

PICTET ASSET MANAGEMENT

Pictet – China Environmental Opportunities

Yi Du

SENIOR INVESTMENT MANAGER, THEMATIC EQUITIES

MARKETING MATERIAL - FOR PROFESSIONAL INVESTORS ONLY

MAY 2023

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Executive summary

High conviction

Concentrated Chinese equity portfolio of 35~45 stocks, mostly in China A-shares, unconstrained by sector, size or index, Article 9 SFDR

Attractive risk-return

Aims to outperform the Chinese equity market while taking a similar amount of risk, Beta: 0.90-1.2, Volatility: close to CSI300 Index

Investing for impact

We invest in leading Chinese environmental solution providers, that seek to have a positive environmental impact whilst delivering an attractive risk-adjusted return. We integrate ESG, engage and vote

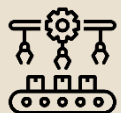
Pictet AM Thematic Team experience

More than 26 years of experience, more than 60 investment professionals managing over USD 67 billion. The strategy has evolved from and complements Pictet-Global Environmental Opportunities.

Source: Pictet Asset Management, 2023. All forms of investment involve risk. The value of investments and the income derived from them is not guaranteed and it can fall as well as rise and you may not get back the original amount invested. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. The expected future performance does not in any way constitute a promise of future returns.

Why China Environmental Opportunities (“CEO”)?

CHINA



Leading TECHNOLOGIES in environmental solutions

China has many of the world’s leading environmental technologies, with rapid growth of investment in R&D and large talent reserves, providing solutions with innovation and significant cost advantages.



Largest SCALE of green manufacturing

China has the most integrated supply chain and largest manufacturing capability of environmental solutions, acting as a vital production and export hub for solving global environmental challenges.



Environmental POLICIES as national priorities

China has maintained consistent and favorable environmental policies for more than a decade and set sustainable development and carbon neutrality as top priorities with effective implementation.

ENVIRONMENTAL



Positive IMPACT on world environment

China is the world’s largest greenhouse gas emitter and faces numerous environmental challenges. Solving these challenges can bring positive impact and unique investment opportunities.

OPPORTUNITIES



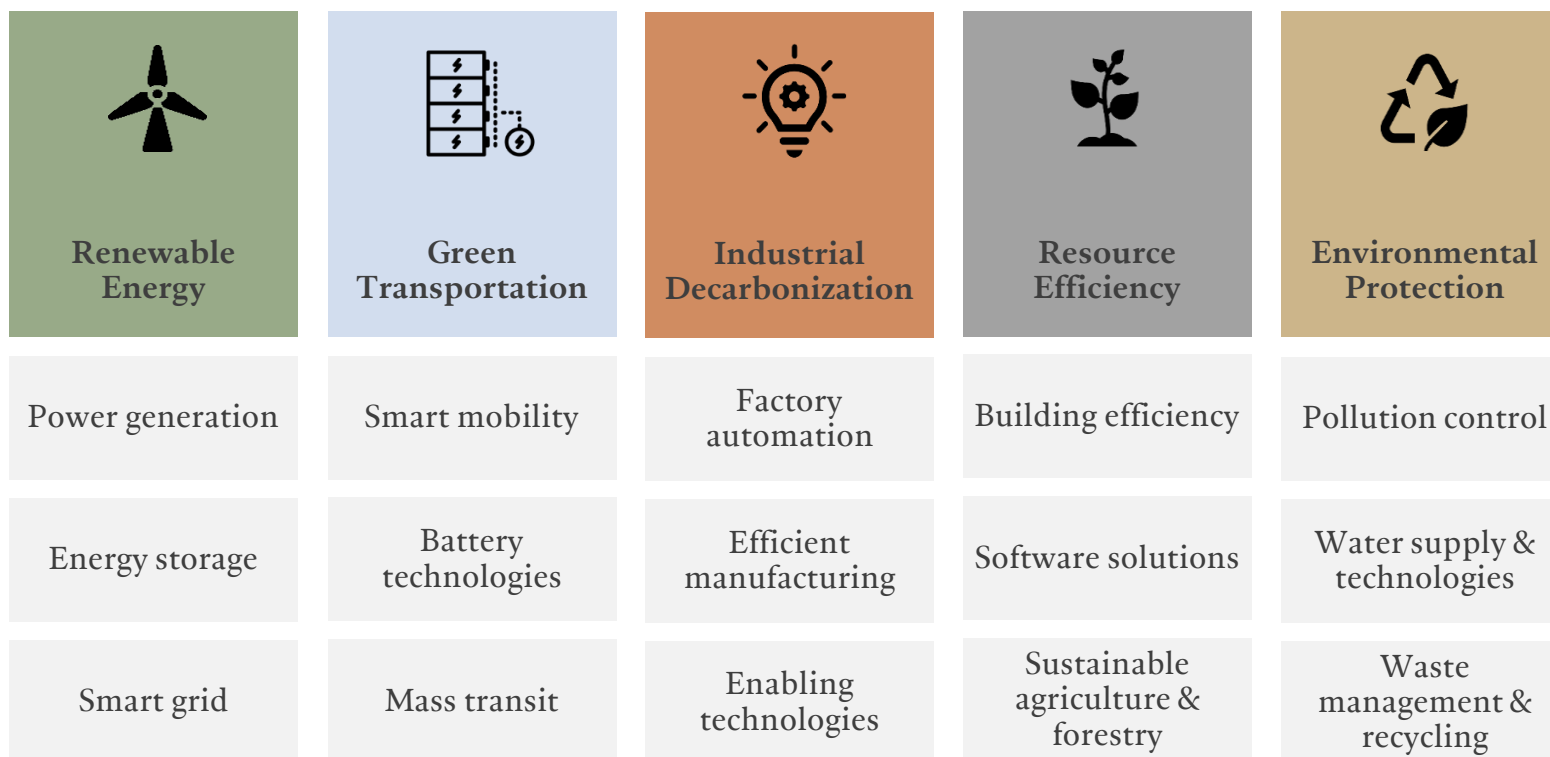
A-share MARKET provides extensive universe

China A-share market has the most extensive universe of Chinese environmental solution providers, with high liquidity, strict regulation and profitability requirements, and improving ESG disclosure.

What does CEO invest in?

A multi-trillion environmental solutions market set to **grow by c.25% y/y in 2023E and c.20% y/y in 2024E¹**

