



PRUSIK

Sustainable Investing in Asia

CHALLENGES AND OPPORTUNITIES

Momentum Think Tank

September 2023

Presenter: Lisa Lim

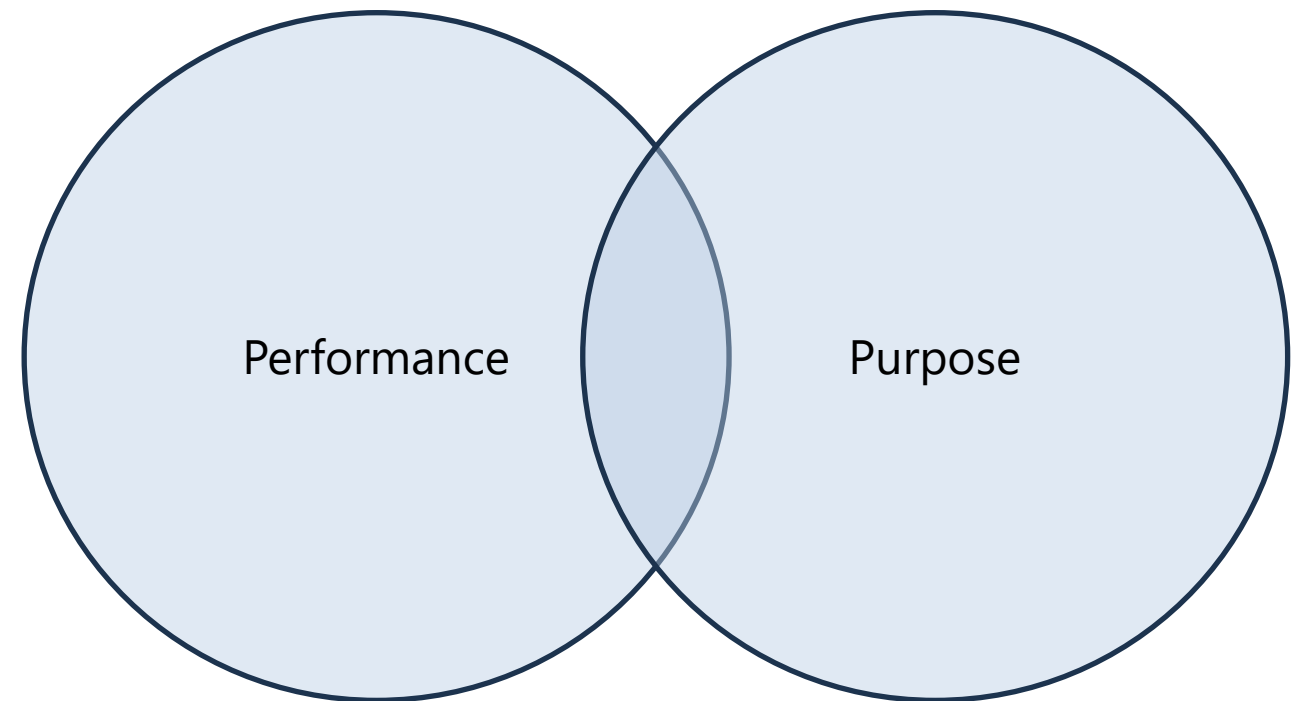
Prusik Investment Management LLP, 6th Floor, Moss House, 15-16 Brook's Mews, London, W1K 4DS

Prusik Investment Management Singapore PTE Ltd, 12 Marina View, Asia Square Tower 2, #20-03, Singapore 018961

