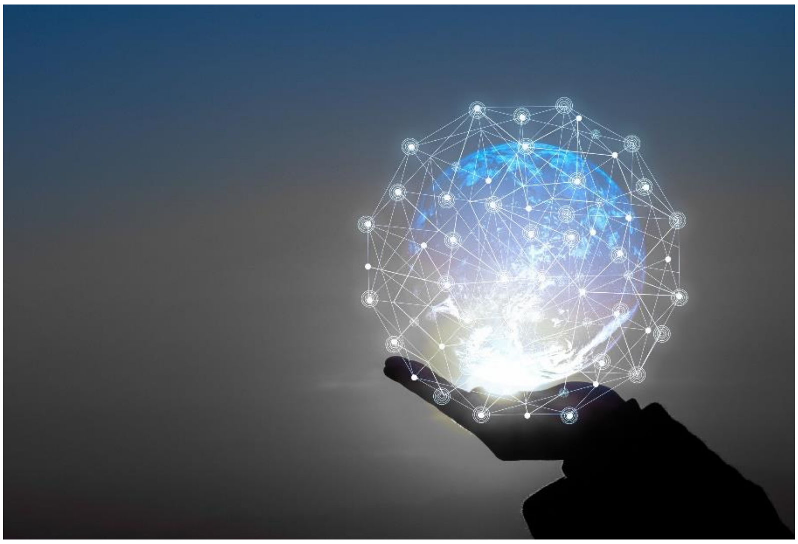
Emerging Markets Best Opportunities Thematic Certificate

Emerging markets are set to become a demographic powerhouse in the decades to come. But it would be overly simplistic to view them as a homogeneous region given their varying degrees of economic maturity. We believe that those differences, and these countries' digitalisation potential, represent the most attractive opportunities in emerging markets.



Equity Certificate
- Name: Emerging Markets Best Opportunities
- ISIN: CH0255766054

Features
- Currency: USD
- Legal form: open-ended
- Issuer: BCV
- Management fee: 1%
- Launch: 2014
- Number of stocks: ~50
- Management type: active
- Dividends: reinvested
- Manager: Ed Yau, CFA

"Demography is destiny"

This phrase, often attributed to French sociologist Auguste Comte, neatly captures the demographic changes that are in store for us in the coming decades. In developed countries, the ageing of the population and a historically low fertility rate represent structural impediments to economic growth. It is worth noting that the average age in many emerging countries is less than 30, while in most developed countries it is over 40.

Today, emerging markets account for 85% of the global population and nearly 60% of global GDP, but only 11% of the MSCI All-Country World Index. They are currently under-represented in financial markets, but this gap should gradually narrow as these markets are added to more benchmark indexes, as has happened with China and Saudi Arabia in recent years.

The term emerging markets refers to a culturally complex group of regions and countries at varying levels of economic maturity. It includes, for instance, both South Korea, with GDP per capita of over USD 30,000, and Pakistan, with GDP per capita below USD 1,300. This diversity requires investors to have in-depth knowledge of these markets – but it also offers in parallel attractive investment opportunities.

The advantage of economic digitalisation

Economies around the world are going digital, yet some emerging market countries are positioned to benefit more from this secular trend. Here's why:

First, emerging countries have more flexible social and economic structures that make technological progress easier to achieve. One example is the internet: people can access it on their smartphones and don't need a computer. Second, looser regulations and weaker data protection in these countries have helped give rise to tech giants and innovative business models. Finally, the immense amount of data generated by large populations has led to increasingly powerful algorithms that will be used in future technology. Data, and data availability, are two strategic factors that will play a key role in the new economy.

Composition of the certificate

We used both a macroeconomic (top-down) and a microeconomic (bottom-up) approach to select the securities for this basket:

- Macroeconomic: we ensure a tactical allocation across the three regions – EM Asia, EM America (Latam) and EM Europe (CEEMEA). Each of these regions has a unique growth profile and cycle. We identify regional advantages through macroeconomic analyses of these markets.

- Microeconomic: we then select outstanding tech companies in these emerging markets. Priority is given to companies with business models that reflect a leadership position in their field, be it e-commerce, social media or fintech – or a combination thereof, which is often the case for super apps in emerging markets.

The portfolio consists of direct investments in stocks (40–60% of the portfolio) and in ETFs, in order to optimally manage risk and maintain sufficient diversification. The certificate's sector allocation is systematically geared towards "digital" sectors, such as information technology, communication services and discretionary consumer goods.

ESG consideration

Like our other thematic certificates, the "Emerging Markets Best Opportunities" certificate integrates environmental, social and governance (ESG) criteria into the security selection process, applying a model based on exclusion criteria.

Companies are screened out if a proportion of their revenue comes from controversial business activities. It should be noted that the governance aspect is given greater emphasis in emerging markets than in other regions, because it represents both an added risk and the foundation for both a sustainable company and sustainable management.