PICTET
1805
Asset Management

Pictet-Smartcity

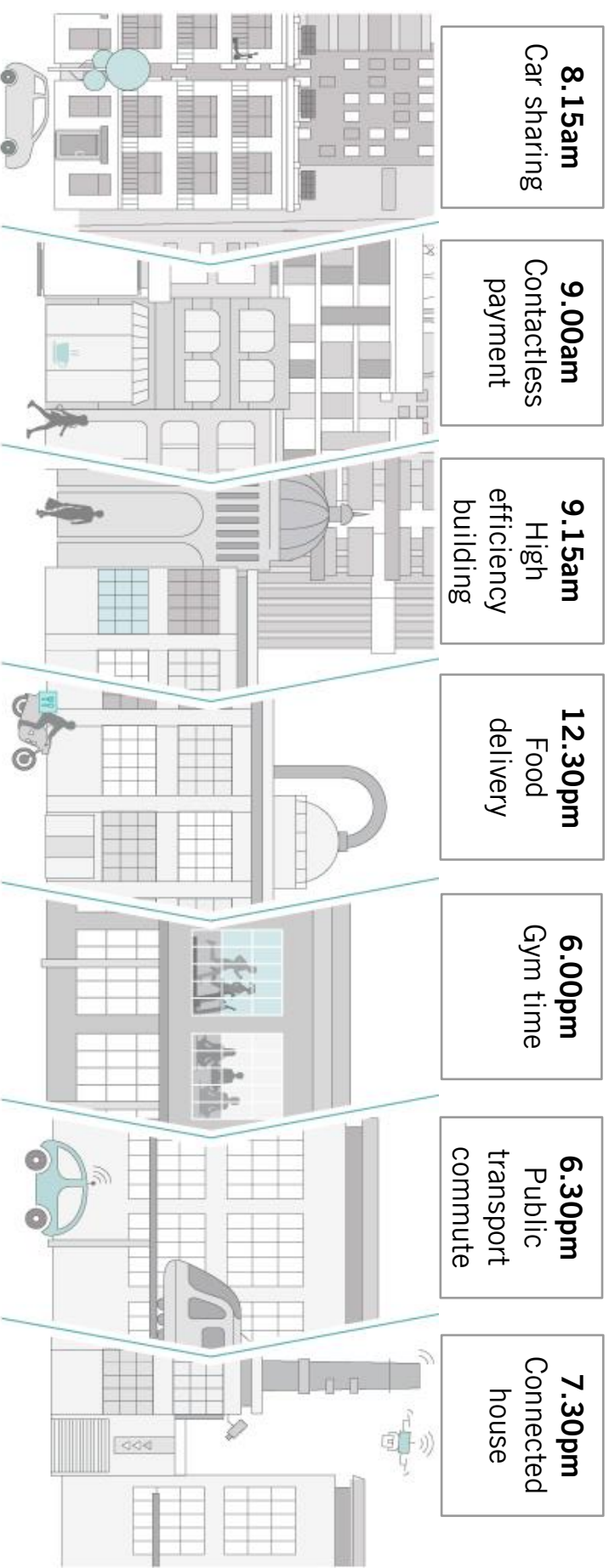## PICTET ASSET MANAGEMENT

22 octobre 2021

Dr. Stephen R. Freedman

We believe there is a huge growth opportunity investing in the cities of tomorrow through companies that:

> **provide solutions to the challenges of urbanization**

> **improve the quality of life of city dwellers**

A day in the life of a Smart City

8.15am
Car sharing

9.00am
Contactless payment

9.15am
High efficiency building

12.30pm
Food delivery

6.00pm
Gym time

6.30pm
Public transport commute

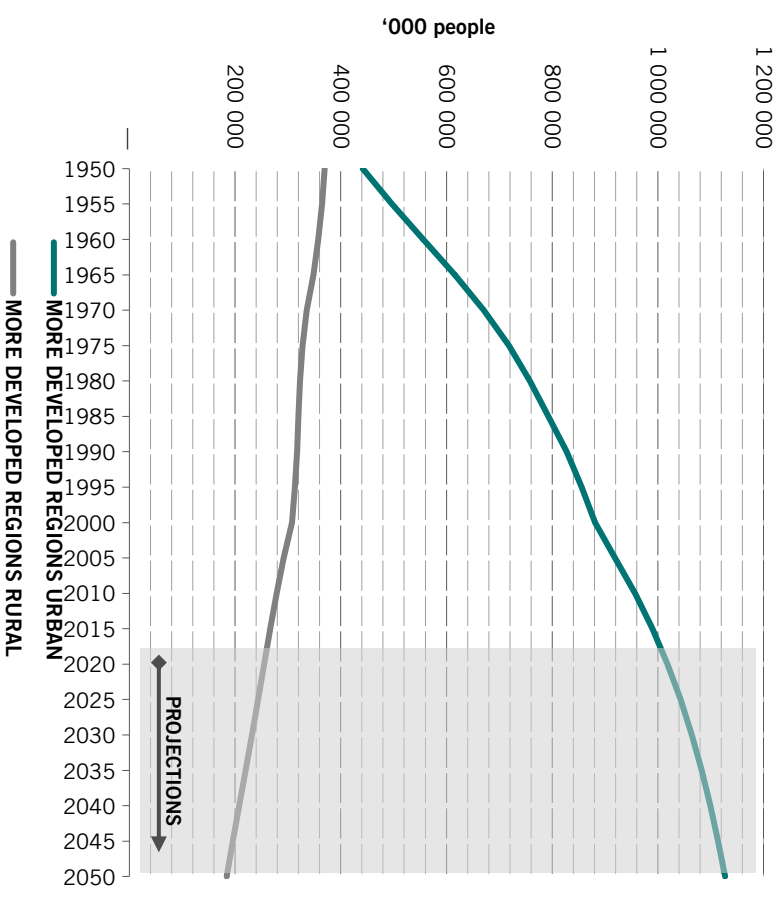**7.30pm**
Connected house

Source: Pictet Asset Management

> 90% of the increase in the world's urban population will come from emerging countries.

Rapid densification in the emerging world (1,000s)
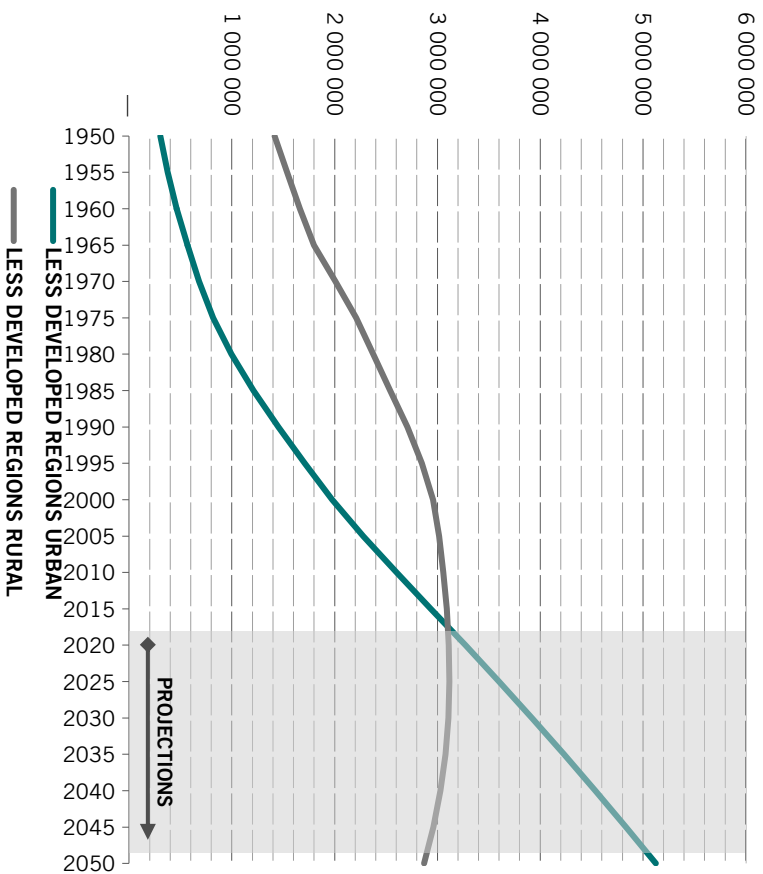
LESS DEVELOPED REGIONS URBAN
LESS DEVELOPED REGIONS RURAL

PROJECTIONS

Slower but increasing urbanisation in developed world (1,000s)

'000 people

MORE DEVELOPED REGIONS URBAN
MORE DEVELOPED REGIONS RURAL

PROJECTIONS

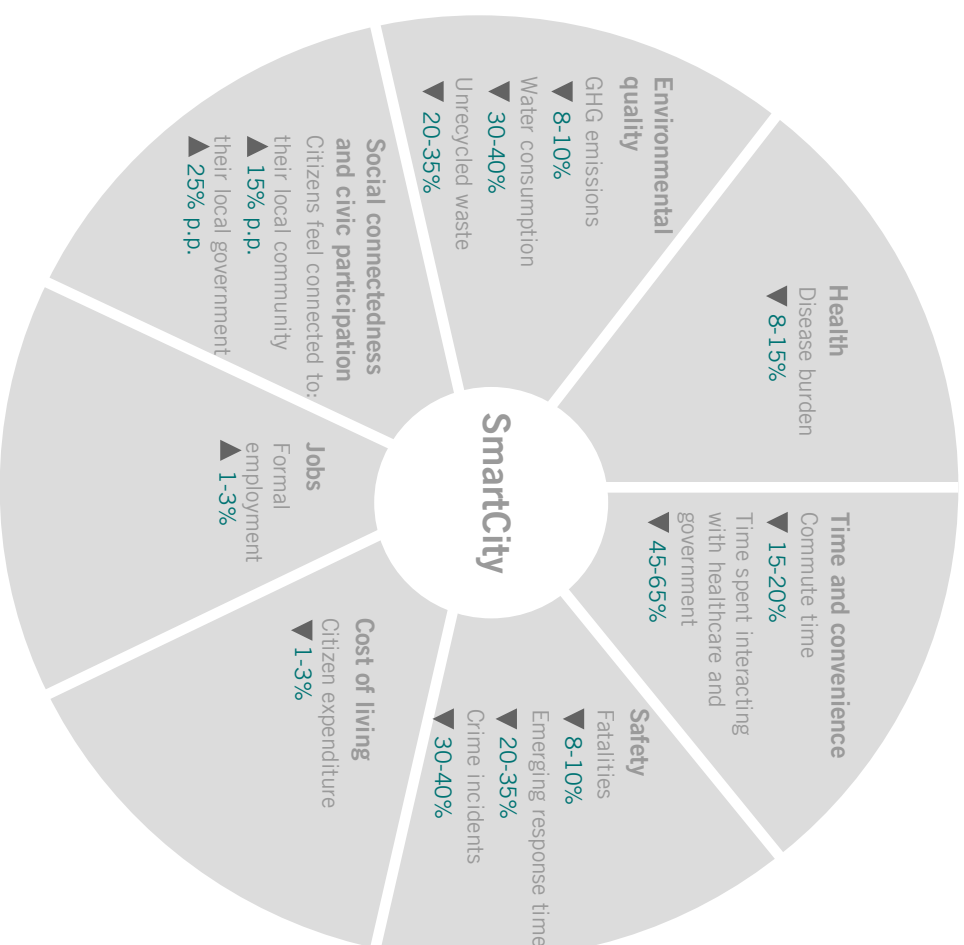**In smart cities, key quality-of-life indicators can be improved by 10 to 30 percent***

A **smart city** improves the quality of life of its citizens and ensures the ongoing urbanisation trend is sustainable.

A smart city has:

1. **Growth:** Cities account for ~80% of global GDP and their share is growing

2. **Intelligence:** digital technology and data are used to drive profound changes in the way cities are being managed

3. **Impact:** Real, measurable progress is being made at the city level in terms of quality of life improvement and environmental management

Wheel diagram centred on **SmartCity**:

- **Health** — Disease burden ▼ 8-15%
- **Time and convenience** — Commute time ▼ 15-20%; Time spent interacting with healthcare and government ▼ 45-65%
- **Safety** — Fatalities ▼ 8-10%; Emerging response time ▼ 20-35%; Crime incidents ▼ 30-40%
- **Cost of living** — Citizen expenditure ▼ 1-3%
- **Jobs** — Formal employment ▲ 1-3%
- **Social connectedness and civic participation** — Citizens feel connected to: their local community ▲ 15% p.p.; their local government ▲ 25% p.p.
- **Environmental quality** — GHG emissions ▼ 8-10%; Water consumption ▼ 30-40%; Unrecycled waste ▼ 20-35%

*Theoretical improvements in key KPIs if a "smart city" concept is being applied. Source: McKinsey Global Institute analysis, 2018

DRIVER 3 – SUSTAINABILITY OPPORTUNITIES AND CHALLENGES

⟩ Cities offer the opportunity to use resources much more efficiently due to density and scale effects.

⟩ However, cities are create challenges. They are responsible for 70% of global greenhouse gas emissions

⟩ Air quality in many cities is poor – in particular in emerging markets – with devastating effects for citizens' health.

Population density can be a driver of energy efficiency

Energy use (MJ per annum)

Urban density (persons/ha)
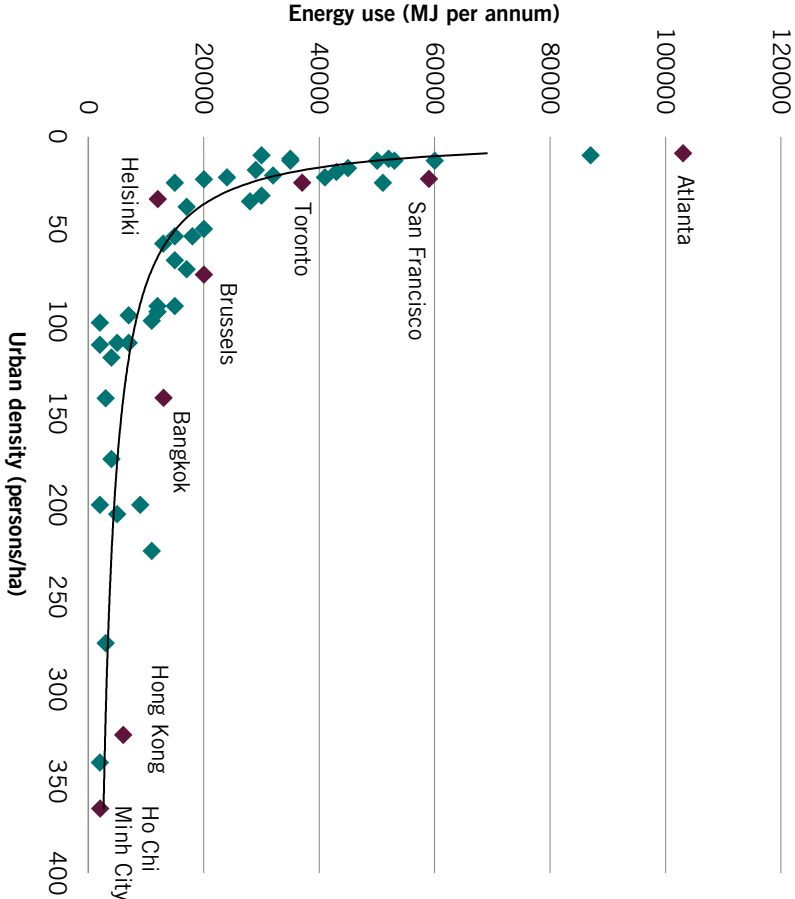
Source: https://citygeographics.org/tag/urban-form/. Energy use shows per capita private passenger transport energy use. December 2016
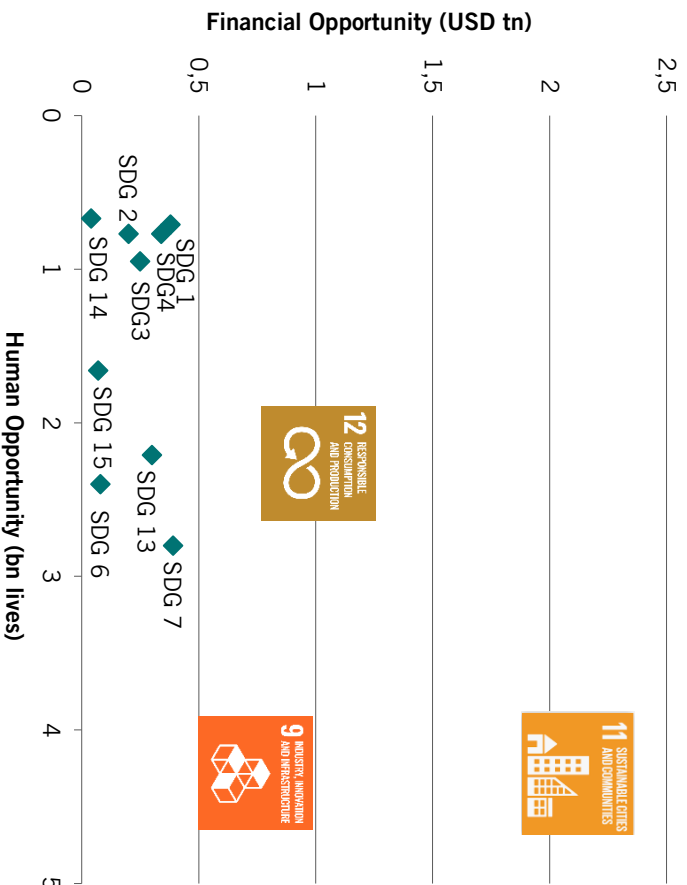
Air quality in major cities is poor
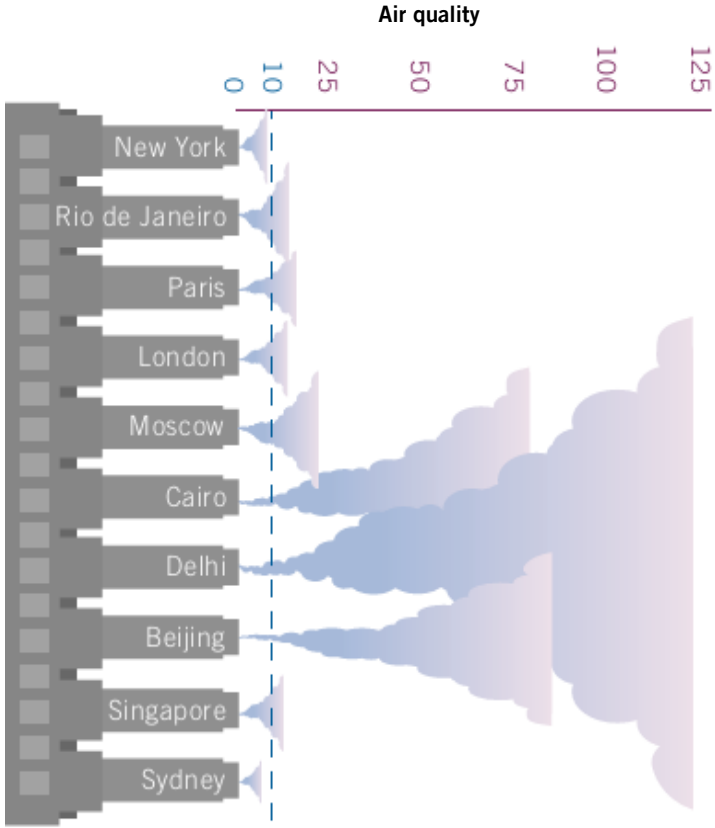
Air quality

Source: World Health Organization, 2016. Air quality is represented by annual mean concentration of particulate matter, small than 2.5 micrometres per m3. 0 – 10: safe. Over 10: unhealthy of dangerous
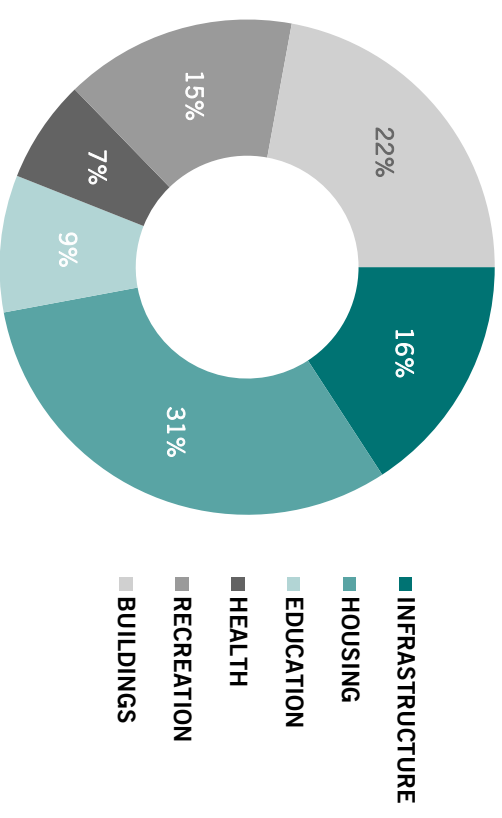
Sustainable Development Goals (SDG) by financial and human impact

Financial Opportunity (USD tn)

Human Opportunity (bn lives)

SDG 1
SDG4
SDG 2
SDG3
SDG 14
SDG 15
SDG 13
SDG 6
SDG 7

Source: Citigroup, 2018

Breakdown of the financial opportunity of SDG 11

22%
15%
7%
9%
31%
16%

- INFRASTRUCTURE
- HOUSING
- EDUCATION
- HEALTH
- RECREATION
- BUILDINGS

Source: Citigroup, 2018

› Sustainable Development Goal 11 both impacts a large amount of people globally and requires a lot of investment (~2.1tn USD p.a.)

