

Sustainable Water & Agriculture Management

XVth World Water Congress

International Water Resource Association (IWRA)

May 26th 2015

Pictet Asset Management

“Water is a very good servant, but it is a cruel master”.

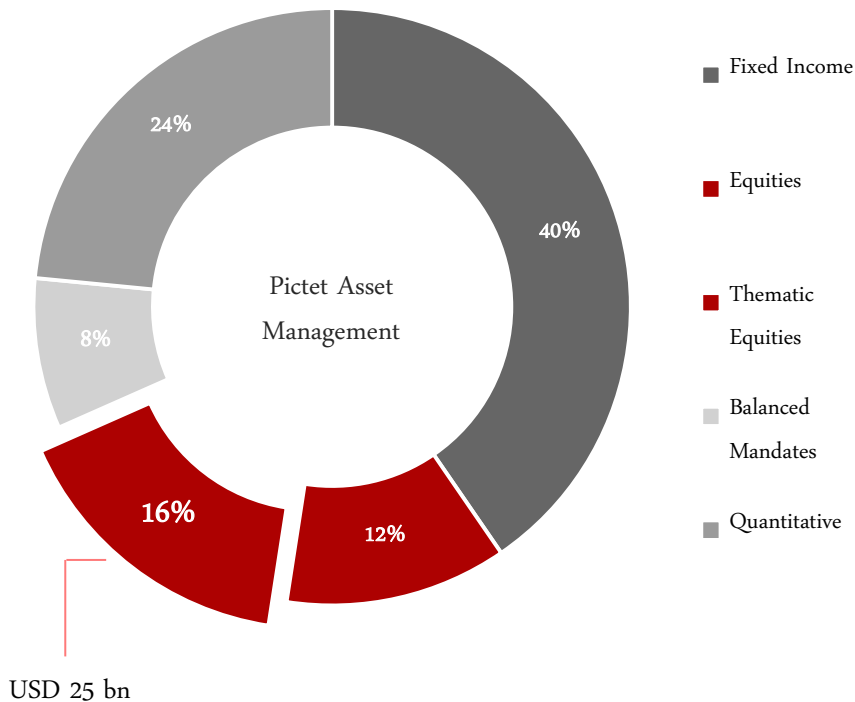
William Bullein
(famed 16th century English physician)

Philippe Rohner, CChem., PhD., MBA
Senior Investment Manager

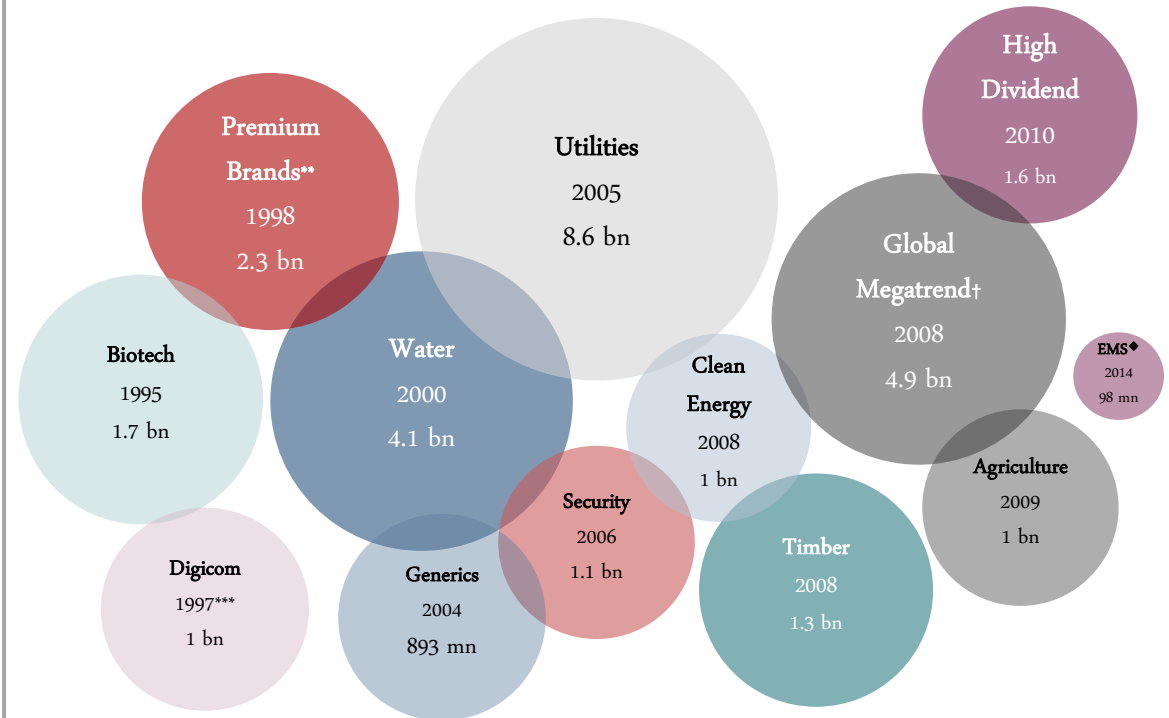


Thematic strategies within Pictet Asset Management

Founded in Geneva in **1805** the Pictet Group has over **USD 438 bn** in assets under management & custody



