

# Scope



## Entrepreneurs. Thinking future.

02/2019

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# The future belongs to the courageous

## Michel Degen

Head of Asset Management  
Switzerland & EMEA



There is no doubting that, by global standards, Swiss companies find themselves in a highly privileged position. They benefit from world class universities such as the ETH Zurich and EPF Lausanne, not to mention political stability, in addition to above-average innovative capacity and competitiveness.

The high level of awareness and understanding of responsible corporate governance is firmly and traditionally embedded in Swiss culture. That said, it would be short-sighted if not dangerous in the long run for Swiss companies to sit back and rest on their laurels. Not only are changes in the global geopolitical environment exceedingly rapid, but growth plans of other industrialized nations are also hugely ambitious – in particular those of expanding emerging economies such as China. There is a need for action, for example when it comes to the financing of SMEs that have already demonstrated the effectiveness of their business model. For years, Credit Suisse has been promoting and supporting SMEs in Switzerland with innovative solutions.

Entrepreneurial long-term thinking extends to acting responsibly. It is Credit Suisse Asset Management's deep conviction that attractive long-term investment returns can be achieved by integrating sustainability criteria such as ESG in the investment process. Accordingly, we have decided to transition our product range to sustainability and by end-2020 manage CHF 100 bn in assets integrating ESG criteria.

This issue of Scope provides you with facts and figures, as well as exciting background information on the stated topics. Burkhard Varnholt, CIO of Credit Suisse Switzerland, explains in an interview the many beneficial effects of Swiss openness. And Nils Müller, futurologist, would like to see more entrepreneurs embracing disruptive thinking and fewer engineers merely specializing in the optimization of familiar technologies. We are only too happy to jump on the bandwagon. The courage to embrace change pays off.

Happy reading!

A handwritten signature in dark ink, appearing to read 'MD', written in a cursive style.

Michel Degen

For a business to be successful in the future, it has to be bold and have a pioneering spirit, a great capacity for innovation, and a healthy dose of madness. Forecasts are less reliable indicators of future success. For example, the words of Ken Olsen, former CEO of technology company DEC, “(T)here is no reason for any individual to have a computer in his home,” spoken in 1977, nearly have a prophetic quality to them now, considering the mobile devices we carry around with us that have long overtaken desktop PCs in terms of performance.

# Fit for the future



Scope interview with Burkhard Varnholt, CIO Credit Suisse Switzerland

Investors would do well to open up more to innovative topics such as edutainment.

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Investment strategies and product portfolio geared toward ESG

Credit Suisse Asset Management incorporates environmental, social and governance criteria in its investment process. The benchmarks are also sustainable in the future.

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Safety and security spurs on entrepreneurs and investors

The need for smart solutions is strongly on the rise with innovative developments such as the cloud and 5G. Investors can take advantage of this momentum.

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# “A little madness changes your perspective immensely.”

## Interview with Burkhard Varnholt

CIO Credit Suisse Switzerland

### **Burkhard Varnholt**

Burkhard Varnholt has been Chief Investment Officer (CIO) Switzerland of Credit Suisse since January 1, 2017, and Deputy Global CIO and Vice-Chairman of the Investment Committee of Credit Suisse since November 2016.



Switzerland's openness to the world and willingness to see things from different perspectives have had a strong and positive influence on the Swiss economy. Investors, too, would do well to be open to innovative topics such as edutainment, as the online education market harbors enormous potential.

**Mr. Varnholt, does it take a certain degree of madness to be open to all ideas and options nowadays?**

*Burkhard Varnholt:* As George Bernard Shaw, whom I admire very much, once said, "We want a few mad people now. See where the sane ones have landed us!" To me, madness is closely related with openness – which is why it carries positive connotations in my book. In German, this relationship is expressed quite clearly in the very word for madness, "Verrücktheit," which is a derivative of the verb "verrücken," which means to move or displace something. So if I move the chair I'm sitting on now, I change my perspective – I see things differently, I am open to other views. Looking at the world without blinders significantly expands your view.

**Switzerland traditionally does well in the Innovation Indicator of the Federation of German Industries (BDI) and ranks first in the openness indicator. Do you agree with this view of Switzerland as being very open?**

Yes. In my experience, Switzerland is extraordinarily open. One sign of this openness is just how present the Swiss economy is abroad. Wherever I travel in the world, I find outposts of Swiss companies. This local presence as well as generally very good local ties would not be possible if Switzerland were not already culturally open.

**Trade restrictions are increasing, governments are preaching unilateralism – what price will we have to pay for this reversal in openness?**

As a liberal-minded economist, I prefer open borders to closed barriers. Politicians engaging in trade disputes are ultimately shooting themselves in the foot. This is really about geopolitical rivalries. Ten years ago, China had a gross domestic product (GDP) of USD 2 tn, compared with USD 10 tn in the US. Today, China's GDP is USD 12 tn, while the US generates USD 18 tn. So the US's lead has shrunk from fivefold to 50%. This drastic change is making many people uneasy.

**And this unease can be exploited politically, as can be seen in the US...**

"Angry society," comprising people who feel that they haven't adequately participated in the success of globalization, is not a US-only phenomenon. It exists in Europe, too. What else could explain the Brexit vote? Or the success of populist parties in so many European countries?

**What about the openness of investors to investments that are compatible with ESG criteria (environmental, social, governance)? They are estimated to account for less than 10% of the total market in Europe.**

When the then UN Secretary, General Kofi Annan, launched the Principles for Responsible Investment (PRI) in 2006, he triggered a movement to which the vast majority of institutional asset managers now subscribe. The concept of responsible investing has come of age and is now established in asset management. If there is one thing the financial industry can do for the good of the world we live in, it's to follow these principles. This means taking an open-minded approach to investing and a holistic view of how a company operates and how it benefits people today and, above all, tomorrow. However, private investors are not actually that aware of ESG investments yet.

**Will this change?**

Almost certainly. When I talk to young investors or representatives of the next generation, ESG is always the number one topic. I regularly meet members of the Young Investors Organization across the globe. Every time, the conversation turns to ESG within the first five minutes. It's way more interesting to young investors than P/E ratios, stock prices, book values, or interest rate forecasts.



“We have to use our financial expertise to promote ESG investing.”

**What’s the most frequently asked question?**

What can we as asset owners do to ensure that, in 30 or 40 years’ time, the world will still be as livable as it is today? We have to use our financial expertise, our core business, to promote ESG investing. Based on my professional experience and the academic literature on ESG investing that I have read, risk-adjusted returns on such investments are fortunately improving.

**How does an investor know whether a product actually is ESG compliant?**

That can be quite difficult and time-consuming. Credit Suisse therefore documents the ESG-compatibility of client portfolios in a clear monthly fact sheet. With the aid of charts and tables, it shows how a portfolio has been performing in terms of its ESG rating, including a comparison with benchmarks.

**How do you rate emissions certificates as a way of reducing greenhouse gases?**

It’s probably the best idea we’ve had to efficiently and purposefully reduce our ecological footprint in terms of CO<sub>2</sub> emissions. Millions of tons are securitized in certificates. It is then up to the market to decide how much a ton of CO<sub>2</sub> emissions is worth. Companies that have funds left over after paying for their emissions will continue to operate. The others will disappear. That’s why I’m convinced that if nature could choose a patron saint, it would choose the market.

**What would be the alternative to emissions trading?**

Myriad regulations governing the emissions of each sector.

**Which investment themes should investors be open to at the moment?**

Themes that promise strong growth. If the theme and the timing are right, thematic investments will generate profit growth that is not only higher than that of the overall market but also more resilient to economic cycles. Funds that focus on themes such as security, robotics, or digitalization in healthcare have demonstrated in impressive ways that they can outperform the MSCI World not merely by one or more basis points, but by one or more percentage points.

**What are the key success factors of thematic funds?**

A long-term orientation – we're talking three to five years here – and a strict focus on pure plays, that is, companies that have a clear business model aligned to a clearly defined market.

**How do you identify pure plays?**

By searching patiently and thoroughly. By making numerous personal visits to medium-sized companies that occupy leading positions in very specific industries and that aren't part of the familiar investment universe.

**That sounds like a lot of effort ...**

It is. For fund managers to feel entirely confident in buying a company's stocks, they will have had to visit about ten other companies beforehand. This groundwork tends to happen in the background and is scarcely noticed by investors, but it is valuable and, in most cases, adds value.

**Do you sell an investment if a company no longer qualifies as a pure play, for example following a takeover or merger?**

It's the fund manager's job to always consider all circumstances. But, yes, we are very anxious to comply with the requirements. Our clients expect no less.

**Let's take a closer look at global education. Will technological change in education mean that traditional schools and teacher-centered instruction will become obsolete?**

No. Old and new will coexist. It's widely accepted that we learn better if we're emotionally and practically involved. As a kid, you don't learn to walk by reading a book on the subject but by falling over. That's not new. What is new, though, is the enormous range of educational offers based on play and fun that are available online. Infotainment and gaming are only just entering the education market because traditional educational establishments have yet to embrace the concepts. Edutainment currently accounts for only about 2% of total spending in education. However, I have no doubt that in ten years' time, this percentage will be closer to 20. Edutainment is a real megatrend. In the US, 81% of college students already report that online offerings help them improve their grades<sup>1</sup>. The e-learning market is expected to generate revenue of more than USD 243 bn by 2022.

<sup>1</sup> <https://www.statista.com/topics/3115/e-learning-and-digital-education/>

**E-learning providers tend to be privately owned and profit-oriented. Isn't the education of our children first and foremost a public responsibility?**

In our part of the world, schools at all levels are for the most part public. However, if public structures and services are lacking or insufficient, private players should and must fill the gaps.

**What constellation are you thinking of?**

In my personal experience, I have seen the lasting effect that online education or edutainment can have via the children's charity "Kids of Africa," which I founded 16 years ago. We chose to work with the Indian provider Aptech Global Learning Solutions to provide some of our kids in Uganda with IT training. The company was founded in 1999 and today offers well-run IT training courses in more than 50 countries, enabling 7 million people to obtain a state-accredited degree in recent years.

**Are digital learning techniques particularly suitable for developing countries?**

No. Demand for edutainment services is highest in the US<sup>2</sup>. The main reason is the cost of education.

"Parents in emerging markets will invest everything they can in the education of their daughters and sons."

