



PRESENTATION

Indonesia Infrastructure Small Caps

a NJ project



May 2024

ISIN

Class A - IE0006KCMUK2
Class I - IE00090QU6T7
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

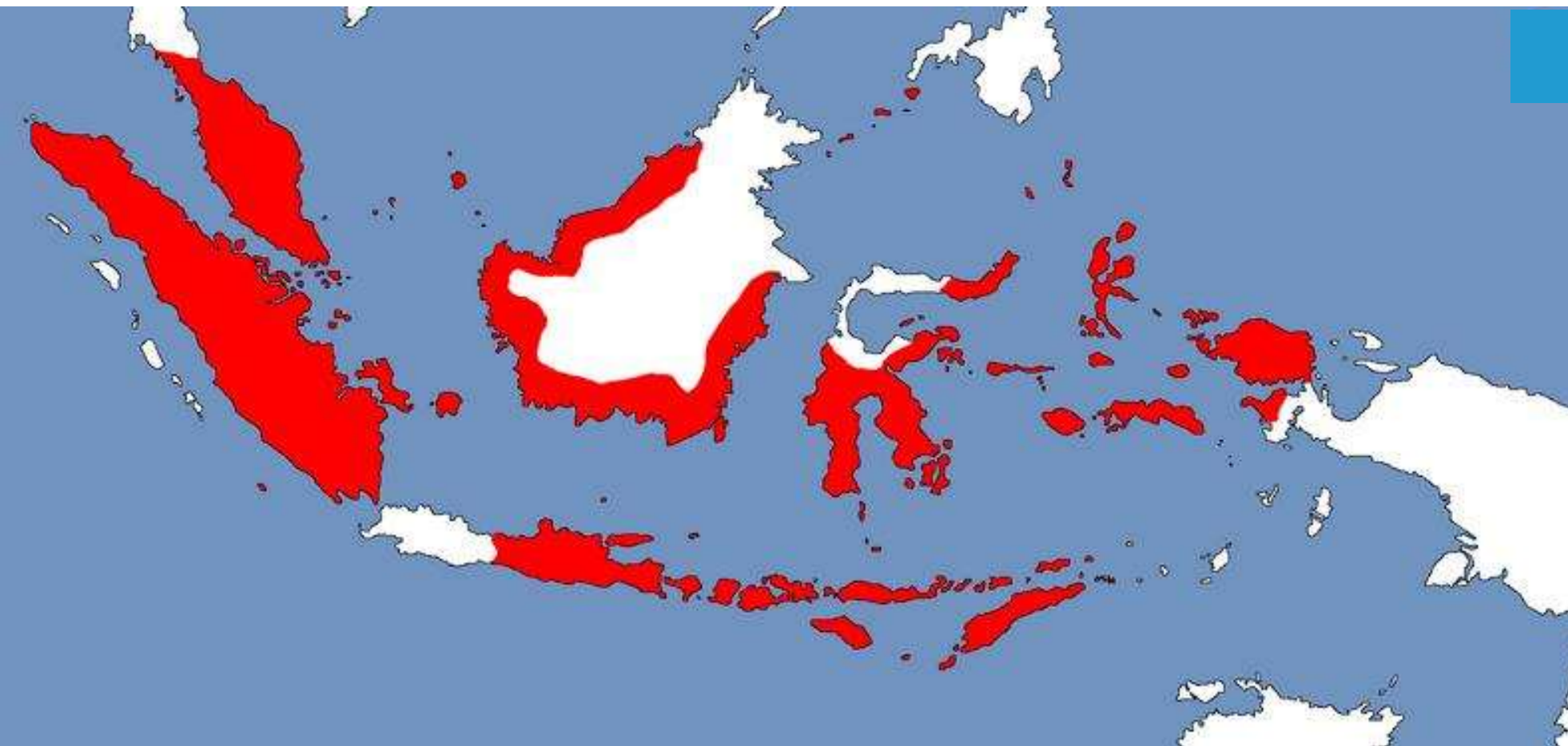


Unique strategic positioning



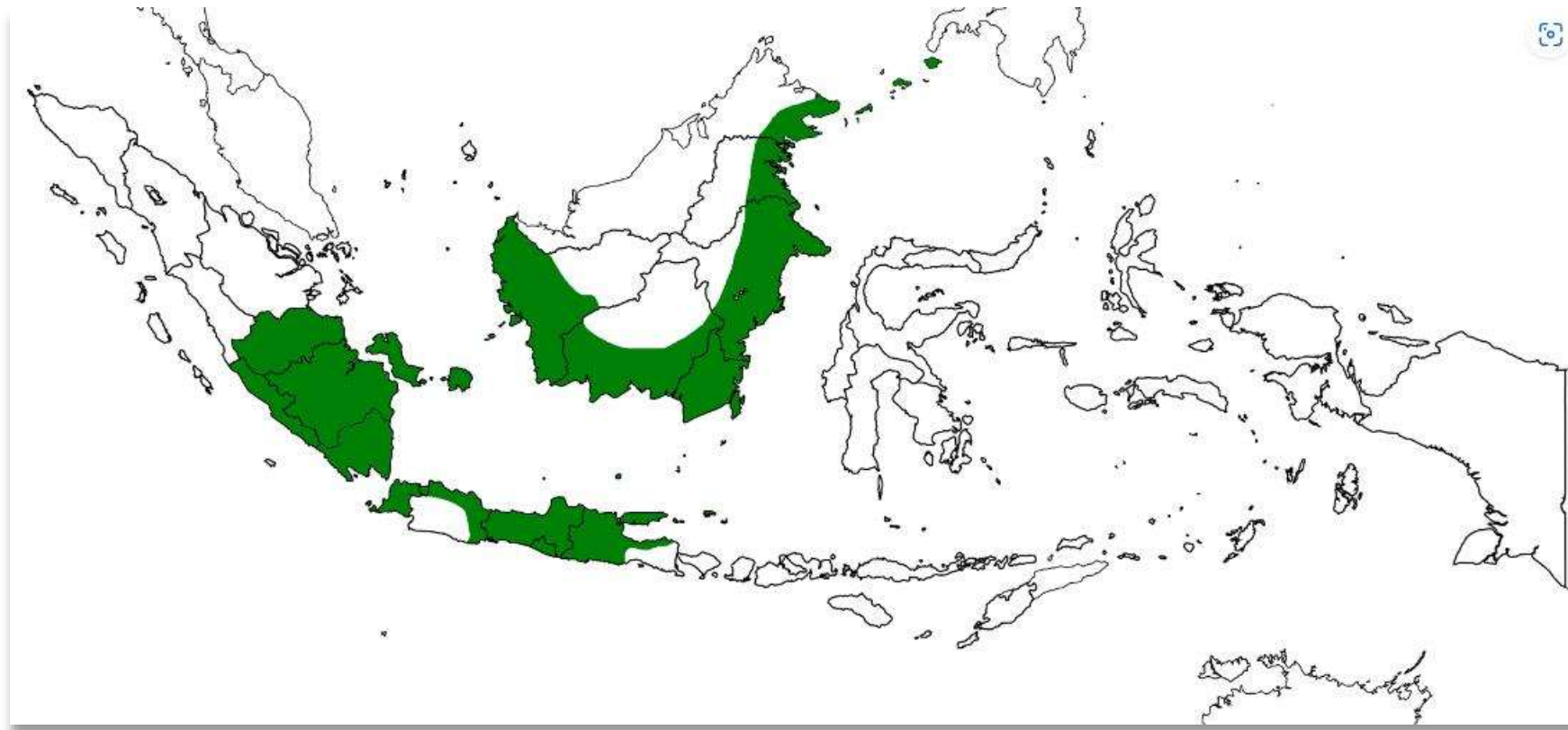


History nuggets



Hindu- Buddhist
heritage

MAJAPAHIT EMPIRE BORDERS - XIV century



Turned
into
Muslim
sultanate

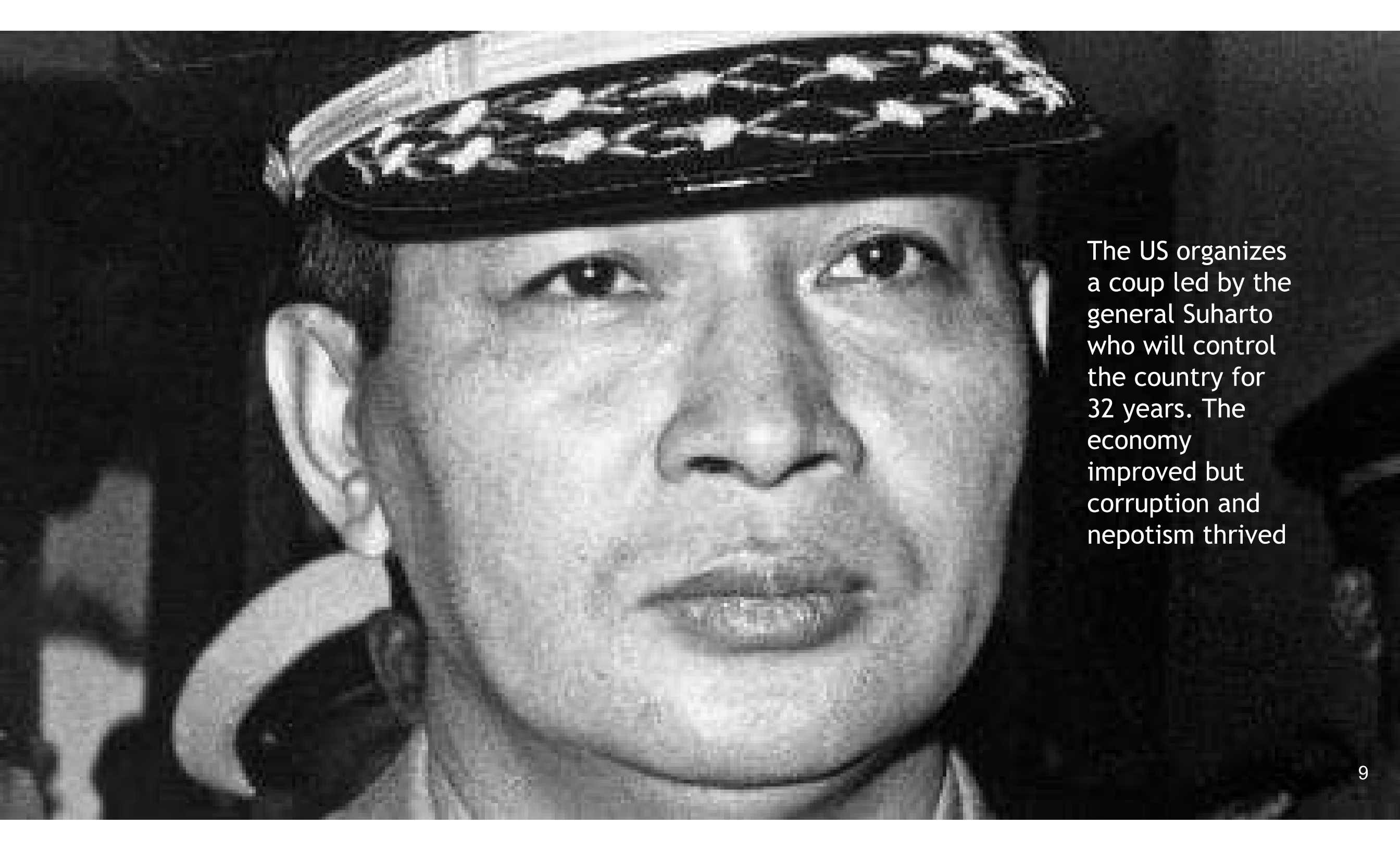
DEKAK SULTANATE BORDERS - XVI century



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





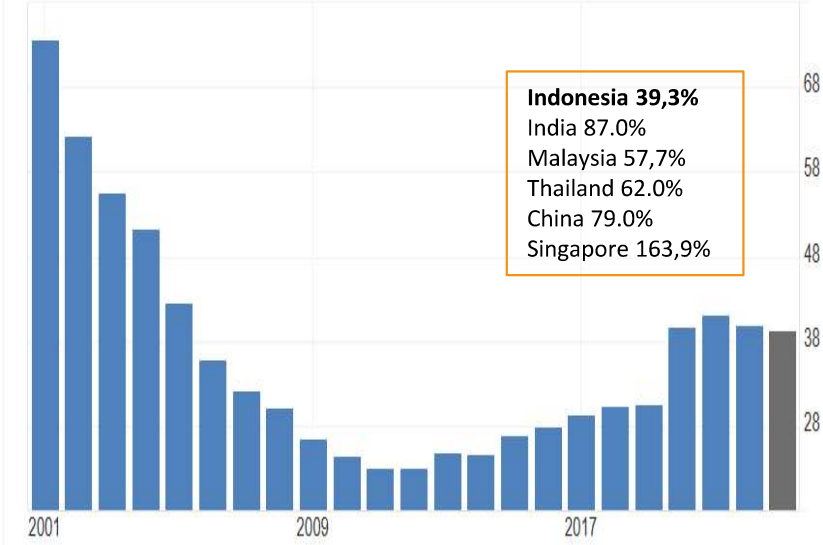
