




IN SWITZERLAND

MAGAZINE

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 **BARCLAYS** | Private Bank

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Welcome to the 2022 edition of our 'In Switzerland' magazine

I trust that you, your family, and friends remain in good health, and in good spirits.

This year has seen us enjoy greater freedoms in many aspects of our lives in Switzerland as we progress beyond the COVID-19 pandemic. We all take great heart from the human and scientific efforts that have helped us to overcome this global threat.

However, the joys of the easing of restrictions were swiftly overtaken by Russia's invasion of Ukraine in late February. In the financial landscape, we have also seen much higher-than-expected post-lockdown inflation as well as increased volatility in equity and bond markets. While the short-term future may be uncertain, the long-term case for investing remains robust.

With this in mind, it is useful to seek out opportunities for growth and change, and these are two themes explored through 'In Switzerland'. For the 11th consecutive year, Switzerland has been judged the most innovative country in the world¹. Innovation and creativity tend to flourish in testing times, which gives us hope that the global outlook will continue to improve through technological and engineering solutions.

In this year's edition, we consider the Swiss private equity market and review the resilience of the Swiss property market. We also have a fascinating interview with adventurer and sustainability champion Raphaël Domjan, and we meet footballer Juan Mata who discusses his work in establishing the Common Goal Foundation. Amongst other things, we explore philanthropy through the lens of future generations with Wise Foundation.

With global warming and the status of the Swiss franc as a safe-haven currency remaining key areas of interest for our readers, we've included two articles on these topics. Meanwhile, we speak to the founder of Fondation Opale about the transformative power of art, and entrepreneur Roald Goethe about his passion for iconic cars.

We hope you enjoy the articles, and our best wishes for an enjoyable summer ahead.



JAMES A J PERSSE,
HEAD OF BARCLAYS PRIVATE BANK
SWITZERLAND



Juan Mata's most important goal



INTERVIEW CONDUCTED
BY PASCAL NAGEL,
HEAD OF SWISS ONSHORE,
BARCLAYS PRIVATE
BANK SWITZERLAND



Juan Mata is an attacking midfielder, most recently playing for English Premier League club Manchester United and Spain's national team. He has had a hugely successful career, including winning the UEFA Champions League with Chelsea and the FIFA World Cup and UEFA Euro 2012 with Spain. In 2017, he was involved in the launch of Common Goal, a movement that encourages everyone in the world of football to pledge at least 1% of their salary or revenues to a collective fund that supports charities around the world. We spoke to him about his motivations and goals for the initiative.

WHAT WAS YOUR MOTIVATION BEHIND STARTING THE COMMON GOAL MOVEMENT?

I felt, and still feel, very privileged, living the life that so many kids around the world dream of, by getting paid to play football for a world-famous club like Manchester United. My motivation behind the initiative was to give something back and to create a team of like-minded individuals and organisations who could maximise the impact of my contribution and those of other people. Football has huge power to bring people together, and I thought Common Goal was a great way of tapping into that potential.

Nearly five years on my motivation remains unchanged, and I'm still truly excited every time a new member joins and I see the team growing. More than 200 players and managers have joined so far, and a number of clubs, football executives, media figures, and retired players have also become part of the movement.

WHAT ARE THE MAIN CAUSES THAT COMMON GOAL SUPPORTS, AND WHY?

We focus on eight impact areas that drive progress towards the Global Goals¹: racial justice, gender equality, peace building, climate action, LGBTQ+ inclusion, youth employability, health, and education. In doing so, we support more than 100 charities from around the world. These charities are involved in areas as diverse as peacebuilding in Colombia, gender equality in India, and refugee integration in Germany.

WHAT DOES COMMON GOAL MEAN TO YOU PERSONALLY?

For me, it means that my career on the pitch also has a real impact off the pitch. Even before launching Common Goal, I knew I wanted to do something meaningful off the pitch. I felt a responsibility and desire to give something back. Since Common Goal was launched, that feeling has grown and become an even bigger part of who I am as a person and a player. It has been, and still is, an inspiring journey that enables me to be part of something that's bigger than football.

HOW HAVE YOUR FELLOW PLAYERS AND THE WIDER FOOTBALL INDUSTRY REACTED TO THE COMMON GOAL MOVEMENT?

The reaction from fellow players and other participants in the wider football industry has been very positive. What's more, the media has always shown a lot of interest in the Common Goal movement and has played an important role in its growth and development. It's also been great to see that football fans really got behind the vision and purpose of Common Goal. I think that's because it helps show fans that football really can be a driver of positive social change – something that not everyone is aware of.

¹ Source: United Nations' Sustainable Development Goals, June 2022 (<https://sdgs.un.org/goals>)



At the same time, the movement reflects some of football's most important core values: team play, community, inclusivity, unity, and togetherness.

WHAT IS THE ULTIMATE PURPOSE OF THIS INITIATIVE? WHAT IS YOUR PROUDEST ACHIEVEMENT SO FAR?

Common Goal's vision, as we officially state it, is "repurposing football, for good". To do so, Common Goal creates opportunities for everyone involved in football to take meaningful action in support of people and the planet. I think our greatest achievement so far has been to create a model and mechanism that enables everyone to be an active part of the society we want to create.

ADIDAS BECAME A SPONSOR OF COMMON GOAL IN 2021. WHY IS THIS SO IMPORTANT TO THE SUCCESS OF THE MOVEMENT?

adidas has pledged 1% of its net revenues from sales of its footballs to the cause until 2023. This was a really important step in Common Goal's journey. First, because adidas was the first impact sponsor to join the Common Goal movement, and that represented a new way of partnering with brands to create a long-lasting impact based on purpose and values. Second, adidas' pledge means the footballs themselves carry a purpose. I think that's a great metaphor for what can actually be accomplished with football. The 1% pledge doesn't take anything from the ball: it actually adds another layer – a layer of purpose.

The ball is a symbol of what can be achieved and I'm confident that it will help open the minds and hearts of fans, clubs, competition organisers, brands, and everyone involved in football, and encourage them to be part of our journey.

THE WORLD OF FOOTBALL IS POWERFUL AND INFLUENTIAL. HOW DO YOU THINK IT CAN CONTRIBUTE MORE TO THE CAUSE?

The more players, clubs, and organisations that join this or other causes, the bigger the impact. We would like Common Goal to be seen as an example, if we all play a small part and find a way to work as a team, I believe we can solve any challenge that lies ahead.

WHAT WOULD YOU SAY TO ANYONE WHO WOULD LIKE TO HELP MAKE THE WORLD A BETTER PLACE BUT DOESN'T KNOW WHERE TO START?

Everyone can play a part in making our world a more sustainable, equal, and fair place for us all. This could be through taking the 1% pledge, either to Common Goal or to other initiatives, giving your time, or taking other actions in support of people and the planet. But it's important to always remember that, like in football, the biggest challenges can only be tackled if we work together as a team.

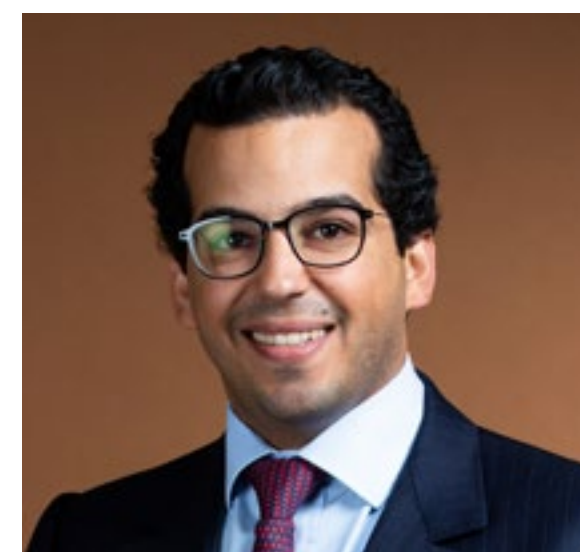
“Common Goal creates opportunities for **everyone involved** in football to take meaningful action in support of people and the planet.”



Work for the future or be left behind



INTERVIEW CONDUCTED
BY JEAN-DAMIEN MARIE,
GLOBAL CO-HEAD OF INVESTMENTS,
BARCLAYS PRIVATE BANK



Adam Said is CEO and co-founder of ACE & Company, a global private equity group headquartered in Geneva. He talks to us about the private equity market, the global economic transition, the importance of reinvention in businesses, and the opportunities for companies doing business in Switzerland.

ADAM, WHY DO YOU BELIEVE PRIVATE EQUITY HAS BECOME SO POPULAR WITH INVESTORS?

The economic transition that we're going through globally is behind the growth in private equity. Every sector is being challenged. Whatever business you're in, you should be reinventing yourself, or at least have plans to reinvent yourself over the coming decade.

Change happens all the time, but there are periods of great change – and I think we're in the midst of one of those periods. The rise of private equity is actually the rise of industries needing private capital to transform themselves due to changes in the economy. And I think that's here to stay, at least for the foreseeable future.

WHAT ARE YOUR THOUGHTS ON THIS TREND OF THE PRIVATE MARKET BEING A REGULAR ASSET CLASS? WHAT DOES THIS MEAN FOR INVESTORS?

First, I'm slightly cautious about this, because I believe that private equity is a phrase people often don't fully understand. Say I buy a small or medium-sized enterprise in Geneva, am I in private equity, or am I business owner? We have to be very careful about how we define private equity.

Second, my key message to private investors is to consider working with an adviser. There are professionals in the industry who have been doing this for decades. These individuals have strong relationships with banks, know how to deal with governance, and understand how to put operating plans in place.

Please note: Reference to specific companies in this article is not an opinion as to their present or future value and should not be considered an investment recommendation, investment advice or a personal recommendation.

I also see too many private investors doing single deals. A single transaction might expose you to idiosyncratic risk or unexpected geopolitical events. Having a portfolio approach can help you stay diversified in the illiquid private markets.

WHAT LESSONS SHOULD BUSINESSES TAKE AWAY FROM THE CHALLENGING TIMES OF THE PANDEMIC?

Flexibility and agility can be hugely beneficial during a challenging period, as is maintaining discipline on execution and risk management. COVID-19 was kinder to companies that were agile and part of the solution. Those that did tremendously well were the ones that took the opportunity to innovate. Conversely, the pandemic accelerated the downfall of companies that were not willing to evolve.

If you are not working for the future, you are going to be left behind. To me, the COVID-19 story isn't over and I believe it's going to have a bigger impact over the next five years than it has over the past two. During this period, I'm expecting to see the real profound impacts on businesses, both negative and positive.

So, for example, people are talking a lot about the future of work. However, we don't yet quite understand how this will drive business's successes in some ways and hold them back in others. That said, all these changes really excite me, because they will result in plenty of divergence, and divergence means opportunities for investors.





ACE & COMPANY HAS ITS HEADQUARTERS IN GENEVA. WHAT, IN YOUR VIEW, ARE SWITZERLAND'S GREATEST ASSETS?

I'm a big fan of our country. From a personal perspective, I was born and raised here. I went to the US for my studies but decided to come back home. I think Switzerland has inherent strengths that differentiate us from the rest of the world. Having three languages and cultures that permanently clash with each other is something that reinforces us as a nation.

