INVESTCORP

INSIGHTS

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The Rising Post COVID-19 Opportunities in **China and Southeast Asia**

Duncan Zheng
Head of Private Equity, China

Duncan joined Investcorp in 2020 from Nepoch/Pagoda in Beijing where he was Co-Managing Partner and led the firm's buyouts in the healthcare sector as well as investments in China technology conglomerates including Alibaba, Meituan, Didi.

Duncan brings with him 19 years of experience in private equity and investments.

Previously, Duncan worked as a Principal at Triton, the largest private equity firm in Germany and served as a Senior Advisor to China Investment Corporation's Global Private Markets Department in Beijing.

Prior to that, Duncan worked at Hicks Muse Tate & Furst, a US private equity firm, and in the Global Consumer & Healthcare Group at Salomon Smith Barney in New York.

Helen Chan
Principal, Private Equity, Southeast Asia

Helen joined Investcorp's private equity Asia team in 2020, bringing over 17 years of experience.

Previously, Helen was a director at PwC London where she spent 13 years with the transaction services group, with a focus on consumer deals and advising private equity clients. Prior to that, Helen spent 3 years with PwC Toronto.

Helen holds a bachelors of business administration (BBA) degree with first class honors from Simon Fraser University in Vancouver, Canada. She is also a qualified Chartered Accountant (Canada).

Mathew Coleman
Vice President, Private Equity, Southeast Asia

Matthew joined Investcorp in 2017 via the acquisition of 3i Debt Management, with 7 years of experience.

Prior to that, Matthew worked as an analyst and associate at Aberdeen Standard Investments.

Matthew holds a Master of Arts in International Relations and Modern History from the University of St Andrews and is a CFA Charterholder.

Megan Zheng
Associate, Private Equity, China

Megan Zheng joined Investcorp in 2017 with 6 years of experience in private equity.

Prior to joining Investcorp, she was an M&A Associate in the Investment Banking Division at Barclays.

Megan holds a Bachelor's degree in Accounting in Management from Tsinghua University, School of Economics and Management in Beijing, China, which included an exchange programme at the Wharton School, University of Pennsylvania in 2012.

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KNOWLEDGEABLE TEAM WITH ACCESS TO THE LOCAL MARKET SUPPORTED BY INVESTCORP'S RENOWNED ASIA ADVISORY BOARD

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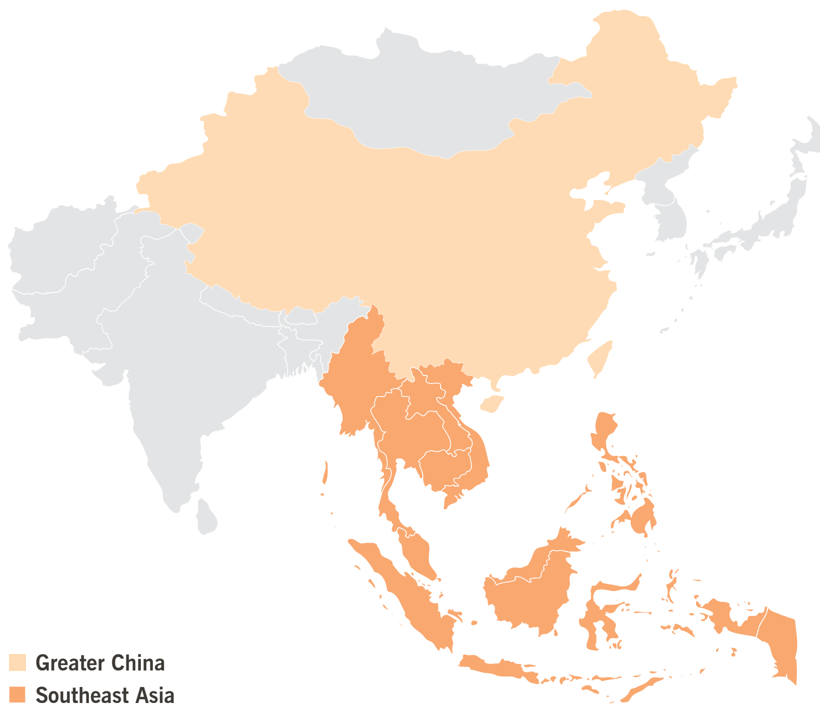
GEOGRAPHIC CONTEXT



Country	Population	GDP per capita as of 2019
Greater China		
Beijing	22 million	US $23,460
Tianjin	16 million	US $12,910
Zhengzhou	10 million	US $21,781
Shanghai	24 million	US $22,468
Hangzhou	10 million	US $21,781
Nanjing	9 million	US $23,669
Ningbo	9 million	US $20,451
Wuhan	11 million	US $20,792
Xian	10 million	US $13,179
Chengdu	17 million	US $14,769
Chongqing	31 million	US $10,833
Guangzhou	15 million	US $22,347
Shenzhen	13 million	US $29,070
Hong Kong	8 million	US $48,756
Macau	0.7million	US $84,096

Country	Population	GDP per capita as of 2019
Southeast Asia		
Singapore	6 million	US $65,233
Indonesia	265 million	US $4,135
Thailand	69 million	US $7,808
Malaysia	33 million	US $11,414
Vietnam	95 million	US $2,715
The Philippines	107 million	US $3,485

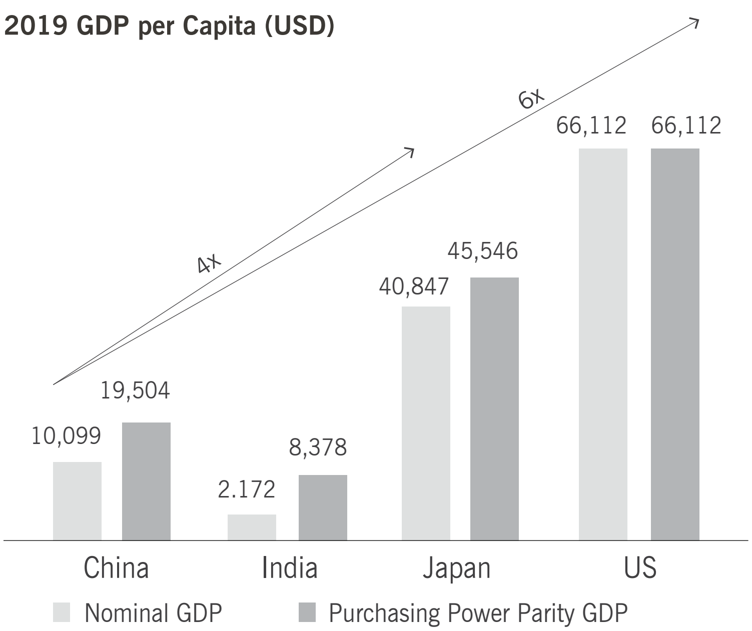
SYNOPSIS

In this inaugural paper from Investcorp's Asia Private Equity Team based out of our Singapore office and our partner's Beijing offices, we discuss how the fast adoption of new technologies in 5G, artificial intelligence, next generation healthcare and new consumerism, coupled with effective models of government, are generating attractive investment opportunities across China and Southeast Asia.

CHINA

Although China has become the 2nd largest economy in the world, its per capita nominal GDP is still only a sixth of that of the US, a quarter of that of Japan, and many healthcare, consumption and industrial per capita metrices are still a fraction of the developed economies, leaving ample room for sustained long-term growth.

2019 GDP per Capita (USD)

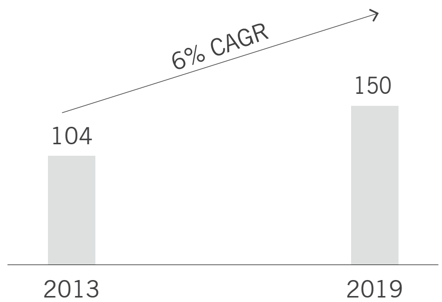


Source: International Monetary Fund World Economic Outlook (October - 2019).

China is the 2nd largest economy in the world and still has ample room for sustained long-term growth

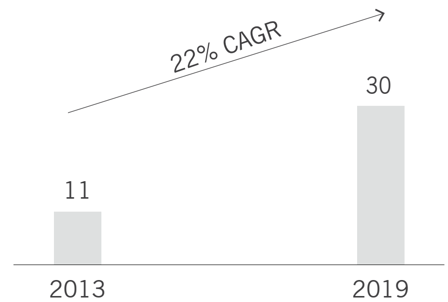
Highway Network

in 000's km

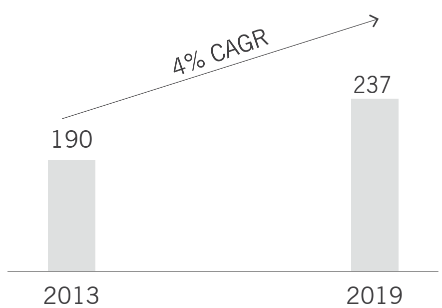


Highway Speed Train Network

in 000's km

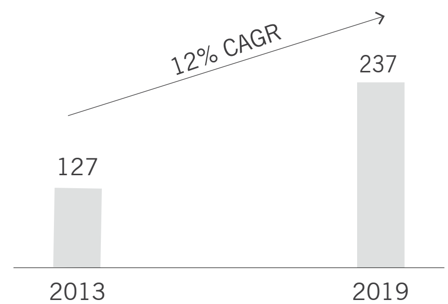


Number of Airports



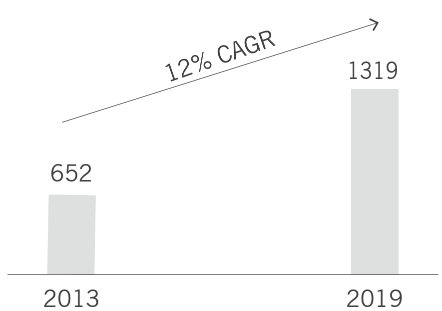
Number of Cars

in millions



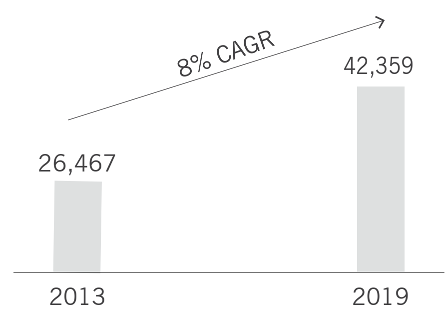
Mobile Internet Users

in millions



Urban Disposable Income per Capita

(RMB)



Source: National Bureau of Statistics, Wind.

China Metrics Compared to Rest of World

$ 10k Nominal GDP / capita vs. $40-65k+ in the West	30,000km high speed rail 15,000km will be built in the next 10 years	904 million netizens = US + EU + Japan
3.85% lead interest rate vs. 0-2% in the West	350m+ middle class another 350m over next 10 years	237 airports 124 under construction
2.9% inflation rate vs. 0-2% in the West	40sqm housing / capita vs. 67sqm in the US	205 GW solar power installed capacity vs. 81.4 GW in the US
5.2% unemployment rate vs. 3.5-7% in the West	0.14 car / capita vs. 0.8 in the US	210 GW wind power installed capacity vs. 96 GW in the US
13.0% bank reserve ratio vs. 3% in the US	23.7kg protein / capita vs. 36.5kg in the US	133 companies in Fortune 500 vs. 121 from the US
55% government debt to GDP vs. 107% in the US	245m people in education system 52m graduates p.a.	9 tech conglomerates (top 20) vs. 12 from the US
44.5% household savings rate vs. 18.5% in the US	25.8m cars sold in 2019 vs. 17.5m in the US	55% mobile payment penetration vs. US 27% / EU 22%
38 medianage & 2nd child policy vs. 39 median age in the US	369m mobile phones sold in 2019 vs. 161m in the US	589PB data generated per day vs. 256 PB in the US
96.4% literacy rate vs. 74.1% in India	58.5m people living under poverty line 484m lifted out of poverty since 1978	4.4hrs spent online / capita / day vs. 4.3hrs in the US
59% urbanization rate vs. 82% in the US	12.9L milk consumption / capita vs. 69.2L in the US	4% expenditure on education vs. 6.2% in the US

Source: National Bureau of Statistics, Wind, CNNIC, SEIA, Fortune, Statista, Canalys, Bloomberg.

