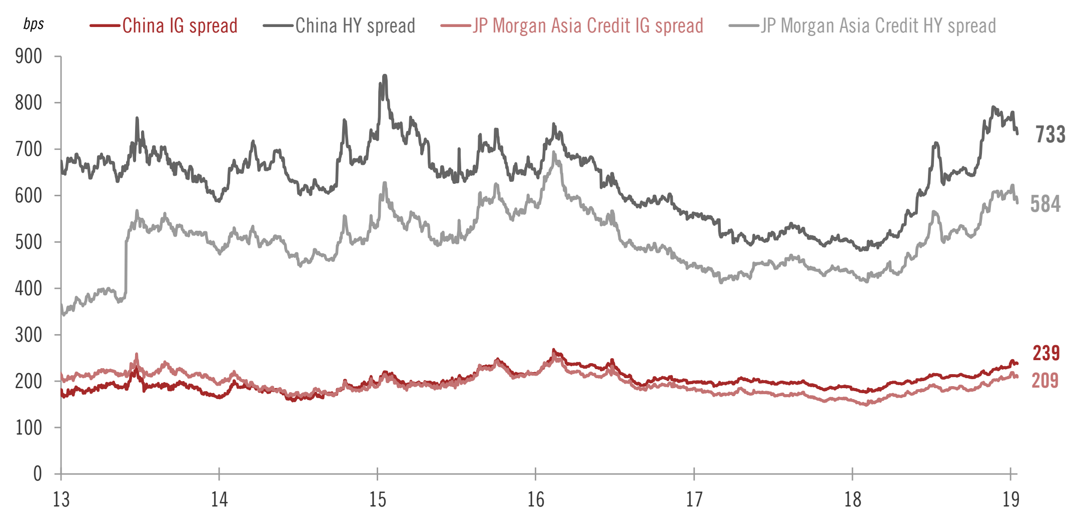
EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

We expect the Chinese economy to continue to decelerate in Q1 2019. Chinese GDP should grow by 6.1% in 2019 overall, compared with 6.4% in 2018. **This slowdown is making us selective about Chinese credit. However, the policy easing we expect** (such as further cut in the reserve requirement ratio (RRR), corporate and value-added tax cuts, fiscal support for infrastructure investments and relaxation of property market restrictions) **will all be credit positive in our view and could lead to growth surprising to the upside, especially in H2.** Furthermore, a trade truce with the US could boost business and investor sentiment towards China.

With easing measures in China, a more dovish Fed stance, favourable bond supply and demand dynamics, and with valuations (especially for high yield (HY)) at their widest levels in years, we are optimistic on Asian credit in US dollars in 2019 (*see Chart 3*). However, the persistent differences between the US and China, which we believe go beyond just trade issues, will continue to add volatility to Asian credit. This means that we maintain a preference for short-to-mid duration, given the very flat US Treasury yield curve, and we are sticking to quality in names we select. In the investment grade (IG) space we like the lower volatility short-to-mid dated China state-owned enterprises for carry. Even though HY looks relatively more compelling than IG, we remain very selective, favouring short-dated BB-rated Chinese property names because of elevated sector spreads. We like companies that have made substantial progress in refinancing upcoming maturities, improved sales, and stand to benefit from policy stimulus in 2019.

CHART 3: CHINESE* AND ASIAN CORPORATE SPREADS



Source: PWM - AA&MR, Single Asset FI, Bloomberg, 16.01.2019

*China IG spreads are taken from the JP Morgan Asia Credit IG index and China HY spreads are taken from JP Morgan Asia Credit HY index

Election risk could rattle bond investors again

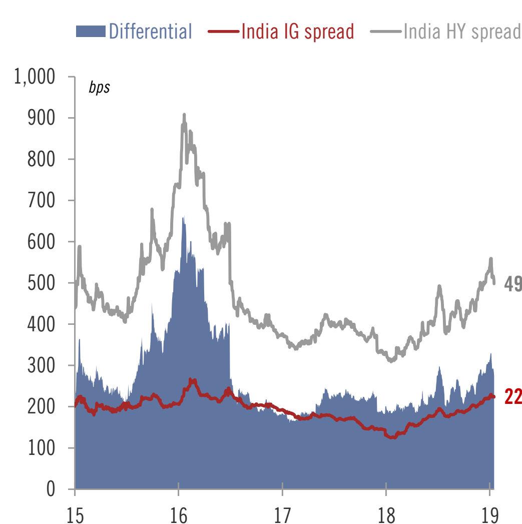
EM countries stand out for their diversity and political complexity. Aside from a democracy/autocracy divide, the rule of law and government institutions are often comparatively weak in EM countries. **Investors in EM bonds can be at the mercy of drastic shifts in government policies and changes in the political landscape. This year, election risk is high and necessitates close monitoring.** Four countries where important elections will be held are highlighted below (India, Indonesia, South Africa and Argentina). Bond investors could be rattled if power in these countries passes to the

EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

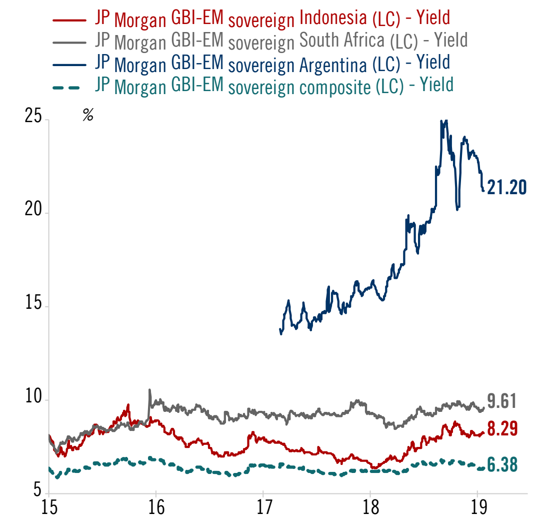
current relatively market-friendly administrations to ones that are less so. For this reason, we see selective opportunities only in robust companies in India, Indonesia and South Africa and we prefer to avoid Argentina altogether.

CHART 4: INDIAN* CORPORATE SPREADS



Source: PWM - AA&MR, Single Asset FI, Bloomberg

CHART 5: EM SOVEREIGN LOCAL CURRENCY YIELDS



Source: PWM - AA&MR, Factset, 21.01.2019

*Indian IG spreads are taken from the JP Morgan Asia Credit IG index and Indian HY spreads are taken from JP Morgan Asia Credit HY index

India. National elections in India will take place this spring. Recent setbacks by the incumbent Bharatiya Janata Party (BJP) in state elections are stoking uncertainty, but a BJP victory remains our base-case scenario. The recent resignation of the well-respected Reserve Bank of India governor has led to concerns about the erosion of central bank independence in the long term, but it has also paved the way for monetary policy easing, which could benefit the economy in the short term. Government spending is also set to increase in this election year. Along with rising corporate investment and lower oil prices than in 2018, this will probably boost Indian growth in 2019 to 7.4% (for the fiscal year that ends on 31 March 2020).

We are overweight IG corporates in India. We note that Indian hard currency credits are traditionally driven more by technicals (i.e. issuance supply and demand dynamics) than politics. Combined with reasonable valuations, this means we expect spreads to benefit from the improving macroeconomic environment. Contrary to IG, HY valuations in India continue to be extremely tight (*see Chart 4*). **Despite expectations that credit profiles will remain stable, we are therefore neutral on India HY. However, should the upcoming election bring the opposition to power, credit spreads could widen**.

Indonesia. The incumbent President Joko Widodo (Jokowi) still enjoys strong support and remains the front runner in the Indonesian presidential election in April. While the election could introduce some near-term uncertainty, we think the risk of a change in government is low. Like India, Indonesia has a domestically driven economy and while also a net importer, it is less dependent than India on foreign oil supplies.

However, Indonesia, like India, could still suffer from a pronounced growth slowdown in Asia, which could renew downward pressure on its currency (the Indonesian rupiah,

EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

IDR) versus the dollar. Foreign exchange reserves fell last year as the central bank intervened to prop up the currency. **More recently, a globally weaker US dollar and an improvement in the fiscal deficit have given the IDR a reprieve and pushed sovereign bonds yields lower** (*see Chart 5*). **We prefer quasi-Indonesian sovereigns as they are trading wider than Indonesian sovereign bonds with similar ratings and therefore offer attractive carry.**

South Africa. The ruling African National Congress (ANC), which has been in power since 1994, is at risk of losing its majority in elections in May due to slow economic growth (the International Monetary Fund (IMF) forecasts real GDP growth of 1.4% in 2019) and high unemployment (28% in 2018). President Cyril Ramaphosa has focused on reducing economic imbalances, but high taxes, tight fiscal policy and external shocks are hindering economic stabilisation.

