



# PRESENTATION

## Indonesia Infrastructure Small Caps SDG

*a NJ project*



October 2023

ISIN

Class A - IE0006KCMUK2

Class I - IE00090QU6T7

Class Q (listed class) - IE000R9RIBW8

# NJ Indonesia Infrastructure Small Caps SDG

- The only Investment Vehicle which offers a pure, deep value, and diversified exposure to Indonesian Small Caps
- UCITS fund - daily liquidity
- Engagement fund - SFDR Art. 8 - 90% sustainable
- Stock holdings: 80/120
- Average Market Capitalisation: US\$ 580 mln
- Median Market Capitalisation: US\$ 249 mln
- Max AUM of the project 20 mln euro
- No management fees, only performance fees (absolute with HWM - no reset)
- Fund Managers: Massimo Baggiani & Andrea Andreis

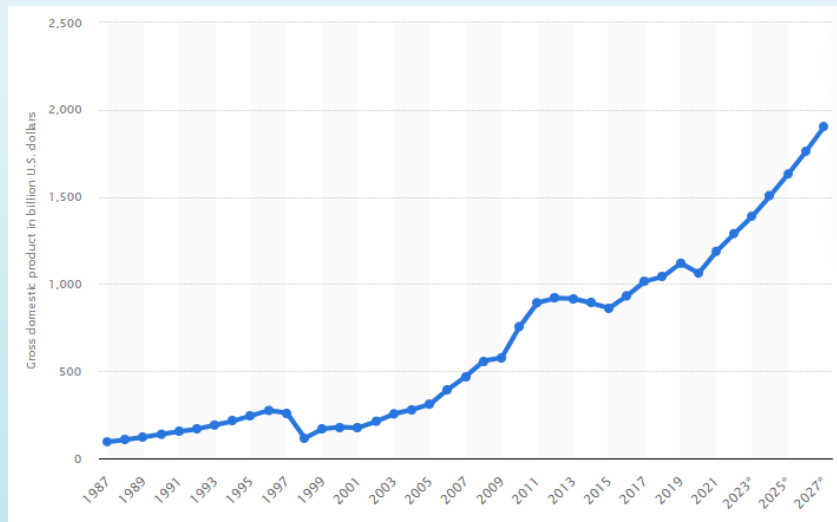


# Indonesia, a country with powerful fundamentals



- **strategic commercial hub** (with 18110 islands spread across about 2 mln of squared km in the Indian Ocean, Indonesia is the largest archipelago in the world: tremendous opportunities in shipping)
- **exceptional demography** (fourth most populous country in the world; 60% of the population is under 40 years of age)
- **rich in natural resources** (world's largest nickel producer; leading exporter of bauxite, gold and copper)
- Amazing opportunities in **tourism**: tropical climate, wildlife, history, pristine beaches and the third-longest coastline in the world)
- **Low public debt (39% GDP) and inflation (1,9% 2021; 5,5% 2022, 4,2% 2023E)**
- **Independent central bank**
- **Solid banking system**
- **Reliable corporate accounting**
- **Moderate political Islamism**
- **Well positioned in terms of democracy among the developing countries** (score 59 Freedom House)

