



LGT Capital Partners Insights Building a modern Asia-Pacific private equity portfolio

Discover more: scan the QR code
to access our expert content



“Building a balanced APAC portfolio cannot be achieved through remote investment and by visiting the region once a year for annual meetings or APAC conferences”



- 4 Executive summary
- 6 The big picture
- 7 Private equity – a little less action but returns remain strong
- 8 Building a modern APAC private equity portfolio
- 14 The diverse opportunities offered by APAC
- 22 APAC private equity – where do we go from here?

Executive summary

Geopolitics and domestic developments have altered the private equity landscape in Asia-Pacific (APAC) but the region still offers potential for attractive returns. Building a balanced portfolio tailored to the new conditions in APAC requires a nuanced approach, diversification across the region, on-the-ground expertise and, crucially, access to the right investment opportunities.

APAC has emerged as a powerhouse in the global economy in the 21st century. The attractive returns in the private market segment have so far been one of the key themes, although this narrative is often oversimplified. For years, many believed that to successfully invest in the region, it was simply a case of tapping into China's dramatic growth against the backdrop of globalization. As a result, private equity investment was carried out at scale, with the majority of capital flowing to China – often from a great distance. Fundraising for APAC venture capital, growth and buyout strategies surged from 6% in 2000 to over 30% of the global total in 2020.¹

Recently, another equally oversimplified narrative has been taking hold: there are suggestions that China is decoupling, the world is deglobalizing, regional risk is rising, and the best investment opportunities in private equity are now only to be found in the West. While it is true that many global investors already have private equity portfolios with high concentrations of US assets – and this has become even more pronounced in the post-Covid-19 era – the reality is, as always, more nuanced.

APAC's pace of demographic change, technological innovation and adoption, focus on education, strong manufacturing and consumer markets and, crucially, the differing conditions in its respective private equity markets are a source of diversification and opportunity. Moreover, given that APAC public markets – especially those in emerging countries – are thinly traded relative to those in the West, private equity remains a more effective way to tap into economic growth in the region. Considering that APAC accounts for over 35% of global GDP according to data published by the International Monetary Fund (IMF) in 2025, we believe that the region is underrepresented in most limited partner (LP) portfolios. Moreover, China, the largest trading partner of more than 120 nations globally and a manufacturing powerhouse, remains one of the most interesting private equity markets in APAC in the long term.

Navigating the APAC private equity market requires three key capabilities:

- In-depth understanding of the local business and economic environment
- Access to the best local general partners (GPs), who can source and identify attractive opportunities from which to build diversified portfolios across the region
- A multi-strategy approach that combines primary, secondary, co-investment and direct investments to maximize returns

A pan-regional private equity strategy that adopts this approach should be well positioned to navigate the challenges that exist in APAC today.

¹ Preqin, Q1 2025



“China remains one of the most interesting private equity markets in APAC in the long term”



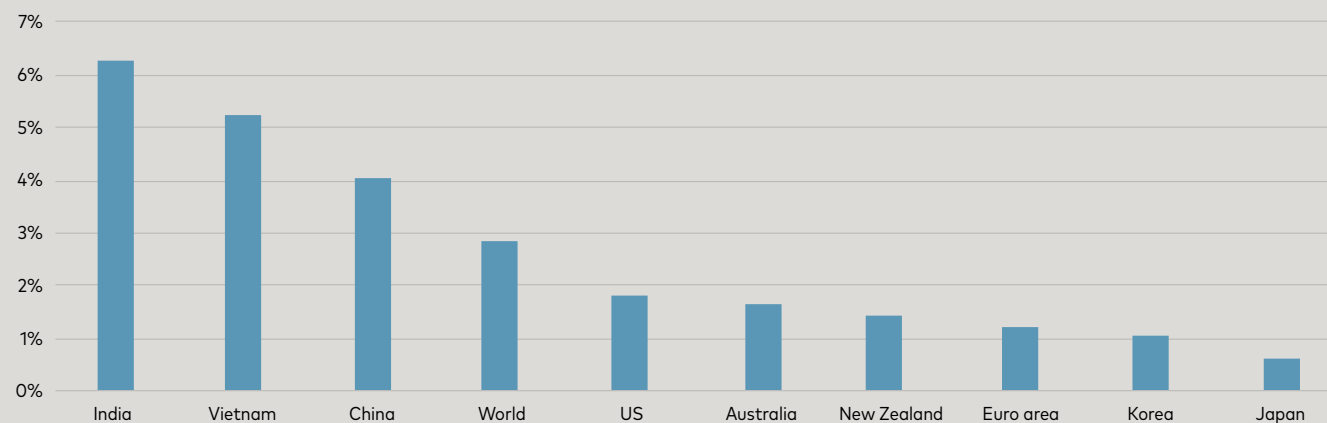
The big picture

The IMF forecasts that the global economy will grow by 2.8% in 2025. In APAC, the economic outlook is more varied, as shown by the chart below. Developed economies lag the global growth rate, while the emerging economies of the region are expected to expand much faster – achieving growth rates that are two to three times higher than those in the US and Europe.¹

APAC's economic dynamism is also reflected in areas such as investment in research and development (R&D), where Korea leads the way, spending 4.6% of GDP each year. China spends 2.6% of GDP, which is comparable to the proportion of spending on R&D in the UK or the Netherlands, although China's economy is clearly much larger. Such spending rates are reflected in product innovation that goes far beyond the recent "DeepSeek moment". In the early 2000s, APAC overtook non-APAC OECD economies in terms of the proportion of patents registered globally. In fact, by 2020 APAC accounted for more than 56% of all global patents, producing more patents in every technical field than either the US or Europe.²

This macro overview encompasses a diverse range of economies at different stages in terms of both business sophistication and the development of the private equity ecosystem.