**Can you elaborate on that?**

In the US, education costs have risen by 1,225% over the past 40 years – almost five times more than cumulative consumer inflation. But the expensive US education system is financially inefficient. The dropout rate is far too high: 37% of all students fail to graduate from college. What's more, 40% of US students pay for extra tuition in addition to their studies. The average American college graduate is left with USD 37,000 in student debt. Reason enough to improve the cost-benefit ratio of education with the help of accredited online courses. These are cheap, effective, and popular because they are interactive. They are accessible round the clock and offer participants immediate individual feedback, promoting students' learning progress more effectively than traditional methods do.

<sup>2</sup> <https://www.futuremarketinsights.com/reports/edutainment-market>

**But the greatest growth potential for edutainment probably lies in Asia.**

That's true. With 4 billion inhabitants, Asia is the biggest market. It has a 45% share of the global market and the highest growth rates. The US and Europe have a market share of around 43%. I spent three weeks in China this summer. Almost no one there speaks English, even if everyone claims that English is a compulsory foreign language. There just aren't enough good English teachers. How do you solve this type of problem in a country that has a population of 1.4 billion? By using the internet and teaching English online, too. In coastal regions, the urban landscape is teeming with private language schools advertising English courses with online training and edutainment offers.

**Are people willing to invest in education?**

Especially in emerging countries, where most people receive no academic training, the value of an academic degree is disproportionately high, at least much higher than in Europe. This is precisely why parents in emerging markets will invest everything they can in the education of their daughters and sons. Although, "everything they can" is less than in Europe or the US. That's why the edutainment business, which is much more scalable than teacher-centered instruction, will prevail. In emerging markets, online education represents a window to the world. It opens up huge opportunities for social groups that would otherwise have no hope of receiving an education.

**Which companies in the edutainment sector have impressed you personally?**

The largest private language school in China, the Swiss-Swedish company EF Education First. Founded in 1965 by Swedish entrepreneur Bertil Hult, the company is a pioneer in the global edutainment market. EF was quick to understand how to earn good money with fun and attractive language training. It opened its first foreign language school in Shanghai in 1983, followed by one of the first online language schools in 1996, Englishtown. EF was a national partner of the Olympic Games in 2008 in Beijing and again in 2016 in Rio de Janeiro. Today, EF has more than 45,000 employees and generates revenue of more than CHF 2 bn a year, making it the world's largest private-sector education company according to its own estimates. The example of EF shows that edutainment is not only a rewarding business, but can also provide valuable impetus for sustainable social development.





### Physical proximity

Despite the rapid expansion of online education, being physically present is invaluable. Which is why the Swiss Federal Institute of Technology Lausanne (EPFL) deliberately runs museums and exhibitions that promote dialog and greater awareness of historical contexts.

**Martin Vetterli, the president of the Swiss Federal Institute of Technology Lausanne (EPFL), which was founded 50 years ago, recently said in an interview that while you can learn a lot on a distance learning course, the atmosphere of a lively campus is irreplaceable. Do you share his opinion?**

Absolutely. It's no coincidence that there are clusters in the world. The "start-up valley" surrounding the EPFL in Lausanne or the wonderful success stories of the many start-ups from the Swiss Federal Institute of Technology Zurich (ETH) speak for themselves. If it hadn't been for the ETH, Google would not have come to Zurich. As a high-tech cluster, you cannot compete with Silicon Valley by opening a government-funded innovation center somewhere or other. It's the clusters that never stop developing that prevail.

**How important is physical proximity in this context?**

It's indispensable. You absolutely need young, hopefully slightly mad people who are fully dedicated to an idea to be physically present in the same place. You will never be able to replicate this campus spirit in the digital space. The physical proximity of like-minded people who view challenges from different perspectives and approach solution-finding differently is irreplaceable. It's one of the reasons why Switzerland is so innovative and competitive.

**You mentioned successful start-ups. But when successful young entrepreneurs want to grow, they often find it difficult to obtain funds ...**

Yes, that's true. The venture capital scene in the US is more mature, broader, and deeper than in Switzerland or generally in Europe. That's a shame, because we have great human capital. People should be free to concentrate on their core business rather than having to spend so much time raising money. However, financing options are better now than they were five or ten years ago, and there is far more interest in venture capital in Switzerland.

**To what do you attribute this increased interest?**

The zero interest rate policy, the lack of alternatives, and the fact that many such investments are quite successful.

**Mr. Varnholt, like most economists, you expect the zero or negative interest rate policy of the central banks to continue for a long time to come. What does this mean for investors?**

Zero interest rates are favorable for investments. For calm, patient investors, the environment for equities in particular remains attractive. Across Europe, institutional and private investors' equity holdings are still far too low. They will no doubt be increased in the next few years.

“Physical proximity is one of the reasons why Switzerland is so innovative and competitive.”

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# Fit and healthy

Artificial intelligence and big data are leading to far-reaching innovations and entirely new business models within the healthcare space, boosting quality of life and opening up exciting opportunities for investors.

## Imagination

Deciphering the genetic code, which contains all the genetic information of living things, is the starting point for previously unimaginable technological progress as well as visionary business models.





DNA scanning in precision medicine, forecasts of genetic changes to identify illnesses early on, individualized treatments, virtual simulations, and robotics in mental health technology – these are just some of the applications that are already on the market thanks to artificial intelligence (AI) and big data. These innovations are indicative of the trend toward greater security, individualization, and convenience within healthcare provision. There is a growing focus on preventing as opposed to treating illnesses. What is more, these technologies also harbor considerable potential to save both time and money.

Personalizing medicine offers one way in which cost savings can be achieved. Thanks to new technologies, patients can be examined more quickly, enabling the most effective treatment method to be used. This cuts treatment times and therefore also the costs involved. At the same time, this approach gives patients a better chance of making a full recovery.

Digital tools are enabling individuals to monitor their health themselves and to identify any irregularities at an early stage – before an illness develops.

### **Quicker, more precise, and more efficient**

Innovative technologies also support patients in completing treatments successfully. The failure to follow treatment programs as instructed is one of the biggest cost drivers within healthcare worldwide. In Switzerland, annual treatment costs per patient average 13,000 Swiss francs. If a patient fails to follow the recommended therapy, this figure can easily soar. Such sharp cost overruns can arise if the original illness spreads further or additional health issues emerge. When treatments are unsuccessful, the main reason is frequently quite banal – patients forget to take their medication or to follow the therapies prescribed. Monitoring tools can help people to be more disciplined, also helping physicians to quickly identify where their patients have not been following instructions.

### **Drivers of change**

As part of the 23rd Credit Suisse Salon, which was held in London in June 2019 under the banner of “Fourth Industrial Revolution: Healthcare Transformation,” various entrepreneurial pioneers provided fascinating insights into the latest developments in their businesses. The Salon is a thought leadership platform organized by Credit Suisse that offers a chance to discuss key economic, political, and social issues with leading decision-makers.

Digital tools are enabling people to monitor their health themselves and to detect any irregularities – before an illness develops.

Matthias Steger, co-founder and CEO of Endogena Therapeutics, San Francisco and Zurich, spoke about the ongoing spread of degenerative diseases on account of the ageing population. His company uses molecules that intervene in the human body's endogenous stem cells and ultimately repair and regenerate the tissue. The firm's current focus is on the eyes, and specifically on the regeneration of photoreceptors and the cells in the retinal pigment epithelium to prevent blindness. However, Endogena's novel approach could soon lead to treatment paradigm changes in other degenerative illnesses such as muscle or bone diseases including osteoarthritis, in cases of hearing or sight loss, or in neurodegenerative diseases such as Alzheimer's or Parkinson's.

Jim Mellon, chairman of Juvenescence Limited and a philanthropist and healthcare investor, believes that in future it will be possible to treat the various predominantly age-related diseases such as cancer, diabetes, and Alzheimer's on a consolidated basis. He thinks this will soon enable people to reach an age of 110 or 120. "Bio-engineering will help us to boost our life expectancy as well as the number of years we live a healthy life," Mellon commented, adding that as the birth rate is lower than the death rate, people living longer worldwide would not lead to an increase in the global population. He went on to say that if people remained healthy even in the final years of their lives, this would lower health and social costs.



## 23rd Credit Suisse Salon: Beating death – advances in healthtech

Watch the interviews on the latest developments in medicine and healthtech with some of the world's most prominent experts, investors and philanthropists [here](#).



Dr. Ali Parsa, founder and CEO of Babylon, makes AI work for his clients. The platform developed by Babylon assesses the likelihood that a patient's symptoms are caused by a particular illness and suggests whether they need to see a doctor, go to a hospital, or simply visit a pharmacist. It also offers a health check that gives recommendations about their diet, exercise, and sleeping habits.

Carefully prepared, AI-supported diagnoses can lower costs and boost people's well-being, especially in relation to preventable illnesses for which the diagnosis and prognosis are fairly straightforward – the cause of most healthcare costs. "A rule of thumb among AI experts states that anything doctors can reasonably assess with their own eyes can now also be diagnosed using artificial intelligence," reported Switzerland's NZZ newspaper on July 26, 2019 in an article entitled "Die Diagnose kommt vom Computer" (The computer makes the diagnosis).

Dr. Parsa says that Babylon wants AI to assist doctors, not replace them. The vision is for AI to make life better for patients and doctors by helping automate wherever it can and free up doctors to focus on what they do best, such as getting to know their patients better, giving a physical examination and practicing the art of medicine.



### 23rd Credit Suisse Salon: AI and healthcare: more personal and more accessible

Discover what companies are doing in primary care and fertility medicine, in our [series of video interviews](#).





# What investors need to bear in mind

The digitalization of healthcare is still in its infancy. It is therefore likely that investors will benefit from the opportunities on offer over a long period of time. Efficiency gains that will give rise to the cost savings urgently required are a key driver. Furthermore, experience to date has revealed that companies in the field of healthcare technologies exhibit above-average growth potential. These are generally smaller businesses that are run as entrepreneurial ventures and operate close to the market.

However, disruptive technologies and rapid upheavals also harbor risks, though these can generally be cushioned via broad diversification. Investors should ensure that a company has more than one product and can therefore benefit from the leverage of a technology platform. Ultimately, investors should also look for diversification within the healthcare market by spreading investments across various segments such as diagnostics, treatment, transplantation, or research.

The signs are good when it comes to long-term, successful investments in healthcare companies leveraging AI and big data. Nevertheless, developments and valuations can also be expected to move in the opposite direction. This obviously applies to the big players in the pharmaceutical sector as well. It is therefore possible that established, conservative corporations will be outflanked by these new technologies, with the future belonging to more agile, specialist firms – businesses that investors should identify as soon as possible and keep on their radar.



Relatively new businesses often have trouble raising capital in an advanced growth phase. A new kind of financing aims to help.

# Swiss Entrepreneurs Foundation: tailwind for startups and innovative SMEs

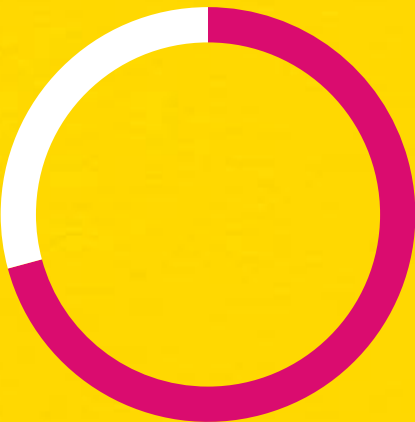
Switzerland is proud, and rightly so, of its multifaceted SME landscape. For all that, it is time to take action as we are seeing too many young enterprises migrate abroad after their foundation phase because of missing financing opportunities. It means that technological know-how and jobs are also going with them. Leading personalities from politics, business, and academia, including former federal councillor Johann N. Schneider-Ammann, agreed that this trend could not be allowed to continue and launched the Swiss Entrepreneurs Foundation. Based in Berne, the foundation has been under the patronage of Economics Minister Guy Parmelin since the beginning of 2019 and aims to support Swiss startups and innovative SMEs during their growth phase.

To do so, the Foundation implements specific projects to improve the overall conditions for young enterprises and innovative technologies while at the same time making expertise and networks available to young entrepreneurs via an international advisory board. Together with Credit Suisse and other partners, the Foundation also initiated the launch of a financing platform that makes venture and growth capital available for startups and innovative SMEs.

**“Our goal is to develop close links with companies at an advanced stage of growth.”**

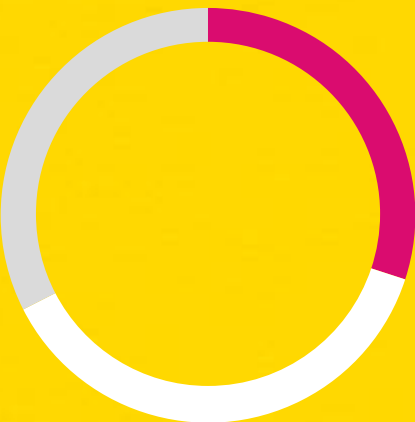
Read the interview with Didier Denat, Head of Corporate Banking [here](#).

# The financing universe



**Geographic focus**  
Predominantly Swiss companies (50%–66%) as well as businesses located primarily in neighboring countries benefit from the financing.

- Switzerland
- Other countries



**Different phases**  
Companies that qualify for financing can apply for venture capital or growth capital, depending on their stage of development. Buyouts are also an option for small to medium-sized companies.

- Venture capital
- Growth capital
- Small to medium-sized buyouts



# “The financing portal on your doorstep”

## Interview with Didier Denat

Head of Corporate Banking





**Mr. Denat, what prompted Credit Suisse to participate in the launch of such a financing platform?**

*Didier Denat:* Ever since it was founded by Alfred Escher, Credit Suisse has seen itself as the “bank for entrepreneurs” committed to sustainable growth. This specifically includes our commitment to providing young, innovative enterprises with access to growth capital. Alongside our longstanding activities as a venture capital provider, we have now created an additional platform for growth capital within Switzerland.

**What companies can apply for financing?**

The companies have to be able to demonstrate a certain amount of market acceptance, by which I mean their products or services will have been developed to market maturity, with a customer base already in place and with the companies themselves in an accelerated growth phase. Typically, these companies have evolved from their startup status. Our target companies will have entered an advanced growth phase.

**Is it necessary for the companies to already have positive cash flows?**

No, not really. But identifiable and plausible prerequisites for positive cash flows must be in place, of course.

**Didier Denat**

Didier Denat is Head of Corporate Banking and a member of the Executive Board of Credit Suisse Switzerland. Before taking on his current role, he was Head of Solution Partners and a member of the Management Committee at the Swiss Universal Bank. Didier Denat has Swiss and French citizenship. He has an honors degree in management and strategy from the University of St. Gallen.

**Is it really the case that promising companies in this development phase can't be sure of obtaining funding? That's astonishing for a financial center as strong as Switzerland ...**

Yes, you're absolutely right. Studies show that most of the highest-profile funding rounds in recent years for growth companies in Switzerland have only succeeded thanks to capital from abroad. It's a real shame that successful startups like the ones emerging from the Swiss Federal Institutes of Technology in Zurich (ETH) or Lausanne (EPFL) have no choice but to raise foreign capital or else emigrate once they have reached a certain size.

**Is capital all it takes to steer these companies toward success?**

No. Most growth phases are complex, with many new challenges having to be overcome simultaneously. This is why companies need to be assisted during this phase. They are provided with access to a network that incorporates highly qualified advisory board members in their capacity as representatives of the Swiss Entrepreneurs Foundation. Entrepreneurs benefit from the experts' collective business expertise, mentoring, and operational coaching.

### Well equipped

Credit Suisse Asset Management is fully geared to ESG throughout the organization and takes a systematic and single-minded approach to pursuing its ESG strategy.



# Destination ESG: Credit Suisse Asset Management gets down to business

Credit Suisse Asset Management is undertaking a systematic and comprehensive realignment of its investment strategies and product portfolio, in addition to integrating ESG criteria into its investment process. The realignment is scheduled for completion by the end of 2020. The incorporation of environmental, social, and governance (ESG) criteria will be consistent with the highest practicable degree, with a transition from traditional to sustainable benchmarks. Experience shows that, on average, companies with strong ESG performance outperform their peers in the long term.

Deliberate  
course toward  
ESG

2000

Credit Suisse is one of the first signatories to the UN Global Compact, the largest international corporate governance agreement.

Today, asset managers no longer have to think about whether to integrate sustainability criteria into their investment process; the question now is how far-reaching and systematic they are in applying the criteria. There is still a long road ahead: while many providers nowadays have implemented a set of exclusion criteria as a starting point and apply them to selected products, only a systematic approach to integrating sustainability-related risks and opportunities into the investment process is often missing. Credit Suisse Asset Management has therefore opted to define sustainability criteria for the equity, bond, and real estate asset classes, which will be systematically integrated into virtually all of its actively managed investment funds by end-2020. It will also realign the relevant benchmarks in parallel. Traditional benchmarks are to be replaced by sustainable benchmarks wherever practicable and wherever sustainable benchmarks are available. The number of possible equity indices to choose from is already extensive, whereas sustainable bond indices are still relatively few and far between. A specific real estate benchmark will be used for real estate investments.



2009

Credit Suisse Asset Management launches the greenproperty seal of approval for its real estate, which measures the sustainability of properties based on 35 qualitative and quantitative criteria.

2010

Credit Suisse's operations are greenhouse gas-neutral worldwide. It systematically pursues a four-pillar strategy based on operational efficiency improvements, investments, substitution, and compensation.

2014

Credit Suisse is a signatory to the Principles for Responsible Investment (PRI). Since 2014, Credit Suisse has also endorsed the Green Bond Principles (GBP), which promote the development of the global green bond market through guidelines on transparency, disclosure, and integrity.

**ESG criteria across the entire investment process**

Credit Suisse Asset Management will apply its holistic approach to various elements and stages of the investment process. For example, ESG criteria will be used to define the investment universe, will be integrated into the security selection process, and will be used as a basis to further strengthen our role as active owners. This will be accomplished through the fiduciary exercise of voting rights at general meetings (proxy voting) and the introduction of systematic, outcome-oriented dialog with company representatives on critical sustainability themes. Last but not least, Credit Suisse Asset Management already today provides detailed ESG reporting to enhance portfolio transparency for its clients. Orienting investment strategies towards sustainability has a long-standing history at Credit Suisse: within real estate we have been considering ESG criteria for a number of products and investment strategies in recent years. Accordingly, we are aspiring to apply that expertise in combination with best market practice for equities, fixed-income, and balanced strategies as well.

“We are revising our existing product range across all asset classes,” explains Dominik Scheck, Head of ESG, Credit Suisse Asset Management, Switzerland and EMEA. First, existing benchmarks are to be replaced by sustainable equivalents. While this is a relatively straightforward task for equity investments, establishing suitable benchmarks for bonds and real estate is still pretty much in its infancy. In a second step, portfolios are to be realigned to focus more on sustainability.

“Companies that we strongly feel do not have a sustainable business model will be removed from, or underweighted in our portfolios in the medium term, to the benefit of more sustainable firms. This will be done in the same way as avoiding companies that are deemed too expensive using traditional fundamental analysis techniques,” explains Scheck.

Going forward, Credit Suisse Asset Management will assign greater weight to ESG criteria that generate a positive impact on investment returns. These can include a company’s ability to respond effectively to environmental issues such as climate change or a company’s innovative strength. The ESG criteria with the greatest impact will be identified using quantitative and econometric analyses (sector-level materiality), as well as through the foresight of our sustainability and investment specialists.



2017

Credit Suisse sets up the Impact Advisory and Finance Department (IAF), which reports directly to the CEO. The IAF facilitates projects and initiatives that have a positive social and environmental impact while at the same time generating a financial return.

2018

Credit Suisse Asset Management founds the ESG Team, which is charged with implementing the comprehensive sustainability strategy.

End of 2020

Credit Suisse Asset Management's active fund offering will predominantly be aligned with ESG criteria across all investment areas – from equities and fixed income through to balanced solutions and real estate.

As part of the initiative, Credit Suisse Asset Management is in the process of systematically migrating its suite of fund products. Thematic equity funds have already been adjusted, followed by a number of fixed-income products that predominantly serve institutional clients. Some pension products and their building blocks were adjusted in October 2019. The remaining fund products are currently under review, with the objective of integrating ESG into the investment process to the largest degree possible, considering the specific product characteristics.

Leadership in sustainable real estate

For its suite of sustainable real estate products, Credit Suisse Asset Management has defined sector-specific sustainability criteria. The Global Real Estate Sustainability Benchmark (GRESB), which analyzes and assesses ESG performance in annual evaluations, serves as the ESG benchmark for direct and indirect real estate investments. For Credit Suisse Asset Management, 14 products from the Core/ Core Plus Segment are part of and rated by GRESB.