› It is therefore not only a theoretical concept, but offers concrete investment opportunities across a wide range of different areas
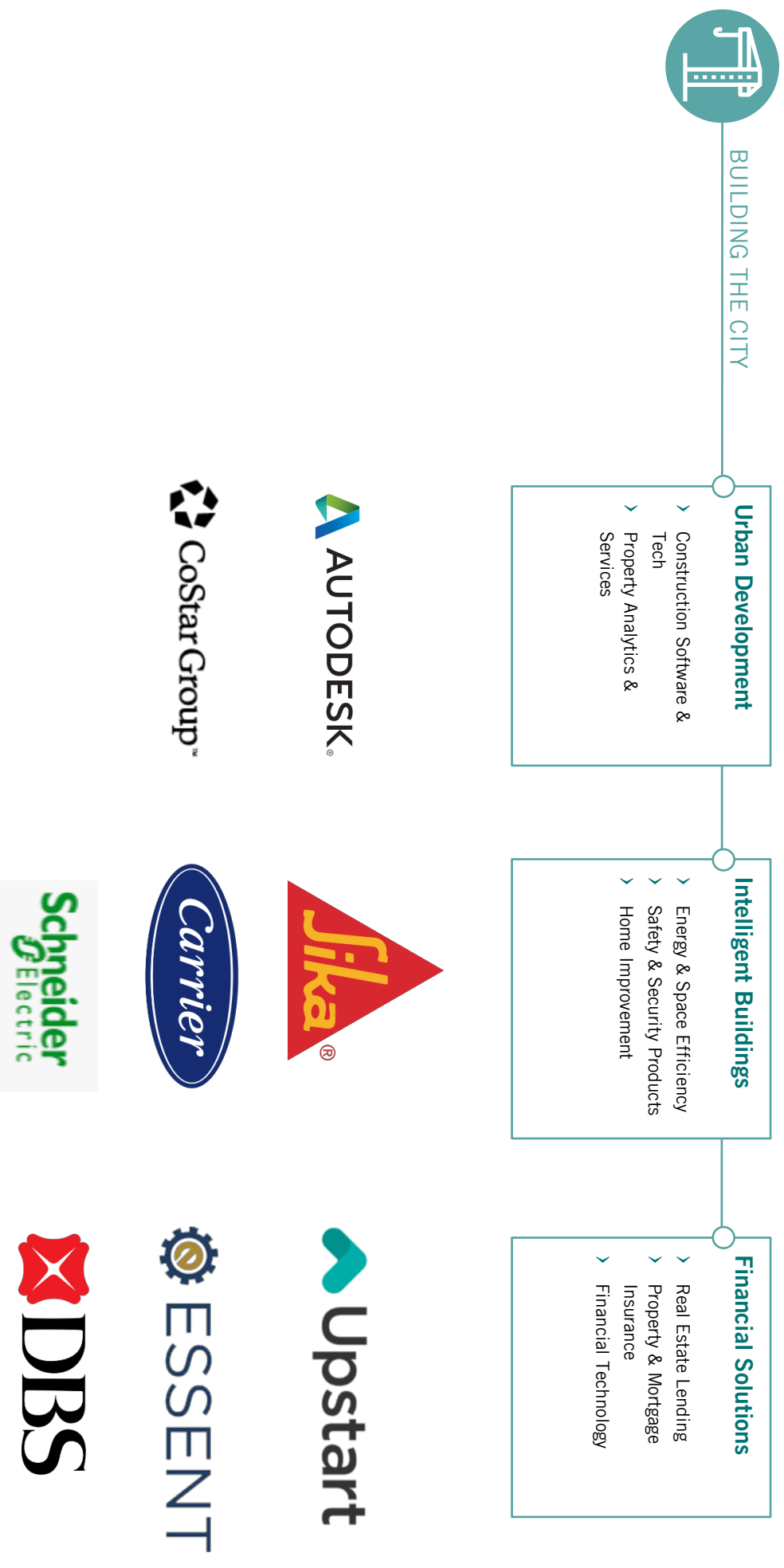
INVESTMENT UNIVERSE AT A GLANCE

BUILDING THE CITY
Companies that are involved in the design, planning, construction and financing of tomorrow's cities, with a focus on efficiency, safety and sustainability.

Urban Development
- Construction
- Software & Tech
- Property Analytics & Services

Intelligent Buildings
- Energy & Space Efficiency
- Safety & Security Products
- Home Improvement

Financial Solutions
- Real Estate Lending
- Property & Mortgage Insurance
- Financial Technology

RUNNING THE CITY
Companies that provide the physical and digital backbone and the services that are necessary for the day-to-day functioning of modern, sustainable cities.

Traditional Infrastructure
- Water & Sanitation
- Waste Management
- Logistics
- Healthcare Facilities

Digital Infrastructure
- Network Equipment & Software
- Telecom Infrastructure
- Digital Payment Network

Mobility Solutions
- Public Transport
- Micromobility

LIVING IN THE CITY
Companies that offer solutions for 21st century urban living, including collaborative working environments, housing, and recreational activities.

Housing Solutions
- Residential
- Property Technology
- Self-Storage Facilities

Intelligent Workplace
- Flexible Office and Remote Working Solutions
- Childcare Solutions
- Professional Development

Urban Lifestyles
- Food Convenience
- Recreational Activities
- Digital Health

INVESTMENT UNIVERSE ILLUSTRATED

BUILDING THE CITY

Urban Development
- Construction Software & Tech
- Property Analytics & Services

Intelligent Buildings
- Energy & Space Efficiency
- Safety & Security Products
- Home Improvement

Financial Solutions
- Real Estate Lending
- Property & Mortgage Insurance
- Financial Technology

AUTODESK®

CoStar Group™

Sika®

Carrier

Schneider Electric

Upstart

ESSENT

DBS

INVESTMENT UNIVERSE ILLUSTRATED

RUNNING THE CITY

Traditional Infrastructure

- Water & Sanitation
- Waste Management
- Logistics
- Healthcare Facilities

Digital Infrastructure

- Network Equipment & Software
- Telecom Infrastructure
- Digital Payment Network

Mobility Solutions

- Public Transport
- Micromobility

INVESTMENT UNIVERSE ILLUSTRATED

LIVING IN THE CITY

Housing Solutions
- Residential
- Property Technology
- Self-Storage Facilities

LEG

HusCompagniet

Intelligent Workplace
- Flexible Office and Remote Working Solutions
- Childcare Solutions
- Professional Development

zoom

Bright Horizons
FAMILY SOLUTIONS®

Urban Lifestyles
- Food Convenience
- Recreational Activities
- Digital Health

TELADOC®

PELOTON®

Subsegments by percentage of portfolio

INTELLIGENT BUILDINGS

FINANCIAL SOLUTIONS

URBAN DEVELOPMENT

HOUSING SOLUTIONS

INTELLIGENT WORKPLACE

URBAN LIFESTYLES

DIGITAL INFRASTRUCTURE

MOBILITY SOLUTIONS

TRADITIONAL INFRASTRUCTURE

CASH

■ 31.12.2020 ■ 30.09.2021
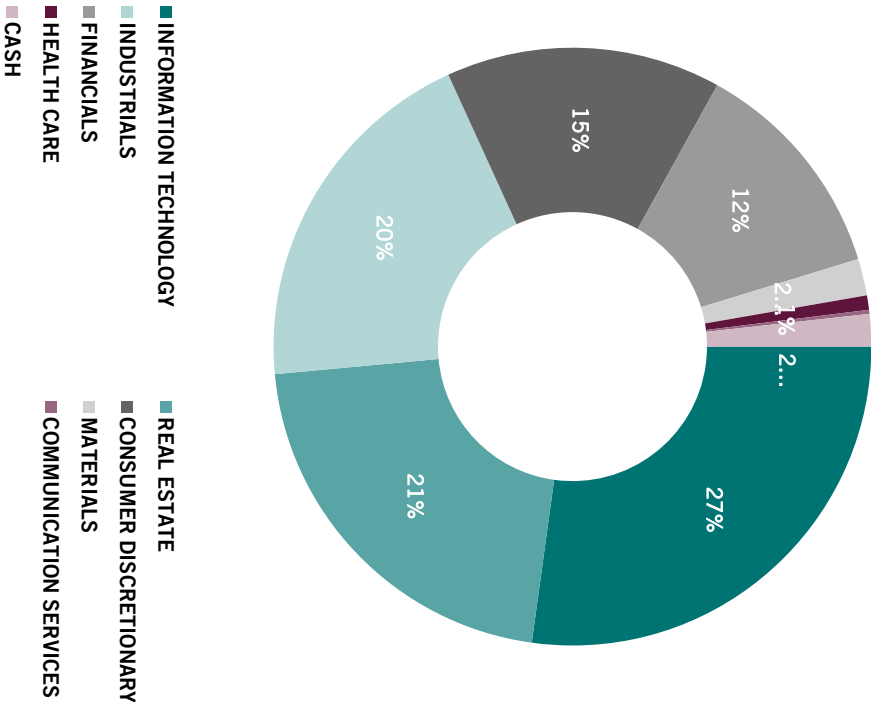
Source: Pictet Asset Management, as of 30.09.2021
Effective allocations are subject to change and may have changed since the date.

GICS Sector breakdown

INFORMATION TECHNOLOGY
INDUSTRIALS
FINANCIALS
HEALTH CARE
CASH

REAL ESTATE
CONSUMER DISCRETIONARY
MATERIALS
COMMUNICATION SERVICES

27%
21%
20%
15%
12%
2...1% 2...

GICS Sector breakdown vs MSCI Indexes

PICTET SMARTCITY   MSCI AC

INFORMATION TECHNOLOGY
REAL ESTATE
INDUSTRIALS
CONSUMER DISCRETIONARY
FINANCIALS
MATERIALS
HEALTH CARE
COMMUNICATION SERVICES
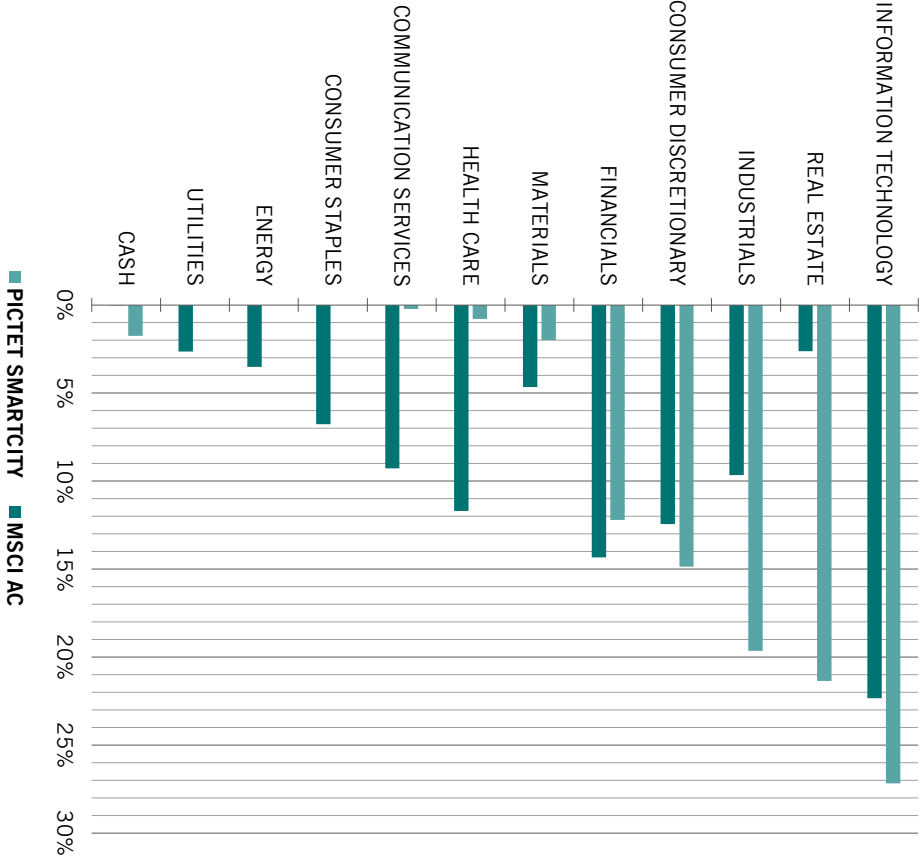CONSUMER STAPLES
ENERGY
UTILITIES
CASH

0% 5% 10% 15% 20% 25% 30%

Source: Pictet Asset Management, as of 30.09.2021
Effective allocations are subject to change and may have changed since the date.
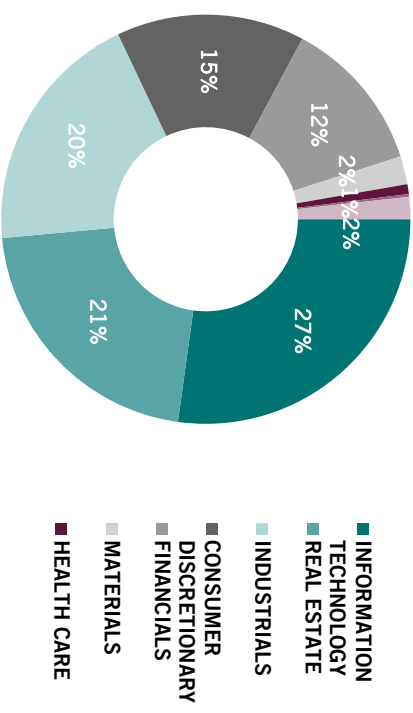
CURRENT PORTFOLIO

