



PICTET ASSET MANAGEMENT

# Transformation of Emerging Economies under the Influence of the SDGs

18 APRIL 2023, INSTITUTIONAL MONEY CONGRESS, FRANKFURT AM MAIN

MARKETING COMMUNICATION

## For more information, please visit our websites

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## Core principles for sustainable EM investing

### Key principles that govern our approach to sustainable investing:

- ESG integration remains base line for strong risk/return optimisation within EM bond portfolio construction
- Exclusion as a last resort – for both sovereigns and corporates – focus on dialogue and engagement
- We aim **not to deny development capital** to low income countries – this is not responsible investment
- Sustainable financing must have a **forward-looking element**, aligned with **sustainable economic development goals**
- Financing to **fill development gaps** while optimising risk/reward must be the aim of sustainable EM investing
- Commitment to focus on measurable outcomes

## ESG integration: base-line approach

### CATEGORY INDICATORS

#### Environmental

Air quality  
Transition to Low Carbon Economy  
Climate change exposure  
Management of natural resources  
Water quality and stress

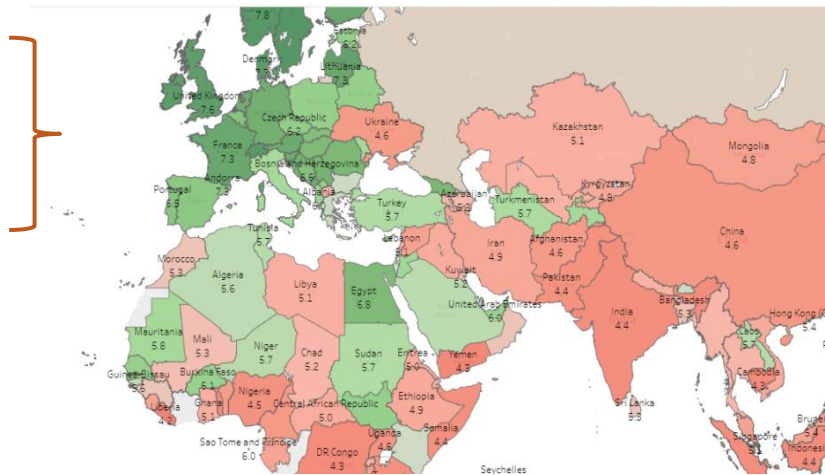
#### Social

Education  
Healthcare capacity & Life expectancy  
Capacity to innovate & Quality of scientific research institutions  
Working-age population trends

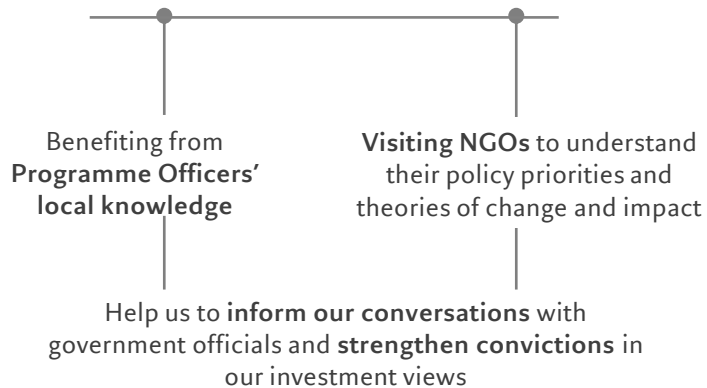
#### Governance

Government stability  
Efficacy of the regulatory system  
Judicial effectiveness and independence  
Electoral process  
Civil unrest  
Corruption  
Right to privacy

