

# Asian Fundraising Review 2010

**SAMPLE**



# CONTENTS

|  | Page |
|--|------|
| <b>1 OVERVIEW</b>                                | 6    |
| A downward adjustment of expectations            |      |
| <b>2 FUNDS SOUGHT VS SUCCESSFUL FUNDS CLOSED</b> | 8    |
| A sobering perspective on fundraising            |      |
| <b>3 FUNDS ANNOUNCED</b>                         | 13   |
| A sign of the (China) times?                     |      |
| <b>4 SUB-REGION SNAPSHOTS</b>                    | 15   |
| Key fund market data                             |      |
| <b>5 LOOKING AHEAD</b>                           | 27   |
| A flight to quality                              |      |
| <b>6 APPENDICES</b>                              | 28   |

**SAMPLE**

# OVERVIEW

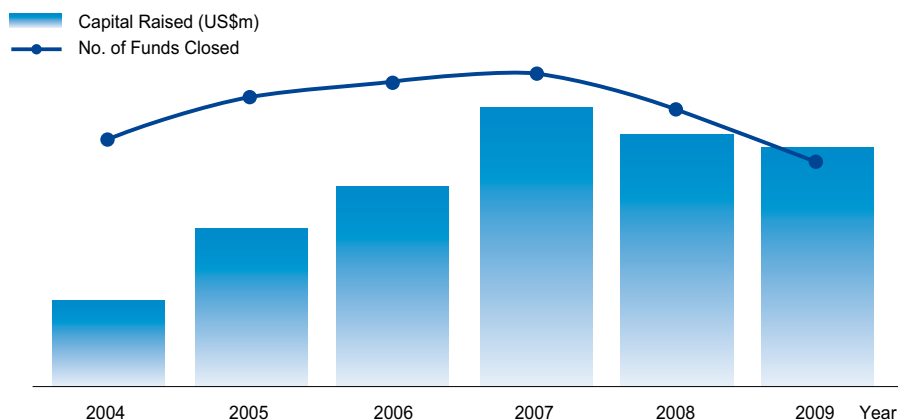
## A downward adjustment of expectations

LPs asking: which GPs can handle private equity in a bear market

Over the past year, we have heard GPs refer to fundraising as “a humbling experience,” “a sobering experience,” “trying by any benchmark,” while one referred jovially to himself and his partner as “foolhardy enough to go out there as an Indian fund in a climate like this.” Incidentally, the fund managers attributable to these quotes are also very well established, well – respected and have excellent track records in their respective markets. If even they are self-deprecating about the fundraising market, what does it say about the other 90% of funds’ experiences?

The answer is that, as one might imagine fundraising was very difficult and not a joyful experience in 2009 or coming to a halt in 2010. A significant adjustment of perspectives and expectations took place on all levels. In Asia, the high-growth portfolio companies that were not prepared structurally for the global downturn. As a result, time-framed exits were postponed or cancelled, and valuations had to be readjusted. LPs, who saw values drop across the board, became increasingly concerned about the ability of GPs to raise capital. Purse strings tightened, and if capital was committed to private equity in 2009 and early 2010, it was likely at smaller denominations than GPs witnessed in the bull market years of 2005-07.

FIG 1.1  
ASIA - CAPITAL SOUGHT & FUNDS ANNOUNCED



Source: AVCJ Research

# FUNDS SOUGHT VS SUCCESSFUL FUNDS CLOSED

## A sobering perspective on fundraising

Digging deeper into the numbers, one thing that stands out is that funds entered 2009 with the same expectations – at least on paper – as they did in 2008. The target for 2009 was \$63 billion, compared to last year's \$63 billion sought across the region. The actual amount raised was only slightly higher, at \$59 billion. This means that in 2009, only 94% of the funds sought were raised, compared to 100% in 2008. In 2009 only 33% of funds sought were actually raised.

**SAMPLE**

### COUNTRY FUNDS VS REGIONAL FUNDS

Country funds fared slightly better than their pan-regional counterparts. Partners Group's Chan explained, "We are moving toward country funds as a general trend. Large-cap buyouts are the only reason to do a pan-Asian fund."

This stems from a feeling that country fund teams demonstrate a well-honed skill set that is applicable on a deeper level to a specific country, rather than a thesis that may or may not be universally applicable.

#### FUNDS ANNOUNCED

| Fund Geographic Focus | By Funds Sought (US\$m) |          |          | By Number of Funds |      |          |
|-----------------------|-------------------------|----------|----------|--------------------|------|----------|
|                       | 2008                    | 2009     | % Change | 2008               | 2009 | % Change |
| Country Fund          | \$xx,xxx                | \$xx,xxx | -x.x%    | xxx                | xxx  | -xx.x%   |
| Regional Fund         | \$xx,xxx                | \$xx,xxx | x.x%     | xx                 | xx   | -xx.x%   |
| <b>Total</b>          | \$xx,xxx                | \$xx,xxx | -x.x%    | xxx                | xxx  | -xx.x%   |

Sources: AVCJ Research

# SUB-REGIONAL SNAPSHOTS

## Key fund market data

### AUSTRALASIA

#### Myer tax issue puts Australia on hiatus

Although in 2009 Australia proved its worth as a macro-economically strong, First World economy, and as a home to stable, well-managed private equity firms, an announcement at the end of the year that the government would be considering taxing private equity capital gains as profits or revenue – at 40% – has caused the industry to be a bit worried about fundraising. The issue was prompted by the \$1.4 billion profit sale of Aussie department store Myer. At the time, the issue had been delayed for a third time.

CHAMP Private Equity, which had a first close of its third buyout fund in 2009, said the issue “comes up at meetings, but is not keeping people out” of the fund market in Australia. That said, CHAMP is arguably an exception to the rule, and there is no doubt that profits taxed at 40% would make LPs take pause.

FIG 4.1  
AUSTRALASIA - NO. OF FUNDS ANNOUNCED & CLOSED

