

RATING REPORTS ON GLOBAL INVESTOR PROGRAMME (‘GIP’) FUNDS

Contact Singapore introduced an independent fund rating exercise as a key element of the Global Investor Programme (‘GIP’) Funds’ application and selection process since 2012.

Mercer Investment Solutions (Singapore) Pte Ltd was appointed as the independent rating agency in March 2012. Mercer’s rating evaluation comprises of a comprehensive assessment of the funds in three broad categories:

- (i) People – Idea generation and business management;
- (ii) Investment – Portfolio construction and implementation; and
- (iii) Operations – Governance and controls; regulation, compliance and audit; technology and investment administration & GIP Funds.

Funds which met the rating benchmark are awarded a “Preferred Provider” rating and are reviewed by Contact Singapore’s GIP Fund Selection Panel before the final approval.

Approved GIP Funds are required to undergo a surveillance rating exercise to reaffirm its rating and ensure compliance with Contact Singapore’s requirements one year after the initial approval.

Following from the independent rating exercise in 2015, a total of 5 funds were approved, of which 4 remain on the GIP Funds panel.

The 4 funds are listed below in alphabetical order of the fund managers. A summary of Mercer’s evaluation on each of these “Preferred Provider” GIP Funds is provided in the following pages.

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This report should be read in conjunction with the “**Important Notices**” at the next page.

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This research profile of the “Preferred Provider” mentioned above is provided pursuant to the Economic Development Board’s appointment of Mercer to review and provide independent research rating reports on private equity and venture capital investment managers and funds seeking admission to Contact Singapore’s Global Investor Programme (“GIP”). Such private equity and venture capital investment managers and funds which met the rating benchmark were awarded a “Preferred Provider” rating and were reviewed by Contact Singapore’s GIP Fund Selection Panel before the final approvals were granted by Contact Singapore. Contact Singapore is an alliance of the Economic Development Board and the Ministry of Manpower.

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Risk Warnings

- The value of stocks and shares, including unit trusts, can go down as well as up and you may not get back the amount you have invested.
- The value of Gilts, bonds, and other fixed income investments including unit trusts can go down as well as up and you may not get back the amount you have invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.
- The value of investments in real estate can go down as well as up, and you may not get back the amount you have invested. Valuation is generally a matter of a valuer’s opinion, rather than fact. It may be difficult or impossible to realise an investment because the property concerned may not be readily saleable.
- Certain investments, such as illiquid, leveraged or high-yield instruments or funds and securities issued by small capitalization and emerging market issuers, carry additional risks that should be considered before choosing an investment manager or making an investment decision.
- For higher volatility investments, losses on realisation may be high because their value may fall suddenly and substantially.
- Where investments are not domiciled and regulated locally, the nature and extent of investor protection will be different to that available in respect of investments domiciled and regulated locally. In particular, the regulatory regimes in some domiciles are considerably lighter than others, and offer substantially less investor protection. Where an investor is considering whether to make a commitment in respect of an investment which is not domiciled and regulated locally, we recommend that legal advice is sought prior to the commitment being made.

RESEARCH PROFILE

CREST CAPITAL ASIA FUND MANAGEMENT PTE LTD

THE ENTERPRISE FUND V LTD

GENERAL STRATEGY DETAILS	
Investment manager	CREST CAPITAL ASIA FUND MANAGEMENT PTE LTD
Fund name	The Enterprise Fund V Ltd
Review date	June 2018
Firm asset under management (AUM)	S\$373 mn (as at 31 December 2017)
Fund AUM	S\$12.5 mn (as at 31 December 2017)
Strategy inception year	2006
Type	Mezzanine Financing
Management fee	3% p.a. of committed capital
Performance fee	20% performance fee subject to a preferred return of 8%

FIRM BACKGROUND AND HISTORY

Crest Capital Asia Fund Management Pte Ltd (Crest) is a private company incorporated in Singapore with a team of 12 staff. Crest is wholly owned by Crest Capital Asia Ltd, which is privately held by the Managing Partner (MP).

