

VENTURE CAPITAL IN EMERGING MARKETS

In this feature, we take a detailed look at venture capital activity in the emerging economies of Latin America, South Asia, MENA and Sub-Saharan Africa, analyzing fundraising, funds in market, deals, exits and investors in those regions.

Managers located in emerging economies have closed nearly 600 venture capital funds and secured an aggregate \$47bn in the past decade, yet these figures equate to only 16% and 43% of capital raised by firms based in North America and Europe, respectively. South Asia-based venture capital funds lead with the most capital (\$15bn) raised of any emerging region (Fig. 1), buoyed by Singapore which accounts for 54% of funds closed and 58% (\$8.6bn) of aggregate venture capital raised in South Asia since 2008.

Fund managers based in MENA and Latin America have raised similar amounts of venture capital since 2008 at \$12bn and \$13bn respectively. Israel and Brazil lead in their respective regions, accounting for 45% and 47% of funds closed and 49% and 59% of aggregate capital raised respectively.

Early-stage strategies have dominated the fundraising landscape over the past 15 months in Latin America, South Asia and MENA, while growth funds have raised 50% of capital in Sub-Saharan Africa (Fig. 2). In contrast, late-stage funds did not raise any capital across Latin America, South Asia and Sub-Saharan Africa, accounting for only 13% of aggregate capital raised in MENA since the beginning of 2017.

As seen in Fig. 3, when looking at the largest venture capital fund closed in each of the four sub-regions in 2017, three are early-stage vehicles, while the largest fund

Fig. 1: Aggregate Capital Raised by Emerging Market-Based Venture Capital Fund Managers by Location, 2008 - 2018 YTD (As at April 2018)

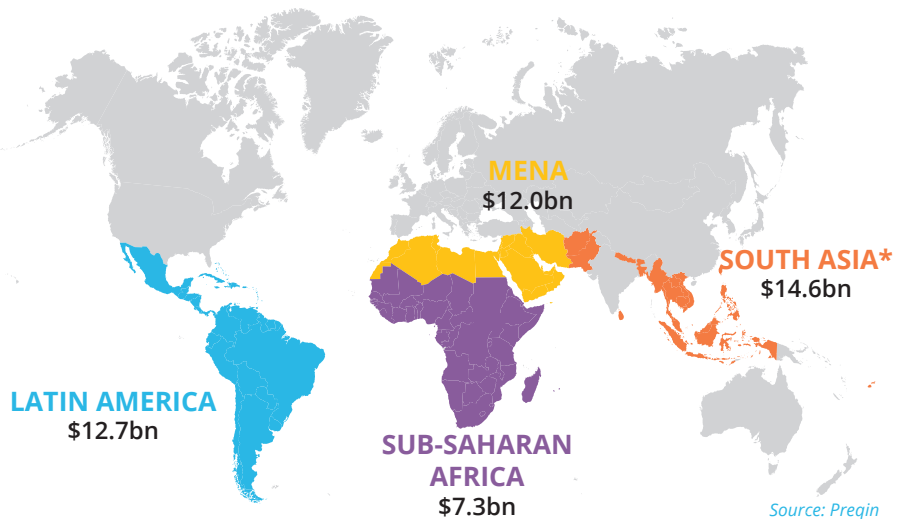


Fig. 2: Aggregate Capital Raised by Emerging Markets-Based Venture Capital Fund Managers by Fund Type and Location, 2017 - 2018 YTD (As at April 2018)

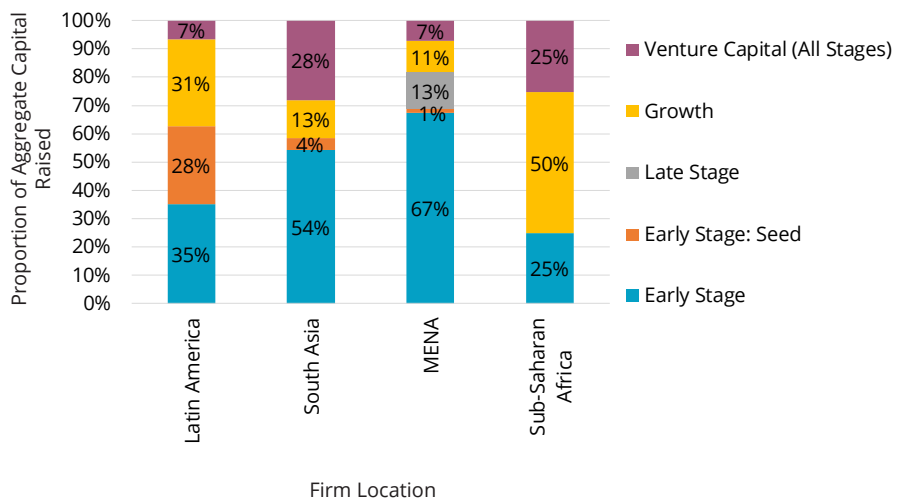


Fig. 3: Largest Venture Capital Fund Closed in 2017 in Each Emerging Markets Sub-Region

