Private Equity Investing in Asia

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Asia Alternatives

July 28, 2010

Agenda and Contents

1. Asia Macro Economic Background

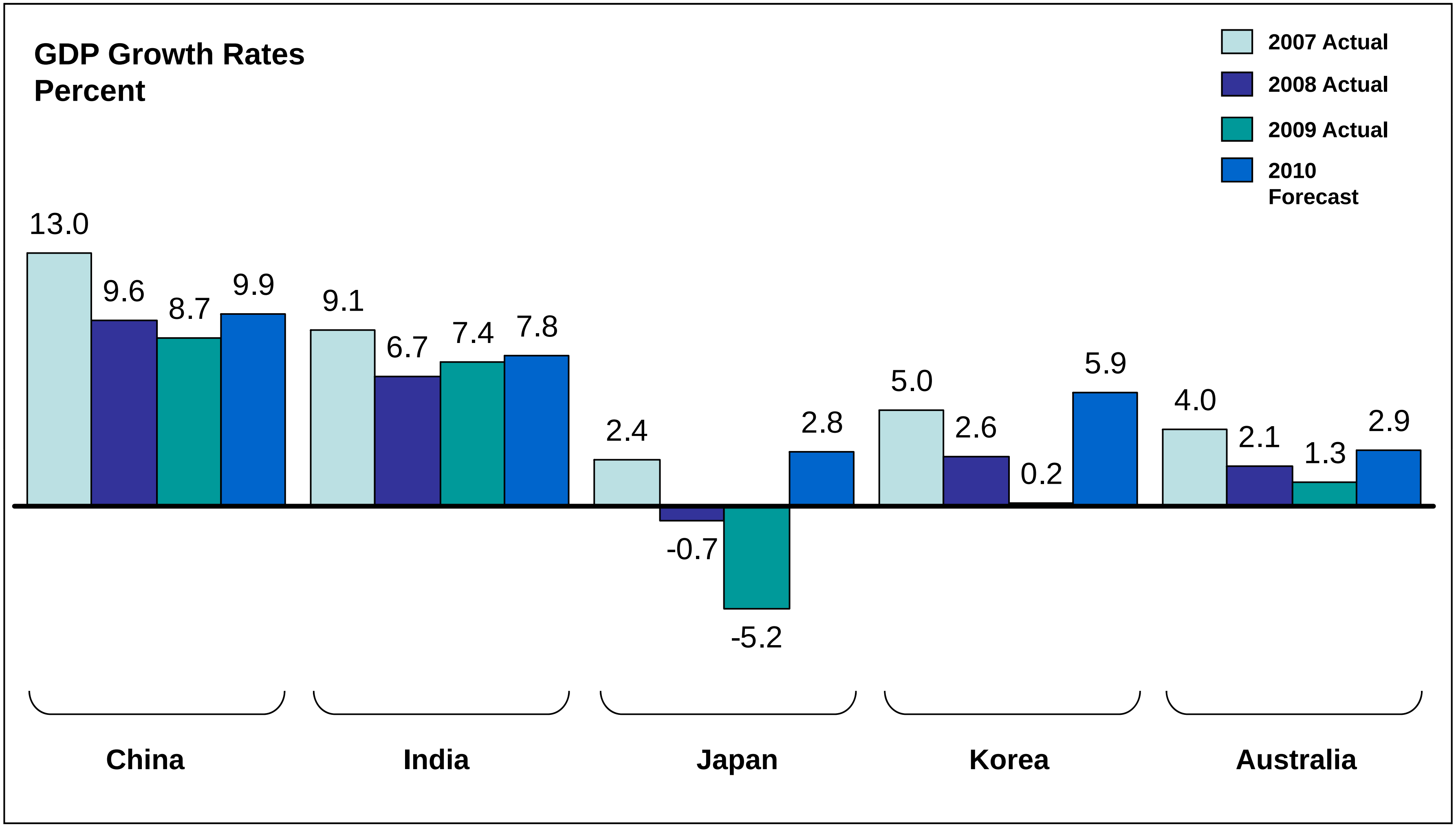
2. Opportunities in the Current Asia Private Equity Environment

3. Key Trends and Concerns in 2010 for Foreign Investors

4. Constructing an Asian Private Equity Portfolio

1. GDP growth across Asia has bounced back meaningfully and is expected to continue in 2010

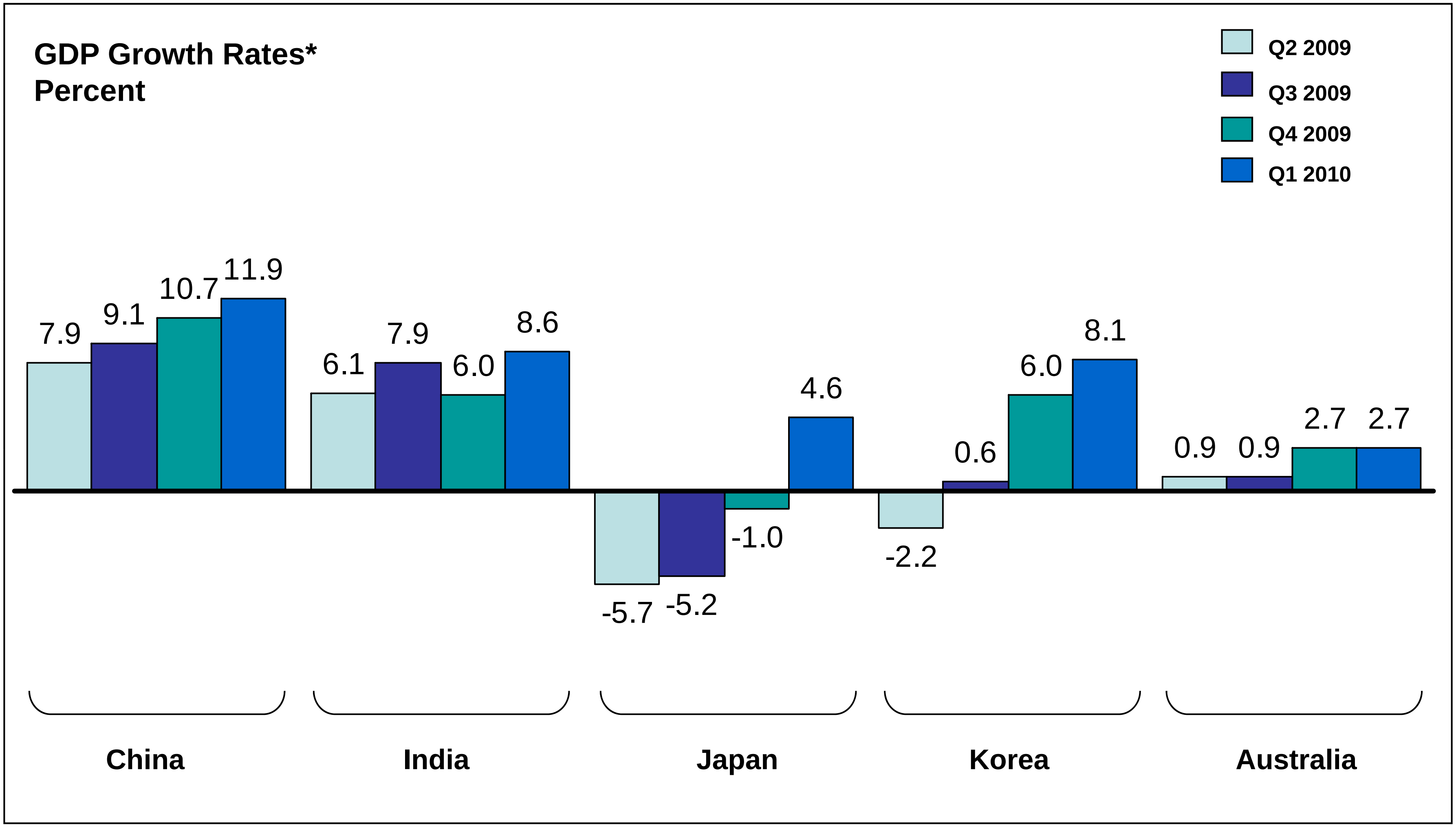
ESTIMATES



Source: EIU (June 2010) – except for India 2009 Actual

Q4 2009 and Q1 2010 were very strong quarters for most of Asia

ESTIMATES



Source: Press, Government websites *YoY quarterly GDP growth

2a. Investing in Asia PE – Key Differences for LPs

	North America	Asia
Investment choices	• Buyout and VC • 1-2 geographies	• Growth capital and small-mid buyouts dominate • Wider range of investment strategies and blurring of lines • 9+ different geographic markets
Talent	• Core group of proven top tier players • Longer track records • More homogenous culture	• Shorter to no track records • Young teams • >2,000 fund managers • Few "blue chip" players yet • Multiple, diverse languages and cultures
Deal dynamics	• Auctions • Leverage is key to returns • Competitive	• Proprietary deals possible and common • Less to no leverage • Lower absolute deal valuations • Fewer bidders / term sheets per deal

Key Success Factors for LPs Investing in Asia

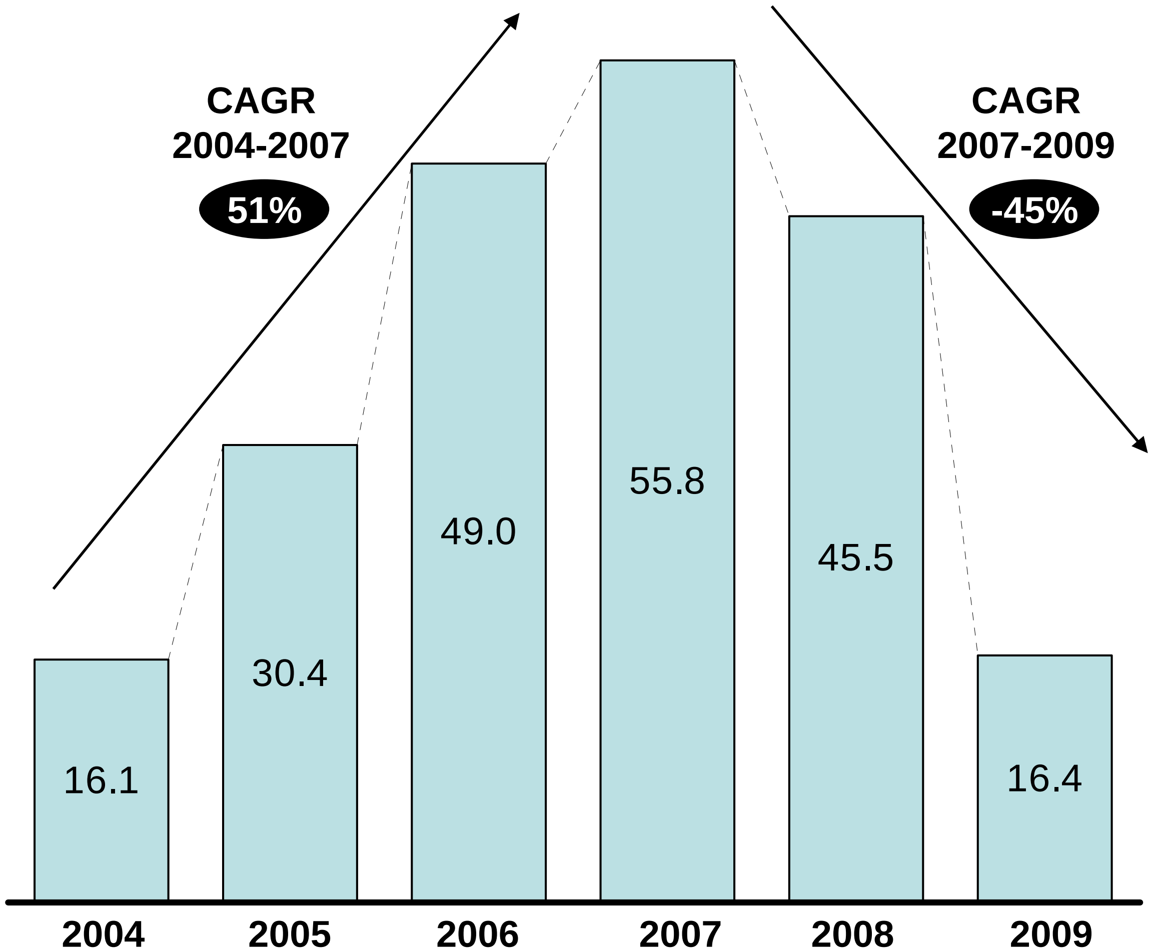
1. **Team, team, team = creating the local advantage**
2. **Consistency in strategy – not investing in the "flavor of the month"**
3. **Asia is not a monolith – must make investment decision at the micro market level**
4. **Blend of local network and knowledge with international investing training and best practices**
5. **Staying power – long term investment horizon and patience**