China: "It doesn't matter if a cat is black or white, as long as it catches mice" Deng Xiaoping.

This saying from Chairman Deng Xiaoping summarized the pragmatic vision behind China's opening up and economic reforms starting in 1978, which unleashed an unprecedented era of poverty reduction, wealth creation and societal transformation in human history. 42 years later, China today accounts for over 16% of global GDP (vs. c.33% during the Qing Dynasty) and finds itself in a position of inevitable reach for global co-leadership in technological innovation, resources access, and rules-of-play setting.

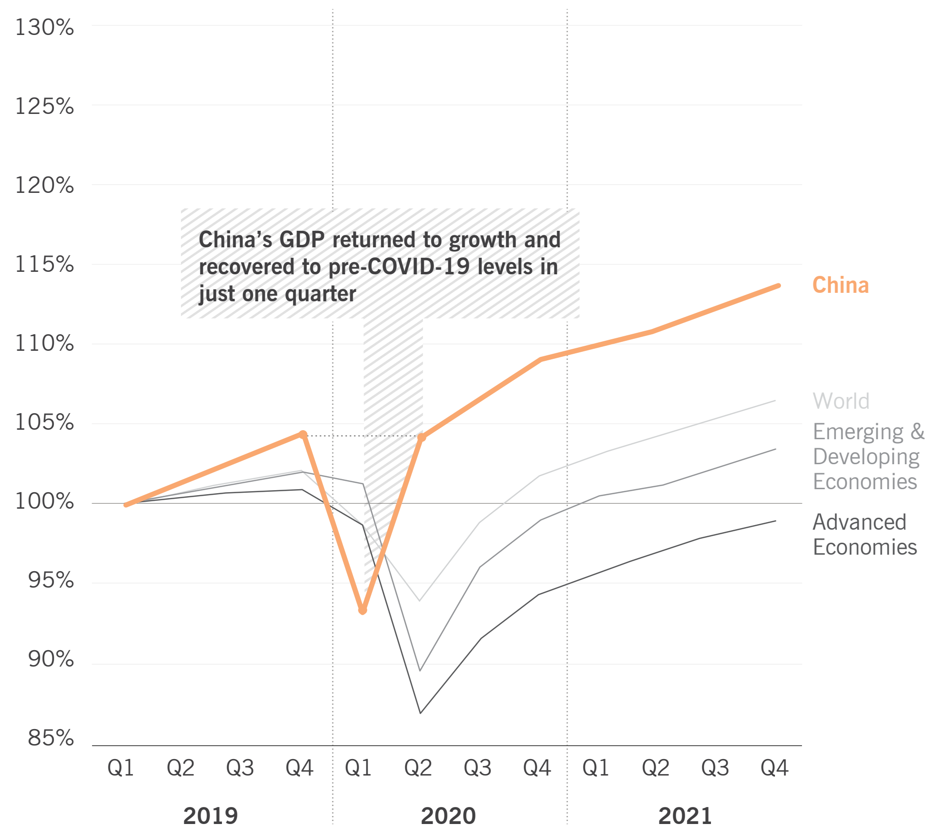
Being "first in & first out" in the COVID-19 pandemic, China has exhibited comparatively advantageous resiliency as its societal, fiscal and monetary safety cushions have provided effective tools to absorb the shock and to resume a growth trajectory underpinned by fundamental secular growth drivers. Interestingly, China was well underway to implement a slew of economic reforms to further open its economy (most notably in the financial services and technology sectors) to Western capital after signing a Phase-I trade agreement with the US in January this year. These now implemented reform policies are driving sustained growth in the banking, insurance, asset management, semiconductor, sensor and software sectors by allowing majority foreign ownership for the first time. China was in a relatively comfortable position going into the pandemic as its lead interest rate stood at 3.85%, bank reserve ratio at over 12.5%, corporate tax rate at 25%. It had nearly zero sovereign national debt, a USD reserve of over $3 trillion and a plethora of reforms needed in virtually all sectors. As the pandemic caused sudden shocks in China and around the world, China swiftly mobilized a synchronized and targeted financial and policy response package. Coupled with a short but strict nationwide lock-down, the country finds itself today in a position of being the global front runner in economic recovery with a strong tailwind from various policy reforms implemented during 1H2020, providing sustainable growth drivers for possibly many years to come.

Being "first in & first out" in the COVID-19 pandemic, China has exhibited comparatively advantageous resiliency to absorb the shock and to resume growth trajectory

CHINA'S ECONOMY IS RECOVERING TO PRE-COVID-19 LEVELS WITH MEANINGFUL GROWTH IN SUPPLY & DEMAND

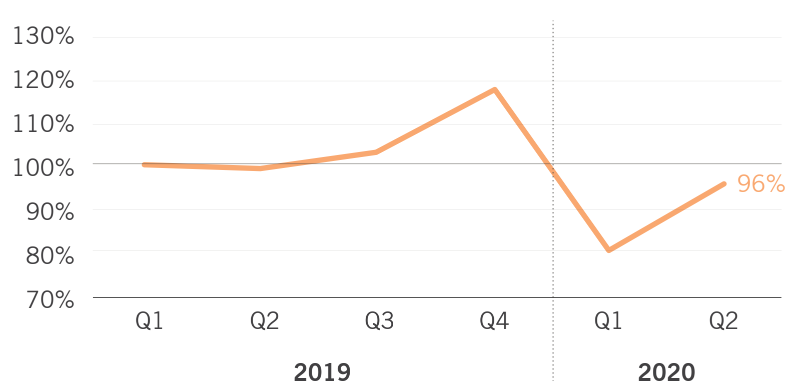
Growth in Gross Domestic Product (GDP)

Figures indexed to Q1 2019



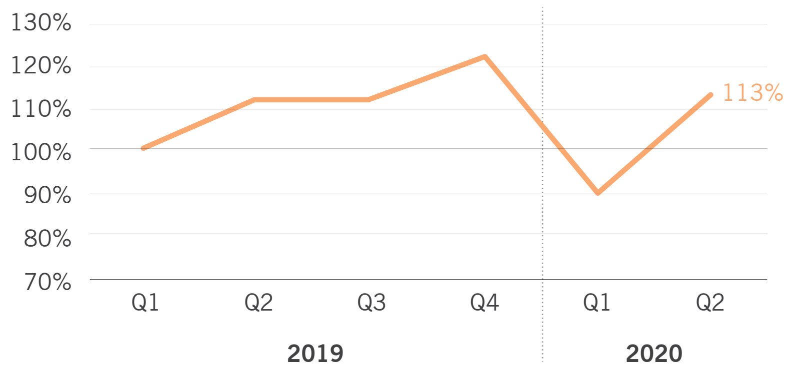
China Retail Consumption

Indexed to Q1 2019



China Industrial Production

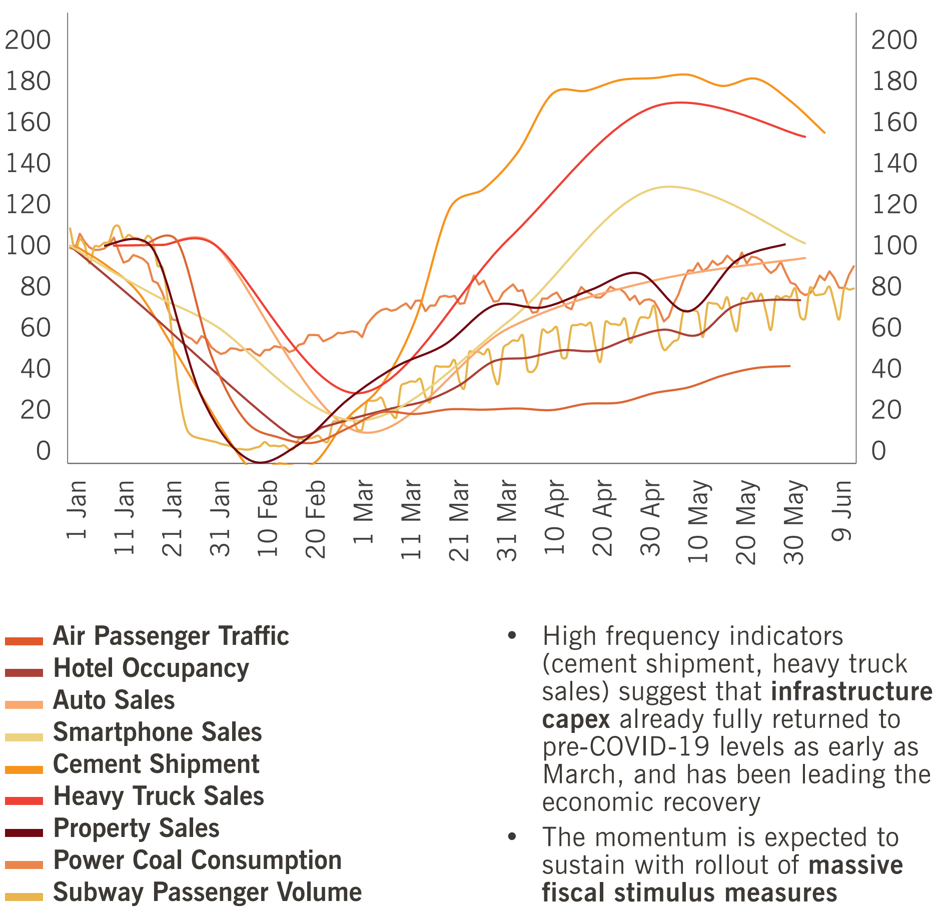
Indexed to Q1 2019



Source: IMF World Economic Outlook as of June 2020; National Bureau of Statistics of China.

Infrastructure Capex Leading Growth Recovery

Index, Year Start =100



- High frequency indicators (cement shipment, heavy truck sales) suggest that **infrastructure capex** already fully returned to pre-COVID-19 levels as early as March, and has been leading the economic recovery
- The momentum is expected to sustain with rollout of **massive fiscal stimulus measures**

Source: CEIC, Morgan Stanley Research.

In the following sections, we discuss some of the observations from Investcorp's in-depth sector analysis on China's technology, healthcare and consumer sectors, case studies of our investments in these areas, and upcoming trends in what we believe could be attractive opportunities.

China Technology: "If we do not master the core technologies, we will be building roofs on other people's walls and planting vegetables in other people's yards" – Jack Ma.

China today is the world's leading implementer of 5G, AI, Autonomous Mobility, FinTech and Industry 4.0 technologies by speed and scale. The country is determined to be the largest market for application of all these next generation technologies to ensure its economy's long-term competitiveness. At the same time, China also has a high dependency on advanced Western technologies: e.g. up to 80% of high-end sensors and 90% of high-performance semiconductors have to be imported from the US and EU, over 90% of high-end industrial software has to be purchased from SAP, Microsoft and Salesforce etc.[1]

Long before the US started a trade rebalancing act in 2018, China was already in a strategic drive to develop its own set of core technologies in all of the above areas to mitigate potential impact from access to advanced technologies being weaponized in a geo-strategic context. The US-China trade tensions are evolving into a new "technology arms race" as the US is seeking to slow down the penetration of Chinese technology conglomerates into Western markets (e.g. Huawei, ZTE, TikTok, Alipay, Xiaomi, WeChat etc.). Coupled with a stimulus package similar to the one put in place during GFC to counter shocks from the pandemic, China has released supportive liquidity into the economy and particularly into the technology sectors. China is now accelerating a multi-year technology race to close the remaining high-end technology gap with the West and to set its own standards for next generation technologies for building an ecosystem.

