

Asian Fundraising Review 2011

SAMPLE



CONTENTS

	Page
1 INTRODUCTION Slow recovery under way	6
2 FUNDS SOUGHT VS. SUCCESSFUL FUNDS CLOSED Country funds vs. regional funds	9
3 FUNDS ANNOUNCED Policy or profit?	14
4 SUB-REGION SNAPSHOTS Key fund market data	17
5 LOOKING N 7F	34
	36

SAMPLE

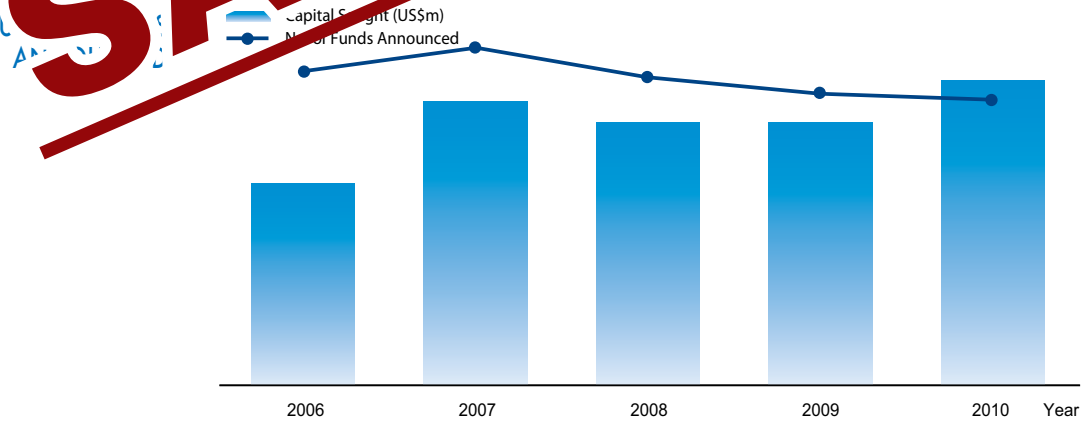
INTRODUCTION

Slow recovery under way

After what many described as a dire year for fundraising in 2009, when the private equity ecosystem caught the full force of the storm that broke in 2008, 2010 showed signs of a recovery that some players regarded as inevitable, to say nothing of essential. Continuing decline would have spelt real trouble for the industry. As it was, 2010 saw an uptick in almost every department, and in some areas a simple reflexive bounce, and closer to a real breakthrough.

Sentiment over... and head of funds and secondary... with... another... Pension Plan Investment Board (CPPIB), remark... longer today than it was. We've managed to get through... best practices really have been a success."

ASIA - CAPITAL SOL



Source: AVCJ Research

The data for 2010 shows that fundraising for Asia Pacific overall started to climb back off the lows of 2009 and, by some indices, surpass even the highs of the pre-crisis period. Indeed, the full-year total of \$77.3 billion for capital sought in 2010 shows that more funds are seeking to capitalize on global interest in Asia than ever before – more even than 2007's previous record total of almost \$72 billion.

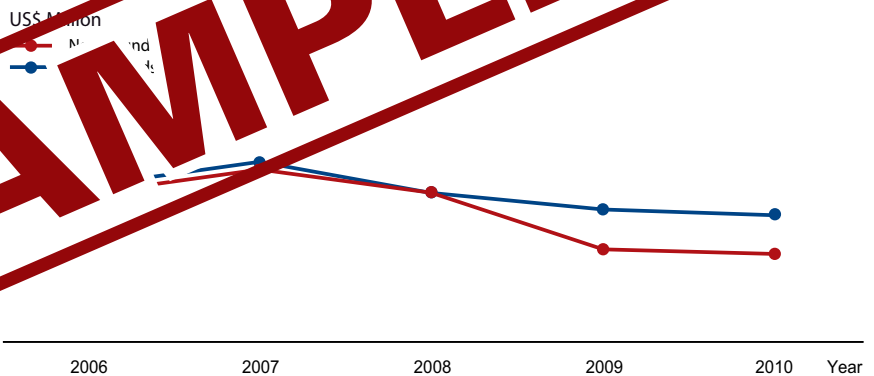
Global LPs are certainly starting to take Asia Pacific private equity more seriously than ever before post the crisis. As Sarah Alexander, founding president of EMPEA, remarks, "The global economic downturn undermined the assumption that investing in developed markets was risk-free, while additionally highlighting the importance of a well-diversified portfolio."

