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**2019**

ON THE NEXT DECADE

**Singapore Summit**

All Eyes on the Next Decade

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All eyes on the next decade:

## FINDING OPPORTUNITY AMID DISRUPTION AND CHANGE

In today's uncertain world, businesses are inevitably finding that the way to corporate success depends on how well they navigate the increasingly tricky and complex arena of geopolitics.

And if there is one lesson that the Singapore story can offer to businesses in any part of the world, it is the importance of knowing one's environment, and making the right connections all around.

This was one of the biggest takeaways from the fireside chat with Singapore's former Prime Minister Goh Chok Tong, "In conversation with Emeritus Senior Minister Goh Chok Tong: Geopolitical risks facing businesses", a keynote session at the third edition of the Asia Investment Conference (AIC) held in the Lion City.

This year's AIC was a two-day event organised by IJK Capital Partners that focused on discussions around key disruptive trends in the Asia Pacific investment landscape.

Bringing up a metaphor he has frequently used in public addresses, Emeritus Senior Minister Goh described Singapore as a "jumbo jet with two wings", with China on one side, and India on another.

"We are right in the centre. (So if) they fly, we fly."

In other words, it was critical for Singapore to establish good relations with the two "wings" in order to thrive.

### A BALANCING ACT

Responding to a question from Singapore Literature Prize-winning author Peh Shing Huei, who was moderator for the fireside chat, Mr Goh recalled that he had made his first trip to China in 1971, in the midst of the Cultural Revolution.

"We were aliens to the Chinese. They were aliens to us. There was a long line (of people) following us, and we were like the 'pied pipers'," he said, speaking to a packed conference room.

"If you had asked me at that point in time whether I would envision China flourishing, I would have said no."

Another trip to China after the Tiananmen Incident in 1989 played a more momentous role in cementing the relations between the two countries.

"What they wanted at that time from Singapore was actually recognition. Forget about Tiananmen, talk about bilateral cooperation," said Mr Goh. "It was an acknowledgement of China's opening up and being part of the world, and how could Singapore help China by investing in China and training people there."

Singapore established formal diplomatic relations with China in 1990.

The China of today is vastly different. Shenzhen, for instance, has grown from a fishing village of some 10,000 people in the 1970s to become the Silicon Valley of China – home to Chinese e-commerce giants like Tencent, and more than 10 million people, Mr Goh noted.

"I marvelled at how efficient the city is, especially in digital devices. Singapore is behind in terms of digital technology," he said, adding that the two countries continue to learn from one another in various aspects.

But warming up to China back then represented just one of the two "wings", and it would not have made sense for such a small and young country like Singapore to put all of its eggs in just one basket.

The nation had to think about navigating the

geopolitical landscape carefully, because it would be "very bad for Singapore if we came across to our neighbours as pro-China, that China is our only friend", Mr Goh said.

"We are independent. Many of us are Chinese, but we are Singaporeans. We are not a Chinese Singapore," he stressed, explaining it was just as important for the country to forge a good relationship with India.

The result was a measured, practical approach to diplomacy – values that Singapore has held closely to since gaining independence in 1965.

Smoothing the black, collared vest he was wearing – better known as the 'Modi jacket', named for Indian Prime Minister Narendra Modi's signature look – Mr Goh said it made business and geopolitical sense to build ties with India.

As then-Prime Minister, he had been an early advocate of India's 'Look East' policy, aimed at establishing closer economic and strategic links with South-east Asia, as he pushed for closer India-Singapore business relations. The two countries today enjoy a deep economic relationship that Mr Modi himself has described as the "warmest and closest".

### BRACING FOR AN UNCERTAIN FUTURE

Besides talking about his experiences, Mr Goh also took a host of questions from the audience, giving his take on broader trends and events shaping the global economy.

One issue that came up was the ongoing dispute between the United States and China, which have been locked in a dramatic tit-for-tat trade war since July 2018.

"If this issue gets very toxic ... business is going

to get worse," he noted. "When elephants fight, the grass beneath them suffer. We are the grass."

