



OUTLOOK 2021:

Asia as an investment destination potential and opportunities

OUTLOOK 2021: “NEW BALANCE IN A VUCA WORLD”



Disruptions, headwinds and tailwinds for Asia in 2021

VUCA: Volatile, Uncertain, Complex, Ambiguous

FINDING OPPORTUNITY IN THE NEXT NORMAL: KEY THEMES

Asia is well placed...

Tailwind

Asia's century

Liquidity/ rates lower for longer

Engines of growth: technology, consumption, transformation, mitigation, adaptation, innovation, resilience, efficiency

Green Finance Opportunity

Lower oil price

Weaker Dollar

Trade

Headwind

Coping with debt

Coping with Covid

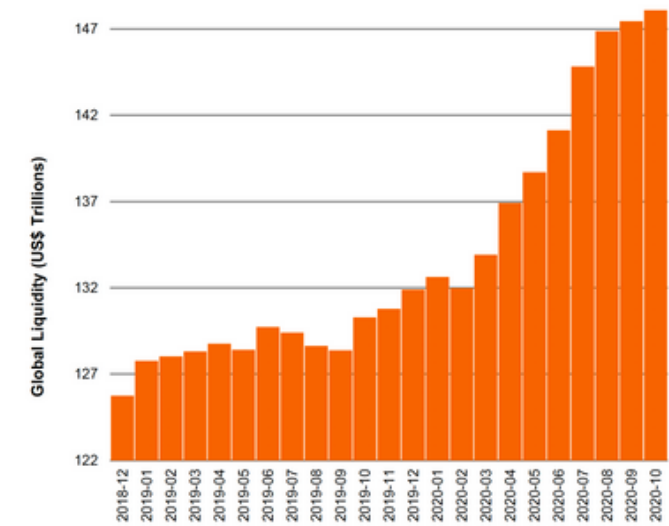
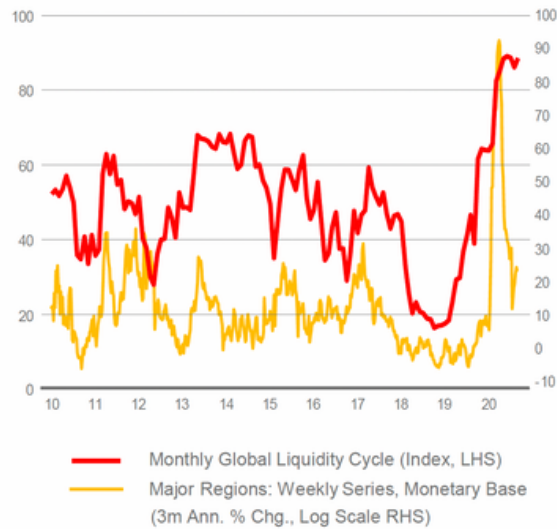
Climate

Geopolitics

Trade



tailwinds

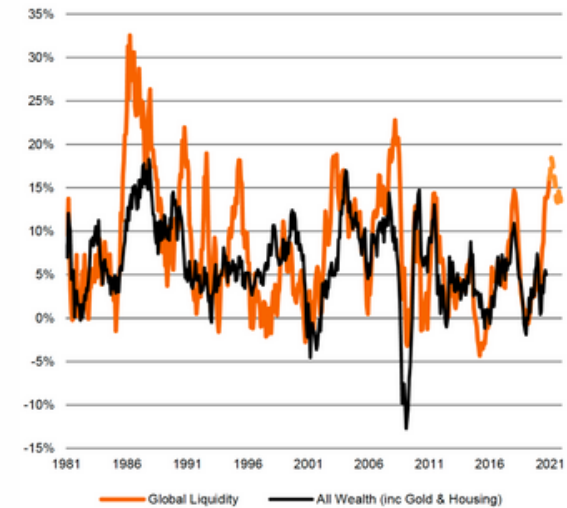


Liquidity support

Since the start of the Covid crisis, CBs liquidity totalled US\$24.2Tr. The US lead the emergency expansion (US\$1.4Tr). Relative size of BS for the Fed, ECB and BOE +40%; BOJ: 18%; PBOC -1%

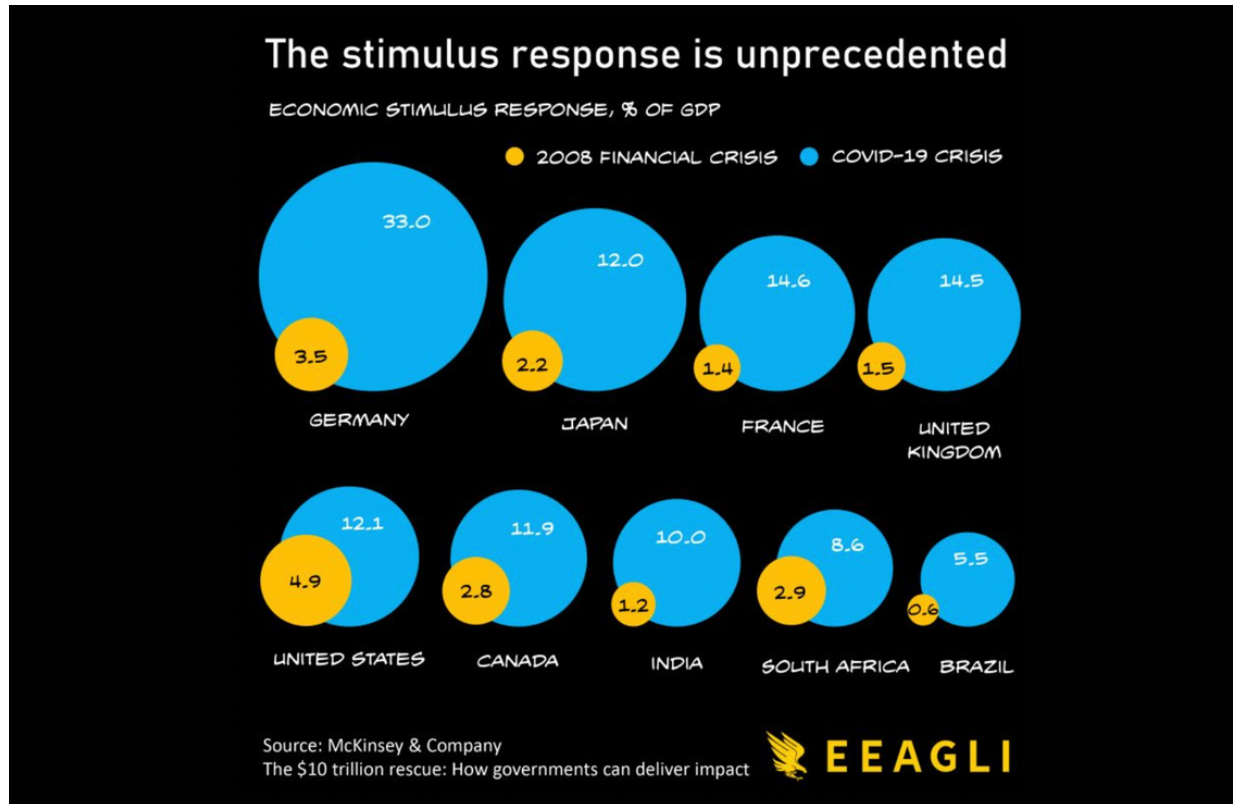
source: Crossborder

Global Liquidity and Annual Gains in World Asset Prices 1981-2021



Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF

STIMULUS



- **Unprecedented response**

US\$10Tr in the 1st 2 months of the crisis (3x more than GFC)

source: McKinsey

ON GOING DEMOGRAPHIC SHIFTS IN FAVOR OF ASIA

(United Nations)



1990

China (1177)

India (873)

USA (252)

Indonesia (181)

Brazil (149)



2019

China (1434)

India (1366)

USA (329)

Indonesia (271)

Pakistan (217)



2050

India (1639)

China (1402)

Nigeria (401)

USA (379)

Pakistan (338)

