

Emerging Markets – adding value through assessing ESG factors

GFSI 2020 Geneva forum for sustainable investment

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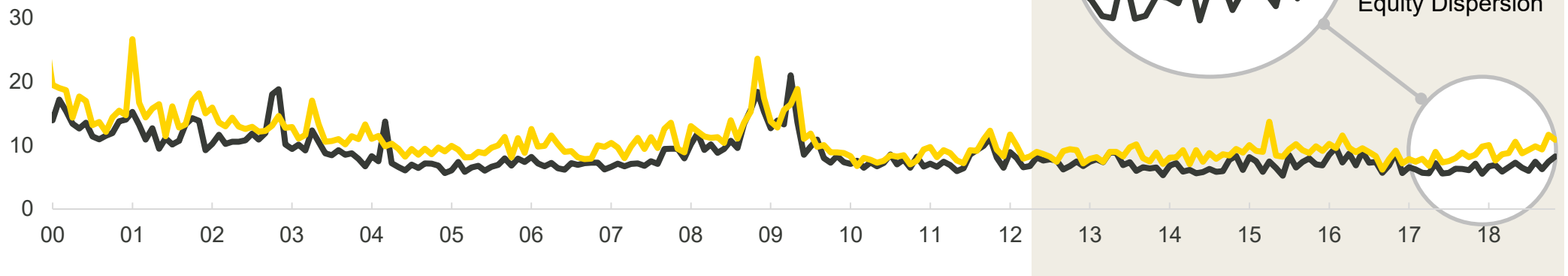
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Emerging Markets, The Place to Be Active

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Better Market Characteristics for Alpha Generation

	DM	EM	
Illiquid markets or becoming illiquid in stress periods	Occasionally	Often	✓
Asset class components exhibit return dispersion	Yes, small	Yes, large	✓
Analyst coverage of the underlying securities	High	Low	✓
Behavioral biases	Limited	High	✓
Regulatory and governance issues affecting ownership and returns	Limited	High	✓



Better for Stock-Picking

Higher dispersion offers active managers a better stock-picking environment.

MSCI EM Equity Dispersion

MSCI World Equity Dispersion

Where are the Sustainability Weak Spots?

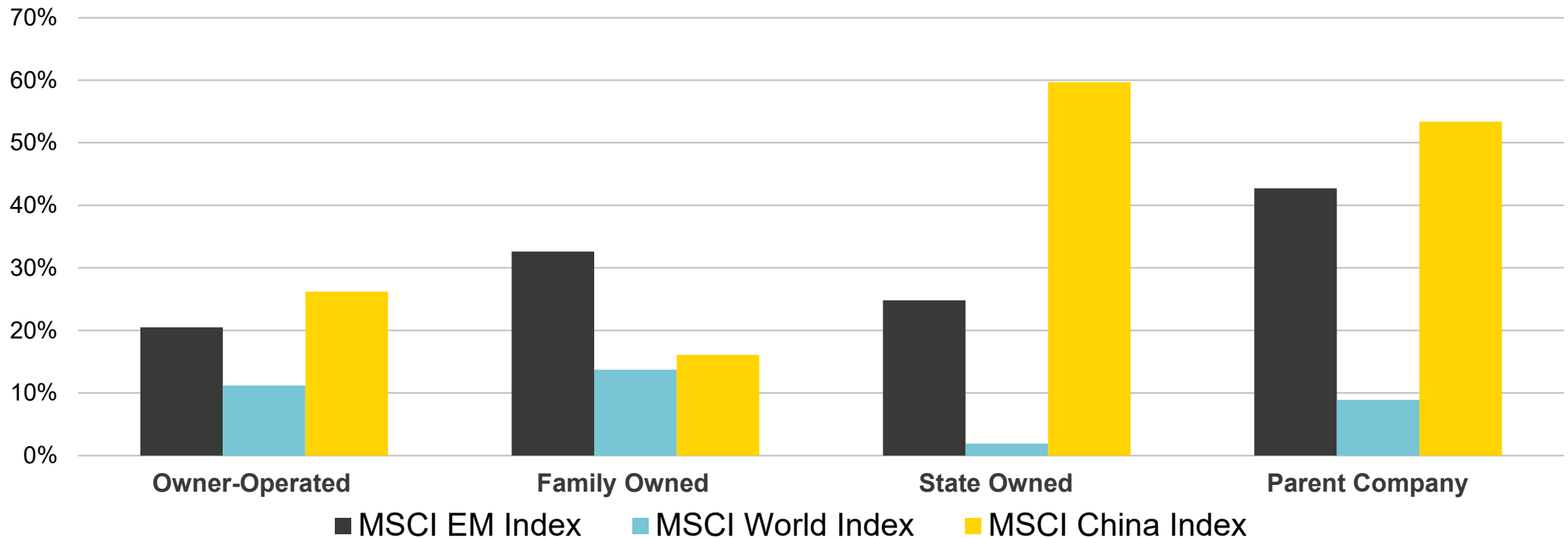
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	MORE AT RISK?	
	DM	EM
Fragile Ecosystem		
Water Scarcity		
Climate Vulnerability		
CO ₂ Regulation		
Chemical Industry Regulation		
Regulation of Privacy		
Strikes		
Job Security		
Corruption		

