

ASIA'S ALTERNATIVE EDGE

Announcer 00:00

Please welcome the panel on “Asia's Alternative Edge,” moderated by Kevin Lu, Chairman of Asia Partners Group.

Kevin Lu 00:28

Great. Thank you. Thank you everybody for coming to this session about alternative investments in Asia. I think there was a separate session in the bigger room about the private markets globally. And I think we are going to continue some of those conversations. So let me maybe before I introduce my three distinguished guests, I'll first put a little bit things in the in the context, right? So if you work in this industry, in alternative investments, slash private markets, particularly, I think all four of us a little bit more on the private market side, and you, are in an exciting space, but a lot of the lot of uncertainties, right? The last two or three years has not been the smoothest years in this industry, and we will unpack some of those things. And to put Asia, sort of alternatively, the global context, right globally, I think, I think the industry has questions about the timing of exits. From LP perspective, when you get your DPI, there's industry consolidation between GPs, between GPs, as well as with GPs and the bigger asset managers and everybody is talking about the total volume of the industry is going probably from the 10-14, range to 20 because of private wealth and others so. So there's a global context, and in Asia, where we are today, if you look at from the two angles of industry, where is where the capital comes from, right, we have the largest sovereign wealth fund, and our wealth accumulation has its own unique pattern compared to Europe and US. That has implications to all of us, then on the investing side, right? When we, as GPs, investing in companies, there are big families we need to work with, which is a different way, if you are in the US, right? Or if you go to Japan, Korea, big conglomerates, and they are so Asia has its own unique set of things—So we're going to unpack some of the things, and let me quickly introduce each of them,—but maybe I will also ask each of them, when you start to speak, give a fuller introduction of you, of your organization. That's perfectly fine, right? To my left is, is Ankur, who runs GICs private equity funds and co-investment for Asia. And Debra runs Asia for Albourne, one of the one of the largest investment consultant firm globally. And to my far end is Ganen, and who runs TPG as a managing partner for Asia and Middle East. And I think we have all known each other for a long time in in Singapore. So I look forward to the conversations. So let me start from the asset class overall for private markets and alternative investments, right? Do LPs? Are LPs still allocating? Are they allocating more less? Are they allocating differently? Why? Why not more or less? I have all these questions in my mind. From the asset class perspective. Can I start with Ankur?

Ankur Meattle 03:15

Yeah, thanks, Kevin. Ankur from GIC, like Kevin said, I run the Asia Funds co-investments business. So we think of private equity as a long term asset class. The whole idea is to improve governance standards use the private equity toolkits like sector specialization, underwriting well, bringing operating capabilities on board and ultimately selling a better business towards the end. So that thematic continues, and that remains exciting for us. I guess in the Asia context, what we feel is that the amount of private equity deal flow around control buyouts is increasing, both in emerging markets and developed markets. So Japan is a key example where corporate governance, code development, there is the Tokyo Stock Exchange president who's really pushing for improved productivity. So that's driving a fair amount of buyout flow. And in emerging markets as well, if you look at China, India, one is seeing increasingly a higher percentage of control buyouts at scale. So that is, of course, exciting, but it's not just the control private equity kind of mindset. It's venture capital, infrastructure, real estate, private credit. Across the board, we are seeing more and more, fortunately. I'm sure we will unpack more as we go through this session.

Kevin Lu 04:46

And Debra, will you advise your clients—I understand many of them are in US and Europe. When they look at Asia, when they look at this asset class, what do you see from asset class broader perspective? Then we'll go to drill down to more details. Yeah.

Debra Ng 04:58

Thanks. Thanks. Kevin and just a quick introduction to me. I oversee the Albourne's Asia business, but my team is also responsible for ensuring that the advice, the due diligence, and the research that we provide is fit for purpose for our APAC clients. So my team focuses on our APAC clients and so that— you know— but we do see—and you know— if you were at the large conference last week, a lot of our clients had come through Asia, and our teams on the ground, on the investment due diligence side and operational due diligence side do help our US and European based clients. I think there continues to be interest in Asia. And I think at this current moment, most LPs are looking for diversification, shall we say. Europe continues to be maybe the first stop we've seen that both private markets and the liquid alternatives side. We do a fair bit of hedge fund consulting, for those of you who know us for a longer time, but we're seeing appetite for diversification, right? Having said that, you've not been paid for diversification away from the US, but you know, people are keeping their options open—I think the biggest thing that they've been looking at, if you're a non US denominated investor, is currency and how to hedge that. So aside from private markets, I think there's the overarching currency hedging. Because in the past you've I think LPs have benefited from a tailwind. You know, both the assets have done well and the currency has done well, but in the past year, currency has introduced quite a lot of volatility in investment programs. And so I think people are trying to separate those two and consider how to manage their hedging portfolios, for example.