FUND OBJECTIVE

Crest is seeking to invest in mezzanine debt opportunities with small and medium enterprises (SME) in Singapore for The Enterprise Fund V Ltd (Fund V or the Fund). Crest's key objective is capital preservation over the life of the Fund.

MERCER'S RATING AND VIEW

Mercer's rating	PREFERRED PROVIDER
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MERCER'S VIEW

Crest has established a niche business in project-style financing and secured lending to SMEs in Singapore. Crest believes that over time their approach will generate more stable performance for GIP investors. They have extensive experience in this field and strong local networks providing access to promising SMEs. By focusing on lending activity, they have some equity cushion and collateral as protection against loss and, in some cases, have upside through equity convertibility at the holding company level in the event of an IPO or sale.

With the focus on relatively lower risk and shorter duration debt investments, it is expected that returns will be lower than

those for higher risk strategies, though with much higher exit certainty.

Crest generally operates in line with safe and sound practice. However, we note that the MP is the key decision maker across all aspects of the business; therefore key person risk exists in the event the MP is no longer able to perform his duties.

In addition, the firm does not perform ongoing background checks, which include criminal and credit checks on its staff. Instead, these checks are performed only at the time of on-boarding.

We believe the firm could further benefit from implementing a documented risk register, enhancing its logical security protocols, including non-investment personnel on the authorised signatory list and performing ongoing background checks on staff.

PEOPLE

IDEA GENERATION

Crest is an experienced mezzanine debt investor in Singapore and its senior professionals have established a broad network of contacts in industry, banking and various development-focused government agencies. Crest designed the strategy of the Enterprise Funds with a focus on providing a high degree of certainty with regard to both capital preservation and meeting investor redemptions within 5 years. They focus on mezzanine-style lending to growing, but cash flow positive SMEs, often on a project finance-style basis. They view this market segment as under-served by the commercial banks, providing for more attractive interest rates. Compared to other GIP funds, the return profile is less equity-oriented and more credit-oriented. Some loans have equity optionality or convertibility in the case of an IPO, but equity conversion is not typical. To manage risk, Crest often insists on the creation of a separate project entity where they control the disbursement of funds for use in completing specific projects. Crest is active in its monitoring of the projects. In addition, they seek security over assets, shares and personal guarantees where possible to enhance recovery in the event of default.

BUSINESS MANAGEMENT

Crest has successfully raised capital for a number of non-GIP funds focused on ASEAN, China and Australia in addition to the GIP Enterprise funds. Peter Chan is the sole owner of the firm and is responsible for the management of the broader business. Together with Glendon Tan, he also has significant involvement in investment decision-making. Carried interest

is fully allocated to Peter Chan, though given the capital preservation objective of the Fund, carried interest is not expected to be generated. Performance-based incentives for other team members are more indirectly linked to fund performance.

INVESTMENT PROCESS

PORTFOLIO CONSTRUCTION

Crest will look at companies from most sectors, excluding real estate; the driving criteria is the financial profitability and health of the company and the availability of assets that can be used as collateral against the loans. The team has limits on exposure to specific companies and sectors. This should help to ensure that the portfolio has the necessary diversification. It is expected that there should be reasonable diversification by number of investments and by industry. However, the Fund will be geographically concentrated as Crest focuses on companies headquartered in Singapore, although they may have operations or customers outside of Singapore.

IMPLEMENTATION

Only S\$12.5mn has been raised for Fund V due to reduced demand for the GIP program and more stringent approval processes. Crest does not expect this figure to increase significantly and as such, Fund V will make a smaller number of investments compared to prior GIP funds. Crest will also likely reduce the size of loans made in order to achieve adequate diversification. Overall firm AUM is relatively unchanged given an increase in capital raised for non-GIP funds. Fund V has made two investments to date totaling S\$7mn, both of which are currently held at cost. The expectation is for a significant majority of the current capital pool to be committed by the end of 2018.