Number of positions	62 positions	Active Share	94.16%
Low overlap with MSCI ACWI**	4.9%	Portfolio weighted purity	77

Segment breakdown


- **RUNNING THE CITY**
- **BUILDING THE CITY**
- **LIVING IN THE CITY**

16%
2%
38%
44%

Sub-segment breakdown

15%
12%
2% 1% 2%
20%
27%
21%

- **INFORMATION TECHNOLOGY**
- **REAL ESTATE**
- **INDUSTRIALS**
- **CONSUMER DISCRETIONARY**
- **FINANCIALS**
- **MATERIALS**
- **HEALTH CARE**
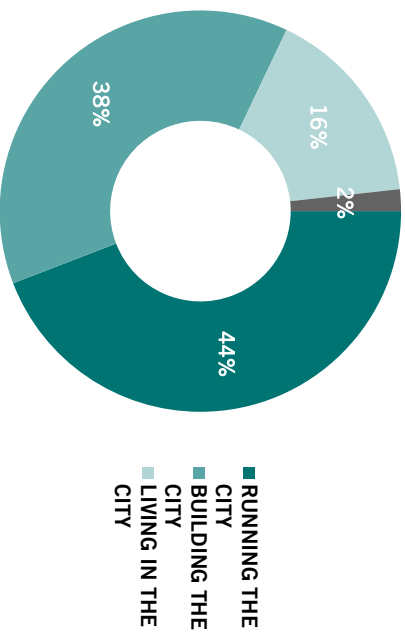
Geographic Sales breakdown *

24%
1% 3% 2% 2%
68%

- **NORTH AMERICA**
- **EUROPE**
- **JAPAN**
- **PACIFIC**
- **EMERGING MARKETS**

Market cap breakdown

19%
9% 2%
32%
38%

- **ABOVE USD 70BN**
- **30 - 70BN USD**
- **10 - 30BN USD**
- **BELOW USD 10BN**

Effective allocations are subject to change and may have changed since the date.
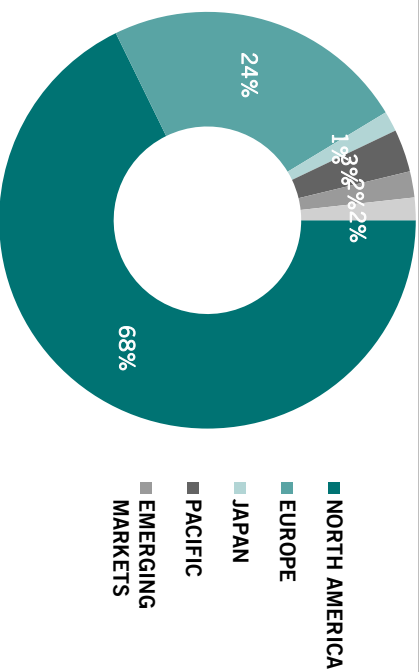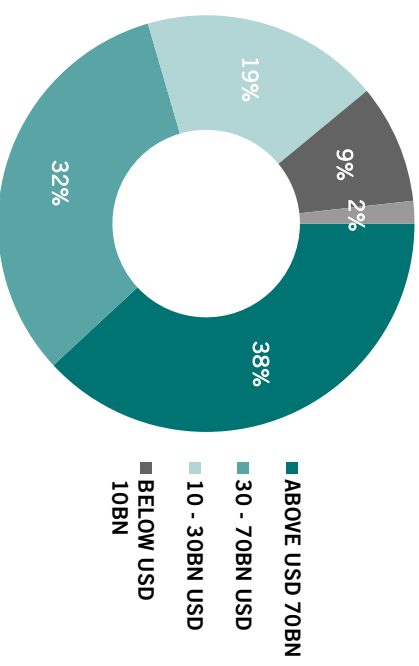
Source: Pictet Asset Management, as of 30.09.2021
* Source : Bloomberg, as of 31 December, 2020
** Overlap = sum of all overlapping portfolios holdings with index, adding up the min of the two weights
The strategy is not constrained by MSCI ACWI which is shown for comparison purposes only. The index does not influence portfolio construction and the strategy's investment universe extends beyond the components of the index. Alternative global equity indexes are equally appropriate.

Sustainable Development Goals are 17 goals set by the United Nations in 2015.

Our SDG assessment is based on the products & services provided by the companies in our strategy.

We apply a two-fold methodology:

1. Quantitative approach to identify a companies' key operations, products and/or services. We map each company's exposure to SDGs through big data analysis and natural language processing

2. Fundamental analysis of 169 SDG targets and how the companies in our thematic universes help to reach the Sustainable Development Goals.
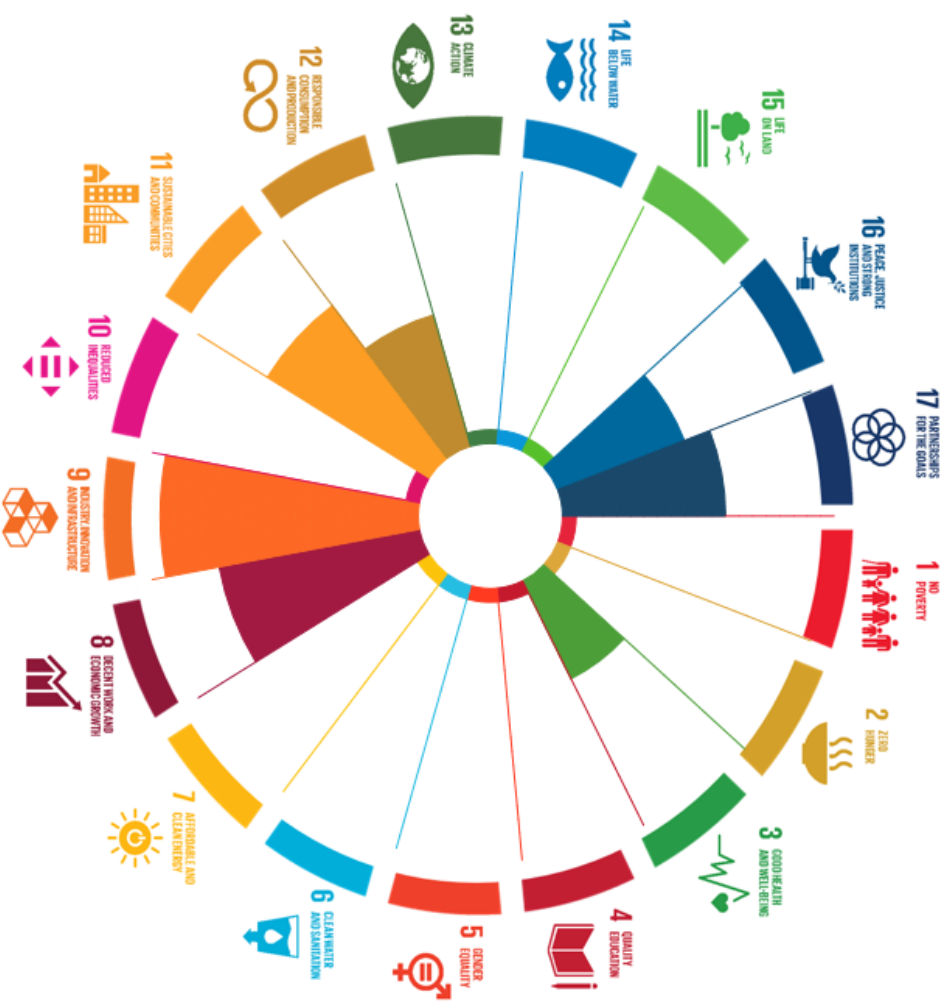
Source: Pictet Asset Management, as of September 2021
The chart demonstrates the relative importance of the SDGs for the strategy as of Sept 2021 based on our own SDG methodology. We assess the exposure of the companies' products and services to help achieving the SDGs.
The chart has been scaled to the highest SDG exposure of this strategy.
SDG exposure data below 14.7% (MSCI ACWI average) are not shown.
Highest SDG exposure of the SmartCity strategy is:

TOP 10 HOLDINGS

Company	GICS Sector	Segment (Sub-Segment)	Portfolio Weight	Market cap ($ bn)	Country of Domicile
Visa	Information Technology	Running the City (Digital Infrastructure)	3.96%	506.7	USA
Segro Plc	Real Estate	Running the City (Traditional Infrastructure)	3.79%	21.00	UK
Schneider Electric Se	Industrials	Building the City (Intelligent Buildings)	3.61%	94.09	Fr
Vonovia	Real Estate	Living in the City (Housing Solutions)	3.47%	35.97	DE
Paypal	Information Technology	Running the City (Digital Infrastructure)	3.45%	317.6	USA
Prologis Inc	Real Estate	Running the City (Traditional Infrastructure)	3.31%	103.4	USA
Home Depot Inc	Consumer Discretionary	Building the City (Intelligent Buildings)	3.31%	374.7	USA
Autodesk	Information Technology	Building the City (Urban Development)	3.29%	64.34	USA
Lowe's Cos Inc	Consumer Discretionary	Building the City (Intelligent Buildings)	3.26%	153.5	USA
Cisco	Technology Hardware & Equipment	Running the City (Digital Infrastructure)	3.01%	232.8	USA
Total			34.47%		

PERFORMANCE OF PICTET-SMARTCITY FUND

From 31/08/2018 to 30/09/2021

Legend: PICTET SMARTCITY I EUR — MSCI AC WORLD EURO
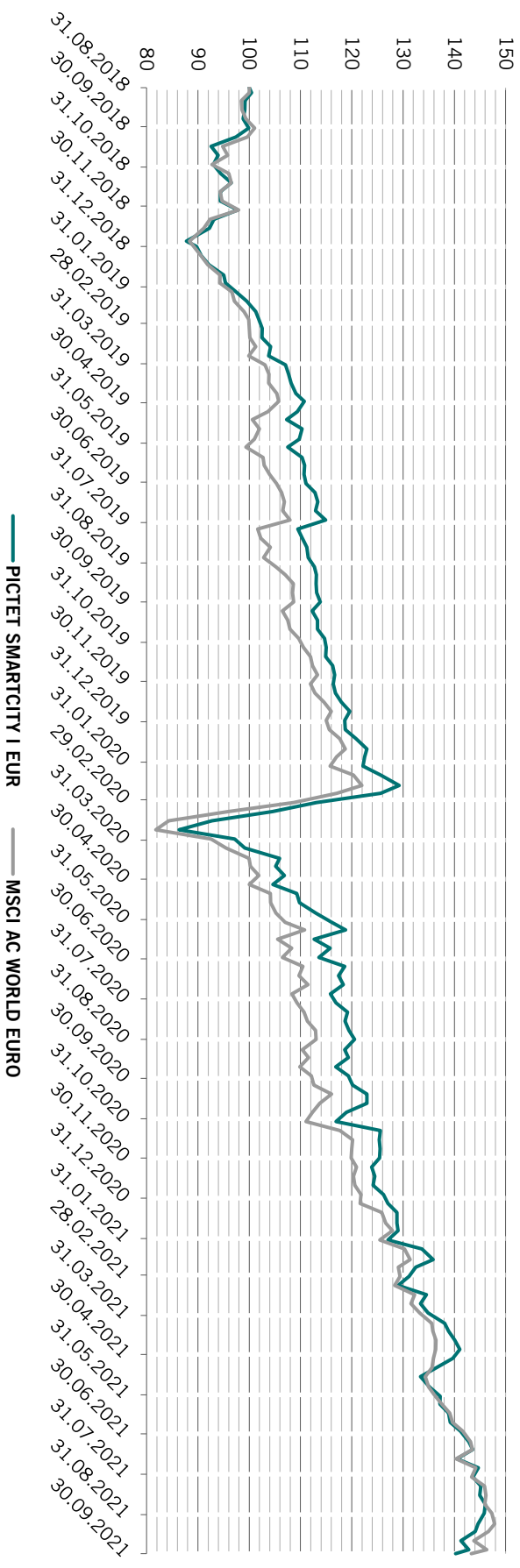
	YTD	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS CUM.PERF	SINCE INCEPTION CUM. PERF
Pictet-SmartCity-I EUR	11.15%	-2.83%	-0.55%	3.38%	17.91%	40.86%	40.77%
MSCI AC World Index EUR	17.31%	-2.35%	1.25%	7.76%	28.94%	43.00%	43.87%