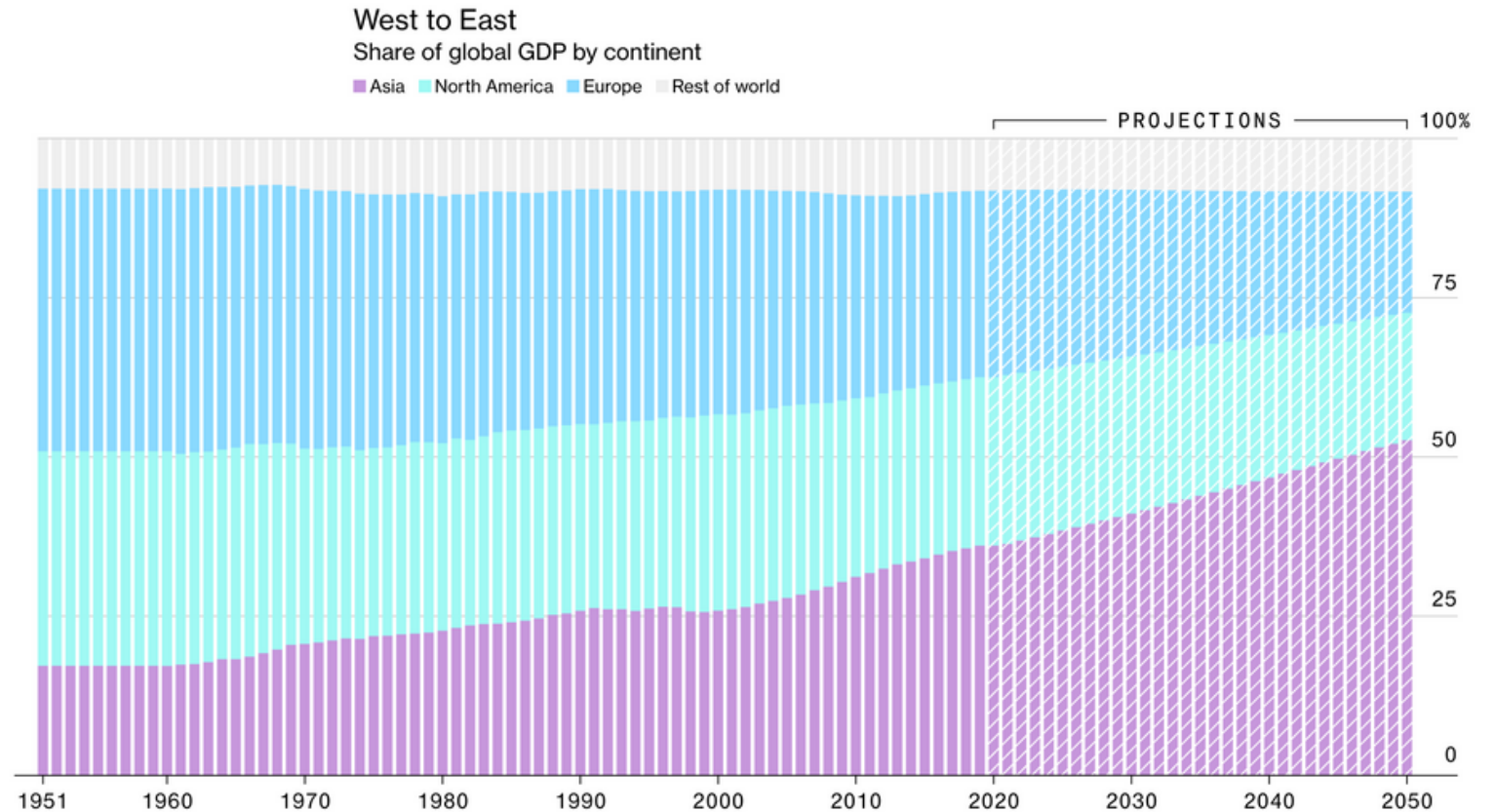
Global GDP (PPP basis)



MGA
CONSULTING

Asia's Century

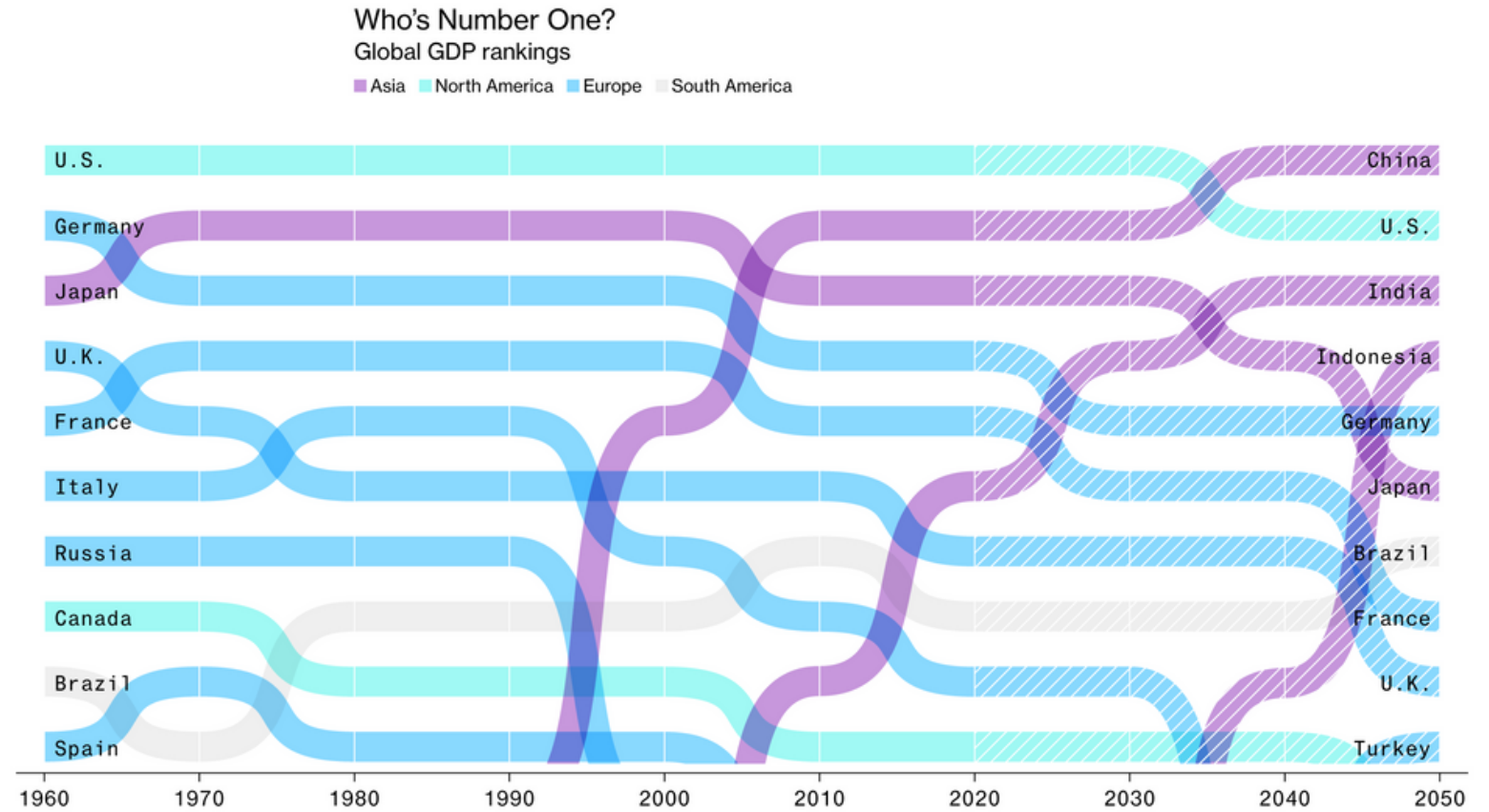
By 2050 Asia will host over half of the world's population and will contribute to over half of its economic output



source: Bloomberg

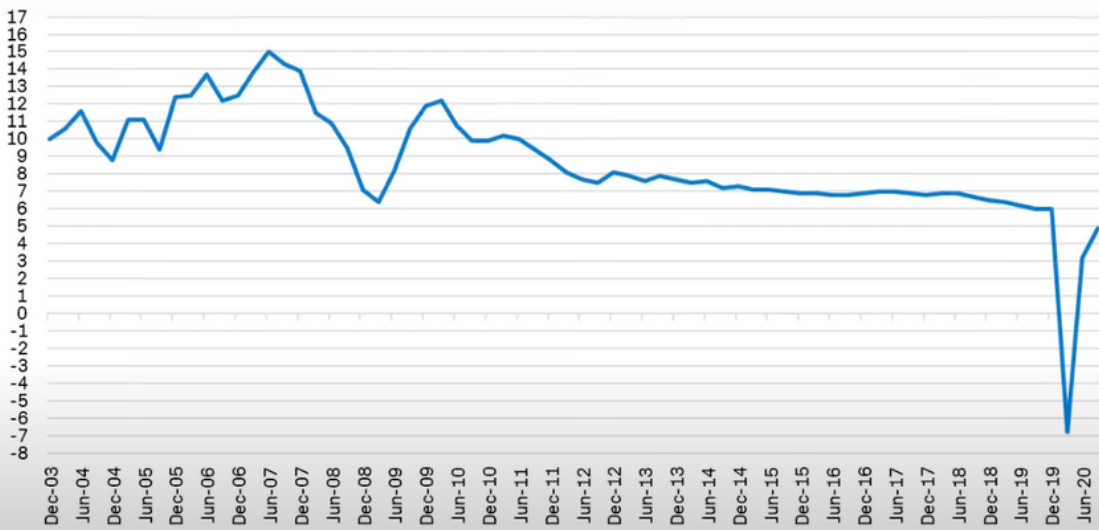
Asia's Century

China and India soaring
EM expected to overtake DM
as the largest contributor to
global GDP in 2042
(60% of global GDP by 2050)