We expect attractive investment opportunities in China's technology sectors over the next decade as the country embarks on this next generation technology revolution.

The Siamese twin "Chimerica":

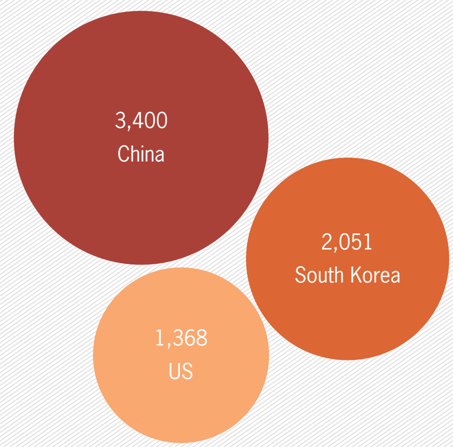
For over four decades, the US and China nurtured symbiotic economic relations in trade, capital, science, culture and many more areas. The abrupt shift in US strategy in 2018 to move away from globalization has triggered a decoupling of the two largest economies in the world. While this process is highly complex, time consuming, costly and rather dynamic, it does create new opportunities for both countries. Both sides have strong cards at hand to play: e.g. access to advanced technology vs. access to the largest consumer market in the world, access to equity capital markets vs. access to cheap credit, access to fossil energy vs. access to rare earth, access to agricultural commodities vs. access to the largest airplane market in the world etc. To untangle the Siamese twin Chimerica, each country will have to develop its own set of vital organs to be independently healthy and growing.

As such, we believe the coming decade will see an unprecedented level of technological innovations and applications in both markets and their spheres of influence. Therefore, Investcorp is planning to dedicate meaningful time and resources to seek to capture these opportunities as they emerge and benefit from these developments.

[1] Source: Mercator Institute of China Studies, May 2020 Report.

OPPORTUNITIES FROM 5G

CHINA LEADS THE WORLD IN 5G PATENTS



Source: China Internet Report 2019/SCMP, Abacus.

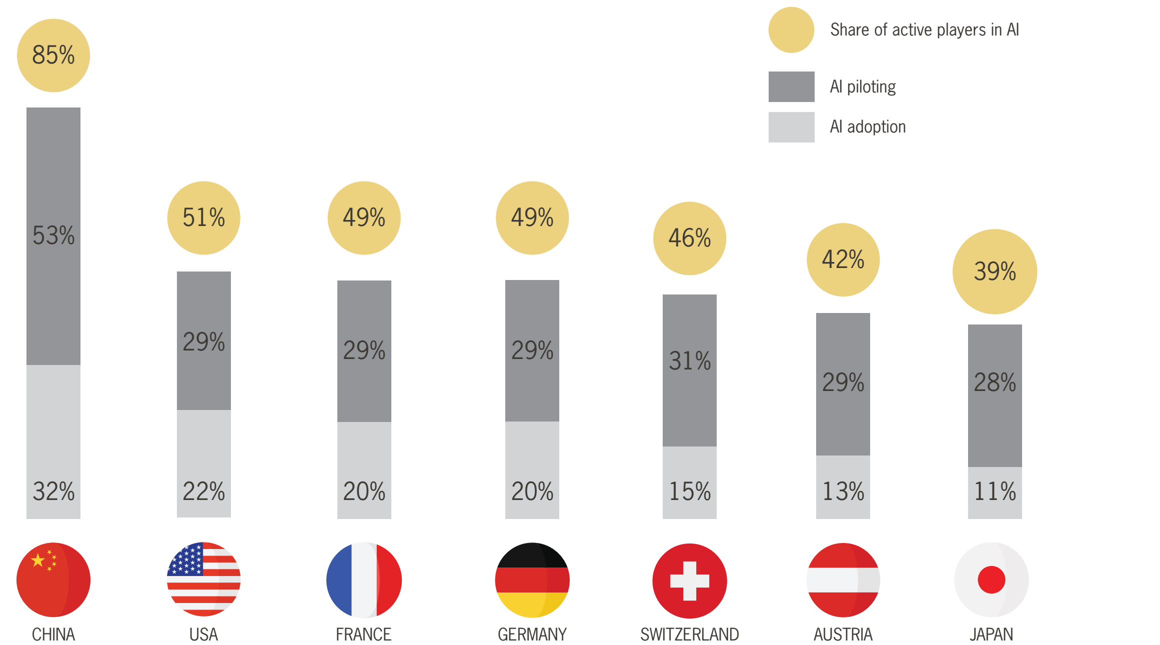
We expect attractive investment opportunities in China's technology sectors over the next decade as the country embarks on a next generation technology revolution

For several decades, China's communications infrastructure was reliant on Western technology providers such as Cisco, Nokia, Ericsson etc. Over the last ten years, China has completed a reshuffling of the industry not only at home, but also around the world, by establishing Huawei, ZTE and a slew of supplier companies to become the world's preeminent providers of 4G and 5G technology. Concurrently, China is also the fastest and largest 5G deployment country of the world setting the stage for industry 4.0 manufacturing, autonomous driving, telemedicine, VR/AR eCommerce, etc.

Today, we are already observing a group of new businesses growing exponentially and reaching profitability quickly by offering new innovative consumer services in a 5G environment in China. With a population of 1.4 billion (which is North America + South America + Europe + Japan and some more), we believe that China will continue to produce innovative consumer and business facing technology companies operating in a large market.

OPPORTUNITIES FROM ARTIFICIAL INTELLIGENCE

Chinese companies are actively setting the pace on AI
Share of active players in AI by country

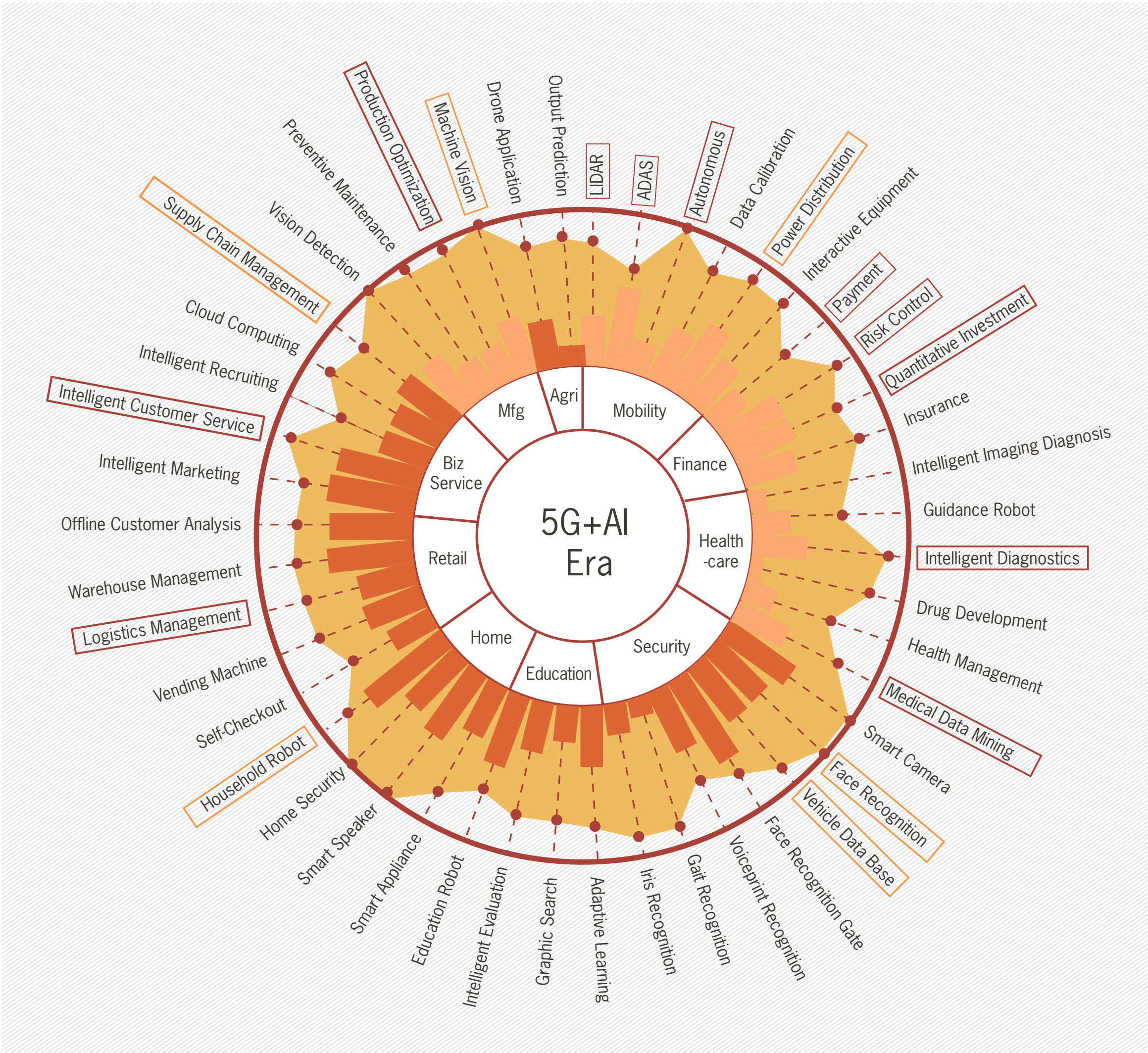


Across countries, technology leaders in leveraging AI
Share of active players in AI by country/industry cluster

	CHINA	USA	FRANCE	GERMANY	SWITZERLAND	AUSTRIA	JAPAN	TOTAL
Consumer	84%	41%	57%	39%	65%	32%	35%	50%
Energy	86%	73%	48%	50%	NA	67%	38%	67%
Financial services	86%	61%	45%	34%	67%	22%	42%	52%
Healthcare	83%	49%	51%	43%	38%	33%	23%	49%
Industrial	83%	49%	43%	60%	35%	44%	32%	55%
Technology, media, telecom	89%	65%	63%	64%	43%	67%	60%	71%
Total	85%	51%	49%	49%	46%	42%	39%	55%

Note: Values denote percentage share of active players in each country and/or industry. Colors highlight their relative positioning “n.a” denotes clusters with insufficient survey statistics.

Source: BCG.

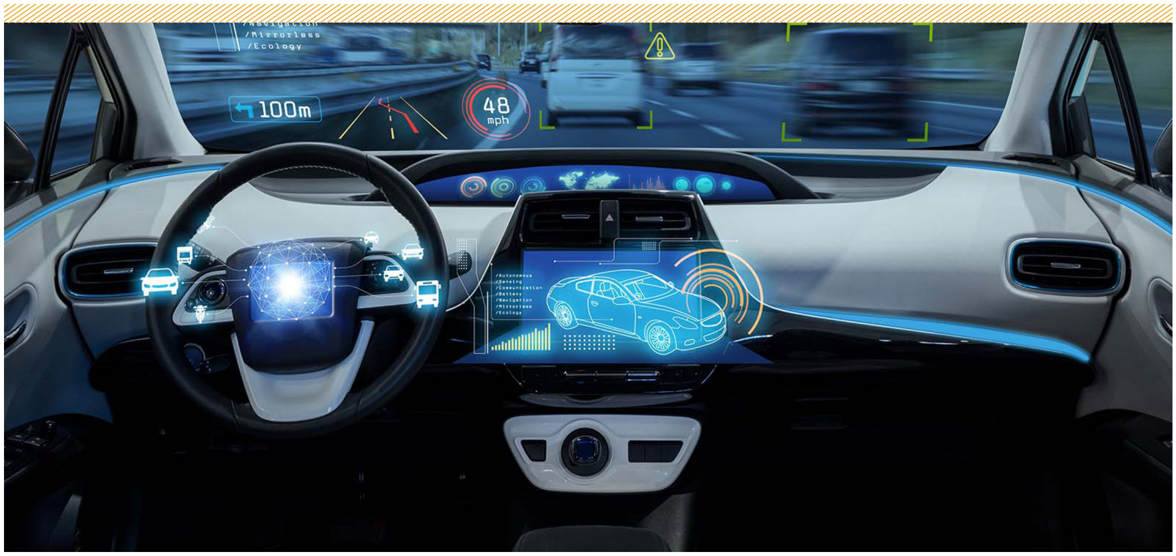


Source: Investcorp internal view.