OPERATIONS

GOVERNANCE AND CONTROLS

Crest's Board of Directors is comprised of the MP and Investment Director and typically meets on a monthly basis.

There is no management, executive or other committee except the Investment Committee (IC).

Crest's organisational structure generally promotes segregation of duties between different functional units, with the exception of the compliance function, which does not have a direct reporting line to the Board.

REGULATION, COMPLIANCE AND AUDIT

Crest was granted a Capital Markets Services (CMS) license by the Monetary Authority of Singapore (MAS) in August 2013.

Crest appointed a new Finance & Compliance Manager in May 2018 who is responsible for overseeing the compliance function. The Finance & Compliance Manager has 12 years of related experience in management and financial accounting/audit in the financial industry.

Crest has an Operating Procedures and Guidelines manual which incorporates compliance policies; however the firm would benefit from implementing an operational risk register.

The firm switched its external Auditor from J Wong & Associates PAC to EisnerAmper PAC. EisnerAmper conducted its first audit of the firm's financial statements for year ended December 2017.

TECHNOLOGY

Crest's information technology infrastructure is appropriate for a private equity manager.

Crest has a formal business continuity/disaster recovery (BC/DR) plan and BCP tests are conducted on an annual basis. The latest BCP test was successfully conducted in September 2017.

INVESTMENT ADMINISTRATION AND GIP FUNDS

The Fund's Board is comprised of the MP, Investment Director and an independent director.

The Fund's structure promotes equitable treatment for investors during the offering period. The Redeemable Preference Shares are structured into alphabetical Investment Unit Series with reference to the closing date, such that each investor holds a specific Investment Unit Series linked to the time the investor subscribed to the Redeemable Preference Shares.

The Fund's financial accounts will be subject to an annual statutory audit by the appointed auditor. There is no third party fund administrator employed on behalf of the fund.

Whilst Crest has adequate cash controls, including the Fund's distribution/redemption payments and is appropriate for a firm of its size, consideration could be given to include non-investment personnel on the authorised signatory list to ensure appropriate monitoring and implementation of cash controls.

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RESEARCH PROFILE

EVIA CAPITAL PARTNERS PTE LTD

EVIA GROWTH OPPORTUNITIES IV LTD

GENERAL STRATEGY DETAILS	
Investment manager	EVIA CAPITAL PARTNERS PTE LTD
Fund name	Evia Growth Opportunities IV Ltd
Review date	June 2018
Firm asset under management (AUM)	S\$77.8 mn (as at 31 December 2017)
Fund AUM	S\$6.5 mn (as at 31 December 2017)
Strategy inception year	2011
Type	Growth Capital and Mezzanine Financing
Management fee	2.5% p.a. of committed capital
Performance fee	20% performance fee; no preferred return

FIRM BACKGROUND AND HISTORY

Evia Capital Partners Pte Ltd (Evia) is a private company incorporated in Singapore with a team of 12 staff. Evia was founded in February 2004 and is wholly owned by the two Managing Directors.

FUND OBJECTIVE

Evia is seeking to invest in growth capital and special situations investments in Southeast Asia and Greater China for the Evia Growth Opportunities IV Ltd (EGO IV or the Fund). Evia will aim to target a net return in the mid-teens for EGO IV.

MERCER'S RATING AND VIEW

Mercer's rating	PREFERRED PROVIDER
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MERCER'S VIEW

The idea generation and contacts of the team result in strong deal flow, while the industry and investment experience of the team drives deal selection and appropriate structuring of investments. The business connections of the founding partners are a key factor to its success. Each of them was successful in their own field before forming Evia. The company aims to invest mostly in mezzanine style financing, which is aligned with the time frame of the Global Investor Programme (GIP) and the risk appetite of its investors. Overall, EGO IV

aims to target a minimum net internal rate of return of 5% p.a. over the life of the fund, which appears reasonable given the constraints placed on GIP funds and the upfront contribution of all capital.