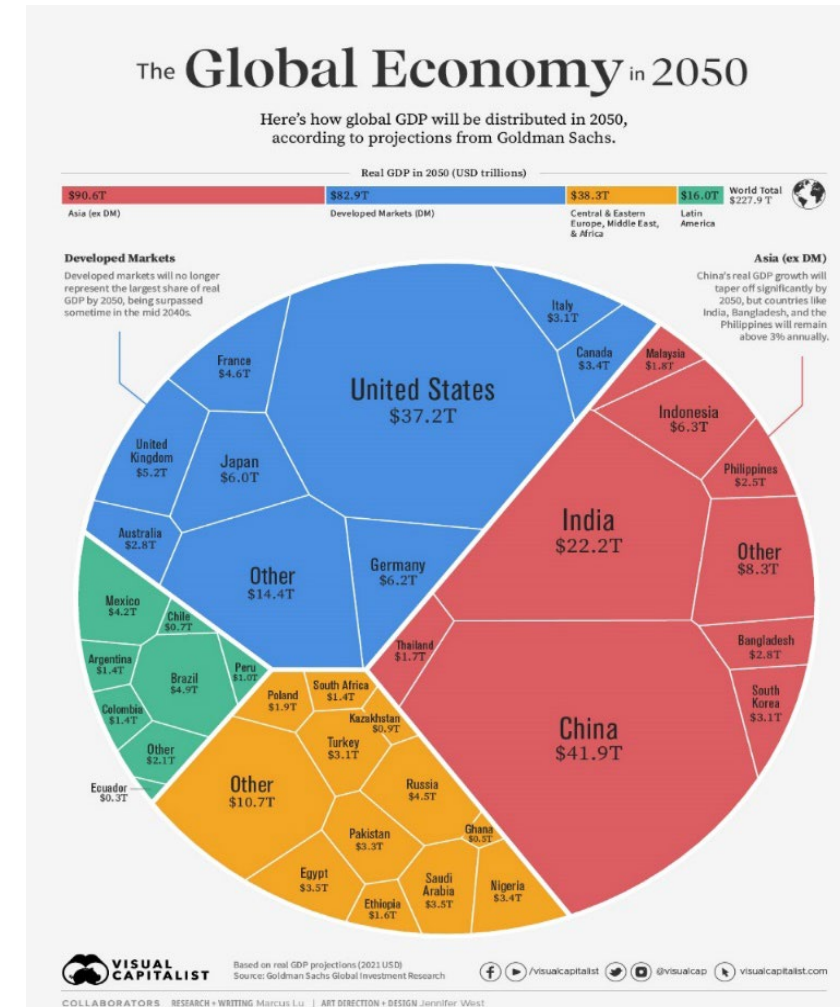
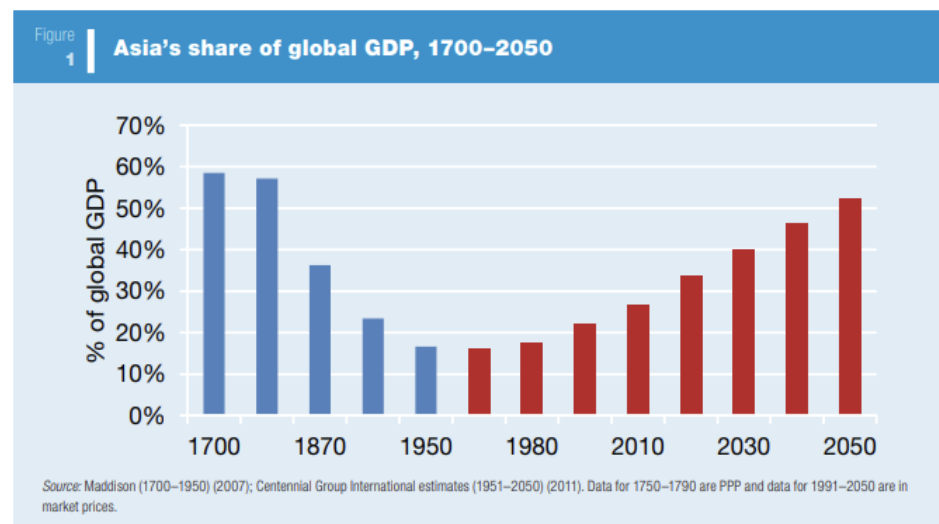
Email: enquiries@prusikim.com Phone: +44 (0)207 493 1331



- We believe in the dual objective of performance and purpose.
- Governance and quality of management are crucial.
- We pay particular attention to valuation.
- Absolute return mindset.



- Home to 5bn people, close to 60% of the world’s population.
- Generates dominant share of global GDP, two-thirds of global growth by 2050*.
- Largest share of global middle class of > 50%+ by 2030.
- Innovation and technology leadership.
 - Battery technology, Solar and EVs.



*Source: <https://www.adb.org/sites/default/files/publication/28608/asia2050-executive-summary.pdf>

+Source: <https://www.weforum.org/agenda/2020/07/the-rise-of-the-asian-middle-class>, the research defined middle class as household with incomes of \$10 to \$100 per day and capita, taking into account purchasing power.

