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Think Tank Podcast: October 2021

The future of everything: global mega trends aided by a mega platform

TRANSCRIPT

Nisha Pillai [NP] Welcome to the Julius Baer Think Tank Podcast. In this series we'll be walking you through the mega trends of the future and bringing you closer to our network of thought experts capturing the world's major changes and putting them into context for us.

I am Nisha Pillai, former BBC World News presenter and your moderator today.

Now you have probably heard the expression “how we invest today is how we live tomorrow”? While of course we don't know exactly tomorrow will look like we can be pretty certain it will be different from today. Some of these trends start small and seem unimportant at first. Eventually, they become so significant that they can't be reversed. These so-called megatrends are often interconnected, which makes them even more powerful.

Today, we'll be talking to Carsten Menke, Head of Next Generation Research at Julius Baer, and Hamad Hisham AlShirawi, Senior Manager within the Expo Business Programme at Expo 2020 Dubai. What about? About how they see the key mega trends and how mega events like the Expos can act as a platform for innovation and collaboration.

Hello Carsten, hello Hamad, welcome to you both.

Hamad Hisham AlShirawi [HHA] Hi Nisha, Thank you for having us.

Carsten Menke [CM] Hi, Thanks for having me.

[NP] I am going to start with you, Hamad. Congratulations of course on the opening of Expo 2020 Dubai. Dubai as we know it is something of a melting point of different cultures. How is the world Expo going to take this to the next level? Is that one of your aims?

[HHA] Thank you for the introduction. We couldn't be prouder to be hosting Expo 2020 Dubai - the first World Expo to be held in the Middle East, Africa and South Asia (MEASA) region, and the largest event ever held in this region. Our overarching theme is “Connecting Minds, Creating the Futurer”,

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and we look forward to opening our doors on 1 October. The Expo 2020 will run for 182 days, as a global gathering dedicated to bringing people, communities nations together – to build bridges, inspire action and deliver real-life solutions to real-life challenges around our key three sub themes - Opportunity, Mobility and Sustainability. We are looking forward to welcoming 25 million visits during this timeframe. We are proud to be the most inclusive World Expo ever, with 192 nations participating, and for the first time, every country will have its own pavilion – a first in the history of World Expos. We will have something for everyone; across all ages, all nationalities and all interests, covering entertainment, culinary experiences, technology, architecture or arts.

[NP] Every country will have its own pavilion, I didn't know that. Carsten, bringing you in now: expos have always been forward thinking, future-focused kind of events and that is pretty much the work that you lead at Julius Baer, the Next Generation Research? We have spoken several times before, but I have never actually asked you how does your future oriented research resonate with your clients?

[CM] First and foremost, it is because we are in fact looking ahead. We are looking into the future and the heart and soul of the Next Generation investment philosophy is to understand the long-term structural trends, which are shaping the world around us. Secondly, we do this in a very tangible way as we take up trends such as Ageing, Digitalisation, and Urbanisation, to name a few. In addition, these resonate very well with our clients. Why? Because they can relate to them, we can all relate to them because we are affected by these trends and that is why we all want to learn about them. Finally, we turn these trends into very tangible investment themes, so thereby we provide a more personalised way of investing. Clients can pick all the themes or those, which they are interested in without bothering too much about the technical side of financial markets such as the next interest rate hike by the US Federal Reserve or the current debate about inflation.

[NP] Interesting. Now, Hamad, how are you going to keep your visitors safe?

[HHA] As we prepare to welcome the world to Expo 2020 on the first of October, the health and safety of all visitors is ultimately our No. 1 priority. Whether it is visitors or participants or our staff, we have recently announced added measures to ensure a safe event. Anyone who is above the age of 18 should show a proof of vaccination or a negative test valid in the past 72 hours. Those who are not vaccinated will still be able to benefit from PCR testing facilities that are available at the Expo site or a network that is also available across the city. We will be continuing to follow guidance from

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our leading medical experts as we progress and adjust measures as and when required to ensure our commitment of hosting an exceptional experience for everyone.

[NP] Carsten, I would just like to ask you for your reflections looking back on the last 18 months of living with the Covid-19 pandemic. We have seen an acceleration in digitalisation - really striking acceleration. Have you seen any other big shifts that have been accelerated by the pandemic?