Kevin Lu 06:56

That's a great point. Ganen, TPG has the leading global GP, which has been in Asia for a very long time, including yourself. How do you see the whole asset class develop?

Ganen Sarvananthan 07:06

So I think if you, if you look back at the last five years, you've had the most amount of macro disruption, I think you've had in a long, long time, right? You've had Covid, the restrictions around movement in Asia was much more severe than any other part of the world. Geographies were kind of shut down and contained with people within their countries. You then had the interest rate cycles respond to higher inflation, which led to higher base level rates. And this year, we're all reading the newspapers or watching the TV every day to figure out what tariff is coming out, where and when, right. So you think about that macro disruption over the last four years, it's been pretty immense when you, when you when you step back and go through what we have. So I do think that, you know, as a GP, I think all GPs have had to go back a little bit to the basics around assuming multiple parity on exit, or multiple contraction even on exit, and work through the ops side of the of the of the of the investing and inform views on underwriting to get those returns. I think India being an exception, where the public markets has been your friend. Other markets, Japan, to some extent, but all other markets, I would say the markets have been neutral to negative in the rest of Asia.

Kevin Lu 08:43

Right, can we, can we maybe take this—can I take the authority to drill down a little bit on the on the countries, a little bit, in Asia, because Asia is a very large term, right? You cannot really generalize. So maybe let's start from Ganen, going backwards—maybe a couple of minutes within Asia. How do you see you mentioned Japan, India, already, right? Are there other country markets in Asia that interest you in particular, or worries you in particular, where [inaudible] are faster, where [inaudible] are slower? Then I'll work backwards, yeah,

Ganen Sarvananthan 09:11

Australia, New Zealand has been a great consistent market of providing you know, what I would call developed market style returns in in Asia—which you know—have been, have been something that we've enjoyed. There is no one Southeast Asia, as we all know—it's various countries. We're now at a point where I think Vietnam is on a path to growth and recovery. Some of the other countries in Southeast Asia may be a little more challenged. Korea with—you know—hopefully got the politics behind us, and maybe be able to look forward to some growth.

Kevin Lu 09:51

So Ganen has covered most of the markets. Debra, Ankur, do you agree, disagree on anything? What do you want to add?

Debra Ng 09:58

I think Korea surprised some investors. And, you know, the early movers were looking at Korea. I think now there's a little bit of a FOMO, and people trying to go there and look. It's not as large as the Japan opportunity, but certainly, the delta has been a lot more exciting.

Ankur Meattle 10:18

Yeah, I would add China as well. It's difficult to have this kind of conversation without talking about China. So we are seeing MNC (multi national corporations) carve outs. I mean, Starbucks—China is being talked about—Decathlon, et cetera. So that is one thematic then some kind of succession deals. So some of the promoters, entrepreneurs keen to sell their businesses. So these are control kind of deals, and then venture capital as well. A lot of innovation happening around China, all the way from humanoids to the biotech space, EVs. So interesting technologies coming through innovation and with the capital markets in a better place, one is likely to see some level of exits also. So there is a pipeline of exits building up that we should see in the next six months, 12 months. So again, it's like we are discussing. It's different thematics for different countries, and we see ourselves playing, being a full scale player, covering different segments.

Kevin Lu 11:27

Yes, from my end, maybe also just to share, this is beyond my role as a moderator. As a GP, we have partners. We have 250 people here, right? We have eight offices in Asia Pacific, and so we cover the entire, the entire region. I think the nice thing, and also the most boring thing of this industry, is that there's usually more agreement than disagreement, right? So as Ganen, Debra and Ankur has covered those markets, we actually have very similar views in 30 seconds, which is where we are looking at Japan with a lot of interest, given the big changes on corporate governance, the cultural sort of attitudes towards foreign investors. I think private equity—10 years ago, you probably didn't want to offer that in Tokyo, whether in English or Japanese. Today, it seems to be something that's more positive. Korea is interesting as well—India and China markets teams have both done wonderful jobs, you know, we're getting a lot of attention. Southeast Asia, where we are, unfortunately, is not a surprise. So you're now day two at the Milken Institute— we have heard enough about how Southeast Asia is fragmented, not only for our industry, but for others, but I would say particularly for our industry. If you look at the large buyout opportunity, it's just—you know—people talk about 600 million people, but it's very, very different from one single market that are fully integrated, right? So I think the fragmentation of ASEAN continue to be a challenge for Western GPs like ourselves. We have full intent to do more, but it's just a little bit harder to get things together.