Indonesian GDP trend from 1987 to 2027E



Source: IMF, World Economic Outlook Database October 2022

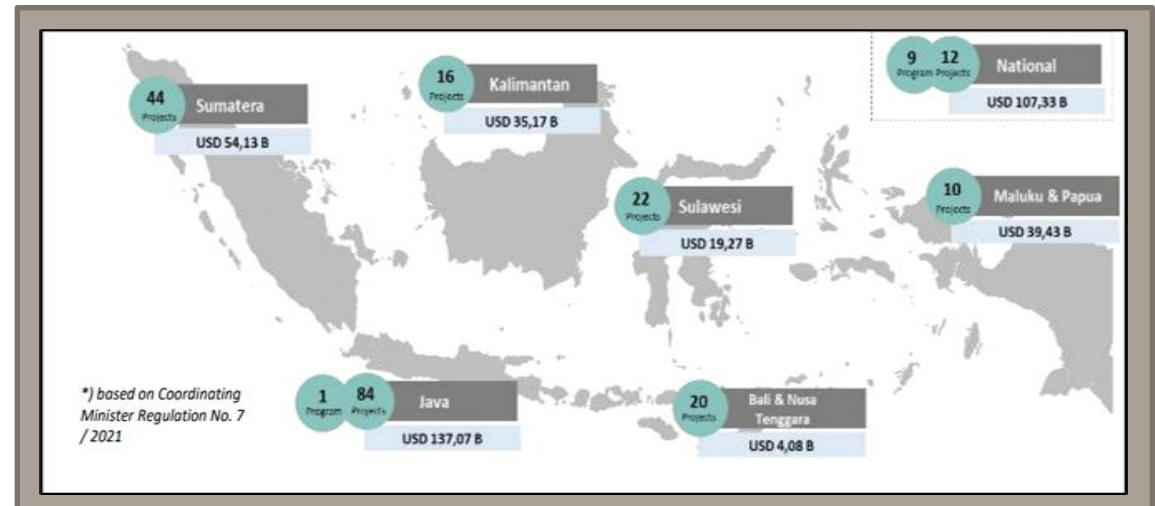
**Room for next 5 years GDP (forecasted at 5,2% per year by IMF) to significantly exceed expectations**



# Indonesia, a country with powerful catalysts

National Strategic Projects

- Huge infrastructure plan: 400bln USD to be spent (about 35% of GDP)
- Supply chain diversification from China
- EV materials
- India equity market catch-up



PSN covers 12 sectors and 10 program



Source : Committee for Acceleration of Priority Infrastructure delivery (KPIP)



## Indonesia small caps: an anomaly, an opportunity

Considering the growth potential Indonesia's big caps valuation are attractive while small caps  
**EXCEPTIONALLY ATTRACTIVE**

	PE '23	Average GDP growth '23-27E
India Small Cap	23,5x	6,5%
India	20,1x	6,5%
Thailand	16,3x	3,6%
<b>Indonesia</b>	<b>13,8x</b>	<b>5,2%</b>
Malaysia	13,3x	4,4%
Philippines	12,0x	5,8%
Singapore	11,6x	2,6%
Vietnam	11,1x	7,0%
<b>Indonesia Small Cap</b>	<b>9,9x</b>	<b>5,2%</b>
<b>Indonesia Infrastructure Small Caps SDG Portfolio</b>	<b>7,7x</b>	<b>5,2%</b>

Source: Bloomberg, IMF, NicheAM, valuations consensus as of 30/09/23

In Indonesia

We find a valuation anomaly:

**the small cap universe**

This asset class is trading:

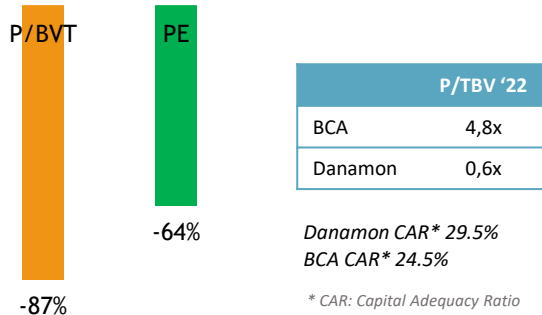
- **at depressed levels in absolute terms despite the rosy growth outlook**
- **at a huge discount to the big caps (see next slide for few examples)**

... and the fact that there are **no financial products on this asset class is clearly one of the reasons**



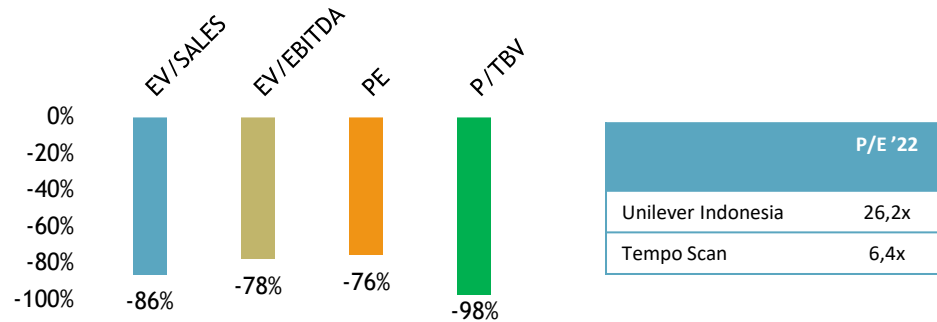
# Indonesia Small Caps trade at huge discount to big caps. This undeserved discount will close in the future, as it was the case in India. Here below few examples

