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NEWSLETTER

ASIAN LIMITED PARTNERS ASSOCIATION

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Quadria Capital navigates shifting LP sentiment amid Fund III close

- Fund III exceeds target, closes on USD 1.07bn following extensions
- GCC region features in LP base, may see investments from new fund
- Run of exits helped Quadria address concerns about Asia distributions

Singapore healthcare investor Quadria Capital garnered larger reups and interest from a new pool of investors for its latest India and Southeast Asia-focused fund, which recently closed on USD 1.07bn, exceeding a target of USD 800m. This coincided with a shift in attitude among LPs. “The LP mindset has changed to a large extent. We’ve seen that in the overall sentiment towards private equity fundraising globally, not just in Asia. But in Asia, it’s far more pronounced,” said Abrar Mir, co-founder and managing partner at Quadria, describing DPI (distributions to paid-in) as “the new cash-on-cash return” and the critical success barometer for LPs. “We in Asia are always criticised, in even the best of times, of being good at top-line revenue growth in our portfolio companies or NAV [net asset value] growth in our portfolio construct, but very poor in actual DPI. Frankly, that’s been a criticism of Asian managers, particularly of managers in the mid-market, which is where we operate.” Fund III represents a step up from Fund II, which closed on USD 595m in 2020. Getting there was a more than two-year process, with Quadria securing extensions to the fundraising period from LPs after reaching a first close of USD 500m in October 2023.

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LPs welcome China's investment drought as painful but necessary reset – forum

- **Secondaries are an emerging opportunity as sellers lower valuation expectations**
- **LPs with existing relationships in China are keen to trade up to higher quality GPs**
- **Forced discipline among GPs must be recognised as a stress factor and alignment risk**

Tommy Yip, founder of Unicorn Capital Partners, a venture capital-focused fund-of-funds, described the market as still firmly in a state of dormancy although beginning to provide more inroads for opportunistic investors.

For Unicorn, the action has been mostly in secondary transactions, where after two years of stagnation and retrenchment in valuations and capital markets, sellers are starting to agree to more attractive pricing. Yip said this was happening both in terms of LP positions and direct company stakes.

“For people who have a legacy portfolio in China, they’re still going through pain at this moment before the capital market comes back,” he said. “But for people who have fresh capital and who don’t have a very high exposure to China, this is probably a once-in-a-lifetime opportunity to start doing some work and put some money to work.”

Scolet Ma, a senior investment director at Cambridge Associates, observed that while large LPs were deterred from China exposure by the sensitivities of their stakeholder networks and small LPs had difficulty justifying direct China exposure versus indirect exposure via global funds, mid-size institutions were more receptive.

She said Cambridge was fielding new interest for China from Asian and Middle Eastern LPs, as well as European family offices that have existing exposure to the market but want to upgrade to higher-quality managers at a lower cost.

“We definitely want to explore new interesting opportunities, even in a market like China,” Ma said. “After the reset, there’s going to be a lot of changes in the manager landscape. We want to make sure we bet on the next generation of emerging managers, and in the meantime stick with established managers that continue to do well. We don’t want to miss the bottom of the market.”

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Introduction to Asian LPs' Investment Landscape in 2025

The investment landscape in Asia is undergoing a seismic shift, and by 2025, Limited Partners (LPs) will be navigating a world shaped by rapid technological advancements, geopolitical tensions, and evolving market dynamics. As someone deeply embedded in this space, I've seen firsthand how Asian LPs are adapting their strategies to stay ahead. The region's unique blend of innovation and tradition creates both opportunities and challenges that demand a nuanced approach.

From China's economic recalibration to India's explosive growth, the diversity of Asia's markets means LPs must be agile and well-informed. We're witnessing a move towards sectors like renewable energy, AI, and small-cap equities, driven by both local demand and global trends. The key for LPs in 2025 will be balancing risk with the potential for outsized returns in these high-growth areas.

Key Takeaways

- **Asian LPs are prioritising sectors like renewable energy, AI, and small-cap equities for high-growth potential.**
- **Geopolitical shifts, particularly in U.S.-China relations, will significantly influence investment strategies.**
- **Technological advancements, including AI and machine learning, are reshaping due diligence and portfolio management.**
- **The rise of Asia REITs and private equity offers new avenues for diversification and yield.**

Asian Equity Outlook 2025

The Asian equity market in 2025 is poised for a transformative phase, driven by a combination of domestic policy reforms and global capital flows. We're seeing a surge in interest from LPs who recognise the untapped potential in emerging markets like Vietnam and Indonesia, alongside stalwarts like Japan and South Korea. The region's ability to innovate—whether in fintech or green energy—makes it a magnet for investors seeking dynamic growth.

One of the most compelling trends is the democratisation of investing through digital platforms, which is unlocking liquidity and broadening participation. However, volatility remains a concern, especially in markets with less mature regulatory frameworks. For LPs, the challenge will be to identify resilient companies with strong governance while navigating the occasional turbulence.