Debra Ng 13:00

Can I...

Kevin Lu 13:00

Sure, Debra.

Debra Ng 13:02

Interesting things that are happening in ASEAN is that, you know, because of the geopolitics, increasingly, a lot of the government, governments and sovereigns are also considering how they're going to jumpstart their own economies or support and invest in their domestic growth. You see this in our neighbors. You see it in Southeast Asia, and I think that is a relatively new phenomenon, and which I think has legs going forward. If you've heard about what Malaysia is doing in the national program for progress. It's quite a big sea change from the past.

Kevin Lu 13:48

Yeah, this is a point I originally planned to bring up a little bit later—in terms of the LP—particularly the sovereign wealth fund LPs' perspective. But since they were, since you mentioned it here, let me quickly also get the views from Ganen and Ankur. I'll go to Ghana first, because Ankur, I know it's more sensitive for you. I'm not asking you to talk about GIC. Okay, I'm not talking about your peers. What's your observation of your other sovereign investor peers and but God, I'm sure, I'm sure TPG, like us, work with many sovereign wealth funds in the region. So what do you what do you hear from them, both the established ones as well as a newer one, right? Every other month you hear announcement of a new sovereign wealth fund somewhere, and how does that affect your work?

Ganen Sarvananthan 14:29

So look, Debra. Hit the nail on the head. I think the geopolitics that's biggest trend is the de-globalization, right, or the regionalization, and so governments have to be elected. They have to face their by and large, their electoral constituents every four years or five years, as the constitution in the country might permit—or six years in the Philippines, in the case of the presidency. And there is increasingly desire for these sovereigns to figure out what they can do in terms of playing a catalyst role in bringing in investment capital and facilitating that you know—and you've seen, you know, in the last cycle of the presidency of Indonesia, you know, and with the new president, you got two different entities INA as well as Danantara set up to be focused in in a country like Indonesia. You've had, you know, Brunei Investment Agency for a long time looking externally, but also, you know, they have, you know, within Brunei Darussalam Investments and other entities to look at partnering with people that come in, you know, and Debra's, already talked about Malaysia—and I think that the Philippines has set up a sovereign fund. So these are all looking at investments domestically, within their countries,

Kevin Lu 16:09

Right? I guess there are two points I wanted to add here again. I'm giving Ankur even more time to think about his comments. One is that, as Ganen, as you said, right—a lot of the sovereign backed investors—not all of them—many of them have dual objectives, right? They need their return first and foremost, and in some cases, they also have other things in mind. You can define that as strategic objective. You can define that development objectives.

Nothing wrong with that. I think a lot of times the conversation is about, how do you get these two both right, and where is your fiduciary responsibility? Usually it's a return first, but do you consider the second? I think, the second point, I think, is particular to this region as well as Middle East, I would say, is that the societies in Asia and Middle East has accumulated wealth differently from US and the traditional wealth, right? So you do have bigger governments here. You do have more state owned enterprises, therefore you do have more dividends going to those state backed entities, right? So, so therefore, I think it's a given that sovereign wealth funds and similar activities are just much more relevant here. And you don't hear that in Western Europe, right? You go to Western Europe, you ask people sovereign wealth fund, they probably don't know what you are talking about, right? So, so it's a reflection of how the wealth accumulation in different societies has occurred between state and individuals, and it also has to do with our pension system, right? So this is here to stay. I think GPs, like ourselves need to find the best way to work with them. Yeah, Ankur, you have enough time?

