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Issue 5

Inside this Issue:

Foreword

As we zoom towards the end of 2020, it is timely to pause and look at how the year has panned out, after an unseen virus we have now given a proper name to has caused havoc in the global economy, changing the way we work and interact.

The year was preceded with three heady years of record high fundraising, deal volume and valuations. The market was flushed with dry powder, unicorns-turned-decacorns and lines between PE and VC blurred increasingly as even the most traditional buyout funds placed large bets on early-stage opportunities.

By March, the party seemed to come to an abrupt end, as the world descended into chaos. The (then Wuhan) virus spread quickly across the world, and overnight, COVID-19 shut down businesses, borders, grounding flights, locking people at home. On no notice, the world had to adjust and adapt to a new way of living and working. And whilst some managed to benefit from the accelerating effects the crisis has had in some areas (think online), or the shifts in consumer spend, most businesses and economies continue to hurt. It is difficult to predict with any certainty the effects of this pandemic as many parts of the world are still grappling with second waves of infections and lockdowns.

We learn along the way how resilient we are. At SVCA, we had to postpone our biennial conference twice before now postponing it to March (we hope) 2021, and we wish to thank our sponsors for their generosity and patience. We brought you virtual events and will continue to do so as we endeavor to bring back in-person professional development seminars, talks and gatherings. As a trade body, we too need to learn how we can continue to serve the needs of our valued members in this situation. Fortunately, our team continues to produce some excellent ideas, which we will test and implement in the very near future, stay tuned!

For this issue, we will celebrate our industry's success with a special Annual Awards segment by bringing you the stories behind every winner of the six categories: ESG, best fundraise, top PE and VC Deals and best PE & VC Exits. Interviewing each winner face to face, was not only insightful but enjoyable after months of engaging virtually. And I hope that comes through in the writeup.

We would also like to announce the launch of a new Resilience Award as we wade our way out of troubled waters – this time, to give recognition to fund managers who have played a pivotal role in not only keeping "ships" afloat, but steering them back on track toward their desired destinations.

Southeast Asia could become a more attractive investment destination for regional corporates or private wealth. We find out from our conversations that whilst fundraising hasn't been easy, there is wealth in the region looking for home.

SVCA will be hosting an inaugural family office roundtable to learn what makes family offices tick.

We hope this anniversary issue captures key themes and headlines that affected the PE and VC industry up to October 2020.

For us to do better, we look forward to your input for the next issue!

Onward and *onward*,

Thomas Lanyi
Chairman
SVCA

Content

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Staying Resilient

Over the past few months we posed this question to our members: How can private equity and venture capital play a part in improving the resilience of your portfolio companies?

In the second quarter, most were engaged in trouble shooting, ensuring business continuity, and simply making sure their portfolio companies stayed afloat. For most, the third quarter offered some respite, gradually climbing out of the trough; but will they ever return to pre-COVID normal?

Many have pivoted or are still navigating unchartered waters at their portfolio companies. Some have even benefitted from the pandemic. Exits too have started to surface.

In a recent interview with Nick Bloy, co-founder and managing partner at Navis Capital Partners, he told SVCA that portfolio businesses with operations in China served as an early warning of what was to come for the rest of the region as early as January. Navis implemented a three-step plan: preserve cash, cut salaries, reset equity plan to help portfolio companies come out of the pandemic stronger. (Read more about this on pages 4 - 6)

For Willson Cuaca, cofounder of East Ventures which has more than 150 investee companies, it meant calling founders one by one, and quizzing each of them ‘is this a crisis?”. It was apparent at the start that “in Indonesia, most of the young founders have not experienced a crisis before, and they were less fearful, still questioning ‘what crisis?’, and so we chose to focus our attention on those who recognized the urgency and were prepared to act.”

Willson explained his strategy for tackling COVID-19: “trim fat (expenses including marketing spend), eat less (cut wages) and ration (layoffs).”

Revenues at startups were hard hit, from 50% cuts to some who experienced zero revenue. Traveloka, to cite an example, in February, recognized the crisis and took decisive action giving full assurances to staff and by March through to April, experienced zero revenue only to see Indonesia domestic holiday travel uptick in May to 25% of pre-COVID levels. Traveloka’s Vietnam business, however, has almost returned to pre-COVID levels. “It is about how a company responds rather than how bad the crisis has been,” Willson shared.

Which spurs the question: how have you helped your portfolio companies, or founders navigate this crisis? Was there a particular business you saved by ensuring that the strategy and crisis plan was followed through? Perhaps, you helped a business pivot and saved it from closing?

SVCA is now inviting nominations for a special Resilience Award in recognition of the industry’s efforts in 2020. Nominate a fund manager who you know was directly responsible for saving a portfolio, and/or even pivoting to capture a new business opportunity.

Click here for the nomination form.

One-on-One with

Nick Bloy

Cofounder and Managing Partner of Navis Capital

Navis Capital Partners is likely to be the first name that springs to mind when you think Southeast Asia private equity, having established themselves in Malaysia as early as 1998. Even then, the firm was not spared the challenges of raising Navis Fund 8 since coronavirus outbreak was elevated to a pandemic. SVCA caught up with Nick Bloy, Navis' cofounder and co-managing partner in a live web interview as part of our One-on-One series on 29th September, 2020.

Navis had been raising Fund 8 which has a target of $1.75 billion for two years, and according to Bloy, "it was pretty easy before COVID and it was pretty impossible after COVID" after travel restrictions were enforced from March.

"LPs' inability to do physical due diligence and a really important exercise of re-calibrating their understanding of the cash flow profile of existing portfolios and what it meant then for discretionary decisions has all taken a toll on the ability to raise funds."

Nick is hopeful that the fundraise will be concluded in 2021 but cautions that existing travel restrictions could impact the final fund size.