Real GDP growth forecast for 2025



Source: International Monetary Fund, World Economic Outlook (April 2025) – Real GDP growth

¹ Source: International Monetary Fund, World Economic Outlook (April 2025) – Real GDP growth

² Accelerating Innovation and Digitalization in Asia to Boost Productivity

Private equity – a little less action but returns remain strong

We have recently seen green shoots emerge after APAC private equity activity declined sharply during and after the Covid-19 pandemic. In 2024, this was evidenced by:

- Net distributions turning positive for the first time since 2021
- Deal volume rising after a two-year slump
- Median EV/EBITDA entry multiples rising from 10.1x in 2023 to 12.8x in 2024 (but remaining far below the 14.8x seen in 2022)¹

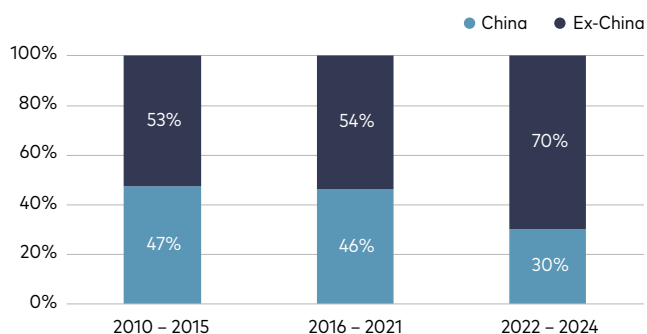
However, regional fundraising remained subdued and is currently at a ten-year low. Poor global economic conditions, including a tougher financing environment, inflationary pressures and difficult exit conditions in public equity markets were key factors driving this situation. That said, declining deal volumes and sluggish market demand have given more power to buyers, and those with available capital are well positioned in the current environment.

Declining activity does not equate to declining returns, which should be one of the criteria for assessing an attractive entry point. Net internal rates of return (IRR) across the best performers in APAC private equity have remained strong. Top quartile funds from 2016 to 2018 – those in late value-building and harvest periods – ranged from 20% to 26%, with median returns remaining stable in the mid-teens.¹ This is in line with historic returns, despite these vintages facing the brunt of the Covid-19 pandemic, which was particularly disruptive in Greater China. While the 2021-2022 vintages are likely to be weak and, more broadly, distributions to paid-in capital (DPI) in APAC have generally lagged behind US and European private equity, the right regional strategy (secondaries combined with a balanced emerging market and developed market

split) can provide investors with attractive risk-adjusted returns and healthy distributions, especially given APAC's continued growth and lower entry valuations and levels of debt.

The vast capital flows that once fed China's private equity market have (perhaps temporarily) receded but the economy remains robust by international standards and the reallocation of capital away from China provides a clearer view of where many believe real value lies.

Capital deployed in Asia PE



Source: AVCJ data as of 31 December 2024.

Some of this capital has flowed to India. However, following the recent hot market, only those with longstanding experience and access to this market will be able to capture value. In contrast, the advanced economies of Japan, Australia and Korea can provide stability and steady DPI for investors. In a pan-APAC portfolio, the distinct investment themes among the region's developed markets – from small and mid-market buyouts in Japan and Australia to corporate carve-outs in Korea – are an important source of additional diversification.

¹ Asia-Pacific Private Equity Report 2024 | Bain & Company

Building a modern APAC private equity portfolio

Private equity markets in the US – and to a lesser extent Europe – are relatively homogenous compared to APAC, which is a highly fragmented region. In the recent past, a top-down approach has proven a relatively effective strategy. China was the dominant investment target, accounting for about half of all private equity investments in the region. This was particularly the case for large-cap funds pursuing mega-deals (transactions of at least USD 1 billion), as well as for many LPs remotely managing portfolios from offices in the West. With the top-down approach, many investors were able to generate acceptable returns by riding the market during China’s phase of macro growth.

However, far too much capital began chasing the China narrative during this time, creating challenges. In 2019, more capital was raised by China venture capital and growth funds than by funds in North America (USD 170 billion in Greater China vs. USD 110 billion in North America¹). Many investors also forecasted (based on the size of the economy, GDP growth, low levels of private equity penetration, etc) that China would become the world’s largest buyout market by 2030. While very attractive returns were generated by several China managers and break-out companies backed by either venture capital or private equity, overall market returns were disappointing. Some spectacular idiosyncratic returns were generated – but not consistent returns at scale compared to the US mid-market buyout space.

A successful private equity strategy for APAC must be built upon a balanced and diversified portfolio that does not overweight any particular geography or segment. Given that even top-tier APAC-based GPs and LPs are struggling to define an optimal strategy for the region, it comes as no surprise that remote investors have found it even more difficult to settle on the right approach to investing in the region in the post-Covid-19 era.