### Mapping Tools

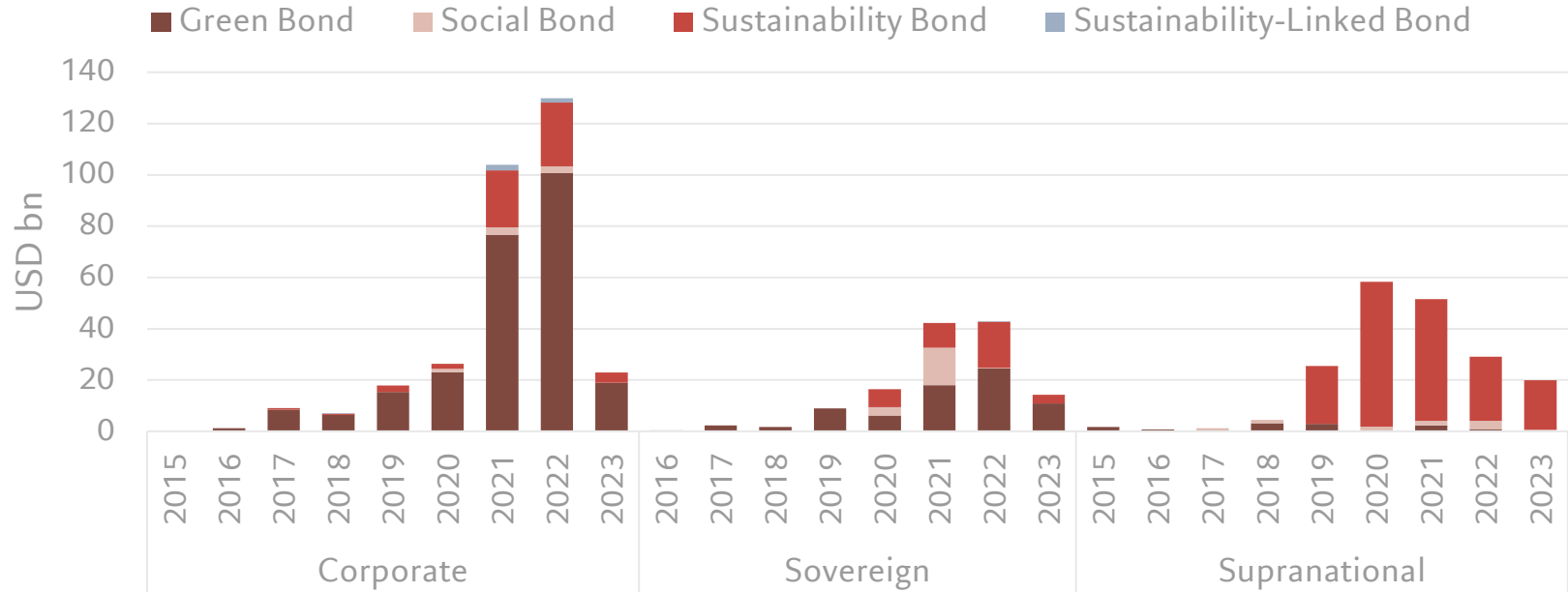


## Partnership, dialogue and engagement



## Changing landscape in EM financing

### EM labelled Issuance by type



Source: Pictet Asset Management, Bloomberg

## Recognition of the importance of sustainable economic development

### Planetary Boundaries

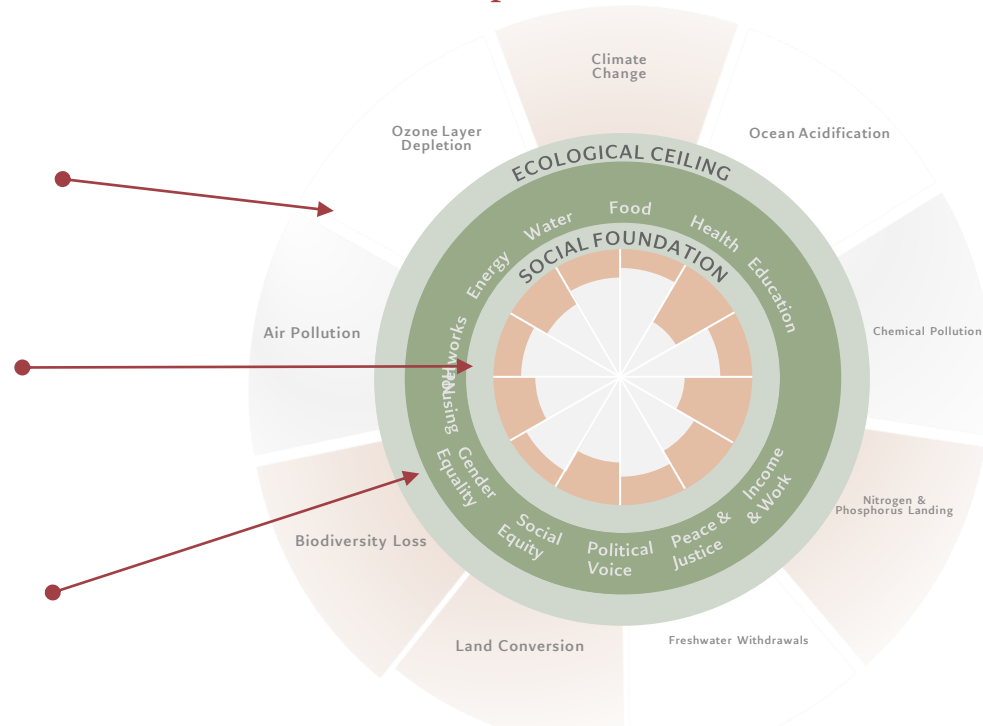
