Investing in low-carbon energy transitions & innovation

Asia Clean Energy Forum

19 June 2020
Investment Solutions Across Public and Private Markets

80% of Long-term Assets Managed by Senior Investors With an Average of 20+ Years at Morgan Stanley

TOTAL AUM
$584Bn

$121Bn
ACTIVE FUNDAMENTAL EQUITY
• International Equity
• Counterpoint Global
• Global Emerging Markets
• European Equity

$75Bn
GLOBAL FIXED INCOME
• U.S. Fixed Income
• Global Fixed Income
• Emerging Markets Debt
• European Fixed Income

$247Bn
GLOBAL LIQUIDITY
• Money Markets
• Ultra-Short Income

$76Bn
SOLUTIONS & MULTI-ASSET
• Portfolio Solutions
• Global Multi-Asset
• Hedge Fund Solutions
• Managed Futures
• Applied Equity Advisors
• Managed Solutions Group

$49Bn
REAL ASSETS
• Private Real Estate
• Private Infrastructure
• Private Real Assets Credit
• Listed Real Assets

$16Bn
PRIVATE CREDIT & EQUITY
• Credit Partners
• Capital Partners
• Energy Partners
• Tactical Value Investing
• Private Equity Asia
• Expansion Capital
• AIP Private Markets

AUM figures within each business line may not sum to total AUM due to rounding. Data as of March 31, 2020.
Fund of Fund assets represent assets under management and assets under supervision.
Direct private investing assets represents the basis on which the firm earns management fees, not the market value of the assets owned.
True Global Footprint, Local Market Expertise

Data as of March 31, 2020.

- **COUNTRIES**: 23
- **OFFICES**: 44
- **CITIES**: 35
- **EMPLOYEES**: 2,091
- **INVESTMENT PROFESSIONALS**: 718

**AMERICAS**
- Atlanta
- Boston
- Chicago
- Dallas
- Houston
- Los Angeles
- Miami
- New York
- Philadelphia
- San Francisco
- São Paulo
- St. Petersburg
- Toronto

**EMEA**
- Amsterdam
- Dublin
- Frankfurt
- London
- Luxembourg
- Madrid
- Milan
- Moscow
- Paris
- Riyadh
- Zurich

**ASIA PACIFIC**
- Bangkok
- Beijing
- Hong Kong
- Melbourne
- Mumbai
- Seoul
- Shanghai
- Singapore
- Sydney
- Tokyo
Private Equity case study

Indian Solar Financing Co-Investment

**TRANSACTION OVERVIEW**

- Company is a specialized micro, small, and medium-sized enterprise (MSME) lender with over 46 locations across 13 states in India serving over 280 industrial clusters. Founded in 1990, based in Pune, India.
- Company needed to growth capital to scale business and diversify into new products, incl. loans for solar generation capacity
- In March 2020: Co-invested alongside an Indian financial services specialist a 5-year investment period
- Our team’s background in Indian financial services and climate finance (previously anchored three climate funds in India) plus local networks in India and Pune, in particular, put us in a strong position as a potential investment partner

**INVESTMENT MERITS**

- The Indian rooftop solar market is growing rapidly driven by lower costs and increasing energy demand
- The MSME market remains largely underserved today due to financing barriers, representing a 15 GW unaddressed opportunity for the company to serve
- Offers a creative solution to traditional problems associated with solar financing by investing in an experienced equipment finance lender, which has robust underwriting processes, and leveraging them to catalyze growth of renewables through solar lending lines of business
- Investment negotiated at an attractive valuation that includes solar lending-related ratchets

**IMPACT OVERVIEW**

- MSMEs are critical to India’s industrialization, accounting for 45% of industrial output but also 48% of the total energy consumed in India’s industrial sector
- Indian MSMEs pay 25-30% of their overall costs as energy bills and often have to deal with the issue of “power-cuts” and “brown-outs” by purchasing and running diesel generator sets. Switching to solar will result in a 50% reduction in energy costs and reduced pollution
- The company will finance 105 MW of solar rooftops during the investment period, granting over USD 60m of loans to ~1,400 MSMEs and reducing 105k metric tons of CO₂

For illustrative purposes only. Past performance is not indicative of future results. The above case study is provided solely to demonstrate the views, opinions and type of analysis used by the investment Team in implementing its investment strategy. There is no guarantee that the investment mentioned will perform well in the future. The statements above reflect the views and opinions of the Team as of the date hereof and not as of any future date, and will not be updated or supplemented. For illustrative purposes only. There is no guarantee that recommendations made in the future will be profitable or will have the performance or characteristics of the investments shown above.

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Real Estate case study
Bringing energy efficiency into asset due diligence

Mapping the Impact of Sustainability Drivers on Real Estate Investor Returns

**Sustainability Drivers**
Global trend toward building efficiency and building performance optimization spurred by three sustainability drivers

- **Standards and Policy**
  - Encouraging or requiring buildings to improve their resource efficiency

- **Technology**
  - Increasing the gap in resource efficiency between buildings

- **Stakeholder Expectations**
  - Driving buildings to improve their resource efficiency in order to attract and retain tenants

**Real Estate Return Factors**
Sustainability drivers affect 10 key factors impacting investor return

- Occupancy rate
- Rent premium
- Waste expense
- Energy expense
- Leasing expense
- Insurance
- Water expense
- Financing cost
- Maintenance & repair
- Property value

**TOTAL INVESTOR RETURN**

Public Equity case study

Clean energy investing in China

Source: BP Statistical Review of World Energy 2018, UBS
Public Equity case study

Hydropower investing in China

- Opportunity created by natural resources & landscape
- Top-down policy drivers favorable (carbon markets, climate policy)
- Low interest rates supports higher yields
- Hydropower particularly well positioned to benefit
- Technology investments focus on gains in power utilization efficiency

For illustrative purposes only. Positive impacts generated by the investments in these case studies are not meant to imply positive financial returns on such investments.

Sources: company websites. Bloomberg.
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All investments involve risk including the possible loss of principal.

Alternative investments are speculative, involve a high degree of risk, are highly illiquid, typically have higher fees than other investments, and may engage in the use of leverage, short sales, and derivatives, which may increase the risk of investment loss. These investments are designed for investors who understand and are willing to accept these risks. Performance may be volatile, and an investor could lose all or a substantial portion of its investment.

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