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EMPEA Releases 1H 2018 Industry Statistics

Emerging Asia leads fundraising and investment activity in emerging markets, while new opportunities in VC, private credit, tech and health care grow globally

Washington, D.C., 6 September 2018: Private capital fundraising and investment activity in emerging markets (“EM”) increased by 11% and 21%, respectively, in the first half of 2018, driven predominantly by activity in Emerging Asia, according to EMPEA’s latest [Industry Statistics](#). Commitments to EM-focused private capital vehicles—inclusive of private equity and venture capital, private credit and private infrastructure and real assets—reached US\$31 billion in the first six months of the calendar year, up from US\$28 billion in 1H 2017. Disclosed capital invested reached US\$30 billion, the highest half-year total ever recorded by EMPEA.

Increased fundraising for Emerging Asia-focused vehicles, which rose from US\$22 billion in 1H 2017 to US\$28 billion in 1H 2018, drove the growth in overall EM commitments, continuing a multi-year trend in which the region has garnered an increasing share of all EM fundraising activity. The largest funds closed in the first half of the year were **Carlyle Asia Partners IV** (US\$6.55B), **Macquarie Asia Infrastructure Fund II** (US\$3.3B) and **Blackstone Capital Partners Asia Fund I** (US\$2.3B). In contrast, fundraising for EM funds excluding Emerging Asia declined to US\$3.7 billion from US\$7 billion in 1H 2017.

Increased commitments to EM private capital funds in 1H 2018 were matched by heightened deal activity, which was also led by Emerging Asia. Notably, private capital fund managers contributed US\$5.1 billion to the buyout of Singapore-based **Global Logistic Properties (GLP)**, the largest GP investment on record at EMPEA. Due in part to large transactions such as the GLP buyout, Emerging Asia accounted for 85%, or US\$25 billion, of all disclosed capital invested in emerging markets in the first half of 2018. Investment in EM regions excluding Emerging Asia declined to US\$4.4 billion from US\$7.1 billion in 1H 2017.

Although Emerging Asia drove the increase in overall EM fundraising and investment activity in the first half of the year, there are signs of sustained improvement in investor sentiment toward private capital in emerging markets overall—even amid increased trade tensions globally and volatility in short-term capital flows and exchange rates in some markets. As EMPEA revealed in its [2018 Global Limited Partners Survey](#), a higher

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proportion of limited partners¹ plan to increase their commitments to EM private capital than in any year since 2014. Moreover, the proportion of respondents expecting net returns of 16% or more increased, year-on-year, for each of the EM geographies included in the survey.

According to Jeff Schlapinski, Senior Director, Research at EMPEA, “Over the first sixth months of 2018, EMPEA has documented an improved outlook for emerging markets among institutional investors, as well as record levels of fundraising and deal activity, albeit with a bias toward Emerging Asia. However, looking ahead, the competition for deals in more mature markets may present emerging and frontier regions in a new light. EMPEA believes private investment opportunities in emerging economies broadly defined hold the potential to offer attractive long-term value to investors due to a lower level of competition for assets, structural imbalances between supply and demand in fast-growing sectors and a relative lack of publicly traded securities that provide access to the best investment themes.”

Regional and country highlights from EMPEA’s 1H 2018 Industry Statistics include:

- **Latin America** – In the absence of large regional growth and buyout funds, the majority of capital raised in the first half of 2018 accrued to two overlapping pools: private credit vehicles and BRL-denominated, Brazil-focused funds. Both specialist fund managers and new entrants to the asset class raised US\$989 million for special situations, distressed debt and mezzanine vehicles, capitalizing on increased LP appetite for private credit. While overall fundraising for Latin America was below last year’s pace—perhaps reflecting continued concerns over the outcome of presidential elections in the region and their implications for investors—private credit and Brazil-focused fundraising are both on track to reach multi-year highs.
- **CEE & CIS** –Although capital invested in CEE and CIS declined by 40%, year-on-year, in 1H 2018, fund managers have been increasingly successful in finding exit channels in the region. The initial public offering of Czech Republic-based **AVAST Software** in May marked the largest disclosed exit via public markets in the region in 1H 2018. CVC Capital Partners and Summit Partners disposed of shares worth US\$226 million as part of the US\$817 million offering on the London Stock Exchange. The exit highlights the region's strengths in pure-play software & computer services, which has garnered a higher percentage of capital invested (5.9%) and overall deal count (16%) since 2008 than in all other EM regions.
- **Sub-Saharan Africa** – As a share of private capital activity, venture capital (VC) deals soared to 22% of total capital invested in Sub-Saharan Africa in the first half of 2018. While this shift is partially due to declines in buyout and growth deals, disclosed capital deployed via VC deals in 1H 2018 has already surpassed last year’s total by 64%. In particular, technology startups in the region have raised late-stage funding at an unprecedented pace: at US\$103 million in disclosed investment, late-stage VC investment in Sub-Saharan Africa surpassed all previous annual totals.

¹ Excludes institutions with EM-only mandates, including DFIs, EM-focused funds of funds and others legally mandated to invest in emerging markets.

- **MENA** – Despite public concerns over corporate governance in the Middle East, the region continues to present new opportunities for investment. Gulf Capital’s US\$267 million buyout of Saudi Arabia-based fintech company **Geidea** in May was the largest disclosed private capital deal completed in MENA since 2016—and the largest investment ever recorded for the country. The deal highlights the opportunities within Saudi Arabia’s fintech and enterprise services space at a time when the government is keen to diversify the economy and attract foreign investment.
- **Emerging Asia** – Reflecting the pattern of commitments over the past few years, Emerging Asia-focused vehicles drove the increase in overall EM fundraising, led by the US\$6.55 billion final close of **Carlyle Asia Partners V** in June. As the second-largest fund ever raised for Emerging Asia, Carlyle’s latest regional fund follows a recent trend in which the region’s largest franchises have amassed increasingly greater commitments to subsequent vehicles. Funds of US\$1 billion or more accounted for most of the growth in regional fundraising from 2015 to 2017, and LP appetite for Emerging Asia shows no signs of abating: Asian markets took the top three spots in a ranking of market attractiveness in EMPEA’s [2018 Global Limited Partners Survey](#).
- **China** – Health care in China has proved to be one of the most attractive segments for investment within the broader Asian private capital landscape. Drug registration reforms in 2017 have helped precipitate an uptick in investments in biotechnology and pharmaceuticals in particular. Increased health care deal activity may also in part stem from the emergence of health care-dedicated GPs in China, as health care-specific funds raised a record US\$1.7 billion in 2017.
- **India** – Fund managers demonstrated renewed interest in the infrastructure space in 1H 2018. **Macquarie Infrastructure and Real Assets’** (MIRA) US\$1.5 billion national highways buyout in Q1 was the largest infrastructure deal recorded for any country on EMPEA’s record. Investors are seeking further opportunities in the infrastructure sphere: after two years with no closes for India-focused infrastructure vehicles, GPs secured US\$651 million for the asset class across two funds in 1H 2018.

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Additional EMPEA Member Data Resources

In addition to the [1H 2018 Industry Statistics presentation \(PDF\)](#), EMPEA members can access the full [Excel workbook](#), including performance data from Cambridge Associates, using their logins.

EMPEA will also be releasing its members-only quarterly [Data Insights](#) later this month. These market snapshots contain high-level executive summaries, key data points and underlying fund, investment and exit listings for each major EM region, as well as Brazil, China and India. For more information about EMPEA’s content offerings, contact research@empea.net.

About EMPEA

EMPEA is the global industry association for private capital in emerging markets. An independent, non-profit organization, the association brings together 300+ firms—including institutional investors, fund managers and

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industry advisors—who manage more than US\$5 trillion in assets across 130 countries. EMPEA members share the organization’s belief that private capital can deliver attractive long-term investment returns and promote the sustainable growth of companies and economies. EMPEA supports its members globally through authoritative research and intelligence, conferences, networking, education and advocacy. To find out more, please visit [EMPEA.org](https://empea.org).

[Learn more about EMPEA's research coverage and methodology »](#)

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