China is culturally more relaxed about personal data privacy which has provided an unexpected advantage for the development of AI technologies and applications. With nearly 1 billion netizens providing the largest amount of connected consumer and industrial AIoT connections in the world, China produces, collects and interprets much more data than any other economy in the world. Combined with a deep and vast talent pool of AI engineers, China is leading the world in AI-applications for consumer, healthcare and education services, public safety, smart manufacturing and many more sectors.

We expect this trend to accelerate in the coming years as China develops its own advanced hardware and software technologies to drive much broader adoption of AI across all areas of the economy. Even if these cutting edge AI-applications are only being commercialized in China and in regions of the Belt & Road Initiative, the market size is already 1/3 of the world and therefore of tremendous potential scale and value.

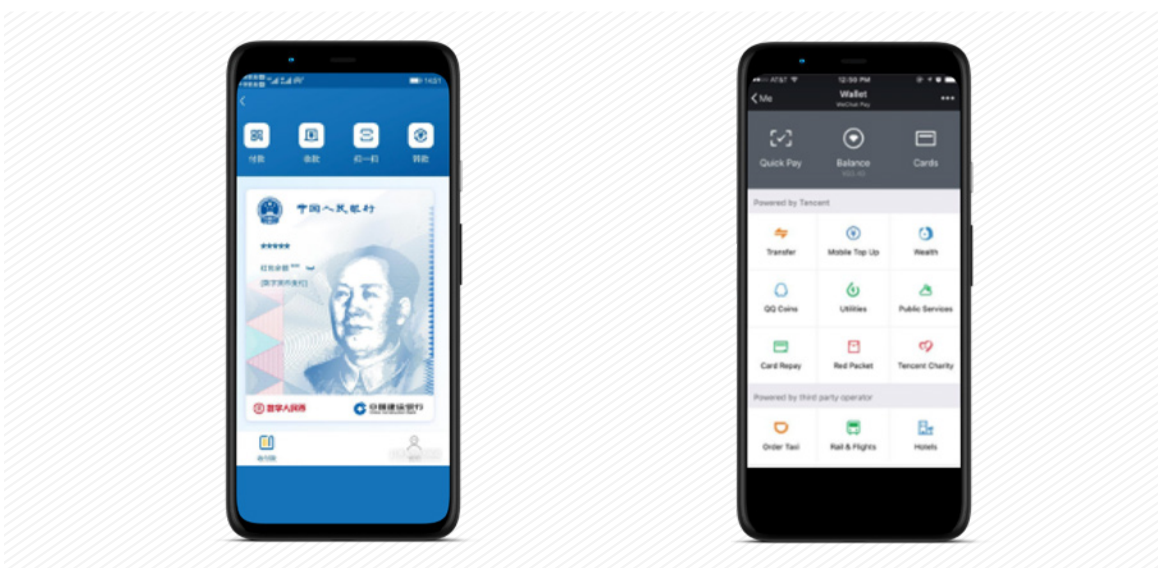
OPPORTUNITIES FROM AUTONOMOUS MOBILITY



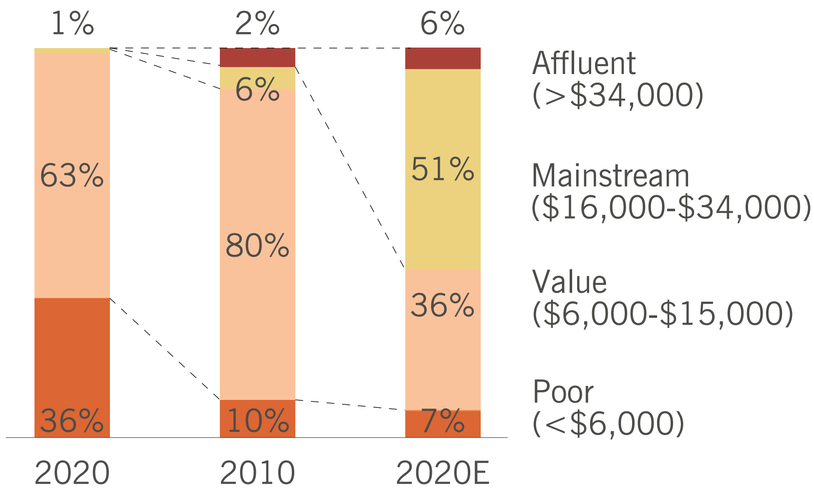
China already produces the largest number of electric vehicles in the world, the largest lithium battery manufacturing volume in the world, the most advanced autonomous driving sensors in the world, the largest drones fleet in the world and soon the largest autonomous logistics chains in the world with contactless last mile delivery robotics networks. These new technologies are still being introduced to society and it will take many years for them to become fully integrated into our daily lives. However, China is the global leader in the sector and the pandemic has accelerated the development and adoption of these new mobility modes.

We expect to capture great businesses growing in this fast-developing industry as they significantly reduce mobility costs and increase societal efficiencies.

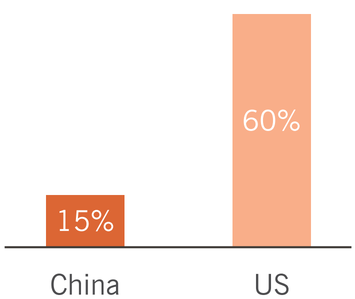
OPPORTUNITIES FROM FINTECH



Note: Pictures above show China's Central Bank issued digital RMB currency and WeChat Pay app essential for nearly all daily payments in China.

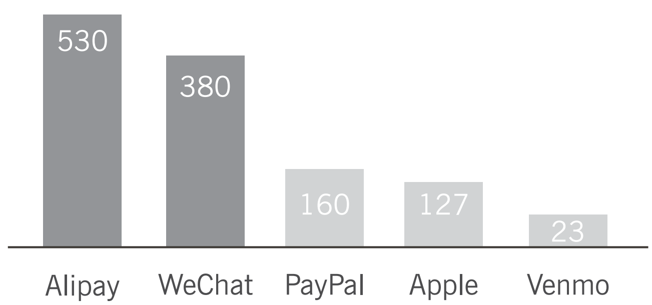


China Credit Card Penetration



Mobile Payment Active Users

In millions

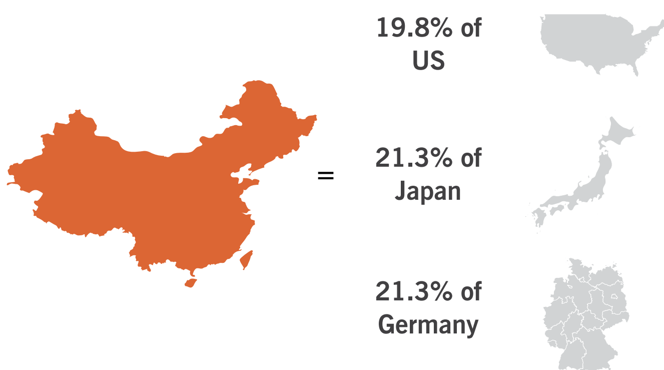


China is already the world's largest and most penetrated country for digital payments driven by almost a decade of usage of Alipay and WeChat Pay in its society. In today's China, it is rather rare to find people using paper money, coins or even credit cards as virtually all daily expenditures can be easily paid through Alipay and WeChat on mobile devices. In contrast to that, China's professional money management sector and financial services sector is mostly state-owned and is still only a fraction of that of the advanced economies on a per capita basis. With the high proliferation of digital payments in China, the country's financial services industry is best positioned to capture innovative growth from new fintech services for consumers and businesses.

Another world-leading development is China's government-led adoption of blockchain technology: part of China's strategy to balance the USD reliance for international trade and settlement is by becoming the global leader in digital currencies. China is already the largest mining country of blockchain currencies and with the introduction of the China Central Bank-issued RMB blockchain digital currency last year, it became the first major economy in the world to start transitioning the economy to use a new sovereign digital currency. Currently this digital RMB currency is only used within its borders, however, it is expected to be rolled out for international applications in the coming years. We expect to see attractive new opportunities from China's fast developments in the fintech area for several years to come.

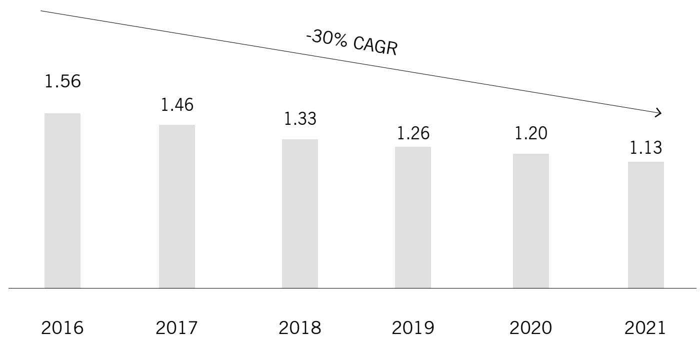
OPPORTUNITIES FROM INDUSTRY 4.0 & ROBOTICS

