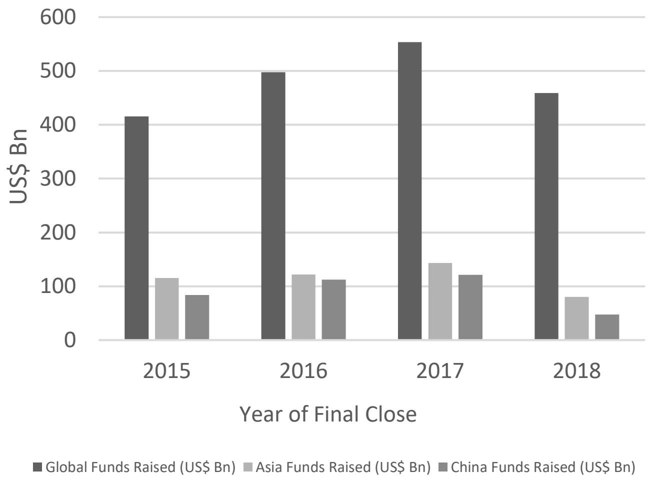
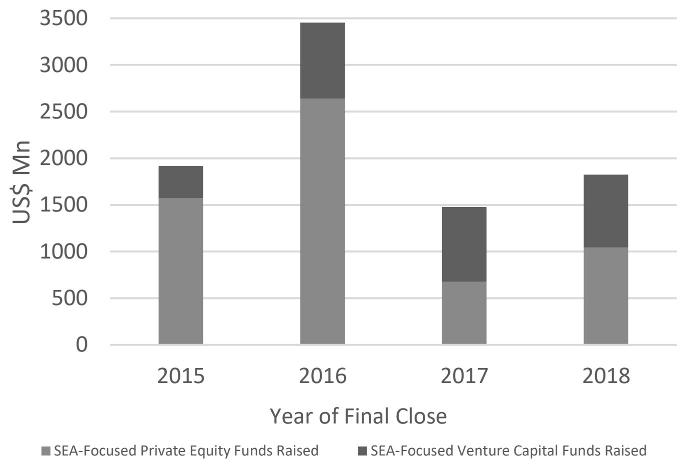
SOUTHEAST ASIA PRIVATE EQUITY & VENTURE CAPITAL

Funds Raised (Year of Final Close)





Only funds with more than 50% of the portfolio targeted at SEA are included under SEA-focused funds.

2018 saw a decline in funds raised across the world. Global fundraising fell from US$ 553.6 billion in 2017 to US$ 459.0 billion in 2018, and Asia similarly saw a decline in fundraising from US$ 143.0 billion in 2017 to US$ 80.0 billion in 2018. Asia as a proportion of Global funds raised fell from 25.8% in 2017 to 17.4% in 2018. China experienced a slowdown in fundraising from US$ 121.3 billion in 2017 to US$ 47.4 billion in 2018. Chinese proportion of Asia funds raised fell from 84.8% in 2017 to 59.3% in 2018.

Southeast Asia-focused Funds

2018 saw a small uptick for Southeast Asia-focused funds raised. Private Equity (PE) funds raised US$ 1.0 billion alongside US$ 0.8 billion raised by Venture Capital (VC) funds. Average AUM of PE funds raised for 2018 has risen since 2016, from US$ 224.3 million in 2015 to US$ 255.6 million in 2018. Average AUM of VC funds raised has been on an increasing trend as well, from US$ 24.7 million in 2015 to US$ 44.5 million in 2018.

SVCA Comments

PE/VC fundraising slowed down globally with a significant dip in China-focused funds raised in 2018.

Southeast Asia, while small compared to global figures, has remained steady across the years 2015 to 2018 albeit with a small spike in 2016.

Notable Southeast Asia-Focused Private Equity and Venture Capital Funds Closed 2018 (>100Mn)

Fund Name	Vintage	Manager	Fund Type	Funds Raised (Mn US$)
Dymon Asia Private Equity (S.E. Asia) Fund II	2017	Dymon Asia Private Equity	Balanced	450
North Haven Thai Private Equity	2017	Morgan Stanley Private Equity Asia	Buyout	440
Apollo Southeast Asia	2018	Baidu Capital	Venture (General)	200
Insignia Ventures Partners Fund I	2017	Insignia Ventures Partners	Early Stage	120
Golden Gate Ventures Fund III	2018	Golden Gate Ventures	Early Stage	100
VinaCapital Ventures	2018	VinaCapital	Early Stage: Start-up	100

Only funds with more than 50% of the portfolio targeted at SEA are included under SEA-focused funds.

