



ANRO

Angsana Natural Rubber Opportunities Fund I

Investment Thesis Update

Sep/ Oct 2021



Investment Thesis

We forecast substantially higher rubber prices over a three-year horizon, driven by:

1. Demand Demographics

- The main applications for Natural Rubber are **mobility** (80%) **medical** (10%) and **general household products** (10%).
- 2020 saw a drop in demand of 6% due to the spate of **global lockdowns**. In 2021 Jan-Jun, global demand **has already recovered to** pre-Covid levels, despite Q1 lockdowns in Europe and sporadic ongoing lockdowns around the world.
- C19 has brought about **sustained behaviour changes** that drive rubber consumption: A widespread need for **PPE** and a renewed preference for **individual mobility** (not mass rapid transportation).

2. Supply Constraints

- 92% of rubber supply comes from **smallholder farmers** who need to **tap more when prices are low**; this has rendered trees vulnerable to diseases: Up to 1m hectares of rubber trees are sick with white root disease (*Rigidoporus lignosus*) and leaf blight (*Neofusicoccum ribis*).
- Due to below-breakeven prices from 2015 – 2021, there has been **insufficient replanting** and virtually **no new-planting** of rubber trees. 2008-2015 new plantings in Indochina and West Africa are largely being tapped, whilst **the worlds largest producers Indonesia and Thailand experienced peak supply in 2017/ 2018** and have been declining since
- It takes **7 years** before a newly planted rubber tree can be tapped, and new planting will require **cutting down existing rubber trees**. High palm oil prices negate crop switching, and deforestation is no longer an option





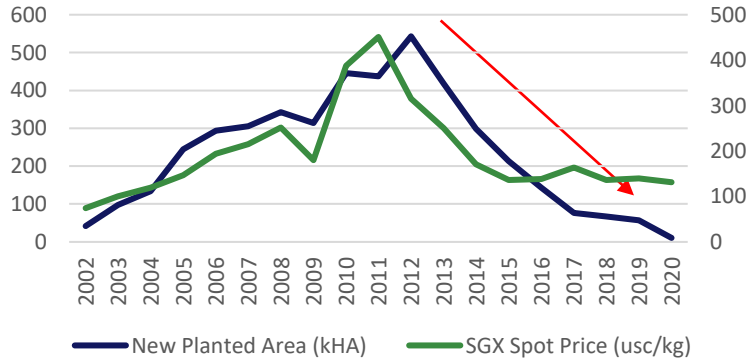
SGX Natural Rubber Price (usc/kg)





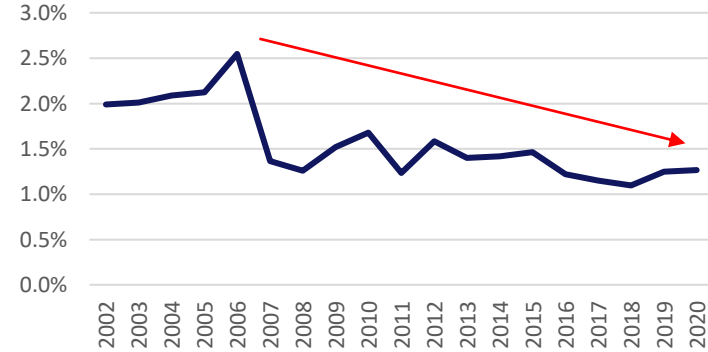
Key Supply charts:

Global New Planted Area & SGX Price



Source: IRSG, ANRO analysis

Global Replanted Area as % of Total

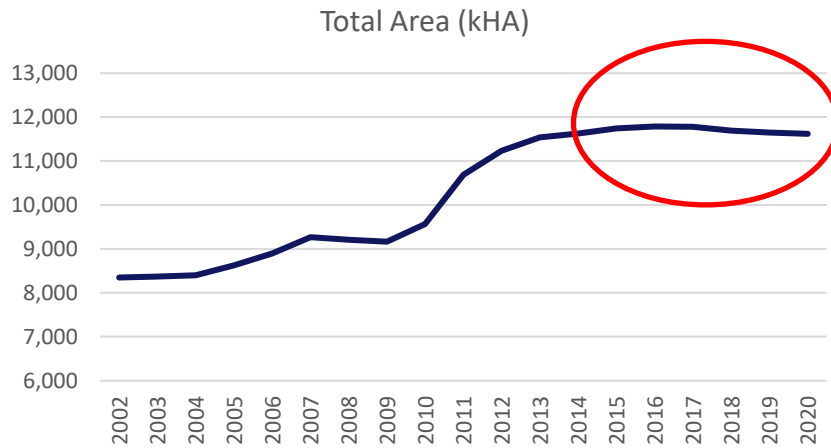


Source: IRSG

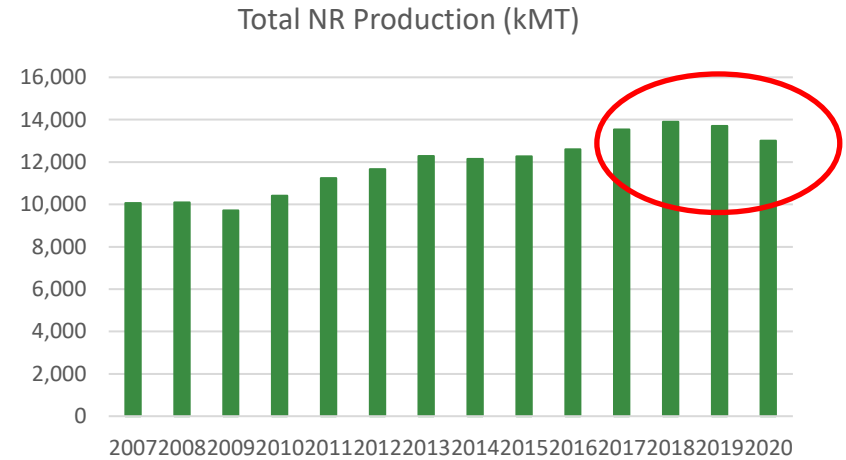




Planted area has peaked, as has rubber production:



Source: IRSG

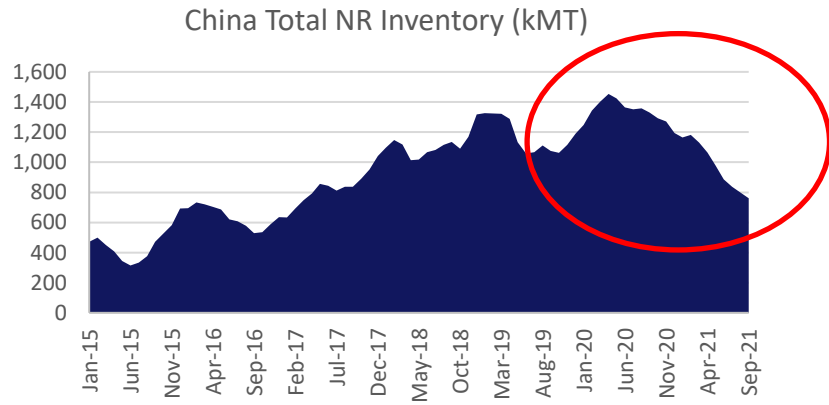


Source: IRSG, ANRO analysis



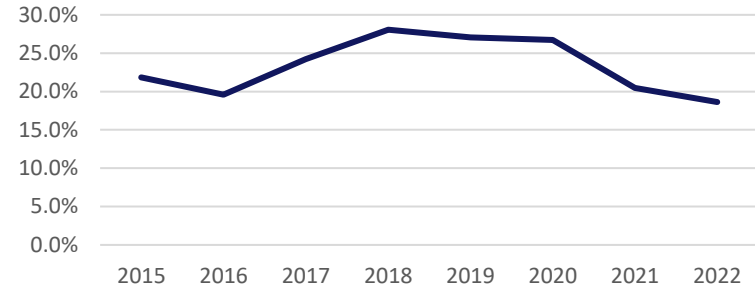


Key China Demand charts:



Source: ANRO analysis

Ratio of Stocks to Annual Consumption in China



Source: ANRO analysis





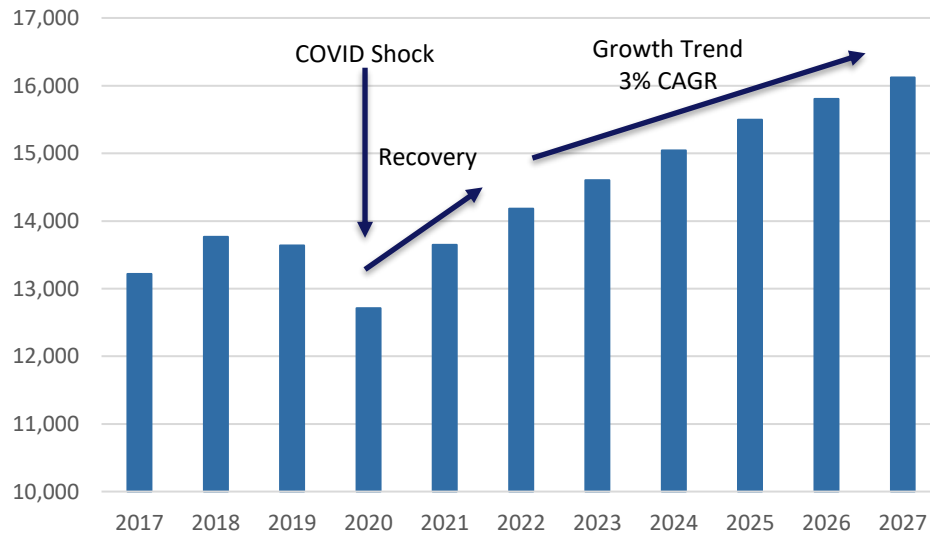
The last time macro and micro fundamentals aligned the way they do now in 2006, rubber prices rallied from USD1500 to USD5500 in the space of 5 years.

