AVCJ Weekly Digest

by Mergermarket

20 September 2023

COVER STORY

FAMILY OFFICES: A ROLE FOR HONG KONG?

Hong Kong's family office incentives are intended to redress a balance that has swung towards Singapore. Geopolitics is dampening competitive advantages.

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TALKING POINTS

AVCJ AWARDS 2023 - NOMINATIONS CLOSE SEPTEMBER 28

The submissions deadline has been extended, giving industry participants until September 28 to put forward the firms, fundraises, investments, and exits they believe worthy of consideration. For more information, go to www.avcjforum.com/awards

ANALYSIS

CYBERSECURITY: PE URGED TO GO POST-QUANTUM

Private equity firms with masses of information, long histories, and long futures will be vulnerable to code-cracking quantum computers perceived as lurking on an inevitable near-term horizon.

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FUND FOCUS

VERTEX EMPHASIZES REALISATIONS

Growth rounds for cashflow positive companies have facilitated most of Vertex Ventures Southeast Asia and India's exits – and laid the ground for its recent USD 541m fundraise.
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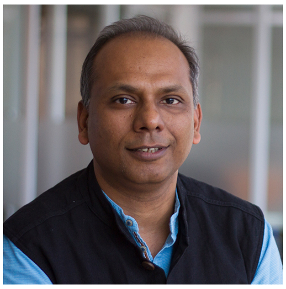
FUND FOCUS

PI VENTURES TRIPLES ITS DEEP TECH FIREPOWER



While deploying its debut fund, India-based machine learning specialist Pi Ventures realised it was in fact a deep tech generalist. LPs have come along for the ride.
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By the Numbers

AVCJ RESEARCH

EVOLUTION OF CHINA VC

China was a melting pot of ideas in the early to mid-2000s. The technology opportunity was beginning to crystallise, but at first there was no formal venture capital to fund it. Most early movers received a helping hand: IDG Capital and SoftBank China Venture Capital had corporate money; overseas angels backed NewMargin Ventures and Ceyuan Ventures; and some partnerships with US venture capital firms emerged.

Even those partnerships weren't necessarily uniform. Northern Light Venture Capital was seeded by NEA and Greylock Partners, but it never operated under the same brand. Sequoia Capital China did, but the relationship with Silicon Valley reflected the market at a certain point in time. Later affiliates (in some cases, US firms invested in China for years on a fly-in-fly-out basis before putting down roots) had their own idiosyncrasies: Redpoint Ventures, KPCB, Lightspeed Ventures.

It is relevant today because the recently announced brand separations – Sequoia becoming HongShan, BlueRun Ventures China transitioning to Lanchi – might have similar motivations but they are also happening from subtly different starting points. Moreover, the market evolved to the point where those trailblazing affiliates are not the dominant force and haven't been for some years.

Ranking China VC firms by size of their largest funds, HongShan is joined in the top 10 by two other US offshoots that still carry the international brand: Matrix Partners China and Lightspeed China Partners. Two more are former captives (5Y Capital and Lilly Asia Ventures) and five are spinouts (Gaorong Capital, Source Code Capital, Ince Capital, Lyfe Capital, and Xianghe Capital).

Lyfe and Xianghe emerged from Chinese companies, not from affiliates of US-based GPs. Looking further down the list – and at the team bios of numerous spinouts – the emergence of entrepreneurial talent from local technology players is the dominant theme of the second or third generation much as Silicon Valley helped define the first.

China VC managers by fund size

Manager	Status	Vintage	USD m
HongShan	Former affiliate	2022	8,800
Qiming Venture Partners	Independent	2022	2,500
5Y Capital	Former captive	2021	1,700
Matrix Partners China	Affiliate	2022	1,600
Lilly Asia Ventures	Former captive	2021	1,350
Gaorong Capital	Spinout	2020	1,150
Source Code Capital	Spinout	2021	1,000
Lightspeed China Partners	Affiliate	2021	920
Ince Capital	Spinout	2021	700
Lyfe Capital	Spinout	2019	550
Northern Light Venture Capital	Independent	2017	445
Xianghe Capital	Spinout	2018	425

Source: AVCJ Research

All of the trends featured here were sourced from AVCJ's proprietary database, AVCJ Research, featuring comprehensive information on private equity deals, fundraises and exits.

Read more on AVCJ Research

The rest of the week

DEALS

- KKR exits Australia's GreenCollar to OTPP
- Growtheum backs Indonesia's Kin Dairy
- Everstone part-exits Burger King India, Indonesia
- KKR buys stake in Singtel's Asia data centre business
- Kedaara backs India's K12 Techno Services, Peak XV part-exits
- Hong Kong virtual insurer Bowtie gets $35m Series B
- Jungle, Openspace back Singapore e-commerce services player
- China auto parts platform Casstime adds to Series D round

OTHER

- Asia Heritage seals partnership with Italy's Obsidian Capital
- LPs call for discipline on valuations, exits from China GPs - AVCJ Forum
- China green-tech investors hunt for overlooked niches - AVCJ Forum
- Juan Delgado-Moreira named co-CEO of Hamilton Lane
- China GPs seek global angles as domestic deployment slows - AVCJ Forum

FUNDS

- Hong Kong's C Capital secures $250m for latest PE fund
- MDI merges SE Asia programmes, launches $200m fund
- India's Kae Capital raises $50m opportunity fund

For your calendar

UPCOMING EVENTS

- **13 November 2023** - AVCJ Diversity & Inclusion Forum
- **13 November 2023** - AVCJ ESG Forum
- **14-16 November 2023** - 36th AVCJ Private Equity & Venture Forum
- **6 December 2023** - Mergermarket M&A Forum - Hong Kong

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Get in touch

help@avcj.com

25th Floor, The Center
99 Queen's Road Central; Hong Kong SAR