China Industrial Efficiency



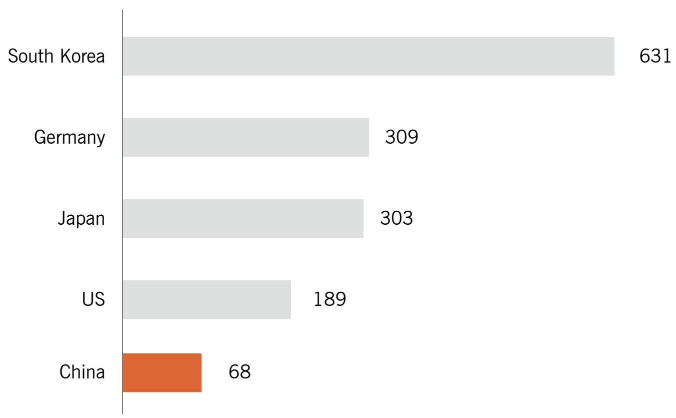
Labor Force 18-24 Age Group

in '00 million



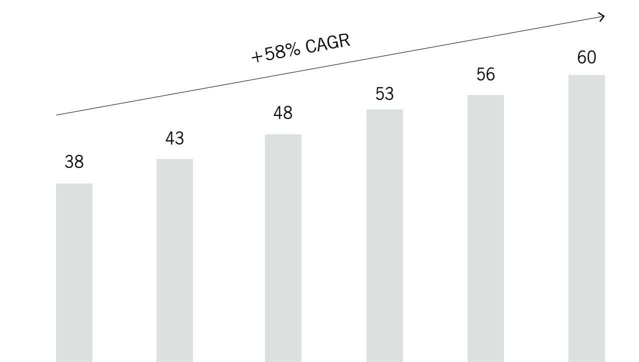
Low Robot Density in China

Robots per 10k workers



China Average Labor Cost

RMB '000



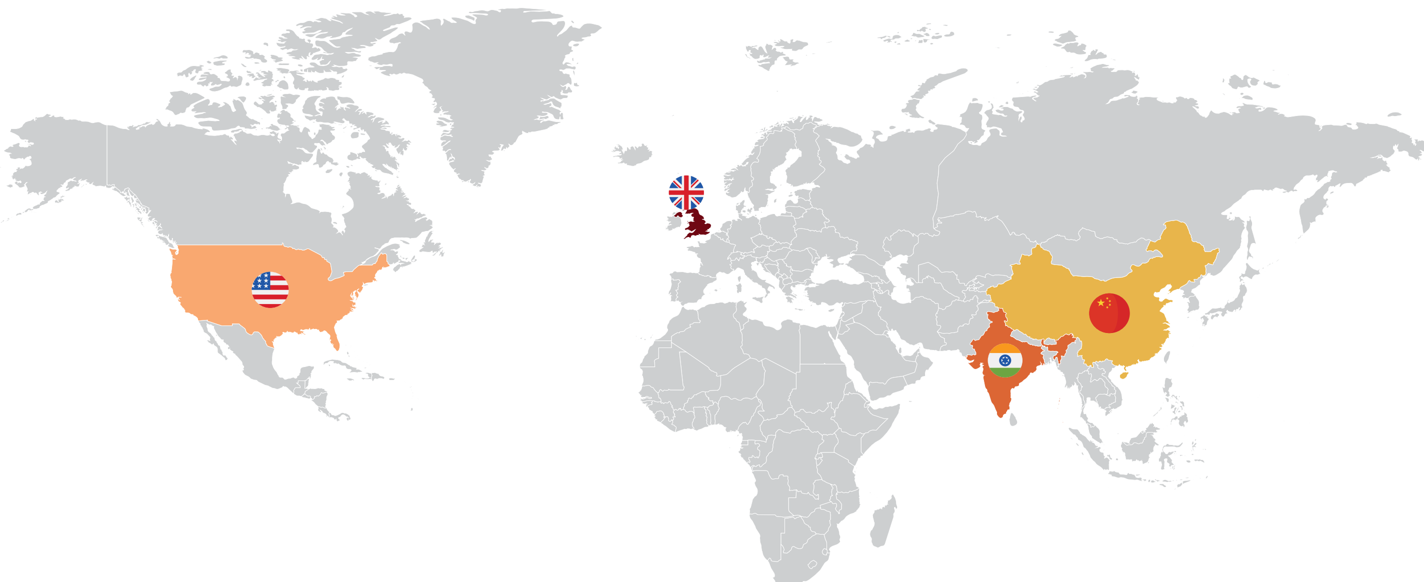
Being the manufacturer for the world, China has embraced the development of industry 4.0 early on – utilizing consumer behavior data to optimize industrial design and to automate production for the highest customer satisfaction at the lowest cost. In fact, China's ambitions go beyond simple adoption of robotics technologies and AI-optimized manufacturing. Through the acquisition of some of the world's leading automation technology companies (e.g. Midea acquired Kuka, Shanghai Electric acquired Manz Automation, Weichai acquired Linde etc.), we believe that Chinese companies are in the process of co-defining the next generation of industrial norms, standards and protocols, in a similar fashion to the Western standard setting companies who have been dominating this area since WWII.

Coupled with the de-globalization trend and increased technology autonomy, we expect to see interesting buyout investment opportunities emerging in the next few years that exhibit scale synergies and cross border growth.

OPPORTUNITIES IN THE GENERAL TECHNOLOGY AREA

China has the Largest Share of Global 'Unicorns'

The number of unicorns in China has been increasing significantly over the last few years from 0 in 2013 to 180 today and exceeded the US in 2019 to become the largest contributor of global unicorns



Number	Country	No. of Unicorns	% of Total	Total Valuation	Average Valuation
1		180	40%	$802bn	$4.5bn
2		179	40%	$581bn	$3.3bn
3		19	4%	$49bn	$2.6bn
4		17	4%	$53bn	$3.1bn

The US and China are in a head-to-head race to generate leading technology companies in the world

The US and China are in a head-to-head race to generate leading technology companies in the world. While the US still maintains an advantage in technology leadership for hardware and software, China is catching up quickly and is further supported by its much larger market size.

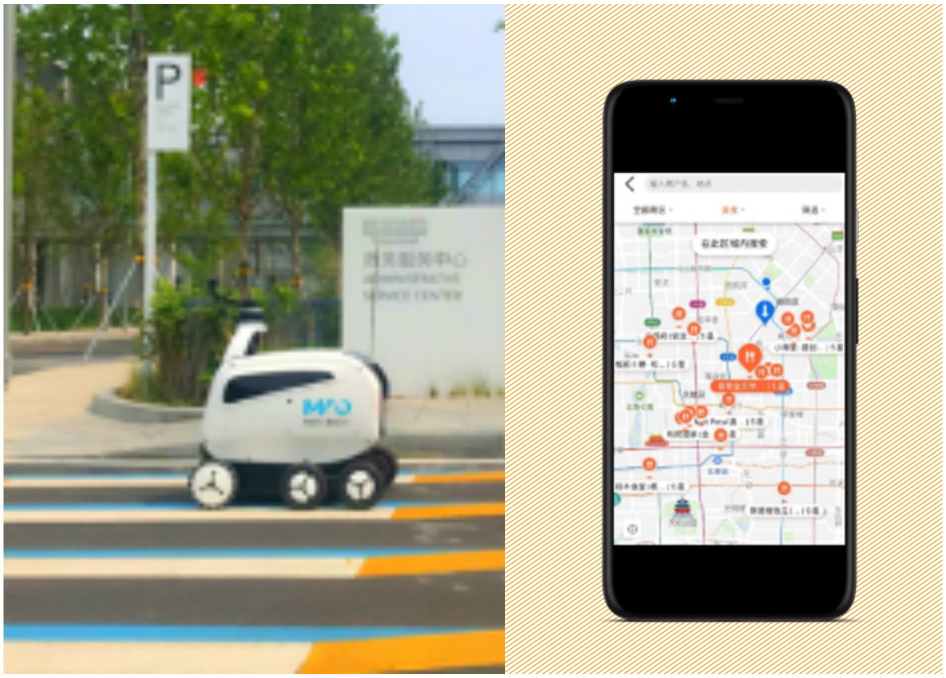
We believe that China will continue to rapidly generate some of the world's largest and most innovative and valuable technology companies whose solutions and services will enable the highly populated Asian countries, including China itself, to sustain their economic growth despite lower natural resources per capita in the region. There is tremendous value to be created in this mega wave of 5G and AI developments and China-centric growth capital investing stands to benefit accordingly.

CASE STUDY: MEITUAN

Meituan is China's largest online-to-offline local life services platform serving over 450 million consumers and 6 million businesses covering food and grocery delivery, travel and hotel booking, dining and entertaining, education and health services, as well as group buying and financial services.

Investcorp invested in Meituan through our China Pre-IPO Technology Portfolio in 2018. The company successfully IPOed in Hong Kong in September 2018 and has since achieved a market capitalization of $200 billion as it generated $90 million of net profit during 1H2020 despite the pandemic.

Meituan's far reaching services are quite representative of China's modern technology driven economy where consumer data is being analyzed and monetized through AI-assisted tools, coupled with autonomous deliveries and mobility of people, underpinned by digital financial services tailored to the needs of a spending-friendly population with a median age of 38.



While China's healthcare market has grown fast over the last decade, it is still severely underserved with demand for treatment far exceeding supply of doctors and facilities across all medical fields

CHINA HEALTHCARE: $1 TRILLION MEGA MARKET DOUBLING EVERY 5 YEARS

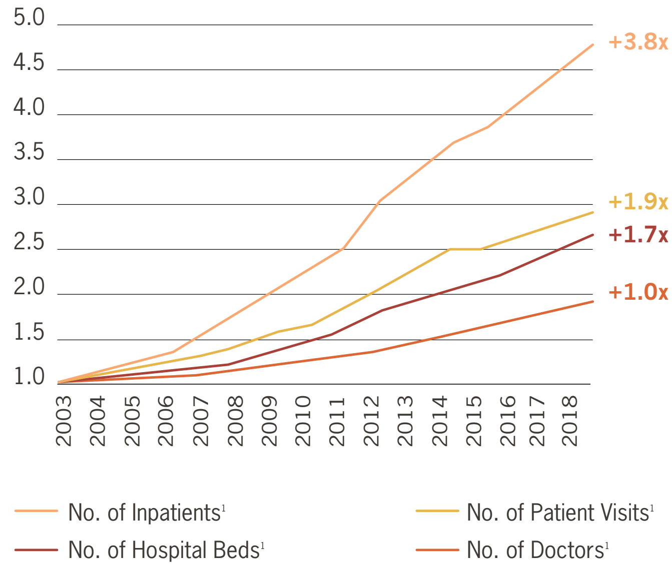
China's healthcare market is fast-growing and is expected to become the largest healthcare market in the world in a decade, driven by an aging population, rising middle class and increasing use of health insurance coverage. The overall healthcare sector to grow at a 15% CAGR between 2010 and 2019 and is expected to continue to grow at this pace reaching $1.7 trillion in 2023, which is well above the growth of the overall economy.

Starting in 2009, China introduced a slew of reform policies demonstrating political will towards investing in healthcare. Against this backdrop, China's healthcare market is undergoing structural and continuous policy reforms and enjoying smart investment incentives yielding massive growth.

While China's healthcare market has grown fast over the last decade, it is still severely underserved with demand for treatment far exceeding supply of doctors and facilities across all medical fields, allowing for attractive investment opportunities for a sustained period of time.

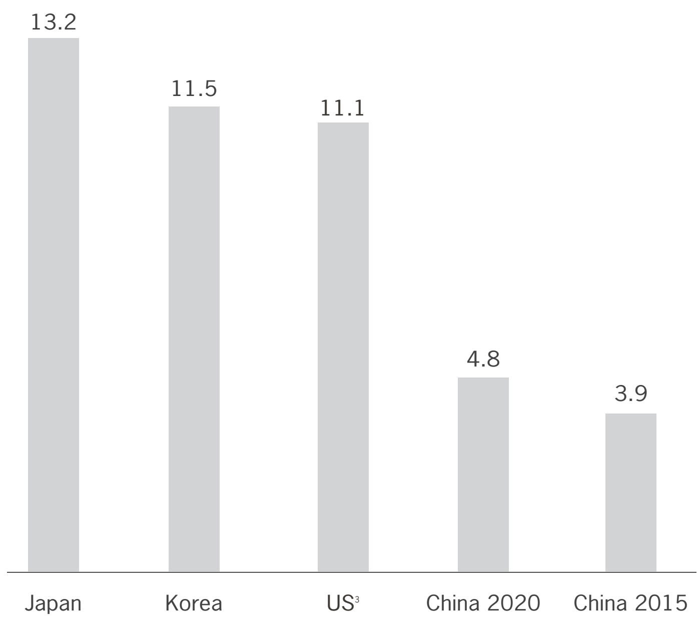
Between 2003 and 2018, the number of inpatients in hospitals across China was up by 3.8x and number of outpatient visits was up by 1.9x, while the number of hospital beds and doctors only increased by 1.7x and 1.0x, respectively. On a per capita and percentage of GDP basis, China's healthcare sector is still only a fraction of the developed world.

HEALTHCARE DEMAND OUTPACING SUPPLY IN CHINA WITH SIGNIFICANT POTENTIAL FOR FURTHER GROWTH



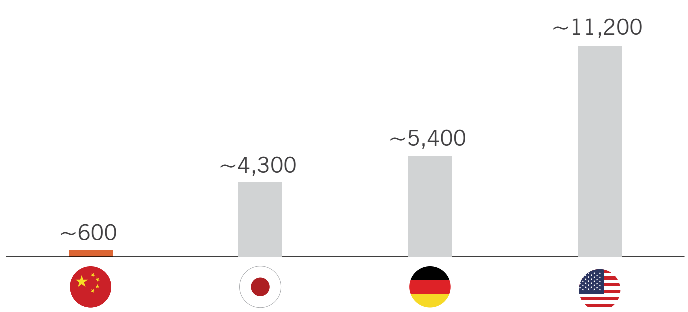
Hospital Beds Penetration by Country[2]

2015



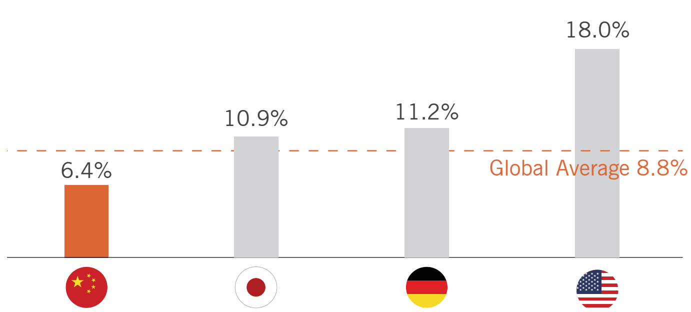
Healthcare Expenditure Per Capita (USD)

2018



Healthcare Expenditure as a % of GDP

2018



Source: Wind

Note: 1. All data are indexed to 1.0 as of 2003. 2. Number of beds per thousand people. 3. Including assisted living facility beds and skilled nursing facility beds.