We perceive local currency debt in South Africa Rand (ZAR) as too risky in the current climate despite attractive yields (the 10-year yield stands at 9.6% on January 21, *see Chart 5*), but hard currency corporate debt could be an interesting alternative. A small number of South African corporate issuers continue to be rated IG, even though the country's sovereign rating was downgraded to high yield in late 2017. Despite remaining structural imbalances, these IG names could offer opportunities if the election passes off smoothly.

Argentina. **With elections due to be held in October/November, the administration of Mauricio Macri is in a race against time to prove to investors that it can avoid a debt event.** While Argentina is the recipient of emergency IMF funding, so far economic data has not given investors enough confidence that Argentina can resolve its problems, which is why its sovereign yields remain elevated (*see Chart 5*). Meanwhile, the fiscal consolidation and tight monetary policy that the IMF had demanded in return for its support are both detrimental to growth and hurting the popularity of the incumbent government. **For this reason, we remain underweight Argentina.**

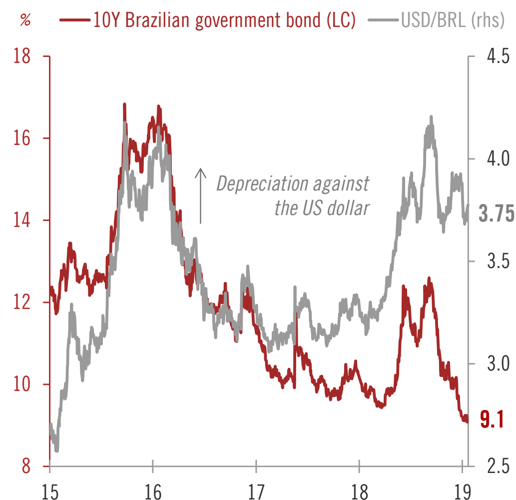
Beware political and geopolitical uncertainties

In 2018, the two main Latin America (LatAm) democracies, Mexico and Brazil, experienced a populist wave similar to that seen in western countries. **The two new populist presidents, the right-wing Jair Bolsonaro in Brazil and the left-wing Andres Manuel Lopez Obrador (AMLO) in Mexico will have to prove they can reform their economies and implement their agenda while at the same time retaining investor confidence.** Only in this way can they avoid a repeat of 2018 when their currencies depreciated against the US dollar and sovereign bonds yields shoot up on the back of investor fears of impeding capital outflows and central bank rate hikes to prop up their currencies (the Brazilian Real (BRL) and the Mexican Peso (MXN), *see Chart 6 and 7*).

EMERGING MARKET FIXED INCOME OUTLOOK

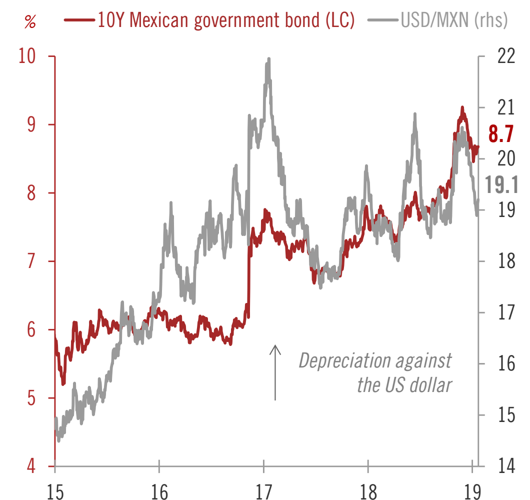
SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

CHART 6: 10-YEAR BRAZILIAN YIELD AND USD/BRL



Source: PWM - AA&MR, Bloomberg, 18.01.2019

CHART 7: 10-YEAR MEXICAN YIELD AND USD/MXN



Source: PWM - AA&MR, Bloomberg, 18.01.2019

Since it risks additional sanctions from the US this year, Russia is also exposed to political uncertainty. The Democrats, who back the investigation into Russian meddling in the 2016 US presidential election, could push for these new sanctions. Liquidity in US dollar-denominated Russian debt evaporated following the imposition of US sanctions on aluminium giant Rusal, something that is still fresh in investors' minds.

