October 2022

Planetary Pulse Survey

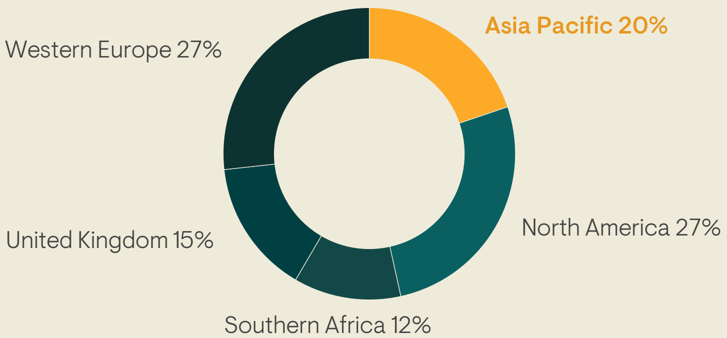
Asia Pacific Highlights

Asset owners in Asia Pacific are clearly committed to climate-related investing and would expect to find stronger returns from transition finance in the months ahead.

What is Planetary Pulse?

Planetary Pulse is a global study commissioned by Ninety One, which explores transition finance, what it means for asset owners, and its role in averting harmful climate change. The study surveyed 300 senior professionals at asset-owner institutions and advisors around the world, including pension funds, insurers, endowments, foundations, central banks, sovereign wealth funds and consultants, 20% respondents are investors from the Asia Pacific region.

Regional proportions



What is transition finance?

An investment approach that generates returns by enabling carbon-intensive sectors to cut emissions and encourages innovation in carbon reduction. This can involve:

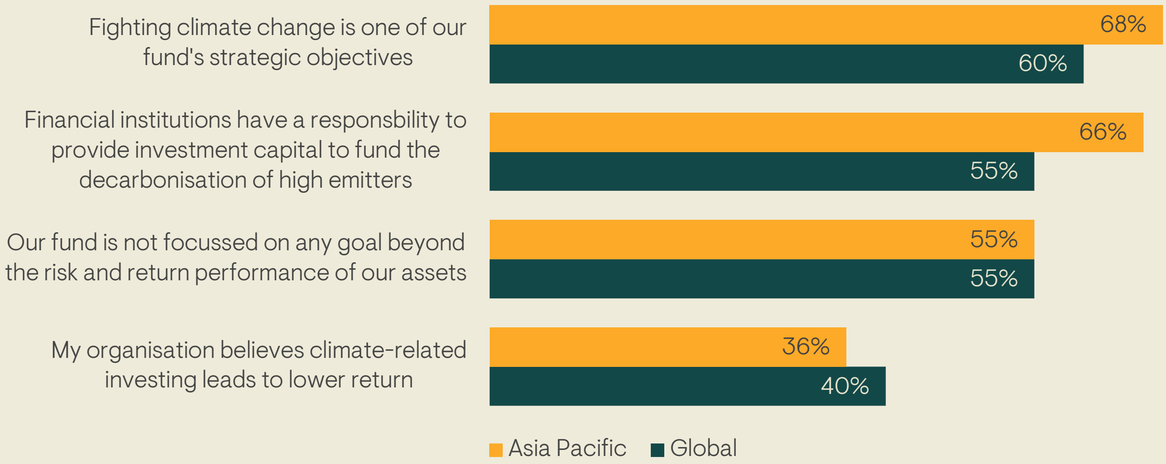
1. Investing in some of the most challenging industries to decarbonise, such as steel, cement and chemicals, so that high emitters receive the capital and influence they need to transform their operations.
2. Investing in new innovations and projects that might not be profitable initially, such as green hydrogen and carbon capture and storage, but require stable funding to develop.
3. Funding vast infrastructure transformations, such as expanding and modernising electrical power grids and transmission systems.
4. Increasing exposure to emerging markets, where emissions continue to grow the fastest and the need for all forms of support is greatest.

Early steps towards transition

In our survey of senior executives from asset owners, a strong majority of Asia Pacific asset owners (68%) report that fighting climate change is one of their fund's strategic objectives – a higher proportion than global responses (60%).

This is an encouraging picture at one level: it shows that the majority are doing something in response to climate-related risks and opportunities. But it is less positive when we look for real-world impact. Only about one in five (19%) say they use transition finance to any extent, Asia Pacific respondents in our survey recorded the lowest adoption of transition finance (13%) among the featured regions.