Ankur Meattle 17:44

Thanks. So like you know, GIC invests outside Singapore, I guess to your point, one is increasingly seeing more Sovereign One fund activity in Asia. So if you look at the Middle East folks, they are increasingly spending time in Southeast Asia, China, building out the presence across Asia—some of them setting up offices here as well. So I think that augments the private equity landscape, both in terms of an LP, co-underwriters, sometimes these guys are doing direct deals as well. So it increases the appetite for Asia as well, as you know the value creation that can come from what these guys are bringing through, of course, for larger deals, the idea is to partner with folks like TPG and others to do those deals. So all in all, I think it just allows for a deepening of the ecosystem.

Kevin Lu 18:36

Yeah. So Ankur, since I have you here that if a new, a new sovereign wealth fund somewhere, hypothetical sovereign wealth fund comes to you, I'm sure they do, right? GIC is regarded as this sort of the gold standard for advice. What would be one or two first things you would tell them—you don't need to go to specifics in terms of setting up a new sovereign wealth fund. Start to invest with GPs or directly, what would be the first one or two sort of suggestions you would make to investors.

Ankur Meattle 19:04

I guess think long term. So patience is important. I guess diversification we talked about, but also vintage diversifications are slowly build up the business. I would say localization is very important—so understanding who to work with and who may not you want to partner with is also very important. And I guess the third thing I would say is not every business is easy to exit. So you have to understand what is IPO-able—what you know will have demand from a strategic perspective, and frame that strategy accordingly.

Ganesh Sarvananthan 19:40

So the only thing I was going to say Kevin to Ankur's the reverse of Ankur's point on localization and making sure you understand the local markets, I think it's important that they open an office in a different jurisdiction. They send someone that they really trust from headquarters down to the region. Because I think if it's going to be populated purely by folks that are from the local areas but don't have connectivity with and trust with the headquarters, you might, you might find that there is still that gap in bridging it, right?

Kevin Lu 20:16

I think that's a great point, right for any global organization, I'll ask Debra to opine on this as well, I think not only the big LPs, right? You sort of, you need that balance of having enough local talent so you have the bottom up intelligence, data point, cultural sort of awareness. But you cannot ignore the trust with the headquarter as the investment organization, if your IC member sitting in New York or Zug, in our case, have [inaudible], understand what you're trying to talk about that it is. Debra, you want to add something, I think?

Debra Ng 20:46

No, I just in Australia. I think that's what they've actively done. The Australian LPs, the largest superannuation funds, have started offices in in the US and London. And, you know, are trying to do exactly that. To some extent they are subject to the constraints of their size, which means that they need to do more direct deals. They need to work on those relationships and to partner with their co-invest, you know, partners and so on, to find direct deals. So I think it's going both ways. But the point I wanted to make with regards to the growth of the, you know, especially ASEAN or the Asian sovereign wealth funds, in terms of investing in their own economies, is that the texture of LPs and how they invest is changing and slightly different, right? So I think Bain came up with a report last year that basically said, you know, 60 percent of new inflows into private markets will be from sovereign wealth funds and private wealth and instead of the traditional institution. I mean the traditional institutions will continue to allocate, but it means that there will be kind of a shifting in what GP'S need to deliver, or how they deliver it, or how they convey what they're doing.

Kevin Lu 22:11

Yeah, I completely, I haven't seen those numbers, but I completely agree. I think, I think it's a sovereign, it's a private I would add probably insurance capital to that, right? I think the traditional, sort of small pension endowments, that is, that part is probably not going to grow in a very significant manner. So let me so we covered the asset class, we sort of got into this impromptu discussion about sovereign wealth fund. Why don't we go, go back to a little bit of a topic of GPs, right? So we you have two GPs on the on stage, and Debra is obviously in the middle, and Ankur is on the other side. And so what do you guys observe in terms of private markets, GPs, alternatively, investor GPs in Asia, what's new? What's old? What is GPs doing? What they're supposed to do? Are they delivering—are our lives more difficult or easier, Ganen and or from whatever GPs you work with.

Ganen Sarvananthan 23:06

You have a you have a dual identity, though, that's true. So you can, you can wear your LP hat too.

Kevin Lu 23:13

Yes, yes, I wear whichever hat suits me, depending on the direction the sun comes. The—Ganen's point is that, for those of you who are not familiar with Ganen's group, we actually, we, a part of our business is to work with GPs like Ganen right, to sort of support them, whether it's primary fund commitment or secondaries, right? But a bigger part of our, probably 70 percent of our capital, come from our GP business, which we friendly compete and sometimes work with each other, one way or the other, you're absolutely right. So I'll definitely add my comment as well, but I will start with just checking, yes, yes, you're absolutely correct.

