



2 PAGER

Korea Reunification SDG

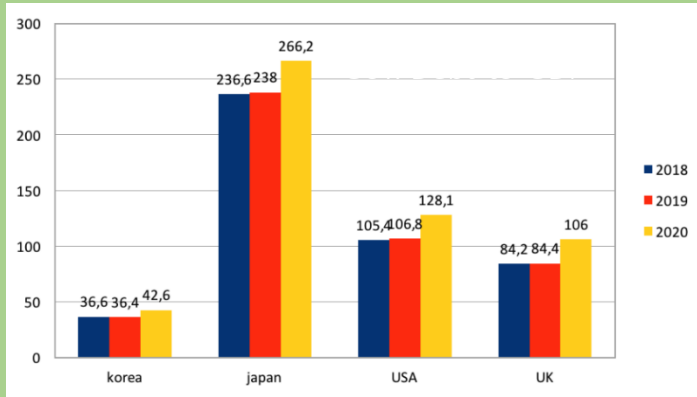
a NJ Project



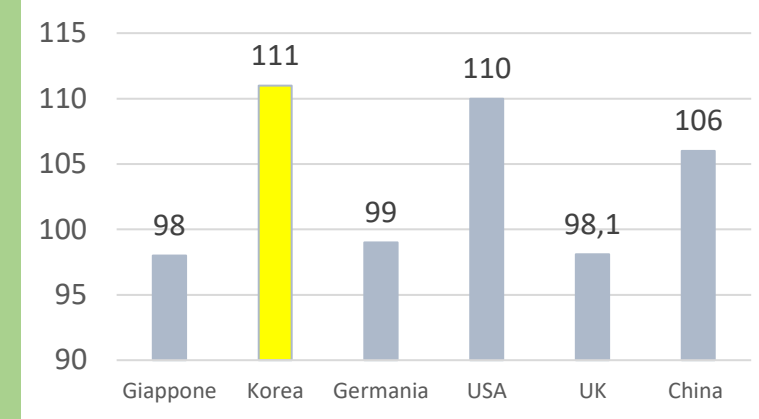


South Korea: a country that will gradually find the recognition it deserves

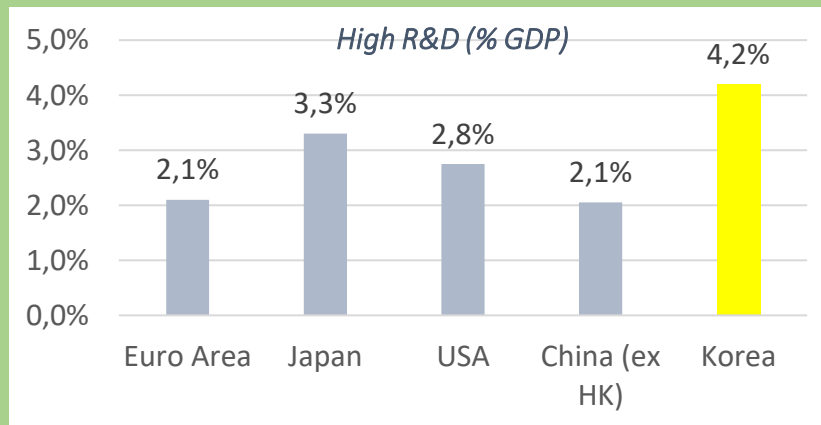
Low public debt



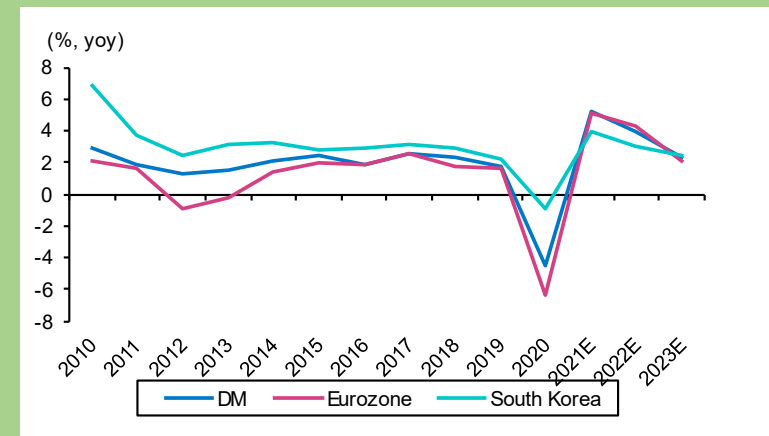
High productivity



Global technology hub



Stable GDP growth between 2 and 4%.





Reunification is a hot topic in South Korea

Article 3

The territory of the Republic of Korea shall consist of the Korean peninsula and its adjacent islands.

Article 4

The Republic of Korea shall seek unification and shall formulate and carry out a policy of peaceful unification based on the principles of freedom and democracy.