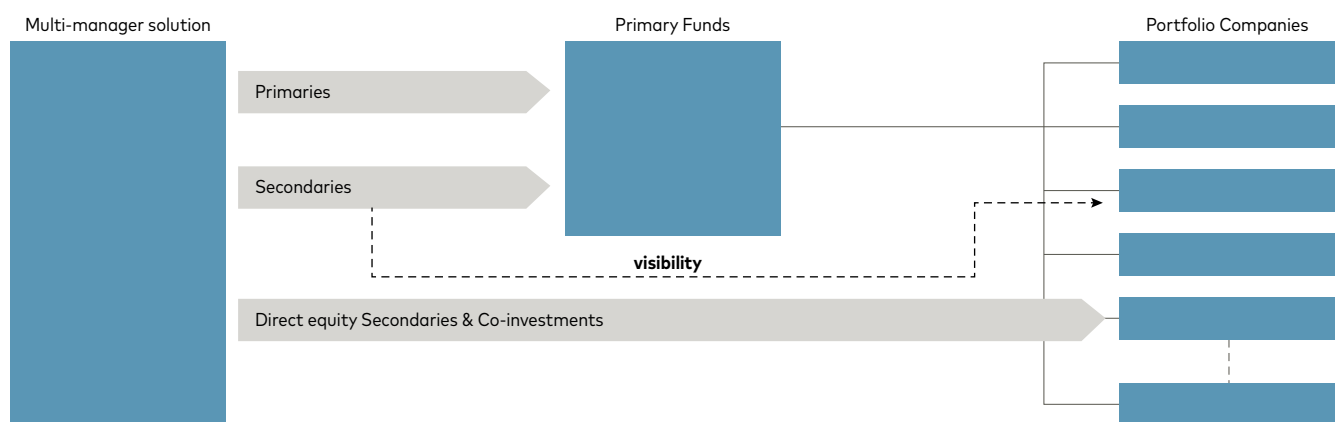
Three access methods to build a diversified private equity portfolio

Before considering the attractiveness of the different markets in APAC, we need to examine the private equity toolbox and the three essential access methods available to investors:

- Primaries
- Secondaries (both LP stakes and GP-led secondaries)
- Co-investments and direct investments

Building a successful portfolio requires the effective use of all of these access points.

Distinct methods to access private equity



Source: LGT Capital Partners

¹ As per Preqin data gathered in Q1 2025

Primaries

Primary commitments to private equity funds are the natural entry point for most investors. For many Western investors, private equity investing in APAC over the last two decades has been dominated by large multi-billion-dollar funds, a strategy that can prove effective in a market where macro-drivers are dominant and a rising tide lifts (almost) all boats.

In today's market, this may not be the most effective approach. For large-scale funds seeking mega-deals, the new landscape poses significant challenges. This is evidenced by the relatively shallow deal flow for mega-deals in the post-Covid-19 era. According to AVCJ, only around 2% of private equity transactions (by count) in APAC in 2024 were classified as mega-deals, transactions of at least USD 1 billion.¹

Analysis of past performance indicates that primary fund returns are generally inversely correlated with fund size, with the most successful funds being those where managers are nimble enough to target small- and mid-cap companies with a distinct strategy and growth potential.

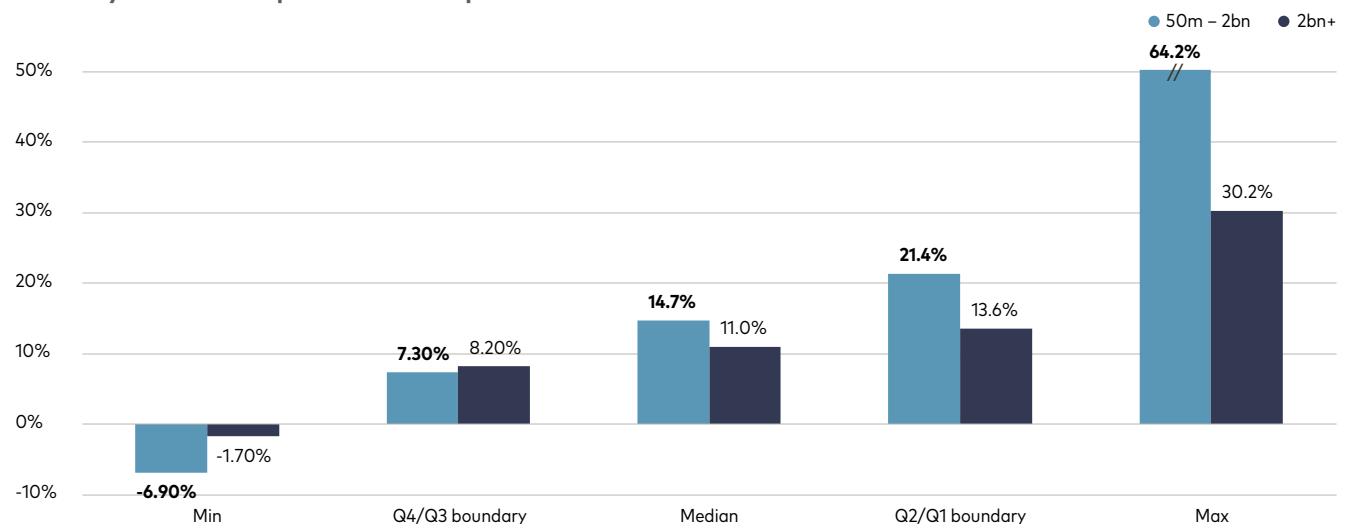
One of the key developments in APAC's private equity market has been the emergence of smaller and highly differentiated GPs, often set up by partners who are experts in their local country market spinning out of larger platforms. This process has occurred more rapidly in some markets than others. The funds in question are highly capable of identifying strong investments in

their market but they are difficult to find without local knowledge, meaning they are harder to access and often over-subscribed.