Evia generally operates in line with safe and sound practice. We believe that the firm would further benefit from including senior non-investment personnel on the authorised signatory list.

PEOPLE

IDEA GENERATION

Evia's investment strategy for GIP funds has evolved over time and is now more focused on mezzanine debt and structured convertible investments with redemption/put option features to better meet the shorter fund life typical of GIP funds. Their strategy focuses on growth companies, particularly in technology-oriented sectors, but they are also active in traditional industries such as energy and logistics among others. When appropriate, Evia seeks to be hands-on with their portfolio companies and to add value at the Board level in a number of ways given their prior commercial experience. The founders of Evia have had successful careers in the technology industry and have substantial experience in venture capital and private equity investments. They have developed a strong professional network during this time which supports generation of deal flow and is additive to Evia's own investment process on specific deals. The senior professionals appear significantly involved in the investment process as well as in final decision-making.

BUSINESS MANAGEMENT

Evia is a small boutique private equity firm which has been in business since 2004. The firm has been managed by founder Tee Khiang Ng since its inception and senior management turnover has been low with the exception of the departure of two partners to focus on real estate business. The firm has current AUM of S\$77.8mn and is focused on the management of GIP funds. Although the firm is profitable, the limited volume of AUM and reliance on the GIP program presents some business risk. As a result, Evia is currently exploring the launch of an asset-backed mezzanine lending strategy for non-GIP investors.

INVESTMENT PROCESS

PORTFOLIO CONSTRUCTION

Evia invests across a range of industries where they have domain expertise or prior investment experience, including telecommunications, media and technology, healthcare, energy, precision manufacturing and clean technology sectors. They will consider a range of investment types, including mezzanine debt, growth equity, pre-IPO equity and early stage investments. They will bias the portfolio (70-80%) towards mezzanine debt or convertible preferred investments with redemption provisions and security guarantees to achieve downside protection while preserving equity upside. A smaller proportion (20-30%) will be allocated to higher return, early stage investments in order to balance capital preservation with return.

IMPLEMENTATION

Only S\$8.54mn has been raised to date for EGO IV. Evia does not expect this figure to significantly increase due to reduced demand for the GIP program and more stringent approval processes. EGO IV has made two investments to date, totaling S\$3.4mn in value. Both investments are currently held at cost. Another two investments are currently in the pipeline and are in the midst of due diligence. Evia expects no changes to the investment strategy of EGO IV, although the Fund will likely be more concentrated than prior iterations given the comparatively smaller amount of capital raised. Overall firm AUM has declined modestly over time. As a result, Evia has undertaken some corporate advisory work as a fee supplement and may also explore the launch of non-GIP funds with a sector focus, although no specific timeframe is being targeted.

OPERATIONS

GOVERNANCE AND CONTROLS

Evia's Board of Directors comprises of its two Managing Directors who meet on a quarterly basis.

There is no management, executive or other committee except the Investment Committee (IC), which includes independent representation.

Evia has an established pool of Strategic Advisors comprised of nine experts in certain industry sectors to provide strategic advice in their respective fields, as required.

Overall, the structure of Evia generally promotes clear segregation of duties between different functional units.

REGULATION, COMPLIANCE AND AUDIT

Evia was approved to commence business as a Registered Fund Management Company (RFMC) by the Monetary Authority of Singapore (MAS) in June 2013.

The compliance function is overseen by the Manager of Compliance & Corporate Functions/Financial Controller.

Evia engages Baker Tilly TFW LLP as an external compliance consultant to provide advisory services in relation to compliance related matters and to support its regulatory compliance function.

Evia has documented Compliance Policies and Procedures Manual which are reviewed and updated accordingly on a regular basis. In addition, the firm has recently implemented a

'Risk Profile and Management Procedures' manual and an operational risk register to support the identification and monitoring of the firm's operational risks.

Evia has appointed E&Y as the firm's external auditor.

