

Chinese Private Equity & Venture Capital Focuses on Economic Pillars of Technology and Innovation

Despite a challenging year for fundraising and dealmaking, new opportunities arise for fund managers and investors

The growth in private equity assets in Greater China is slowing, owing to China's trade tensions with the US and a flagging global economy. Assets under management sat at almost \$600bn at the end of 2018, a record high, but the 12-month growth through the year was the lowest seen since 2015. It seems likely that growth will slow further – fundraising and dealmaking in the region both fell in 2019, having hit record highs in recent years. As of the end of July, Greater China-focused fundraising had reached \$57bn, while total deal value hit \$26bn. This compares to \$135bn raised in 2016 and \$124bn deal value reached in 2018 – the record years for these activities. Nevertheless, the future for Greater China looks promising. After decades of investment being dominated by foreign operators, China is transitioning from an export-driven economy to one built on domestic consumption, and is focusing on becoming a world leader in technology and innovation. Private equity is playing a key role in that development, and is fostering innovation in a range of sectors including healthcare, consumer products, information technology, artificial intelligence and e-commerce.

For more information and analysis, see the full *Greater China Private Equity & Venture Capital* report here: <https://docs.preqin.com/reports/Preqin-Markets-in-Focus-Private-Equity-and-Venture-Capital-in-Greater-Chinas-Innovation-Economy-December-2019.pdf>

Ee Fai Kam, Head of Asia Operations:

“Greater China's private equity and venture capital industry slowed down in 2018, and continued to slow in the first half of 2019. It is getting harder to raise funds and close deals in China due to an economic slowdown, high debt and trade tensions with the US. However, China is transitioning to a system powered primarily by domestic innovation, and new opportunities are being opened up for investors and fund managers. With technological innovation expanding into new sectors, there is a lot of potential to find new opportunities for investment in Greater China.”

Key Greater China Private Equity and Venture Capital Facts:

- **Greater China-focused private equity and venture capital assets under management stands at \$596bn** as of December 2018.
- As at July 2019, there have been **57 funds closed, securing a combined \$57bn** in the year to date. The highest amount of capital ever raised in the region was \$135bn in 2016.
- On the deals side, **venture capital has closed 1,661 deals with a value of \$25bn and 28 private equity-backed buyout deals with a value of \$1.5bn** so far this year. In contrast, venture capital deals reached a record with \$107bn in 2018, and private equity-backed buyout deals reached their peak with \$35.4bn in 2017.
- With 251 institutions, US-based investors are the second largest group of investors targeting Greater China by known fund commitments, after China-based ones which come in at 311.
- **In 2018, venture capital deals hit record highs:** the aggregate value of AI deals leapt 27-fold within five years, going from \$0.3bn in 2014 to \$8.1bn, while e-commerce reached \$21.9bn, fintech deals hit \$19.9bn and healthcare reached \$8.3bn.

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