Accessing these funds for primary investment is difficult or even impossible for remote investors operating from the US or Europe, given the need to identify and map out these local managers far in advance of fundraising. In the case of spin-out managers, investors would also have had to "follow the talent" for years, properly understanding track record attribution to determine which of the many new managers they should back. This is the market segment that we focus on in APAC. Since 2020, the median fund size we have committed to via our flagship APAC fund is approximately USD 550 million, with the fund size being USD 2 billion or less in 90% of cases, according to LGT Capital Partners' Q1 2025 data. As per Preqin data below, the median IRR from Asia buyout funds in the sub-2bn segment outperformed their larger peers by almost 4%, with more outperformance in the 2nd and 1st quartile than underperformance in the 3rd and 4th quartile. With that said, we do see some exceptional cases of pan-regional funds achieving consistent, top-quartile returns.

The surge in private equity investments in recent years could have provided a chance for more global LPs to establish on-the-ground expertise and networks to provide access to these differentiated funds. However, this did not materialize in most cases, and we have seen a pullback by some large LPs with local offices in APAC in recent years. This may prove to be unfortunate timing.

APAC buyout fund size performance dispersion



Source: Preqin 2025. Filtered for close-ended buyout funds with geographic focus in Asia-Pacific across 2000-2015 vintage years in respective fund size buckets. Performance net of manager fees and expenses.

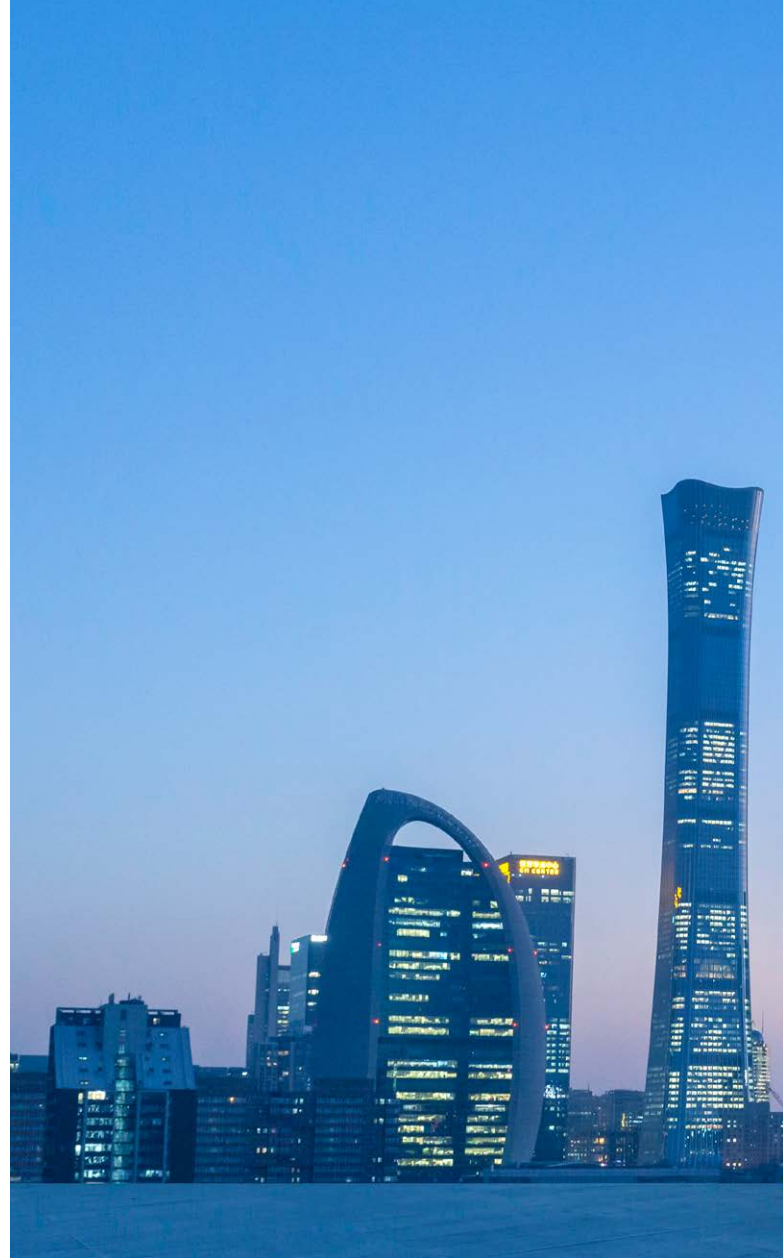
¹ Filtered for private equity deals completed in 2024 with transaction sizes above USD 10m.

