

PICTET ASSET MANAGEMENT

Performance Analysis within HR Reward

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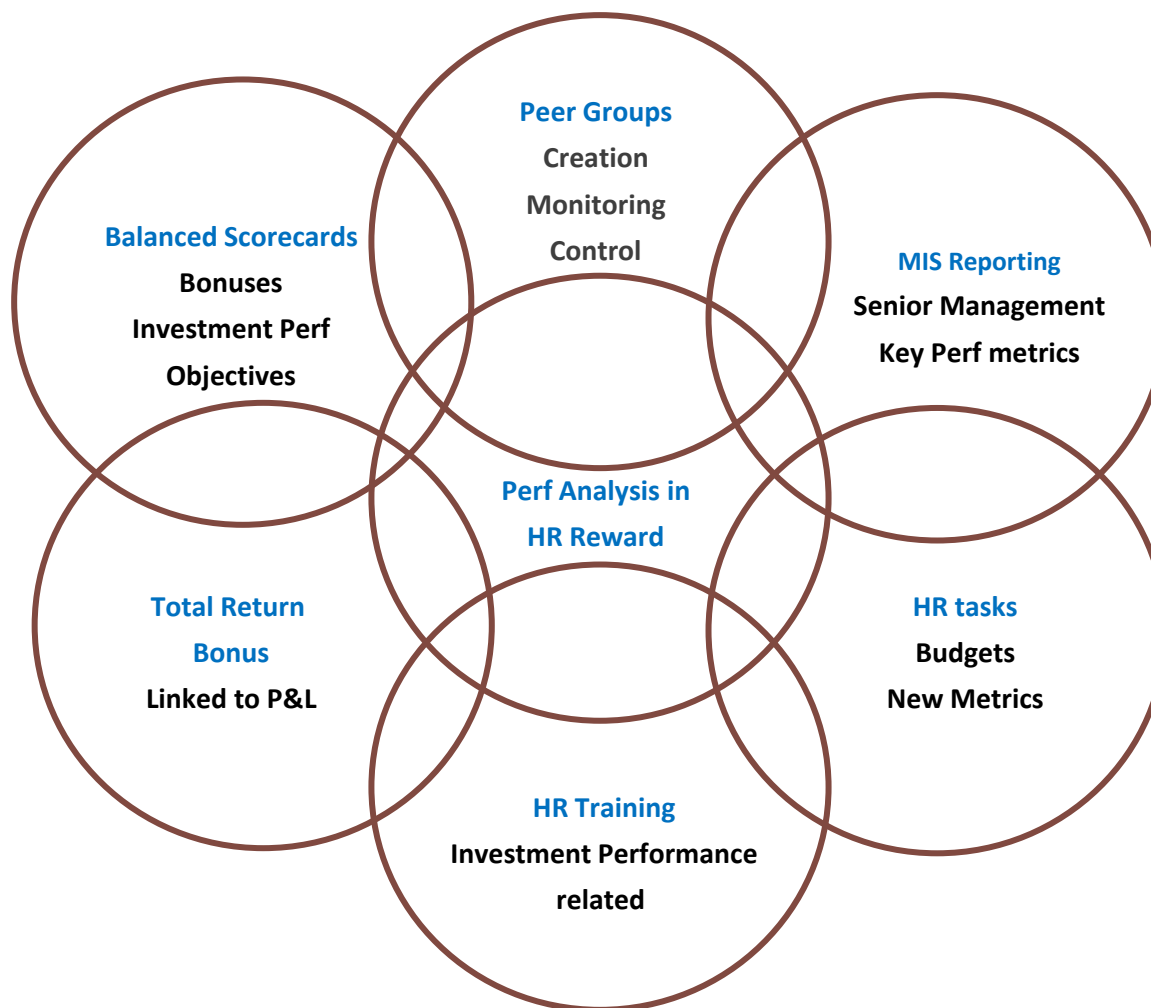
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Core activities



Independent and completely objective.

Typical Performance Metrics used for compensation

- Total Return –
 - Based on a % of a profit over a cash hurdle
 - A sharing ratio of the Management and Performance fees
 - Timeframe typically 1 year or until a loss is recovered from previous year
- Long only
 - Excess return (geometric) over a suitable benchmark or universe
 - Excess return of a universe of stocks versus a Benchmark
 - Excess returns should be risk adjusted (choose your measure)
 - Timeframe a mix of periods (for instance 1,3,5,X years)
 - Peer Groups should also be included over the same time periods
- Discussion items
 - Team or individual scores?
 - Reward matrix / tables - what is a good or bad score
 - Gross or Net returns

Reward should match the client expectations

New HR tasks

- Look after soft qualitative objectives (i.e. ESG , DEI) alongside quantitative Investment measures – set all objectives
- Tracking of open and future headcount positions
- Head count budgets for
 - Permanent , non permanent staff, Migrations
- Tracking people moves , transfers , re-organisations, rotations – Especially for Investment staff
- Breakdowns by different metrics
 - Time, Gender, DEI, locations, business lines, age, service
- Statistics
 - Peer groups of funds or salary bands , the principle is the same
 - Turnover measures for funds , is similar to staff

lessons learnt from GIPS are useful here.

Greater understanding of the business

- Communication with all levels of management to help build and roll over Balanced Scorecard objectives
- Access to salary and bonus information means we can create accruals for Finance to provide key management information on the P/L of Investment Strategies
- We can identify and estimate how long individuals will have negative bonuses. (If we aim to retain key people)
- We can help our HR team colleagues with Investment knowledge of how Funds are built and managed.
- Provide key Investment performance related updates
- Can help with any investment bonus measure added to contracts
- Help to match Investment products to Individuals for bonus deferrals
- We can help share and guide principles on future investment bonus calculations

In summary

The move 3 years ago has :

- Given us greater context and understanding of Asset Management
- Helped with our career progression in learning new valuable tasks
- Redeployed talent who understand different aspects of the business
- Maintained firm culture and experience
- Used our skills as performance professionals in a new and challenging way

Investment performance is not just a quantitative process but also involves people's state of mind and well being.

Open discussion points

- How do you currently interact with your HR department?
- How would you like to work with HR?
- What other similarities can you see?
- Any other complementary skills?
- Ideally how else should we compensate Fund Managers based on Performance?
- How can we link Performance metrics to ESG factors?