



University of St.Gallen

St.Gallen Institute of Management in Asia



# The Limited Partner Perspective on Private Equity in Asia-Pacific

Investors, investments and performance

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# Executive Summary

## **The private equity landscape in Asia-Pacific is dominated by LPs from Northeast Asia**

Driven by both an increase in the number of funds being raised as well as an increase in average fund size, private equity (PE) fundraising in the Asia-Pacific (APAC) region has seen significant growth over the last decade, albeit experiencing a rather challenging environment more recently. With a maturing universe of PE investors, or Limited Partners (LP), APAC investment activities are increasingly backed by LPs domiciled within the APAC region. Of all investments made over the last decade, 69% originated from LPs based in Northeast Asia, with Mainland China and Japan being the two largest single markets.

## **APAC-based LPs are highly committed to VC funds and APAC first-time funds**

LPs domiciled within APAC exhibit an investor profile and follow an investment behavior pattern that are distinctively different from LPs domiciled outside of APAC who commit capital to the APAC PE market. Within APAC, the LP universe is dominated by corporate investors, banks and insurance firms as well as government-linked entities, whereas for LPs domiciled outside of APAC, pension funds and endowment funds are the most active investor classes.

Typically, APAC-based LPs prefer to invest in (i) smaller funds, (ii) venture capital (VC) funds, and (iii) regularly commit to first-time funds. In contrast, LPs domiciled outside of APAC prefer to invest into (i) larger funds, (ii) funds with a well-diversified industry focus and (iii) tend to avoid committing capital to first-time APAC funds. While APAC-based LPs commit almost 50% of their investments with VC funds in APAC, non-APAC based LPs invest more diversely by almost equally allocating capital to buyout and growth as well as VC funds.

## **APAC-based LPs perform (slightly) better than non-APAC based LPs**

Differences in investment behavior impacts investment performance. Commitments by APAC-based LPs perform on average slightly better than those made by LPs domiciled outside of APAC. This effect is primarily driven by a stronger preference of APAC-based LPs for VC funds, which appears to have been a highly profitable strategy in APAC over the past decade, combined with their openness to invest in smaller and first-time APAC funds.

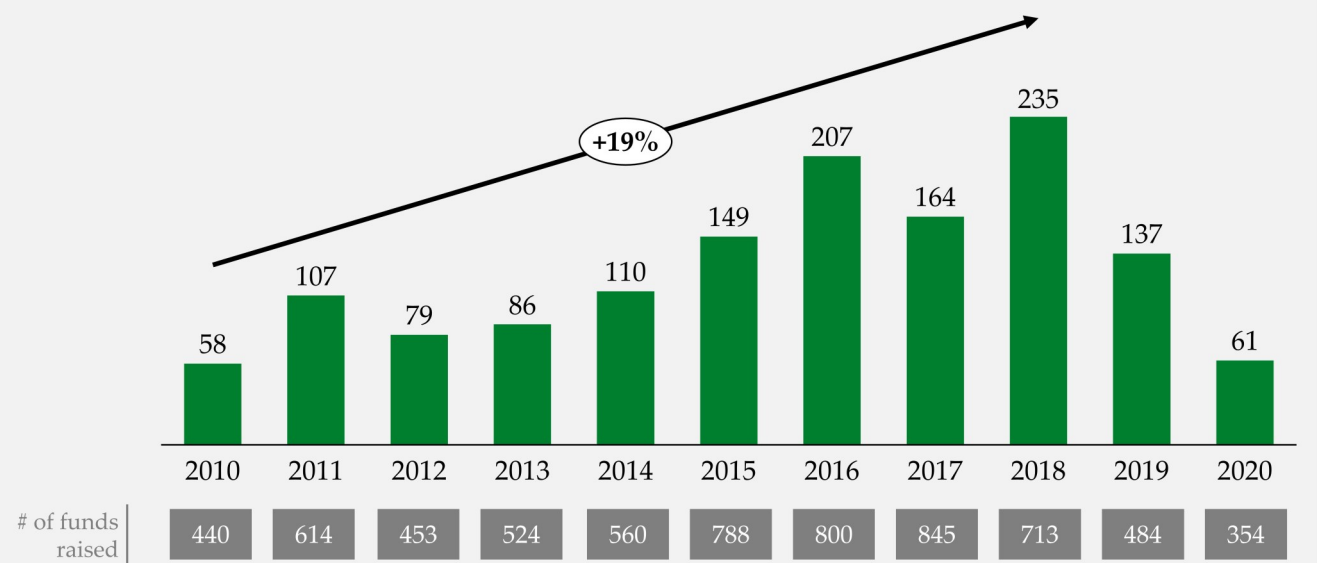
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# 1. PE fundraising in APAC

**Figure 1.1:** APAC fundraising has grown at 19% p.a. until 2018

Total amount of funds raised (\$billion)



Sources: Preqin (2021), AVCJ (2021)

## APAC fundraising peaked in 2018

Over the past decade, the PE industry in APAC has continuously enjoyed high levels of fundraising activity with the total APAC fundraising amount reaching its peak in 2018 (see Figure 1.1)<sup>1</sup>. Given previously strong APAC fundraising activities, dry powder has also accumulated over time.

In addition, in 2020 the COVID-19 crisis adversely affected fundraising activities, with General Partners (GP) being more cautious about raising funds during a time of unprecedented uncertainty and while dry powder was widely available to be deployed within APAC.

According to research by S&P Global, APAC had seen an increase of capital deployment by twofold in the first half of 2020, compared to the same period in 2019<sup>2</sup>. In APAC, annual fundraising has increased from approximately \$60 billion in 2010 to \$235 billion in 2018, growing at an annual rate of 19%. In comparison, during the same period, the global PE industry reported a fundraising growth rate of approximately 10% p.a.

In 2019, total fundraising in APAC decreased by around 40% year-on-year to \$140 billion, while reaching the same levels in 2020 as seen in 2010, at over \$60 billion.

A PE investor survey conducted by S&P Global<sup>2</sup> suggests that the US-China trade war and anti-government protests in Hong Kong, as well as sluggish economic growth in APAC, have had a detrimental impact on fundraising activity and LP sentiment in APAC from 2019 onwards.

Since 2010, GPs have raised a cumulative amount of nearly \$1.4 trillion in APAC funds. On the one hand, the growth in overall APAC fundraising is driven by an increase in the number of APAC funds raised. Specifically, from 2010 to 2015, the average number of funds raised was 518 per year, while the average number of funds raised from 2016 to 2020 was 664 per year.

On the other hand, the average size of PE funds has also grown, resulting in higher overall fundraising levels (see Figure 1.2). Specifically, whereas GPs raised on average over \$170 million per fund annually from 2010 to 2015, the average fund size grew to approximately \$250 million between 2016 and 2020, which equals an increase of 44%. This trend is largely driven by global GPs that increasingly raise large-scale buyout funds dedicated to investing in the APAC region. For example, in 2017, KKR closed KKR Asian Fund III, raising \$9.3 billion, while for its follow-on fund, KKR Asian Fund IV, KRR closed \$15 billion in 2021, targeting consumption and urbanization trends in Asia.

