

Pro Private Markets

Axiom Asia Closes Fourth Fund of Funds With \$1 Billion

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Axiom Asia Private Capital said it raised slightly more than \$1 billion for its fourth fund of funds, leaving the firm well capitalized at a time when the Asian region's private-equity markets face their share of headwinds.

The final tally for Axiom Asia IV LP exceeded a \$750 million target, according to a news release. Axiom Asia closed its third fund of funds in 2012 with around \$1.15 billion.

Two investors that disclosed commitments to the new fund of funds are the State of Michigan's Bureau of Investments, which approved a \$50 million pledge in the fourth quarter of 2015; and the Montana Board of Investments, which approved a \$25 million commitment, according to public disclosures by the two investors.

As with its previous funds of funds, Axiom plans to commit Fund IV across a portfolio of some 20 to 25 partnerships with an emphasis on funds investing in greater China, according to the firm's managing partners. However, it also backs managers in other Asia markets, such as Japan, South Korea, India and Southeast Asia.

China, Asia's largest private-equity market, is grappling with slower economic growth, concerns over asset bubbles in its real-estate and technology markets, and the potential threat of U.S. trade tariffs. However, private-equity investors in China say that the country's strong entrepreneurial culture, its large middle class and its solid prospects for long-term growth continue to make it an attractive place to invest.

For its part, Axiom plans to seek not only savvy managers in greater China but managers in other regions, such as Southeast Asia or Korea, whose portfolio companies may be attractive acquisition targets for Chinese multinational companies.

Marc Lau, one of four managing partners who lead the Singapore firm, said more company founders are embracing the benefits of private-equity ownership across Asian markets.

"Entrepreneurs have had more experience in the market" said Mr. Lau. "They've seen how private equity has helped some of their competitors or friends."

Nowhere has this been more evident than in South Korea, which has seen considerable growth in the past decade with the emergence of firms such as Hahn & Co (javascript:void(0);), Anchor Equity Partners (Asia) and IMM Private Equity.

"A lot of Korean institutions have become active limited partners in the private-equity fund world and these Korean institutions have been a driving force in the development of a local Korean private-equity industry," said Managing Partner Edmond Ng.

Axiom favors midmarket funds, typically ones of less than \$1 billion size and has backed a number of funds managed by newer firms. Managing Partner Alex Lee said the environment for spinouts in Asia was particularly favorable in the years that Axiom committed its third fund of funds but may be more challenging in the year ahead given the industry headwinds.

Mr. Lee added the firm already has committed about 30% of Fund IV's capital.

In addition to backing funds, Axiom also invests in direct deals and co-investments, typically investing \$3 million to \$20 million at a time. Mr. Ng said the firm sees more opportunities for co-investing as the flow of capital into Asia, particularly China, from overseas investors has slowed.

Axiom Asia was formed back in 2006 by former professionals from sovereign-wealth investor GIC Special Investments Pte. The firm raised \$440 million for its first fund of funds in 2006 and has offices in Singapore and Hong Kong. Messrs Lau, Ng and Lee lead the firm along with fellow Managing Partner Chris Loh.

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