



Investing in a World of Heightened Geopolitical Uncertainty & Tech Disruption

Shikhara Investment Management / January 2025

Heightened Geopolitical Uncertainty

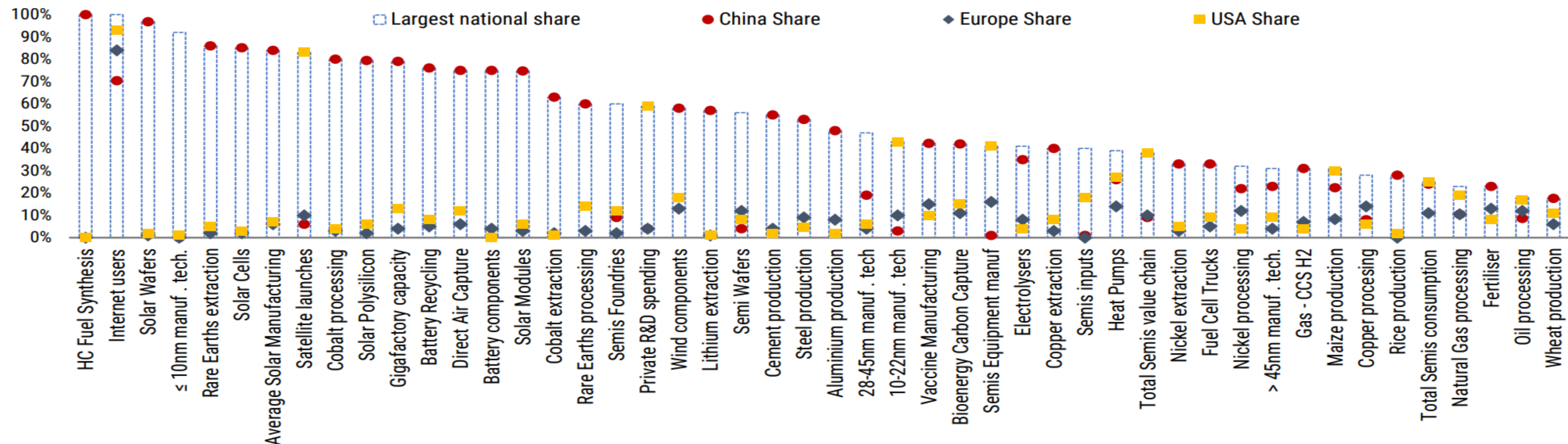
Part 1

Global Power Dynamics are Shifting



- ◆ **Transitioning to a multipolar world:** Moving away from US dominance; multiple blocs are gaining influence across various sectors.
- ◆ **Technology leadership now defines power:** Critical technologies like AI, semiconductors, and quantum computing are becoming more important than traditional military strength and hegemony.
- ◆ **Two distinct systems emerge:** State-driven versus market-driven models create fundamental tensions in global trade and tech development.

Concentration of key security technologies by the largest nation's global production share shows China dominant across many



Source: UN, EIA, IEA, World Bank, WTO, Bloomberg, WIPO, ISO, Statista, IndexMundi, OurWorldInData, UNESCO, Baxtel, SubmarineCableMap, Pitchbook, VisualCapitalist, NASA, ESPAS, Nature, Morgan Stanley Research, April 2024

Domestic Pressures Fuel Global Tensions



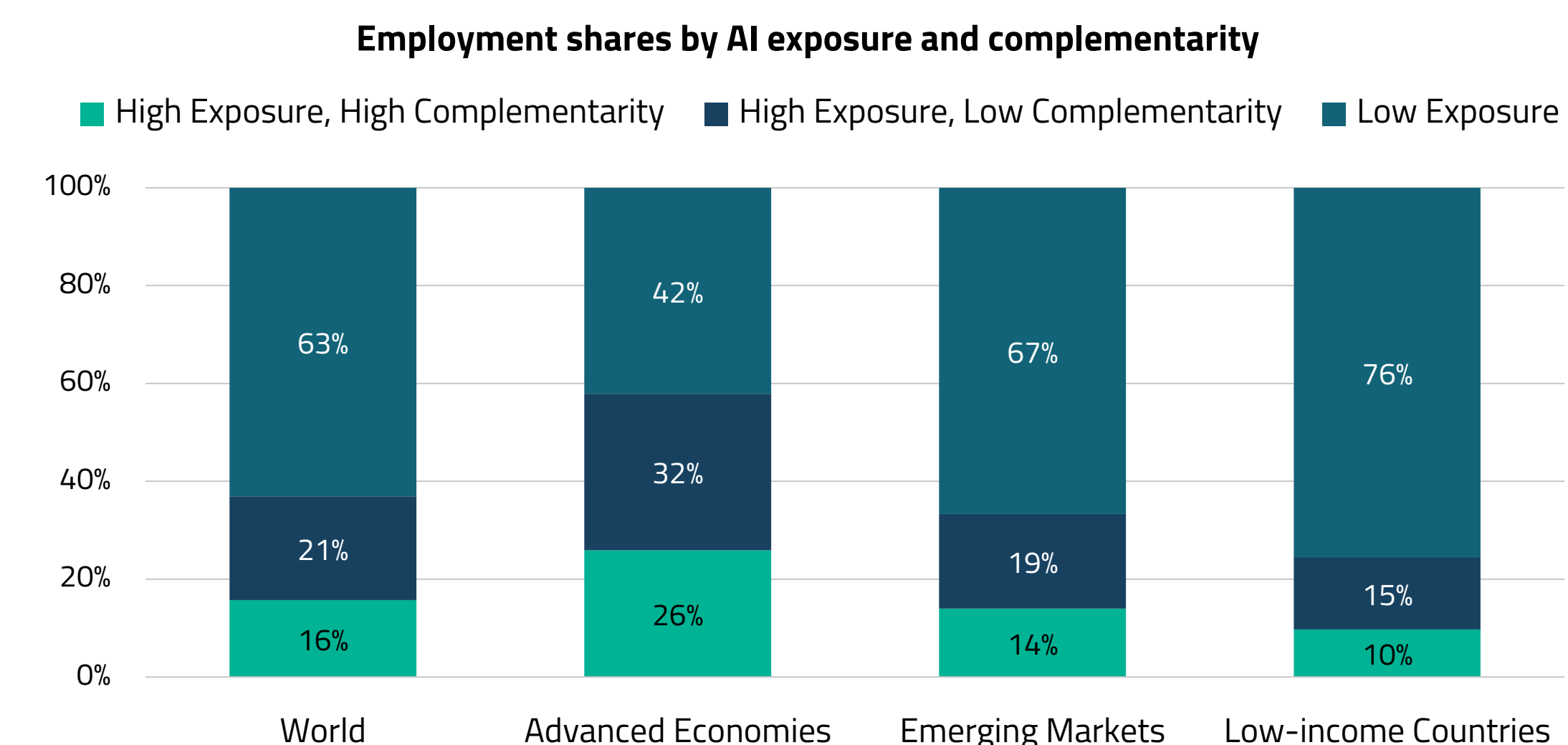
- ◆ **Migration intensifies social pressures:** Record immigration levels in US and Europe coincide with job market disruption, fueling political polarization.
- ◆ **US wealth gap at historic levels:** US wealth gap continues to widen, in part due to rising stock prices, creating social and political tensions.
- ◆ **AI will impact jobs before complementing the labor force:** Automation and AI disruption will disproportionately impact middle-class jobs in developed economies, accelerating inequality.

