PICTET

PICTET WEALTH MANAGEMENT

2023 US Macro Outlook

Federal Reserve risks overkill on rate tightening

AUTHOR

MACRO RESEARCH TEAM

1 DECEMBER 2022, CIO OFFICE & MACRO RESEARCH

FLASH NOTE

SUMMARY

- Our central forecast is for a moderate US recession starting in early 2023, with annual US GDP dropping 0.2% after estimated growth of 1.9% in 2022. Having peaked at 9.1% year-on-year in June 2022, we forecast consumer price index (CPI) inflation to be close to 3% by end-2023 (the annual average CPI could drop from 8.1% in 2022 to 4.0% in 2023). We think the unemployment rate will edge up in the second part of the year.
- We believe the main culprit for the expected contraction in GDP and rise in unemployment will be the Federal Reserve's (Fed) sharp tightening of monetary conditions in an environment of fiscal policy prudence (even more so as Congress is now divided post the midterms elections). The full impact of 2022 tightening will really only be felt in the coming months.
- We forecast that household consumption will grow a little less than 0.5% in 2023, down from an expected 2.6% in 2022. With the household savings accumulated as a result of the pandemic largely depleted, the key to the outlook for household spending in 2023 will be consumers' ability (and willingness) to borrow. One silver lining is that slowing inflation may mean more purchasing power as wage growth will likely remain high by historical standards.
- We expect the Fed to hike the fed funds rate to a range of 5.0-5.25% (versus 3.75-4.0% currently) by March 2023, and then keep it there for the rest of the year. Fed messaging could remain hawkish due to sticky inflation expectations, still-high services inflation and resilient wage growth. Meanwhile, the central bank's balance sheet will likely continue to shrink according to pre-set plans unless there is an inordinate deterioration in liquidity conditions.
- Indeed, the risk to our central scenario for the US is that inflation proves 'stickier' than expected (especially in services) and that the Fed feels it needs to tighten more to force down demand—in which case, the recession could be deeper and longer.

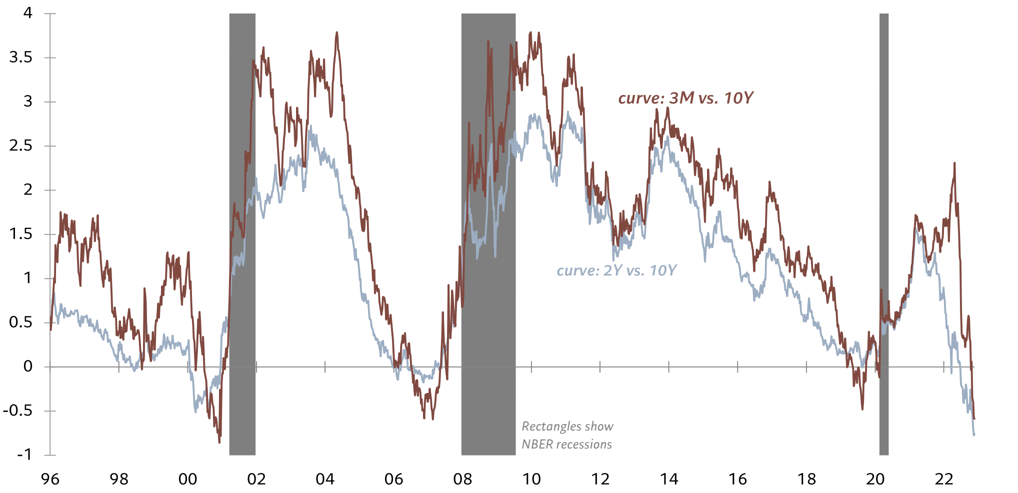
US: US CONSUMER RESILIENCE WILL DEPEND ON THE BANKS

Three major elements go into our economic forecast for the US: credit and financial conditions, leading economic indicators and cross-analysis of the main components of GDP reports (consumption, investment, government spending, net trade and inventories). On all three fronts, the news is not good for 2023.

We see the two biggest drags on 2023 GDP as being housing and business investment. Only partially offset by consumer resilience, they will likely lead to a **moderate recession next year.**

Inversion along parts of the **US yield curve is already signalling a recession,** with three-month and two-year interest rates below 10-year rates (chart 1). **A Bloomberg survey of economists shows that 63% of them believe a recession is probable within the next 12 months**.