Thematic strategies AuM (USD)*



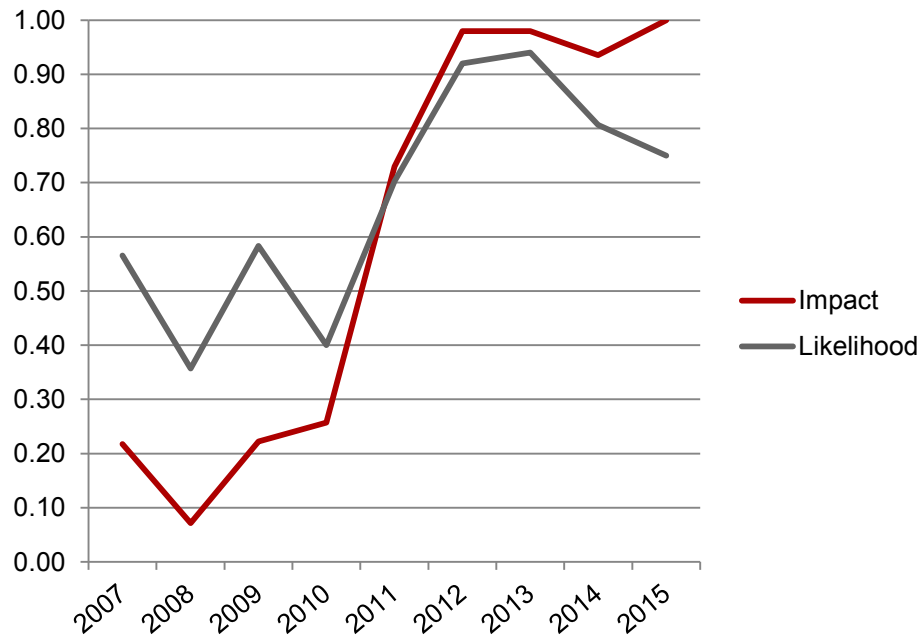
20 years
of experience

23 investment
managers

Source: Pictet Asset Management, as at 31 December 2014, * funds and mandates as at 31.03.2015, **repositioned in 2005, ***repositioned in 2007, †Double counting, ♦ Environmental Megatrend Selection inception in 2010 and repositioned in 2014

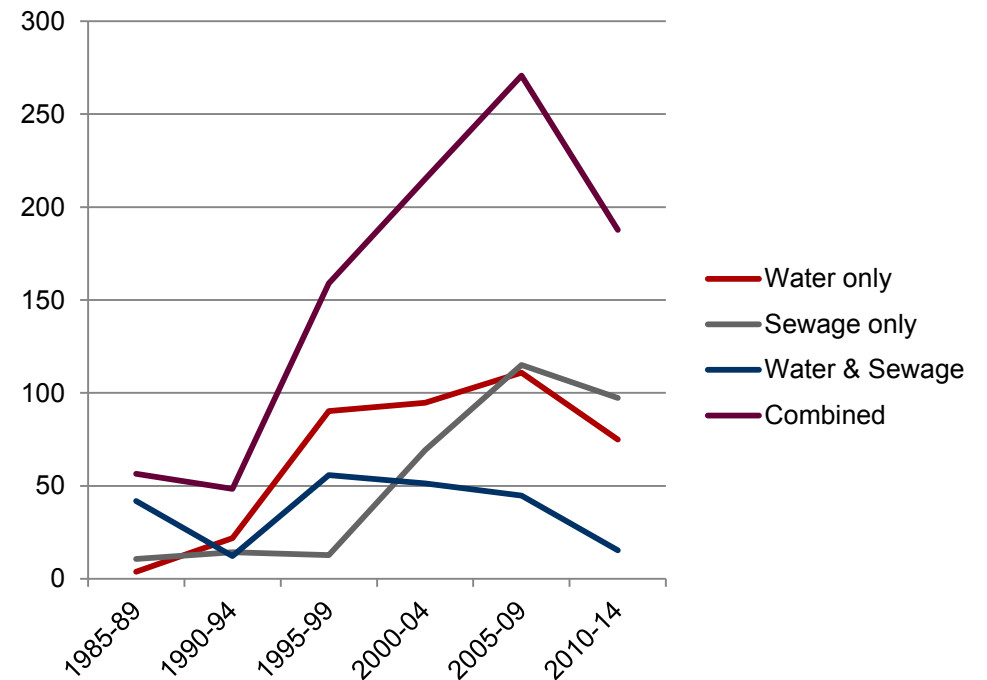
Water – when perception meets reality

«Water» as a risk factor and sustainable development,
2007-15



Source: WEF Global Risks Reports, Envisager (2015)