No stranger to fundraising during a crisis

Compared to the aftermath of the Asian 1997-1998 crisis, the pandemic-led economic crisis has been more challenging for Navis. Navis was launched in a vacuum as "every single incumbent private equity firm was on its knees with portfolios that had been totally crushed" with a qualitative track record from Boston Consulting Group. At the same time, investors were keen to deploy capital into the Asian currency crisis having witnessed a V-shape recovery from the peso crisis in Mexico in 1994.

"We had a window where a new firm could raise money, and it was great. It was never easier."

While fundraising has been stalled, this year has been busy for Navis.

"I actually think this is the time when you've got to work the hardest and, you know, prove that you are able to develop deal flow, move things through a due diligence. You may not yet have the money to do the deal, but you at least have a real deal or a live deal that's in process, or a series of them. That's absolutely vital"

In time of COVID: preserve cash, cut pay, inject optimism

Navis embarked on cash preservation measures from the beginning of the year, taking cues from the initial outbreak in China. "That meant drawing all of our credit lines, reviewing every single lease and making sure that if we felt our retail stores were going to close, we were not going to, we warned the landlords this is coming and we won't be able to pay rentals."

Then came difficult decisions. In March, the partners at Navis decided to cut their salaries by up to 90 percent because "we wanted to look our CEO's in the eye when we were telling them to take big salary cuts and say to them 'we get management fees no matter what, but we're still choosing to put ourselves into your shoes for a period of time because we know it's not going to be easy for you.'" As a result, there was very little resistance to decisions that are life impacting for many.

Thirdly, Navis assured every single management of equity plan reset at the end of COVID.

"We worked on the sort of coming out stronger piece of analysis, what can our portfolio company do that their competitors can't do or won't do because they don't have the capital, balance sheet, the people, the ambition, whatever it is. And that led to a series of acquisitions in many cases."
In terms of NAV, the biggest hit was from December to March, during when the firm "took about a 16% hit." By June, however, Navis saw recovery in currencies and multiples, "not so much in EBITDA although some of our businesses benefited dramatically from COVID like our supermarket groups. Sales doubled, and their profitability was 5X during that period, so we clawed back quite a bit of what we lost in Q1."

At the end of 2019, the enterprise value of all of Navis' portfolio companies was US$5.8bn.

"And to date we've only had to put in $6.25 million into this portfolio for the purposes of helping them manage through COVID, so we have had to put in, you know, 0.1% of enterprise value in the form of equity support, you know, emergency funding which is tiny if you think about it."

One portfolio company Nick worries about is in the cinema business because there has been no Hollywood content and an rising trend toward digital streaming of movies and content.

Building Navis footprint across ASEAN slowly

After 22 years, Navis has built its footprint across most of Southeast Asia and into Australia but it is only entering Indonesia next year. Why only now?

"I don't believe in first mover advantage into geographies....in fact I think in many cases there's a first mover disadvantage which other people learn from. I remember in the 90s, Vietnam was a great place to lose money."

"For a period of time, we were quite able to manage our activities in Vietnam through our Bangkok office, because Bangkok is a very natural hub. Just as Singapore is, for example, for Indonesia. We had Vietnamese professionals who were based in our Bangkok office for a couple of years absorbing our processes, to make sure that they've been inculcated in the way that we do things and they subscribe to our culture and our values because we don't want to have a series of different fiefdoms, different processes, different ways of working across different offices."

Why Australia?

While Navis is entering Indonesia later than some GPs, it has had an office in Sydney since 2007. Nick explains Navis' investment thesis around Australia's connectivity to Asia:

"You put yourself into the shoes of an Australian management team or Australian entrepreneur and they either have Asia as part of their activities or they want to have Asia as part of their activities. But it always is very culturally challenging for an Australian management team to get to grips with Asia. It's not easy, it's not obvious, and it often requires money, which is what we can provide, but also local cultural expertise, and that's the combination that we want to provide to Australian companies.

"I find it silly to just sort of narrowly segment say, oh, that's a country, and therefore we can't invest in it. If there's connectivity or a linkage, there's always Alpha to be had there because those linkages are not easy to manage, and often they're not well managed or often the opportunity is being sub-optimized because of the complexity, but if you can manage that complexity, there is definitely Alpha to be had."

In and out of India

India, on the other, hand, was not seen to be as connected, or strategically relevant to Southeast Asia as compared to China.

"We didn't have a good experience in India," Nick admitted candidly. Aside from suffering a dramatic currency weakness, Navis encountered local businessmen who succeeded because they "cut endless corners on governance."

Navis places importance in upholding ESG standards as a value creation lever to pave the sale of a portfolio company to strategic buyers, Nick explained.

"Trying to implement that with somebody whose whole playbook has been doing the opposite of good governance puts you at loggerheads very quickly with that entrepreneur. And I felt after a while that that was a very big problem."

Asked how other funds, and especially VC funds which are targeting India and Southeast Asia could succeed, Nick shared" "I always felt that if we were investing with much younger entrepreneurs, rather than the more mature owners of more established business Navis was approaching for control stakes, that might have been educated in the West, in the new economy without taking a controlling position, that would be the segment where one would be more likely to make money. Except that is so far removed from Navis' playbook that it's not for us."

Building a team, sharing economics

Many of the partners have been with the firm for 12 or 13 years, some starting as analysts before working their way up, which in Nick's view, is "perfect" because "they know Navis, we know them, they've been through tough situations, they've been through great situations, they're proven, they subscribe to our values, they're loyal. Otherwise they would have gone somewhere else."

About ten years ago, Navis bought back 25% stake from a passive financial shareholder, and at the same time, it started to sell down the shares of the GP to the next layer of partners. Until then, Navis was owned by one financial investor, and three actively engaged founders – Rodney Muse, Rick Foyston and Nick. Navis now has about 17 or 18 partners and senior executives.

"We want them to be equity owners. And that process of selling down is a perpetual process. Every fund cycle we sell down more. We make it very easy for people, so they never have to write us a cheque from their own bank account. It's designed obviously to make sure the next generation and the generation below them are here for the long run."

That said, Nick and his two cofounders, all in their 50s, are not planning to exit any time soon.

"We love what we do. I mean, this is really one of the most enjoyable jobs in the world and you would almost pay to do it."

Succession planning started at the same time Navis bought back 25% of its stake from its passive investor, a European family office.

"You can't just snap your fingers and put in place a succession plan, which is a cliff edge without taking dramatic risks of disenfranchising some people who didn't quite make it. It's abrupt for LP's, it's abrupt for staff. When I look back, I think it was a 20-year transition, already started 10 years ago."

Celebrating SVCA 28th Anniversary

SVCA 2020 ANNUAL AWARDS

RECOGNIZING THE BEST IN CLASS

Every year, SVCA invites nominations deserving of six categories of awards: ESG Award of Distinction, Best Fundraise, PE & VC Deals and Exits of the Year, and a panel of independent judges select the best in each category. This year, we received an overwhelming number of nominations. See the results in the following pages.

ESG AWARD OF DISTINCTION

Winner
Navis Capital Partners

Portfolio Company
Saitex

Headquarters
Vietnam

Saitex represents a commitment to building a global leader in sustainable fashion; from product design to manufacturing (sewing, washing and finishing) of high value denim for labels such as Calvin Klein, Everlane and G-Star. Producing more than 5 million pairs of jeans a year, Saitex recycles 98 percent of its wastewater (2% evaporated), generates 100% of its steam from onsite biomass boilers and uses solar energy for its production plant. Saitex is B-Corp and Fairtrade certified and aims to be carbon neutral by 2023.

Navis' investment will enable the construction of a US$66m state-of-the-art mill which will incorporate the latest modern dyeing techniques with nearly waterless application for dyeing resulting in 92% less water, 30% less energy and 87% less cotton waste than incumbent mills.

Traditionally one of the most polluting parts of the supply chain, this new mill opening in 2021 will propel Saitex to become a true circular "seed to shelf" producer: using ethically-sourced cotton, producing energy from wastewater and agricultural by-products.

The sustainable practices adopted will positively impact the local textile industry, workforce and environment. With a capacity of up to 2 million metres of fabric a month, the mill will also provide jobs for an additional 600 people at full capacity.

Bangkok-based David Ireland, Senior Partner at Navis told SVCA that the Saitex model of ensuring sustainability at the highest standards also makes it the most-ESG compliant business in the fund's portfolio.

Saitex boasts of onsite hydroponic greenhouses from Australia which cultivates vegetables and fruit for its workers, particularly pregnant women, but he also asserts with much pride that "this (business) is not a NGO, nor a charity."

Navis engaged with the founder and monitored the business operations for a year before finally taking a control stake.

Following Navis' investment, Saitex was able to acquire the adjacent garment factory and employ all 400 workers when the previous factory owner-operator moved to a lower (labour) cost location.

In addition, the sustainable vertical integration play has also resulted in onshoring production in Los Angeles to accelerate speed to a premium consumer market.

The stringent ESG standards adopted by the founder paves the way for Made-in-Vietnam to become Made-in-U.S.A., reversing the trend where Western brands manufacture their goods in emerging markets. For Navis, this also marks the first time a portfolio in Southeast Asia takes their production to the US.

VC DEAL OF THE YEAR

Winner
Openspace Ventures

Deal
Tani Nusantara Pte Ltd (Tanihub Group)

Headquarters
Indonesia

Shane Chesson on the ground with TaniHub

Tanihub Group began as an integrated agriculture e-commerce platform that empowers farmers with technology to get better, more direct market access to market demand, pricing and distribution. Today, Tanihub also includes TaniFund, a P2P financing platform which provides financing to selected farmers who are part of the TaniHub network. With over 10,000 registered lenders, and less than 100 projects so far, the potential for growth is enormous.

Openspace Ventures (OSV) invested in this Indonesian agritech after the team undertook an active deep-dive studying every startup in this sector. OSV has invested $10.5 million into Tanihub over two rounds of financing since 2019. Since then, OSV has also invested in Freshket, the Tanihub equivalent in Thailand.

Tanihub displaces layers of middlemen in the supply chain, sourcing directly from 31,0000 farmers and distributing to 14,000 monthly active buyers such as food processors, retailers, hotels, restaurants, and individual consumers.

In addition to capital, fundraising, business development, strategy and financial support, OSV initiated the incorporation of large amount of data collected by arranging for tech and data science experts to work alongside the startup's professionals to streamline the platform. Efforts were also directed at improving the backend for better performance and scalability, and helping the team build a dashboard for various buyer segments.

Tanihub Group's revenue has risen sharply in two years, by more than 10X.

"It is about demand-supply matching, to improve the information flowback to farmers and closing the loop with the financing line," Shane Chesson, Partner of OSV explained.

The profitability has improved 5X – amidst the pandemic – in twelve months. In the wake of COVID-19, Tanihub has even signed a deal with the government to guarantee rice supply.

The coronavirus outbreak also brought a demand shift and the agritech platform was able to divert supply accordingly, minimising wastage whilst increasing price of produce, information flow, and income to the farmers, all of which contributed to the margin surge.

"This is a case of how we are integrating impact into our investments, without compromising on returns." Shane concluded.

PE DEAL OF THE YEAR

Winner
Warburg Pincus

Deal
Converge ICT

Headquarters
Philippines

(L-R) Converge cofounders Dennis and Maria Grace Uy with Warburg Pincus' Saurabh Agrawal

"Converge ICT could win the Award for exit of the yYear next year," Jeffrey Perlman beamed, all smiles ahead of Philippines' second-largest ever listing after just one year into its foray into the country.

According to a 2019 report by Hoot Suite and We Are Social, Filipinos spend an average 10 hours a day on the internet, compared to Thais (9 hours 11 minutes) and Indonesians (8 hours 36 minutes) ranking third and fifth respectively in the same index in 2019.

"What struck us was how the internet speed in Ghana was faster than Philippines, and how our phone connection with Chip Kaye on the way to the airport got cut ten times," Perlman joked. The investment into Philippines' fastest growing and only pure-play fixed broadband operator was a done deal with very little need to further convince the Investment Committee.

Fibre broadband penetration is only 6%, the lowest in Southeast Asia, and that means Philippines has the slowest home internet speed even while it has one of the youngest populations in the region. The addressable market is seven times the size of the current market totalling $7 billion in revenues. And the pandemic has significantly accelerated market growth as more people are forced to work from home.

Converge, a beneficiary of COVID-19, owns and operates the fastest growing, end-to-end fibre network in the Philippines, reaching over 4 million homes in over 200 cities and municipalities. "In this duopoly, the leader is fat and happy, and think they have the market to themselves," and this allowed for Converge, the Number 2 player, to become an outsized grower, generating 20% in profit margin and 70% in revenue.

For Warburg Pincus, this investment ticked many boxes in the firm's thesis-based investment approach, to invest in the market leader, in a sector the firm has built a successful track record. In addition to steering Converge's IPO, Warburg Pincus played a critical role in tapping into their network to hire very senior level executives from CTO, COO and CFO, and fully funded the business plan and brought further financing from banks.

"No one knows what it takes to journey from private to public markets like we do in emerging markets like India, Africa, China and Southeast Asia, with companies like Bharti Airtel, Airtel Africa, ESR and VinGroup,"

Like the ESR IPO price for Hong Kong, Converge IPO price has been set at the lower end of the band at 16.80 pesos. Evidently, Perlman has lived in Asia long enough to appreciate that 168 are lucky numbers.

FUNDRAISE OF THE YEAR

Winner
EV Growth GP

Fund
EVG Fund L.P. (2018)

Final Close
$250 million

(L-R) YJ CEO, Shinichiro Hori, Willson, SMDV Managing Partner Roderick Purwana

This is one VC who does not follow convention. Starting in 2009, East Ventures started with $2 million for a maiden fund focusing on Indonesia when nobody believed in the Indonesian VC story. Fund after fund, Willson Cuaca has managed to raise more than his target, and within a relatively short period of time. In fact, Willson revealed that he had never even drafted a PPM prior to raising EV Growth!

Willson founded East Ventures with his high school friend, Batara Eto (co-founder of public-listed Mixi) who helped raise the initial capital from Japan. By 2017, East Ventures had invested in 150 startups, and funded 70% of Indonesia's Series A rounds including unicorns. Tokopedia, Traveloka and Gojek. With its track record, East Ventures was named in 2019 amongst Preqin's list of Most Consistently Top Performing Venture Capital Fund Managers.

East Ventures' success in seed and Series A investments has spurred the firm to raise a Series B or growth fund that will invest in later staged, lower risk portfolio companies.

Willson projects that up to 80 percent of EV Growth will be deployed in existing East Ventures portfolio. EVG will inject an average $4m into a single investment compared to $0.5m from EV early stage flagship fund.

The EVG Fund will be co-managed and anchored by, Sinar Mas, Yahoo Japan and East Ventures. With an initial target of $150m, the overwhelming demand from institutional investors who typically write much larger cheques reflects a strong vote of confidence in East Ventures, and resulted in a final close on a $250m hard cap.

VC EXIT OF THE YEAR

Winner
Jungle Ventures

Exited from
Paysense Pte Ltd

Headquarters
Singapore

Amit (standing) with seated L-R: David Gowdey & Anurag Srivastava

Launched in Singapore, Paysense is a digital provider of consumer credit in India. Jungle Ventures led a Series A round in 2016, and helped the founder secure additional minority funding from PayU (part of Naspers Group), a potential buyer, in the same Series A round. Both Jungle and PayU further helped the company with growth capital when they coinvested in the Series B rounds. Four years into the first investment, Jungle exited the business by selling their shares to Naspers, in a deal which valued the company at $185m. SVCA spoke to Amit Anand about this winning VC exit.

SVCA: Who is Prashanth, and how did Jungle help him with his journey?

Amit Anand: Prashanth Ranganathan founded Paysense and launched it in Singapore and India after he left PayPal Singapore, where he was Head of APAC Solutions for four years. Prashanth had sold his first business, a mobile payment security startup in Silicon Valley to PayPal, so PaySense was not his first startup, but it was his first time building a startup in Asia.

Jungle's investment thesis is about partnering India based tech startups, bridging them to Southeast Asia, our core geography for investment. PaySense, however, started in Southeast Asia, but really took off in India first.

The world is full of potholes, mountains and blindspots. Jungle brings our cumulative experience to these founders including Prashanth who was going to operate in India for the first time, to navigate the obstacles in the new market.

SVCA: What is PaySense?

AA: Powered by algorithms on a real time basis, Paysense captures the credit profile of a mobile user by predicting with more than 90 percent accuracy the consumer's intent to pay. A consumer's credit worthiness can be measured by analysing their online social presence, among other metrics, to predict their creditworthiness.

In India, PaySense started with 1-2 financial institutional partners to provide instalment plans to young professionals with little or no credit history, but the number of partners soon grew to 8-10 because Paysense's proprietary technology enables them to offer credit services at an acceptable level of risk to customer segments that they have never been able to reach.

SVCA: How did Jungle Ventures add value to PaySense?

AA: We focus on three areas: leadership development, strategic business development and capital support. We counselled and helped the founder in all three areas,including securing additional minority funding from PayU in the Series A round we led in 2016.

Jungle played a critical role in separating financial from strategic interests to maintain PaySense's independence, making it easier for both parties to consider an acquisition at fair market terms.

