

Morgan Stanley

INVESTMENT MANAGEMENT

Investing in low-carbon energy transitions & innovation

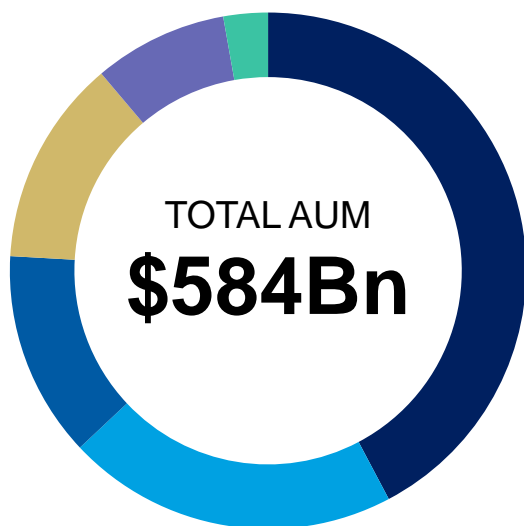
Asia Clean Energy Forum

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



\$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



23

COUNTRIES

44

OFFICES

35

CITIES

2,091

EMPLOYEES

718

INVESTMENT
PROFESSIONALS



AMERICAS

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

EMEA

Amsterdam	Madrid
Dubai	Milan
Dublin	Moscow
Frankfurt	Paris
London	Riyadh
Luxembourg	Zurich

ASIA PACIFIC

Bangkok	Seoul
Beijing	Shanghai
Hong Kong	Singapore
Melbourne	Sydney
Mumbai	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**

Rooftop solar lender to Indian MSMEs

Large, growing market that is underserved today

Clean energy and increased access to reliable power source

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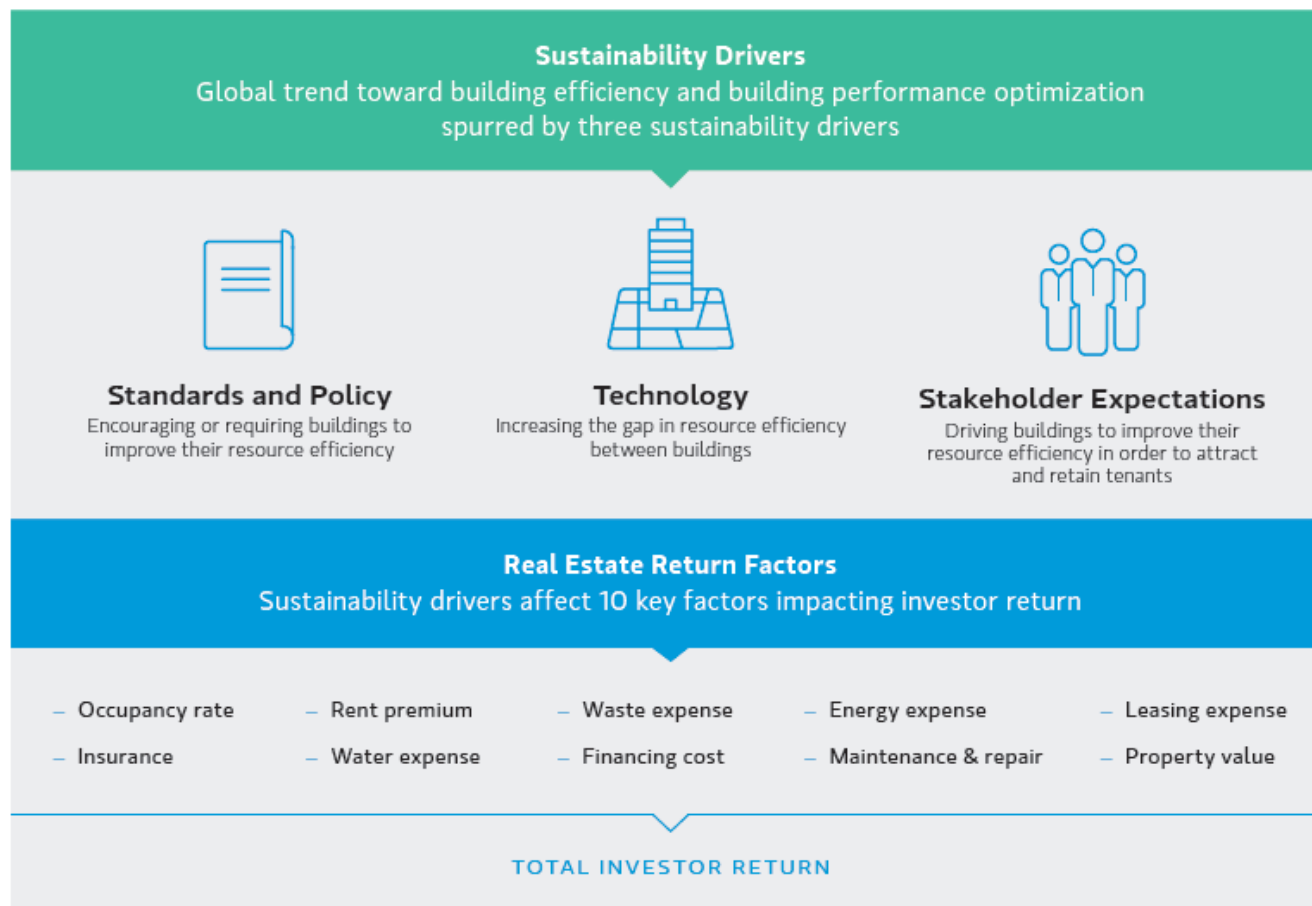
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Real Estate case study