Ankur Meattle 23:49

Okay, so I think the level of institutionalization is increasing in Asia. So earlier, it used to be who knows who kind of thing right, and the origination was very much a focus, but now it's the right to win. What can you do with the business, either in terms of underwriting it or making it better in different ways because of who you are? Or what can you bring to the table? I guess the exit focus is, of course, increasing as well. And I guess the third thing I would say is fund management. So managing the gross net spread, you know how to kind of think about vintage diversification. So all of these things are becoming much more important. So it's great. It's taking the industry forward, and then the presence of more buyouts just allows for the full toolkit to be used. In minority deals, it can be a bit limited, but, you know, control just allows for a bit more. So we are quite satisfied and happy with the way things are proceeding and deepening in the Asia context.

Kevin Lu 24:55

So Ankur, you have been in this business for a long time. GIC is one of the most experienced LP, Institutional, LP in this space, right? So let me be more specific to push a little bit further, right. So if you are having a lot of conversation with GPs today, right? And if you compare that with five years ago, when you are talking to the GPs, right? How, what's the what's the biggest, do you say it's very similar what you talk with them five years ago? Or do you think today, these guys sounds a little bit smarter? So obviously Ganen and I probably sound smarter five years ago, but other GPs, right? What do you see? Is there a difference?

Ankur Meattle 25:26

I guess the biggest difference is five years back people will say I came across this deal because I have this connection. Today, it will be, you know, this is what I can do with the business. This is my right to win. So it's almost a given that a few of the folks are going to see the same business, and therefore I'm willing to, because I have the right to win. I'm happy to pay up a bit more, and I still believe I can make money. So that that clear thinking is the biggest difference.

Kevin Lu 25:59

That's absolutely fascinating, yeah. Debra, you are objective. You are evaluating all these GPs including us for your LPs. What do you see in the GP space?

Debra Ng 26:08

I think Asia has been a difficult place for exits and most of the clients who work in Asia, I think minority of them invest in Asia itself. They still focus on the US and Europe. For those that do have the appetite to allocate here, I think it's been a little bit of a struggle, but I think for the GPs that they have found to be trustworthy partners and have managed to avoid some of the issues we've seen in the VC space, for example, I think those would only get stronger and will continue to grow the AUMs. I think there is not, there's much less of a Asia pass, right? I think the requirement for Asian GPs and Asian funds are, you know, there is you don't get you don't get easier pass. You need to have as compelling cases as you have elsewhere. So I think just wanting diversification is insufficient now, and but there are some very good groups growing very robust long term businesses. And I think if they continue in that vein, and continue to partner with their LPs and communicate what's going on, I think it'll actually they're building the businesses for the future, just [inaudible].

Kevin Lu 27:43

Ganen, what's your self assessment of GP universe?

Ganen Sarvananthan 27:46

Yeah, look, I mean, the stats kind of speak for themselves, right? If you, if you look at the last four years or so, you've had a meaningful reduction in the number of Asia GPs, but at the same time, the AUM, for those that remained in business, I think, have grown on average, 30 percent right? So it's, I don't know whether it's maybe a reduction in the number of firms, but the firms that are in business are up in terms of growth. I think, you know, one of the—Asia has had lots of challenges on the macro front over the last number of years, which, you know, I think, have contributed to, you know, the tougher returns across the board, as compared to, sort of, say, North America, which has had, you know, an exceptional run and performance. You also have the, I think the added thing around transition of generation of GPs. So that's not been as smooth sailing in Asia, you know, I think, I think in the US, firms have, you know, transferred generations in a number of cases, pretty successfully in Asia, that's been a bit harder.