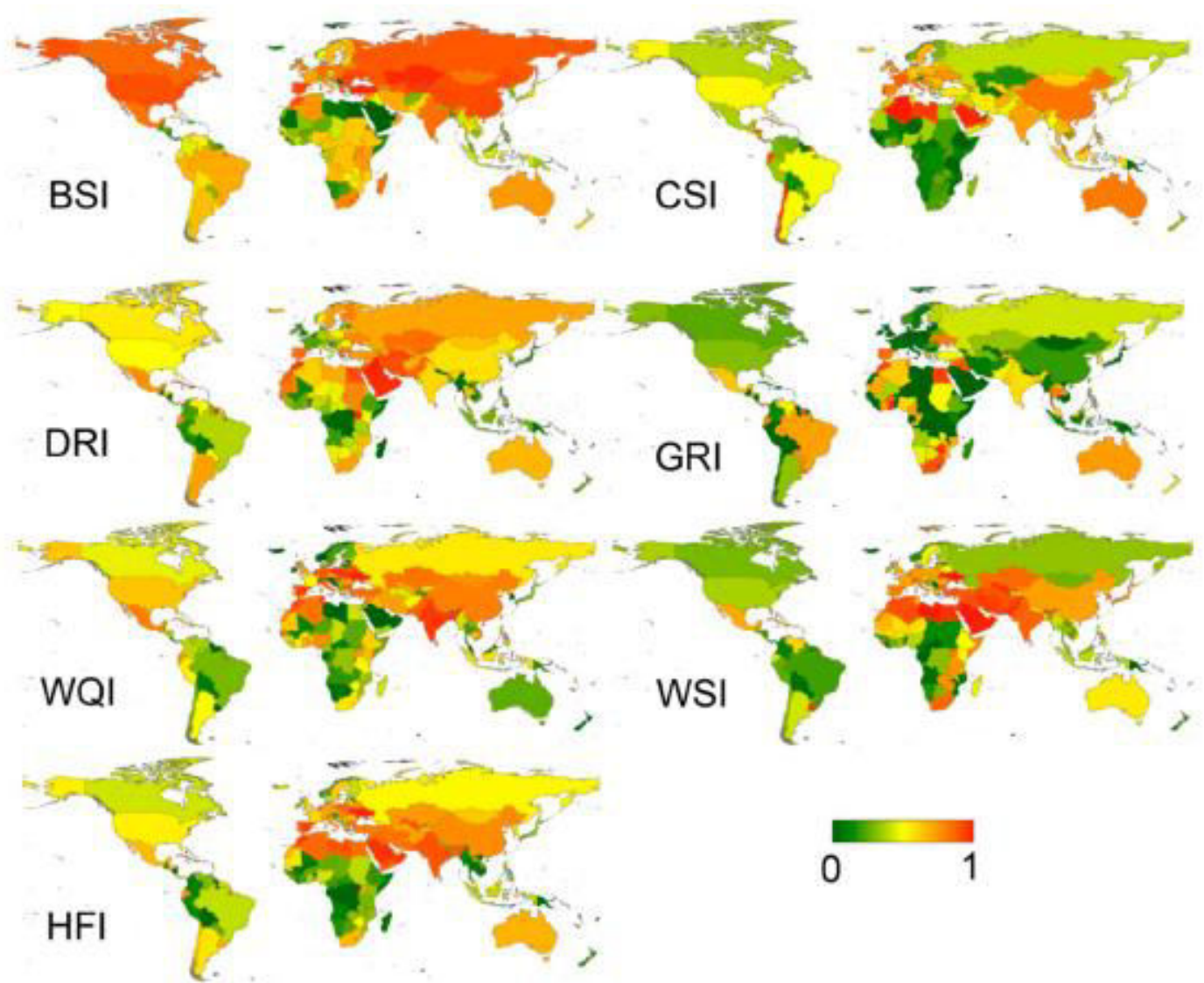
Million people served by PSP contracts, 1985-2015



Source: Envisager Limited, 2015

Water – the resource management challenge

- BSI - Biodiversity stress index
- CSI – commodities stress index
- DRI – disturbance regulation index
- GRI – greenhouse gas release index
- WQI – water quality index
- WSI – water availability stress index
- HFI – overall index of global human freshwater impact



Source: Dodds et al. Environ.Sci.Technol. 2013, 47, 9061-9068; HFI computed by determining proportion of value compromised in each index and summing within each country after scaling by the proportion of the total value made up by each individual ecosystem service category.