2b. Asia PE fundraising – back to 2004 levels

Asia Private Equity Fundraising

$ billion

ESTIMATES

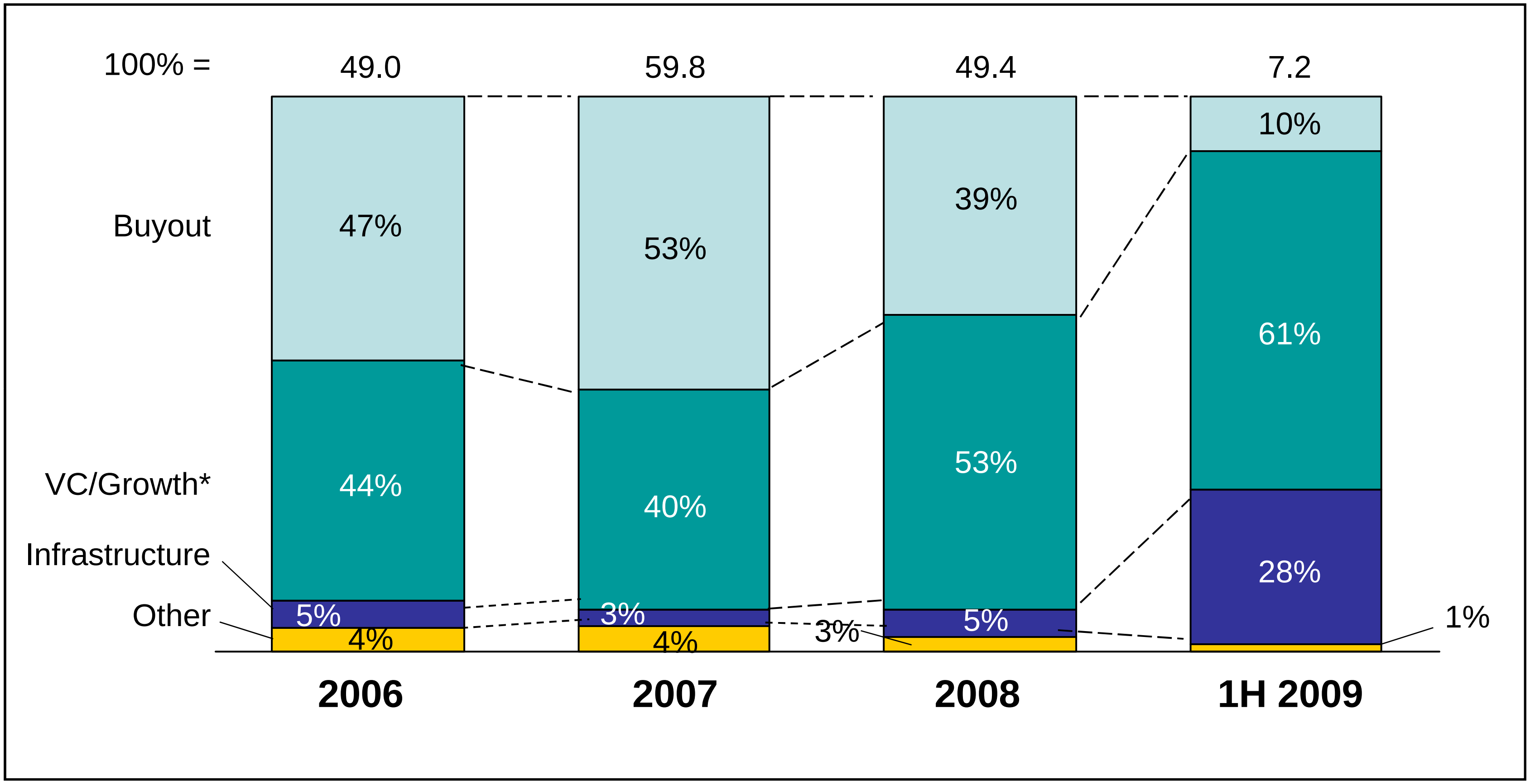


Source: AVCJ, Asia Alternatives analysis

Post Lehman, growth and venture funds most dominant

Funds Raised – By Type
$ billion

ESTIMATES



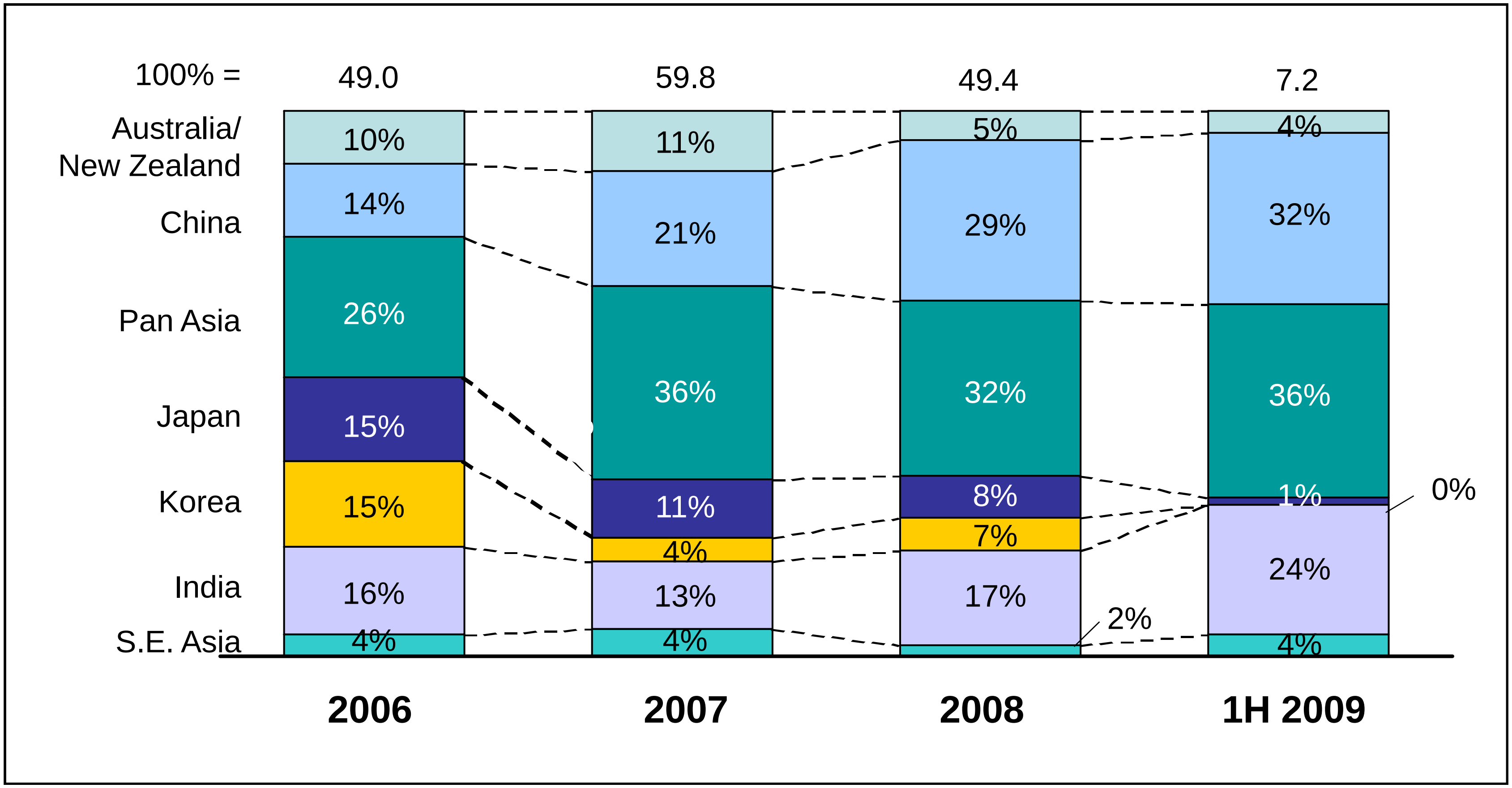
* VC and growth funds numbers not available separately but most funds included in this category are expected to be focused on growth stage
Source: Asia Alternative analysis; Asia Venture Capital Journal

