US MACRO UPDATE

HOUSING MARKET SEES A SHARP REVERSAL OF FORTUNE

Author

THOMAS COSTERG
tcosterg@pictet.com

SUMMARY

- The US housing market went through a mini-boom in 2020-21 on account of demand for additional space during the period of Covid restrictions coupled with easy money from the Federal Reserve. This was in spite of sharply-rising costs and acute bottlenecks in workers and materials availability.
- This period has now ended: housing activity is falling as the Fed gets aggressive with rate hikes to combat high inflation, while the latest surge in prices has led to buyer caution.
- Recent housing-related surveys, in particular homebuilders' surveys, suggest more weakness is likely in the coming months.
- US housing is not as financialised and globally interlinked as it was during the subprime crisis of 2008 and the global financial risks are perhaps not as dire as then.
- A shortage of housing stock provides a cushion for prices to some degree, but this could disappear rapidly should housing slow more profoundly.
- A slowdown in the US housing sector, which represents 5% of GDP (but more when counting for spillovers) is one of the forces along with an inventory reversal and plunging capex (business investment) that may tip the US economy into mild recession, in our view.
- A mild recession (official, as per the National Bureau of Economic Research) from Q1 2023 is still our main scenario with our 2023 GDP forecast at -0.4%. Risk is that recession could come earlier than Q1 2023, and could be deeper especially if private consumption is affected, for instance by tighter access to consumer credit.

CHART 1: MORTGAGE ORIGINATION FOR HOUSE PURCHASES IS SLIDING SHARPLY

Source: Pictet Wealth Management, Bloomberg Finance LP (as of 21 July 2022)

For illustrative purposes. 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. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

US MACRO UPDATE

US HOUSING MARKET SEES A SHARP REVERSAL OF FORTUNE

Sharp reversal of fortune as Federal Reserve gets aggressive

The US housing market is rapidly transitioning from robustness (if not exuberance) last year to softness this year, with this mirroring the equally **rapid hawkish pivot of the Federal Reserve** over the past few months. According to Bankrate data, the 30-year mortgage rate – the standard mortgage product in the US – touched a multi-year high of 6.04% of 21 June, almost double the rate of 3.1% it experienced on average during 2020-21.

This **steep rise in financing costs**, combined with the **rapid ascent in house prices** (particularly over the past two years) has led to a sharp drop in housing affordability indices. Buyers have thinned out lately. In fact, the National Association of Realtors' **index for affordability collapsed** in May to the lowest level since July 2006. House prices were still up 13.4% year-on-year based on the average sale as of June 2022; in fact, average prices rose to a record high of USD 416,000 per home in June. House prices are up 14.7% on average so far this year (January to June), after rising 17.9% in 2021, far outstripping general inflation, rents or median wage gains. The outcome can be seen in the June National Association of Homebuilders (NAHB) sub-index of 'prospective buyers' which is collapsing, ex-Covid episode, to the lowest level since March 2015. This series, which starts in 1985, had seen a record high in November 2020.

The low level of available housing stock has long helped to support the sector, and notably so over the past two years. Recent data suggest that supply of housing is still limited, with home-for-sales inventory at 1.26mn in June, well below a 3-year average of 1.56mn. This could act as a cushion as the sector weakens. Nevertheless, we would caution from extrapolating too much from the strength of this theoretical cushion, as housing supply can rise very sharply (reversals in housing inventory can be swift).

While we expect additional weakness for the sector, **we do not necessarily think that the parallels to the subprime crisis are especially relevan**t since the banking sector tightened lending standards after the global financial crisis, and many housing-related credit products have been discontinued, for instance home-equity lines of credit (HELOC). In fact, outstanding stock of HELOC debt was USD 261bn as of Q1 2023 – the lowest level since Q4 2002 – versus a peak of USD 674bn in Q1 2009, according to Federal Deposit Insurance Corp. data. That said, it is true that much mortgage funding and origination has escaped into the 'shadow' banking sector (or 'non-bank' financial sector) in recent years, where regulations are lighter and data scarcer.