Secondaries

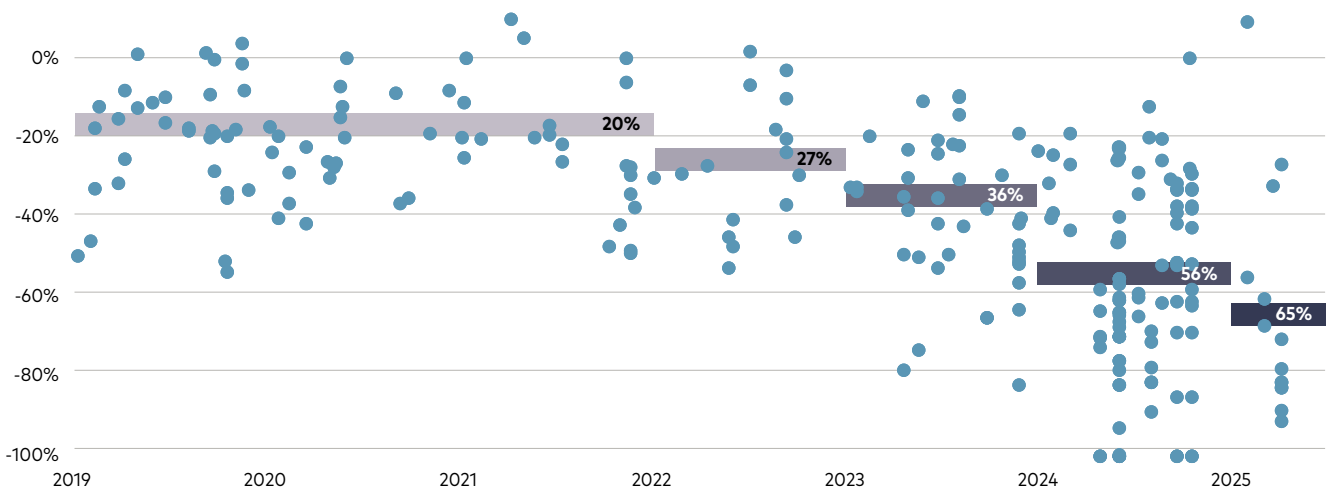
The growth of private equity secondaries has been a global phenomenon. Recent headwinds due to higher interest rates and a slow financing environment have made exits harder and led many GPs and LPs to pursue alternative liquidity options. The development of the secondaries market has varied across APAC. In some economies, transaction volumes remain relatively low. One example is Japan, where LPs have generally enjoyed stronger DPI. In others, we see robust secondary deal flow, with a particularly strong buy-side opportunity in Greater China.

Secondaries should be a key component of an APAC portfolio. The first reason for this is the mitigation of blind pool risk; by buying an existing portfolio, investee businesses are more mature, which translates into more proven success and less expected time to exit. This aspect is particularly relevant in China, where blind pool risk has long been a concern for LPs. In contrast to committing to a primary, secondaries provide a way for LPs to have more visibility on what they are buying and ease concerns around regulatory or geopolitical risks.

The second attractive feature of secondaries are the discounts available in the current market. Purchasing assets at discounts to fair value can be a return driver for secondary transactions, and in APAC (particularly in China), pricing is at its lowest level since the Great Financial Crisis (GFC), creating a potentially strong investment opportunity. In fact, discounts in the region's secondary markets have more than doubled compared to pre-pandemic levels and in 2025 YTD, they have increased to over 60%.



LGT Capital Partners observed secondary fund pricing (% to NAV)



The above chart reflects APAC funds priced and logged by LGT Capital Partners' team members in APAC as of May 2025. This does not reflect total deal flow or market-data from any third-party advisor.

"We see robust secondary deal flow, with a particularly strong buy-side opportunity in Greater China"



These discounts reflect lower demand for investments in APAC for the same reasons as those outlined above in the case of primaries – a lack of European and US buyers with the expertise, local presence and long-term view on the region needed to effectively assess these opportunities.

Naturally, discounts can also reflect underperformance in a challenging economic environment. A successful secondaries strategy not only seeks to maximize discounts and to address blind pool risk but also to identify real value and to underwrite ultimate returns. On-the-ground access allows for asset selection and discrimination in secondary investments, tapping into those opportunities where there is genuine potential rather than solely for the immediate uptick due to a discount.

Co-investments

Co-investments provide a third pillar for building a balanced APAC portfolio. They sit naturally alongside primaries and secondaries, where a relationship has been established with GPs and there is likely to already be an investment through the fund. Through co-investments,

investors can double down on their exposure to selected GPs, identifying specific deals that the investors view as the best fit for the managers core competencies. Also, additional insight into the quality of the manager and deal team can be garnered. As co-investments are typically made on a "no fee, no carry" basis, they can also reduce blended fee exposure and further mitigate blind pool risk. In addition, willing co-investors in a slower macro environment enjoy a large opportunity set from which they can pick high-conviction investments at rational valuations. For example, in 2024, APAC's median EV/EITDA was 12.8x vs. 14.8x in 2022.¹

Perhaps even more importantly, a co-investment network and the required direct investment capabilities significantly broaden the scope of one's investable universe. LPs with strong networks and deep relationships are privy to a robust deal flow of high-quality opportunities each year (small-, mid- and large-cap deals) through their GP network. In contrast, any single fund – particularly in the large-cap space – may struggle to find enough attractive, proprietary opportunities. With that said, LGT CP often partners with large-cap GPs across the

¹ Asia-Pacific Private Equity Report 2024 | Bain & Company

region, co-investing in high quality, scaled businesses. A strong co-investment funnel is needed in a market that is shifting away from high-profile mega-deals. As mentioned earlier, transactions with a value of at least USD 1 billion remain a small minority in the market, meaning that around 98% of deal activity (by count) is not on the radar of most LPs. From our view on the ground, it is crucial to develop relationships in the small and mid-cap space – where local co-investment networks are highly valuable – while also maintaining connectivity with leading global firms. As a large investor in APAC, we can see dozens of opportunities each month due to the partnerships that we have built with our high-conviction GPs in the region.