source: Bloomberg

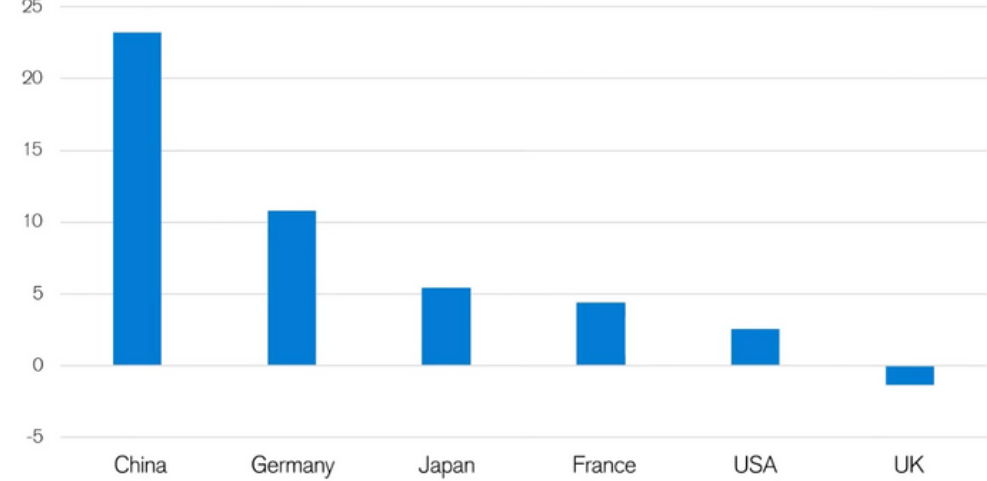
China GDP YoY %



Net national savings

Source: Credit Suisse, World Bank
Data as of: 31 Dec 2018

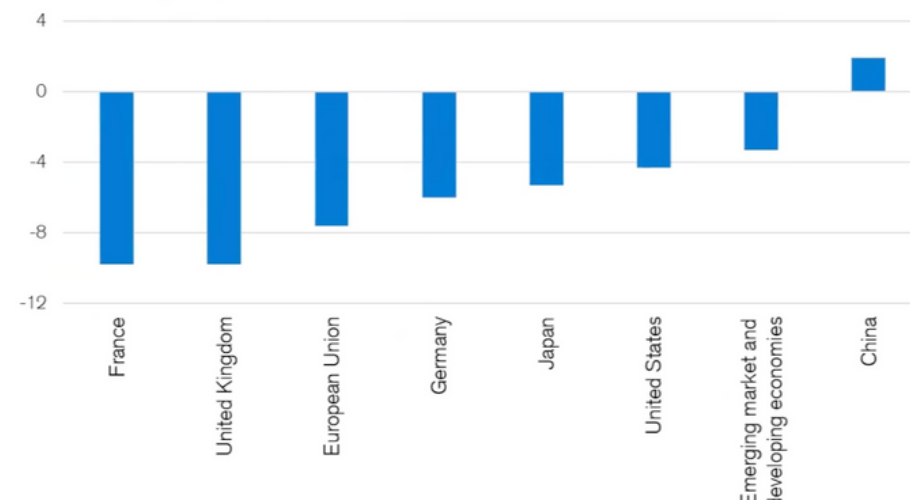
Net national savings (Adjusted savings % of GNI)



IMF 2020 Forecast

Source: IMF
Data as of: October 2020

2020E GDP growth %



China

Post Covid: October data shows continued recovery

Balancing domestic and International

NetZero 2060

Innovation and timing & scope of tech Antitrust guideline (tech/digital)?

CHINA TODAY

- **Size matters**

2020 GDP (est. US\$14.8Tr) will surpass the EU27. 55 million people lifted out of poverty 2016-20

Structural economic transformation underway: digital economy is over 35% GDP

- **Consumption and urbanization:**

60% GDP from consumption since 2016.

Middle income population to double to 800 million by 2035

Urbanization: 60% (850m people. Excl.migrant population: 45%)

- **Tech power**

5G: 700000 5G base stations established (twice as big as the 5G stations in the rest of the world ex China). Reach: 180m people
Enabling: large scale education (including AR/VR)

Self Reliance: targets 70% self-sufficiency by 2025 in chip production (40mn chips, 80% of China's demand)

- **Negative shock of Covid to labor and service sector fully reversed:**

October consumption +4.3% yoy

October FAI: +9.3% yoy (Infrastructure +7.5% yoy, Property investment +12.2% yoy)

Industrial output: +8.7% yoy

source: NDRC, Ministry of industry and IT, Advisor to China's President Justin Yifu Lin, 14th Five Year Plan

LOOKING FORWARD

CHINA 'S NEW 5 YEAR PLAN AND 2035 GOALS

- **Economy**

Economic parity with the USA targeted by 2035 (doubling of real GDP per capita or 4.8% growth pa over the period)

Target 75-80% urbanization by 2035

- **“Double circulation” policy: balancing self reliance and opening to the world**

Food security (crop per capita at 470kg)

New infrastructure development (IoT, Smart Cities, Mass transit, 5G, data centers, AI),

Environmental protection: National energy security: **“4 Revolutions & 1 Cooperation”**: energy consumption, supply, technology and governance
Revolutions + International Cooperation

- **Other key goals from the 14th Five Year Plan and “long vision 2035”**

Innovation to drive agriculture modernization and society

National Defense: “a strong country must have a strong army” (aerospace, aviation)

Reduce inequality rural/ urban

Soft Power

- **Demographic bombshell**

2022: China becomes an aged society (14% population aged 65+ years old)

2033: China becomes a super-aged society (20% population 65+years old)

2060: 35% population is over 65 years old. 2100: 40%

source: 14th Five Year Plan, 19th Party Congress

GLOBAL TRADE: “NOUVELLE DONNE”?

Volatility around trade will remain

- **Looking back**

After WTO access (2001), international economic cycle grew strongly (01-08, China's exports grew 5 fold, av. annual growth of 29%)

- **“Nouvelle donne” in the US and with China's “Double circulation” policy**

US increased cooperation with Europe to influence China

Re-establishment of normalized diplomatic channels

Tech ecosystems to remain (geopolitical Darwinism)

- **Geopolitics beyond tech**

US marines training in Taiwan for the 1st time

South China Sea

- **RCEP: Regional Comprehensive Economic Partnership (China, Japan, ASEAN, S.Korea, Australia, NZ)**