Sub-Region	Fund	Firm	Firm Headquarters	Fund Size (mn)	Fund Type	Fund Geographic Focus	Final Close Date
Latin America	Kaszek Ventures III	Kaszek Ventures	Uruguay	200 USD	Early Stage	Latin America	May-17
South Asia	Vertex Ventures SEA III	Vertex Ventures Southeast Asia & India	Singapore	210 USD	Early Stage	Asia	Oct-17
MENA	Mubadala Ventures Fund I	Mubadala Capital	United Arab Emirates	400 USD	Early Stage	US	Oct-17
Sub-Saharan Africa	Fund for Agricultural Financing in Nigeria	Sahel Capital	Nigeria	66 USD	Growth	Africa	Jun-17

*Excludes India, China and Hong Kong from South Asia as we consider these countries to have more developed venture capital markets.

Source: Preqin

closed in Sub-Saharan Africa is a growth vehicle. United Arab Emirates-based Mubadala Ventures Fund I is the only top fund that will not focus on domestic investments and instead is US focused.

FUNDS IN MARKET

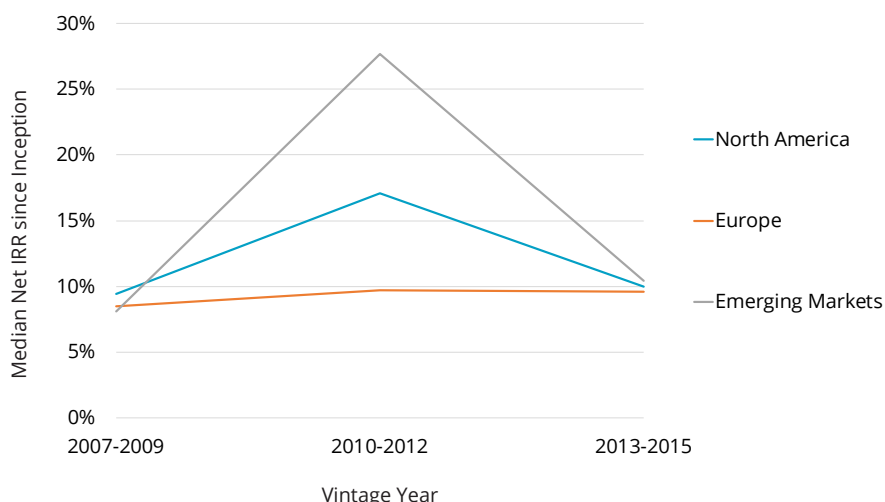
At the start of Q2 2018, 190 venture capital funds based in emerging regions are in market, with the largest proportion (30%) being raised by managers located in Latin America, followed by firms based in Sub-Saharan Africa (26%), South Asia (25%) and MENA (19%). The largest fund in market is Singapore-based Sino-Singapore (Chongqing) Connectivity Private Equity, managed by UOB Venture Management, which is targeting CNY 100,000mn (Fig. 7).

Compared to North America- and Europe-based venture capital funds, funds from emerging markets have collectively posted the strongest returns for both 2010-2012 and 2013-2015 vintage funds, as seen in Fig. 4. Although 2007-2009 vintage emerging market-based funds have underperformed those from North America and Europe, the median net IRR is only 1.1% and 0.4% lower in comparison respectively.

DEALS & EXITS

Since the start of 2017, emerging markets have seen 1,168 venture capital deals

Fig. 4: Venture Capital: Median Net IRRs by Vintage Year and Fund Manager Location



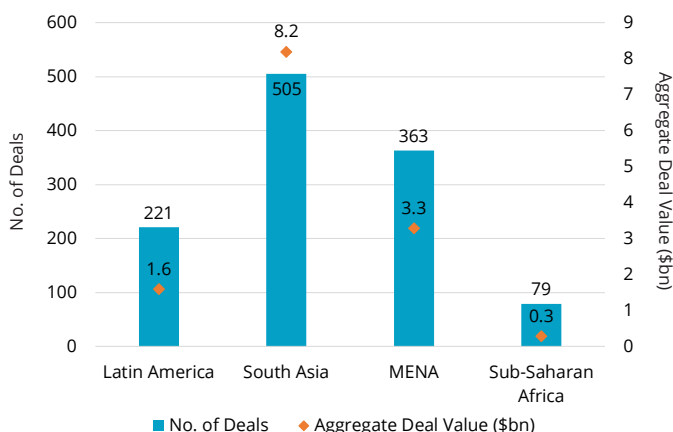
Source: Preqin

valued at an aggregate \$13bn (Fig. 5). South Asia accounts for the largest proportion of both the total number of deals (43%) and aggregate deal value (61%), led by the \$2.0bn Series G financing of Singapore-based Grab Holdings in July 2017. When looking at exit activity in the same period, the MENA region leads with the most exits (36) and highest aggregate exit value (\$1.9bn, Fig. 6). The majority (94%) of exits in the MENA region were based in Israel, led by the \$580mn trade sale of Souq.com FZ-LLC.