With China's current healthcare capacity unlikely to be able to serve all of the growing medical care needs of the country, the scene is set for technological innovation and frontier medical treatments to fill this ever-expanding supply-demand gap. Triggered and accelerated by the COVID-19 pandemic, the Chinese government is also accelerating healthcare reforms by focusing on re-distribution of access to quality healthcare across the country, innovative medical technology adoption and nationwide healthcare system digitization. Online healthcare has emerged as the most promising solution to ease the stress on the healthcare system exacerbated by the pandemic

While almost all sectors in China have entered into some form of recession during the COVID-19 pandemic, the healthcare sector has shown the highest resiliency and economic defensiveness during this time.

Investcorp will focus on investing in healthcare sub-sectors which exhibit high-growth potential and high resiliency, in particular, the specific subset of healthcare technology and healthcare services areas such as digital health, severe diseases treatment and specialized medical services.

- Healthcare technology: a fast-growing industry underpinned by the advancement of Internet technologies and favorable government policies, further accelerated by significant increase in societal adoption as a result of the COVID-19 pandemic. While still a relatively young industry, Investcorp is of the view that larger companies in this space with years of operating track record and technological innovation capabilities will experience strong growth in the years to come. The post-pandemic world in China is quickly adjusting to new forms of remote diagnostics, treatment and care. Combined with China specific policy tailwinds to use healthcare technology to close the severe supply-demand gap, large players in this field with proven management and a resourceful investor base will be at the forefronts of growth and profitability generation.
- Healthcare services: Investcorp is of the view that certain areas within the broader health services industry exhibit high resiliency from major macro-economic shocks such as a pandemic. Specialty medical services providers treating severe diseases such as oncology and cardiology, as well as must-have testing services which are all life-saving necessities even in economic downturns or pandemics, are defensive areas to invest in the post-pandemic environment. Together with China's acute supply shortages of treatment capacities in hospitals, companies with high medical or technological know-how as entry barriers are of particular attractiveness for Investcorp to capture.

CASE STUDY: LU DAOPEI

Among specialty medical services providers, we believe blood oncology is particularly attractive with key features including:

- Sizable but highly underserved market: The number of people being diagnosed with blood diseases (including leukemia, lymphoma and myeloma) in China each year is c.200k of which only 4% (vs. 40-50% in the West) could receive bone marrow transplants ("BMT") as a result of hospital capacity constraints. The severe demand-supply gap continues to widen as incidence of blood diseases increases and further outpaces the expansion of treatment capacity.
- Critical nature of BMT treatment leads to resilient demand: BMT is the only radical treatment for blood diseases presently available. At any given time of the year, even during the pandemic period, there are thousands of new patients queuing for available beds at hospitals for treatments.

Lu Daopei was founded in 2001 by Professor Dr. Daopei Lu, a preeminent hematologist in China and well known around the world for his pioneering work in BMT over the last five decades. Lu Daopei launched its first hospital in Hebei (right outside of Beijing) in 2012 offering full-cycle blood oncology treatments covering from diagnosis to post-treatment therapies.

Today, Lu Daopei is the world's leading hospital group for leukemia and related blood diseases. The company has demonstrated a robust record in developing medical expertise:

- Lu Daopei is the world's largest player in BMT with the highest five-year survival rate globally
- The company has world leading know-how in HLA-haplo-identical transplantation technology as China's decades long one child policy largely limits the availability of next of kin bone marrow donors.
- Lu Daopei is also the world's largest player and a pioneer in the clinical application of Chimeric Antigen Receptor T-Cell Immunotherapy ("CAR-T") in cooperation with leading US and Chinese medical institutions and pharmaceutical companies, completing the highest number by far globally

The group currently operates three hospitals near Beijing and a fourth one is to be opened in Shanghai providing lifesaving treatments to tens of thousands of patients from all over the country while continuously expanding its capacity and footprint to address the severe demand-supply gap in China for blood oncology.

Lu Daopei, due to its market leadership, has seen significant investor interest since inception. In addition to Investcorp's investment closed in July 2020, the company has previously received investments from several global institutional investment firms including Temasek, Blackrock and China Merchant Group.

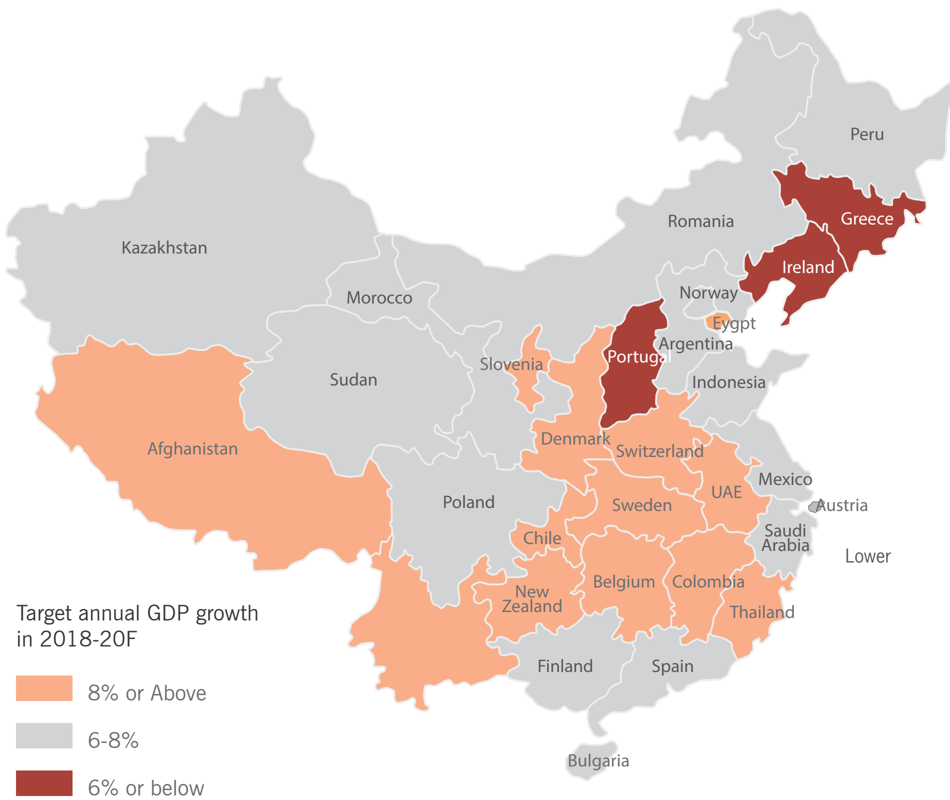
CHINA NEW CONSUMERISM

100m Affluent + 700m Middle Class Consumers + 600m Low-Income Population Still Moving Up

Over the past 10 years, China has shown steady GDP growth and has surpassed Japan to become the second largest economy. Looking forward, China's economy is expected to rebalance towards more consumer spending (8% CAGR to 2023) while 'inland' provinces are expected to grow faster than the richer coastal provinces.

Mainland China's provincial GDP relative to other countries

2018

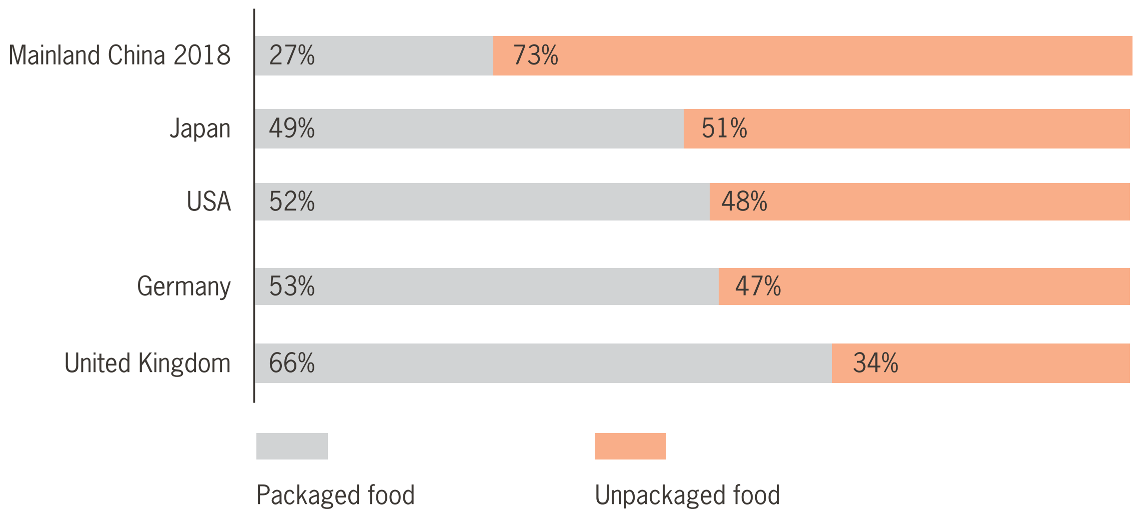


The number of middle class households in China is forecast to grow at 10% CAGR[2] for the next decade. Rising incomes and more affluent consumers are expected to lead to a rise in demand for more premium, healthy and convenient food options, which will lead to an associated rise in demand for better quality food & beverage products. Reflecting a traditional Chinese proverb which states that "Food Comes First" (民以食为天), Chinese consumers are always happy to spend more on food when they are more affluent.

[2] Source: Oliver Wyman research.

Packaged food as % of food expenditure

2018, Retail %

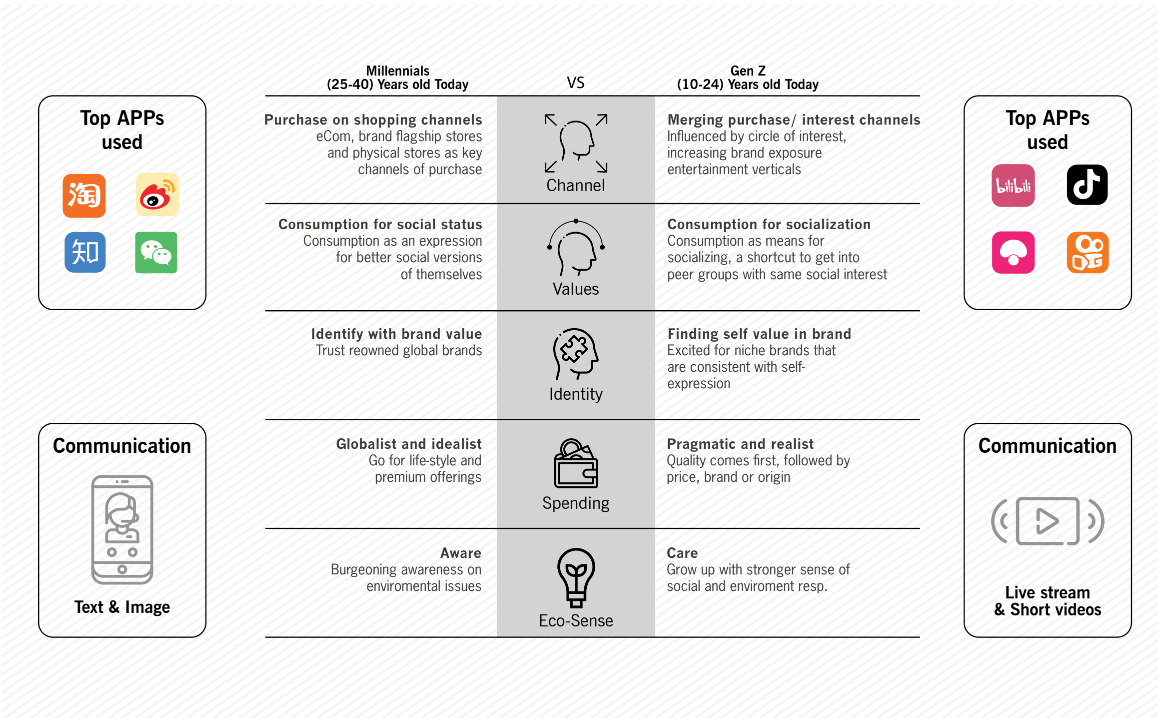


CASE STUDY: CITY SUPER

In order to take advantage of what we believe are macro-tailwinds set to drive China's consumption of increasingly higher quality food & beverage products, Investcorp invested in City Super, a premium grocery chain in Hong Kong and Shanghai (comparable to Wholefoods in the US).