Bringing energy efficiency into asset due diligence

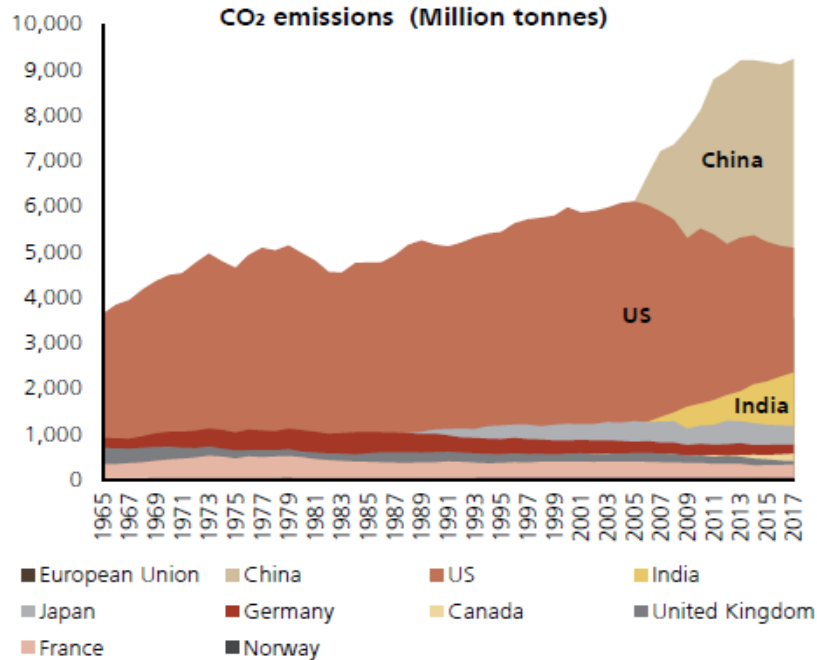
Mapping the Impact of Sustainability Drivers on Real Estate Investor Returns



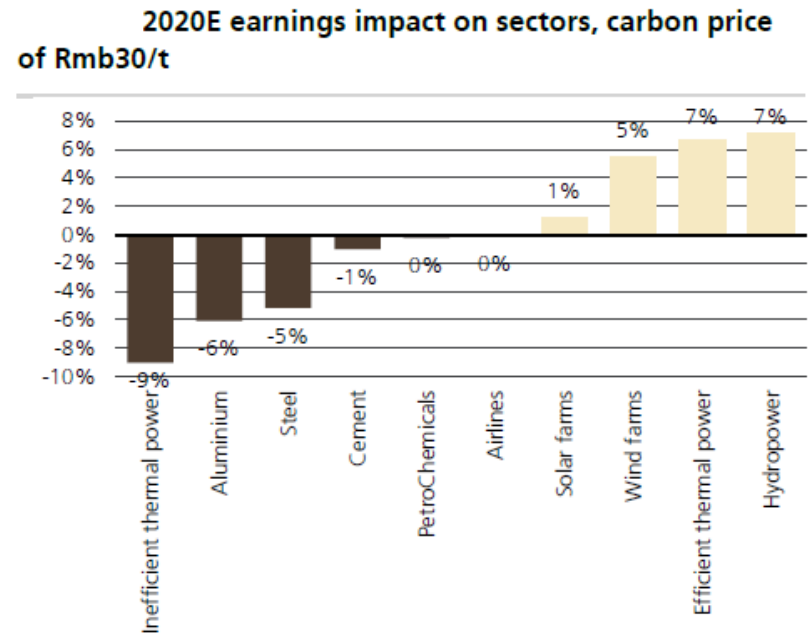
Source: Morgan Stanley Institute for Sustainable Investing, *Bricks, Mortar and Carbon*, 2016, p4.

Public Equity case study

Clean energy investing in China



Source: BP Statistical Review of World Energy 2018, UBS



Source: Company data, Guangdong Development and Reform Commission, Bloomberg, UBS estimates

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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

Lancang River



Yangtze River



Hongshui River



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.

Risk Considerations

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.

In general, the values of **equity securities** also fluctuate in response to activities specific to a company. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. **Investments in foreign markets** entail special risks such as currency, political, economic, and market risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries.

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