Preqin and SVCA Special Report: Singapore and ASEAN Private Equity

April 2014

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The Private Equity Industry in Singapore

We shine the spotlight on Singapore, considering why it has the most developed private equity industry of all ASEAN.

ASEAN-Focused Fundraising and Funds in Market

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Survey of Singapore-Based Fund Managers

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Plus Special Contributions from **Jeffrey Chi**, Chairman of the **Singapore Venture Capital & Private Equity Association**

SVCA Singapore Venture Capital & Private Equity Association

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SVCA Singapore Venture Capital & Private Equity Association

The Singapore Venture Capital & Private Equity Association (SVCA) is a not-for-profit organization formed in 1992, under the patronage of the Economic Development Board to promote the development of the venture capital (VC) and private equity (PE) industry.

The association strives to promote the professional development of the industry as well as facilitate interaction and collaboration among its members. The association 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. From a humble start of two members in 1992, its membership has grown to more than 100 members today.

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CEO's Foreword

Preqin is delighted to have the opportunity to research and publish this Special Report on Singapore and ASEAN private equity together with our colleagues at SVCA, and we hope that readers will find it interesting and informative. (Please note that all of the charts, along with additional data, can be downloaded free from our website at www.preqin.com/research.)

The past two years have been undoubtedly strong for private equity in the ASEAN region, with 26 ASEAN-focused funds reaching a final close in 2013, attracting an aggregate USD 8.4bn in investor commitments, following another strong year in 2012 with 33 funds and USD 6.9bn. Taken over the past four years, 2010 – 2013, a total of 90 ASEAN-focused funds have been raised, with a combined USD 21.6bn in investor commitments. Meanwhile, Preqin has logged a total of 229 ASEAN buyout deals since 2007, worth a combined USD 29.3bn, and a total of 342 venture capital deals, worth a combined USD 1.6bn. Furthermore, Preqin's Fund Manager Profiles online service currently tracks 112 GPs that are headquartered in Singapore, and collectively they have raised USD 13bn in aggregate capital over the last 10 years and have an estimated USD 4.8bn in available dry powder.

These are impressive figures, and bode well for the further development of the private equity industry in Singapore and ASEAN, but in order to make a proper assessment of the current state of the industry in the region, and its prospects for growth, they need to be put into a proper context:

- The ASEAN region has a combined population of 600 million, 8.5% of the world's total. This is a young population and GDP is growing at 6.7% p.a.
- Comparing ASEAN PE with the global picture over the period 2010 – 2013:
  - 90 ASEAN-focused funds raised vs. 4,134 funds globally: 2.2%
  - USD 21.6bn total ASEAN commitments vs. USD 1.5tn globally: 1.4%
  - 130 ASEAN buyout deals vs. 12,417 global buyout deals: 1.0%
  - 245 ASEAN venture deals vs. 28,261 global venture deals: 0.9%

Simple statistics – indeed, possibly simplistic – but the implication is clear. Private equity in the ASEAN region has both the potential to grow significantly further over the coming decade, and the potential to play a major role in supporting the region's growth and development. One of the most impressive features of the PE industry in ASEAN, and in Singapore in particular, is the breadth and diversity of the industry – 112 firms headquartered here, spanning the entire gamut of strategies from early stage venture, through growth capital, and into buyout and infrastructure funds.

Singapore has become established as one of the twin pillars of the finance industry in Asia, along with Hong Kong, each with its own strengths and geographic focus. The recently-published 2014 edition of the Annual Index of Economic Freedom[1] gives one of the most powerful reasons behind this: with scores of 90.1 and 89.4 respectively, Hong Kong and Singapore rank first and second out of all 178 countries ranked globally. (And Singaporeans will be pleased to note that their score increased by 1.4 points from 2013, in comparison with Hong Kong's increase of 0.8 points! The friendly rivalry continues!)

The economic freedoms enjoyed by Singapore are of fundamental importance in driving its success; in attracting PE firms to make the city state their base for ASEAN; and in supporting their growth and success here. Our survey of Singapore fund managers confirms the importance they ascribe to these factors (see pages 10 – 12). They have contributed to helping Singapore develop a 'cluster' of private equity firms that now has a self-sustaining momentum in attracting further firms and professionals of the various disciplines needed to support the industry's further growth. Private equity in all its forms relies on network benefits to prosper – and the many firms in the industry are as much in cooperation and support of each other as they are in competition. Recent decisions from global leaders Blackstone and KKR to establish operations in Singapore are testament to this fact.

SVCA plays a vital and much appreciated role in supporting the industry's development in Singapore and in ASEAN, and here at Preqin we are honoured to be working with SVCA to support them in this task.

Thank you,

Mark O'Hare

[1] 2014 Index of Economic Freedom - http://www.heritage.org/index/

Click here to download the data pack.

Venture Capital & Private Equity in Southeast Asia

- Jeffrey Chi, Chairman, Singapore Venture Capital & Private Equity Association and Managing Director, Vickers Venture Partners

What is the state of play in venture capital in Singapore and Southeast Asia?

On the venture capital side, activity increased sharply in 2013 from 2012. Preqin's data shows that total venture capital investments into Southeast Asia increased from USD 248mn to USD 918mn, with investments into Indonesia and Singapore representing more than 90% of investments.

In 2013, venture capital investments into Singapore more than doubled to USD 454mn. Interestingly, much of that growth was spurred by non-Singapore-based investors contributing to about 73% of venture capital funds deployed in 2013. Singapore-based venture capital managers invested a total of USD 133mn, with about 80% of capital deployed in Singapore.

Are you seeing similar trends in buyouts?

We are indeed seeing similar growth in private equity whether through buyouts, growth capital or PIPE deals. Total private equity investments into Southeast Asia grew from USD 1.56bn in 2012 to USD 3.32bn in 2013. Singapore-based managers accounted for more than 50% of private equity buyout investments into Southeast Asia. Total private equity investments into Singapore reached USD 2.4bn representing an increase of more than 300% over 2012 with about 76% invested by non-Singapore-based investors.

Singapore seems to be quite core and plays a central role to a lot of the activity in the region. Can you explain why?

We are seeing the macro-environment in Southeast Asia on the whole driving this growth. It's a combination of increasing wealth for the 600 million people in Southeast Asia, a growing economy and relatively stable governments in the region.

Due to the growth in the region, Singapore is a logical hub for activity. Due to Singapore's livability, many private equity firms are setting up offices here. Due to its infrastructure and availability of funding and recent incentives provided by the government, many technology companies are also relocating here. Other companies are also setting up regional management operations out of Singapore as well.

This, in turn, is encouraging further investments (from non-Singapore-based managers) to invest in Singapore. We've noticed that quite a few China-centric investors (like China-based tech companies) have begun to make forays and invest in the region.

While these are positive reasons spurring private equity/venture capital growth in Singapore, there are other factors that could potentially stifle this growth. Specifically, availability of human talent and costs of meeting more stringent regulatory requirements for investors and their portfolio companies are amongst the more urgent issues.

What is your goal for the association in 2014?

With Singapore becoming more of a hub for private equity/venture capital in the region, the current committee has recognized the importance of assisting, enabling our members to network, learn and better manage their portfolios across the region. We have, in fact, ramped up our activities on this front starting with Indonesia and Vietnam. I would like to take the opportunity to call on members and friends of the association who feel they can contribute to volunteer and participate in these efforts and drive the association and the industry to greater heights.

Dr. Jeffrey Chi is a Managing Director of Vickers Venture Partners and a member of its Investment Committee and is currently Chairman of the Singapore Venture Capital & Private Equity Association. Dr Chi has investments in China and Southeast Asia in education, e-commerce, online games, online travel and financial technologies. He was also involved in Vickers' successful exits of UUCUN, Sunfun Info (TT:5278), Cambridge Real Estate (SGX: J91U), Real Time Gaming Asia and Asian Food Channel.

Overview of the Private Equity Industry in Singapore

Recognizing that the global private equity industry has amassed more than USD 3tn in assets under management, Singapore is more resolved than ever to preserve its status as the pre-eminent private equity heavyweight in ASEAN. Given its long-standing reputation as a regional financial hub, one that is backed by a strong regulatory and legal environment, Singapore is well-positioned to embrace a new wave of private equity firms that seek to establish their roots in the Lion City. Preqin's Fund Manager Profiles online service currently tracks 112 GPs that are headquartered in Singapore, and collectively they have raised USD 13bn in aggregate capital over the last 10 years and have an estimated USD 4.8bn in available dry powder. Singapore-headquartered fund managers account for a significant 62% of all ASEAN-headquartered firms, and they have raised approximately 68% of the aggregate capital raised over the last 10 years by ASEAN-based GPs. This highlights the success of Singapore in attracting private equity firms to its shores which can be attributed, in part, to three reasons:

1. Strategic Location and Accessibility

Singapore has traditionally been and will continue to be the premier private equity hub and gateway into the surrounding ASEAN region. Private equity firms which are keen to establish or consolidate their presence in ASEAN will utilize Singapore as a base to penetrate the region and be at the forefront of deal making. Favoured markets such as Malaysia and Indonesia, together with the emerging frontier markets of Vietnam and Myanmar, are highly sought-after destinations in the region which are easily accessible from centrally located Singapore. Given that ASEAN is currently gaining ground as a burgeoning private equity market, and with the hopes of an impending formation of the ASEAN Economic Community by 2015, private equity investors are eager to benefit from the region's growth.

Besides its prime location, Singapore also has much to offer in terms of an accessible pool of resources and a highly educated workforce. There are a large number of existing banks and service providers, such as placement agents, fund administrators, auditors and law firms, operating in the country. The abundance of professional services available is no doubt a key consideration for private equity firms when choosing a base for their fund management operations and investment activities. Renowned global private equity powerhouses that have established offices in Singapore include KKR in 2012 and Blackstone in 2013, indicating a relatively recent effort to expand and shift resources to the growing region.

2. Competitive Regulatory Regime and Attractive Tax Incentives

It is widely known that Singapore's attractiveness and clarity in its regulatory and tax framework is unmatched in the ASEAN region, thus enabling the country to remain a competitive jurisdiction. Singapore has in place an attractive tax regime for private equity funds and fund managers, which comprises tax exemption schemes such as the Offshore Fund Scheme, Onshore Fund Scheme and Enhanced Tier Fund Scheme. Under these schemes, income and capital gains accrued to funds will be exempt from tax, subject to specific conditions which include the registration and licensing of fund managers by the Monetary Authority of Singapore. In addition, with the rollout of the Financial Sector Incentive - Fund Management scheme, fund managers can expect a concessionary tax rate of 10% instead of the prevailing corporate income tax rate of 17% on fee income derived from the provision of fund management or investment advisory services to qualifying funds. The above mentioned schemes ensure that Singapore is indeed a safe harbour for private equity funds, as well as an appealing destination for fund managers.

Singapore's strong treaty network which consists of more than 70 double tax agreements with numerous countries is another affirmation of the nation's commitment to provide favourable tax offerings to fund managers. As a result, Singapore has proved to be an attractive investment hub and platform to domicile funds, harnessing a reputation as the region's leading fund management centre.

3. A Prominent Source for Deals

Private equity firms flock to Singapore not only to gain access to ASEAN, but also to tap into the great number of investment opportunities available in the country itself. Regarded as the most mature private equity market in the region, Singapore is a natural destination for private equity firms when sourcing buyout opportunities, alongside a plethora of growth equity and other investment prospects. In comparison to other ASEAN countries, there is more room for control acquisitions in Singapore as the market is receptive to larger deals and the expertise provided by private equity firms. The venture capital scene in Singapore could be next on the watch list, in light of the nation's aim to gain a reputation as a start-up hub to boost the entrepreneurial and technological sectors in the economy.

Private Equity & Venture Capital Assets under Management - SVCA

Assets under management* (AUM) by private equity and venture capital fund managers in Singapore grew a healthy 10.8% to SGD 35.8bn in 2013. Growth in AUM was augmented both by the increase in home grown fund management companies as well as foreign private equity firms setting up operations in Singapore.

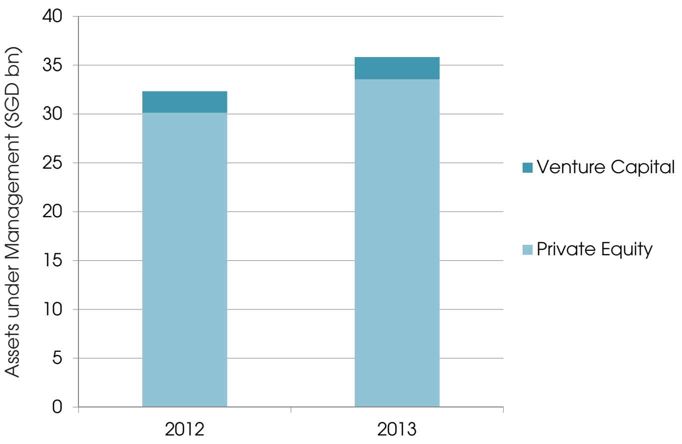
The government's drive towards entrepreneurship encouraged the setup of incubators and early stage venture capital funds focused on information technology and life sciences. These government funds were matched by private investors, further augmenting the venture capital pool.

Foreign private equity firms were also attracted to set up operations in Singapore. Southeast Asia's population of more than 600 million and rapidly growing middle class presents wide ranging opportunities for investment, including agriculture, commodities, infrastructure, manufacturing, logistics, retail and consumer services. Most governments in Southeast Asia recognize the economic and employment benefits of expansion and welcome foreign direct investment. Singapore's strategic location and efficient infrastructure provide easy access within a two-hour flying radius to all these neighbouring countries.

Faced with the increasing global regulatory requirements for private equity towards greater transparency, disclosure and substance, foreign private equity firms are attracted by the stable political environment, transparent legal and pro-business tax regime offered by Singapore. In 2013, Singapore implemented its own regulatory guidelines requiring all fund management companies to become either Licensed or Registered Fund Management Companies with ensuing responsibilities on reporting, risk management, compliance and valuation. While this has undoubtedly increased the operating costs of fund management companies, it has also encouraged the growth of the supporting eco-system, including legal, auditing, valuation, risk assessment, compliance, due diligence and fund administration expertise. This has increased the breadth and depth of available talent contributing to the added push for foreign private equity firms to consider locating their regional operations in Singapore.

According to data gathered by Preqin, more than SGD 5bn was invested by private equity and venture capital funds in Southeast Asia in 2013. Singapore continued to play a pivotal role as a regional hub as Singapore-based fund managers participated in more than 40% of private equity and venture capital investments into Southeast Asia.

Fig. 1: Singapore Private Equity and Venture Capital Assets under Management* (AUM)



Source: SVCA

** AUM estimates include committed capital (uncalled commitments or dry powder plus unrealized value of portfolio assets) for funds with principal management or invested capital for funds with discretionary/advisory management responsibilities in Singapore excluding sovereign wealth funds.*

Historical ASEAN-Focused Fundraising

In recent years, ASEAN has been increasingly on the radar of both GPs and LPs. Compared to other emerging market regions, ASEAN is heavily diversified and has a combination of relatively mature private equity markets such as Singapore and Malaysia, as well as the new frontier markets of Vietnam and Myanmar. With ASEAN gaining interest from managers and investors as an alternative to the developing BRIC economies that have suffered damaged return profiles as vast inflows of cash have poured in, the region is primed for growth.

ASEAN-focused private equity fundraising experienced a considerable surge from 2011 to 2012, with the number of funds and amount of capital raised increasing approximately three-fold during the period. As shown in Fig. 2, the number of private equity funds with a significant focus on ASEAN peaked in 2012, with 33 funds closing on USD 6.9bn in aggregate capital. A key factor influencing this rapid rise was the mounting interest in opportunities in ASEAN, with GPs seeking to capitalize on strong investor sentiment in the region. Preqin's Funds in Market online service shows a third of funds that held a final close in 2012 were follow-on funds.

While 2013 recorded a decrease in the number of funds closed, the amount of capital raised was in fact much higher than 2012, with funds closed in 2013 securing an aggregate USD 8.4bn in capital commitments. This increase in capital indicates that ASEAN-focused fundraising remains positive, and LPs are either increasing or maintaining their target allocation to ASEAN as they look to diversify their portfolios. It is also apparent that in 2013, GPs raised funds that had significantly larger final close sizes than in 2012. The largest fund that closed in 2013 was RRJ Capital Master Fund II, a USD 3.5bn buyout vehicle raised by Hong Kong-headquartered RRJ Capital.

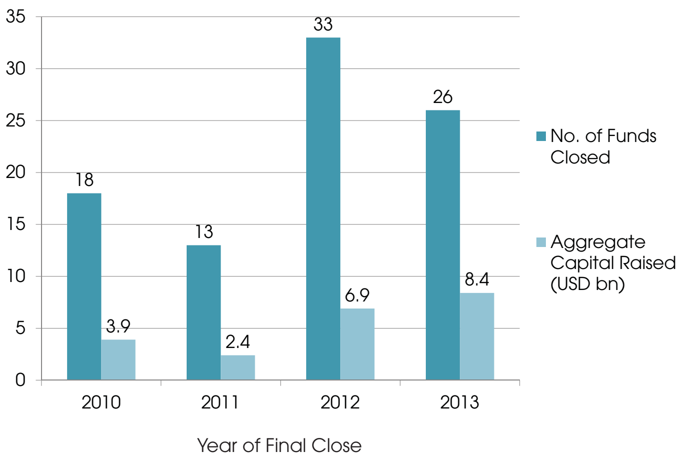
Historical Fundraising by Fund Type

As shown in Fig. 3, more growth funds have closed than any other ASEAN-focused private equity fund type since 2010; this is followed closely by venture capital funds. Given that such funds typically have smaller average fund sizes, it is unsurprising that buyout and private real estate funds have led the way in terms of aggregate capital raised, securing USD 5bn each. However, as the ASEAN private equity market still remains relatively young and its constituent economies are in the midst of rapid development, growth and venture capital funds have proved to be the most favoured private equity fund type to gain access to the region.

Historical Fundraising by Manager Location

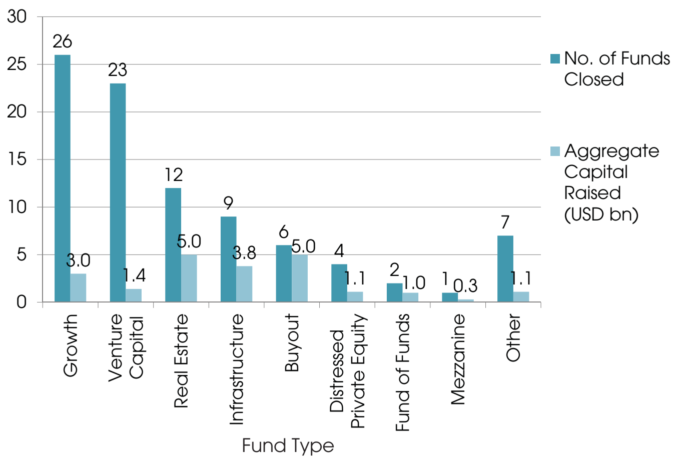
Singapore-based managers accounted for the largest proportion of GPs that raised ASEAN-focused funds at 47%. This reaffirms the notion that Singapore is a private equity hub in the region, given its friendly regulatory regime and accessibility. Overall, 59% of ASEAN-focused funds were managed by GPs based in the region itself, which includes other emerging countries such as Cambodia, Malaysia, Thailand and Vietnam. In terms of aggregate capital raised, ASEAN-based GPs secured 45% (USD 9.6bn) of the total capital raised between 2010 and 2013, while non-ASEAN-based GPs raised a greater proportion of total capital at 55% (USD 12bn). This is a testament to the foreign interest in ASEAN and its associated pool of opportunities.

Fig. 2: Annual ASEAN-Focused Private Equity Fundraising, 2010 - 2013



Source: Preqin Funds in Market

Fig. 3: ASEAN-Focused Private Equity Fundraising by Fund Type, 2010 - 2013



Source: Preqin Funds in Market

ASEAN-Focused Funds in Market

Moving on from Q1 2014, ASEAN-focused fundraising looks promising, as it rides on the back of a steady fundraising environment for ASEAN-focused funds in the previous year. There are 78 private equity funds with a primary focus on ASEAN currently in market, seeking to raise USD 17.2bn collectively. At present, there is sizeable momentum within the ASEAN private equity fundraising market, with 42% of all ASEAN-focused vehicles having held at least one interim close, already securing over USD 3.2bn in capital commitments.

As shown in Fig. 4, the majority (59%) of ASEAN-focused funds currently in market are managed by GPs based in the region itself. Singapore leads the pack, with 57% of ASEAN-focused funds in market being managed out of the country, and is followed by Vietnam (17%), and Malaysia (13%). The remainder is split between Thailand, Indonesia and Cambodia. While it is evident that Singapore retains its position as the most established private equity market in the region, Vietnam is arguably an increasingly notable emerging player in the space, as managers uncover more opportunities in the country and seek more capital for their private equity funds. There are equal numbers of fund managers hailing from Greater China and North America managing ASEAN-focused funds, reflecting appetite for the region from both eastern and western firms.

Fig. 5 shows that growth is the most prominent fund type among ASEAN-focused private equity funds in market, accounting for 42% of these vehicles, and targeting 33% of aggregate capital sought by ASEAN-focused funds (USD 5.7bn). This provides further evidence that growth funds have been and will continue to be the most utilized strategy by fund managers to exploit the growing opportunities in ASEAN. Venture capital funds represent the next most favoured fund type to tap into the region. As venture capital funds make smaller investments, they are targeting a smaller total amount of capital compared to other fund types such as real estate, infrastructure and buyout.

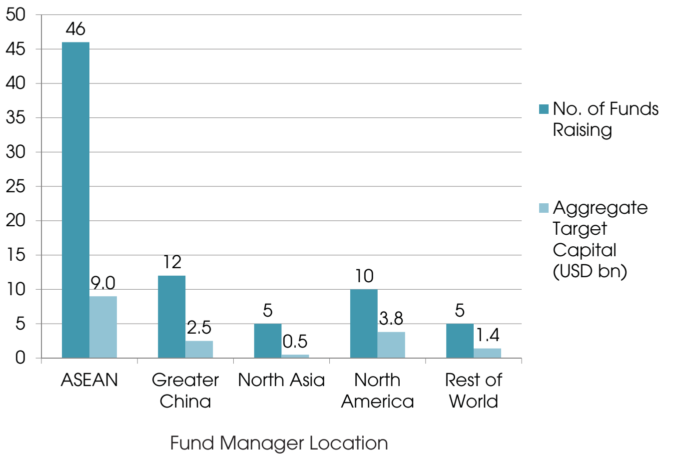
Largest Funds Currently in Market

The largest private equity fund with a sole focus on ASEAN currently in market is Northstar Group's fourth fund in its buyout series, Northstar Equity Partners IV. The vehicle is targeting USD 950mn and was launched in Q1 2014. It has a focus on investing in Indonesia and a preference for the consumer, financial services and natural resources sectors. The next largest fund wholly focused on ASEAN on the road is TAEL Partner's second growth fund, The Asian Entrepreneur Legacy Two (TAEL Two). The vehicle is targeting USD 750mn and successfully secured half of this amount in a second close, which was held in late 2013.

