Infracrowd Capital Monthly Newsletter

March Update

Hi there! The newsletter is a monthly update from Infracrowd Capital about our partnerships, sustainability, and the venture capital.

Highlights at Infracrowd Capital

- On 3rd March 2023, the participants from SCTP: Advanced Certificate in Driving Sustainability in the Future (Intake 1) at SMU Academy visited the Choa Chu Kang (CCK) Public Library in the pursuit of gaining a holistic understanding of sustainability and community involvement in Singapore through libraries. Inspired by farming communities, the CCK Public Library is the first in Singapore to be built around the concept of sustainability and features an indoor garden. The participants experienced an indoor garden, hydroponics room, and new digital learning tools such as live streams of nature, and updates from the World Wildlife Fund (WWF). All these features are designed to increase the awareness in sustainable living and environmental issues.
- On 21st March 2023, the participants from Advanced Certificate in Venture Capital at SMU Academy got the opportunity to visit the venture capital arm of PSA, PSA unboXed wherein they got insights on how PSA unboXed aims to harness technology from startups that are digitally transforming the logistics and shipping industries to solve the complex challenges and achieve the even ground for sustainability.
- The Intake 1 from SCTP: Advanced Certificate in Driving Sustainability in the Future reached at the final level of their course and a lot more closer to their graduation. For past one month, they were involved in undertaking research on the capstone projects of sponsoring companies, which includes three (out of six) from Infracrowd Capital. On 25th March 2023, they showcased the creative solutions to the challenges in the sphere of sustainability at the ground level in Singapore. We heartily congratulate them on this feat.
- Mr. John Lee, our CEO, delivered an insightful talk with VENA Energy leaders about ESG investments in Singapore and in Asia. VENA Energy is the leader in acceleration of energy transition across APAC and one of the largest dedicated renewable energy independent power producers in the region.

Corporate visit to Choa Chu Kang Public Library with the participants from SCTP: Advanced Certificate in Driving Sustainability

PSA unboXed

The final presentation at SMU of Intake 1 of SCTP: Advanced Certificate in Driving Sustainability on 25th March 2023

From left to right: Mr John Lee, CEO at Infracrowd Capital, Mr. Juan Mas Valor, Managing Director at VENA Energy and Mr. Edward Tay at Infracrowd Capital.

Media Features

The Chairman, Mr. Edward Tay, exclusively elucidated the impact of SVB collapse on VC investing in Southeast Asia with popular tech media - e27 on 17th March 2023.

Tale of Two Banks in the lap of Alps

The merger of Credit Suisse and UBS was an unexpected event (something which is always expected in the financial markets, and possibly life). The story of troubles commenced when Credit Suisse bank managers disclosed on 14th March 2023 that they found “material weaknesses” in its internal controls on financial reporting of 2022. Then, the stocks of Credit Suisse plummeted to the lowest in the same week when Saudi National Bank withdrew itself as an investor to the Credit Suisse to avoid the regulatory pressures that would ensue if its stakes rose by 10%. To calm the storm and turmoil on the morning of 24th March 2023 when Asian financial markets opened, UBS agreed to buy Credit Suisse in its bid to ease the panic.

Subsequent to the support provided by the Swiss National Bank and the Swiss government worth CHF 100 billion (USD 104 billion) and CHF 9 billion (USD 9.6 billion) respectively, the AT (additional tier) 1 bonds were written down that resulted to utter dismay of the bondholders (and even legal action). However, in next couple of days the S&P500 Global Bond Index rose to 470.27 (22nd March 2023) from 466.90 (20th March 2023). S&P500 Global Ratings noted that it did not believe the decision to write off the Credit Suisse AT1’s would cause the contagion risks for European banks. However, the volatility among both markets, equity, and bond, have witnessed an increase as the worry and fears of investors surmount. There will be decrease in demand for AT1 bonds which will raise the cost of borrowing. This could mean that there will possibly an increase in cost of capital (compounding the fall of Silicon Valley Bank) which would eventually impact the valuations of businesses, including startups that would create hurdles for the fund raising in private and public markets alike. However, as per predictions there will be no financial crisis akin to 2007-08 to loom following the failure of the major banks in the US and Europe within one month of March 2023.

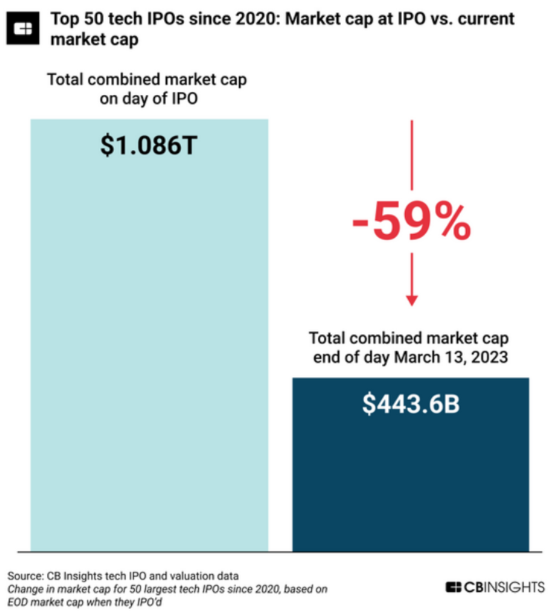
Collapse of Silicon Valley Bank and the Implications for Investors

The March month had been hot on two B's - Bonds and Banks. One bank's failure resulted in complete write off of bonds, while the other bank reeled into crisis as a result of decreased valuation of the bonds. In the second case, we are talking about the once soul of start ups in Silicon Valley and rest world – Silicon Valley Bank (SVB). As interest rate rose the value of bonds fell – this summarizes the cause of collapsing of SVB.