Evia outsources the Internal Audit function to Baker Tilly.

TECHNOLOGY

Evia's information technology infrastructure is appropriate for a private equity manager and the firm engages Acco Technology Pte Ltd to provide a cloud-based environment surrounding its data backup network.

Evia maintains a documented business continuity/disaster recovery (BC/DR) plan. BCP tests are conducted on an annual basis. The most recent tests were successfully conducted in December 2017.

INVESTMENT ADMINISTRATION AND GIP FUNDS

The Fund Board is comprised of the two Managing Directors from the Evia Board and an additional executive director.

Evia has attempted to implement an equalization process. Evia will charge interest based on the cost of borrowing, applied to the period from the initial close or each respective interim close. We note, however, that such fees may be waived at the discretion of the manager.

The Fund's financial accounts will be subject to an annual statutory audit by the appointed auditor. There is no third party fund administrator employed on behalf of the Fund.

Whilst Evia has adequate cash controls, including the Fund's distribution/ redemption payments, consideration could be given to including senior non-investment personnel on the authorised signatory list to ensure appropriate monitoring and implementation of cash controls.

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RESEARCH PROFILE

FENGHE FUND MANAGEMENT PTE LTD

F&H SINGHOME FUND III LTD

GENERAL STRATEGY DETAILS	
Investment manager	FENGHE FUND MANAGEMENT PTE LTD
Fund name	F&H Singhome Fund III Ltd
Review date	June 2018
Firm asset under management (AUM)	S\$778.6 mn (as at 31 December 2017)
Fund AUM	S\$40.4 mn (as at 31 December 2017)
Strategy inception year	2012
Type	Growth Capital and Late Stage Venture
Management fee	2.5% p.a. of committed capital
Performance fee	20% performance fee; no preferred return

FIRM BACKGROUND AND HISTORY

As part of a re-branding exercise, the firm changed its name from F&H Fund Management Pte Ltd to Fenghe Fund Management Pte Ltd (Fenghe) effective 28 May 2018.

Fenghe Fund Management Pte Ltd (Fenghe) is a private company incorporated in Singapore with a team of 25 staff across its offices in Shanghai and Singapore. Fenghe was founded in April 2009 and is owned by the founder/Chairman, founder/Chief Executive Officer (CEO), the Managing Director (MD) and two Executive Directors.

FUND OBJECTIVE

Fenghe will invest in growth capital and late stage venture capital in consumer and technology related investments in Southeast Asia and Greater China for F&H Singhome Fund III Ltd (Fund III or the Fund). Fenghe has an overall expectation of generating a gross internal rate of return of 25%.

MERCER'S RATING AND VIEW

Mercer's rating	PREFERRED PROVIDER
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MERCER'S VIEW

F&H Singhome Fund III is targeting venture and growth capital style investments which have the potential to generate a gross internal rate of return of at least 25%. Whilst the investment opportunity appears compelling, we note this target may be too ambitious given the limited Global Investor Programme

(GIP) fund term and the requirement that capital be called at inception. The two founders are experienced investors and have broad networks that should drive strong deal flow. The manager is relatively hands-on and seeks to add value to portfolio companies.

CIM Global Business Singapore Pte Ltd is appointed fund administrator, transfer agent and registrar. Fenghe's operations are generally in line with safe and sound practice.

However, Fenghe could benefit from strengthening its governance framework by increasing the frequency of the firm's Board meeting and establishing a formal management committee to oversee operational matters.

PEOPLE

IDEA GENERATION

Fenghe will largely invest in high growth consumer and technology sectors in Asia. The opportunity set appears vast and compelling. However, the success of the strategy rests on the ability of the manager to monetize technology platforms within a short time frame compared to traditional venture capital funds. The manager typically invests via preference shares or convertible loans. The team appears to be active in the management of portfolio companies through the provision of strategic advice, using their networks to assist in expansion strategies and strengthening management teams. Co-founders John Wu and Matt Hu, have considerable investment experience and an extensive network of industry contacts. John Wu has also been successful investing in several start-ups in his personal capacity. The more junior members of the team bring traditional banking and accounting background skills and assist in evaluating, managing and divesting deals.