Investors favor county-specific funds, especially in China & India

Funds Raised – By Geography

$ billion

ESTIMATES

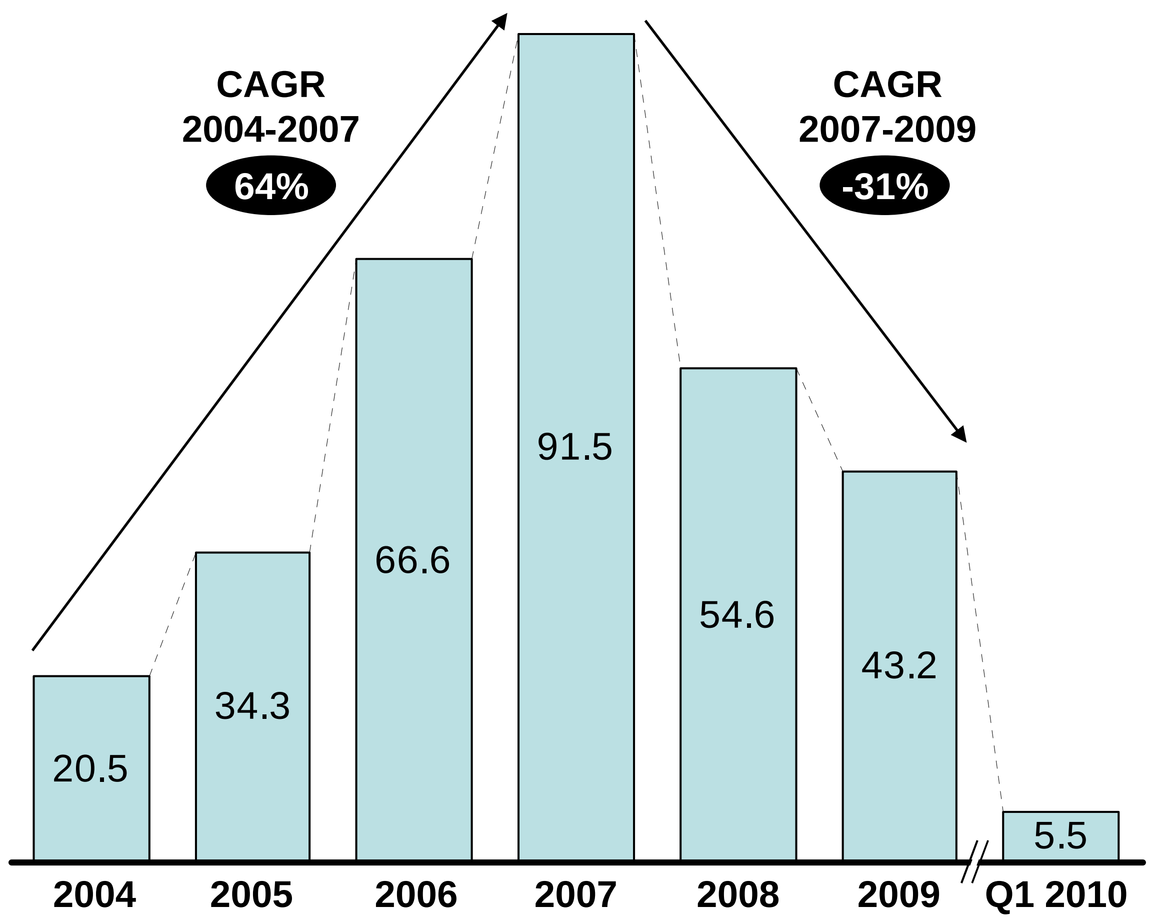


Source: Asia Venture Capital Journal

2c. Asia private equity investing less than half of 2007 peak

Capital Invested in Asia Private Equity Deals
$ billion

ESTIMATES

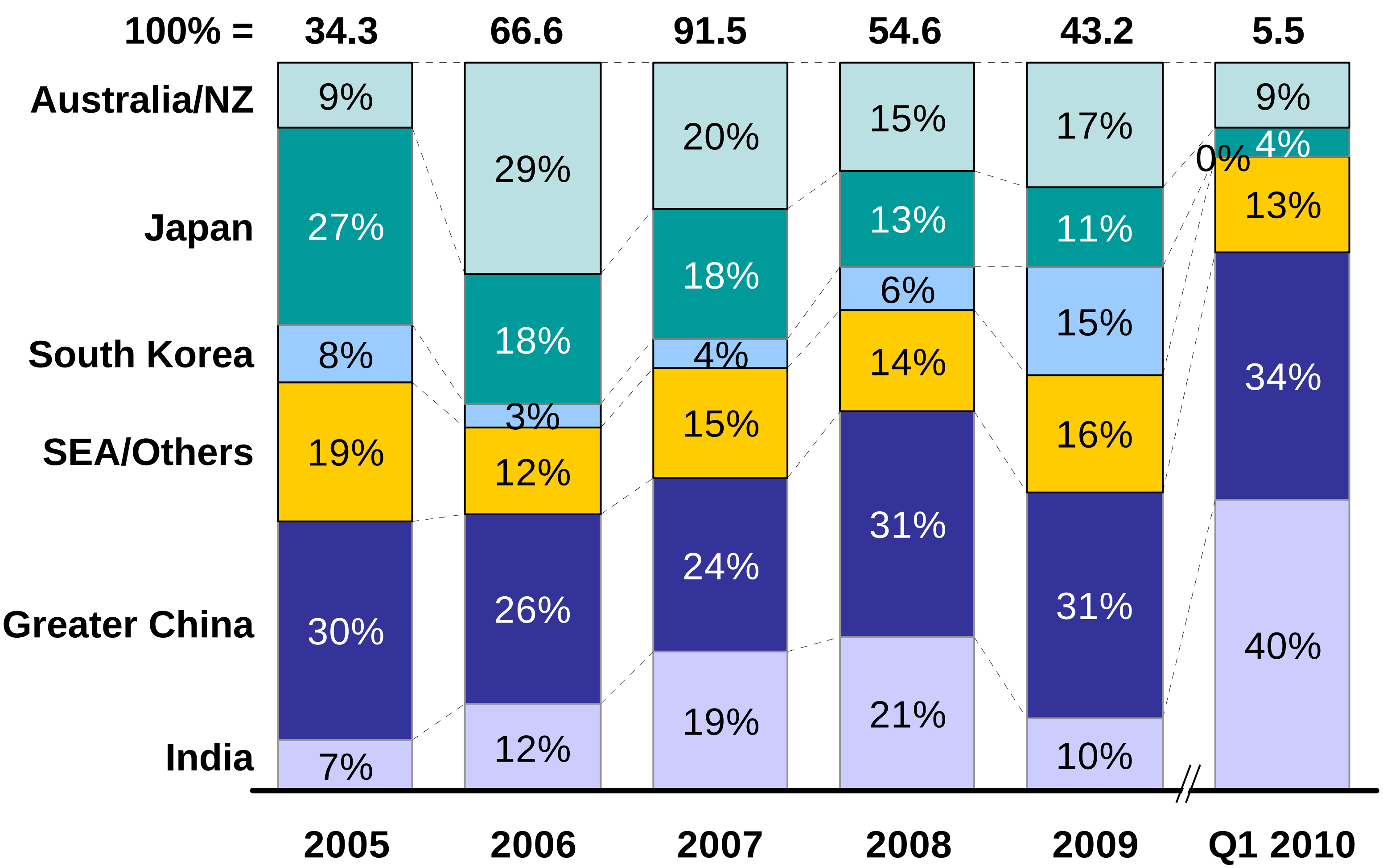


Source: AVCJ, Asia Alternatives analysis

China and India remain dominant destination for Asia PE Investments

Capital Invested in Private Equity Deals
Market Share – By Country
$ billion

ESTIMATES

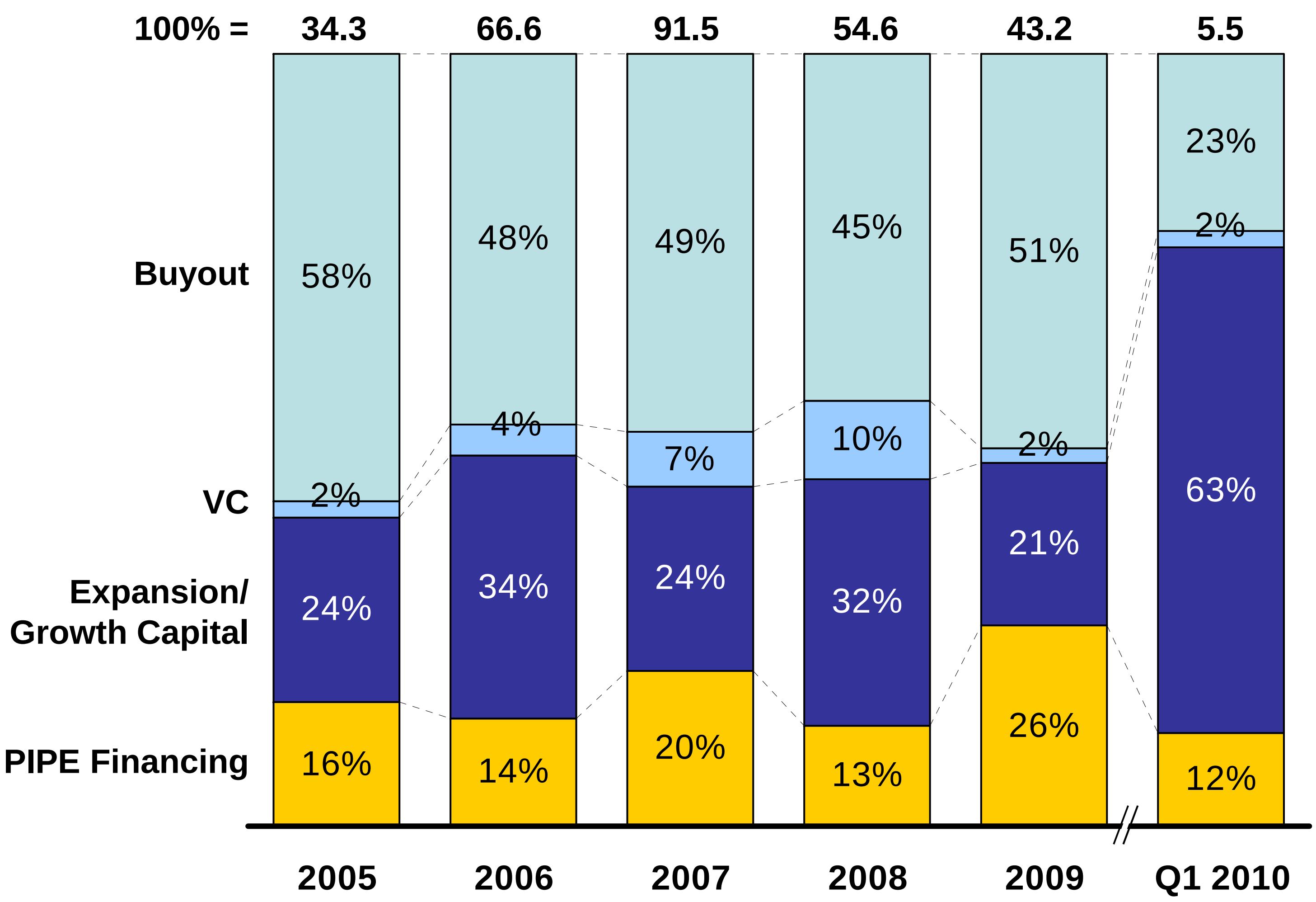


Source: AVCJ, Asia Alternatives analysis

Growth capital dominated in early 2010

Capital Invested in Private Equity Deals
Market Share – By Stage
$ billion

ESTIMATES

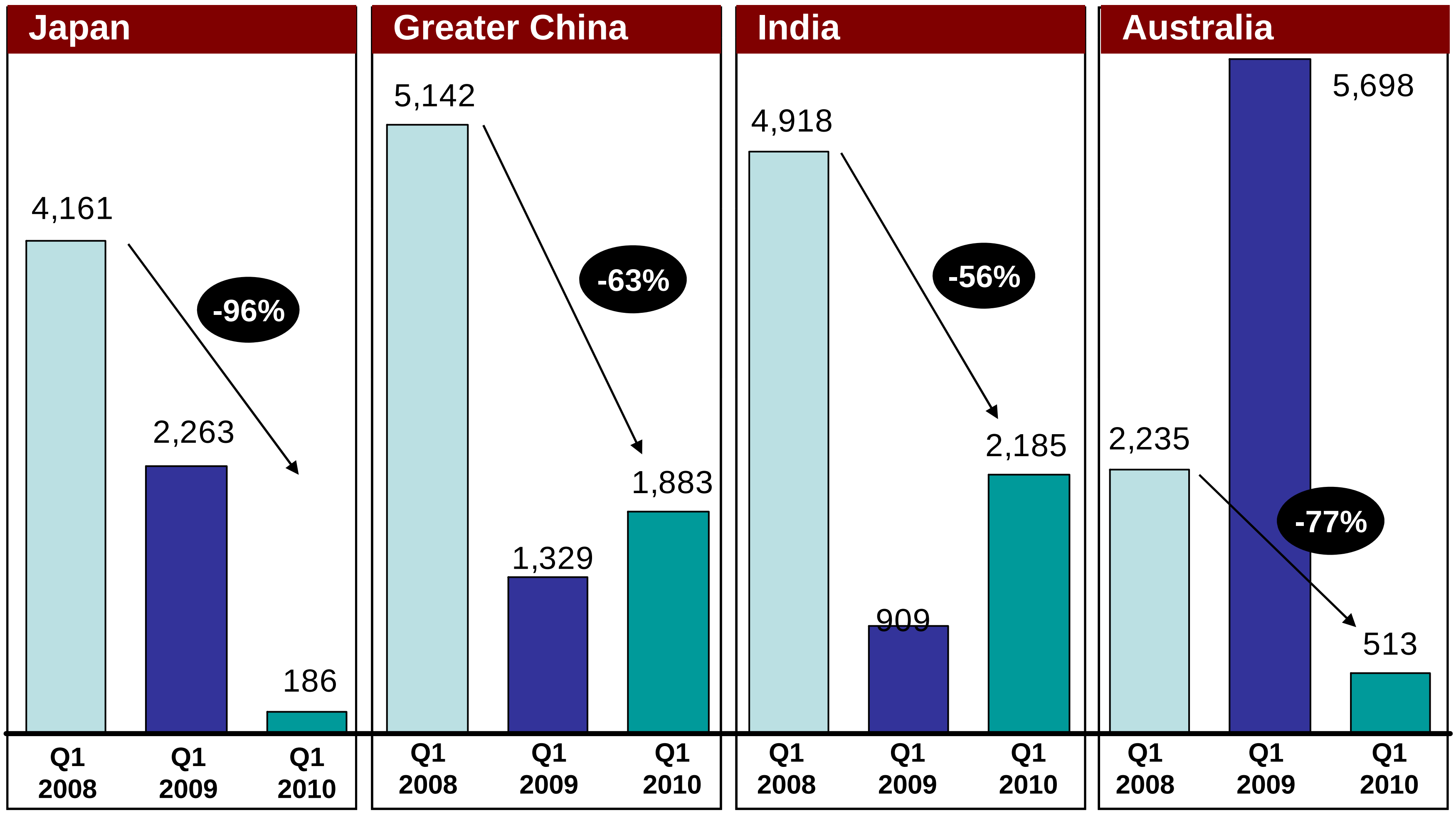


Source: AVCJ, Asia Alternatives Analysis

Investment activity down across all key Asian private equity markets, compared to Q1 2008

Capital Invested in Private Equity Deals
By Country – Q1 2008 vs. Q1 2009 vs. Q1 2010
$ millions

ESTIMATES



Source: AVCJ, Asia Alternatives analysis.

Note: Australia Q1 2009 includes one large deal ($5.27 bil by CPPIB)

2d. Deal activity picking up across Asia

Representative recent deals

SAMPLE DEALS

Target Inv.	PE Firm(s)	Target Industry	Inv Date	Transaction Size $ million	Stage	Country
CICC	KKR, TPG	Finance	Pending approval	1,000	Buyout	China
Dili Group Holding	Capital International, Blackstone, Orchid Asia, Warburg Pincus	Agriculture	Mar-10	600	Growth Capital	China
Zhongfu Lianzhong	Hony, Goldman	Wind Turbine Blade Manufacturer	Mar-10	100	Growth Capital	China
Asian Genco Pte. Ltd.	Everstone Capital, GAP, Goldman Sachs, Morgan Stanley	Heavy Construction	Mar-10	425	Growth Capital	India
TowerVision India Pvt Ltd.	Quadrangle Group	Heavy Construction	Feb-10	300	Growth Capital	India
Dalmia Cement	KKR	Cement	May-10	170	Growth Capital	India
Intelligence	KKR	Recruiting	Jun-10	320	Buyout	Japan
Anabuki Construction	J-Will Partners	Real Estate	May-10	220	Buyout	Japan
Kumho Life Insurance	KDB Consus	Insurance	Apr-10	435	Buyout	Korea
Daewoo Engineering and Construction	KDB	Construction and Engineering	Dec-09	2,500	Buyout	Korea
EDL	PEP	Power Generation	Jan-10	784	Buyout	Australia