In 2024 Prabowo Subianto is elected President, while Jokowi's son is elected vice-President. The legacy of Jokowi continues



Indonesia. A sound country

Low debt

Indonesia Government Debt to GDP 2001-2023



Source: IMF

Private debt to GDP

Country	
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	
China	131
Thailand	90
Malaysia	78
India	51
Indonesia	23

Source: IMF

Prudent fiscal policy...

Deficit Percentage of GDP India Vs Indonesia comparison

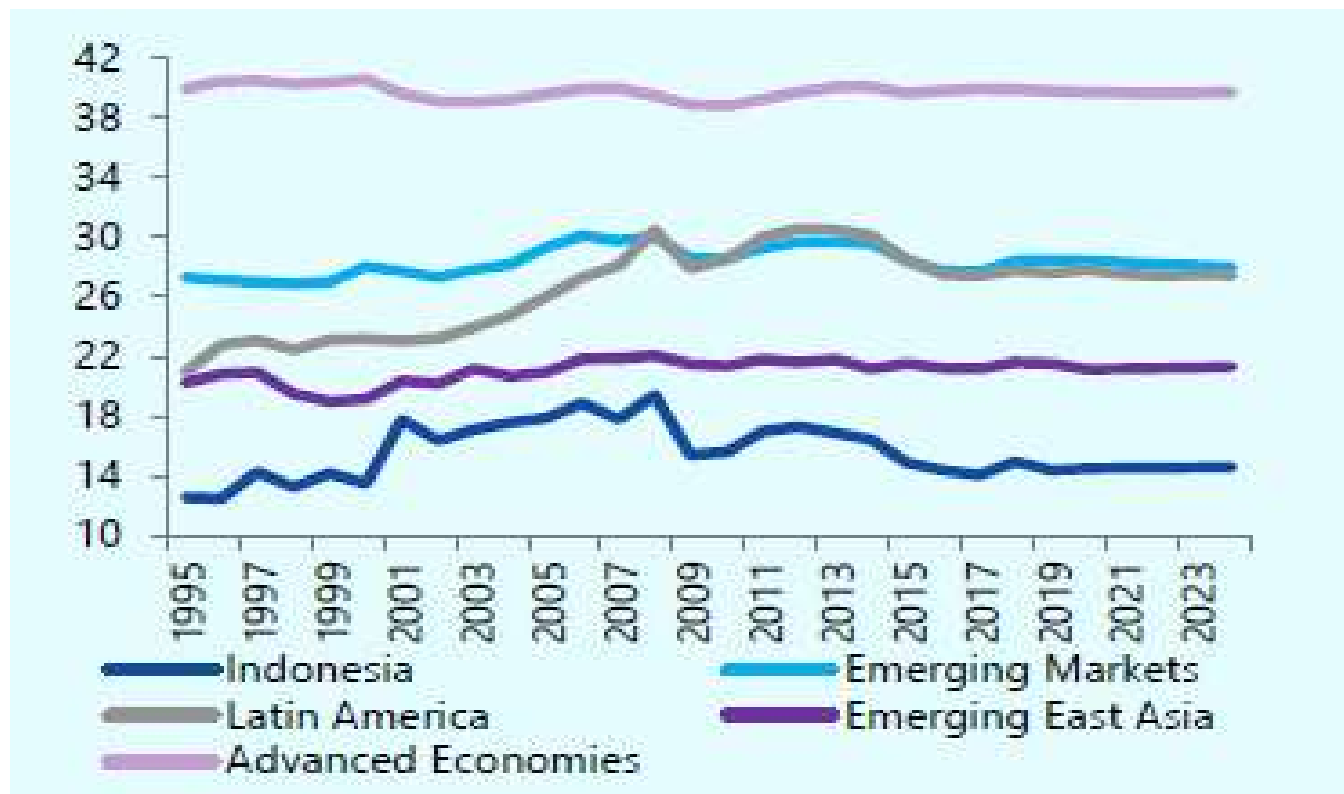


Source : Niche AM - CBI

The fiscal deficit in Indonesia cannot exceed 3% of GDP

...with room for fiscal expansion

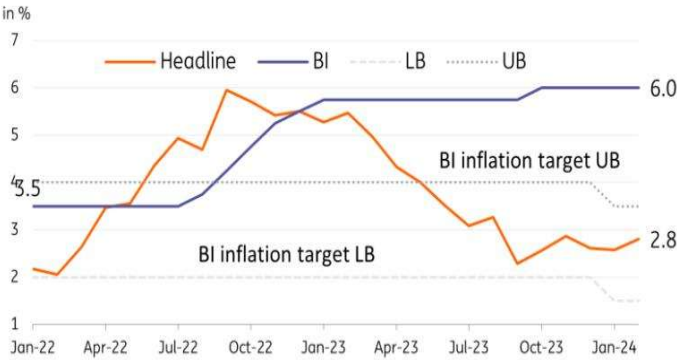
Public revenue relative to income (as a % of GDP)