PE EXIT OF THE YEAR

Winner
Warburg Pincus

Exited from
ESR

Headquarters
Hong Kong

Jeff Perlman: Engineer behind PE Exit of the Year

Typically, three to five years is how long GPs want to hold on to an investment, but in rare instances, you come across such a compelling deal that you don't want to sell even ten years on. And this is exactly what happened for Warburg Pincus with ESR. Founding and building ESR from scratch in 2011, the growth investor demonstrated over time how to build organically, grow AUM and then transform into an asset light business by the time it IPO-ed in 2019. SVCA spoke to Jeff Perlman, the key driver of this winner.

SVCA: This is not your typical PE deal, is it, even for Warburg Pincus as a growth investor? How did ESR come together? How do you get the IC approval to start something from scratch?

Jeff Perlman: Warburg Pincus was born in 1966, which gives us more of a venture-like DNA than a typical buyout firm. Additionally, we are very thesis-based in our approach to investing across all of our sectors and especially for real estate. When I first arrived in China, 90 percent of the listed real estate universe in mainland China and Hong Kong were residential developers, compared to just 7 percent in the US. This really made us look at all the other types of real estate (the other 90%+ including logistics, hospitality, multi-family, retail) that we thought investors would eventually focus on like they had in the US.

We believed that logistics and industrial was a huge area to invest in with companies like Prologis that had $50bn+ market capitalizations in the US and yet there was no large stand-alone pan-Asia platform. Despite trying hard to identify a strong existing platform, we felt that the only way to create a leading platform was to start one from scratch. We found two entrepreneurs, Jeffrey Shen, who was the first employee for Prologis in China, and Sun Dongping, who had deep experience in the sector and who were very entrenched in China.

To differentiate our platform from the likes of GLP was to focus on e-commerce and hence the name e-Shang at the start. Our first project was the largest ever warehouse for Amazon in the region at the time and today ESR is the largest e-commerce developer and landlord in Asia with over $25bn of AUM.

So to your question about starting from scratch and getting IC approval, it is very much in the DNA of Warburg Pincus and we had strong support internally for our real estate franchise which is so differentiated from our peers. This allowed us to bet on a large secular trend that we believed strongly in as well as in a team of founders (which eventually came to include Redwood via a merger) who have now expanded to over 7 countries to become the largest pan-Asia developer, owner and operator of warehouses.

SVCA: Can you describe the journey of building ESR into a fund management business?

JP: As a thesis, we have always believed strongly in the financialization of real estate in Asia. As Asia becomes the largest real estate market in the world in the next 5 years, more and more institutional investors will turn to professional developers and managers to help them deploy capital and manage their real estate.

Given that logistics / industrial is arguably the largest secular theme in Asia and is also highly capital intensive, we felt that growing ESR into a larger fund management business (as opposed to just an asset heavy platform) was the right growth strategy.

We started that journey by bringing in APG as a project-level partner in China in 2014, expanding into Korea with APG and CPPIB and merging with Redwood in 2016 (which also had a fund management business and a Japan presence) and we now manage over $25bn of AUM, over 90% of which is via third party managed funds with large sovereign wealth funds, pension funds, global insurance companies, etc.

SVCA: You achieved an outstanding IRR and multiple with a substantial exit at the IPO. Are you still invested in ESR? Would you ever want to sell the balance?

JP: In less than 10 years, ESR has grown from an idea to a listed company with a market capitalization of over $10 billion.

We helped lead the IPO on the Hong Kong stock exchange amidst a challenging geopolitical and social environment. Against this backdrop, it was still the third largest IPO of 2019, and the largest real estate IPO in Asia in over 5 years.

When you get growth like this in a business, and if you understand the transformative impact of ecommerce over the next 1-2 decades, and the power of a fund management model, you can understand why this is a business you wouldn't want to sell.

We still retain a meaningful stake in the business but as a fund, we will need to eventually sell down the remainder of our stake and return the capital back to our investors.

Deals

Salim Group buys shares back from private equity

Anthoni Salim, one of Indonesia's richest businessmen has secured a fresh bank loan of more than $1 billion to buy back most of the shares he pledged to a consortium of investors including Northstar, TPG Capital and Gateway Partners.

Northstar led the structured financing deal in late 2015 through which shares of Salim's unlisted minimart and convenience store operator Indomaret were pledged as collateral. As per the deal, 40% of the funding was done by the private-equity firms and the rest by banks, according to WSJ citing unnamed sources.

Indomaret has been expanding rapidly since with more than 18,000 stores across Indonesia, compared to 12,000 five years ago. Northstar and TPG have re-invested a small portion of their exit proceeds into the refinancing, while Gateway has made a full exit.

Navis sells Modern Star & Strateq

Navis Capital has sold Modern Star Australian operations to Pacific Equity Partners in a deal that values the business at A$600 million (US$428m).

Modern Star was acquired in September 2014 in a transaction that valued the business at approximately A$215m.

Navis helped to transition and grow, through nine bolt-on acquisitions, the business from a traditional B2B supplier to a digitally enabled e-commerce provider of education resources. Navis will retain its stake in Modern Star's China business ("Wisdom).

In August, Navis exited from Malaysia's ICT company, Strateq in a sale to an indirect subsidiary of Singapore-listed Starhub. Navis acquired in 2013 a majority stake in Strateq and subsequently injected additional capital for a total investment of 61.5m Malaysian ringgit. At completion, Navis received MYR 137m for its stake with a further MYR 30m payable based on Strateq's performance in 2021.

Warburg Pincus takes profit from IPO

Warburg Pincus has partially exited from an investment it made one year ago into Converge ICT Solutions, a high speed fibre optic broadband service provider from Luzon that went public on the Philippines Stock Exchange on Oct 26.

Converge made its debut at 16.80 Philippine pesos per share and closed 9.4% down on the first day of trading after dropping to an intraday low of PhP 14.92 a share.

Converge raised US$523 million after selling 1.51 billion shares, 68% of which are from its shareholders including Warburg Pincus, the company founder Dennis Anthony Uy and the investment bank, according to Bloomberg.