Some deals may be pending final approval
Source:Press, AVCJ

Private equity exits also picking up with strong returns

Representative recent deals

In Asia Alt portfolio

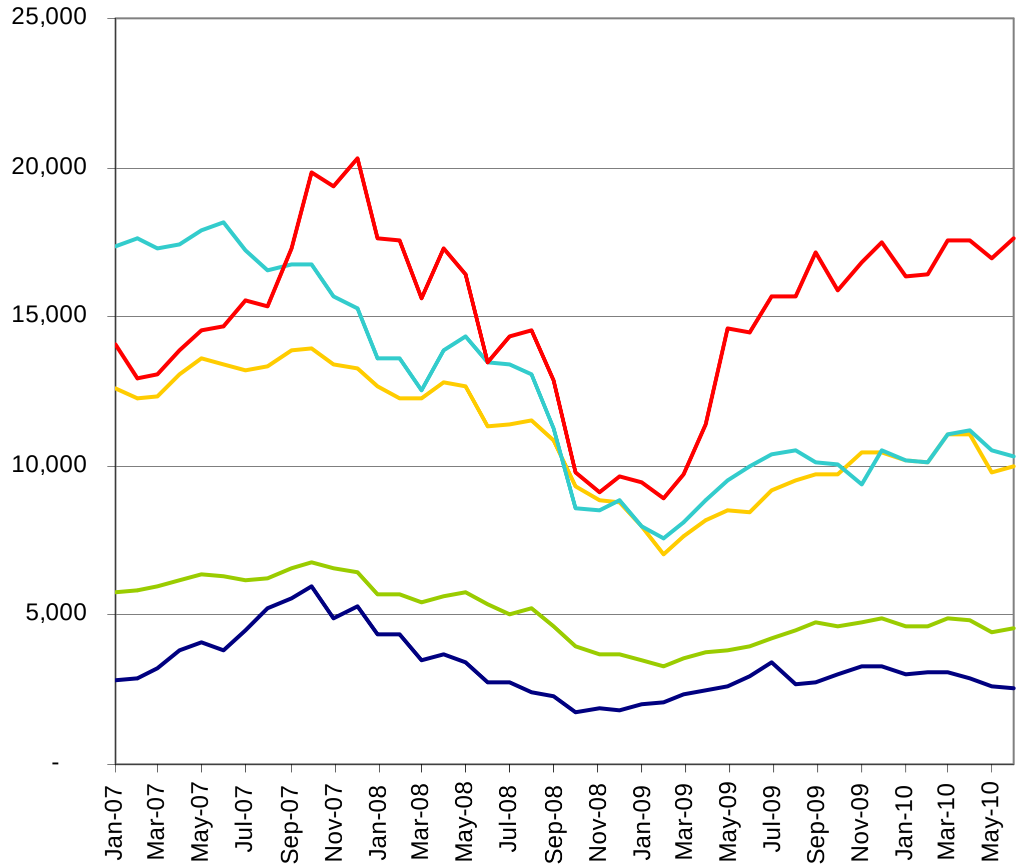
ESTIMATES

Target Inv.	Country	Sellers	Acquirer	Target Industry	Exit Date	Holding Period	Multiple/IRR
神州数码 Digital China	China	Hony, SAIF	Public Markets – HKSE	IT Services	Mar-10	<2.5 years	
HANTING INNS & HOTELS China Lodging	China	Chengwei, CDH, IDG, Northern Light	Ctrip (IPO sell down)	Real Estate	Mar-10	~3 years	
GCL	China	CDH	Public Markets – HKSE	Polysilicon Manufacturing	Feb-10	<2 years	
双汇集团 Shineway Group	China	Goldman	CDH, Asia Alternatives, AlpInvest	Meat Processing	Oct-09	3+ years	5X
eClerx	India	Burwood Ventures	Public Markets – BSE	Knowledge Process Outsourcing	Jun-10	5 years	>50X
AXIS BANK	India	ChrysCapital	Public Markets – BSE	Bank	Mar-10	4 years	
CAPITAL FOODS	India	Everstone Capital	Strategic Buyer	Packaged Foods	Jan-10	~4 years	~3X
UMH United Malt Holdings	Australia	CHAMP	Grain Corp.	Brewing	Nov-09	3 years	~5X
KATHMANDU LIVE THE DREAM	Australia	GS, Quadrant	IPO	Retail	Nov-09	2 years	~3.5X
MISAWA	Japan	Nomura Principal	Toyota Home	Housing	May-10	5 years	N/A
THEFACESHOP NATURAL STORY	Korea	Affinity	LG Household	Cosmetics	Nov-09	~4 years	~4X
HALLA MANDO	Korea	H&Q	IPO	Auto Parts	May-10	2 years	N/A

Source: Press

Some markets like India are back close to their recent peaks

Stock Market Performance



Country	Stock Index* At Peak	Stock Index June 15, 2010	June 15, 2010 As % of Peak
US*	14,279	10,200	71%
Australia	6,873	4,517	66%
Japan	18,300	9,887	54%
China	6,124	2,570	42%
India	21,206	17,412	82%

* Dow Jones index for US. Shanghai A share for China. China index as of June 18, 2010

Source: Asia Alternatives, Yahoo Finance

Clear downward trend of entry valuations in Asia Alt portfolios

ASIA ALTERNATIVES MANAGEMENT LLC
ENTRY MULTIPLE DATA- Average multiple of Asia Alt deals by bucket
AS OF MARCH 31, 2010

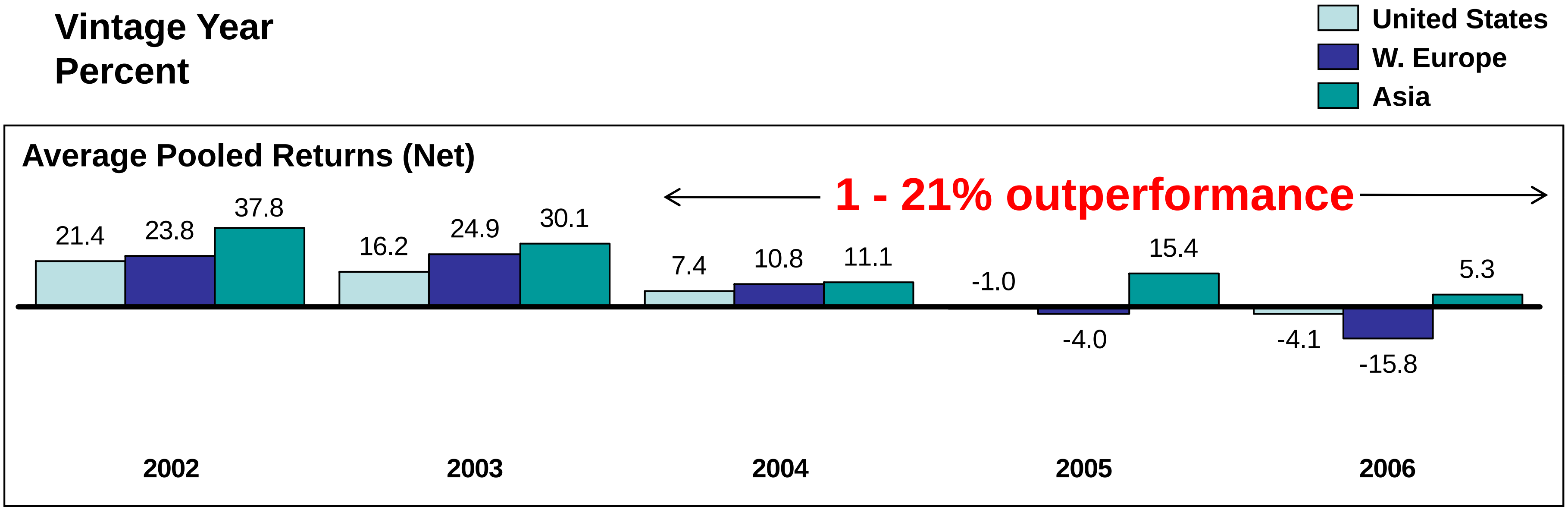
Country	Bucket	2006		2007		2008		2009		2010 YTD	
PR China	Growth / Buyout	5.70	xEBITDA	10.09	xP/E	8.37	xP/E	7.24	xP/E	6.57	xP/E
India	Growth/ Buyout	14.36	xP/E	17.49	xP/E	11.74	xP/E	12.10	xEBITDA	19.10	xEBITDA
Japan	Buyout	13.40	xEBITDA	18.10	xEBITDA	7.91	xEBITDA	4.55	xEBITDA	3.60	xEBITDA
Korea	Buyout	1.30	xEBITDA	12.10	xEBITDA	6.60	xEBITDA	8.10	xEBITDA	3.00	xEBITDA
Singapore	Buyout			7.03	xEBITDA	8.70	xEBITDA				
SEA	Growth/Buyout			7.75	xEBITDA	6.30	xEBITDA	12.52	xEBITDA		
Australia	Buyout			9.55	xEBITDA	7.27	xEBITDA	6.80	xEBITDA		
Taiwan	Buyout			9.00	xEBITDA	4.30	xEBITDA				
Total portfolio company data points		148									

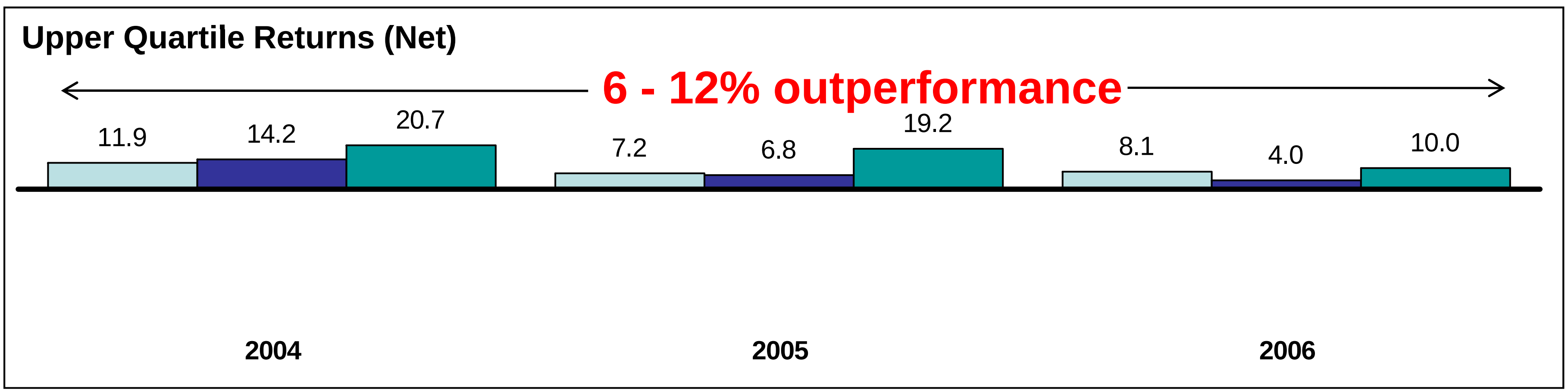
Price to Earnings (PE) Multiples in Public Markets

			Market PE multiple - Trailing			
	Stock Index	**Jan-06**	**Jan-07**	**Jan-08**	**Jan-09**	**Jan-10**
China	CSI300 (SHSZ300)		28.7	37.6	19.1	25.98
India	BSE Sensex	18.6	20.6	25.5	12.2	22.0
Japan	TSE	35.7	26.8	21.8	13.0	-
Korea	KOSPI	10.6	11.4	13.8	11.7	14.0
Australia	All Ordinaries	15.0	14.0	12.5	9.0	15.0

Source: **Asia Alternatives, Press, Stock exchange websites.**

2e. In the more recent years, Asia PE has performed favorably compared to United States and Europe



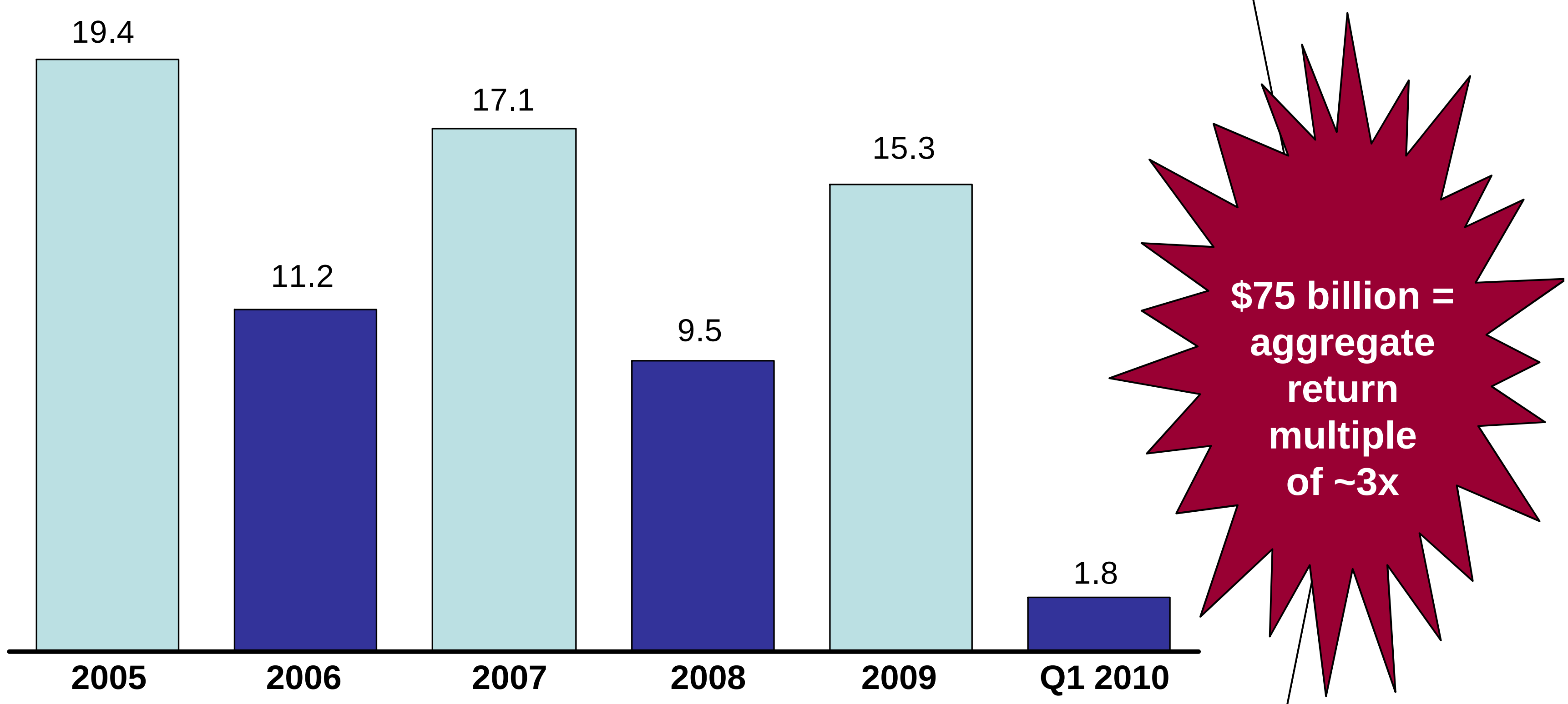


Note: Average refers to the pooled average. Data for upper quartile Asia funds for 2002 and 2003 is less meaningful, as there is an insufficient number of funds in the sample for each

