

Sustainable investment as a new asset class

Private Banking and Sustainable Investment in Emerging Economies

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R I O B R A V O

Initial background and observations

- Multidimensional performance analysis: new criteria
- Blend of values and concerns: financial, social and environmental
- Clash of models and business strategies
- Wrong vision regarding cost increase and price to operate
- Globalization creating more wealth
- Society not ready to handle future demand from next generations
- New mission: creation of a long-term plan to link sustainable development benefiting all stakeholders
- New lenses to see current problems
- Abundance of information (CSR Reports)
- Transparency and information velocity (internet)
- Expected result: sustainable value creation leading to sustainable driven investments

Facts (to be taken into consideration)

- Sustainability is still in its infancy
- Capitalism is the dominant economic model leading to wealth creation
- Mobility of capital and abundance of liquidity
- Roadblocks for the developed world
- Isolation or exclusion leading to terrorism
- Bad income distribution generating pockets of poverty
- Emerging markets facing consumption constraints
- Global warming affecting rich and poor countries
- Long-term thinking is a must (shortage of natural resources)
- Institutional investors: fiduciary duties?
- HNWI: moral obligation?
- Sustainability combines social and environmental demands
- Sustainable development: Challenge to put up a process to construe a better society based on social inclusion, connectivity, justice, prudence and long lasting

Sustainable Investment

- It is not a myth
- It is not charity
- Takes into consideration values and principles that generates social, financial and environmental results
- Uses different sources of information
- Creates new capacities and qualifications
- Seeks to serve other classes of consumers (BoP)
- Activates a new attitude towards the current status quo: SRI (what are you against of) VC&PE (what are you in favor of)
- Promotes a new mindset
- Matches cause and effect
- Serves as pioneers/leaders towards a new attitude
- Generates returns (doing well and feeling good)
- Mitigates risks

Dilemmas and opportunities

- Social investment or philanthropy
- Support for sustainable entrepreneurship
- Innovation or more of the same
- Relationship enhancement
- Client retention or loyalty building
- Clients organized by size or by type of interest
- Pull the client or push the product approach
- Show engagement or apathy towards major issues and concerns
- Keep an eye on old money or open a dialogue with the new money

Local market (current situation and realities)

- Sophisticated and demanding new products
- Alternative assets momentum (hedge funds, long short, PE/VC)
- In a trend towards internationalization
- Performance driven
- Short term oriented
- Slow migration to equity
- Stock exchange expansion (several IPOs)
- Gate keepers
- Open architecture
- More players (local independent houses and foreign banks)
- On shore expansion
- More wealth being created



Obrigado

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