In a March 2022 speech, Federal Reserve Governor Chris Waller highlighted that this time around, and unlike pre-2008, the housing sector now is not driven by "excessive leverage, looser underwriting standards or financial speculation". **Waller highlighted that households' balance sheets are "stronger" now with both banks and households better able to cope with the possibility of falling home prices**.

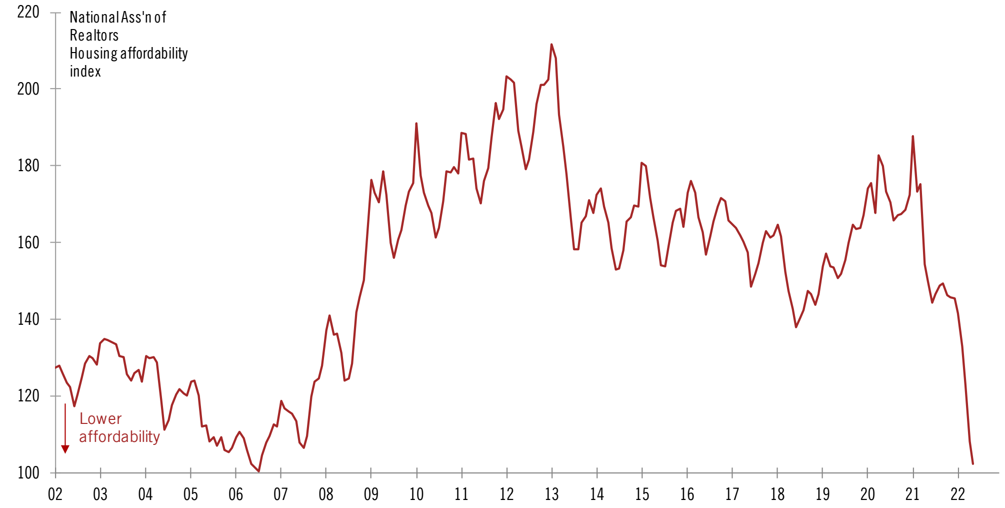
US MACRO UPDATE

US HOUSING MARKET SEES A SHARP REVERSAL OF FORTUNE

From a GDP point of view, we currently forecast a drop of 3.7% in 2022 for residential investment, followed by another drop of 3.9% in 2023 (for comparison, the category rose 6.8% in 2020 and 9.2% in 2021). We reckon that **risks to these forecasts are mostly to the downside,** especially as entering a mild recession could have a much bigger psychological impact on house buyers, leading to more undershooting in housing activity. Much will also depend on the **adjustment in the labour market**: for now we expect only a moderate deterioration in the unemployment rate.

Overall, our macro scenario for the US economy remains a **mild recession** starting in Q1 2023. Our 2023 GDP growth forecast is -0.4%. The risk to this forecast is to the downside. The main reason for this recession, in our view, is the **sharp reversal in policymaking this year**, and particularly the sharp tightening in monetary policy (with massive impact on broader financial conditions) as well as the 'sudden stop' in budget support after sizeable largesse in 2020-21. Furthermore, the cycle is amplified by **sharp swings in the industrial inventory cycle**. The US economy may also suffer from **global headwinds**, in particular linked to the fragile energy situation in Europe and the zero-covid policy in China.

CHART 2: US HOUSING AFFORDABILITY HAS DETERIORATED SHARPLY



Source: Pictet Wealth Management, Bloomberg Finance LP (as of 21 July 2022)