Meanwhile, ASEAN, as a collective, has a huge competitive advantage, but it has yet to realise its potential, he said. "We are not yet fully integrated."

The way forward, he added, would be to find ways to integrate the economies of the ASEAN countries, not just physically, but digitally and in terms of doing business – to create a "loosely connected EU" of sorts, where customs and rules are common, backed by a huge market.

When Mr Peh, a partner with content agency The Nutgraf, asked what keeps him up at night, Mr Goh quipped that he sleeps very well these days.

"But to be serious, I'm very concerned about Singapore's future," he said.

While the Republic celebrated its 50th year of independence in 2015, he said he is already thinking about what Singapore will be like when it hits the 100th year milestone, knowing the present challenges it is grappling with, such as the ageing population and low fertility rate.

"Singapore's advantage is that we understand ASEAN, and we're located here between China and India," he noted. "The question is whether Singaporeans are prepared to travel and live outside Singapore. Are Singaporeans entrepreneurial enough to risk what they have to do business outside?"

So preoccupied was Mr Goh with the matter that he was even thinking of setting up some kind of research institute to look into this.

"And I do require funding for this," he added, drawing laughter from the floor, and bringing the discussion to a close.

### About Asia Investment Conference

Asia Investment Conference is a series of investor-focused events that brings together business leaders and experts in an increasingly complex and inter-connected economy.

The conference is independently produced and curated by IJK Capital Partners, an emerging investment and consulting firm set up in 2016 that is focused on developing cross-border opportunities between Asia and rest of the world.

Since initiating this in 2015, the executive team has successfully put together nearly 10 such summits in Asia, with Singapore and Shanghai hosting our annual flagship events in May and October respectively.

All our conferences are carefully and thoughtfully curated to address some of the biggest trends and issues taking place in the world. In particular, we have a strong focus on emerging markets and alternative asset classes such as private equity and venture capital.

This year's AIC in Singapore saw a record turnout of over 400 delegates, with some 60 per cent comprising institutional investors, private equity/venture capital funds and family offices managing more than US\$1 trillion in assets.

*From left: Mr Peh Shing Huei, founding partner of content agency The Nutgraf and author of Tall Order: The Goh Chok Tong Story, discusses geopolitics with Singapore's former Prime Minister Goh Chok Tong in a fireside chat.*

## FOUR TRENDS THAT TOOK CENTRE STAGE AT THE AIC

Beyond the geopolitics of business, the programme that took place over the two-day conference was robust and varied, with lively discussions centred around other themes, including opportunities in ASEAN, the future of fund-raising, the up-and-coming sectors of healthcare and education, and how businesses can transform by riding the waves of technology.

### The ASEAN opportunity

That the conference was held in the heart of South-east Asia – a booming region with potential for even more growth – was not lost on the speakers and delegates.

“ASEAN is uniquely stable, uniquely consistent. Lately we’re seeing more publicity in the rich investor countries,” said former Trade Minister of Indonesia Tom Lembong, who delivered a keynote speech.

“Never mind Brexit, never mind the political circus of many places, the most important thing that’s happening now is the continuous rise of people – the most significant driver of economic growth in the world.”

ASEAN is a fast-growing market of 642 million people today, with economic growth coming in at around 5.9 per cent, much higher the global rate of 3.8 per cent.

What really makes the region profitable and its prospects optimistic is that it is “at the forefront of the technological revolution”, added Mr Lembong, now Chairman of Indonesia Investment Coordinating Board.

He noted that investment continues to flow into ASEAN’s digital economy, which has been growing rapidly. The region is home to the third largest number of Internet users in the world, after China and India, with Indonesia boasting the largest number of tech unicorns.

Focusing the spotlight on Indonesia, he pointed out that the country, on its own, has a remarkable rebound story. The largest economy in South-east Asia hit a milestone in 2017 by reaching US\$1 trillion in gross domestic product (GDP).

“Many have forgotten the very precarious conditions when Jokowi’s administration came into office – we were in our fourth straight year of decelerating economic growth,” he said, citing how the incumbent government has since maintained GDP growth at about 5 per cent, and made huge strides in social indicators.