Looking at the quality of our universities, our professors are incredible. I don't think there's a single sector where we don't have one of the top 10 schools in the world. Our talent pool is also remarkable. We should try to retain these individuals, and encourage them to build businesses here.

Conversely, the administration ecosystem in Switzerland could be more supportive. We have great universities, but beyond that, the speed in response could be more proactive. We need some sort of national and cantonal strategies to alleviate the burden on individuals or enterprises.

AND WHAT ABOUT SWITZERLAND'S DIVERSITY?

Because of its central location in Europe, diverse population, and proximity to other major economies, Switzerland can be a great test market for entrepreneurs looking to scale up their business. If your business does well in Switzerland, you haven't only tested your products in one small market of seven million people, you also have a sense of how they will perform in France, Germany and Italy. It's a difficult market and consumers are very picky, so if you can succeed in Switzerland, you will probably be well-placed to succeed elsewhere.

DO YOU SEE SWITZERLAND AS A FORWARD-LOOKING COUNTRY?

We're great at making progress in Switzerland. While the US and the Anglo-Saxon world might prioritise wholesale change in business and reward disruptors in their industries, Swiss companies prioritise enhancing existing models, which can then push progress.

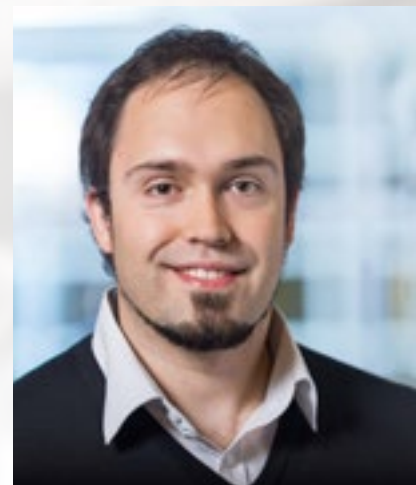
Progress is incremental to what exists already and so industries that need constant progress excel in Switzerland. I believe this is why we have so many great healthcare companies. The deep-tech sector is also particularly interesting in Switzerland, because of the calibre of our scientists and their research.

You also find that mega companies are created, and settle here. These organisations are given the time to grow through a permanent innovation cycle, rather than being under constant pressure to act as a disruptor.

For an economy to thrive, it needs both the innovation of change and the innovation of progress. We've probably overemphasised the importance of change during the past 500 years, and underestimated the value of progress. However, we've seen that shift through COVID-19, with both businesses and customers calling for more sustainable innovation.

"Switzerland has inherent strengths that differentiate us from the rest of the world."

What the Swiss franc means for your portfolio



WRITTEN BY NIKOLA VASILJEVIC
HEAD OF QUANTITATIVE STRATEGY,
BARCLAYS PRIVATE BANK
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WRITTEN BY LUKAS GEHRIG
QUANTITATIVE STRATEGIST,
BARCLAYS PRIVATE BANK
SWITZERLAND

Swiss investors allocate about

40%

of equities in their home market

The Swiss franc is equally important for domestic industry and investors. But there is also a risk of home equity bias in the portfolios of Swiss investors, which can potentially bring an opportunity cost in the long term.

Recent geopolitical events have pushed the Swiss franc to historic highs against the euro, which is the currency of Switzerland's main trading partner. The importance of this currency pair is undeniable, as demonstrated by Swiss firms' transactions. A recent study¹ revealed that the euro is the most-used currency in purchases. While less prevalent than the Swiss franc in sales, 50% of firms still use the euro in these transactions.

SWISS FRANC STRENGTH – BANE FOR THE ECONOMY

During times of uncertainty, many factors make the Swiss franc a sought-after currency. Switzerland is very stable politically, public finances are sound, inflation is low, the labour market is robust, and defensive stocks are prevalent in the equity market.

This appeal has led the Swiss National Bank (SNB) taking some extreme measures, including the introduction of an exchange rate floor to euro from 2011 to 2015, and making significant FX interventions. As a result, the SNB's balance sheet grew by 286% to become 140% of Swiss GDP

(US Federal Reserve and European Central Bank balance sheets measure 38% and 70% of GDP, respectively). Such interventions also temporarily "earned" the SNB a spot on the US government's list of currency manipulators. Given the importance of exports, dampening the Swiss franc's appreciation has helped domestic industry buy time to adapt.

BOON FOR THE INVESTOR

While past performance is never a guarantee of future performance, investors have nonetheless often profited from surges in the Swiss franc. To demonstrate, we applied a well-known concept from economic theory. Uncovered Interest Rate Parity (UIP) postulates that future exchange rate changes are determined by today's differences in interest rates between currency areas. We then augmented UIP with a local currency effect (how the Swiss franc performed against other currencies, excluding the one being analysed) and a global risk factor, for which we used the option-implied volatility index (VIX) from the Chicago Board Options Exchange.

Unsurprisingly, our analysis shows that the Swiss franc is a perceived 'safe haven' for euro investors and investors from other areas with cyclical currencies, such as Australian or Canadian dollars. Our analysis shows that, against the Australian dollar, a 1% increase in VIX was accompanied by a Swiss franc appreciation of approximately 0.03%. For investors in US dollars or Japanese yen, however, investing in the Swiss franc put them at a disadvantage vis-à-vis their home currencies between 1990 and 2022.

¹ Source: Credit Suisse press release, January 2022: 'Swiss firms expect slightly stronger euro and stable US dollar in 2022', (<https://www.credit-suisse.com/about-us-news/en/articles/media-releases/swiss-firms-expect-slightly-stronger-euro-and-stable-us-dollar-i-202201.html>)

NOT THE BIGGEST OF HAVENS

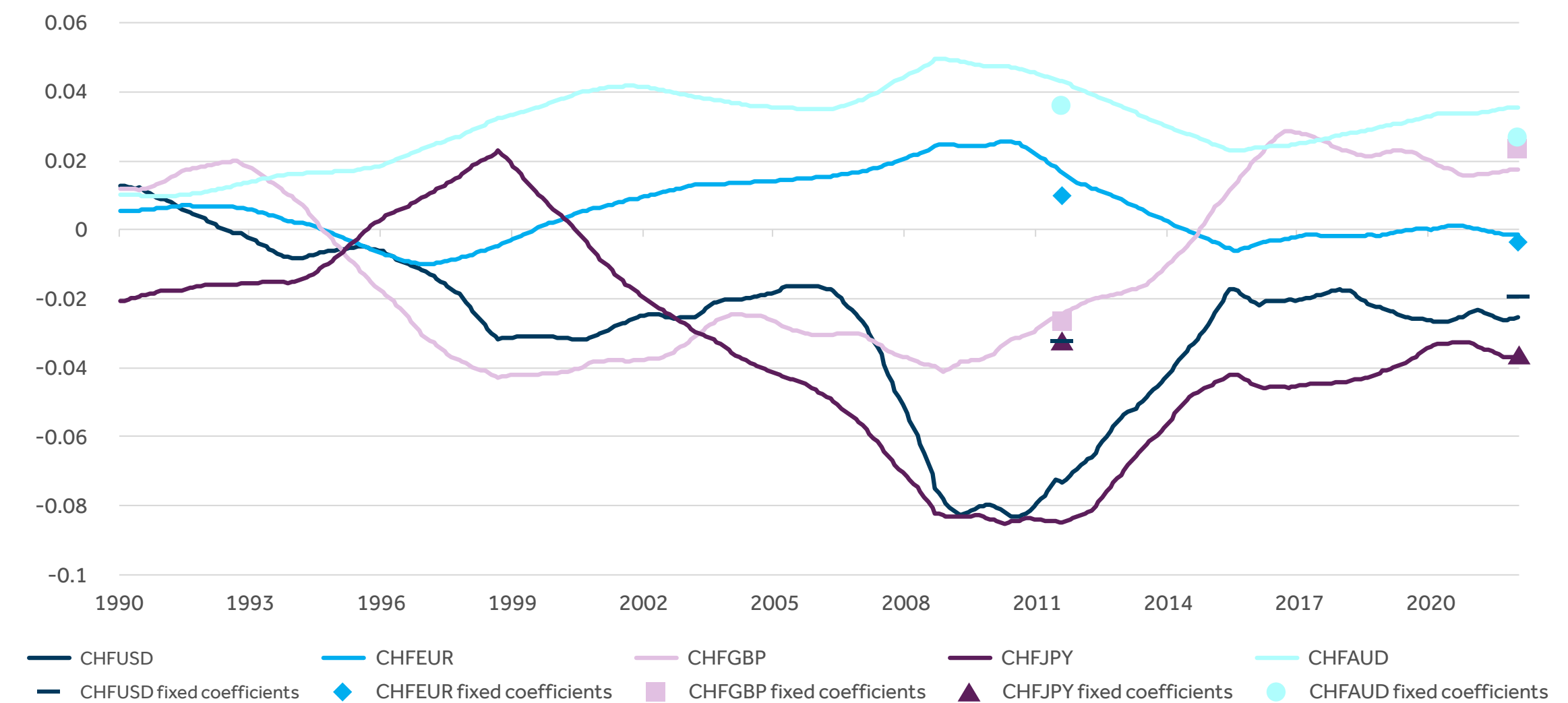
Safe-haven benefits vary over time. In fact, the SNB's foreign exchange intervention policy may be responsible for these fluctuations. To study this variation, we ran the same model in a way that allows time-varying sensitivities.

With the exception of the 1990s in Japan, the Swiss franc consistently failed to act as a safe haven for US dollar and Japanese yen investors, which was most extreme during the financial crisis.

However, its hedging characteristics against global shocks for cyclical currencies remained particularly prominent during this crisis. Most interestingly: while pound sterling has traditionally offered more protection against volatility shocks than the Swiss franc, there has been a change of direction since 2015. This may be the result of the increased volatility in pound sterling following Brexit.

SAFE-HAVEN CHARACTERISTICS OF THE SWISS FRANC AGAINST MAJOR CURRENCIES

Time-varying and fixed (1990-2011; 2015-2022) sensitivities of Swiss franc exchange rates on changes in VIX.



Source: Bloomberg, Barclays Private Bank, April 2022



“Picking a single country or sector can be the **right choice** over tactical investment horizons.”

THE LURE OF HOME EQUITY BIAS

Lifting the lid on Swiss investors' portfolios reveals an extremely Swiss franc-centric asset mix. Based on the International Monetary Fund's coordinated portfolio investment data and the Neue Zürcher Zeitung's quarterly strategic asset allocation review, Swiss investors allocate about 40% of equities in their home market. In contrast, a hypothetical global investor would hold only about 2.5% of Swiss equities, according to the MSCI All-Country World Index.

Generally, investors feel more comfortable with familiar investments. Such a preference is typically rooted in past experience, perceived competence and optimism regarding domestic equities. Picking a single country or sector can be the right choice over tactical investment horizons.

Nevertheless, systematically overweighing any given equity market is not bullet-proof. Equity returns significantly fluctuate over time, and consistent outperformance is possible only with exceptional selection skill (and luck).

Investors could argue that the largest Swiss companies operate on a global scale, and therefore offer some inherent international diversification. Nevertheless, the Swiss equity market exhibits strong sectoral and factor tilts. Our quantitative analysis indicates that the Swiss equity index is about 20 times more concentrated than the global index (as measured by the normalised Herfindahl index).