Ceres's investor handbook for water risk integration

Environmental Implications



- Vital for all life on earth



- Regional & planet coolant
- Natural insulator protecting life



- Critical for natural biological reactions
- Vital for ecosystems to function & elements to cycle

Sustains all life.

Ability to absorb heat. Only molecule naturally found in gas, liquid & solid.

Unique molecular structure readily combines with other molecules.

Corporate Implications

- Human rights
- Environmental flows
- Social license

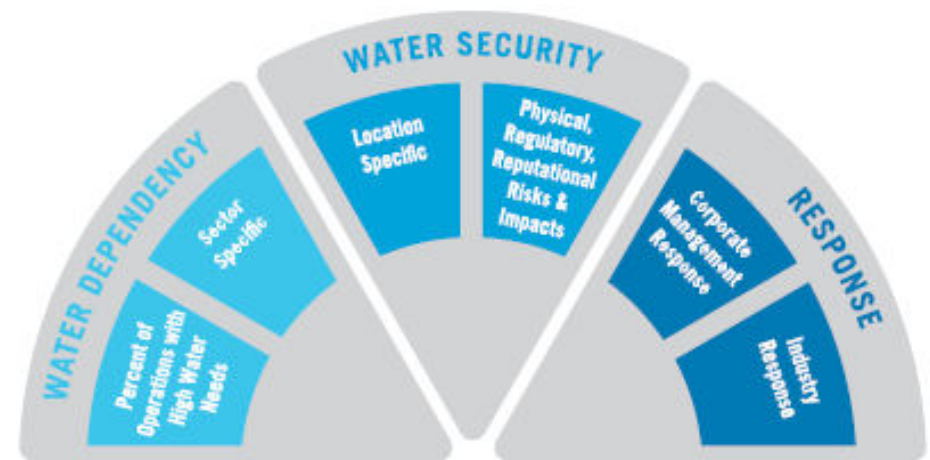
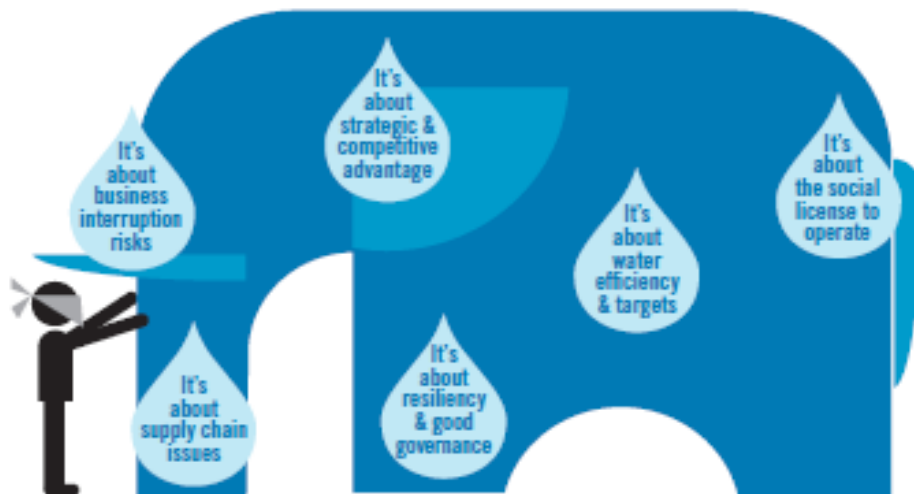
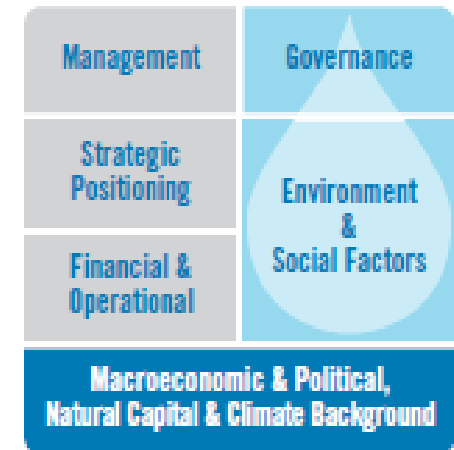
- Coolant in industrial processes & power generation