Source: Cambridge Associates, as of December 31, 2009

Asia has now demonstrated healthy level of exits and distributions over last few years

Asia Private Equity Return Profile
Capital Returned
$ billion



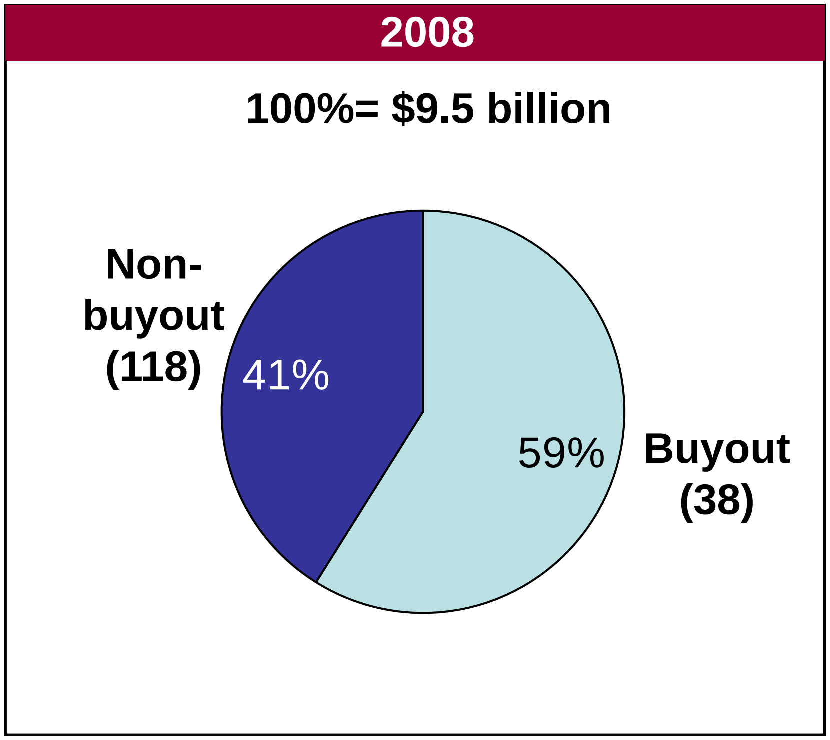
	2005	2006	2007	2008	2009	Q1 2010
Cost	4.5 billion	4.4 billion	5.8 billion	3.2 billion	NA*	NA*
Return Multiple	4.3x	2.5x	3.0x	3.0x	NA*	NA*

* The details for cost and return multiple have not been released
Source: Asia Private Equity Review, Asia Alternatives analysis

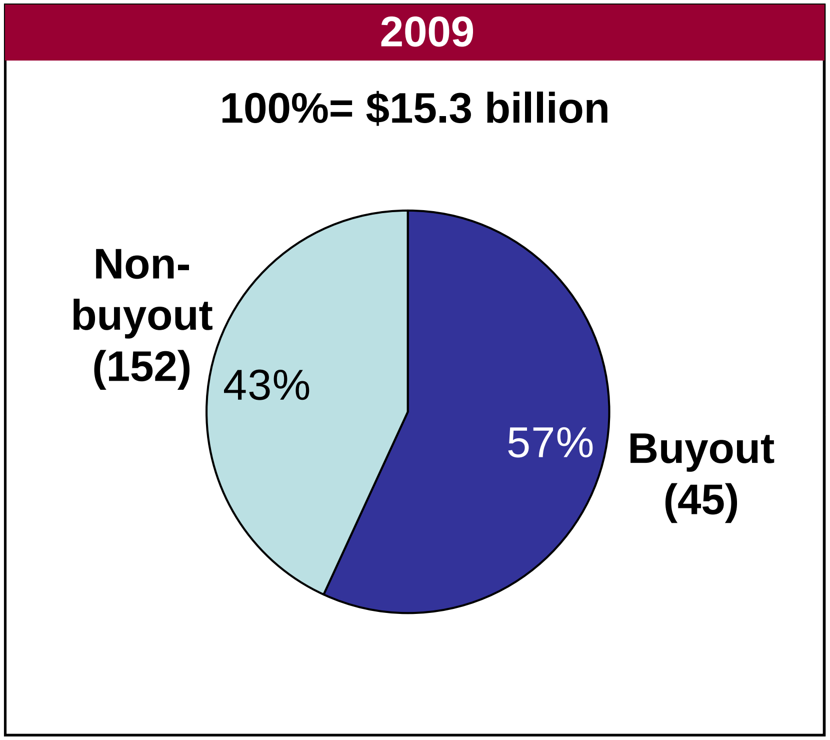
Buyout exits dominate by dollars, but growth and venture dominate by number of deals

Asia Private Equity Return Profile

Divestments by Stage



Divestments by Stage



* Number in parentheses denotes the number of exits

Source: Asia Private Equity Review; Asia Alternatives analysis

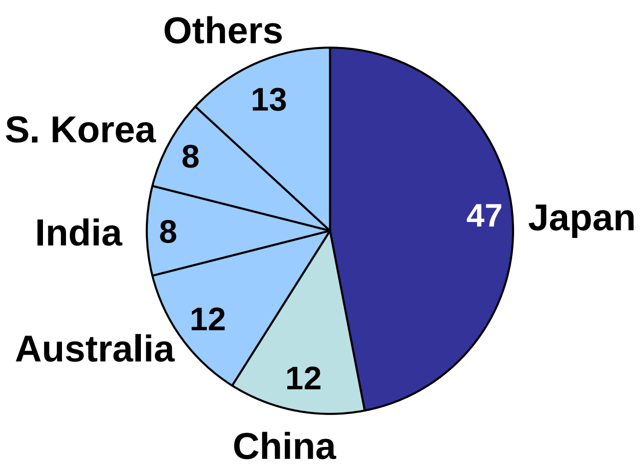
China and Japan dominated in 2009 for exits

Asia Private Equity Return Profile

Divestments by Country

2008

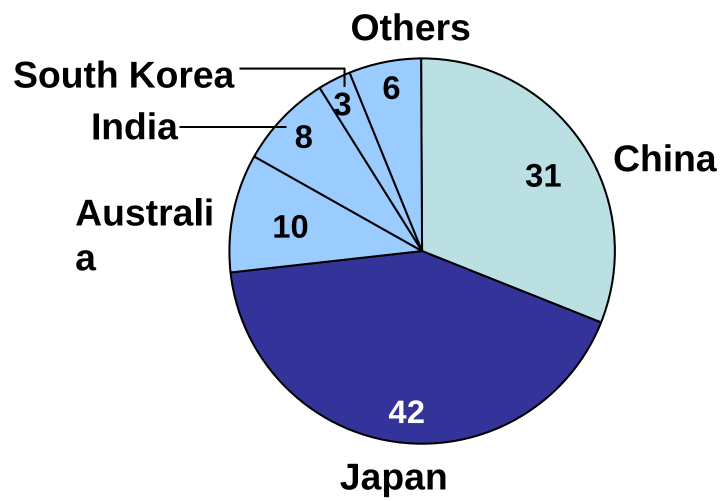
100%= $9.5 billion



Divestments by Country

2009

100%= $15.3 billion



* Others include Malaysia, Singapore, Sri Lanka, Vietnam, NZ, Taiwan, Thailand, US.

Source: Asia Private Equity Review; Asia Alternatives analysis

1. Sustainability of China's growth and rest of Asia's recent dependence on China

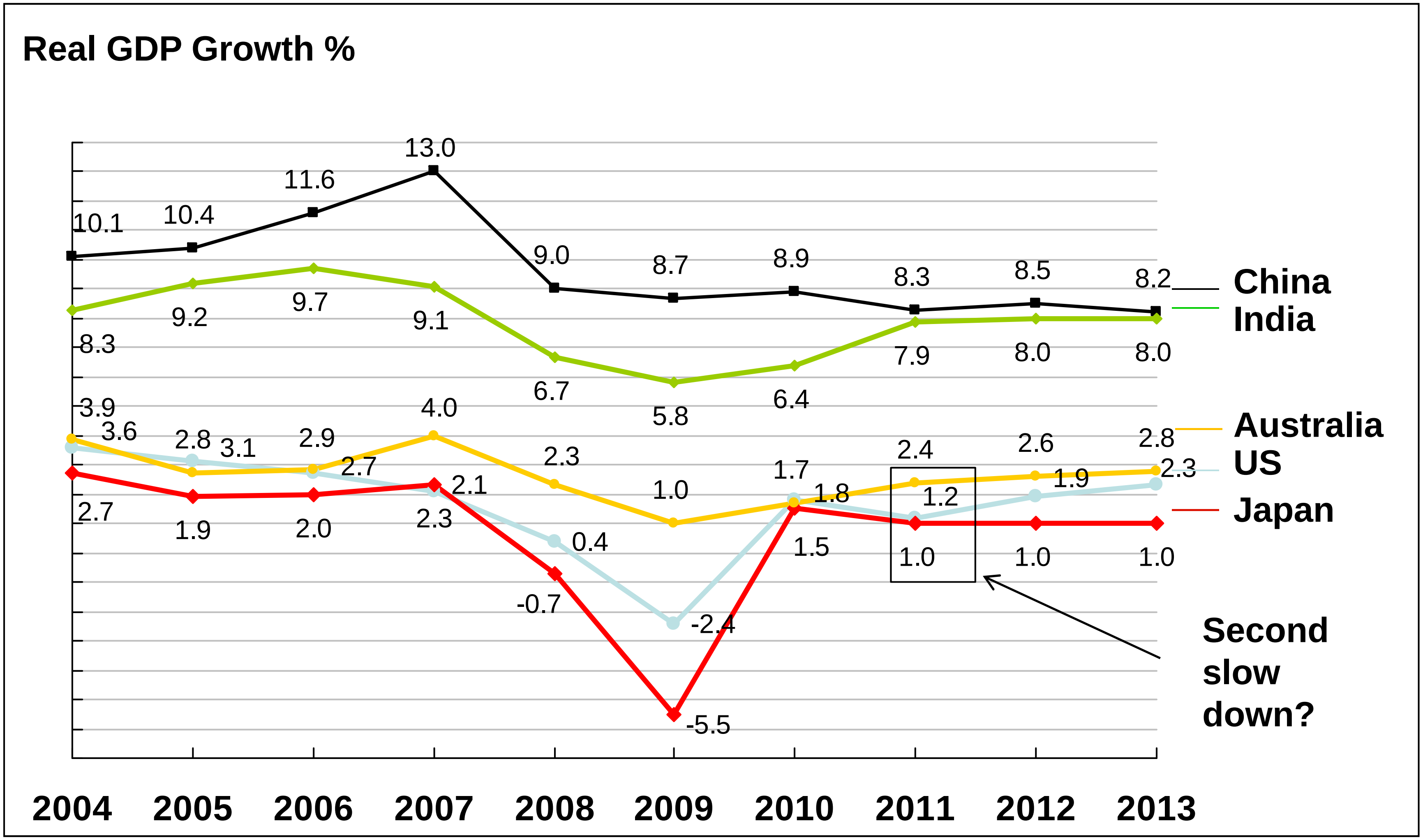
China is increasingly important trade partner for most Asian countries