Outlook

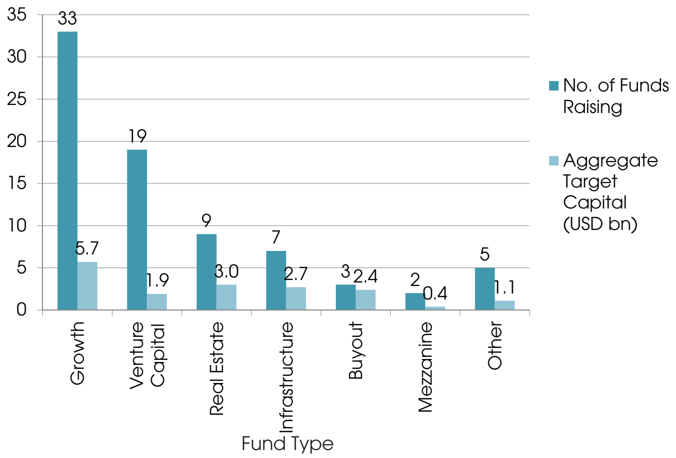
ASEAN-focused fundraising has evolved throughout the years and statistics suggest it will maintain momentum. Despite the more mature private equity markets in North America and Europe having gradually regained stability and investor confidence, ASEAN is still seen as an attractive prospect by both fund managers and investors, offering diversification and an opportunity to capitalize on a financing gap in this emerging region. Several large private equity players, including Blackstone Group and Carlyle Group, have cemented themselves in ASEAN by setting up specialist teams within the region; this provides a further indication that the region is set for long-term growth and progress.

Fig. 4: ASEAN-Focused Private Equity Funds in Market by Fund Manager Location (As at 17 April 2014)



Source: Preqin Funds in Market

Fig. 5: ASEAN-Focused Private Equity Funds Currently in Market by Fund Type (As at 17 April 2014)



Source: Preqin Funds in Market

League Tables

Fig. 6: Five Largest Solely ASEAN-Focused Private Equity Funds Raised over Time (As at April 2014)

Fund	Firm	Fund Type	Final Close Size (mn)	Firm Location
China-ASEAN Investment Cooperation Fund	China-ASEAN Capital Advisory Company	Infrastructure	USD 1000	Hong Kong
Northstar Equity Partners III	Northstar Group	Buyout	USD 820	Singapore
Biomedical Sciences Investment Fund	EDBI	Venture (General)	USD 660	Singapore
Philippine Investment Alliance for Infrastructure	Macquarie Infrastructure and Real Assets (MIRA)	Infrastructure	USD 625	UK
Saratoga Asia Fund III	Saratoga Capital Group	Infrastructure	USD 600	Singapore

Source: Preqin Funds in Market

Fig. 7: Five Largest ASEAN-Based Fund Managers by Total Funds Raised in the Last 10 Years

Firm	Total Funds Raised in the Last 10 Years (mn)	Firm Location
Navis Capital Partners	USD 3523	Malaysia
L Capital Asia	USD 1587	Singapore
Northstar Group	USD 1215	Singapore
TAEL Partners	USD 947	Singapore
Nalanda Capital	USD 875	Singapore

Source: Preqin Fund Manager Profiles

Fig. 8: Five Largest Private Equity Funds Raised by ASEAN-Based Fund Managers (As at April 2014)

Fund	Firm	Fund Type	Final Close Size (mn)	Firm Location	Primary Fund Focus
Alpha Asia Macro Trends Fund II	Alpha Investment Partners	Real Estate	USD 1650	Singapore	Asia
CLF Fund I	Global Logistic Properties	Real Estate	USD 1500	Singapore	Asia
Mapletree China Opportunity Fund II	Mapletree Investments	Real Estate	USD 1400	Singapore	Asia
Navis Asia Fund VI	Navis Capital Partners	Buyout	USD 1200	Malaysia	Asia
Alpha Asia Macro Trends Fund	Alpha Investment Partners	Real Estate	USD 1181	Singapore	Asia

Source: Preqin Fund Manager Profiles

Fig. 9: Five Largest Solely ASEAN-Focused Private Equity Funds in Market (As at Q1 2014)

Fund	Vintage Year	Firm	Fund Type	Target Size (mn)	Firm Location	Location Focus
Northstar Equity Partners IV	2014	Northstar Group	Buyout	USD 950	Singapore	ASEAN, Indonesia
The Asian Entrepreneur Legacy Two	2013	TAEL Partners	Growth	USD 750	Singapore	ASEAN, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam
The Philippine Investment Fund	2014	KGL Investment	Infrastructure	USD 500	Kuwait	Philippines
Ananse TMT Southeast Asia Fund	2013	Wellington Capital Advisory	Growth	USD 350	Indonesia	ASEAN, Indonesia
CapAsia ASEAN Infrastructure Fund III	2013	CapAsia	Infrastructure	USD 350	Singapore	ASEAN, Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam

Source: Preqin Funds in Market

Data Source:

Preqin tracks detailed information on over 180 ASEAN-based private equity fund managers, and over 390 private equity funds targeting opportunities in the ASEAN region. For more information on how Preqin's data can help you, please visit:

www.preqin.com/privateequity

Survey of Singapore-Based Fund Managers

In February 2014, Preqin surveyed over 40 private equity fund managers that have operations in Singapore in order to gauge their opinions on the private equity landscape in the country, as well as to gain insight into their current activities in the space. The results are discussed in the following section, offering valuable insight into the private equity firms established in this Asian financial hub.

It was revealed that 70% of firms Preqin surveyed made at least one Singapore-based deal in the past two years. In total, USD 519mn was invested. The entire sample of firms has an investment focus on Asia, with a significant majority (85%) specifically targeting investment opportunities in Singapore. On average, firms surveyed deploy 28% of their total respective assets under management in the country and collectively, these fund managers have over USD 12bn in assets under management exclusively managed by their Singapore-based teams.

A third of GPs surveyed (33%) are looking to move forward with their next Singapore-based deal within the next six months, and 18% in the next six to 12 months (Fig. 10), suggesting a healthy pipeline of deals will be seen in Singapore in 2014. A significant 41% of firms surveyed stated that they would be making Singaporean investments on an opportunistic basis, rather than adhering to such a strict schedule of planned transactions.

The survey results also indicate that over the longer term, there will be a sustained flow of Singaporean private equity-backed deals, as 92% of the fund managers surveyed by Preqin expect their levels of Singapore-based investments to be maintained or to increase in the future (Fig. 11). Only 8% of respondents believe their Singapore-focused deal activity will decrease over the longer term. The fact that the large majority of these GPs expect to increase or maintain their Singaporean deal flow can be linked to the current perception of performance, paralleling Preqin's findings that a majority of 80% of GPs surveyed feel the performance of their respective Singapore portfolios have met expectations, and a further 7% indicated that their investments had surpassed their initial expectations (Fig. 12). Such satisfaction with performance could well be a motivating factor behind plans to maintain or increase levels of investment activity in the country.

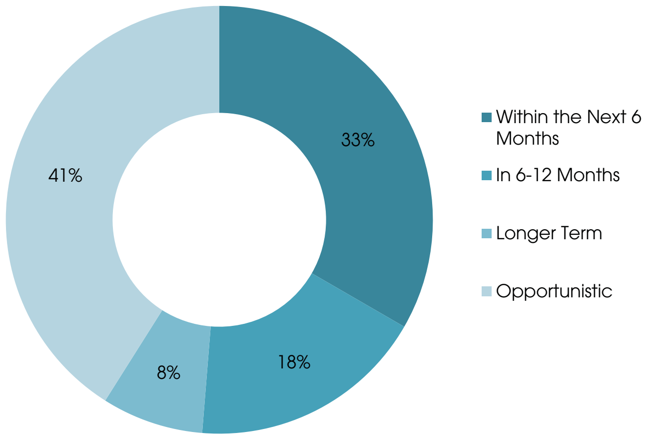
However, a comparison between the perceived performance of GP respondents' overall private equity portfolios and their exclusively Singaporean portfolios further implies the slightly less satisfactory returns of Singaporean investments. Preqin found that the proportion of GPs that have had their expectations exceeded by their Singapore private equity portfolio is less than the corresponding proportion of GPs that felt the performance of their overall private equity investment portfolio surpassed their expectations, at 7% and 9% respectively (Fig. 12). This gives some indication that relative to investments in the overall private equity portfolio of those GPs surveyed, returns from Singapore are less likely to exceed expectations.

