



## PRESENTATION

### Indonesia Infrastructure Small Caps SDG

*a NJ project*



October 2023

ISIN

Class A - IE0006KCMUK2

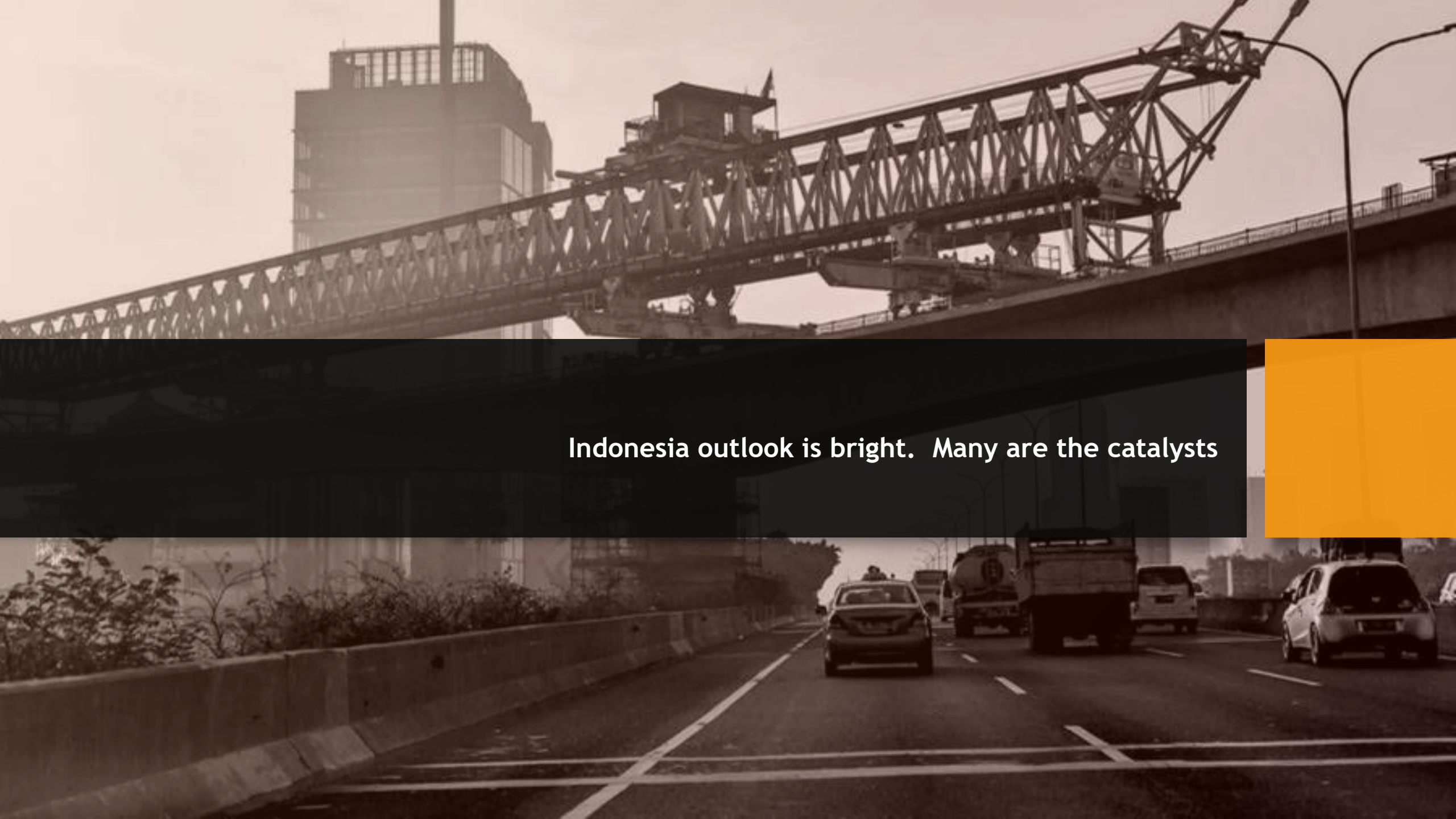
Class I - IE00090QU6T7

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





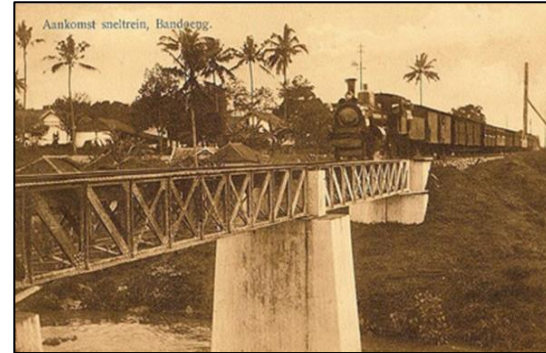
**Indonesia outlook is bright. Many are the catalysts**

# A story of Infrastructure



- Many of today's infrastructure have been built by Dutch
- Some have been built by General Suharto
- Most are being built ...

Arrival of a train in Bandung in 1907



Source : National Museum of World Cultures

## Focusing on

- *Connecting Indonesia*
- *Maritime Ambitions*
- *Energy*
- *Water*
- *Industrial Infrastructure*
- *Residential Infrastructure*

Elevated Jakarta-Cikampek Toll Road



Source : Jakarta Globe

# A story of Infrastructure



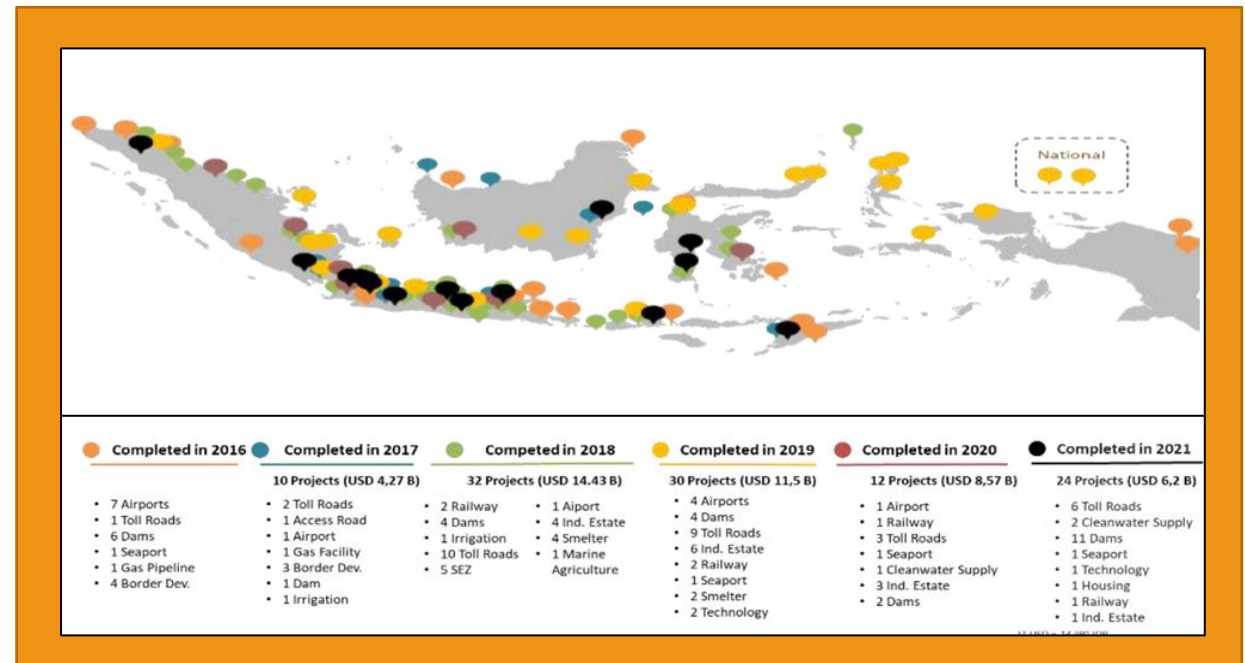
## Some have been completed ...

- **130 Projects completed between 2016 and first half 2022**
- **50 BLN \$ spent**

Amongst them:

- Mass transit in Jakarta
- Trans Java Toll Road
- Kuala Tanjung Sea Port in Sumatra
- 10 Bali Project

National Strategic Projects



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

# A story of Infrastructure



... most are about to start

- 208 Projects from the second half 2022 and 2025
- 400 BLN \$ to be spent (about 35% of GDP)

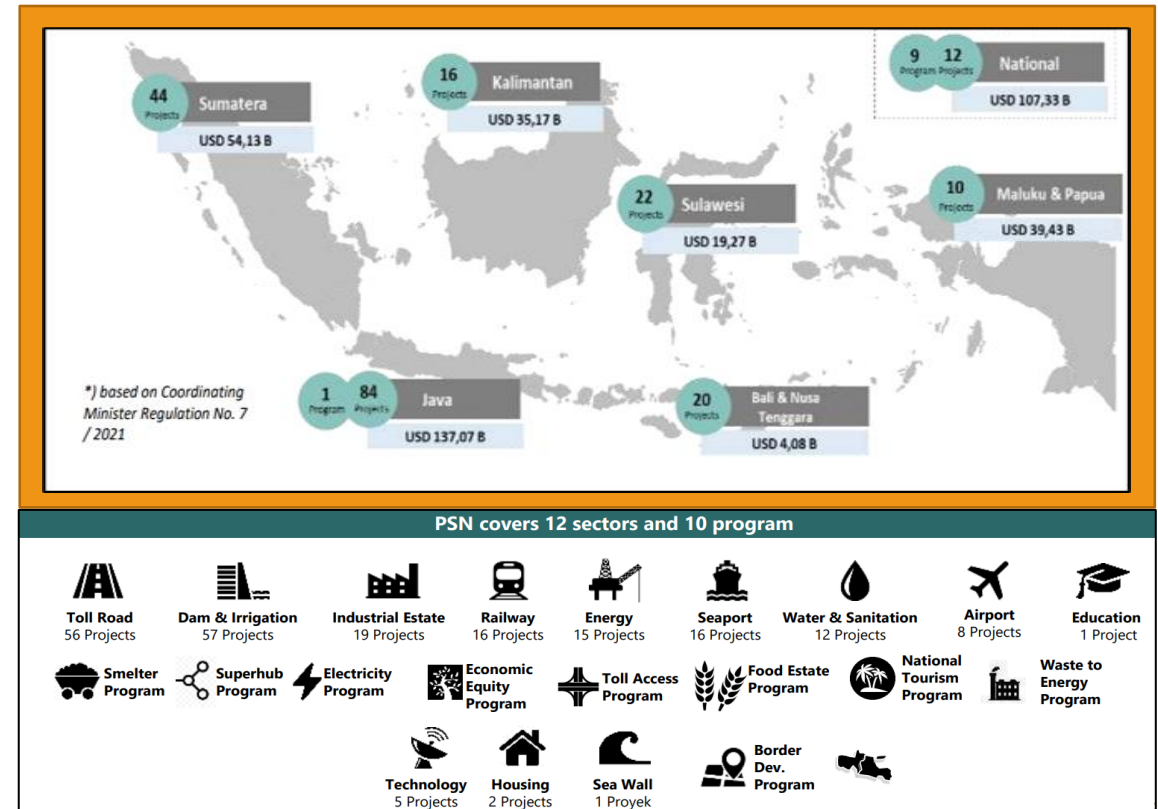
Amongst them:

- Relocation of Capital
- Trans Sumatra Toll Road
- Java High Speed Railway
- Jakarta Sea Wall Project



Equitable Development of Islands to unleash long term growth

National Strategic Projects



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

# A story of Infrastructure



... most are about to start – 2

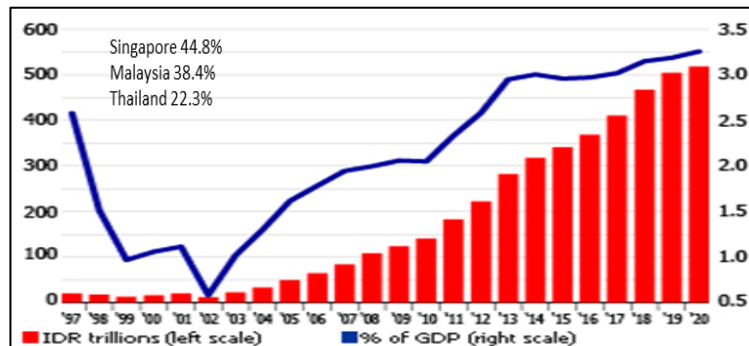
## Developing renewable energies

ENERGY	POTENTIAL (MW)	UTILIZATION (MW)
SOLAR	400,000	182.3
HYDRO	90,000	6,286.7
BIOENERGY	45,000	1,916.4
WIND	60,600	154.3
GEOTHERMAL	23,700	2,175.7
OCEAN	18,000	0
NUCLEAR	11,000*)	0
<b>TOTAL</b>	<b>648,300</b>	<b>10,715.4</b>

Source: esdm.go.id

- 2025 target to use 23% (current 11%) of its energy from renewables by 2025
- Only 1.65% of the potential used

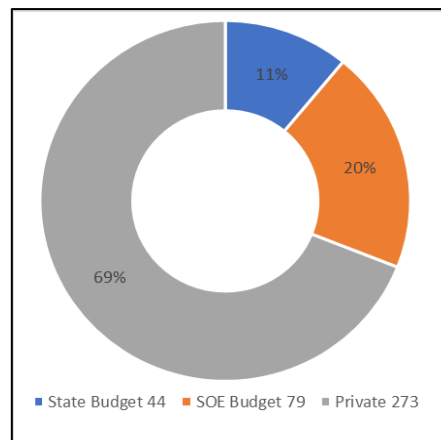
## Potential for residential infrastructure



Source: Bank of Indonesia Global Property Guide

Housing demand is strong, housing credit is dramatically low, rental yields are high

## KPIP target Investment Proportion in (US\$bn)



Source: Coordinating Ministry for Economic Affairs

## Funding

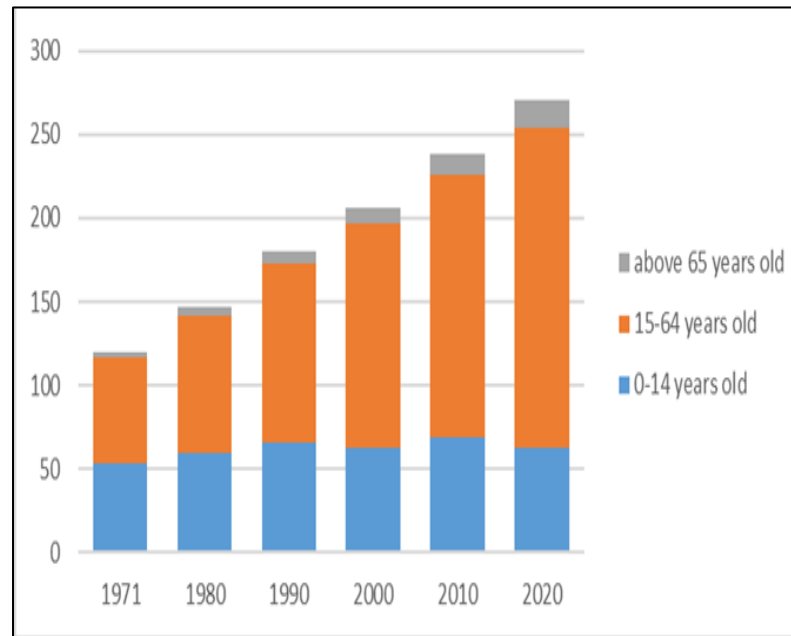
- State Budget Funding - 11%
- State Owned Enterprise funding – 20%
- Public Private Partnership schemes – 69%
- Further funding from National Sovereign fund (US\$10bn) Target corpus is US\$ 100bn

# A story of Demography



- A Populous Country
- Young Population
- Good demography
- Low density
- Tame Islamic country
- Growing Middle Class
- Intra-ethnic fights have subsided

Indonesia's Population by Age Groups, 1971-2020 (in millions of people)



Source : Statistics Indonesia

Working-age group percentage of the population 2020

Indonesia	70.7%
China	70.5%
Vietnam	69.3%
India	67.2%
Russia	67.1%
Japan	59.2%

Source : World Bank

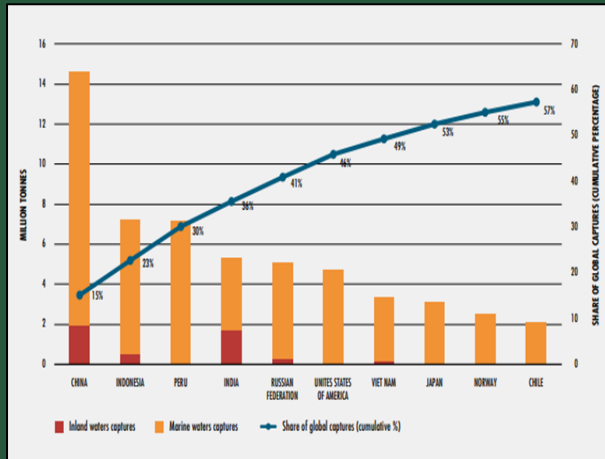


# A story of Natural Resources



- Agriculture
- Trade
- Forestry
- Fisheries

Top Ten Global Capture Producers, 2018

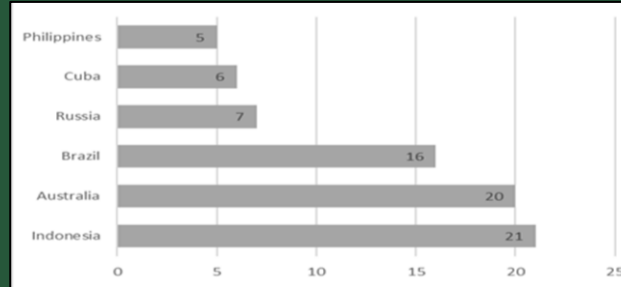


Source: FAO

The country uses only 8% of its 93,000 sq. km of inland waters for fishing

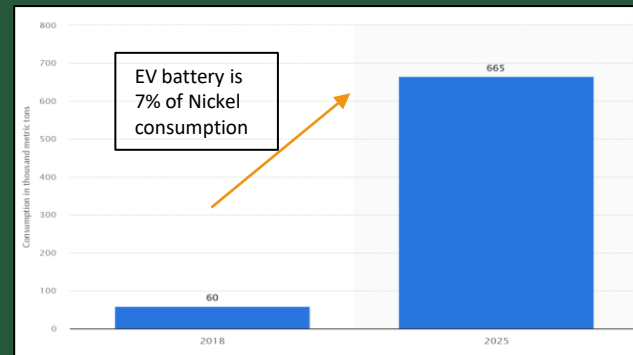
- Basic Materials for EVs batteries

World's largest Nickel Reserves (in millions of tonnes)



Source: US Geological Survey

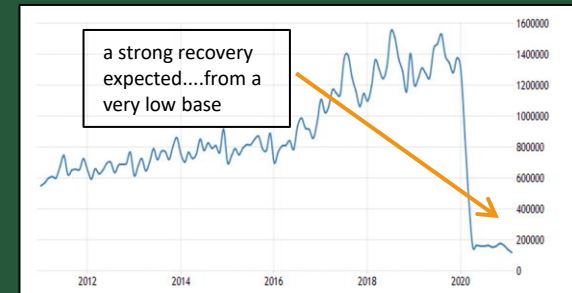
Global demand for Nickel for EV battery use (in 1000 MT)



Source: Statista 2022

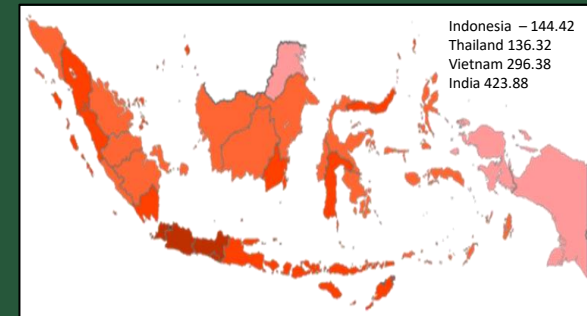
- Tourism

Indonesia Monthly Tourist arrivals



Source: Tradingeconomics.com

Population Density per sq. km



Source: Wikipedia



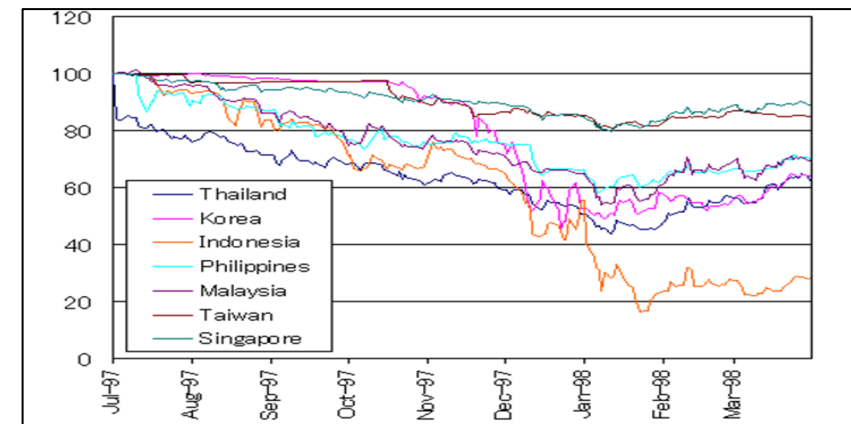
# A story of Financial Crisis

- The hardest hit country during the Asian Financial crisis of 1997
- The equity market lost over 90% in dollar terms in a year
- Small caps wiped out
- Few banks survived
- Changed the perception of the equity market
- **Created a mantra that small caps are un-investable**
- Opened the door to a sustainable democracy

Jakarta Stock Index (US\$) during the crisis



Collapsing Currencies (against USD, July 1997=100)



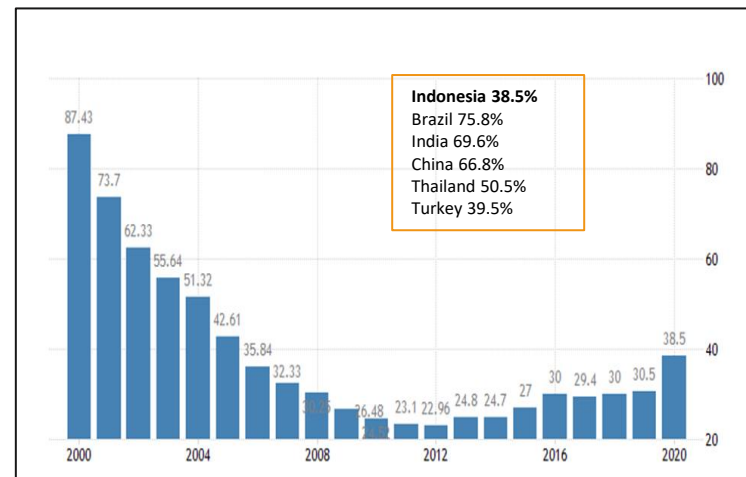
Source : Bloomberg



# A Story of financial & political discipline

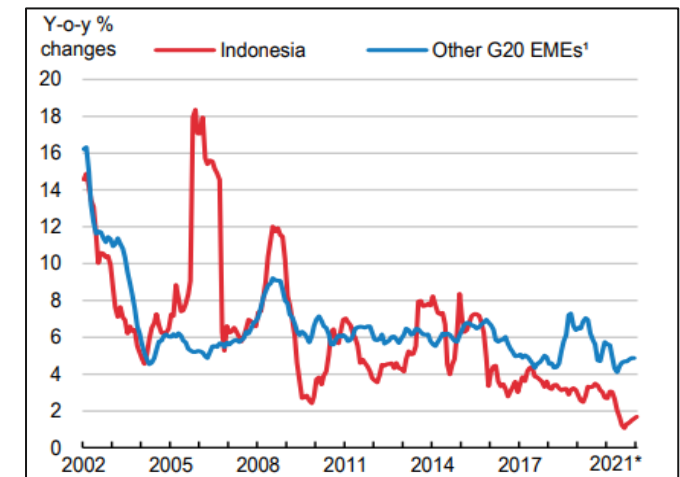
- Low public debt and inflation
- Reliable Central Bank
- Solid banking system
- Reliable companies' financial statements
- Functioning democratic system
- Stable government