OECD Permanent Legal Immigration (per 1000 people)

	US	EU	UK	Canada	Australia	Other	OECD
2014	3.2	4.4	5.5	7.4	10.0	2.0	3.3
2015	3.2	4.9	5.6	7.7	9.5	2.1	3.6
2016	3.6	5.6	5.3	8.2	9.4	2.3	4.0
2017	3.3	5.3	4.8	7.9	8.9	2.4	3.8
2018	3.3	4.9	4.8	8.7	7.8	2.7	3.8
2019	3.1	4.9	5.3	9.1	7.7	2.6	3.7
2020	1.7	3.9	3.0	4.9	6.5	2.1	2.7
2021	2.5	4.6	5.5	10.6	6.6	2.1	3.4
2022	3.1	5.6	7.2	11.2	6.6	3.3	4.3
2023	3.5	5.6	11.0	11.8	9.0	3.5	4.7

Source: OECD, Macquarie, November 2024

AI's impact on jobs is most pronounced in developed economies

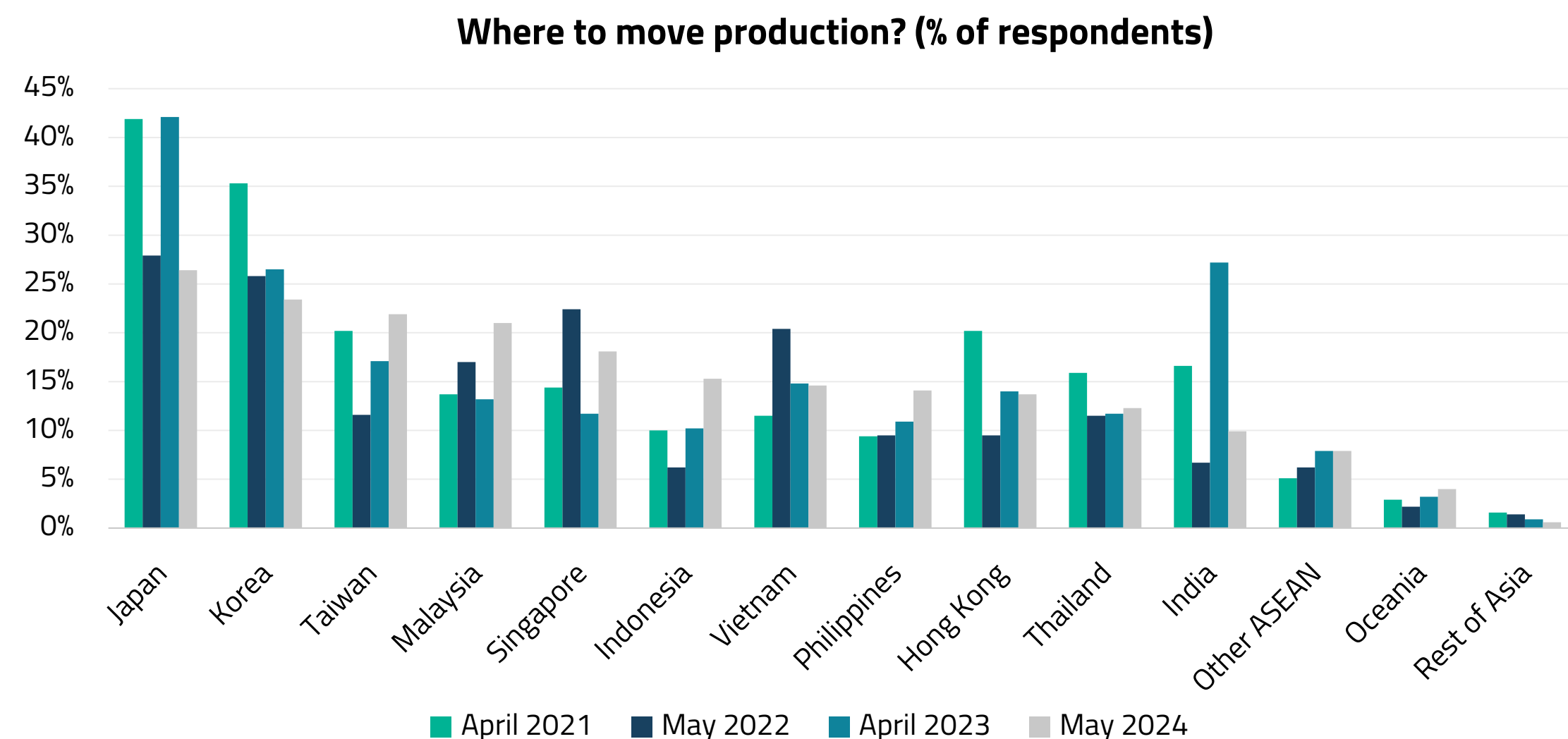


Source: IMF, January 2024

Strategic Adaptation in an Uncertain World

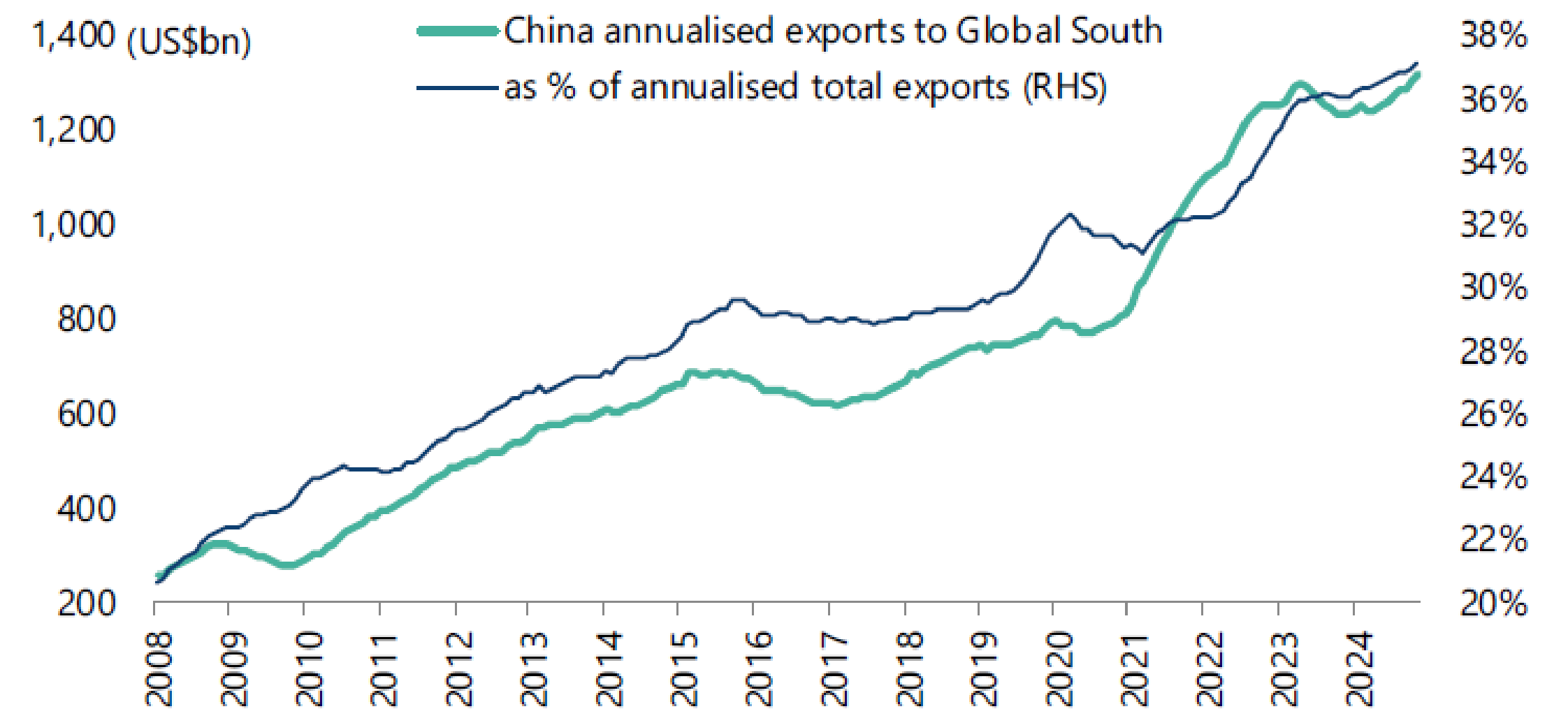
- ◆ **Friend-shoring reshapes supply chains:** Companies and countries are rapidly diversifying manufacturing bases, with Vietnam, India, and Mexico emerging as key beneficiaries.
- ◆ **China pivots to domestic focus:** World's second-largest economy shifts from export-led growth to domestic consumption, focusing on self-sufficiency, and transforming global trading partners.
- ◆ **Corporate survival requires reinvention:** Companies are adapting to new geopolitical realities through organizational changes, with an emphasis on innovation, diversification, and strategic partnerships to navigate disruptions.

