Asia's 25 most influential people in private equity

What was a cottage industry 15 years ago is growing fast. AsianInvestor presents the key players who are driving Asia's private equity industry to new heights.

Compiled by AI staff; overview by Leigh Powell

The Asian financial crisis of 1997-98 catalysed the region's private equity market. Cheap assets and controlling stakes in banks and companies were made available to foreign investors under rescue programmes initiated by the International Monetary Fund. In many cases this was a novel change from a pattern of minority growth capital aiming for a quick initial public offering.

It's easy to say Asia's private equity industry is immature, compared with those of the US and Europe, but over the past 15 years it has come of age. It is now a professional, large-scale business, not a cottage industry, and participants can boast meaningful track records and skills.

Success breeds complacency, and the boom years of 2005-2008 saw too much money raised by financial sponsors, focused on too-rosy forecasts for Asian growth. The financial crisis of 2008-09 has impacted PE in two ways. First, the initial love of emerging markets, as developed markets reeled, served to bid up valuations and dramatically reduce GPs' average returns on capital.

Secondly, for a variety of reasons, the IPO market in the region has been damaged, particularly in China, where IPOs were responsible for most exits. Southeast Asia's equity markets have been more open but private equity is less developed in these countries. So GPs have had to turn to other types of exits.

So, in several ways, the past few years have been difficult for Asian private equity, even as investor interest has risen, particularly among regional institutions looking to diversify out of home markets and secure long-term returns.

But this year may be a turning point for the industry. While the souring of global sentiment for emerging markets is hurting investment in public securities, it is generating a new need for capital among regional entrepreneurs. It comes at a time when many companies are being taken over by a younger generation of families more open to private equity.

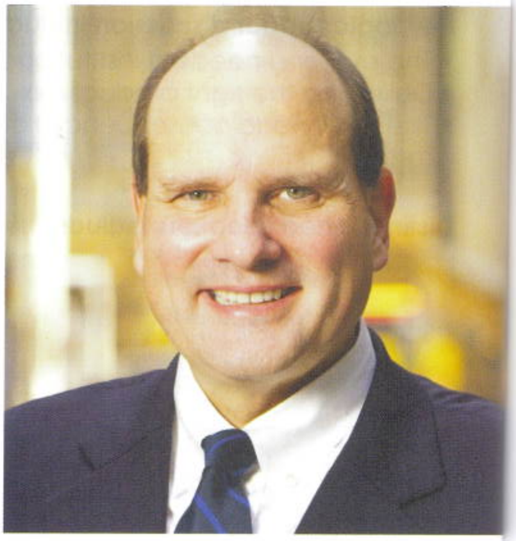
Many of these companies are also looking to expand, often across borders, and require the expertise and connections that GPs offer. Add this all up, and for experienced GPs with dry powder, 2013 represents one of the best opportunities in years to deploy capital.

"You are going to see a group who have survived, done well and will continue to move ahead and become more successful and bigger," says Tang Kok-Yew, chairman and managing partner of Affinity Partners.

With that in mind, *AsianInvestor* sought to identify 25 people who are shaping the industry to come (listed here in alphabetical order). Some of these are veterans and pioneers from the 1990s. Others are new players who bring innovation and different ways of doing business.

PE strategies are diversifying. For those with scale, whether globally or within big local markets such as China, the model is Blackstone, with fingers in many pies, including real estate, infrastructure, private debt and hedge funds. (Although such firms exist on our list, we kept our focus on their private equity business.)

At the same time, the prospects are bright for dedicated funds with a focus on private equity styles (buyouts, for example) or a country or region. Still yet other PE firms are taking a track record and adapting it to new trends, such as cross-border M&A. In today's low-yield environment, investors are going to be interested in all such strategies, provided they have confidence their money will be handled by a GP that delivers top-quartile returns over time.



WARREN ALLDERIGE

Managing director and CEO, Pacific Harbor Group

Warren Allderige spent his early days trading pan-Asian credit – at outposts in Hong Kong, Singapore, Japan and South Korea – and for banks that include Lehman Brothers, where had served as head of the Singapore office. He joined Amroc Investments Asia in 1999 as president and one of two founding shareholders. He advised affiliates Avenue Capital and TPG, as well as other notable regional clients on sourcing and transacting investments in Asian distressed debt.

He has been with Hong Kong-based Pacific Harbor Group since 2006, when he co-founded it as a Citigroup affiliate with the Amroc Asia team at its core. The firm invests in Asian high yield, special situations debt and participates in the private lending market, and became an independent entity in 2011.

Today Pacific Harbor has about 30 people across additional offices in Singapore, Tokyo, Bangkok, Manila, Jakarta, Taipei and Mumbai. It has invested about $8 billion since inception. Pacific Harbor's focus is around private lending, given that traditional sources of financing are tightening credit lines.