In addition to co-investments, we have increasingly pursued direct investments in single assets in APAC. These are typically situations where we leverage our platform (e.g. insights from our primaries and secondaries businesses) to identify companies that were invested in by our managers and are performing well. We then find ways to access the capital structure. In recent years, for example, we have made direct investments in the form of equity recaps, providing follow-on financing, or minority secondaries.

By investing across primaries, secondaries, co-investments and direct deals (i.e single-asset continuation vehicles and secondaries), LGT Capital Partners can leverage information to better diligence secondary portfolios and direct investments. These look-through capabilities mean that we are well positioned in competitive processes thanks to our “follow the asset” approach. Through our local networks, we have also seen stressed or financially insensitive sellers focused on exiting positions via bilateral conversations.

Investing across strategies in APAC’s leading GPs and private businesses creates a natural flywheel effect of proprietary data and access, leading to a diversified portfolio and stronger regional returns.

Private equity trends in APAC

At a regional level, several clear trends (not all of which are positive) are emerging, underpinned by an increasing perception of risk. The three most obvious are:

- A shift towards buyout from growth
- A focus on larger, established platforms
- Reallocation away from China

Shift towards buyout

In 2023, buyouts were the largest type of deal in APAC, accounting for 48% of deals by value, up from an average of 32% from 2018 to 2022. In 2024, that number grew to over 50%.¹ The average size of buyout deals has also increased as growth and venture account for a smaller share of the pie. Interestingly, buyout activity has increased in India and Southeast Asia, which are typically more growth-oriented markets.

Increased economic uncertainty is a key driver of this trend, as investment for growth has become less attractive and the focus has shifted to the potential for increased operational efficiency. Large conglomerates can improve efficiency through the spin-out of non-core operations, leading to greater deal flow among buyout strategies. At the same time, most LPs in this environment prefer stable assets with clearer exit pathways and near-term liquidity.

As discussed later in our country-by-country analysis, this trend is particularly strong in certain economies and represents one of the best opportunities in the new APAC private equity landscape, particularly in the small and mid-cap buyout space.

Focus on larger, established platforms

Economic uncertainty has also driven a less positive trend, the flight towards large regional buyout funds with global brand names. Historically, the number of GPs in APAC private equity has grown robustly, more than doubling from around 1,500 in 2017 to around 3,500 in 2022. By 2024, that number had fallen by over 30% to 2,400.²

For this reason, as well as other factors, deal concentration increased, with the top 20 funds accounting for over 40% of deal value in 2024, according to an analysis by Bain & Co. This has strengthened competition for potential deals amongst large-cap GPs, significantly driving up valuations in sought after sectors and geographies.

Few LPs have their own APAC offices from which to assess the private equity market directly and many that previously had a presence on the ground have closed or downsized those offices. This leaves them with a narrower range of investment options and means they are understandably more dependent on large funds to access the region.

This shift towards larger platforms has had the effect of restricting international LP access to the wider range of opportunities that still exist in the region, giving greater

¹ Asia-Pacific Private Equity Report 2025 | Bain & Company

² Asia-Pacific Private Equity Report 2024 | Bain & Company

prominence to large-cap strategies precisely in the place where price competition is most fierce. The other reality in the large- and mega-cap space is that most pan-regional managers tend to outperform in one or two geographies only.

Our analysis of this situation leads us to a strategy of not only maintaining but further building out our local presence and investment activity in APAC, gaining access to direct deals across the region.

Reallocation away from China

China's economic slowdown has reduced the appetite for investment in this market. At the same time, shifting global trade relationships, the application of tariffs by the US, and the trend towards friendshoring in developed markets have had a further impact. China's private equity sector is also facing challenges around exits, with lower levels of initial public offerings on public exchanges and renewed concerns that geopolitical tensions pose risks to global investors.

China's share of private equity deals in the region has declined sharply in terms of both value and volume, with just four mega-deals in the country in 2023, down from an average of 14 over the previous five years.¹ China's private equity market remained muted in early 2025.

However, as we have noted previously, the decline in Chinese economic growth is relative, with GDP growth still forecasted at 4.0% in 2025. Further, a great deal of China risk is already priced in across public and private markets. The KraneShares CSI China Internet ETF (KWEB), which invests in Internet or Internet-related businesses operating in Mainland China, had fallen by approximately 65% by Q2 2025 since reaching a peak in Q1 2021.²

In addition, many of the positive developments related to investing in China in 2025 do not receive widespread attention. While investors increasingly acknowledge China's role as a global technology leader, discussions often focus on challenges in the property sector rather than the country's continued strength in manufacturing. China leads global production in several key industries, including steel, aluminum, shipbuilding, batteries, solar power, electric vehicles, wind turbines, drones, 5G equipment, consumer electronics, active pharmaceutical ingredients and bullet trains. According to forecasts, China could account for 45% of global manufacturing by 2030.³

These trends have also had positive knock-on effects in other Asian markets. Friendshoring frequently involves the transfer of manufacturing activities to nearby states, whose economies are increasingly serving as vital links between China and developed markets in the West.