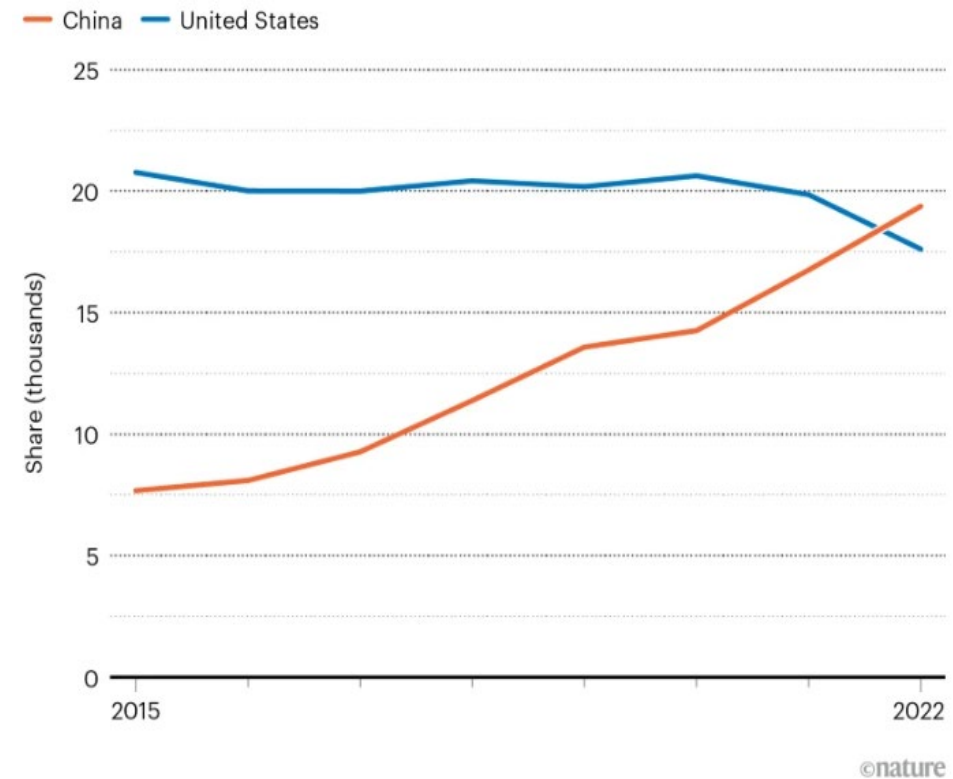
Emergence of homegrown innovators with purposeful solutions and business models

Emergence of Asian regional and global leaders in innovation in the last 20 years. These companies are becoming more dominant as global contributors.

- **Product/Service:** EV battery and ESS, healthcare solutions, high efficiency cooling systems.
- **Process innovation:** Semiconductor, biotechnology and healthcare.
- **Business model innovation:** Micro-financing, online-healthcare platforms addressing local needs.

ROLE REVERSAL

China's Share, a fractional count of author affiliations in Nature Index publications, has been rising rapidly since 2015. The United States, meanwhile, had a relatively stable Share until 2020, but has fallen back since.



Source: Nature Index

Source: <https://www.nature.com/articles/d41586-023-01705-7>



➤ **Environment**

- Asia accounts for 50% of global emissions¹.
- Coal is still the main source of electricity generation for most countries in Asia².
- Demand for cooling in emerging economies will rise by 2800 terawatt-hours by 2025³.

➤ **Social**

- **Lack of basic infrastructure in many parts of Asia:**
 - India has 0.5 public hospital beds per 1000 population (UK and US > 2 beds per 1000 population and France and Germany > 7 beds per 1000 population)⁴.
- **Poverty and inclusion is still a problem in many parts of Asia:**
 - 51% of population in Indonesia is still unbanked⁵.
 - 29% of children in India drop out of school before completing elementary school⁶.

➤ **Governance**

- Corporate governance standards across Asia are inconsistent but changing for the better.
- Family run businesses – second/third generation management (with professional management) takes over.
- Improving Board composition (diversity, Chairman-CEO duality).
- Exchanges across Asia adopting/encouraging listed companies to adopt best practice Corporate Governance codes.



危机

Danger

Opportunity

Environment

- Structural growth in demand for clean energy (solar, wind and hydro).
- Demand for energy transition plays, efficient power systems.
- Demand for high efficiency cooling systems.

Social

- Structural demand growth in private healthcare providers (hospitals and drugs).
- Gaps in financial inclusion – micro and ultra-micro financing.
- Demand for connectivity and infrastructure (telecoms, IOT (Internet of Things) and data centres).