Supply chain shifts from China



Source: UBS Evidence Lab, September 2024

Global South – New export destination for China

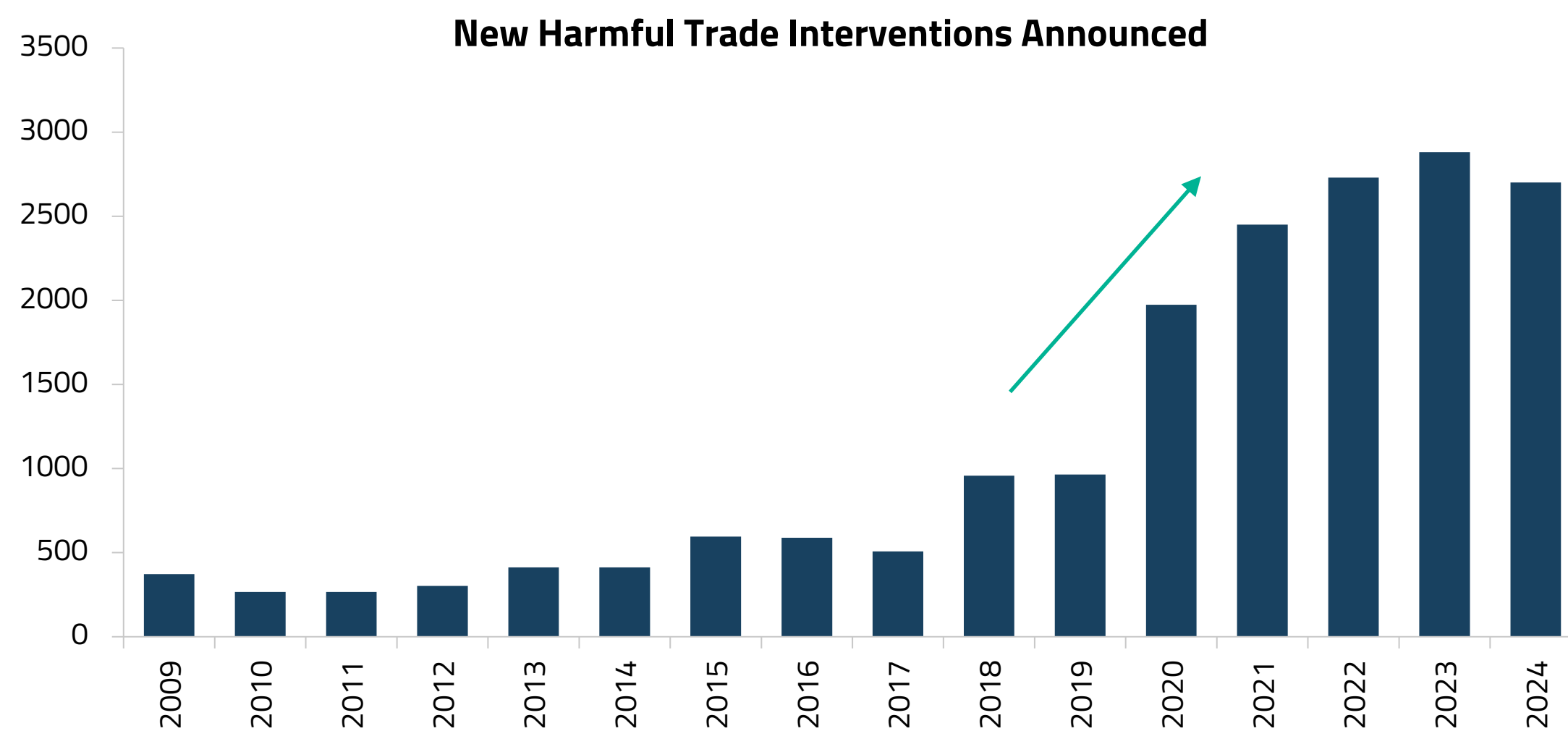


Source: CEIC data, Gen Administration of Customs, Jefferies, November 2024

Instability Sparks Populism

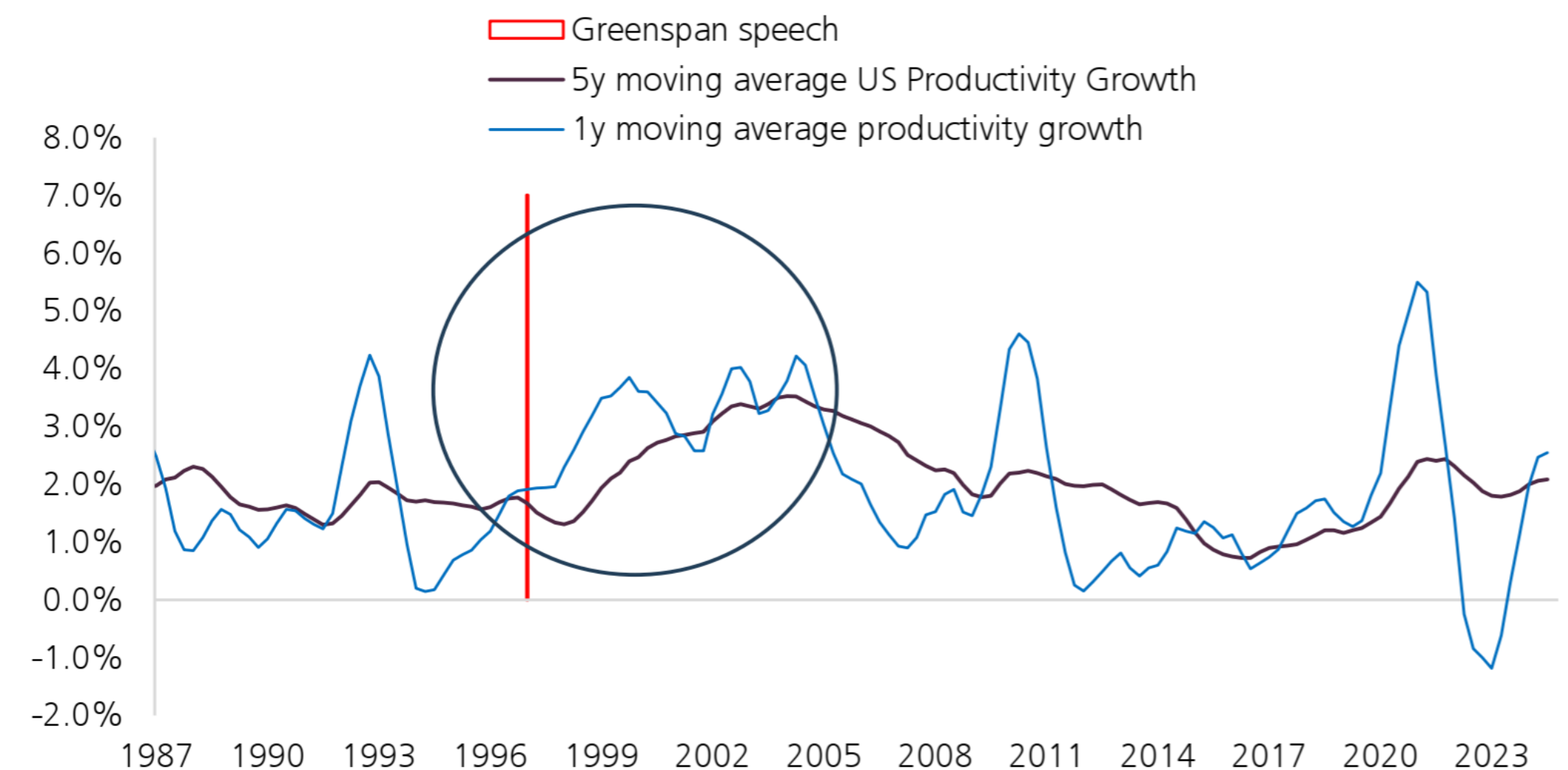
- ◆ **Surge in right-wing populist movements:** Geopolitical and economic uncertainties cause wavering confidence and fragile sentiment, public confidence in traditional governance systems declines as populist messages resonate with disaffected voters.
- ◆ **Economic nationalism reshapes trade:** Friend-shoring and protectionist policies gain momentum, with strategic sectors facing increasing restrictions and scrutiny.
- ◆ **However, AI led productivity boom is a big bright spot!**

Peak of globalization?



Source: GTA, Macquarie Global Strategy, November 2024

Does AI bring back productivity growth of the late 90s?