Credit Suisse Asset Management's real estate unit can already look back on many years' experience implementing ESG criteria, with building certifications, energetic building optimization and ESG performance measurement using GRESB among the core initiatives of the sustainability strategy.

In addition to market-standard sustainability labels for real estate such as LEED, BREEAM, DGNB, Minergie, etc., Global Real Estate has developed greenproperty, its own holistic ESG standard that has already been applied for over ten years. In the field of building optimization, Credit Suisse is committed to a long-term partnership with Siemens, which is put to use for short- and long-term operational optimization, as well as for long-term and capital-intensive renovations. This has made it possible to significantly increase energy efficiency and reduce harmful CO<sub>2</sub> emissions by more than 10%. Every year, the GRESB results demonstrate how successful the individual sustainability measures are relative to the real estate market and specific peer groups. The higher the GRESB score (out of a possible 100 points) or the more GRESB stars (max. 5 stars) received, the better the ESG or sustainability performance, in addition to conventional economic performance data. Based on the successful application of ESG in real estate investments, the goal is to profit from this experience and integrate ESG criteria into virtually all actively managed equity, bond, and multi-asset class investment funds by end-2020.

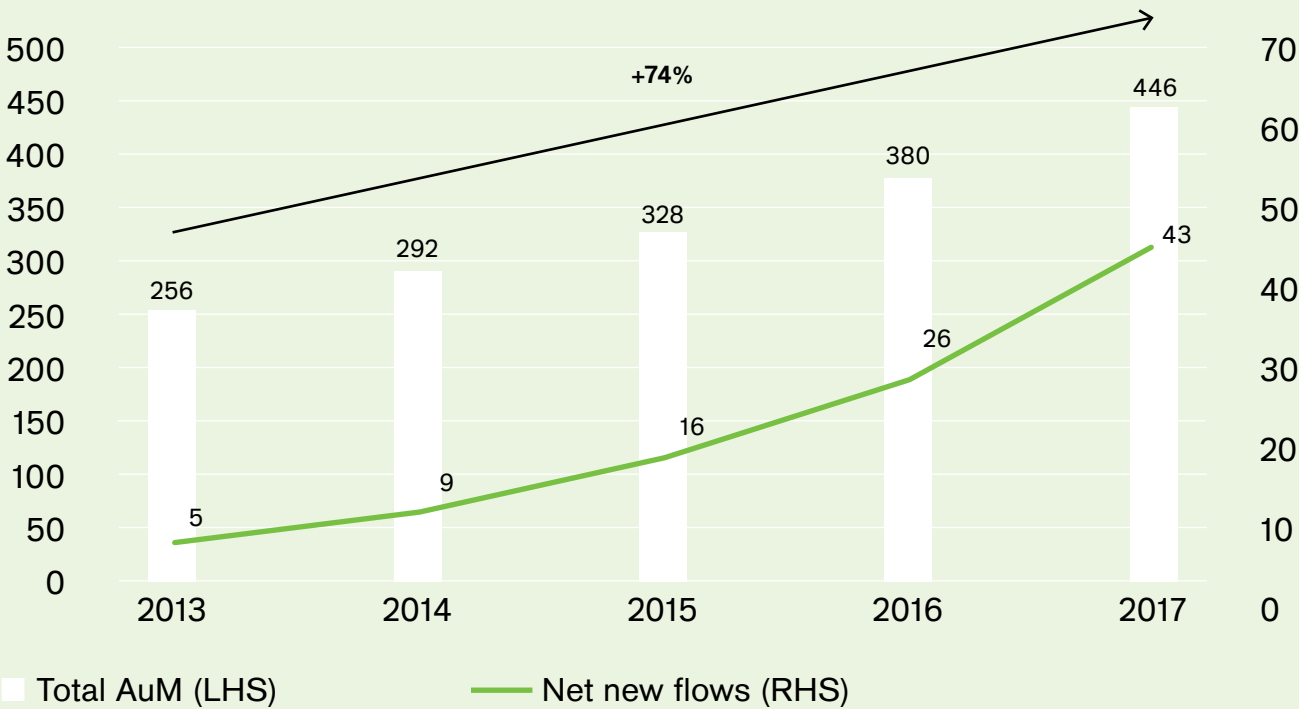




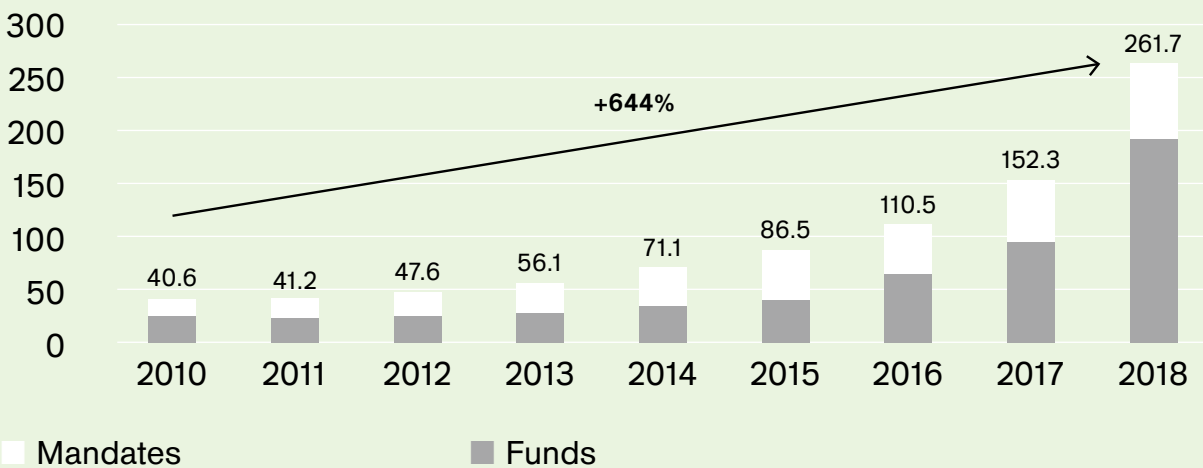
# Extraordinary growth in European ESG investing across asset classes

Asset values in ESG funds and ESG exchange-traded funds (ETFs) in Europe have risen from an estimated EUR 256 billion in 2013 to EUR 446 bn at end-2017. In Switzerland, we have seen a substantial increase in both funds and mandates over the last nine years, with an exceptional uptick in 2018 (+72% versus 2017). According to Bloomberg Intelligence, the US and Canada are experiencing similar growth rates. The significant flows into ESG investing is not just limited to equities; it is occurring across all asset classes including debt.

European ESG mutual funds and ETFs  
in EUR bn



Sustainable investment funds and mandates in Switzerland  
in CHF bn



Sources: The Cerulli Edge Series (2018): Global Edition, Number 206 (top graph).  
Swiss Sustainable Finance and University of Zurich (2019): Swiss Sustainable Investment Market Study (bottom graph).

Traditional benchmarks are to be replaced by sustainable benchmarks wherever practicable.

### **Increasing evidence for higher returns from ESG integration**

Whereas ten years ago many investors felt that integrating ESG criteria generally reduced returns, today the majority of investors view the inclusion of ESG criteria either as a way to increase a portfolio's returns or as a better means of controlling risks. Numerous studies have confirmed the positive correlation between a company's sustainability and its financial performance. The most comprehensive meta-study to date was conducted by the University of Hamburg in 2015: it combined findings from over 2,200 individual studies<sup>1</sup>, more than 90% of which revealed no negative correlation between the inclusion of ESG factors and a company's performance. Over 50% reported a positive effect. This positive correlation pertains to all asset classes (equities, bonds and real estate) and is found among both developed and emerging markets (even more pronounced for the latter). Recent studies also corroborate these findings.

The positive correlation is also backed by market data such as the performance comparison between the broad MSCI Emerging Markets Index and the MSCI Emerging Markets ESG Leaders Index. Investors who opted for the ESG equity index have achieved a total outperformance of 14.65% from its launch in October 2014 to end-2018<sup>2</sup>, with an annual excess return of 3.19%. Most striking is the fact that excess returns have been positive each year except for 2018. We see this as a sign that additional information in the form of a sustainability analysis can generate decisive added value in emerging markets in particular.

Higher demands are being placed on companies by a new generation of financial decision makers on the lookout for more sustainable investment solutions.

Please find further information on Credit Suisse Asset Management's holistic approach to sustainability at [credit-suisse.com/am/esg](https://credit-suisse.com/am/esg).

<sup>1</sup> Bassen, Alexander, Busch, Timo, and Friede, Gunnar (2015): ESG and financial performance: aggregated evidence from more than 2,000 empirical studies, *Journal of Sustainable Finance & Investment*, Vol. 5, Issue 4, pages 210–233.

<sup>2</sup> MSCI data for the period from October 31, 2014, to December 31, 2018.



# Integration of ESG criteria across investment areas of Credit Suisse Asset Management

## Fixed Income CHF 54 bn AuM

### Investment segments

- Money market and short-term
- Corporate credit
- Inflation-linked
- Convertibles
- Emerging markets and Asia (local/hard currency)
- Alternative fixed income
- Overlay solutions

## Global Real Estate CHF 49 bn AuM

### Investment segments

- Core
- Core plus
- Value add
- Switzerland, global
- Residential, commercial, retail, logistics, hotels

## Equities CHF 19 bn AuM

### Investment segments

- High dividend
- Quality growth
- Value investing
- Small and mid cap
- Indirect real estate
- Themes
- Asia
- Swiss equities

## Balanced Solutions CHF 45 bn AuM

### Investment segments

- Traditional multi-asset solutions
- Income focus solutions
- Unconstrained solutions
- Risk limiting and risk overlay solution

## Index Solutions CHF 121 bn AuM

### Investment segments

- Index funds
- Direct investments
- Indexed equity, fixed income, gold and balanced portfolios



# Portfolio transparency thanks to ESG fact sheet

The most important ESG figures are published in a monthly fact sheet to keep investors up to date on how their portfolio aligns with ESG criteria. This provides an ESG rating not only for the top ten positions but also for the overall portfolio and rates the portfolio's performance relative to individual ESG themes.