Segments

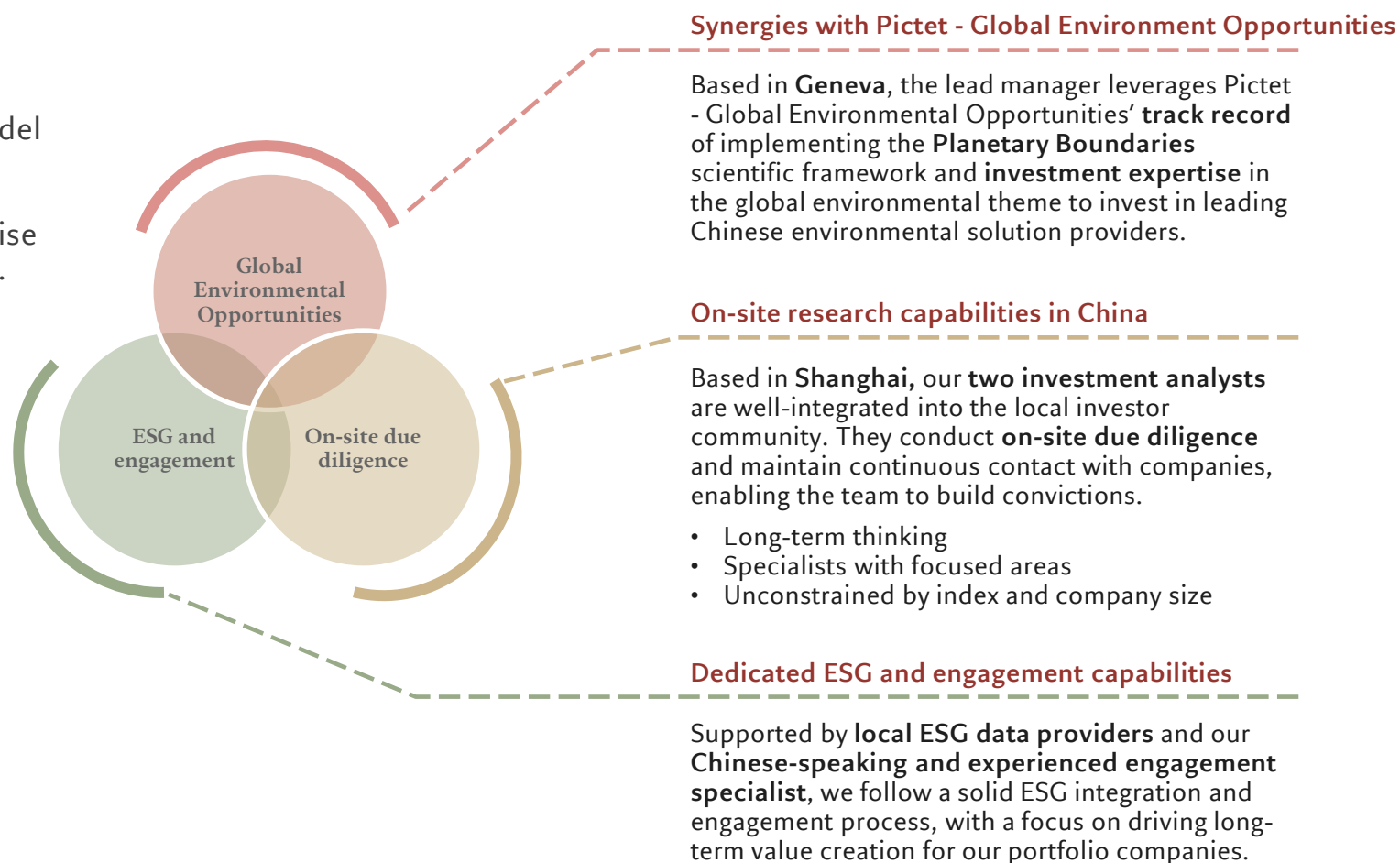


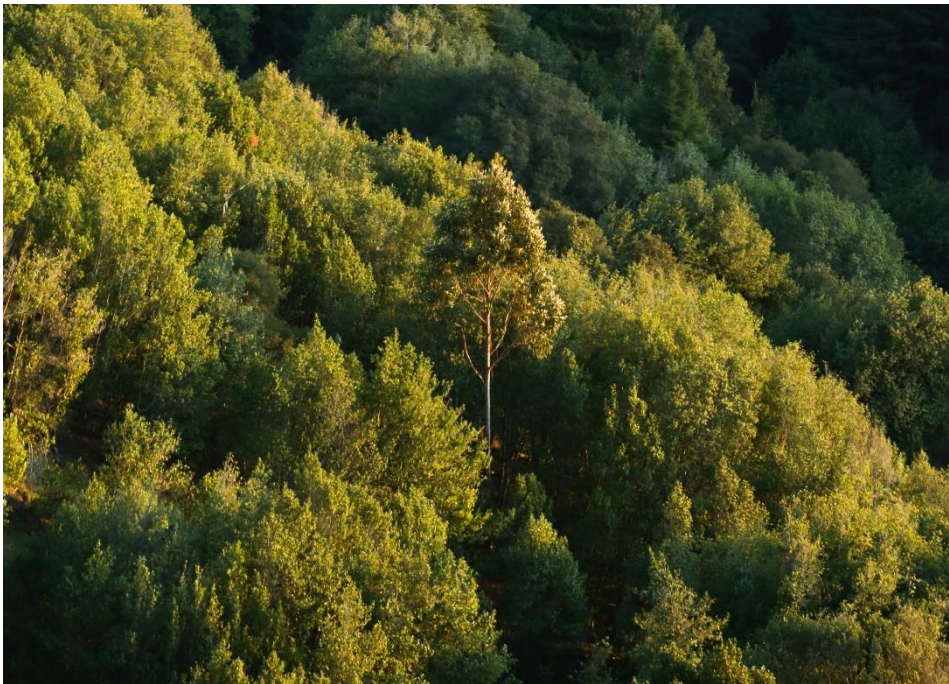
¹ Based on Bloomberg consensus forecast. 2022

How is CEO unique?

We believe that our strategy is uniquely competitive due to: 1) our synergies with Pictet - Global Environmental Opportunities, 2) our on-site research capabilities in China, and 3) our dedicated ESG and engagement expertise.

Our unique operating model combines **global** insights and thematic investment process with **local** expertise and on-site due diligence.



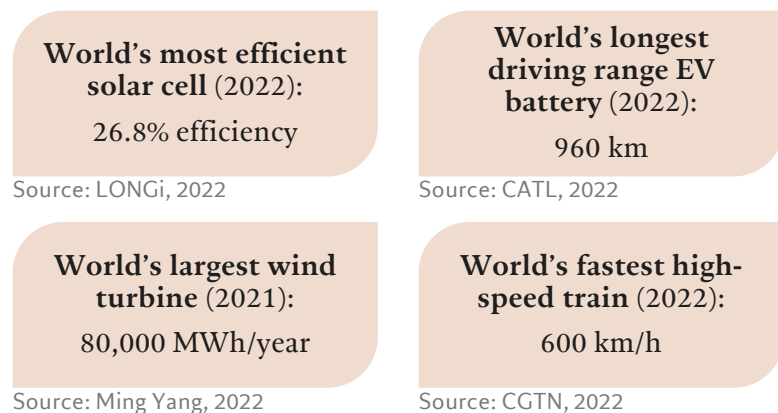


1.

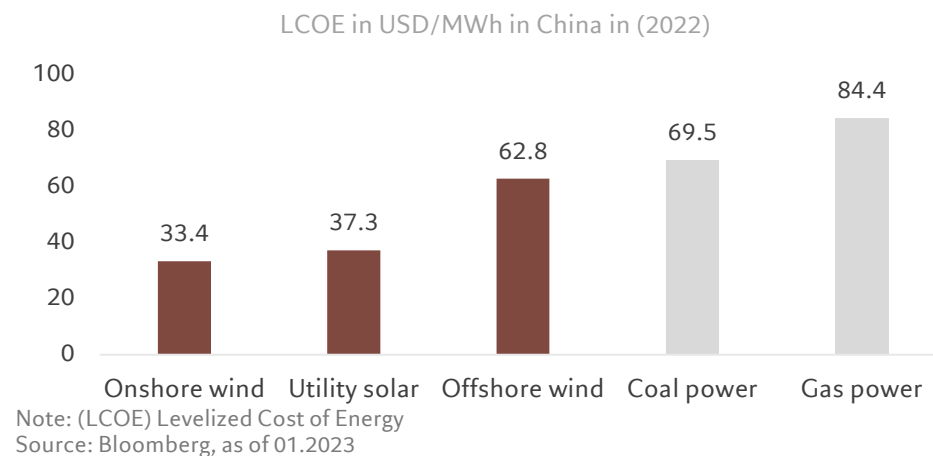
Investment Case

Leading TECHNOLOGIES in environmental solutions

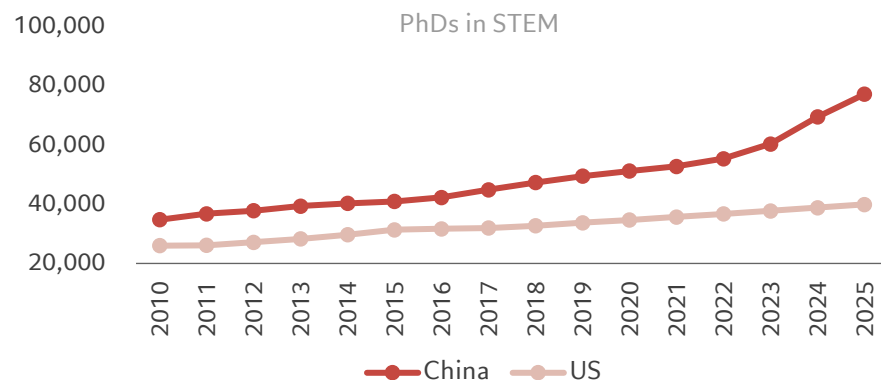
China leads the world in many environmental technologies



Technology is driving down LCOE (US\$/MWh) in China

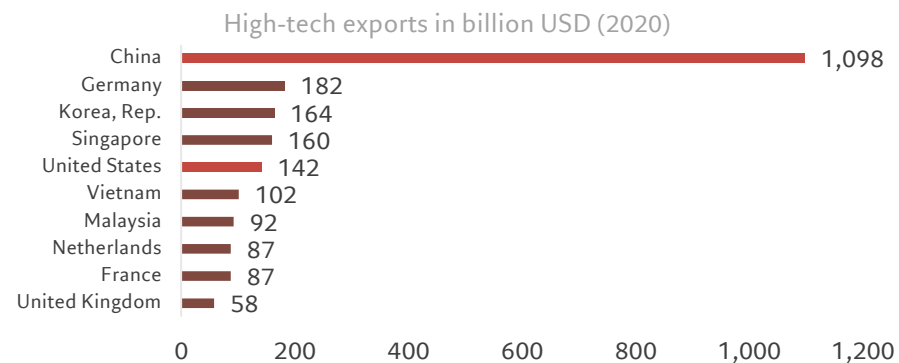


China's talent reserve has been growing faster than the US



Source: Center for Security and Emerging Technology, 2021

China is the world's largest high-tech exporter



High-tech exports include computers, communication devices, pharmaceuticals and other.
Source: World Bank, 2022; Pictet Asset Management, 2023

China is leading in 37 out of 44 critical technologies globally

Advanced materials and manufacturing

	Lead country	% of high-impact research output
1. Nanoscale materials and manufacturing	China	58%
2. Coatings	China	58%
3. Smart materials	China	43%
4. Advanced composite materials	China	41%
5. Novel metamaterials	China	46%
6. High-specification machining processes	China	36%
7. Advanced explosive and energetic materials	China	47%
8. Critical minerals extraction and processing	China	37%
9. Advanced magnets and superconductors	China	33%
10. Advanced protection	China	35%
11. Continuous flow chemical synthesis	China	25%
12. Additive manufacturing (incl. 3D printing)	China	20%

Artificial intelligence, computing and communication

	Lead country	% of high-impact research output
13. Advanced radiofrequency communications (incl. 5G and 6G)	China	30%
14. Advanced optical communications	China	38%
15. Artificial intelligence (AI) algorithms and hardware accelerators	China	37%
16. Distributed ledgers	China	28%
17. Advanced data analytics	China	32%
18. Machine learning (incl. neural networks and deep learning)	China	33%
19. Protective cybersecurity technologies	China	23%
20. High performance computing	USA	30%
21. Advanced integrated circuit design and fabrication	USA	24%
22. Natural language processing (incl. speech and text recognition and analysis)	USA	26%

Energy and environment

	Lead country	% of high-impact research output
23. Hydrogen and ammonia for power	China	60%
24. Supercapacitors	China	64%
25. Electric batteries	China	65%
26. Photovoltaics	China	39%
27. Nuclear waste management and recycling	China	36%
28. Directed energy technologies	China	39%
29. Biofuels	China	23%
30. Nuclear energy	China	27%

Quantum

	Lead country	% of high-impact research output
31. Quantum computing	USA	34%
32. Post-quantum cryptography	China	31%
33. Quantum communications (incl. quantum key distribution)	China	32%
34. Quantum sensors	China	24%

Biotechnology, gene technology and vaccines

	Lead country	% of high-impact research output
35. Synthetic biology	China	52%
36. Biological manufacturing	China	26%
37. Vaccines and medical countermeasures	USA	28%

Sensing, timing and navigation

	Lead country	% of high-impact research output
38. Photonic sensors	China	43%

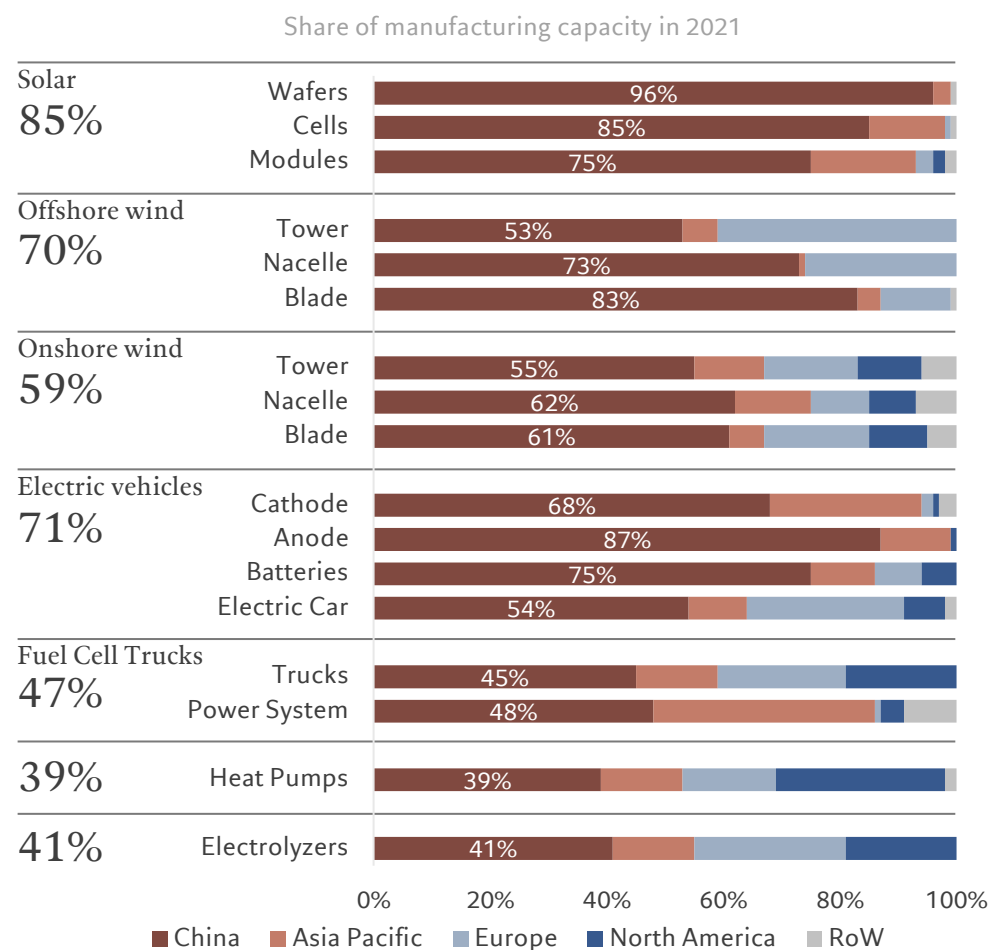
Defence, space, robotics and transportation

	Lead country	% of high-impact research output
39. Advanced aircraft engines (incl. hypersonics)	China	49%
40. Drones, swarming and collaborative robots	China	36%
41. Small satellites	USA	25%
42. Autonomous systems operation technology	China	26%
43. Advanced robotics	China	28%
44. Space launch systems	USA	20%

Sources: Australian Strategic Policy Institute, Pictet Asset Management, 2023

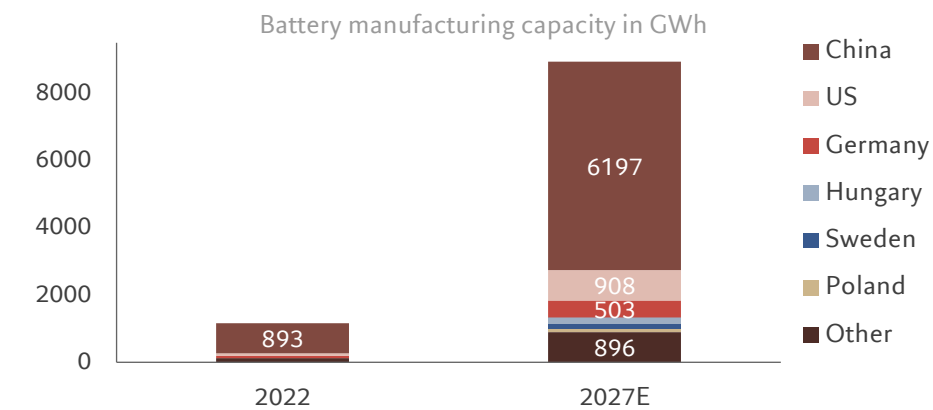
Largest SCALE of green manufacturing

China has the world's largest manufacturing capacity



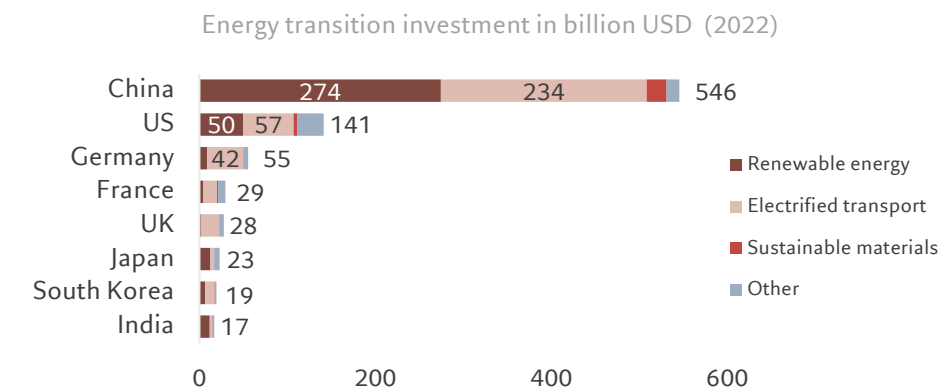
Source: IEA, Pictet Asset Management, 2023

China's dominance in battery manufacturing will likely continue



Source: BloombergNEF, 2023

China invests the most in energy transition globally



Sources: BloombergNEF, Pictet Asset Management, 2023

Environmental POLICIES as national priorities

1-YEAR

The 20th Party Congress emphasized the following national priorities that are supportive to the China environmental theme.

Source: Ministry of Foreign Affairs of the PRC, 2022

20th Party Congress (October 2022)





- | | |
|------------------------------------|--|
| 1 Transition to green development | 3 Ecosystem preservation and restoration |
| 2 Pollution prevention and control | 4 Peak carbon emission and carbon neutrality |

5-YEAR

The 14th Five-Year Plan includes the following topics that can drive the development of environmental solutions in China.

Source: China National Development and Reform Commission, 2022

14th Five-Year Plan (2020-2025)

- | | |
|--|--|
|  Renewable energy development plan |  Building energy conservation and green building development plan |
|  New energy vehicle industry development plan |  Circular economy development plan |
|  Robot industry development plan | |

> 5-YEAR

"1" Top-level guideline: the main guiding policy targeting climate change.

"N" Policy packages: each of the N policy packages follows the main guiding policy and provides a clear path for the implementation to reduce carbon emissions in key sectors.

Sources: State Council of China, IEA, 2021

"1 + N" for Carbon Neutrality: 1 guideline and N policy packages

Peak carbon emissions by 2030 and Carbon neutrality in 2060

Changing energy mix

Improving the efficiency of resource use

Building low-carbon transport system

Promoting innovation in clean energy technology

Developing green finance

Improving carbon pricing mechanisms



2.