Industry Breakdown

The consumer discretionary sector is the most common industry that Preqin's 40 surveyed fund managers' investee companies fall into. Fifty-four percent of firms surveyed stated that their portfolio companies are in the consumer discretionary industry, comprising the majority – unsurprising given the abundance of opportunities to be found in the consumer classes in Asia's developed and developing nations. Joint second most common industries are healthcare, and telecoms, media and communications, with 49% each. Given the demographics in Singapore, with its ageing population, both policymakers addressing welfare needs and businessmen capitalizing on related opportunities will heed the increased focus that is required on the healthcare segment.

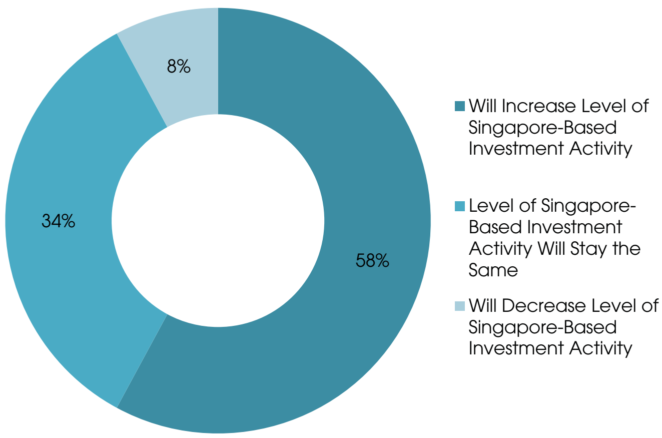
The industrial sector also made up a notable proportion of results, with 43% of fund managers indicating that they held companies in this industry in their portfolios. Singapore's budding industrial production, boosted by the recent growth in the manufacturing and electronics segments, is fed by robust domestic and external demand, and is expected to consolidate as the economic recovery in Europe and North America gathers pace. Moreover, the Singaporean government is currently pushing to transform the

Fig. 10: Singapore-Based Private Equity Fund Managers' Timeframe for Next Singapore-Based Deal



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

Fig. 11: Singapore-Based Private Equity Fund Managers' Expected Levels of Singapore-Based Investment Activity



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

manufacturing sector by further raising productivity and investing in high-tech sectors.

The proportions of other industries are shown in Fig. 13. It is worth noting that certain industries in Singapore are monopolized, for instance the government-privatized telecoms and utilities sectors, resulting in a somewhat limited pool of potential private equity portfolio companies for fund managers to find opportunities in.

Advantages of Singapore

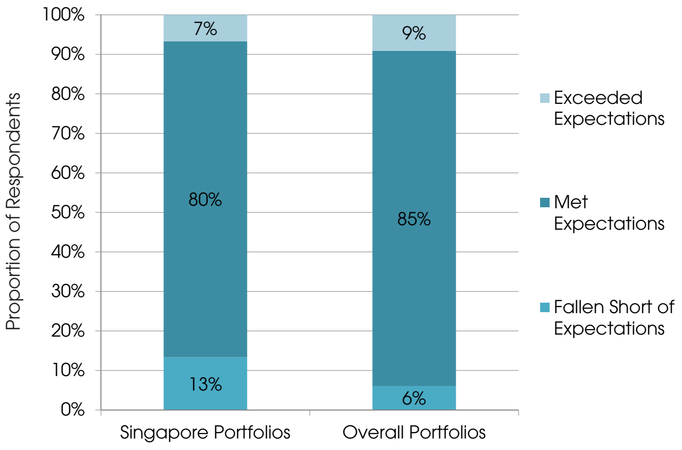
Throughout this report we have alluded to the unique offerings Singapore presents to private equity players, and Fig. 14 shows the key factors that fund managers with operations in the country find most advantageous with regard to investing in Singapore compared to other ASEAN countries. Over a three-quarters of respondents (77%) highlighted Singapore's stable legal environment, which contributes to a more favourable investment landscape, and 69% view the nation's geographic location as a great gateway into the wider region of Asia, thus aiding international growth potential.

Other advantages cited include the political stability (60%), attractive tax structure (57%) and the currently strong economic climate enjoyed by Singapore (49%). One fund manager commented that its team considers the same variables in every geographic region it looks to invest in; it will not favour any one country over another, basing its investment decision only on which opportunity minimizes risk but maximizes returns, but did acknowledge Singapore's strength in the various factors listed in Fig. 14.

Challenges of Singapore and ASEAN

As well as an array of attractive benefits, many fund managers also recognize the number of challenges Singapore presents on a transactional level. When asked what is the biggest challenge for investing in Singapore, 56% of firms surveyed quoted the size of the market, believing that there is some limit on the number and type of investment opportunities to be found in such a small country, and also more intense levels of competition (Fig. 15). A number of participants in the survey also alluded to issues specifically relating to sellers, with 22% stating that when seeking investment opportunities in Singapore, they found sellers' valuation expectations are too high. Six percent asserted that sellers do not fully appreciate the benefits of a private equity transaction and 3%

Fig. 12: Proportion of Singapore-Based Private Equity Fund Managers that Feel Their Portfolios Have Lived up to Expectations: Singapore Portfolios vs. Overall Portfolios

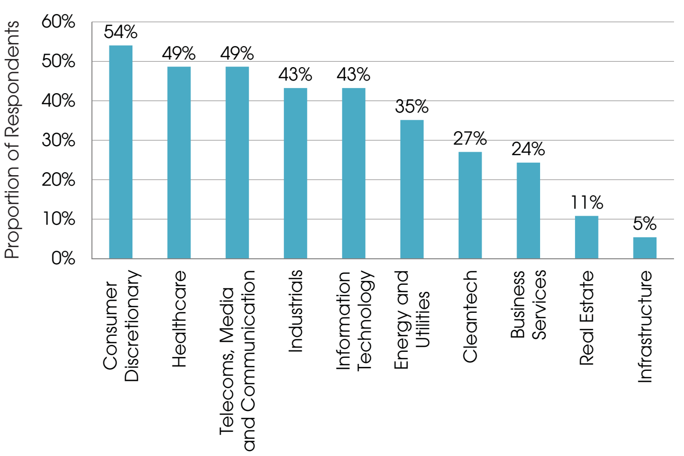


Source: Preqin Singapore-Based Fund Manager Survey, February 2014

found that sellers are unwilling to give up management control (Fig. 15). Interestingly, one respondent referred to the notion that Singapore's status as a highly developed financial business hub in the ASEAN region has actually resulted in a hurdle for investors, as Singapore-based entities carry a premium price compared to other Southeast Asian countries.

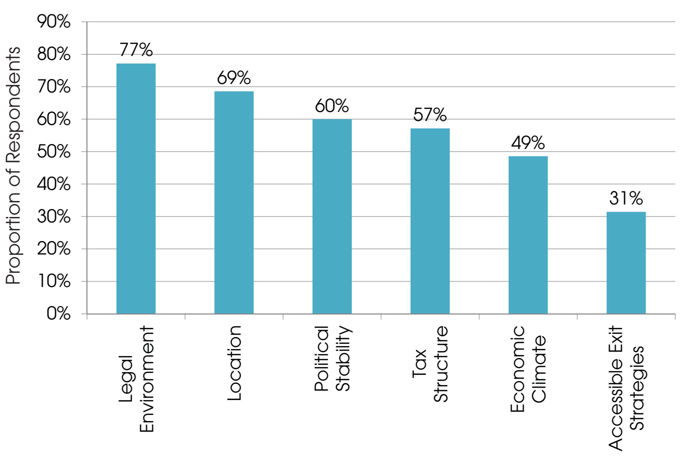
Only 3% of respondents regarded the legal and regulatory frameworks in Singapore to be a challenge for investing in Singapore, which is a stark contrast to the 41% that cited this factor as the biggest challenge for operating in other countries that are part of ASEAN, demonstrating the relatively more efficient regulatory systems that exist in Singapore. Fig. 15 shows that the obstacles involving sellers also have some prevalence in ASEAN, perhaps difficulties that hint at the relatively low level of maturity of the private equity industry in the region, as companies are less receptive to private equity sales – apparently expecting higher valuations, unwilling to give up management control and not understanding the benefits the asset class can bring. A few respondents made special comment referring to a lack of experience among private equity players in ASEAN, with one fund manager specifically stating, "teams usually lack corporate level business understanding and it is difficult to find deals and experienced GPs".