% change in exports between 2008 and 2009

2009 YoY Exports From	To		China's Ranking for Exports
	China	US	
India	46%	14%	#1
Malaysia	20%	(35%)	#2
Indonesia	19%	(3%)	#3
Thailand	0%	(16%)	#2
Korea	2%	(12%)	#1
Japan	18%	(43%)	#1

Source: Financial times, Thomson, Reuters, Datastream

GDP growth – Developed vs. emerging countries



Source: EIU, Asia Alternatives analysis

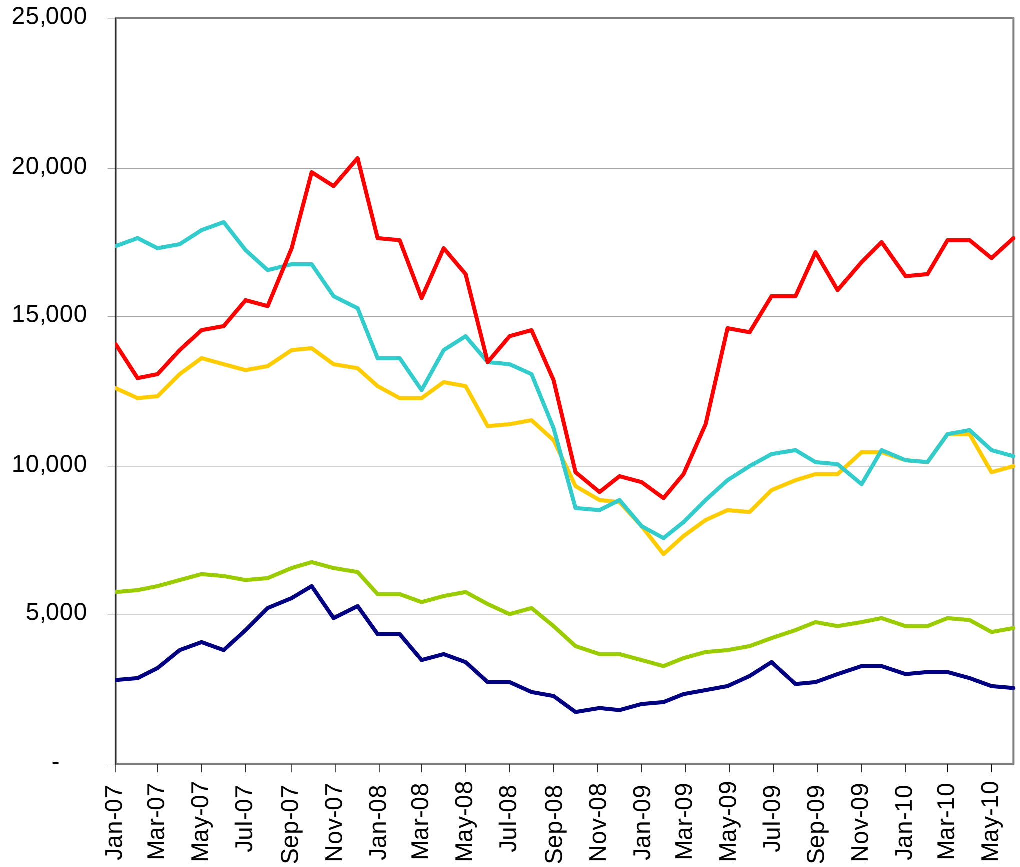
3. Key Trends and Concerns in 2010 for Foreign Investors

1. **Sustainability of China's growth and rest of Asia's recent dependence on China**

2. **Valuations rising in slower growth environment**

Some markets like India are back close to their recent peaks

Stock Market Performance



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3. Key Trends and Concerns in 2010 for Foreign Investors

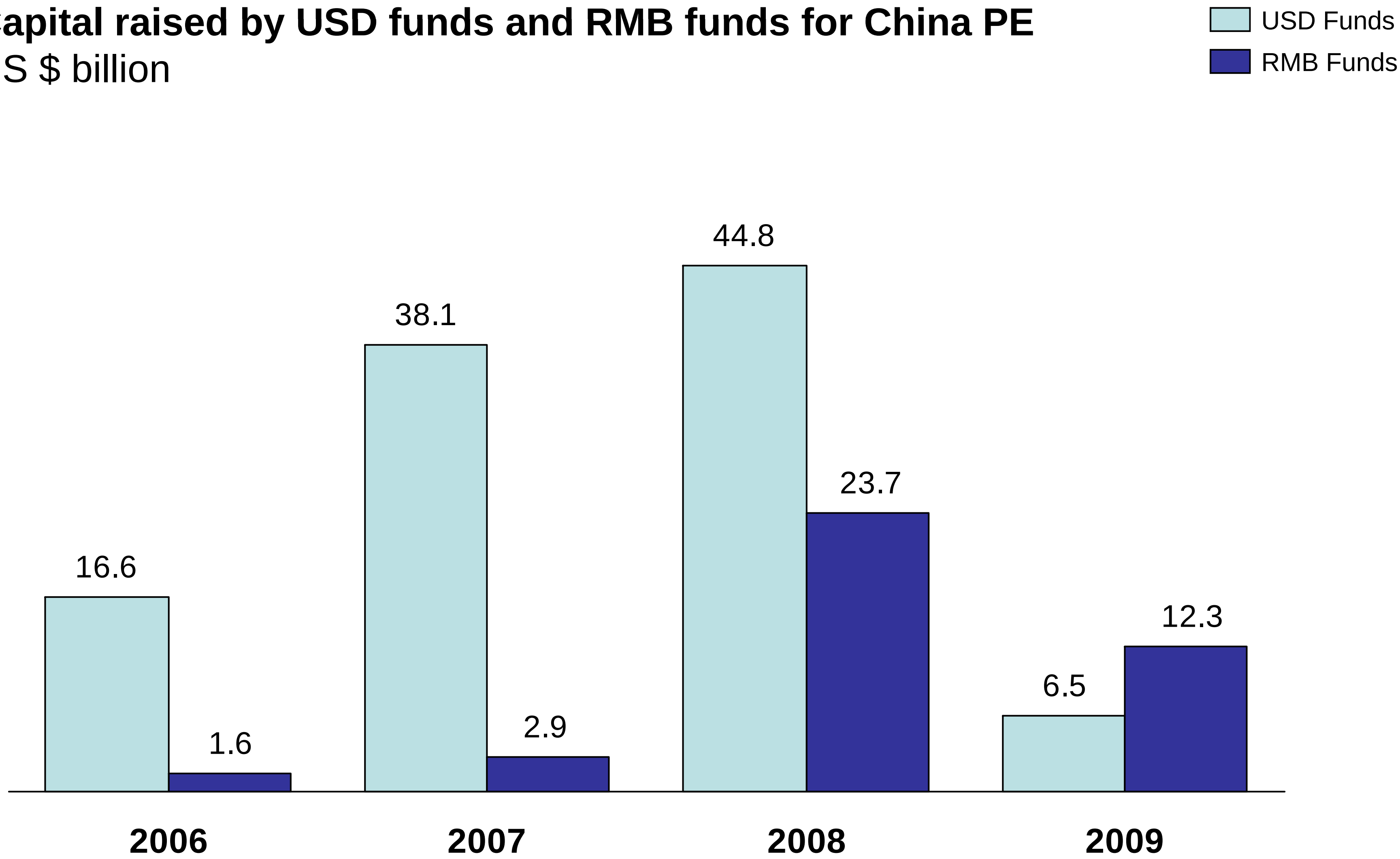
1. Sustainability of China’s growth and rest of Asia’s recent dependence on China

2. Valuations rising in slower growth environment

3. Continued “domestication” of China’s private equity market

RMB funds fundraising took off in 2008 …

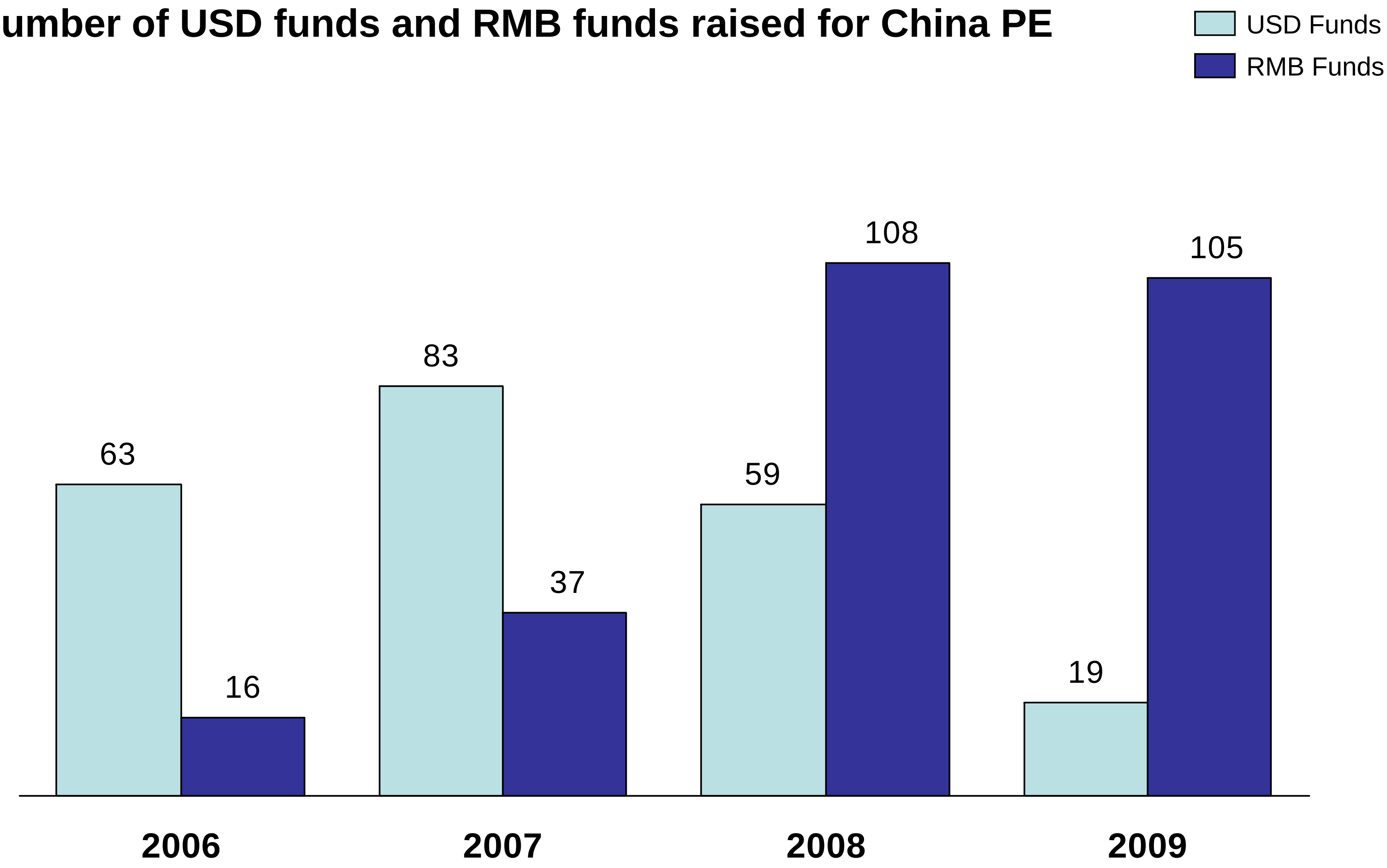
Capital raised by USD funds and RMB funds for China PE
US $ billion



Source: Zero2IPO

Number of funds raised overtook USD funds

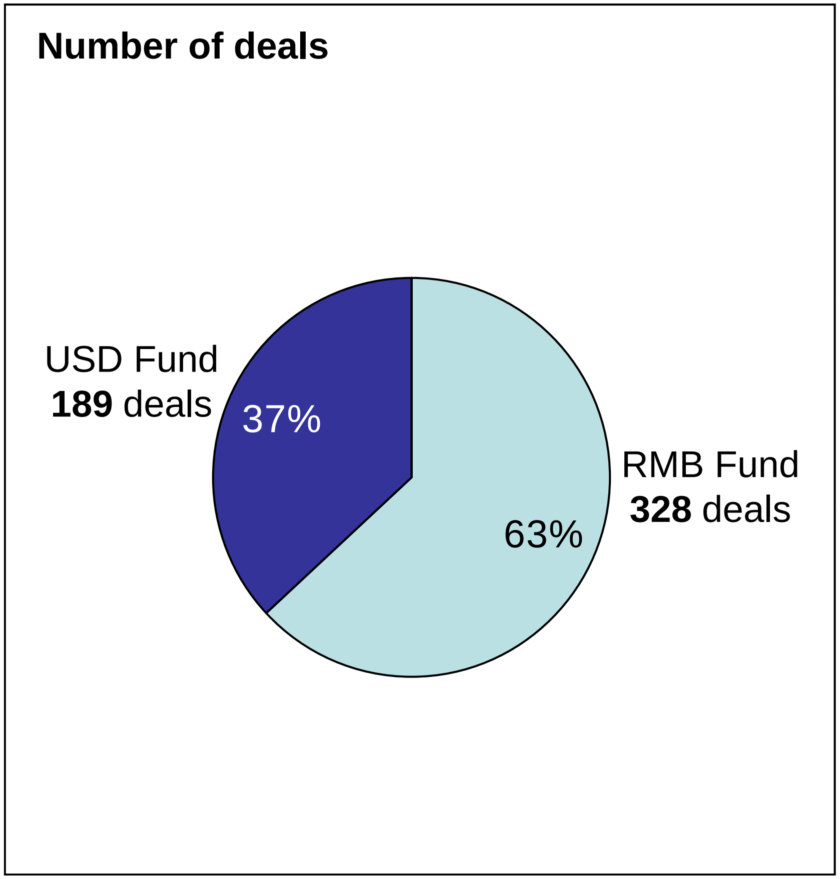
Number of USD funds and RMB funds raised for China PE