Investment Team & Process

Team & Key Resources

Team Members based in Geneva



Yi Du, CFA
Senior Investment
Manager



Yi Shi
Engagement
Specialist &
Client Portfolio
Manager



**Jennifer
Boscardin-Ching**
Client Portfolio
Manager



Luciano Diana
Senior Investment
Manager



**Marc-Olivier
Buffle**
Senior Client
Portfolio
Manager

Local Thematic Equities Team



**Wangyang Xu,
CFA**
Senior Investment
Analyst



Anqi Hu, CFA
Investment Analyst

Internal Experts

Viktoras Kulionis, PhD – Environmental modelling, lifecycle analysis
Senior Environmental Economist

Marc-Olivier Buffle, PhD – Green tech & sustainability investing
Head Client Portfolio Manager & Long-term Thematic Research

Christoph Butz – Planetary Boundary concepts, land-use & resources
Senior Investment Manager, Timber

Thematic Advisory Boards

Pictet - CEO Advisory Board Members:
TBA

Pictet - GEO Advisory Board Members:

Prof. Michael Gerrard – Environmental Law
Andrew Sabin Professor of Professional Practice at Columbia Law School, United States

Prof. Dr. Nicolas Gruber – Climate Systems Modelling
Professor of Environmental Physics at ETH Zurich, Switzerland

Global Thematic Equities Team

GEO	CLEAN ENERGY	WATER
Luciano Diana Gabriel Micheli, CFA Katie Self, PhD Yi Du, CFA	Xavier Chollet Manuel Losa Guillaume Martin-Achard	Cédric Lecamp Louis Veilleux, CFA Charlie Carnegie, CFA Ola Obanubi, CFA
TIMBER	REGENERATION	Plus ~30 other investment professionals across Thematics Platform
Christoph Butz, CIIA Mikael Jafs	Gabriel Micheli, CFA Claire Chamberlin Viktoras Kulionis, PhD	

Investment Risk Managers

D. Vazquez, Risk Manager (Geneva)
R. Yan, Head of Asia Risk (Hong Kong)

Thematic Impact & Analytics

S. Wolf, CIIA, Impact & Analytics Manager
S. Vergne, Impact Officer

Pictet AM ESG Team

E. Borremans, Head of ESG
J. Upton, Sr. Governance Specialist
P. Le Gall, Sr. Engagement Specialist

J. Salazar, Sr. Engagement Specialist
A. Mahler, Sr. ESG Specialist
F. Syed, ESG Specialist

Extensive on-site due diligence capabilities

70+ **on-site due diligence** company visits since December 2022

Our research team in Shanghai has performed **in-person management meetings and on-site due diligence with more than 70 companies** in the Scoring list, and will continue to do so for all portfolio companies

Tuopu (601689 CH)
10 Feb 2023, Ningbo



Conch Environment (587 HK)
16 Jan 2023, Wuhu



Starpower (603290 CH)
13 Jan 2023, Jiaxing



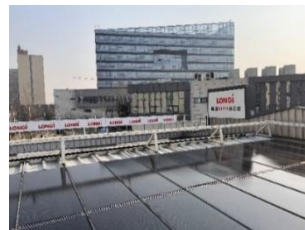
Sungrow (300274 CH)
9 Jan 2023, Hefei



Sinocera (300285 CH)
4 Jan 2023, Dongying



LONGi (601012 CH)
30 Dec 2022, Xi'an



Zhuzhou CRRC (3898 HK)
28 Dec 2022, Zhuzhou



BYD (002594 CH)
26 Dec 2022, Shenzhen



CATL (300750 CH)
20 Dec 2022, Ningde



Shuanghuan (002472 CH)
16 Dec 2022, Hangzhou



Inovance (300124 CH)
14 Dec 2022, Shenzhen



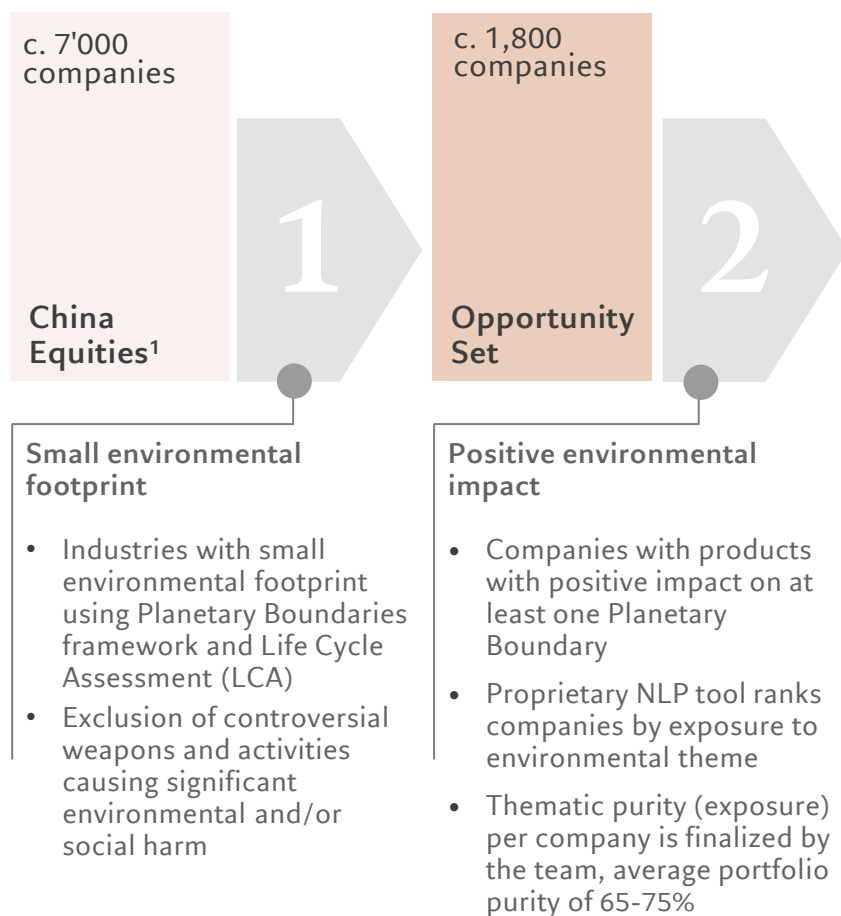
Centre Testing (300012 CH)
14 Dec 2022, Shenzhen



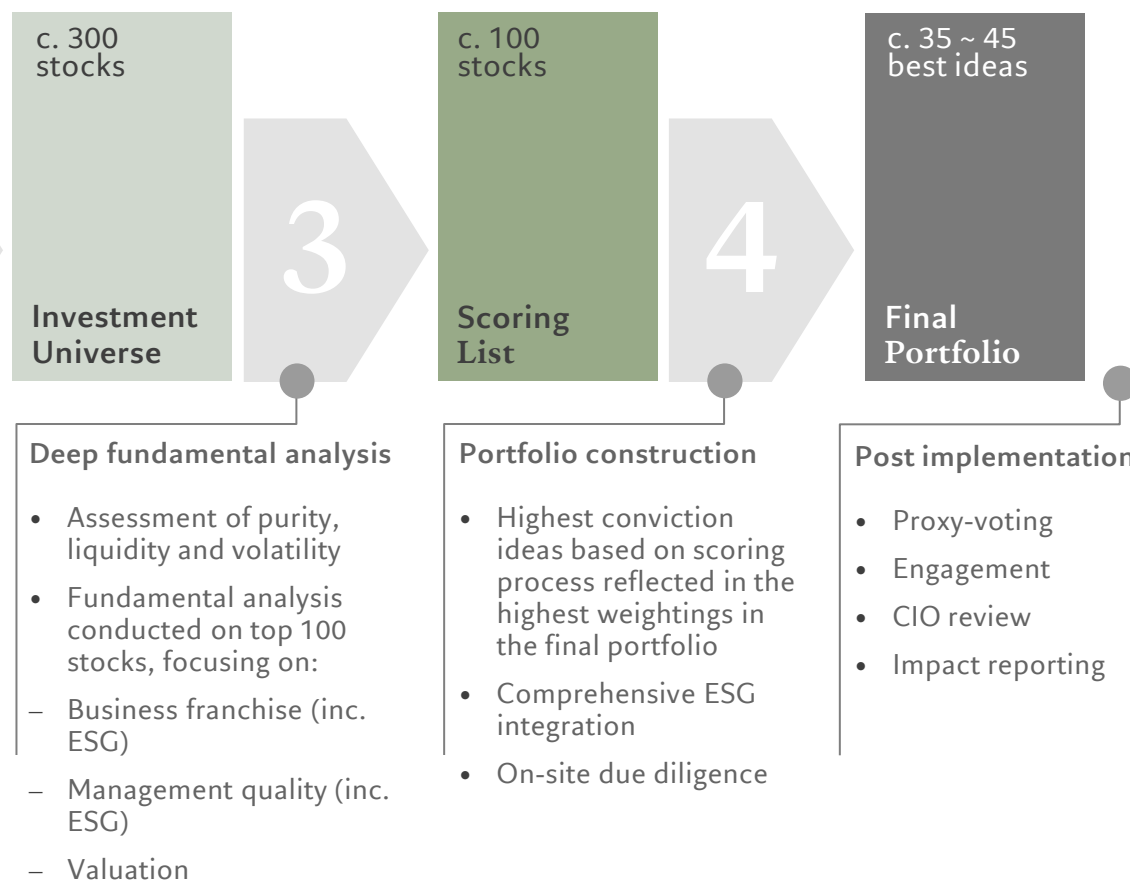
Note: Companies and photos are for illustrative purpose only.