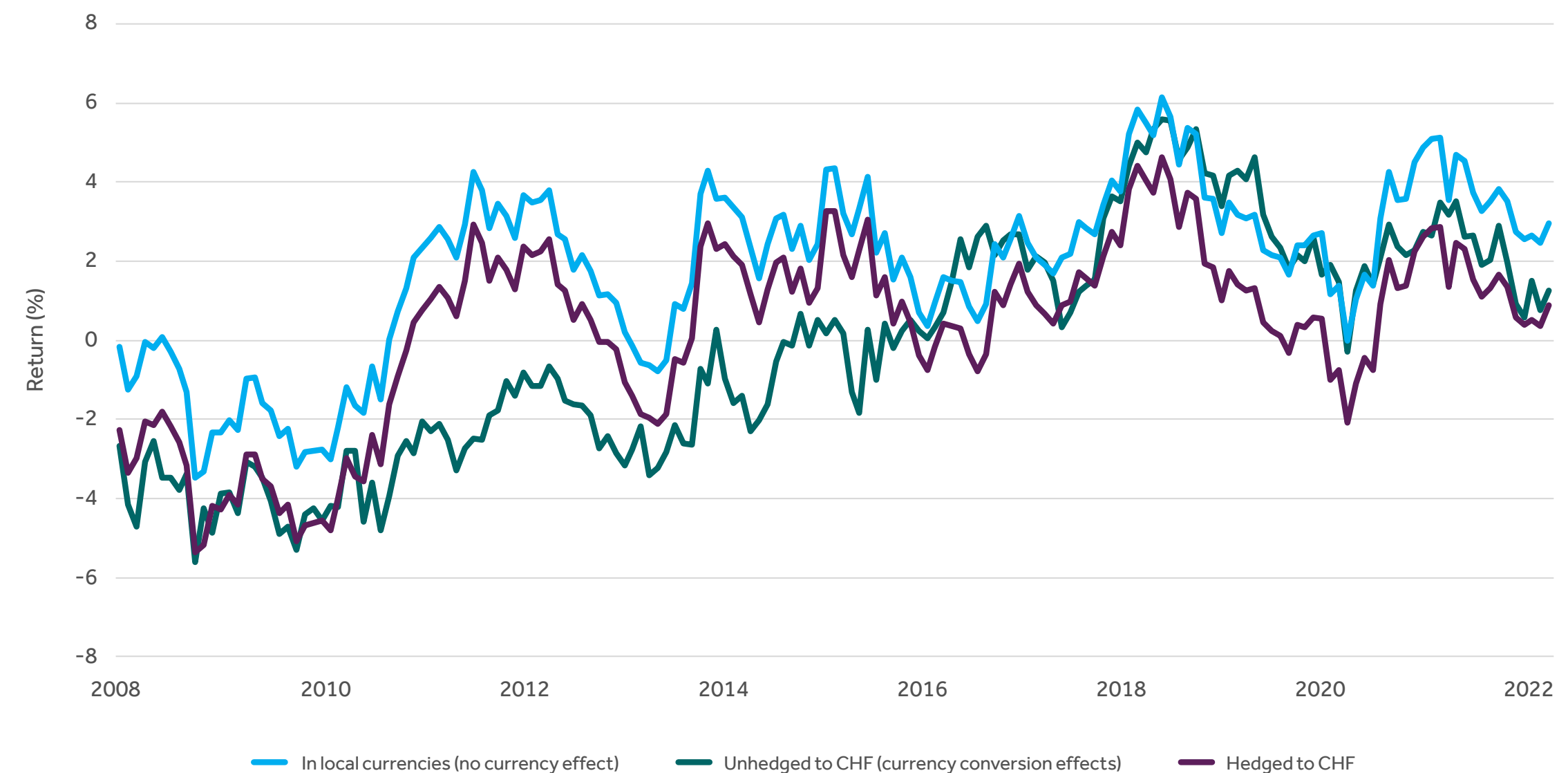
THE HOME EQUITY BIAS CONUNDRUM

Home equity bias can (at least partially) be explained by exchange rate considerations, especially when the home currency has a safe-haven status.

To investigate, we considered a strategic-investment horizon over five years. Our results indicate that global equities in local currencies have consistently outperformed Swiss equities since 2013 (see chart on the right), sometimes by as much as 6% per annum. These figures can be interpreted as the opportunity cost of home equity bias. That said, this is a purely theoretical result. In practice, currency exposure is either unhedged or hedged.

OPPORTUNITY COST OF HOME EQUITY BIAS FOR SWISS INVESTORS

Annualised five-year rolling-window performance of MSCI World net total return relative to MSCI Switzerland net total return equity index since January 2008: in local currencies (no currency effect), unhedged (currency conversion effects) and hedged to Swiss franc.



Source: Bloomberg, Barclays Private Bank, April 2022

TO HEDGE OR NOT TO HEDGE?

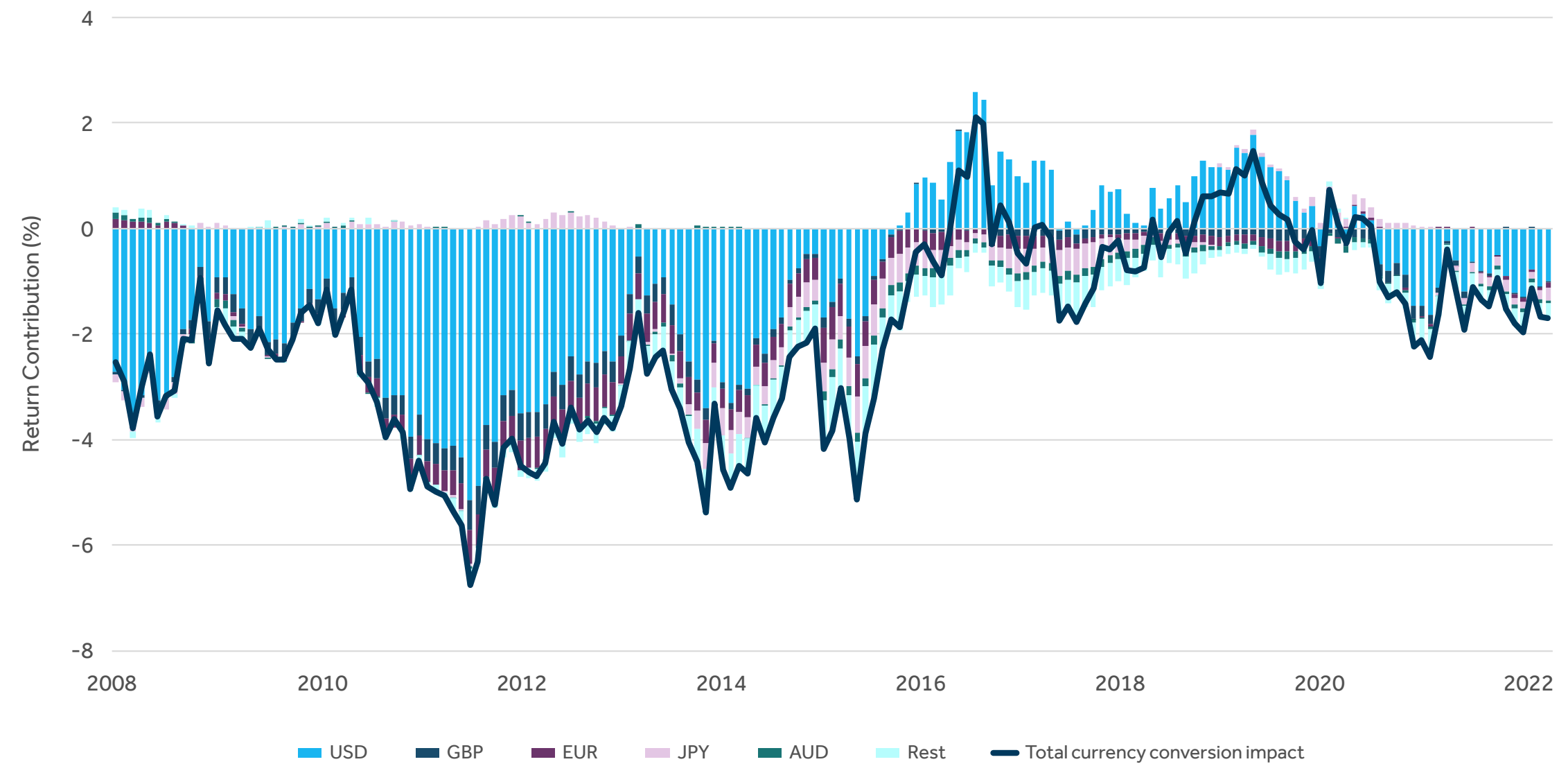
Activity from 2008 to 2016 explains some of the reluctance Swiss investors feel about investing in global equities – investing in the Swiss equity market during these years would have been more profitable than unhedged investments in the world equity portfolio. However, the results are inconclusive as the unhedged world equity portfolio consistently outperformed the Swiss market in the following years.

Hedged foreign exposure fared better in our analysis. Despite a cost of up to 2% annually since January 2008, the hedged global benchmark outperformed the Swiss market 65% of the time and generated a median excess return of 1% per annum.

Still, hedging was not better per se. As the chart on the right demonstrates, periods during which unhedged exposure outperformed the hedged global portfolio were characterised by a strong US dollar. Due to its superior safe-haven status, the US dollar has historically appreciated against the Swiss franc, which is especially true during times of recession. Therefore, it may be prudent for Swiss investors to keep US dollar exposure in their portfolio when turbulent times are expected.

THE CURRENCY IMPACT OF UNHEDGED GLOBAL EQUITIES FOR SWISS INVESTORS

Annualised five-year rolling-window decomposition of the currency conversion effects for MSCI World net total return unhedged to CHF since January 2008.



Source: Bloomberg, Barclays Private Bank, April 2022



B

Alberto Giacomo

SELECTIVE HEDGING TO OVERCOME HOME BIAS

With the home bias of Swiss investors remaining difficult to justify based on long-term performance data, partial hedging of foreign exchange risk might be the most sensible approach for Swiss investors. Historically, we have seen that hedging most currencies associated with the MSCI World index (except US dollar and perhaps the Japanese yen) seems to have benefitted Swiss investors. This approach could improve portfolio diversification, potentially boost long-term performance, and allow for a broader set of investment opportunities over tactical horizons.

Please note: This does not constitute investment advice or a recommendation with respect to any particular investment strategy. Past performance is not an indication of future performance. The value of investments, and any income can fall, as well as rise, so you could get back less than you invested. Neither capital nor income is guaranteed.

Empowering Indigenous artists



INTERVIEW CONDUCTED
BY MARTIN STAUB,
PRIVATE BANKER,
BARCLAYS SWITZERLAND



Despite having never been comfortable with the term 'collector', Bérengère Primat has built an impressive selection of Australian Indigenous art over two decades. In 2018, she took over the Fondation Pierre Arnaud art centre in the Swiss village of Lens. Renaming it Fondation Opale – after the precious stone that plays a prominent role in Australian Aboriginal culture – she wanted to create a space where the public could explore contemporary art concerned with universal themes. The foundation also runs conferences and workshops, and gives visitors the chance to meet some of the artists whose work is displayed.