[CM] Though it has only been 18 months, it feels like much longer. I want to highlight a trend we have seen in society at least from our own perspective in Next Generation research and it is that of conscious consumption. Of course, this is something that is closely tied to the overarching trend of sustainability, which has picked up steam during the past few months. As people were locked down, they were forced to slow down. They had more time to think about how they have been living in the past and what they want to change in the future. So consuming more consciously and living more sustainability is a key outcome of this thought process for many.

In terms of digitalisation, of course this is a trend which we have been observing already well before the crisis. We have written our first research reports on e-commerce and cloud computing over a decade ago. We have written about cybersecurity five years ago and about digital health three years ago. These are well-established themes within Julius Baer's Next Generation and our clients have been investing in them for years. Will these trends reverse? No. Not being digital as an organisation or a society is not an option anymore. The digitalisation trend has been lifted to a higher level by the corona crisis; it is running at the same speed or even slightly faster than before.

In fact, this is the case for many – if not all – the trends we have been observing before. The corona crisis has been an accelerator and we would go so far to say that – in contrast to some initial statements – the crisis has not created any new trends. A case in point is by the way also is the polarisation of our society – to get back to that topic, which has become very evident during the past 18 months.

[NP] Hamad, to sort of pull you in to ask you about digitalization now: the Expo is taking place at a critical time, just as we are attempting to transition out of the pandemic to some sort of normality Do you agree with Carsten on the digitalization front?

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[HHA] I echo Carsten's interest and focus on digitization as we have "technology and innovation" as a cross-cutting theme, across all our theme weeks. From a business perspective, this six-month event – will be the first event of its size and scale since the start of the pandemic – It will act as a beacon of hope for the global business community. The Expo represents an unprecedented opportunity for businesses from around the world to come together and foster a more diversified and resilient global economy, This will be primarily achieved through what we call the Expo Programme, known as "Thrive Together". This is the dedicated, business-focused track of Expo's wider Programme for People and Planet, offering a range of curated events; tailored products and services that will empower business visitors and participants to explore new business opportunities, forge new partnerships and ultimately collaborate towards economic prosperity.

[NP] Carsten, I wanted to ask you about circular economies which has received a lot of attention, but it is really not that straightforward to implement, is it? Do you think events like the Expo can focus more attention on the need for more circularity?

[CM] To briefly explain circular economy; is a concept to tackle the world's waste challenge. It turns a linear waste stream that ends in a landfill into a circular one that enables the reuse of resources. As a closed loop system, it aims to avoid needless waste by retaining/recovering the value of materials, components, or whole products. As such, it fits very well to the trend of conscious consumption, which I mentioned earlier.

That said, if we analyse how far different regions of the world are in terms of embracing or enabling the concept, we observe striking differences between prosperous developed countries and less prosperous developing countries. The prosperous ones start of a very high base as for most of them, a proper waste management system is already in place. This is a pre-condition for the circular economy. In contrast to that, there are many less prosperous countries which do not have such a system and which thus are still far away from creating a circular economy.

How can the Expo help? First and foremost, it is the platform itself which is helpful. It brings people together; it fosters the exchange of know-how and ideas. It is a window to what is possible in terms of avoiding waste, increasing resource efficiency or reducing the environmental footprint. So, it brings together those that have these ideas and those that are looking for solutions. Furthermore, the Expo also puts the circular economy into the spotlight, guaranteeing an attention, which it would not have achieved otherwise.

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[NP] Hamad, how do you see the Expo 2020 promoting the circular economy, kick-starting these discussions, like Carsten said? How critical is it in the total Expo 2020 mix is what I am asking you?

[HHA]: Circular Economy is one of the pillars of Expo 2020's sustainability strategy. As the largest event ever staged in the region, we recognize our integral role in helping to meaningfully reshape the consumption and disposal of everything we use. Our mission is for a minimum of 85 per cent of all waste that will have to be segregated, treated and diverted from landfill. Recycling strategies for the minimisation of waste production have been considered across all phases of work from design through construction, and into operational decisions.

As I mentioned, one of our key sub themes is Sustainability that will cut across all of Expo's Theme Weeks and we will also have a dedicated theme week on Climate and Biodiversity. During that week, we will have a Thematic Business Forum on Climate & Biodiversity, which will be a platform to discover the latest business opportunities and cutting-edge technologies in the field and learn about the progress achieved by the UAE, our international participants and Expo partners. Some of the focus areas you can expect in the session include biotechnology, net-zero energy systems and green financing. It will be invaluable opportunity for countries to network, exchange ideas and connect with world- renowned industry leaders.

