

Asian Private Equity Market Matures As Capital Pours into a More Diverse Range of Strategies

Asia-focused funds diversify away from growth investments as the Asian private equity market develops

New research featured in Preqin's latest special report reveals that despite the prominence of growth investment in the Asian private equity market, other strategies, particularly buyout, have an increasing presence in Asia; as it matures, the private equity market in the region is increasingly mirroring the diversity of fund strategy seen in North America and Europe.

Six Asia-focused buyout funds have closed in 2013 so far, raising an aggregate \$10.3bn, already significantly surpassing the \$6.9bn raised by the 12 Asia-focused buyout vehicles that closed in all of 2012. This has driven a significant rise in the average fund size of Asia-focused private equity vehicles, from \$256mn in 2012 to \$422mn for funds closed in 2013 so far. There are currently 36 Asia-focused buyout funds in market, an increase from the 29 in market at the same time in 2012; the aggregate capital targeted by these funds has remained relatively stable at \$30bn. In contrast the aggregate capital targeted by Asia-focused growth vehicles has dropped from \$36bn in August 2012 to \$34bn in September 2013.

Asia-based investors demonstrate an increasing preference for a greater diversity of fund types:

- 44% of Asia-based investors interviewed by Preqin named small to mid-market buyout funds as presenting the best private equity investment opportunities globally, compared to 25% in August 2012.
- 26% of Asia-based investors named large to mega buyout as presenting the best private equity opportunities currently, an increase compared to 9% in August 2012.
- Investor interest in growth has fallen from 54% of investors interviewed naming the strategy as presenting the best opportunities in August 2012 to 30% in August 2013.

Asia-based investors are investing more capital in private equity, driving long-term growth in the region:

- 37% of Asia-based investors interviewed by Preqin plan to commit more capital to private equity funds in 2014 than they will have in 2013, with a further 48% anticipating a similar commitment level in 2014 as compared to 2013.
- 53% of investors interviewed indicated that they will increase the proportion of their total assets under management that they allocate to private equity over the next three to five years; a further 41% will maintain their allocations and only 6% will decrease their allocations.
- 60% of Asia-based investors named Asia as the region currently presenting the best private equity opportunities.

For more information and to view the complete league tables, please see the report:
https://www.preqin.com/docs/reports/Preqin_Special_Report_Asian_Private_Equity_Sep_13.pdf

Comment:

"Preqin's latest research shows that there is evidence for the robust development of the Asian private equity market over the longer term. Investors based in Asia are overwhelmingly increasing their allocations to the asset class, and LPs outside Asia have significant appetite for the region. Investors are focusing on a more diverse mix of growth capital, small- to mid-market buyouts and even large buyouts and venture capital – in other words, mirroring the diversity of fund strategy seen in North America and Europe, albeit with more of a focus on growth. However, with 371 Asia-focused funds currently seeking capital commitments, the fundraising market is competitive, and some managers may find it difficult to raise capital for their vehicles, particularly if they cannot demonstrate a strong track record."

Mark O'Hare – CEO, Preqin

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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