Brazil. During his campaign, Bolsonaro pushed a hard line on social policy (particularly on security and corruption) and a market-friendly line on economic policy. Hence, Brazilian debt, both in local and hard currency, greeted his election victory in October of last year favourably, with yields coming down. However, the most-needed reform of social security will be the real test. The new president must deliver on reform during the first half of 2019, in order to stabilise the rapidly rising government debt-to-GDP ratio.

Local currency investors can find opportunities in Brazilian Real (BRL)-denominated bonds, as real rates remain attractive. As an example the 10-year Brazilian sovereign yield stands at 9.1% (on January 18) but the inflation rate was only 3.8% last December (*see Chart 6*). Moreover, the country enjoys strong external buffers making high quality credit in US dollar also compelling. **However, social security reform is the key risk to monitor.**

Mexico. Last year, AMLO unnerved investors by cancelling macro infrastructure projects, as well as by his willingness to consider changing the constitution and, most recently, by designing a totally new energy and banking strategy. The president is focusing on cutting the country's dependency on fuel imports, increasing the efficiency of fuel distribution, and reforming the banking system. The initial measures have brought a wide range of structural issues to the surface. There have been fuel shortages and it is proving hard to come up with a viable plan to reform the financial sector.

We are closely monitoring AMLO's ability to calm investors' nervousness because worries related to its populist agenda have made Mexican yields and the Mexican Peso

EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

volatile for most of 2018 (*see Chart 7*). Due to uncertainties linked to AMLO's policies, we favour high-rated Mexican companies with strong balance sheets.

Russia. The country remains a high-quality destination for fixed-income investors. The sovereign and corporate balance sheets are strong. On the technical side, the low volume of new issues coming to market since US and EU sanctions kicked in back in 2014 has supported bonds outstanding.

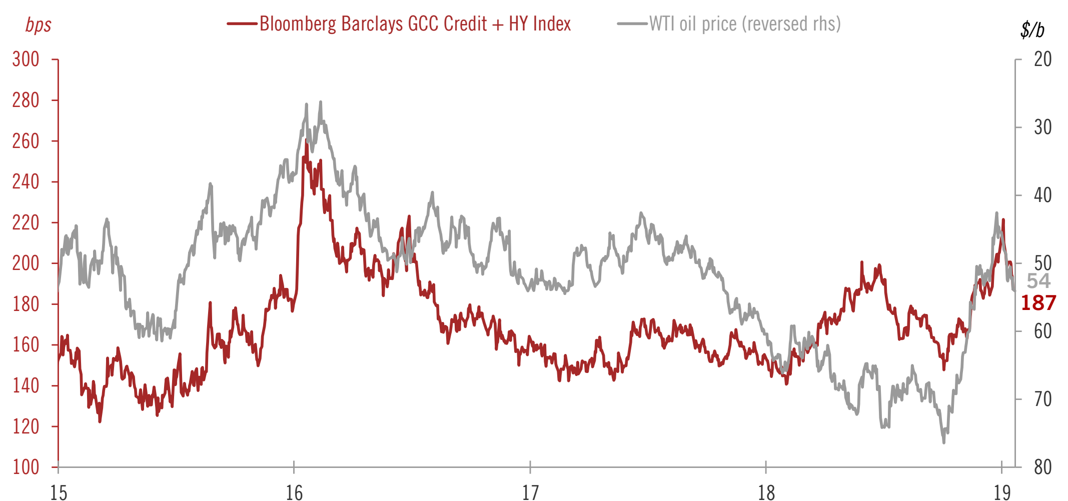
However, new rounds of sanctions against Russian entities could again materialise in 2019 and could trigger significant price action. **Hence, we favour government-related entities of strategic importance for the country, while we shy away from private corporates, even those with outstanding fundamentals.** Nevertheless, additional US sanctions could provide a good entry point to robust Russian companies.

Oil price rebound to benefit the EM space selectively

The fate of EM debt is tightly linked to the oil price. EMs are divided between oil importers (for example, China, India, Indonesia and Turkey), which have been benefiting from the recent slide in the oil price, and oil exporters (for example, Brazil, Mexico, Russia and the Gulf countries), which thrive when the oil price rises. In addition to its direct impact on EM economies, the oil price has also increasingly become a gauge of the health of the world economy. Considering that many EM countries are export oriented, they tend to suffer from a slowdown in global economic growth and trade.