[NP] Clearly, sustainability is a pressing issue for all whether it is consumers, employers, governments and investors. Carsten, how do you see Julius Baer's Next Generation Investment Research being incorporated into a sustainable investment framework?

[CM] Sustainability, for many years is one of the mega trends, which is underlying to the Next Generation Investment Philosophy. It is a dominant driver of change in so many areas and that is why it qualifies in our point of view as one of the mega trends.

Think about energy transition, that has sub themes such as clean energy, future mobility and low carbon. Think about our feeding the world theme, where we have just published a report on food and technology. Think about Future Cities, where our claim is that they will grow smarter and more sustainable.

That said, we always want to be responsible investors which means for every company we analyse, we take environmental, social and governmental, the so-called ESG factors, into consideration. Why

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is that? Because they provide important insights into the corporate culture of any company which from our perspective is crucial to its long-term success. All in all ESG factors are important for us to separate leaders from laggards and that is what the Next Generation philosophy is all about.

[NP] Hamad, the sustainability pavilion at the Expo is called Terra. It is going to be one of the biggest structures at the whole event. Do you think the building itself will have an impact on how visitors think about sustainability?

[HHA] Terra will ultimately bring to life the UAE and Expo 2020's commitment to sustainability, acting as a catalyst for change in the UAE, the region and globally. Terra is one of the Expo 2020 Dubai's signature experiences – taking millions of visitors on an immersive journey through the wonders of the natural world and inspire them to create a better, more sustainable future. The visitor experience tells the enchanting story of humankind's relationship with nature, while addressing negative environmental aspects, caused in large part by human behaviour, helping visitors – especially the younger ones, to understand their impact on the environment and for them to become agents of change.

During Expo 2020, Terra will also host entertaining and enriching events, such as science shows and cultural performances that reflect the Sustainability sub theme. However, post-Expo, the Pavilion will continue to inspire future generations and serve as an example of sustainable design architecturally, with the building to become a Science Centre in District 2020 – the new city that will evolve post Expo.

It is designed by Grimshaw Architects, and it is planned to meet LEED (Leadership in Energy and Environmental Design) Platinum green building standards. Terra is built to be net-zero for both energy and water in legacy.

[NP] Carsten, with COP26 just around the corner, lets finally talk a bit about the energy transition, the scale of the investments required, new energy systems - it is quite massive. Who will be the winners and losers do you think, in the race to net zero?

[CM] I would say that the starting point - the shift to net zero is a major transition for the world economy – arguably the biggest one we have ever experienced. For some sectors and companies, this provides massive opportunities. For others, it provides massive threats. Some sectors and companies will be winners, others will be losers. Some will be leaders and others will be laggards. In

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addition, this is the core of the Next Generation investment philosophy, to separate the leaders of such a transition from the laggards. That is what makes our work so exciting, not least, because companies themselves are transitioning during such a transition, as they do not want to be left behind.

In terms of sectors or in terms of waves, let me highlight four - The first wave to the shift of net zero is about energy transition – it is about clean energy. This one is most progressed all over the world, as clean energy has become cost-competitive with conventional power sources in most markets. However, there is a lot of room for future growth. The second one is electric mobility. This trend has only begun if we consider that plug-in cars are still a minority in most markets but there is also a lot of growth potential. Today, sales are rising rapidly and plug-in cars should reach a market share of 60% by 2030, which is less than ten years from today. Now on to the ones that are more distant or more complex. The third wave is about the heavy industry, materials such as aluminium, cement or steel. This transition has not really started yet and it will also take time as the value chains are very complex. Furthermore, solutions vary and they are not ready yet, if you consider carbon capture and storage or hydrogen. Finally yet importantly and outside the energy transition, the fourth wave is about food or more precisely the carbon emissions related to animal products, most prominently meat and dairy. While alternative meat and dairy are on the rise, they remain niches for now. Arguably, transitioning our food towards zero will be most challenging, as it will require a change in habits and values, i.e. it is driven by social rather than technological factors.

[NP] Very interesting. I can feel a whole another Think Tank podcast on energy transition coming up. For now, thank you so much, Carsten and Hamad. All the best to Hamad and the whole Expo 2020 for the next six months. We look forward to seeing how it all unfolds.

If you have any questions on the Next Generation investment philosophy, please do not hesitate to contact your representative at Julius Baer.

Thank you for listening to this episode of Think Tank. I invite you to subscribe to our podcast series on Spotify and Apple Podcasts.

From me Nisha Pillai, goodbye for now.