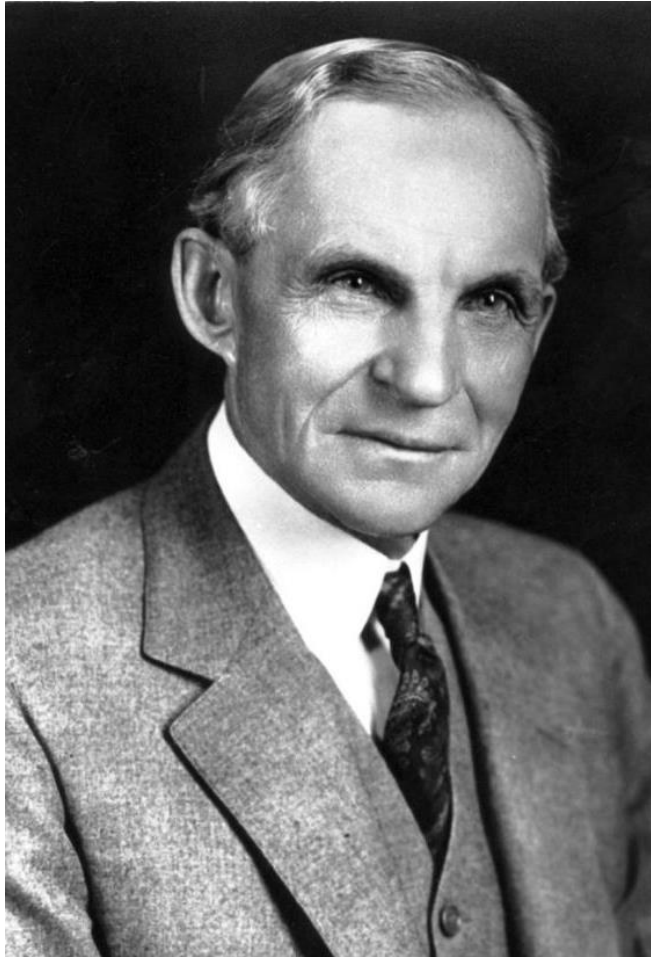




Xavier Adserà

**ADEQUITA**

## THE STARTING POINT

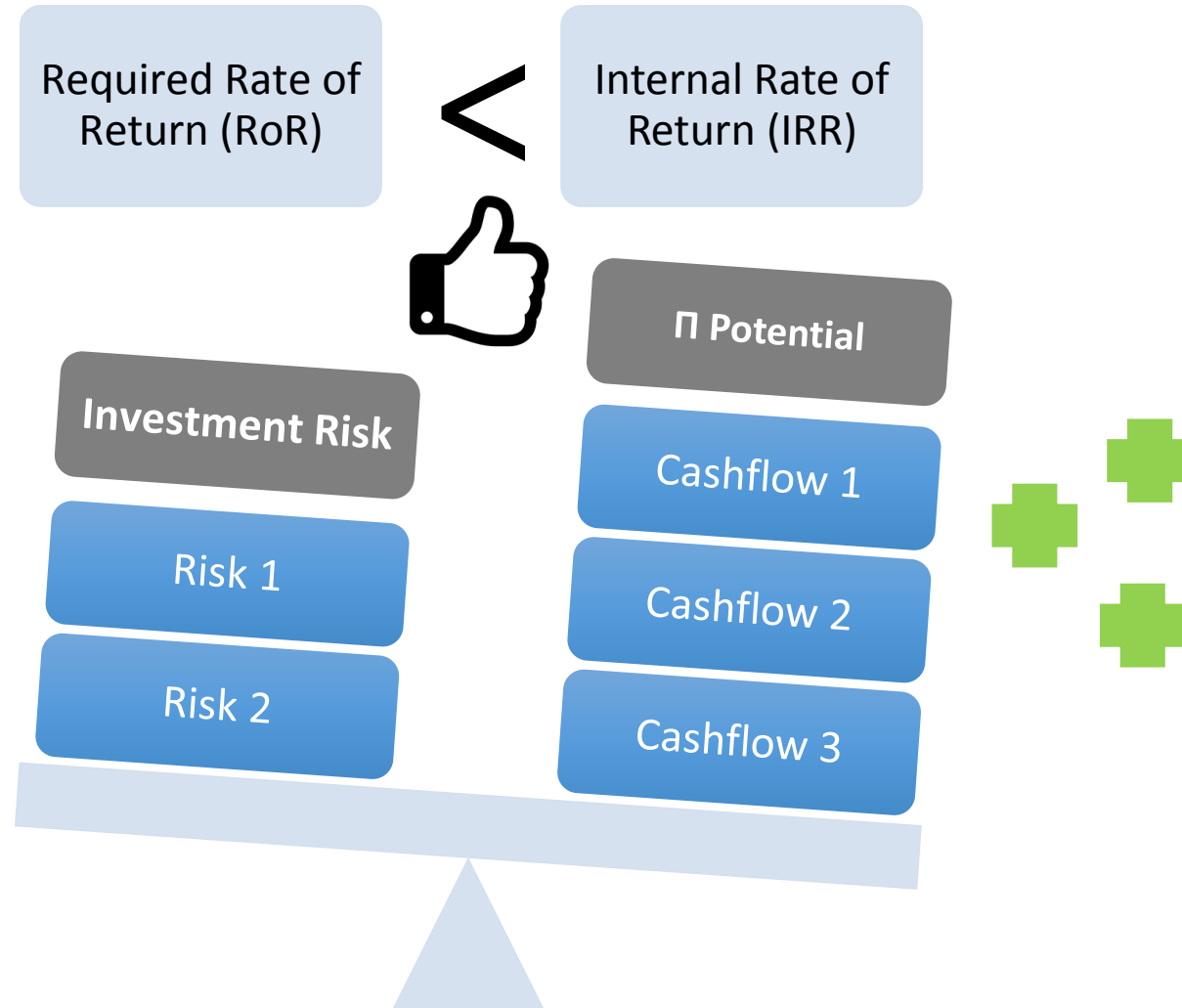


- Henry Ford (1863-1947) -

*"There is one rule for the industrialist and that is: Make the best quality of goods possible at the lowest cost possible, paying the highest wages possible"*