Source: Pictet Asset Management, as of 30.09.2021, net of fees.
The strategy is not constrained by MSCI ACWI which is shown for comparison purposes only. The index does not influence portfolio construction and the strategy's investment universe extends beyond the components of the index. Alternative global equity indexes are equally appropriate. Past performance is not a guarantee or a reliable indicator of future performance

Construction value chain

> Cyclical recovery with some pent-up spending demand

> Residential upgrade cycle to continue with elements of WFH here to stay

> Fiscal stimulus and green infrastructure spending (EU, US)

Digital acceleration

> EU digital strategy and US infrastructure bill to support digital transformation

> Momentum in covid-related boost to digital applications

Rate sensitivity

> Growth characteristics of SmartCity Real Estate dampen sensitivity

> Financials as a rate sensitivity hedge

Emerging theme at an **early stage** of its life-cycle

Focus on both the **E**nvironmental and **S**ocial aspects of urbanization

Strong **complementarity** with other thematic equities as well as traditional global equities

Pictet-Smartcity
Pictet Asset Management
For professional investors only

Technicals

Management company: Pictet Asset Management (Europe) S.A., part of the Pictet group

Name: Pictet- SmartCity

Domicile/ Legal status: Compartment of a Luxembourg SICAV – UCITS compliant

Custodian: Pictet & Cie (Europe) S.A.

Consolidation currency: EUR

Calculation: Daily; settlement NAV + 2

Inception date*: 12 May 2010

Fund size: EUR 1'815 bn as September 2021

Reference Index:** MSCI ACWI

Subscription Fee: Maximum 5%

Redemption Fee: Maximum 3%

Switch Fee: Maximum 2%

Investment horizon: The fund may not be appropriate for investors who plan to withdraw their money within 5 years

Source: Pictet Asset Management as of 30.09.2021
*The Pictet-Smart City fund was initiated in May 2010 however was renamed and repositioned in August 2018. Previously known as Pictet-High Dividend Selection, the fund offered dividend payments on a monthly basis.

The strategy is not constrained by MSCI ACWI which is shown for comparison purposes only. The index does not influence portfolio construction and the strategy's investment universe extends beyond the components of the index. Alternative global equity indexes are equally appropriate.

Share classes:

Class	ISIN	Div distribution	MF(%)	TER(%)	ONGOING CHARGES*
I EUR[1]	LU0503633769		0.80	1.07	1.10
I dy EUR[1]	LU0503634064	x	0.80	1.06	1.10
P EUR	LU0503634221		1.60	1.95	1.99
P dy EUR	LU0503634577	x	1.60	1.94	1.98
R EUR	LU0503634734		2.30	2.65	2.69
R dy EUR	LU0503635038	x	2.30	2.65	2.69
I USD[1]	LU0503635111		0.80	1.07	1.10
I dy USD[1]	LU0953042222	x	0.80	1.07	1.10
P USD	LU0503635202		1.60	1.94	1.98
P dy USD	LU0503635467	x	1.60	1.94	1.98
R USD	LU0503635541		2.30	2.65	2.69
R dy USD	LU0503635624	x	2.30	2.65	2.69
HP USD	LU1116037588		1.60	1.99	2.03
HP dy USD	LU1116037661	x	1.60	2.01	2.03
HR USD	LU1112798613		2.30	2.70	2.73
HR dy USD	LU1112798969	x	2.30	2.70	2.73
I dy GBP[1]	LU0503635897	x	0.60	0.86	0.90
P dy GBP	LU0503635970	x	1.20	1.55	1.58
HP dy GBP	LU1202663818	x	1.60	1.99	2.03
P dy SGD	LU0592898968	x	1.60	1.95	1.99
I CHF[1]	LU0953041414		0.80	1.07	1.10
I dy CHF[1]	LU0503636192	x	0.80	1.07	1.10
P CHF	LU0503636358		1.60	1.95	1.98
P dy CHF	LU0503636275		1.60	1.95	1.98
P dm EUR	LU0503966351	x	1.60	1.95	1.98
HP dy HKD	LU0946727160	x	1.60	2.00	2.03
HP dy AUD	LU0946722799	x	1.60	2.00	2.03
HR dy AUD	LU0990119041	x	2.30	2.71	2.73
HR dy ZAR	LU0998210602	x	2.30	2.70	2.73
Z EUR	LU0650147423		0.00	0.08	0.10

*1-Share: min investment EUR 1'000'000, or equivalent for USD, GBP and CHF share classes.
**Ongoing charges as of 31.12.2020 (yearly update)
Source: Pictet Asset Management as of 31.08.2021

Risk indicator for the I-EUR share class

Lower risk   Higher risk

Typically lower rewards   Typically higher rewards

1	2	3	4	5	6	7
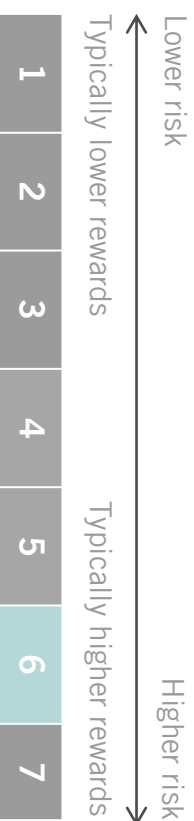
> The Share Class is assigned to this risk category because of the price variations resulting from its currency and the nature of the Compartment's investments and strategy.

> 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.

- 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.

Source: Pictet Asset Management, 2021

GIPS Standards

COMPOSITE SUMMARY

Thematic Equities 'SmartCity' Consolidated

For the purpose of complying with GIPS, the Firm is defined as Pictet Asset Management (Pictet AM) and comprises all assets managed in Switzerland by Pictet Asset Management S.A. (including its branches), in the United Kingdom by Pictet Asset Management Limited (including its branches), in Italy by Pictet Asset Management Ltd Succursale Italiana, in Hong Kong by Pictet Asset Management (Hong Kong) Limited, in Japan by Pictet Asset Management (Japan) Ltd and in Singapore by Pictet Asset Management (Singapore) Pte Ltd.

This composite encompasses actively managed portfolios that invest principally in companies which focus on mobility and transportation, infrastructure, real estate, efficiency or waste management (such as energy efficiency or waste management) as well as enabling technologies and services supporting the development of smart and sustainable cities. Based on a bottom up approach, the investment team aims to select stocks with a focus on capital appreciation.

For Thematic equity composites, "Benchmark' should be understood as being a 'Reference Index'. No benchmark is defined because the investment strategy does not adopt any benchmark. The presented returns of the MSCI AC World ($) NRI index are provided solely for reference and comparison purposes as supplemental information.

ANNUAL PERFORMANCE / CUMULATIVE PERFORMANCE

Annual performance axis: 35%, 30%, 25%, 20%, 15%, 10%, 5%, 0%, -5%, -10%, -15%

Cumulative performance axis: 70%, 60%, 50%, 40%, 30%, 20%, 10%, 0%, -10%, -20%, -30%

Years: 2018 (Sep-Dec)*, 2019, 2020, 2021 (Jan-Sep)*

Legend:
- ▮ COMPOSITE (ANNUAL)
- ▮ BENCHMARK (ANNUAL)
- — COMPOSITE (CUMULATIVE)
- — BENCHMARK (CUMULATIVE)

* Partial Period / Break

Performance (annualised beyond 1 year)

PERIOD	COMPOSITE	BENCHMARK	RELATIVE
3 Months	-1.10%	1.25%	-2.32%
Year to Date	9.97%	17.31%	-6.26%
1 Year	18.28%	28.94%	-8.27%
2 Years	11.71%	15.06%	-2.91%
3 Years	13.02%	12.66%	0.32%
Since Inception (31.08.2018)	12.64%	12.52%	0.11%

Risk measures (annualised)

INDICATOR	1 YEAR	3 YEARS	SINCE INCEPTION
Composite volatility	13.22%	16.16%	15.95%
Benchmark volatility	11.42%	16.40%	16.17%
Sharpe ratio	1.44	0.85	0.84
Tracking error	3.55%	4.78%	4.73%
Information ratio	-2.33	0.07	0.02

Performance Gross of fees in EUR as of 30.09.2021

Smartcity Investment Team

Ivo Weinöhrl, CFA
Senior Investment
Manager

Andreas Kringlen, CFA
Investment
Manager

Benjamin Lerner
Investment
Manager

**Steve Freedman,
PhD, CFA, FRM**
Senior Client
Portfolio Manager

Smartcity Advisory Board

Stefan Metzger – Chief Digital Officer, City of Lucerne

Areas of expertise: Digital Transformation

Prof. Teng Chye Khoo – Practice Professor, National University of Singapore; Fellow, Centre for Liveable Cities, Ministry of National Development, Singapore

Areas of expertise: City Planning, Emerging Cities

Prof. Carlo Ratti – Professor for Urban Studies & Planning at Massachusetts Institute of Technology

Areas of expertise: Architecture, Design and Innovation, Digital Technology

Thematic Impact & Sustainability, ESG Operations, Risk

Thematic Impact & Sustainability

Sandy Wolf – Thematic Exclusions, ESG, Engagement, Impact
Senior Product Officer

Steve Freedman, PhD – Thematic & Sustainability Research
Sustainability & long-term Thematic Research – ESG Lecturer NYU

Pictet AM ESG Operations

Eric Borremans – IIGCC member
Head of ESG at Pictet AM

Alexandra Mahler – ESG Policies
ESG Specialist

Philippe Le Gall – Engagement
Senior Engagement Specialist

Arabella Turner – Engagement
ESG Specialist

James Upton – Governance
Senior Corporate Governance Specialist

Risk Manager Iwona Klimek, Senior Risk Manager

Thematic Equities at Pictet Asset Management

Thematic Equities operate in an open environment where information sharing is encouraged. Names in bold are IMs interacting most with the SmartCity team.