BUSINESS MANAGEMENT

Fenghe was established in 2009 and has amassed AUM in excess of S\$600mn. The firm recently went through an ownership change, with the equity interest of founders John Wu and Matt Hu being diluted and two new senior team members, Li Xiaobo and Jason Wu, acquiring a 5% equity interest each (in addition to Kwek Hyen Yong's 10% ownership). Carried interest is to be shared amongst the team but the allocation is not predetermined. Fenghe manages both public markets and private markets funds. On the private equity side, in addition to the GIP funds, they have established an angel stage fund that is designed to minimise conflict of interest by containing the investments of the founder, though presenting a risk that John Wu's time is drawn away from the GIP fund. There is some key person risk with respect to the two founders who are viewed as critical to the success of the

business. Overall, resourcing appears appropriate and staff turnover has been moderate. Protocols around related party transactions are relatively weak.

INVESTMENT PROCESS

PORTFOLIO CONSTRUCTION

The Fund will invest in late stage venture and growth stage companies that are typically revenue generating. The Fund will invest predominantly in the consumer and technology sectors, making it more concentrated than other GIP portfolios. However, this is where John Wu has most experience. Given that the focus of the Fund is to invest in relatively earlier stage companies, there is a risk that they may not be able to exit investments within the timeframe stipulated by the GIP. The manager seeks to mitigate downside risk and provide greater certainty over exits by investing via preference shares and convertible loans with redemption provisions. However, these mechanisms may only be effective when a business is cash flow positive or has assets that can be used as collateral, which may not be the case for some technology companies.

IMPLEMENTATION

S\$37.5mn has been raised to date for Singhome Fund III and is unlikely to significantly increase further. Fenghe does not expect any changes to the strategy or portfolio construction for Singhome Fund III. The Fund has now made investments in 22 companies totalling S\$33.9mn in value since late 2015. It expects to be fully committed in the near future, with sufficient capacity remaining for the allocation of final LPs' commitments that make it into the Fund. In aggregate, the performance of the underlying investments is 1.23x gross TVPI. Given the late stages of deployment and limited fundraising pipeline, the Manager will look to wind up the Fund's investment period in the near future, upon which Fenghe will begin fundraising for Fund IV, which is not expected to be a GIP fund. Total private equity AUM now stands at circa S\$300mn; the remainder of the firm's AUM is in equity hedge funds.

OPERATIONS

GOVERNANCE AND CONTROLS

Fenghe's Board and the GP Board are comprised of three directors including the founder/Chairman, founder/CEO and MD and meets on a semi-annual basis; meetings follow formal agendas and are minuted. Safe and sound practice is for governing bodies to meet on a more frequent basis, at least quarterly, in order to provide appropriate governance and oversight. The GP Board includes an additional independent member.

There is no management, executive or other committee except for the Investment Committee (IC).

Overall, Fenghe appears to have implemented appropriate segregation of responsibilities between its investment and non-investment functions, including Risk & Compliance, which has direct access to the Board.

REGULATION, COMPLIANCE AND AUDIT

Fenghe was granted a Capital Markets Services (CMS) license by the Monetary Authority of Singapore (MAS) in August 2013.

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Fenghe has a dedicated Risk & Compliance Manager who has the requisite experience to manage the risk and compliance functions. In practice, the compliance function is collectively overseen by the Risk & Compliance Manager and the MD.

Fenghe has a Compliance Manual that incorporates the firm's policies and procedures which are reviewed and updated accordingly on a periodic basis.

Fenghe maintains an operational risk register detailing the non-investment risks facing its business.

Fenghe has appointed KPMG as the firm's external auditor.