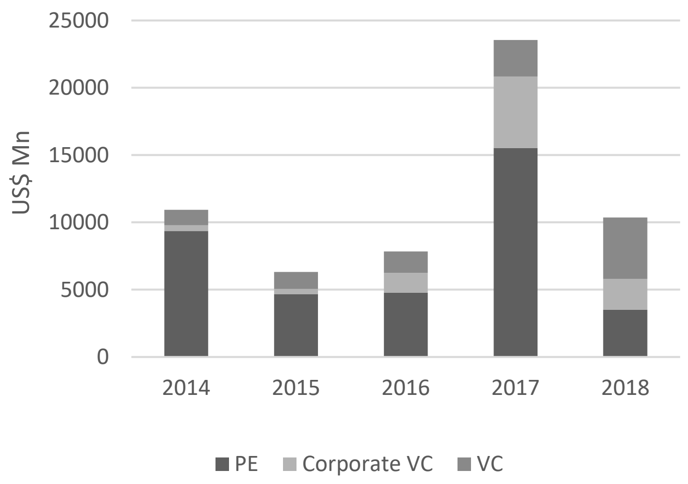
Singapore Venture Capital & Private Equity Association

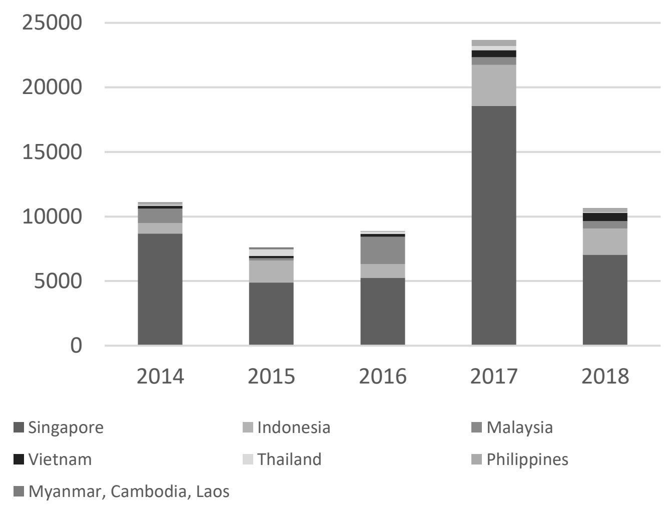
Singapore Venture Capital & Private Equity Association (SVCA) was formed in 1992 to promote the development of the venture capital (VC) and private equity (PE) industry. It seeks to foster greater understanding of the importance of VC and PE to the economy in support of entrepreneurship and innovation. The association facilitates interaction and collaboration among its members. SVCA also acts as a platform for dialogue on regulatory and policy issues pertaining to VC and PE and builds linkages to centres of VC and PE activities in the region.

SVCA has designated 2019 in support of Environment, Social, and Governance (ESG) values and has undertaken a number of ESG related events, research, and a conference in support of education and advocating for ESG values.
www.svca.org.sg

SOUTHEAST ASIA PRIVATE EQUITY & VENTURE CAPITAL

Investment Activity





PE & VC investments in SEA have been on an upward trend since 2015 with 2017 being an exceptional year.

2018 saw US$ 10.5 billion invested in PE & VC deals in SEA, with a notable increase in VC investment activity from US$ 2.7 billion in 2017 to US$ 4.6 billion in 2018.

PE Investments

Without the large take private deals of 2017 (Global Logistic Properties and ARA Asset Management), PE investment activity in 2018 reached a significantly lower US$ 3.6 billion.

VC and CVC Investments

Investments into startups in SEA remained strong at US$ 6.9 billion with a muted contribution by corporate venture capital (CVC) as compared to 2017 although the top three VC deals by size heavily feature CVC involvement.

Unicorn financings accounted for more than half of total VC/CVC financing. Regional unicorns themselves have set up their own CVCs to capture opportunities that could augment their own product offerings and services. Though there are concerns about round sizes and valuation, companies with a significant footprint in SEA continue to be attractive targets for VCs and CVCs alike.

Countries

Singapore and Indonesia continue to take the lion's share (84.7%) of PE & VC investments into SEA. Vietnam remains an attractive destination for PE & VC funding, with US$ 647 million invested in 2018, an increase of 21.4% over 2017.