Environmental model describing the 9 most critical dimensions and their limits

### Social Foundations

12 critical dimensions for human development and their minimum attainment levels

### Safe and Just Space for Humanity

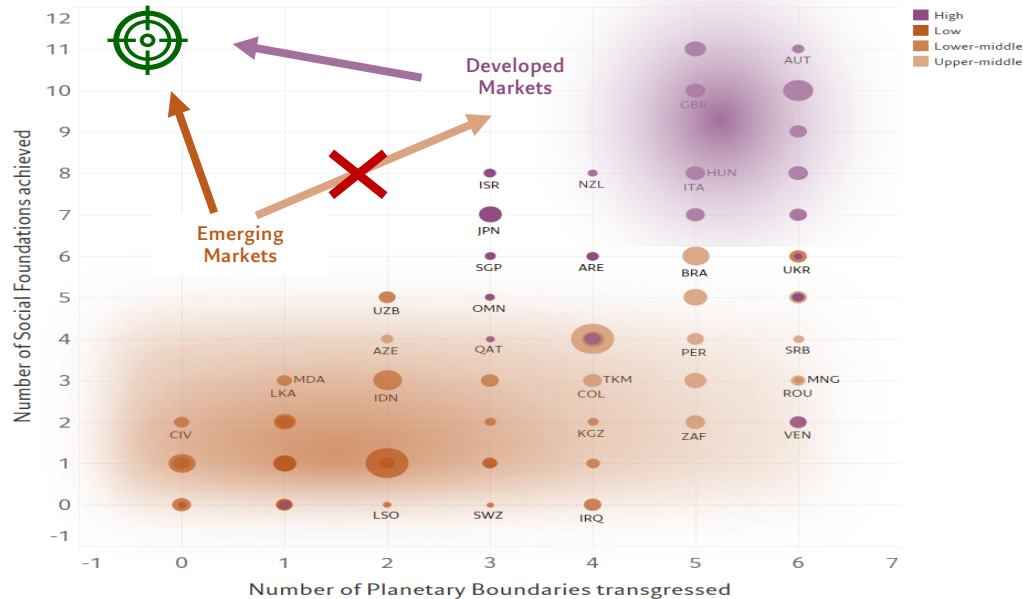
where we can “meet the needs of all within the means of the planet”.



Source: K. Raworth (2017). Doughnut Economics: Seven Ways to Think like a 21st-Century Economist

## Emerging markets and the importance of the social dimension

### Social Foundations achieved vs Planetary Boundaries transgressed by country



Bubbles are sized according to population. *Safe and Just Space* is at the top left.  
Source: D. W. O'Neill et al. (2018) A good life for all within planetary boundaries

While **Developed Market economies** imperatively need to return within the Planetary Boundaries (towards the left), for the lower-income **Emerging Market economies**, achieving Social Foundations (going upwards) is more important.

When focusing on social dimensions, we must however be mindful to **minimise harmful impact** on the environmental dimension as well.



## Looking to the future - unlocking human capital

**Human Capital** The health, knowledge, skills, and motivation that people accumulate over their lives.

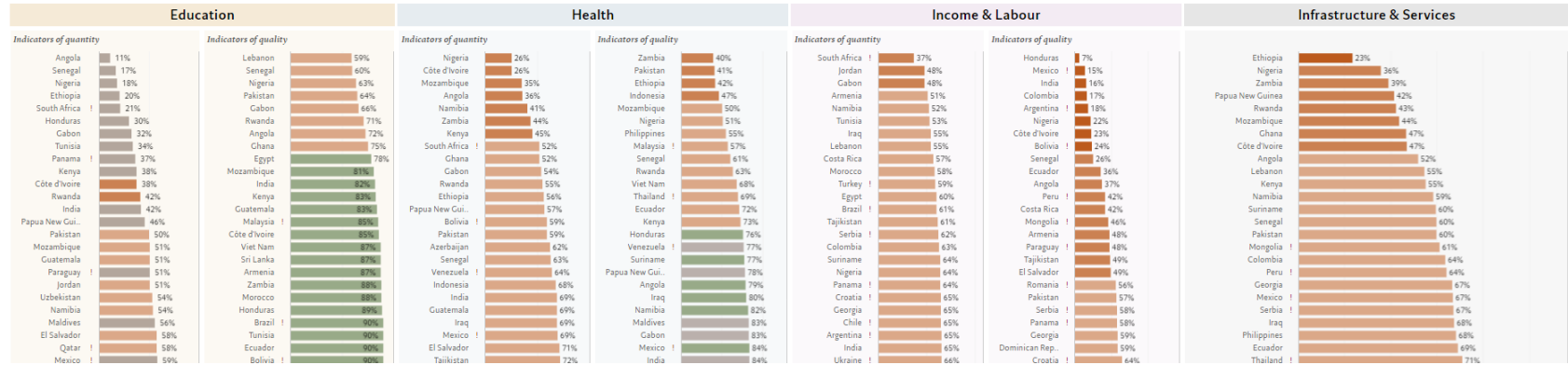
- **Our biggest asset** in a world where we want to decouple economic growth from material use in order to have a chance of staying within the Planetary Boundaries.
- Potential in emerging markets is huge but remains underutilised (see right).

### % of total wealth Human Capital represents

*Total wealth here includes human capital, natural capital, produced capital and net foreign assets.*



## A focus on measurable outcomes

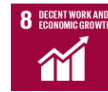


**Health:** a critical foundation for any other form of human capital to accumulate

**Knowledge:** accumulated via quality education from a young age

**Skills:** refined using acquired knowledge and put into practice in industry

**Incentives:** put accumulated Human Capital to use and avoid flight



Source are computed as weighted averages of the indicators below (weights specified upon hover).  
The score bar is grey when too many indicators per pillar are missing

## Approach in practise – SFDR Article 8

“Products that promote Environmental or **Social** characteristics or a combination,  
and must have **good governance** practices ”