Governance

- Purposeful business models.
- Board Composition.
- Capital Management.
- SOE transformation.

UN SDG's principles – guiding principles and insight into the opportunity set in Asia



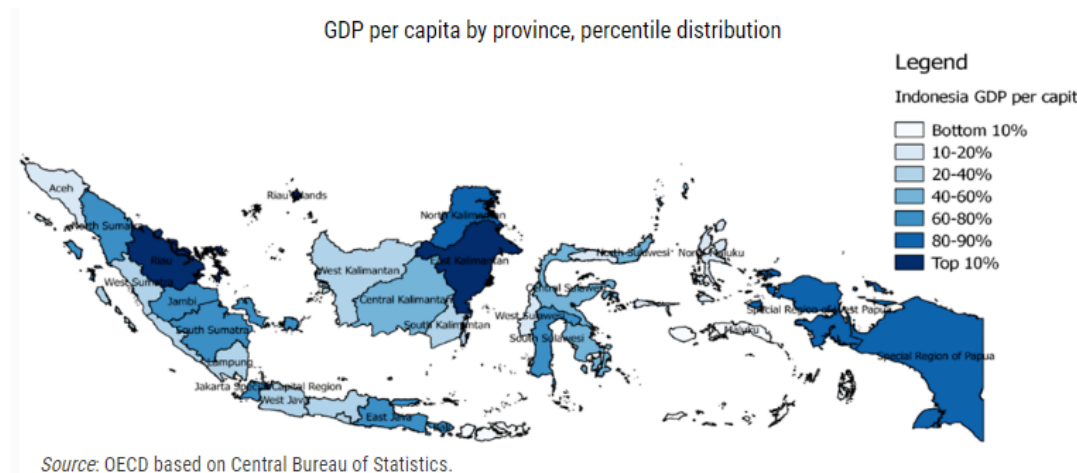
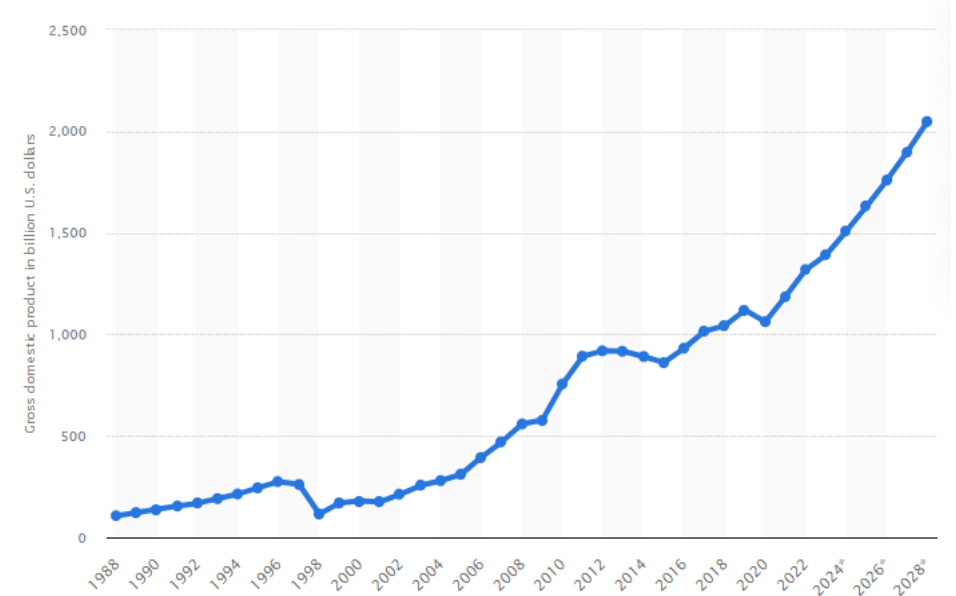
Source: www.unsdgs.org

Bank Rakyat Indonesia

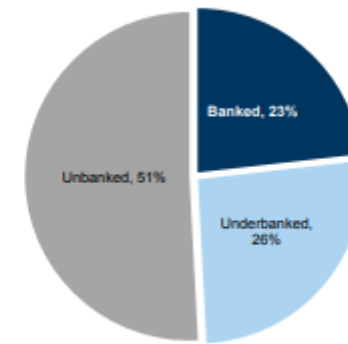
Enabling fulfilment of purpose amongst the poorest

- Population of more than 270mil, government projecting this to grow to 300mil by 2030.
- Young demographics driving growth, 50-52% of Indonesia's population is <45 years old.
- GDP per capita currently USD4,300, government targeting at least USD8,000 by 2030.
- The country is rich in natural resources – uniquely positioned to benefit from growth of the EV supply chain.
- 77% of adult population in Indonesia is either underbanked or unbanked*.