City Super's uniquely theatrical approach to grocery retail is the ideal platform to attract new millennial and Generation Z consumers who expect an immersive omni-channel shopping experience.

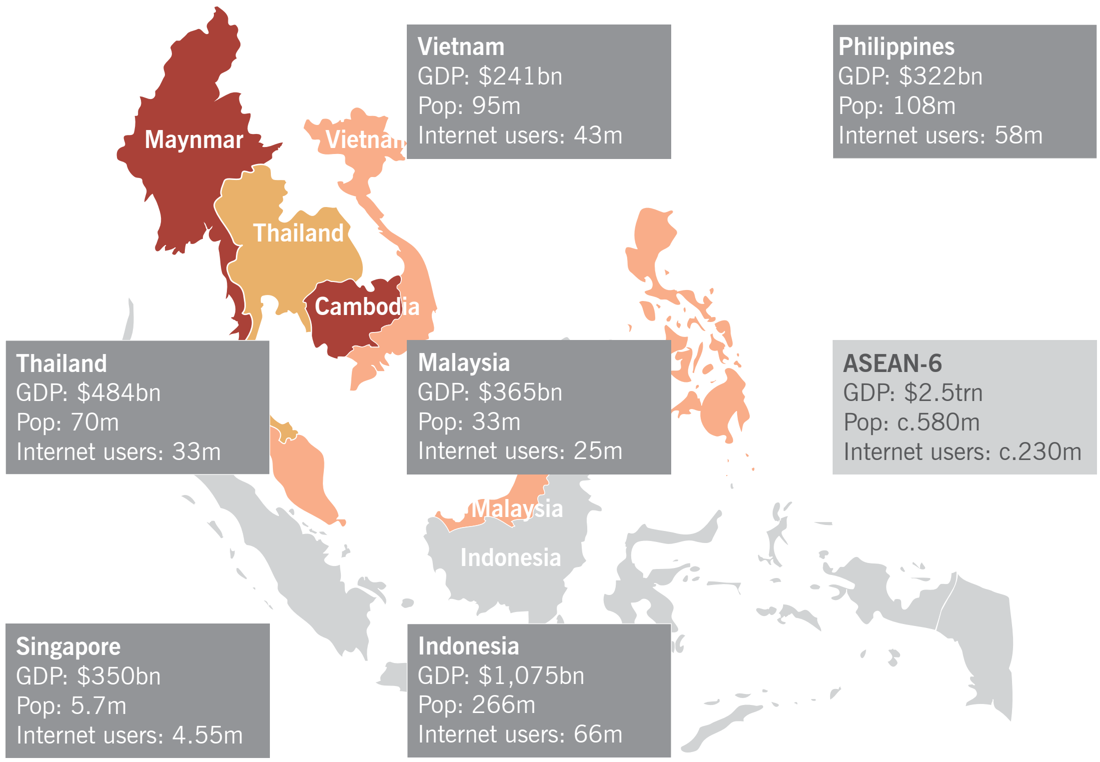
By 2030, the Generation Z (10-24 years old today) and Millennials (25-40 today) will be the primary drivers of consumption spending in China. Each generation values healthy, premium food products but there are differences in approach and method of consumption that will only become more evident in the next 10 years.



Given City Super's market leading position in Hong Kong and Shanghai, and its unique assortment of premium, international products, we believe that it is well placed to capture the experience-seeking Gen Z consumer that desires a 'wow factor' each time they enter a store[3] .

[3] Source: Oliver Wyman research.

OPPORTUNITIES IN SOUTHEAST ASIA



Southeast Asia is a vibrant and diverse part of the world. Home to 650m people across 11 countries, ASEAN boasts the world's 3rd largest population cluster and the 5th largest economic block with nominal GDP having doubled over the last 10 years from USD1.6trn in 2009 to USD3.1trn in 2019.[4] Over the coming years, ASEAN is set to benefit from three demographic tailwinds that standout relative to other regions: i) a growing population, ii) a rising workforce share of the population (i.e. more workers than economically inactive) and iii) a low median age.

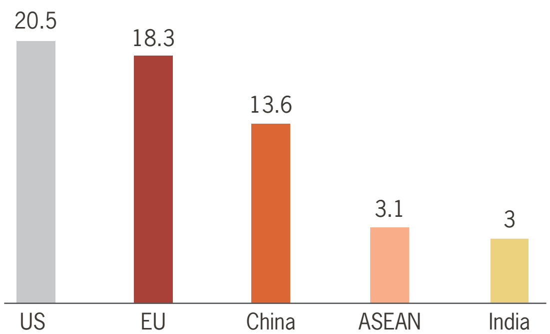
Investcorp believes that Southeast Asia is on the cusp of a technologically-driven consumption boom that echoes that of China in the last decades. Investcorp is principally focused on the ASEAN-6 (Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines), countries that will be the focus of this white paper.

Indonesia and Vietnam have been the main contributors to the regional GDP growth with a 2009-19 GDP CAGR of 12.2% and 9.4% respectively. Indonesia currently contributes more than 1/3rd of the total nominal GDP (35.7%) of ASEAN GDP at USD1.1trn while Vietnam accounts for 8.4% of total nominal GDP at USD260bn.

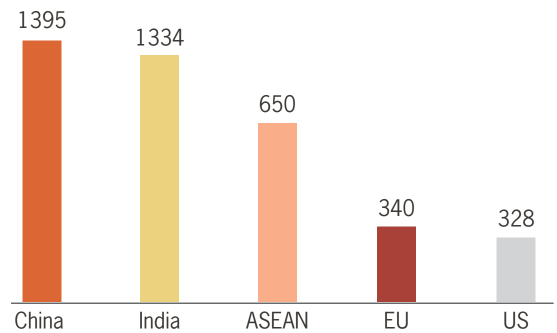
The total population across the ASEAN-6 is close to 450m people with close to half of that (200m) living in Indonesia. Most importantly, ASEAN has one of the youngest populations of major economic blocs at 28.9 years (vs China at 38 years).[5] Like China before, ASEAN is witnessing the emergence of a young consuming class as hundreds of millions of young workers join the labor force across the region.

[4] ASEAN: Propagating China growth, Daiwa Securities and Golden Gate Ventures .
[5] Source: Economist Intelligence Unit, Dealogic, CIA Factbook

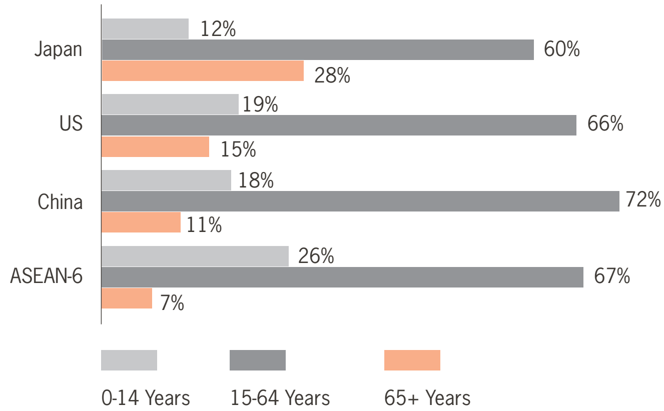
GDP (USDtrn)



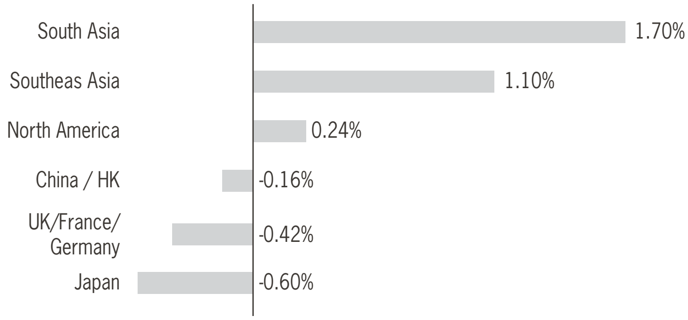
Population (m)



Population distribution across markets



2018-2028 CAGR in working age population



Southeast Asia Country/City	**Population** (millions)
Indonesia	
Jakarta	10.4
Surabaya	2.59
Bandung	2.14
Medan	1.79
Palembang	1.44
Semarang	1.35
Malaysia	
Kuala Lumpur	7.1
Subang Jaya	1.2
Klang	1
The Philippines	
Metro Manilla	13.1
Quezon City	2.68
Kalookan	1.38
Davao	1.36
Tailand	
Bangkok	9.44
Chiang Mai	1.59
Nakhon Ratchasima	2.54
Ubon Ratchathani	1.77
Nakorn Srithammarat	1.52
Udon Thani	1.52
Vietnam	
Ho Chi Minh City	7.5
Hanoi	3.7
Haiphong	1.83
Singapore	**5.7**

Source: Asia Partners 2019 Southeast Asia Internet Report: Southeast Asia's Golden Age

ASEAN is also entering a rapid urbanization boom with the urban population of Southeast Asia expected to increase by nearly 100m from 280m to 373m by 2030. As can be seen above there are 11 cities across the ASEAN-6 with populations over 2m – compared to only 4 in the EU (5 including London).

ASEAN's young population has passed the $2,000 GDP per capita threshold associated with a significant increase in consumption spending. In terms of historical comparisons, SE Asian incomes (c.$4,500 2019 ppp USD) are equivalent to China's income per capita 11 years ago.[6] As was the case in China before, millions

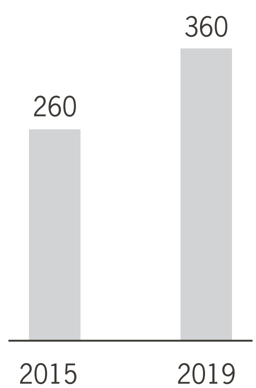
[6] Asia Partners using World Bank and IMF data

of young consumers are becoming embedded in digital ecosystems as consumption behavior transitions from offline to online distribution models. Favorable demographics, technological changes and sectoral shifts are giving rise to a digital revolution underpinning new consumption and new healthcare delivery models.

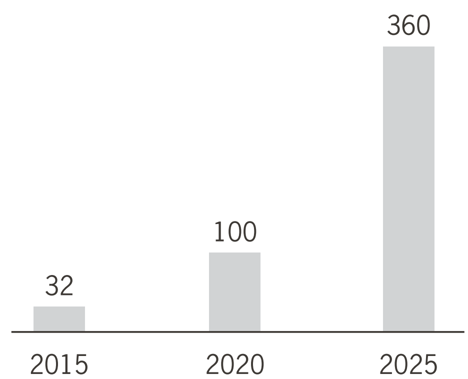
OPPORTUNITIES IN SOUTHEAST ASIA'S DIGITAL ECONOMY

Southeast Asia's young and increasingly digitally connected consumers offer a sizeable long-term, investment opportunity.

