



PICTET ASSET MANAGEMENT

Pictet ReGeneration

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MARKETING MATERIAL

FOR PROFESSIONAL INVESTORS ONLY

Executive summary

High conviction

Concentrated global equity portfolio of ~50 stocks,
unconstrained by sector, size or region

Superior risk-return

Designed to outperform the world equity market while taking a similar amount of risk.
Beta: 0.90-1.1 Volatility: close to MSCI ACWI

Multi-faceted strategy

We invest in companies that create financial as well as environmental and social value

Investing for impact

We invest in companies contributing to a more regenerative world, conduct strong
engagement with companies inside our universe or in transition towards it

Diversifying

95% active share, 16% of stocks off the ACWI

Thematic team experience

More than 25 years of experience, more than 50 investment professionals managing over
USD 68 billion

Source: Pictet Asset Management as of 31.07.2022





The planetary emergency

The planetary emergency

Biodiversity is in rapid decline

- Life has existed on Earth for billions of years but has been in rapid decline over the last decades
- Biodiversity loss threatens global economies and their populations who are dependent on products and services derived from nature
- As global awareness grows, so will the trend towards an economy which has a neutral or positive impact on biodiversity

\$44Tn

of world GDP (>50%) highly or moderately dependent on nature and its services.

Number of animals in wild vertebrate populations*



Locations of monitored species



Sources: WEF (2020). *Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy*; WWF (2020). *Living Planet Index*. * Average abundance of 20'811 populations (vertebrate populations only), representing 4,392 species monitored across the globe.



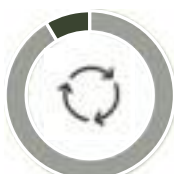
The planetary emergency

Low resource circularity



90%

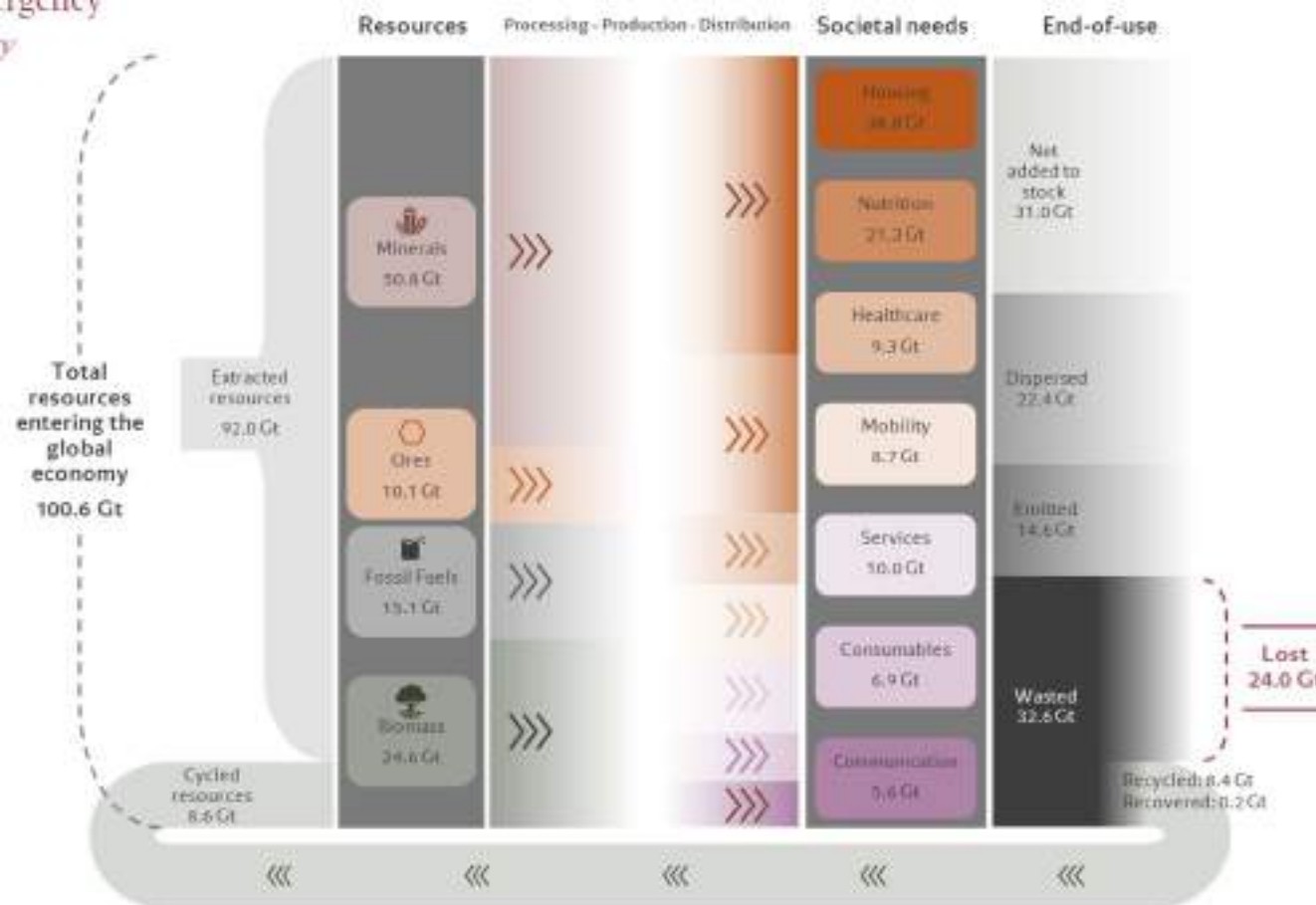
of biodiversity loss is due to the extraction and processing of natural resources...



... and only

8.6%

of our current material consumption is circular.