The failure has a profound impact on the venture debt sphere of VC investing and there are going to be implications, especially on valuations. Even though relative to 2021 the 2022 valuations underperformed but they are still better than 2020's figures. In the challenging climate of pandemic, high performing enterprises fared well but the ones who did not had the support of venture debt which allowed them to get funding without dilution in equity.

The collapse resulted in a significant drop in market value of tech companies when compared with the day they went public in 2020. Thus, now with absence of an important capital provider to start ups there are possibilities of reduction in valuation to raise funds and would result in down rounds. Following the traditional norm, lack of funds will drive surge in layoffs in efforts to cut costs and talent retention will be negatively impacted. For the venture capital firms, who manage cross border portfolios, they will be exposed higher risk too because of increased volatility (by 34% as reported by VIX) that ensued after the collapse and the Fed's announcement.

At micro level, for investors it is important to remain alert to disintermediation risks that have arose and need to rebalance their portfolio by allocating assets to diverse categories (and employ hedging strategies to reduce the exposure of assets to interest rate fluctuations that are more prominent than ever). Thus, at this hour, complacency is not the partner for us.



Carbon Markets

- Climate Impact X, a Singapore-based carbon trading platform, plans to launch a new trading platform for nature-based contracts. The platform aims to provide a transparent and standardized marketplace for buyers and sellers to trade carbon credits generated from nature-based solutions, such as reforestation and soil carbon sequestration. The platform will initially focus on the Southeast Asian market and aims to support the development of nature-based projects that can help to reduce carbon emissions and support sustainable development in the region. Climate Impact X is backed by a group of investors, including Standard Chartered and Singapore's state investment firm Temasek, and aims to become a leading marketplace for carbon credits in the Asia-Pacific region. (S&P 500 Global)
- Major registries in the carbon offset market are systematically over-crediting projects and delivering dubious carbon offsets, a practice that allows some companies to make unjustified claims of climate progress. Researchers found that the registries did not follow standards to make sure projects have a real and tangible impact on carbon levels or confirm that credits were funding programs that otherwise wouldn't have occurred. (CNBC)
- Indonesia's Ministry of Energy and Mineral Resources has invited oil and gas companies to set up carbon capture facilities in the country in an effort to reduce greenhouse gas emissions. The ministry is offering incentives, such as tax breaks and streamlined regulations, to companies that invest in carbon capture and storage (CCS) projects. The government has set a target to reduce emissions by 29% by 2030 and sees CCS as a key technology in achieving this goal. The move comes as part of a wider push towards renewable energy and sustainable development in the country, which is also exploring the potential of geothermal and hydropower projects. (Reuters)
- The European Central Bank (ECB) is gradually reducing the carbon footprint of its bond portfolio, according to ECB President Christine Lagarde. The bank plans to exclude some carbon-intensive assets from its bond purchases and adjust the weights of issuers based on their carbon emissions. However, the ECB will still buy bonds from companies that have high carbon emissions as long as they have a credible plan to reduce them. The ECB's efforts to address climate change come as central banks around the world are under increasing pressure to take action on climate risks. (Reuters)

Sustainability

- Australia's aquaculture industry is exploring alternative protein sources to fishmeal in order to improve sustainability. Fishmeal is a key ingredient in aquaculture feed, but its production can be environmentally damaging and contribute to overfishing. The industry is now looking at alternative protein sources, such as insects, microalgae, and plant-based proteins, which could provide a more sustainable source of feed for farmed fish. The move is part of a wider push towards sustainability in the aquaculture industry, which is facing increasing pressure to reduce its environmental impact and improve animal welfare. The industry is also exploring new technologies, such as recirculating aquaculture systems and offshore fish farms, which could reduce its reliance on wild fish stocks and minimize its impact on coastal ecosystems. (The Guardian)
- The Canadian government plans to include a tax credit in its upcoming budget for businesses that invest in equipment used to produce electric vehicles (EVs), according to sources. The credit will be available to companies that invest in machinery, equipment, and tooling used to manufacture EV components, and is intended to support the growth of the country's EV industry. The move is part of Canada's wider push towards clean energy and climate action and aims to position the country as a leader in the EV sector. Canada has set a goal to have 100% of new passenger cars and light-duty trucks be zero-emission vehicles by 2035 and is investing in infrastructure and research to support the transition to electric mobility. (Reuters)
- ING said on 10th March 2023 that it has completed Ant Group's first sustainability-linked derivative transaction worth $400 million, which is also the first in China's technology sector. (Reuters)

Get in Touch

Infracrowd Capital is a licensed investment management company which aims to manage the cross border sustainable infrastructure and technology portfolio in Southeast Asia. We believe that the momentum in the rapid growth in both the technology adoption or disruption and sustainability pursuit will propel sustainable infrastructure as an attractive investment class to develop sustainable and long-term returns. Visit our website: https://www.infracrowdcapital.com/