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Unification Minister Meets US Senator Edward Markey

https://www.unikorea.go.kr/eng_unikorea/



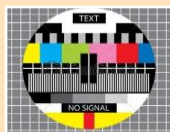
North Korea huge growth potential

GDP per capita ('20 – bln \$)	
South Korea	28,361
North Korea	725

Nominal GDP ('20 – bln \$)	
South Korea	1,631
North Korea	18

- The population of North Korea consists of about 26 million inhabitants who have practically nothing
- The territory of North Korea is 20% larger than that of South Korea
- North Korea's population is much younger
- North Korea has significant natural resources
- North Korea needs all kinds of infrastructure

Three possible scenarios



The status quo. In the event that the status quo prevails (we give a 20% chance of this occurring over a 5-year period), the Korean market is very undervalued and has excellent growth prospects. It is one of the most attractive equity markets on a global scale.



Reunification of Korea. If direct reunification were to occur (we give it a 20% probability), the opportunities would more than offset the risks of integration between the two countries. We see dramatic upside in this case as soon as this is announced, with the inability to participate in the upside if you are not already invested.



Transition to a market economy. In the event that North Korea were to follow the development model of Vietnam or China (60% chance), we see ample room for upside from a lower risk premium and significant new growth opportunities. Here the immediate market rebound would be powerful but less violent than in the previous case and more durable.

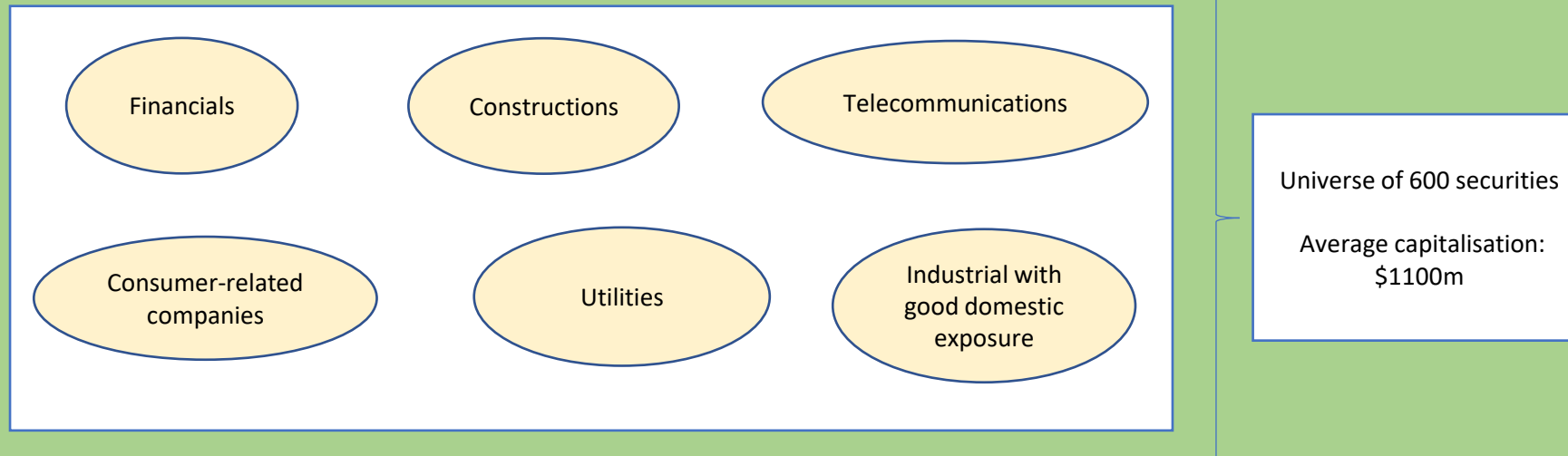
	Status quo	Full Political reunification	Economic Rapprochement
Probability (5 years horizon)	20%	20%	60%
EPS Cagr '22-'26° (nominal)	8%	14%	11%
re-rating 5Y from ESP growth (a)	44%	89%	68%
DPS (b)	15%	15%	15%
re-rating from "triggers" * (c)	20%	20%	20%
re-rating from geopol. risk rem. (d)	0%	20%	20%
Possible Returns (a+b+c+d)	93%	153%	133%
Annualized possible return	14%	20%	18%

* «Triggers» = Corporate governance improvements, Dividends growth, Inclusion in the MSCI DM Index

Source: Thomson Reuters I/B/E/S, Niche AM



How to gain exposure to a country with great potential and multiple attractions and, at the same time, expose oneself to the great benefits of a possible reunification?



The universe identified is 31% of the Kospi index in terms of capitalisation

A very attractive universe in terms of valuation (P/E <7x) with an average EPS growth above 10%

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Free implied option on reunification with North Korea

Our portfolio at launch is trading at about 5x P/E 2023 and P/TBV below 0.8x with an average EPS growth of 11% : AN ANOMALY

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