Carro raises debt and fresh equity

Used car marketplace Carro has raised $110m in debt and fresh equity in a new round of financing. Mitsubishi and MS&AD, the corporate venture arm of Japanese MS&AD insurance group injected $6m in fresh equity, according to Business Times, which cited data from VentureCap Insights.

CFO Ernest Chew told BT not only did Carro remain cashflow positive through the COVID-19 pandemic, the business hit a record monthly revenues and EBITDA, and was on track to reach S$1bn ($740m) in revenues in two years.

2020 VC Exits Surge Above 2019 Levels

The value of VC exits in Southeast Asia soared to $3.6 billion in the third quarter of 2020, lifting the total value for 2020 so far to $9.1 billion, above $7.7bn for all of 2019, according to data from Preqin.

While the total number of VC exits in Q3 were lower from the same period a year ago, at 121 (compared to 187 in Q3 2019), the value of divestments more than doubled the $1.6bn aggregate value for Q3 2019.

The trend in Southeast Asia mirrors a major uptick in US venture capital exit activity, which achieved $149.5 billion, the second highest exit values on record, after $265.2bn in 2019, according to NVCA and PitchBook.

People

OTPP Opens Office in Singapore

Ontario Teachers' Pension Plan Board (OTPP) has opened an office in Singapore which Ben Chan, regional managing director for Asia will oversee. The Singapore office will target investments across ASEAN, India and Australia-New Zealand, complementing OTPP Hong Kong coverage of Greater China, South Korea and Japan. OTPP established its office in Hong Kong in 2013.

Bruce Crane, a new managing director who was recently hired by OTPP Infrastructure and Natural Resources team to cover Asia Pacific will be based in the Singapore office.

Additionally, the pension plan's equities team will also be expanding its capability with a team in Singapore.

David Payne leaves OMERS

David Payne has left OMERS Private Equity where he led fund investments and co-investments in Asia. The former managing director was responsible for establishing the Ontario Municipal workers' pension plan's pan-Asian office in Singapore in 2018.

David joined OMERS in 2009 as founding member of the European team to build a mid-market European portfolio. While he did not disclose his next move, David told SVCA he will return to Singapore.

Edwina Yeo exits Tanglin Ventures

Edwina Yeo has exited Tanglin Venture Partners after selling her stake to one of the anchor investors. Edwina cofounded Tanglin with Ravi Venkatesh who she worked with at Tiger Global. Tanglin was launched in 2018, and investing from a $51m maiden fund.

Eric Marchand joins Campbell Lutyens

Eric Marchand has joined Campbell Lutyens, a fund placement agent, as a senior advisor after leaving Unigestion where he was heading the firm's Asia private equity investment activity. Eric will continue to be based in Singapore with Campbell Lutyens.

OpenSpace makes senior hires for OSV+

OpenSpace Venture (OSV) has hired an executive director, Jessica Huang Pouleur, and a new senior advisor, Aristo Setiawidjaja, as the early-stage VC makes its first investment from OSV+, a newly established fund that will focus on mid-stage investments.

Jessica will join the investment committee for the new OSV+ fund that will focus on mid-stage rounds in OSV's existing portfolio companies. She joins from The Walt Disney Company in Singapore where she managed investment and M&A activity including key aspects of Disney's $71bn acquisition of 21st Century Fox. Prior to Disney, she was with Providence Equity Partners for 10 years, most recently as a director managing growth-stage investment opportunities in South-east Asia.

Aristo is a Board member and Managing Director of Hermina Hospitals, the largest private hospital network in Indonesia. Prior to that, he was a Director at Olympus Capital and the Head of Indonesia - Investment Banking at Daiwa.

BMS hires from rivals for Asia setup

BMS, an insurance and reinsurance broker, has announced two senior appointments for its foray into Asia, the setup of which remains subject to regulatory approval.

After BMS appointed Sandra Lee as the head of its Asia operations, it hired in August Amy Fu, from Lloyd's Asia to "build and develop its Asian operations" in Singapore. Amy was a marine underwriter for more than eight years before she joined Lloyd's in mid-2017.

Sandra is completing her contractual obligations as head of transactions liability insurance at Aon, where she has been working since 2012. SVCA understands two recent departures from Aon will be joining BMS.

Funds

Credence founders launch VC with 2 new partners

The cofounders of Credence, Koh Boon Hwee, Tan Chow Boon and Seow Kiat Wang, hailed the first generation of technology investors in Singapore, have partnered up with Dave Ng and Gavin Teo to form Altara Ventures.

The trio were former HP colleagues and cofounded Omni Industries (which was bought by Celestica) and later managed private equity investments together at Credence. Dave, most recently head of Eight Roads Ventures for Southeast Asia, and Gavin were former colleagues at Eduardo Saverin's B Capital, and add their US and SE Asia VC investing experience to Altara.

Altara's goal is to raise $150m to invest in startups in Southeast Asia. The Fund had reached a first close of $50m, attracting commitments from a financial services institution, a listed technology corporation and family office.

TinMen closes debut fund on $30m

Tin Men Capital has raised $30m for a debut fund, two years after a first close in 2018. The first time manager had targeted $100m for its maiden fund two years ago when it was first launched to invest in B2B startups. The Singapore VC is founded by Murli Ravi who was formerly at Temasek and JAFCO, with Jeremy Tan, formerly at Morgan Stanley and Puma Energy, and Benjamin Tan, a serial entrepreneur and angel investor.

Beacon lends to women entrepreneurs

Patamar Capital, a SEA-focused impact investor, has launched the Beacon Fund, a new evergreen fund for female entrepreneurs.

The fund will provide debt for established, cash-flow positive businesses that fall through the cracks: too large for micro-finance or FinTech lenders, too small for private equity funds, and not a fit with the growth profile required by VCs.

The fund will focus on Vietnam, Indonesia and Philippines, where Patamar has already been investing in for a decade.