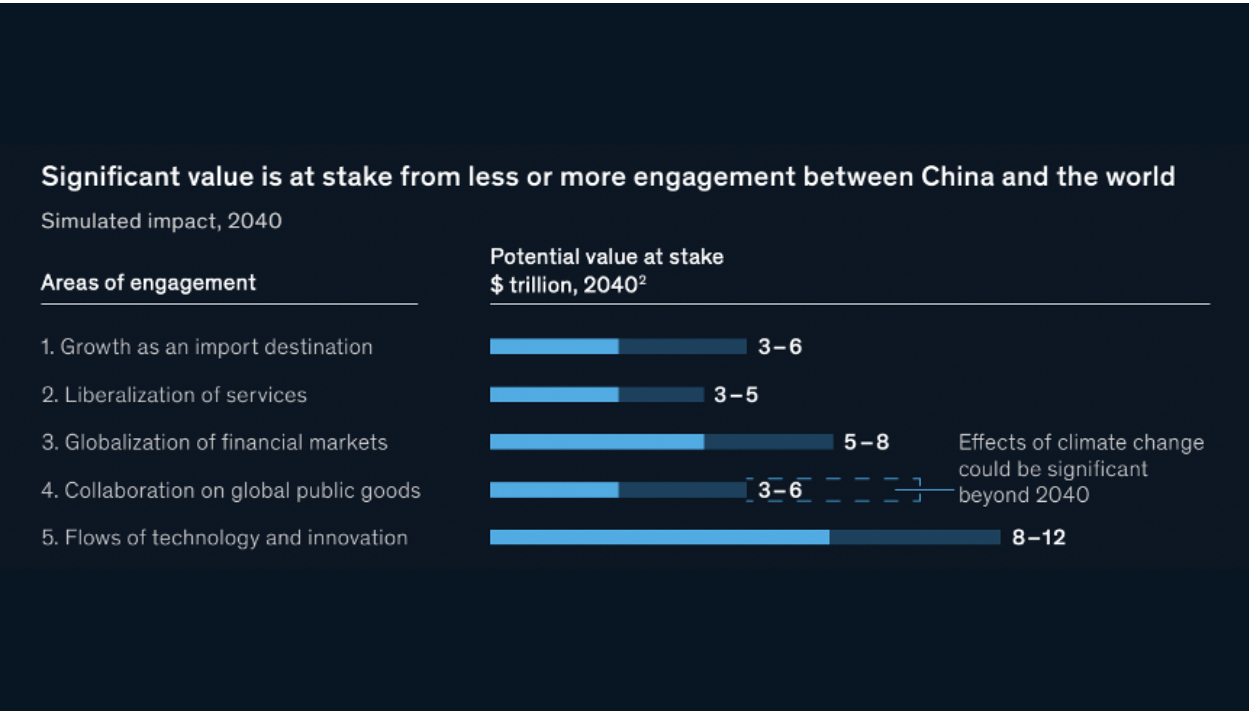
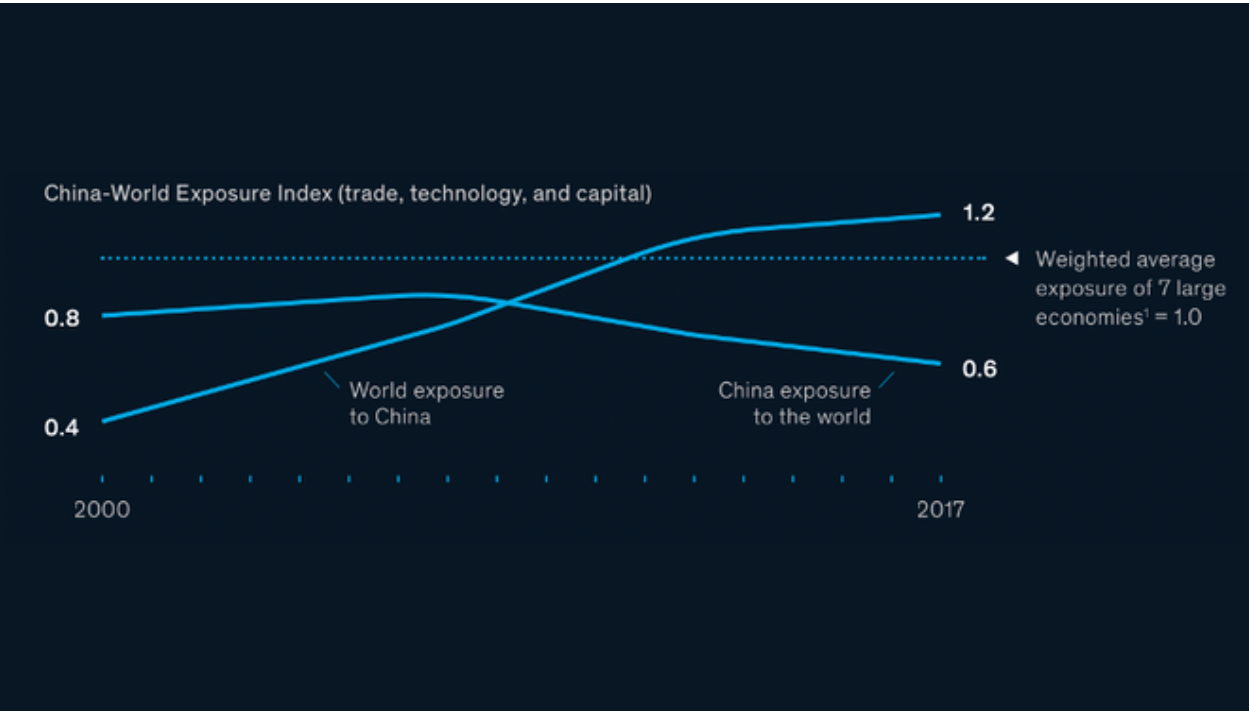
Supporting the “Asian century”. Largest free trade bloc in the world; 30% world's population, 30% global GDP, 40% world trade

China-ASEAN relationship continues to rise in 2020. Asean is now a larger trading partner than the EU. Regional diplomatic priority

source: Li Keqian, 23rd ASEAN-China Summit (ASEAN: Indonesia, Thailand, Singapore, Malaysia, Philippines, Vietnam, Brunei, Cambodia, Myanmar, Laos)

CHINA-WORLD EXPOSURE

US\$22-37Tr of economic value at stake (15-26% 2040 Global GDP)
China has been reducing exposure to the world (net trade surplus from 8% in 2008 to 1.3%)



source: McKinsey



headwinds-
challenges

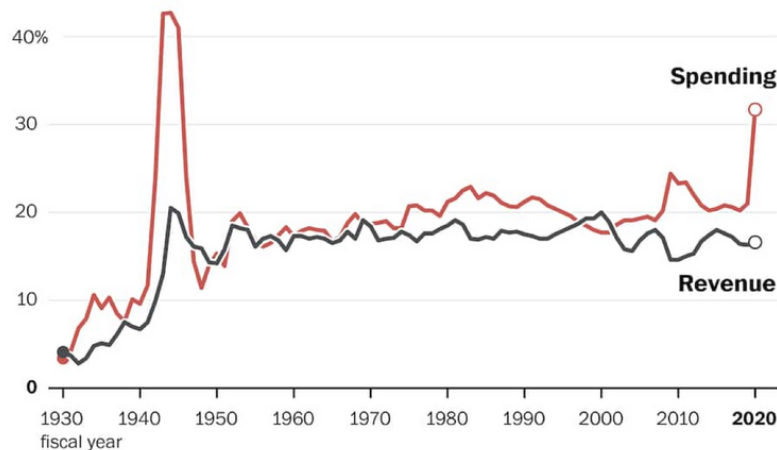
World's largest fiscal deficit on record

US Budget shortfall x3 to US\$3.1tr for year to Sept.

Deficit at 16% 2QGDP...last seen in 1945

U.S. revenue and spending

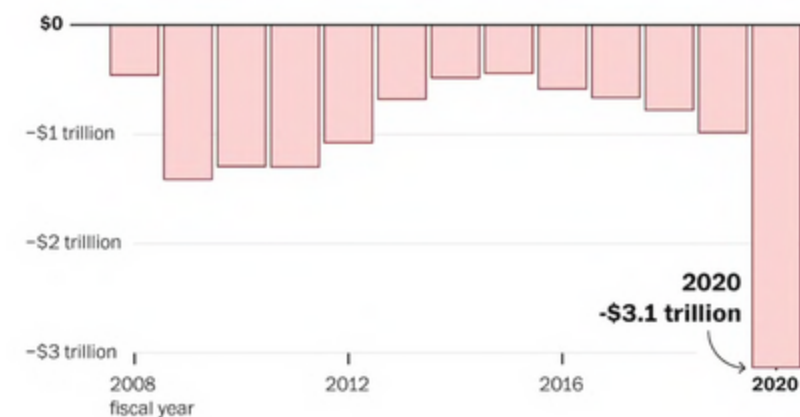
As a share of gross domestic product



Sources: Treasury Department; Office of Management and Budget; Congressional Budget Office

THE WASHINGTON POST

U.S. federal-government deficit

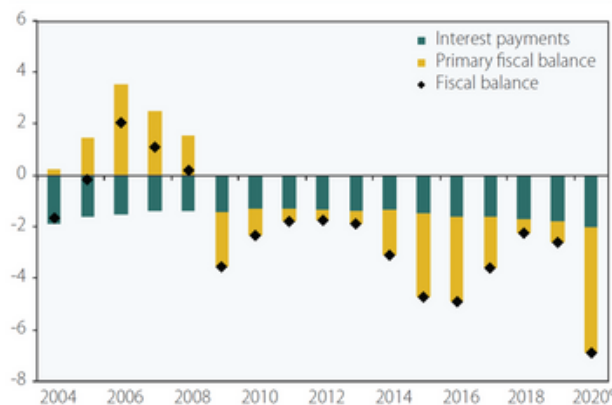


Sources: Treasury Department; Office of Management and Budget

THE WASHINGTON POST

Selected fiscal indicators in developing countries, 2004-2020

Percentage of GDP

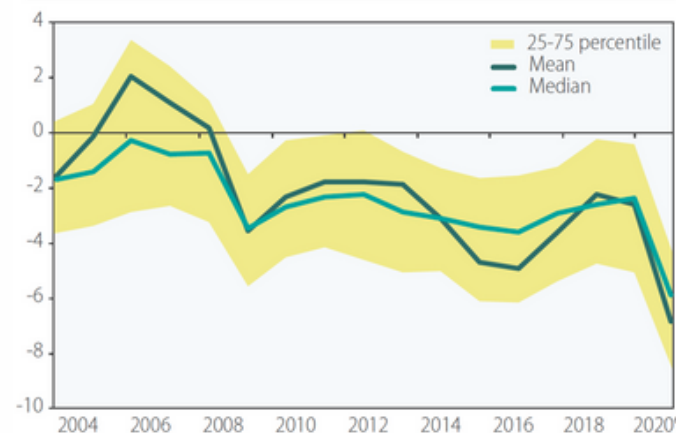


Source: UN DESA based on IMF World Economic Outlook data (April 2020).