- Universal solvent for chemical reactions
- Binds easily with contaminants
- Easily polluted—expensive & energy intensive to clean

Traditional Fundamental Analysis



More Comprehensive Analysis

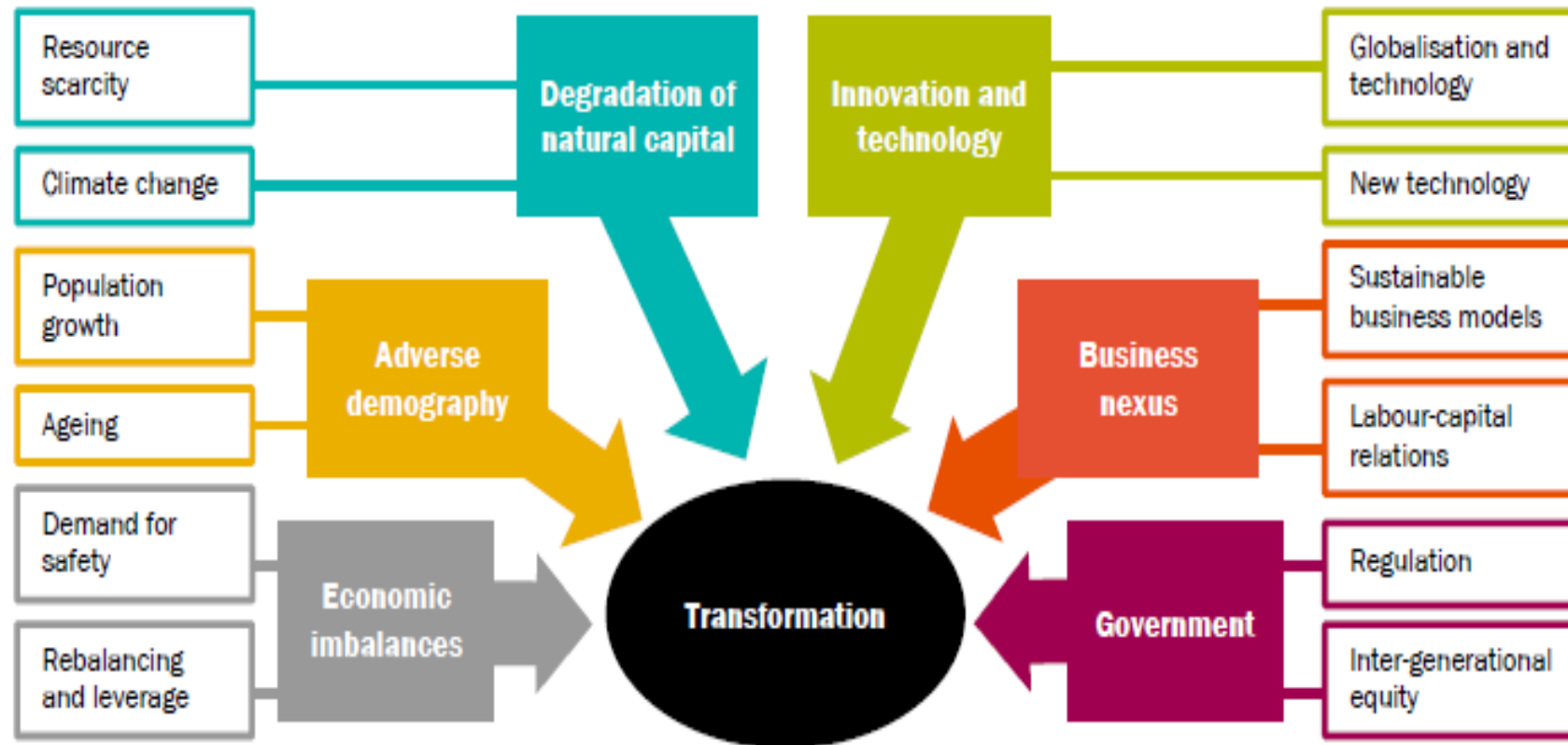


Corporate Water Risk Dashboard

Source: Ceres Report, 2015



Towers Watson's long-term themes & thematic framework



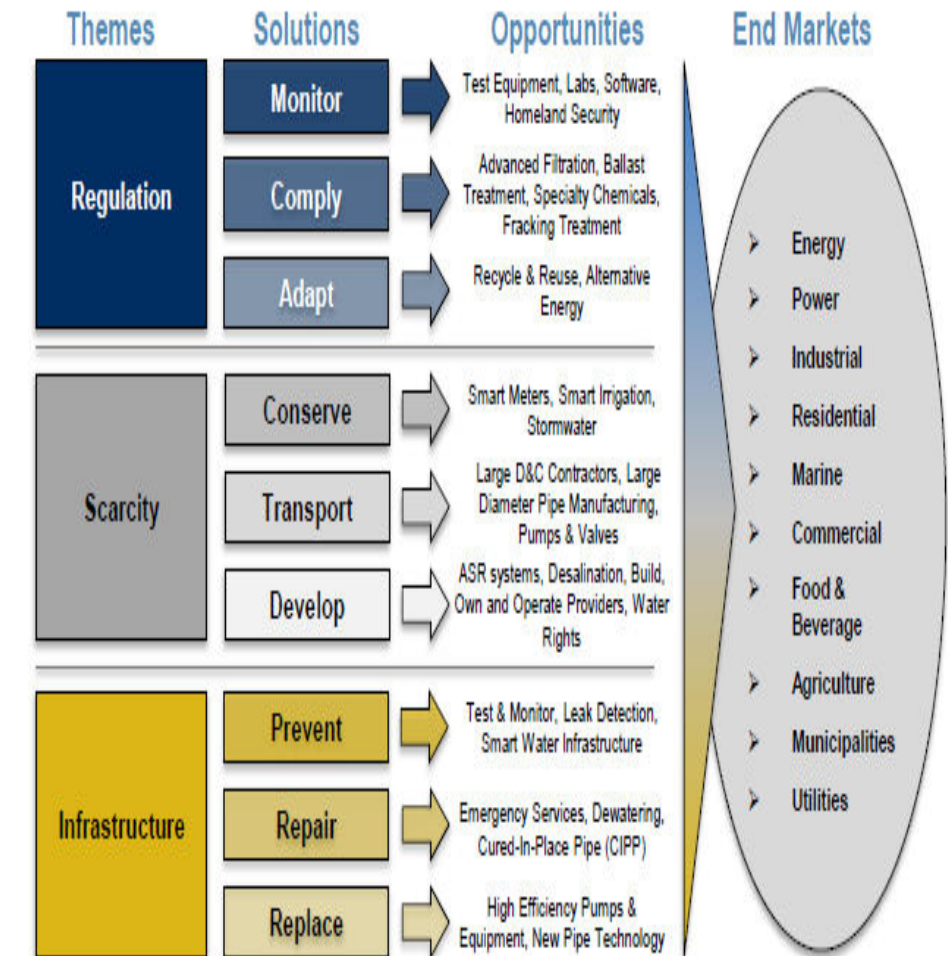
Source: Towers & Watson, 2015

Raymond James's segmentation

KEY WATER INDUSTRY THEMES

	Regulation	Scarcity	Infrastructure
Catalysts	<ul style="list-style-type: none"> + Hydraulic fracking growth + Storm water + Ballast water + Oceanic dead zones 	<ul style="list-style-type: none"> + Population growth + Industrialization + Urbanization + Climate change 	<ul style="list-style-type: none"> + Aging systems + Economic development + Population shift/growth + Capital gap
Solutions	<ul style="list-style-type: none"> ✓ Monitor ✓ Comply ✓ Adapt 	<ul style="list-style-type: none"> ✓ Conserve ✓ Transport ✓ Develop 	<ul style="list-style-type: none"> ✓ Prevent ✓ Repair ✓ Replace
Constraints	<ul style="list-style-type: none"> - Money to comply - Unknown laws - Difficult to enforce - State vs Federal regulations 	<ul style="list-style-type: none"> - Water rights - Aligning incentives - Local bureaucracy - Physics 	<ul style="list-style-type: none"> - Regulated revenue model - Consumer perception - Length of payback - Political priorities