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	
Indonesia	9%
China	7%
India	5%
Malaysia	2%
Thailand	1%

Source : CEIC

Bln USD



Source : Bank Indonesia

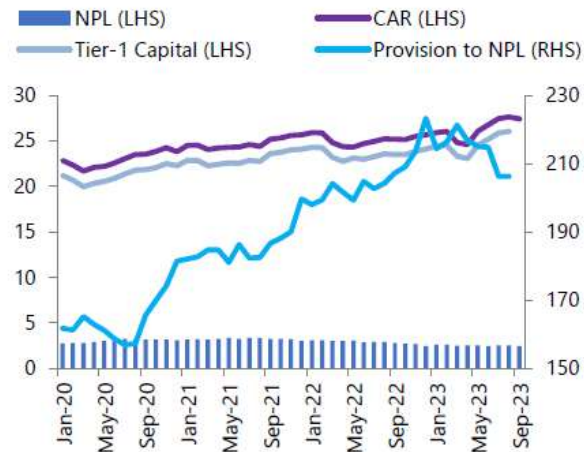
EUR IDR



Source : Refinitiv

Very sound banking system

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



Sources: The Financial Services Authority (OJK)

Bank assets to GDP

Country	
China	214
Malaysia	153
Thailand	152
India	72
Indonesia	43

Sources: IMF

Non-performing loans as percent of all bank loans

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

Sources: Worldbank

Bank credit to deposit

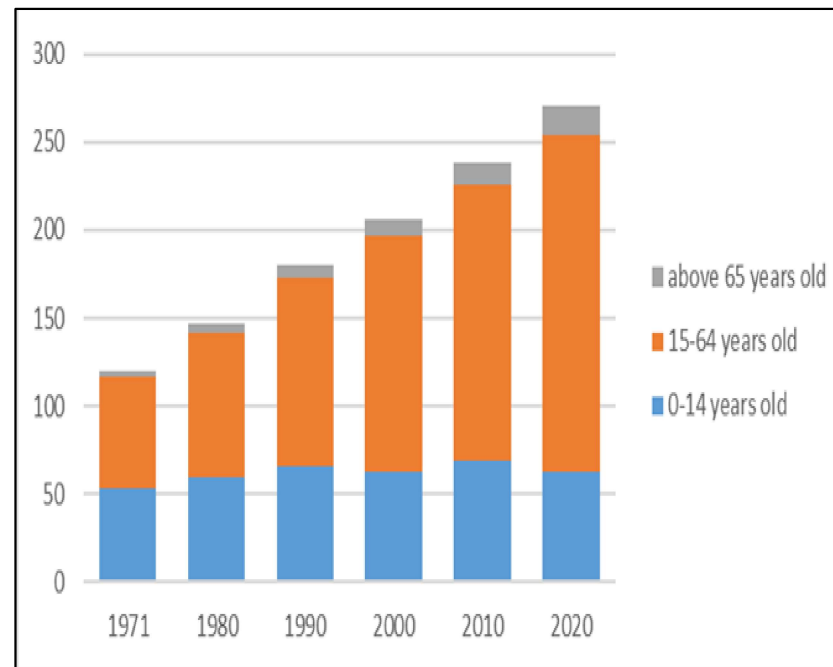
Country	
China	366
Malaysia	104
Thailand	94
Indonesia	77
India	72

Sources: IMF

Demography

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

Indonesia: age structure from 1971 to 2020



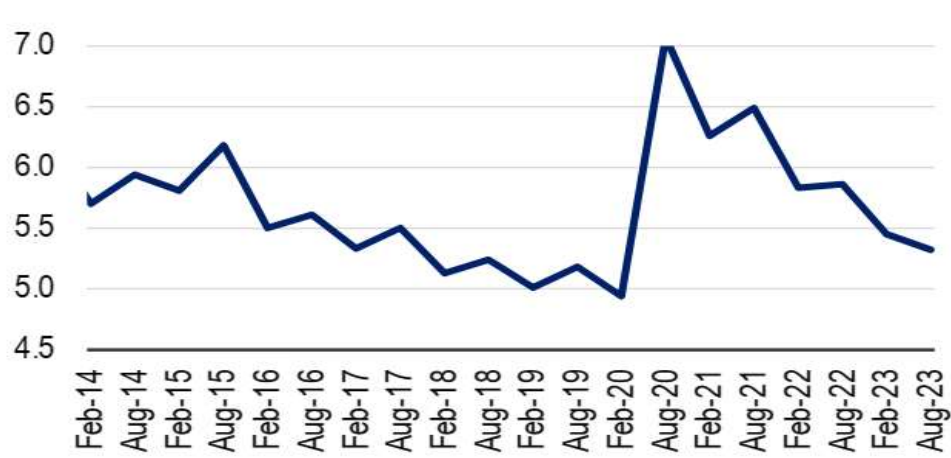
Source : Statistics Indonesia

Population Density



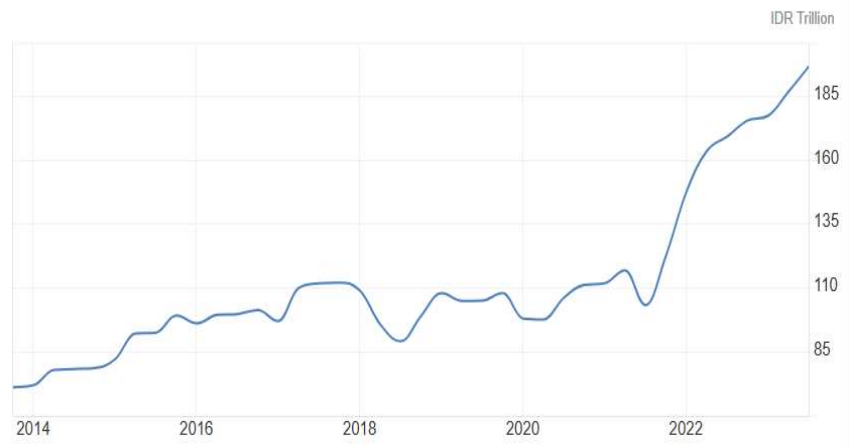
Fundamentals - 1

Unemployment rate



Sources: BofA

Indonesia Foreign Direct Investment



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

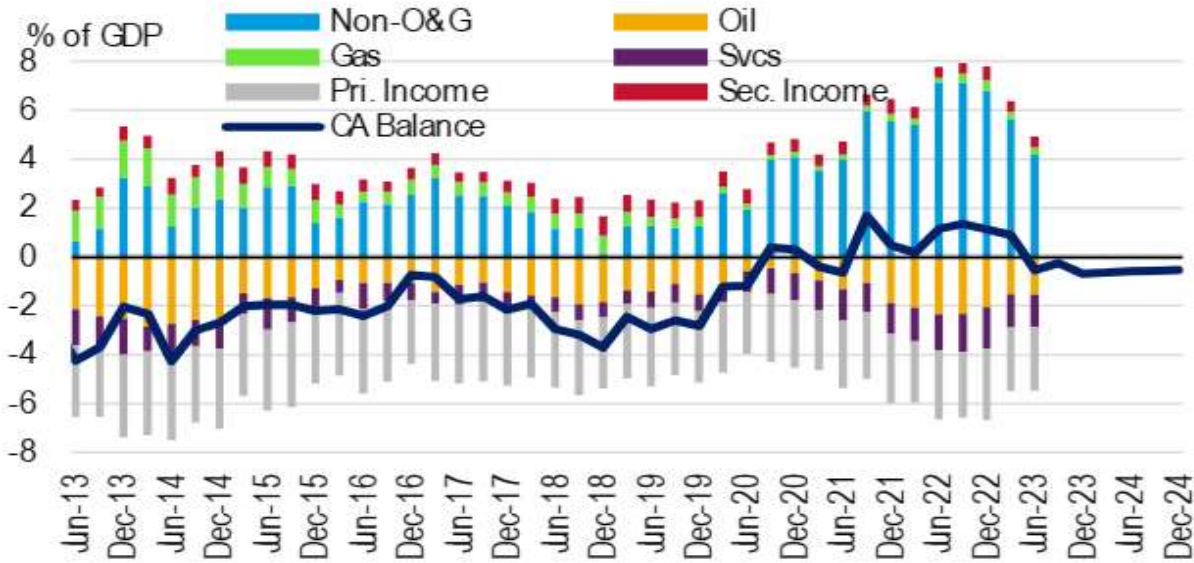
Fundamentals - 2

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)