Going forward, we will have to manage market volatility and curve risk, but the fundamental imbalance of supply and demand cannot be denied and will drive the reflation of Natural Rubber prices.



Natural Rubber Demand Outlook

Natural Rubber Demand (kMT)



Source: IRSG, ANRO analysis

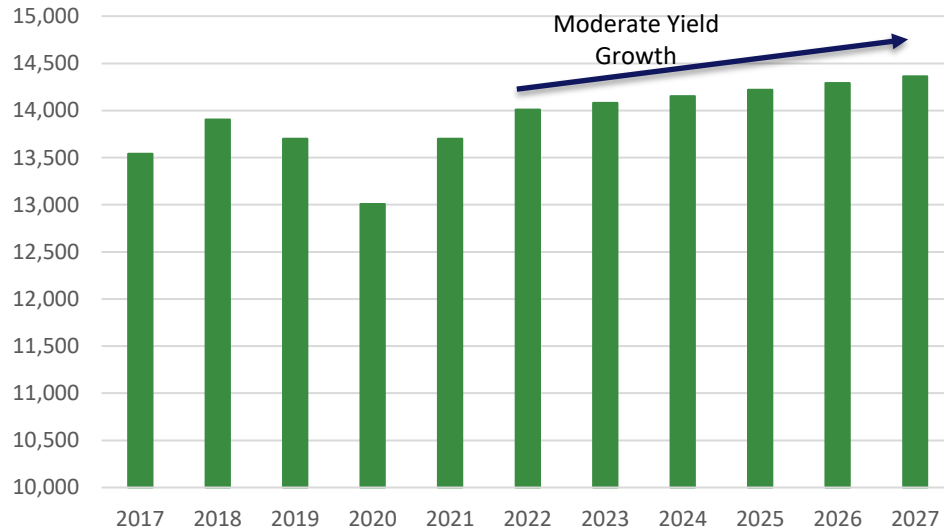
- Strong demand recovery in 2021 after the COVID induced temporary demand shock is ahead of expectations and back to 2019 levels.
- Demand outlook is positive, as high demand for medical coincides with pent-up demand for vehicles and travel, increased OTR demand for mining.
- From 2022 the long term average annual growth rate of 3% is expected to return.





Natural Rubber Supply Outlook

Natural Rubber Supply (kMT)



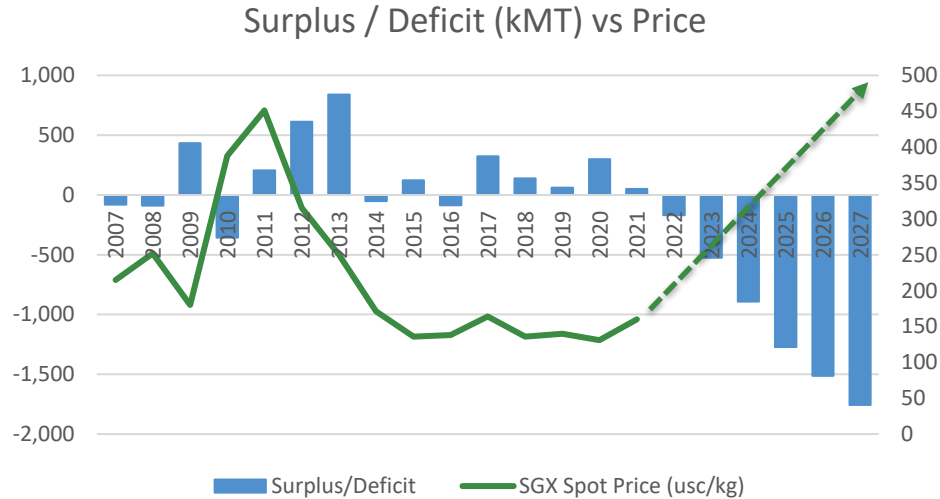
Source: ANRO analysis

- ANRO supply estimates, based on current area assumptions, indicate natural rubber is reaching **peak supply**.
- Allowing for trend yield improvement, based on current prices, it's difficult to achieve the sustained supply growth to meet demand.
- Recent years of declining/low prices led to below-trend new planting and replanting activity and crop husbandry to decline. There is even evidence of rubber area being replaced with other crops.





Natural Rubber Supply-Demand Balances



Source: IRSG, ANRO analysis

- **2021 is expected to be balanced** due to better than expected demand, and supply being hampered by COVID restrictions in key origins.
- In **2022** we expect to see the market move into a **slight deficit** as supply growth fails to meet demand. This will help clear any excess stock in the supply chain.
- **By 2023 we are expecting a severe supply shortage** of over 500kmt and for it to persist for 7 years.
- Over this period we need to see a **significant price response to incentivise supply and/or ration demand**.



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THANK YOU