Government Debt to GDP



Source: Trading Economics

Consumer Price Inflation



Source: OECD Economic Survey Indonesia 2021

# A story of reforms



## Job Creation Law 2023

- Streamlining labour laws
- Simplifying licensing process for business
- Lifting of restrictions on foreign investment
- Simplifying the provisions of the Taxation

*Joko Widodo*



*Source : Bloomberg*

# A story of growth

- Good past growth
- A chronic trade deficit turning into a trade surplus (already in)
- Potential for credit growth
- Potential to increase FDI
- Growth in high value industries
- Tourism expansion
- Supply chain diversification from China
- A story of catch-up: Indonesia shares with India economic model based on internal consumption, a good demography. India small caps rerated from during 2009-2023

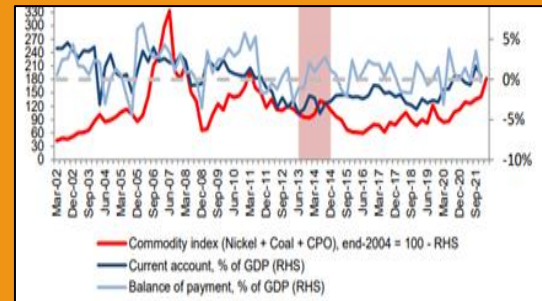


Indonesian GDP trend from 1986 to 2026E



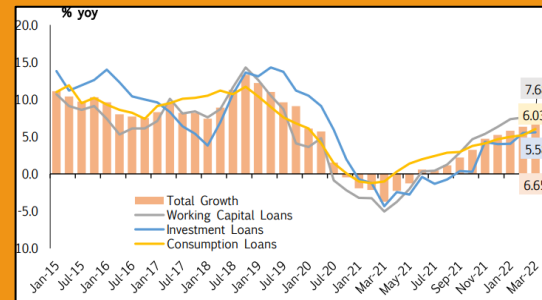
Source: Statista Research

Commodity price rally improves Indonesia's terms of trade



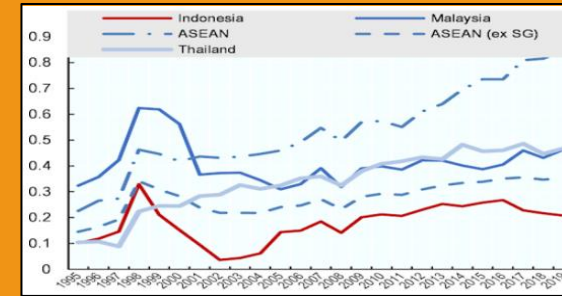
Source : CIMB research

Credit Growth Profile

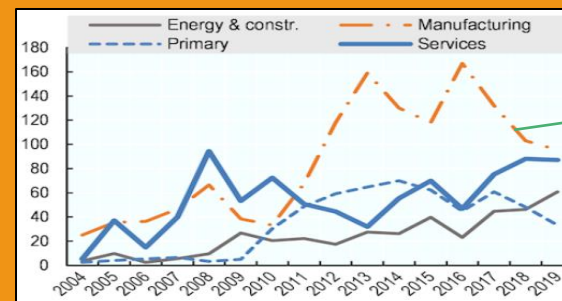


Sources: Financial Services Authority, Bank Indonesia

FDI (as % of GDP) Not incl. Oil & Finance



FDI (US\$ billion) Not incl. Oil & Finance



Source: OECD Investment Policy Reviews: Indonesia 2020

Potential to increase value added manufacturing

Tourism as a % of GDP 2019

Indonesia	5.19%
Vietnam	7.0%
Malaysia	11.7%
Thailand	20.0%
Philippines	22.5%

Source: World Travel and Tourism Council



## A story of catch-up

- Indonesia shares with India an economic model based on good demography and internal consumption.
- India small caps re-rated from 8 times to 24 times earnings during 2009-2023
- Most of this re-rating has occurred in the last two years



Source: Bloomberg

- Today Indonesian small caps trade below 10 times earnings



# A valuation anomaly in an already very attractive market

**Indonesia's outlook is bright:**  
country should significantly outperform in terms of growth over the next 10 years

Indonesia's valuation are interesting

	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>

In Indonesia  
there is a valuation anomaly:

**the small cap universe**

This asset class is trading:

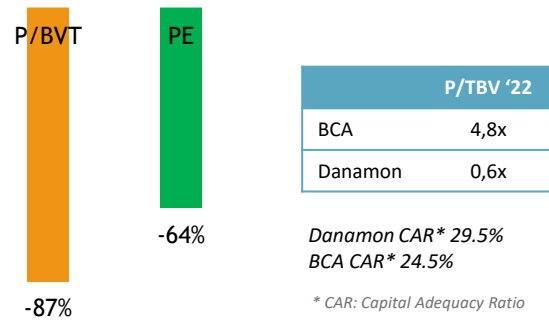
- **at depressed levels in absolute terms despite the rosy growth outlook**
- **at a huge discount to the big caps (see next slide for few examples)**

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

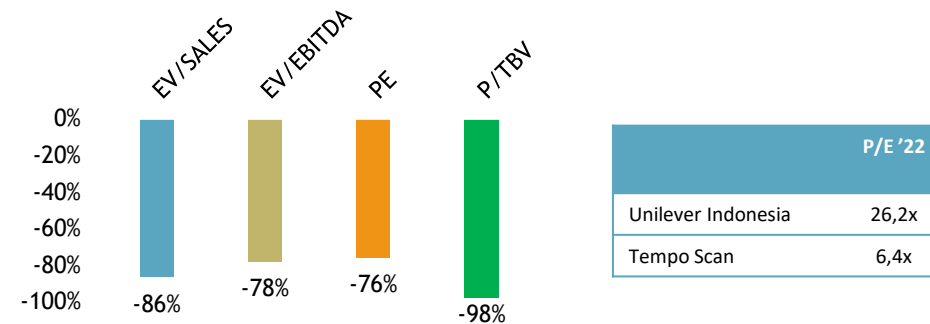


# Indonesia Small Caps trade at huge discount to big caps. This undeserved discount will close in the future, as it was the case in India. Here below few examples

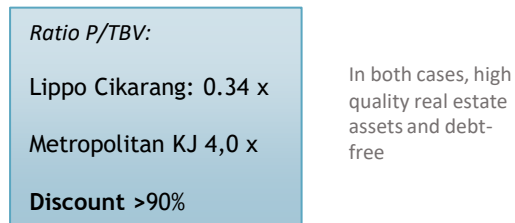
**Banks: Danamon (small) Vs. BCA (big)**



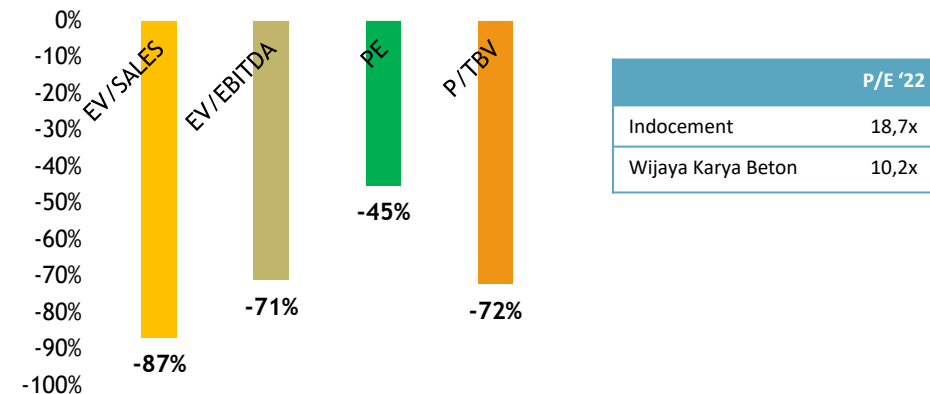
**Consumer Staples: Tempo Scan (small) Vs Unilever Indonesia (big)**