LARGE OPPORTUNITIES AND END MARKETS



Source: Raymond James, June 2014

Frost & Sullivan's analysis

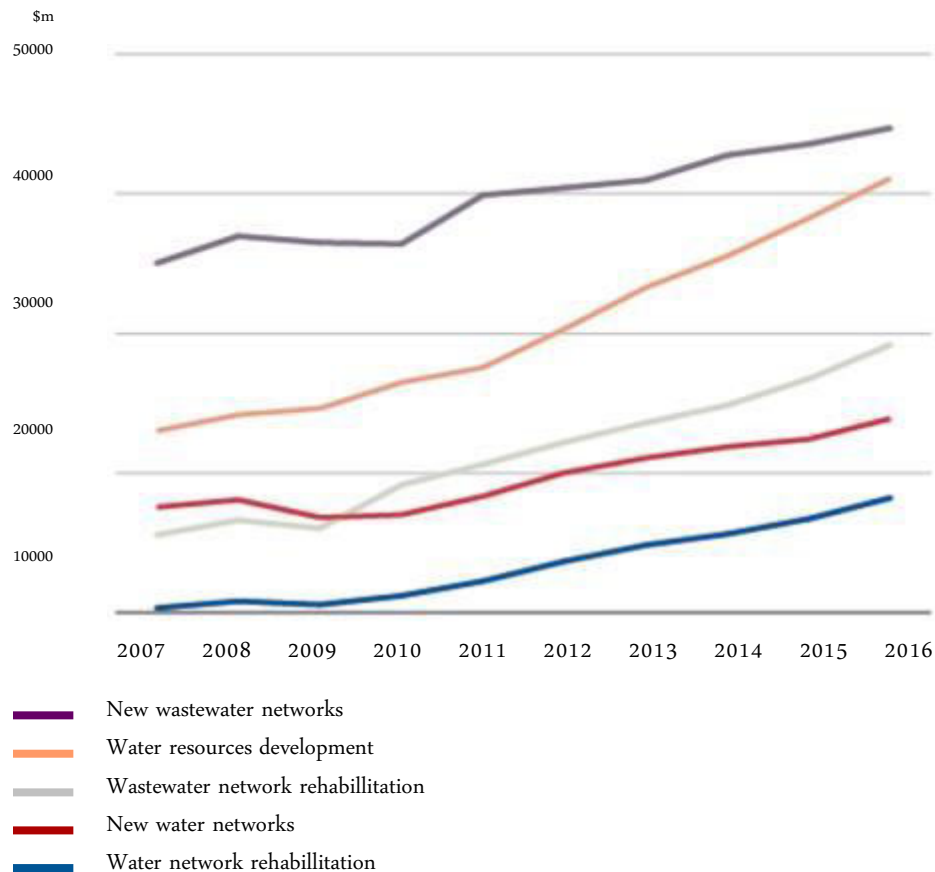
	Major trend	2010	2015	2020
1	Drinking water & sanitation needs	Driven by new build in Asia Pacific, Middle East, North Africa and Latin America	China, Latin America nears completion of basic sanitation infrastructure	India drives the global momentum of meeting millennium linked drinking and sanitation needs in developing countries
2	Water reuse & recycling	Water stress driving water reuse in Middle East, Australia and US	Spain water reuse & recycling catalyses growth	China & India boost momentum
3	Biogas from wastewater	Carbon footprint drives energy recovery particularly in industrial	Bio-solids concerns in municipal sector catalyse growth in Europe & US	Sludge generation in developing countries triggers biogas market
4	Bio-solids management	Bio-solids steeps up concern in EU	Incinerators gain in popularity in Central Europe	Sludge dewatering continues to be the choice for developing countries
5	Resource & nutrient reovery	Closed loop systems gain popularity particularly in sectors such as PV	Produced water sector for oil & gas establishes presences	Asia Pacific emerges as the strongest market opportunity for bio-solids
6	Public health & water security	Concerns on chlorine by-products benefits non-chlorine disinfectants such as UV	UV joined by Ozone, advanced oxidation as well as chlorine alternatives	Mines and minerals cement market opportunity for sustainable business models for recovery
7	Smart water grids	Leakage prevention and identification gains prominence with utilities	Smart meters and monitors deployed to secure better integration of performance	Complex contaminants such as endocrine disruptors gain focal point
8	Water trading	Water stress drives water trading market in Australia and North America	Municipalities establish commercial links of selling treated wastewater to industry	Smart water grids move East
9	Decentralized integrated sys	Decentralised systems' market heats up in Southern, Central & Eastern Europe	Rainwater harvesting systems emerges strong market in Asia Pacific	Marketplace established for water trading between municipalities and commerce
10	Storm water management	Europe & North America evaluate best options to tackle extreme weather events related flooding	Utilities opt for streamlining collection and storage/treatment/reuse/disposal; of storm water	Utilities begin to opt decentralised units in mega cities
				Storm water management emerges as integral part of water resource management plans

Source : Frost&Sullivan, World's Top Global MegaTrends To 2020 and Implications to Business, Society and Cultures – 10/2010

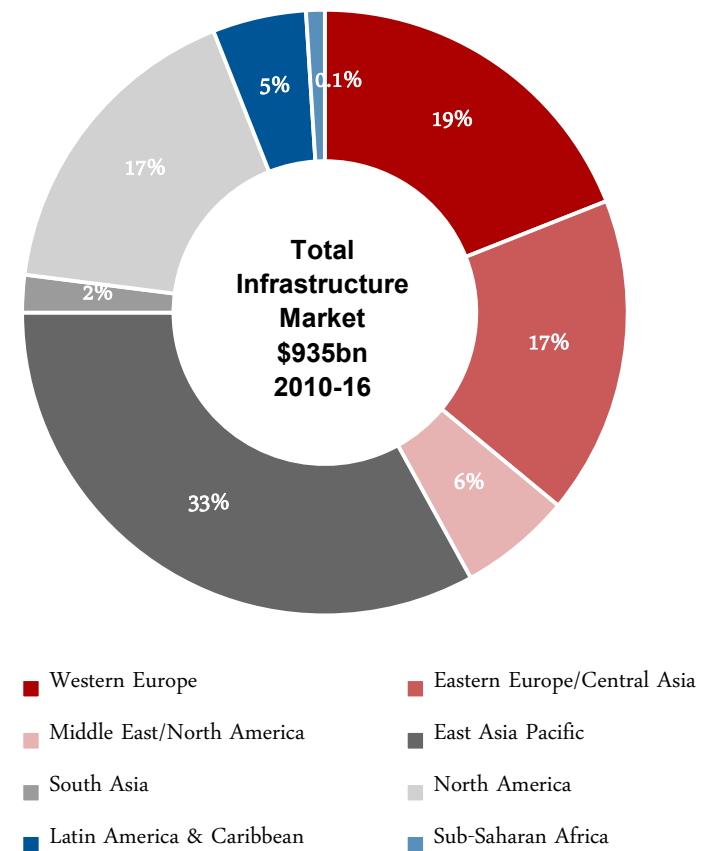
Trends creating opportunities for private sector...

Rehabilitation and new resources development...

... more than new networks



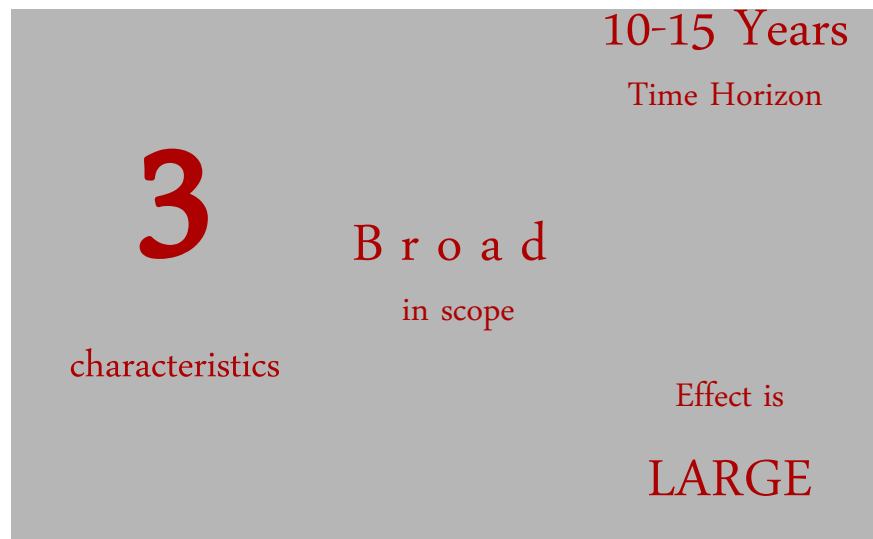
Breakdown of infrastructure market by region



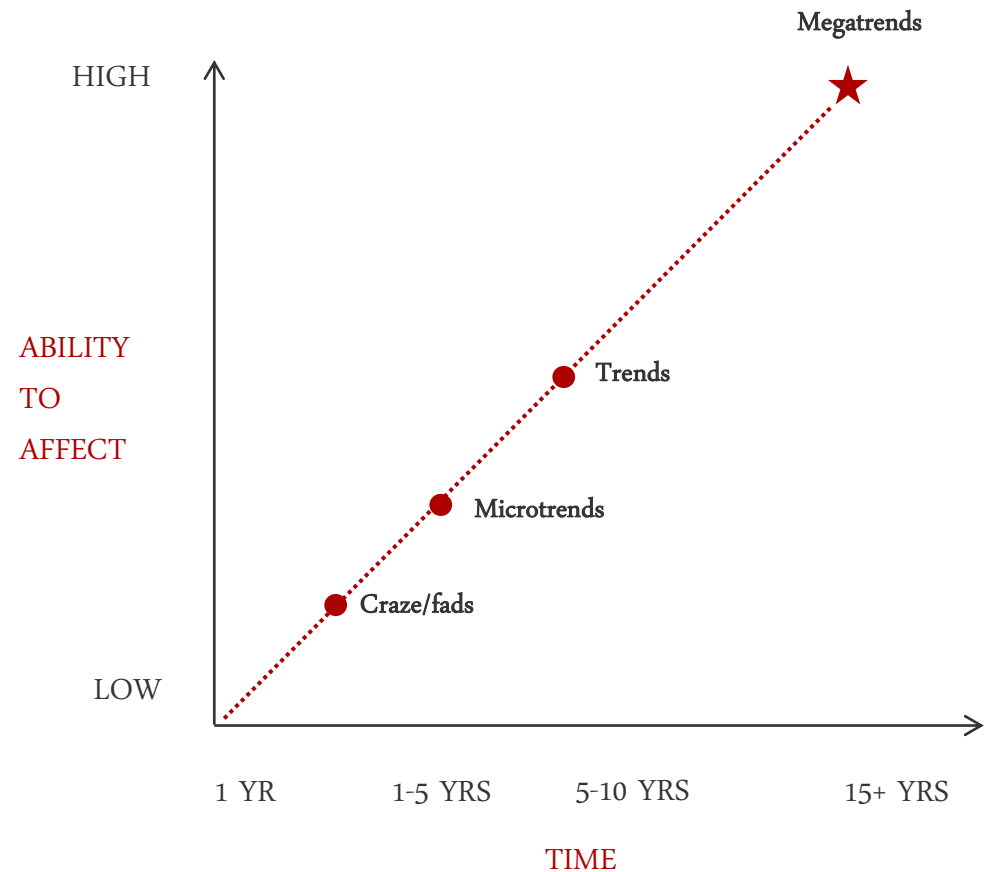
Source: Global Water Intelligence – Water Technology markets 2010

Megatrends

- Megatrends are large, social, economic, political, environmental or technological changes.
- They impact business, economy, society, cultures and personal lives.
- They represent seismic shifts, providing long term investment opportunities

