



## PRESENTATION

### Indonesia Infrastructure Small Caps SDG

*a NJ project*



May 2024

ISIN

Class A - IE0006KCMUK2  
Class I - IE0009OQU6T7  
Class Q (listed class) - IE000R9RIBW8

# The geography

## A singular country:

- Composed by 17k islands, 6k inhabited
- Longest coastline after Canada
- Covers 1.9 mln SQ KM
- Covers 8.1 mln SQ KM including the exclusive economic zone



Unique strategic positioning



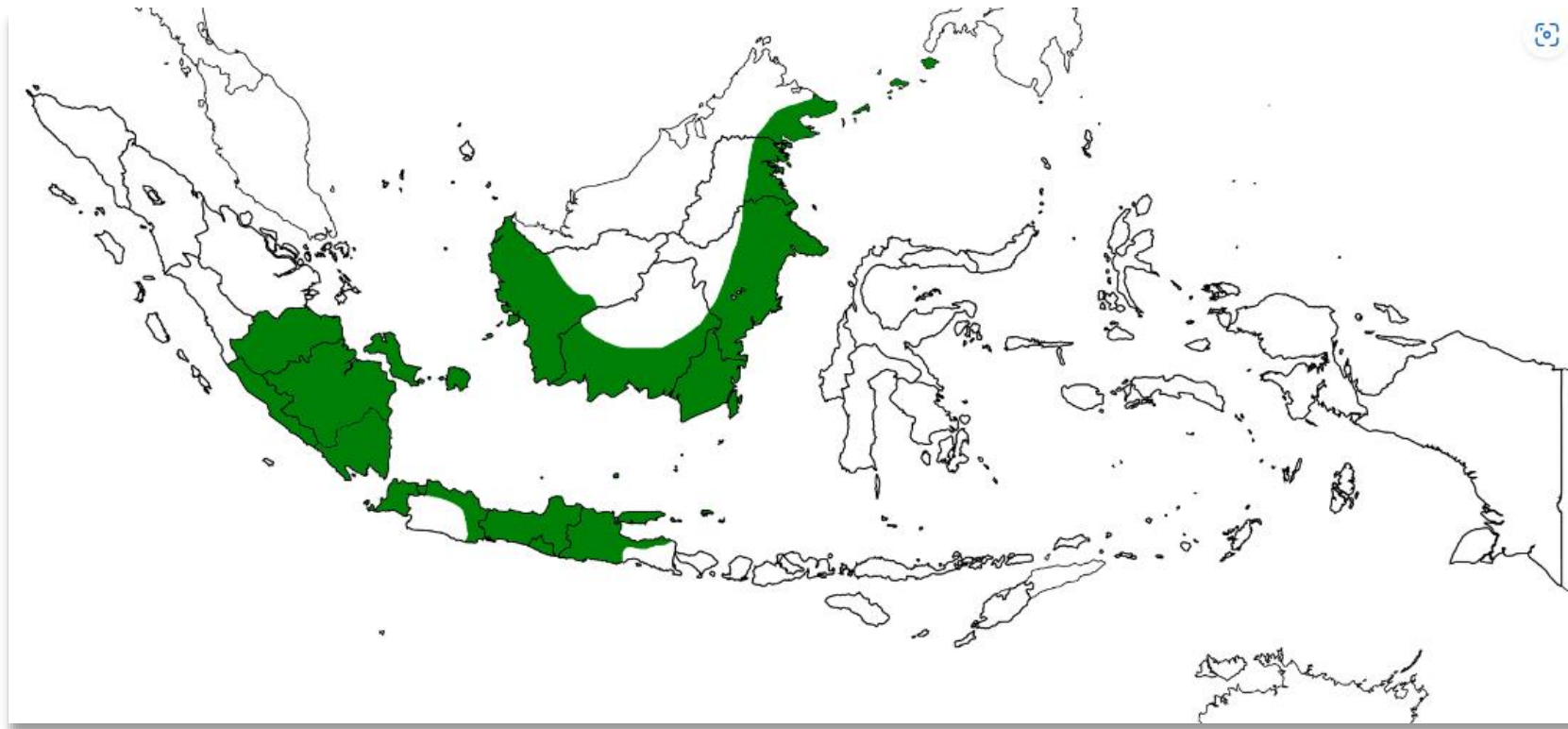


History nuggets



Hindu- Buddhist  
heritage

MAJAPAHIT EMPIRE BORDERS - XIV century



Turned  
into  
Muslim  
sultanate

DEKAK SULTANATE BORDERS - XVI century



The Dutch stayed in Indonesia for more than 3 centuries. They built the main infrastructures of the country



In 1949 Sukarno frees the country from the Dutch and gives the country an identity. However, he becomes autocratic and close to the USSR and China





The US organizes a coup led by the general Suharto who will control the country for 32 years. The economy improved but corruption and nepotism thrived

Suharto was dethroned in 1998  
by civil unrest, following the  
Asian Financial Crisis






The dawn of Indonesian democracy. 4 elected presidents between 1998 and 2014. Still too divisive and fragmented



The election of Joko Widodo in 2014 represents a watershed moment. Jokowi coalesces all parties and keeps privileges to pass structural reforms and a huge infrastructure plan. During his second mandate he starts unleashing the country's potential



A photograph of two men, Prabowo Subianto and Gibran Rakabuming Rano, both wearing blue and white checkered shirts. They are standing together, with Gibran behind Prabowo, his hand near his face. A microphone is visible in the foreground. The background is dark blue.

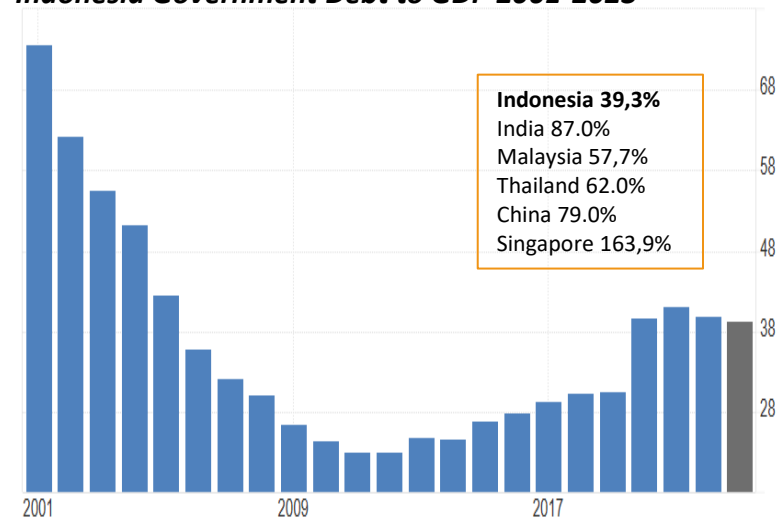
In 2024 Prabowo Subianto is elected President, while Jokowi's son is elected vice-President. The legacy of Jokowi continues