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



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

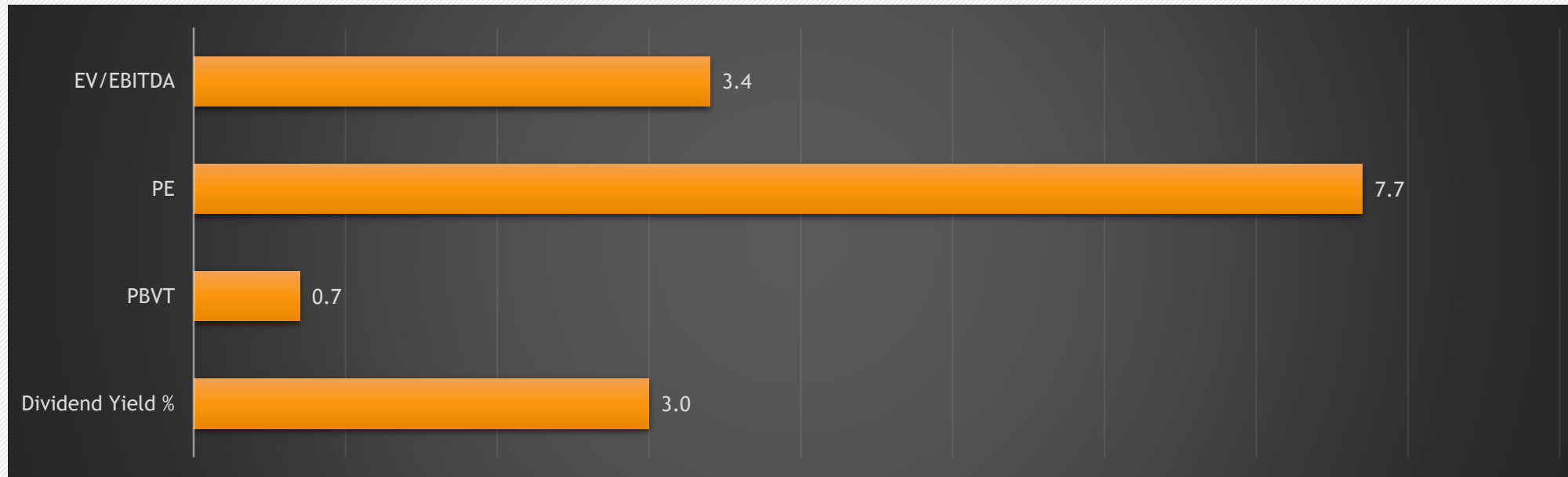


Huge discount ... despite their comparability





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%**)

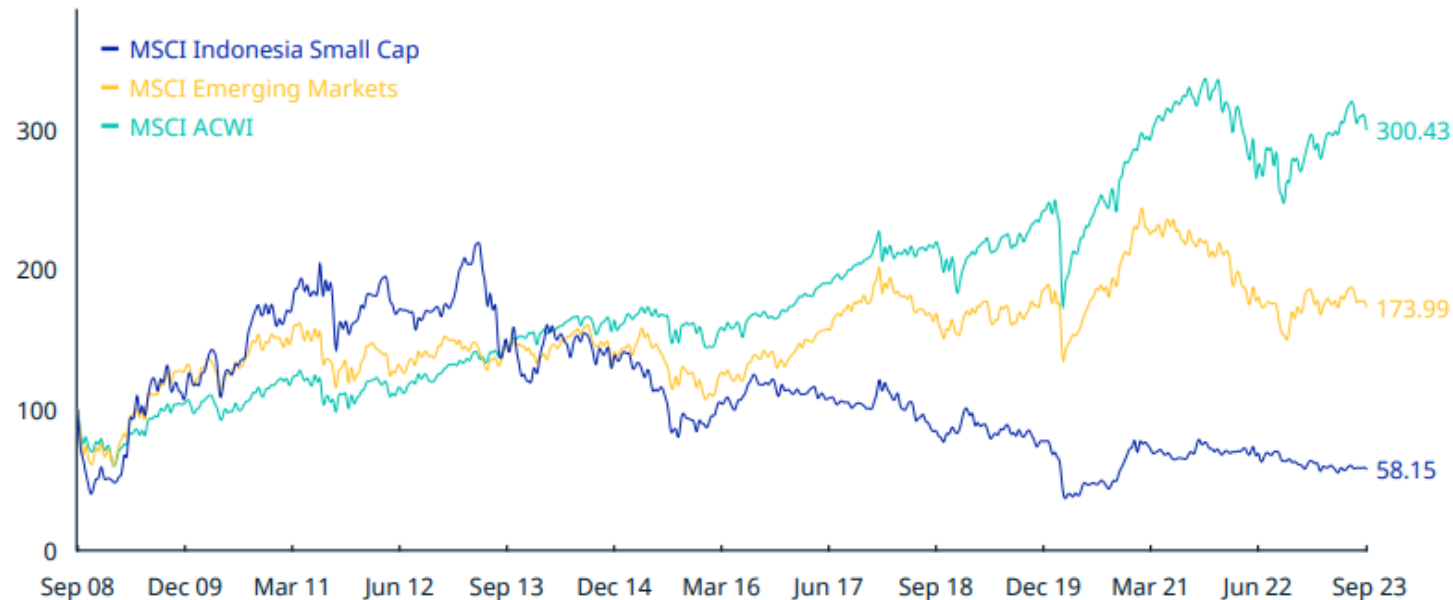
And we do not consider the expected mid term EPS growth (EPS growth 12%; further upside in 5 years time **+70%**)

# 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 (Dec 2005– Dec 2022; 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?

# Risks



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

*Floods in Java Island*



*Source : Hindustan times*

# Opportunities



## Short-term opportunities

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

*Raja Ampat Islands, Indonesia*



*Source Conde' Nast Traveller*

# Opportunities



## Long-term opportunities

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

*Presidential Palace at the Nusantara New Capital City in Kalimantan*



*Source Ft.com © Nyoman Nuarta/AFP/Getty Images*

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