Note: The figure shows mean values of the indicators. The fiscal balance is defined as general government net lending or borrowing. It can be decomposed into the primary balance and interest payments. 2020 values are estimated.

Fiscal balances of developing countries, 2004-2020

Percentage of GDP



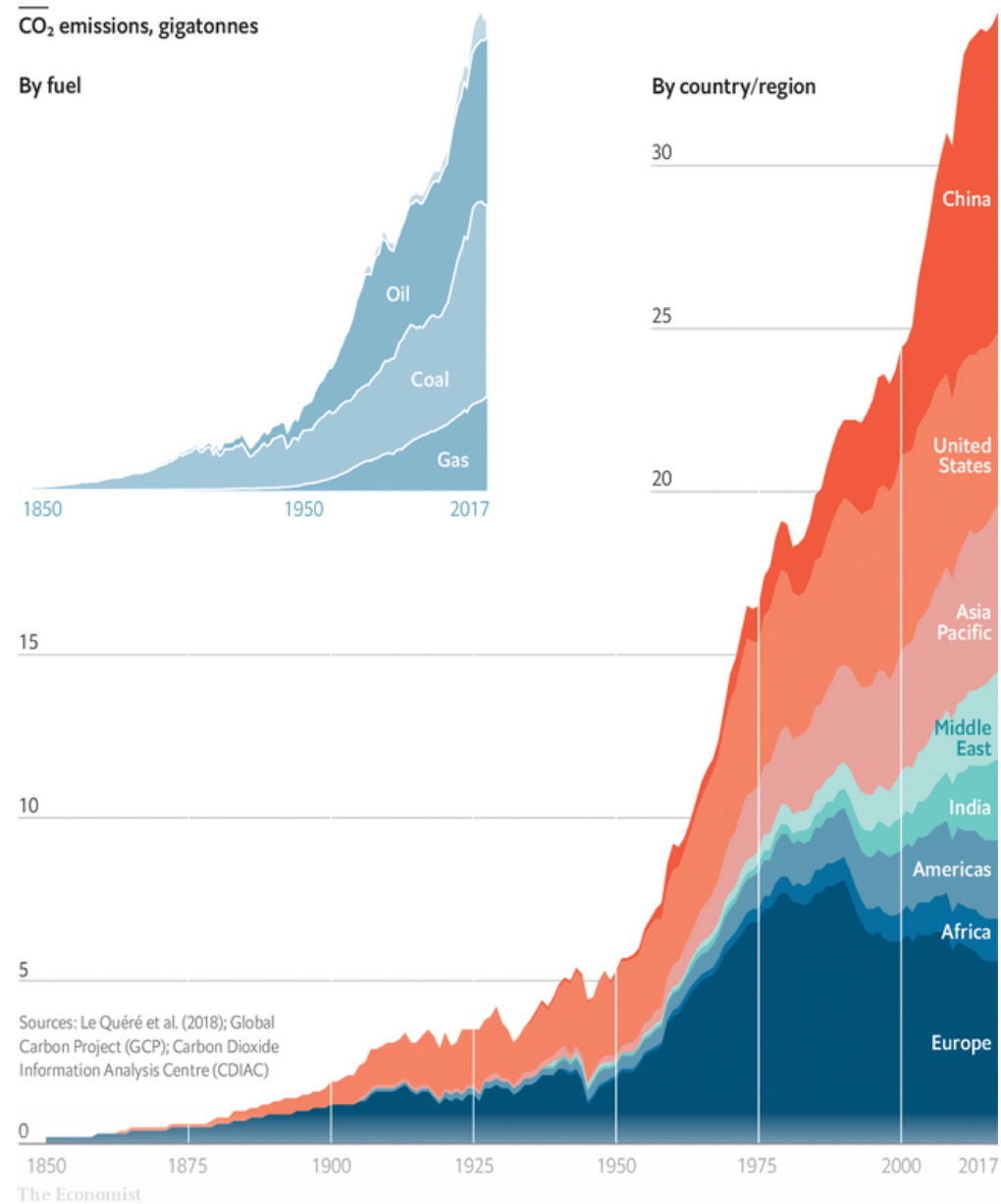
Source: UN DESA based on IMF World Economic Outlook data (April 2020).

Note: The fiscal balance is defined as general government net lending or borrowing. 2020 values are estimated.

Climate

CO2 emissions by fuel and region

Post 2WW economic growth model is carbon intensive



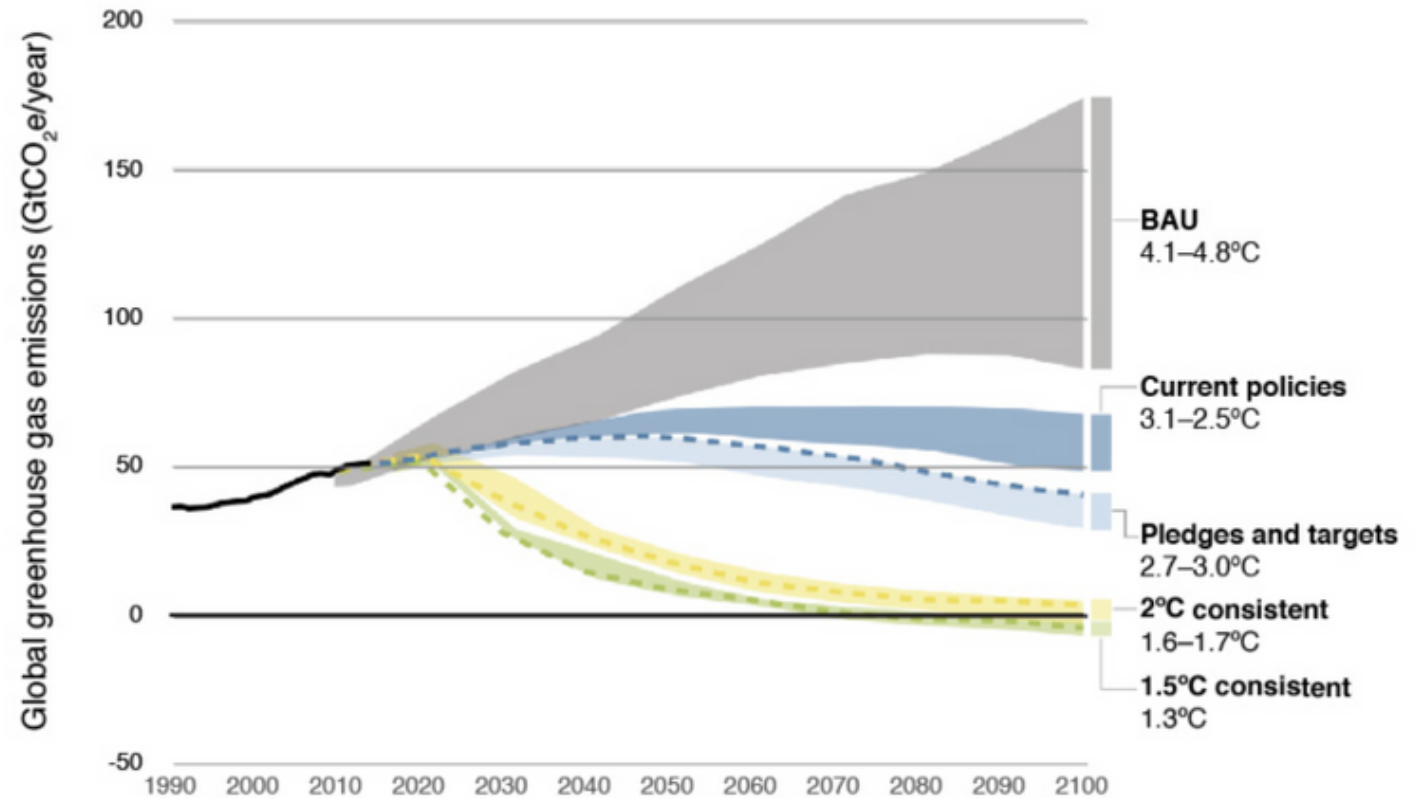
At a cross road

To meet the Paris Agreement (1.5°C by 2100) **global CO2 Emissions** must be slashed to **zero by 2050**. At current emission rates 1.5°C will be reached 2030-2050*

BAU points to a 3-4°C + warming by 2100 (1-3++ m increase in sea levels)

The difference in impact between **1.5°C** and **2°C** is significant

80% reduction emissions needed by 2050 to meet the 2°C limit



Expected global temperature increase by 2100 compared to pre-industrial levels implied by global emissions pathways for the following scenarios: BAU ('no-policy' or 'reference' scenario), current policies, current pledges and targets, and emissions compatible with warming of 1.5 degrees Celsius and 2 degrees Celsius, respectively. Ranges indicate uncertainty in emissions projections; dotted lines indicate median (50 percent) levels within these ranges. Source: Adapted from Climate Action Tracker. "Warming Projections Global Update." December 2018. https://climateactiontracker.org/documents/507/CAT_2018-12-11_Briefing_WarmingProjectionsGlobalUpdate_Dec2018.pdf. (Accessed January 10, 2019.)