**Indonesia. A sound country**

# Low debt

**Indonesia Government Debt to GDP 2001-2023**



Source: IMF

**Private debt to GDP**

Country	Debt to GDP (%)
Thailand	92
Malaysia	69
China	62
India	37
Indonesia	16

Source: Coordinating Ministry for Economic Affairs/Trading economic 30/09/23

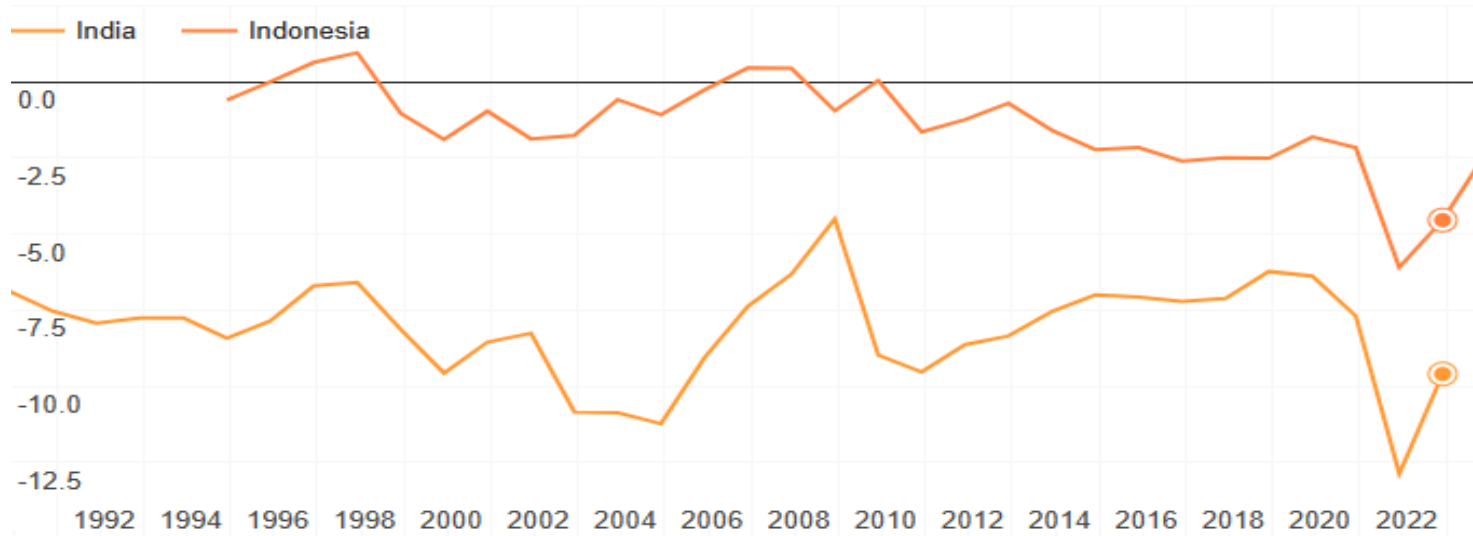
**Corporate debt to GDP**

Country	Debt to GDP (%)
China	131
Thailand	90
Malaysia	78
India	51
Indonesia	23

Source: IMF

# Prudent fiscal policy...

*Deficit Percentage of GDP India Vs Indonesia comparison*



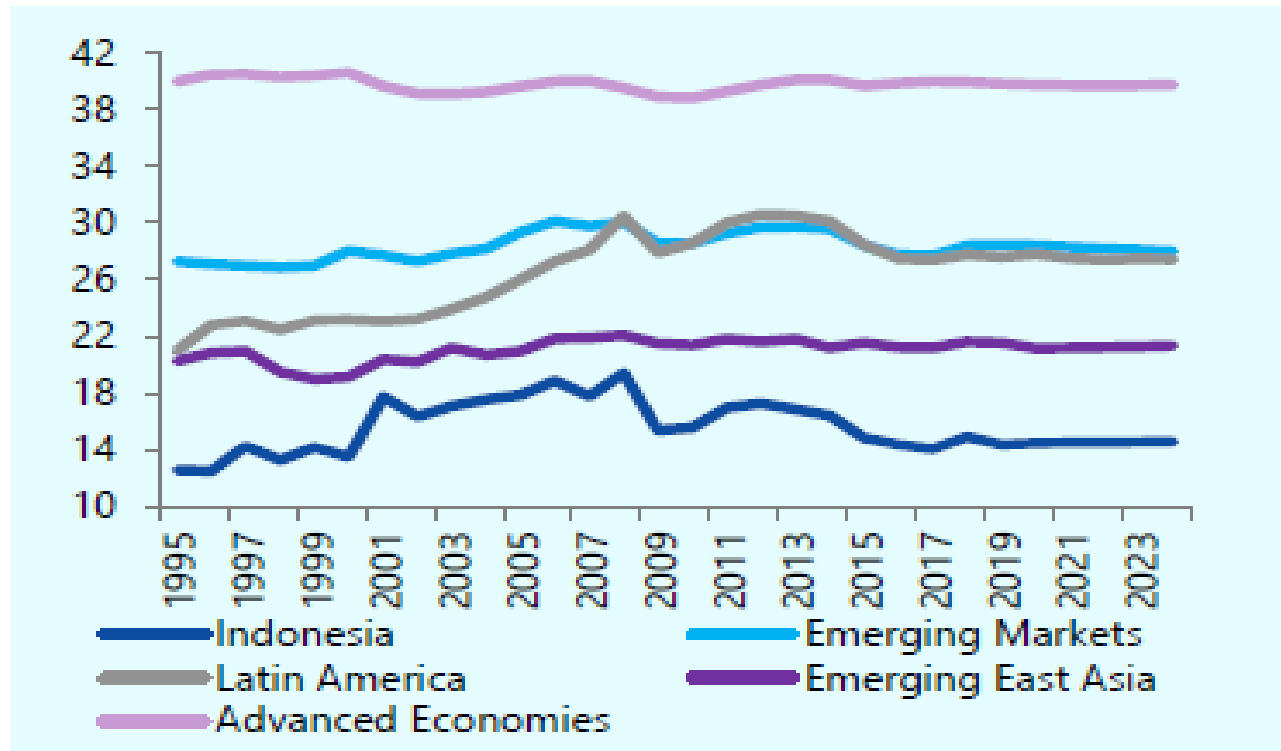
Source : Niche AM - CBI

**The fiscal deficit in Indonesia cannot exceed 3% of GDP**



# ...with room for fiscal expansion

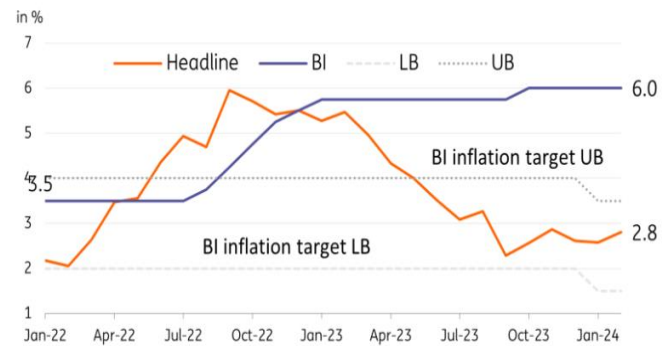
Public revenue relative to income (as a % of GDP)



The tax-to-GDP ratio is low relative to other emerging market economies

# Independent Central Bank

**Inflation Vs Policy rate**



Source : Pusat Statistik

**Indonesia Foreign Exchange Reserves**

As a % of GdP

Country	% of GdP
Indonesia	9%
China	7%
India	5%
Malaysia	2%
Thailand	1%

Source : CEIC

**BIn USD**



Source : Bank Indonesia

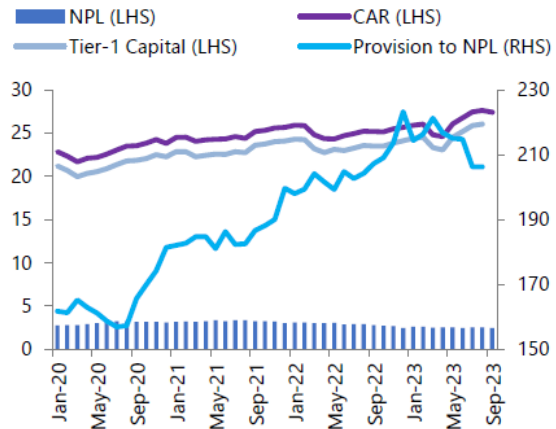
**EUR IDR**



Source : Refinitiv

# Very sound banking system

**NPL, CAR, Tier-1 capital and provisioning (%)**



Sources: The Financial Services Authority (OJK)

**Bank assets to GDP**

Country	Value
China	214
Malaysia	153
Thailand	152
India	72
Indonesia	43

Sources: IMF

**Non-performing loans as percent of all bank loans**

Country	Value
India	6,5
Thailand	2,8
Indonesia	2,2
Malaysia	1,7
China	1,7

Sources: Worldbank

**Bank credit to deposit**

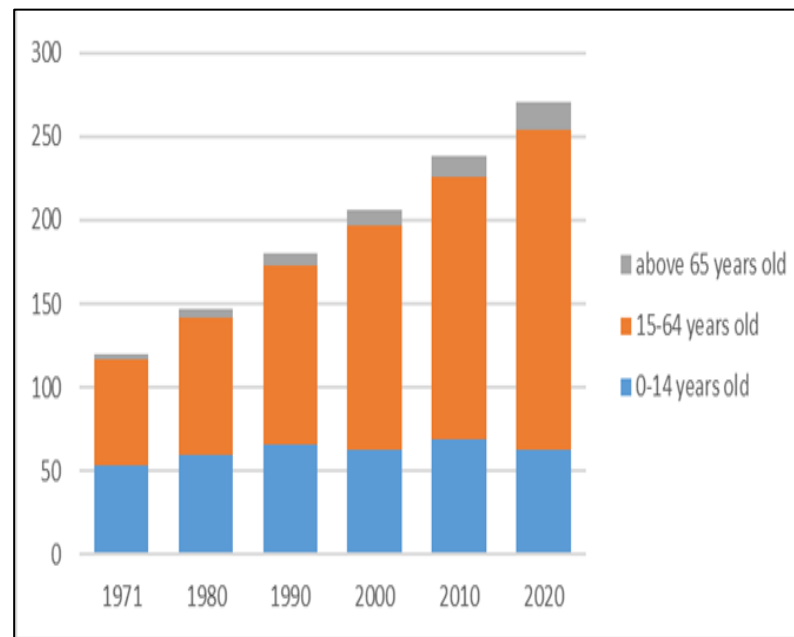
Country	Value
China	366
Malaysia	104
Thailand	94
Indonesia	77
India	72

Sources: IMF

# Demography

- A Populous Country
- Young Population
- Good demography
- Growing number of consumers
- Low density

**Indonesia: age structure from 1971 to 2020**



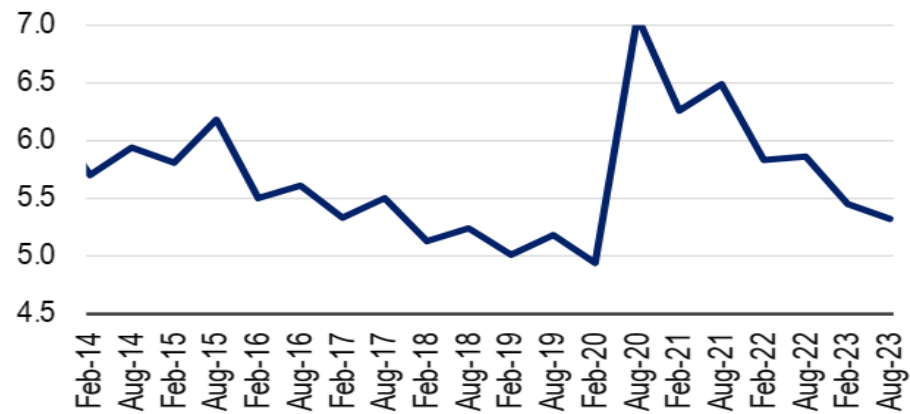
Source : Statistics Indonesia

**Population Density**



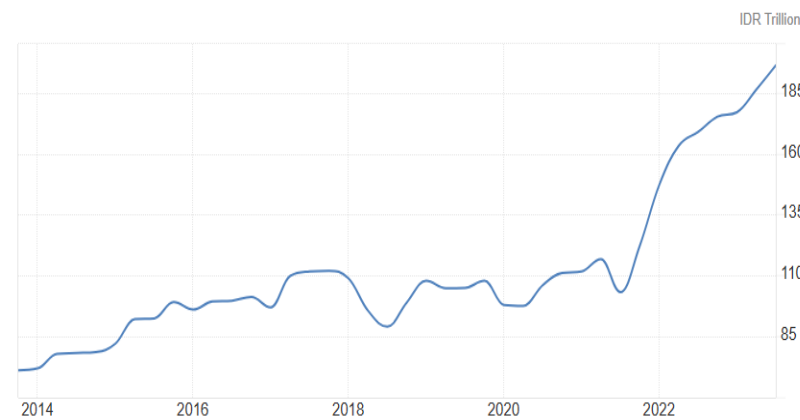
# Fundamentals - 1

**Unemployment rate**



Sources: BofA

**Indonesia Foreign Direct Investment**



Source: Investment Coordinating Board of the Rep. of Indon. (BKPM)

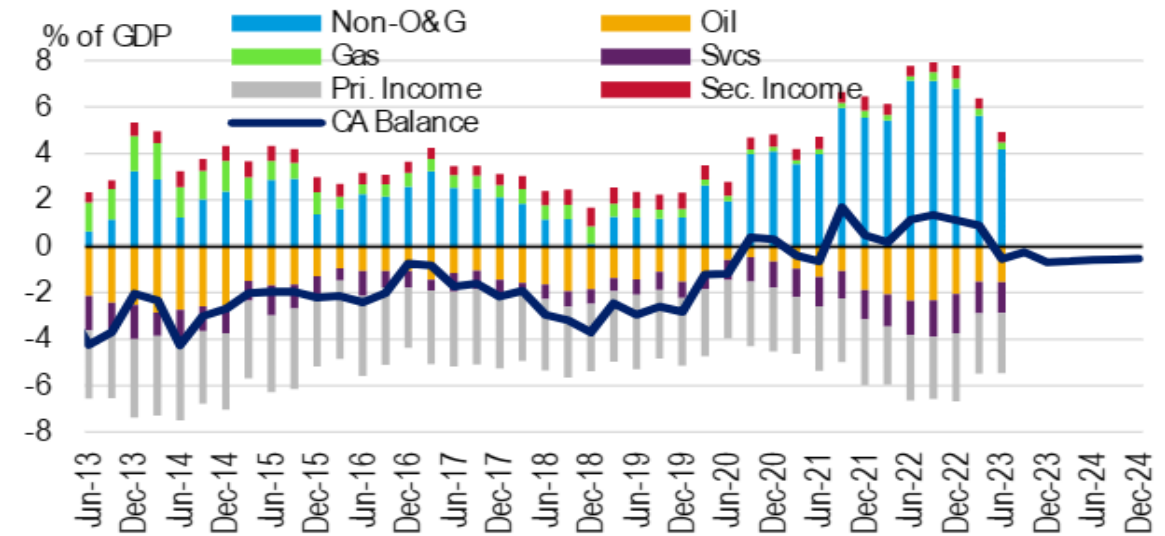
# Fundamentals - 2

## Balance of trade

Country	
Singapore	36,2%
Malaysia	7,2%
Indonesia	3,6%
China	3,2%
Thailand	-2,3%
India	-3,7%

Source: the World Bank

## Current account (% of GDP)

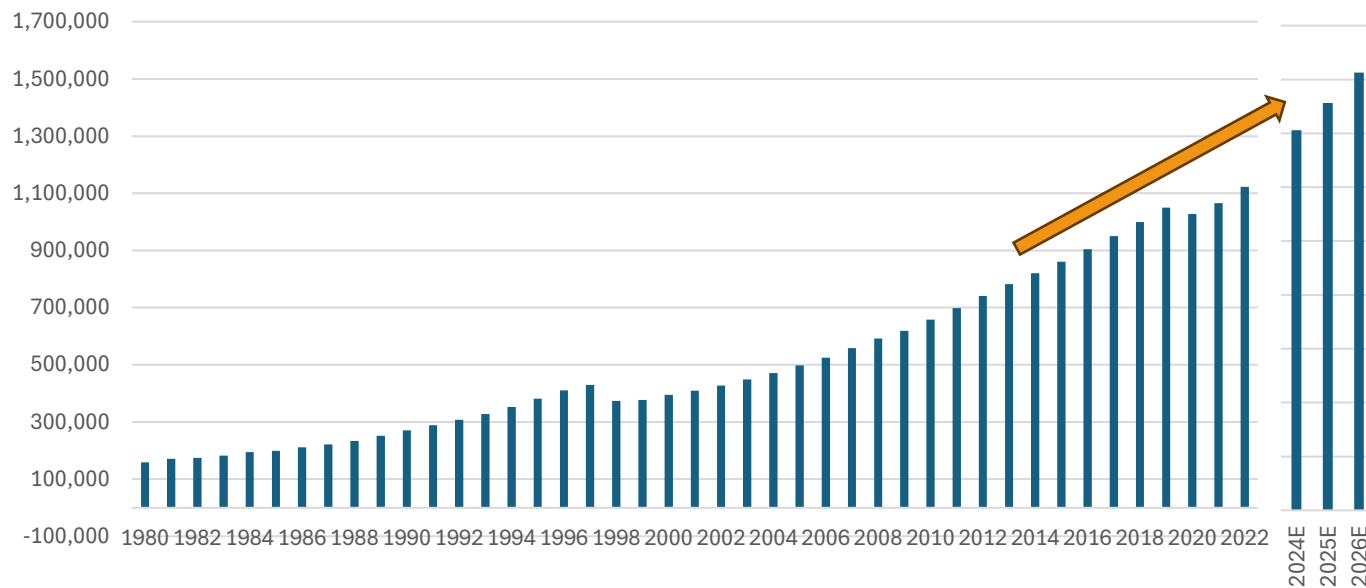


Source: BofA

A chronic current account deficit turning balanced

# A story of past growth...

*Indonesian GDP trend from 1980 to 2022 (USD)*



Source: World Bank

...and future growth

*Real GDP growth  
Forecast World Bank 2024- 2026E*

2024E	2025E	2026E
+4,9%	+4,9%	+5,0%



**A growth story supported by different dynamics**







- Infrastructure
- Tourism Expansion
- Natural Resources Management
- Structural Reforms