BÉRENGÈRE, WHAT WAS YOUR MOTIVATION BEHIND STARTING FONDATION OPALE?

Humanity has always attempted to express its place in the universe through the medium of art. This kind of vision, which is still hugely relevant to Indigenous artists – and especially Aboriginal people of Australia – is central to Fondation Opale.

In 2017, when the sheer quantity and quality of the works I had collected became clear to me, I realised that I had to share them with as many people as possible. After part of my collection was exhibited in Fondation Pierre Arnaud the following year, I had the idea of taking over the art centre.

We could say that Fondation Opale was born from the idea of "transmission of knowledge", which is at the heart of the artistic process of Indigenous people in Australia.

But the artistic direction has evolved. Our core focus is Australian Indigenous art, but we would

never consider excluding other contemporary artists from the foundation because that would perpetuate the notion of segregation against which we are fighting.

YOU'VE PREVIOUSLY SAID THAT YOU DON'T LIKE BEING REFERRED TO AS AN 'ART COLLECTOR'. HOW EXACTLY WOULD YOU DESCRIBE YOURSELF?

I've had trouble with this term for a long time. For me, it has something of a negative connotation

as it implies there's some pleasure involved in amassing works of art, but that really doesn't correspond to what I'm doing.

I bought my first works because I felt deeply moved when looking at them. Then, after meeting some Aboriginal artists and their families, it was a way for me to maintain a link with them, a memory of the unique moments and experiences that we shared together.

But for now, I have to accept this term as a way of describing myself until I can find a better one.

IS THE FOUNDATION RECEIVING THE RESPONSE YOU ANTICIPATED? WHAT NEW EXHIBITIONS CAN EVERYONE LOOK FORWARD TO?

We opened our doors in December 2018, and after an extremely encouraging first year in which we had 10% more visitors than expected, we were forced to close for several months because of the pandemic.



This year got off to a slow start, but we're delighted with the excellent feedback we have received from our visitors, art-world professionals, and the artists themselves.


We're also excited to be running two major exhibitions this year, both of which will include works that have never been previously displayed to the public. The first, *Fugitive Present*, runs from June to November, and will showcase ceremonial ground paintings – which form the basis of the contemporary art movement in Australia's central desert – alongside contemporary Australian photography.

The second exhibition runs from December to April 2023 and will be entitled *Rêver dans le rêve des autres*, which translates to "Dream into other people's dream". It will introduce visitors to French artist Yves Klein's interest in Aboriginal culture – something that has never been revealed before.

I'm confident that we're on the right track to engage with a wide audience that isn't necessarily accustomed to this particular art movement, as we also strive to ensure the high quality of our exhibitions.

WHICH INDIGENOUS ARTISTS WOULD YOU RECOMMEND EXPLORING AND WHY?

I've been lucky enough to meet many of the artists whose works form part of my collection. There are great artists in every region of Australia and it's a matter of personal taste which you like best.



“Think with your **heart** without ever setting aside your ethical convictions.”



For someone who's completely unfamiliar with Australian Indigenous art, I would recommend finding a work that touches you and seeking to learn more – in fact, that's how my passion started.

I would point to what André Breton, the co-founder of surrealism, writes in the preface to *Dawn of Art*, which is a book by Karel Kupka about Australian Aboriginal paintings and sculptures: "Love above all. There will always be time, afterwards, to question yourself about what you love, to the point of not wanting to ignore even a single thing."

WHAT'S YOUR LONG-TERM VISION FOR FONDATION OPALE?

I hope that the foundation will continue to offer remarkable exhibitions and that these can travel to some of the world's major institutions. I would also like our 'European platform' for wonderful Australian Indigenous artists to really take shape. After two years without being able to travel, it's been a great source of frustration that we haven't been able to welcome artists to the foundation.

HOW DOES FONDATION OPALE SUPPORT THE ARTIST COMMUNITY?

The foundation provides Aboriginal artists with the opportunity to attract significant attention from an international clientele by having their works featured in a contemporary art centre in Switzerland that is not far from Crans-Montana. What's more, many of our visitors ask where they can buy Aboriginal art of good origin. This important source of revenue enables these artists to perpetuate their cultures and clan lives.

There are also benefits for local artists and we regularly give them the floor for concerts, performances and talks as part of our public programme.

WHAT ADVICE WOULD YOU GIVE TO SOMEONE WHO MAY BE THINKING OF STARTING AN ART COLLECTION?

Be ready to change your life and those of your loved ones. And think with your heart without ever setting aside your ethical convictions.

AND WHAT WOULD YOU SAY TO SOMEONE CONSIDERING ESTABLISHING AN ART FOUNDATION?

I'd have to say that having adequate finances is vital to guarantee any foundation's stability. It also goes without saying that building a motivated, creative and competent team is another prerequisite.

SETTING UP AN ART FOUNDATION MUST HAVE BEEN A BIG STEP FOR YOU. HAS IT CHANGED YOU AS A PERSON?

It has put a spotlight on me and I do get many more requests to share my experiences than I did previously – in all areas of life, not just artistic. I've had to learn to say "no" sometimes without feeling guilty and to manage my time better. But my view on life is unchanged: I remain convinced that the best way to give meaning to your life is through sharing with others.

Establishing a world-class car collection



INTERVIEW CONDUCTED
BY OLIVER DUFEK,
SENIOR INVESTMENT ADVISER,
BARCLAYS PRIVATE BANK
SWITZERLAND





Roald Goethe is a German entrepreneur and car enthusiast. Over the past 14 years, he has built up his ROFGO collection of 46 iconic vehicles, which is widely regarded as one of the world's finest privately owned curations of racing cars. As well as collecting cars, Roald is an accomplished driver, regularly racing cars from his collection in prestigious races, including in the Le Mans 24 Hours.

WHEN DID YOU FIRST BECOME INTERESTED IN CARS?

I was very interested in cars from an early age – I always had a passion for them. And from the moment I could afford to buy one, I was always looking for cars that were a little faster than others. But it was only in my mid-40s that I had the means to start collecting cars seriously.

HOW DOES CAR COLLECTING AND RACING REFLECT YOUR PERSONALITY?

As my ancestor Johann Wolfgang von Goethe said, collectors are happy people, and he was right: it gives you satisfaction, it makes you happy, and over time, your passion grows. It's like in the olden days when lots of people collected stamps – when you get an important one, you start to become more ambitious and want more. Collectors want to collect something that's rare, with the hope that it will become even rarer.

DO YOU SEE COLLECTING CARS AS A FINANCIAL INVESTMENT OR A HOBBY?

It's purely a hobby for me. When I was a young boy, I had two or three favourite model cars, and I've kept them to this day – they're actually on my desk. The dream was always that one day I might own such a car myself.

HOW DID YOU GET INTO RACING?

Collecting classic cars led to racing. I always followed the classic car races and thought, why not actually race myself? I'm what you call a hobby racer or a gentleman driver in the jargon of historic racing. I started in a Renault Clio and climbed the ladder over time. My dream was always to race at Le Mans, and the dream became a reality – I've raced the Le Mans 24 Hours three times in an Aston Martin that's part of my collection.

Please note: Reference to specific companies in this article is not an opinion as to their present or future value and should not be considered an investment recommendation, investment advice or a personal recommendation.

WHAT WOULD YOU SAY TO SOMEONE THINKING ABOUT STARTING THEIR OWN CAR COLLECTION?

I'm a big believer that you should always buy out of passion and love for what you're buying. Cars are a financial asset, of course, but that shouldn't be the main driver. You buy because of your passion in whatever you're collecting, whether that's art or cars or anything else. In the case of cars, you can use them as well. Even if a beautiful car doesn't gain in value, or even worse, loses all its value, you can still feel joy in just looking at it. That was always my motivation for buying and collecting.

If you're concerned about value preservation, go for an iconic car or something that is rare. By iconic, I mean something that everyone will remember in terms of colour or brand or who's driven it. A car might be relatively mundane in terms of manufacturer or its colours, but if it's been driven by Ayrton Senna, that makes it very special.

IS THERE A CAR MISSING FROM YOUR COLLECTION?

My collection is sponsored by Gulf Oil, which has been involved in motor racing since the 1960s. When I'm looking to add to the collection, I look for something contemporary in the Gulf colours of blue and orange. Last year, the McLaren cars were in full Gulf colours at the Monaco Grand Prix – that's the kind of car that would complement the collection very well. In fact, we already have some McLaren Formula 1 cars from the 1960s and 1970s when Gulf was McLaren's sponsor.

WHAT'S YOUR FAVOURITE CAR IN YOUR COLLECTION?

That's a bit like asking which of my children is my favourite! It really depends on the mood I'm in. The McLaren M24 Formula 1 car is one of my favourites, and also the Porsche 908/3, which is a bit like a go-kart on steroids. The collection's flagship is probably the Porsche 917 that raced in Le Mans in 1971. It was also made famous by Steve McQueen in his film *Le Mans*. I like to tell the whole story of a car, so we managed to source the original overalls that Steve McQueen wore in the movie, one of his helmets and his Heuer watch.

WHAT ARE YOUR VIEWS ABOUT FORMULA E?

We're living in the times we live in, and I think it's the right thing for the world of motorsport to develop cars that run on something other than fossil fuels. Today it's Formula E, tomorrow it might be hydrogen or some other source of energy. Something very personal to me is that I grew up with the sound of the racetrack, and the noise of the engines creates strong emotions. The only thing I miss with Formula E is the noise, but that's just my perspective.



“You buy because of **your passion** in whatever you're collecting, whether that's art or cars or anything else.”



“I think **Formula E's** message about sustainability is very important, and it's great that the main manufacturers are on board.”

DO YOU THINK FORMULA E WILL TAKE OVER FROM FORMULA 1?

I'm really in two minds on that. Formula 1 has to move in the direction of optimising power output while minimising the burden on the environment. It's working on that¹ – it has options such as so-called zero fuel, which is made from captured carbon, so it's basically recycled fossil fuel. I think Formula E's message about sustainability is very important, and it's great that the main manufacturers are on board. It's also doing a great job bringing the races into cities so the crowds don't need to travel far. They're doing all the right things, but I think there's still some work to do, including to ensure it gives you the same sensations. Merging Formula E with Formula 1 could actually solve that problem. But we don't know what the future holds – maybe in the future cars won't be using either electricity or gasoline – it could be hydrogen.

¹ Source: BBC News, November 2019: 'Formula 1 launches a plan to become carbon neutral by 2030' (<https://www.bbc.co.uk/sport/formula1/50382898>)

Supporting Switzerland's next generation of philanthropists



INTERVIEW CONDUCTED
BY JULIET AGNEW,
HEAD OF PHILANTHROPY,
BARCLAYS PRIVATE BANK



Pauline Borg is Philanthropy Initiatives Coordinator at 'WISE philanthropy advisors', a Geneva-based firm that specialises in high-impact philanthropy by helping to set up foundations, advising on causes and delivering projects in the field. Originally from Finland, she was raised in Switzerland and has also lived in the UK. Her own family has been involved in philanthropy for many generations, and she sits on the board of one of their foundations.