Chart 1: The inverted yield curve is signalling a US recession in the coming months



Source: Pictet WM CIO Office & Macro Research, Bloomberg Finance LP, 30 November 2022

The US housing sector is likely to feel the most pain from the Fed's steep rate tightening via mortgage rates. While the fact that most US mortgage holders pay fixed rates should lessen the pain, they will still be hurt indirectly through **falling house prices**. House prices dropped by 1.1% per month on average in the three months to end-September, with leading indicators pointing to further weakening ahead. This could hit confidence and the 'wealth effect' that comes with rising house prices. There could also be a knock-on effect on consumer spending. At the same time, the decline in housing construction and transactions is also a drag on GDP.

Yet our central scenario is for US consumer spending to bend, but not break. On the positive side, there is still some pandemic savings left, and lower inflation may mean household disposable incomes recover on an inflation-adjusted basis. But **much will depend on banks' willingness to continue lending next year**. There is a possibility that the rapid rise in consumer loans in recent months comes up against signs of steadily tighter lending conditions.

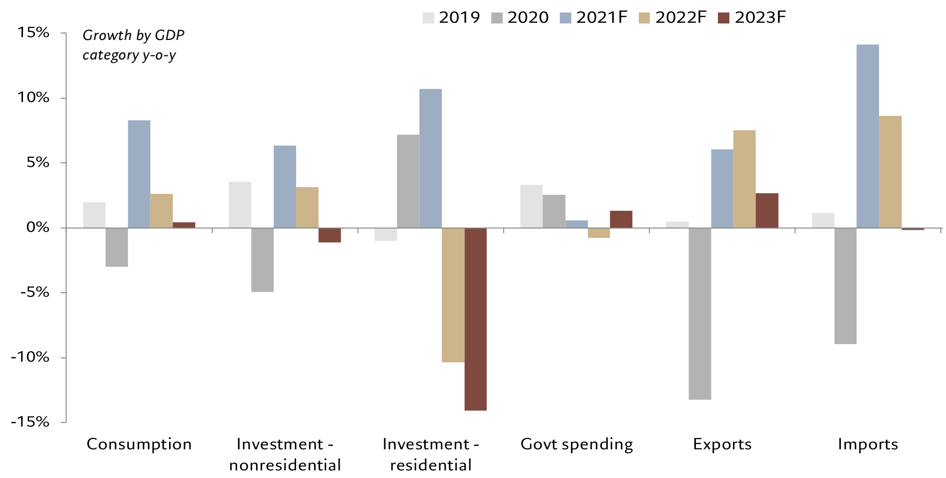
We will pay special attention to US consumers' monthly saving rate, which averaged only 3.3% of aggregated disposable income in the three months to end-

September. This compares with a 10-year average of 6.8% (and 8.8% in 2019, before the pandemic). **Such a low level of saving accumulation indicates that for some households at least finances are becoming stretched.**

We predict real (inflation-adjusted) personal consumption growth of 0.4% in 2023, down from +2.6% (estimated) in 2022 and +8.3% in 2021. Consumption could be lower should banks tighten access to credit-card debt more than we expect in our central scenario.

Regarding government spending, our expectations are low given that the last month's midterm elections produced a divided Congress. The probability of further large spending packages with bipartisan support looks low, unless a significant recession leads to cross-party agreement for fiscal stimulus. In fact, the early-2023 deadline for lifting the federal spending ceiling could be used by Republicans to to force through government spending cuts. Budget spending through the Inflation Reduction Act passed last summer (mostly focused on subsidising green energy initiatives) is mostly meant to work via tax credits, with the impact spread out over several years.

Chart 2: Our forecast is for slow personal consumption and a sharp drop in housing



Source: Pictet WM CIO Office & Macro Research, Bloomberg Finance LP, 1 December 2022

UNEMPLOYMENT RATE LIKELY TO RISE, WAGE GROWTH COULD MODERATE

The labour market is usually a *lagging* indicator. In other words, it usually ends up losing speed months after most other 'recession' indicators such as the flagship ISM manufacturing confidence index. Due to the difficulty in hiring (or re-hiring) since the pandemic, some argue that US employers could end up keeping workers even if a recession drives down demand. This could mean the labour market is even more of a lagging indicator than usual.