Indonesia: GDP in current prices from 1998 to 2028 (in Bn USD), Source: Statistita.com



77% of adult population in Indonesia is either underbanked or unbanked.

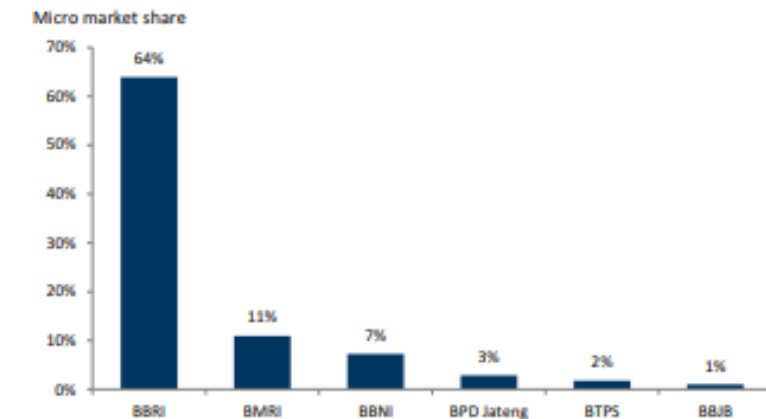


Source: Google, Temasek/Bain, e-Economy 2019

Source: Goldman Sachs 'Bank Rakyat Indonesia – Set for credit growth acceleration and rising profitability; reiterate Buy (on CL)'

- The oldest bank in Indonesia and leader in micro and ultra-micro financing.
- 60% of loan market share is in the high return micro lending business, targeting to increase market share to 70% by 2025*.
- Alignment with government's commitment and support.
- Superior and proven business model driven by operational know-how and distribution network.

Bank Rakyat Indonesia's micro loan business is 6x larger than the second



BBNI and BPD Jateng market share are as of 2020

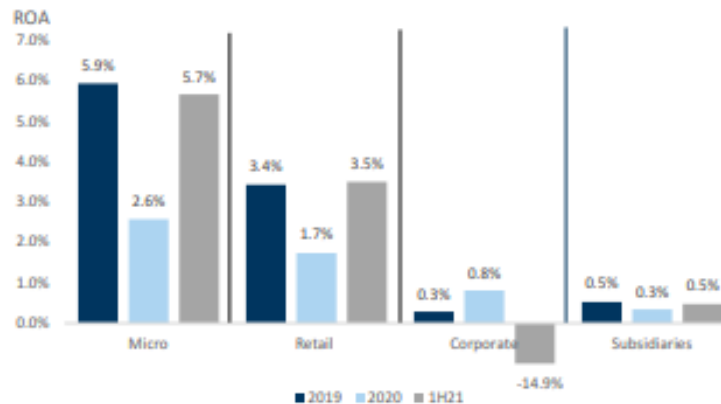
Dupont by product

	Micro			Consumer Payroll	Small Commercial	Medium	SOE Corporate	Non-SOE Corporate
	Micro KUR	KUR Super Micro	Conventional					
Asset yield	6.0%	6.0%	22.0%	12.0%	11.5%	10.0%	6.0%	8.0%
Interest Subsidy	10.5%	13.0%						
Insurance premium	1.75%	2.0%						
Blended CoF	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
NIM	11.3%	13.5%	18.5%	8.5%	8.0%	6.5%	2.5%	4.5%
Fees / asset	1.5%	1.5%	1.5%	2.0%	2.5%	1.5%	1.0%	1.0%
Cost / asset	7.0%	9.0%	7.0%	3.5%	4.0%	4.5%	2.0%	2.0%
Provisions / asset	1.1%	1.1%	3.5%	0.5%	3.5%	4.0%	1.0%	3.0%
Tax Rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
ROA	3.8%	4.0%	7.7%	5.3%	2.5%	-0.4%	0.4%	0.4%
Risk weight	36.5%	36.5%	75.0%	50%	100%	100%	50%	100%
RoRWA	10.5%	11.1%	10.3%	10.6%	2.5%	-0.4%	0.9%	0.4%
Leverage (CAR @ 20%)	13.7	13.7	6.7	10.0	5.0	5.0	10.0	5.0
ROE	52%	55%	51%	53%	12%	-2%	4%	2%