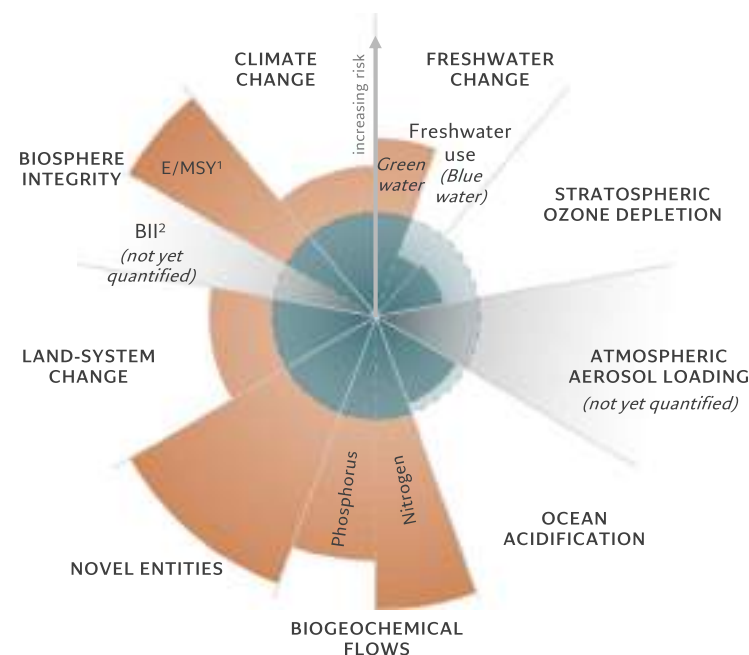
Sources: UN Environment Programme & International Resource Panel (2019). *Global Resources Outlook 2019: Natural Resources for the Future We Want*; CGRI (2022). *The Circularity Gap Report*



The planetary boundaries

- Developed in 2009 by the **Stockholm Resilience Centre** and a group of internationally renowned scientists
- Nine **quantitative** boundaries within which humanity can continue to develop and thrive
- Crossing these boundaries increases the risk of **large-scale abrupt or irreversible environmental changes**

We invest in companies that are within the safe operating space.



● Current activities that have crossed the boundary
● Safe operating space

¹ Extinctions per million species – years
² Biodiversity Intactness Index (interim control variable)

Source: W. Steffan et al., *The trajectory of the Anthropocene; the great acceleration* (Sept. 2009). Stockholm Resilience Centre.

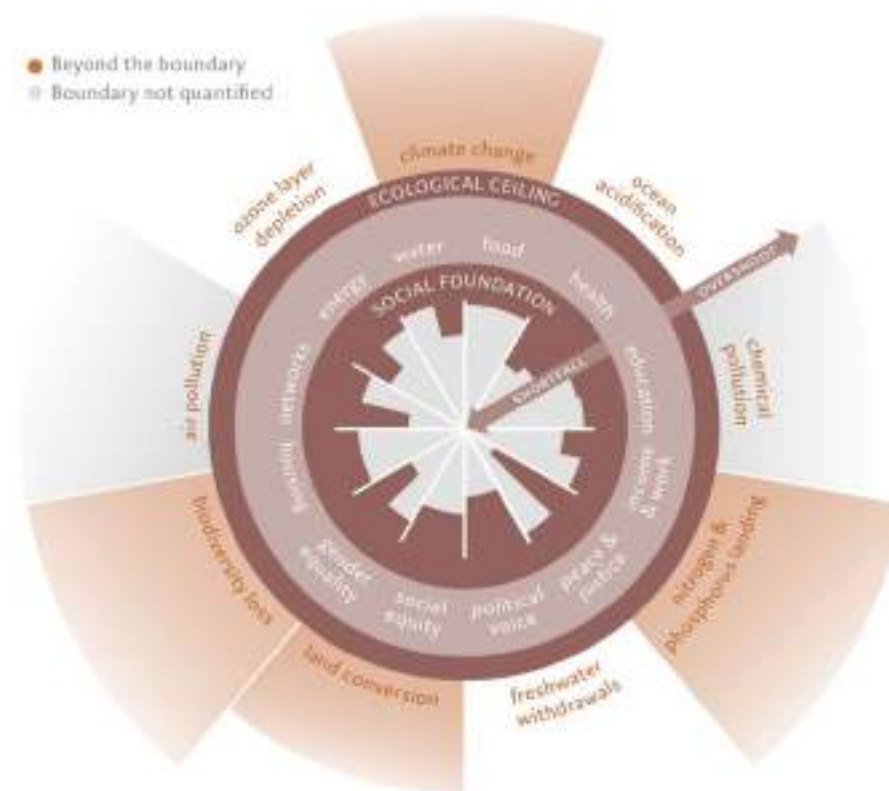


The next evolution of Planetary Boundaries - a social foundation

Empowering everyone to be part of the solution

- Crossing the boundaries identified by the Planetary Boundaries model increases the risk of large-scale abrupt or irreversible environmental changes
- ReGeneration goes beyond purely environmental factors, because the planet won't regenerate itself if people – its most important component, are excluded.
- Doughnut Economics (O'Neill *et al.* 2018) defines a resilient system within the Planetary Boundaries which takes into account basic Social Foundations.

To minimise destructive resource extraction the human element is key: either through meeting most basic needs, or through heightened awareness of the issues at hand.



Sources: K. Raworth (2017). *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*; O'Neill *et al.* (2018). *A good life for all within planetary boundaries*, Nature Sustainability 1:88-95



