Which market in Asia will provide the best returns for investors?

**MM:** It depends on what you define as “return.” We think about return on a risk-adjusted basis; in other words, return should be commensurate with the investment risk taken. Best returns would be those that significantly outperform our expected risk premium hurdles relative to the comparative risk involved. For example, more emerging Asian markets, like China, India and South East Asia, have more risk and need to deliver higher absolute returns than more developed Asia markets, like Japan and Korea, to justify the incremental risk. Asset classes and managers also need to follow the same risk premium differentiation – venture needs to deliver higher absolute returns than buyout, and emerging managers are riskier than teams that have been together for multiple funds.

**BE:** I believe it’s more crucial which manager you choose, than in which market you invest. If I believed that it was up to the market to provide the return I would invest in the public market instead of the private.
**KS:** Developed Asia may well surprise and outperform emerging Asia.

**How do you see the manager universe in Asia evolving in the medium term?**

**MM:** Overall, across Asia and across all alternatives sub-asset classes, the number of managers is increasing each year. Today, we estimate there are over 2,000 fund managers across all of Asia, a significantly higher number than when we started investing our first fund almost a decade ago. In addition to numbers, managers are also generally becoming more specialized – we see increasing differentiation between local and more global/pan Asia managers, between sub-asset class specializations, between deal structures and sources and between target industry mixes.

**BE:** You will have more small sized funds with institutional quality and a proven track record. The Asian Private equity market has matured, and you have a natural selection of who will stay and who will disappear.

**KS:** Asia will offer an intriguing mix of established players and a new breed of managers arising from the strong entrepreneurial spirit and vibrant economies of the region.

**What more is needed for the development of the Asian PE industry?**

**MM:** The greatest need varies with each investment cycle. In the current cycle and the experience of the last few years, I would say the greatest need for development is the exit/liquidity end of the private equity ecosystem. Beyond IPOs, we see trade sales, re-capitalizations and management buyouts increasing, but still far behind the more developed private equity markets in the US and Western Europe. We expect the continued development of the private equity ecosystem in each Asian market to drive change/innovation over time.

**BE:** Continuity and the possibility to track past performance, stable and disciplined teams.

**KS:** Manager continuity and exits.

**What do you enjoy most about being an LP?**

**MM:** The best thing about my job is the power of partnership. As a fund-of-funds, we are both a GP and a LP. As such, we get to bring LPs and GPs together in Asia (many for the first time) to harness capital to help hundreds of companies and thousands of people across the region. The resulting effect is much, much bigger than what any one of us can do on our own – this partnership effect is critical to helping the economics of Asia grow and flourish.

**BE:** The opportunity to meet with all these amazing people, and that you always learn. In an evolving market you are never done.

**KS:** I enjoy being part of a larger important mission of generating returns for our beneficiaries. PE is a good way of owning companies, building better businesses and generating returns for beneficiaries. I enjoy the inefficiencies of the private markets and the analytical work of questioning the myths, clichés and conventional wisdoms of PE investing. PE is still a very young asset class.

**What is the hardest part of your job?**

**MM:** Saying no. There is so much entrepreneurial energy in Asian private equity now and there are many people working very hard at investment theses they are staking their careers on. You have to respect that. However, there are a limited number of investments we can and should ultimately make. There are a lot of managers and deals which are likely perfectly good and sound investments that we have to decline every day. In the end, we have to stick to our investment strategy and judgment to guide us.

**BE:** Prioritize, we meet with so many good managers that tick all our boxes, but we have limited resources so we have to be very strict in where we spend our time.

**KS:** Ensuring that we get paid over the long term for taking risk in private markets - hot stories are often better played through the public markets. PE is such an important and large asset class today that it is critical to stay focused - which is much harder than it sounds - thus ensuring that we reap the benefits of our scale and proprietary insights.