source: "oursharedseas", Climate Action Tracker

GLOBAL CO2 EMISSIONS CONTRIBUTION - 2018

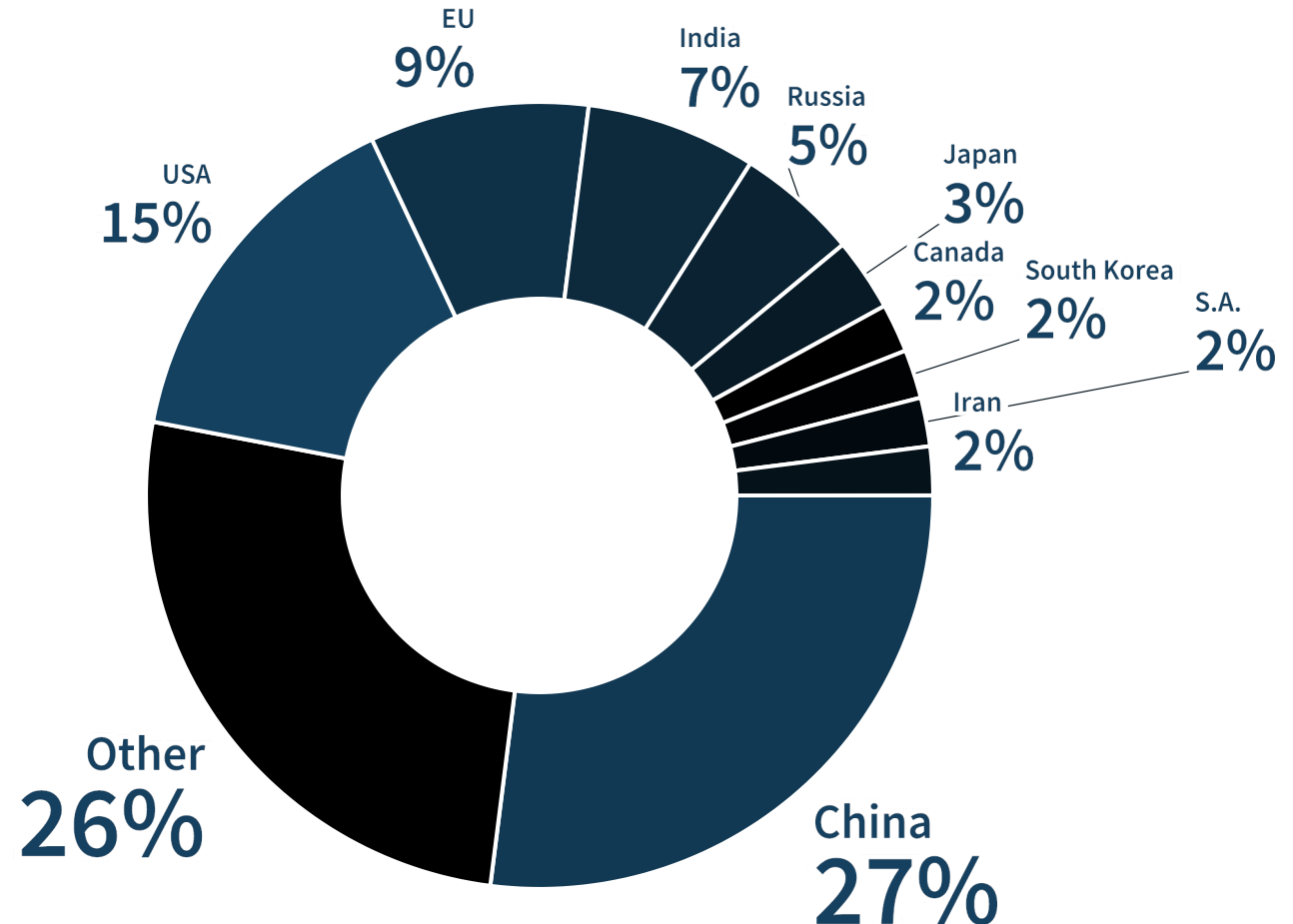
India: rapid growth of energy consumption. Leader in renewable

Russia: little investment in Renewable

China: Largest emitter. Expects peak in 2030

USA: Surge in Emissions in 2018 (-2% in 2019)

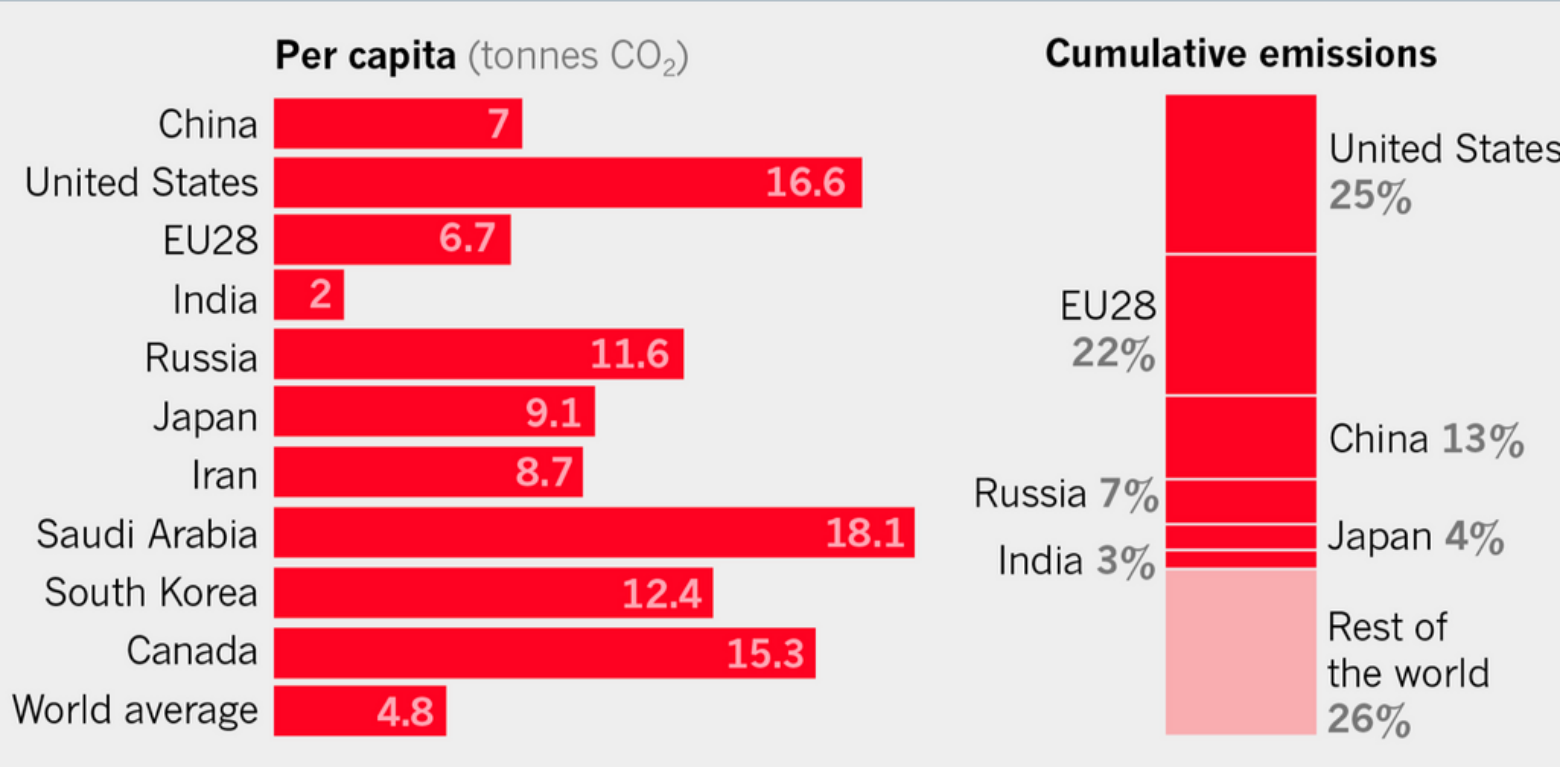
EU: collective emissions down 20% since 1990



source: Global Carbon Project. The Hard Truths of climate change- By the numbers. www.nature.com