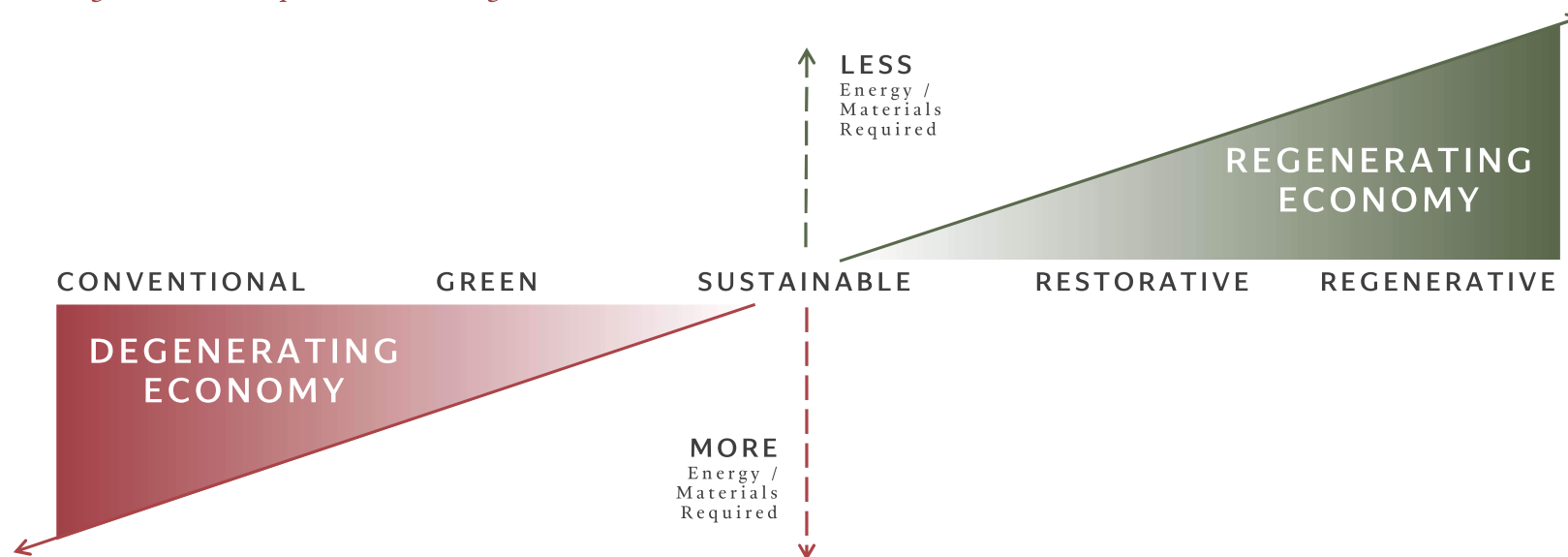


The solution:
a new form of economy



A regenerative economy

To address the damage caused to the planet we need to go further



OUR ECONOMY TODAY is one where most of our actions negatively impact the planet

WE ARE MOVING TOWARDS a green economy which uses less resources or sustainable/net zero where humanity no longer has a negative impact

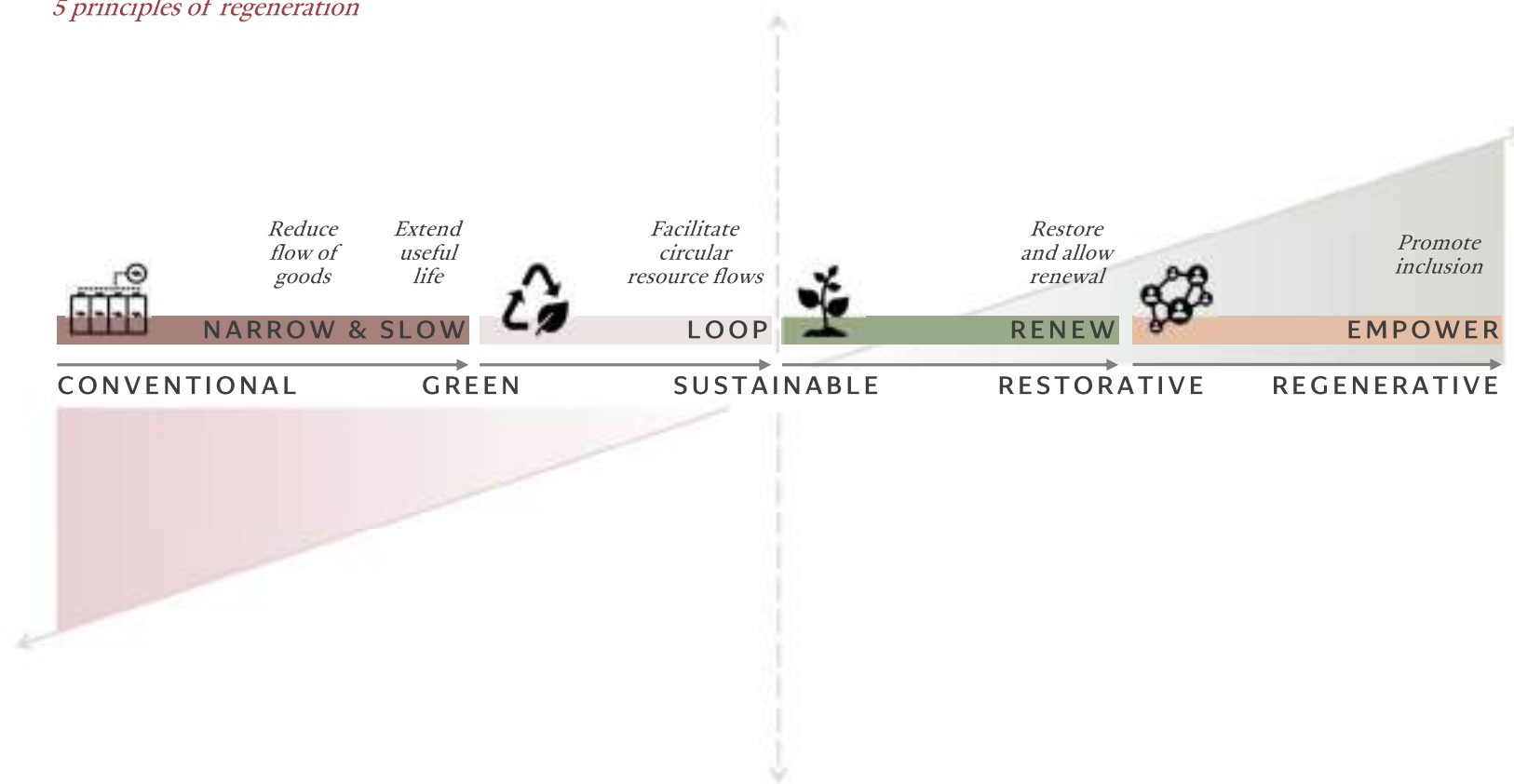
THE ECONOMY WE NEED goes further – it's one which enables the planet to regenerate itself