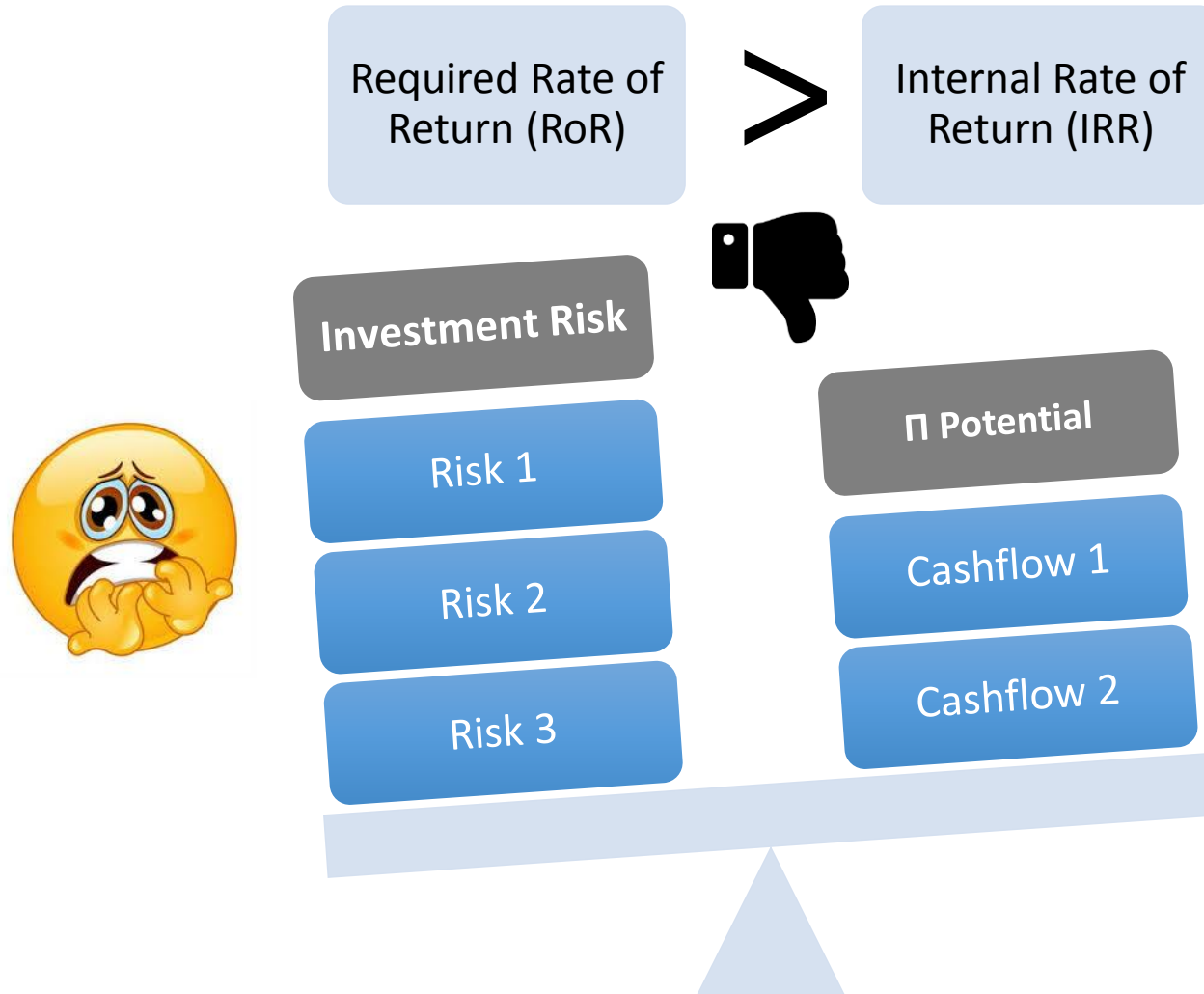
*Henry Ford*

# VALUING AN INVESTMENT



# IN EMERGING COUNTRIES

*With the biggest investment opportunities*



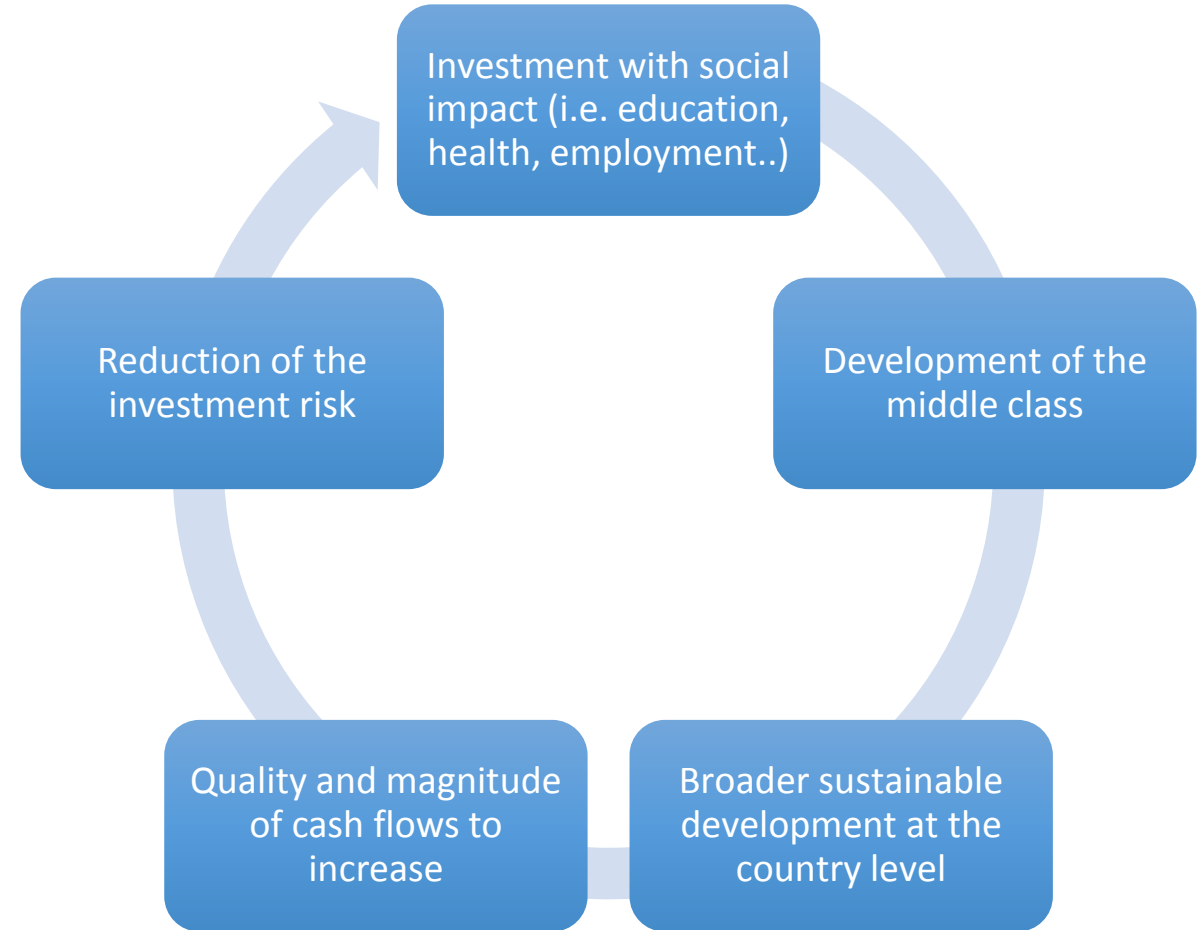
# CHANGING THE GAME

## *The Social Impact Virtuous Circle*

By reducing investors **required return** and demanding projects to allocate the value created by that reduction to **social impact initiatives** in the country....

... we contribute to the creation of a local **middle class**...

... and, consequently, to **long term sustainable investment opportunities** and **returns**



## IN FIGURES

We can quantify the relation between the decrease of the investor's required return and the equivalent amount to be devoted to social initiatives<sup>(1)</sup>



$$\frac{dP}{P} = -\frac{1}{k-g} \times dk + \frac{1}{(k-g)^2} \times (dk)^2 + \varepsilon$$

Projects with inherently low cash flow variations (i.e. infrastructure development) in high growth environments (i.e. as emerging markets) exhibit the highest value sensitivity to changes in the required rate of return

Source: Adaptation by Xavier Adserà of [Excerpt, Chapter 14: "Sensitivity Analysis for Company Valuation: the Discount Rate"] in "Principios de Valoración de Empresas", Xavier Adserà et al. - Ed. Deusto - 1997. Print. Find more on [www.adequita.co.uk/papers](http://www.adequita.co.uk/papers)

Notes: (1) Section 3: Duration, Convexity and the Growth rate, page 13.

## CONCLUSION

Circling back to Henry Ford's ideas, incorporating **social impact** as an inherent component of our **investment strategies** is key to unlocking new **investment opportunities** and **sustainable returns** in emerging markets

*[...Only then will workers be able to buy cars...]*

