

Preqin Industry News

Alex Jones delivers a round-up of the latest private equity news, featuring exclusive intelligence uncovered by Preqin's analysts. Preqin Online subscribers can click on the investor/firm names to view the full profiles.

China has proved to be an interesting area for the private equity industry. Despite a recent slowdown in the growth of economic output, growing numbers of investors and fund managers are viewing China as an attractive region for the asset class (see the article overleaf for further details). China itself is also opening up more to private investment opportunities, with governmental regulations being relaxed to help attract private equity capital into the country in order to stimulate local economies. As regulators in China allow insurance companies to double their exposure to private equity to up to 10%, China expects to see an influx of new capital into private equity funds. As shown in the Chart of the Month, China-focused fundraising has increased over recent years. This is indicative of a growing appetite for alternatives exposure across the country.

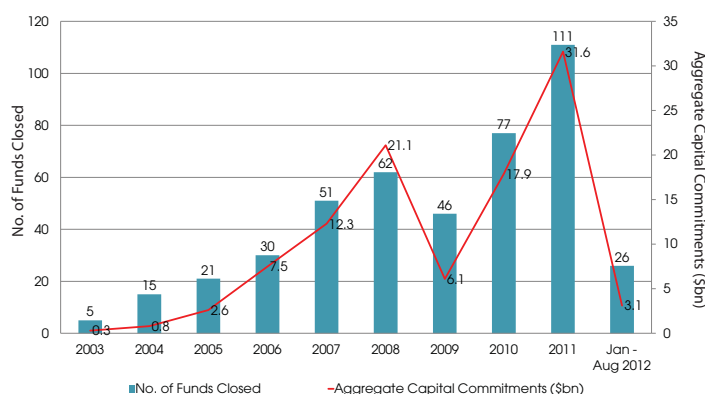
One investor that is viewing China as a favourable investment destination is the €14bn [Finnish State Pension Fund](#). The government agency intends to step up its exposure to Asia and sees China as offering good opportunities. It intends to gain exposure via fund of funds vehicles that focus 100% on the region and will look to commit €20mn per fund, although this can vary depending on each opportunity. Similarly, Japan-based insurance company [Sony Life Insurance](#) will be looking to make new commitments to China-focused funds in the near future. The firm intends to commit to growth and secondaries funds over the next 12 months, and will also be targeting other regions such as South-East Asia and Australia. [State General Reserve Fund of The Sultanate of Oman](#) is another significant investor that is looking to invest in China in the next 12 months. The sovereign wealth fund, which maintains an 8% allocation to private equity, plans to invest in growth funds targeting China and India, alongside buyout funds that invest in North America and Europe.

Elsewhere, a local LP planning to make new investments in the coming year is [Shanghai Yangpu Government Guidance Fund](#). The China-based government agency intends to make a number of new fund commitments, with a particular focus on venture funds; however, it will also consider investing in growth opportunities. The firm primarily has a preference for China-focused funds that aid the development of Yangpu region, but it will not rule out making other investments in the coming year. It will consider investing in first-time funds on a case-by-case basis.

Fund managers have benefited from the increased appetite for private equity investment in China. One example is FountainVest Partners, which has reached a \$1bn first close for [FountainVest China Growth Partners II](#). The vehicle, which targets a range of growth-stage investments in China, needed only a few months to reach this interim close, highlighting the high degree of investor appetite for such opportunities. The fund is backed by a number of North American institutions, showing that an appetite for private equity investment in China is not limited to Asia-based LPs.

Another is [Innovation Works Development Fund II](#), a venture fund that reached a \$148mn first close. The fund is managed

Chart of the Month: China-Focused Fundraising 2003 - August 2012



Source: Preqin Funds in Market

by Beijing-based Innovation Works and targets internet-related companies, including those in the mobile internet, consumer internet, e-commerce and cloud computing sectors. Additionally, fundraising is almost wrapped up for [CITIC Private Equity Fund III](#), a substantial China-focused growth fund. The fund, raised by CITIC Private Equity Funds Management, is on course to raise between CNY 10bn and CNY 12bn.

Recent fundraising success has not been limited to just the larger China-focused funds, with the recent news that [Qiming Investment Fund](#), managed by Qiming Venture Partners, held a final close on CNY 600mn (\$94mn). The vehicle seeks investments in early to expansion stage companies in the clean technology, environmental services, consumer products, IT, internet and healthcare industries within China. Similarly GSR Ventures' China-focused technology fund [GSR Opportunities IV](#), raised an aggregate \$133mn in capital commitments at the end of May. The vehicle is managed in China and seeks domestic investments at the expansion / late stage.

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@peqin.com and we will endeavour to publish them in the next issue.