Source: B. Reed, *Trajectory of Ecological Design*



A regenerative economy

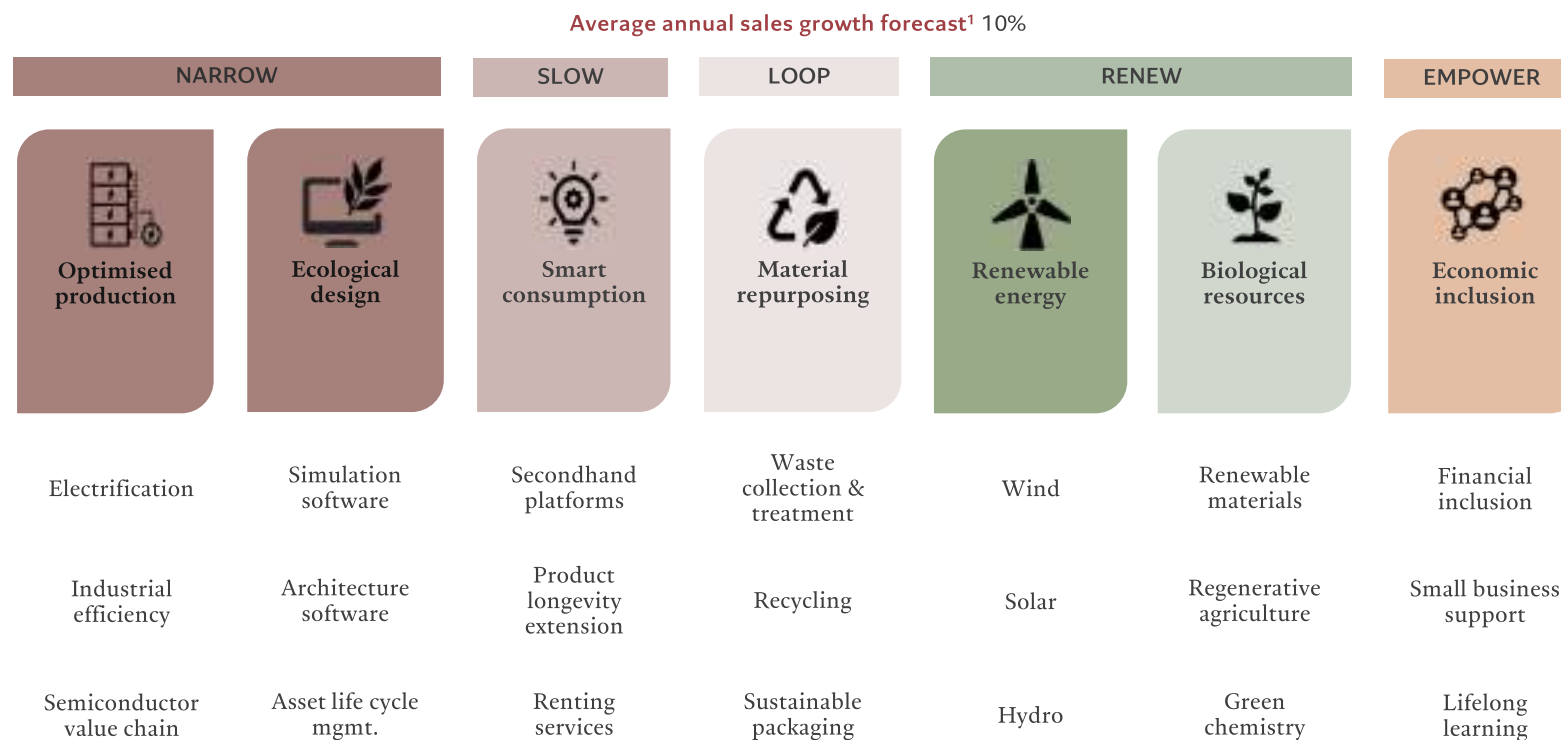
5 principles of regeneration



Source: B. Reed, *Trajectory of Ecological Design*



The investment universe



¹Source: Bloomberg, based on consensus forecasts for the next 2 years



Narrow

Average annual sales growth forecast¹

10%

Optimised production

Minimising material and energy use across products' lifetime by designing less wasteful products/processes, innovating with less intensive materials and increasing energy efficiency.

Ecological design Harnessing environmental solutions linked to the digitalisation of the manufacturing sector and the construction industry in particular, through

- **Simulation software** optimising raw material usage and energy consumption,
- **Architecture software** enabling the design of high standard eco-conscious buildings.

Reduce flow of goods – “Use less”



Sources: Cadence, Vincent Callebaut architects



¹Source: Bloomberg, based on consensus forecasts for the next 2 years



Slow

Average annual sales growth forecast¹
12%

Smart consumption Consuming in smarter ways and accessing broader opportunities which are emerging with digitalization, notably second-hand exchange platforms.

Extend useful life – “Use longer”



Source: ThredUp, Copart, ebay



¹Source: Bloomberg, based on consensus forecasts for the next 2 years



Loop

Average annual sales growth forecast¹

5%

Material repurposing Investing in the next generation of recycling and waste sorting companies to create new products from existing ones, for example: **parts repair and/or reselling** (cars, electronics).

- **Waste stream and pollution control**, which are key to avoiding biodiversity loss.

The word “waste” should slowly disappear from our vocabulary.

Facilitate circular resource flows – “Use again”



Source: Tomra



¹Source: Bloomberg, based on consensus forecasts for the next 2 years



Renew

Average annual sales growth forecast¹

10%

Renewable energy Ensuring the restoration and appropriate management of natural resources by leveraging

- **Sustainably grown trees**, which can replace fossil-based materials and sequester CO₂. Any object made of wood can decompose naturally.
- **Wind energy**, which can replace more unsustainable forms of energy.
- **Solar energy**, the most abundant form of energy on the planet.