Kevin Lu 29:03

Yeah, so on this topic of sort of GP consolidation, if I, if I heard it correct, I wonder. I want to also get the feedback from the other two panelists, so from our perspective, right? So, you know, Partners Group is a Swiss firm and, and, more specifically, a Swiss German firm from a cultural perspective, right? So for us, the priority for many, many years has always been on organic sort of growth, right? Even, even when our hiring, we, in the vast majority cases, we hire individual talents rather than teams, right? So, but this is public, right? So last year, we made an acquisition of another GP called Empira. It's a, it's a European focused sort of real estate firm. I think in our last financials, we just announced that we incorporate the AUM into our global AUM as well. So for our firm, it's a it's a very unusual thing to do, right? And which sort of reflects industry. You see a lot of M&A ideas floating around between GPs. Right? Or between larger multi asset class, GPs, like ourselves, and more specialist GPs, as well as private markets, GPs being bought or invested in by large asset management firms, right? So I think Ganen, you also mentioned about how—I wonder how Debra and Ankur see this. For Debra, for you as the advisor to your LP, as a consultant, does it make your work little bit boring? You know, it's like [inaudible] number and Ankur, is that good for you? Because now you can, you have fewer relationship you need to be troubled with, but you can sort of extract more value from fewer partners? Or is that a problem? So I'm not taking side. I'm just saying that you may see this GP consolidation in different light.

Debra Ng 30:42

For us, I think as our clients relationships grow, I think it's becoming more of a concern for proper kind of ongoing monitoring and due diligence and so on. We certainly see it—you know, with the growth in private wealth that you know, increasingly, as their book of business grows with particular counterparties, it's something they use us as kind of, maybe the bad guy to go in and ask more difficult questions while they work on the relationships. But I think, hopefully it remains boring, because we don't want any issues or, you know, something that's too exciting happening in the fun—risk wise—but returns wise, we're always happy to support our client's programs.

Kevin Lu 31:26

Ankur, GP consolidation—do you think about it at all?

Ankur Meattle 31:30

Definitely. So, I think it's still early days. So of course, a bunch of folks, including TPG Partners Group, are listed, so there will be, like you said, organic, inorganic growth opportunities that you guys will pursue. So from our side, we want to kind of tap both areas—folks, I mean—so if you have multiple products, we can have strategic relationships with you and get the benefit of scale. But we also want to be able to tap the independent managers and get, you know, good exposures via them. I think how the industry evolves in the next three, three to five years will be interesting. Of course, not everybody is going to consolidate and you know, and there will be teams which will also spin out from the listed managers. How the space evolves is not fully clear at this point of time, but I think it's heading towards—more importantly, more capability build outs, and with this kind of, you know, global asset manager development, I guess over time I do feel the retailization democratization story will also kind of deepen, and you talked about insurance, so I think the prevalence and the acceptance of the asset class will improve. It's

still, you know, limited in terms of investor potential to the institutions, but over five years, 10 years, it'll meaningfully broaden.

Kevin Lu 33:09

Ganen, you want to add something?

Ganen Sarvananthan 33:11

No, I look, I think we're, we're, we're a firm that has grown inorganically, significantly over the years. I mean, my partner, Tim Dattels is in this room, he joined the firm called New Bridge, which was a collaboration between TPG and Blum Capital. And now we're all part of TPG fully. And, you know, we've integrated our secondaries business here successfully with my partners at NewQuest, you know, and that's now been good eight years—and in the last three years, we combined with Angelo Gordon, which added another side of the business. They've learned a lot from them in the last few years, on the real estate side. So I think with whatever you do with these inorganic combinations, they're obviously the least disruptive when there's an extension of a product that you don't already have in the firm. But it's all a people's business, right? So you've got to really figure out culturally—are you all going to integrate, you know, do well together and do better together? And that's, I think, the key aspect of the inorganic

Kevin Lu 34:21

Great. So Ganen already mentioned about the word product. So let's maybe switch gear a little bit. Look at the private markets, alternative markets, product, a lot of new things that are that, are that are going on, right? I think secondary is a big thing—different variations of secondary. It certainly has been interesting and for GPs to hold on assets a lot longer through different ways, whether it's continuation vehicle, whether it's cross fund transactions—whether it's other—whether there's a lot of new, sort of newly sort of created structures for this industry. So I wonder each of you, how do you see some of those? You don't have to cover everything and but maybe just come and pick one or two of these new innovations in the markets.

Ganen Sarvananthan 35:02

As you were talking, Ankur is getting indigestion. (laughing) All those points, making continuation vehicle, cross fund, longer hold.

Kevin Lu 35:12

GIC has views on those, but Ankur is not going to talk about it. I'm not asking to talk about GIC view. But as you observe, right is, how do you just pick anything you want to talk about from the market.