The proportion of companies exposed to ESG risks is higher in EM.

Example: Governance Risks Depend on the Shareholder Structure

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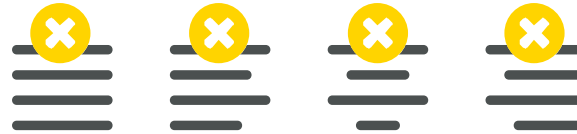


Source: MSCI ESG Research (Navigating ESG risk: A geographic lens for assessing companies, April 2017 and Corporate Governance in China, Sept. 2017).

ESG – A Key Tool to Address Drawdowns in EM Equity

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The biggest environmental and social problems are in emerging markets.



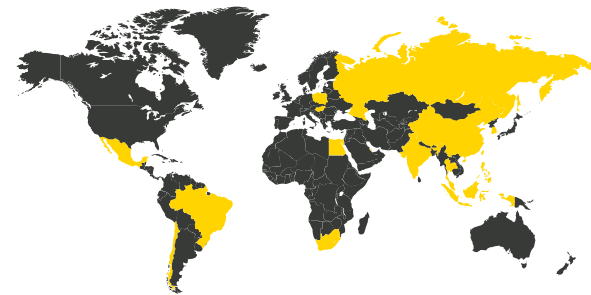
Weak or missing framework conditions in emerging markets require directed investments. Sustainability should therefore be a consideration by investors.

Avoiding investments in the worst companies generates the greatest added value (risk management).



But –

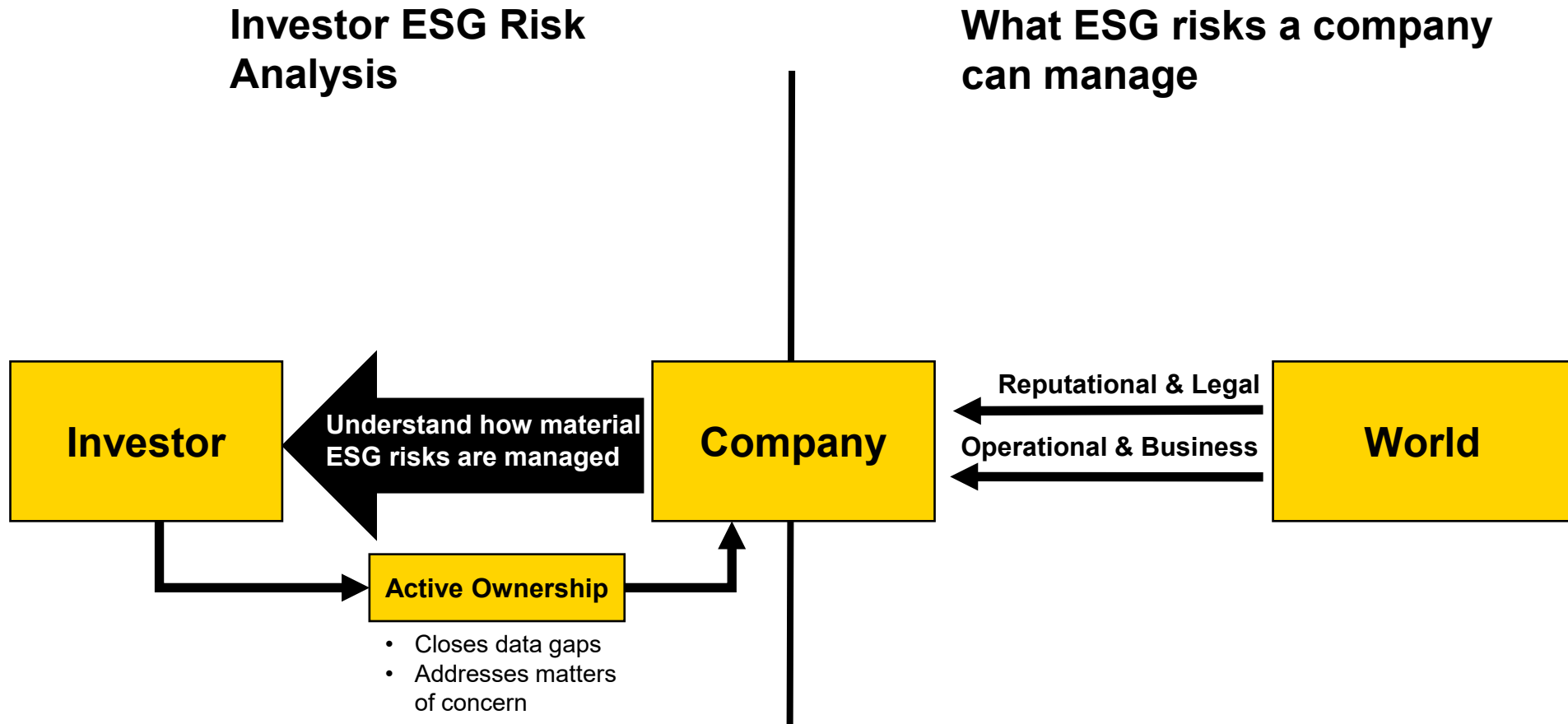
The availability and quality of ESG data in emerging markets continues to be poor, despite major advances, and therefore requires some caution and a very professional investment manager.