CO2 contributors

China is the largest current CO2 emitter but the US leads on both a per capita and a cumulative emissions basis



source: the carbon project. The hard truths of climate change- by the numbers

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ASIA AND CLIMATE CHANGE

- Speed of sea level rising in Asia faster than Global average
- Concentration: 70% of the world's population living on land at risk are in 8 countries in Asia: Bangladesh, China, India, Indonesia, Japan, Philippines, Thailand and Vietnam. (410m Asian urban dwellers at risk of coastal flooding)
- Coastal population expected to double in Bangladesh, India, Vietnam, Philippines and Vietnam by 2025
- Climate change to exacerbate food and water security in APAC (loss of arable land, declining crop yield)
- At 2°C some effects are irreversible (coral reefs wiped out by 2100)
- Available water supplies shrinking (70% fresh water used for agriculture)

source: channelnewsasia.people-at-risk-of-rising-seas, ADB, IPCC

CHINA

World leader in wind and solar production (2019 China = 40% of global renewal energy expansion)

China is the largest world coal consumer, producer and importer.
2019: added a large coal power plant every 2 weeks to the Grid

70% CO2 from fossil fuel esp.coal

World largest EV market

Grid parity 2020: first contracts for wind and solar to generate power at the same price as coal power plants**

NetZero 2060



sources: BBC, Carbon brief-Global coal power, FT, Bloomberg NEF,

INDIA

Largest source of **emissions**: coal power plants, agriculture (16% of India's emissions) and cattle

India is the 2nd largest world coal producer, consumer and importer of coal after China

India has the most GDP exposed to river flooding* (estimated at US\$ 14bn in 2017). Could rise by 10 fold by 2030

2/3 population relies on **farming**

15% of global **cattle** population

Pledge a 33-35% reduction in emission intensity of economy by 2030 vs 05

Targets renewable or nuclear to be 40% of installed electricity capacity by 2030

THE ESTIMATED OF ECONOMIC IMPACT OF CLIMATE CHANGE VARIES GREATLY BY COUNTRY *

Economic impact of climate creates a lack of alignment to act

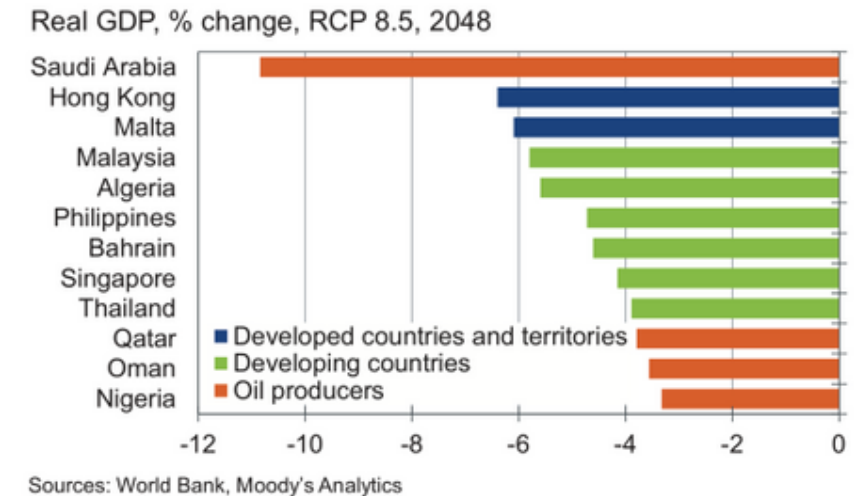
Largest impact on **oil countries and emerging markets economies**. Warmer climate countries are most vulnerable

Among the large economies, **India, Russia, China** most affected (-2.5/ -0.6% GDP)

Keeping temperature increase to 1.5°C could help avoid the loss of US\$12 TR or 10% of global GDP** (-US\$21 Tr vs -US\$33Tr by 2050)

3.2 degrees = -23% global GDP impact; +28% probability of category 4 or 5 cyclones, +70% in extreme rainfall (275m people flooded)

Hurricane Dorian took **25%** of the Caribbean islands and the Bahamas GDP in **1 day**...



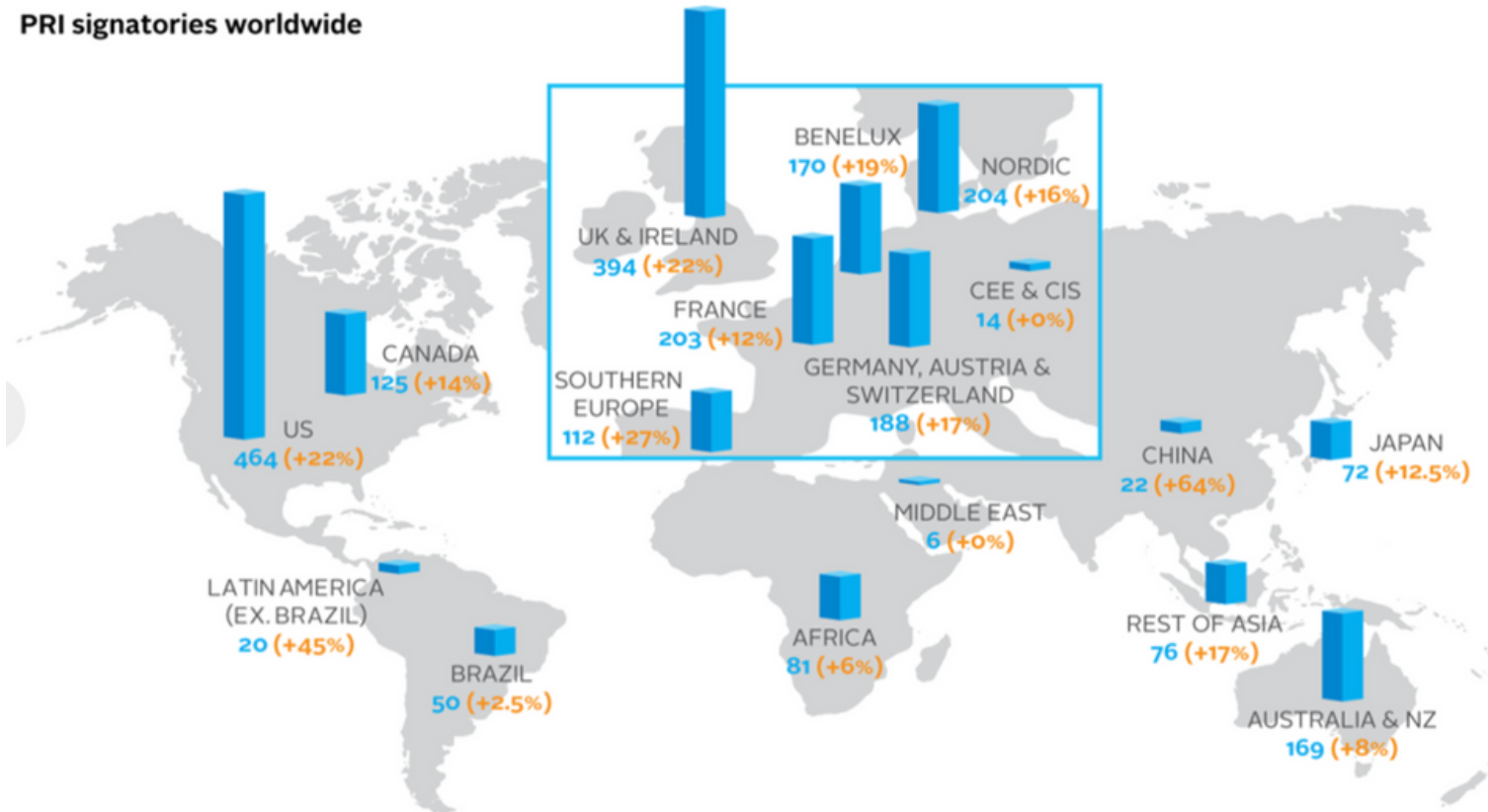
source: *Moody's, 2019, 4 major scenarios, base period 86-05. RCP 8.5 (or 4.1 °C increase), **: Climate Analytics.org



opportunities

ESG AND GLOBAL AUM

PRI signatories worldwide



Global SRI assets: approx.
US\$31Tr

UNPRI signatories: over US\$100Tr of
assets (over 3000 signatories)*

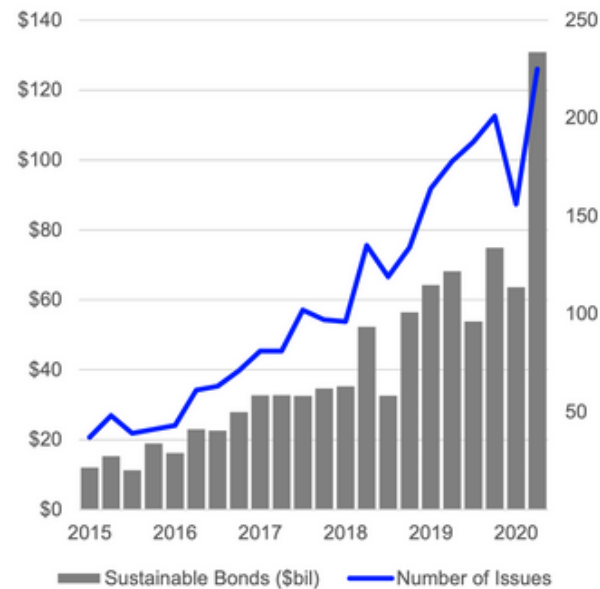
ESG ETF assets doubled in 12 months
to US\$80bn

Source: * UNPRI annual report 2018/2019
Synpulse, November 2020. agiliti Partners- Proprietary and Confidential. All Rights Reserved.