Nevertheless, our central scenario is that companies will end up firing workers as revenue growth stalls, with modest job losses in Q2 2022 giving way to more severe job losses in the second half of the year. We therefore **predict that the US unemployment rate will rise to 4.7% by end-2023** (from 3.7% in October 2022). This is quite close to a recent forecast by New York Fed president John Williams, who predicts an unemployment rate of between 4.5-5.0% by end-2023.

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.

As an aside, labour market deterioration will be the 'true' sign of a recession as it indicates a broad-based decline in economic activity, whereas a technical recession is just two quarters of negative GDP growth. In the US, the official 'arbiter' of 'true' recessions is the National Bureau of Economic Research's business-cycle dating committee.

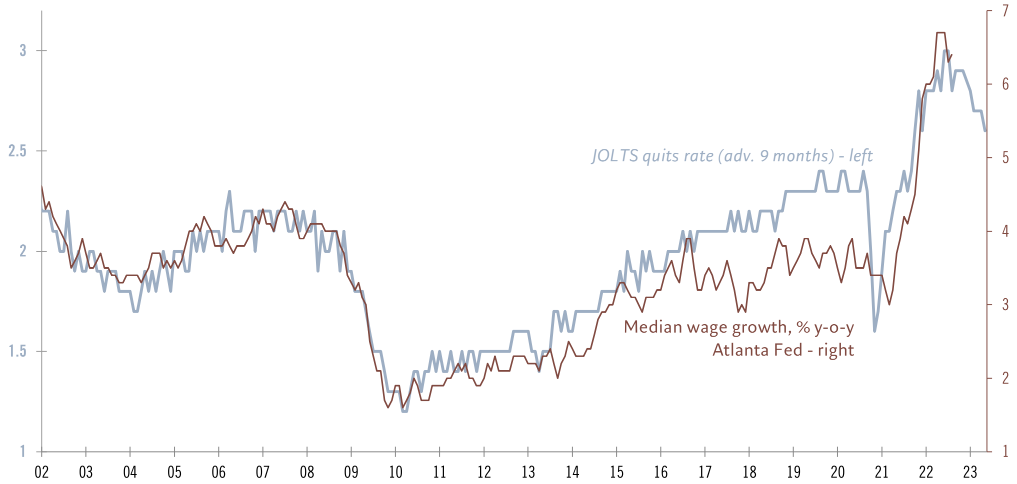
Looser labour-market conditions should eventually mean wage growth moderates, which will in turn mean **slower services inflation**.

We think CPI inflation peaked at an annual rate of 9.1% in June. Supply-chain bottlenecks (including transport costs) have been easing considerably. This, combined with falling global commodity prices, should mean merchandise/goods inflation continues to decelerate.

But the **focus in 2023 will really be on services**, where disinflation could be more gradual. It may be that the drop in new rents seen in private-sector data lately (mirroring falling house prices) has yet to turn up in official rental inflation numbers. The deceleration in services ex-rents may be gradual due to the ongoing resilience of wage growth but, ultimately, we expect wage growth to continue to moderate, probably towards 4.0% by end-2023 (from 6.4% in October 2022, according to the Atlanta Federal Reserve's widely followed 'median' wage growth measure). A rising GDP output gap (the difference between demand and potential output/production) due to weaker GDP should ultimately depress inflation, with domestically generated disinflation particularly pronounced in the second half of 2023.

We forecast core PCE (personal consumption expenditure) inflation to average 3.7% in 2023 after 5.0% in 2022 and 3.5% in 2021.

Chart 3: Wage growth should moderate as the labour market slackens



Source: Pictet WM CIO Office & Macro Research, Bloomberg Finance LP, 1 December 2022

FEDERAL RESERVE MAY PAUSE RATE HIKES, BUT COMMUNICATION MAY STAY HAWKISH

While Fed chairman Jerome Powell has signalled a slowdown in the pace of rate hikes from 75bp to 50bp as soon as this month, the Fed is not yet ready to flag a full pause. We think it will raise base rates at its February meeting by a further 50

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.