Source: Data stream, Refinitiv, UBS, December 2024

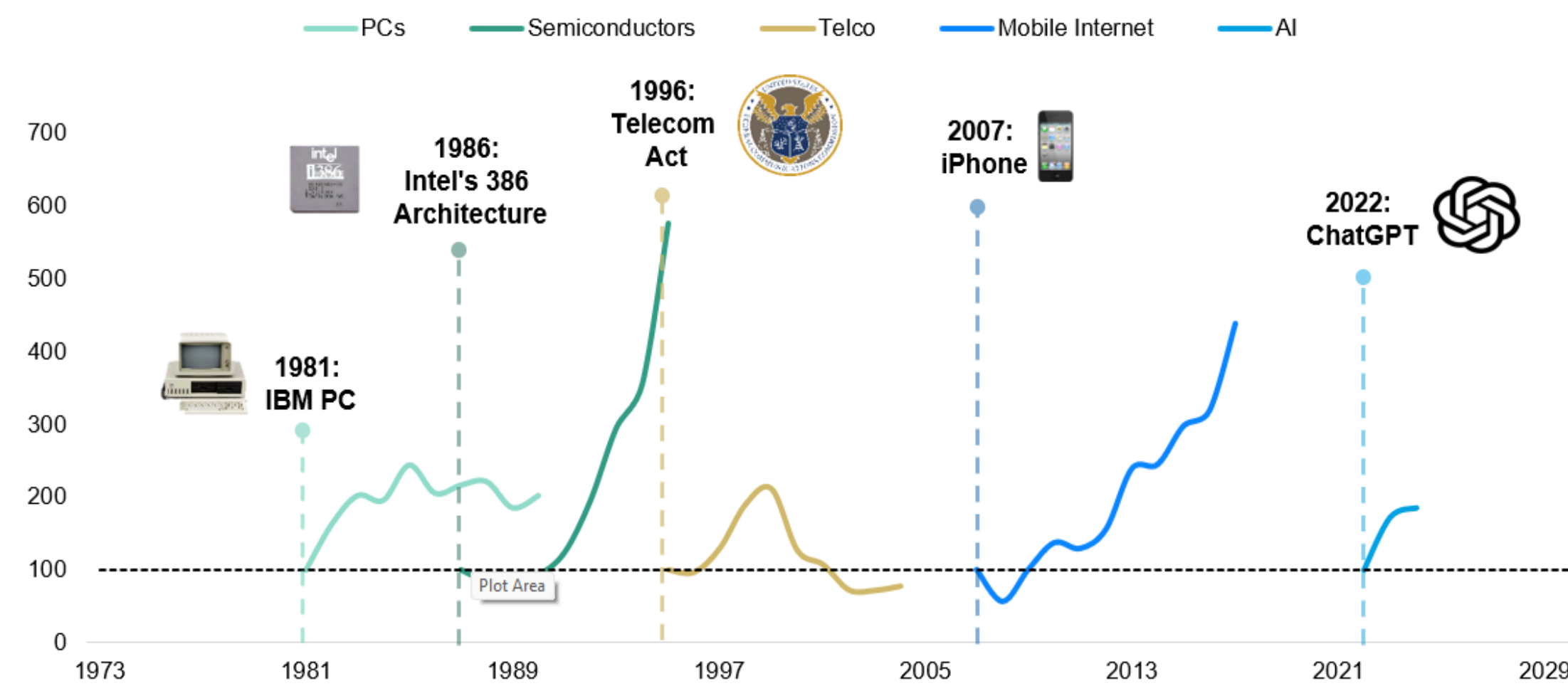
Rising Technological Disruptions

Part 2

AI-led Disruption Accelerating Change

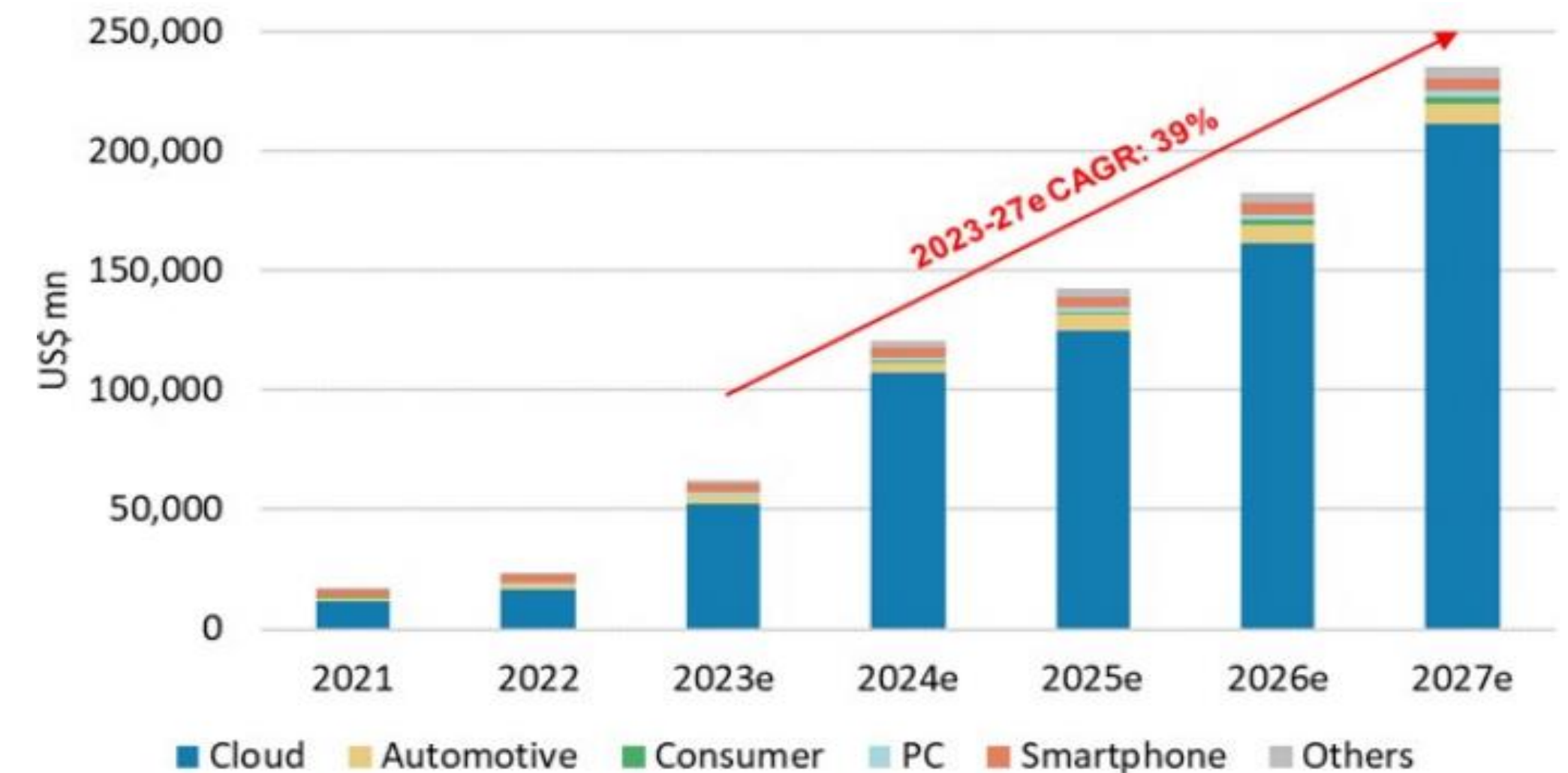
- ◆ **Unprecedented tech shift:** Companies best adopting new tech to scale and improve efficiency while maintaining strong moats often capture the most value, and AI is the next frontier.
- ◆ **Enabling hyper-personalization at scale:** Advanced AI algorithms enable companies to deliver highly personalized experiences, predict customer needs, and adapt offerings in real-time across millions of individual interactions.
- ◆ **Long-term demand drivers:** AI integration in various sectors, such as healthcare and automotive, ensures sustained growth and innovation.