Climate investing perspectives

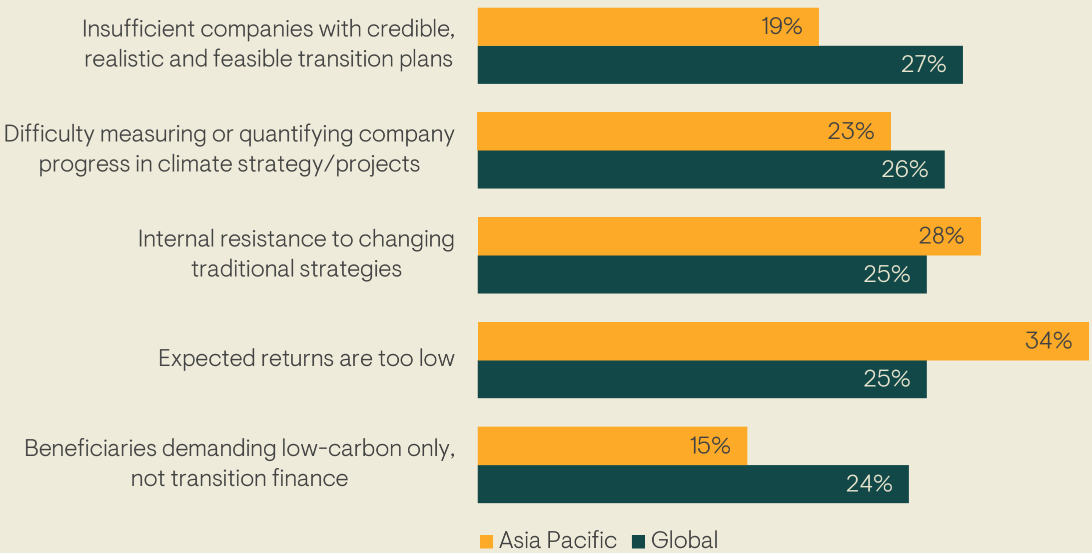


Why are asset owners not investing more in transition finance?

There are several reasons. One of the most important is that it requires them to make a shift in their approach or culture. In our survey, for example, more than half of asset owners (55%) say their fund is not focused on any goal beyond the risk and return performance of their assets.

In Asia Pacific, asset owners report that the top barrier to transition finance is that expected returns are too low. Indeed, the region has a relatively low proportion (47%) that believe transition finance is a major commercial opportunity for asset owners, when compared to regions like North America (60%) and the UK (56%).

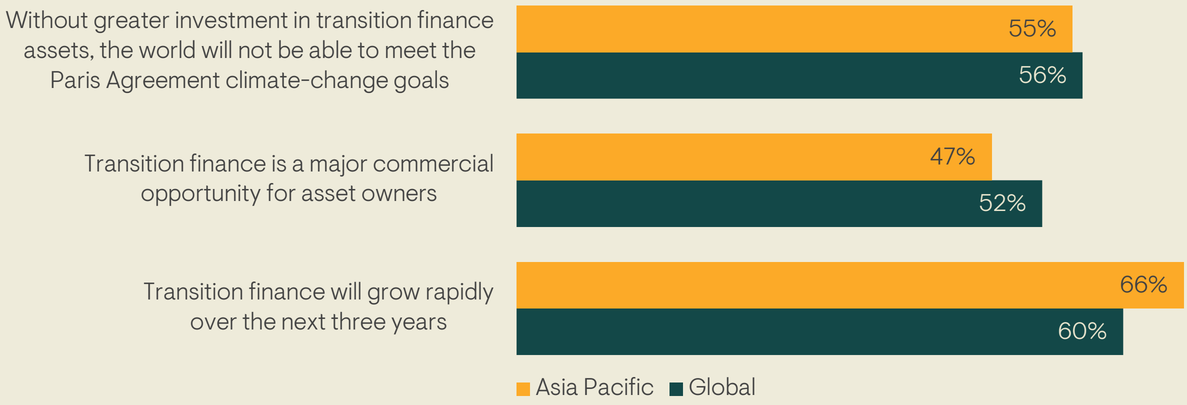
Top 5 barriers by region



This is expected to change

More Asia Pacific asset owners say they are likely to make transition finance investments in the next 12 months (43%) than most other regions (only Southern Africa is higher, at 48%). Plus, two thirds believe transition finance will grow rapidly over the next three years.

Transition finance outlook



Important information

The content of this communication is intended for readers with existing knowledge of financial markets.

This communication is provided for general information only. Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular strategy, security, derivative or investment product. The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. Views and opinions presented herein will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Reliance upon information in this material is at the sole discretion of the reader. Investors should consult their own legal, tax and financial advisor prior to any investments. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

Contact information

Australia
Level 28 Suite 3
Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@NinetyOne.com

Hong Kong
Suites 1201-1206, 12/F
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

Singapore
138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

www.ninetyone.com

Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions.