



KHAZANAH
MEGATRENDS
FORUM 2022



DEVELOPMENT AND ITS COMPLEXITIES

STEERING OUR WAY
THROUGH A PERFECT STORM

DAY 1 SESSION SUMMARIES

KEYNOTE ADDRESS

by Prof Ha-Joon Chang

Eating Economics Better – Why a varied diet of economic ideas is important for a healthy economy and a democratic polity

We should care about economics because it is the language of power spoken by people of power who change the world

Previously, multiple economic schools of thought coexisted. These include Classical, Neoclassical, Marxist, Keynesian, Schumpeterian, Austrian, Institutional, Behaviourist, Developmentalist schools of thought.

However, over the past few years, economics are converging into one main way of thinking: neoclassical economics. This is where individual self-interests are prioritized, and the value of economy is limited to within the market only.

A large section of economic activities happen outside of the market and the world will face new challenges. Therefore, we need agile, varied economic approaches, and new ideas for a healthy economy and democratic polity.

“Natural” strengths are never natural.

Malaysia has upgraded its industries from the starting colonial points of tin and rubber. Today, Malaysia produces palm oil products, electronics, electrical goods, and Petronas is a world leader in deep sea drilling. Yet, Malaysia's economic growth has been stagnant in the last two decades.

There is nothing natural about Korea's edge in manufacturing automobiles, or Taiwan's strength in semiconductors. Other countries have similar, if not more, access to critical raw materials.

Economic strength is a product of long-term industrial policies. It is important to develop productive capabilities and think about long term growth on a 20-30-year horizon. For example, Korea and Japan ventured into the automotive sector despite American and German dominance as global automakers at the time.

Taking lessons from humanity's approach to food, we should keep an open mind, try different things, and redefine community conventions.

This approach diverges from current economics, which relies on a popular way of thinking across traditionally defined schools of thought and is generally focused on self-interest.

Answers to today's issues will not come from old ways of thinking. To understand the underpinnings of current complexities, past learnings and ideas that build conventional paradigms will not suffice.

To advance up the value chain, countries must sometimes eat bitter gourds. There is a need for sacrifice for economic development (financial suppressions, reallocations of loans from consumer finance to machineries, higher consumer prices during infant industry protection phase.

Malaysia's future depends on systemic improvement. In addition to individual excellence, we must create space for collective injection of fresh ideas/ingredients into the system and drastically transform systemwide framework and processes. Malaysia has proven that it has done a lot, and therefore can do a lot more, if given the right ingredients and systems.

DAY 1: KEYNOTE ADDRESS
EATING ECONOMICS BETTER
WHY A VARIED DIET OF ECONOMIC IDEAS IS IMPORTANT FOR A HEALTHY ECONOMY AND A DEMOCRATIC POLITY

DEVELOPMENT AND ITS COMPLEXITIES
STEERING OUR WAY THROUGH A PERFECT STORM

TAKING LESSONS FROM HUMANITY'S APPROACH TO FOOD,
WE SHOULD KEEP AN OPEN MIND, TRY DIFFERENT THINGS & REDFINE COMMUNITY CONVENTIONS

IMPORTANT TO DEVELOP PRODUCTIVE CAPABILITIES ON A 20-30 YEARS HORIZON

NEO-CLASSICAL ECONOMY
WHEN THE VIEW DOMINATES, PEOPLE GET TO BELIEVE THAT EVERYONE IS SELFISH. THIS BECOMES A SELF-FULFILLING PROPHECY

MALAYSIA'S FUTURE DEPENDS ON SYSTEMIC IMPROVEMENT
ANSWERS TO TODAY'S ISSUES WILL NOT COME FROM OLD WAYS OF THINKING

PROF. HA-JOON CHANG
AUTHOR, PROFESSOR OF ECONOMICS, SAO'S UNIVERSITY OF LONDON

INTRODUCER: HISHAM HAMDAN
EXECUTIVE DIRECTOR & HEAD, PUBLIC MARKETS, KHAZANAH NASIONAL BERHAD

FOOD WAS CHALLENGING & SUPER BLAND, UK AVOIDS GARLIC BUT FOR KOREANS, IT IS THE ESSENCE OF LIFE

IT LOOKS VERY DIFFERENT NOW AS UK GETS FOOD ITEM FROM INTERNATIONAL COMMUNITIES

"NATURAL" STRENGTHENS - WE NEVER NATURAL

IN ADDITION TO INDIVIDUAL EXCELLENCE, WE MUST CREATE SPACE FOR COLLECTIVE INJECTION OF FRESH IDEAS INTO THE SYSTEM & TRANSFORM FRAMEWORK & PROCESSES

CORE SESSION 1: MACRO AND MARKETS

by Chucheng Feng, Marko Papic, Nurhisham Hussein

Navigating the Tumultuous Transition

The world is shifting towards multipolarity. It is dynamic, intense, and interesting; but for investors, it is difficult to predict and model.

In a multi-polar world, it is tough for any few countries to exert influence. It is also tough to exclude countries from our current highly intertwined global system. The world must increasingly coordinate to grow.

Challenges to multilateral coordination remain due to lower trust between governments as well as ingrained biases. For example, the general American still thinks “babies are cute, China is evil”.

The United Nations remains an important venue for countries, particularly under-represented countries to collectively voice out. Countries should not abandon the United Nations, rather work in tandem to improve the role of United Nations for better multilateral cooperation.

Much of superpowers' actions are reactionary and short term by nature. Investors should not overstate short-term hiccups, but rather focus on long-term structural megatrends.

Energy-driven inflation is the single most overstated issue. In reality, issues such as food-driven inflation and supply-chain security are the spotlights for most governments.

Foreign policy is essentially a response towards domestic political pressure. To rein in increasing domestic political pressure, leaders tend to look “outward” and implement aggressive foreign policy, further encourage nationalism.

Emerging countries such as Malaysia should continue to remain neutral to reap the spillover benefits from the geopolitical risks that arise from multi-country strategic competition. However, it is important to be careful and selective towards any supply chain reshoring opportunities.

With Environmental, Social, “Geopolitics” (ES “G”) becoming the reigning agenda, investors should construct their portfolios by considering diversification in a sustained and higher inflationary environment.

“Greenification” is great, but it must be balanced out by addressing the demand-side issues and proper transition. Therefore, investors should adopt a barbell strategy by focusing on brown assets in public markets and building green assets through private markets.

The CAPEX boom due to geopolitics and climate change will continue to fuel inflation. Investing focus will transition from chasing short-term capital gains to cash-flow generative, capex-focused companies. Investors need to be patient as reflecting quality growth in portfolios is a long-term journey.

The concept of diversification is extensive and should be incorporated into talent building in every organisation. Hiring talents across diverse backgrounds is key to successfully addressing multifaceted issues.



FEATURE ADDRESS

by Tan Sri Nor Shamsiah Mohd Yunus

Navigating Malaysia's Economic Transition, in a post-COVID world'

Malaysia's economic recovery is underway.

Growth has positive momentum in line with economic reopening. This has been backed by a strong banking sector with low exposure to foreign liabilities, and a diversified economy with strong domestic demand and diversified exports.

The labour market has shown strength. Wages have grown while unemployment has reduced to under 4%.

Inflation remains anchored. While increases have been supply-driven, it is expected to peak in the third quarter of this year due to price controls and Malaysia's spare capacity.

Future challenges remain due to global uncertainty, but optimism remains for Malaysia.

Interest-rate setting will continue accommodate economic growth. While it was reduced to offer financial support during the pandemic, gradual hikes are necessary to ensure monetary and financial stability.

The Ringgit depreciation against the USD offers challenges but also opportunity. The depreciation is driven by stronger USD demand amid global uncertainty. While import costs and food prices will rise, they are contained by social assistance, subsidies, and price controls. Export growth will also benefit, contributing to a stronger labour market.

History has shown that Malaysia has what it takes to remain resilient. From being heavily dependent on commodities in the 1950s, Malaysia transitioned to manufacturing in the 1970s, creating a bustling in the E&E sector.

To ensure long-term prosperity, Malaysia will need to fortify our economic foundations.

A shift is needed to an innovation-based economy away from a cost-minimising model. Ideas will be key, instead of natural resources, followed by products of mass customization and high complexity instead of mass production. Organizations should be characterized by entrepreneurs, start-ups and collaborative networks. Business competitiveness should not be dependent on subsidies or cheap labour, but defined by world class talent, strong institutions and good governance.

Malaysia must embrace new opportunities that are available. One is to move to a greener economy. Besides producing green products such as solar panels, Malaysia's own rich biodiversity plays a key role. The key is not to monetise our natural assets quickly as commodities or credits for other countries, but to cultivate our own green industries and services.

Financial sector reforms are key and underway. Prior reforms have led to resilience against past crises, enabling it to be a source of relief. To support future economic transformation, the Financial Sector Blueprint lays out five key priorities. These include fostering a vibrant funding ecosystem, elevating household and business financial well-being, advancing financial sector utilisation, facilitating the transition to a green economy, and advancing value-based finance through Islamic finance leadership.

DEVELOPMENT AND ITS COMPLEXITIES
STEERING OUR WAY THROUGH A PERFECT STORM

TAN SRI NOR SHAMISAH MOHD YUNUS
GOVERNOR
BANK NEGARA MALAYSIA

INTRODUCER:
FARIDAH BAKAR ALI
CHIEF FINANCIAL OFFICER
KHAZANAH NASIONAL BERHAD

FEATURE ADDRESS:
NAVIGATING MALAYSIA'S ECONOMIC TRANSITION
— IN A POST-COVID WORLD

MALAYSIA'S ECONOMIC RECOVERY & UNDERWAY

GROWTH & EXPECTED TO BE STRONG!

LABOUR MARKET & STRENGTHENING

DESPITE GLOBAL INFLATION - INFLATION IN MALAYSIA REMAINS WELL-ANCHORED

WE HAVE A MORE DIVERSIFIED ECONOMY

WHILE NEXT YEAR WILL BE CHALLENGING & GROWTH IS EXPECTED TO BE SLOWER...

WE HAVE REASON TO BE OPTIMISTIC

WE'RE NOT IN A CRISIS + FINANCIAL SYSTEM & THE PRE-EMPTIVE MEASURES TAKEN ARE STRONG

RINGGIT'S PERFORMANCE AGAINST USD IS NOT A REFLECTION OF THE STATE'S ECONOMY!

A FLEXIBLE EXCHANGE RATE REMAINS RELEVANT!

POLICY PRIORITY

TO SUSTAIN ECONOMIC GROWTH WITHIN ENVIRONMENT OF PRICE STABILITY & STRENGTHEN ECONOMIC FUNDAMENTALS THROUGH NECESSARY REFORMS

WE ASPIRE TO BE AN INNOVATION-BASED ECONOMY

WHERE THE RAW MATERIALS OF THE ECONOMY ARE IDEAS INSTEAD OF NATURAL RESOURCES

PRODUCTS OF MASS CUSTOMISATION & HIGH COMPLEXITY INSTEAD OF MASS PRODUCTION

ORGANISATIONS ARE CHARACTERISED BY START-UPS & COLLABORATIVE NETWORKS

BUSINESS COMPETITIVENESS IS DEFINED BY WORLD-CLASS TALENT, STRONG INSTITUTIONS & GOOD GOVERNANCE

WE MUST EMBRACE NEW OPPORTUNITIES THAT ARE AVAILABLE - LOW CARBON & GREENER ECONOMY!

3 BREAD THEMES

- FINANCE FOR ALL**
DIVERSE CHOICES, SUSTAINING SAFETY NETS
- FINANCE FOR TRANSFORMATION**
GROW ALTERNATIVE FINANCE
- FINANCE FOR SUSTAINABILITY**
GREENING FINANCE & FINANCING GREEN

THIS WILL PROVIDE MORE ENDURING SUPPORT FOR THE RINGGIT RATHER THAN RESTORING TO CAPITAL CONTROLS AS IT MAY CREATE MORE HARM!

WE MUST NOW FOCUS ON STRENGTHENING OUR ECONOMIC FUNDAMENTALS:

RESILIENCE and FLEXIBILITY

CORE SESSION 2: FIRMS AND TRANSFORMATION

by Chris Addy, Lya Rahman, Quyen Tran, Rahul Malhotra

ESG's Next Wave: Beta Activism via Sustainability, Impact, and a Just Transition

Beta Activism is defined as Institutional Investors who look beyond trading securities and move towards evaluating investments from a systematic and structural lens. The aim is to achieve better long-term risk-adjusted returns but driving change on targeted issues to reduce overall market's systematic risks.