Major technology cycles and 10-year returns



Note: AI Enablers represent 'Significant' or higher AI materiality from MS 2023 AI Mapping survey
Source: Datastream, FactSet, Morgan Stanley Research, May 2024

AI semiconductor revenue breakdown by application



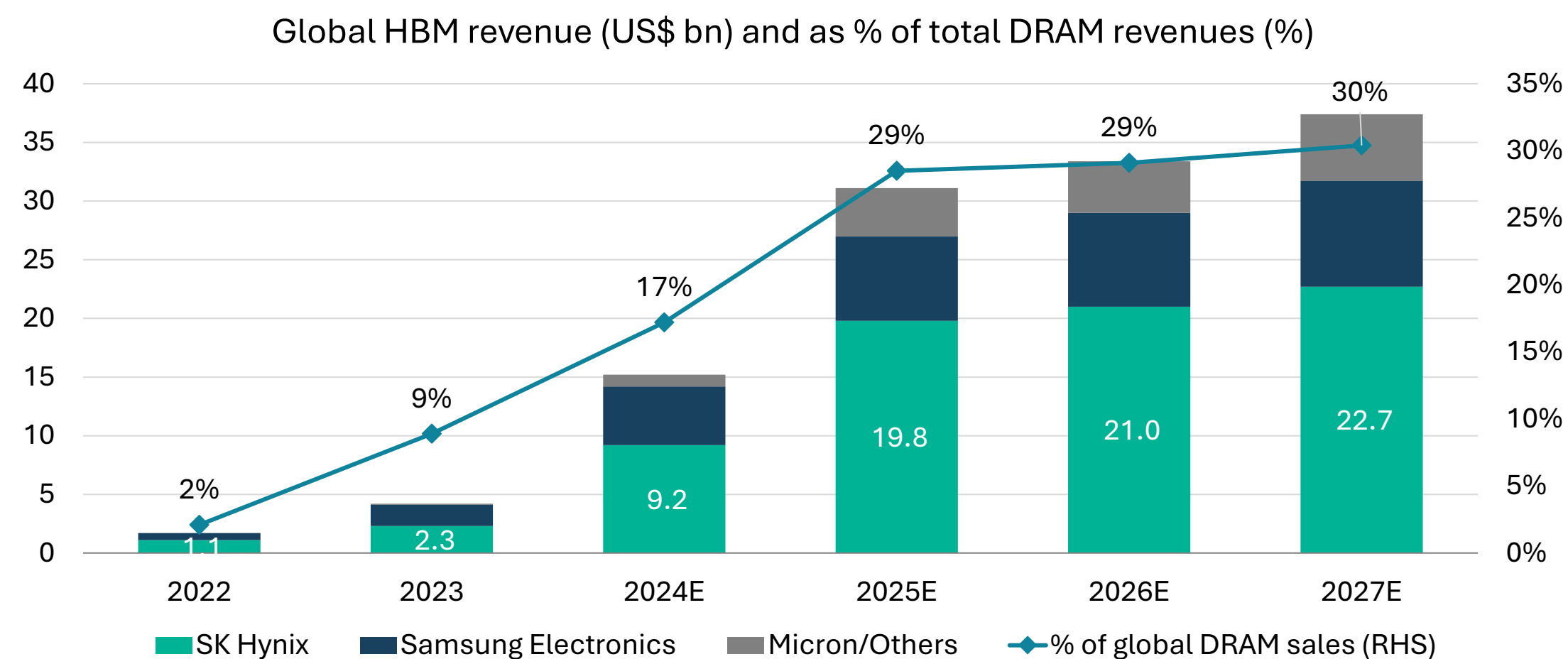
Source: Source: Gartner, Morgan Stanley Research estimates, August 2024

Asia at the Epicenter of Tech Innovation



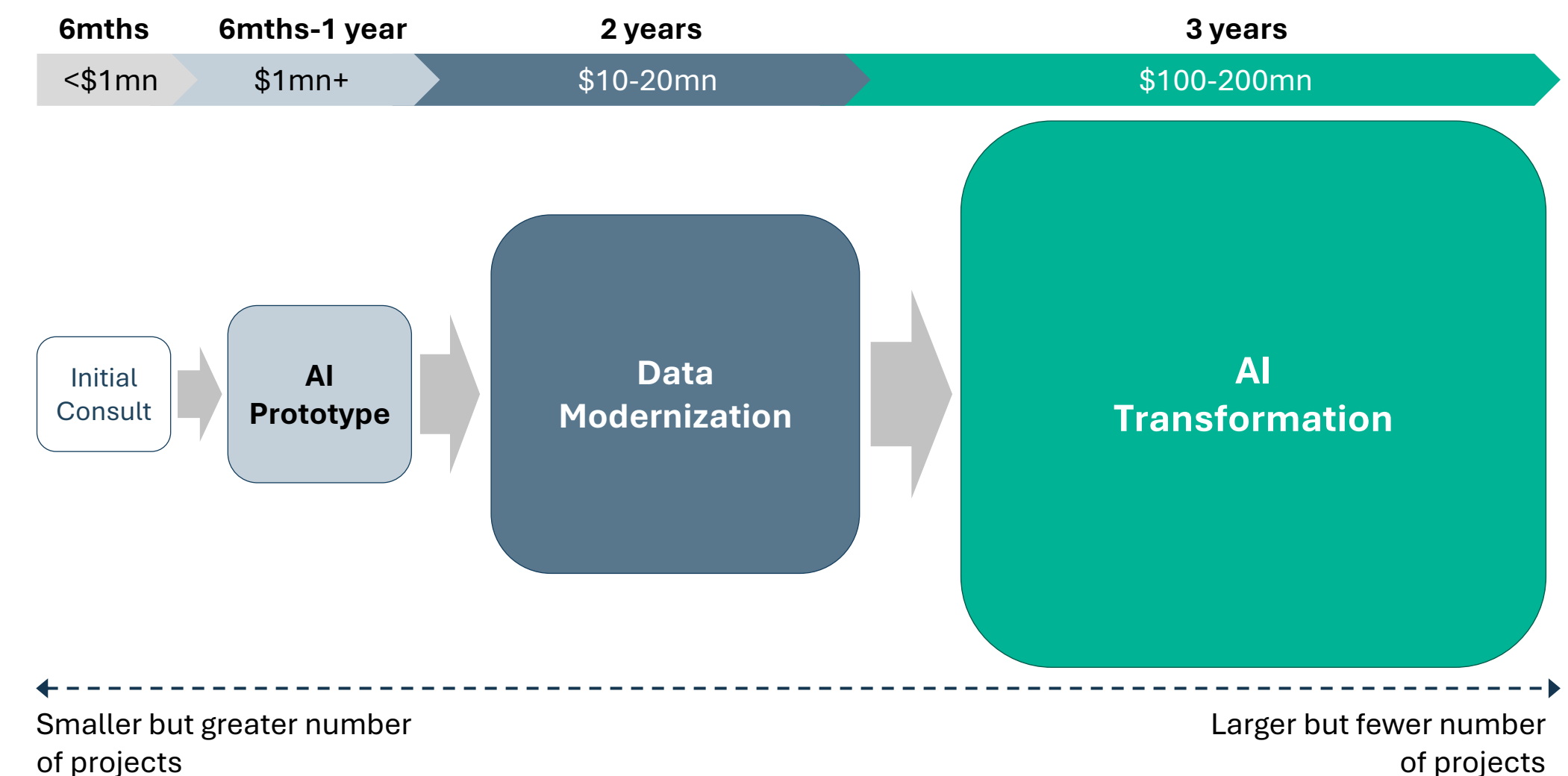
- ◆ **Asia dominates in critical tech manufacturing:** Asia has established itself as the global powerhouse in essential technology manufacturing, including advanced semiconductor production, EV batteries, high bandwidth memory with companies like TSMC, SK Hynix etc.
- ◆ Post the hardware infrastructure build out, emerging opportunity for IT service providers to accelerate Enterprise Gen AI adoption.

HBM as a % of total DRAM demand has increased meaningfully, with SK Hynix leading the sector



Source: Companies' data, BofA Global Research estimates, October 2024

Gen AI opportunity for IT service providers



Source: Gartner, Goldman Sachs December 2024

New Digital Champions are Emerging



Across Asia, new agile firms are capturing market share through innovation and adaptability

Examples

	Sea Ltd. Leading Southeast Asian digital platform with >600M users, operating in e-commerce, gaming, and digital financial services	Zomato Leading Indian restaurant aggregator, food delivery platform, and quick commerce player	Meituan China's largest on-demand local service platform integrating food delivery, local services, hotel bookings, and more	PDD Chinese e-commerce platform offering group buying deals and connecting consumers with manufacturers
RIGHT TO WIN	Leading scale across verticals creates network moat, data advantage & cost efficiencies in customer acquisition	Dominant position in Indian food delivery, with increasing market share and strong brand recognition	Platform leadership reinforced through expanding user/merchant base and successful diversification	Powerful network effects through deep merchant integration and trust-building mechanisms
	Rich content ecosystem spanning live streaming, gaming & creators drives deep user engagement & community	Integration from restaurant supplies to payment solutions creates network effects & higher switching costs	Deepening user engagement with rising purchase frequency & expanded use cases across the day	Wins on superior value proposition combining competitive pricing with quality assurance and personalization
	Robust operational infrastructure with integrated logistics, marketplace & value-added services	Superior unit economics vs peers and scalable operations drive higher EBITDA margins	Strong operational leverage with expanding margins driven by cost discipline & marketing efficiency gains	Disciplined on costs and operational efficiency
	Strengthening monetization across platforms, with take rates up to 12.7%	Unique subscription model bridges delivery and dining out, driving higher engagement vs other subscriptions	Delivery network innovation enhances courier network efficiency & service quality	International expansion with Temu demonstrates successful market adaptation
	Successful market expansion beyond core ASEAN demonstrates scalability of business model	Extensive dark store network ensures rapid, reliable quick commerce deliveries	Accelerated lower-tier city penetration through tailored offerings & merchant enablement strategy	Platform innovation through cutting-edge AI and data analytics capabilities

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How We Navigate the Landscape

Part 3

Our Global Team – A Competitive Edge



Leveraging our global presence for unparalleled market insights

New York (Headquarters)

- ◆ Macroeconomic and policy insights
- ◆ US is the tech innovation hub

Hong Kong

- ◆ Breadth of research across Asian markets
- ◆ Access to China – supply side insights, manufacturing trends

Mumbai

- ◆ On-the-ground research with small/mid-cap access
- ◆ Local networks provide early insights

Advantages of Our Multi-Market Presence

- 1. Early Detection of Megatrends:** We leverage diverse insights from key markets to spot and corroborate new trends before they become megatrends.
- 2. A Holistic View:** Integrating demand and supply insights provides us with a unique perspective to identify scalable profit pools and mitigate local noise.
- 3. Backed by Global Experts:** Our Co GPs, eminent corporate leaders from around the globe with expertise in a variety of industries, serve as our sounding boards and provide valuable insights into the key trends shaping their industries.

Trends Replicate Across Markets

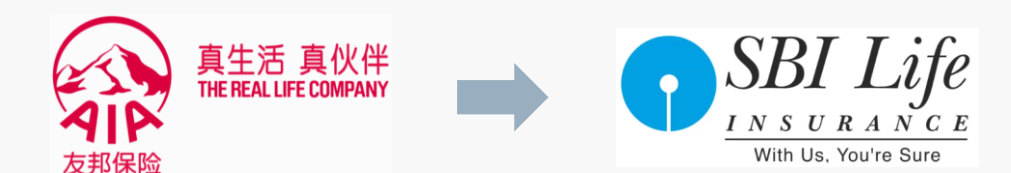
Tourism as a new consumption category



Rising demand for food delivery services



Higher savings; need for greater protection



Investment Philosophy



Taking a best-in-class approach across sectors with a focus on intrinsic value – the endeavor is to back managements that are visionary, category disruptors, and have good execution skill



Dynamic approach, not confined to any single investment style, allowing us to adapt and thrive even in cyclical markets



Identifying ESG improvers as a differentiator for alpha generation. Instead of large-scale exclusions, we engage with portfolio companies to drive improvements in governance, sustainability, and social impact



Benchmarks are backward-looking; **bottom-up stock picking** to identify future winners

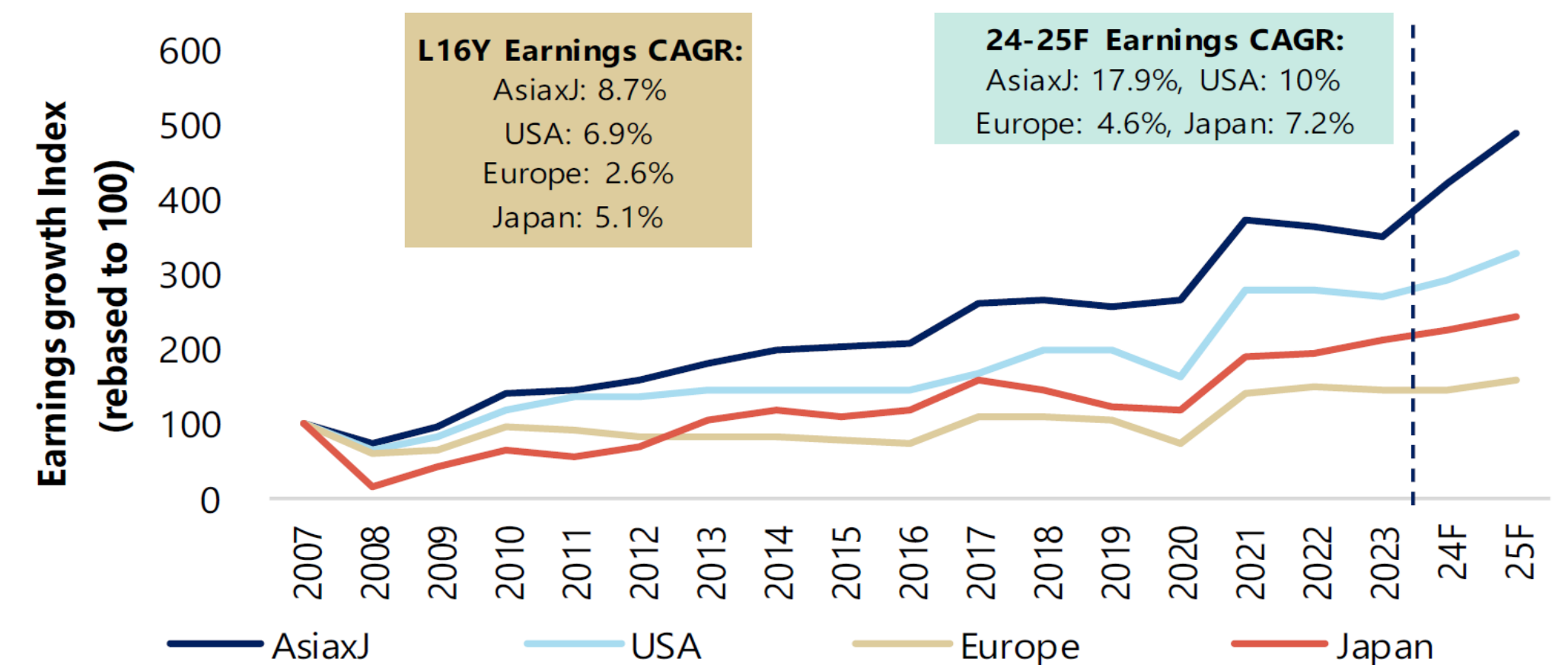


Companies impacted by disruption, weak management, and expensive valuations are **candidates to sell/avoid**