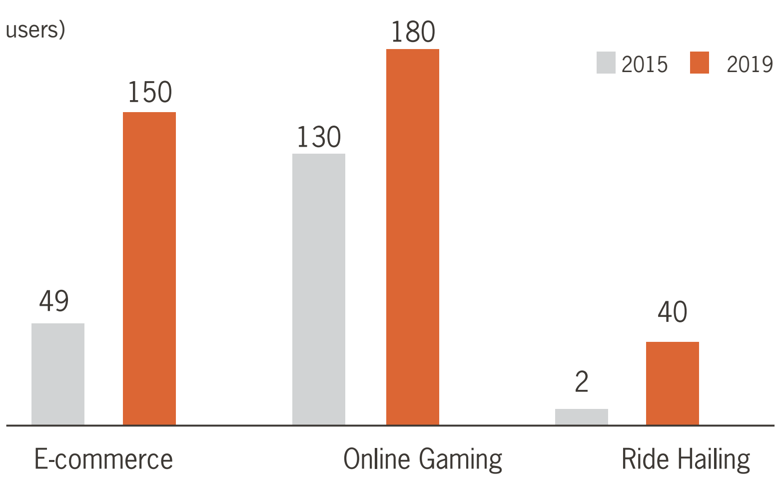
SE Asia Internet Consumers
(m)



Internet Economy Size
(USD bn)



Select Intenet Economy Metrics
(million users)

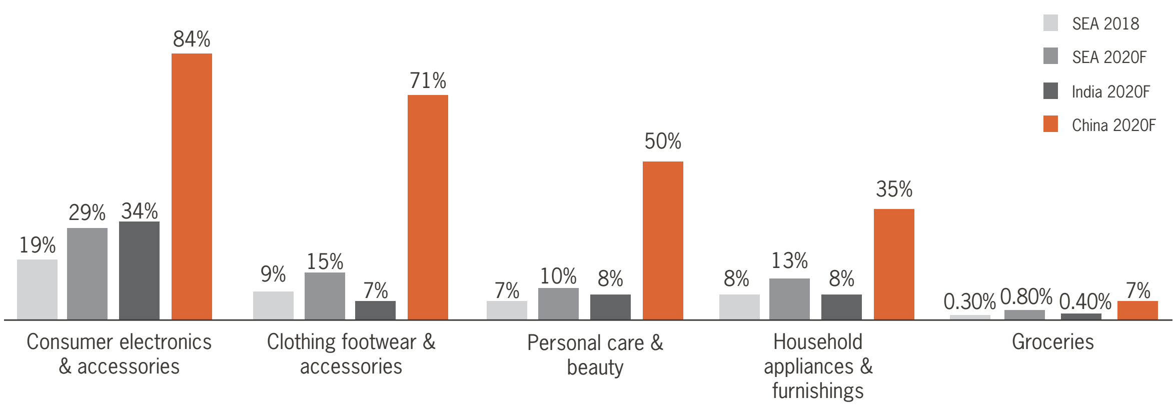


Source: Google, Temasek, Bain & Company "e-conomy 2019: Swipe up and to the right: Southeast Asia's $100bn Internet Economy"

Comapny	Location	Industry	Valuation (USDm)
Grab	Singapore	Ride -hailing	9,900
Go-Jek	Indonesia	Ride -hailing	4,500
Lazada	Singapore	E-commerce	4,200
Tkopedia	Indonesia	E-commerce	2,400
Traveloka	Indonesia	Travel, Tourism	920
Trax	Singapore	Data & Analytics	387
Property Guru	Singapore	Real Estate	311
Zilingo	Singapore	B2B Commerce	308
VNPay	Vietnam	Payments	300
Bigo Technology	Singapore	Data & Analytics	272
One Championship	Singapore	Entertainment	266
NinjaVan	Singapore	Logistics	242

The speed with which consumers in Southeast Asia are becoming connected to the digital world has led to the rise of so-called ‘super apps’ (such as Grab and Go-Jek) that are following the success of China’s e-commerce platforms such as Tencent, Alibaba and JD.com.

Online Penetration Across Consumer Categories



Indeed, China can provide an interesting comparison showing that while the rise of tech platforms on online-first consumers has emerged in SE Asia, the region is still significantly far behind China in terms of frequency of products being purchased online.

Alibaba	**Grab**	**Singapore**
	Lazada	**Singapore**
	Singapore Post	**Singapore**
	Quantium Solutions	**Singapore**
ANT Financial	**DANA**	**Indonesia**
	Ascend Money	**Thailand**
	Mynt	**Philippines**
	TNG Digital	**Malaysia**
Tencent	**GoJek**	**Indonesia**
	SEA Group (Shopee)	**Singapore**
	VNG	**Vietnam**
JD	**JD.ID (indonesia sub)**	**Indonesia**
	GoJek	**Indonesia**
	Traveloka	**Indonesia**
	JD Central	**Thailand**
	Tiki	**Vietnam**

Source: Facebook, Bain & Company "Digital Consumer's of Tomorrow, Here Today"

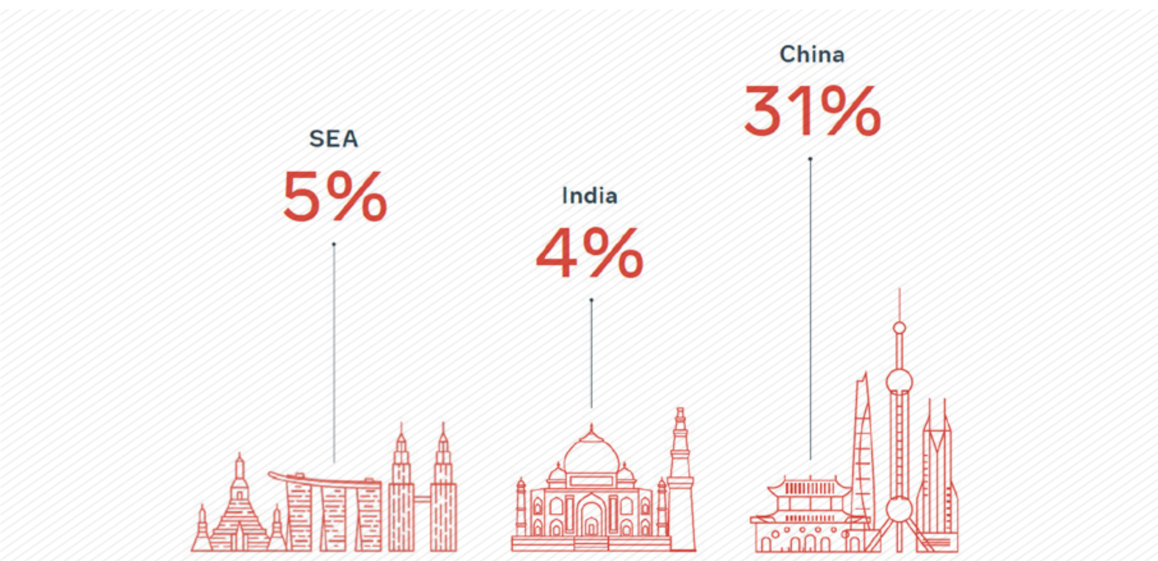
The clear example of the Chinese ‘super-apps’ may explain why China’s original platform apps are also investing heavily in Southeast Asia as they seek to extend into new, fast-growing markets and can better envision the likely path of development.

ASEAN is set to be a key beneficiary of trade frictions between the US and China as Alibaba’s rumored $3bn investment in Singapore’s grab is another example of China’s ‘super apps’ confidence in Southeast Asia.

CONSUMER SECTOR AND INVESTMENTS IN LOGISTICS

Covid-19 seems to have accelerated the shift to online retail in Southeast Asia. In 2019 SE Asia online retail penetration was 3% (in line with India). Since 2019 online retail penetration has increased by 1.5x to 5% while Gross Merchandise Value (GMV) CAGR between 2018 to 2020 was 23%, faster than China, India and the US during the same period.[7] However, overall online retail penetration still notably lags behind China (31%). As the rise of the digitally-enabled Southeast Asian consumer shows no signs of slowing down, e-commerce platforms (including the likes of JD.com) are further investing in logistics and delivery solutions to meet increasingly demanding consumers.

E-commerce companies platforms such as Tokopedia ($1.1bn raised from Softbank and Alibaba in 2019), Zilingo and Lazada (recipient of $2bn Alibaba-led fundraising 2018) have sought to tap the growing SE Asia consumer demand. While there is clear customer demand, inefficient customs and logistics processes and geographical hurdles (especially in the islands of Indonesia and the Philippines) provide opportunities for tech solutions and new entrants in e-commerce logistics. For example, NinjaVan recently raised a $300m series D in May 2020 backed by B Capital, Grab and La Poste (France post).



[7] Source: Facebook, Bain, Digital Consumer of Tomorrow, here today

HEALTHCARE

The healthcare sector in SE Asia is one that is poised to grow due to current demand-supply mis-matches and rapidly growing populations. Public and private healthcare expenditure is set to grow to $740bn from $425bn in 2018 (+70%).[8] Southeast Asia is also a popular destination for medical tourism with hospitals in Thailand, Singapore and Malaysia all featuring highly in the top 10 destinations for medical tourists. Although demand for healthcare is evident and growing, governments in Southeast Asia spend between 1.1% to 5% of GDP on healthcare, below the 7.7% average across the OECD.[9]

Given the covid-19 pandemic and inadequate healthcare infrastructure across countries such as Vietnam, Indonesia and the Philippines, healthtech services such as telemedicine can play a part in serving the demand for healthcare in the region. The combination of high mobile phone penetration and low traditional healthcare infrastructure allows companies such as Halodoc, Alodokter and Mydoc to meet the growing healthcare demand while leveraging consumer data to provide more targeted services.

ALODOKTER halodoc simplifying healthcare mydoc Simplify Healthcare

[8] https://www.solidiance.com/insights/healing/white-papers/the-usd-320-billion-healthcare-challenge-in-asean
[9] Source: Preqin Southeast Asia's Digital Evolution

CONCLUSION

Investcorp is well positioned to identify, invest in and seek to generate attractive returns from the Asia region for our investors by combining our 40 years of private equity investing expertise with knowledgeable and locally positioned experts with access in China and Southeast Asia.

With China assuming the role of the leading counterpart to the US in virtually all aspects of the global economy, and with Southeast Asia entering a golden age of demographic dividend-driven growth, we believe adequate portfolio exposure to both regions is key in constructing a balanced asset allocation strategy and achieving risk-adjusted returns.

ABOUT INVESTCORP

Investcorp is a global investment manager, specializing in alternative investments across private equity, real estate, credit, absolute return strategies, GP stakes and infrastructure. Since our inception in 1982, we have focused on generating attractive returns for our clients while creating long-term value in our investee companies and for our shareholders as a prudent and responsible investor.

We invest a meaningful portion of our own capital in products we offer to our clients, ensuring that our interests are aligned with our stakeholders, including the communities that we operate within, towards driving sustainable value creation. We take pride in partnering with our clients to deliver tailored solutions for their needs, utilizing a disciplined investment process, employing world-class talent and combining the resources of a global institution with an innovative, entrepreneurial approach.

Today, Investcorp has a presence in 12 countries across the US, Europe, GCC and Asia, including India, China and Singapore. As of June 30, 2020, Investcorp Group had US $32.2 billion in total AUM, including assets managed by third party managers, and employed approximately 450 people from 44 nationalities globally across its offices. For further information, visit:

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