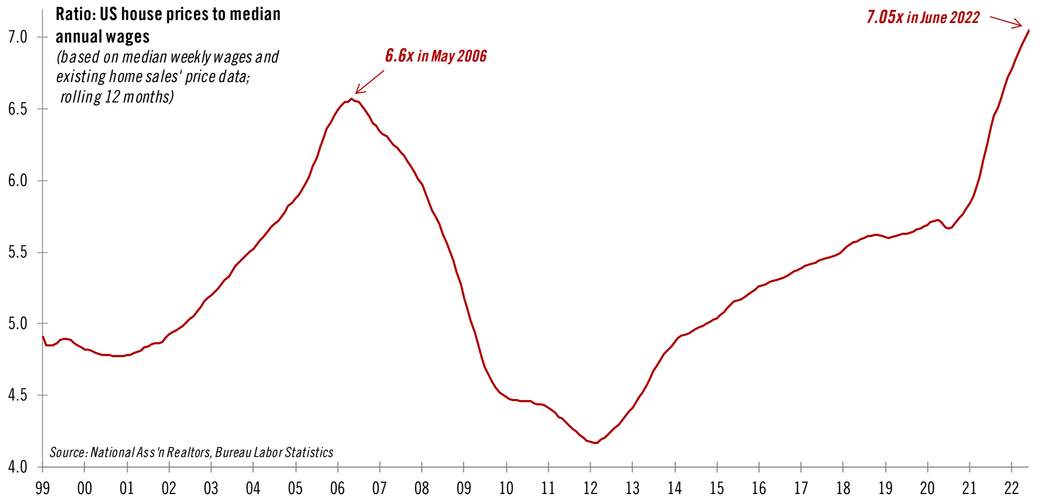
For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance

US MACRO UPDATE

US HOUSING MARKET SEES A SHARP REVERSAL OF FORTUNE

From a Federal Reserve perspective, **we do not think the ongoing weakness in the housing sector will provoke a near-term halt to its monetary tightening**. The Fed's focus remains very much on tackling high inflation and recent statistics (9.1% CPI in June) are still likely to cause anxiety. **From a growth perspective, the Fed is very much watching labour-market signals more than other data points** (including GDP), and payrolls continue to have positive momentum – at least for now. To some degree, the Fed may be welcoming the 'deflating' of the US housing sector. Nevertheless, there remains a **risk that the Fed may overdo it** with its tight policy and that inertia in the housing sector may mean weakness self-perpetuates more than the Fed expects, including for 'collective psychology' reasons. We will watch Fed policy (as well as balance sheet policy) in the coming months closely in that regard. Our central scenario is still that the Fed will pause rate hikes by year's end as inflation slows and recession risks mount.

CHART 3: US HOUSES ARE RICHLY VALUED VERSUS CURRENT MEDIAN HOUSEHOLD INCOMES



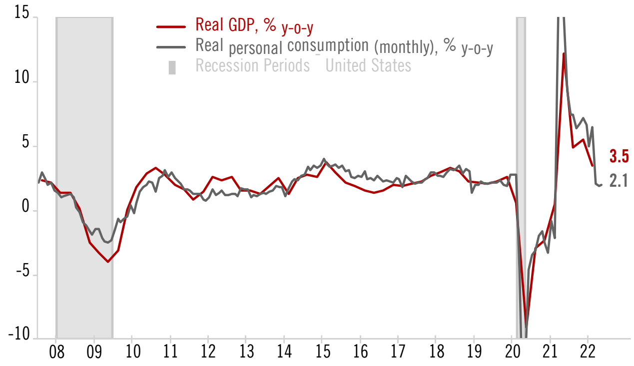
Source: Pictet Wealth Management, Bloomberg Finance LP (as of 21 July 2022)

For illustrative purposes. 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. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

US MACRO UPDATE

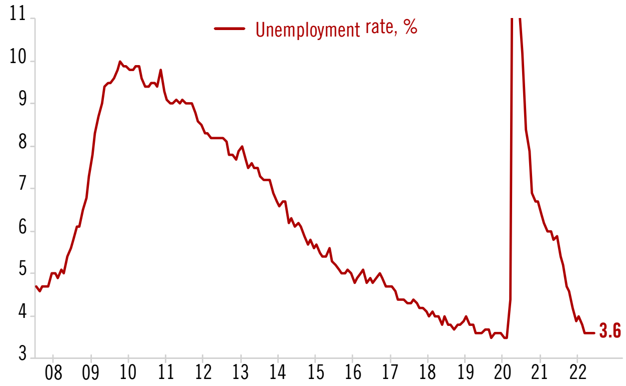
US HOUSING MARKET SEES A SHARP REVERSAL OF FORTUNE

REAL GDP AND PRIVATE CONSUMPTION GROWTH, % Y-O-Y



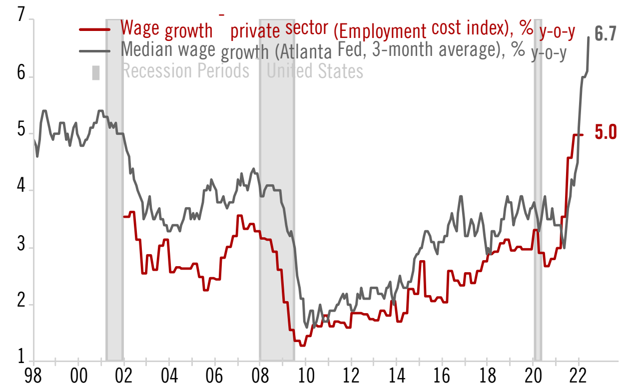
Source: Pictet WM – AA&MR, Factset

UNEMPLOYMENT RATE, %



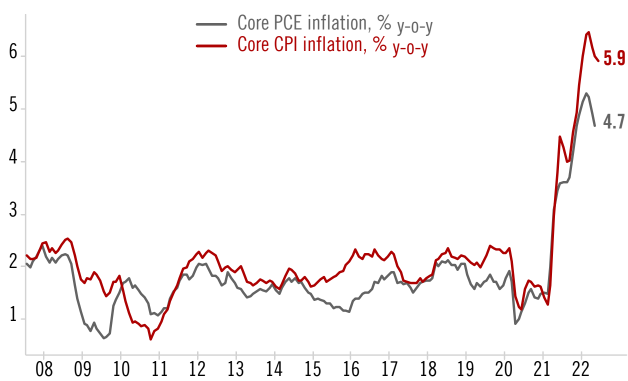
Source: Pictet WM – AA&MR, Factset

WAGE GROWTH INDICATORS, % Y-O-Y



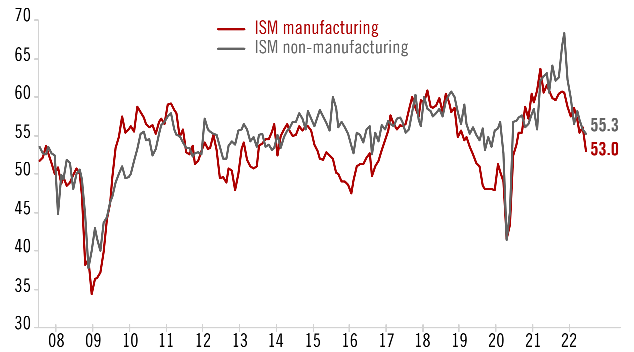
Source: Pictet WM – AA&MR, Factset

CORE INFLATION (PCE AND CPI INDICES), % Y-O-Y



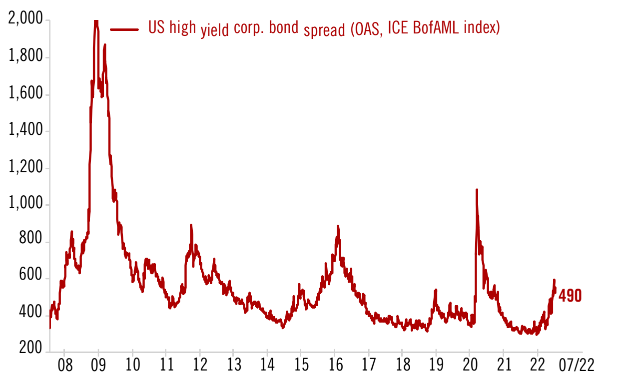
Source: Pictet WM – AA&MR, Factset

ISM BUSINESS SURVEYS



Source: Pictet WM – AA&MR, Factset

HIGH-YIELD CORPORATE BOND SPREAD, BASIS POINTS



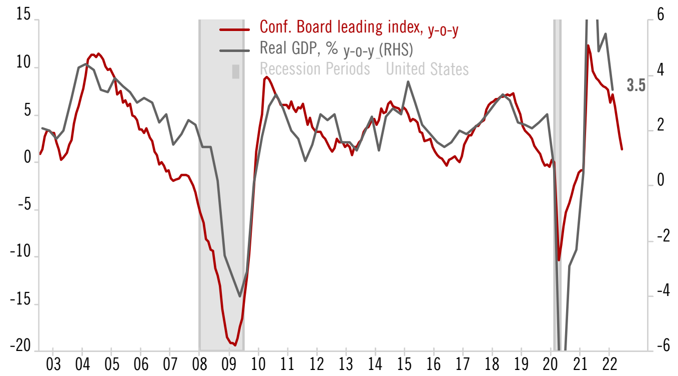
Source: Pictet WM – AA&MR, Factset (last close)

For illustrative purposes. 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. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

US MACRO UPDATE

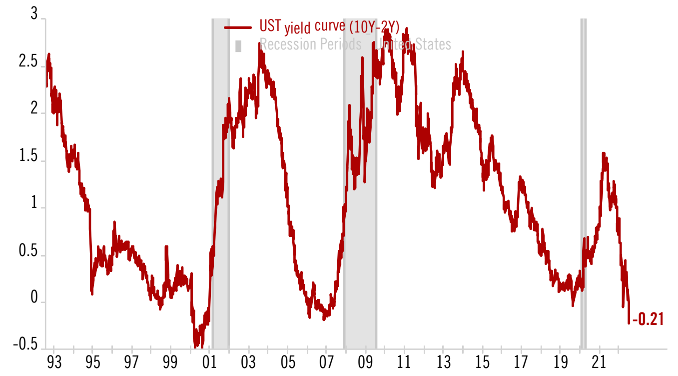
US HOUSING MARKET SEES A SHARP REVERSAL OF FORTUNE

CONF. BOARD LEADING INDEX, % Y-O-Y VS GDP GROWTH, % Y-O-Y



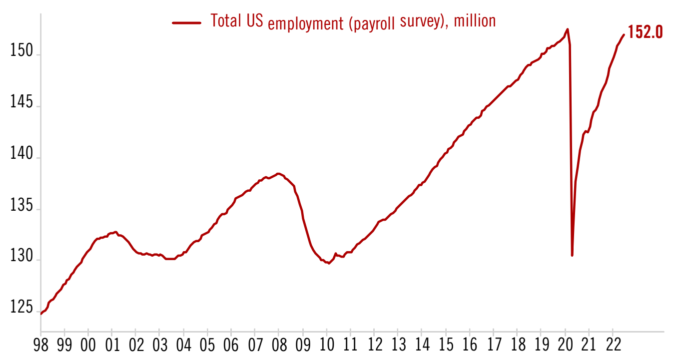
Source: PWM - AA&MR, Factset

US YIELD CURVE SPREAD (10-YEAR YIELD MINUS 2-YEAR YIELD)



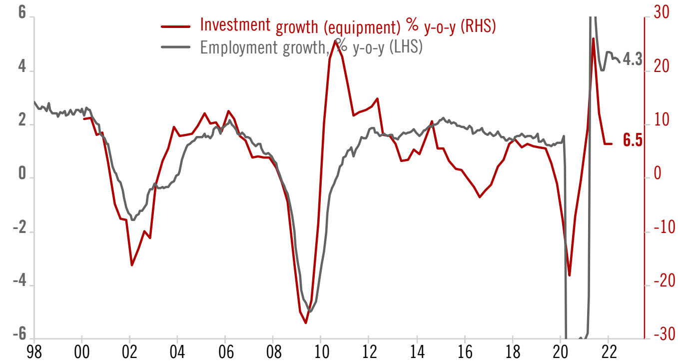
Source: PWM - AA&MR, Factset (last close)