There is also the reality of very low levels of debt amongst private equity-backed companies. And while there have been some downgrades in consumption, household savings reached a new record of USD 20 trillion in mid-2024⁴, meaning that the actual situation on the ground is somewhat more nuanced than the consensus view.⁵ It should also be noted that the movement of supply chains out of China is more talk than reality, and for private equity, compelling opportunities remain for buyers of certain Chinese assets.

These market conditions offer an opportunity for discerning investors to benefit from pricing while selecting high-quality assets. As ever, sophisticated selection and on-the-ground networks and capabilities are the key to accessing these opportunities.

¹ Asia-Pacific Private Equity Report 2024 | Bain & Company

² Bloomberg, May 2025

³ New York Times' "In the Future, China will be dominant" Guest Opinion Essay

⁴ Business Insider's "China's consumers are saving their money, not spending"

⁵ "McKinsey's Chinese Consumption Amid the New Reality"

The diverse opportunities offered by APAC

China

Still the largest economy in APAC

In China, a country with a GDP of approximately USD 19 trillion, fundraising and investment reached record levels in 2021 – 2022 as investors expected a strong rebound from the Covid-19 pandemic. However, private equity fundraising and distributions have since declined dramatically. Some of the drivers of this decrease have been domestic, following the country's zero-covid approach and a steep correction in the real estate market. Other factors, such as geopolitics, trade tensions and concerns over extended supply chains, affected not only China but also other economies around the globe.

Against this backdrop, there are, however, still significant potential returns available in private equity in China. Far from being entirely negative for private equity investors, the latest developments have created a different but still attractive private equity landscape.

Despite China's economic difficulties, as noted above, it remains a global powerhouse across a number of sectors. One in particular that has attracted significant attention from both venture capital and private equity is healthcare.

The healthcare sector is undergoing rapid expansion in China, driven by both increasing consumer purchasing power – contributing to higher standards of living – and government initiatives. In 2021, the Chinese healthcare industry generated revenues estimated at RMB 10 trillion (USD 1.38 trillion).¹ The government's "Healthy China 2030" initiative aims to increase that figure by 60% to RMB 16 trillion (USD 2.21 trillion).² The expansion of China's healthcare sector will be driven by demographic challenges, including an ageing population; while the situation is not as extreme as Korea or Japan, the proportion of China's population aged 60 and above reached 21% in 2023. We expect to see continued strong growth in the healthcare sector in the future, given that China's healthcare expenditure stands at only around 5% of GDP. This compares to over 16% in the US and 10-11% in the UK and European Union; China is intent on closing the gap.³

Selection and secondaries

Accessing opportunities for significant returns in China hinges on two factors – the ability to select and access the best private equity managers on the one hand, and the ability to select high-quality assets and buy them at reasonable (and often significantly discounted) valuations on the other. Capital flows to China in the post-GFC boom led to elevated valuations and a significant volume of trapped capital that is now seeking an exit. Secondary discounts are attractive, if investors can identify assets with long-term growth potential and viable exit pathways.

As mentioned above, we see blind pool risk – a longstanding concern for investors in China – as being somewhat mitigated via these transactions. As local secondary investors, investing in Chinese secondaries involves backing assets with greater visibility in an economy that is still growing faster than most developed economies. Further, with a local perspective, one is better able to accurately underwrite exits on local stock markets or via domestic strategic players, thus significantly reducing one of the key risks facing investors.

China's share of private equity investments in APAC has fallen by about 50% – a sign of a healthier balance of investments across the region. Meanwhile, in China itself, the period of "tourist capital" riding the wave of private equity may well be over. We have entered a new phase in which those with access to attractive opportunities and the right capabilities have a higher chance of generating genuine alpha.

There are risks in the Chinese market, as there are globally, of which some are local in nature, and some are driven by international conditions. Nevertheless, the secondaries market offers an opportunity for selective investment in highly visible assets at attractive valuations at or close to the bottom of the cycle.

We therefore believe China remains a very attractive private equity market over the longer term.

¹ 2024 CEC Capital China Healthcare Industry White Paper Core Perspectives

² 8 reasons why China is the most exciting healthcare story in the world right now

³ IMF data collected in Q2 2025

“Local secondary investors in China are better able to underwrite exits on local stock markets or via domestic strategic players, significantly reducing one of the key risks”



India

APAC's new growth engine – and priced to match

India, with its GDP of approximately USD 4 trillion, is now set to be the world's fourth largest economy as well as its most populous nation. Furthermore, it has the most attractive demographics of any large country. India stands to benefit from secular tailwinds but has historically lagged the growth rate that China achieved in its fastest growth periods. The performance of the rupee has, in the past, also increased risks in India for US dollar investors. That picture is changing because of China's recent slowdown as well as the policies of Narendra Modi's government, whose pro-business agenda and reforms (e.g. simplifying India's tax code) have revitalized the country's economy.

Trade tensions with China and wider concerns about global supply chains also mean that India, which was already an export-oriented economy, is benefiting from the friendshoring trend.

Demographic and technological trends have also been long-term positives for India, and these too have accelerated in recent years. Digitalization has been a key pillar of the Modi government's economic strategy, including significant advances in the digital delivery of government services and commercial payment systems. India also has one of the fastest-growing middle classes in the region, with 33 million citizens joining the ranks of the consumer classes in 2024 alone.¹

Investment behaviors in India are changing, with increasing investment in public financial markets by this expanding middle class. There has also been an important step change in the amount of domestic institutional capital available to companies accessing Indian public equity markets.