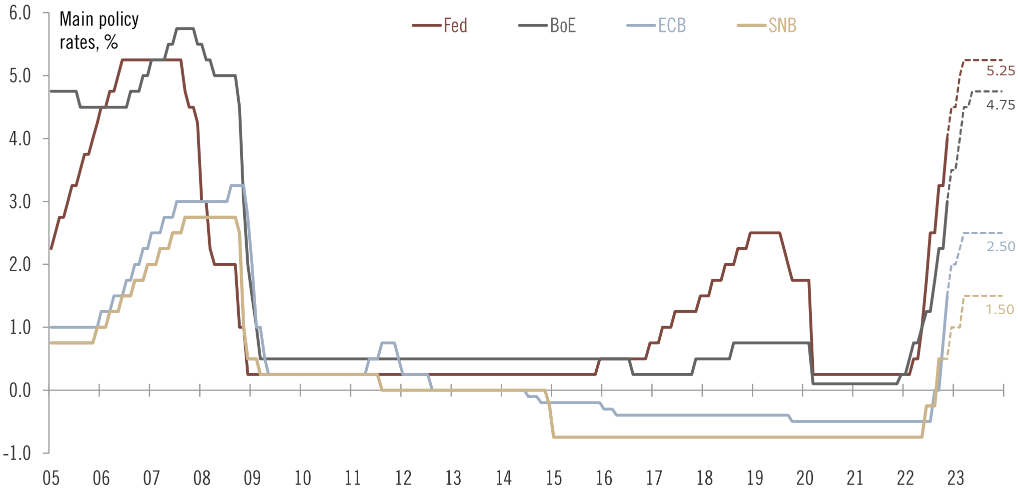
bps before we see a final 25 bps hike in March. This would bring the **top-end of the fed funds rate range to 5.25%.** We then expect base rates to be stable until the end of 2023. Keeping rates stable while the labour market deteriorates will perhaps look 'hawkish' **but can be explained by the Fed's unwillingness** to lower its **guard given how it was surprised by the inflation surge of the past year.**

The Fed may worry about robust wage growth, especially in the first half of 2023. It will also pay close attention to the **ratio of job openings to numbers unemployed**. Since this ratio has been declining only moderately, the Fed may believe the labour market remains a potential source of inflation.

The Fed will also stay focused on **consumers' inflation expectations.** These have stayed high in recent months, providing another reason for the Fed to take rate cuts off the table. In November, the University of Michigan survey of US consumers showed they expected a consumer inflation rate of 4.9% in a year's time. The measure peaked at 5.4% in March 2022, but the number is still high (the 10-year average is 3.1%). We believe the findings of the Michigan survey of expected inflation will act as an implicit floor for the fed funds rate over the coming year.

We see the first rate cut coming in early 2024, when the Fed will be more convinced that inflation has indeed been put to bed. This will give it the green-light to focus more on growth preservation. Nonetheless, we do not exclude the possibility we see earlier rate cuts—for example, if the recession is deeper than expected.

Chart 4: Fed funds rate versus other central banks' policy rates (including forecasts)



Source: Pictet WM & CIO Office, US Federal Reserve, European Central Bank, Bank of England, Swiss National Bank, 1 December 2022

STICKY INFLATION FORCING FED TO KEEP TIGHTENING IS BIGGEST RISK TO FORECAST

There are several risks to our central scenario. A prominent **downside risk is a resurgence in inflation**—for instance if the labour market stays tight for longer than we expect, or if new global supply-chain disruptions re-emerge in China or elsewhere. In that scenario, consumers' inflation expectations could rebound rather than decline as we expect, forcing the Fed to resume rate hikes after a short pause. In this alternative scenario, the Fed would prioritise inflation fighting over economic well-being, potentially leading to a deeper and longer recession.

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.

Fed reticence to inject liquidity into the system in the case of an unexpected market event is another downside risk as tightening financial conditions reverberate throughout the economy. Shrinkage of the Fed's balance sheet through so-called 'quantitative tightening' has never really been done in the past, and could prove bumpier than expected. Pre-set plans are for shrinking of bond holdings by USD95 bn per month.

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.

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, 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.