How to overcome the challenge

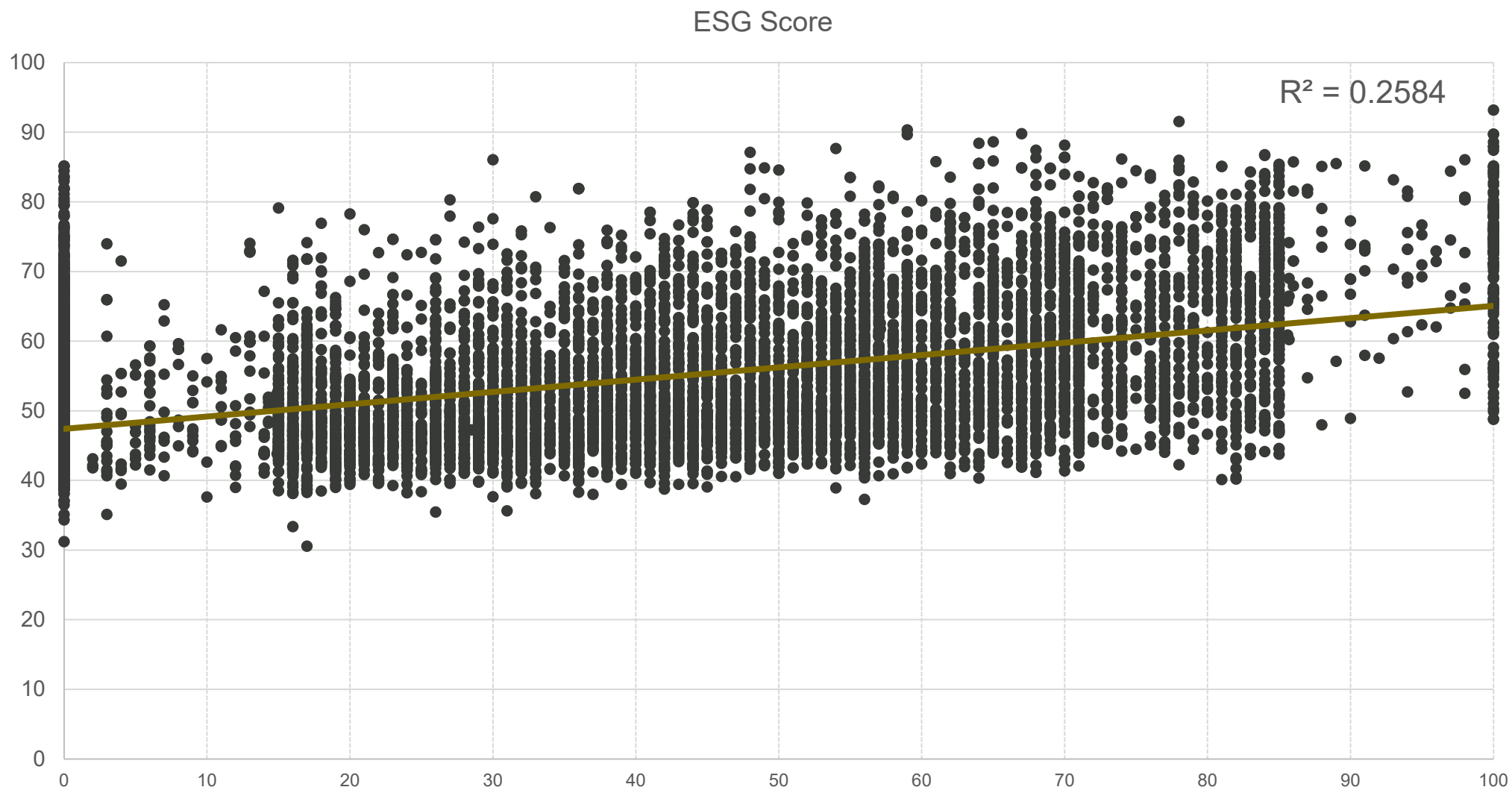
A simple model of “ESG Risk Management”

