

## **Axiom's expectations for 2021**

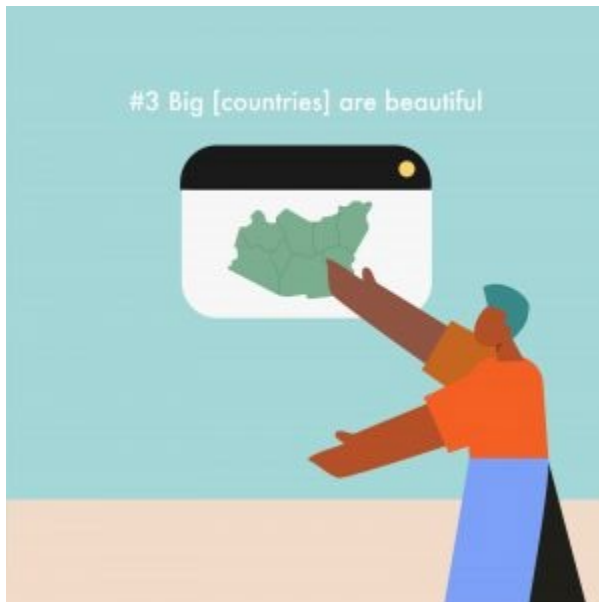
January 8, 2021



The Chairman of the China Banking and Insurance Regulatory Commission (CBIRC) has forecasted that banks will need to dispose of about 50% more non-performing loans (NPLs) this year than in 2019, and this volume is expected to surge in 2021. As banks are expected to give less leeway to borrowers and be more aggressive in disposing NPLs, we think this is an opportune time for investors. Economic woes in the West will also put pressure on Asian businesses to behave more rationally. The pressure on Asian businesses and more aggressive bank foreclosures set the backdrop for a deluge of deal opportunities in the form of non-core business disposals from Asian conglomerates.



2020 saw Asian GPs taking a more cautious approach to fundraising as they focus their attention on making sure their existing portfolio weathers the impact of the pandemic. Although travel corridors have now emerged between select countries in Asia, continued travel restrictions from Europe and the US into Asia means fundraising for Asian GPs may face continued downward pressure in 2021 as LPs are still unable to conduct onsite due diligence. Facing these uncertainties, many GPs have prolonged their fund lives by syndicating co-investment deals to their LPs. We expect this trend to continue into 2021.



Big markets have more degrees of freedom than small markets – bigger population, more income, more domestic consumption. In world where international trade takes a back seat to domestic politics and you never know when your App may be banned, the size of your domestic market is more important than the size of your potential market. We think the large trillion-dollar economies are where mid-market PE can still profit in an uncertain world. As a corollary, small companies are beautiful because they can grow in their domestic markets. Big companies need regional and international expansion, which poses risk in a populist world.

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