A slowing global economy and forecast interest-rate rises will likely mean that "lending will become more difficult and expensive to secure from international banks", says Allderige, while domestic lenders are now typically taking longer to approve loan applications. A combination of factors has "sparked higher demand for short-term lending across Asia."

Hedge funds and private equity firms are among the groups that have increasingly moved into the space, he notes, lured by potentially high returns.

DANIEL AUERBACH,

Managing partner, Fidelity Growth Partners Asia

Industry veteran Daniel Auerbach has been at the helm of Fidelity's Asian venture capital and private equity activities for almost two decades. He has overseen investments and exits, including a partial sale of its long-held position in Alibaba as well as Hong Kong-based

Asia Renal Care, bought by Bumrungrad International Hospital Group in 2008.

Other notable deals include Beijing telecommunications software giant Asiainfo; IT service provider Isoftstone; China ringtone provider Hurray Holdings; and Wuxi Pharmatech, a research and development company. Auerbach took seats on the boards of each of these prior to the firm's exits.

He became managing director and managing partner at Fidelity in 1994. While the firm continues to research China for future investments – Auerbach is on the board of Hua Medicine, a drug development company, and Delta Healthcare, a cardiovascular speciality hospital under construction in Shanghai – Fidelity is also eyeing Japan, which has seen a resurgence in investor interest on the back of prime minister Shinzo Abe's economic regeneration programme.

Auerbach is one of the pioneers of Asia's private equity industry. He was a partner at Arral and Partners from 1987-1994, a venture capital firm in Hong Kong associated with making landmark investments across the continent. He started out his career at Fidelity as an equity analyst in Boston.

JOSEPH BAE

Managing partner, KKR Asia

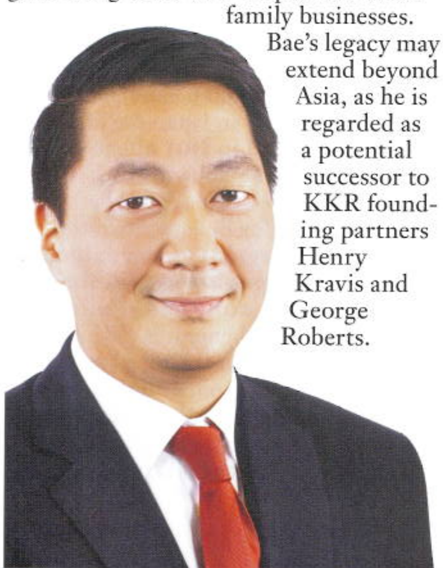
When KKR arrived in Asia in 2005, marked by the opening of offices in Hong Kong and Tokyo, it was met with curious fascination. While several of its global private equity peers had established footholds in the region, KKR was a newcomer that had not done a single deal in Asia since its founding in 1976.

Joseph Bae went on to oversee the firm's ascension to heavyweight dealmaker status in Asia. It has invested more than $5.5 billion in PE deals in 30 companies across the region over the past eight years.

A Korean-American, Bae has led the firm's regional expansion to seven offices, appointing native citizens as country heads. The strategy helped KKR to gain insights quickly and strike business partnerships in each country.

Bae also played a central role in its latest feat: raising $6 billion for KKR Asian Fund II, which stands as the biggest pan-Asia PE vehicle to date. Its predecessor, which closed in 2008 at $908 million, had a net IRR of 13.5% as at end-December 2012, according to US fund Calpers.

Having completed fundraising for it latest Asian fund, the next steps will be to "step up our presence in core and emerging markets, going beyond traditional PE by branching out into services, such as alternative credit", says Bae. Diversifying will give KKR flexibility in generating deals with corporations and family businesses.



Bae's legacy may extend beyond Asia, as he is regarded as a potential successor to KKR founding partners Henry Kravis and George Roberts.

PHILIP BILDEN

Senior adviser, HarbourVest Partners (Asia)

An early industry investor through funds of private equity funds in Asia, Philip Bilden is recognised as one of its biggest promoters. He has spent nearly two decades endorsing it to global institutions and bringing capital to Asian PE. HarbourVest was among the earliest entrants, making its first investment in a local fund manager in 1984.

Bilden joined the firm's Boston headquarters in 1991, relocating to Hong Kong in 1996 to establish and head its Asian headquarters. Under his lead as managing director, offices were launched in Tokyo (2010) and Beijing (2012).

HarbourVest has invested $2.6 billion in Asia over the past three decades, expanding from an initial focus on investments in private equity funds to make secondary purchases of PE assets and direct co-investments. It also manages capital for Asian institutional investors. Bilden's endorsement of Asian private equity did not waver during volatile conditions following the Asian financial crisis.