Investment Process

Environmental Analysis



Fundamental Research

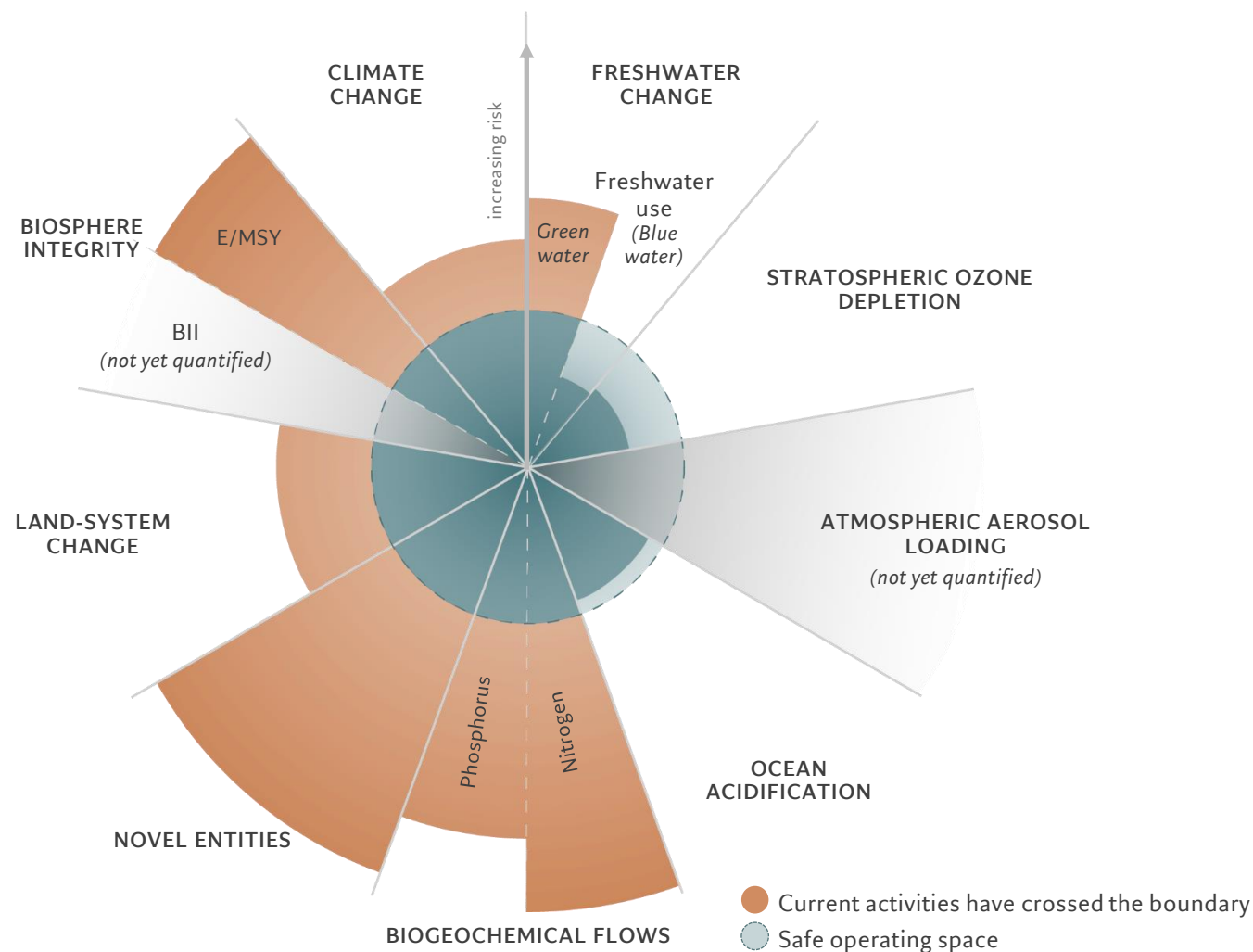


¹China equities include A-shares, H-shares, ADRs, GDRs and Taiwan equities.
Source: Pictet Asset Management, 2023

Small Environmental Footprint

The Planetary Boundaries (PB) Framework

- 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



Source: Stockholm Resilience Centre, based on analysis in Persson et al 2022 and Steffen et al 2015



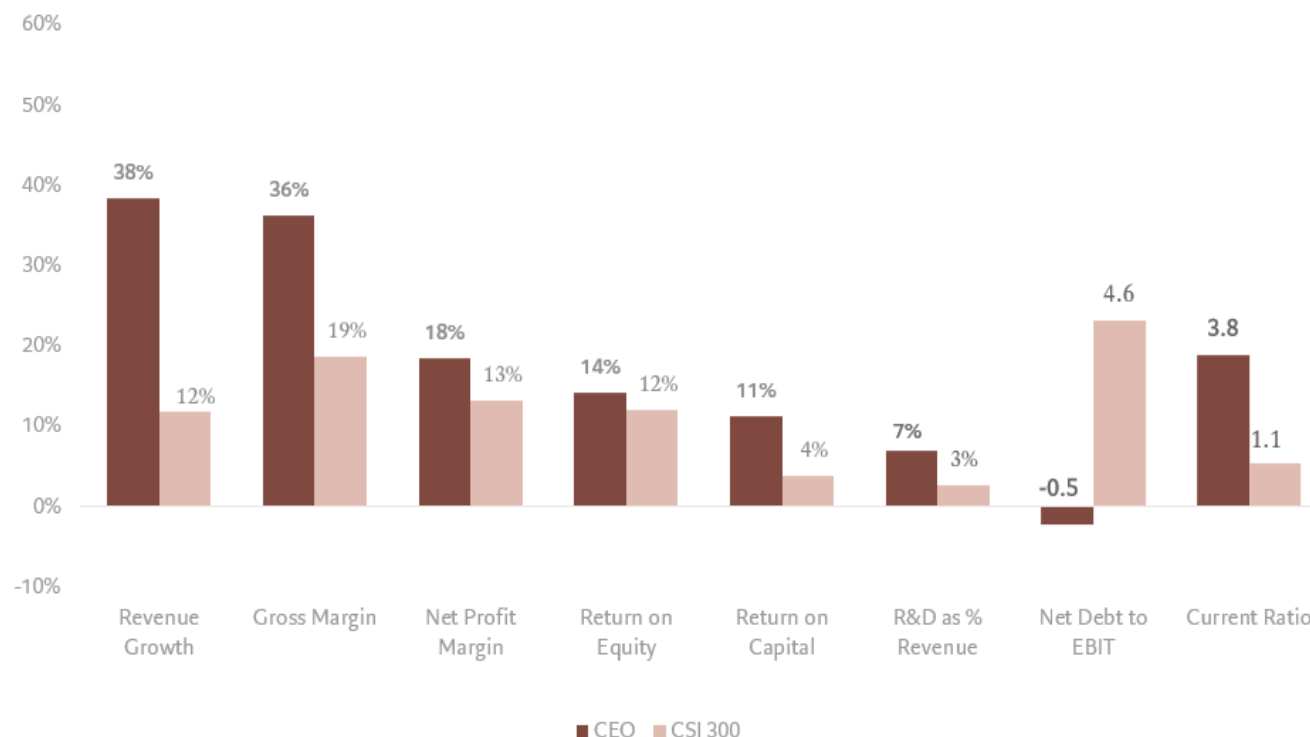
3.

Portfolio Characteristics & Performance

Our investment approach – focus on quality and resilience

Bias towards quality businesses with wide moats and robust balance sheets

CEO portfolio characteristics vs CSI 300¹

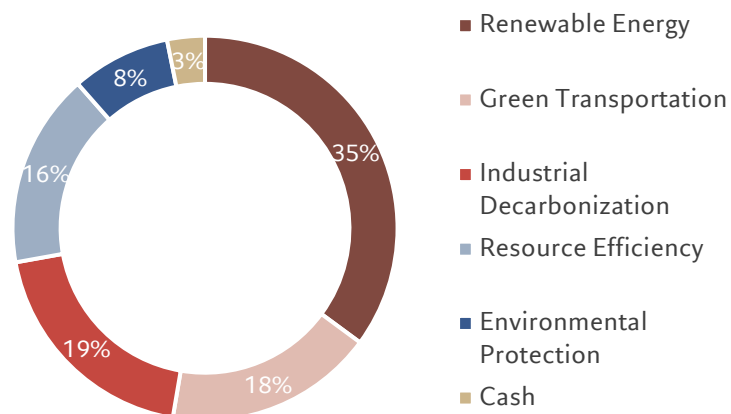


Source: Bloomberg, Pictet Asset Management, data as of 03.04.2023

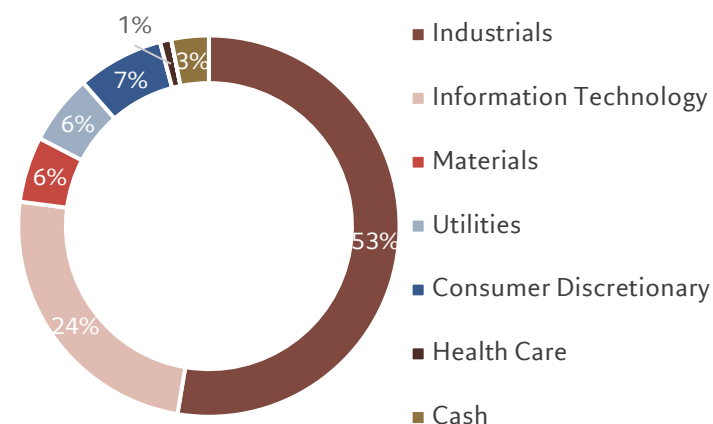
¹ Financials based on one-year forward looking consensus estimates. Portfolio-weighted average.

Current portfolio characteristics

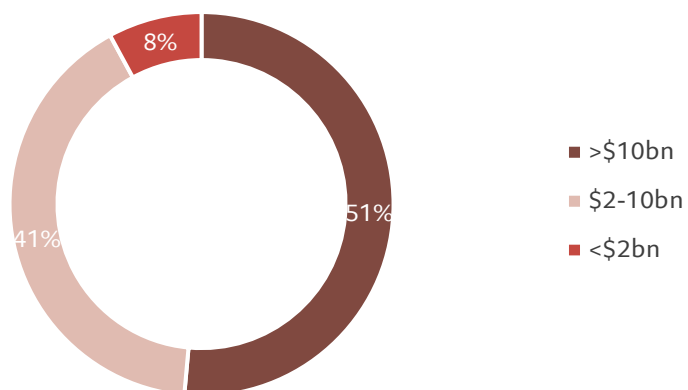
Fund segment



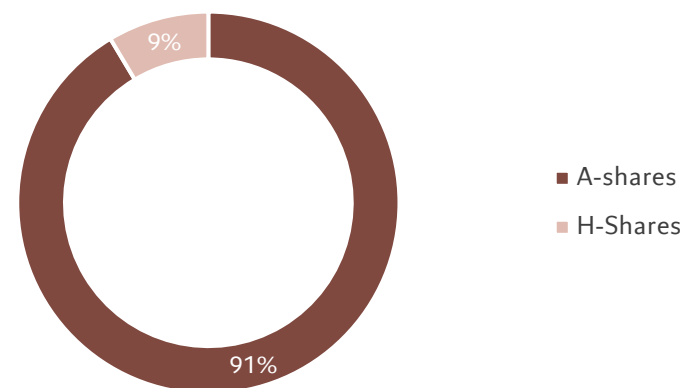
Sector



Market capitalization (USD)



Listing venue



Source: Pictet Asset Management, data as of 03.04.2023

The Global Industry Classification Standard (GICS) structure has been changed as of 31.03.2023. Above data represents these changes. Please note that MSCI indices will implement the changes at a later stage, leading to differences between official MSCI data and our reported data.