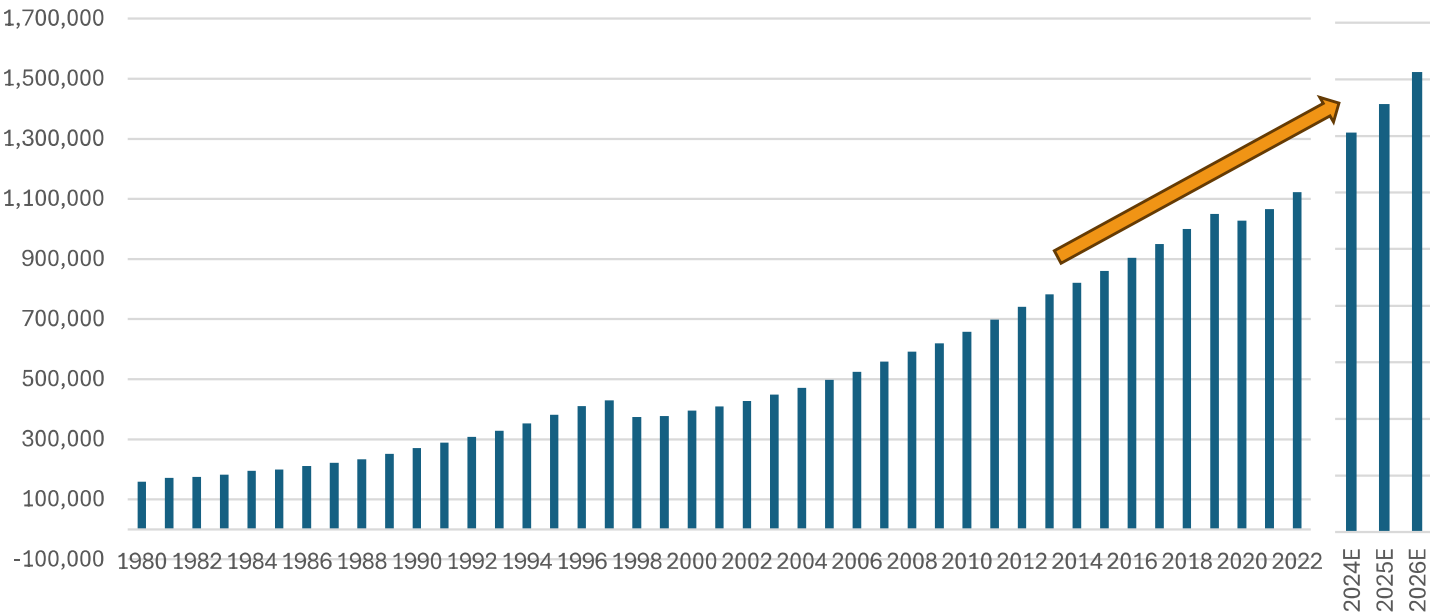


Source: BofA

A chronic current account deficit turning balanced

A story of past growth...

Indonesian GDP trend from 1980 to 2022 (USD)

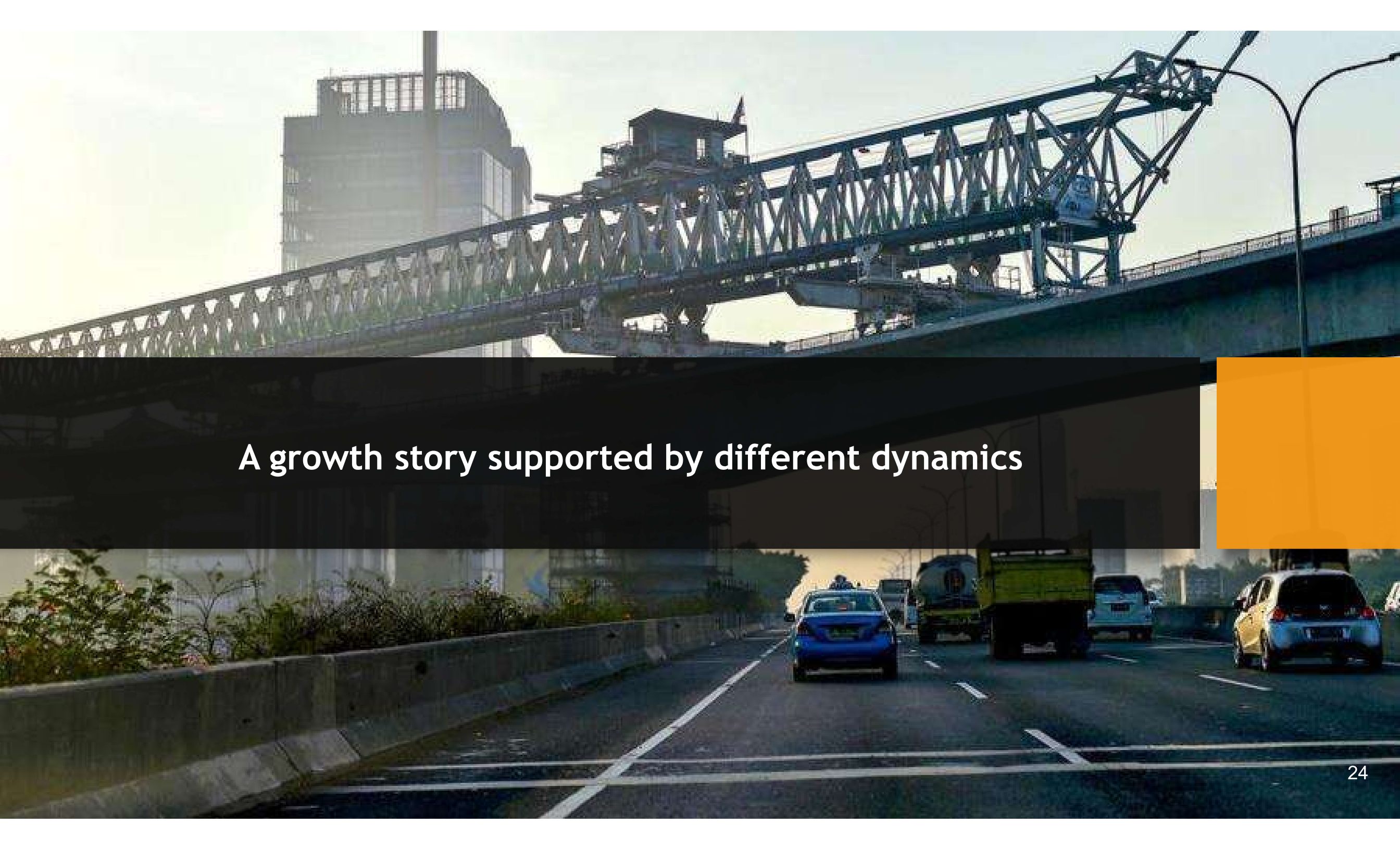


Source: World Bank

...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

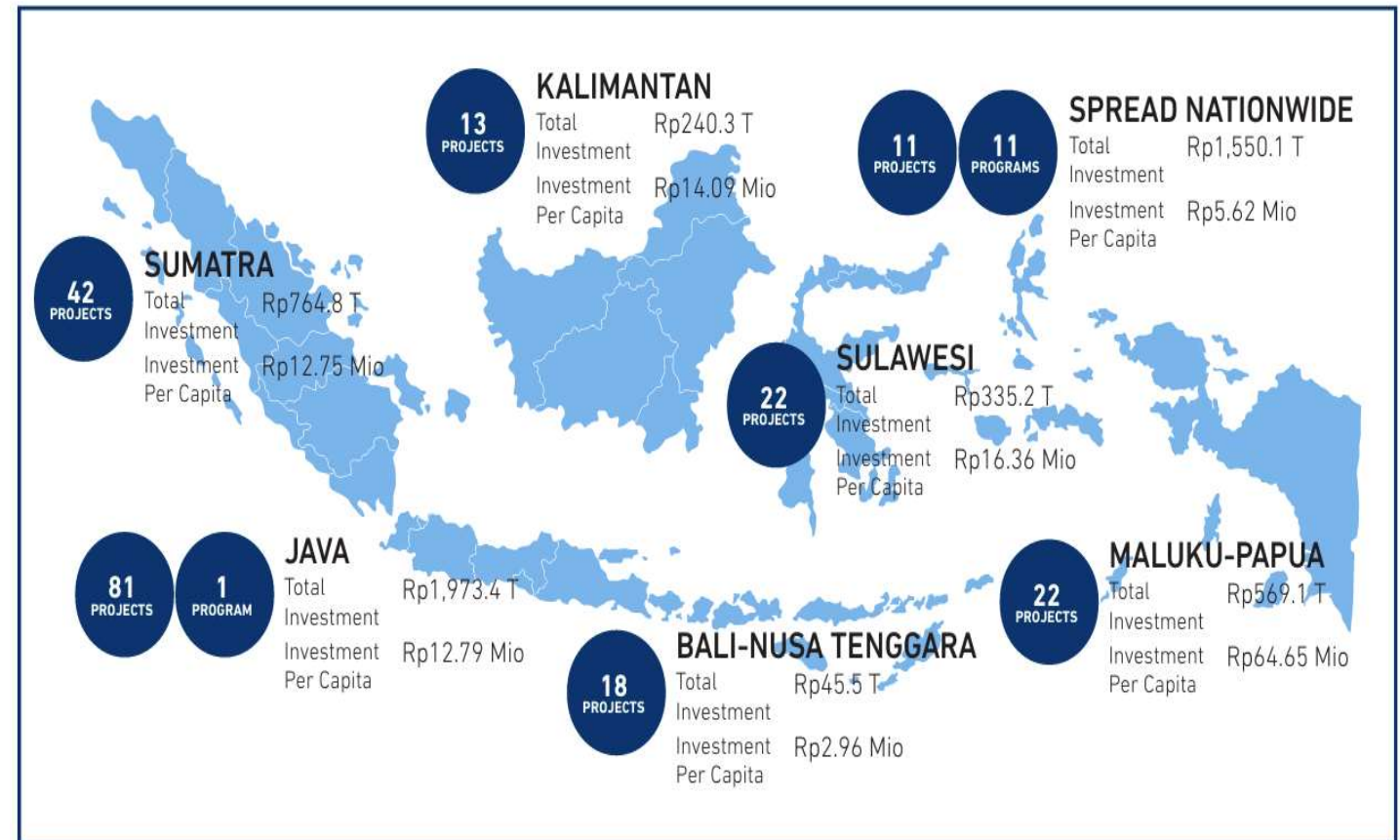
Revolution in civil Infrastructure



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
TOTAL	648,300	10,715.4



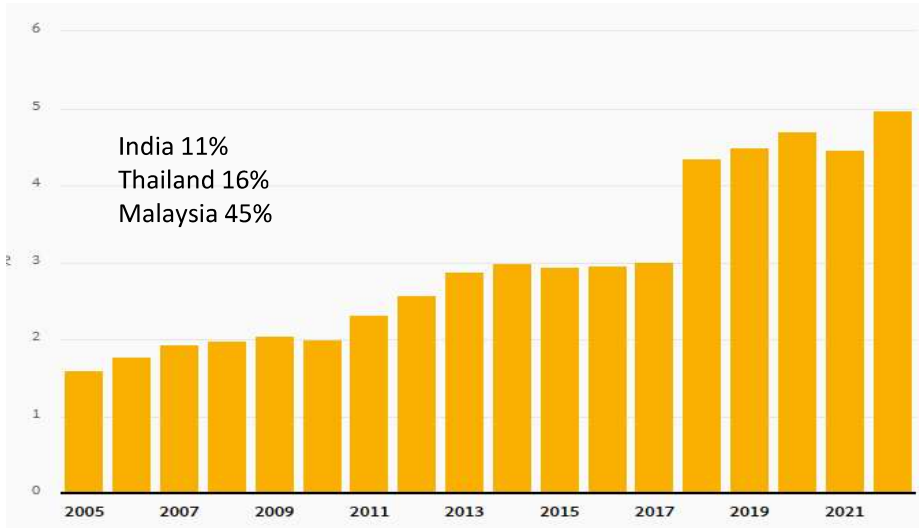
- target to use 23% (current 12%) of its energy from renewables by 2028

Energy transition infrastructures

Residential Infrastructure



Mortgage ratio to GDP is very low: 5%



Source: Bank of Indonesia

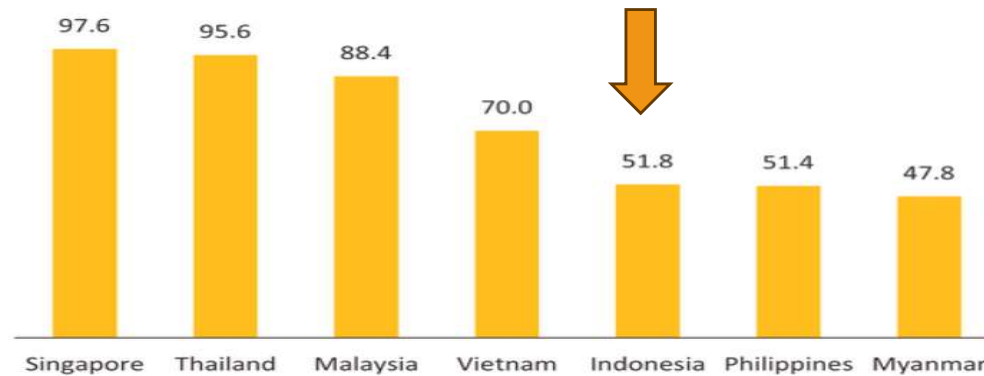
Gross National Savings to GDP

Country	
China	46
Indonesia	37
Malaysia	31
India	30
Thailand	27
Italy	21

Sources: WorldBank

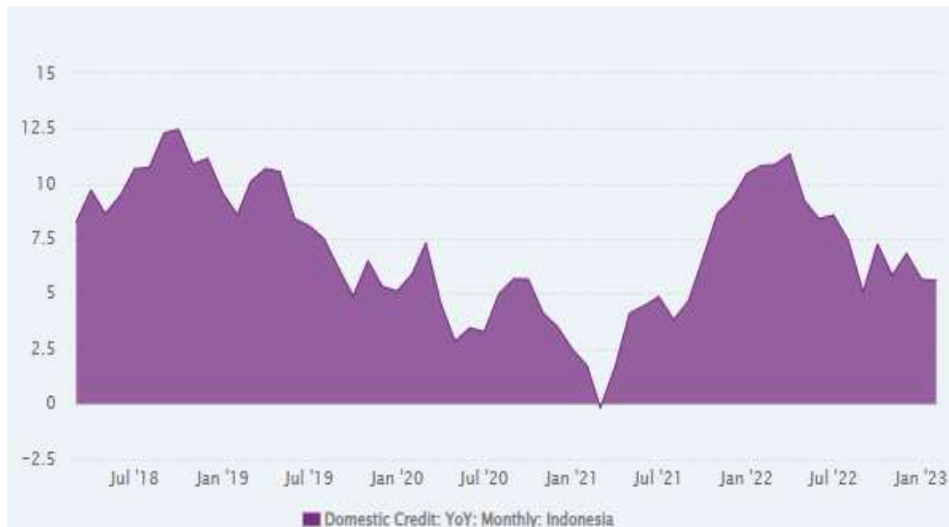
Banking penetration
will provide room for
purchases or renovation
of houses

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



Source: Global Findex Database, World Bank

Credit Growth

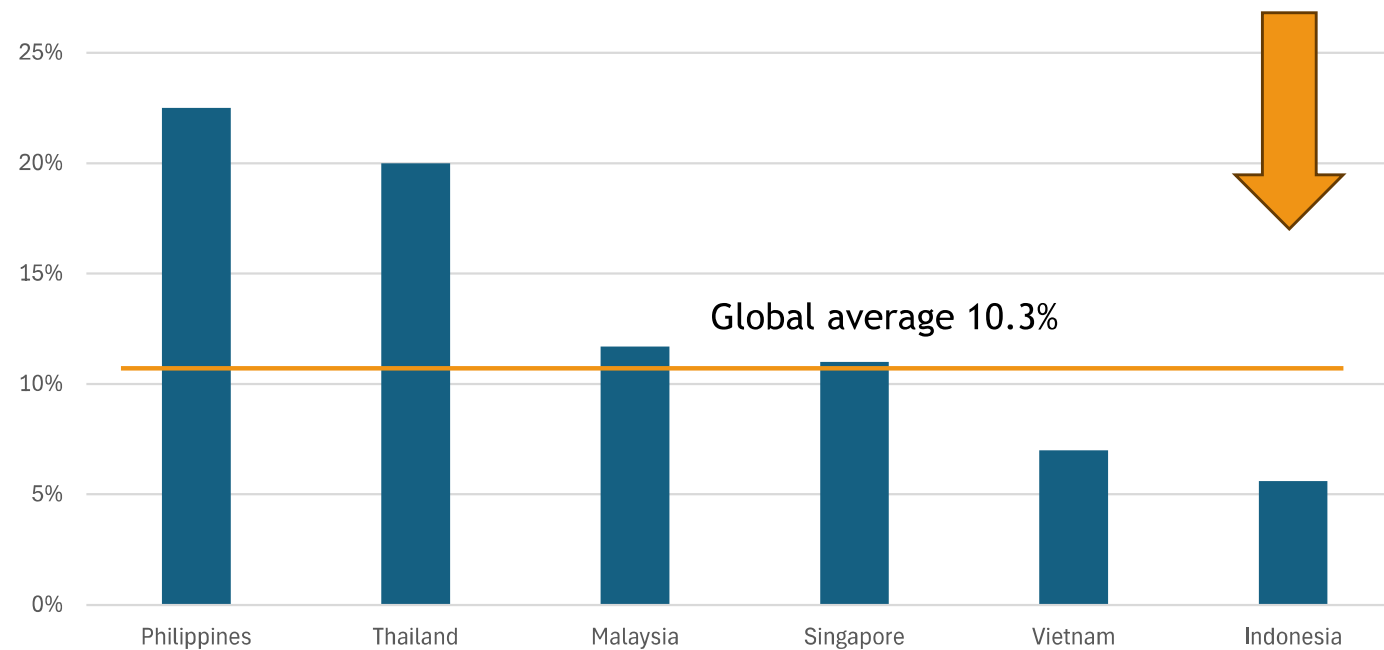


Sources: CBC Data

Tourism Expansion



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



Source: World Travel & Tourism Council

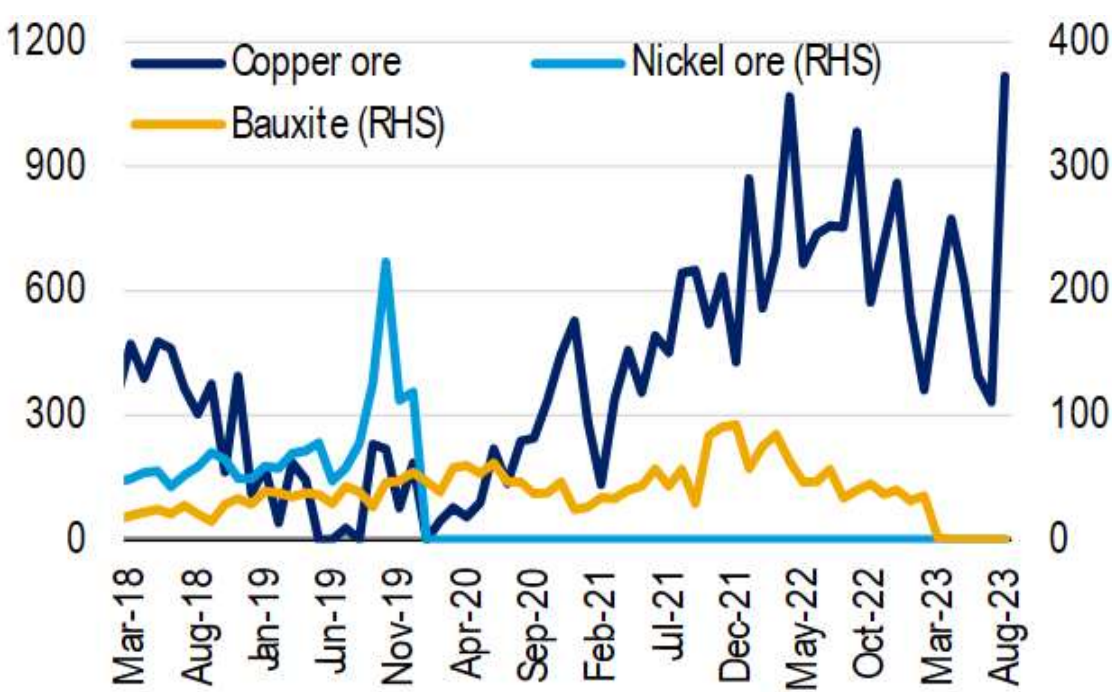
Natural Resources



- 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%

Source : NicheJungle

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



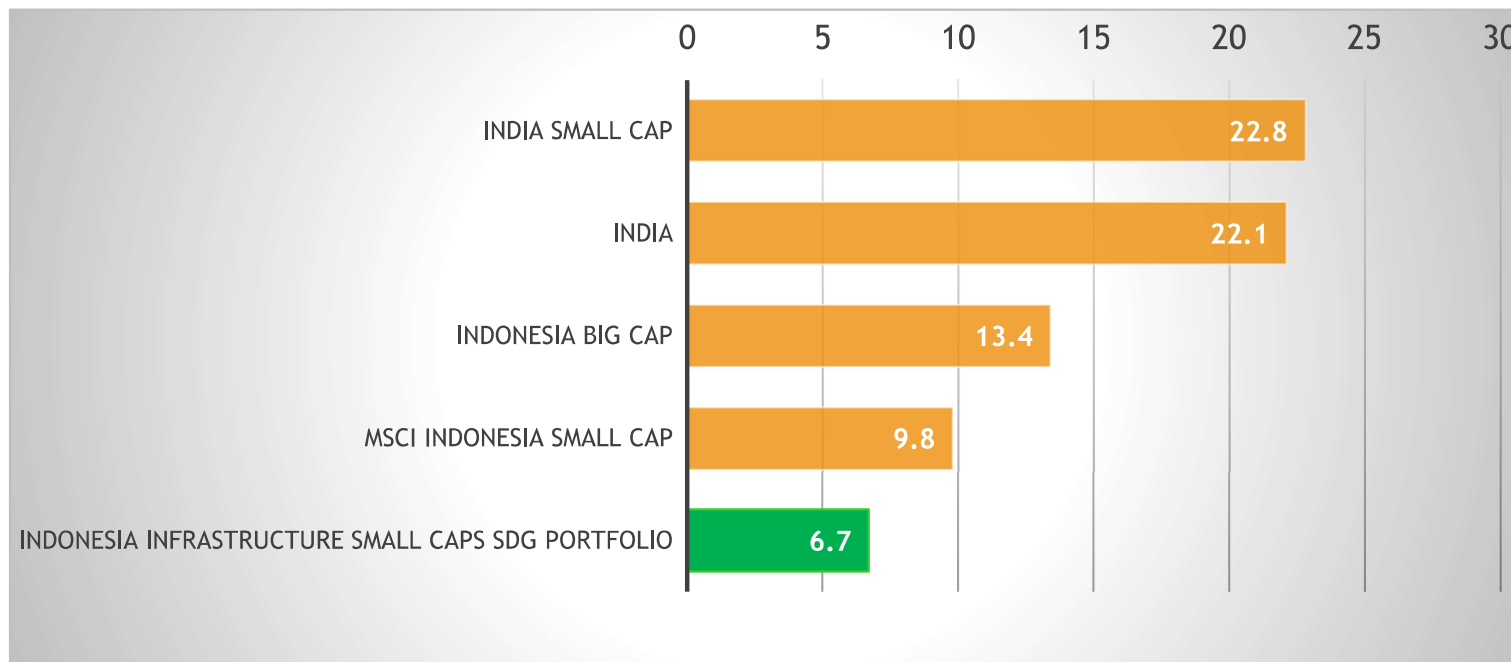
Source : Bloomberg

Created a mantra that small caps are un-investable



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

Price Earnings Fwd

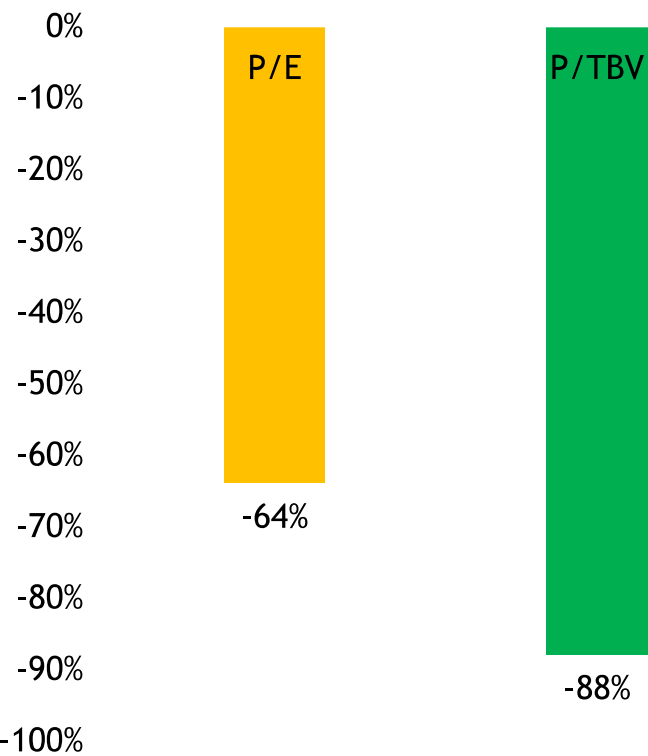


Source: Bloomberg, MSCI, NicheJungle

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

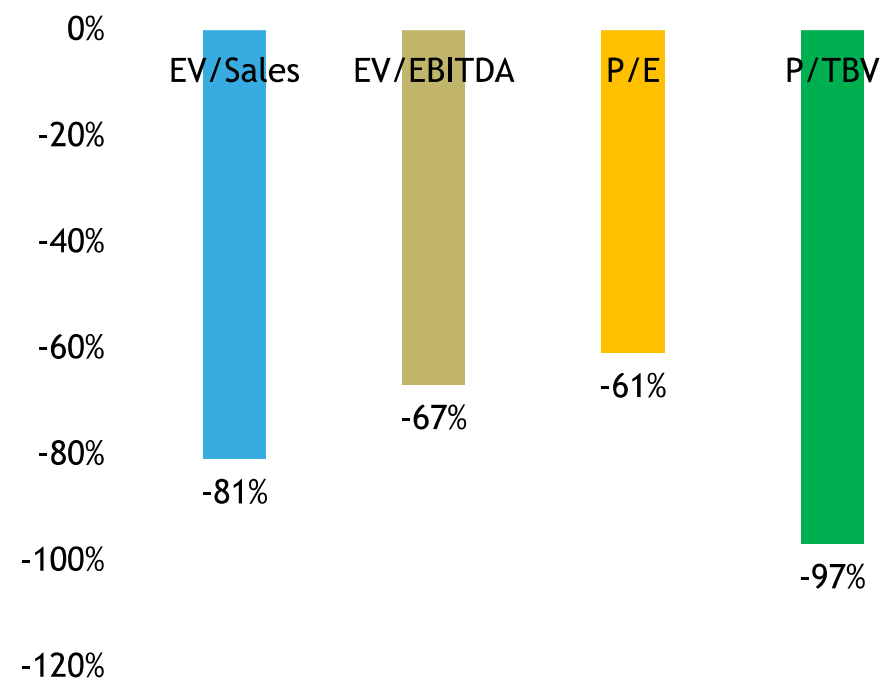
Danamon CAR* 28%
BCA CAR* 29%
** CAR: Capital Adequacy Ratio*