We currently expect the oil price (West Texas Intermediate, WTI) to rise gradually from USD54 per barrel on January 18 towards USD62 by end-2019, which could, along with the stabilisation of global growth, provide some support to oil exporters. Hence, we remain constructive on Gulf Cooperation Council (GCC) credit markets going into 2019, while we are avoiding exposure to Turkey (an oil-importer). Despite being cheap, the latter could suffer from ongoing macroeconomic and political risks.

CHART 8: EM GULF COOPERATION COUNCIL CREDIT SPREADS VS. OIL PRICE



Source: PWM - AA&MR, Bloomberg, 18.01.2019

PICTET
1805

EMERGING MARKET FIXED INCOME OUTLOOK

SELECTIVENESS TO NAVIGATE BETWEEN TAILWINDS AND RISKS IN 2019

Gulf Cooperation Council (GCC). GCC credit was one of the few fixed-income segments to post a positive total return in 2018 (+0.18% based on the Bloomberg Barclays GCC Credit Index in USD), mainly because it has the strongest credit metrics within the EM universe and stands out as a low beta, high-quality region.

Looking forward, we expect the oil price and GCC credit spreads to remain inversely correlated in 2019, so our expected rebound in the oil price should act as a tailwind for spreads (*see Chart 8*). GCC sovereigns remain robust, benefitting from healthy growth (3.0% this year, according to the World Bank's latest forecast) and a stable rating outlook, which should act as a source of stability for all debt instruments. From a technical standpoint, five additional GCC States will be included in the JP Morgan's Emerging Market EMBI (sovereign) bond index in 2019, likely attracting additional fund inflows into the regional bond market. **Hence, we believe that exposure to GCC credits continues to make sense, especially in the current context of high market volatility. The main headwinds remain geopolitics and oil price volatility.**

Turkey. The market is unlikely to forget 2018, as volatility climbed to historical highs and valuations fell to levels not reached since the global financial crisis in 2008. The crisis was triggered by a combination of concerns about the country's current account deficit and the burden of its foreign currency debt, as well as President Recep Erdogan's increasing authoritarianism.

Since September, following the intervention from the Turkish central bank to stabilise the currency, the Turkish fixed income market has calmed down, although yields remain high. Also helping was the diminished risk of US sanctions and the fall in the oil price, which helped improve Turkey's current account deficit. **We believe that cheap valuations for Turkish debt compared to its EM peers are warranted by ongoing macroeconomic and political risks. As such, we prefer to stay on the sideline.**

Conclusion

Overall, we think there are reasons for investors to be more optimistic than before on EM debt in 2019. A Fed pause, a weaker US dollar, a US-China trade truce and further Chinese stimulus all bode well for EM bonds, be it sovereigns or credits, in hard or local currency. However, election risk and (geo)political uncertainties along with the slowdown in global growth mean that selectiveness will be key to navigate this complex universe in 2019. **For this reason, Pictet Wealth Management is neutral on EM debt in general and looking for opportunities in sovereign local currency debt and corporate hard currency debt. To this end, we take into account individual country stories and favour a defensive approach by selecting quality names.**

DISCLAIMERS

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 2017.

Distributors: Bank Pictet & Cie (Asia) Ltd ("BPCAL") in Singapore, 10 Marina Blvd #22-01 Tower 2, Marina Bay Financial Centre, Singapore 018983 and Pictet & Cie (Europe) S.A., Hong Kong branch ("Pictet HK branch") in Hong Kong. The registered address of Pictet HK branch is 9/F, Chater House, 8 Connaught Road Central, 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. 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 with transactions on such Investment.

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, and effectively 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 believed to be 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 has obtained an exemption from the Monetary Authority of Singapore ("MAS") under section 100(2) of the Financial Advisers Act ("FAA") for the provision of financial advisory services to High Net Worth Individuals (as defined in the MAS Guidelines on Exemption for Specialised Units Serving High Net Worth Individuals FAA-G07) (the "Exemption") and is exempted from the requirements of sections 25, 27, 28 and 36 of the FAA, the MAS Notice on Recommendations on Investment Products (FAA-N16), MAS Notice on Appointment and Use of Introducers by Financial Advisers (FAA-N02), MAS Notice on Information to Clients and Product Information Disclosure (FAA-N03) and MAS Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (FAA-N13).

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.

Pictet & Cie (Europe) S.A. is incorporated in Luxembourg with limited liability. It is an authorized institution within the meaning of the Banking Ordinance and a registered institution (CE No.: AQ515) under the SFO carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

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.