**Banks: Danamon (small) Vs. BCA (big)**

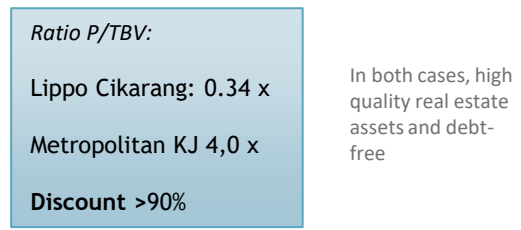


Huge discount ... despite their comparability

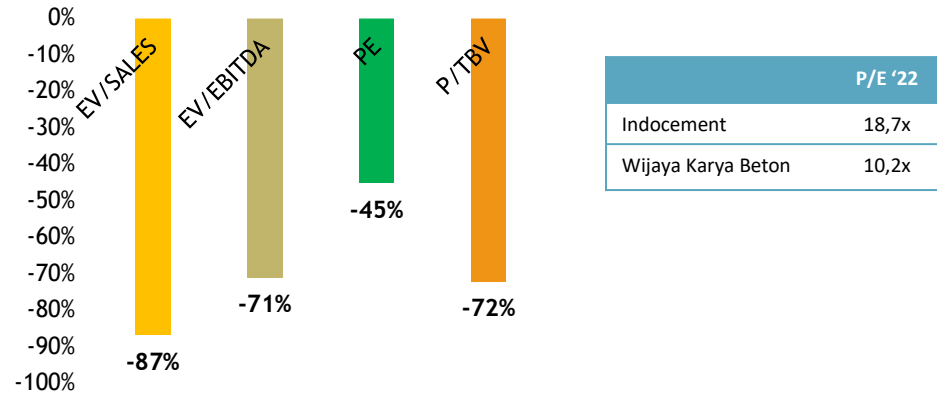
**Consumer Staples: Tempo Scan (small) Vs Unilever Indonesia (big)**