Bilden is modest about his contribution to HarbourVest's achievements in the region, largely crediting regional team members and "the vision and early pioneering work of [the firm's] founding partners". He adds that the Asia teams will continue to broaden in the coming years as the region undergoes "a time of rapid expansion and growth". Bilden transitioned to senior adviser at HarbourVest in 2012. He is based in Hong Kong, where he focuses on building strategic relationships in Asia.

CHOU CHIN

Managing director, Morgan Stanley

Chou Chin epitomises institutionally branded private equity. He has been involved in leveraged buyouts since joining Morgan Stanley in New York in 1987. He transferred to Hong Kong in 1993 on the back of former Morgan Stanley strategist Barton Bigg's call to be "maximum bullish" on China, and led the team that launched the firm's first Asia-dedicated fund in 1999, in the wake of the region's financial crisis.

Since then his team has provided consistently strong returns, according to limited partners who invest with the firm, thanks to leveraging the investment bank's client list. Recent examples include unilaterally negotiated deals such as last year's China's Tianhe Chemicals. "No GP knew about our deal until it was in the press," Chou says.

While competitors often complain

about high valuations, Chou takes pride in the attractive prices his team achieves when it makes deals – a reflection of the firm's ability to spot opportunities, make decisions and use its brand to convince entrepreneurs it can enhance their business. "There are more attractive deals in Asia than in the US or Europe," says Chou, citing the mid-sized market. "You want to be with companies that you'd want to own over the long term without an IPO."

That requires patience, however – sometimes Chou will work for years on a deal that may never see the light of day. But in a region where everyone seems to be in a hurry, Chou and his team have shown how taking it slow can be a virtue.

CHRIS GRADEL

Founder and CIO for absolute return, PAG

Alternatives firm PAG was founded in Hong Kong by Chris Gradel in 2002 with humble roots and modest ambitions. A decade later, after steady growth and hard-won success, it has remained true to its origins as a diligent industry workhorse.

Gradel is credited with using his ear-to-the-ground work ethic to build PAG – formerly known as Pacific Alliance Group – from a hedge fund manager with $10 million in assets, to include private equity, real estate and distressed investment businesses, with about $10 billion in total AUM.

One of PAG's most notable early achievements was its 2006 acquisition of Goodbaby, a Shanghai-based supplier of baby goods, which was China's first Western-style leveraged buyout. Last November, the firm closed its PAG Asia I limited partner fund, raised and led by PAG chief executive Weijian Shan, at $2.5 billion.

Shan, a former top dealmaker at TPG, joined forces with Gradel in 2010. He leads PAG's private equity business and is considered a key to the fundraising success of Asia I LP. The pan-Asian private equity fund – which focuses on large-scale buyouts and structured transactions – attracted capital from sovereign wealth funds, financial institutions and large pensions.

In 2010, PAG merged with property investment firm Secured Capital, creating the platform for its pan-Asia real estate business. PAG today has 300 staff across eight offices in Asia. Remaining true to his roots, Gradel holds the modest title of managing partner and chief investment officer of PAG's absolute return business.

DAVID GROSS-LOH

Managing director, Bain Capital

A 13-year veteran of Bain Capital, David Gross-Loh oversaw the firm's start in Asia. He is a member of Bain's Asia senior leadership team and a founding member of its Japan office, which he helped to set up in 2006.

Japan and China were initial target markets, as the Bain Asia Fund I, which raised $1 billion in 2007, had a North Asia focus. Gross-Loh led several billion-dollar leveraged buyouts in Japan, including the $2.5 billion deal for restaurant operator Skylark in 2011, a $1.1 billion bid for call centre business Bellsystem24 in 2009, and the $1.2 billion purchase of television shopping company Jupiter Shop Channel in 2012.

Bain held steady in Japan during a severe downturn in 2011 after an earthquake and tsunami stuck the country's northwest. It held a recapitalisation for Bellsystem24 that year, helping to return capital to limited partners. Bain's persistence will see it make portfolio exits amid a bullish market lifted by Abenomics.

The firm has been taking a broader approach to the region, as Bain Capital Asia Fund II, which closed last year at $2.3 billion, has a pan-Asia focus. While opportunities will still be sought

in China and Japan, Southeast Asia will likely feature more prominently in the portfolio mix. Gross-Loh notes Bain's focus is on improving portfolio companies "both with growth investments in China and India, where rapidly expanding businesses need help to manage that growth and build capabilities, or buyouts in Japan focused on making businesses more efficient and competitive".

MICHAEL KIM BYUNG-JU

Partner, MBK Partners

Michael Kim left The Carlyle Group in 2005 to establish his Seoul-based firm to focus on North Asian buyouts, combining global best practices and know-how with local nous. Just one year later he was named one of the 50 most influential figures in the region by *FinanceAsia* magazine, sister title to *AsianInvestor*.