The Case for Asian Markets

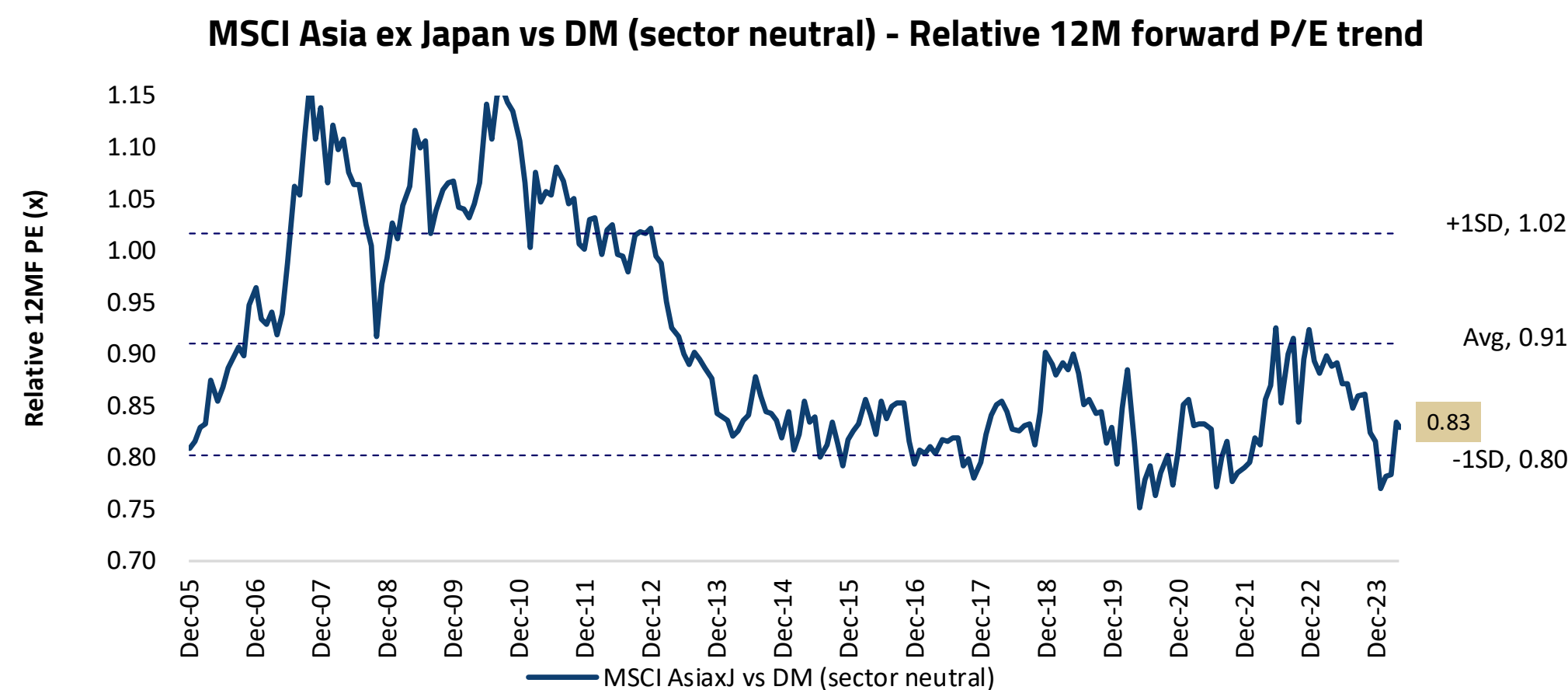
- ◆ Asian earnings growth to accelerate on the back of global recovery and technology cycle
- ◆ Significant outflows in the last two years have taken the region's valuations vs Developed Markets to a 30-year low
- ◆ Regulators and corporates pursuing shareholder friendly policies to attract fresh investment and narrow valuation discount
- ◆ Better macro economic situation vs Developed Markets which have high fiscal and trade deficits

Earnings continue to be the main reason to own Asia



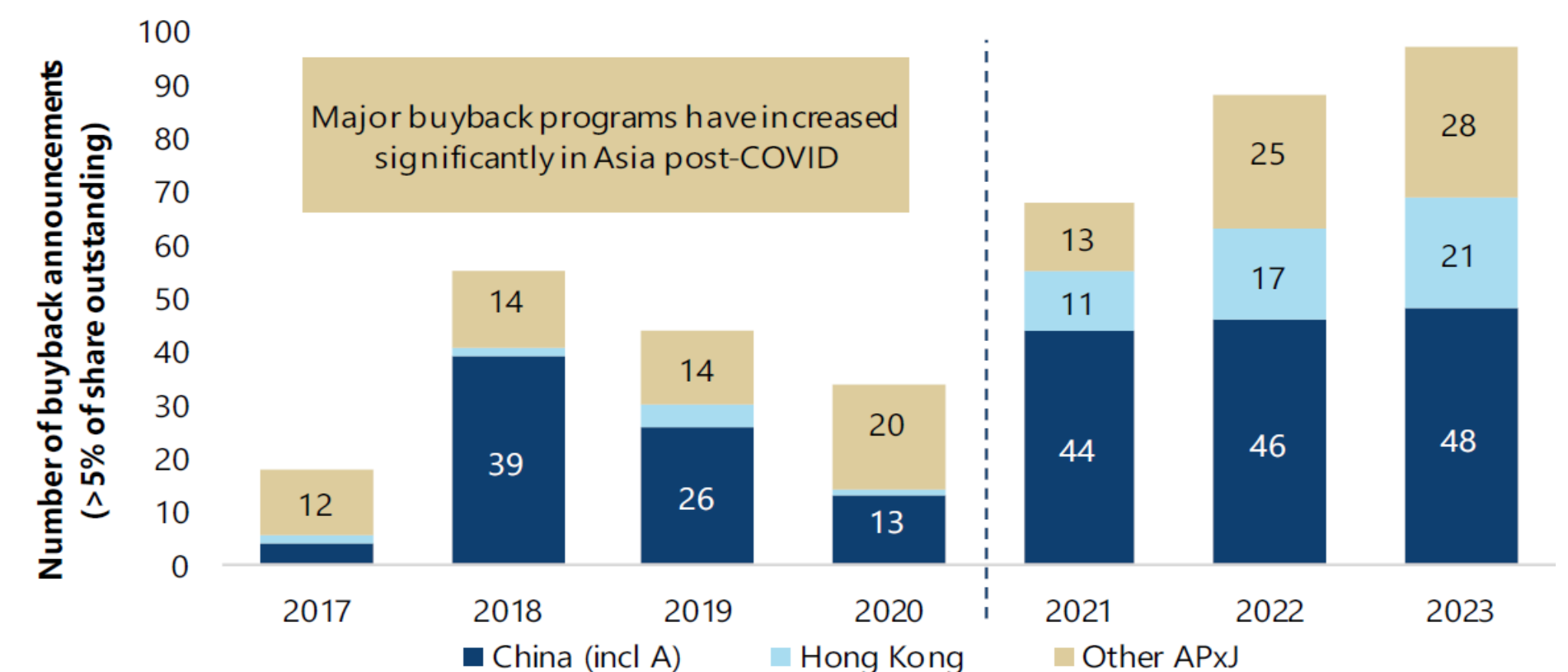
Source: FactSet, Jefferies, March 2024; Note: Ratios are bottom-up aggregated with free-float adjustment using current MSCI universe.