One of the most-attended interactive roundtable sessions, “In search of the next Unicorn: The next billion-dollar tech company in Southeast Asia”, also delved into ASEAN’s highly-promising tech sector.



Indonesia's former Trade Minister Tom Lembong.

North Ridge Partners Head of Asia Chris Tran, who hosted the roundtable, believes the next unicorn will be found in South-east Asia, which is poised to benefit from trade tensions between the US and China.

He said that Chinese tech companies are looking to dominate the region, with their eyes set specifically on Vietnam.

Besides the tech sector, panellists at “Asia’s mid-market – Bespoke strategies for successful investing in emerging Asia” also identified strong growth potential in the often-overlooked mid-market segment.

Mr Tak Wai Chung, Partner and Head of Southeast Asia at EQT Partners, defined a mid-market business as one that is family or founder-led – a well-run, local champion with a lot of experience.

“Probably not as diversified, and in terms of technology or digitalisation there’s probably a lot more to do. (That’s where) we can come in to help,” he said, adding that South-east Asia’s mid-market segment is attractive because of the opportunities for proprietary transactions.

Added Mr Florian Marquis, Senior Vice President, Private Equity Asia at Partners Group: “Why do we like South-east Asia? It is traditionally seen as the workbench of the Western world. We want successful companies to become rich and global.”

## The future of fund-raising



Bain & Company's Suvir Varma.

With disruption changing the face of industries everywhere, the nature of fund-raising is inevitably shifting as well. One key trend that is fast gaining traction is responsible investing.

In his keynote presentation, “Overview of the Private Equity trends in the region”, Mr Suvir Varma, Senior Advisor at Bain & Company, noted that responsible investing matters and is “here to stay”.

Such considerations can actually improve returns, he said, citing studies that demonstrated a positive link between environmental, social and governance (ESG) and returns.

Mr Varma said that ESG considerations among Asia Pacific investors are still in the early stages, but the signs are optimistic. Around 90 per cent Asia Pacific investors say they have and will continue to accelerate their efforts to invest with sustainability in mind.

The topic also surfaced in another panel discussion, “Asia Private Equity Panorama – Pressure to Perform”, where panellists agreed responsible investing is the way forward.

Mr Ralph Keitel, Principal Investment Officer and Head of PE Funds East Asia Pacific at IFC, aptly summed up the evolution of such investing principles: “Investing 1.0 was ‘don’t do it’ – anything to do with child labour, destroying the environment, don’t do it. Investing 2.0 was going further, looking at ESG and using ESG as a value driver. So ESG has become a sort of expected standard.

“The next step for us is to consider what we’re doing with a deliberate intent – impact investing. It’s about bringing an idea and having a positive impact.”

That said, the fundamentals of fund-raising remain unchanged. MVision Managing Director Dennis Kwan said at the “Fine line between PE and VC: How will the fund model in Asia evolve over the next decade?” panel that in practice, many components have to come together for a successful fundraise.

“What General Partners need to know is they need to fill a gap that the market needs. A lot of the products are very similar, so you need to have a very clear story about how to differentiate yourself from the rest of the pack,” he said.

Speakers acknowledged there has been a lot of dry powder going around. But some entrepreneurs, like Mr Karl Mak, Co-founder and Chief Executive of HEPMIL Media Group – SGAG, are choosing to keep their cool.

The goal is not to take too much money, to overstretch – but to “take smart money”, he said during the “Get Real: Gangs of Tai Seng” panel discussion.

“Media is a space that even the big boys have no idea what’s happening,” he said. “A lot of start-ups raised money and they died. They raised money with no key goals, chasing vanity metrics – that’s a formula for disaster.”

Even in a round of funding the company previously raised, Mr Mak said that the company was firm on reaching out to strategic partners that were able to open doors, who were able to make the right phone calls to accelerate developments.

“We want to make sure that we are ready before we take on the next cheque.”