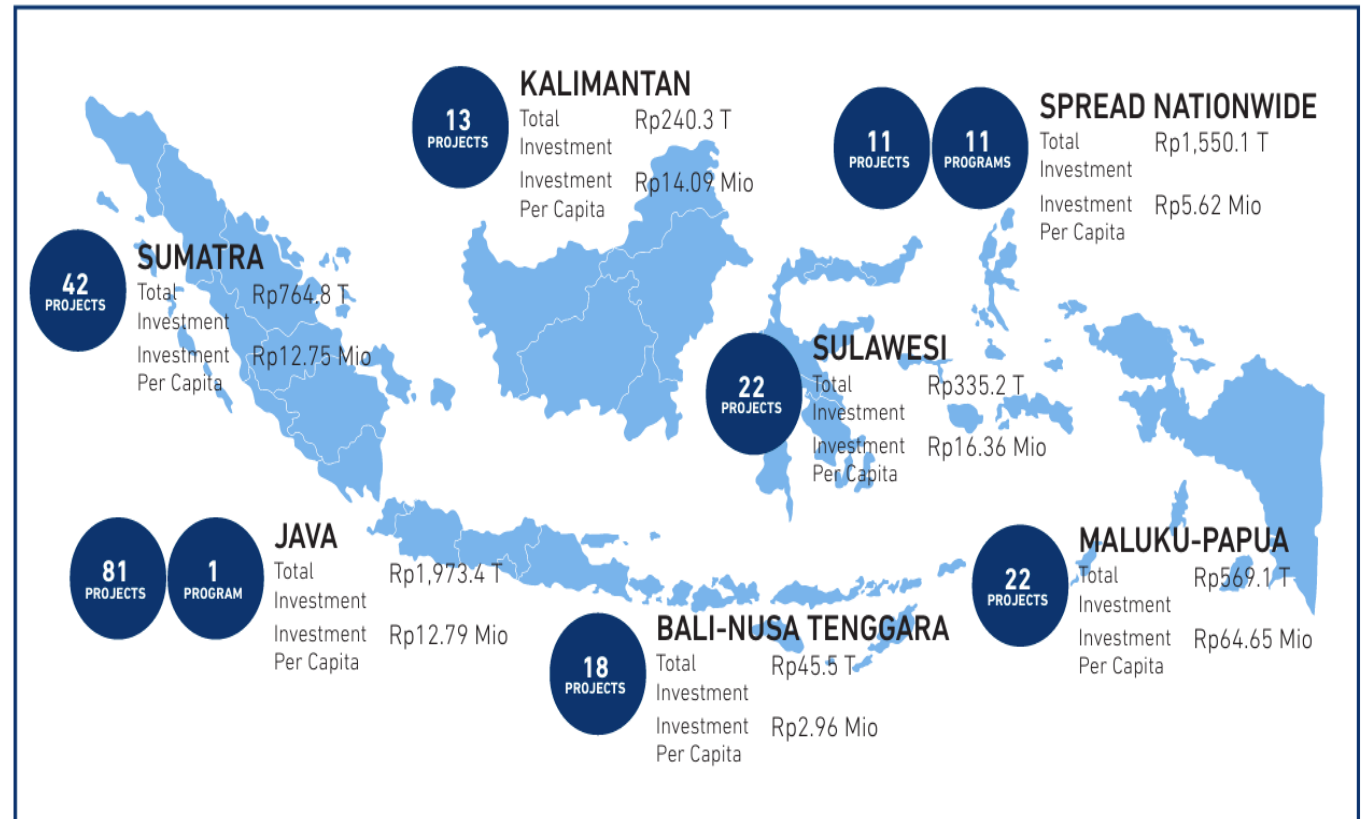
# Revolution in civil Infrastructure



Some have been completed ...

- **190 projects completed between 2016 and 2023**
- **69 Bln \$ spent**

## National Strategic Projects



Source : KPPIP, Proyek Strategis Nasional

... but most have yet to be completed (50 projects) or started (158 projects)



*Inauguration of first high-speed train section in Java*

- *208 Projects from 2024 and 2028*
- *314 BLN \$ worth (about 23% of GDP) in the next 5 years*










**unleashing long term growth**





### 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>



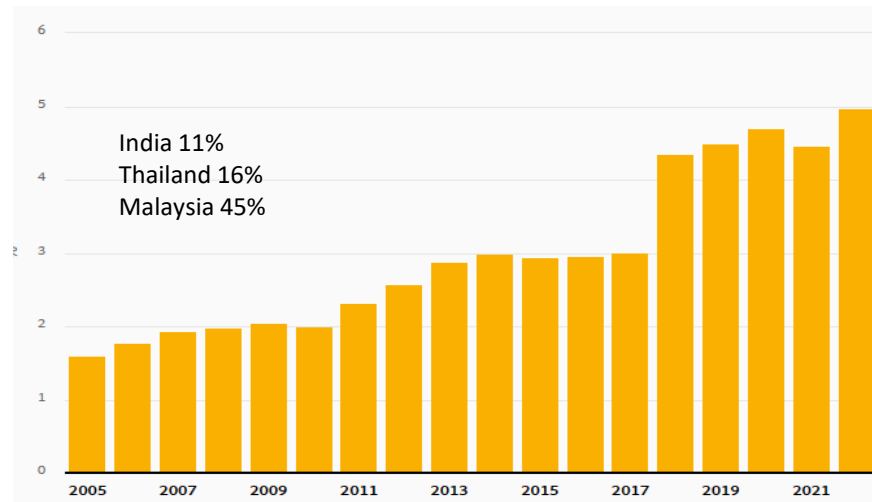
- target to use 23% (current 12%) of its energy from renewables by 2028

# Energy transition infrastructures



# Residential Infrastructure

**Mortgage ratio to GDP is very low: 5%**



Source: Bank of Indonesia

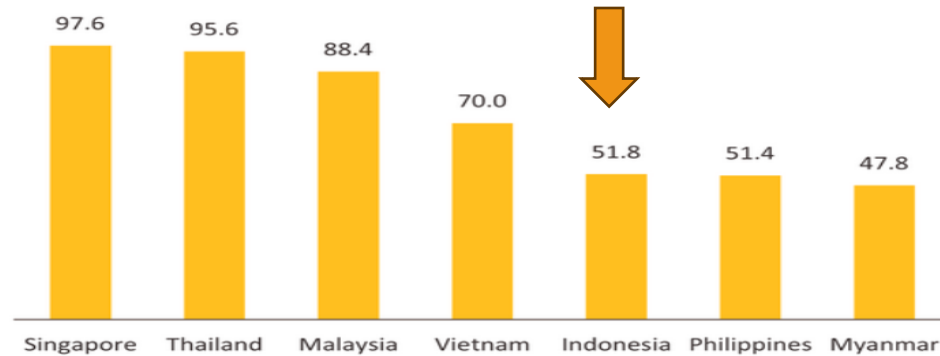
**Gross National Savings to GDP**

Country	Gross National Savings to GDP (%)
China	46
Indonesia	37
Malaysia	31
India	30
Thailand	27
Italy	21

Sources: WorldBank

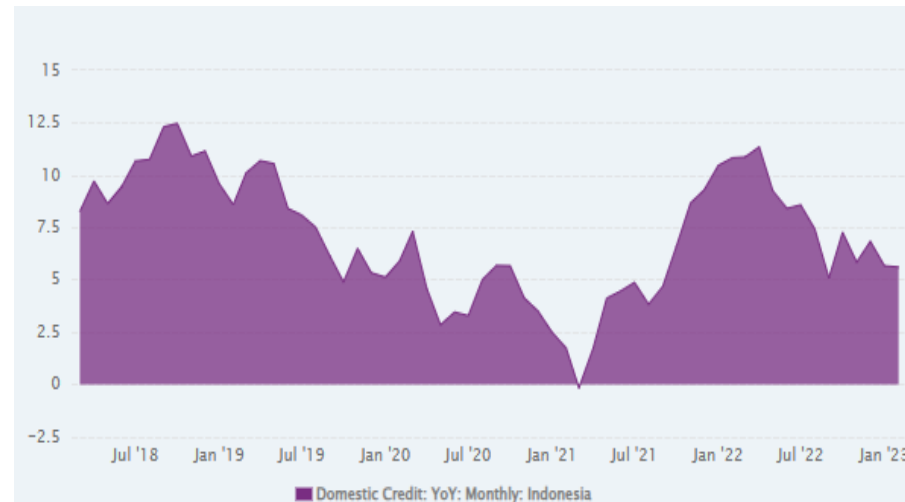
Banking penetration  
will provide room for  
purchases or renovation  
of houses