**Real estate: Lippo Cikarang (small) Vs Metropolitan KJ (big)**

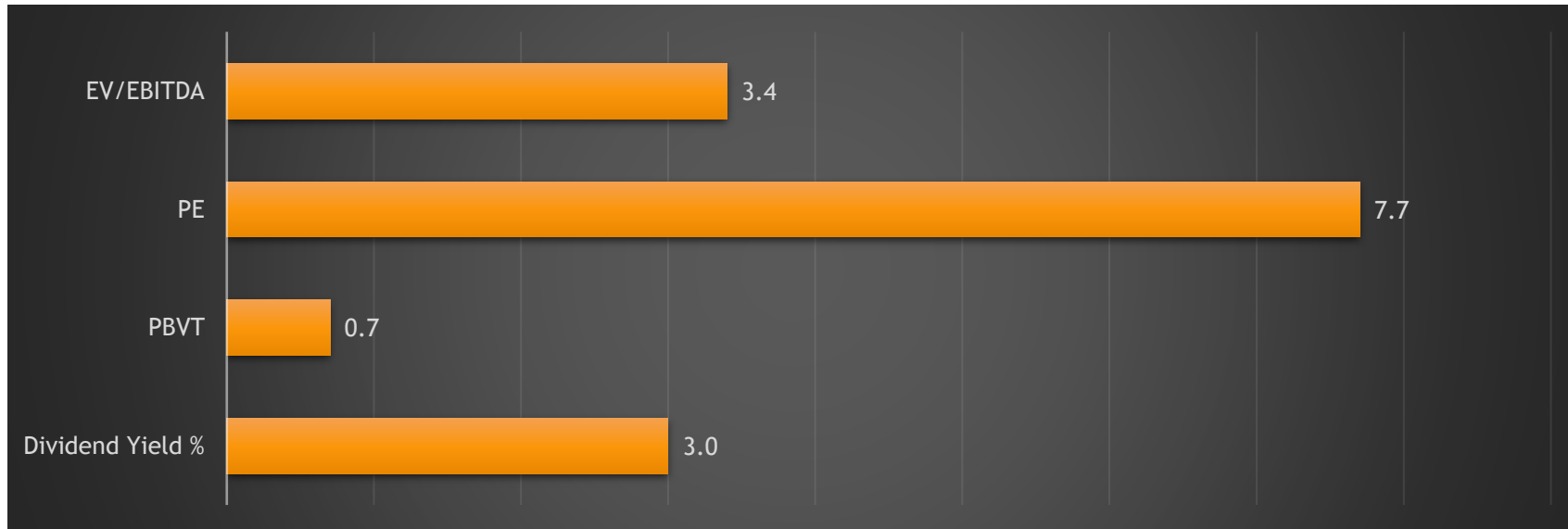


**Cement: Wijaya Karya Beton (small) Vs Indocement (big)**





The portfolio of **NicheJungle project** is trading at levels even lower than those of the small caps index as a whole, despite being focused on the country infrastructures, the most promising area, and being characterized by low leverage (hence lower risk)



Source: Thomson Reuters, NicheAM as of 30/09/23

**About 80 stocks (in a universe of 420 securities)  
Average capitalisation: \$580m  
Max AUM of the project 20 mln euro**



# NJ Project: 75% upside on a very conservative scenario

Something to look up to: the case of Indian small caps



Source : Bloomberg, NicheAM

*Small caps thrive in a positive economic scenario:  
indian small cap are now trading at a premium to the main index: 23,5x earnings '23*

**Upside at project closure: 75%  
that corresponds to 13.8x earnings, today's Indonesia big caps valuation**

Clearly, we do not consider a potential rerating towards India small cap (23.5x earnings, further immediate upside +70%)  
And we do not consider the expected mid term EPS growth (EPS growth 12%; further upside in 5 years time +70%)

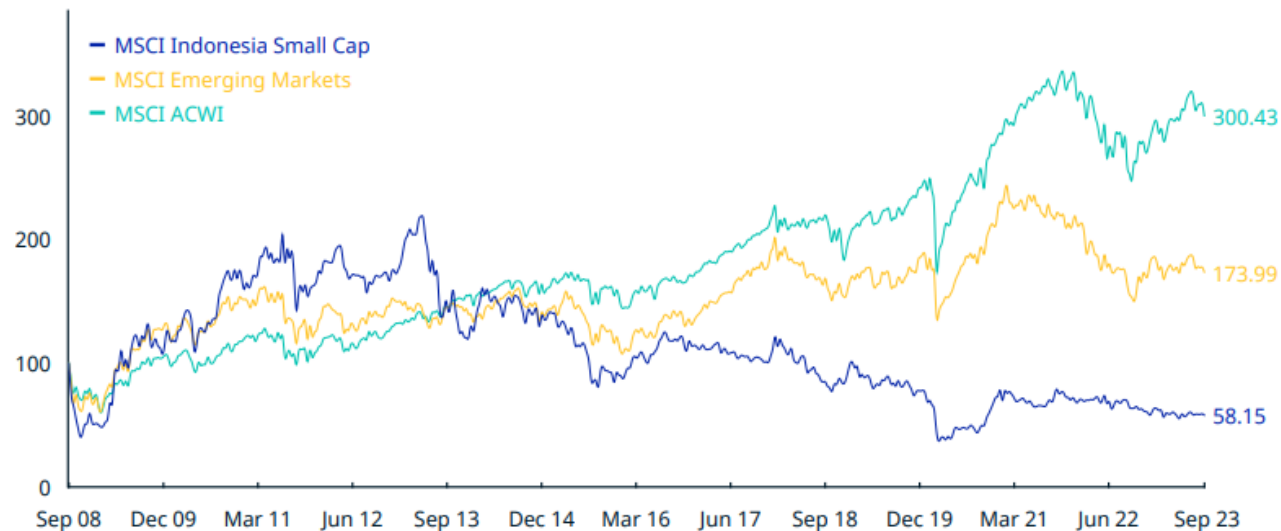




# Indonesia Small Cap significantly underperformed the EM markets in the last 20 years

- The '97 Asian financial crisis wiped out small listed companies in Indonesia, which are still viewed by local investors with distrust, although the fundamentals are today completely different
- This disaffection has been maintained over the years, and this can be seen by marked underperformance of this asset class compared to equity in developed and emerging markets
- There is little coverage and no financial products on this asset class but we expect this will soon change, bringing analyst coverage and visibility and...rerating