Fig. 13: Breakdown of Singapore-Based Private Equity Fund Managers' Investee Companies by Industry



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

Fig. 14: Singapore-Based Private Equity Fund Managers' Views on the Advantages of Investing in Singapore Compared to Other ASEAN Countries



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

Macro reasons such as currency volatility should also be considered, as raised by another survey participant. Slowing growth currently observed in Asia as a whole will impact economic growth in ASEAN and, as the region's financial hub, Singapore is perhaps more susceptible given its exposure to its surrounding markets. But amid volatility in emerging market currencies such as the Indonesian rupiah and Philippine peso, the Singapore dollar has remained relatively stable. The strength of the SGD can partly be attributed to the Monetary Authority of Singapore's (MAS) low interest rate policy to counter inflation, in response to the US Federal Reserve's decision to taper quantitative easing.

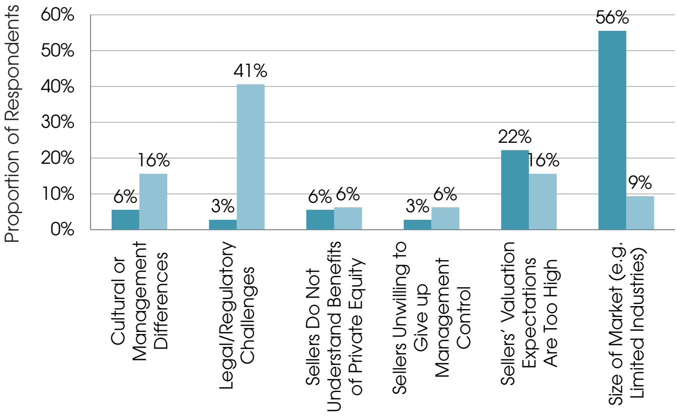
Exits

There are hurdles not only to securing a sale in private equity, but also to finding an exit for the investment made. Sixty-three percent of firms surveyed agreed or strongly agreed that the exit environment is currently challenging in Singapore (Fig. 16). Fund managers surveyed referenced generally low valuations in comparison to the rest of the developed world and a lack of exit opportunities in the country. One GP specified, "there is plenty of demand, but low supply". Fig. 17 depicts the most common exit strategies used by the Singaporean fund managers Preqin surveyed, with 66% choosing trade sales, 21% opting for IPOs and 13% for sales to management. No firms surveyed have sales to GPs as their most commonly used exit route. It is worth noting that professional intermediary firms in Singapore exist to assist with IPOs and trade sales and acquirers can be from any country in ASEAN or beyond.

Improvements to Be Made?

Finally, Preqin asked the firms it surveyed to outline any changes they would like to see in the investment environment of Singapore. Responses included a call for more access to government co-investing, a trend that has been observed in the increasingly sophisticated LP community across the world, as investors appear increasingly keen to explore new methods of accessing the private equity asset class, particularly for lower fees and increased efficiency that is inherent in direct investments. Others hope for reduced regulation within the Singaporean private equity universe, particularly one fund manager that alluded to the regulatory burdens that fall upon small and mid-market private equity funds in the region in particular. Furthermore, a number of

Fig. 15: Singapore-Based Private Equity Fund Managers' Views on the Biggest Challenges for Investing on a Transactional Level in Singapore vs. ASEAN



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

GPs expressed a desire for an expansion in market size, shored up by an increase in population and feeding more and more potential for private equity investments.

All in all, the "continued cultural growth and evolution", as referenced by one firm surveyed by Preqin, is what Singapore's private equity landscape is aiming for, in order to foster not only growth of the national and regional economy, but also the maturation of the asset class in a region that is still undergoing exciting and rapid development.

Detailed Information on Private Equity Deals in Asia

Preqin tracks details on all aspects of the private equity deals market in Asia. View details of more than 7,900 buyout and venture capital deals, including deal value, buyers, sellers, debt financing providers, financial and legal advisors, exit details and more. Identify forthcoming exits and IPOs.

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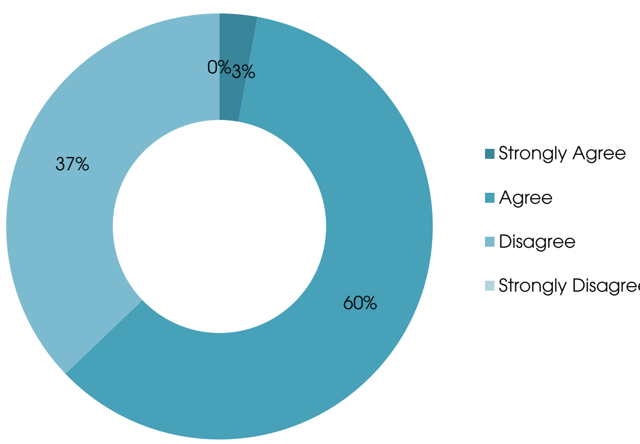
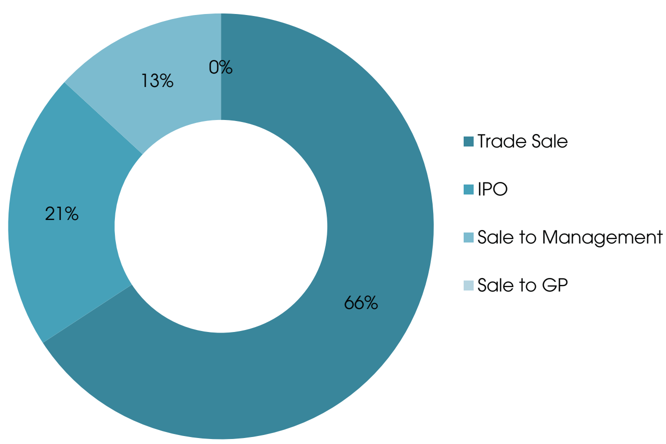
Fig. 16: Singapore-Focused Private Equity Fund Managers' Views on Whether the Exit Environment Is Currently Challenging in Singapore



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

Fig. 17: Singapore-Focused Private Equity Fund Managers' Most Used Exit Strategies



Source: Preqin Singapore-Based Fund Manager Survey, February 2014

Overview of Singapore-Based Investors in Private Equity

Characteristics

Singapore's rise in the ASEAN region and wider Asian and global private equity scene in the past few years was almost inevitable with the country's rapid economic development, burgeoning middle class and steady transformation into a leading financial centre. As one of ASEAN's most mature markets, Singapore continues to play an important role in the regional private equity scene as it serves as an investment hub and base for an ever increasing number of international private equity houses.

As regional private equity investments become more accessible and lucrative, with high investment returns, more Singapore-based investors are seeking exposure to the asset class through investments via private equity fund commitments. Preqin's Investor Intelligence online service reveals that the number of Singapore-based investors in private equity make up more than half (54%) of the total number of ASEAN-based LPs (Fig. 18). Collectively, these Singapore-based LPs have over USD 1.1tn in funds under management.

As shown in Fig. 19, the most prevalent investor types in Singapore are family offices and wealth managers, each representing 24% of the investor pool. This resonates with the increase in the world's wealthiest individuals coming from or setting up in the affluent South East Asian city-state. Conversely, banks (22%) and insurance companies (16%) form the largest proportion of investors that are based in the overall ASEAN, when excluding Singapore.