PAULINE, WHY IS IT IMPORTANT TO SUPPORT THE NEXT GENERATION IN THEIR PHILANTHROPY?

There's going to be an important transfer of wealth from one generation to the next over the next 10 to 20 years. This will lead to challenges for those receiving the wealth, but also amazing opportunities to use some of these resources to do good. Part of WISE's mission is to support members of the next generation so they feel ready to contribute.

HOW DO YOU DEFINE THE NEXT GENERATION?

In our context, the next generation are 18 to 35-year-olds. Some of the training we offer is geared primarily towards that age group as they can be the ones in need of the most help or guidance. Of course, people of other ages can be considered as next generation and we offer them guidance too.

HOW IS THE NEXT GENERATION SEEING AND DOING THINGS DIFFERENTLY?

The younger generation has grown up with technology and is very aware of different issues around the world. This probably makes them more hands-on than their parents or grandparents. They hold companies and governments to account, and there's a sense that action needs to be taken to make the world a better place.

CAN PHILANTHROPY HELP TO BRIDGE DIVIDES BETWEEN GENERATIONS?

It definitely can if the generations identify a common project. Uniting around a common passion can really help family members better identify with each other.

Sometimes it's difficult to bridge the divide and a lot of assumptions can be made between family members. The next generation often assumes



their parents have a certain way of thinking, while parents make the assumption that their children want to be involved in the philanthropy that they've set up, for example. Too often the discussions don't take place. Having open and honest conversations, practising active listening and being open-minded are vital.

IS PHILANTHROPY JUST ABOUT MONEY?

There's been a real democratisation of philanthropy. It's no longer about being one of the lucky few who has the means to deploy vast sums to further a cause. One can have great impact deploying limited funding but doing so incredibly strategically. Philanthropy today is about using your voice, your talent, pulling on the right levers and influencing people, in addition to using financial means. Once the next generation understands this, that's when things can really start happening.

HAVE THE EVENTS OF THE PAST COUPLE OF YEARS AFFECTED THE NEXT GENERATION'S OUTLOOK?

Major events such as the pandemic and the war in Ukraine are going to affect behaviours, of course. But they're not the only issues. The world is going through a crisis in food systems, and the issue that probably weighs most on the shoulders of the next generation is climate change. These individuals often find themselves in a moral conflict between what they should be doing for the environment and something that they've always wanted to do such as travelling or having children, for example.

SHOULD PHILANTHROPISTS CONCENTRATE ON ONE TOPIC?

It helps a lot if philanthropists focus on one, or a small number of issues, that they really care about, and try to really understand the root causes. Everything is interconnected, so we suggest that one looks at the wider picture surrounding the issue. Take someone funding food distribution initiatives in schools where children go hungry - this is not addressing the reason they're turning up hungry. One family that we've worked with from Lausanne is concentrating on funding sustainable initiatives in South East Asia. These focus on the employability of at-risk youth by providing them with vocational training to help them find a safe and appropriate employment.

AND SHOULD THEY CONSIDER WORKING ALONGSIDE OTHERS?

Our work is primarily to support families in identifying their causes - leading independent conversations and joint workshops to help build a common passion. Once this passion is found and established, collaboration can and, in my view should, be a vital part of the work. Being a philanthropist can be quite isolating, but there are many communities of donors and advisers.

If others are interested in similar topics, why not pool funding? Share intelligence? Do due diligence jointly? This can lead to building on what's already been done, and also achieve a higher and more scalable impact.

WHAT'S WISE'S ROLE AS AN ADVISER TO FAMILIES?

For the past 20 years, we have helped families understand their family dynamics across generations, understand best practices and facilitate what can sometimes be difficult conversations. In a second step, we support families in their journey to identify and build a portfolio of projects to support over time, based on their common passions. Through this process, we can also aim to include the next generation in conversations that enable them to feel heard and legitimate in being part of the conversations.

Having an external adviser as part of the initial and ongoing conversations helps families steer the conversations in a constructive and efficient manner, and gives everyone the opportunity to voice their opinions. This is something that may not always be the case if these conversations take place solely between family members.

Our role is to help family members understand each other, find their common passion and ultimately become more impactful philanthropists.

HOW ARE YOU HELPING NEXT GENS IN SWITZERLAND?

At WISE, we run something that we call the next-gen bootcamp, which is for young people whose families are already involved in, or considering getting started in philanthropy. It takes place over three days in the Swiss countryside with young people aged 18 to 30.



“If you want to get started in philanthropy, you need to identify what you’re **passionate** about.”

The aim is to help these young adults understand their role and added value in being involved in their family’s existing or aspiring philanthropy, even though they might not be the source of its money. We talk about the importance of time, treasure and talent.

This year we also launched a training scheme with two partners covering all of Switzerland called Foundation Board Academy. This is related to the question of good governance in foundation boards because Switzerland has more than 13,000 foundations, with approximately 69,000 people sitting on boards. Whether it be family-related or not, you must understand your legal, administrative, and financial duty, and responsibility of being a sitting board member.

We’ve observed the need for diversity on foundation boards, whether in terms of gender or age. To address this, we’ve contributed to the launch of a fund called Board for Good that distributes grants to applicants aged 18 to 35, to partake in the Foundation Board Academy.

This is also our way of enabling the younger generations to get involved and build their networks, but also to voice their opinions and share their sometimes provocative questions.

WHAT WOULD YOU RECOMMEND TO ANY NEXT-GENERATION PHILANTHROPIST WHO IS FEELING A BIT OVERWHELMED?

The current state of the world can feel overwhelming. One needs to be pragmatic in their approach, there are many resources and advisers there to help. If you want to get started in philanthropy, you need to identify what you’re passionate about, or something that makes you really angry. We’re not going to save the world as individuals, but with the help of technology, the growing understanding of the importance of strategic funding, and of large-scale systems change, it is definitely possible to positively affect the lives of people in the field where you want to make a difference.

Swiss real estate: the lure of prime property



INTERVIEW CONDUCTED
BY STUART BUTLER,
HEAD OF CREDIT
STRUCTURING, BARCLAYS
PRIVATE BANK



Luca Tagliaboschi is the CEO of real estate agency Cardis Sotheby's International Realty, which focuses on brokerage and

promotion in the sale of apartments, houses, chalets, and land. He talks to us about the factors driving demand for properties in prime Swiss cities, the regions experiencing the most growth, the effects of home working, and the role of supply and demand.

LUCA, IN YOUR OPINION, WHAT IS DRIVING THE CURRENT DEMAND FOR PROPERTY IN PRIME SWISS CITIES?

The Swiss economy is very stable: mortgage rates are low and interest rates are negative. However, the COVID-19 pandemic also played a role as it brought us back to basics: spending more time at home, wanting bigger outdoor spaces, and rooms dedicated to home-working.

We should also remember how the Swiss authorities managed the pandemic. Far less drastic measures were implemented than in many other countries, and a resilient hospital and healthcare system was able to cope with the crisis. These are all reassuring considerations that make our country a good place

to stay in, or move to. Finally, Switzerland's tax base is more favourable than those of other countries, which is a factor that benefits the high-end property market.

THE COVID-19 PANDEMIC TRIGGERED AN INCREASE IN DEMAND FOR SWISS LUXURY REAL ESTATE. DO YOU BELIEVE GENEVA AND OTHER PRIME SWISS CITIES WILL REMAIN HIGH ON THE LIST OF RELOCATION OPTIONS. IF SO, WHY?

The cities of Geneva and Zurich have always flourished in the high-end property market. It must also be said that the pandemic has clearly reinforced this trend, as we previously mentioned.

If you take the luxury property market in Geneva during 2021, 196 properties exceeding CHF 4 million were sold for CHF 1.74 billion, which represents an increase of 36% in the number of transactions per year¹.

There is no doubt that Geneva and Zurich will remain top cities for purchasing prestigious properties. The Lake Léman region and its properties on the water's edge, in particular, have also been in high demand during this period. Not forgetting mountain resorts such as Gstaad, which have been developing since last year and Verbier, Crans-Montana, or Zermatt where prices soared in 2021 as a result of foreign clients deciding to buy in Switzerland.

Please note: The views expressed in this article are not the views of Barclays Private Bank. Professional advice should always be sought when selling or buying property.

¹ Source: RTS, February 2022: 'Les ventes immobilières explosent à Genève, atteignant 9 milliards en 2021' (<https://www.rts.ch/info/regions/geneve/12839771-les-ventes-immobilieres-explosent-a-geneve-atteignant-9-milliards-en-2021.html>)



DO WE SEE GREATER DEMAND FOR LUXURY PROPERTIES IN SWITZERLAND THAN IN OTHER PRIME CITIES SUCH AS PARIS OR LONDON?

Demand for luxury property in Switzerland is holding its own alongside other cities such as Paris or London. Customers remain strongly attracted to Switzerland due to our tax policies, political stability, and excellent schools. We also have a robust medical system, proximity to airports, postcard landscapes with views of the lake and mountains, as well as spacious properties.

Furthermore, we are still seeing very strong demand from international customers on luxury properties. For example, we recently put a waterfront property of nearly one hectare on the Riviera of Lake Léman on sale, with views of the lake and the mountains, which greatly appealed to a foreign clientele.

FOLLOWING A LONG PERIOD OF WORKING FROM HOME, SOMETIMES IN RURAL AREAS, DO YOU SEE A RETURN TO URBAN LIVING?

Yes, we see more and more people eager to return to cities. It should be noted that in Switzerland, we did not really experience a strict lockdown like other neighbouring countries such as France or Italy. On the other hand, we are also seeing a high demand for properties with patios, balconies, and outdoor facilities. It is also not uncommon for people to ask for an extra room for home-working.

¹ Source: RTS, February 2022: 'Les ventes immobilières explosent à Genève, atteignant 9 milliards en 2021' (<https://www.rts.ch/info/regions/geneve/12839771-les-ventes-immobilieres-explosent-a-geneve-atteignant-9-milliards-en-2021.html>)

INTEREST RATES FOR MORTGAGE LENDING HAVE BEEN HISTORICALLY LOW – DO YOU SEE THAT CHANGING IN THE NEAR FUTURE?

Yes, mortgage rates are very low, and this encourages people to buy properties in our country. We believe that the situation will continue, and that 2022 will also be a good year, because the luxury market will always flourish.

ARE DOMESTIC BUYERS REPLACING INTERNATIONAL BUYERS IN CENTRES SUCH AS GENEVA, PARIS, AND LONDON?

In Switzerland, where we are more familiar with trends, we know that buyers of prestigious properties come from all over the world. Many are, however, Swiss or foreign customers who have been living in Switzerland for many years.

IS THE SUPPLY OF NEW BUILDING DEVELOPMENTS MEETING DEMAND IN THE WIDER SUISSE ROMANDE AREA?

Demand for new projects is generally very strong in French-speaking Switzerland across all price ranges, and the supply of new properties is currently not sufficient to meet the demand of all these potential buyers.

New projects remain very popular, because they provide buyers with a choice of finishing materials and the ability to personalise their living spaces. Many buyers are also seeking new projects that take the environment and renewable energy sources into account.