Current top 10 holdings

Company	% in Portfolio	Market Cap (\$ bn)	Segment	Key Business
Sungrow Power Supply	5.0%	22.8	Renewable Energy	Solar inverters
Contemporary Amperex Technology	4.8%	141.3	Green Transportation	Battery manufacturer
Beijing-Shanghai High Speed Railway	4.5%	37.5	Green Transportation	High-speed railway operator
Shenzhen Inovance Technology	4.5%	27.2	Industrial Decarbonization	Industrial automation
NARI Technology	4.4%	26.3	Renewable Energy	Smart grid equipment
Gongniu Group	3.9%	13.8	Resource Efficiency	LED lighting
BYD	3.9%	99.7	Green Transportation	NEVs and battery
Infore Environment Technolgy Group	3.5%	2.4	Environmental Protection	Waste treatment equipment & services
Longshine Technology Group	3.4%	4.1	Resource Efficiency	Power system software
Centre Testing Intl Group	3.4%	4.9	Environmental Protection	Testing services
Total	41%			

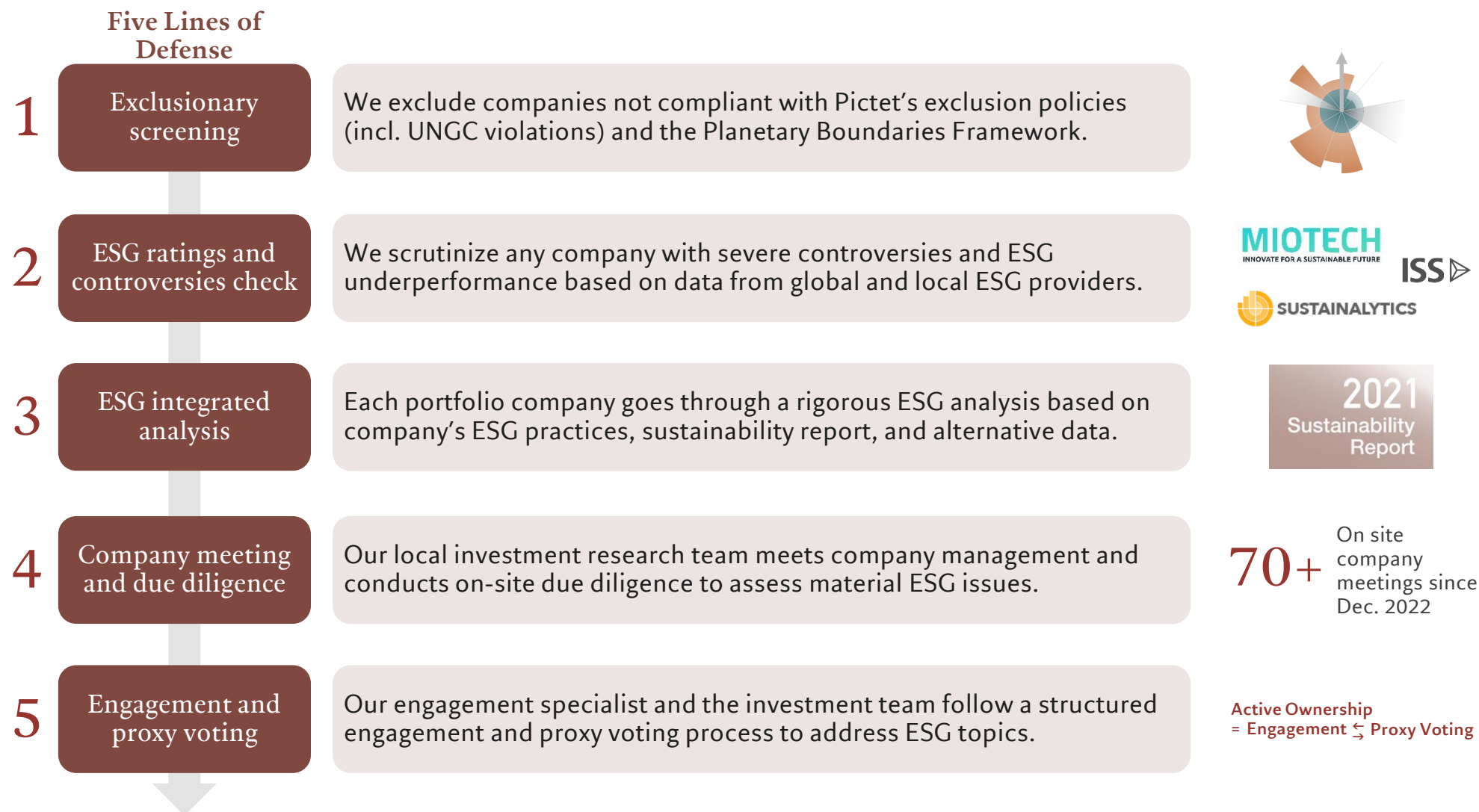
Source: Pictet Asset Management, data as of 03.04.2023



4.

Risk Management & Summary

ESG risk screening and mitigation



Sources: Stockholm Resilience Centre, based on analysis in Persson et al 2022 and Steffen et al 2015; Pictet Asset Management, 2023

Pictet Asset Management retains full discretion over the implementation of exclusion criteria and reserves the right to deviate from third-party information on a case-by-case basis. For more information, please refer to the Pictet Asset Management Responsible Investment Policy (in English only) under https://documents.am.pictet/?cat=regulatory-permalink&dtyp=RI_POLICY

Local ESG provider - Mitech

Overview



- One of Asia's leading ESG Data providers based in Hong Kong, providing ESG, climate change, carbon neutrality, and social responsibility solutions.
- Founded in 2016, headquarter in Hong Kong, +300 employees
- Full coverage of A and H shares

Services

ESG data

ESG consulting

Carbon & Energy Mgmt.

Capital markets

Investors

Moody's

J.P. Morgan

HSBC

GIC

Data sources

Company reports

News

Social media

Climate estimate data

Government organisations

Data processing

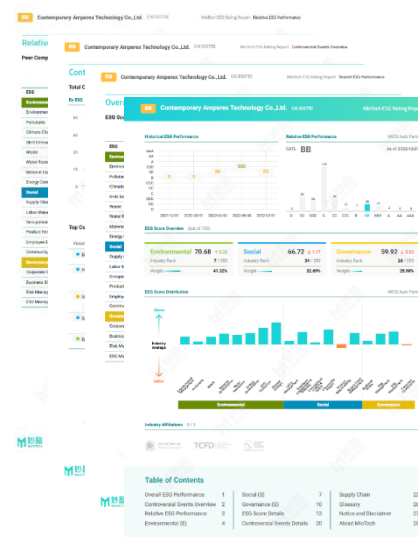
Artificial intelligence to collect data from companies, customers, suppliers, etc.

Manual checks to ensure data quality

Methodology

- ESG scores reflect company's potential for sustainable development and its capabilities to cope with ESG risks
- ESG score evaluates the ESG risks, management practices and actual performance
- ESG ratings: from C to AAA (worst to best), 12 ratings
- ESG ratings comparison possible across industries and between peers
- The ESG score is a weighted average of E, S, and G scores
- 19 topics, 700+ indicators, 1000+ data points

Sample report



Highlights

1 International reporting frameworks

SFDR

TCFD

GRI

2 Awards



2018-2021 KPMG Global Fintech Top 50 for four consecutive years

3 Collaboration



J.P.Morgan



Source: Mitech, February 2023

Past Engagement Examples – Chinese Environmental Solutions Providers

Water Supply



Carbon transition

- › **The Case:** Company had minority holding in a coal fired powerplant with plans to expand
- › **Objective:** Engage company to transition away from coal fired power
- › **Action:** Interacted with management to escalate the issue; called two board directors in Chinese
- › **Outcome:** While company revealed clear intention not to provide capital to fund this expansion plan, it did not form a clear plan to transition away from coal assets
- › **Next Step:** We excluded the company from investment universe based on our Planetary Boundaries screening

Paper Packaging



Board independence

- › **The Case:** Company's board needed more independent, non-executive directors, esp. in its remuneration committee
- › **Objective:** Engage company to make a plan on increasing board independence
- › **Action:** Interacted with management; sent Chinese letter to CEO and the board
- › **Outcome:** Received acknowledgement letter from CEO but it fell short of presenting a clear plan to addressing the issues we raised
- › **Next Step:** Follow-up with CEO or board member in Q2 2023 on setting a clear plan of action

Electronics Recycling



ESG disclosure

- › **The Case:** Company IPO-ed in Q2 2021 and lacked sufficient ESG disclosure and investors communication
- › **Objective:** Engage company to improve ESG disclosure and shareholder communication
- › **Action:** Conducted multiple calls in Chinese with founder/CEO and shared ESG best practices
- › **Outcome:** Company released its first investor presentation in Q3 2021 and first ESG report in Q2 2022
- › **Next Step:** Engagement objective achieved

China Environmental Opportunities (“CEO”) - Summary

Why CEO?

