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# Thematic Certificate Smart Cities

In recent years, the concept of the "Smart City" has seen significant growth. The powerful dynamic of urbanization is the main driving force behind it. Indeed, urbanization presents numerous challenges, whether in terms of sustainable development or living conditions. The actively managed "Smart Cities" certificate aims to capitalize on this momentum and the resulting investment opportunities.



#### Equity Certificate

**Name:** Smart Cities

**ISIN:** CH0398465085

#### Features

**Currency:** EUR

**Legal Structure:** open-end

**Issuer:** BCV

**Management fees:** 1%

**Launch Date:** 02.02.2018

**Number of securities:** ~ 30

**Management type:** active

**Dividends:** reinvested

**Portfolio manager:** Christina Carlsten

## Rethinking our cities

The powerful dynamic of urbanization is encouraging cities to reorganize themselves based on a more rational model that incorporates the specificities of urban living while taking advantage of technological advancements, with the aim of improving the quality of life for their residents.

## A growing trend

Our cities are growing faster than ever before. According to United Nations estimates, more than 50% of the world's population currently lives in cities, a proportion that is expected to reach 70% by 2050. And while megacities account for only 2% of the Earth's surface, they consume no less than 75% of global energy resources and generate around 80% of greenhouse gas emissions<sup>1</sup>.

## Opportunities and challenges

Currently, the major urban centers that stand out are typically well organised and offer strong economic activity, allowing them to attract a skilled workforce. Urbanization primarily benefits the local residents, as they enjoy a wider range of job opportunities, higher incomes, and immediate access to public infrastructure. The trend is also favorable at the

national level, as megacities are generally productive and innovative, positioning themselves as key drivers of growth. However, these positive aspects are partly offset by pollution, traffic congestion, and social inequalities, which contribute to a rise in crime.

A successful smart city should improve its residents' quality of life and make certain aspects of their daily lives easier. This can be achieved, for example, by effectively managing public transport, making cities safer, increasing broadband speed and making public services more efficient. City authorities also need to ensure they protect the environment and reduce pollution through effective waste management, renewable energies and low-energy buildings<sup>2</sup>.

## Leveraging technology to improve quality of life

To become smarter, cities need to embrace cutting-edge technologies. Thanks to large-scale data management ("big data"), new services have emerged in various fields such as transportation, energy, security, healthcare, and leisure. The Internet of Things (IoT) and smart grids play a crucial role in this evolution. To thrive, cities will need to be connected in the future, in order to reduce their energy costs and enhance the quality of services.

Examples of concrete applications:

- Public lighting with LED lamps that turn on using sensors.
- Autonomous public transportation.
- Smart parking.

## Becoming a Smart City: a process and investments.

Around the world, cities of all sizes are developing and implementing Smart City projects. Many rankings of the most intelligent cities already exist, typically featuring metropolises such as Barcelona, Copenhagen, Singapore, London, New York, and Paris. However, smart urban development is an ongoing process that requires significant investments, particularly in infrastructure, which is often outdated (in industrialized countries) or inadequate (in emerging countries). While traditional infrastructure relied on brick and steel, 21st-century infrastructure must be connected and fully integrated to manage the effects of rapid urbanization and support greater growth<sup>3</sup>.

A huge potential

Together, the cities of New York, Beijing, Shanghai, and London are preparing to invest around USD 8 trillion over the next ten years<sup>4</sup>. The Smart Cities market therefore offers significant growth potential - its total value was estimated at USD 1'233.7 Billion in 2023 and is expected to reach USD 4'633.9 Billion by 2032<sup>5</sup>.

## How to invest in this megatrend?

The Smart Cities certificate invests in companies (primarily in developed countries) that have a strategic focus on developing products, technologies, or services related to Smart Cities<sup>4</sup> and derive a growing portion of their revenues from these activities.

We have identified four main areas:

- **-Smart Technology:** Information and communication technologies, including infrastructure and connected objects (IoT).
- **Smart Living:** connected homes, buildings, security, and healthcare..
- **Smart Mobility:** intelligent transportation, traffic flow management.
- **Smart Energy/Public Services:** smart grid, renewable energy, and intelligent management of water and waste.

### References

<sup>1</sup> Schneider Electric Smart Cities: Sustainable solution for the future of Energy management

<sup>2</sup> The Metropolitan Century OECD 2015

<sup>3</sup> Merrill Lynch "21<sup>st</sup> Century Cities: Global Smart Cities Primer" 2017 et Siemens

<sup>4</sup> UN-Habitat 2013, Cabinet de Conseil

<sup>5</sup> IMARC – Smart Cities Market Report 2023



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