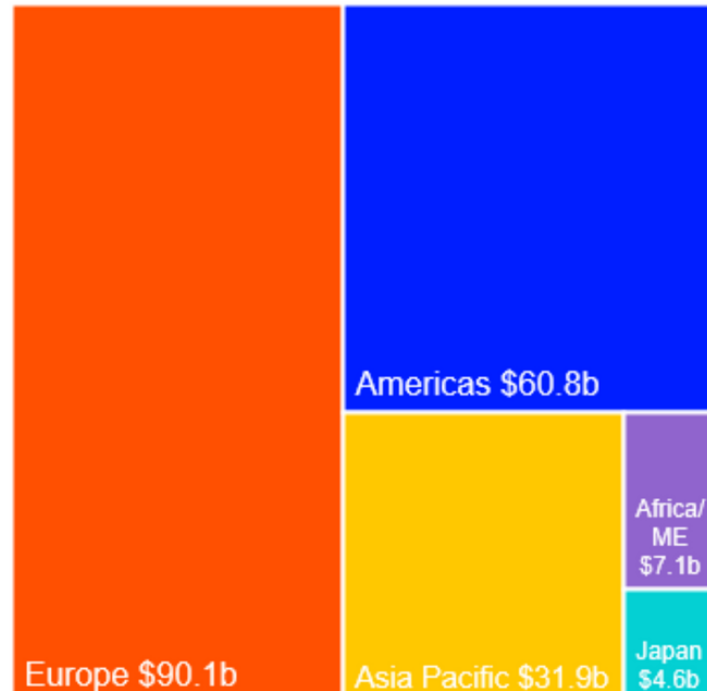
SUSTAINABLE FINANCE 1H20:

EQUITY -21%, SL -2%, DEBT UP

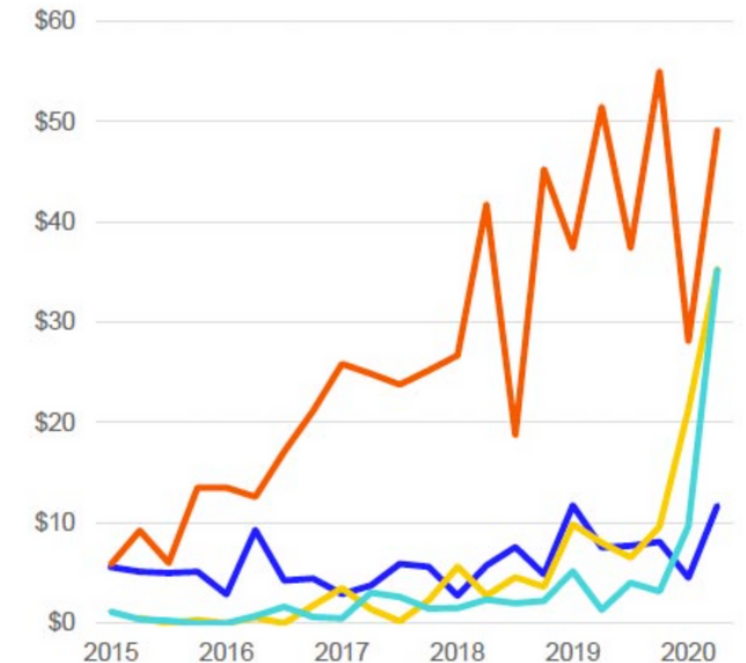
SUSTAINABLE BOND QUARTERLY VOLUMES



1H20: SB totaled \$194.5bn +47% yoy



Europe leads



Social Bonds accelerated strongly in Q220

Source: Refinitiv 1H20 report on Sustainable Finance

Technology/ AI

Efficiency and resilience

Connectivity

Food: Crop and management

1.6bn tonnes of wasted food annually = 1/4 of total mount of food produced globally

Energy

90% emissions

Power grid, renewable

New competitive advantage

New Finance

New Consumption

Infrastructure

US\$15-18Tr global gap to 2040 (out of US\$97Tr total)

80% waste water release is untreated

2050: 4bn people under water stress vs 1.2bn today (private sector demand +45%)

Smart cities

80% energy consumption





60-70% of global GDP

Transport, mobility

EV: by 2030 EU+CHina: 18m EV's sold pa.

THE PATH TO NETZERO

Energy transition strategies of upstream oil and gas companies

Type	Description	Examples
Emissions offsets	Producers seek to offset emissions from existing operations independently from the operations themselves	 Afforestation and carbon credits
Transformation of operations	Producers seek to reduce carbon intensity by transforming existing operations (drilling, flaring, leakage, refining)	 Electric drilling platforms, CCUS, reduced flaring, increased operational efficiency
Transformation of product offering	Producers seek to reduce carbon intensity by offering new, low-carbon products using either (A) the existing resource base or (B) existing delivery channels	 (A) Hydrogen (from natural gas) (B) Biofuels
Transformation of business model	Producers seek to reduce carbon intensity by fundamentally transforming their business model, seeking out new end users and new delivery channels	 EV charging stations, direct power sales

source: Platts

● Shift in strategy for oil majors

Fossil fuels to drop from 45% to 35% in a 2C sensitivity scenario by 2050 (50m b/ d of demand destruction)

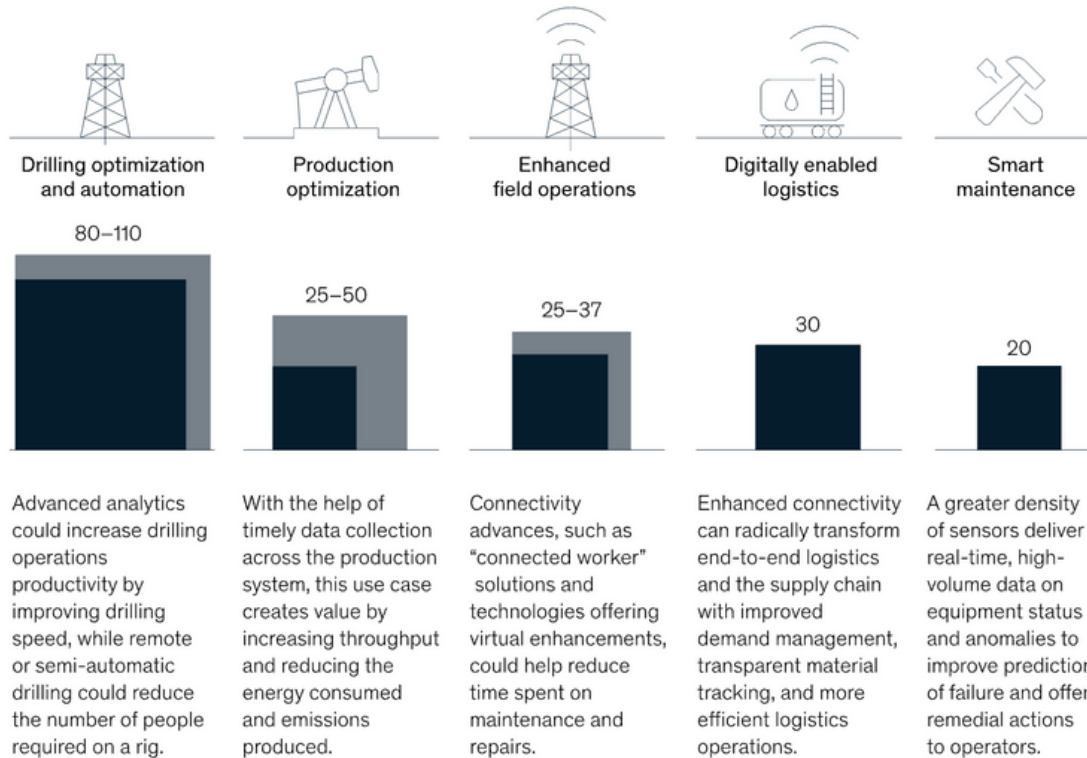
Road transport and power generation largest

Urgent need to transform business: offsets, technology, transformation

Energy transition: US\$14Tr new capital spend in low carbon electricity// US\$6Tr drop in upstream oil spending

Regional impact (Canadian oil sands, Russian Arctic)

ENERGY IN THE NEXT NORMAL: CONNECTIVITY



McKinsey
& Company

- Over 2/3 of world's oil production has access to connectivity but is making limited use of it
- Connectivity and automation potential for oil and gas could add US\$250bn to upstream by 2030

Drilling optimization, production throughput
2/3 of world's oil production has advanced connectivity but making limited use of it



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