*Index performance MSCI Small Cap Indonesia Vs MSCI Emerging Mkts e MSCI ACWI (Jan 2008– Sept 2023; net return USD)*



Source: MSCI

# Indonesia Small Cap significantly underperformed the big caps index in the last 10 years



## MSCI Small Cap Indonesia Vs Jakarta Stock Index

Security	Currency	Price Change	Total Return	Difference
MXIDSC Index	IDR	-55.97%	-55.97%	-109.82%
JCI Index	IDR	53.86%	53.86%	--



Source : Bloomberg

Close to the inflection point?

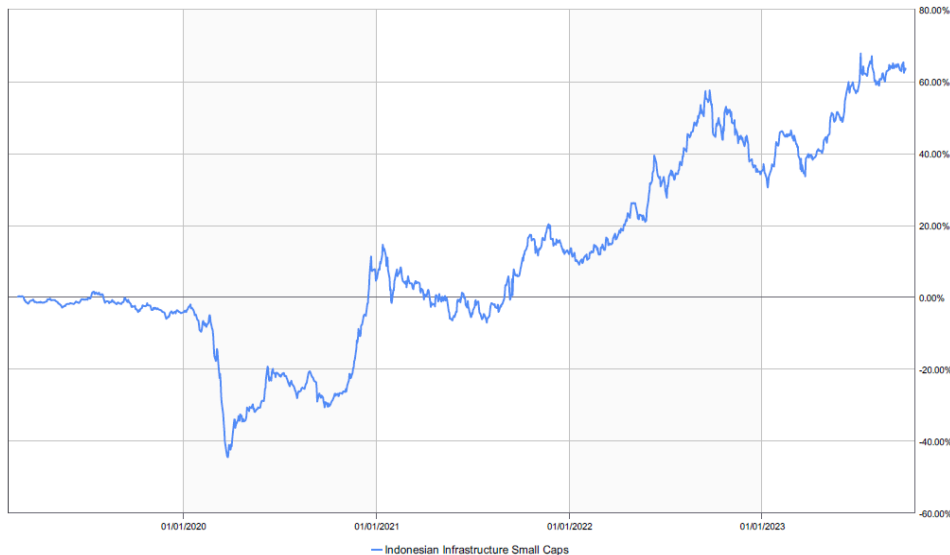


# The Indonesian Infrastructure Small Caps SDG portfolio, included in the Asian Value Niche fund since its launch, outperformed both Small Cap and Big Cap index

As of 30/09/23	% Price Change YTD (€)	% Price Change 3 months (€)	% Price Change Since inception ** (€)
Indonesian Infrastructure Small Caps SDG*	<b>21,16%</b>	<b>4,12%</b>	<b>63,03%</b>
MSCI Small Cap Indonesia	-2,22%	4,98%	-35,79%
Jakarta SE Composite TR	0,58%	4,79%	4,31%

\* performance gross of fees  
 \*\* Inception date: 18/02/2019

## Performance Indonesian Infrastructure Small Caps SDG since inception



*The Project portfolio is categorized as 8+ according to SFDR, with 90% sustainable investments. As most of the companies do not publish sustainability report, the investment team directly engages with the companies for the sustainability analysis (ESG, SDG, DNSH, etc)*

Source: Refinitive Eikon, Niche AM as of 30/09/23



## RISKS?

- Political risks
- Delays in the infrastructure plan
- Environmental disasters
- China recession



## OPPORTUNITIES?

### Short-term opportunities

- Infrastructure building led growth
- Trade balance improvement – Led by the Commodity cycle
- Tourism recovery
- China economy recovery

### Long-term opportunities

- Infrastructure benefits
- Job Creation Law 2023
- Consumers growth
- FDI
- Tourism growth
- Maritime trade growth
- Diversification of supply chain from China



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