Mayssa Al Midani, CIIA	Gillian Diesen, CAIA	Mikael Jafs	**Christian Roessing, CFA**
Anjali Bastianpillai	Moritz Dullinger, CFA, CAIA	**Yves Kramer**	Sylvie Sejournet, SFAF
Rachele Beata	Yi Du, CFA	Andreas Kringlen, CFA	Tazio Storni, PhD
Laurent Belloni	Stanislas Effront	Marco Minonne	Gertjan van der Geer, CEFA
Grégoire Biollaz, PhD	Aline Liégé	**Alexandre Mouthon, CFA**	Louis Veilleux, CFA
Jennifer Boscardin-Ching	Stephen Freedman, PhD, CFA	Elnaz Niazmand Ozkul	Ivo Weinoehrl, CFA
Marc-Olivier Buffle, PhD	Charles Lepetitpas, CFA	Ola Obanubi, PhD, CFA	**Sandy Wolf, CIIA**
Christoph Butz, CIIA	Benjamin Lerner	Francesco Pighini	
John Gladwyn, CFA	**Manuel Losa**	Hans Peter Portner, CFA	
Xavier Chollet	Peter Lingen	**Marien-Baptiste Pouyat, CFA**	
Alice de Lamaze, CFA	Hayet Hammana	Peter Rawlence, CFA	
Luciano Diana, MBA	Jan Andreas Mager, CFA	Caroline Reyl	
	Lydia Haueter, CFA		
	Alex Howson, CA		
	Karin Marchand-Gollino		

Eugénio Martin-Fougeroux
Gabriel Micheli, CFA

Source: Pictet Asset Management, 2021

INVESTMENT PROCESS OVERVIEW
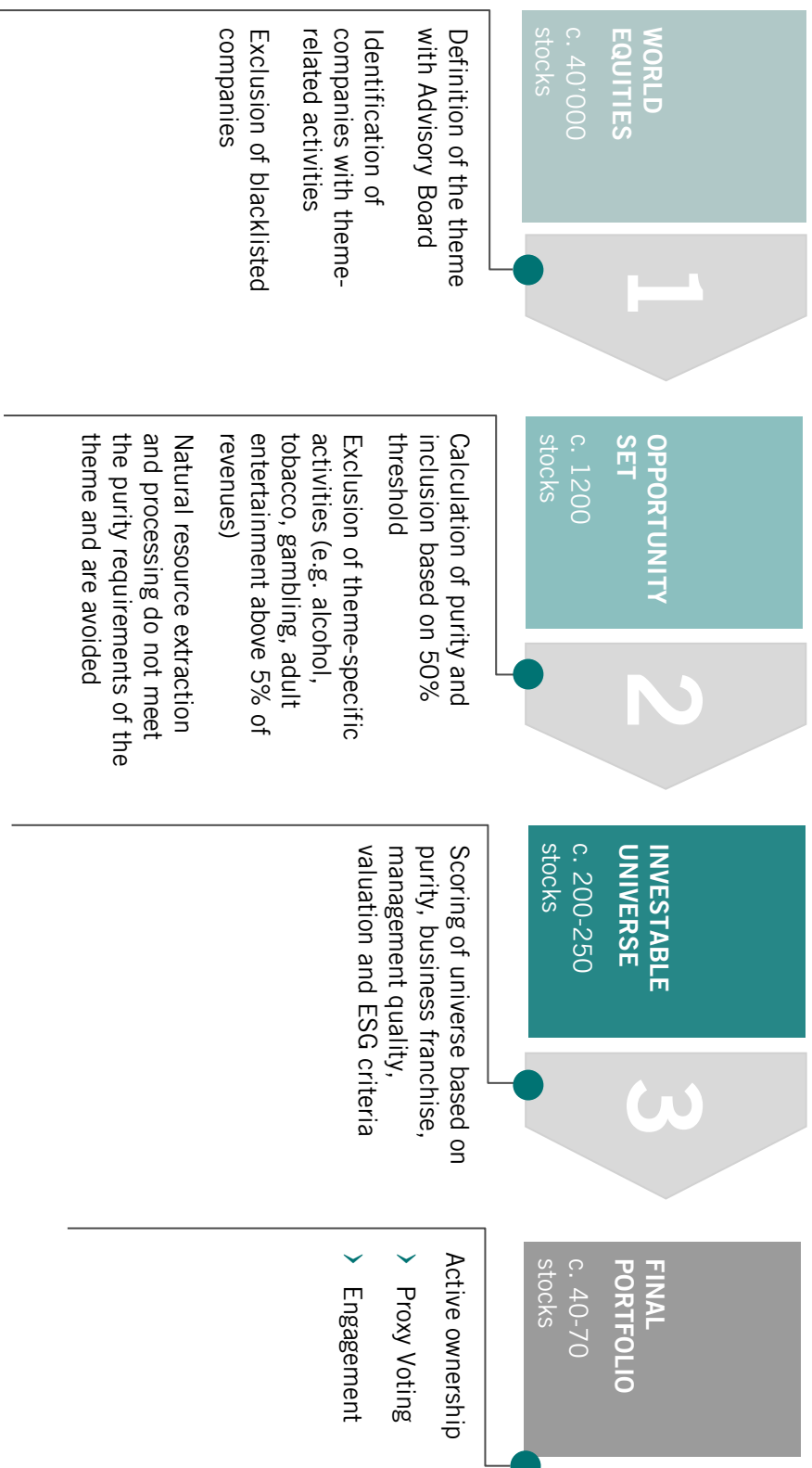
WORLD EQUITIES
c. 40'000 stocks

1

- Definition of the theme with Advisory Board
- Identification of companies with theme-related activities
- Exclusion of blacklisted companies

OPPORTUNITY SET
c. 1200 stocks

2

- Calculation of purity and inclusion based on 50% threshold
- Exclusion of theme-specific activities (e.g. alcohol, tobacco, gambling, adult entertainment above 5% of revenues)
- Natural resource extraction and processing do not meet the purity requirements of the theme and are avoided

INVESTABLE UNIVERSE
c. 200-250 stocks

3

- Scoring of universe based on purity, business franchise, management quality, valuation and ESG criteria

FINAL PORTFOLIO
c. 40-70 stocks

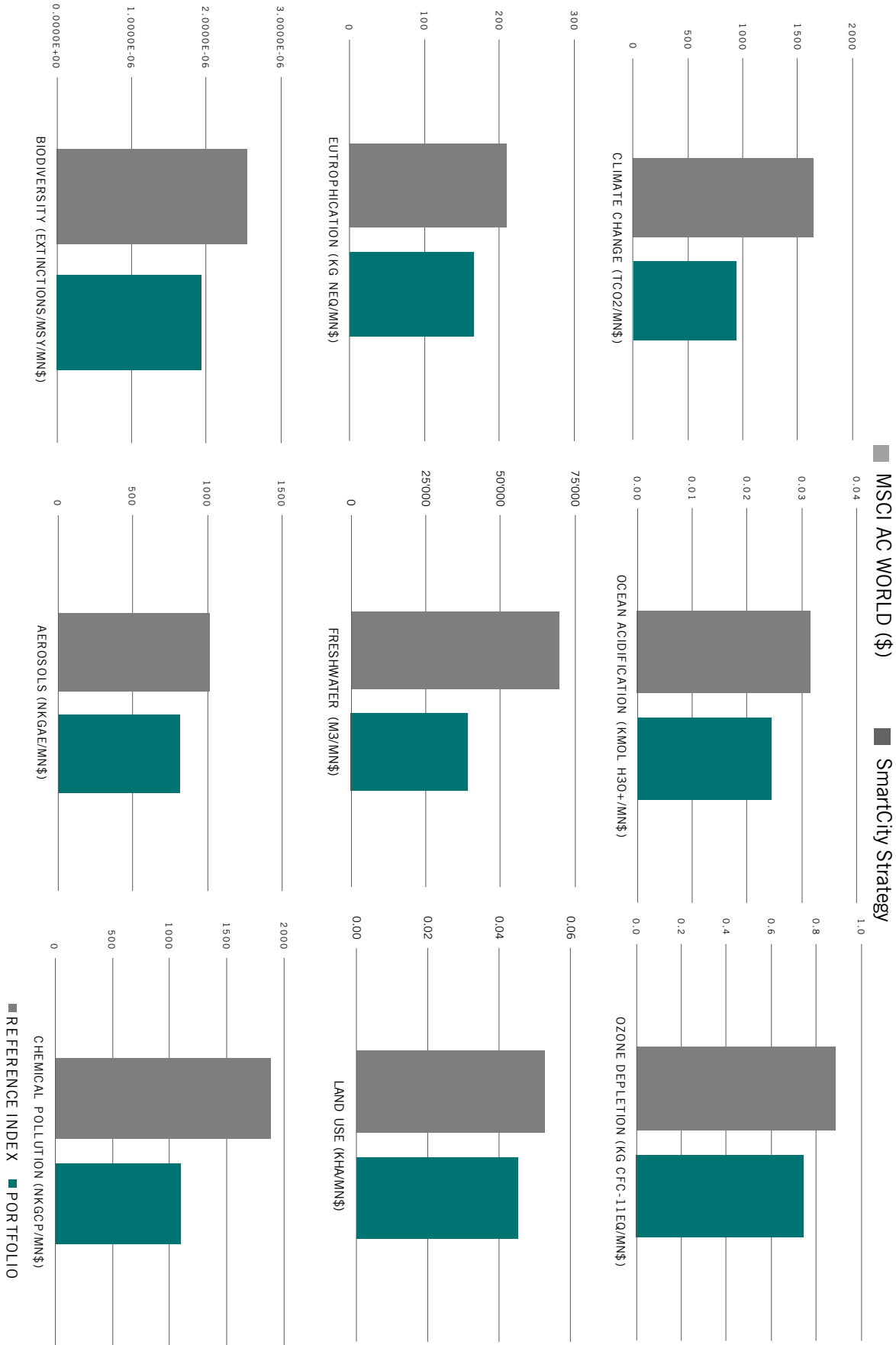- Active ownership
- Proxy Voting
- Engagement

We look for:

> High trading liquidity

> Attractive company fundamentals

> Attractive industry fundamentals

> Strong ESG profile

SmartCity portfolio construction
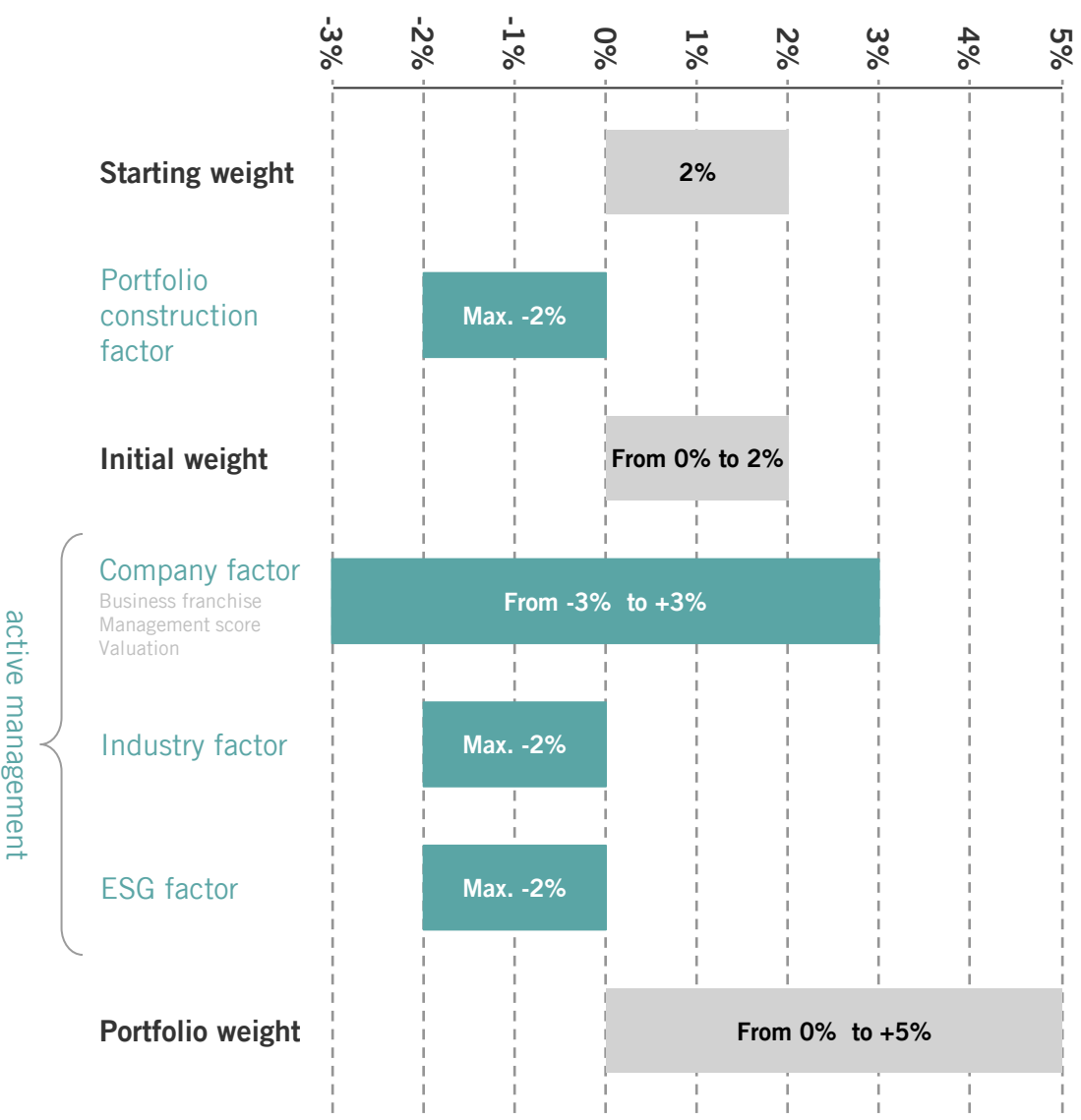
Starting weight	2%
Portfolio construction factor	Max. -2%
Initial weight	From 0% to 2%
Company factor Business franchise Management score Valuation	From -3% to +3%
Industry factor	Max. -2%
ESG factor	Max. -2%
Portfolio weight	From 0% to +5%

active management

Scale: -3% -2% -1% 0% 1% 2% 3% 4% 5%

SMARTCITY - ENVIRONMENTAL IMPACT

■ MSCI AC WORLD ($)   ■ SmartCity Strategy

CLIMATE CHANGE (TCO2/MN$)

OCEAN ACIDIFICATION (KMOL H3O+/MN$)

OZONE DEPLETION (KG CFC-11EQ/MN$)

EUTROPHICATION (KG NEQ/MN$)

FRESHWATER (M3/MN$)

LAND USE (KHA/MN$)

BIODIVERSITY (EXTINCTIONS/MSY/MN$)

AEROSOLS (NKGAE/MN$)

CHEMICAL POLLUTION (NKGCP/MN$)

■ REFERENCE INDEX   ■ PORTFOLIO

Source: Pictet Asset Management, as of 30.09.2021

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> Exposure to controversial industries is very limited based on our investment process

— Exclusion of controversial weapons and activities causing significant environmental or social harm

— Positive selection of companies with at least 50% purity to the theme

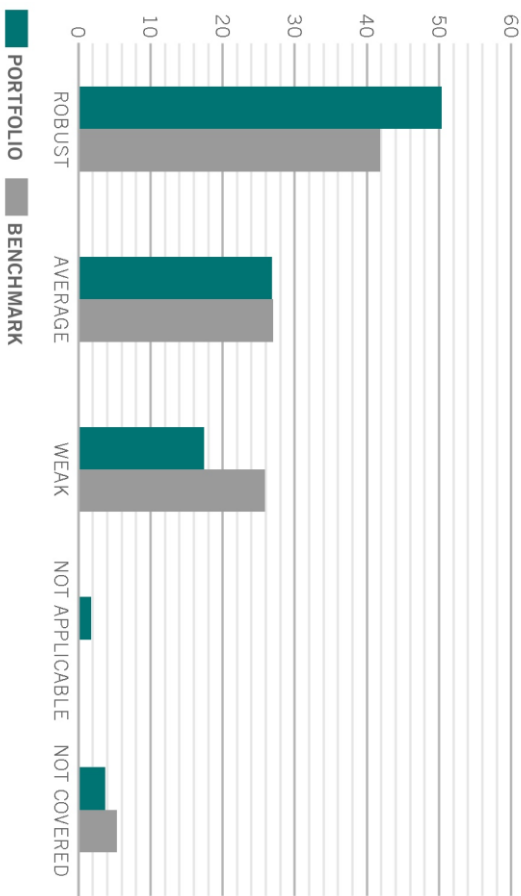— Some additional exclusions may apply for regional ESG labels

Indicator	Exclusion Threshold
Severe breaches of international norms on human rights, labour standards, environmental protection and anti-corruption	Yes
Controversial Weapons in accordance with Pictet Blacklist	0%
Nuclear Power Generation	>10% *
Thermal Coal Extraction	>5%
Thermal Coal Power Generation	>10% *
Oil & Gas Production	>5%
Oil & Gas Power Generation	>10% *
Oil Sands Extraction	>5%
Shale Energy Extraction	>5%
Arctic Oil & Gas Exploration/Extraction	>5%
Tobacco Products Production	>5%
Alcoholic Beverages Production	>5%
Genetically Modified Plants and Seeds Growth	>5%
Genetically Modified Plants and Seeds Development	>5%
Palm Oil Production and distribution	>5%
Pesticides Production	>5%
Military Contracting Weapons	>5%
Small Arms Civilian Customers (Assault Weapons)	>5%
Small Arms Civilian Customers (Non-Assault Weapons)	>5%
Small Arms Military/Law Enforcement Customers	>5%
Small Arms Key Components	>5%
Adult Entertainment Production	>5%
Gambling Operations	>5%
Gambling Specialized Equipements	>5%

* The strategy may invest in energy utilities. To a limited extend these companies may be above the individual revenue thresholds, subject to a clear transitioning plan and an engagement dialogue with Pictet Asset Management. We assess the combined exposure to coal, oil and nuclear energy by calculating the enterprise value (or sales, EBIT or EBITDA) directly derived from those activities. We do generally not invest in companies if more than 20% of the enterprise value or revenues is derived from Oil, Nuclear or Coal Power Generation combined. For companies that have exposure to coal, oil or nuclear energy, we consider future developments. We like to see that investments are directed towards clean energy projects and that investments in other areas are decreasing.

These are internal guidelines and may be subject to changes at any time and without prior notice. Exclusions are based on reliable sources gathered from reputable third-party research providers. Pictet Asset Management retains full discretion over exclusions and always reserves the right to deviate from third party information on a case by case basis.

CONVENTIONAL ESG INDICATORS

Corporate governance (by weight, in %)

■ PORTFOLIO   ■ BENCHMARK
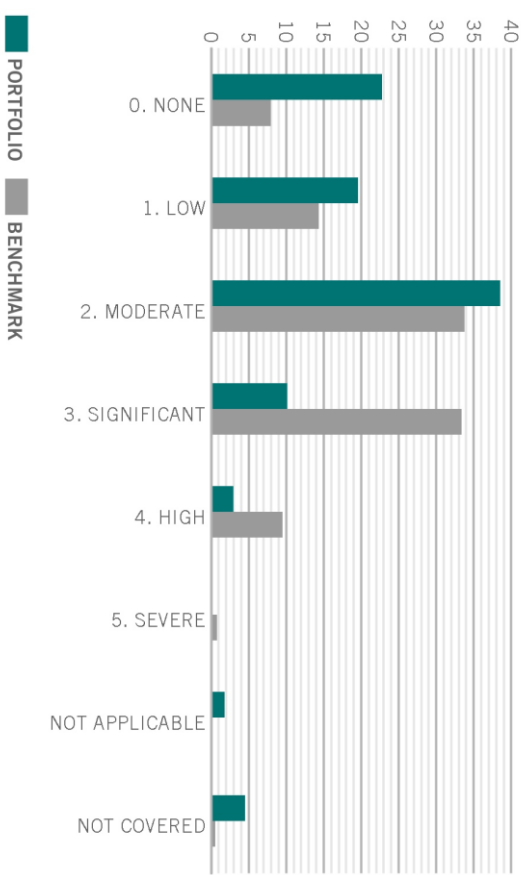

Portfolio: Pictet-SmartCity, Reference index: MSCI ACWI
Data source: ISS as of 30.09.2021 (quarterly update only)

Corporate Governance analysis of underlying companies is based on four pillars: board structure, executive remuneration, shareholder rights, audit practices. Evaluation criteria reflect regional best practices. Decile scores indicate relative rank by country or region and are grouped in three categories: "Robust" (decile scores 1 to 3), Average (decile score 4 to 7) and Weak (decile scores 8 to 10). "Not covered" corresponds to securities or single line derivatives for which no scores are available. "Not applicable" corresponds to index derivatives, cash, sovereign and quasi sovereign bond issuers. The scores and categories are provided by third-party research and may not reflect our internal view.
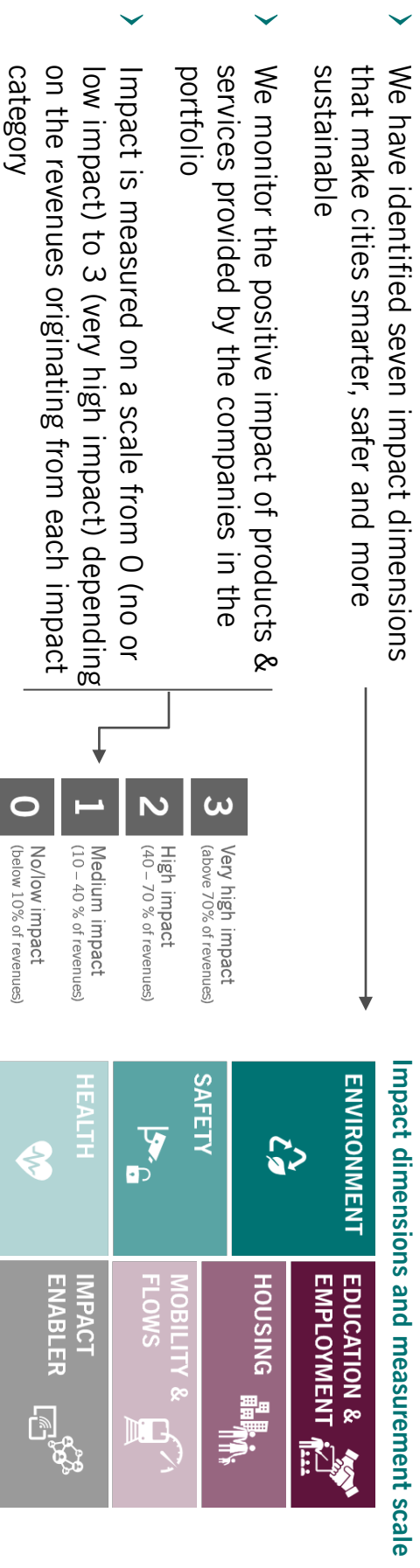
ESG Controversies (by weight, in %)

■ PORTFOLIO   ■ BENCHMARK

Portfolio: Pictet-SmartCity, Reference index: MSCI ACWI
Data source: Sustainalytics as of 30.09.2021 (quarterly update only)

ESG Controversies analysis of underlying companies is based on incidents and events that may pose a business or reputational risk due to the potential impact on stakeholders, the environment, or the company's operations. Event categories include pollution incidents, employees accidents, violations of human rights, product-related issues and breaches of business ethics. Controversies are rated based on their seriousness and recurrence, sector and company response and are rated on a 0 to 5 scale. (0) : No involvement in any relevant controversies; (1) : Controversy has a low impact on the environment and society, posing negligible risks to the company, (2) Controversy has a moderate impact on the environment and society, posing minimal risks to the company, (3) Controversy has a significant impact on the environment and society, posing moderate risks to the company; (4) Controversy has a high impact on the environment and society, posing significant risks to the company. (5) Controversy has a severe impact on the environment and society, posing serious risks to the company." "Not covered" corresponds to securities or single line derivatives for which no scores are available. "Not applicable" corresponds to index derivatives, cash, sovereign and quasi sovereign bond issuers. The scores and categories are provided by third-party research and may not reflect our internal view.

THE SMARTCITY IMPACT FRAMEWORK

- We have identified seven impact dimensions that make cities smarter, safer and more sustainable

- We monitor the positive impact of products & services provided by the companies in the portfolio

- Impact is measured on a scale from 0 (no or low impact) to 3 (very high impact) depending on the revenues originating from each impact category

- As of 30.6.2021, the portfolio shows the following impact characteristics:

3 Very high impact (above 70% of revenues)

2 High impact (40 – 70 % of revenues)

1 Medium impact (10 – 40 % of revenues)

0 No/low impact (below 10% of revenues)

Impact dimensions and measurement scale

ENVIRONMENT	EDUCATION & EMPLOYMENT
SAFETY	HOUSING
HEALTH	MOBILITY & FLOWS
	IMPACT ENABLER

Total portfolio allocation to impactful companies

97.8%

Portfolio impact details

Impact Category	Number of impact companies	Total Portfolio Weight	Average Impact Score
Education & Employment	2	3.8%	3.0
Environment	18	30.6%	2.3
Health	7	7.1%	2.7
Housing	12	22.1%	2.7
Impact Enablers	22	27.0%	2.0
Mobility & Flows	9	14.5%	2.9
Safety	11	19.2%	2.8

IVO WEINÖHRL

Senior Investment Manager
Thematic Equities team

Ivo Weinöhrl joined Pictet Asset Management in 2016 and is a Senior Investment Manager in the Thematic Equities team.

Before joining Pictet Ivo worked at Deutsche Asset Management where he held joint responsibility for the DWS Top Dividende fund. Ivo's investment management career at Deutsche also included being the lead manager for a global value fund and managing US equity funds – including a high dividend strategy.

Ivo holds a Diplom-Kaufmann in Business Administration & Electrical Engineering from the Technical University of Munich and is a CFA charterholder.

ANDREAS KRINGLEN

Investment Manager
Thematic Equities team

Andreas Kringlen joined Pictet Asset Management in 2014 and is an Investment Manager on the Thematic Equities Team.

Andreas started his investment career with the Graduate Programme in Pictet Asset Management, working with Thematic Equities, Developed and Emerging Market Equities Research and Total Return Strategies, both in Geneva and London. At the end of the program, he joined the Global Emerging Market Strategy as an Investment Manager.

Andreas holds a Bachelor in Law and Economics and Master Degree in Banking and Finance from the University of St. Gallen and is a CFA charterholder.

BENJAMIN LERNER

Investment Manager
Thematic Equities team

Benjamin Lerner joined Pictet Asset Management in 2019 and is an Investment Manager on the Thematic Equities Team.

Before joining Pictet Benjamin completed internships in asset management and investment banking. He joined the firm within the Graduate Programme, during which he worked for several Thematic Equities teams, as well as the Total Return Equities – Mandarin team in both Geneva and Zurich.

Benjamin holds a Master of Science in Finance from the London School of Economics and Political Science as well as a Bachelor of Science from Bocconi University in Milan.

STEPHEN FREEDMAN

Senior Client Portfolio Manager
Thematic Equities team

Stephen Freedman joined Pictet Asset Management in 2019 and serves as Senior Client Portfolio Manager for Pictet SmartCity.

He is head of Research and Sustainability for Thematic Equities and also chairs the Thematic Advisory Boards.

Before joining Pictet, Stephen was at UBS Wealth Management, where he most recently served as head of Sustainable Investing Solutions for the Americas, based in New York. Prior to that he served in various Investment Strategy roles, including head of Thematic Investing Strategy and head of Tactical Asset Allocation. He started his career with UBS in Zurich in 1998 as an economist and public policy analyst. Since 2018, he has been teaching environmental finance at New York University.

Stephen holds a Doctorate (PhD) and a Master in economics from the University of St. Gallen. He is a CFA charterholder and earned the FRM designation from the Global Association of Risk Professionals.
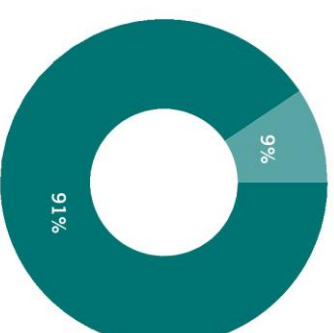
PROXY VOTING ACTIVITY

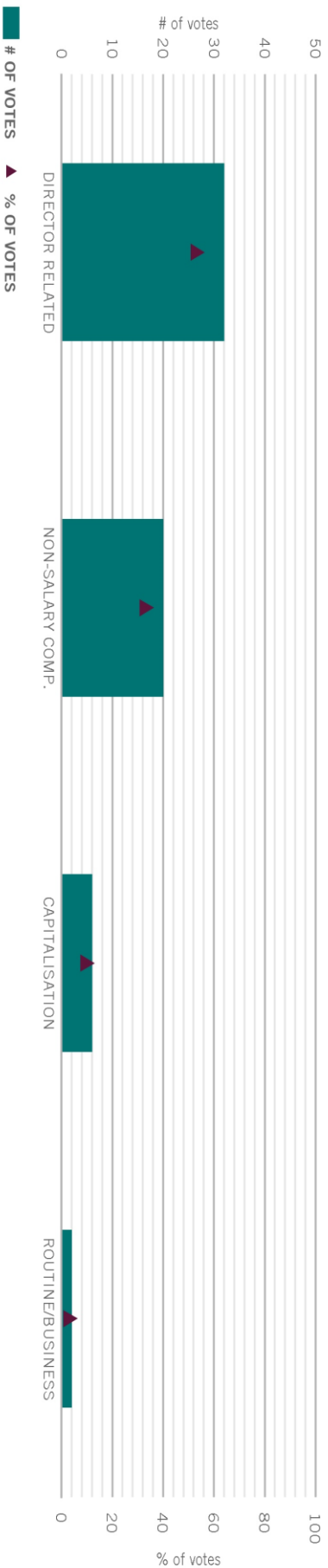## Breakdown of votable meetings

43%

57%

■ ALL VOTES "FOR" (32)   **■ AT LEAST ONE VOTE AGAINST, WITHHOLD OR ABSTAIN (24)**

Number and percentage of General Assembly meetings where votable items were presented to shareholders. Meetings are broken down in three categories : (i) meetings where we supported all items, (ii) meetings where we voted against, withheld, or abstained on at least one item, and (iii) meetings where we could not vote for technical or legal reasons.

Breakdown of votable items

9%

91%

■ VOTES WITH MANAGEMENT (689)   **■ VOTES AGAINST MANAGEMENT (72)**

Number and percentage of votable items presented to shareholders at General Assembly meetings of portfolio companies. Items are broken down in three categories: (i) votes in line with the management (ii) votes against the management (iii) items not voted.

Breakdown of votes against management

# of votes

50

40

30

20

10

0

DIRECTOR RELATED   NON-SALARY COMP.   CAPITALISATION   ROUTINE/BUSINESS

0

20

40

60

80

100

% of votes
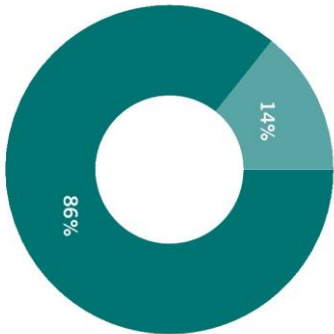
■ # OF VOTES   **▶ % OF VOTES**

Number and percentage of votes against management broken down by category. This includes votable items proposed by management and excludes votable items proposed by shareholders.

Please refer to the glossary for a description of categories.

33   Pictet-Smartcity
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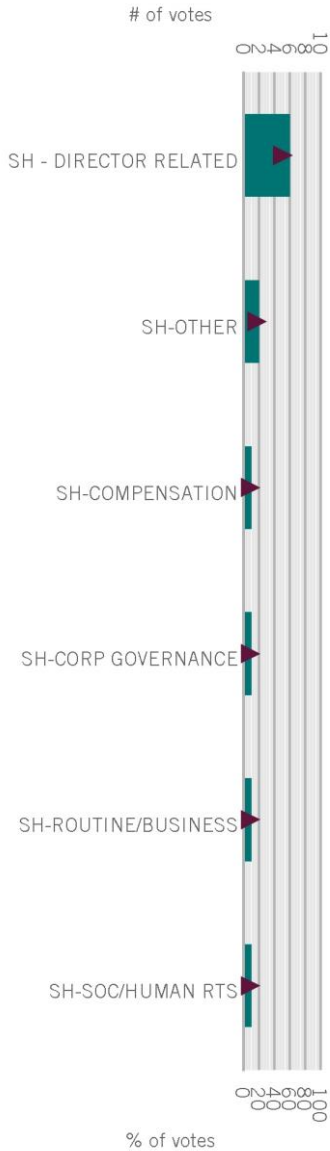
Breakdown of shareholder resolutions

SUPPORTED (12) ■ AGAINST (2)

Number and percentage of votable items proposed by shareholders. Items are broken down in three categories. (i) shareholder resolutions that we supported, (ii) shareholder resolutions that we opposed, (iii) shareholders resolutions for which we abstained.
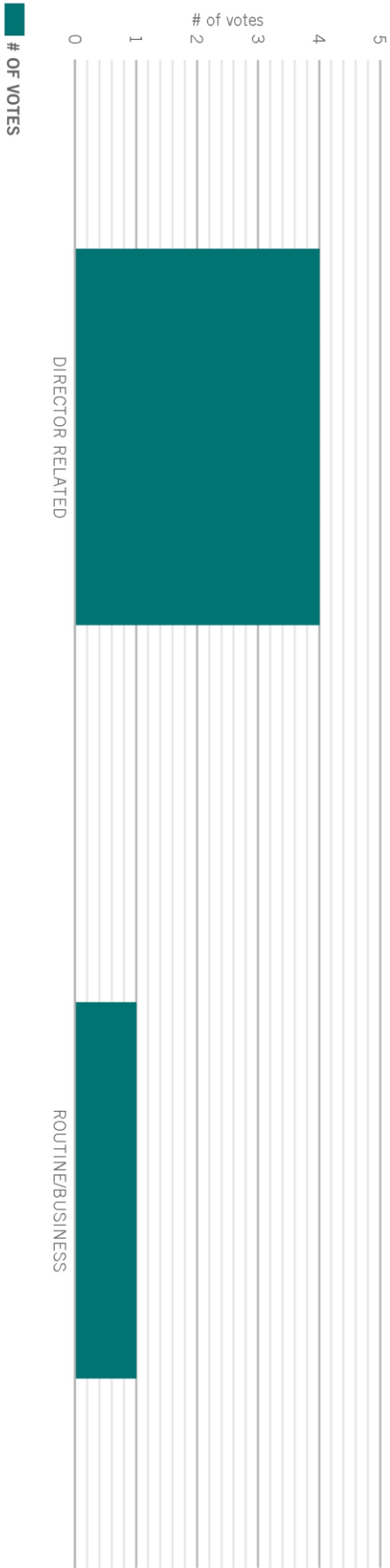
Breakdown of deviations from voting guidelines

■ # OF VOTES

Number of votable items where we deviated from our voting guidelines due to company-specific circumstances. Please refer to the glossary for a description of categories.

Categories of shareholder resolutions that we supported

■ # OF VOTES ▶ % OF VOTES

Number and percentage of shareholder resolutions that we supported broken down by category. Please refer to the glossary for a description of categories.

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