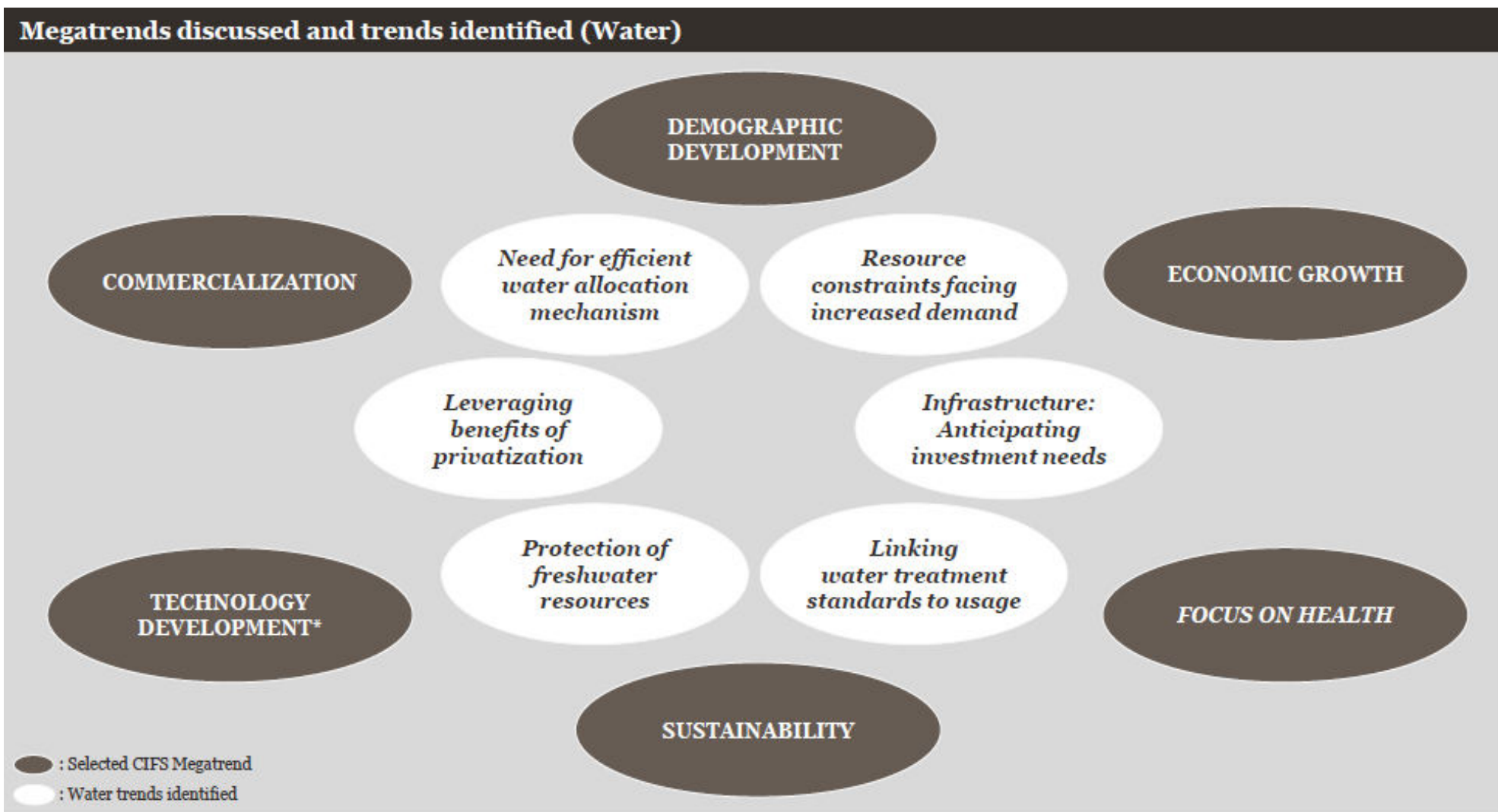


Forces with the ability to impact society, the economy and our lives...



Source: Copenhagen Institute for Futures Studies

A freshwater stewardship framework



* The CIFS Megatrend "Technology Development" was at the workshop, and after, discussed as potentially relevant for the Water theme

Summary

Why we work with Megatrends

- Provides a secular framework to monitor our investment themes which is decoupled from shorter-term (cyclical) and other market factors.
- The “top down” secular growth view provides a contextual framework for our “bottom-up” fundamental investment approach.

Key outcomes

- Addressing water issues in a sustainable way requires a deeper understanding of both its Environmental, Social and Economic dimension and their inter-dependence.
- Concepts that aimed at increasing awareness are not necessarily suited for designing the intended optimum resource allocation outcome.
- Constructing sustainable freshwater allocation mechanisms increasingly needs to consider not only quantity, but also incorporate the required quality dimension.

Biography



Philippe Rohner

Senior Investment Manager
Sector & Theme Funds team

Philippe Rohner joined Pictet Asset Management in 2002 and he is a Senior Investment Manager. Philippe is co-manager of Pictet's Water funds. Previously he was at Pictet, as an Equity Analyst in the Institutional Brokerage Services (now Helvea SA) starting in 1998.

He began his career as a Chemical Engineer at Texaco's Port Arthur Research Labs (Air & Water Conservation Dept). Then he joined Ciba-Geigy where he held managerial positions in R&D and Manufacturing both in Switzerland and the UK. As Investor Relations Manager, he was part of the task force in the successful spin-off of Ciba Specialty Chemicals as part of the Ciba-Geigy and Sandoz merger.

Philippe holds a Ph.D from the Swiss Federal Institute of Technology (ETH), an MBA Degree from the University of Strathclyde and completed post graduate courses in Environmental Engineering at the University of Texas.

For more information, please contact

Pictet Asset Management

www.pictet.com

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