China Environmental Theme

- Leading Technologies
- Largest Scale
- Favorable Policies

Dual-objectives with a focus on China A-shares

- Aims to outperform with similar risk versus index
- Seeks to have a positive environmental impact

What does CEO invest in?

Investment Universe of c.300 companies, c.90% in A-shares

- Quality
- Growth
- Diversified

Underlying Megatrends

- Domestic consolidation
- Local substitution
- Global expansion

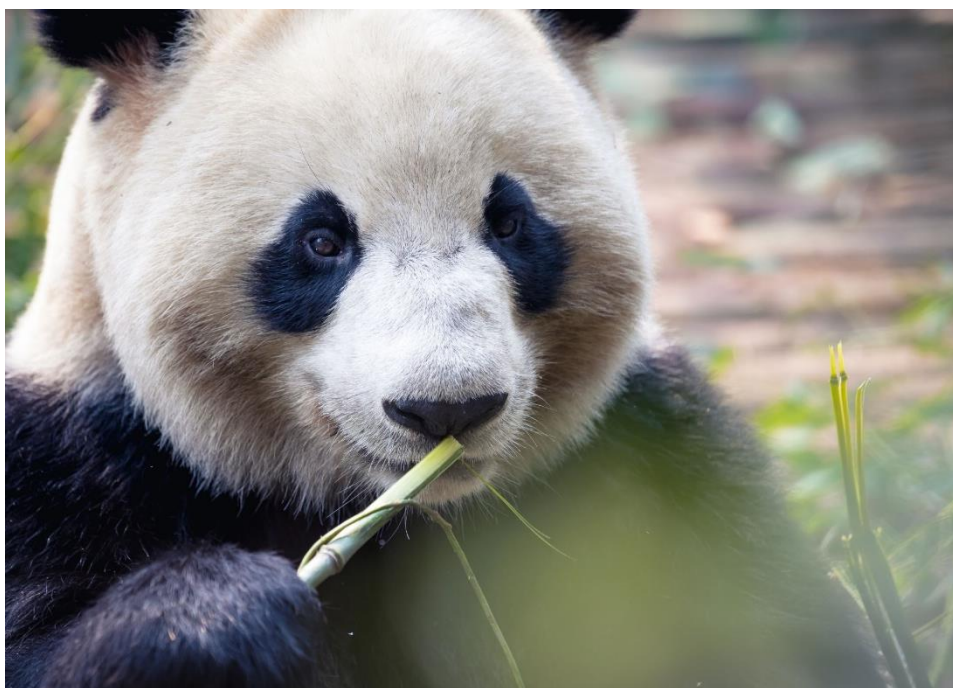
How is CEO unique?

Global insights with local expertise and proven process

- Synergies with Pictet-GEO
- On-site due diligence
- Dedicated ESG and engagement expertise

Thematic investment process

- Exclusion
- Selection
- Integration
- Conviction
- Engagement



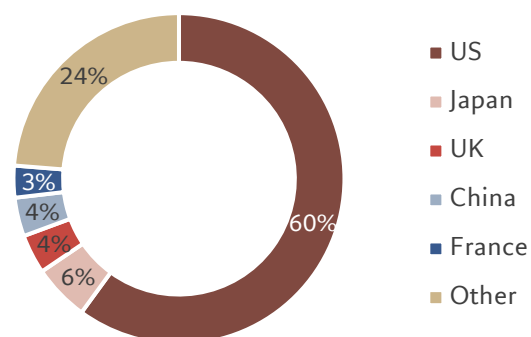
Appendix

Unique asset allocation positioning

FOR ILLUSTRATIVE PURPOSES ONLY*

China is significantly underweighted in MSCI ACWI

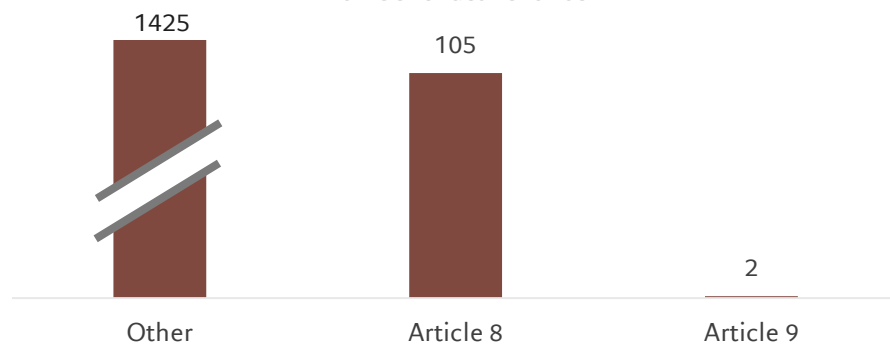
MSCI ACWI as of January 2023



Source: MSCI, 2023

The only Art. 9 China-focused environmental themed strategy

Number of active funds

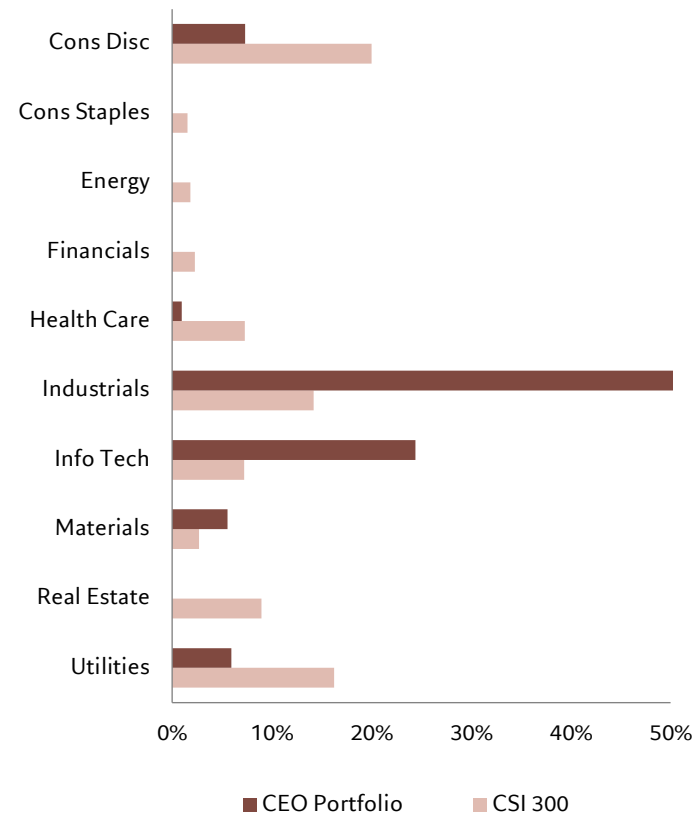


Note: Article 9 includes the forthcoming CEO Strategy.

Source: Pictet Asset Management, as of 31.12.2022

Overweight in Chinese sectors with high quality growth potential

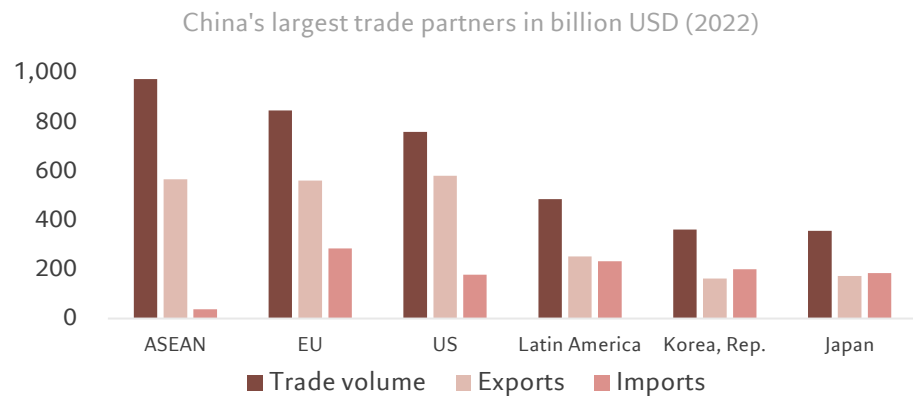
CEO Portfolio vs. CSI 300



Sources: Bloomberg, Pictet Asset Management, as of 03.04.2023

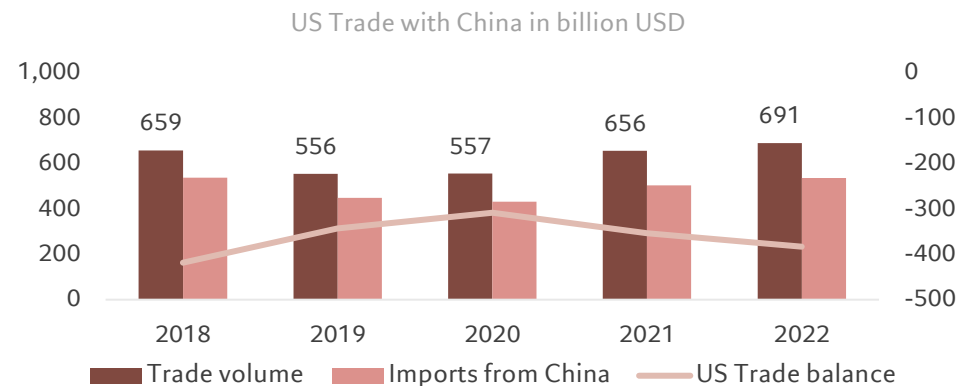
Steady growth of trade volume with world major economies