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Can you spot the correlation?

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Source: Vontobel Asset Management as of November 15, 2019.

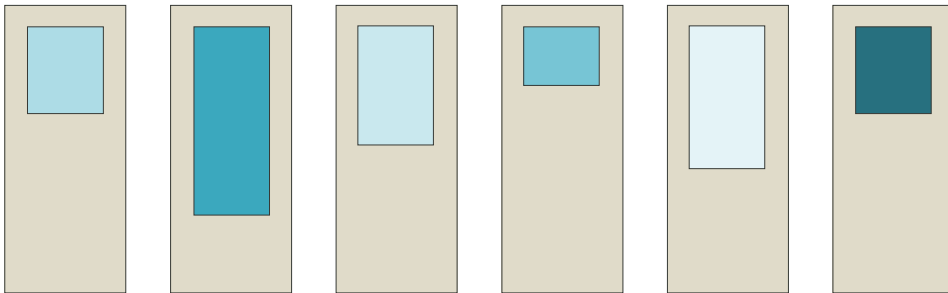
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Integrate ESG within a multi boutique setup

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Integration Concept

Vertical

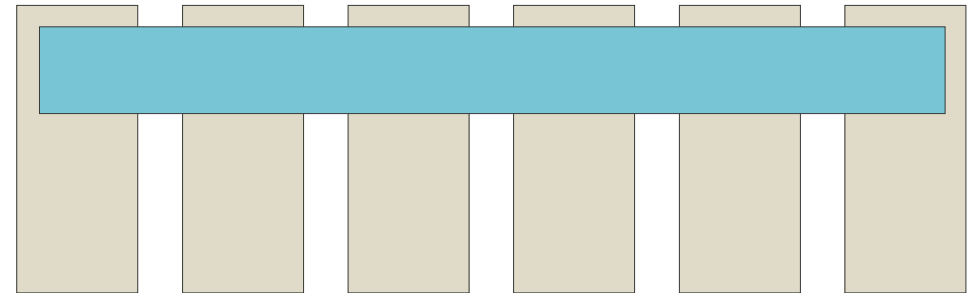


Outline

- Optimal integration into investment process
- Inefficient build up of shared resources