**Account ownership at a Financial Institution or with a mobile-money-service provider (% of age 15+)**



Source: Global Findex Database, World Bank

**Credit Growth**

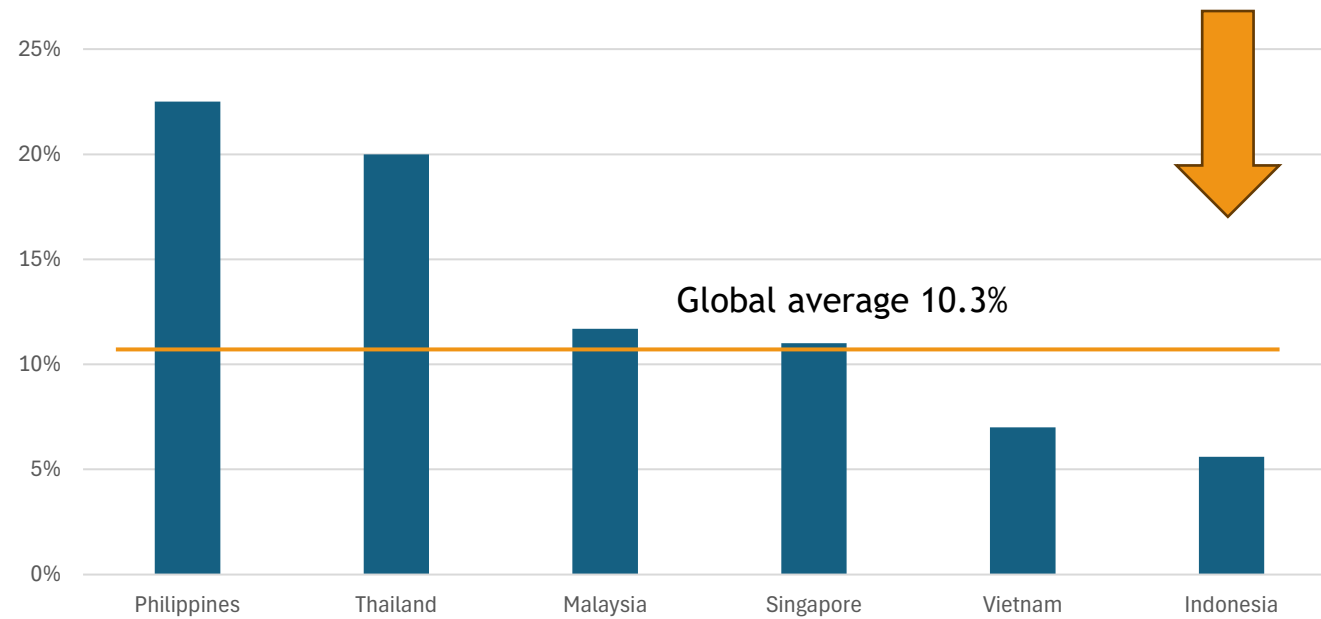


Sources: CBC Data

# Tourism Expansion



**Total contribution of travel and tourism to GDP in the Asia-Pacific region 2019**



Source: World Travel & Tourism Council

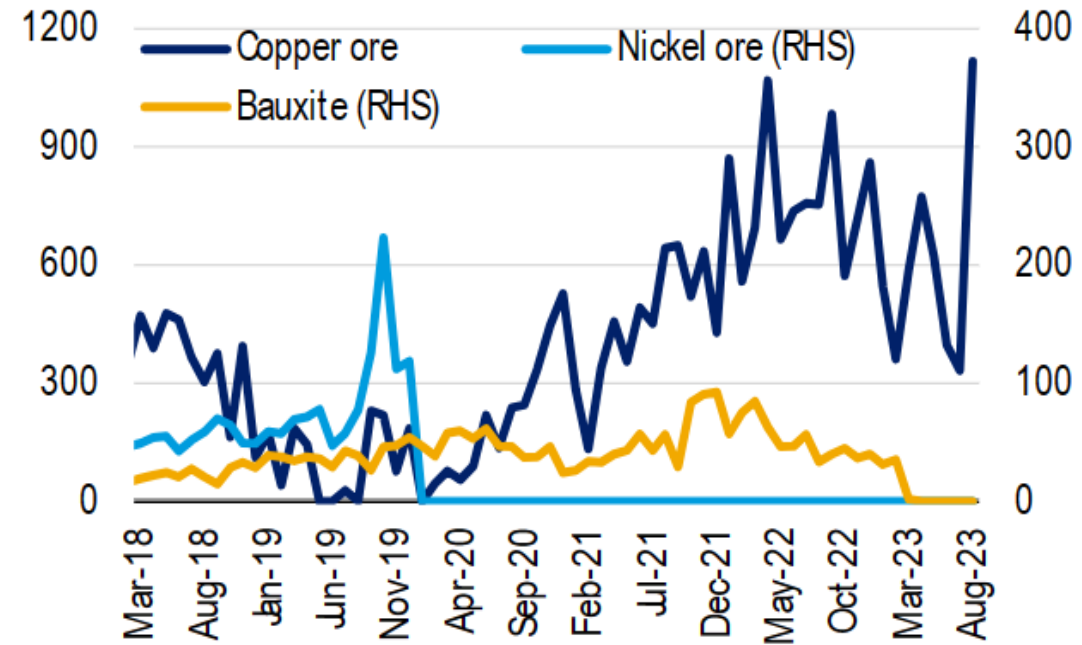
# Natural Resources



- Energy transition minerals reserves
- Large reserves of natural gas
- First world producer of palm oil, coconut, natural rubber and pineapples
- Third of rice and bananas
- Fourth of avocado and pepper
- Seventh of fish

Source: Niche, FAO

Export of copper & nickel ores and bauxite (\$ mln)



Source: BofA

New Natural Resources policy under Jokowi



# Structural reforms, at last!



## Job Creation Law 2023

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

## National Long-Term Development Plan (RPJPN) 2025-2045

*Joko Widodo*



*Source : Bloomberg*

Maybe not everyone is aware of....

## India Vs Indonesia

	India	Indonesia
GDP growth 2024-2025E	7,0%	4,9%
GDP per capita (2022)	2408	4798
Fertility rate	2,14	2,22
Education expenditure (% budget)	16,5%	19,2%
Gov Health Exp (% budget)	3,0%	3,4%
Defence expenditure	8,3%	4,1%
Rating S&P	BBB-	BBB
Logistic performance index	3,4	3,0
Right to Information (RTI) Index	8°	40°
Rate Homicides per 100k	19,1	0,43
Gender gap ranking	127°	87°
Suicide ratio (per 100k pop.)	12,9	2,6
Population vulnerable to multidimensional poverty	18,7%	4,7%
CPI (Dec. 23)	4,9%	2,6%
VAT rate	18%	11%

# Over the past 20 years, the Indonesian market has underperformed the Indian market ...



Indonesia liquid stock index (LQ45) Vs India S&P Sensex



LQ45 Vs S&P Sensex  
The LQ45 Index is a capitalization-weighted index of the 45 most heavily traded stocks on the Jakarta Stock Exchange