Ankur Meattle 35:22

I'm happy to start. I think it's—whether it helps to deepen the options to exit right ultimately. And what we are talking about are the better businesses, I feel the better businesses always have some potential to sell. I guess it's the ones that I worry about more are the ones that, for whatever reason, the thesis has not worked out. But having said that, I think if we were looking at some study of the CVs that have happened over the last few years in general, the returns are not bad. So we, of course, participate in this space. But the whole point is that it needs to be managed quite carefully, with a lot of communication and conflict management. So I think the industry is developing more kind of templates with engagement of ILPA as well, which is helping more standardization on this.

Kevin Lu 36:21

Debra,

Debra Ng 36:22

Yeah, I think innovation—secondaries definitely one of and some—I think quite a lot of demand. I think where mature investors in PE and VC are struggling with exits, secondaries have proven to be quite a good vehicle, and because of the dynamic in the market, a lot of new money coming in, actually, LP valuations are pretty high right now, right. So I think it has benefited some for looking for exits, and in my speaking to a number of secondaries' managers, you know, it could be the new liquidity structure that has gone mainstream. I think the concern I think many investors have, especially for those with existing portfolios, is that, you know, the secondary markets have had a record breaking year, and it's the largest first-half volume traded this year in history, right? And the most active period in history. So it's—for those looking for an exit on the LP side, it's not worked against them. They managed to get liquidity—you know, fund other areas of their portfolio if they want. GP-leds also still slightly behind LPs, the last count that I looked at in the Jefferies report. But I think it's going mainstream, and it seems like traditional LPs are also getting more and more comfortable with these as a source of liquidity. Think the concern comes as you know, the influx of retail or wealth into that space. To some extent, LPs have benefited, for those you know, looking for an exit, but at some point, benefiting from buying secondaries and marking them up immediately can last for a while—but as the funds get bigger, you know, the incremental gain from that is bound to taper off. So I think it's always a worry in any space. You've seen this in infrastructure in the past, where the more lower cost of capital, money coming into a space will reduce returns. So there's a return aspect first and foremost, but there's also governance aspects—as you know, the alignments of interests start to bifurcate.

Kevin Lu 38:58

Ganen, you guys are both in directs and secondaries.

Ganen Sarvananthan 39:01

Yeah. I mean, look, I'd say, you know, we're in the GP led, secondary side of the business in North America, Europe, as well as in Asia. You know, rough justice. It's \$100 billion year in terms of transaction value. Two years ago, that was 50 billion. So a doubling of a very large number. You know, Debra used the word it becoming mainstream. You know, I think, I think it can only become mainstream if Ankur participates in it. So until then, you know, we're still, it's still an alternative of the alternatives. But it is a growing space. And, you know, I think the reality is, I'm going to wear my colleagues' who actually run the business hat for a second, and they will say that GP's focus on—because at the end of the day—it's a quality of the company that is going to sustain the returns, right? And in this case, because you can't have a continuation vehicle for half your fund, the GP has to be selective about what they're pitching to be in that continuation vehicle. So it's skewing to the best of the best, and in that selection—and therein lies the governance issues for the existing investors, which the role—I think—helps allow them to be able to participate into it. But that kind of is the mitigant around how these things are structured, right? But the business is there. It's growing lots of LPs that used to say they'll never do it are now, kind of in the driver's seat of leading it and growing it. But all eyes are on Ankur.

Kevin Lu 40:59

I was about to say when you made that statement, you're looking at the Ankur. I'll pretend you didn't say that, but that's fine. Yeah. Okay. So two comments on my side, I jotted down two things on this topic. I agree with what Ganen and you, Debra and Ankur said. I think fundamentally, it's about the underlying assets, right? It's about the underlying private companies. Is it worthwhile to have exposure to them from the LPs? If there is a way to own them directly, without the fees and carries, that's great, if not, maybe there are other ways to have exposure to these assets, and that is, and that part of that question rely on some of the more fundamental things, fundamental things such as, there are just more quality private companies today than many years ago, right? You see the public markets number going down. Bigger part of real economy is now owned privately. So that's a very simple thing. And I would also add that the desire for many GPs to hold on to their winning assets longer—that's fundamental. It's very logical. It's very fundamental. We do a deal every four or five years in the old time you then you have to sell it because of whatever. Then you, you think among yourself—why do I keep this longer? So those are then, but then they're also shorter term thing, like, I think Debra has mentioned right? Exit is difficult, you know, maybe an easier way is to come. So those are—I split between two reasons. There are good reasons. There are slightly more questionable reasons underlying this sort of big growth of secondaries. But I'm fundamentally more on the on the positive side. I think it's just a way for LPs to gain exposure to goods for growing pool of private assets. One or two questions, I'll go quickly around, right so maybe LP/GP dynamics, and how do you how you see that very quickly, maybe less than a minute, I'll start Ankur. You guys are the expert in this.