Corporation plays a role in driving the United Nations Sustainability Development Goals (SDGs) and is a key beneficiary of the impact of SDGs. The market valuation of corporations today is bigger than GDP of the country. Corporations today (i.e., Nike with c.290 million social media followers) are influential enough to change perceptions.

Beta Activism is an enabler to equip companies in preparing for climate risks. Engagements with companies play a crucial role in the activism process as seen in Blackrock's sustainability investing.

Impact-oriented companies need ask the bigger questions on why they are doing this and what impact that they are trying to generate. Companies can use evidence-based research to support implementation and measure impact.

Proper governance is a key enabler for Beta Activism, via Sustainability, Impact, and a Just Transition

Beta Activism is new in Malaysia and the early focus here should be in governance in Malaysian companies. The appointment of politicians on the board of companies is threatens good governance, and the appointment of women is still poor.

All institutional investors should collectively work towards implementing good governance process and procedures from reliable standards. Institutional investors are encouraged to be transparent and publish their voting principles and decision-making process.

Issues such as greenwashing need to be managed by proper governance, data transparency and good investor judgements. For example, ESG ratings could reflect sustainability efforts but doesn't necessarily correlate to making actual impact.

Impact investment will eventually play a bigger role, with c.40% of funds now will be centred around impact, and not just purely financially driven.

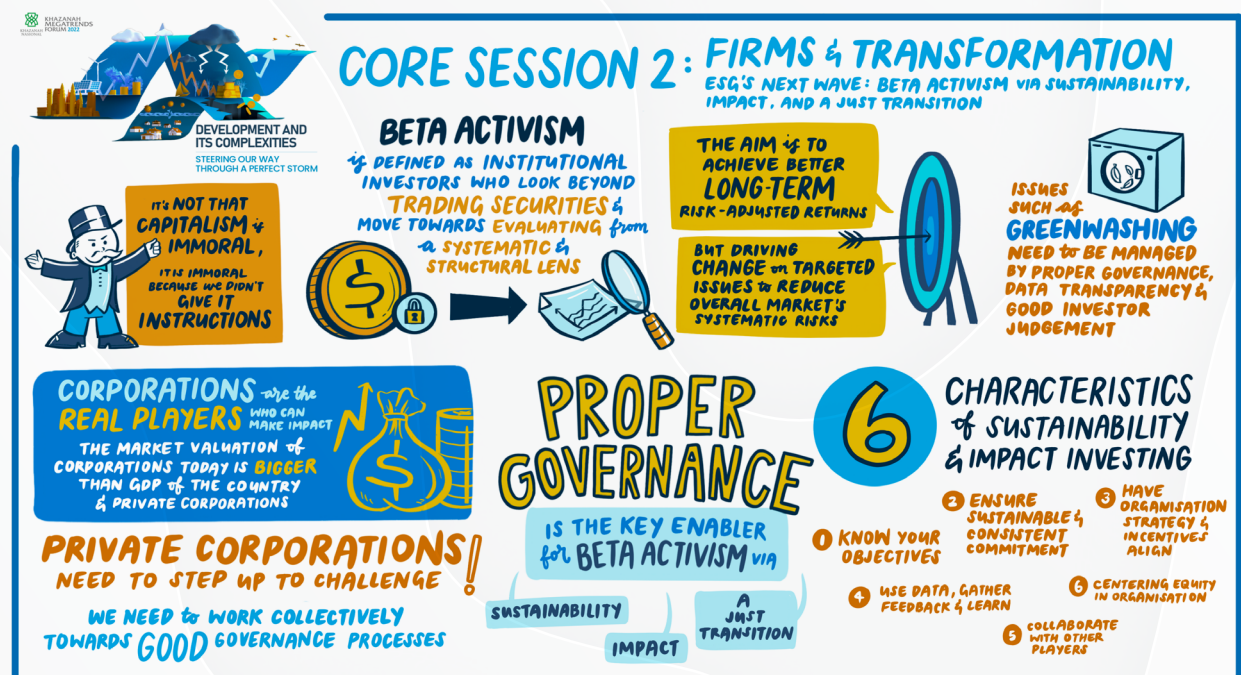
More investors carving out strategic impact mandates, much like Dana Impak. Companies choose impact areas based on issues that they want to push for, such as Diversity, Equity and Inclusion, Sustainability etc.