Integration Concept

Horizontal

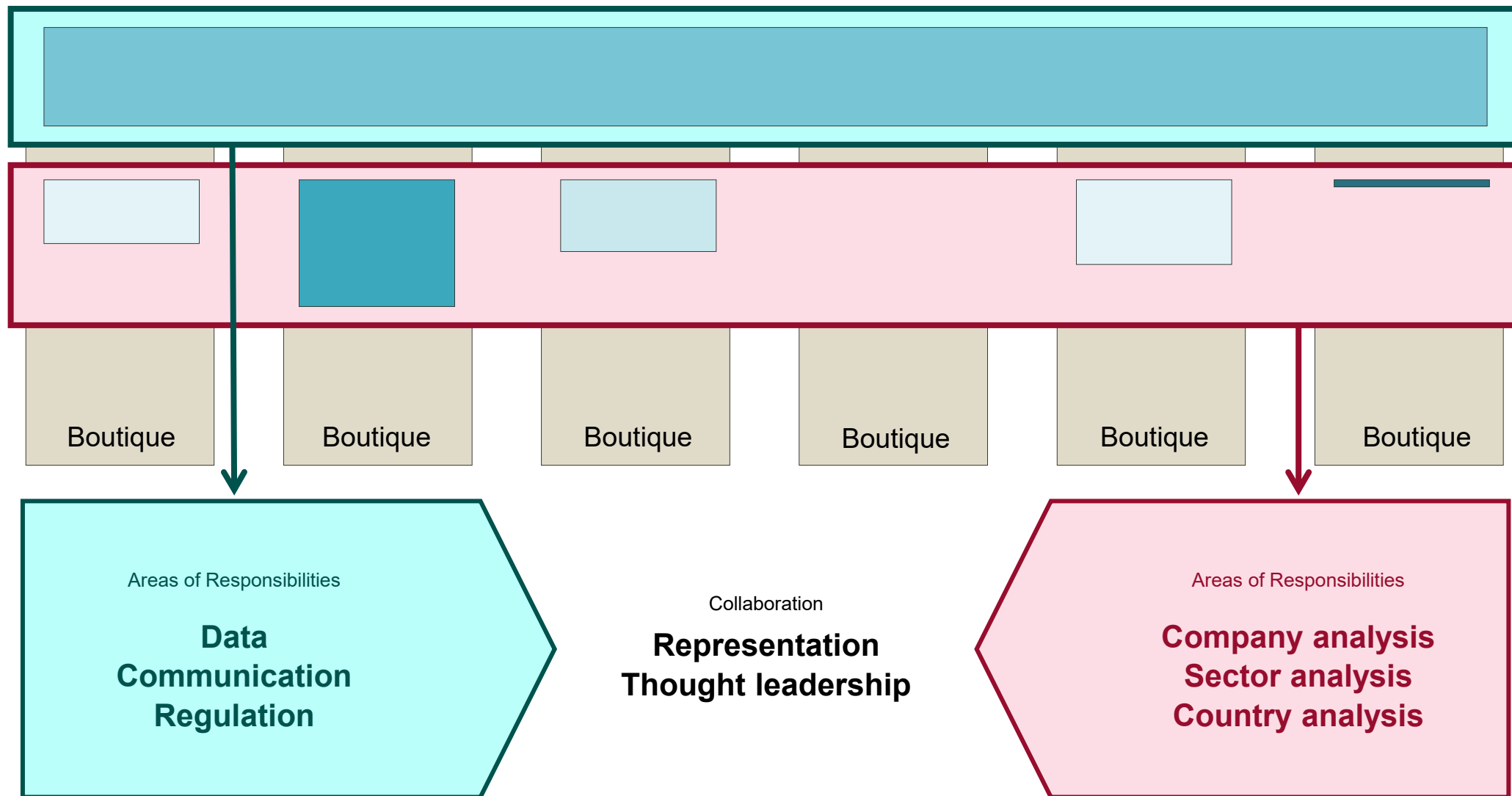


Key Aspects

- Shared resources maximizes efficiency
- Optimal integration in investment process is prevented

Integrate ESG within a multi boutique setup

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Our ESG experts

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ESG INVESTMENT CENTER	BOUTIQUE	ESG LEAD	ESG ANALYSTS			MANAGING SUSTAINABLE PORTFOLIOS				
 Lukas Münstermann (Lead)	Sustainable Equities	 Philip Ammann	 Lara Kesterton	 Matthias Fawer (50%)	 Camilla Leopoldino	 Roger Merz	 Thomas Schaffner	 Marc Hänni	 Nils Wimmersberger	
	Impact & Thematics	 Thomas Trsan	 Matthias Fawer (50%)			 Pascal Dudle	 Dennis Podszus			
	Quality Growth	 Sudhir Roc-Sennett	 Mara Der Hovanesian*	 Robert Berner*	 Zhen Li*	 Emily Kao				
	Fixed Income	 Anna Holzgang	 Marion Swoboda			 Thierry Larose	 Carl Vermassen	 Sergey Goncharov	 Daniel Karnaus	 Manfred Büchler
	TwentyFour Asset Management	 Graeme Anderson	 Chris Bowie							
	Multi Asset	 Anton Oberhofer	 Eckhard Plinke	 Martin Koch		 Gabriele Grewe	 Catrina Vaterlaus	 Mathias Koller		

* Senior investigative analysts

For institutional investors in Switzerland

Key Takeaways

1

Inclusion of **active** EM investments can deliver **outperformance**.