**1998 -- Pictet Global Emerging Debt**

**2006 -- Pictet Emerging Local Currency Debt**

**2019 -- Pictet Sustainable Emerging Debt Blend**

## Emerging Market Debt three-pillar approach to sustainability

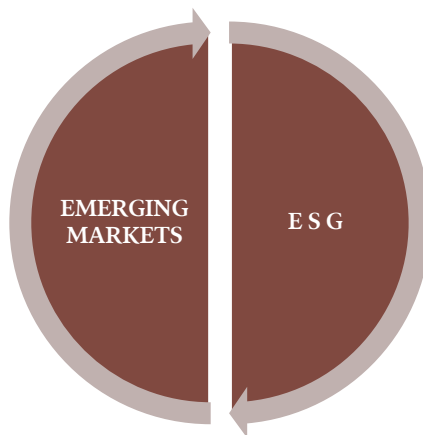


## Sustainable Emerging Debt Blend

The investment objective is to deliver excess returns in excess of 200bps p.a. relative to the benchmark in **all market conditions**, managing volatility through the construction of a well-diversified, ESG-focused portfolio.

Access to **full spectrum of EM sovereign** asset class whilst benefiting from team expertise to achieve effective asset allocation

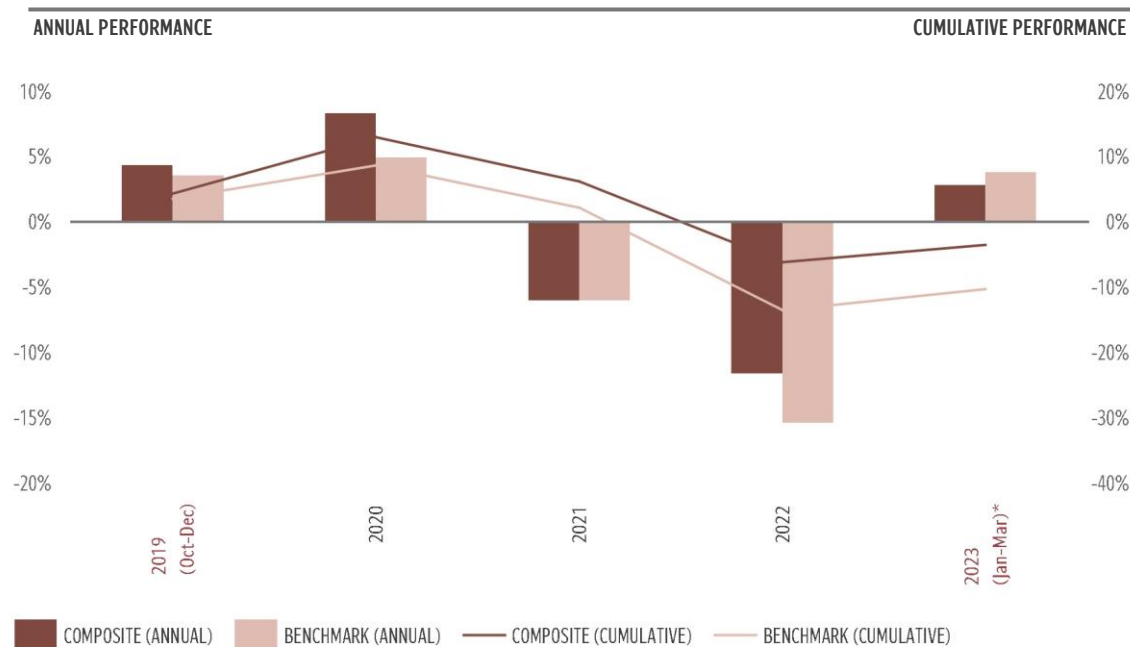
Benefits from our **partnerships with global organisations** to obtain valuable access and insights



**Article 8 best-in-class strategy:** ESG considerations throughout the investment process seeks to identify the ESG outperformers in the EM sovereign space

Supported by a **proprietary ESG scoring framework** which provides added transparency and consistency in measuring ESG factors

## Sustainable Emerging Debt Blend composite



The fund return is calculated adopting the Unofficial GAV. The Unofficial GAV is adjusted for timing differences across global markets and excludes the impact of swings and semi-swings. The Unofficial GAV is used for performance measurement purposes only. The client's returns will be reduced by the management fees and other expenses. Past performance is not a guarantee or indicative of future investment results.