196
properties exceeding
CHF 4 million
were sold in Geneva
and the luxury property
market in 2021¹

Climate change and carbon risk premium in Switzerland



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With persistently high temperatures, public interest in global warming has been steadily increasing, as have the regulatory requirements for businesses to report on these issues. Is investing in green stocks the future?

Soaring world populations, rapid growth in the global economy, and the aggressive use of fossil fuels during the past two centuries have led to unprecedented greenhouse gas emissions. At the dawn of the 21st century, humanity awoke from the “carbon dream” to realise the imminent danger of climate change.

Increases in temperature are considered the most important indicator of climate change. However, scientific research has shown that climate change also entails a higher frequency of events such as extreme cold, storms, and floods.

THE EFFECTS OF GLOBAL WARMING IN SWITZERLAND

The Alps have undergone tremendous change as a result of global warming. Climate change has affected the volume and quality of snowfall and the Swiss glaciers have lost approximately 60% of their volume since 1850. The risks of floods, landslides, and forest fires has increased, and biodiversity has been threatened. The average temperature in Switzerland has also increased by about 2°C since 1864, which is more than 1°C above the global average¹.

To study how global warming affects public and investor attention in Switzerland, we have analysed the local temperature according to three categories: long-term trend, seasonal, and abnormal.

60
The percentage of volume lost
from Swiss glaciers
since 1850

¹ Source: Federal Office for Environment (FOEN) in Switzerland, 2020: Climate Change in Switzerland, Management Study (<https://www.bafu.admin.ch/bafu/en/home/topics/climate/publications-studies/publications/climate-change-switzerland.html>)

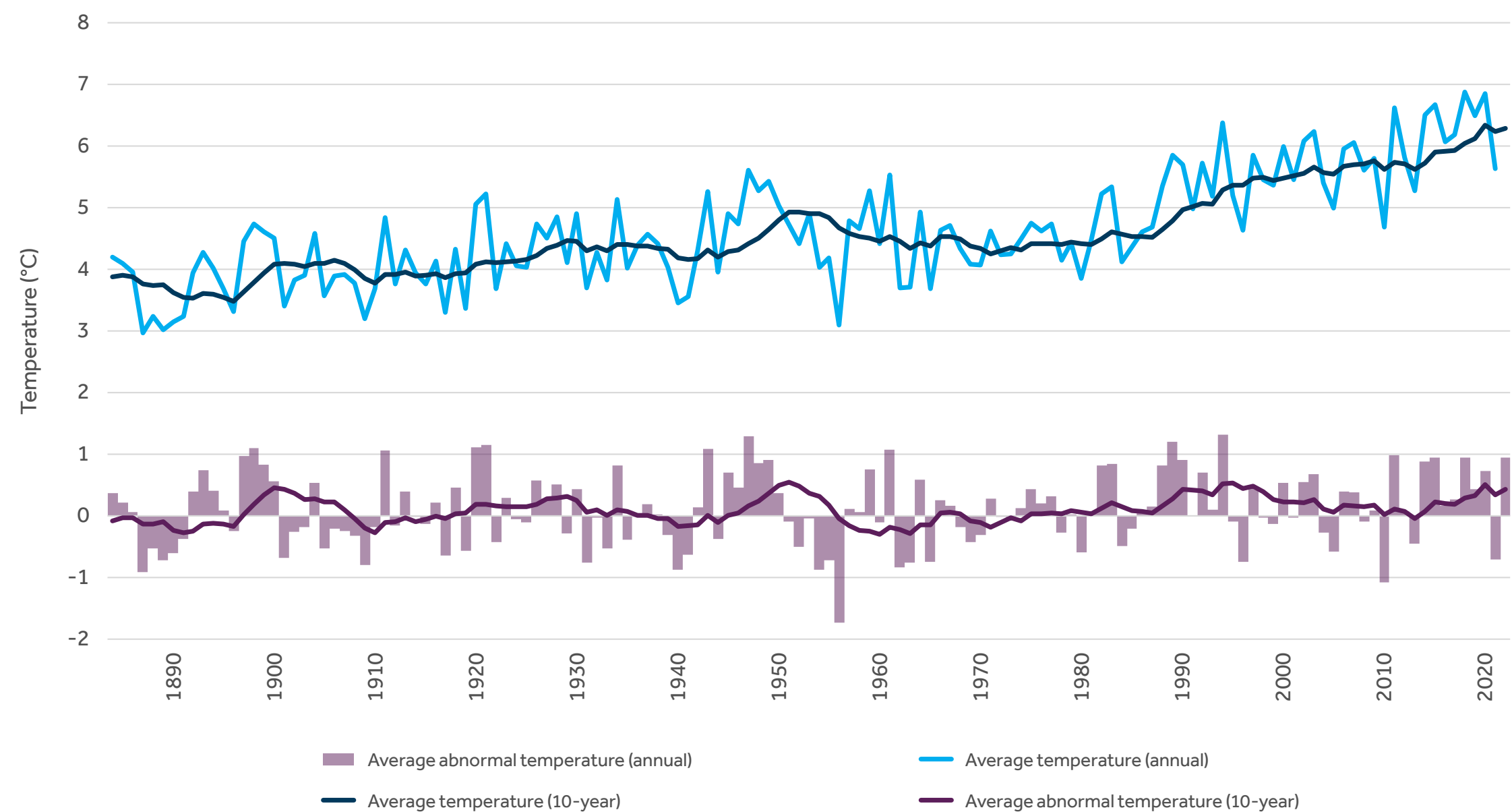
Temperature data obtained from MeteoSwiss (see chart on the next page).

The long-term trend is defined as the 10-year rolling average temperature. The seasonal trend is calculated as the difference between the 10-year rolling average temperature for a given month and the long-term trend. The abnormal temperature is the deviation of a month's temperature from the seasonal trend in the same month. We define the long-term abnormal temperature trend as the 10-year rolling average of monthly abnormal temperatures.

The chart on the right shows long-term trends and abnormal temperature, as well as their counterparts for a given year. The long-term abnormal temperature in Switzerland has been consistently increasing since 1974 (with the exception of 2012), with a strong upward trend over the past 10 years.

AVERAGE AND ABNORMAL TEMPERATURES IN SWITZERLAND SINCE 1885

Annual and 10-year average, and abnormal temperatures in Switzerland from 1885 until 2022. The temperature is measured as the spatial average across various altitudes over the entire area of Switzerland.



Source: MeteoSwiss (Federal Office of Meteorology and Climatology), Barclays Private Bank. Data accessed in April 2022, last observation point March 2022

THE SPOTLIGHT ON CLIMATE CHANGE

Although extreme temperatures can be unrelated to global warming, unseasonably high or low temperatures often direct attention towards climate change. For example, abnormally cold temperatures in the north-eastern United States in 2015 and 2017 have been used by sceptics to challenge the existence of climate change².

To understand the public's interest in climate change, we looked at the relationship between abnormal temperatures in Switzerland, European print media coverage of climate change, and the volume of searches for this topic on Swiss Google.

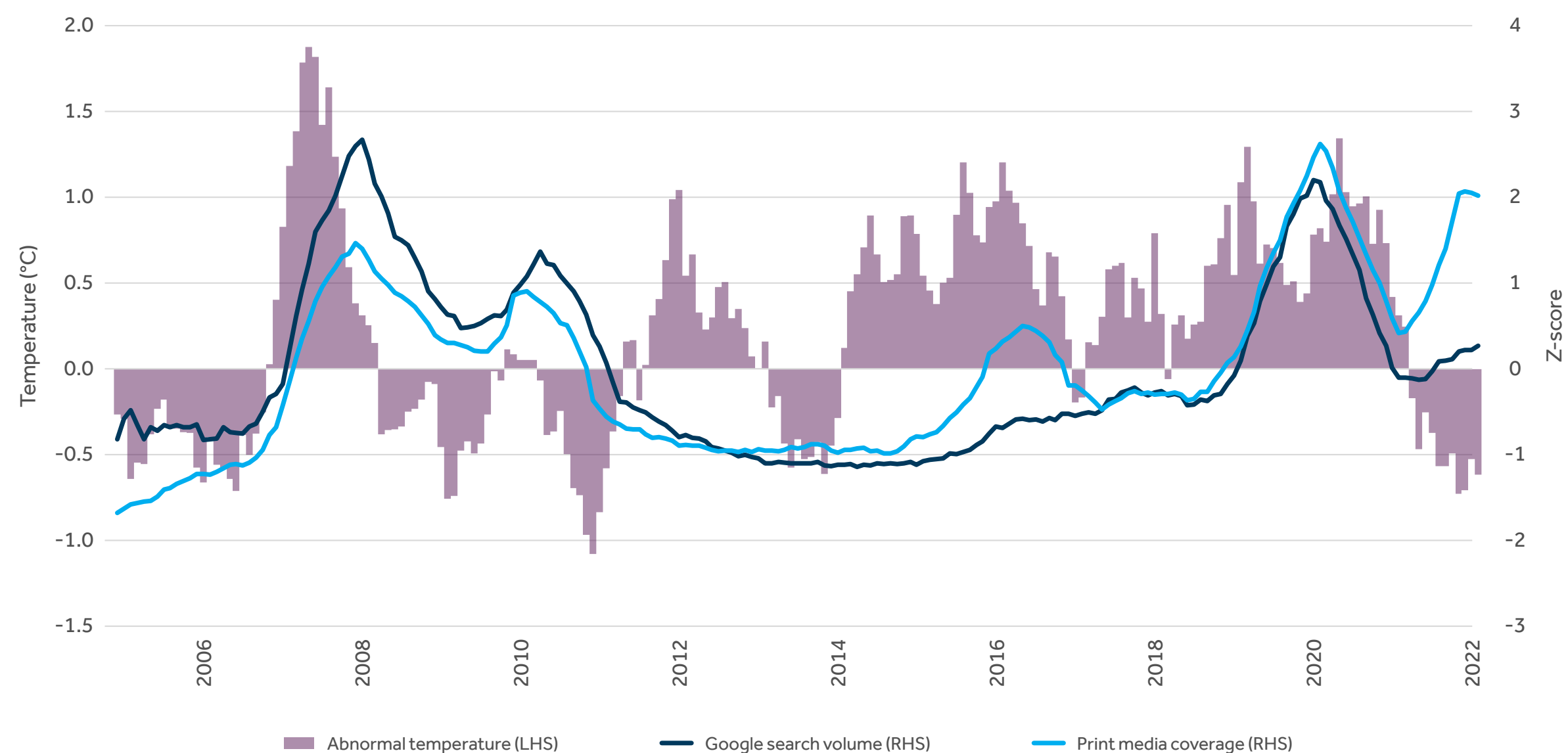
Abnormal temperatures during a single month do not affect the public's interest in climate change. However, there is a much stronger correlation between abnormal temperatures, news coverage, and online searches on an annual basis (see chart on the right).

This result is likely driven by behavioural forces. As the public learns about temperature dynamics, the attention to climate change typically tends to increase three to six months after the beginning of a heatwave (a prolonged periods of abnormally warm temperatures).