Source: Eikon

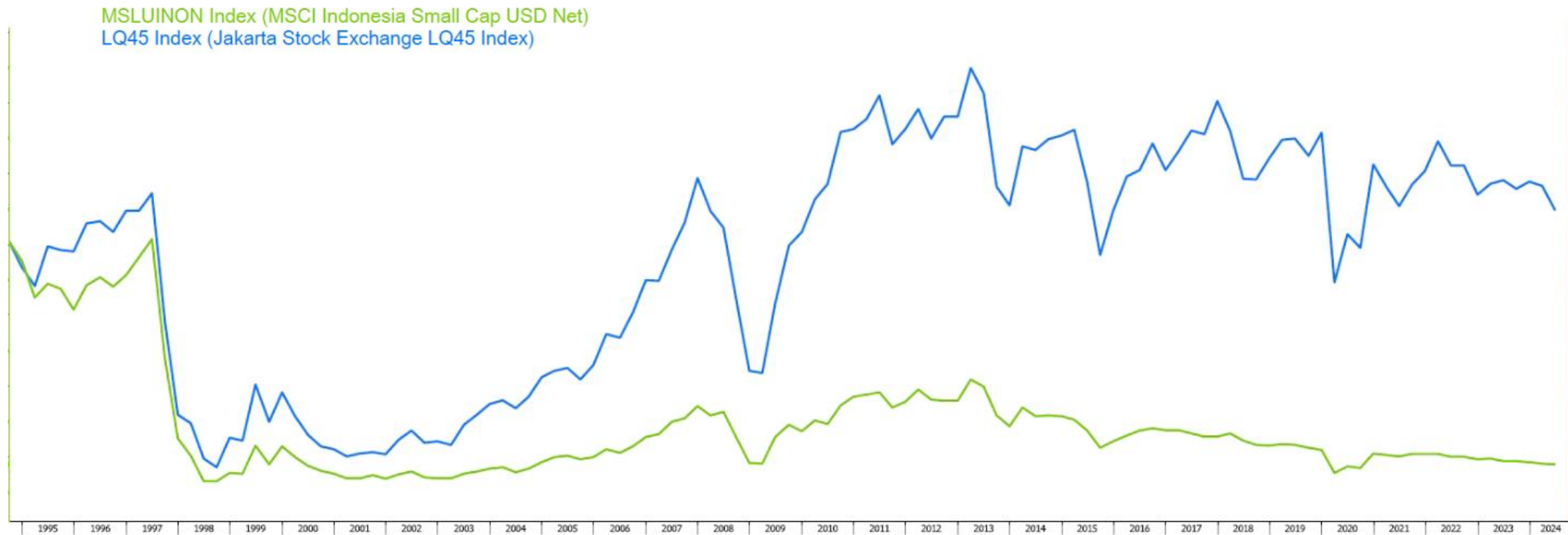


... while Indian small caps outperformed Indian big caps



Source: Eikon

# Indonesian small caps hugely underperformed Indonesian big caps

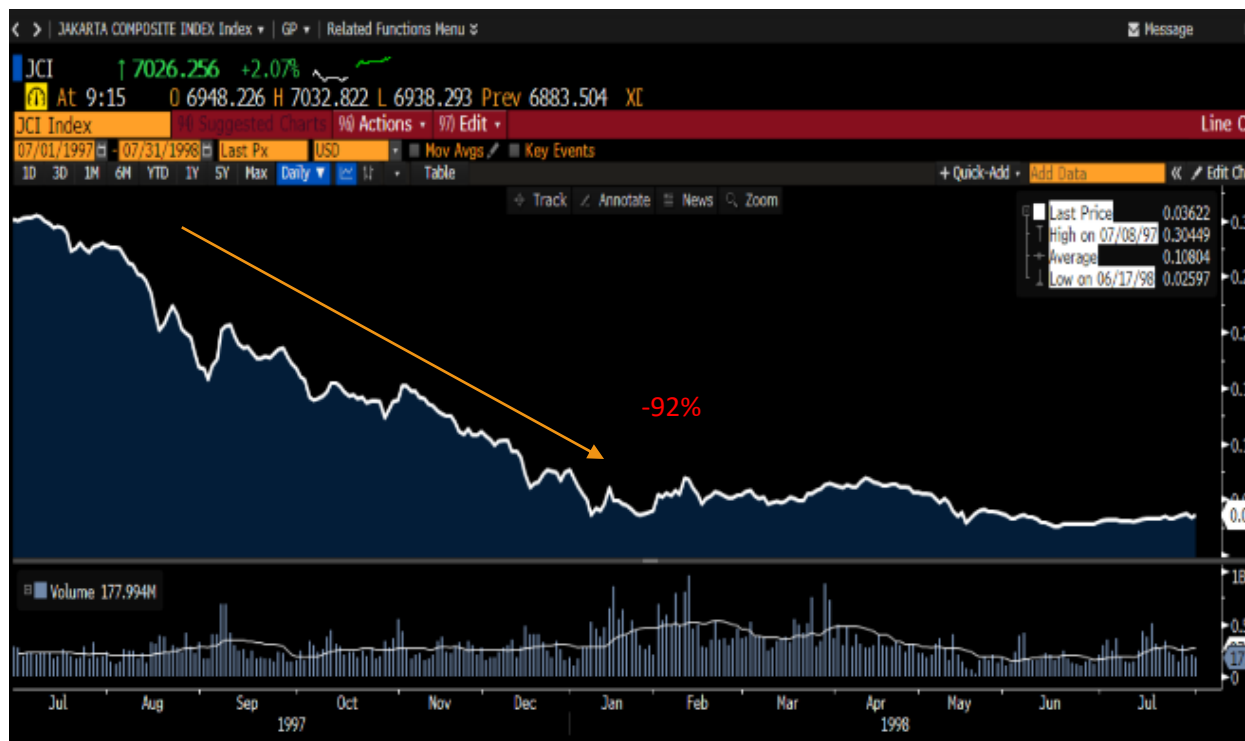


Source: Bloomberg

# 1997 Financial Crisis



*Jakarta Stock Index (US\$) during the crisis*



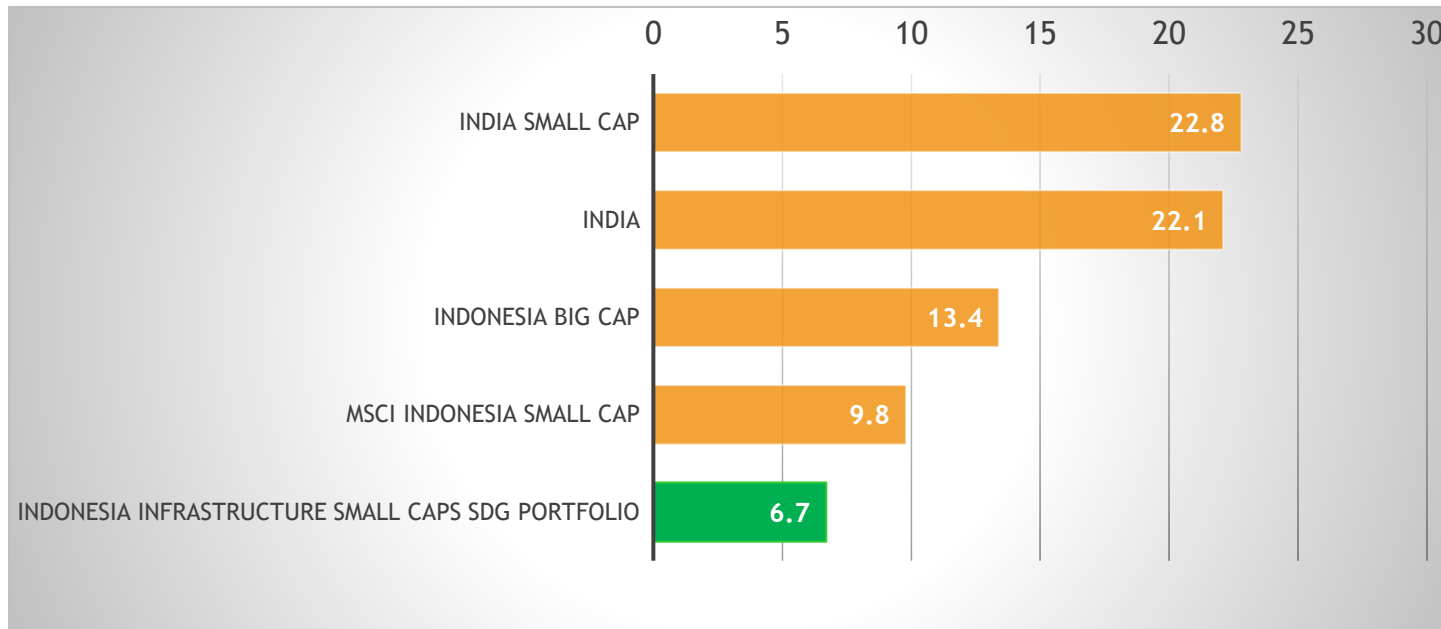
Source : Bloomberg

**Created a mantra that small caps are un-investable**



# Indonesia small caps: a forgotten asset class, an anomaly, an opportunity

## Price Earnings Fwd



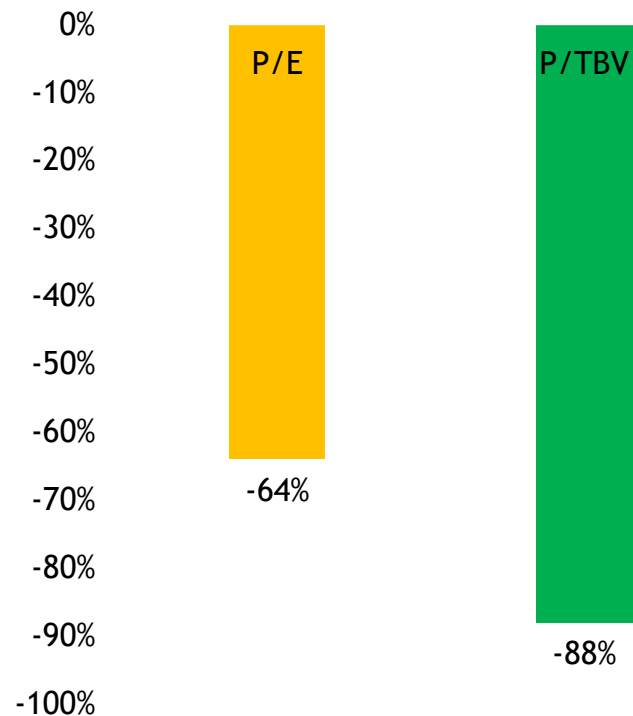
Source: Bloomberg, MSCI, NicheJungle



