

Asia Alternatives targets China PE with \$1.5 billion

By Yvonne Chan | 9 August 2012

The fund-of-PE-funds manager plans to invest in China's growing pool of RMB private equity funds after amassing \$1.5 billion in new capital.

Asia Alternatives has raised \$1.5 billion through a fund of private equity funds and managed accounts, with plans to invest in the growing pool of renminbi-denominated PE vehicles in China.

Asia Alternatives Capital Partners III, which was launched in mid-2011, closed at \$908 million, surpassing its fundraising target of \$800 million.

An additional \$600 million was raised across a series of separate accounts for large individual investors. The vehicles will invest alongside Fund III, providing a total of \$1.5 billion that will be invested in Asian PE funds.

"It's the largest pool of capital we've ever raised," says Melissa Ma, co-founder and managing director of Asia Alternatives. Its debut fund closed in 2007 at \$515 million, with Fund II closing the following year at \$950 million.

While Ma declined to disclose returns, documents by Californian pension CalPERS, one of its investors, lists the net internal rate of return of Fund II at 21.8% as at December 31, 2011.

About 75% of Fund III's investors are clients who had previously allocated to Asia Alternatives' funds and are largely North American institutions.

"The 25% of the investors that are new are disproportionately from Europe and Asia," says Ma. "The biggest shift in our investor base is the fact that we have a much higher proportion in Fund III outside of North America than we did before."

Asia Alternatives invests in buyout, growth, venture capital and special situations PE funds across the region. "The largest part of our portfolio is invested in Greater China," says Ma. A new addition to the portfolio will be RMB-denominated private equity funds in China, with Asia Alternatives having received a [qualified foreign limited partner](#) (QFLP) licence last year.

While licence conditions would preclude investment in funds with interests in so-called restricted sectors – including telecoms, energy, commodities, oil and gas – Asia Alternatives believes the licence will give it an edge over other fund of PE funds.

Of the first round of QFLP licences that were issued, "all except one were given to [general partners]", says Ma. "We were the only [limited partner] that was given a licence."

In China, investor money has been flowing into RMB private equity funds, which have grown in number to 129 as at the end of 2011, from 70 in 2008, according to consultancy Bain & Co. During the same period, foreign currency PE funds in China fell to 25, from 44. Asia Alternatives, which has about \$3 billion under discretionary management, opened a Shanghai office at the start of the year to serve as a hub for its RMB investment strategy, notes Ma. It also has offices in Hong Kong, Beijing and San Francisco.