## Overview

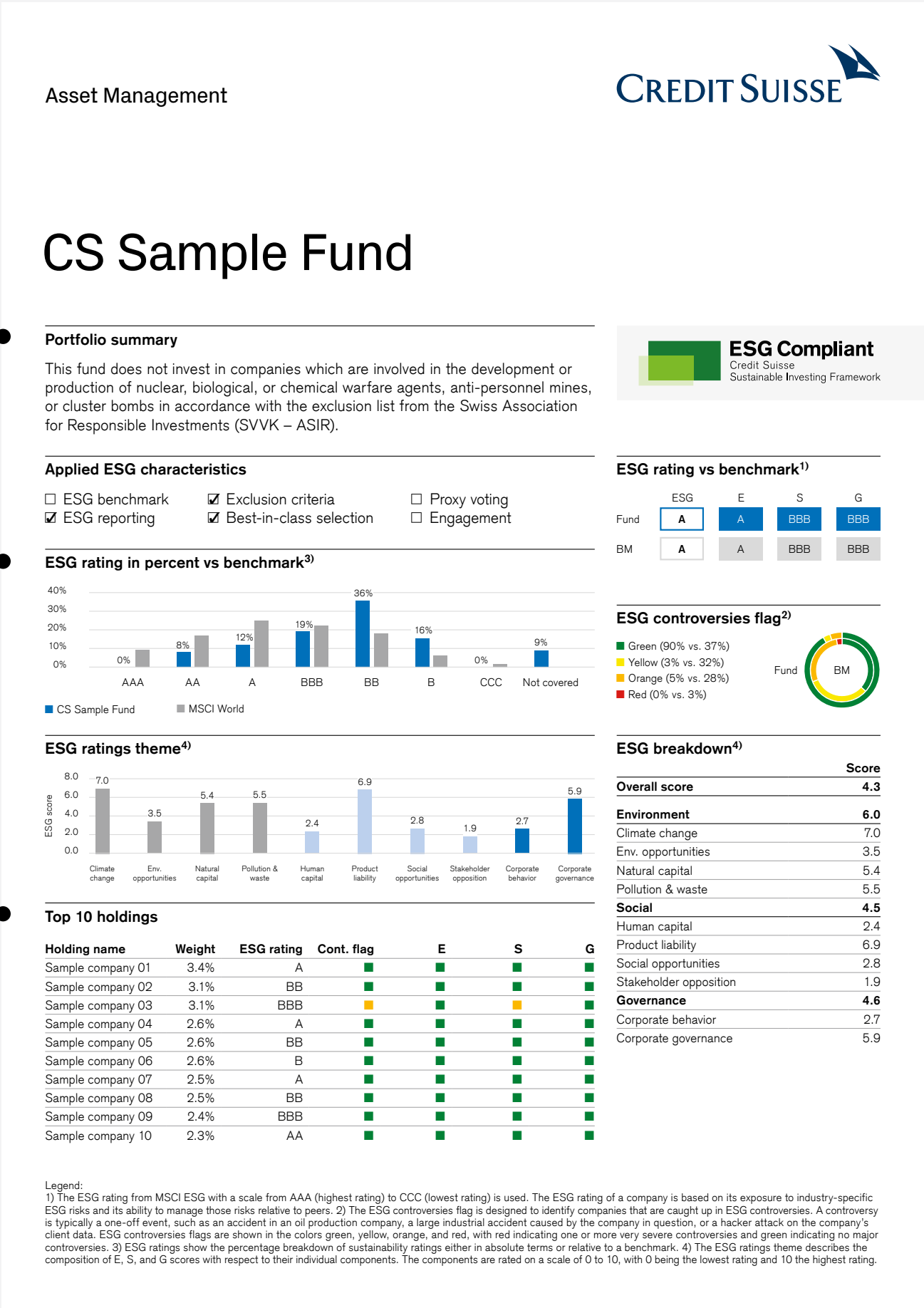
Portfolio overview, including ESG parameters at fund level

## Distribution

Distribution of ESG ratings for the fund versus the benchmark

## Top ten

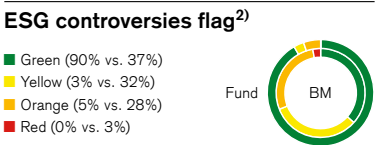
Ten largest positions and their involvement in controversies





ESG rating vs benchmark<sup>1)</sup>

	ESG	E	S	G
Fund	A	A	BBB	BBB
BM	A	A	BBB	BBB



ESG breakdown<sup>4)</sup>

	Score
<b>Overall score</b>	<b>4.3</b>
<b>Environment</b>	<b>6.0</b>
Climate change	7.0
Env. opportunities	3.5
Natural capital	5.4
Pollution & waste	5.5
<b>Social</b>	<b>4.5</b>
Human capital	2.4
Product liability	6.9
Social opportunities	2.8
Stakeholder opposition	1.9
<b>Governance</b>	<b>4.6</b>
Corporate behavior	2.7
Corporate governance	5.9

ESG rating of a company is based on its exposure to industry-specific controversies. A controversy is identified by the company in question, or a hacker attack on the company's website, or one or more very severe controversies and green indicating no major controversies or relative to a benchmark. 4) The ESG ratings theme describes the scale of 0 to 10, with 0 being the lowest rating and 10 the highest rating.

# ESG badge

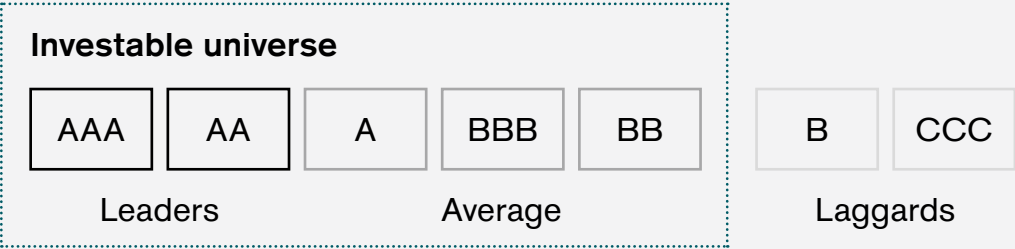
A badge for all ESG products managed by Credit Suisse Asset Management that meet the defined ESG investment criteria.

# ESG rating

- ESG rating for the fund versus the benchmark
- Individual ratings for environment (E), social (S), and governance (G)

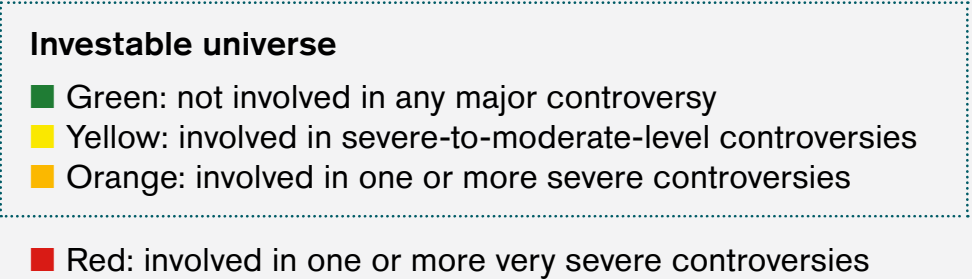
# Best-in-class approach

The ESG rating assesses companies according to their ESG performance in comparison to their sector/peer group using seven categories. The best rating is AAA, and the worst rating is CCC.



# Controversial themes

- Visualization of controversial themes in the fund compared to the benchmark
- Traffic light system for visual presentation



# Breakdown

Breakdown of E, S, and G ratings based on various themes, e.g. climate change

The information mentioned in this section is meant for illustration purposes only and is not intended as a solicitation for any type of investment services.





## An appreciation for special value.

In order to be able to assess a property correctly we not only analyse the market, but we also take a look behind the façade. Our marketing experts review your home from top to bottom to determine its potential and who the prospective buyers might be. After all, they should be able to appreciate your property as much as you do. The first step in this direction? Having an in-depth assessment of your property's market value conducted by our experts. Simply give us a call!

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# ENGEL & VÖLKERS

# The new security line

## Effective protection

The demand for products that effectively ward off attacks and threats will increase in the coming years by an annual 5% to 8%.



The need for safety and security is rising all the time, accelerated by technological developments such as the cloud or 5G. There are considerable challenges ahead. However, more and more innovative companies are emerging that are proposing smart solutions to tackle these challenges. Investors can benefit from this fresh momentum along the security line.

The global population is growing; mass displacements and migrations of populations are placing ever greater demands on governments; infrastructure and industrial facilities are increasingly becoming the target of physical and virtual attacks; the habitats and livelihoods of many people are under threat.

Some people might argue that these megatrends have no impact on their personal day-to-day lives. They enjoy the privilege that in most developed countries, effective safety and security systems are in place to protect them. These systems are by their sides 24/7 and make their presence felt in many different ways, starting with breakfast and food that can be enjoyed with peace of mind thanks to well-functioning healthcare. When we hit the road or board public transport, we rely on countless safety systems that are built into our cars or keep us safe in infrastructure facilities such as airports and ship terminals. In the workplace, virus scanners and firewalls safeguard our IT systems and sophisticated apps allow us to make secure payments. We also benefit from a high level of environmental safety – thanks, for example, to environmentally friendly waste disposal – and near seamless crime prevention. There are so many accomplishments we take for granted.

### **On a stable growth path**

But we shouldn't take them for granted. Safety and security can only be ensured if the necessary structures have been established, appropriate processes defined, and corresponding investments funded. The amounts of money involved are considerable. The revenue that is generated worldwide from services and products for safety and security is currently estimated at USD 500 bn. Viewed over the long term, experts forecast average growth of 7.7% per year between 2004 and 2024. Growth rates of 5%–8% are expected in the years ahead.

Demand is being fueled on the one hand by the megatrends outlined above. On the other, technological developments are calling for newer and newer services and products that afford us safety and security. This phenomenon is illustrated, for example, by cloud and 5G technology.

**Making sure cloud users don't fall from the sky**

The digital transformation is becoming unavoidable for a great many companies, making them increasingly dependent on having a cloud infrastructure. For Chief Information Officers (CIOs), this development is somewhat of a cause for concern, since the technology is susceptible to security loopholes. In addition, cloud service providers have access to the data stored in the cloud at any time and could change or delete it, whether by accident or on purpose. It is also not uncommon for cloud service providers to be able to share the data with third parties – for example with government agencies – without being authorized to do so. Alongside security loopholes and data losses, cloud users also risk falling victim to hardware failures on the part of their provider.