Ankur Meattle 42:55

I guess they're going in the right direction. There is more awareness. ILPA is playing a bigger role, and, like you talked about GP consolidation. So I think the practices, good practices, are becoming clearer, and the LPs ability to kind of say, okay, you know, this is a template, why don't you follow it, is also becoming easier. So I think it's moving in the right direction.

Kevin Lu 43:18

Yeah. So Debra, in addition to the need for a good consultant in between LPs and GPs. What else is it between LPs.

Debra Ng 43:24

It's the need of good governance. And I think what's happened is that traditional institutional LPs have been very concerned about the influx of private wealth money, right—and the raising of private wealth money across private markets? It promises access to all those companies that you wouldn't be able to get in public markets. It promises ability to participate in innovation and growth. It promises many, many things and but you are seeing a concern about alignment, right? So we, we did a lot of work for the hedge fund side. There's going to be less this more than one minute, but with the Standards Board of Alternative Investments, just with after the GFC, right—It's more best practice, governance, transparency, and disclosure. And I think we're at the cusp right now where, as the industry grows, I think LPs and GPs can partner together to, you know, provide better transparency, disclosure, ensure alignment of interest with all parties involved in the industry—because I think it has important ramifications for the future of the industry and how it grows. And we're, all you know, involved in alternatives, and we certainly want successful and stable growth, but we want it to be done in a mindful way that you know, adheres to particular best practices in governance. We certainly in the private market side, support ILPA. Which I think GIC is a member of as well, but that is Institutional LP Association. I think there has been a big push to partner with GPs, and I certainly would encourage that going forward.

Kevin Lu 45:15

Ganen, LPG?

Ganen Sarvananthan 45:15

I try very hard to smile more and flatter both Debra and Ankur the best I can. I think we all have to appreciate that LPs are constantly going to change priorities, and we've got to keep up with them, right—and you sometimes have to tailor solutions as part of the you know—if you're a bigger firm—all the different products and platforms that you have in order to kind of meet those needs.

Kevin Lu 45:41

Yeah, I thought I smiled harder, but maybe, maybe. So the many topics I want to cover with you, but we don't have time, such as private wealth. You mentioned, I'm going to suggest to the Milken colleagues for next year to have a session just on private wealth and private markets on a carveout about China. I don't have time is either, and I think we only have a few seconds. So let me give you each 10 seconds. What is your one prediction you're going

to make for next year, or what is the biggest fun fact you have for this year? 10 seconds each. I work for a Swiss firm, so a minute is a minute.

Ganen Sarvananthan 46:15

2021, Kevin, we were on the same panel, and the prediction by Lim Hock was more rooftop bars in Singapore than in Hong Kong. So my prediction is more rooftop bars in Singapore than Hong Kong,

Kevin Lu 46:28

And that panel resulted in a lot of traffic jams last week in Singapore. I will not go to more details, but yeah, Garen and I and Lim Hock, your colleague, were on that panel. That's the first post covid Milken panel. Debra, one prediction.

Debra Ng 46:42

One prediction,

Kevin Lu 46:43

Or fun fact.

Debra Ng 46:44

Yeah, today, fun fact and prediction. Today, I think the top seven asset managers in alternative AUM, you know, have 40 percent of their assets in perpetual capital. I predict next year it'll be more so, yeah.

Kevin Lu 47:00

You have the last word, Ankur.

Ankur Meattle 47:02

So I think, like Debra mentioned, there are some questions around Asia given returns and a few macro issues. But I think next year there will be more positivity, more proof in the outcomes, more exits, more institutionalization, higher returns. So fingers crossed to higher IRs and better DPI.

Kevin Lu 47:23

I like this better Ganen, you predict more traffic jam for Singapore and Ankur predicts more positivity. Thank you very much all for your contribution.

Debra Ng 47:30

Thank you.

Ankur Meattle 47:30

Thank you so much.

Ganen Sarvananthan 47:30

Thank you.

Disclaimer: This transcript was generated by AI and has been reviewed by individuals for accuracy. However, it may still contain errors or omissions. Please verify any critical information independently.