"There is a vast underserved segment of businesses whose growth profile does not match with the expectations of VC/PE, but are creating considerable value for their customers and stakeholders. In fact, these SMEs are the backbone of the economy in Southeast Asia. Many of these businesses have grown organically and demonstrated solid cash-flows over time. We saw this was a common growth trajectory for female entrepreneurs in particular. The Beacon Fund is focused on meeting the financing needs of these types of businesses, and beyond that, creating a community celebrating alternative models of entrepreneurial and investing success," said Beacon's Co-Founder and CEO, Shuyin Tang.

The $50m debt fund has had a first close and was anchored by a HNWI, with support from Investing in Women, an Initiative of the Australian Government, and USAID INVEST, an initiative that mobilises private sector capital for better development results.

SFERS re-ups with existing Asian managers in 2020

San Francisco Employee Retirement Systems (SFERS) has so far committed capital to managers it has previously invested with, from MBK Partners to Asia Alternatives, Hillhouse and PAG.

In October, SFERS committed $50m to Asia Alternatives Capital Partners VI, a fund-of-funds, and $25m to Hillhouse Focused Growth Fund V, a late stage venture capital fund after approving in September a $25m commitment into PAG Special Situations Fund 3.2.

Fundraising Amidst COVID-19

Fundraising in the best of times can be challenging even for established managers. Given travel restrictions that have been in place since March, most fundraisers have resorted to Zoom meetings with prospective investors especially institutional investors in the West. For a number of LPs in the US, the likelihood of investing with a new fund they have not met in person remains low to zero; conversely, the same LPs are more inclined to write larger cheques for megafunds being raised by US-based managers.

As of 30 September, US venture funds have raised $56.6 billion, according to a report from PitchBook and the National Venture Capital Association, above $54.9bn for all of 2019.

US VC Fundraising

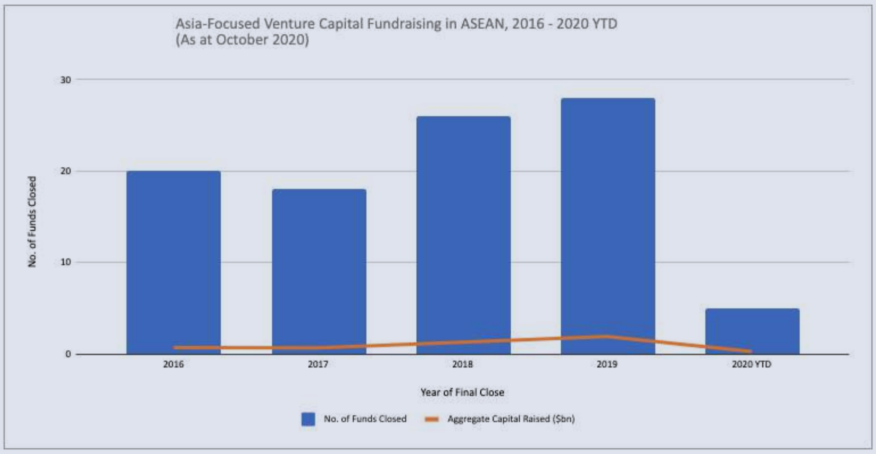
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Capital raised ($B	$18.5	$24.0	$24.9	$20.7	$36.0	$40.1	$47.1	$41.0	$68.1	$54.9	$56.6
Fund count	155	172	235	260	392	455	514	494	584	470	228

*As of 9/30/2020

Source: Pitchbook and NVCA

Source: Pitchbook and NVCA

The same cannot however be said for venture funds being managed by ASEAN-based managers, according to Preqin data, which showed only five Asia-focused venture funds raised so far in 2020, down from 28 funds which raised an combined $1.9 bn over 2019.



Year of Final Close	No. of Funds Closed	Aggregate Capital Raised ($bn)
2016	20	0.7
2017	18	0.7
2018	26	1.3
2019	28	1.9
2020 YTD	5	0.3

Source: Preqin Pro

Globally, 996 funds have raised $409.3 billion so far in 2020, compared to 1792 funds aggregating $695.7 billion in 2019, according to Preqin. The average fund size has remained somewhat steady at $443m versus $451m in 2019, a reflection perhaps of megafunds raised in recent years, and perhaps larger LP commitments.

Managers are also spending more time fundraising, with 45% of funds which took more than 18 months to reach final close, highest since 2016 - compared to 21% which closed within six months, lowest since 2015, according to a Preqin report.

For ASEAN managers raising Asia-focused vehicles, the average fund size – albeit for fewer funds raised this year - has risen to $175m, from $108m in 2019 and $135m in 2018. Only eight funds reached final closes in 2020, compared to 39 and 37 for 2019 and 2018 respectively.

SPAC as an alternative

While traditional fundraising has been somewhat thwarted by COVID-19, the raising of Single Purpose Acquisition Companies (SPACs) or what is known in the U.S. as 'blank cheque company' has picked up momentum in 2020 even among private equity firms. A SPAC allows a company to raise capital through an IPO prior to establishing any operations, and to use the capital to acquire a business.

Previously, PE firms such as Apollo Global, The Blackstone Group, L Catterton, used SPACs to sell assets in their portfolios. More recently, TPG raised $800 million for two SPACs and Apollo has filed to raise up to $400m for Spartan Acquisition II. Closer home, Ravi Thakran, who left L Catterton Asia this year, has raised $260m in September on New York Stock Exchange to invest in an aspirational consumer lifestyle brand.

2020 has become a record breaking year for SPACs in the US, with 160 IPOs having raised $59 billion as of 25 Oct, up sharply from $13.6bn raised for 2019, and $10.8bn in 2018, according to data provider, SPACInsider. And the year isn't over.

Raising within Asia

While SPACs may be an avenue of raising money quickly, it is not everyone's cuppa. For VCs investing in Southeast Asia, there is sufficient demand within the region to justify not having to raise money from North America. Family offices, corporate venture arms, and first- generation tech entrepreneurs are active investors VCs and backers of startups, so much so that some VCs have not had to raise from US investors.