Biological resources Innovating in bio-based renewable raw materials and new forms of agriculture.

Restore and allow renewal



Sources: Chr Hansen, Symrise

solar edge

indigo

CRODA

Weyerhaeuser

¹Source: Bloomberg, based on consensus forecasts for the next 2 years



Empower

Average annual sales growth forecast¹

14%

Economic inclusion Integrating and enabling the development of communities and their individuals, via

- Inclusive financial services, e.g., **Microfinance** (a service assisting the under-represented, e.g. women and rural communities),
- **SME support** (digital selling platforms, payment infrastructure, legal council), building stronger communities,
- **Education**, in all stages of life.

Localise decision-making and promote inclusion



¹Source: Bloomberg, based on consensus forecasts for the next 2 years





Team and process



ReGeneration investment team and key resources



ReGeneration Advisory Board

External Experts

TBD

Internal Experts

Christoph Butz – Planetary Boundary concepts, land-use & resources

Senior Investment Manager, Timber

Marc-Olivier Buffle, PhD – Green tech & sustainability investing
Head CPM & long-term Thematic Research

Thematic Equities at Pictet AM

Mayssa Al Midani, CIIA
Anjali Bastianpillai
Rachele Beata, CIIA
Laurent Belloni
Grégoire Biollaz, PhD
Jennifer Boscardin-Ching
Marc-Olivier Buffle, PhD
Christoph Butz, CIIA
Xavier Chollet
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Gillian Diesen, CAIA
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Yi Du, CFA
Stanislas Effront
Yasemin Erarslan
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Charles Lepetitpas, CFA
Benjamin Lerner
Aline Liégé
Peter Lingen
Manuel Losa

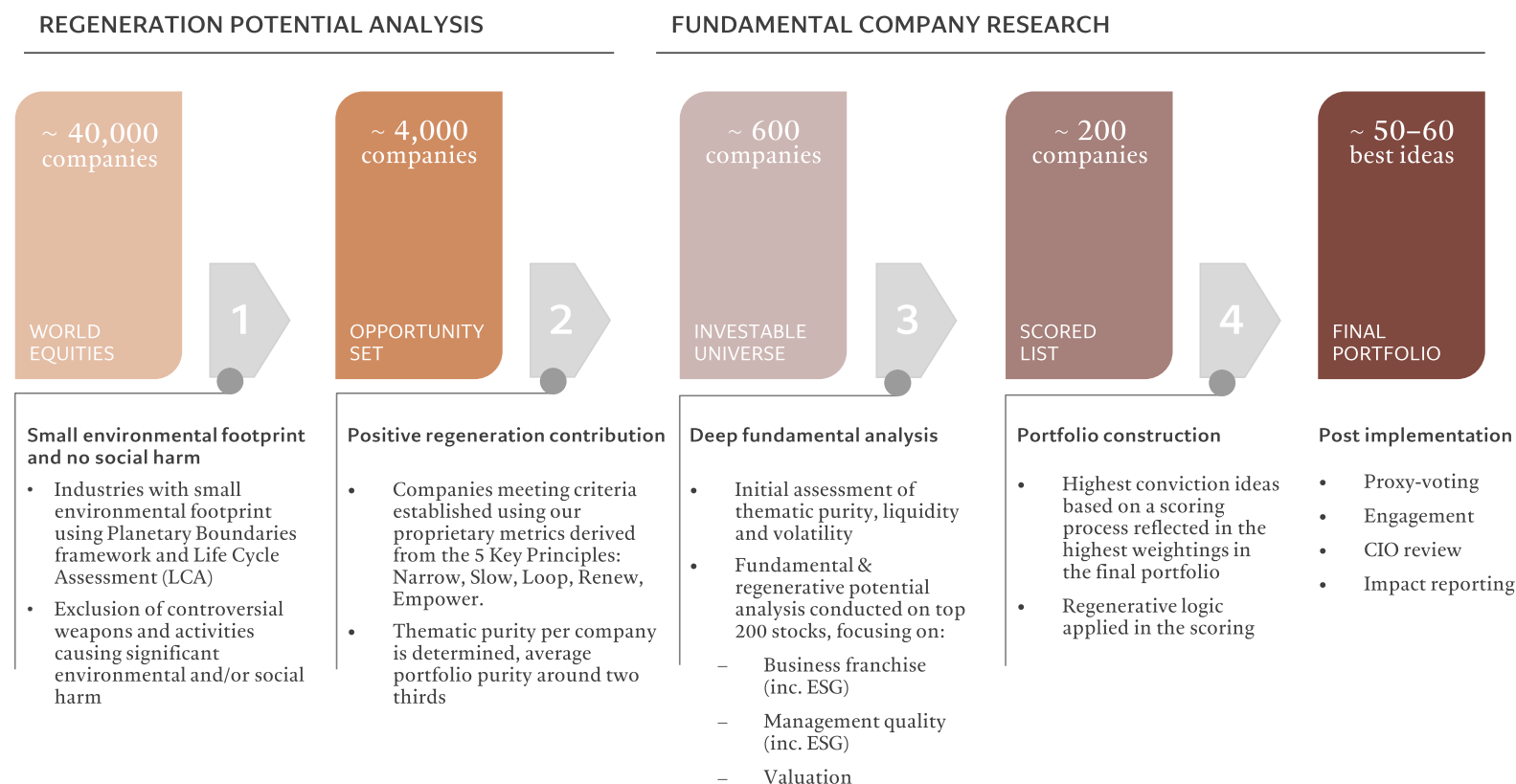
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Karin Marchand-Gollino
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Alexandre Mouthon, CFA
Elnaz Niazmand Ozkul
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Caroline Reyl
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Salomé Vergne
Ivo Weinoehrl, CFA
Sandy Wolf, CIIA