Singapore's recent extensions for tax incentives, added flexibility for structuring of funds such as the new Variable Capital Company (VCC) legal structure combined with the announced US$ 5 billion private markets placement program may prove to be attractive factors for more investment into SEA and for fund managers to operate out of Singapore.

Notable Southeast Asia Deals Exceeding US$ 250 Mn

Portfolio Company	Investor/s	Portfolio Company Location	Deal Size (Mn US$)
Grab Holdings Inc.	Macquarie Capital, Ping An Ventures, Toyota Motor Corporation, All-Stars Investment, Lightspeed Venture Partners, Mirae Asset Venture Investment, OppenheimerFunds, Sino-Rock Investment Management, Vulcan Capital	Singapore	2000
Go-Jek Indonesia	Google Inc., JD.com, Meituan-Dianping, Samsung Venture Investment Corporation, Tencent, Astra International, BlackRock, Temasek Holdings, Warburg Pincus, KKR	Indonesia	1500
PT Tokopedia	SB Investment Advisers, Alibaba.com	Indonesia	1100
MMI Holdings, Limited	Beijing HBH Innovation Co, Cybernaut Capital Investment	Singapore	645
Tat Hong Holdings	Standard Chartered Private Equity	Singapore	563
V3 Group	KKR	Singapore	370
Techcombank	Warburg Pincus	Vietnam	370
Munchy Food Industries Sdn. Bhd.	CVC Capital Partners	Malaysia	276
Bigo Technology Pte. Ltd.	YY	Singapore	272
Grab Holdings Inc.	Hyundai Motor Company, Kia Motors Corporation	Singapore	250

Data: Preqin, SVCA
Analysis: SVCA

* Go-Jek's Series E round was completed in Q1 2018 but US$ 1200 Mn was reported in 2017.

Exclusive Interview with KKR's Ashish Shastry, Member & Head of SEA

KKR has been very active during the past year with multiple investments into Southeast Asia (SEA) firms such as PropertyGuru, V3 Group and Barghest Building Performance. Has KKR increased its allocation to SEA?

I think KKR hasn't been active enough! Our feeling is that Southeast Asia's potential is so much deeper than what we — or anyone else — are tapping into at the moment. We are just seeing really interesting deal flow right now – whether its family businesses going through a transition where we can play a role, dynamic market leaders who want to partner with us to go regional, or fast-growing technology plays.

So, it's not that we've increased our allocations — we've always had high expectations for Southeast Asia — but we are leaning into the region because of the tremendous potential we see.

KKR has invested in a number of technology deals in SEA. Is this a shift in investment strategy to also include "VC" deals?

It's true that we have become more bullish on SEA technology in the last three years. This started when we were hunting for fast-growing consumer plays and kept seeing huge growth numbers from the region's technology companies. Southeast Asia's consumers are spending on the internet and are using technology to engage with new goods and services that didn't exist 10 years ago. We've needed to learn a few things and adapt our investing style, but we're gaining more conviction that Southeast Asia's tech leaders can build globally relevant companies. We will invest more in tech going forward.

In the future, we are planning to expand our strategy from focusing just on the large tech plays to investing in companies at an earlier growth stage when we can play a greater role in shaping businesses' direction and opening doors for them to expand by leveraging our global portfolio.

In thinking about earlier-stage investing – and considering KKR's humongous war chest – is there concern that startups' valuations may rise and competition with smaller growth funds will increase?

The pace of innovation in Southeast Asia is at an all-time high, and so is investors' enthusiasm for technology deals in the region. We're seeing record levels of growth capital investment, larger-size checks and increased activity from global players – and that's according to SVCA's data[1]! While you could look at this heightened interest as meaning more competition, we see it as necessary to unlock the potential of our startup ecosystem.

And this ecosystem does need more support. We keep hearing from founders that there are now various sources for seed and Series A rounds in the market, but it is difficult to raise Series B and C rounds[2]. And I can see why – the vast majority of funding in Southeast Asian startups currently goes to billion-dollar unicorns rather than growth-stage companies.

In this environment, we are seeing a large and growing number of great startups with talented teams and good businesses who have built the fundamental building blocks of their business and are now poised for explosive growth. Helping these businesses scale across borders by leveraging KKR's portfolio, global network, operational expertise and access to flexible capital is a core part of our private equity playbook, and we want to bring that to earlier-stage companies in Southeast Asia.

How much of SEA's attractiveness as an investment destination would you attribute to start-ups gaining traction in SEA due to their innate innovativeness and how much would you attribute to the economic growth in SEA?