INVESTORS

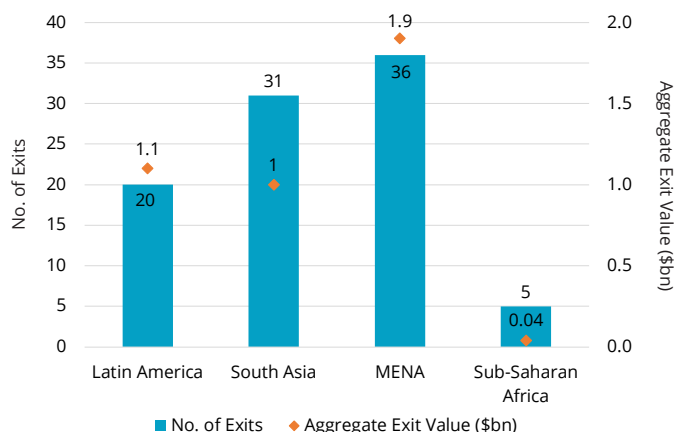
North America-based International Finance Corporation is a top investor in each emerging region, with 91 known venture capital commitments to funds operated out of emerging markets. The majority (70%) of the most active investors in emerging markets are government agencies and, interestingly, only a few are based in the same region as where they choose to invest.

Fig. 5: Venture Capital Deals* in Emerging Markets by Sub-Region, 2017 - 2018 YTD (As at April 2018)



Source: Preqin

Fig. 6: Venture Capital Exits in Emerging Markets by Sub-Region, 2008 - 2018 YTD (As at April 2018)



Source: Preqin

*Figures excludes add-ons, grants, mergers, venture debt & secondary stock purchases

Fig. 7: Largest Venture Capital Fund in Market in Each Emerging Markets Sub-Region (As at April 2018)

Sub-Region	Fund	Firm	Firm Headquarters	Target Size (mn)	Fund Type	Fund Geographic Focus
Latin America	Vinci Capital Partners III	Vinci Capital Partners	Brazil	800 USD	Growth	Latin America
South Asia	Sino-Singapore (Chongqing) Connectivity Private Equity Fund	UOB Venture Management	Singapore	100,000 CNY	Growth	Asia
MENA	Eucalyptus Growth Capital I	Eucalyptus Growth Capital	Israel	300 USD	Growth	Middle East & Israel
Sub-Saharan Africa	LeapFrog Emerging Consumer Fund III	LeapFrog Investments	Mauritius	800 USD	Growth	Africa

Source: Preqin

Fig. 8: Most Active Investors by Number of Known Commitments to Latin America-Based Venture Capital Funds (All Time)

Rank	Investor	Type	Location	Assets under Management (\$bn)	No. of Known Commitments
1	FINEP	Government Agency	Brazil	5.5	23
2	Brazilian National Development Bank	Government Agency	Brazil	289.5	21
3	Corporación Andina de Fomento (CAF)	Government Agency	Venezuela	35.7	20
4	International Finance Corporation	Government Agency	US	88.3	19
=	Multilateral Investment Fund	Government Agency	US	2.5	19

Source: Preqin

Fig. 9: Most Active Investors by Number of Known Commitments to South Asia-Based Venture Capital Funds (All Time)

Rank	Investor	Type	Location	Assets under Management (\$bn)	No. of Known Commitments
1	International Finance Corporation	Government Agency	US	88.3	19
2	Cathay Life Insurance	Insurance Company	Taiwan	205.7	17
3	Asian Development Bank	Government Agency	Philippines	55.3	10
=	CDC Group	Government Agency	UK	5.4	10
=	Malaysia Venture Capital Management	Government Agency	Malaysia	0.3	10

Source: Preqin

Fig. 10: Most Active Investors by Number of Known Commitments to MENA-Based Venture Capital Funds (All Time)

Rank	Investor	Type	Location	Assets under Management (\$bn)	No. of Known Commitments
1	European Investment Bank	Bank	Luxembourg	690.8	28
2	International Finance Corporation	Government Agency	US	88.3	25
3	Harel Insurance Investments	Insurance Company	Israel	48.7	18
4	CDC Group	Government Agency	UK	5.4	17
5	Amitim	Public Pension Fund	Israel	100.0	16

Source: Preqin

Fig. 11: Most Active Investors by Number of Known Commitments to Sub-Saharan Africa-Based Venture Capital Funds (All Time)

Rank	Investor	Type	Location	Assets under Management (\$bn)	No. of Known Commitments
1	CDC Group	Government Agency	UK	5.4	29
2	International Finance Corporation	Government Agency	US	88.3	28
3	European Investment Bank	Bank	Luxembourg	690.8	17
4	Netherlands Development Finance Company (FMO)	Government Agency	Netherlands	10.3	15
5	African Development Bank	Bank	Ivory Coast	40.0	12

Source: Preqin