



MAERKI BAUMANN & CO. AG

PRIVATBANK

Invest with “Global Impact” – to achieve precisely that

Market Comment, November 2020

It would be no surprise if the US were now to experience – as we have already witnessed in Europe – an increase in institutional capital flows into investments that take into account “ESG” (environment, social and governance) criteria. At our bank, a sustainable investment approach can also incorporate forward-looking “megatrends”. By investing in a “Global Impact” module, investors can design their investment portfolios in a way that is more sustainable in the wider sense of the word. This module represents a suitable and innovative addition to an existing investment portfolio.

For the last 15 years, the “Global Risks Report” of the World Economic Forum (WEF) has produced an annual list of the most significant threats to the global economy. In the 2020 report, the key risks related to the environmental burden caused by mankind: weather extremes, climate action failure, biodiversity loss, and human-made environmental disasters. The battle against climate change and the drive to achieve greater sustainability is becoming a dominant long-term media theme, as well as an increasingly pressing political issue. This trend can also be observed in the world of investment. In recent years, there has been a clear rise in interest – particularly in Europe – in investments that take into account not only financial considerations, but also aspects concerning the environment, social responsibility and corporate governance (now referred to simply as ESG criteria). For example, last spring the German stock exchange launched the DAX 50 ESG Index, which selects index components not only on the basis of market capitalization and stock exchange turnover, but also on their progressive approach to ESG issues.

Even in the US, there is increasing evidence of a political shift towards climate protection, social responsibility issues and renewable energies. This side of the Atlantic, the European Commission recently unveiled its “Green Deal”, which targets sustainable economic transformation, while the German government has recently agreed on its own package of environmental measures. More-

over, at the end of 2019 the member states of the European Union (EU) agreed on a joint list of criteria for sustainable financial investments, although the precise detail – the so-called taxonomy – is still being debated. The socio-political zeitgeist and economic tendencies are generally headed in two increasingly important directions.

On the one hand, **structural long-term trends** are dominating the market environment for global companies, which may react in different ways to megatrends such as digitalization, scarcity of resources, health and ageing, urbanization, or new mobility. It is therefore now becoming crucial to be able to identify companies that can deal successfully with the challenges of long-term structural change in both society and the economy, and that have the corresponding impact.

“Investors keen to combine sustainability and megatrends will find our innovative focus module “Equities Global Impact” an intriguing supplement to their portfolios.”

Gérard Piasko, Chief Investment Officer

On the other hand, the socio-political trend is likewise heading in the direction of sustainability: at a global level, and most notably in the EU, a sustainable approach – including in the world of investment – is being supported and indeed demanded by politicians. In Europe, a variety of measures have been drawn up with a view to achieving the EU’s climate targets: carbon dioxide emissions are to be reduced by more than 40% by 2030 compared to 1990 levels – with an even greater reduction called for by 2050. According to EU Commission estimates, this will require an annual inflow of some EUR 180 billion into environmentally friendly investments. For this reason, the private sector is being encouraged to make the corresponding sustainable investments in order to support the public sector (the EU authorities) in their efforts to combat climate

problems. The United Nations (UN) has developed its own sustainability criteria as a roadmap for investors, e.g. the extent to which companies are contributing to the attainment of the UN's Sustainability Development Goals (SDGs). The SDGs are sustainability targets that the UN believes will help the world overcome its numerous environmental, social and economic challenges. Key aspects here include sustainable economic growth, decent working conditions and environmental protection.

When it comes to investing, it is therefore only prudent to **identify companies that are having a global impact from both a megatrend and a sustainability perspective**. In the modern era, identifying quality when selecting companies to invest in encompasses not just healthy financial metrics such as valuation, return on capital, profitability and balance sheet quality, but increasingly also a wider dimension that involves evaluating a company's overall impact.

This year, our bank entered into a partnership with Globalbalance Bank, a leading, experienced player in this area, and now offers interested investors an innovative **focus**

module: "Equities Global Impact". Specifically, this module incorporates three key dimensions into its analysis: 1. Do companies invest in new business models and/or innovative technologies, products, or services? 2. Can the "footprint" of these companies be viewed as positive with regard to transparency, safety and impact? 3. Are they healthy, liquid and attractively valued companies?

Companies that fulfil these three criteria are incorporated into the "Equities Global Impact" focus module. This innovative module, which combines the two themes of megatrends and sustainability, represents a future-oriented supplement to an existing portfolio.

Gérard Piasko

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Modular investments with Maerki Baumann

The topics of the current market comment concern following focus modules:

Equities Switzerland	Equities USA	Bonds CHF	Global Balanced
Small & Mid Caps Switzerland	Equities Emerging Markets	Bonds EUR	Commodities
Equities Eurozone	Equities Global Impact	Bonds USD	
Equities Germany		Bonds Emerging Markets	

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