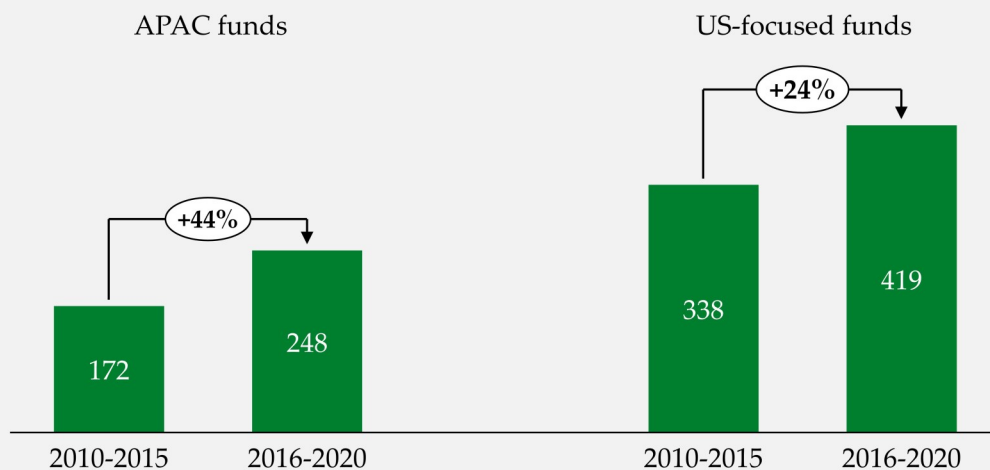
In contrast to the PE APAC market, in PE markets with a longer investment history such as the United States, the average fund size of US-focused funds grew only by 24% from 2010 to 2015 and 2016 to 2020, albeit from significantly higher absolute levels.

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 Average APAC fund size increased significantly

**Figure 1.2:** Fund sizes of APAC funds have increased over 40%

Average fund size (\$million)



Sources: Preqin (2021), AVCJ (2021)

## 2. Investor types and investment allocation

As GPs have raised more and larger funds in APAC over the past decade, LPs have benefited from increased access to the fast-growing and dynamic business environment the APAC landscape offers for PE investments.

However, the LP landscape in APAC is not homogenous. In APAC, almost 70% of all LP investments originated from LPs domiciled in Northeast Asia (see Figure 2.1). Within Northeast Asia, it was primarily LPs based in Mainland China and Japan investing their money in APAC funds, contributing approximately one third of all APAC investments each, followed by South Korea-based LPs. LPs domiciled in the broader Southeast Asia and Australia/New Zealand regions contributed less than 5% to the overall PE investment flows in APAC.

Outside of Asia, North American-based LPs, dominated by LPs domiciled in the United States, and European-based LPs respectively contributed 13% and 5% to overall APAC LP investment flow over the past decade.

**Figure 2.1:** LP investment flows into APAC primarily originate from Northeast Asia

LP investment allocation by LP domicile regions



Sources: Preqin (2021), AVCJ (2021)

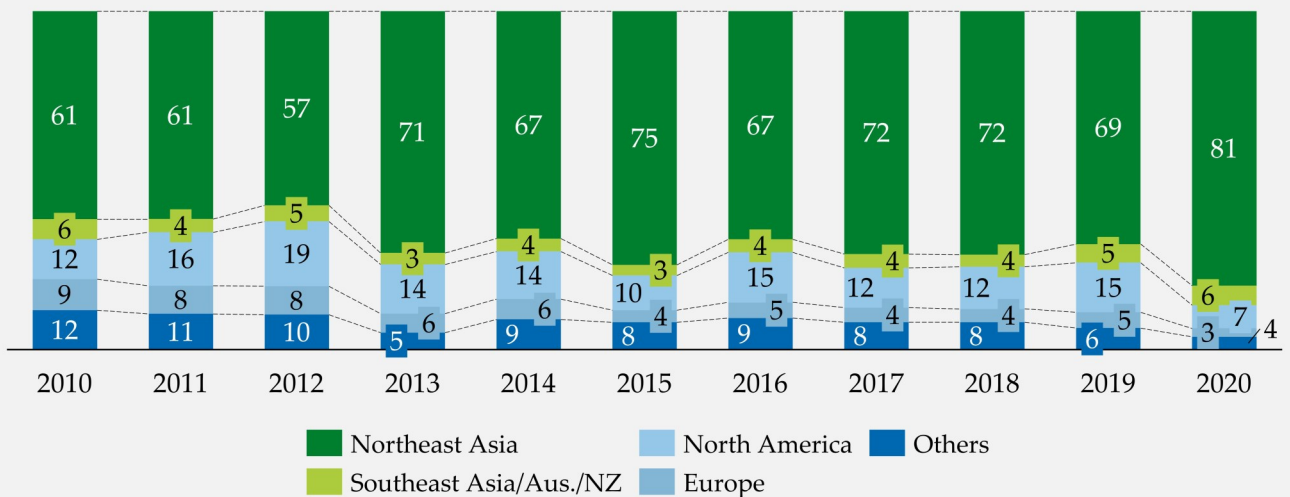
Notes: Northeast Asia includes Greater China, Japan, Mongolia, Russia and South Korea. Southeast Asia includes Indonesia, Malaysia, Philippines, Thailand, Singapore and Vietnam.

Over the past decade, the APAC PE investment landscape has become more local as APAC-based LPs have become increasingly active in their home region. While LP investment activity naturally follows GP fundraising efforts, the proportion of investments committed by APAC-based LPs relative to overall investment activity has increased, from an annual average of 68% of all APAC investments from 2010 to 2015 to 77% from 2016 to 2020 (see Figure 2.2). This effect is primarily driven by LPs based in Mainland China that, along with an emerging local PE industry, have discovered the APAC landscape for large-scale and profitable PE investment opportunities.

**APAC LP activity  
 is mainly driven  
 by Mainland China**

APAC funds are either managed by a GP domiciled in the APAC region, such as Hong Kong-headquartered fund manager PAG, one of the larger homegrown PE firms in Asia, or by a foreign domiciled GP with overseas headquarters, but quite often maintaining local offices across the APAC region. APAC-based LPs allocate more than 90% of their APAC commitments to GPs domiciled in APAC (see Figure 2.3). These LPs may have the advantage of leveraging their existing local GP network and industry knowledge to make informed investment decisions, resulting in more commitments to local GPs. For LPs domiciled outside of APAC, accumulating local knowledge and establishing local networks to identify promising investment opportunities may be a more challenging endeavour. However, LPs domiciled outside of APAC also invest the majority of their investments to APAC-based fund managers, but do so less often compared to APAC-based LPs.

**Figure 2.2:** The percentage of investments originating from Asia has increased over time  
 LP investments in APAC funds by LP domicile (in %)

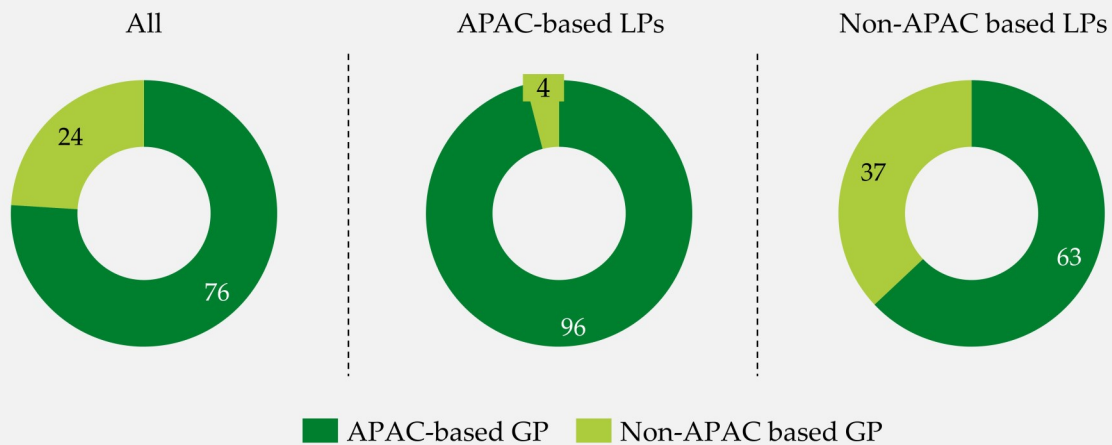


Sources: Preqin (2021), AVCJ (2021)



**Figure 2.3:** APAC-based LPs commit APAC PE investments predominantly with local GPs

LP investments in APAC funds by GP domicile (in %)



Sources: Preqin (2021), AVCJ (2021)

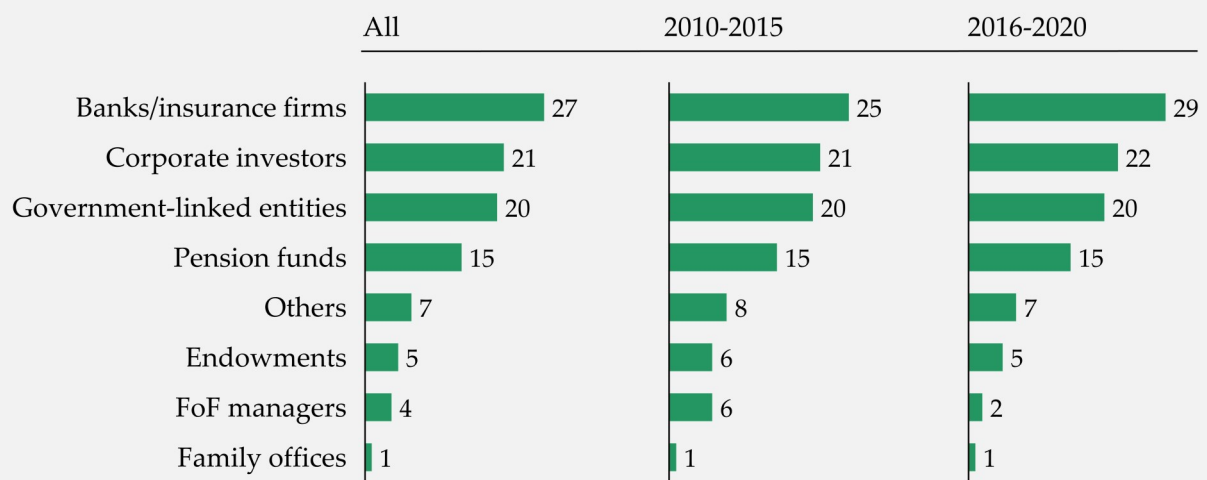
In terms of LP types, the overall investor landscape in APAC, irrespective of an LP's domicile, is dominated by banks/insurance firms and corporate investors, as well as government-linked entities<sup>3</sup> (see Figures 2.4 and 2.5). These three LP types comprise almost 70% of all investments in APAC funds from 2010 to 2020. Over the past decade, the overall composition of LP types remained relatively consistent.

Japanese-based banks, such as Mizuho Bank, one of the three Japanese mega-banks, are particularly active LPs in APAC. For example, in 2012, Mizuho Bank set up its own private equity funds as Mizuho Asia Partners to exploit growth opportunities among mid-cap companies in Southeast Asia. APAC-based corporate investors originate primarily from Mainland China.

Lastly, APAC-based government-linked entities also frequently invest in APAC funds. For example, Singapore-based sovereign wealth funds Temasek and GIC both invested in DCP Capital's first-time fund, DCP Capital Partners I, which focuses on investment with Greater China and closed at more than \$2 billion in commitments in 2019<sup>4</sup>. For non-APAC domiciled LPs, it is foremost pension funds, both private and public as well as endowments, which have frequently backed PE funds in the APAC region. Large public pension funds such as the California Public Employee's Retirement System (CalPERS) or the New York State and Local Retirement System (NYSLRS) domiciled in the United States, have used investment opportunities in APAC to diversify their portfolio.

**Figure 2.4:** The overall LP landscape in APAC is dominated by banks/insurance firms, corporate investors and government-linked entities

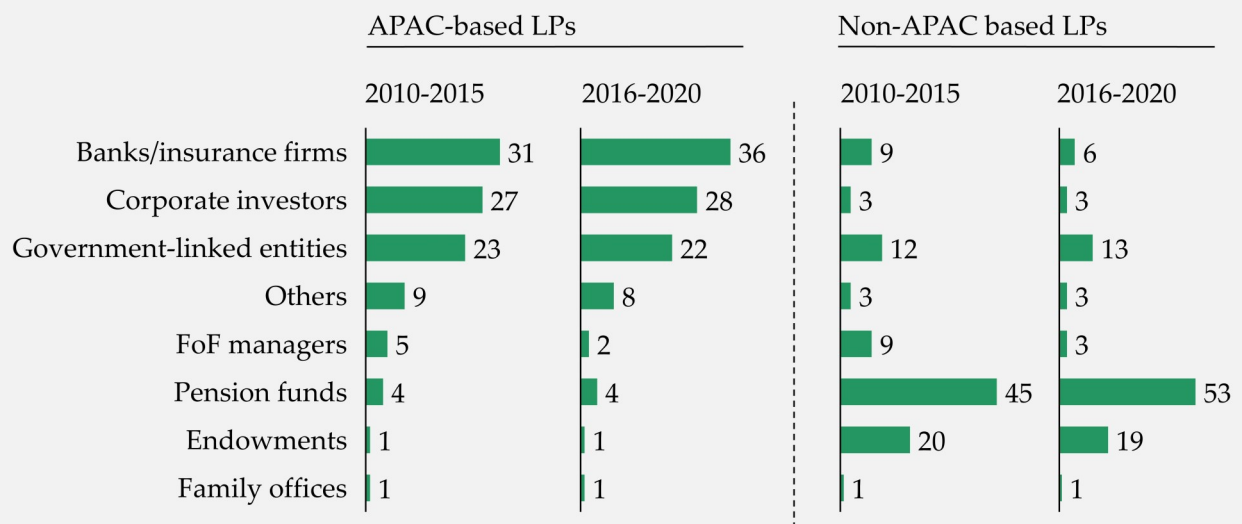
LP investments by LP type (in %)



Sources: Preqin (2021), AVCJ (2021)

**Figure 2.5:** LP activity in APAC depends on the investor's domicile

LP investments by LP type (in %)



Sources: Preqin (2021), AVCJ (2021)

**APAC-based LPs  
 prefer small PE funds**

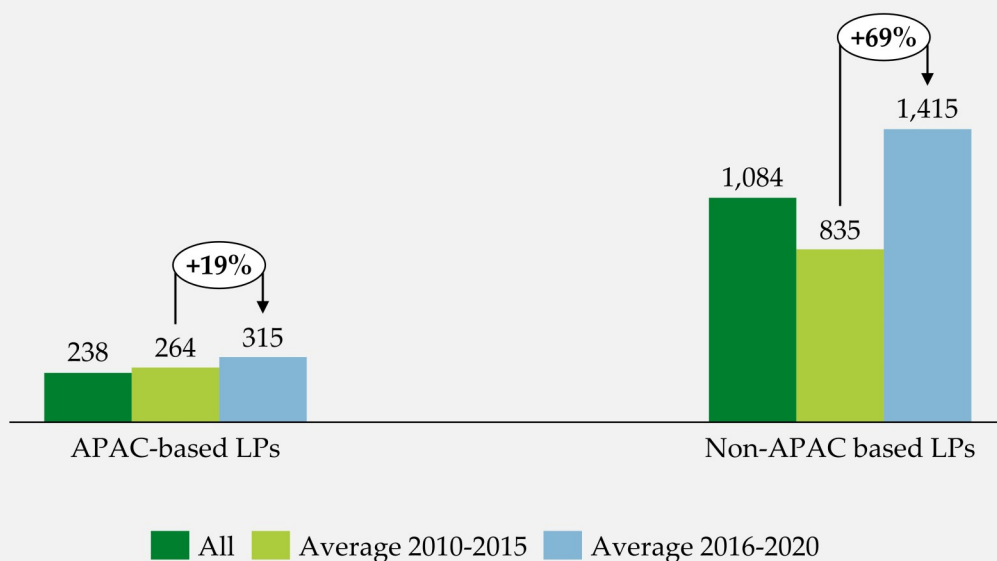
LPs domiciled outside of APAC tend to invest with larger funds than APAC-domiciled LPs. The average fund size of commitments undertaken by LPs domiciled outside of APAC is approximately \$1.1 billion compared to only \$240 million for LPs domiciled within APAC (see Figure 2.6), and these fund size discrepancies have further increased in recent years.

The average fund size from 2010 to 2015 and from 2016 to 2020 for funds in which LPs outside of APAC have committed capital has increased by almost 70%, whereas for APAC-based LPs the average fund size for investments has increased by approximately 20%.

Non-APAC domiciled GPs have increased fundraising efforts pertaining to larger APAC funds, while it has predominantly been LPs located outside of APAC that have invested in such funds (see Figure 2.7). APAC-based GPs have attracted capital predominantly from local LPs, whereas for GPs domiciled outside of APAC, the majority of LP commitments originated from LPs also based outside of APAC (see Figure 2.7). Existing investor networks and better fund access for non-APAC LPs may facilitate PE commitments with GPs located outside of APAC. Moreover, large funds were predominantly raised by GPs based outside of APAC, thereby proving to be more attractive investment opportunities for institutional investors also based outside of the APAC region.

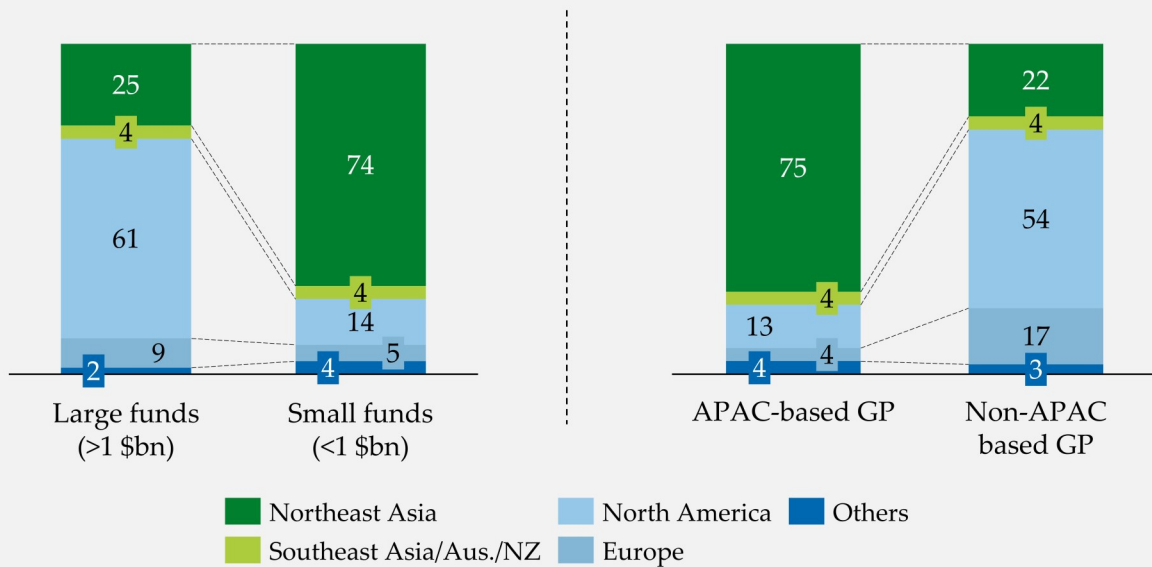
**Figure 2.6:** Non-APAC based LPs choose to invest in larger funds than APAC-based investors

Average APAC fund size of LP investments (\$million)



Sources: Preqin (2021), AVCJ (2021)

**Figure 2.7:** Large funds attracted more attention from non-APAC based LPs than small funds  
 LP investments in APAC funds by LP domicile (in %)



Sources: Preqin (2021), AVCJ (2021)

In comparison to other LP types, pension funds invest their capital with the largest funds – independent of being an APAC- or non-APAC based pension fund. However, the average fund size for non-APAC based pension funds is almost four times as high as for APAC-based pension funds (see Figure 2.8).

Large differences also exist for banks and insurance firms as well as endowment funds, whereby non-APAC based LPs within these LP types commit capital with significantly larger funds, compared to APAC-based LPs. Government-linked entities in APAC, such as the Korea Venture Investment Corporation, a government-backed fund of funds (FoF) manager established in 2004, or the National Social Security Fund, the People’s Republic of China’s sovereign wealth fund, tend to invest with funds of similar size as non-APAC based government-linked entities, such as CDC Group or DEG, the development finance institutions of the United Kingdom and the German governments, respectively.

For example, in early 2021, Openspace Ventures closed its third Southeast Asia-focused fund, Openspace Ventures Fund III, with a hard cap at \$200 million in commitments, attracting investments from both DEG as well as Temasek Holdings, which are government-linked entities based in Germany and Singapore, respectively<sup>5</sup>.

Pension funds typically invest in large funds, in particular those LPs based outside of APAC

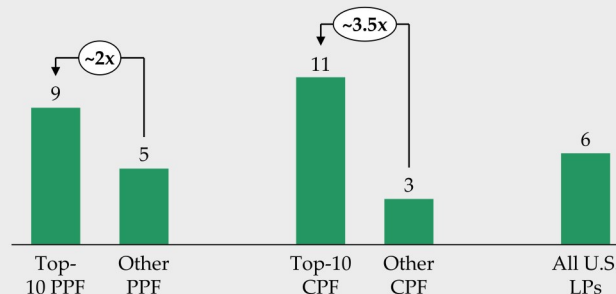
## Focus: U.S. pension fund investments in PE APAC

Non-APAC based pension funds, both private and public, are among the most active investors in PE in the Asia-Pacific region. In particular, large U.S.-based pension funds have discovered APAC as an attractive opportunity to shift a larger proportion of their overall asset allocation to PE in APAC. Top-10 public and corporate pension funds (in terms of number of PE investments) commit twice and three-and-a-half times more, respectively, of their total PE investments with APAC funds, compared to other U.S. public and corporate pension funds.

In early 2019, for example, the New York State Common Retirement Fund (NYSCRF), a U.S. public pension fund with almost \$250 billion Assets under Management, committed \$250 million with CVC Capital Partners with their Capital Partners Asia Pacific V fund<sup>6</sup> after committing \$275 million to KKR Asian Fund III in 2017<sup>7</sup>.

### Large pension funds often allocate investments in APAC funds

% of PE investment allocation with APAC funds by LP type



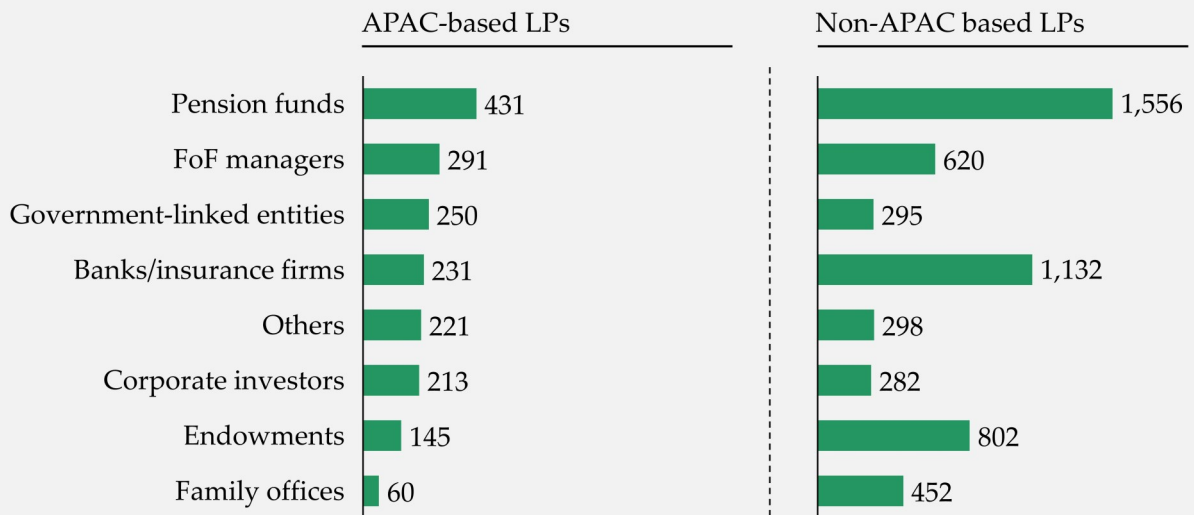
Notes: Top-10 in terms of total PE investments; investment allocation in terms of number of investments; PPF = Public Pension Fund, CPF = Corporate Pension Fund; vintage years included are 2010-2020

While public and private pension funds, in particular large ones, increasingly invest in APAC, they continue to commit their funds with non-APAC head-quartered fund managers, such as KKR, CVC or Sequoia Capital, remaining reluctant to back APAC-based GPs.

On the one hand, established partnerships between LPs and fund managers can help facilitate new investments, in particular for follow-on funds with restricted investor access. On the other hand, as U.S. pension funds are generally large in size and often deploy significant commitments, funds must reach a certain fund size threshold, which tends to be yet more difficult for APAC-based fund managers to achieve than for non-APAC based GPs. However, the observed past growth in average fund size of fund vehicles managed by APAC-based GPs should enable increased interest and commitment from non-APAC based pension funds to back APAC-based GPs in the future.

**Figure 2.8:** Pension funds commit capital with large funds

Average APAC fund size of LP investments, scaled across LP types (\$million)



Sources: Preqin (2021), AVCJ (2021)

### Differences in terms of fund sizes are driven by LP fund type preferences

From 2010 to 2015, LPs domiciled within APAC displayed a strong preference for VC, which are smaller by design, allocating approximately 50% of their investments with VC funds. Less than 10% of all of their investments was allocated to buyout funds (see Figure 2.9).

In contrast, LPs located outside of APAC allocated approximately 25% of their APAC PE investments each with buyout and VC funds, whereas their investment allocation to VC funds increased after 2015 to more than 30%.

Fund of funds (FoF) are pooled funds investing in multiple other PE funds, thereby offering LPs benefits of diversification, access to local industry networks and regional market expertise. Compared to APAC-based LPs, LPs domiciled outside of the APAC region make more use of this fund type to access the PE APAC market with an asset allocation of approximately 10% versus 5% for APAC-domiciled LPs. In addition to diversification advantages, the lack of local investment know-how makes FoF a promising investment strategy for non-APAC based LPs to build up their PE exposure in the APAC region successfully.

APAC-based LPs display a strong preference for VC funds

Overall, LPs predominantly invest in funds with a diversified fund focus. LPs domiciled outside of APAC allocate more than 50% of their investments to funds with a diversified fund focus, compared to an investment allocation of 40% for APAC-based LPs (see Figure 2.10).

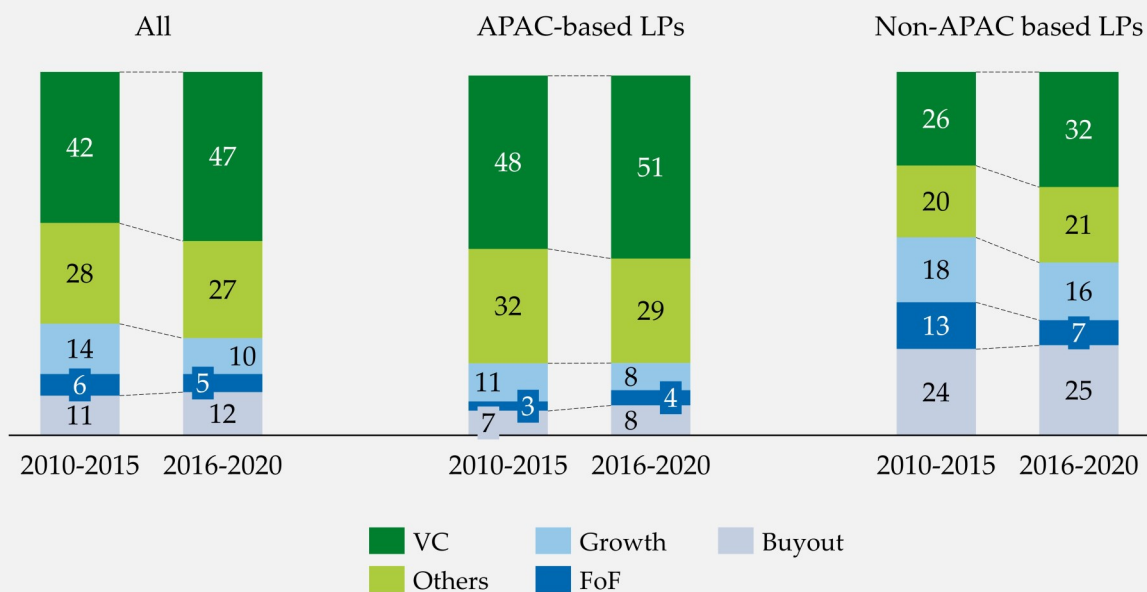
The overcommitment of non-APAC based LPs to diversified funds should not come as a surprise since it allows these LPs to diversify their industry-specific investment risk in foreign markets at relatively low costs.

APAC funds focusing on IT became more attractive

An industry sector attracting increasing attention from the PE industry in APAC is information technology (IT), which includes software, hardware and IT solutions. To take one example, in 2018, VC firm GGV closed a fund totaling almost \$1.9 billion in commitments raised, GGV Capital VII L.P., pursuing a sector-focused investment strategy in seed and growth stage technology companies. LPs domiciled both within and outside of APAC have increasingly invested in funds focused on capturing growth potential arising from technological disruptions in APAC such as innovations in the financial, educational, or medical sectors.

**Figure 2.9:** APAC-based LPs display a strong preference to invest in VC

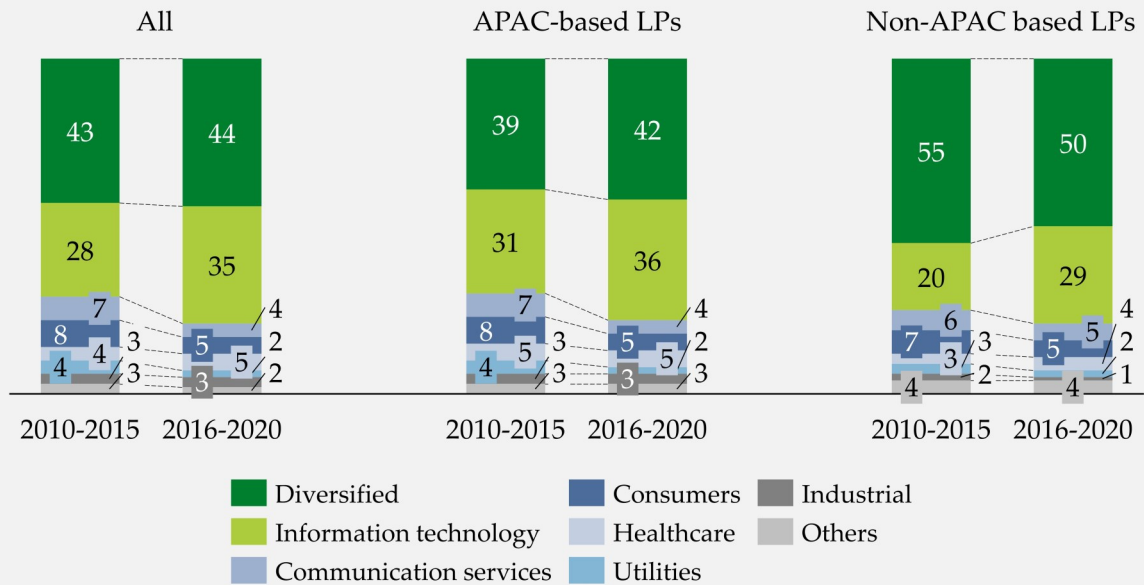
LP investment allocation (in %)



Sources: Preqin (2021), AVCJ (2021)

**Figure 2.10:** Diversified funds ranked first in APAC over the past decade in terms of investment choice by LPs

LP investment allocation (in %)



Sources: Preqin (2021), AVCJ (2021)

Non-APAC based  
 LPs prefer follow-on  
 APAC funds

APAC-based LPs also appear to be rather open to backing first-time fund vehicles, whereas non-APAC domiciled LPs seldom consider investing in these funds (see Figure 2.11). Among APAC-based LPs, investments are approximately equally committed between first-time and follow-on APAC funds.

In contrast, non-APAC based LPs foremost invested in follow-on funds with over 85% of all investments committed to funds of later fund sequences. Among them, pension funds as well as endowments funds are investors who display a particularly strong preference to invest in follow-on funds over first-time funds. Part of this preference may be explained by a size bias as these LPs tend to commit capital to larger funds, with size being positively correlated with sequence number.

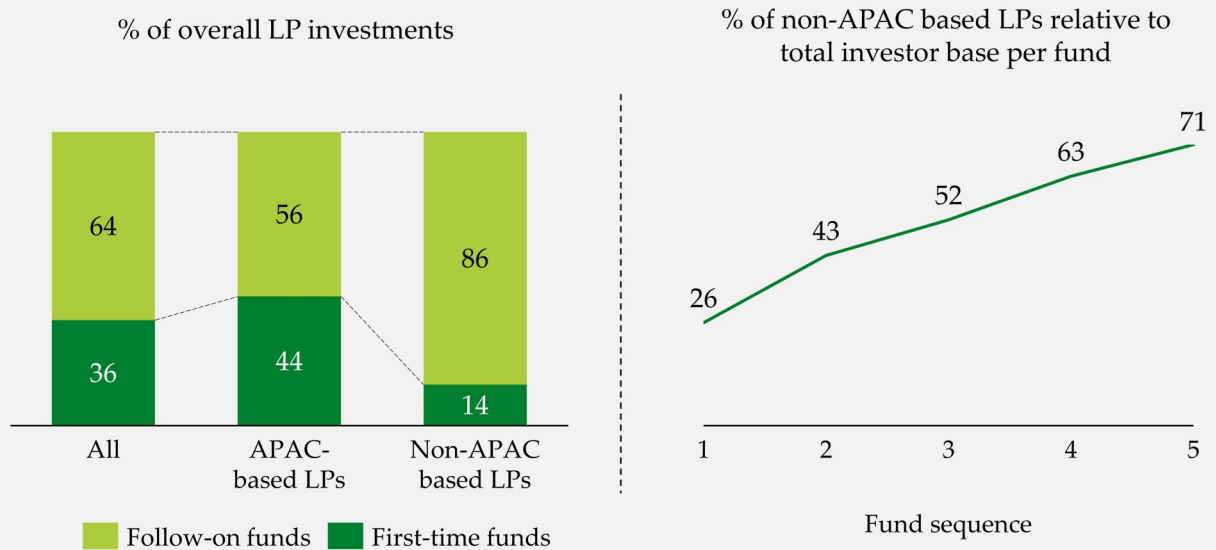
Moreover, these LPs tend to have entered the PE industry in APAC at an earlier stage, thus having managed their GP relationships over a longer period of time, compared to the average APAC-based LP. For APAC funds, the average fund size for follow-on funds is \$550 million, which is more than double the size of first-time funds with an average of \$260 million. In the case of large public and corporate pension funds based outside of APAC that regularly commit \$100 to \$200 million in PE investments, the average first-time fund in APAC may thus simply not (yet) be a feasible or desirable investment.



As fund managers raise follow-on APAC funds, the percentage of non-APAC based LPs relative to all LPs for a given fund increases significantly from just over 25% for first-time funds to more than 60% and 70% for fund families that have raised their 4th and 5th funds, respectively.

Since non-APAC based LPs tend to have entered the PE industry earlier than the average APAC-based LP, the higher percentage of non-APAC based LPs in follow-on funds tends to be driven by their earlier PE market entries.

**Figure 2.11:** Non-APAC based LPs prefer investing in follow-on APAC funds



Sources: Preqin (2021), AVCJ (2021)

### 3. LP investment performance

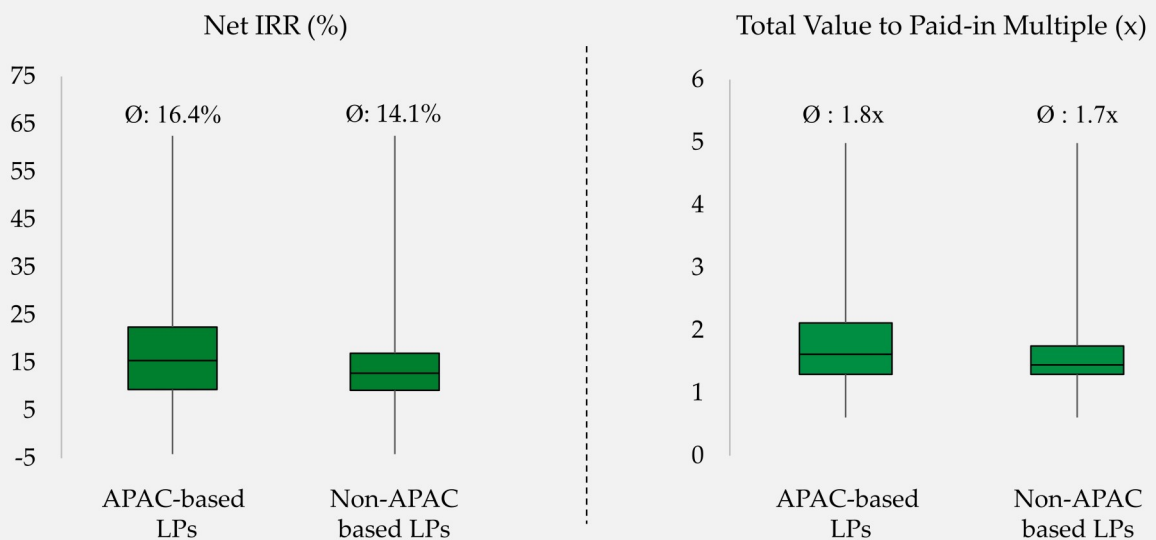
Since APAC- and non-APAC based LPs exhibit different investment behaviors, it should not come as a surprise that there is a performance gap between the two investor groups, with APAC-based LPs on average booking (slightly) higher returns, compared to non-APAC based LPs. The average Internal Rate of Return (IRR) net of fees of APAC-based LP commitments into APAC funds raised from 2010 to 2015 was 16.4%, compared to 14.1% for non-APAC based LPs.

In terms of total value to paid-in multiple (TVPI), APAC-based LPs book 1.8x, compared to 1.6x for non-APAC based LPs (see Figure 3.1). However, return distributions of APAC-based LPs are also more dispersed than for non-APAC based LPs<sup>8</sup>.

These differences in average net IRR and TVPI and their distributions can be attributed to different investment strategies, in particular investments in VC funds, which tend to be highly sought after by LPs based within APAC. Moreover, LPs based in the region also appear more willing to invest in first-time funds, and successful fund manager selection can be particularly challenging for first-time funds given the lack of an extensive fund performance track record<sup>9</sup>.

Differences in LP performance are attributed to different investment strategies

**Figure 3.1:** Commitments made by APAC-based LPs yielded slightly higher but more dispersed returns compared to investments made by non-APAC based LPs



Sources: Preqin (2021), AVCJ (2021)

Independent of their domiciles, the most successful group of LPs investing in APAC funds were corporate investors and endowments, with average net IRR returns of 22.4% and 16.8%, respectively (see Figure 3.2). Banks and insurance firms saw the most modest average investment returns with an average IRR of 12.4%. By further breaking down LP type categories by their respective domiciles, substantial performance variation emerges.

Like endowments, corporate investors exhibit large levels of exposure to VC strategies

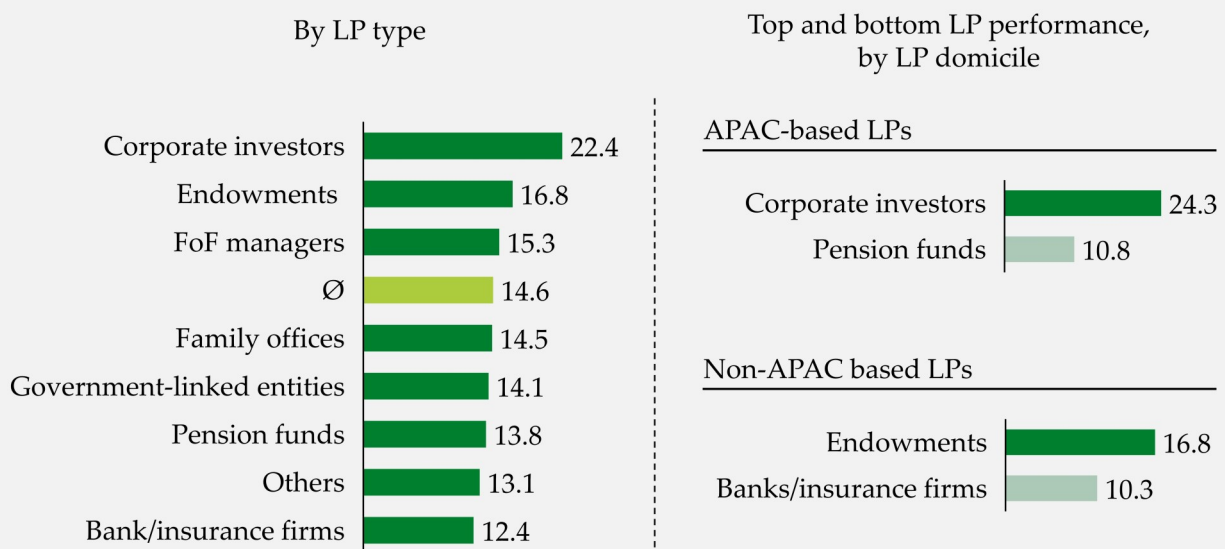
The superior investment performance by corporate investors mostly stems from APAC-based LPs, while endowment funds stand out as the most successful LPs among non-APAC based LPs. As endowment funds have a strong reputation as skilled and sophisticated investors in PE<sup>10</sup>, their strong performance with APAC funds may not be too surprising.

However, it may come as a surprise that corporate investors (often comprising big corporations as well as conglomerates and their investment arms) reported such high investment returns. Even among non-APAC based LPs, investment returns of corporate investors exceeded 16% on average.

For example, Samsung Electronics established its VC investment vehicle, Samsung Venture Investment Corporation, in 1999 in an effort to pursue VC investment opportunities to acquire new technologies and innovative products in small and medium-sized companies.

**Figure 3.2:** Commitment returns for APAC funds vary by LPs type and LP domicile

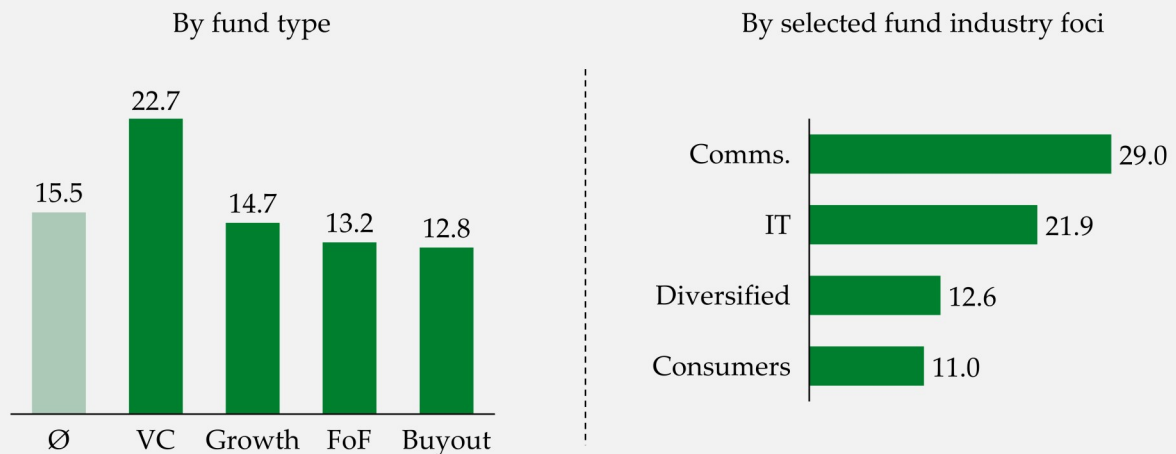
Average investment net IRR (in %)



Sources: Preqin (2021), AVCJ (2021)

**Figure 3.3:** VC was the best performing fund type among APAC funds

Average fund net IRR (in %)



**Sources:** Preqin (2021), AVCJ (2021)

**Notes:** Comms. is communication services, IT is information technology

Like endowments, corporate investors exhibit large levels of exposure to VC strategies, which is a pattern consistently observed among high-performing LPs domiciled both within and outside of APAC. Meanwhile, for APAC-based corporate investors, almost half of known commitments were made to APAC funds with fund managers domiciled in Mainland China. In contrast, for other LP types, their preferred fund types and GP domiciles vary considerably.

The fact that the top-performing LPs in APAC are heavily invested in VC suggests different performance patterns across fund strategies, which is confirmed by the fund performance data (see Figure 3.3). As the APAC region mostly comprises emerging markets, the number of funds specializing in VC as well as growth strategies is substantially higher, and those were particularly attractive in terms of performance compared to other strategy types such as buyout funds.

On the back of a thriving technology industry, average returns for VC funds sit at 22.7% net IRR, well above the overall average fund performance of 15.5%. Roughly half of those funds follow an industry-specific fund focus strategy in the information technology sector, which, next to communication services, was one of the best performing industries for APAC funds closed from 2010 to 2015.

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 Average returns for VC funds are well above average

**Small and first-time funds outperform larger, more established ones**

APAC fund performance also varies across fund size and fund sequence. As previously shown, LPs that are not based in APAC prefer to commit capital to larger vehicles of more established fund families (i.e., reflected in higher sequences of follow-on funds). However, smaller and first-time funds outperformed larger and more established funds.

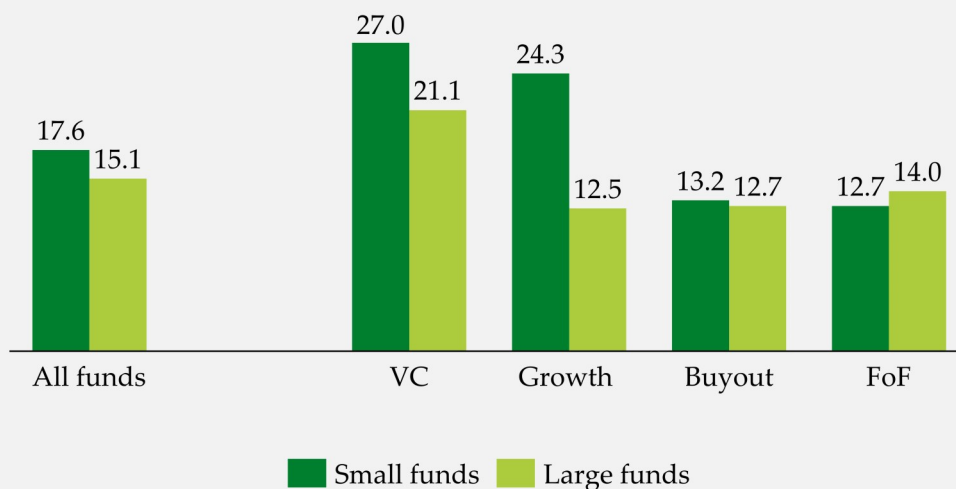
For instance, the smallest 50% of APAC funds booked a net IRR of 17.6%, compared to 15.1% for the larger ones (see Figure 3.4). The performance difference between small and large APAC funds is most noticeable with VC and growth funds.

Meanwhile, first-time funds may find it difficult to attract LPs and to reach their target fund size, but they also tend to perform better than follow-on funds. First-time APAC funds have posted a net IRR of 21.1% on average, compared to a net IRR of 14.4% for follow-on APAC funds (see Figure 3.5).

The observed outperformance helps to explain the higher performance of APAC-based LPs compared to non-APAC based LPs. The performance pattern of first-time funds is also consistent with overall performance findings whereby VC and growth funds tend to book the highest fund performance, while buyout funds exhibit more modest returns.

**Figure 3.4:** Smaller VC and growth funds perform better than the average APAC fund

Average fund net IRR (in %)

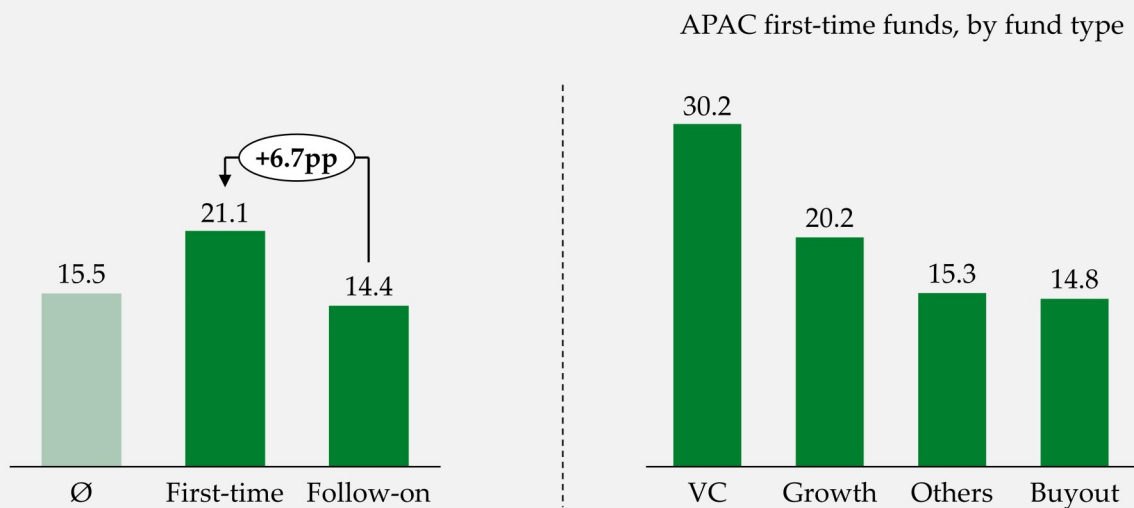


Sources: Preqin (2021), AVCJ (2021)

Notes: Small funds are funds with a fund size below the median fund size. Large funds are funds with a fund size above the median fund size

**Figure 3.5:** APAC first-time funds offered particularly attractive returns to LPs

Average fund net IRR (in %)



Sources: Preqin (2021), AVCJ (2021)

Looking back, APAC-based LPs appear to have had a slight competitive edge over non-APAC based LPs with respect to their investment strategies and selection of APAC funds<sup>9</sup>. Their higher investment performance was largely driven by their stronger investment focus on VC funds, as well as their stronger preference for investments with smaller and first-time APAC funds. Typically, such APAC funds tend to be managed by APAC-based fund managers.

In contrast, non-APAC based LPs yet seem to have been more conservative with their investment choices when it comes to VC funds as well as first-time funds in APAC. Over the past decade, they have instead leaned towards diversifying their investments across all fund types and towards favoring investments into APAC funds of later fund sequences with established performance track records.

To benefit fully from investing in the growing APAC region, however, VC funds as well as first-time APAC funds are potential investment avenues that LPs based outside of APAC may also consider monitoring and exploring more closely in the future.

Slight outperformance of  
 APAC-based LPs is  
 driven by investments  
 in VC funds

## Notes

1. In this report, APAC funds are defined as funds with a regional investment focus in APAC, irrespective of the GP's domicile.
2. S&P Global - 2021 Global Private Equity Outlook.
3. Government-linked entities exclude public pension funds that are classified as pension funds and public endowment funds (e.g., endowment funds run by public universities) that are classified as endowments.
4. The Straits Times, "China-focused funds raise US\$2.5b from investors including GIC and Temasek", published on August 16, 2019.
5. Bloomberg News, "Temasek-Backed Openspace Ventures Closes \$200 Million Third Fund", published on March 21, 2021.
6. New York State Common Retirement Fund, "Monthly transaction report - February 2019".
7. New York State Common Retirement Fund, "Monthly transaction report - April 2017".
8. The green boxes in Figure 3.1 reflect the range of returns seen for 50% of the commitments centred around their median returns, characterized by the middle line dividing each of the boxes at the respective value (i.e., the divisor between the second and third quartiles of the distribution). The lines represent bottom and top quartiles of the investment return distributions.
9. See Morkoetter, S. and Schori, T. (2021). Home Bias and Local Outperformance of Limited Partner Investments: Evidence from Private Equity Fund Manager Selection. <https://dx.doi.org/10.2139/ssrn.3810468>.
10. See Lerner, J., Schoar, A. and Wongsunwai, W. (2007). Smart Institutions, Foolish Choices: The Limited Partner Performance Puzzle. *The Journal of Finance* 62: 731-764. <https://doi.org/10.1111/j.1540-6261.2007.01222.x>.

## 4. Research methodology

For this report, the Private Equity (PE) industry in Asia-Pacific (APAC) comprises seven subregions, i.e., Greater China (including mainland China, Hong Kong, Macau, Mongolia and Taiwan), India, Japan, Russia, South Korea, Southeast Asia (including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) as well as Australia and New Zealand.

The data is obtained from the Preqin Private Equity Database and the Asia Venture Capital Journal (AVCJ) and includes APAC PE and VC funds for the vintage years from 2010 to 2020. For the vintage year of 2020, fund and LP investment data may not be complete as reporting lags in either database may occur. All amounts are reported in United States dollars (USD), unless stated otherwise.

Private equity fund strategies are classified into five main categories, namely buy-out, venture capital (VC), growth, fund of funds (FoF) and others. Others include private capital categories such as infrastructure, co-investment and secondary funds, among others. While the study generally comprises fund data for vintage years from 2010 to 2020, for the performance analysis, the sample is restricted to APAC funds with vintages from 2010 to 2015 only, unless otherwise stated, since typical performance cycles of PE funds are characterized by J-curves. Performance data is winsorized at the 1<sup>st</sup> and 99<sup>th</sup> percentiles of their distributions to account for outliers.

Limited Partners (LP) are classified into eight groups. Those are pension funds, banks/insurance companies, fund of funds (FoF) managers, corporate investors (e.g., investment arms of non-financial companies), endowments, family offices, government-linked organizations and others. Others include real estate firms, consulting companies, or VC accelerators.

The industry sector classification follows the Global Industry Classification Standard (GICS) and is defined as follows. Information technology includes software and services, technology hardware and equipment and semiconductors and semiconductor equipment. Communication services includes telecommunication services and media and entertainment. Consumers includes automobiles and components, consumer durables and apparel, consumer services, retailing, food and staples retailing, food, beverage and tobacco and household and personal products. Healthcare includes health care equipment and services and pharmaceuticals, biotechnology and life sciences. Utilities includes electric, water and multi-utilities. Industrials includes capital goods, commercial and professional services and transportation. Others include the energy, materials, financial, and real estate industry sectors.



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The University of St.Gallen (HSG) was founded in 1898 in Switzerland. Ever since its foundation, practice-oriented education and an integrative view have been the hallmarks of the University of St.Gallen. Today, the HSG educates more than 9,000 students in business administration, economics, law, and social sciences, and is among Europe's leading business universities.

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