Source: Goldman Sachs Global Investment Research, Company data



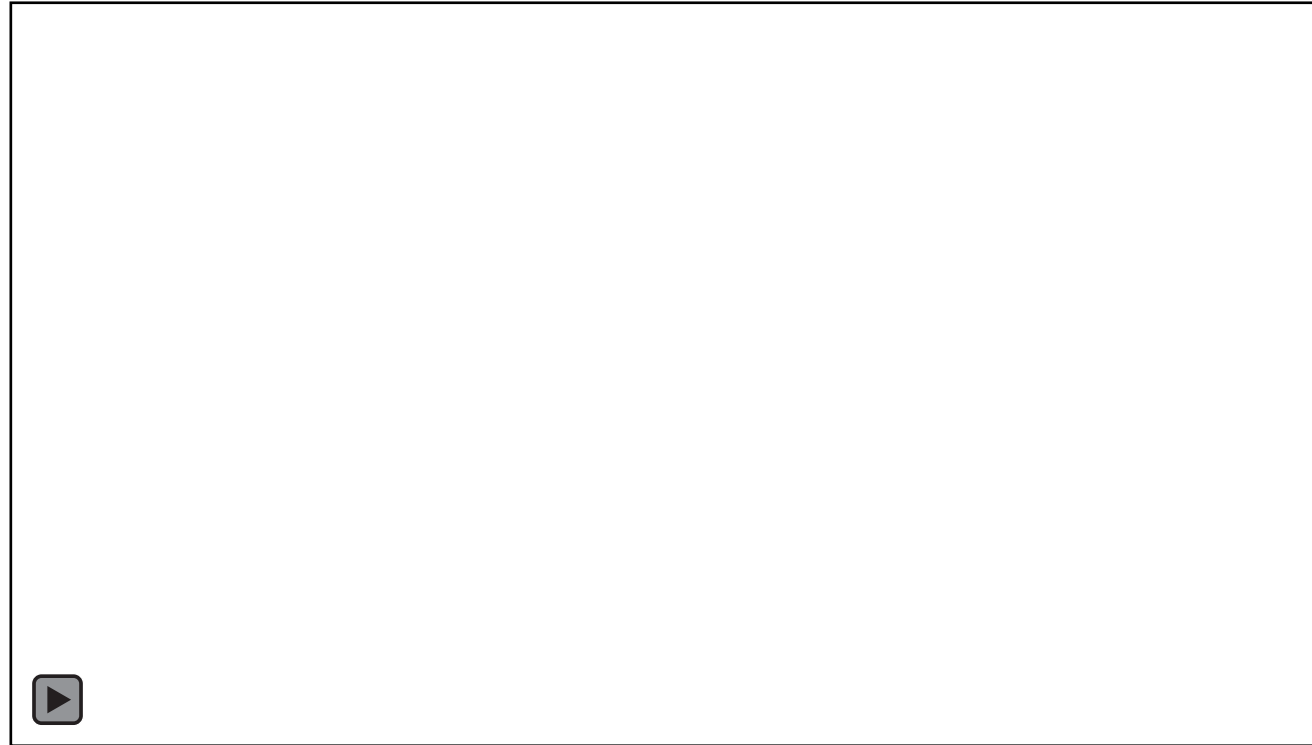
Superior profitability in micro segment.



Source: Bank Rakyat Indonesia (BRI).



Source: Bank Rakyat Indonesia (BRI) PNM Mekaar Borrowers Activities May 2022.



Source: Bank Rakyat Indonesia

- Generating positive impact for societies.
- Delivering long-term sustainable growth.
- A quality business model with a strong competitive moat.