ASEAN and EU were China's largest trading partners



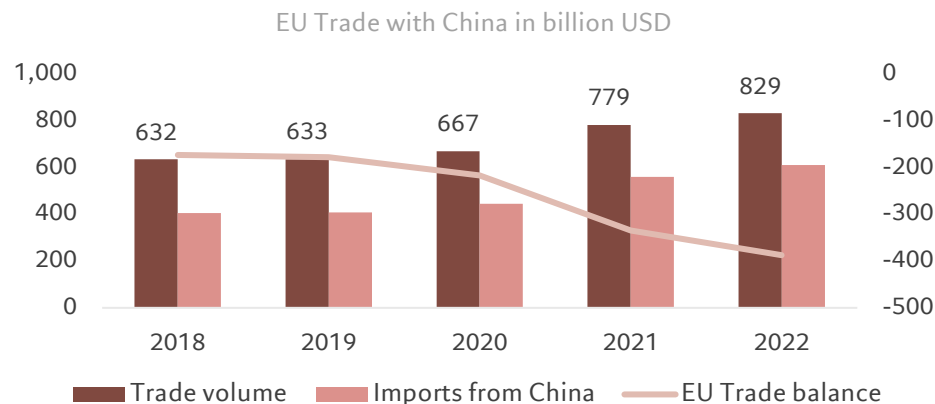
Source: General Administration of Customs of PRC, 2023

Trade volume between US and China is still increasing



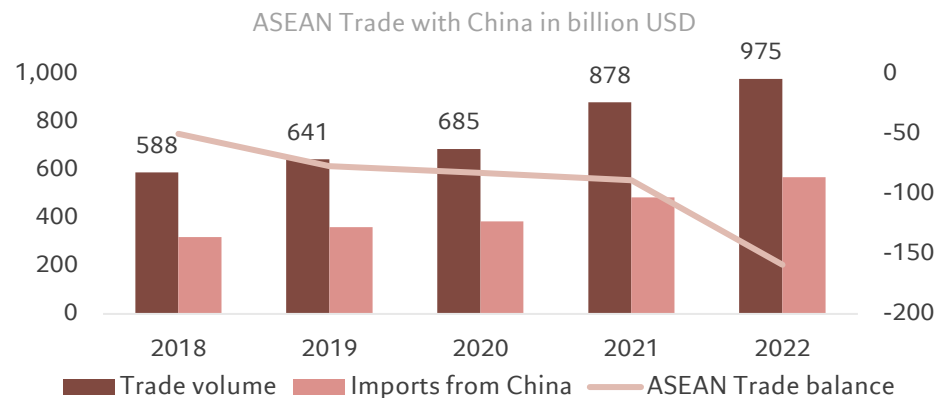
Source: US Census Bureau, 2023

Trade volume between EU and China shows a similar pattern



Source: Bloomberg, Pictet Asset Management, 2023

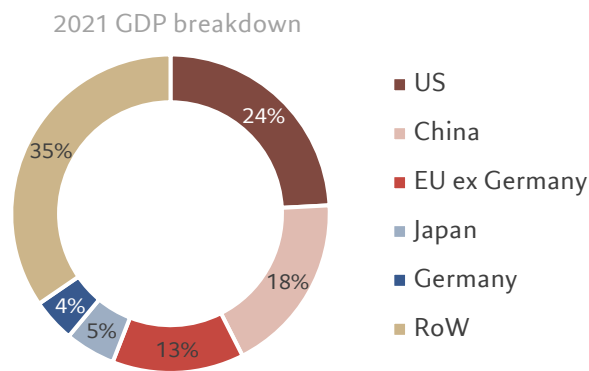
Trade volume between ASEAN and China still shows this pattern



Source: General Administration of Customs of PRC, 2019-2023

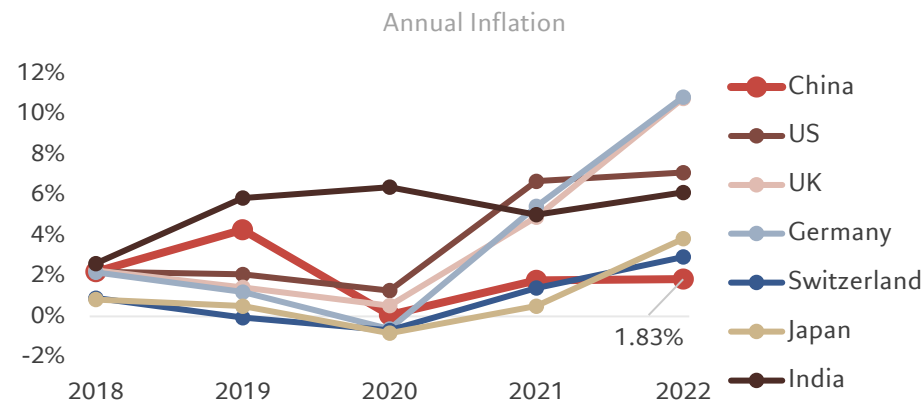
Favorable macroeconomic environment in China

China growth exceeds the one of the developed markets



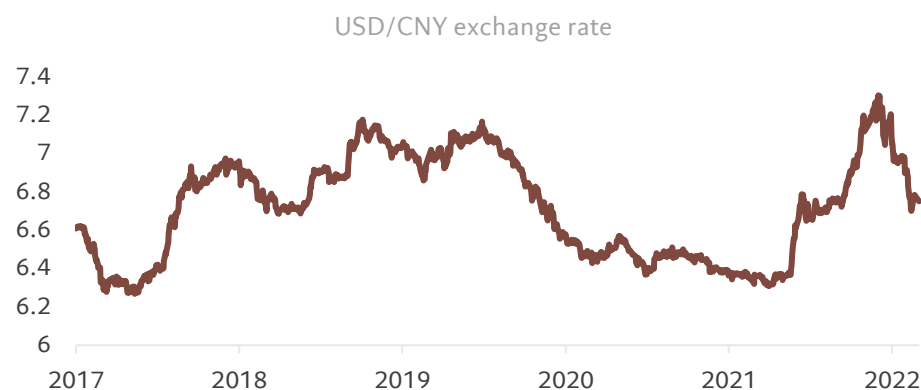
Source: World Bank, 2022

While inflation remains low



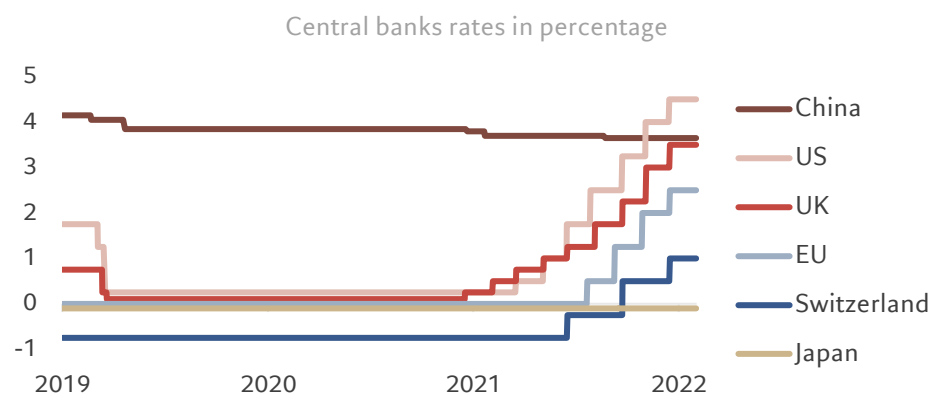
Source: Bloomberg, as of 01.02.2023

With a rather stable currency



Source: Bloomberg, as of 01.02.2023

And declining interest rates to boost the economy



Source: Bloomberg, as of 01.02.2023

Synthetic Risk and Reward Indicator (SRRI-UK)

Risk indicator for all share classes

Lower risk ← Higher risk
Typically lower rewards Typically higher rewards



- The Share Class is assigned to this risk category because of the price variations resulting from its currency and the nature of the Compartment's investments and strategy.
- The risk category shown is based on historical data and may not be a reliable indication for the future risk profile of the Share Class. It is not a target or a guarantee and may change over time.
- The lowest category does not mean a risk-free investment.
- The Compartment offers no capital guarantee or asset protection measures.

The Compartment may be exposed to the following risks which are not adequately captured by the synthetic risk indicator and may negatively impact its value:

- Financial Derivatives risk: the leverage resulting from derivatives amplifies losses in certain market conditions.
- Liquidity risk: markets with low volumes result in difficulties valuing and/or trading some assets.
- Counterparty risk: losses occur when a counterparty does not honour its obligations related to contracts such as over-the-counter derivatives.
- Investments in emerging markets are generally more sensitive to risk events, such as changes in the economic, political, fiscal and legal environment, as well as fraud.
- Investments in Mainland China may be subject to capital restrictions and trading quotas (e.g. QFII and RQFII regimes). The Compartment may encounter difficulties or delays in enforcing its rights in the event of disputes.
- Chinese "Stock Connect" trading programmes may be subject to additional risks related to ownership rights, clearing & settlement, trading quotas and operational issues.
- Operational risk: losses resulting from human errors, system failures, incorrect valuation and safekeeping of assets.
- Sustainability risk: ESG related risk events or conditions could cause a material negative impact on the value of the investment if they were to occur.

Further information can be found in the prospectus. The risk profile is given on a scale from 1 to 7, with 1 being the lowest risk and 7 the highest risk. The Synthetic Risk and Reward Indicator is a volatility index defined by the European Securities and Markets Authority (ESMA) in its guidance CESR/10-673. It is calculated based on UCITS methodology. This slide is intended for UK investors only and cannot be shared to any investor outside the UK.