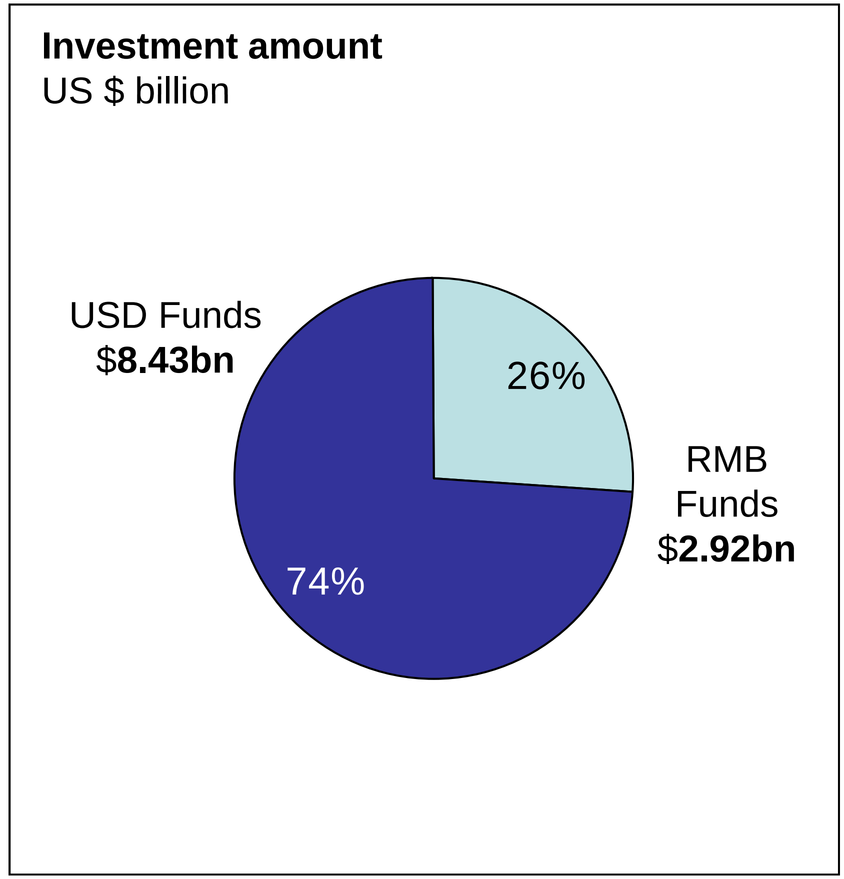


Source: Zero2IPO

RMB funds are more active than USD funds In transactions now

Distribution of investments in Chinese VC & PE market in 2009 by currency

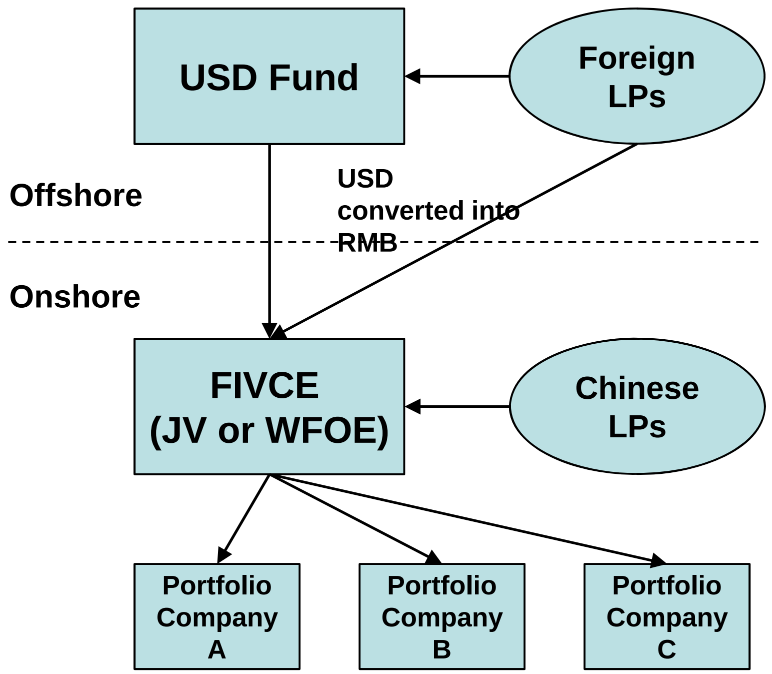




Note: USD deals include CCB transaction of $4.62bn
Source: Zero2IPO

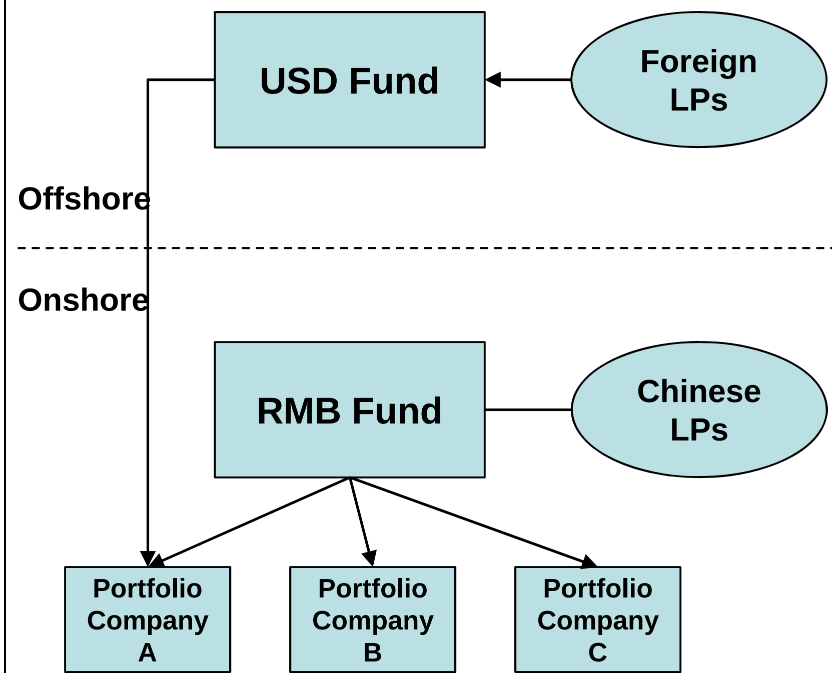
RMB funds typically fall under two current structures

Foreign-Invested Venture Capital Enterprise ("FIVCE")



- Typically non-legal person structure
- MOFCOM approval is sought
- SAFE notification is necessary to repatriate
- Restricted industries must get MOFCOM approval
- No conflict vis-à-vis USD Fund
- Ex: SAIF Tianjin Fund

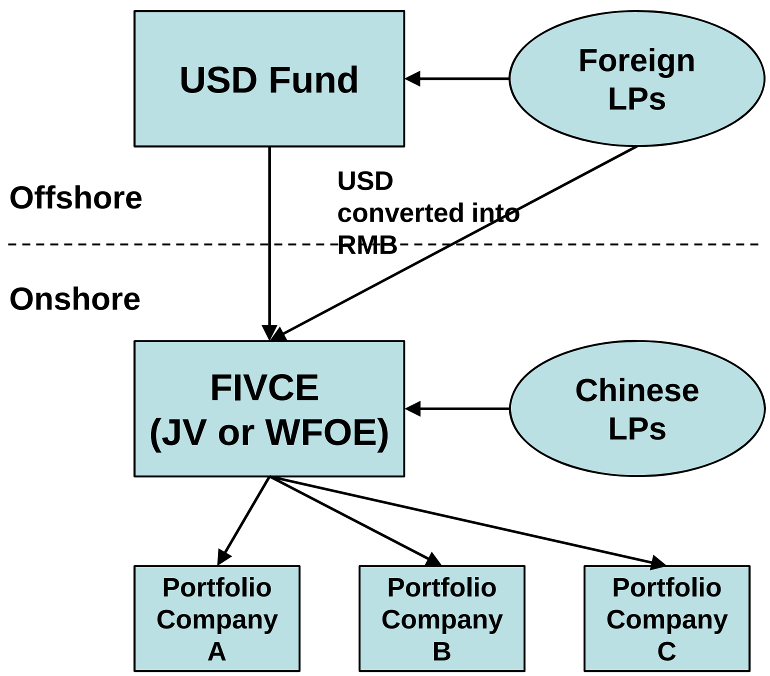
Pure Domestic RMB Fund



- Typically Legal Person structure
- No MOFCOM nor SAFE approval or notification
- Potential conflicts vis-à-vis USD Fund when not investing pari passu
- Ex: Bohai Fund, CDH and Hony RMB Funds

FIVCE

Foreign-Invested Venture Capital Enterprise ("FIVCE")



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- MOFCOM approval is sought
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- Restricted industries must get MOFCOM approval
- No conflict vis-à-vis USD Fund
- Ex: SAIF Tianjin Fund

Advantages

- Can be organized by foreign GPs
- Less stringent regulatory approval leads to faster and more certain deal execution
- Can exit through domestic listing or local trade sale
- Attractive valuation by A-share market
- Develop local LP base

Risks & issues

- Relevant laws governing RMB funds untested or lacking
- Unclear of GP's management responsibilities
- Still subject to sector-specific and other foreign investment restrictions
- Loss of certain preferential rights in deal structures under Chinese Company Law
- Longer lock up after A share listing
- Unclear tax treatment: 20% capital gain tax

Pure RMB Fund

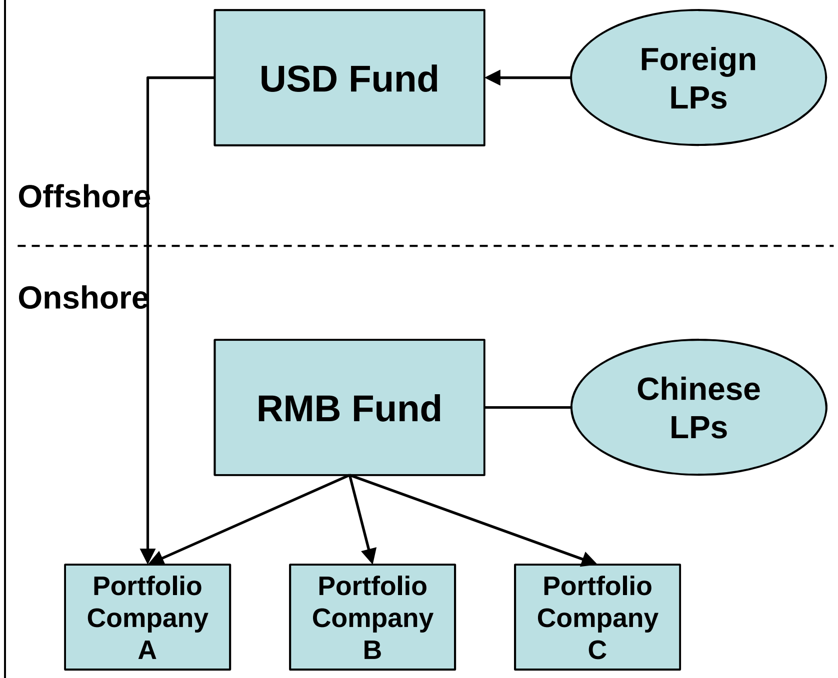
Advantages

- GP needs to be a domestic entity (except with special approval, e.g., Shanghai Pudong)
- Can invest in sectors restricted to foreign investors, such as publishing, financial services, healthcare, etc.
- Faster and more certain deal execution
- Can exit through domestic listing or local trade sale
- Attractive valuation at A-shares market
- Develop local LP base

Risks & issues

- Relevant laws governing RMB funds untested or lacking
- Unclear of GP's management responsibilities
- Loss of certain preferential rights in deal structures under Chinese Company Law
- Longer lock up after A share listing
- Subject to local tax regime
- Conflict when investing alongside USD Fund

Pure Domestic RMB Fund



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- Ex: Bohai Fund, CDH and Hony RMB Funds

3. Key Trends and Concerns in 2010 for Foreign Investors

1. **Sustainability of China's growth and rest of Asia's recent dependence on China**