2

ESG is an important **risk management** tool.

3

Active ESG Management can help to deal with the complexities of EM.

4

Direct contact with companies, or state entities is **key to close data gaps**, or address matters of concern.

5

ESG Analysis can create more value, if ESG analyst are directly integrated in investment processes.

Performance

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Fund characteristics

Share Class	Vontobel Fund – mtx Sustainable Emerging Markets Leaders I USD (LU0571085686)
Reference Index	MSCI Emerging Markets TRN
Currency	USD
Inception Date	15.7.2011 (since January 2013 with the current investment approach)
Reporting Period	15.7.2011–31.7.2020

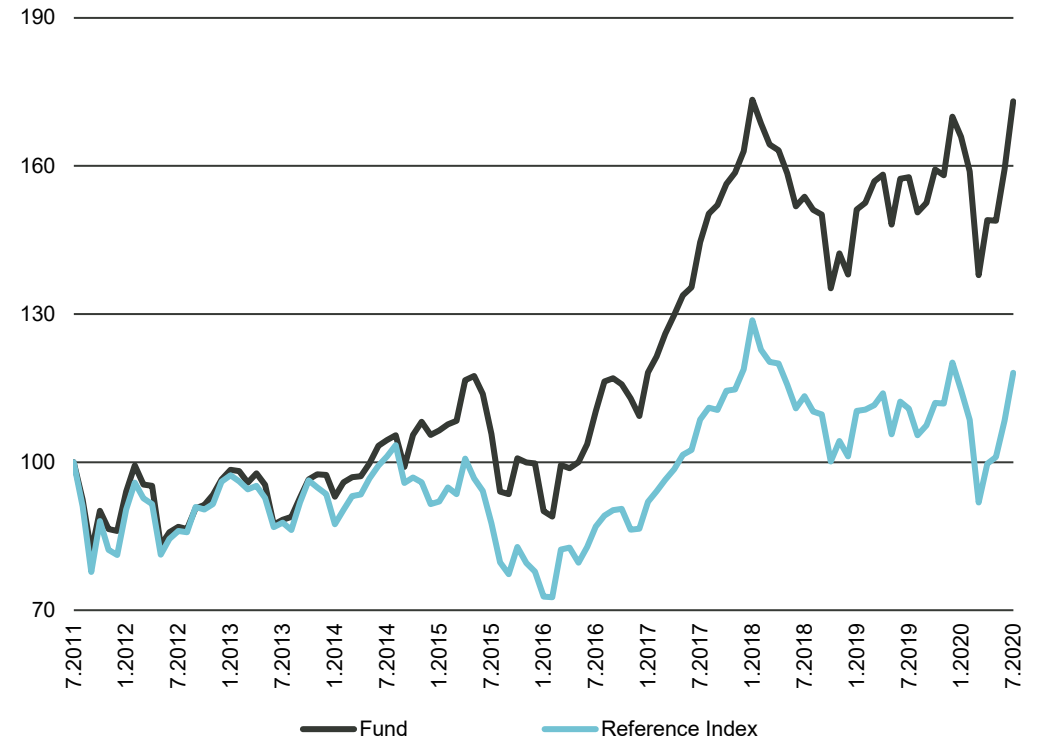
Rolling 12-month net returns (in %)

PERIOD	01.08.2019- 31.07.2020	01.08.2018- 31.07.2019	01.08.2017- 31.07.2018	01.08.2016- 31.07.2017	01.08.2015- 31.07.2016
Vontobel Fund – mtx Sustainable Emerging Markets Leaders	9.74	2.59	6.35	31.02	4.35
MSCI Emerging Markets TRN	6.55	-2.18	4.36	24.84	-0.75

Fund versus reference index (annualized, since inception)

PERIOD	QTD	YTD	2019	2018	2017	2016	2015	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Vontobel Fund – mtx Sustainable Emerging Markets Leaders	8.61	1.85	23.14	-15.32	49.06	9.60	-5.47	6.19	10.36	6.29
MSCI Emerging Markets Index TRN	8.94	-1.72	18.81	-14.85	37.28	11.19	-14.92	2.84	6.15	1.87
Difference (bps)	-33	+357	+433	-47	+1178	-159	+945	+335	+421	+442

Indexed net return



Past performance is not a reliable indicator of current or future performance.

Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable.

The return of the fund may go down as well as up due to changes in rates of exchange between currencies. Source: Vontobel Asset Management, Bloomberg.

Investment risks of the Vontobel Fund – mtx Sustainable Emerging Markets Leaders

- The use of derivatives generally creates leverage. The sub-fund is also subject to corresponding valuation risks and operational risks.
- The sub-fund also includes sustainability criteria in its investment process. This may mean that the sub-fund's performance is more positive or negative than a conventionally managed portfolio.
- The sub-fund invests in stocks issued by companies. The value of these stocks may be adversely affected by changes in the company, its industry or its economic environment. Stocks can lose value quickly and typically involve higher risks than bonds and money market instruments.
- The sub-fund entails a higher degree of liquidity risk and greater operational risks as it invests in markets that may be affected by political developments and/or changes in legislation as well as tax and foreign exchange controls.

Vontobel Funds along the asset allocation

Equities

Swiss Equities	Vontobel Funds*
Swiss Equity	VF (CH) Sust Swiss Eq 
	RF Swiss Stock 
Swiss Small & Mid Cap	VF (CH) Ethos Eq Swiss Mid & Small 
US Equities	
US Equity Large Cap	VF US Eq
US Small & Mid Cap	VF II KAR US Small-Mid Cap
Emerging Markets	
Global EM	VF mtx Sust EM Leaders 
Asia ex Japan	VF mtx Sust Asian Leaders (ex Japan) 
Asia Pacific ex Japan	VF Asia Pacific Eq
Global Equities	
Global Equity	VF Global Eq
	VF (CH) Sust Global Eq ex Switzerland Concept 
Infrastructure	
Global Infrastr.	VF II Duff & Phelps Global Listed Infrastructure
Impact Equities	
Clean Technology	VF Clean Technology 

Fixed Income

Corporate Credit IG	Vontobel Funds*
Global Corp Bond IG	VF Global Corp Bond MY
EUR Corp Bond IG	VF EUR Corp Bond MY
Credit Short Dur IG	
Global Corp Bond IG	VF 24 Absolute Return Credit Fund
	VF 24 Sust Short Term Bond Income 
Global Flexible	
Global Corp Bond	VF 24 Strategic Income Fund
EM Debt HC	
Sovereign	VF EM Debt
Corporates	VF EM Corporate Bond
EM Debt LC	
Sovereign	VF Sust EM LC Bond 
EM Debt HC & LC	
Sovereign & Corp	VF EM Blend
Swiss Bonds	
Sovereign & Corp	VF (CH) Sust Bond CHF Concept 
Global Bonds	
Sovereign & Corp	VF Sust Global Bond 

Vescore Quant Multi Asset Class

Quant Risk Premia	Vontobel Solutions*
Dynamic Risk Premia	VF II Vescore Active Beta
Equity, FI	Target: Cash + 3%; Vol: 5.5%
Dynamic Risk Parity	VF II Vescore Global Risk Diversification
Equity, FI, Commodities	Target: Cash + 4%; Vol: 7%
Multi Model Approach	VF II Vescore Artificial Intelligence Multi Asset
Equity, FI, Commodities	Target: Cash + 5%; Vol: 8%
Dynamic L/S Risk Premia	VF II Vescore Active Beta Opportunities
Equity, FI, Commodities, Vol, FX	Target: Cash + 3%; Vol: 5%

 Vontobel Sustainable Funds

*Legend: VF = Vontobel Fund, RF = Raiffeisen, Sust = Sustainable, IG = Investment Grade, Corp = Corporate, Eq = Equity, EM = Emerging Markets, 24 = TwentyFour, LC = Local Currency, HC = Hard Currency, MY = Mid Yield
Subject to change, without notice, only the current prospectus or comparable document of the fund is legally binding.

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. Refer for more information on the fund to the latest prospectus, annual and semi-annual reports as well as the key investor information documents ("KIID"). These documents may also be downloaded from our website at vontobel.com/am.

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