² National Weather Service – National Oceanic and Atmospheric Administration. Further reference can be found here: https://www.weather.gov/iwx/20150214_blizzard and here: https://www.weather.gov/okx/RecordCold_Dec17Jan18

ABNORMAL TEMPERATURES, PUBLIC ATTENTION, AND PRINT MEDIA COVERAGE OF CLIMATE CHANGE

Swiss abnormal temperatures and historical z-scores³ for the Media and Climate Change Observatory (MeCCO), European print media coverage index and the Swiss Google search volume index for the topic "climate change" since January 2005. The reported figures represent rolling one-year averages, with a monthly updating frequency.



³ Z-score is a statistic that transforms the original data to a relative scale for easier comparison of different variables. Z-score measures how many standard deviations above or below the mean is any observation point in the data set.

Source: MeteoSwiss (Federal Office of Meteorology and Climatology), MeCCO, Google Trends, Barclays Private Bank. Data accessed in April 2022, last observation point February 2022.

SWISS BLUE-CHIP COMPANIES THROUGH THE CARBON LENS

Increased awareness and calls for action around global warming have put businesses in the spotlight. Reporting of environmental, social and governance (ESG) information has also accelerated over the past 10 years, largely driven by legal requirements in many jurisdictions.

As of January 2022, amendments to the Swiss Code of Obligations have meant that large companies of public interest face a mandatory requirement to disclose non-financial information in annual ESG reports.

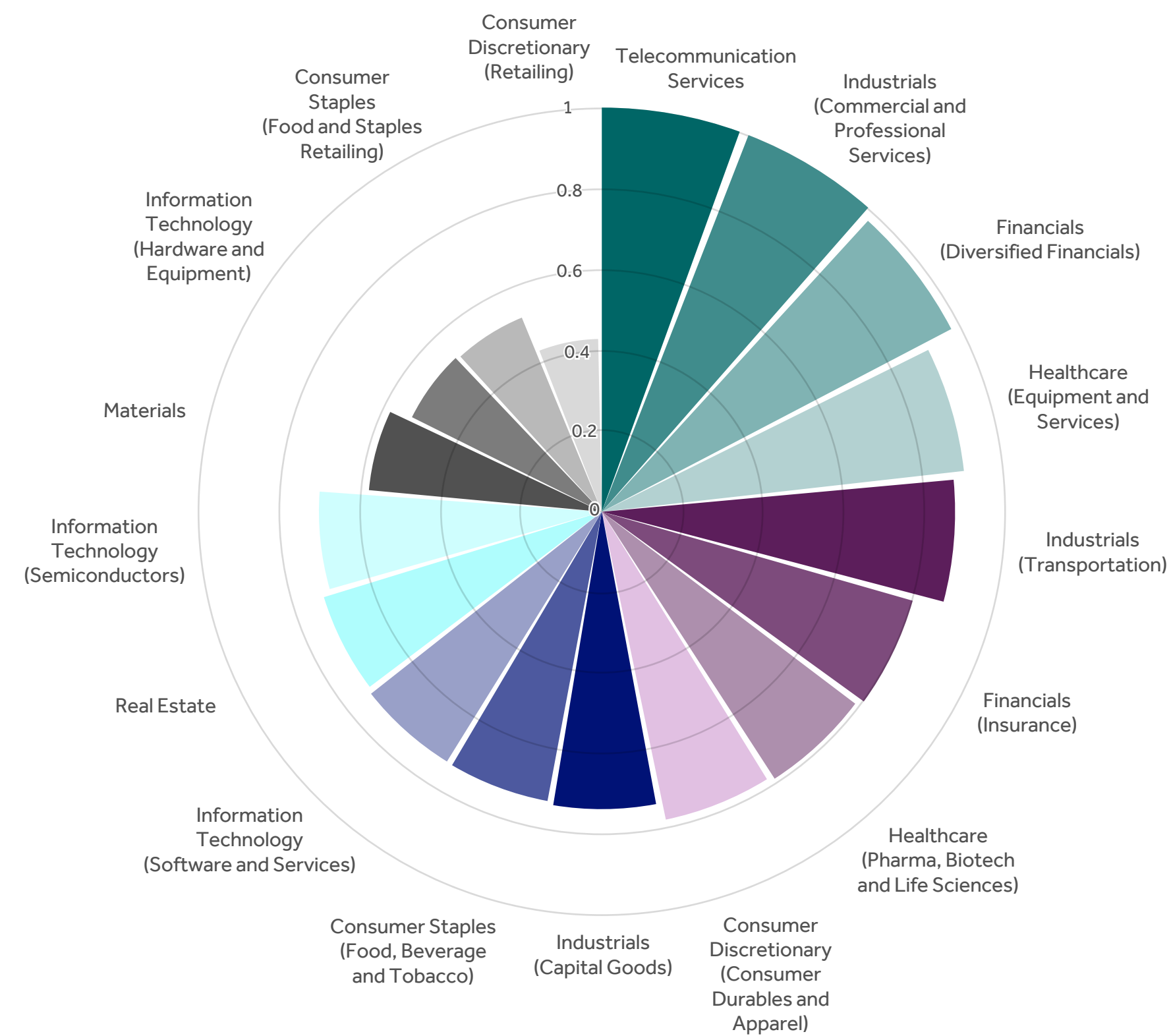
To measure the climate-risk exposure of Swiss companies, we examined their carbon footprint and environmental impact. We then ranked the most important equity sectors and industry groups based on the equally weighted average of MSCI's carbon emissions and environmental pillar scores.

As expected, the leaders are the telecommunication services, financials, and healthcare sectors, while consumer discretionary, information technology, and materials fared less well.

However, sector-level rankings should be taken with a grain of salt. Most sectors are heterogeneous as carbon exposure varies substantially across industry groups. Therefore, putting the sectors under a microscope is a more sensible choice (see chart on the right).

ENVIRONMENTAL SCORES FOR LARGE AND MID-CAP SWISS COMPANIES

A comparison of the main industrial groups in Switzerland – based on the constituents of the SMI Expanded index – using a bespoke environmental score. The score is calculated as an equally-weighted average of the MSCI's carbon emissions and environmental pillar scores as of April 2022, and normalised to the range zero to one.



Source: Bloomberg, MSCI, SIX Swiss Exchange, Barclays Private Bank. April 2022

MEASURING THE CARBON-RISK PREMIUM

To explore the impact of carbon exposure on portfolio performance, we constructed a carbon risk factor for the Swiss equity market. Starting from the SMI expanded index, we examined the carbon risk factor as a long-short emission-minus-green portfolio in a two-step procedure. Hence, a negative risk factor reading implies outperformance of green stocks.

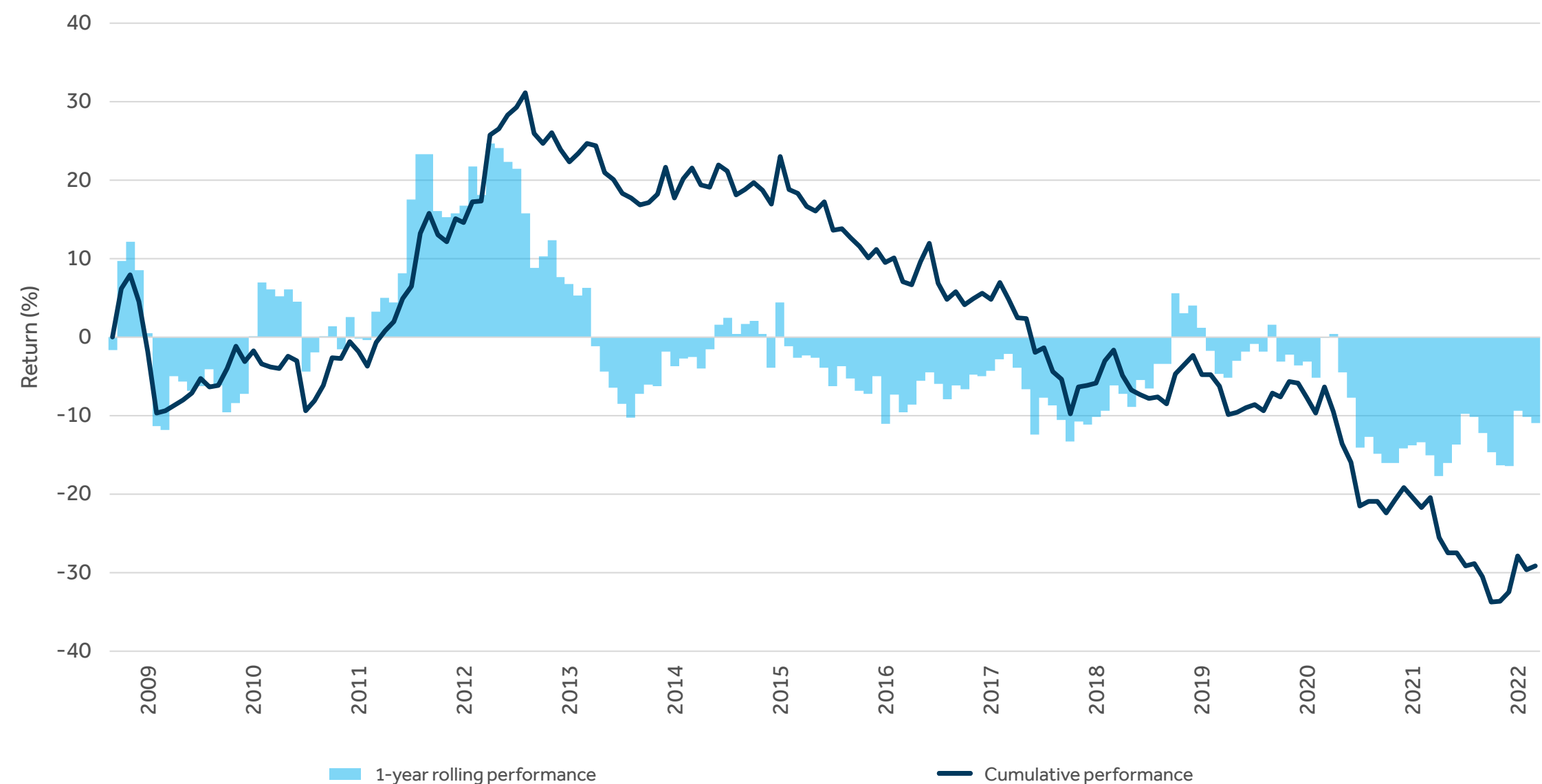
First, stocks are ranked using our bespoke environmental score described earlier. Second, the long (emission) and short (green) legs are designed to minimise and maximise the environmental score, respectively. To isolate the carbon exposure effect, we impose the constraint that both sub-portfolios must match the equity sector exposure of the overall market index.

Our analysis reveals that the realised carbon risk premium was positive between March 2009 and August 2012 and has exhibited a negative (green outperformance) trend thereafter (see chart on the right). Green outperformance accelerated since the onset of the COVID-19 pandemic. Over the full sample, the green sub-portfolio has rewarded climate-aware investors with a premium of 1.7% per annum.

Our findings are closely aligned with other academic and industry research. Since other studies typically focus on the US or EU, it would suggest global drivers are behind the historical dynamics of the carbon risk premium in developed markets.

SWISS BLUE-CHIP CARBON RISK FACTOR

Cumulative and one-year rolling performance of our long-short emission-minus-green portfolio of Swiss large and mid-cap stocks that constitute the SMI Expanded index from September 2008 until March 2022 on monthly frequency.