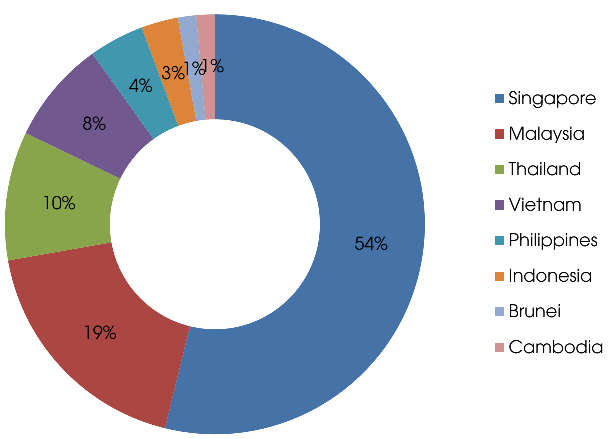
Investment Preferences

In terms of geographic fund focus preference, Asia-based vehicles remain the most common destination for Singapore-based private equity investors, with at least 90% of the local LP pool seeking investments in Asia. Despite a strong regional preference, Singapore-based investors are also open to allocating capital to vehicles targeting the wider Asia region, North America, Europe, emerging and global markets, with 67% of Singapore-based LPs willing to invest outside of Asia.

When looking at the types of funds that Singapore-based investors look to commit to, venture capital vehicles are the preferred type of investment strategy, favoured by 73% of these investors. Coming closely behind, buyout and growth funds are the next most desired fund types among Singapore-based investors investing in the private equity asset class, with 69% and 62% of these investors holding a preference for these strategies respectively. This contrasts slightly to the fund type preferences of ASEAN-based investors in regions outside Singapore; growth vehicles rank as the most commonly preferred investment type among investors based in the wider-ASEAN region, excluding Singapore.

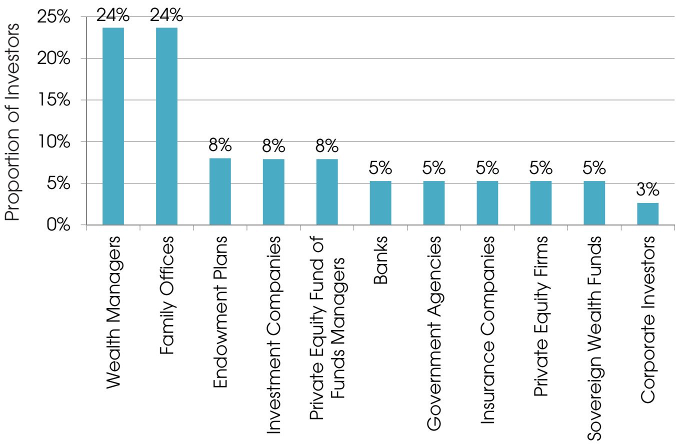
Singapore, with its strategic geographic location, well established financial system, and highly developed infrastructure serves as a base for private equity firms and investors looking to cover the ASEAN market. Moreover, Singapore's attractive tax incentive schemes and relatively mature private equity market further enhances its appeal when it comes to investing in the asset class. This results in a continuous and perhaps increasing level of commitment to ASEAN-focused private equity funds as local investors recognize the multitude of benefits their local economy offers.

Fig. 18: ASEAN-Based Private Equity Investors by Investor Location



Source: Preqin Investor Intelligence

Fig. 19: Singapore-Based Private Equity Investors by Investor Type



Source: Preqin Investor Intelligence

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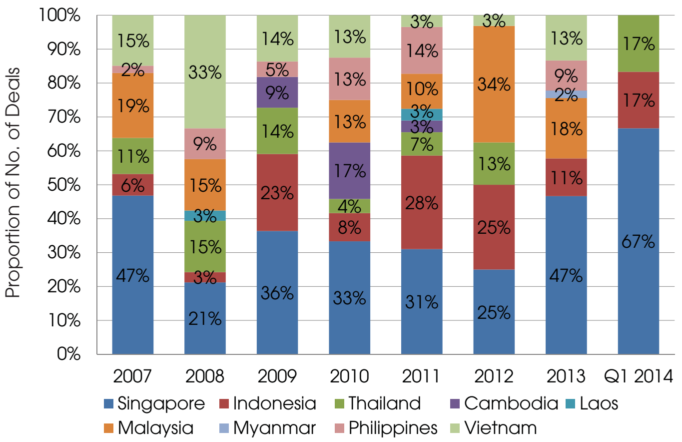
Buyout Deals

A total of 238 private equity-backed buyout deals have been announced in the ASEAN region since 2007, 37% of which involve portfolio companies based in Singapore. In Q1 2014, buyout activity in Singapore was at its highest since 2007, contributing 67% (Fig.20) to total number of investments in the ASEAN region with an aggregate value of $2.6bn (Fig.21).

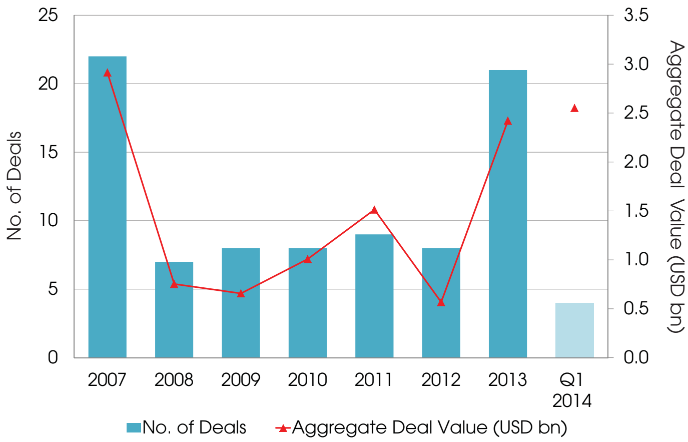
Leveraged buyouts (LBOs) have been the most prevalent investment type in Singapore since 2007, accounting for 31% of the total number of transactions. Meanwhile, PIPE deals have received the most investment in terms of aggregate value, representing 39% of total aggregate deal value in Singapore in the period 2007-Q1 2014 (Fig. 22). Industrials accounts for the greatest proportion of number and aggregate investment value as a proportion of all deals in Singapore since 2007 (Fig. 23).

Fig. 20: Proportion of Number of Private Equity-Backed Buyout Deals by Country in the ASEAN Region, 2007 - Q1 2014



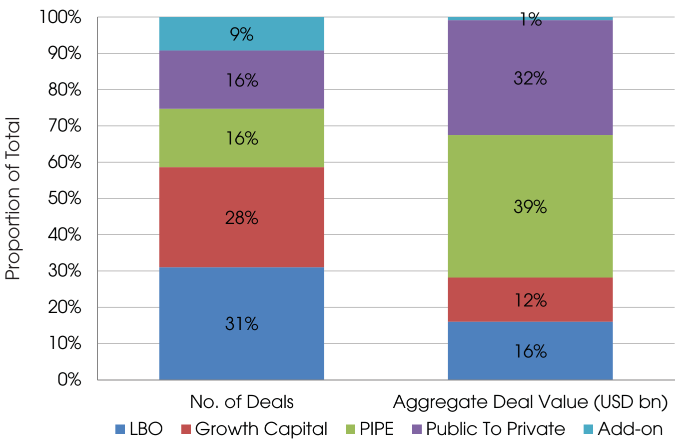
Source: Preqin Buyout Deals Analyst

Fig. 21: Annual Number and Aggregate Value of Private Equity-Backed Buyout Deals in Singapore, 2007 - Q1 2014



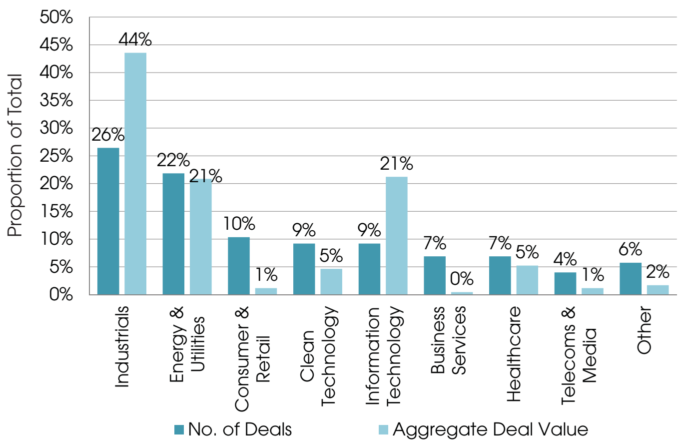
Source: Preqin Buyout Deals Analyst

Fig. 22: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals in Singapore by Investment Type, 2007 - Q1 2014