TOTAL US EMPLOYMENT



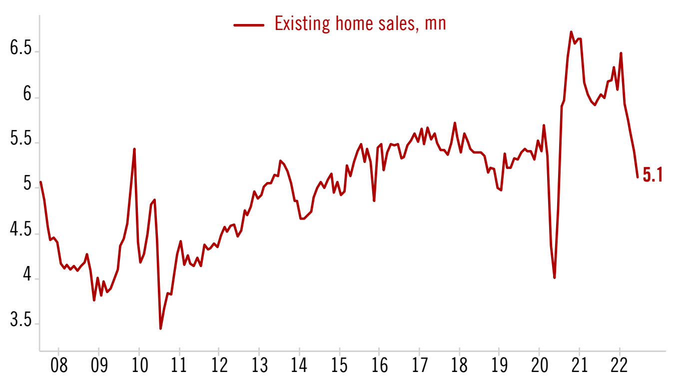
Source: PWM - AA&MR, Factset

US INVESTMENT (EQUIPMENT) VS EMPLOYMENT GROWTH, % Y-O-Y



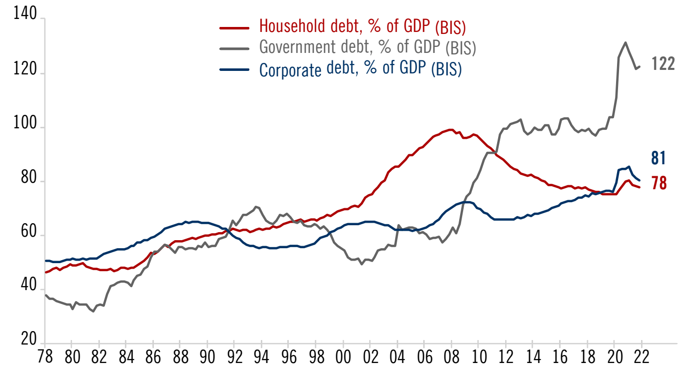
Source: PWM - AA&MR, Factset

EXISTING HOME SALES, MILLION UNITS (ANNUALISED)



Source: PWM - AA&MR, Factset

DEBT RATIOS (HOUSEHOLD, CORPORATE, GOVERNMENT), % OF GDP



Source: PWM - AA&MR, Factset

For illustrative purposes. 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. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

DISCLAIMERS

STOXX Limited ("STOXX") is the source of Stoxx 600 and of Euro Stoxx and the data comprised therein. STOXX has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in the Stoxx indices mentioned on this document or its data. Any dissemination or further distribution of any such information pertaining to STOXX is prohibited."

ICE-BofA Merril Lynch. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its Third Party Suppliers and has been licensed for use by Pictet. ICE Data and its Third Party Suppliers accept no liability in connection with its use.

NYSE Euronext. All rights in the NYSE Euronext indices and/or the NYSE Euronext index trademarks vest in NYSE Euronext and/or its licensors. Neither NYSE Euronext nor its licensors accept any liability for any errors or omissions in the NYSE Euronext indices or underlying data. No further distribution of NYSE Euronext data and/ or usage of NYSE Euronext index trademarks for the purpose of creating and/or operating a financial product is permitted without NYSE Euronext's express written consent."

Bloomberg Index Services Limited.

"SIX Swiss Exchange AG ("SIX Swiss Exchange") is the source of SMI_SPI and the data comprised" SIX Swiss Exchange AG ("SIX Swiss Exchange") is the source of SMI_SPI and the data comprised therein. SIX Swiss Exchange has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in the SMI_SPI or its data. Any dissemination or further distribution of any such information pertaining to SIX Swiss Exchange is prohibited.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties ") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement. merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, fast profits) or any other damages. (www.msci.com).

@ 2021, Markit Economics Limited. All rights reserved and all Intellectual property rights retained by "Markit Economics Limited." or as may be notified by Markit to Pictet from time to time.

The TOPIX Index Value and the TOPIX Marks are subject to the proprietary rights owned by Tokyo Stock Exchange, Inc. and Tokyo Stock Exchange, Inc. owns all rights and know-how relating to the TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. No Product is in any way sponsored, endorsed or promoted by Tokyo Stock Exchange, Inc.

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.

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 ("KIIDs"), 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,