Executing and measuring impact investment is difficult, and collaboration and partnerships with ecosystem players are key for this space. There are best industry practices for impact measurements readily available, and large corporations already have impact strategy and frameworks in place.

Startups could get involved in the impact investing space by (1) focusing on the additionality and materiality that the products and services provide (2) to have research and evidence as a proof of concept that the solutions are working

The 6 characteristics of sustainability and impact investing are (1) know your objectives (2) ensure sustainable and consistent commitment (3) have organisation strategy and incentives align around creating impact (4) use data, gather feedback and learn (5) collaborate with other players (6) centring equity in organization.

There are many models of creating impact with a combination of blended finance, PPP, mandated CSR etc. For example, Patagonia's profits are committed to fight climate change and public companies in India are mandated to spend at least 2% of their net profit to CSR.



FIRESIDE CHAT WITH PATRICK CAO

The world today is different to the world in which GoTo merged and subsequently IPO-ed in 2022.

This necessitates a change in the initial vision and synergy for GoTo. Mergers are generally hard, but virtual mergers are harder, requiring GoTo to focus in three key areas: cross marketing, hypermobility, and better data for payment product.

At its core, GoTo is a social impact business at heart. With 67mn users, 12mn merchants, and 2mn registered driver fleet, GoTo remains committed to its various stakeholders along the consumer technology value chain.

As a result of its social impact DNA, ESG has been at the core of GoTo's business philosophy. This is reflected in GoTo's Three Zeros target: zero emissions, zero waste, and zero barriers.

Amid a pandemic and a subsequent global slowdown, GoTo's merger and IPO in 2022 was a challenging endeavour.

Every problem is a people problem. At initial stages of the merger, GoTo maintained independent holding company operations, which required continued alignment.

In the GoTo merger, there can be conflicting cultures between teams. For example, the on-demand segment has a more aggressive acquisition culture, whereas the e-commerce segment has a more supportive culture, which must be streamlined across the Group.

GoTo's local and homegrown genesis story has been a source of advantage. Powerful human connection to local nuances (best local murtabak, fried rice, nasi ayam geprek) ensures that GoTo's product offerings and strategies are not superficial compared to international industry competitors.

GoTo envisions a practical implementation to its ESG Three Zeros target.

With regards to ESG, it is crucial to find one's purpose in doing the right thing. GoTo's mission of empowering progress has been the Group's North Star in charting out its ESG and Three Zeros journey.

GoTo employs sustainable and financial incentives through emphasized weightages in employee KPIs. For example, out of 8 KPIs, 2 of them are Diversity, Equity, Inclusivity (DEI) and ESG KPIs; GoTo hopes to motivate employees to live out sustainability mission via these incentives.

Current economic backdrop presents challenges in ESG implementation. While it is easier to revert to the myopic approach of setting ESG targets superficially, GoTo's DNA as a societal impact business helps to maintain its focus for doing the right thing.



INNOVATION WITHOUT BORDERS.

by Eric Cheng, Florence Tan, Dr Jay Desan, Prashanth Prakash,
Prof Sanjeev Krishna

Science, Technology and Innovation in Malaysia and Beyond

We are seeing a dispersion of innovation, with innovation hotspots emerging outside of the global North.

No shortage of problems to solve. We are in a pandemic century, from the Nipah virus outbreak in 1998 to COVID-19. There is a massive demand-supply mismatch in food; 1.3 billion tonnes of food is wasted each year, while 800 million people go to bed hungry.

Entrepreneurs are building local capabilities and capitalising on cost advantages. The vibrant startup landscape in India today stems from Western companies outsourcing support and maintenance work to India, then transitioning to building products with local talent who later became entrepreneurs.

New technologies are opening doors. Strong digital infrastructure (the “India Stack”) has enabled the Indian startup ecosystem. Carsome is harnessing the power of data to create competitive advantage. Advances in controlled environment agriculture have allowed Boomgrow to achieve up to 135x more land productivity for certain products such as Swiss chard.