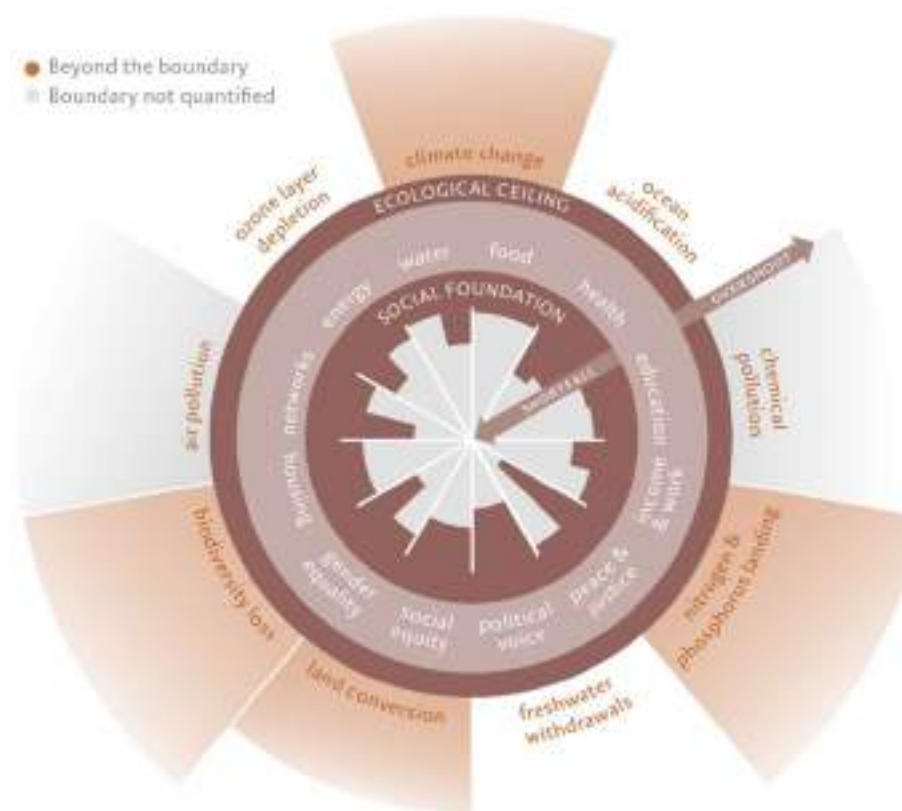


Source: Pictet Asset Management, 2022

Investment process overview



Steps one and two: Planetary Boundaries and Doughnut Economics



Sources: K. Raworth (2017). *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*; O'Neill et al. (2018). *A good life for all within planetary boundaries*, Nature Sustainability 1:88-95



Step three – in-depth company fundamental analysis

Business Franchise



30% of score

- We favour businesses with secular revenue growth, wide economic moats and high ROIC
- We prefer capital-light models
- We avoid bleeding edge technology
- We integrate Environmental and Social factors (internal analysis supported by Sustainalytics, CFRA and RepRisk)

Management Quality



20% of score

- We favour a coherent strategy, strong execution capabilities and track record
- We conduct >300 company meetings / year, on-site and via bespoke field research trips, factory visits, conferences, trade fairs
- We integrate Governance factors (internal analysis supported by ISS)

Financial Attractiveness

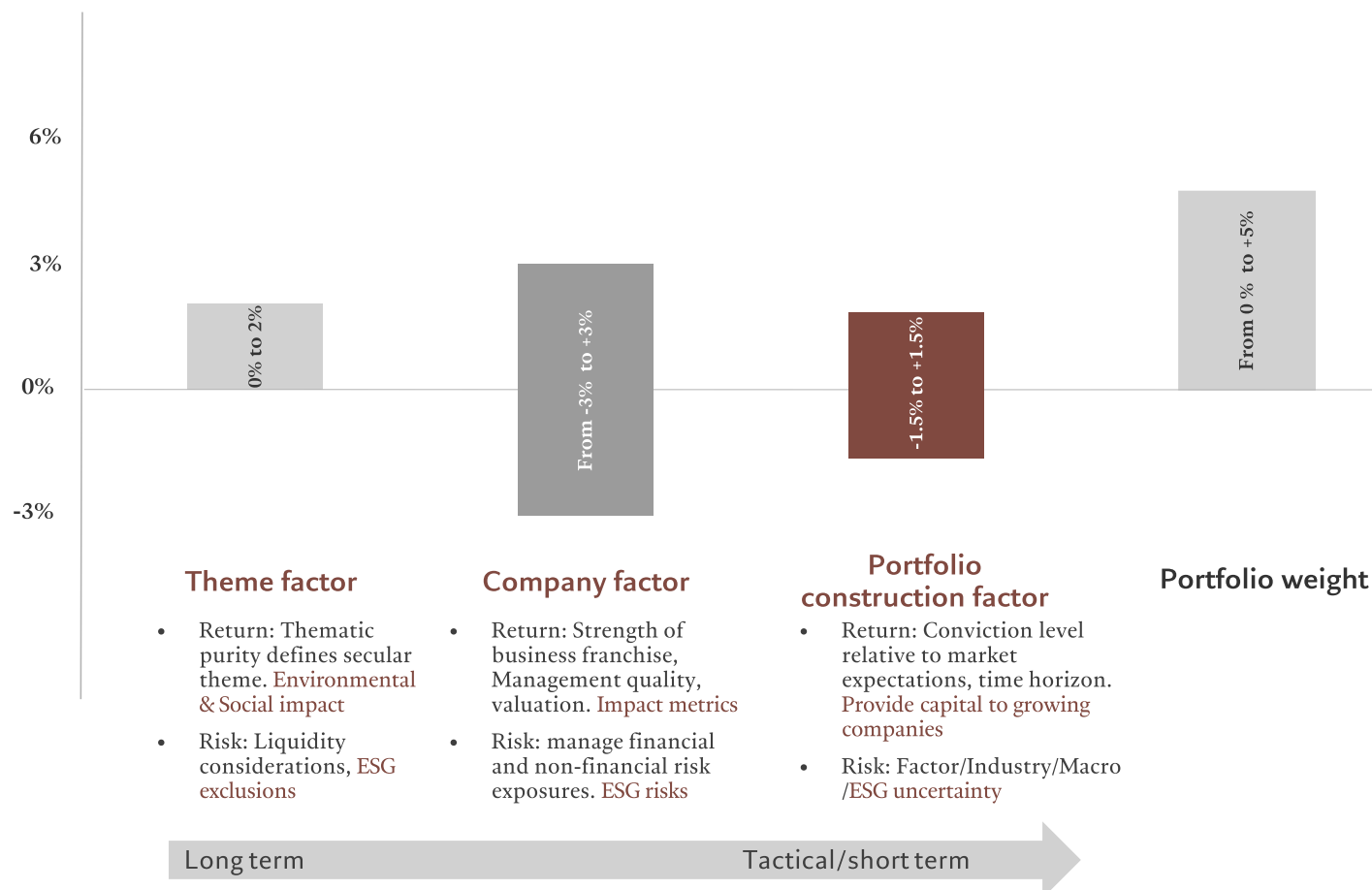


50% of score

- We define attractiveness as a combination of stock valuation and earnings momentum
- We value stocks based on proprietary DCF analysis and a range of multiples (P/E, EV/EBIT and FCF yield, which are chosen based on back-testing)



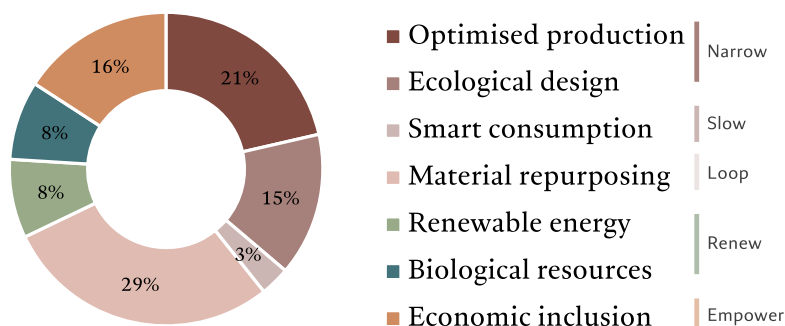
Step four – portfolio construction



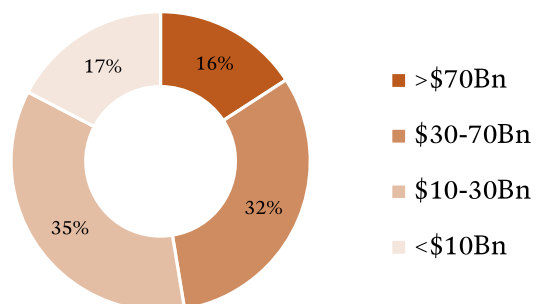
Current portfolio characteristics

By weight in portfolio

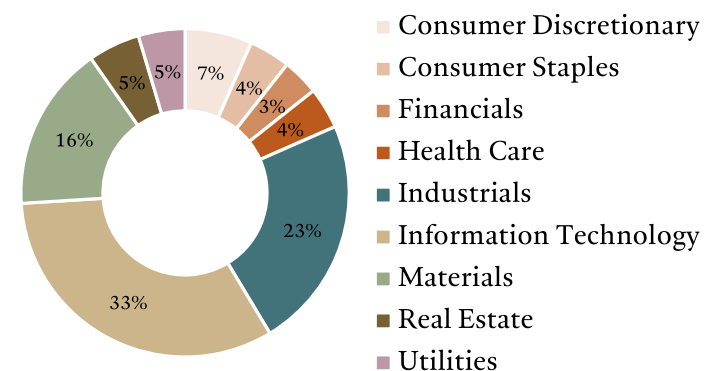
By fund segment



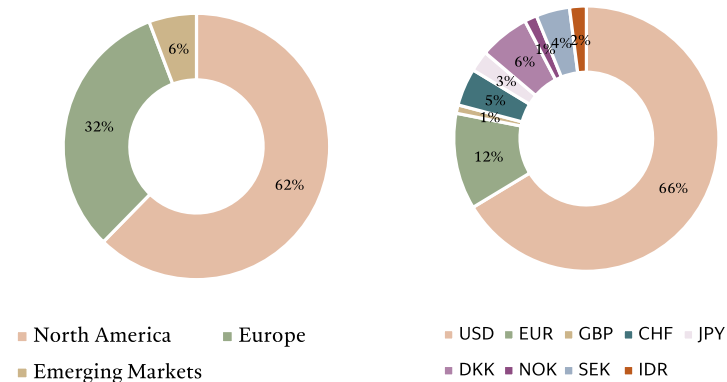
By market capitalisation



By sector



By region and currency



Source: Pictet Asset Management, as at 31 August 2022.



Current portfolio – top 10 holdings

Company	Domicile	Weight in fund	Market cap (\$Bn)	Principle	GICS Sector
Copart Inc	US	3.50%	31	Slow	Industrials
Republic Services Inc	US	3.50%	46	Loop	Industrials
Darling Ingredients Inc	US	3.00%	12	Loop	Consumer Staples
Autodesk Inc	US	3.00%	51	Narrow	Information Technology
Dassault Systemes SE	FR	3.00%	59	Narrow	Information Technology
Weyerhaeuser Co	US	3.00%	27	Renew	Real Estate
eBay Inc	US	3.00%	27	Slow	Consumer Discretionary
Intuit Inc	US	2.50%	137	Empower	Information Technology
Remitly Global Inc	US	2.50%	2	Empower	Information Technology
Novozymes A/S	DE	2.50%	18	Renew	Materials
Total		29.5%			

Source: Pictet Asset Management, as at 31 August 2022.