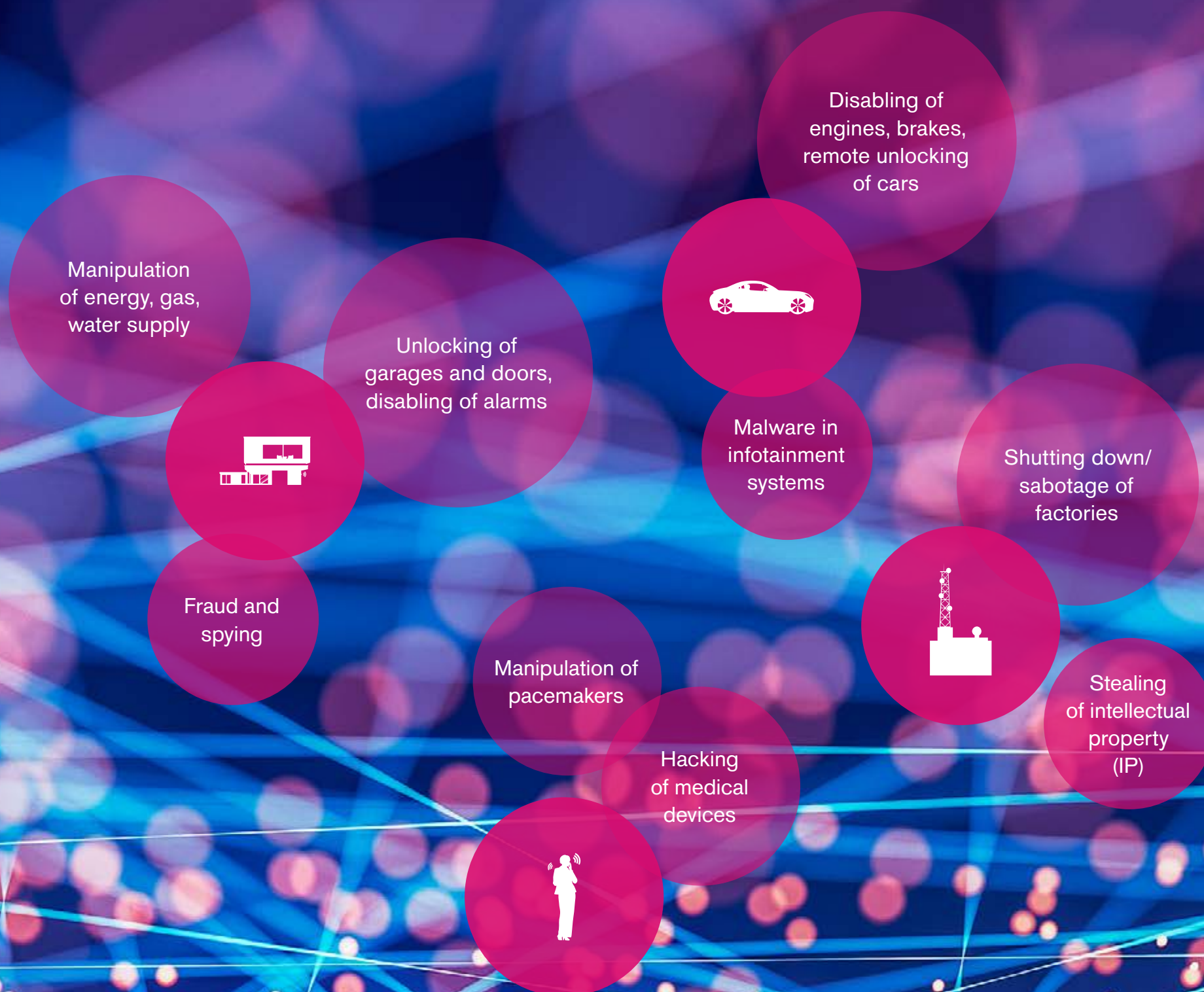
It's no exaggeration to say the challenges for cloud users are immense. So, what can be done? One solution is for customers to take the protection and security of their data and information saved in the cloud into their own hands. This is where security applications come into play, which monitor the flow of data between an internal company network and the cloud, identify data usage rights, and record how data are used and which tools are deployed for this purpose. Experts are convinced that demand for applications and tools of this kind will skyrocket in the years ahead. Companies that offer secure and efficient solutions at the interface between cloud users and cloud providers are also becoming of increasing interest for investors.

**5G calls for new security solutions**

The new 5G technology is posing similar challenges. It is 100 times faster than the current 4G standard and will be crucial to the proliferation of the Internet of Things (IoT). 5G enables cars to drive autonomously and surgeons to perform operations remotely, to name just two remarkable potential applications. But what about security? 5G will massively increase the number of end users on the network. This will also increase the number of vulnerabilities, since all hackers need is one point of access to penetrate the network and, in the worst case scenario, manipulate it. It is easy to imagine the havoc this could create on the roads and the safety it could put at risk. The potential threats to power networks, water supplies, oil pipelines, and the like are becoming more and more prevalent in the age of 5G and are creating demand for integrated 5G solutions. Here too, prevention, protection, and security are the drivers for a new market segment. It could be worthwhile for thematic investors to take a closer look.

The potential threats to infrastructure such as power networks and oil pipelines are boosting demand for integrated 5G solutions.





# Safety and security in everyday life



# Four success factors for investing in safety and security

## 1. Define your investment priorities

“Security” encompasses countless business models and activities, so investors risk losing focus. They would therefore be well advised to limit their investments to a handful of clearly defined priorities. It has proven worthwhile in practice to focus on the following security provider segments:

- IT security:  
Virus scanners and network security, electronic payment systems, big data, etc.
- Crime prevention:  
Access controls, monitoring systems, identity protection
- Road safety:  
Airbag systems, inspection and scanning systems at airports and ship terminals, signaling and braking technology
- Healthcare:  
Food/water controls and inspections, control of epidemics, vaccines, diagnostics, etc.
- Environmental security:  
Incineration plants, animal health (livestock and pets), checks, inspections, certifications, etc.

## 2. Identify the pure plays

If you want to invest in the field of safety and security, you should focus on companies that generate at least half of their revenue in this segment. This is the only way to effectively exploit the thematic potential.

## 3. Give preference to small and mid caps

Smaller and medium-sized companies exhibit major potential for growth. Investors can take advantage of this momentum.

## 4. Harness expertise

The dynamic pace of development in the field of safety and security makes it difficult for investors and managers of investment vehicles to keep an overview and identify opportunities when they arise. It is therefore a great asset if investment ideas can be shored up by scientific experience. That is why Credit Suisse Asset Management works in close cooperation with the Swiss Federal Institute of Technology (ETH) Zurich, the University of Basel, and industry representatives.

## Bags & belts

Swedish-American company Autoliv Inc., based in Stockholm, is a great representative of the theme of “traffic safety.” Autoliv describes itself as the worldwide leader in automotive safety systems. Its product range includes a broad selection of protective systems, such as airbags, seat belts, steering wheels, and pedestrian protection systems for all major automotive manufacturers in the world.

Autoliv has 67,000 employees in 27 countries. Sales in 2018 amounted to close to USD 8.7 bn.





A man with glasses, wearing a dark pinstripe suit over a light blue shirt, stands in a room filled with books. He is holding a large, open, brown leather-bound book. The room features tall bookshelves filled with numerous books, a fireplace mantel with a vase of white flowers and a small statue, and a lamp with a pleated shade. The word "Art" is overlaid in large white letters on the left side of the image.

# Art

# A special asset class



Artwork and antiques are assets that fascinate even the non-collectors among us. However, expertise and familiarity with the intricacies of the art market are essential if you want investing in artwork to be more than an expensive passion and to pay off financially.

The art market follows its own rules. This was demonstrated in 2018 when, as the global equity markets declined, the sale of artwork and antiques increased globally by 6%. That put the market volume at USD 67.4 bn.<sup>1</sup> With a historically high market share of 44%, or USD 29.9 bn, the US is the undisputed leader in the global art market. The UK and China come in second and third place, with shares of 21% and 19%, respectively.

### **What does it take to be an art collector?**

Building an art collection is no easy feat, especially in a market littered with pot-holes. The prerequisites of a seasoned collector are artistic expertise, passion, capital, and market knowledge – but time, courage, and taste play a huge part. Taste, though, is subjective: where once old masters dominated the auction houses, now contemporary art reigns. Taste is something that needs time, and patience, it needs to be nurtured and developed. For those keen to build an art collection as part of their investment portfolio, to store wealth, or to protect their assets, there is another set of criteria to consider. Where and when you buy are crucial. You may have seen an artist's name splashed across the media and assume they are a good investment, but it's likely that you've already missed the boat.

Whether you need guidance through the art market or wish to develop your taste and artistic knowledge, it is worth seeking the advice and support of experts. Philip Hoffman is one of the most experienced of these experts. He is the founder and CEO of The Fine Art Group, which operates successfully at the interface between art and finance. Philip Hoffman began his career at KPMG in the UK and joined Christie's in 1989, when he was 27 years old, as CFO. After 12 years at the auction house, in 2000, he decided to take a chance on something new and founded The Fine Art Group, a consulting and service company for investments in art.

<sup>1</sup>Global Art Market Report 2019, Art Basel and UBS

At present, the art and finance experts of The Fine Art Group operate out of centers in London, Zurich, New York, Dubai, Hong Kong, and recently, Germany. Today, The Fine Art Group is one of the world's leading providers that owes its rise to the top, first and foremost, to the entrepreneurial spirit and innovativeness of its founder.

Today, The Fine Art Group serves as an advisor to affluent families, family offices, corporate collections, private equity firms, property developers, and private banks in over 20 countries worldwide.

The Fine Art Group's experts are constantly on the lookout for investment opportunities on behalf of their clients, and they appear as buyers at auctions or source private acquisitions from trusted art dealers. While doing so, they follow a strict due diligence process. What are the key criteria? "Most people think that there are only two important questions when buying art: Does it look good? Is it cheap enough?" said Philip Hoffman in an interview with Observer.<sup>2</sup> In fact, the majority of buyers would include only a small number of additional criteria in their purchasing decisions. "We believe there are 50 questions to consider when buying, because we know how the market works," clarifies Philip Hoffman. He suggests his clients take a long-term investment approach and often prevents them from making rash purchasing decisions. It is important to him to teach his clients not only about the rules of the art market, but also about the history and context of the artists and their markets.