## Sectors in focus: Eyeing growth in healthcare and education



From left: EY-Parthenon's Amitabh Jhingan, Kaizen Private Equity's Raj Shastri, Laureate Education's Neel Broker, and TAEI Partners' Michael Sng.

Besides the technology sector, there is money to be made elsewhere as well – such as healthcare and education, according to speakers at the AIC.

At the “Healthcare 2020: Finding new world solutions for age-old problem” panel, Quadria Capital Managing Partner Amit Varma immediately set the tone: “By 2024, we will spend US\$4.3 trillion in healthcare.”

That is the opportunity that is being presented by megatrends in Asia, such as an ageing population and uneven access to medical services.

It helps that technology is boosting efficiency and function in healthcare, said Dr Sean Ng, Chief Executive of Ardmore Medical Group.

“Artificial Intelligence is coming into play, helping to detect problems earlier, and the physician is then able to manage and treat this problem earlier, and ensure (better) outcomes. And this can be done cheaply... so you improve patient outcome at a fraction of the price,” said Dr Ng.

Dr Varma noted that while healthcare has become “sexy”, investors in Asia are now also facing a scarcity of quality assets.

“You have a bunch of money chasing the same deals ... the valuations in Asia are insane. The only way to fight this battle is to grow the market to have more and more quality companies.”

Education also came up as a sector that investors should look out for.

“Unfortunately, in many of the countries in South-east Asia, public education is not up to quality, so private education is taking over,” noted Mr Raj Shastri, Partner at Kaizen Private Equity, during the panel session “Reimagining the Education Sector – An investment with a learning curve”.

Pointing to the massive take-up rates at private education institutions in Vietnam in recent years, he said: “Flight to quality – that’s the key.” “If private players are delivering student outcomes which are focused on learning, on giving them a job, a better footing in life, then that’s where the students are going to go.”

Mr Michael Sng, Chief Executive and Managing Partner of TAEI Partners, added: “Perhaps education is one area where it’s private equity with a conscience. If you achieve the end results, the money will come.”

## Getting ready for the future – with technology

Is the world truly ready for an era of robots?

That was the billion-dollar question panellists tackled at the “Billion Dollar Brain: Is the world ready for AI, big data & robots?” discussion.

When asked about the type of industries that are being affected by digitalisation today, Mr Ani Bhalekar, Associate Partner & Vice President – IoT Asia at McKinsey & Company, said: “Literally every single industry is being disrupted by these technologies, whether at a faster pace or slower.”

The same theme is coursing through the investor’s mind as well, he noted.

“What is it my portfolio companies aren’t doing that a competitor, traditional or non-traditional, might be doing? What can these guys do to capitalise on these technologies? What does this mean to your business’s topline and bottomline?” Mr Bhalekar asked.

“Most times, people are enamoured by technology. I am. But when it comes to a business context, technology cannot be a means to an end in itself. With that in mind, then commercialisation becomes significantly easier.”

Banking in one industry that is facing drastic changes led by the exponential growth of advanced technologies and “leapfrogging” effects of fintech.

But the change has been positive, said Mr Derrick Tan, Chief Executive of Hong Kong Branch and Global Market Head, Greater China & North Asia at Bank of Singapore, at the “Views from the boardroom – The future of banking, payments & blockchain”.