# Indonesia Small Caps trade at extreme discount to big caps - 1

## Banks:

### Danamon (small) Vs. BCA (big)



	P/TBV '23
Bank of Central Asia	4,85x
Bank Danamon	0,58x

*Danamon CAR\* 28%*

*BCA CAR\* 29%*

*\* CAR: Capital Adequacy Ratio*

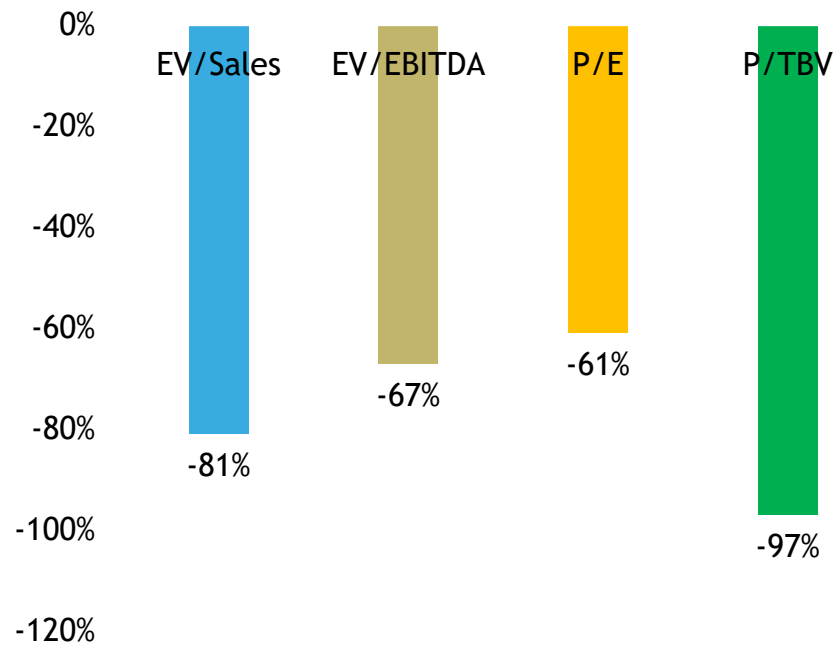
Source: Thomson Reuters, NicheJungle





# Indonesia Small Caps trade at extreme discount to big caps - 2

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

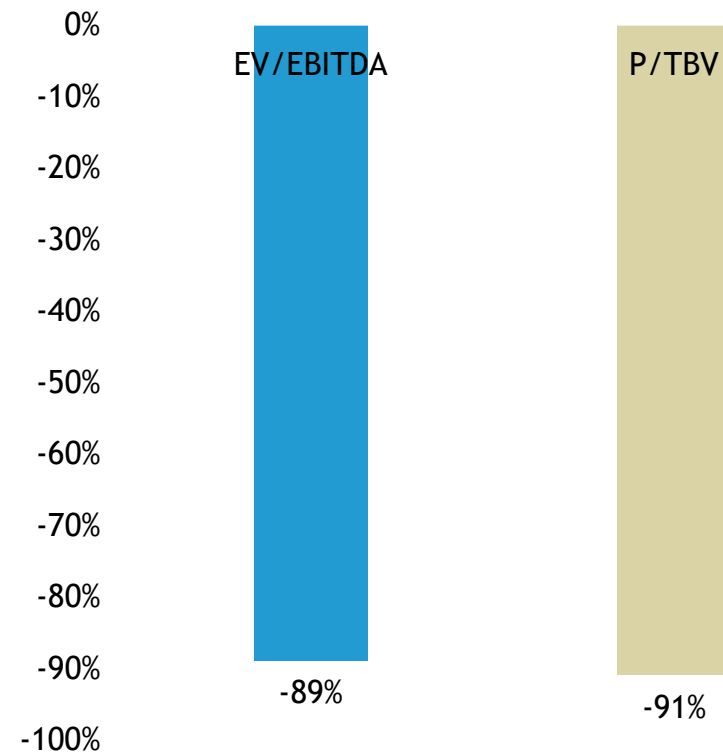


EV/EBITDA '23	
Unilever Indonesia	12,6x
Tempo Scan	4,2x



# Indonesia Small Caps trade at extreme discount to big caps - 3

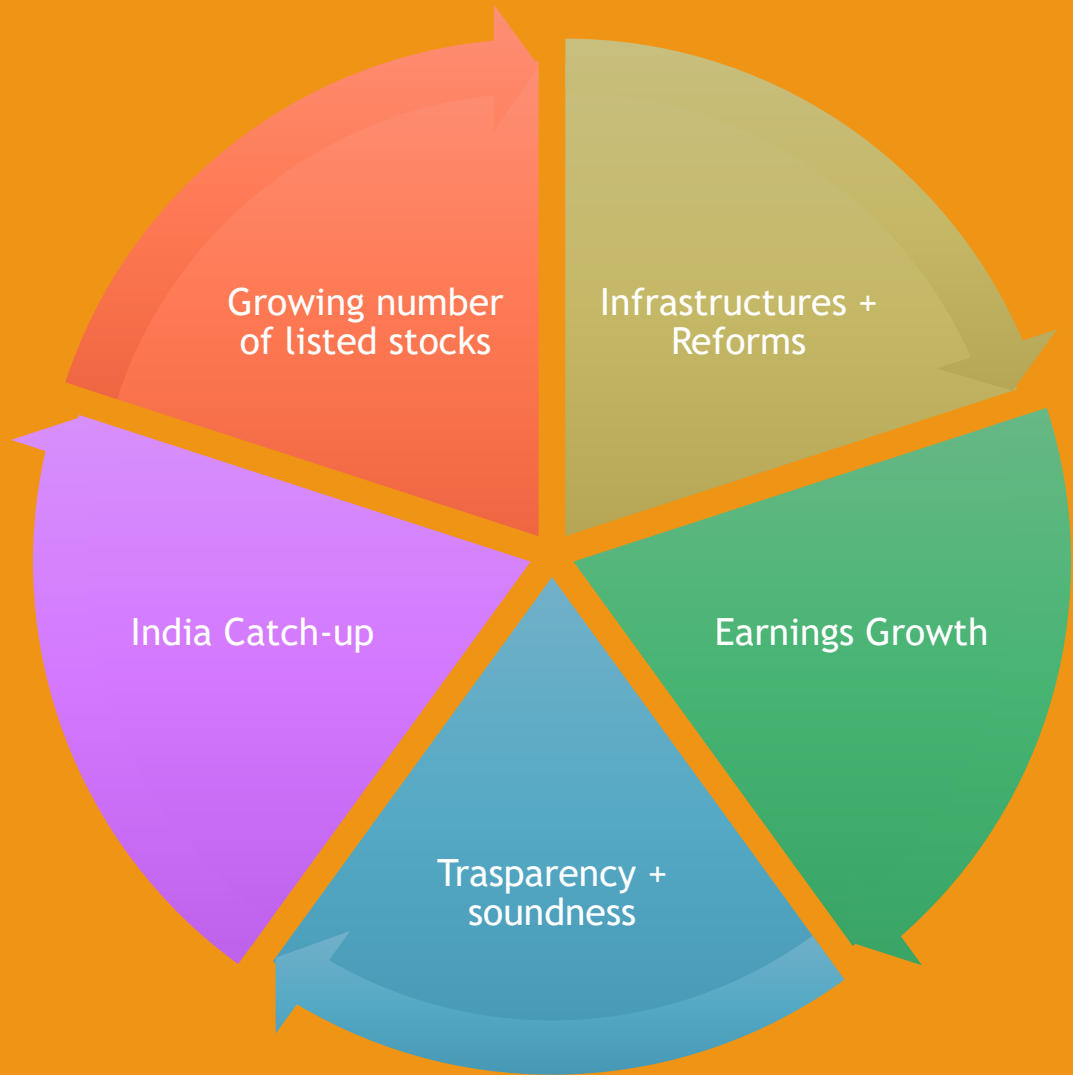
## Renewables: Kencana Energy Lestari (small) Vs Barito Renewables Energy (big)