Since then, MBK has lived up to its promise and, with its third fund beginning to deploy capital, now has 20 companies in its portfolio, most of which involve the intersection of Japanese and Korean corporate expansion and Chinese economic growth. MBK set a template followed by the likes of Pacific Alliance Group and Hahn & Co.

More recently, MBK sees opportunity in helping Chinese companies to go global, although its most recent high-profile deal was winning a bruising battle last year to acquire a 28% stake in water-

purifying company Woongjin Coway.

Kim and his five partners continue to blaze a trail for financial sponsors. "We need an Asian form of private equity investing," Kim says, channelling Lee Kwan Yew's argument that Asian societies need to adopt US liberal democracy to suit their own purposes. His dictums: get the best local management for a portfolio company; don't rely on leverage, particularly because local courts and regulators may frown upon its use if it proves harmful to the company; don't rely on cost-cutting, particularly layoffs, to generate profits; generate value by increasing the company's top-line revenues. "We want to be job creators, or at least job-creation neutral," Kim says.

KIM SUYI

Asia head of private equity, Canada Pension Plan Investment Board

Canada's biggest state retirement fund has been an active investor in Asian private equity for several years. Some C$4 billion ($3.8 billion) of Canada Pension Plan Investment Board's global C$48 billion PE allocation is in Asia-Pacific assets – close to 2% of its C$189 billion in total AUM.

Having established the Asian presence in 2008, Kim Suyi has been instrumental in building this exposure across funds, secondaries, co- and direct investments. While it's early days for much of CPPIB's Asia-Pacific private equity portfolio, the fund has already made investments alongside China Investment Corporation and Singapore's GIC.

Given CPPIB's large, stable and long-term pool of capital, it is able to take calculated risks on deals. Moreover, it has backed respected investment teams to start new PE firms in the region – including the spin-out of investment professionals from Temasek to form FountainVest in China, from ICICI Venture to Multiples in India and from Goldman Sachs PIA to Anchor in Korea.

"We believe [such moves] could provide unique opportunities to build strong relationships and grow together with our partners in the region," Kim says.

Before CPPIB, she had already racked up enviable experience, at Teachers' Private Capital (part of Ontario Teachers Pension Plan) and The Carlyle Group. Both roles involved making direct private equity investments in Asia.

And CPPIB continues to seek talent, particularly for its direct and co-investment strategies – Kim sees this as the toughest challenge in Asian private equity.

YURI MILNER

Founder, DST Global

Moscow-born entrepreneur Yuri Milner trained as a theoretical physicist before gaining an MBA from Wharton School of Business. In the early 1990s, he worked as a Russian banking specialist at the World Bank and later Bank Menatep.

In 2005 he founded Digital Sky Technologies, now known as DST Global. He has made prescient

investments in social media companies that have developed into global brands, including Alibaba, Facebook, Airbnb, Groupon and Twitter.

DST made its mark in tech investment after helping to build a business that evolved into Mail.ru, one of Russia's biggest web portals. It has been listed on the London Stock Exchange since 2010 and has a market cap of about $7 billion. Milner stepped down as Mail.ru chairman in 2012 to focus on global internet investments.

DST typically acquires small stakes in privately held social media companies, with the intention of being a long-term shareholder. It set up an office in Hong Kong in 2011 to explore Asia opportunities. "One quarter of the world's internet users are in China, the market is of huge importance for us," says Milner. While China – set to become the world's biggest e-commerce market – is of interest, DST is also studying investments in markets such as South Korea, India and Indonesia. DST is reportedly targeting $1 billion for DST Global III, which will invest in late-stage tech companies with a valuation of at least $500 million.

RICHARD ONG

Co-founder and CEO, RRJ Capital

Over the past six years Richard Ong has founded two firms that have collectively raised more than $8 billion. He first made headlines in 2007, when he co-founded China-focused Hopu Investment Management with fellow Goldman Sachs banker Fang Fenglei.

The following year, Hopu raised $2.5 billion, which is among the largest fundraisings for a first-time private equity fund in Asia. The fund had reportedly generated an internal rate of return of 46% as of the end of 2012. Hopu has backing from Temasek and touted its *guanxi*, or Chinese networks, as a pillar for its deal-making prowess.

At Goldman, Ong was the bank's Beijing-based co-head of Asia ex-Japan investment banking. Ong departed Hopu in 2010 and teamed up with his brother Charles – former chief strategist of Temasek – to form Hong Kong-based RRJ Capital.

The Asia-focused RRJ Capital Master Fund I raised $2.3 billion in 2011, while Fund II is said to have closed at $3.5 billion in March. While Fund II fell short of its reported $5 billion target, it took just seven months to raise the capital.

RRJ has support from institutions including Temasek, China Investment Corporation, New York State Common Retirement Fund, Oregon Public Employees Retirement Fund and Texas County & District Retirement System.

Richard Ong keeps a guarded, low-key public profile. RRJ does not publicly announce its fund closures and both brothers rarely comment to the press or appear as RRJ representatives. As one private-equity executive puts it: "They don't need to."

JEAN ERIC SALATA

Founding partner and CEO, Baring Private Equity Asia

Jean Eric Salata is a pioneer, building BPEA during the industry's early days. It is now one of the most established, independent private equity firms in the region, with over $5 billion in AUM. In 1997, Salata established the regional Asian private equity investment programme for UK-based Baring Private Equity Partners, later leading a management buyout of BPEA in 2000.

Based in Hong Kong, it focuses on pan-Asian middle-market private equity

deals, across growth equity and mid-cap buyouts. The firm targets investments across sectors and regional markets, but has made a mark in Asian emerging markets, particularly India and China.

While some of its mid-market peers have piled into consumer brands, BPEA has taken a more considered approach, investing in companies that include cement-maker Lafarge India, Chinese gas producer Asian America Gas Energy, and Hong Kong-based Nord Anglia Education, which operates private schools in emerging markets.

As a testament to the strength of BPEA's franchise, the firm raised \$2.46 billion for Baring Asia Private Equity Fund V in the aftermath of the global financial crisis. The fund held a final close in early 2011, exceeding its \$1.75 billion target, and with \$1 billion in oversubscriptions.

Having raised money and invested in companies through the Asian financial and global crises, Salata adheres to a strategy focused on improving businesses. "In today's global economic environment," he says, "the private equity firms that will succeed will be the firms that are successful in making their portfolio companies more efficient" while improving their value.

SHIRISH SARAF

Founder and vice-chairman, Samena Capital

After leaving Abraaj Capital, the firm he co-founded, in 2007, Shirish Saraf was living the dream, flitting between homes in London and Goa and contemplating writing a novel. But by June 2008 he had turned the genesis of an idea into Samena Capital, uniting entrepreneurs from Asia, the Middle East and Africa.

"Never before has there been such a cross-synergisation of networks in emerging growth markets," says Saraf. The firm aims to unlock value through the acquisition of stable businesses with steady cash flows. It targets consolidation opportunities, increasingly cross-border. "For that you need a series of networks and relationships," he says.

Samena raised \$180 million largely from individuals for its first fund in August 2008, a month before Lehman Brothers collapsed. It is fully deployed and has returned 30% of capital so far. In June 2011 it launched fund II, targeting \$700 million. To date it has raised \$340 million and is anticipating final close this December.

As Saraf notes, sentiment on India and the Middle East, courtesy of the Arab spring, has not been hot. But Samena is diversifying, launching a \$100 million angel fund that seeds other managers and a \$209 million credit business. Of its overall \$765 million, private equity accounts for about \$470 million. Samena is also looking to deploy \$82 million from its management company into "synergistic platforms where we

acquire other businesses". Samena has its headquarters in Dubai and advisory offices in London and Hong Kong. It has an investment team of 12.

SUNISH SHARMA

Managing partner, Kedaara Capital Advisors

Fundraising has been difficult for Asian private equity funds. Yet Mumbai-based Kedaara Capital Advisors hit its \$500 million target for its first fund, with the final close due in October.

It secured an unspecified sum from Ontario Teachers' Pension Plan, which marked the Canadian fund's first investment in India. That speaks volumes for Kedaara's co-founders, Manish Kejriwal and brothers Sunish and Nishant Sharma.

The firm focuses on carve-outs, buyouts and growth opportunities in sectors including business process outsourcing and IT services, pharmaceuticals, health care,

consumer/logistics and financial services.

In addition to its full-time investment team, Kedaara partners former CEOs who have built and managed some multi-billion-dollar enterprises, including Sanjeev Aga, former managing director of Idea Cellular; Aditya Birla Nuvo, chief executive of Birla Tata AT&T; and Pramod Bhasin, former CEO of Genpact and head of GE Capital in India and Asia.

Prior to Kedaara, Sunish Sharma was a managing director and senior member of the India investment team at private equity firm General Atlantic. From 2004, he played a leading advisory role in the majority of GA's investments, and helped to grow the firm's local Indian investment programme to \$1 billion by late 2011. He previously worked as a consultant at McKinsey & Company, focusing on strategic issues and M&A transactions.

Sharma has extensive private equity experience, spanning business services and technology, health care, financial services, energy and resources.

EDWIN SOERYADJAYA

Co-founder and chairman, Saratoga Capital

Indonesia's biggest private equity firm has built success on investing in the country's natural resources and infrastructure sectors. With \$1.3 billion, Saratoga Capital was founded in 1998 by Edwin Soeryadjaya and Sandiaga Uno. It managed the duo's money and raised more via private investors.

Soeryadjaya is viewed as innovative and entrepreneurial. He spent 15 years working for automotive manufacturing conglomerate PT Astra International, which his family lost control of in 1993. He then set up his own investment company, L&M Group Investments, which was folded into Saratoga in 1998.

Saratoga focuses on investments in early- and growth-stage companies and special situations, but its investment horizon tends to be longer than the typical PE fund. It often holds stakes in companies for years after listing. Its portfolio includes holdings in coal miner Adaro Energy, telecoms firm Tower Bersama Infrastruktur and palm oil plantation operator Provident Agro.

More recent deals include stakes in smaller concerns such as domestic carrier Mandala Airlines and integrated automotive firm Mitra Pinasthika Mustika.

Indonesia is widely cited now as over-hyped and expensive and has suffered foreign investor outflows amid the broad emerging

Photograph (top): Munshi Ahmed

markets sell-off. Poor sentiment hurt Saratoga's IPO on June 26. But that is unlikely to stop a man who knows his domestic market and is in it for keeps.

TANG KOK-YEW

Chairman and managing partner, Affinity Equity Partners

Born in Malaysia, KY Tang became an entrepreneur by default. He had worked as a banker and manager all his life, including as chairman of UBS Capital, the private equity arm the Swiss bank set up in 1998 after the Asian financial crisis. Following the dotcom bust, Tang span the unit out to create Affinity Equity Partners in 2004. "Looking back it was the best thing that happened to me," he says.

Affinity has five partners, four of whom were with it at spin-off. It has fully invested three funds and fully exited two. Today it is raising its fourth fund, expected at $3.5 billion. Overall, Tang says Affinity will be managing over $6 billion before the year is out. Its strategy is value investing based on long-term fundamentals. It takes controlling stakes, frequently 100%, and adopts an active approach. "We tend to buy good companies with good management and make them better," says Tang.

It holds investments for five to six years and primarily exits via trade sale to strategic buyers. It has just made its first

Photograph (top): Munshi Ahmed

investment in fund IV, paying $238 million to SK Telecom Group for a controlling 53% stake in Loen Entertainment, which Tang describes as the iTunes of Korea. In fact, Affinity has become closely associated with Korea, where it has sourced a number of deals.

The firm employs over 50 people across six Asia-Pacific offices. Its favoured sectors are food and beverage, consumer goods, financial services and industrial companies.

TAY LIM-HOCK

President, GIC Special Investments

Singapore sovereign wealth fund GIC Private, formerly known as Government of Singapore Investment Corporation, is widely viewed as one of the most sophisticated private equity investors. It is also among the biggest, via its GIC Special Investments unit. According to its new policy portfolio, as unveiled last month, the fund allocates 11-15% of its estimated $250 billion – as much as $37.5 billion – to private equity.

As head of GIC Special Investments, Tay Lim-Hock oversees an asset universe of buyouts, venture capital and special situations, such as mezzanine and distressed debt, and secondaries. Investments are made through funds as well as directly.

GIC says its direct investment programme is focused on taking minority equity positions as well as providing mezzanine financing in buyouts. Its funds strategy "aims to identify and invest with leading private equity and venture capital funds globally, and grow with them in the long run".

Tay has been with GIC Special Investments since 1995. He has done stints in Europe (as head of the European private equity team) and the US (running the US private equity team), and became president of the unit in July 2011.

GIC commands a wide sphere of influence in the private equity world, having built a network of over 100 active private equity managers. And its international reach continues to broaden, with plans to open a Brazil office to add to its eight locations outside Singapore – in Beijing, London, Mumbai, New York, San Francisco, Seoul, Shanghai and Tokyo.

TOW HENG-TAN

CEO, Pavilion Capital

When Singapore state investor Temasek Holdings, an active player in private equity, creates a new entity, the market takes notice. That was the case with Pavilion Capital, launched in early 2012 to invest in privately held firms in North Asia, primarily China – just as it was with Seatown, the S$4 billion ($3.1 billion) hedge fund unit set up in 2010 (as revealed in an *AsianInvestor* scoop).

Tow Heng-Tan, formerly Temasek's

CIO, is the man overseeing the investment of Pavilion's reported S$2.5 billion. The unit focuses on small and medium-sized enterprises, so limited deal size is one reason why it only accounts for 1.2% of Temasek's S$215 billion portfolio. The SME focus is also in keeping with one of the goals of China's five-year plan for 2011 to 2015.

Tow has been with Temasek since September 2002, having started his career with then Coopers & Lybrand, before joining Schroders as an investment banker and working at Lum Chang Securities as a managing director. He is also a director on the boards of Singaporean corporations Keppel, ComfortDelgro and Surbana.

Ramping up exposure to SMEs in China and North Asia underlines Temasek's pioneering approach – and will be a useful diversifier as it expands its allocation to regions such as Europe and North America. With offices planned in London and New York, adding to a series of offices throughout emerging markets worldwide, the fund continues to broaden its scope.

DENIS TSE

Head of Asian private investments, Lockheed Martin Investment Management

Few overseas institutions have the resources to put together teams on the ground in Asia. Yet funds, particularly those facing high investment-return targets, need to increase their exposure. Denis Tse believes there is demand among corporate funds as well as state-backed ones to get involved as limited partners with a local presence, but finding talent is difficult.

US aviation and defence company Lockheed Martin's pension fund took that step in 2009 by hiring Tse to help it invest privately into Asian financial sponsors. "We were the first US corporate plan to establish an office in Asia," says Tse, who operates out of Hong Kong as a one-man band.

Such a model can help limited partners avoid the costs of investing in funds of funds or via separate accounts. It also allows more intimate intelligence gathering.

Tse looks for PE managers with unique ideas who can execute on them. Changes in China are throwing up opportunities for general partners and their backers. Tse prefers managers who can obtain control, or who can "intervene influentially". He also likes managers that are more interested in helping local or foreign companies grow and expand cross-border.

The best opportunities, says Tse, are in sectors being opened to foreign participation in China, such as media and entertainment. "Few managers have insight in these sectors," he says.

If Tse's bets pay off, he will not only have helped private equity move into new areas, but also have set an example that should encourage more Western corporate pensions to hire Asia specialists.

PATRICK WALUJO

Founder and MD, Northstar Group

A veteran when it comes to investing in Indonesia, Patrick Walujo set up Northstar Group in 2003 with Glenn Sugita and raised a first PE fund in 2006. Back then Indonesia was a tough sell. But its recovery since the Asian financial crisis has resulted in much-increased foreign interest. That helped Northstar to reach $1.2 billion in AUM, after closing its latest fund at $820 million in October 2011.

The firm invests around 75% of its assets in Indonesia and 25% elsewhere in Southeast Asia. It is also now the

Indonesian partner of Texas Pacific Group, with which it has worked on deals including investment in coal miner Adaro Energy.

Examples of Northstar deals include a reverse takeover by listed investment holding company Delta Dunia of mining contractor Bukit Makmur Mandiri Utama. The transaction later lured co-investors including China Investment Corporation, GIC and TPG. Other successful investments include those in convenience store chain Alfamart and Bank Tabungan Pensiunan Nasional.

Walujo is happy to see increased foreign recognition of Indonesia's potential, despite recent investor outflows and concerns the market is over-priced.

But accessing good talent is tough, especially as his first choice is to hire locally. "The supply of talent is not growing as fast as demand [for PE assets] or investment opportunities," says Walujo, who himself has worked for Pacific Century Group and Goldman Sachs.

WU SHANGZHI

Chairman and managing partner, CDH Investments

Wu Shangzhi was sent to the US to study and quickly realised he wasn't very fond of engineering, but did like business management. After several jobs in finance he joined CICC and set up its private equity department. His first hire was an analyst, Zhao Jun, who became his partner as they spun out the desk as CDH Investments in 2002. They were the first to figure out Hong Kong-listed red chips enabled investments into and exits from state-owned enterprises (SOEs), while keeping de-facto control and enabling international liquidity and professional expertise.

CDH is a true collection of private partners. This is reflected in a diverse portfolio with a strong private-sector orientation and commitment to buy-outs. But the model is changing. New deals focus on services, not manufacturing, with emphasis on full control and operations.

The firm is even starting to experiment with leverage, such as by floating a convertible bond to finance the acquisition of listed firm New Focus Automotive. "It's going to be hard to achieve a 25% IRR without leverage," Wu says, noting this is common in Hong Kong but new to Chinese private equity. "You need to control the subsidiaries to make this work."

CDH is at the forefront of taking Chinese firms global. With Goldman

Sachs, it is an investor in pork producer Shuanghui International, which this spring boldly moved to acquire US-based Smithfield Foods. If successful this would show how private equity benefits industry in China, and the world.

REBECCA XU

Co-founder, Asia Alternatives

This Hong Kong-based fund of private equity funds manager became the first offshore limited partner to receive a qualified foreign limited partner (QFLP) licence from China in 2011. The firm's foresight to apply and begin investing early on is a key reason behind its fundraising success – last August it raised $1.5 billion for a third fund of PE funds and managed accounts, focused on the growing pool of renminbi-denominated vehicles in China.

Co-founder Rebecca Xu says this market has exceeded the US dollar market in the past two years. "In our mind it's not just about what we can do today, but also about the long-term potential," she says.

Another focus is to add more underlying funds that provide ample liquidity. "We have many funds that hold their investments for three-to-five years and aim for a higher return multiple in the end," says Xu. "To balance the lack of liquidity in the early part of these funds' lives, we're also looking for strategies that target producing earlier liquidity," including special situations funds.

The majority of firm's investors are based in North America, but more money is being sourced from Asia and Europe.

Xu leads Asia Alternatives' Beijing office, jointly overseeing the firm's investments in expansion and growth capital funds with a focus on China. Before co-founding Asia Alternatives with Melissa Ma in 2006, Xu worked as a senior investment officer at International Finance Corporation.

XD YANG

Managing director and co-head, Carlyle Asia Partners

Carlyle made its first acquisitions in the region in the depressed conditions following the Asian financial crisis. After the US market took a similar turn at the

start of this century, Asia was seen as the region that would prevail, driving growth in the West. XD Yang joined the firm's Hong Kong operations in 2001, putting it on the course of regional expansion as it pursued deals in a growing Asian market.

Yang led Carlyle's $800 million investment in China Pacific Insurance Group between 2005-07. It exited the company this January, netting an estimated $4 billion profit – one of the firm's most profitable investments.

Over the past 12 years, Carlyle has made its mark in markets such as Australia, India and Taiwan, investing across sectors. It had made $6.4 billion in investments and co-investments in over 30 companies in the region as of June 30.

Carlyle Asia Partners IV is in the market aiming to raise $3.5 billion by year-end. Predecessor fund III, which closed at $2.5 billion in 2010, had a gross internal rate of return of 11% and net IRR of 5% as of June 30, by its second quarter earnings report.

Yang notes that Asia is an attractive market for Carlyle, given the increasing rate of urbanisation and a growing middle class. "In many industries, we will also see consolidation and corporate rationalisation take place," he says. "We expect to see more interesting investment opportunities." Carlyle is seeking to help Asian companies expand globally.

ZHANG YICHEN

Chairman and CEO, Citic Capital Partners

Arbitraging bonds in New York in the 1970s gave Zhang Yichen a taste for taking principal risk. As his career progressed via a Hong Kong family office, Merrill Lynch and Citic Pacific, he worked in many capacities but always wanting to focus on alternative investments.

By 2006 Citic Pacific let him spin off Citic Capital in Hong Kong as a multi-asset platform, including private equity as well as venture capital, real estate and hedge funds. Unlike other start-ups, Citic Capital retained an institutional set-up, and continues to rely on the Citic brand to leverage deals in Greater China. This is one reason why Citic Capital has not veered into public-market funds: "Our brand wouldn't give us any advantage," Zhang says. The group now runs around $5 billion. Citic Capital's main China PE fund focuses on control deals with operational intervention. Zhang says more entrepreneurs are open to buyouts because slower economic growth has undermined the IPO model and eroded valuations. Also, when the growth was there, founders were happy to immerse their lives into a business, but these days entrepreneurs aren't being rewarded as much.

Zhang is at the forefront of an

emerging trend of consolidation. The fact that target businesses are not enjoying the same expansion means they aren't worth running, and won't attract capable executives, unless companies can be combined to create scale. "This is a new theme," Zhang says, citing education, tourism and health care as target industries.

JOHN ZHAO

CEO, Hony Capital

Since John Zhao founded Hony Capital in 2003 it has become the most successful Chinese private equity fund by assets raised, attracting more than $7 billion. It is also the first buyout fund established in China. It is backed by Legend Holdings, owner of Lenovo, and committed early to buy an asset management company

overseeing bad bank loans.

Hony's pedigree and relationship with regulators, combined with its track record of privatising state-owned enterprises and making them profitable, has seen it take a leading industry position. Now Zhao is using his SOE credentials to take Chinese companies across border (almost all Chinese overseas M&A involves state-backed entities).

This began in 2008 when Hony backed portfolio company Zoomlion to acquire an Italian concrete machinery manufacturer. Since then it has added a Singapore-listed biosensor-maker and a start-up Japanese hospitality and property group.

But dealmaking has slowed. Last year Hony was involved in two failed bids. It teamed up with TPG to acquire a Japanese chipmaker, but lost out to a strategic buyer. Then it made a bid with another Chinese PE group, CGS Capital, to acquire Dexia's €80 billion ($107 billion) asset management business; at some point Hony backed out, and this summer Dexia called it off. Return on capital among Hony's other portfolio companies are in decline, in line with other big China PE funds.

Helping Chinese companies to go global was never going to be easy and the industry is looking to a networker like Zhao to make it happen. ■