



High impact investment opportunities for the next decade

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We are excited about the world committed to real ESG and not just on headline. As the world finds itself in diminishing return on resources, we have clear economic interest and duties to preserve and protect our wealth in natural assets including in real assets, people, and governance. Often business risk rises and falls with strong or weak corporate governance that can impact investment risk and return based on the degree of transparency and efficiency in capital use and allocation. We understand that investors' decisions incorporating ESG into their investments have to be baked into business decisions, and not just superficially.

To-date, there has been slow adoption of ESG in asset managers' investments. Only about 4% of world's private equity firms disclosed ESG impact on their financial returns. While 80% of EU's top 20 institutional investors have committed to ESG, less than 50% of top 20 North American investors have fully adopted ESG. However, trends and data show that ESG standard is becoming unavoidable as there are rising demands by LPs 90%, bankers 80%, consumers 80%, employees 60%, and growing number of regulators demanding ESG disclosures. Although there is lacking evidence linking ESG to returns today, most agree that companies that embrace ESG are less risky. Thus, as ESG is baked into investment thesis and portfolios, companies that have embraced ESG in their value creation plan can expect rising EBITDA multiples through series of sustainability transformations with clear KPI goals, measures, and incentives.

As ESG is rising and initiatives are clearly driven by people in hand-to-hand combat with business sellers and buyers, we can expect to see rising portfolio allocation in alternatives at 60% with LBOs and Venture Capital allocation reaching 50% by 2032. Investment allocation in renewable energy and natural resources are also likely to rise with improved business practices, declining reliance on fossil fuel, and fund allocations toward decarbonization. With aging population, healthcare providers will continue to expand and compete for high quality patient care and competitive value-added services in OECD countries. Global AUM was \$103 Trillion in 2020. Estimates show that it can rise to \$145 Trillion by 2025 and \$235 Trillion by 2032. Stakes are high in all asset classes. But higher value creation will be with assets that have high impact investment philosophy, and investors who integrate ESG as their second nature are more likely to thrive over the next decade.

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