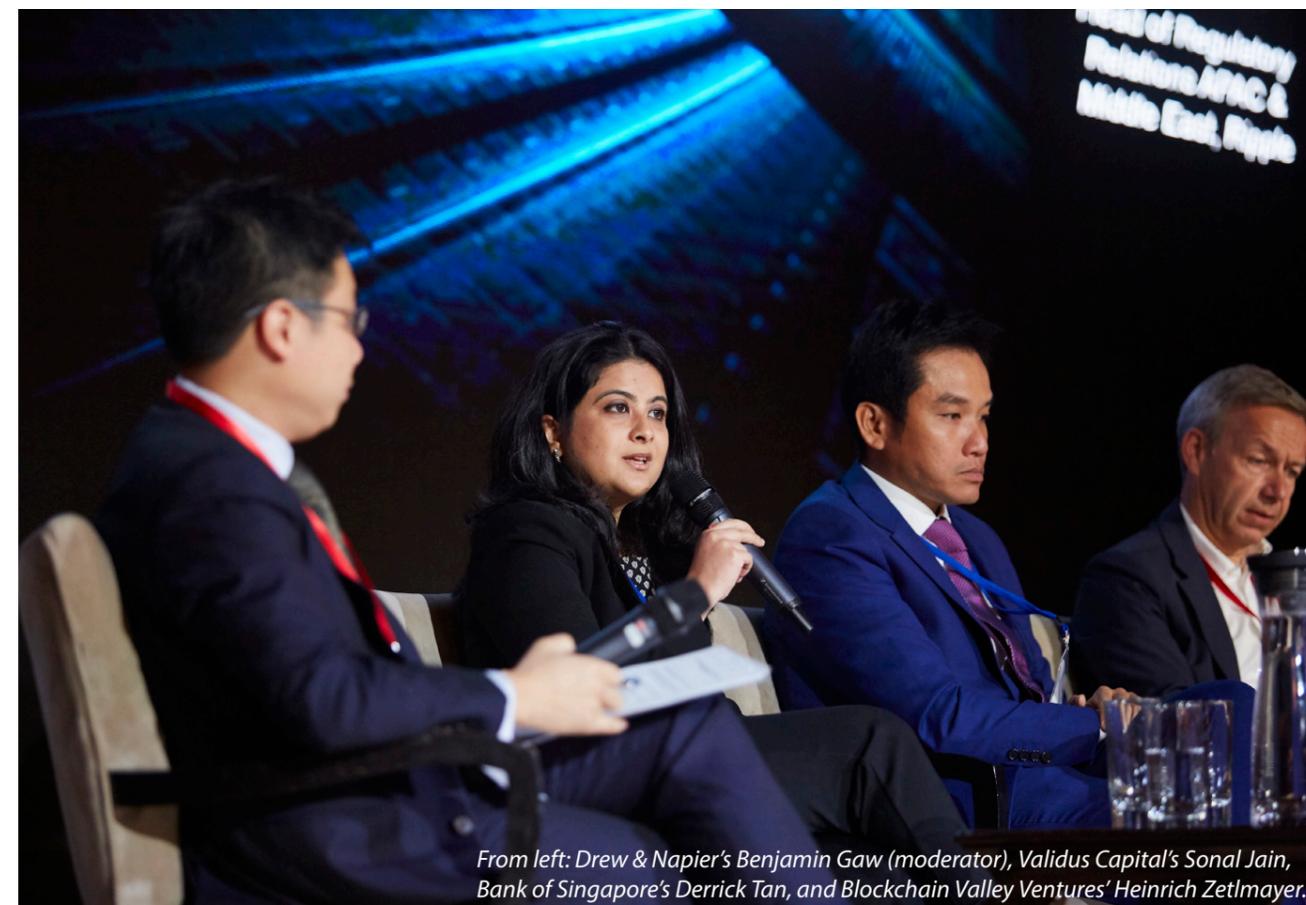
Traditional banking is set to benefit from blockchain technology, for instance, as it creates more transparency and efficiency that translates into additional value for the client, he said.

But Mr Sagar Sarbhai, Head of Regulatory Relations for Asia Pacific & Middle East at Ripple, believes a lot more can be done.

“Over the past 10 years, there’s been a lot of noise on how blockchain will change the world. But clearly that is not true. People are treating blockchain as a hammer and searching for a nail,” he noted, citing the example of how he still takes two to three days to send money from Asia to London or the US.

Leveraging digital technology to solve real problems is what players need to look at, he said. As Mr Jinesh Patel, Partner at Dymon Asia Capital, put it: technology alone does not enable companies to become world-class.

“You have to take advantage of that technology and build world class businesses on the back of it,” he said.



From left: Drew & Napier's Benjamin Gaw (moderator), Validus Capital's Sonal Jain, Bank of Singapore's Derrick Tan, and Blockchain Valley Ventures' Heinrich Zetlmayer.



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