TECHNOLOGY

Fenghe's information technology infrastructure is appropriate for a private equity manager. The firm implements a private cloud environment, with all data currently backed up to an offsite location in Changi, and mirrored real-time to an alternate data centre located in Miami, United States.

Fenghe engages third party specialists, Athena Systems, to perform annual penetration testing to help ensure the ongoing robustness of its IT infrastructure. The last test was performed in January 2018 with no adverse findings noted.

Fenghe has incorporated a business continuity/disaster recovery (BC/DR) plan in its Compliance Manual. BCP tests are conducted on an annual basis. The latest test was successfully conducted in January 2017.

INVESTMENT ADMINISTRATION AND GIP FUNDS

The Fund Board is comprised of the three executive directors from the Fenghe Board and an independent director.

CIM Global Business Singapore Pte Ltd is appointed as the firm's fund administrator, transfer agent and registrar.

The Fund's financial accounts will be subject to an annual statutory audit by the appointed auditor.

Fenghe represented that the firm does not apply equalization for the subscription of GIP funds due to the inherent uncertainty of valuations of venture capital investment assets at early stages. Safe and sound practice is for the manager to undertake a process of equalization on subscriptions received at different times during the fund raising period to account for the risk borne by early investors.

We believe Fenghe has adequate cash controls in place, including around the Fund's distribution/redemption payments.

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RESEARCH PROFILE

PHILLIP PRIVATE EQUITY PTE LTD

PHILLIP VENTURES ENTERPRISE FUND V LIMITED

GENERAL STRATEGY DETAILS

Investment manager	PHILLIP PRIVATE EQUITY PTE LTD
Fund name	Phillip Ventures Enterprise Fund V Limited
Review date	June 2018
Firm asset under management (AUM)	S\$69.0 mn (as at 31 December 2017)
Fund AUM	S\$36.3 mn (as at 31 December 2017)
Strategy inception year	2006
Type	Growth Capital and Mezzanine Financing
Management fee	2.5% p.a. of committed capital
Performance fee	20% performance fee; subject to a 5% preferred return

FIRM BACKGROUND AND HISTORY

Phillip Private Equity Pte Ltd ('Phillip PE') is a wholly owned subsidiary of Phillip Capital Pte Ltd ('PC Group'). PC Group is, in turn, wholly owned by Phillip Investment Corporation Pte Ltd ('PIC'), which is owned by four shareholders. Phillip PE is the private equity arm of the PC Group with a team of 12 staff.

FUND OBJECTIVE

Phillip Ventures Enterprise Fund V Limited (PVEF V or the Fund) will invest in late stage equity and mezzanine financing opportunities in Asia. The Fund is seeking to deliver a net internal rate of return of 6-12% per annum.

MERCER'S RATING AND VIEW

Mercer's rating	PREFERRED PROVIDER
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MERCER'S VIEW

PVEF V will predominantly invest in late stage deals and mezzanine opportunities in Asia. The Fund will focus on structured investments that incorporate collateral, downside protection and equity upside. The key investment professionals have a long history of working together and the team overall is reasonably large, relatively stable and dedicated to the management of the Global Investor Programme (GIP) portfolios. The individuals have

considerable private equity and GIP specific experience and access to substantial deal flow. From an investor alignment perspective, while the investment team does not have equity in Phillip PE or the PC Group, they do partially and indirectly participate in carried interest (performance fees) generated via an annual share in the net profit before tax of Phillip PE.

Phillip PE benefits from its parent company's scale, operations and corporate oversight. Phillip PE's operations are generally in line with safe and sound practice.

However, Phillip PE would benefit from functionally separating the Chief Operating Officer (COO) role from the Investment team.