	EV/EBITDA '25
Barito Renewables Energy	29,5x
Kencana Energy	3,1x

Source: Thomson Reuters, NicheJungle

**Many  
catalysts to  
help correct  
this anomaly**



## Growing number of listed stocks

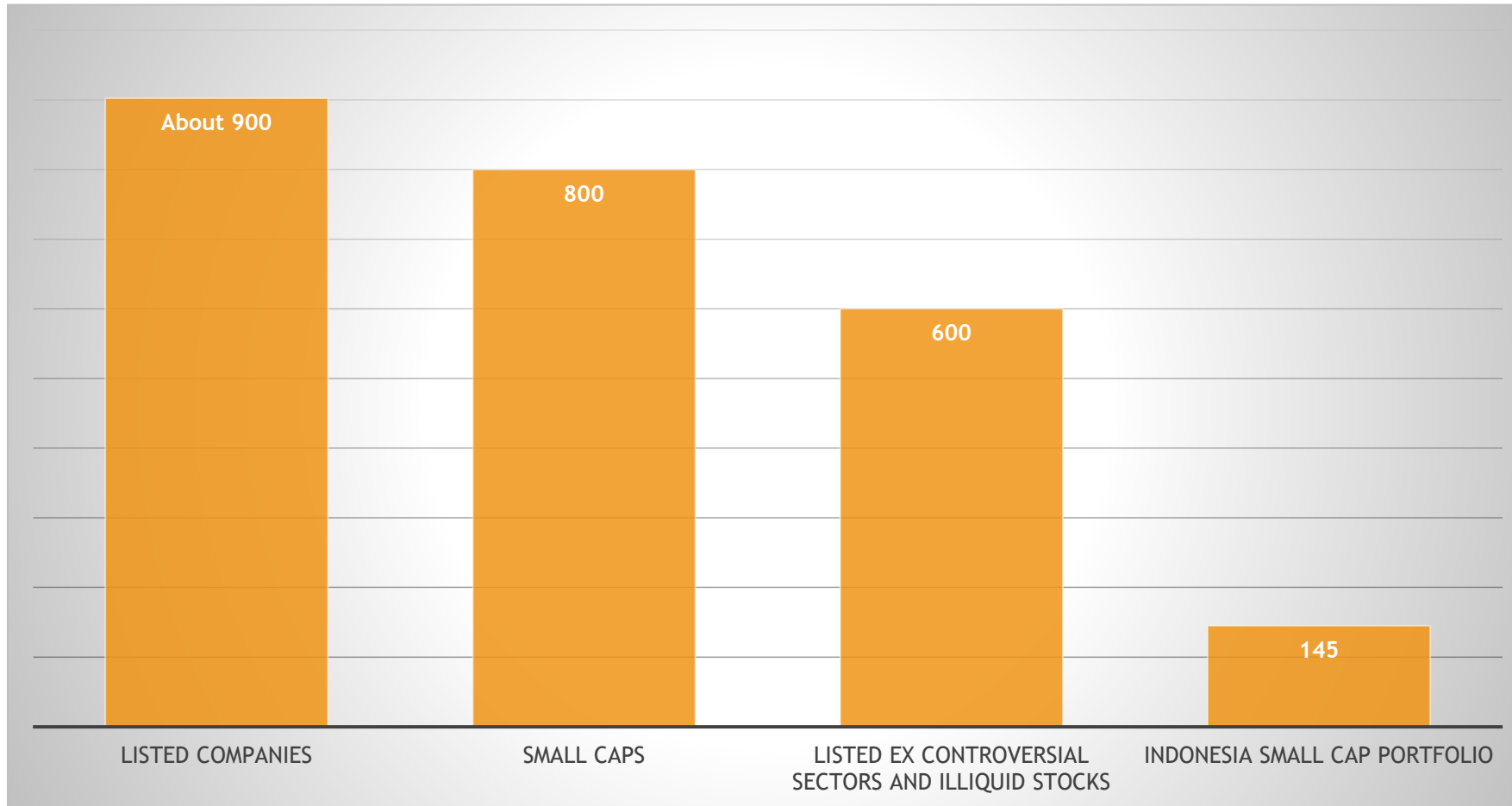


- large pipeline of potential IPOs

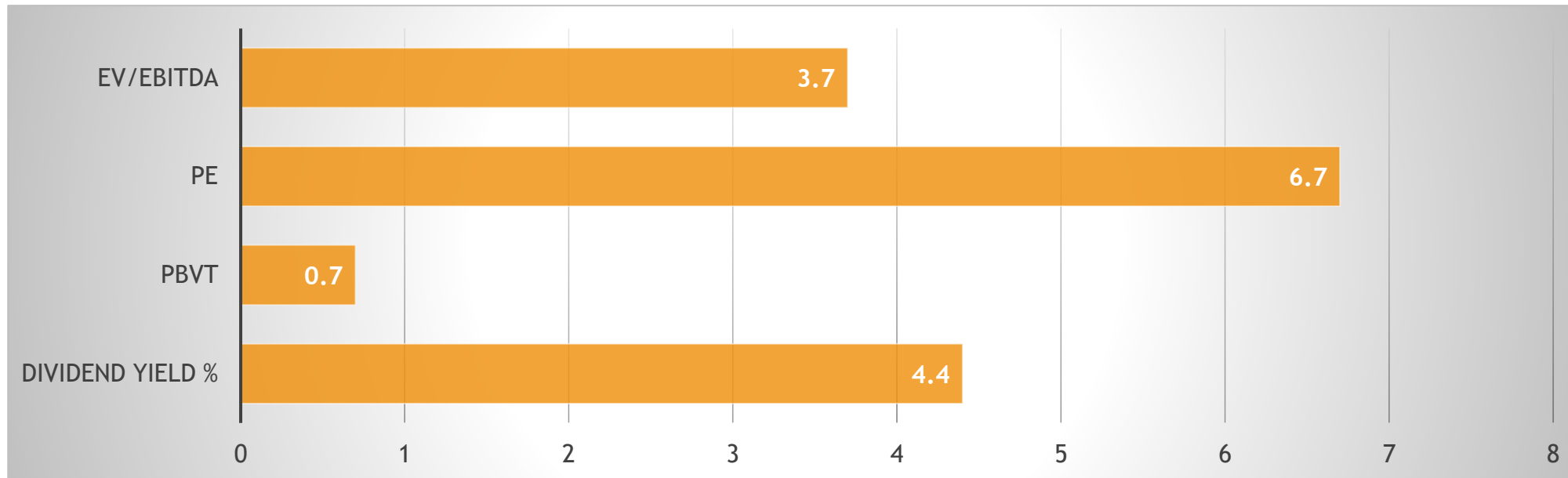


- Indonesia has the highest number of Micro and Small Enterprises (MSEs) per person in the world

# Indonesia small cap investment universe



# Indonesia small cap portfolio valuation



Source: Thomson Reuters, NicheAM as of 30/03/2024

Average weighted capitalisation: \$580 mln

# Different from MSCI Indonesia small cap index because ...



More Diversified



100-150 stocks Vs 52 stocks  
Top ten constituents: 18% Vs. 36%

Value Vs  
Momentum



Price / Earnings 6,7x Vs Bench 9,8x  
P/BV 0,56x Vs Bench 1,19x

More focused on  
Infrastructure

Fundamental Vs  
Quant

Lower turnover

# Different from MSCI Indonesia small cap index because of ... sustainability



Exclusions

ESG

Sustainable Objective

Engagement

Certified internal  
analysis ([link](#))



# 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: 22,8x earnings '23**

**Upside at project closure: 75%  
that corresponds to 13.4x earnings, today's Indonesia big caps valuation**

Clearly, we do not consider a potential rerating towards India small cap (22.8x 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%**)

# Valuation gap



This is a document that presents the theoretical fair valuation of the portfolio on a bottom-up basis

The valuation is conducted line by line for each stock

A prudent and systematic methodology is applied



31/12/2023

## Indonesia Infrastructure Small Cap SDG

### Valuation Gap report Summary

#### Valuation Gap

"On an annual basis, the Investment Manager provides a document assessing the gap between the market valuation of the Fund's portfolio and its intrinsic value. The document is published on the website of the Investment Manager at the launch of the Fund and by the end of the first quarter in each subsequent year. If the valuation gap changes significantly during the year, the Investment Manager will provide an update that will be published on its website. The aim of the Funds is to seek to close the valuation gap of the relevant Fund."

INDONESIA INFRASTRUCTURE SMALL CAP SDG – Valuation gap – summary table - 1

ISIN	RIC	Company Name	Last Price	Quantity	CNY €	Weight	Market Cap (m USD)	Market Cap (€)	GICS Sector	GICS sub-Industry	IBV1	Beta			Beta			Beta			Beta			valuation approach	Target Price	Upside / (downside)
												FY2	FY1	FY0	FY2	FY1	FY0	FY2	FY1	FY0	FY2	FY1	FY0			
010001340508	TSPC.IK	PT PANGLOSSAN PAC/8	1505	2200000	242,157	2.3%	555	8701779	Health Care	Pharmaceuticals	IDR	788	787	852	97	86	90	27	47	70	58	84	76	PE	2775.0	46%
010002009500	RALC.IK	PANRAFAMA EST/8/8	441.0	7000000	270,203	1.7%	195	8173687	Consumer Discretionary	Apparel Retail	IDR	182	185	178	42	50	82	29			11	28		PE	345.0	91%
010001430406	TUSU.IK	ASUAMANI TUSU/8	1223	2000000	195,400	1.8%	269	4377129	Financials	Property & Casualty Insurance	IDR	158	185	213							22	22	86	P/BV	1260.0	91%
010004044907	PANL.IK	PANINVEST/8	870	3700000	187,000	1.7%	210	8160948	Financials	Life & Health Insurance	IDR	205	204	156							57	119	15	SDP	4070.0	86%
010005040207	QULC.IK	FRETFAC/8	4	400000	120,762	1.8%	196	8261	Consumer Staples	Packaged Foods & Meats	INR	933	8926	10911	1951	2257	2554	1363	1748	2092	333	192	501	SDP	4.2	28%
010005042204	BOMN.IK	BANK BANGKAMON/8	2750	1220000	177,543	1.7%	1646	2676241	Financials	Diversified Banks	IDR										310	232	228	P/BV	4740.0	72%
010001180001	PRGL.IK	PINDA WIDOGIRAN/8	2110	810000	169,320	1.6%	207	3304133	Health Care	Health Care Services	IDR	180	140	144	63	38	31	53	29	20	44	26	17	PE	7050.0	124%
010001126102	PGAL.IK	P.GAL NEGARA/8	1250	1220000	171,607	1.6%	2024	3288746	Utilities	Gas Utilities	IDR	2026	2009	2046	842	1154	2029	620	592	542	304	226	278	DIVERSTDA	1800.0	33%
010001121105	WTON.IK	WIDIA WATI/8	60	24122000	165,781	1.6%	47	770756	Materials	Construction Materials	IDR	212	180	275	30	49	23	9	26	14	6	30	2	DIVERSTDA	166.0	100%
010001428005	BTPS.IK	BANK BTPN/8	1113	2640000	170,082	1.6%	510	8410035	Financials	Regional Banks	IDR	111	114	110							103	114	70	P/BV	7700.0	100%
010002056007	PANL.IK	PANIN FINANCIAL/8	300	9000000	169,874	1.6%	562	9130262	Financials	Life & Health Insurance	IDR	200	229	232							93	120	99	SDP	1700.0	257%
010001170101	PONN.IK	COGASANG LIT/8	690	4200000	165,021	1.5%	677	10702387	Utilities	Independent Power Producers & Energy Traders	IDR	216	200	246	202	202	180	147	145	122	80	79	77	DIVERSTDA	1490.0	125%
010001180408	BTPN.IK	BANK BTPN/8	2480	1318666	169,127	1.6%	1613	26213756	Financials	Diversified Banks	IDR										187	199	153	P/BV	4300.0	83%
010003030001	BLAK.IK	BUNGA BANGS/8	117	19000000	126,845	1.7%	760	12101805	Consumer Discretionary	Grocery Retail	IDR	211	222	208	507	505	47	113	106	92	417	227	99	P/BV/SDP	1000.0	100%
010004070108	INDP.IK	INDO PINDAS/8	6300	420000	148,051	1.4%	8312	51825289	Consumer Staples	Packaged Foods & Meats	IDR	6972	7120	7268	1486	1482	1540	1221	1161	1308	538	409	529	P/BV/SDP	10100.0	66%
010001413104	WVAL.IK	WALYA KARYA/8	25	82152000	136,812	1.4%	46	721452	Industrials	Construction & Engineering	IDR	222	183	208	18	15	17	15	11	15	18	16	1	P/BV/SDP	2180.0	277%
010001030001	TOTO.IK	TOTO BAKTI/8	486	518700	136,010	1.4%	90	1201749	Industrials	Construction & Engineering	IDR	122	148	107	4	4	4	7	5	8	7	4	11	P/BV/SDP	460.0	43%
010001117107	BTPN.IK	BANK BTPN/8	1365	1700000	134,079	1.3%	1181	19198005	Financials	Regional Banks	IDR	167	196	227							167	196	227	P/BV	1870.0	37%
010001118002	INDP.IK	BUNGA BANGS/8	890	2000000	134,302	1.3%	1218	14510213	Real Estate	Real Estate Development	IDR	637	658	760	174	245	200	168	233	180	16	106	126	NAV	1300.0	68%



# Risks

- Emerging market related risks
- Environmental disasters
- Indian market collapse
- Nationalistic turn

*Floods in Java Island*



*Source : Hindustan times*

# Opportunities



## Short-term opportunities

- First round benefits from infrastructure's wave
- Benefits from recent FDIs wave
- Tourism recovery
- India catch-up
- Nationalistic turn

*Raja Ampat Islands, Indonesia*



*Source Conde' Nast Traveller*

# Opportunities



## Long-term opportunities

- Second round benefits from infrastructure
- Demography
- Tourism expansion
- New market friendly regulations
- Investments from China and the West
- Diversification of supply chain from China
- Path to enter the OECD

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



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



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