Source: Bloomberg, MSCI, SIX Swiss Exchange, Barclays Private Bank. April 2022



DO GREEN STOCKS OUTPERFORM WHEN IT IS WARM?

A green sub-portfolio does not necessarily outperform during abnormally warm months. In fact, the correlation between the carbon risk premium and abnormal temperature in Switzerland is zero.

However, the carbon risk factor performance and printed media coverage index are inversely related. Higher media coverage of climate change coincides with outperformance of green stocks and vice versa.

When the level of attention on global warming increases, investment funds tend to flow into green stocks. However, when climate change drops off the news radar, a reverse effect is typically observed as carbon-intensive stocks rally.

GREEN IS THE COLOUR OF THE FUTURE

The transition towards green economies is irreversible and for the foreseeable future, funds will likely keep flowing into green stocks. Consequently, it is reasonable to expect that green stocks will outperform carbon-intensive stocks.

However, this does not mean that carbon risk premium will remain negative forever. The asset pricing theory tells us that in a new, green-investments-driven equilibrium, the carbon risk premium is expected to become positive. Investors will demand a compensation for taking carbon risks, hence demand-supply forces might eventually turn the tide.

Harnessing solar power for a better tomorrow



“ I remember dreaming about flying when I was a very young child and I’m **still passionate** about it to this day. ”



Raphaël Domjan is a Swiss explorer and lecturer. He has been involved in many world firsts in the field of solar travel, including the first round-the-world trip using solar energy on the catamaran PlanetSolar, the first solar navigation of the Arctic Ocean, the first jump from an electric plane and the first solar freefall. As a strong proponent of the use of solar energy in the fight against climate change, his adventures now focus on protecting the environment and biodiversity.

We spoke to him about his motivations, passions and future projects.

RAPHAËL, WHY ARE YOU SO PASSIONATE ABOUT SUSTAINABLE ENERGY PROJECTS?

It goes back to 1993. I was on an expedition in Iceland, and there was a huge glacier. But when I went back 11 years later to exactly the same place, all I could see was a lake – there was no longer a glacier. It made me realise how quickly glaciers are disappearing and the world is warming, and that was a big shock for me. I could see with my own eyes how climate change is really happening and that we have to make big changes to how we live. From that time, sustainable energy has been a very important part of my life.

HOW DID YOUR LOVE OF FLYING DEVELOP?

It's always been a part of me. I remember dreaming about flying when I was a very young child. When I was at school, playing with my friends, I'd pretend I was flying. When I was 15 years old, I started to fly in a glider, and I'm still passionate about it to this day – every time I'm flying, for me it's a wonderful moment.

WHAT DO YOUR PLANETSOLAR AND SOLARSTRATOS MISSIONS DO?

The aim is to promote solar energy and to achieve feats that nobody has even tried before, and, as such, to lead by example. PlanetSolar was the first boat



to go all the way around the world powered only by solar energy. And SolarStratos aims to be the first aircraft to reach the stratosphere powered solely by the sun. I think doing such things for the first time is a great way to raise awareness of renewable energy. It also helps create a legacy that you can use in your communications to promote solar energy and educate people about how solar power can be the energy of the future.

DO YOU THINK THE SOLAR ENERGY REPRESENTS THE FUTURE OF AVIATION?

No, I don't think so. Solar energy may have a part to play in sustainable aviation in terms of charging a plane on the ground and then using hydrogen to power the aircraft in flight, so that it's only using renewable energies. But I think it's actually electric aircraft that represent the future of aviation. Five years ago, it was impossible to fly in an electric aircraft, but now there is already one type of electric aircraft (the Velis aircraft) that is available to buy. Today, it's even possible to learn to fly to in an electric aircraft. I think that, very soon it will be possible to fly for up to two hours in an electric aircraft, making it a good option for things like flying for pleasure and skydiving in the next five years.

WHAT ARE THE BIGGEST CHALLENGES THAT RENEWABLE TECHNOLOGIES ARE FACING WITHIN AVIATION?

Safety is a big issue. When you want to change something, you have to go through the certification process and make sure you're

in line with all the regulations, and that's a really big hurdle. And from a technological standpoint, the density and safety of the battery are challenges we need to overcome.

HOW CAN PEOPLE SUPPORT SOLAR AVIATION?

I don't know if we need to support solar aviation itself. I think we need to support new types of aircraft that use more renewable energy and make less noise.

AS SOMEONE WHO'S BEEN INVOLVED IN MANY PIONEERING SUSTAINABLE ENERGY PROJECTS, WHICH ONES STAND OUT FOR YOU?

For me, the stand-out project was the first crossing of the English Channel by a solar aircraft without a battery by the team of Paul MacCready. It took place all the way back in 1981 – over 40 years ago – and flew 262km from France to England. This was, for me, a really huge project in the history of solar aviation. And from a personal perspective, I'm most proud of PlanetSolar, in which we made the first circumnavigation of the globe in a solar-powered boat. Succeeding was an amazing feeling.

WHY WAS PLANETSOLAR SO GROUND-BREAKING?

PlanetSolar was really a big step for the field of solar mobility because we achieved a number of firsts: it was the first solar-powered round-the-world

voyage and we were the first to cross the Indian Ocean and the Red Sea using only solar energy. PlanetSolar is also the largest solar boat in the world and is the solar vehicle to have travelled the furthest distance at over 60,000km.

It's also been instrumental in helping us inspire others to take up the cause. Just yesterday I was talking to the owner of a big shipyard in Barcelona that only makes solar boats. He started his business after he saw PlanetSolar. He thought to himself "okay, if they can go around the world in a solar boat, we can use solar boats for a four-day trip". So, I think PlanetSolar was a big step forward for solar travel in general.

WHAT MESSAGE WOULD YOU SEND TO YOUNG PEOPLE ABOUT CHOOSING SUSTAINABLE FORMS OF TRAVEL?

Through PlanetSolar and SolarStratos, we're trying to send an optimistic message to members of the younger generation who are worried about the future of the planet and what the future holds for them. In the world of tomorrow, I believe we will continue to do what we're doing today – things like skydiving, travelling, and driving a car. But we will do them much better than today – without the carbon emissions and without the noise. But we have to act now and make big changes to make the world a much better place tomorrow than it is today. That doesn't mean we have to stop doing everything that we enjoy, though. I'm very optimistic that if we all come together, these changes are possible and that there will be big benefits both for people and for the planet.

Meet the CEO





After marking 12 months as CEO of Barclays Switzerland, Rahim Daya talks to us about his priorities in his new role, the economic outlook following COVID-19, and the qualities that make Switzerland unlike anywhere else in the world.

RAHIM, WHAT ARE YOUR AMBITIONS FOR BARCLAYS SWITZERLAND IN GENEVA AND ZURICH?

I took this role for one reason: growth. My first discussion with the Global Private Bank CEO, Jean-Christophe Gerard was very clear – he wanted to focus on building the business. Barclays has been in Switzerland for a long time and frankly, should be bigger.

Our competitors have more scale in the market and my impression is that they can afford to be a bit more reactive with their clients. We are in the opposite space where we need to build, build and build, and ensure our teams are laser-focused on bringing new clients to Barclays. The most common feedback we receive from new clients is that they feel lost at other banks and want a more focused, personal, and consistent approach from their bank – here, our size helps.

Geneva is our main location and Zurich is a satellite office of Geneva. In the past 12 months, however, we have doubled the size of the team in the Zurich office, which is very much central to my growth ambitions.

WHAT IS YOUR VIEW OF THE SWISS PRIVATE BANKING MARKET AND WHY IS IT SO ATTRACTIVE TO CLIENTS?

Switzerland is the world's number one destination for global wealth, with its strong currency, political stability, and central location in Europe being among its most attractive features. These are the attributes that drew me to live and work here, and I firmly believe that there is no better place in the world to deliver international private banking.

While we have seen the emergence of other financial centres specialising in global wealth, Switzerland's history, talent pool, and progressive regulatory environment are unrivalled, and I don't see this changing.



HOW OPTIMISTIC ARE YOU ABOUT A GLOBAL ECONOMIC RECOVERY POST-COVID-19 IN LIGHT OF RISING INTEREST RATES AND GEOPOLITICAL ISSUES?

The financial markets are the financial markets. Although we are currently experiencing uncertainty in the macro environment, it is not the first time, and it certainly won't be the last. Nevertheless, there are reasons for optimism amid the volatility, with inflation expected to moderate in the major regions by the end of the year, and global growth prospects reinforced by robust labour markets.

HOW SHOULD BANKS CHANGE THEIR STRATEGIES TO BE ATTRACTIVE AND ON THE NEXT GENERATION?

Many banks focus too much on the patriarch when interacting with wealthy families. However, this approach is incompatible with the values of 2022. In my opinion, banks that perform well in the coming years, and decades, will be those that engage with every generation. Outreach is key.

During the early days of COVID-19, I witnessed several disagreements between the generations of families that I work with. While older generations focused on cash, the next generation sought more exposure to markets, mainly equities and private equity. The dialogue is critical and will not disappear in the coming years, it'll only grow. The good thing is that we play an active role in the discussion.

WHAT IS YOUR VIEW ON THE ROLE OF SUSTAINABILITY IN THE GLOBAL ECONOMY?

The demand for sustainable investing is increasing at a phenomenal pace. It is no longer just a nice to have, but also a sound economic approach. I'm always impressed by the way in which sustainability drives innovation as I see so many exciting new technologies helping to significantly improve the outcomes of green initiatives. Like so many people, I am also aware that we are experiencing a moment of global change. Making the right choices now will have a positive impact on the future generations.

“The demand for **sustainable investing** is increasing at a phenomenal pace.”



WHAT HAS BEEN YOUR INITIAL EXPERIENCE OF MOVING TO SWITZERLAND, AND HOW HAVE YOU AND YOUR FAMILY FOUND THE TRANSITION?

I clearly remember arriving at Geneva airport on the Easter weekend of 2021. When we left Dubai, the country had mainly returned to normal following COVID-19 and was no longer in lockdown, so it came as a surprise to arrive in Switzerland where the restrictions were still being enforced with the vaccine programme just commencing.

Before I arrived, I had been excited about the prospect of moving to Switzerland in April, as I'd heard that the weather would be starting to improve at that time of year. However, the temperatures were in the minus figures and May was one of the worst months on record for rainfall. I'm pleased to say that the weather in 2022 has been much better.

Overall, I have settled into the role well and my family is adjusting to our new life. My daughter, Anya Amal, attends kindergarten and my wife, Natasha, who is a practicing dentist and owner operator of a clinic in the UK, has received her licence to practice in Switzerland. Having said that, her return to work will be slightly delayed by the exciting news that we are expecting our second child in August, all being well.

AND FINALLY, WHICH PARTS OF SWITZERLAND WOULD YOU MOST LIKE TO VISIT OVER THE NEXT FEW MONTHS?

Aside from a few trips to and from Zurich, I haven't done a lot of travelling beyond the infamous Rive Gauche since I arrived. However, there is so much to see in this stunning country and I look forward to spending time experiencing everything Switzerland has to offer.

“I had been **excited** about the prospect of moving to Switzerland.”



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