Willson Cuaca, managing partner of EV Growth and East Ventures told SVCA in an interview that he did not seek out US LPs for growth fund, nor did he feel compelled to. "What for?" was his response when probed why he hasn't raised from the US. Softbank is a key investor in EV Growth fund.

Japanese corporate venture has been actively backing a number of VCs or later stage rounds into more mature startups. Sumitomo Mitsui Bank, Marubeni Corp, Aozora Bank and Risa Partners have invested with Singapore-based Vertex Venture Holdings.

Singapore-based Teruhide Sato, founder of BeeNext, after his recent fundraise, shared that while one-third of the $110m fund was raised from US endowment and fund-of-funds, half came from Japanese corporate, financial services, entrepreneurs, friends and also himself.

Earlier this year, Grab attracted $856m from Mitsubishi UFJ Financial Group (MUFG) and IT services firm TIS. MUFG and TIS joins Toyota Motor, which pumped $1 billion into Grab in 2018. Rivals Honda Motor and Hyundai Motor are also investors in Grab.

As fundraises by VCs and startups show, corporate ventures and family offices are a growing influence in the funding of startups in Southeast Asia.

Fundraising Activity by ASEAN-based Managers

ASEAN Fundraising at a Glance (As of October 2020)

Asia-Focused Private Equity & Venture Capital Funds Closed in ASEAN, 2020 YTD (As at October 2020)					
Fund	**Firm**	**Headquarters**	**Fund Type**	**Fund Size (mn)**	**Final Close Date**
All Star SAAS Fund	BEENEXT	Singapore	Venture (General)	50 USD	Jun-20
BEENEXT Emerging Asia Fund	BEENEXT	Singapore	Early Stage	110 USD	Jun-20
Capsquare Asia Partners II	Capsquare Asia Partners	Indonesia	Buyout	-	Sep-20
JAFCO Taiwan I Venture Capital	JAFCO Asia	Singapore	Early Stage	2,000 TWD	Apr-20
Navegar Fund II	Navegar	Philippines	Growth	197 USD	Jun-20
Provident Growth Fund II	Provident Capital Partners	Singapore	Venture (General)	-	Mar-20
Quadria Capital Fund II	Quadria Capital Investment Management	Singapore	Growth	594 USD	Feb-20
Tin Men Fund I	Tin Men Capital	Singapore	Early Stage	30 USD	Jul-20

Largest Asia-Focused Private Equity Funds in Market in ASEAN (As at October 2020)				
Fund	**Firm**	**Headquarters**	**Fund Type**	**Target Size (mn)**
Sino-Singapore (Chongqing) Connec	UOB Venture Management	Singapore	Growth	20,000 RMB
Navis Asia Fund VIII	Navis Capital Partners	Malaysia	Buyout	1,750 USD
Axiom Asia VI	Axiom Asia Private Capital	Singapore	Fund of Funds	1,400 USD
Gateway Fund II	Gateway Partners	Singapore	Growth	1,000 USD
Nalanda India Equity Fund	Nalanda Capital	Singapore	PIPE	800 USD
Northstar Equity Partners V	Northstar Group	Singapore	Buyout	800 USD
Makara Innovation Fund	Makara Capital Partners	Singapore	Growth	700 USD
Creador IV	Creador Management Company	Malaysia	Growth	550 USD
Ascenta V	Affirma Capital	Singapore	Buyout	500,000 KRW
Foundation Private Equity Fund	Foundation Private Equity	Singapore	Secondaries	300 USD
Ikhlas Capital	Ikhlas Capital	Singapore	Growth	300 USD
Jasmine Private Market Fund I	JI Capital Partners	Singapore	Growth	300 USD
KV Asia Capital Fund II	KV Asia Capital	Singapore	Buyout	300 USD
Lion-OCBC Capital Asia Fund II	LionGlobal Capital Partners	Singapore	Growth	300 USD
Tembusu Guizhou Baijiu Fund	Tembusu Partners	Singapore	Growth	300 USD

Largest Asia-Focused Venture Capital Funds in Market in ASEAN (As at October 2020)				
Fund	**Firm**	**Headquarters**	**Fund Type**	**Target Size (mn)**
Asia AgriTech Fund	Vanda Global Capital	Singapore	Venture (General)	1,500 USD
Xeraya Opportunity Fund	Xeraya Capital	Malaysia	Venture (General)	400 USD
MDI Seed Stage Fund	MDI Ventures	Indonesia	Early Stage: Seed	300 USD
Asian GreenTech Fund	Malaysia Venture Capital Management	Malaysia	Venture (General)	200 USD
Golden Gate Growth Fund I	Golden Gate Ventures	Singapore	Early Stage: Start-up	200 USD
Openspace Ventures III	Openspace Ventures	Singapore	Early Stage	200 USD
Openspace Ventures Opportunities	Openspace Ventures	Singapore	xpansion / Late Stag	200 USD
Visvires New Protein II	New Protein Capital	Singapore	Early Stage	150 USD
Sistema Asia Fund	Sistema Asia Capital	Singapore	Early Stage: Start-up	120 USD
Altara Ventures I	Altara Ventures	Singapore	Early Stage	100 USD
Gayo Capital Fund I	Gayo Capital	Singapore	Venture (General)	100 USD
Monk's Hill Ventures Opportunities	Monk's Hill Ventures	Singapore	Early Stage	100 USD
SEACap Healthcare Fund	SEA Investment Capital	Indonesia	Venture (General)	100 USD
SPiCE	Spice Venture Capital	Singapore	Early Stage: Seed	100 USD
iGlobe Platinum Fund III	iGlobe Partners	Singapore	Early Stage	100 USD

Source: Preqin Pro

Should you have any questions regarding the information featured in this table contact
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