FUNDS ANNOUNCED

Policy or profit?

The new funds announced and capital sought in 2010 do demonstrate the renewed appetite among LPs – and enthusiasm among GPs – for the attractions of Asian growth post the crisis, but also clearly demonstrate a couple of other factors too. One is the importance of development capital and policy-influencing vehicles in Asia Pacific – never far away and very evident in 2010’s launches. The other, somewhat related, factor is the growing importance of China

FIG 3.1
ASIA - NUMBER OF FUNDS
ANNOUNCED & CLOSED



Source: AVCJ Research

The broad numbers now show funds launched at \$77.3 billion, some \$10 billion or 16.1% ahead of the almost \$66.6 billion sought in 2009. And despite what has already been noted about the (temporarily?) diminished attractions of buyout propositions in Asia Pacific, buyout GPs are in ambitious mood, seeking to raise over \$4.4 billion of capital in 2010, versus 2009’s \$3.2 billion, a 38% rise. Generalized private equity/growth capital fund launches are even more gung ho: 112% up on 2009’s \$19.4 billion, at over \$41 billion.

But looking below the surface, a distinct picture emerges that is not entirely positive for the fortunes of private-sector profit-driven private equity fundraising. Fred Hu’s \$10 billion Chunhua Fund may set a new high in terms of a target for Asia fundraising, but the precedent of Fang Fenglei’s Hopu Investments, which split very publicly before its first fund was even fully invested, does not augur well for such Goldman-alum celebrity vehicles; and Chunhua’s notional list of anchor LPs (many also in Hopu), including Goldman Sachs itself, Temasek Holdings, Ping An Group and the investment arm of China Construction Bank, does not suggest an opening up of the broader industry. The second largest fund launch of the year, Mitsubishi UFJ Capital’s almost \$6.1 billion BTMU Growth Strategic Support Fund, also has a strong whiff of a policy vehicle about it, with its mission to rehabilitate

LOOKING AHEAD

Now Deliver

Signs for 2011 appear good for Asia Pacific fundraising. Indeed, some significant developments are already giving comfort. Baring Private Equity Asia closed its Baring Asia Private Equity Fund V on \$2.46 billion, touted as the largest fund close for Asia since the crisis broke – in less than six months from launch. SL Capital has launched its second Asia fund, targeting chiefly Japan despite that market's poor record in fund formation lately, with a target in excess of the last vehicle's \$1 billion. Other funds are as high as \$2 billion. And a plethora of RMB funds backed by international investors, such as the Blackstone Group, Morgan Stanley, Citigroup, and T. Rowe Price, are being set up. Channels of funding, while the pilot QFII program is still in its infancy, are beginning to open up to participate in domestic Chinese RMB funds.

SAMPLE

While predicting a return to the glory days of 2006-07, and concern persists that the large volume of fund launches in 2010 can actually be accommodated by the available LP capital, not least as LPs have clearly held on to their post-crisis caution and are being more cautious and discriminating, even with the best vehicles. As Baring Private Equity Asia Managing Partner Jean Eric Salata, fresh from his success in raising Baring's Fund V, relates, "now that Asian private equity is more established as an industry and asset class, investors were less interested in the macro story, and more focused on track records and established groups – teams that have been tested in difficult markets and have come through with reasonable returns." This may be less comforting news for GPs in some markets, particularly India, where enthusiasm and plentiful fund launches have been more evident than actual returns.

Regulation remains a concern. As Patrick Knechti, investment director with SL Capital Partners, points out: "We very nearly had excessive regulation in Europe. And while some of that has been lobbied away, there's still a long way to go, and it remains a concern. As a fund-of-funds group, we're having to work very hard with the underlying GPs on this issue, because there's a whole community of stakeholders that we need to be educating, along with the investors." As already seen, Australia has also been a victim of similar developments, and despite broadly favorable regulatory trends for private equity elsewhere in the region, higher regulatory risk levels at local or international level seems to be a growing factor in many LPs' calculations.