Asia vs DMs – Relative valuations at a 20-year low



Source: FactSet, Jefferies, March 2024

APxJ – No. of major buyback program announcements since 2017



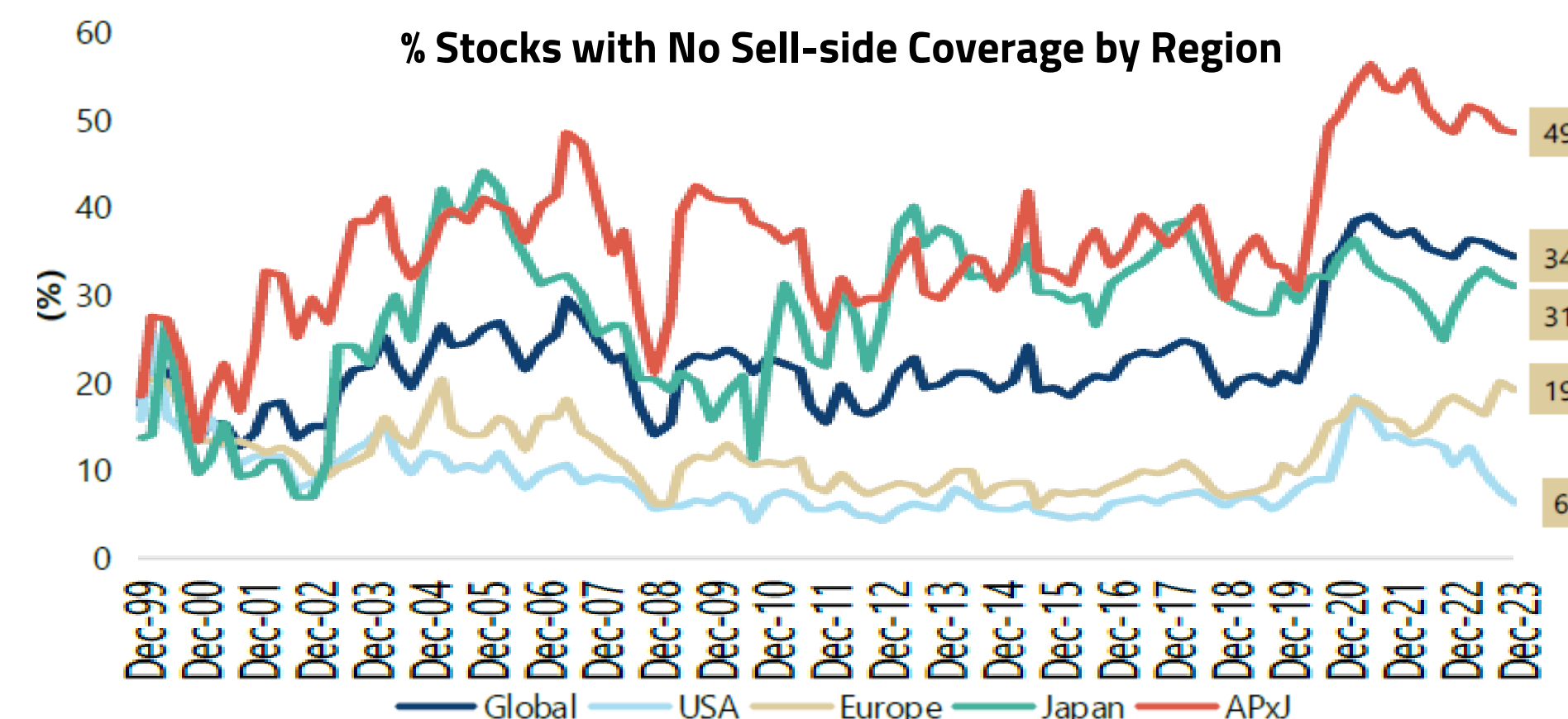
Source: FactSet, March 2024

Asia – Home to Multibaggers



- ◆ High nominal GDP growth for a sustained period of time creates meaningful consumer cohorts and product categories
- ◆ A well-educated, enterprising talent pool leads to new generation of entrepreneurs
- ◆ Inefficiencies in market coverage are an opportunity for disciplined, on-the-ground stock pickers
- ◆ Managements with vision, thought leadership, and strong execution skills convert promise into reality

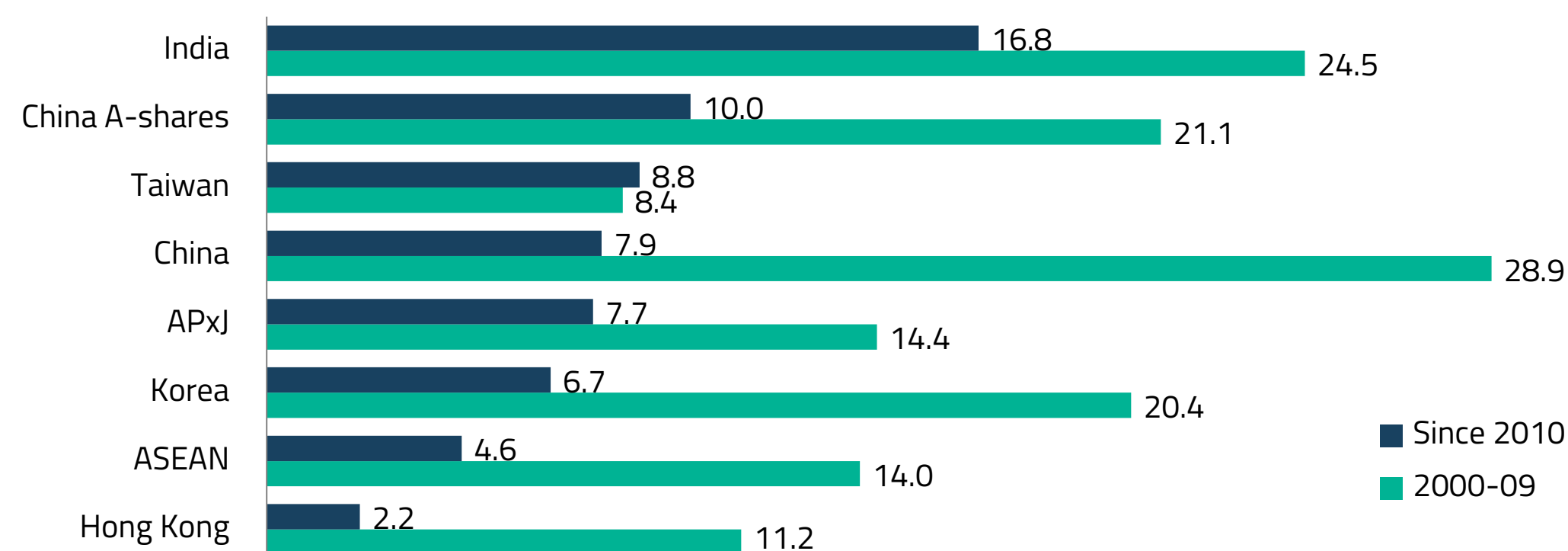
Asia is still the least sell-side covered region in the world



Source: FactSet alpha tester, Jefferies, March 2024; Note: Companies with market cap and ADTO more than US\$50mn and US\$0.5mn.

India and China are key drivers of multibaggers in Asia

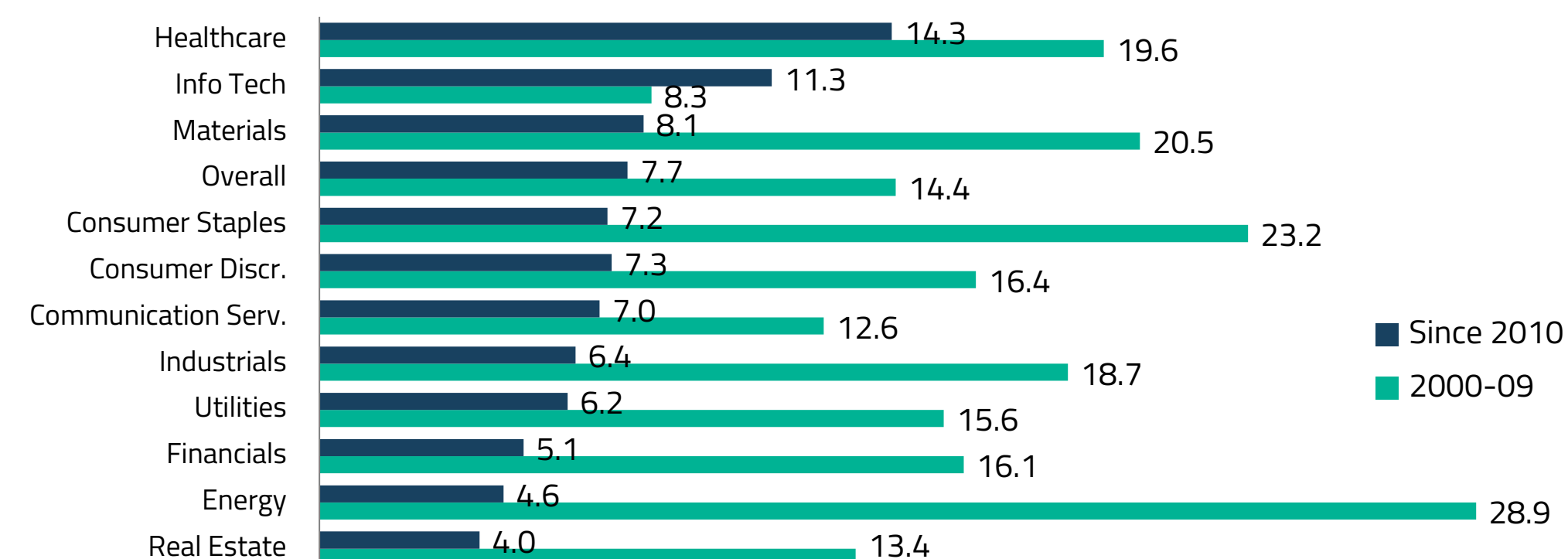
APxJ Markets – Multibaggers Average Quarterly Hit Rate



Source: FactSet alpha tester, Jefferies, March 2024; Note: Companies with market cap and ADTO more than US\$50mn and US\$0.5mn at the start. Multibaggers are stocks that have tripled (+200%) while outperforming local market index in 5 years.

Healthcare and Info Tech have a strong hit rate of multibaggers

APxJ Sectors – Multibaggers Average Quarterly Hit Rate



Source: FactSet alpha tester, Jefferies, March 2024; Note: Companies with market cap and ADTO more than US\$50mn and US\$0.5mn at the start. Multibaggers are stocks that have tripled (+200%) while outperforming local market index in 5 years.

Powerful Investment Themes Across Asia



1	A line-art icon of a microchip or integrated circuit with various pins and internal circuitry.	Tech as a competitive advantage
2	A line-art icon of a globe showing the continents, mounted on a stand.	Becoming Global Champions
3	A line-art icon of a hand with the index finger pointing towards three stars of varying sizes.	Winning Local Mindshare
4	A line-art icon of an industrial factory with smokestacks and gears, symbolizing manufacturing and industry.	Industrialization
5	A line-art icon showing a house with a plus sign, an upward-pointing arrow, and four stylized human figures of increasing size, representing an aging population.	Aging Population



Thank You

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