Source: Preqin Buyout Deals Analyst

Fig. 23: Proportion of Number and Aggregate Value of Private Equity-Backed Buyout Deals in Singapore by Industry, 2007 - Q1 2014



Source: Preqin Buyout Deals Analyst

Fig. 24: Top Five Private Equity-Backed Buyout Deals in Singapore, 2007 - Q1 2014

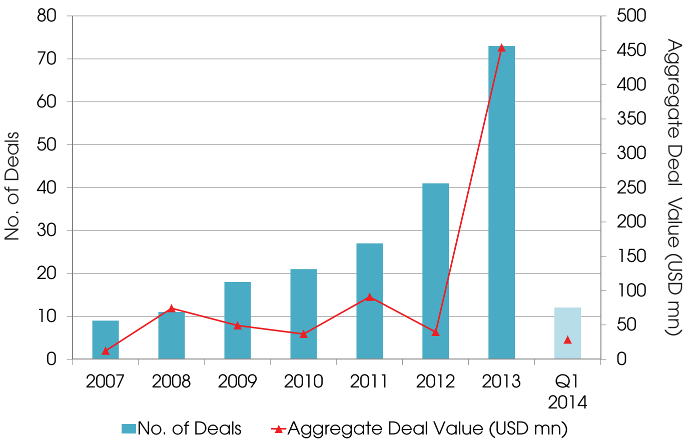
Firm	Investment Type	Deal Date	Deal Size (mn)	Deal Status	Investors	Primary Industry
Global Logistic Properties Limited	PIPE	Feb-14	2,513 USD	Announced	Bank of China Group Investment, Hopu Investment Management	Logistics
United Test and Assembly Center Ltd	Public To Private	Jun-07	1,532 USD	Completed	Affinity Equity Partners, TPG	Semiconductors
GE SeaCo	Buyout	Aug-11	1,048 USD	Completed	Bravia Capital, HNA Group Company Limited	Shipping
Avago Technologies	PIPE	Dec-13	1,000 USD	Completed	Silver Lake	Semiconductors
MMI Holdings	Public To Private	Apr-07	1,010 SGD	Completed	Kohlberg Kravis Roberts	Manufacturing

Source: Preqin Buyout Deals Analyst

Venture Capital Deals

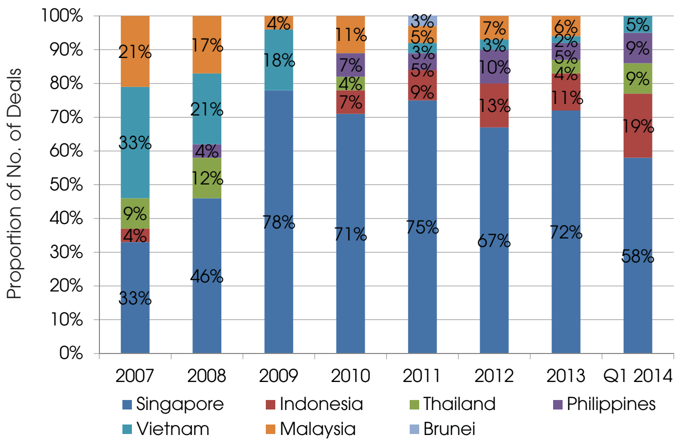
The number of venture capital deals announced in Singapore has risen year on year since 2007, with the highest increase seen between 2012 and 2013, from 41 to 73, while the annual aggregate deal value has not seen a similar consistent increase year-on-year (Fig. 25). In Q1 2014, Singapore had 12 deals at an aggregate value of USD 28mn. Fig. 26 shows Singapore has consistently dominated the ASEAN region in terms of the proportion of number of deals; between 2007 and Q1 2014 it commanded an average of 66% of the annual total number of deals in ASEAN. This is over six times the average proportion accounted by the country holding second place, an indication of the extent to which Singapore leads the ASEAN region in terms of venture capital financing. Vietnam has the second largest yearly average for the period (10%), but this has progressively decreased, with an average of just 3% between 2010 and Q1 2014.

Fig. 25: Number and Aggregate Value of Venture Capital Deals in Singapore, 2007 - Q1 2014



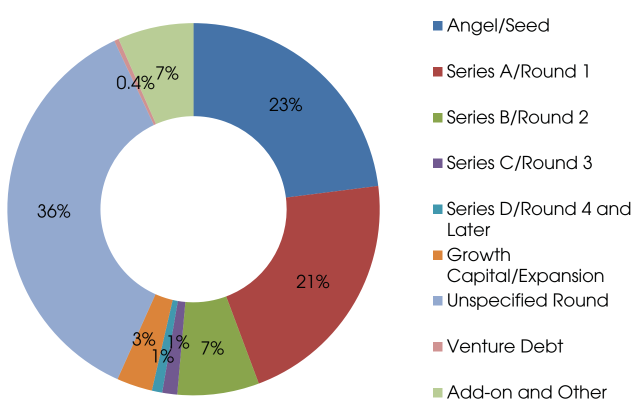
Source: Preqin Venture Deals Analyst

Fig. 26: Proportion of Number of Venture Capital Deals by Country in the ASEAN Region, 2007 - Q1 2014



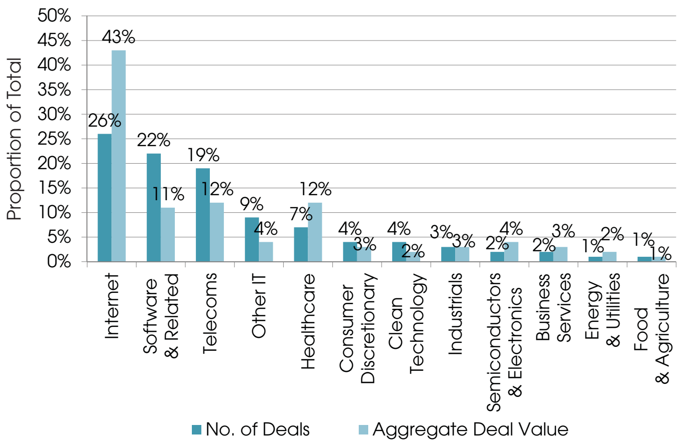
Source: Preqin Venture Deals Analyst

Fig. 27: Proportion of Number of Venture Capital Deals in Singapore by Stage, 2007 - Q1 2014



Source: Preqin Venture Deals Analyst

Fig. 28: Proportion of Number and Aggregate Value of Venture Capital Deals in Singapore by Industry, 2007 - Q1 2014



Source: Preqin Venture Deals Analyst

Fig. 29: Top Five Largest Venture Capital Deals in Singapore, 2007 - Q1 2014

Name	Date	Stage	Deal Size (mn)	Investors	Primary Industry
Zalora Group	May-13	Unspecified Round	100 USD	Kinnevik, Rocket Internet, Summit Partners, Tengelmann Group, Verlinvest	Internet
Zalora Group	Dec-13	Unspecified Round	92 USD	Access Industries, Scopia Capital Management	Internet
Reebonz Pte Ltd	May-13	Unspecified Round	40 USD	MediaCorp Pte Ltd.	Internet
Zalora Group	Mar-13	Unspecified Round	20 EUR	Tengelmann Group	Internet
S*BIO Pte Ltd.	Oct-08	Series B/Round 2	26 USD	Adamant Biomedical Investments AG, Aravis, EDBI, Lacuna Apo Biotech Fund, Zurcher Kantonalbank	Biotechnology

Source: Preqin Venture Deals Analyst

Preqin and SVCA Special Report: Singapore and ASEAN Private Equity

April 2014

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