PEOPLE

IDEA GENERATION

PVEF V will predominantly focus on late-stage and asset-based investments, with a small portion of the Fund allocated to early stage high growth companies to allow for higher returns. Phillip PE typically invests via convertible debt instruments supplemented with collateral such as share pledges, personal guarantees as well as equity options or warrants. The Fund will target opportunities in the wider Asia Pacific region with special emphasis on Singapore companies. The manager has experience in structuring investments in line with the objectives of the GIP. Phillip PE usually takes minority stakes and plays an advisory role to the portfolio companies. Key members of the investment team have a long history of working together and have strong investment management and sector experience. Three of the senior investment professionals were previously together at ECICS, a private equity firm acquired in 2004 by PC Group, the parent company. Deal flow in previous funds has been relatively strong and has been sourced through a combination of the team's personal networks and the connections of PC Group.

BUSINESS MANAGEMENT

Phillip PE is an established private equity business with sizable AUM. The manager, however, is owned by the financial services firm, PC Group, and the investment team members do not hold equity. Investment staff do not receive a direct allocation of carried interest, but rather participate in a percentage of the net profit before tax generated by Phillip PE on an annual basis. The team has been relatively stable and is reasonably well resourced. Phillip PE's relationship

with the PC Group enables the manager to leverage the resources of the broader PC group and access deal networks but may also introduce potential conflicts of interest.

INVESTMENT PROCESS

PORTFOLIO CONSTRUCTION

PVEF V is targeting commitments of S\$75mn and will seek to make 10-15 investments of S\$3-8mn. It is intended that 80-90% of the Fund will be invested in mezzanine financings and convertible loans in late stage type deals, with the remainder to be allocated to early and growth stage investments. Phillip PE undertakes rigorous sector analysis and will seek to diversify the Fund in industry sectors including oil and gas, marine services and shipping, healthcare and life sciences, consumer-related, natural resources and infrastructure and other sectors. The Fund has a broad geographic focus.

IMPLEMENTATION

S\$40mn has been raised to date for PVEF V. Philip expects a total of S\$48-50mn capital commitments to be raised by the final close. The Fund has made investments in four companies, with performance marked up slightly to 1.02x gross TVPI. Philip does not expect any changes to the strategy or portfolio construction for PVEF V.

OPERATIONS

GOVERNANCE AND CONTROLS

Phillip PE has a Board of Directors comprised of six directors, including one independent director. The firm has three committees, namely the Investment Committee (IC), Risk Management Committee (RMC) and Valuation Committee (VC).

The PC Group provides corporate services to Phillip PE including compliance, internal audit, information technology (IT) and human resources (HR).

The organisational structure generally promotes clear segregation of duties, with the exception of the COO who sits within the Investments team. Safe and sound practice requires clear segregation of duties between investment and non-investment control functions.

REGULATION, COMPLIANCE AND AUDIT

Phillip PE was granted a Capital Markets Services (CMS) license by the Monetary Authority of Singapore (MAS) in September 2013.

The compliance function is outsourced to the PC Group. The PC Group Compliance team has one staff member assigned as a dedicated Compliance Officer for Phillip PE.

Phillip PE maintains a documented code of conduct and compliance policies.

Phillip PE has appointed KPMG as the firm's external auditor.

The firm's RMC performs a review of operational aspects of the business once every two years.

TECHNOLOGY

Phillip PE's IT infrastructure is appropriate for a private equity manager. The firm's data is currently backed up to an offsite location on a daily basis.

Phillip PE adopts the PC Group's Business Continuity Management Policy and tests are conducted on an annual basis. The latest BCP test was successfully conducted in November 2017.

INVESTMENT ADMINISTRATION AND GIP FUNDS

The Fund Board is comprised of five members, including one independent director.

Phillip PE has attempted to implement an equalization process. Investors admitted (and existing shareholders increasing their capital commitments) subsequent to the First Closing Date will be required to pay to the Fund, interest on further capital commitments at the rate of 1% per annum (or other rate as the manager in its discretion may determine).

The Fund's financial accounts will be subject to an annual statutory audit by the appointed auditor. No third party fund administrator has employed on behalf of the Fund.

We believe Phillip PE has adequate cash controls in place, including around the Fund's distribution/redemption payments.

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