Source: Thomson Reuters, NicheJungle

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



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



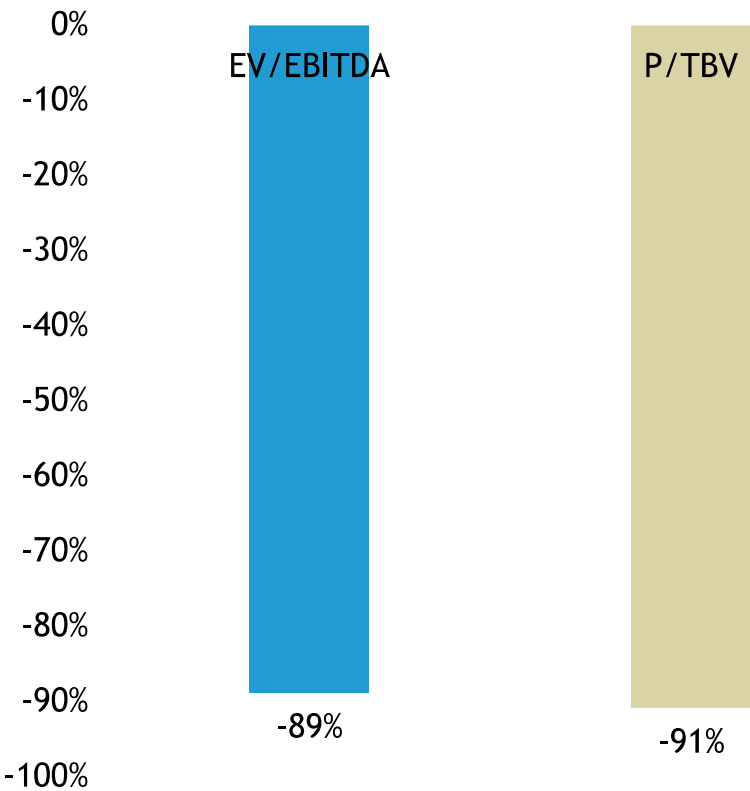
EV/EBITDA '23	
Unilever Indonesia	12,6x
Tempo Scan	4,2x

Source: Thomson Reuters, NicheJungle

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



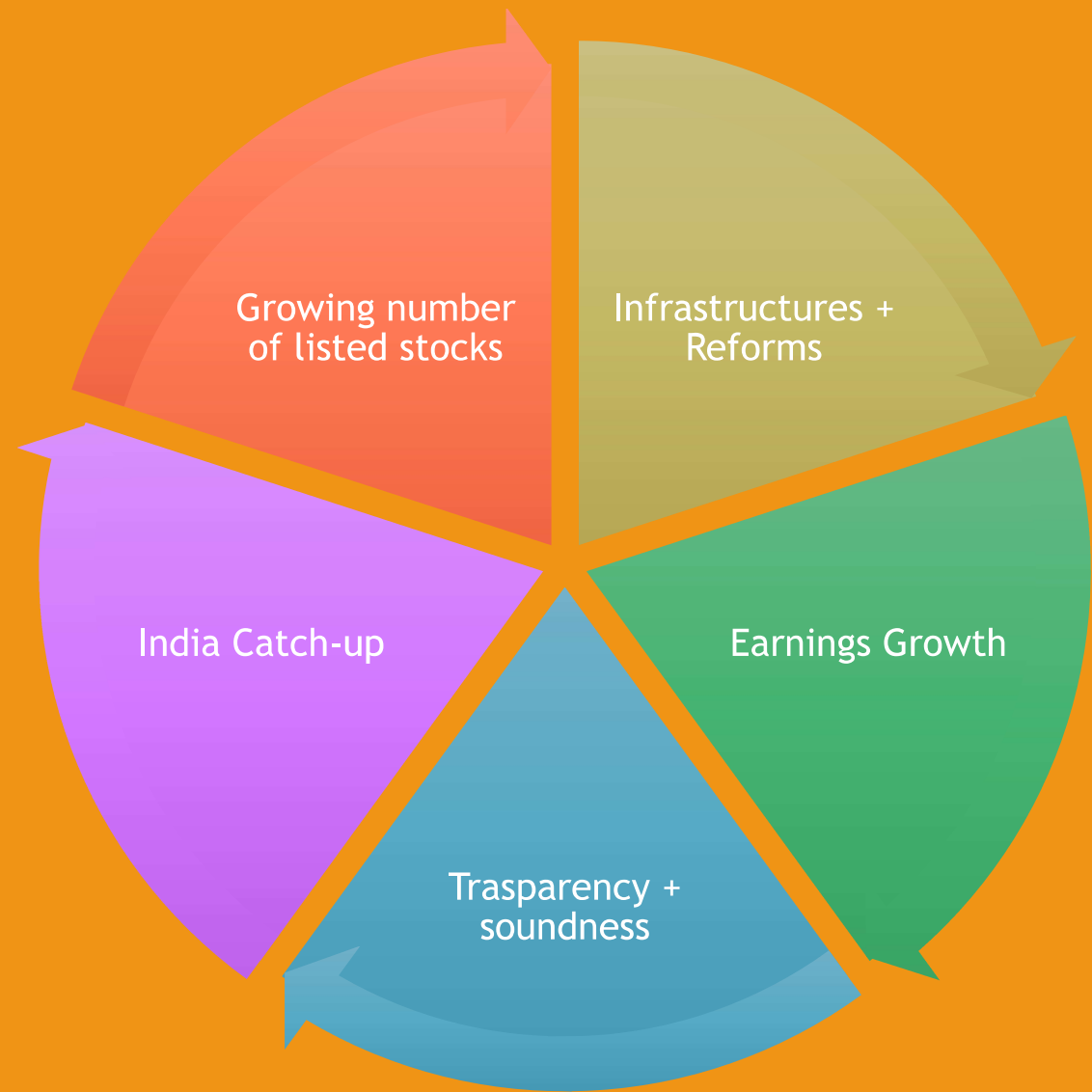
Renewables: Kencana Energy Lestari (small) Vs Barito Renewables Energy (big)



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

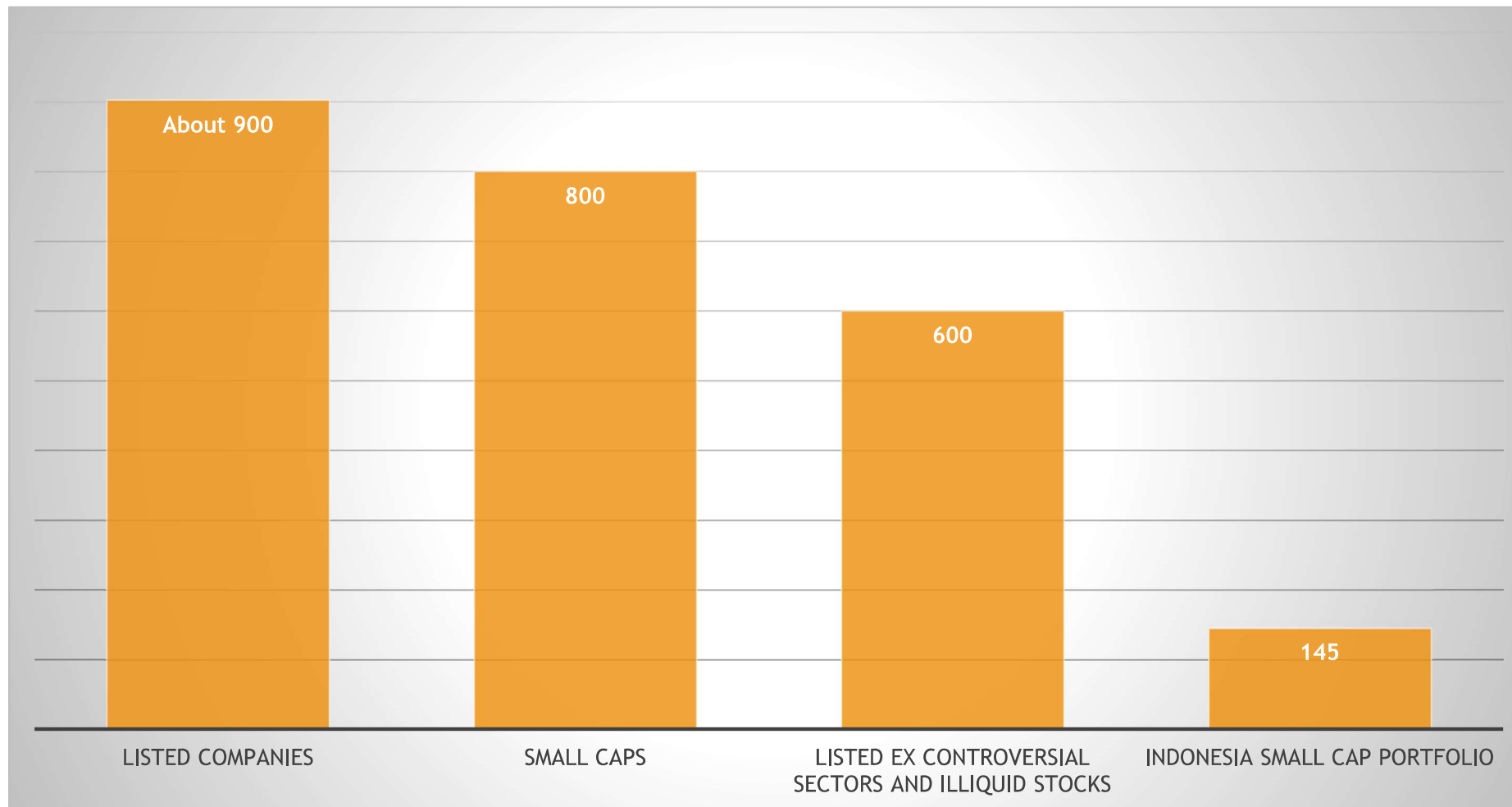


- large pipeline of potential IPOs

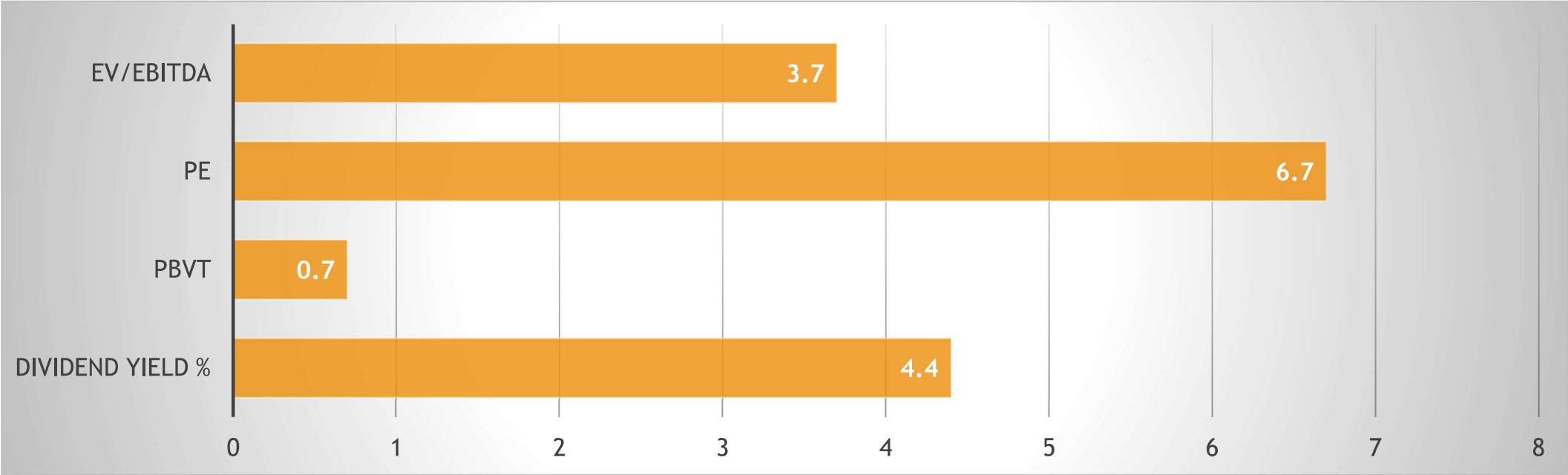


- Indonesia has the highest number of Micro and Small Enterprises (MSEs) per person in the world

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	CTV-€	Weight	Market Cap (mln IDR)	Market Cap (€)	GICS Sector	GICS sub-industry	CNCY	Sales TR (Bn IDR)			EBITDA TR (Bn IDR)			EBIT TR (Bn IDR)			NET INCOME TR (Bn IDR)			Valuation approach	Target Price	Upside / (downside)
												FF-2	FF-1	FF0	FF-2	FF-1	FF0	FF-2	FF-1	FF0	FF-2	FF-1	FF0			
US0000000000	US0000000000	US0000000000	1805	2200000	242,137	2.3%	535	87017.79	Health Care	Pharmaceuticals	USD	786	787	852	97	66	90	77	47	23	10	64	78	PF	2770.0	40%
US0000000000	US0000000000	US0000000000	442.0	7800000	199,203	1.9%	195	31376.97	Consumer Discretionary	Apparel Retail	USD	182	193	178	42	50	12	25	12	25	12	25	12	PF	845.0	93%
US0000000000	US0000000000	US0000000000	1.275	2000000	190,400	1.8%	209	41771.79	Financials	Property & Casualty Insurance	USD	198	199	231	22	23	86	57	119	13	57	119	13	P/BV	2980.0	93%
US0000000000	US0000000000	US0000000000	670	3700000	187,200	1.7%	210	35160.08	Financials	Life & Health Insurance	USD	266	814	378	103	115	13	57	119	13	57	119	13	P/BV	4070.0	93%
US0000000000	US0000000000	US0000000000	4	440000	120,743	1.8%	1961	15362	Consumer Staples	Packaged Foods & Meats	USD	9103	10305	10311	1851	2217	2554	1363	1748	2092	133	192	501	SOP	4.2	24%
US0000000000	US0000000000	US0000000000	2790	1220000	177,361	1.7%	1446	26740.11	Financials	Diversified Banks	USD	180	140	144	63	38	31	33	29	20	44	24	17	PF	7510.0	114%
US0000000000	US0000000000	US0000000000	1250	2200000	171,607	1.6%	2024	32887.948	Utilities	Gas Utilities	USD	2026	2008	2640	842	1134	1019	420	592	542	304	320	278	EV/EBITDA	1090.0	23%
US0000000000	US0000000000	US0000000000	80	2422200	165,785	1.6%	47	7707.56	Materials	Construction Materials	USD	312	386	373	52	68	21	9	26	12	5	30	2	EV/EBITDA	286.0	100%
US0000000000	US0000000000	US0000000000	1115	2640000	170,082	1.6%	510	84308.05	Financials	Regional Banks	USD	200	929	922	103	114	70	93	120	88	103	114	70	P/BV	1770.0	157%
US0000000000	US0000000000	US0000000000	300	800000	169,374	1.6%	562	92202.62	Financials	Life & Health Insurance	USD	200	929	922	103	114	70	93	120	88	103	114	70	SOP	770.0	157%
US0000000000	US0000000000	US0000000000	880	420000	165,052	1.5%	677	102933.87	Utilities	Independent Power Producers & Energy Traders	USD	510	250	546	202	202	180	147	146	122	80	72	77	EV/EBITDA	1480.0	115%
US0000000000	US0000000000	US0000000000	2480	1183666	109,627	1.0%	1613	26211.756	Financials	Diversified Banks	USD	121	222	288	-207	-202	-47	-118	-106	-52	-147	139	123	P/BV	4500.0	61%
US0000000000	US0000000000	US0000000000	117	1800000	128,445	1.2%	740	12018.955	Consumer Discretionary	Retail Apparel	USD	6972	7120	7264	1486	1482	1580	1221	1214	1308	638	409	429	EV/EBITDA	10100.0	60%
US0000000000	US0000000000	US0000000000	6100	420000	148,083	1.4%	832	588250.89	Consumer Staples	Packaged Foods & Meats	USD	222	142	280	18	18	17	18	11	16	18	16	8	EV/EBITDA	2380.0	227%
US0000000000	US0000000000	US0000000000	75	6215300	179,832	1.8%	44	772452	Industrials	Construction & Engineering	USD	127	146	197	4	4	4	2	3	3	7	4	11	EV/EBITDA	640.0	42%
US0000000000	US0000000000	US0000000000	466	5147600	138,610	1.8%	96	15557.99	Industrials	Construction & Engineering	USD	127	146	197	4	4	4	2	3	3	7	4	11	EV/EBITDA	640.0	42%
US0000000000	US0000000000	US0000000000	1365	1708000	134,079	1.8%	1381	191380.05	Financials	Regional Banks	USD	637	658	760	174	245	200	148	318	180	167	196	227	P/BV	1470.0	87%
US0000000000	US0000000000	US0000000000	680	2000000	116,162	1.8%	1339	330102.15	Real Estate	Real Estate Development	USD	637	658	760	174	245	200	148	318	180	167	196	227	NAV	1500.0	69%

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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