### **Cash for art**

When collectors or owners of high-value art are in need of liquidity, The Fine Art Group has a solution – borrow against your art collection. The Fine Art Group's art-secured loans allow collectors to bridge liquidity gaps, or invest capital, without having to sell their valuables, and in many cases, collectors are borrowing against one artwork to fund a new acquisition. Art advisory clients can receive an advance of sale proceeds, preventing them from selling an artwork at an inopportune moment. Generally, the loan-to-value ratio is 50%, and the collateral must amount to USD 1 mn and have an established secondary market. But as The Fine Art Group conducts the valuation internally, the process is efficient, typically takes less than two weeks, and is very discreet.

<sup>2</sup>*Decoding the Inexact Science of Buying Art: Q&A with Fine Art Group CEO Philip Hoffman, Observer, July 24, 2019*

# Indian highlights

Auctions and auction houses are a trading platform that The Fine Art Group use regularly. With proceeds of USD 109.3 mn, the Maharajas & Mughal Magnificence auction in June 2019 caught the eye of the world. Never before had an auction of Indian art and jewelry from a single estate generated an amount of this magnitude. The auction was preceded by exhibitions in Shanghai, Geneva, Hong Kong, and London. It was organized jointly by The Fine Art Group and Christie's and drew more than 50,000 visitors and prospective buyers. The actual auction took place in New York and ended after a 12½-hour bidding marathon. Collectors and organizations from 45 different countries participated.

On behalf of the seller, The Fine Art Group was responsible for developing the sales strategy, negotiating terms with the auction house, implementing the marketing strategy, and marketing within its own collector network.

Among the 400 lots were unique pieces of jewelry from 500 years of Indian culture – from the Mughal Empire to the famous Golconda mines at Hyderabad to contemporarily manufactured Indian-style Cartier jewelry. Highlights included a belle époque diamond devant-de-corsage brooch by Cartier (1912), sold at a price of USD 10.604 mn, a pair of Cartier clips made of emerald, natural pearls, ruby, and diamonds (sold for USD 1.604 mn), and the Cartier brooch "Taj Mahal Emerald," which sold for USD 1.815 mn.





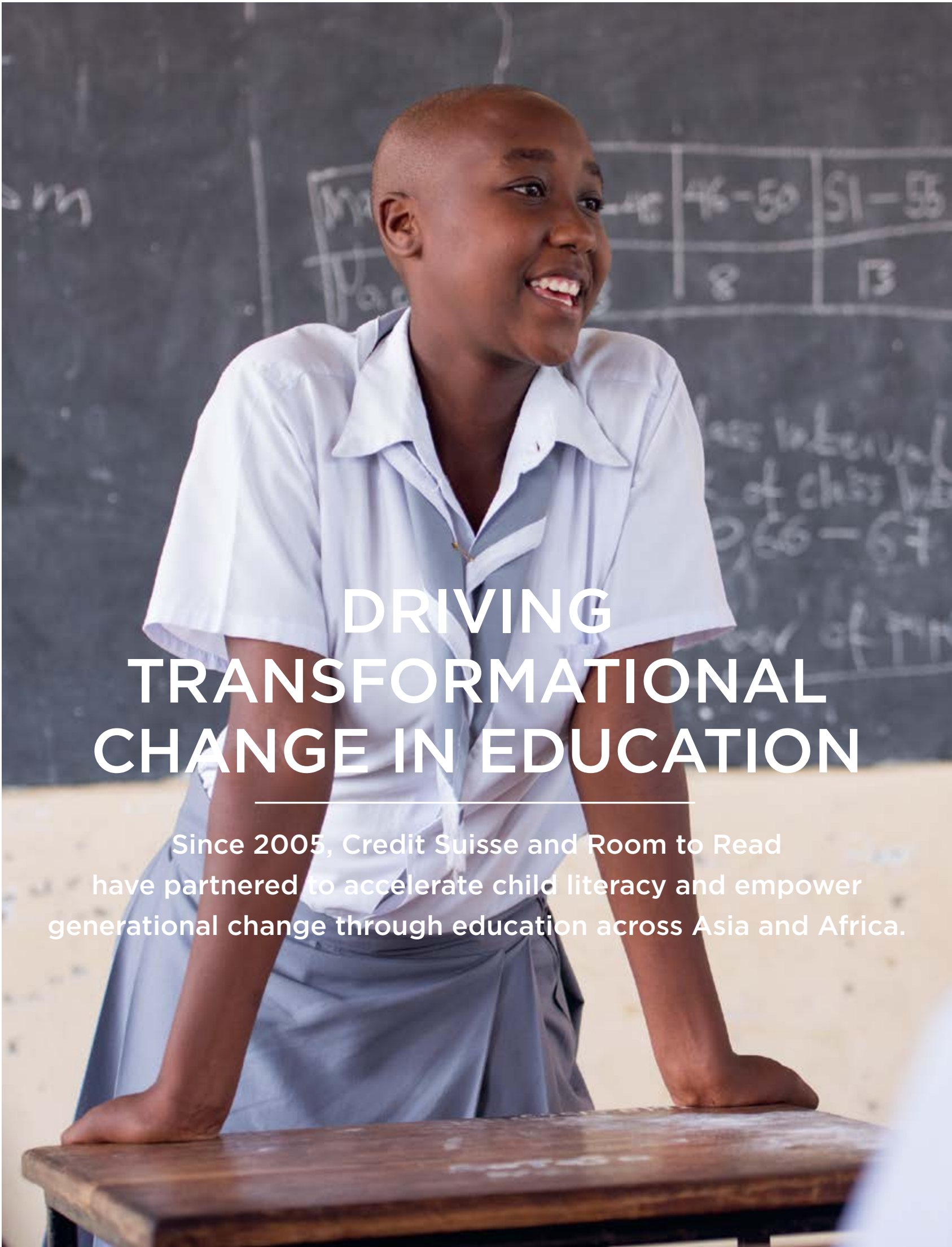
**Asian millennials are especially active**

More than half of the global trade in artwork and antiques is still handled by art dealers. Art dealers posted an estimated turnover of close to USD 36 bn, with more than USD 29 bn worth of objects changing hands at auction. Art fairs contributed USD 16.5 bn to global turnover in 2018. While the growth rates of the above-mentioned traditional sales channels were in the single-digit range, online sales grew by 11% last year to around USD 6 bn. Millennials in Asian hot spots, such as Singapore and Hong Kong were the main drivers behind this development. Observers agree that millennials will breathe new life into the art market; they are far more present as active buyers in all segments of the art market than other generations.

As Philip Hoffman points out, “collectors are no longer thinking of their art as a separate, purely passion-driven entity – they want it to be financially sustainable, secure, and efficient – from buying to storing to selling. I think both collectors and private bankers now appreciate how valuable proper advice is in this area.”

**Corporate art**

Philip Hoffman successfully established himself at the interface between art and finance when he founded The Fine Art Group.

A young girl with a shaved head, wearing a light blue short-sleeved button-down shirt and a grey skirt, is leaning on a wooden desk. She is smiling and looking towards the right. In the background, a chalkboard is visible with some faint writing and a table. The table has three columns and two rows of numbers. The first column contains '46-50', '8', and '51-55'. The second column contains '13'.

46-50	51-55
8	13

# DRIVING TRANSFORMATIONAL CHANGE IN EDUCATION

Since 2005, Credit Suisse and Room to Read have partnered to accelerate child literacy and empower generational change through education across Asia and Africa.

“A little more of  
the entrepreneur.  
A little less of  
the engineer.”

**Interview with Nils Müller**

Founder and CEO of TRENDONE  
[mueller@trendone.com](mailto:mueller@trendone.com)

Disruptive ideas and radical technological advances are shaping our markets – and our lives – ever more powerfully and in ever expanding ways. Entrepreneurial thinking and courageous steps toward action are becoming a matter of survival.



**Mr. Müller, what is so fascinating about trend research?**

*Nils Müller:* Many people are afraid of what the future might bring. They are easily swayed by media reports or politicians warning about the impending climate catastrophe or the Chinese. But the future is something we have the ability to actively shape. So we don't need to be afraid of it at all. Trend research not only helps us to grasp the opportunities the future holds in store but also to optimally shape the 21st century.

**Is the preoccupation with future-related questions a privilege of the intellectual elite?**

No, the human brain enables us to think in terms of scenarios. Everyone ruminates about the future – even when it's a matter of basic questions of life like “What to cook the kids for dinner?” or “How should I spend the evening?”

**Nils Müller**

Through TRENDONE GmbH, the company he founded in 2002, Nils Müller helps a wide range of companies to identify and exploit relevant trends and individual innovation challenges. With his global trend network LaFutura, Nils Müller brings together the world's leading futurists and visionaries on an international level. His keynotes and in particular his “Time Travel 2030” give participants an up-close and personal look at the global innovations of the future, inspiring them to use these innovations to great advantage. In 2018, TRENDONE received the Diesel Medal, awarded by the German Institute for Inventions, in the category of “Best media communication.”

Nils Müller studied in Berlin, New York, and Milan. He began his career at the IBM Client Innovation Center. He lives with his wife and three children in Hamburg-Blankenese.



“In China, politics, industry, and science are geared toward goals that are to be diligently implemented over the next 20 to 30 years.”

**What skills are essential for trend research?**

Openness and the willingness to both see and ponder the unknown – science fiction thinking. Or to put it a different way: the ability to speak with conviction about things that are still not 100% certain.

**But doesn't that imply that there is no clear line between futurologists and quacks?**

There is no scientific foundation in futurology, of course. No one really knows what will happen in future. But if I want to shape the future, I have to anticipate it. I must believe in it. Elon Musk is a good example. He believes in electric vehicles and builds Teslas. Trend research must be closely linked with the implementation of innovations. Today's trend research is helping people to develop the capability to take action. Old-school trend research was limited to merely talking about the future.

**How popular are futurologists among our engineers?**

That depends. The German automotive industry, for example, is full of great engineers with a highly developed appreciation for problem-solving strategies. As a result, they tend to achieve incremental improvements. That simply won't cut it. What we need is disruptive thinking: a little more of the entrepreneur, a little less of the engineer. We need more visionary engineers.

**Do we lack long-term thinking?**

The way I see it, yes. Take China, for instance, where politics, industry, and science are geared toward goals that are to be diligently implemented over the next 20 to 30 years. And, the Chinese have the resources to follow through on their goals. This ability to shape the future is a real asset.

**That might work well in an authoritarian system, but in Europe ...**

... the framework conditions are much more challenging. We have a culture of debate in Europe, with no clear pronouncements from the top, and with a middle management that talks everything into the ground. Yet people in Europe also want to be able to plan for the long term and have a vision for the future.