Local solutions for local problems

Establishing a profitable business in Asia is difficult, with unique challenges compared to the West. India has different demographics, costs are in dollar values while revenues are in rupees, and a lack of full-stack solutions. Entrepreneurs are now shifting their focus from chasing growth to creating value for stakeholders.

However, there are also unique opportunities. The key is identifying the market gaps and creating a business model that captures them. Carsome successfully aggregated the fragmented supply of used cars in Malaysia and Southeast Asia, then offered ancillary services such as financing and insurance to provide a full-stack solution.

We need to democratise platforms to serve local needs. The Centre for Affordable Diagnostics and Therapeutics (CADT) aims to repurpose existing drugs for new indications. Boomgrow is expanding beyond hotel and restaurant chains to grocery retailers to reach new consumer demographics.

Failure is the mother of innovation. More often we see successful results but not the failures during the process.

Complexity is tough to manage. The innovative process is long and resource-intensive. A collaborative and open-minded team is crucial for idea generation.

Innovation is people-driven and facilitated by cross-disciplinary collaboration. Industry players should encourage diversity of thought and shared risk taking to increase the pace of scientific progress. For instance, NASA has enacted open-space policy and double-blind reviews to encourage innovation.

The key is to learn from failures and never give up in seeking new invention. Only 55% of Mars lander launches have been successful. There are many issues and new inventions will be created as a result of solving them. For instance, the Skycrane manoeuvre used to land the Curiosity rover in 2012 drew

INNOVATION WITHOUT BORDERS
SCIENCE, TECHNOLOGY & INNOVATION IN MALAYSIA & BEYOND

DEVELOPMENT AND ITS COMPLEXITIES
STEERING OUR WAY THROUGH A PERFECT STORM

"CAR SOME IS BUILDING 6-7 CAR COMPANIES IN ONE!"
IF YOU ASK PEOPLE IN THE KNOW...
WE ARE ABLE TO CONSOLIDATE THE MARKET & SUPPLY BASE
...AND LEADING DATA ADVANTAGES
WE ARE POWERED THROUGH VERTICALLY INTEGRATED INFRA ACROSS THE REGION

IT'S TIME TO RECONSIDER FOOD
PRECISION FARMING
95% LESS LAND LESS WATER LESS FUEL
REIMAGINING THE FOOD SUPPLY CHAIN
WE AIM TO USE MACHINE LEARNING TO ACHIEVE PREDICTABLE CONSISTENT DEMAND!

THE INDIAN IT. REVOLUTION STARTED WITH LOW-COST TECH LABOUR — NOW EVERY BIG TECH CEO YOU CAN THINK OF IS INDIAN!
WE HAVE JONES P.S. SERVING INDIAN-AMERICANS
WE ARE THE FIRST INDIAN TO BE A PART OF THE S&P 500
NEXT THEY ARE DISCOVERING UNIQUELY ASIAN PROBLEMS TO SOLVE!
THE INDIA STACK
MOBILE FIRST DIGITAL PAYMENT THAT HAS HELPED INDIAN LEAPFROG COMPETITOR TECHNOLOGY

THE MICROSCOPE IS STILL CONSIDERED THE GOLD STANDARD FOR DIAGNOSTICS
QUANTUMIDIA A PORTABLE, DIAGNOSTIC INTERFACIAL, SENSITIVE, SPECIFIC
TO DEMOCRATISE DIAGNOSTICS NEEDS NEW PLATFORMS
THAT LEADS TO EMPOWERING COMMUNITIES!

FAILURE IS THE MOTHER OF INVENTION!
THE MODERN INVENTION (SOMETIMES ONE GENIUS) BUT THIS ISN'T EASY!
INNOVATION IS LONG & DRAWN OUT
PEOPLE PROPEL INNOVATION!

INTRODUCER: KAYSE FOO
KHAZANAH NASIONAL BERHAD

ERIC CHENG
CAR SOME

DR. JAY DESAN
BOOMGROW

PRASHANTH PRAKASH
ACCEL INDIA

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ST. GEORGE'S UNIVERSITY OF LONDON

FLORENCE TAN
NASA