### Performance (annualised beyond 1 year)

PERIOD	PORTFOLIO	BENCHMARK	RELATIVE
Year to Date	2.84%	3.79%	-0.95%
3 Months	2.84%	3.79%	-0.95%
1 Year	-3.30%	-3.70%	0.40%
2 Years	-4.73%	-6.34%	1.61%
3 Years	1.95%	-0.12%	2.06%
Since Inception (30.09.2019)	-1.00%	-3.04%	2.04%

### Risk measures (annualised)

INDICATOR	1 YEAR	3 YEARS	SINCE INCEPTION
Portfolio Volatility	14.46%	11.34%	12.39%
Benchmark volatility	14.56%	11.12%	12.22%
Sharpe ratio	-0.41	0.08	-0.17
Tracking error	2.04%	2.14%	2.07%
Information ratio	0.20	0.96	1.02

Performance Gross of fees in USD as of 31.03.2023

Portfolio Name : PICTET - SUSTAINABLE EMERGING DEBT BLEND

Benchmark Name : 100% JP MORGAN ESG EMD SOVEREIGN HC/LC BLENDED USD (RID)

## Speaker biography



Mary-Therese Barton joined Pictet Asset Management in 2004 and is Head of Emerging Market Fixed Income, overseeing the Emerging Market Sovereign, Corporate and Greater China debt strategies.

Prior to joining Pictet she worked at Dun & Bradstreet, where she was an economist responsible for analysing European countries.

Mary-Therese graduated with a BA (Hons) in Philosophy, Politics and Economics from Balliol College, Oxford. She also holds an MSc with distinction in Development Finance from the Centre for Financial Management Studies, SOAS (School of Oriental and African Studies), part of the University of London. Mary-Therese is also a Chartered Financial Analyst (CFA) charterholder.

Mary-Therese Barton

*Head of Emerging Market Fixed Income*  
*Emerging Market Fixed Income*



## Frank Böhmer

HEAD OF INSTITUTIONAL – GERMANY & AUSTRIA

Frank Böhmer joined Pictet in 2007 in the Frankfurt office. He is responsible for Pictet's institutional clients in Germany.

Before joining Pictet, he worked at ABN AMRO Asset Management for nine years and subsequently Schroder Investment Management. He was responsible for the development of institutional business in Germany and Austria at both firms. He began his career at Deutsche Bank AG where he spent 14 years in various positions and locations, lastly as Senior Advisor for Asset Management and Corporate Clients.



## Dominique von Aufschnaiter

SENIOR BUSINESS DEVELOPMENT MANAGER

Dominique von Aufschnaiter joined Pictet Asset Management in September 2013 and is responsible for Business Development and Relationship Management for Institutional Clients in Germany. Before joining Pictet, she spent 18 years with J.P. Morgan in a variety of functions. However for the past 13 years she was a Client Advisor in Asset Management covering and developing the business with German Institutional Clients. She started her career in 1994 as a management trainee and moved to the Interest Rate Derivatives Marketing Group where she covered Corporates as well as selected Finance Ministries of the German Länder.

Dominique von Aufschnaiter holds a Degree in Business Administration from Goethe-Universität in Frankfurt/M.



## Vitus Baur

CLIENT SERVICING MANAGER

Vitus Baur joined Pictet in 2012 and is a Client Servicing Manager in the Institutional Germany & Austria Team.

Before joining Pictet he was responsible for Financial Engineering and Accounting at VB Projektmanagement/Casualfood. Prior to that he worked for 16 years in the Asset Management Business, respectively at Credit Suisse, Invesco and Union Panagora. He started his career as a trader at Spütz & Partner.

Vitus holds a Commercial Degree from J.W. von Goethe University in Frankfurt.



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