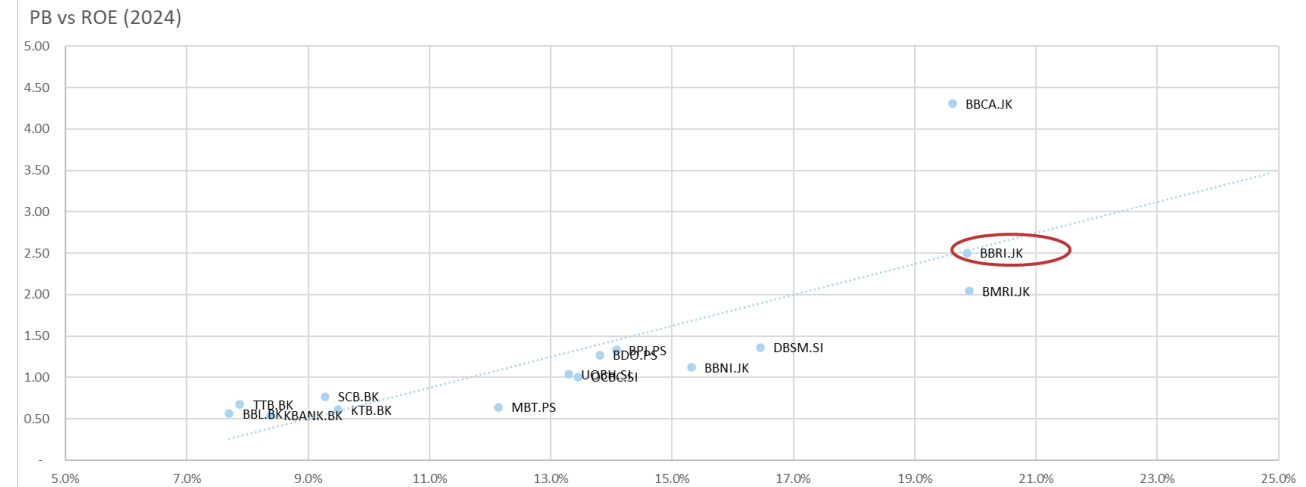
Bank Rakyat - 10Y Cumulative Total Return Gross Dividends (USD)



Source: Bloomberg Data as at: 31/08/2023 Currency: USD

- A unique business model combining profit and purpose.
- Enabling the poorest.
- Lifting millions out of poverty.
- Addressing gender equality.
- Encouraging and enabling entrepreneurship.
- Contributing to economic growth.

ASEAN Bank Valuation chart – P/B vs ROE



Source: Goldman Sachs

Cochlear

'We help people hear and be heard'

www.cochlear.com

World's leading innovator in pediatric ear implants.

- Clear corporate purpose – 'We help people hear and be heard'
- Started by a scientist who wanted to bring hearing back to his deaf father.
- Accounts for > 60% of new implants.

Cochlear - 10Y Cumulative Total Return Gross Dividends (USD)



Source: Cochlear, Sustainability Report, 2021. Chart source: Bloomberg Data as at: 31/08/2023 Currency: USD



Cochlear



Source: <https://www.youtube.com/watch?v=ips01rsqMjM>

Investment Implications

- ◆ Asia intertwined with global economies – facing challenges in climate crisis but also localised social issues.
- ◆ Market failure in capital deployment – public investments inadequate and the need for private sector to plug the gap.
- ◆ Opportunities to deploy capital in areas where purposeful and impactful solutions are needed.
- ◆ Offers attractive long-term risk adjust returns.
- ◆ Attractive pockets of growth opportunities combining both purpose and meaningful returns:
 - **Environment** – Clean Energy and Energy Transition (CATL, Keppel Corp, LG Electronics, China Yangtze).
 - **Social** – Financial Inclusion, Infrastructure and Healthcare Solutions (Cochlear, CSL, Bank Rakyat Indonesia, Apollo Hospital, JD Health).
 - **Governance** – Improving governance/best in class governance – better board structure and independence, better capital management (SOE transformation).



This document is being issued by Prusik Investment Management LLP and is for private circulation and information purposes only. Prusik Investment Management LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom and in the United States of America has Exempt Reporting Advisor status with the Securities and Exchange Commission. The information contained in this document is strictly confidential and does not constitute an offer or solicitation to buy or sell any securities and or derivatives or to make any investment decision and may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of Prusik Investment Management LLP. Nor does this document constitute investment advice.

The value of investments and any income generated may go down as well as up and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guide to, or indicative of, future results. Changes in exchange rates may have an adverse effect on the value, price, or income of investments.

The information and opinions contained in this document are for background purposes only, and do not purport to be full or complete. Please refer to the fund prospectus for more information. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by any of Prusik Investment Management LLP, its partners or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.

The Fund is actively managed with reference to the MSCI AC Asia Pacific Ex Japan Gross Return Index (USD) with freedom to invest in stocks outside the index.