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2025 Global Investor Survey: Navigating Private Markets

Pent-Up Demand for Liquidity, Dealmaking Augurs Well for Private Markets

Turbulence is a fact of life for private markets investment managers. Indeed, it could be considered essential to the search for the innovative companies that have the potential to become future industry leaders, since disruption is seldom discovered when fishing in calm waters.

But the past few years have been more tempestuous than usual. After peaking in 2021, dealmaking, exit activity and fundraising¹ have been subdued. Frankly, 2021 was an anomaly, marked by an unsustainable level of exuberance.

But a 25% rebound in global private equity and venture capital dealmaking value in 2024² makes us cautiously optimistic that market conditions will continue to steadily improve in 2025 and beyond. In our experience, a surge in liquidity tends to follow periods of muted dealmaking and exit activity. At current exit pace, US private equity managers hold an eight-year inventory of companies that they are eager to sell.

Artificial intelligence (AI) is likely to be a key driver of value creation. We are at the outset of perhaps the most far-reaching technological revolution in history, one that has the potential to significantly change how we work and live. As this nascent theme develops, we expect a proliferation of startups leveraging AI to solve multiple problems across every sector of the economy, materially lifting labor productivity. After capturing almost half of the \$209 billion in venture deal value globally in 2024,⁴ early-stage AI-native startups should continue to attract significant capital over the next 12 months and beyond.

Policy changes could also provide stimulus, especially in the US. The prospect of lower interest rates, regulatory streamlining, tax adjustments, and reduced antitrust scrutiny may create a more conducive environment for private markets participants. A relaxation of stringent rules governing initial public offering (IPO) applications may also boost that crucial exit route.

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Multiples closes \$430m continuation fund in landmark secondary deal

Multiples Alternate Asset Management closed a \$430 million continuation fund in one of India's largest-ever portfolio secondary transactions, according to a company press release.

This allows the Renuka Ramnath-led private equity firm to retain ownership in three of its high-growth portfolio companies while delivering liquidity to existing investors in its second fund.

The deal, which was oversubscribed, was led by four global institutional investors, namely, HarbourVest Partners, Hamilton Lane, LGT Capital Partners and TPG NewQuest.

The continuation fund allows Multiples to roll over its stakes in Vastu Housing Finance, Quantiphi, and APAC Financial Services—firms operating across affordable housing finance, AI engineering and financial services, respectively.

'This continuation fund allows us to deliver liquidity with certainty to our Fund II investors, while staying invested in businesses that embody the entrepreneurial mindset and the DNA that we deeply value,' said Sudhir Variyar, MD and Deputy CEO at Multiples.

The structure gives existing Fund II investors the option to exit or reinvest in the new vehicle. The fund also includes additional follow-on capital to support future growth of the three companies.

The firm has previously backed names including Delhivery, Licious, PVR and India Energy Exchange.

Multiples focuses on core sectors of financial services, pharma and healthcare, consumer and technology, and green economy. The firm has invested in 35 companies to date.

'With a proven track record of successful exits – across IPOs, strategic sales, and PE-to-PE transactions – the continuation fund transaction further reinforces Multiples' commitment to exit agility and maximising investor value,' the company said.

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LPs' Asian Strategies in 2025

In 2025, Limited Partners (LPs) are showing a nuanced approach to China exposure within their private equity and venture capital investments. While some LPs express concerns about geopolitical risks and regulatory hurdles, others are cautiously optimistic, particularly regarding certain sectors and opportunities within the Chinese market.

Key Trends:

- **Cautious Optimism:**
 - Many LPs are adopting a "wait-and-see" approach due to factors like geopolitical tensions, regulatory uncertainties, and a challenging exit environment.
- **Shifting Focus:**
 - There's a growing preference for North America and Europe as top investment destinations, with China's appeal declining.
- **Managing Expectations:**
 - Regional private equity firms are actively managing LP expectations regarding China exposure, aiming for a more balanced geographic allocation rather than heavily skewed investments.
- **Increased Due Diligence:**
 - LPs are conducting more thorough due diligence and seeking greater transparency from fund managers regarding their China strategies.
- **Exit Environment Concerns:**
 - The exit environment in China remains a key concern for LPs, with a focus on identifying assets and strategies that can be monetized through various channels.
- **GP-LP Dynamics:**
 - There's a noticeable shift in GP-LP dynamics, with LPs gaining more influence in areas like transparency, fund size, and fee structures.
- **Potential for Opportunity:**
 - Despite challenges, some LPs are still interested in specific sectors and companies within China, particularly those with strong fundamentals and growth potential.
- **Emerging Asia-Pacific Interest:**
 - Interest in other emerging markets in the Asia-Pacific region, such as India, is rising among LPs.
- **Secondary Market Activity:**
 - A significant number of LPs are exploring the secondary market to buy and sell LP-led positions, including those related to China.

In essence, while LPs are navigating a more complex landscape in China, they are also adapting their strategies and seeking opportunities within the evolving market conditions.

Asian Limited Partners Association

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