It's all about innovation, and we think the key driver was mobile internet penetration, which made this innovation accessible to 500 million people. Thanks to its demographics, Southeast Asia has been experiencing fast GDP growth for most of the past 20 years; however, in the last five years, we reached the point where start-ups can connect with hundreds of millions of potential customers via the mobile internet.

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[1] https://www.reuters.com/article/us-asean-funding/venture-capital-funding-in-southeast-asia-at-record-industry-idUSKCN1MI1M9

[2] SVCA's Note: SVCA found a similar result of a Series B gap in Southeast Asian VC funding. http://bit.ly/2CFyjqB

Go-Jek is a good example of this: its original mission was, in a way, to address some of Indonesia's societal issues – poor infrastructure, traffic congestion and public transportation shortages. Prior to Go-Jek, ojeks (motorcycle taxis) were not organized and ojek drivers often suffered from sparse bookings. Go-Jek addressed this by allowing digital bookings, then by launching a digital payment platform, then allowing food delivery, and so on.

While growth and demographics play a role in making Southeast Asia an attractive investment destination, the type of innovation seen at Go-Jek and other companies is truly unique. And what makes us particularly proud is that it is *Indonesian* innovation – they have used local ingenuity to address the local challenges.

V3 Group's journey has been an incredibly interesting one, with the take-private from the Singapore Exchange, the aborted Hong Kong IPO bid, and finally KKR's investment in 2018. It would seem that a significant part of the current SEA PE story would be to bring companies from the public scene to the expertise of private equity. Do you see this public to private trend continuing and is this reflective of a global trend?

I think the global trend of public to private will continue, but this isn't whatsoever a reflection of a weaker business environment. Bloomberg data shows that IPOs in the US today are happening at less than half the rate of the 1980s and 1990s, but I would argue that the quality of today's business environment is as high or higher than 20 years ago.

One reason for this is simple supply and demand. Today there is much greater access to financing for private companies well beyond just the public markets, in terms of the types of solutions and amount of capital available.

The other reason — and this is much more exciting to us — is because technology is rapidly transforming traditional industries as well as the business landscape globally. Companies need to move faster, they need to invest longer-term and they need to think globally. Looking specifically at Southeast Asia – and V3 is a good example of this – you often see founding entrepreneurs and families still in control of their companies looking for partners who will support their vision. They are looking for partners with the resources, global network and operational expertise to take their businesses to the next level, all while offering flexible solutions, i.e. maybe taking a minority stake instead of control, or offering a credit solution. As a firm we want to be both an engaged and flexible partner who can invest alongside these families and entrepreneurs to support the best interests of the business long term.

Impact investing has been increasingly on the forefront of LP interest. With KKR's new impact fund, how would you describe the new trend or focus on impact investment globally and what are the objectives for KKR's new impact fund?

KKR's Global Impact strategy is dedicated to investing in businesses that deliver solutions to significant societal challenges in credible and measurable ways. We specifically focus on themes in which we have commercial experience and that address the United Nations Sustainable Development Goals (SDGs).

Many folks think this is both a new strategy and a new trend, but it actually builds on our efforts over the past 10 years. We've invested almost US$5 billion across more than 30 portfolio companies whose business models focus on important areas such as industrial safety, environmental management, next generation energy, food safety and workforce development, among others. As we built up valuable expertise in some of these niches, we also found that these deals oftentimes produced returns that were as good as or better than the rest of our portfolio. This experience and the numerous similar opportunities that we are seeing with growing global consciousness of these issues prompted our decision to create a dedicated Global Impact business in 2018.

In fact, our first ever investment in this new strategy was made by our Southeast Asia team. We just invested in Barghest Building Performance (BBP), which is a Singaporean company with a proprietary solution to deliver consistent energy savings for heating, ventilation and air conditioning (HVAC) systems in commercial and industrial buildings. BBP directly addresses two SDGs — #7 (Affordable and Clean Energy) and #9 (Industry, Innovation and Infrastructure) — and is a great example of a fast-growing company that can play a role in promoting a sustainable world.

2019 is shaping up to be a year of uncertainty with elections in Indonesia, Thailand, India and ongoing trade negotiations between the United States and China. Can you share your thoughts on these uncertainties on private equity, particularly for fund managers in SEA?

We've been doing this for a long time! So, of course we take a long-term view and don't get swayed by short-term events. We are optimistic about each of these countries over the long-term, and where some people see uncertainty, we see opportunity. We are excited by all of these markets in 2019 and beyond.