Global Environmental Opportunities: Investing to safeguard the planet does not mean sacrificing returns

Green investing has long been misconstrued as a dull and unrewarding asset class. This is anything but the truth. The emergence of a thriving investable universe means investing to provide solutions to environmental challenges can be both spiritually and financially rewarding.

The latest outbreak prompts many to rethink the relationship between man and nature. That, together with market volatility, give investors more reason to seek long-term investment opportunities beyond short-term noises. European investors are forerunners in this regard, and the Asian investment community is narrowing the gap with the latest move being the first list of green fund from the SFC in Hong Kong.

As an award-winning thematic fund provider[1], we believe that secular trends on environmental solutions can offer investors an attractive long-term risk-return profile. Population growth, economic expansion and the rise of the global middle class increase the strain on natural resources. Environmental awareness is rising across the world. With public opinion on environmental policies becoming increasingly favorable, we believe that companies providing solutions to resource scarcity and pollution challenges will experience increasing demand for their products and services.

Access the fast-growing $2trn environmental solutions sector

Public pressure on governments and businesses to reverse this ecological degradation and safeguard the world's natural resources is growing, and as a result a distinct and attractive group of environmental equity investments has emerged. Investors can now tackle specific environmental challenges such as chemical pollution, ocean acidification, and the scarcity of fresh water through the companies in which they invest. Once niche, environmental investing is now moving firmly into the mainstream.



Source: Median 2016-18e sales CAGR (%) in local currency. Source: Bloomberg, Pictet Asset Management

The environmental solutions sector is approximately $2trn in size and growing by 6-7% per year, or roughly twice the rate of global growth[1] .

Sustainable investing doesn't mean giving up gains

"Investors don't necessarily have to compromise on performance if they want to invest sustainably. As one of the leaders in both thematic and responsible investing, we combine the two to deliver strong investment performance for our clients, as well as sustainable growth for the planet."

Pictet's thematic strategy invests in the shares of companies that are making an active contribution to safeguarding the world's natural resources. Investments are chosen from a broader universe consisting of the world's 3,500 most environmentally-responsible publicly-

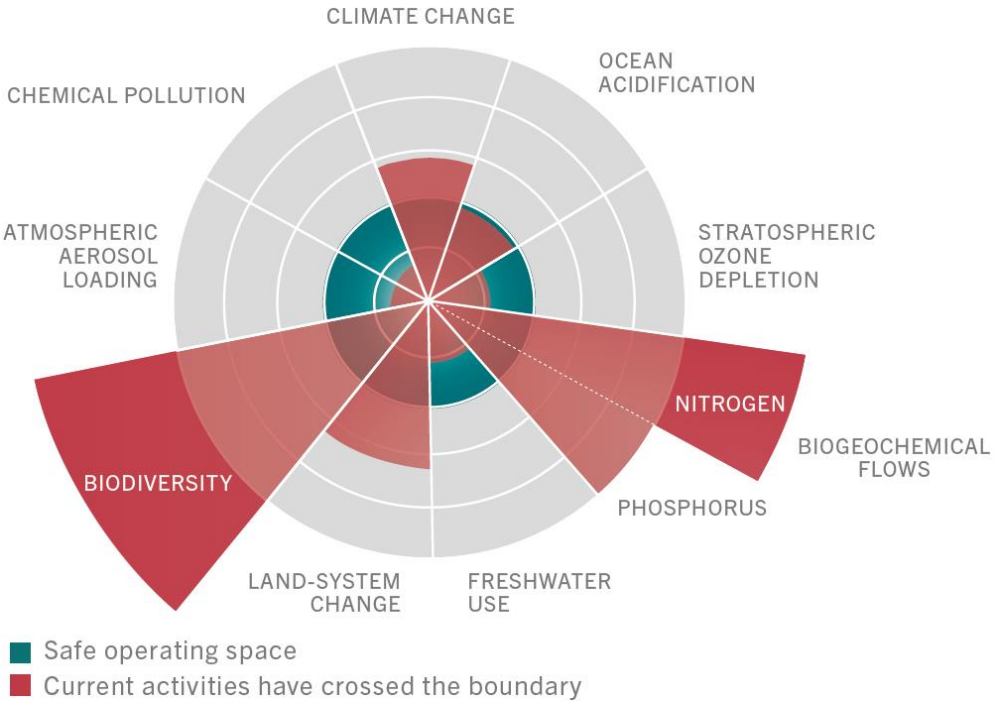
held firms – companies that meet the criteria of our proprietary ESG framework, operating in fields such as pollution control, water supply, renewable energy, waste management and sustainable agriculture.

Investment based on a scientific model – the Planetary Boundaries framework

The investment managers have developed a proprietary screening tool to identify companies with a low environmental footprint across nine dimensions: climate change, oceanic acidification, ozone depletion eutrophication, fresh water, land use, biodiversity, aerosols and chemical pollution.

This screening is based on the Planetary Boundaries, a model which defines the ecological "safe operating space" within which human activities should take place. The model sets thresholds for these nine most damaging man-made environmental phenomena, as well as a set of boundaries, which, if breached, have the potential for catastrophic damage to our planet.

Planetary Boundaries[2]



We believe environmental awareness is well established. COVID-19 reminds us that we need a better relationship between humans and nature - the "safe operating space". System resilience and an "insurance mindset" are likely to take center stage in light of the fragility of the global economy.

1. Source: Asian Private Banker, "Best Thematic Provider – 2017-2020'. 2. Source: Stockholm Resilience Centre, as of September 2009.

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