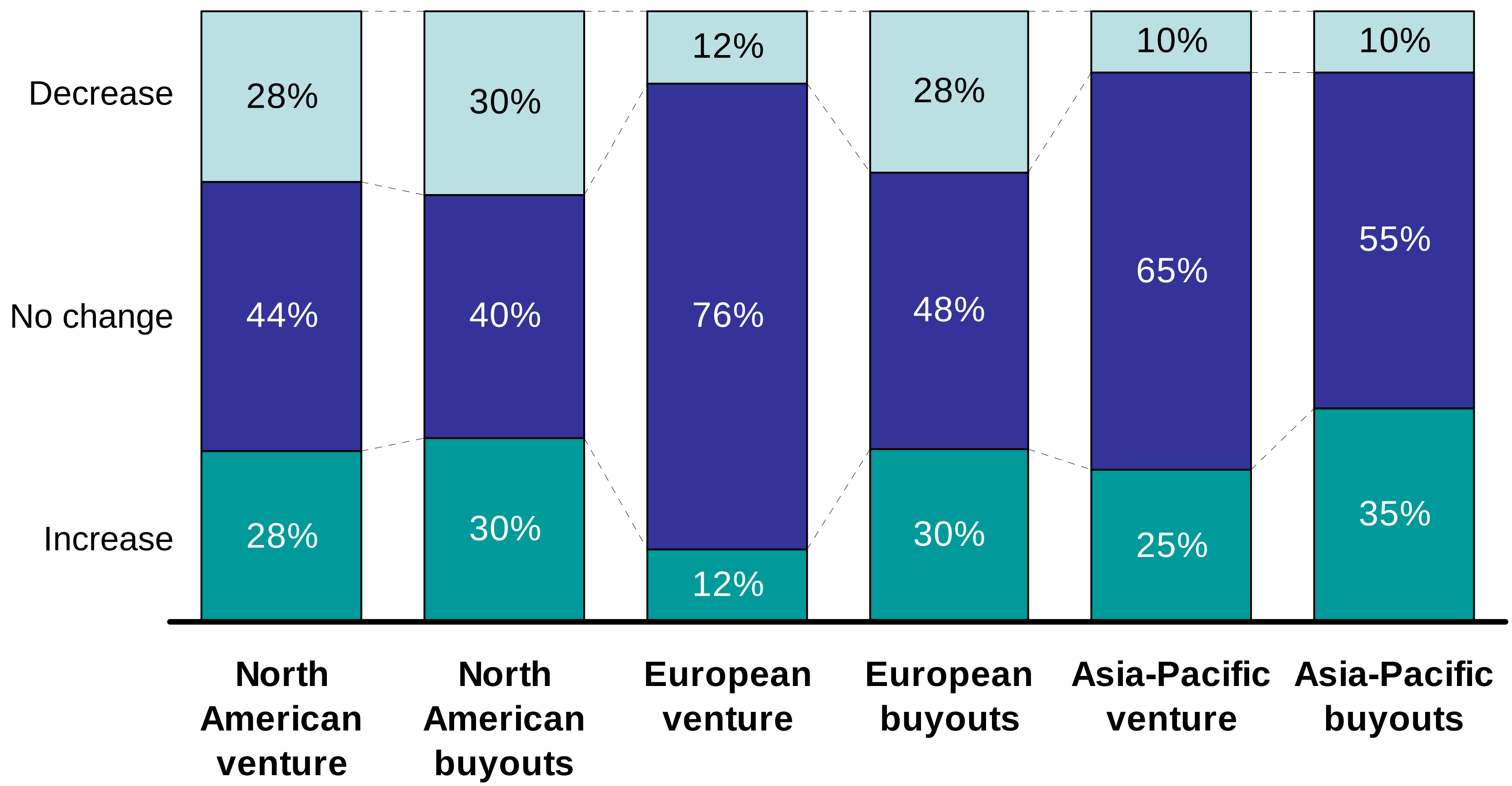
2. **Valuations rising in slower growth environment**

3. **Continued "domestication" of China's private equity market**

4. **Resumption of strong investor interest in Asia**

Global LPs continue to be bullish on Asia

LPs' plans for active GP relationships in 2 years' time



Source: Coller Capital Summer 2009 survey

4. Risk-Adjusted Return Approach

INDICATIVE ONLY

	Japan	Korea	Greater China	India	SE Asia	Indonesia	Vietnam	Australia/ NZ	Pan-Asia
Early VC				1,200 bps					N/A
Mid-Late VC									
Growth/Expansion									
Mid-Market Buyout									
Large/Mega Buyout	200-400 bps						N/A		
Distressed Debt									
Real Estate									

Asia Alternatives Bucket Ranking

INDICATIVE ONLY

Changes made in 2010

ATTRACTIVENESS	Low (<400 bps)	Medium (400-800 bps)	High (800+ bps)
Very attractive		• China Buyout • Korea Buyout • Japan Small-Mid Buyout • China Mid-Large Growth • Distressed Debt (Ex China) • India Small-Mid Growth • China Small-Mid Growth	
Attractive	• Japan Real Estate • Japan Mid-Large Buyout	• India Mid-Large Growth • Australia Buyout • China Distressed Debt • China Real Estate	• China Early-Stage Venture • India Early-Stage Venture
Less attractive		• India Buyout	• China Mid-Late Stage VC • India Mid-Late Stage VC • South East Asia Buyout • Vietnam Growth • India Real Estate • Indonesia Growth • Korea Venture

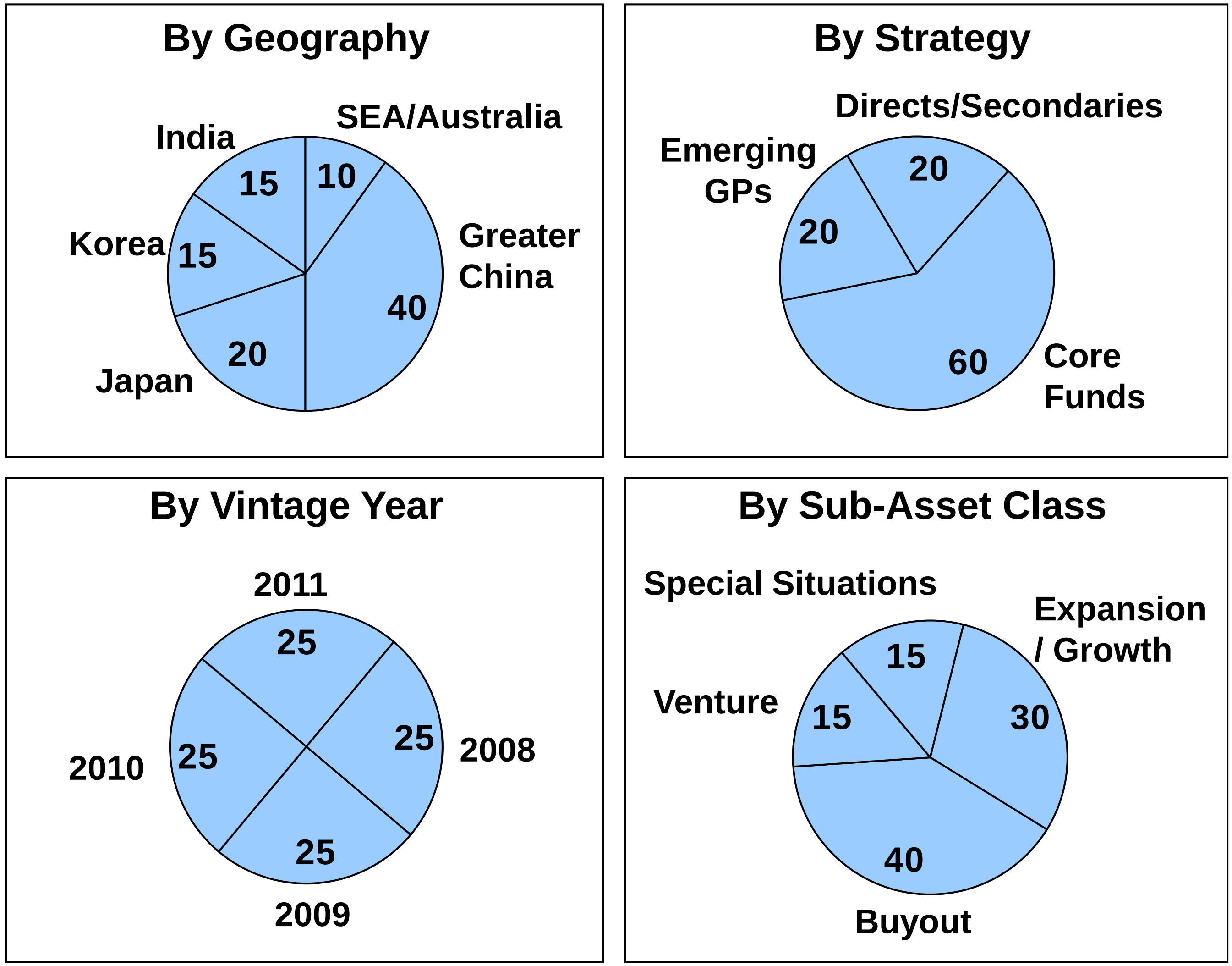
RISK PREMIUM

Source: Asia Alternatives Research. As of June 2010

Example Asia Private Equity Portfolio

- 20-25 fund managers
- ~30 total investments
- ~75-85% of fund managers will be independent, Asia-based firms, with the remainder affiliated with a US or European firm

% of total commitments



Rigorous, Bottom-Up GP Screening

Over 2,500 private equity managers across Asia

~950 fund managers that Asia Alternatives deems are worth tracking
Captured and tracked in Asia Alternatives' proprietary GP Database

~85 fund managers that Asia Alternatives will actively follow

- Captured on Target GP List
- Each fund assigned to dedicated professional
- On-going reporting and tracking of fund activities
- Each fund will go to Investment Committee before resources are allocated for full due diligence effort

Target 20-25 fund managers for investment for AACP II

- Thorough due diligence along criteria and process
- Proactive monitoring and co-investing
- Detailed fund reporting to LPs

Rigorous bottom-up screening of fund managers ensures top quality investments

Benchmarking for Geographic Premium

As of September 30, 2009

AACP I vs. Global FoF Benchmark	AACP I	Cambridge 2007 FoF Benchmark - Upper Quartile
Net IRR Inception to September 30, 2009	(0.09)%	(5.90%)
Outperformance / (Underperformance)	5.81%	

As of December 31, 2009

AACP I vs. Global FoF Benchmark	AACP I	Cambridge 2007 FoF Benchmark - Upper Quartile
Net IRR Inception to December 31, 2009	4.93%	(2.61%)
Outperformance / (Underperformance)	7.54%	

Note: Past results are not necessarily indicative of future performance

Benchmarking to Public Market

As of December 31, 2009

AACP I vs. PME*

	AACP I	Primary PME	MSCI Asia
Net IRR Inception to 12/31/09	4.93%		(5.92%)
Gross IRR Inception to 12/31/09	8.91%	4.59%	
Outperformance / (Underperformance)		4.32%	10.22%

As of March 31, 2010

AACP I vs. PME*

	AACP I	Primary PME	MSCI Asia
Net IRR Inception to 3/31/10	7.53%		2.74%
Gross IRR Inception to 3/31/10	11.27%	3.93%	
Outperformance / (Underperformance)		7.34%	10.27%

* PME= Public Market Equivalent index

Note: Past results are not necessarily indicative of future performance

AACP I – Benchmarking to Asia Private Equity

As of September 30, 2009

AACP I vs. Asia Private Equity Benchmark	AACP I	Cambridge 2007 Asia Private Equity - Upper Quartile
Net IRR Inception to September 30, 2009	(0.09)%	(0.08%)
Outperformance / (Underperformance)	(0.01)%	

As of December 31, 2009

AACP I vs. Asia Private Equity Benchmark	AACP I	Cambridge 2007 Asia Private Equity - Upper Quartile
Net IRR Inception to December 31, 2009	4.93%	4.12%
Outperformance / (Underperformance)	0.81%	

Note: Past results are not necessarily indicative of future performance

Looking Ahead

Asia Alternatives' Projections

- **Longer term effect of Global Financial Crises (GFC) and liquidity slow down not fully played out yet**
- **Private equity deal environment post-GFC more attractive than pre-crises**
- **LP flight to quality – access to GPs with strong track records will be hard, but returns will be even more correlated with top quartile and top decile performance**
- **Overall talent pool improving – new players, existing players building track record**
- **New markets and managers will come on-line faster than expected and will be important to achieving overall LP return**
- **There will be "blow ups" – funds, managers, and deals**

Implications and Considerations for Investors

- **Long term Asia portfolio construction - geographic mix, fund types, emerging vs established managers**
- **Go direct or use FoF/partners?**
- **Partners in and resources for Asia**
- **Expectations for returns and time horizon**
- **Risk – return appetite**
- **What type of investor do you want to be known as in Asia?**

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