Conclusion

Investing for a more regenerative world

We believe that investing in companies creating financial as well as environmental and social value, will lead to better investment outcomes and a better future for the planet

High conviction, unconstrained portfolio aiming for superior risk-return

We aim to outperform the global equity market through a concentrated portfolio (around 50 stocks, 95% active share) while taking a similar amount of risk (Beta: 0.90-1.1, volatility close to the index)

Engagement and positive impact

We aim to create impact through capital allocation and engagement with companies' managements to encourage more sustainable models and practices.

20+ years of thematic environmental investing experience

We launched our first thematic environmental strategy – Pictet Water in 2000, and since then have grown to more than 50 investment professionals managing over USD 68 billion in 15 strategies

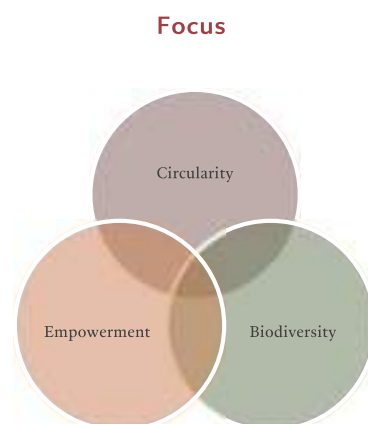


Appendix



Focus of engagements

Philosophy We act as **long-term company owners** and aim to not only engage based on our screens red flag or potential high sustainability risk alerts raised by data providers but also **proactively on the themes embodied in our fund**, both in and outside our universe



Examples

- Minimising non-renewable raw material input where possible
- Encouraging bottom-up idea generation

Network

External



Internal

Pictet – SmartCity

Pictet – Premium Brands

Pictet – Nutrition

Pictet Foundation

Pictet – Human

Pictet – Family

Pictet – Positive Change

Impact



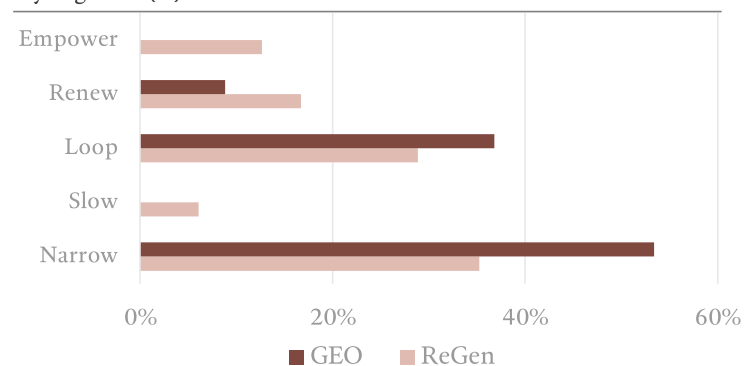
Source: K. Raworth (2017) *Doughnut economics : seven ways to think like a 21st-century economist*

By engaging **in and outside** our universe, we expand the safe and just space for humanity, thus positively impacting our investees and creating exciting new ReGenerative opportunities.

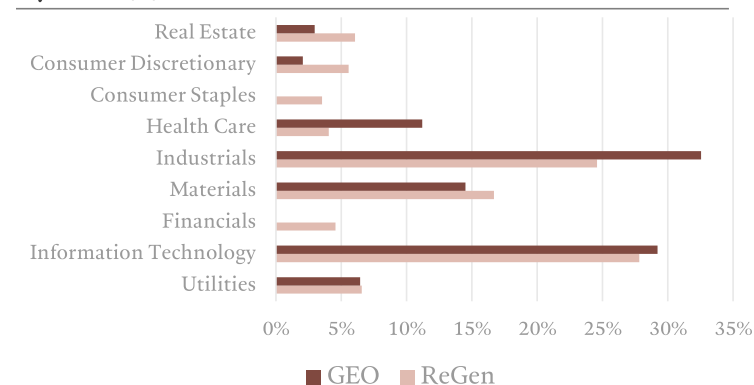


ReGen current model portfolio vs GEO *(Expected overlap range*: 30-50%)*

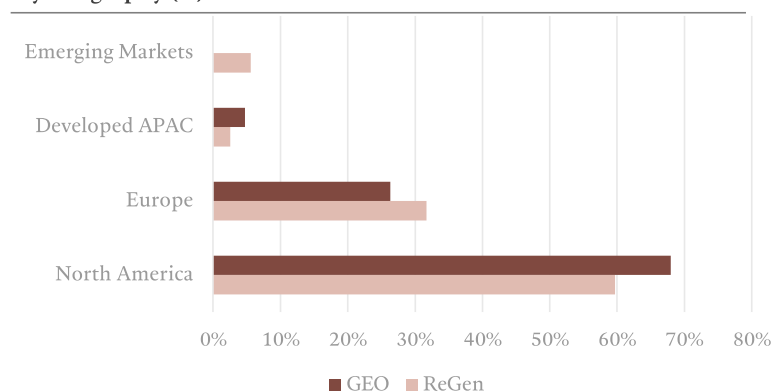
By Segment (%)



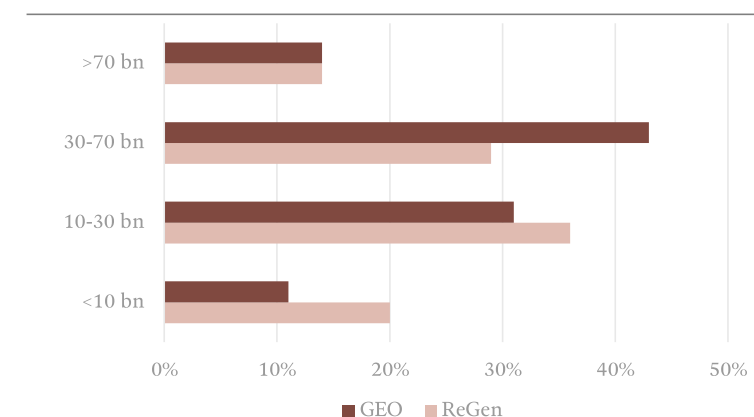
By Sector (%)



By Geography (%)



By size, USD (%)



*Overlap by weight



Selected Bibliography



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