**Should we learn from the Chinese?**

Yes – when it comes to their decisiveness, their speed, and the resources they invest in research and development, new technologies, and start-ups. We need less lending in Europe and more venture capital. Access to venture capital is a lot easier in the US as well.

“We need less lending in Europe and more venture capital.”

**What trends are you seeing in education?**

Already today, learning and education are no longer confined to established institutions. Apps, online courses, and virtual reality content will make learning not only independent of location but also multidimensional and available for a lifetime.

**What societal framework conditions will it take for edutainment to really become widespread?**

Traditional educational systems must evolve. Schools must be allowed to make use of these offers. Policymakers have to massively promote these educational opportunities. Society must learn to accept that its children immerse themselves in virtual worlds. In Germany, things are still the wrong way round. If a kid in kindergarten says that he or she spends the evening playing Minecraft, they or their parents are bound to get disapproving looks. When in reality, Minecraft is precisely the kind of environment in which children are prepared for virtual worlds and learn how to navigate them.

**What are the technological drivers behind edutainment?**

Artificial intelligence (AI), virtual reality (VR), and scalability. AI's scalability gives young people in Kenya, for example, the opportunity to take low-cost online courses and to study at Harvard University. As virtual reality spreads, so too will such programs – on a massive scale. AI and VR will trigger huge economies of scale in the educational sector, as well as in healthcare. AI and VR are on the verge of entering the mass market. The number of applications using these technologies is going to explode over the next ten years.

**Can you name an example from the healthcare sector that you find particularly impressive?**

In the US, a mobile ultrasound scanner has been developed that is operated via smartphone app. The app uses AI and enables anyone to perform an ultrasound scan without a physician being present. The app then performs a triage and forwards only unclear or abnormal findings to your physician. Intelligent software provides millions of people with straightforward and cost-effective access to medical diagnoses that they would otherwise be denied because of inadequate medical care and lack of infrastructure.



Global Real Estate of Credit Suisse Asset Management – together with its partnering companies – is developing the Klybeck site in Basel into a multifaceted and trendsetting city district. Given their entrepreneurial approach and expertise, the real estate specialists are an ideal partner for financing and implementing processes for urban development transformation.

# Unique opportunity

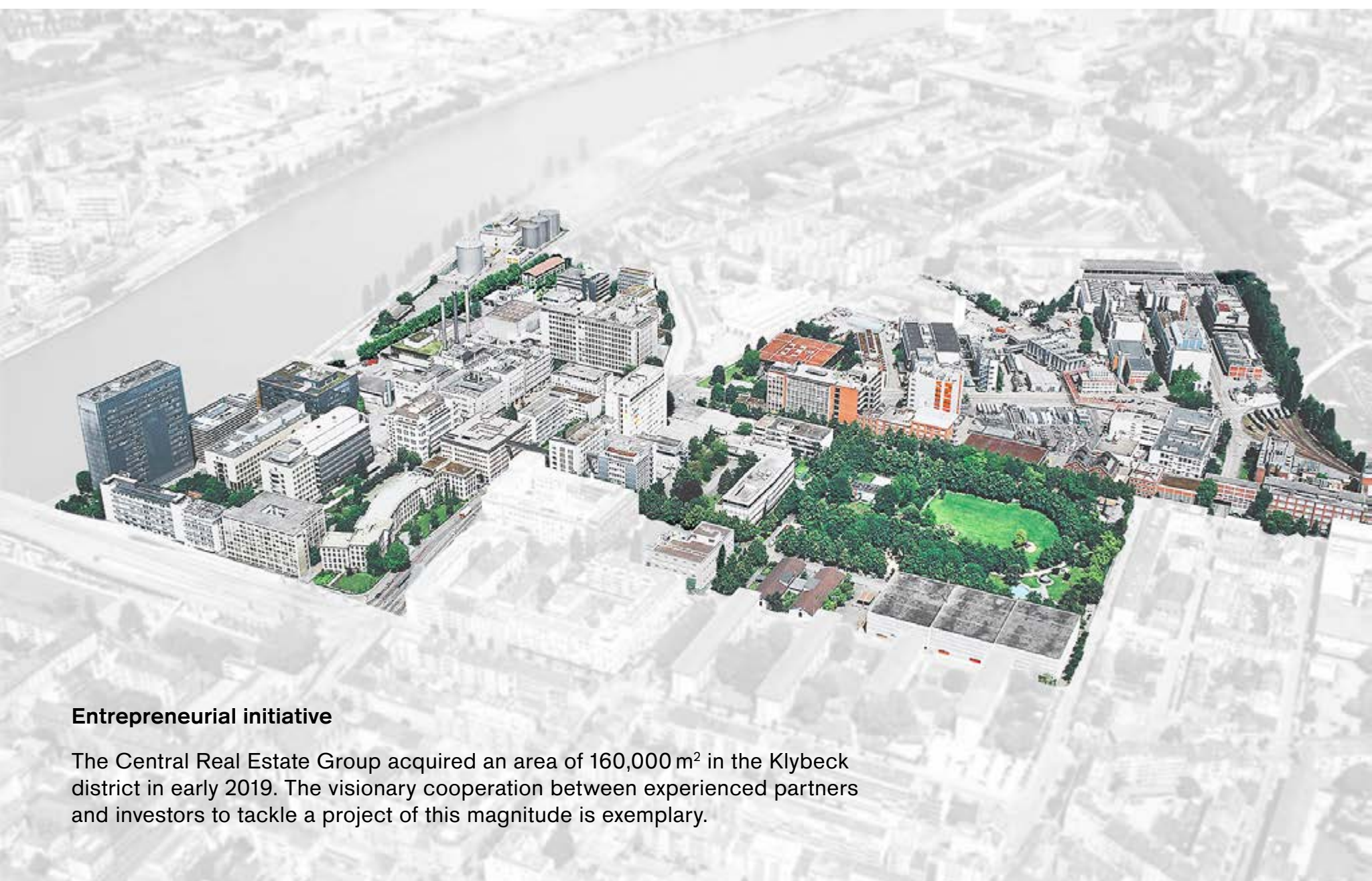


## Transformation

The Klybeck site bordering on the Rhine in the north of Basel has a great industrial past. Over the coming years, it is to be developed into a mixed-use residential and commercial district.



The Klybeck site in the north of Basel covers an area of 300,000 m<sup>2</sup>. Over the past 150 years, it had been used by Basler Chemie primarily as a production site. As is usually the case with industrial areas, the Klybeck site was not publicly accessible and was unavailable for a broad range of urban uses. In recent years, however, there have been signs that this might change. Novartis and BASF, the property owners of the Klybeck site, saw demand for their premises decline and in 2016 signed the “Klybeckplus” planning agreement with the canton of Basel-City for the urban development of the industrial area. There are plans to develop the site in the coming years into a well-connected and mixed-use district for living and working space with a wide range of leisure and cultural activities on offer. An important priority both for the previous property owners and for the city of Basel is that the transformation of the Klybeck site will be completed with professional partners.



#### **Entrepreneurial initiative**

The Central Real Estate Group acquired an area of 160,000 m<sup>2</sup> in the Klybeck district in early 2019. The visionary cooperation between experienced partners and investors to tackle a project of this magnitude is exemplary.







**Entrepreneurship as a success factor and a common denominator**

BASF sold its 120,000 m<sup>2</sup> share of the Klybeck site to Swiss Life, and Novartis sold its roughly 160,000 m<sup>2</sup> premises to Central Real Estate Basel AG, a subsidiary of Central Real Estate Holding AG. Together with partner companies Mettler2Invest and Nova Property Fund Management, Global Real Estate founded the Central Real Estate Group as a “first address for investments in visionary and sustainable development projects” and will support the group in transforming the former industrial site into a new urban district.

Central Real Estate Holding's focus is on inner-city locations in Swiss business centers. The holding company's shareholders comprise six Swiss pension funds, investment foundations and insurers: Baloise, Zuger Pensionskasse, one investment group each of J. Safra Sarasin Investment Foundation and of Credit Suisse Investment Foundation, and two additional Swiss pension funds. “We are confident in our ability to optimally implement the goals set out in the planning agreement. Conditions are ideal thanks not only to the competence of the companies involved in the district and site development but also to the Swiss investors' long-term commitment,” points out Raymond Rüttimann, Head of Real Estate Switzerland, Credit Suisse Asset Management.

# Living diversity

The key points of the development project are laid out in the “Klybeckplus final test plan report” dated November 20, 2018, which was published by former property owners Novartis and BASF and by the canton of Basel-City. According to the report, different residential and commercial options will

be created for a wide range of uses and purposes. The official slogan is “Living diversity.” The next step that has already been initiated is the creation of an urban development model, to include both usage and in-depth studies.

The entrepreneurship of Global Real Estate is underscored by the strategy of bringing together multiple institutional investors under a single holding umbrella, coupled with the establishment of Central Real Estate Basel for the sustainable development of the Novartis site in the Klybeck district. It is possible that additional projects in other Swiss economic centers such as Zurich, Berne, or Geneva will follow given that the “Basel model” has already led to a number of inquiries and exploratory meetings. Global Real Estate not only has the necessary expertise in the property and capital market but also boasts a network for orchestrating and supporting similar large-scale projects in international markets.

### **Far-sighted division of labor**

The plots of land and buildings acquired by Central Real Estate Basel consist of the former factory site of Novartis’ predecessor company Ciba-Geigy, with only part of these premises still being used for industrial purposes. The six adjacent plots of land are spread over the entire Klybeck district, including plots bordering directly on the Rhine and on green space that create additional development potential for new and diversified living space.

Nova Property Fund Management is responsible for operational management, while Mettler2Invest is in charge of developing the site. Global Real Estate’s core tasks include the development and implementation of property strategies, the coordination of site management including property management and marketing contracts, and budgeting.

The development of the Klybeck site opens up attractive earnings potential for investors. The short-term initial return is guaranteed by the leaseback agreements with Novartis. In the medium to long term, investors will benefit from the lease and possible sale of the residential and commercial properties.

“We are confident in our ability to optimally implement the goals set out in the planning agreement. Conditions are ideal thanks not only to the competence of the companies involved in the district and site development but also to the Swiss investors’ long-term commitment.”

*Raymond Rüttimann, Head of Real Estate Switzerland,  
Credit Suisse Asset Management*



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