There is, however, a bifurcation in India's economy, with widening income inequality appearing between tier-one cities such as Mumbai, Delhi and Bangalore on the one hand, and second- or third-tier cities on the other. This also has potential political ramifications, as witnessed in recent national elections when the results were disappointing for the Modi government.

While some sections of India's population and some cities and regions may be lagging, other parts of the economy are thriving. Asset valuations and enterprise value to EBITDA multiples are high compared to the rest of APAC, the private equity market is crowded and the "pivot to India" has led to more money flowing into funds.

Quality will prevail – finding best value and exits

Effective long-term private equity investment always follows a bottom-up approach, and this is especially the case in India. Investment opportunities exist across primaries, secondaries and co-investments but given the high valuations of many assets, on-the-ground expertise is doubly important.

Searching for discounts in India is an extremely high-risk approach. Given the generally high valuations and relatively efficient market in India, discounted assets are typically discounted for good reasons. Exit potential is a crucial aspect of this.

India's capital markets are developing rapidly, and more companies are now willing and able to go public on India's exchanges. In 2024, India's National Stock Exchange hosted 268 IPOs, more than any other APAC market, and it raised USD 19.3 billion in primary capital.²

However, the Indian equity market remains shallow and vulnerable to outflows of foreign capital, as demonstrated by the volatility in the market's benchmark index in early 2025.³ That said, the increase in the flow of domestic capital does appear to be a long-term systemic shift.

LGT Capital Partners made its first private equity investment in India in 2005 and has since established long-term relationships with a number of leading private equity firms. We stepped up our investment in India in the post-GFC years when many foreign LPs pulled out; after over USD 7 billion was raised in 2008, this fell to an average of less than USD 3 billion per annum from 2012 to 2014. In fact, we see some parallels between India during the post-GFC period and China today. Those investors who stayed the course in India during a time of uncertainty were rewarded for taking a long-term view.

Our longstanding presence in the Indian market continues to provide us with access to attractive opportunities, with the networks and proprietary datapoints that we have developed over time allowing us to identify real value.

¹ External: How the world consumer class will grow from 4 billion to 5 billion people by 2031 – World Data Lab % %

² NSE leads Asia in IPOs with 268 listings in 2024 across mainboard, SME | IBEF

³ India's Stock Market Needs Domestic Investors Now More Than Ever

“There has been an important step change in the amount of domestic institutional capital available to companies accessing Indian public equity markets”



Australia and New Zealand (ANZ)

Advanced economies with SME opportunities

Australia, with its GDP of around USD 1.8 trillion¹ is one of the most advanced economies in the region alongside Japan and Korea. However, it presents quite different private equity opportunities. Like Japan and Korea, it is an export-oriented economy – but one dominated by commodities rather than manufacturing. Economic growth in Australia has also proved to be stable and steady, with an expanding population due to carefully managed immigration policies that place an emphasis on skilled migration that can support economic growth. Australia also has a strong culture of entrepreneurship and, as a result, a deep pool of successful small- and mid-sized privately owned businesses. The biggest private equity opportunity in Australia is in helping these businesses and their owners to scale or providing an exit.

There is a quite well developed small- and mid-market private equity ecosystem, and the manager quality, leverage and entry multiples that have been observed are all reasonable. However, this in turn means there is considerable competition between LPs for access to these managers. Tapping into the best opportunities when they arise requires strong relationships with well positioned local managers.

The key risks in Australia stem from consumer sentiment and the impact of the higher interest rate environment, as well as the tensions between the West and China; Australia is aligned with the West but has significant exports links to the Chinese economy, which is its number one trading partner. On a more positive note, Australia has ample exit routes for private equity through either the stock market or a healthy secondaries market.

Japan

Japan's awakening is unlocking private equity potential

Japan, with its GDP of over USD 4 trillion, has reached a turning point after three lost decades of growth and low inflation. The Japanese economy saw the return of inflation in 2022 – though not to the levels seen in Europe and the US. Wage growth has also returned and, for the first time since the early 1990s, Japanese workers are seeing real pay rises. This, in turn, has brought a change of mindset in Japan, which has become more positive in its economic outlook and towards private equity.

One result of Japan's past economic stagnation was that private equity did not grow as fast as other highly developed economies. Private equity accounts for



about 0.4% of GDP in Japan, compared to 1.3% in the US, 1.9% in Europe and 0.7% in Korea.² This indicates the potential for expansion, and the recent and quite fundamental change in Japan's economic direction is now beginning to drive that change.

Buyouts dominate

Japan's private equity sector is dominated by buyouts, where we see primary investment as the core opportunity complemented by interesting co-investments in the large-cap and mid-market segments. Buyouts are being driven by two features of the economy: first, large and inefficient conglomerates, and second, a substantial number of small-cap private businesses in need of succession plans.

A number of Japan's giant corporations are sprawling and inefficient, owning vast numbers of subsidiaries. In the changed economic environment, such groups are coming under mounting pressure to improve profit margins, which typically lag those of comparable

¹ With New Zealand having an additional GDP of around USD 250 billion.

² Polaris

“Economic uncertainty has driven a flight towards large regional buyout funds with global brand names”



groups in the US. There has also been an increase in activist investors pressing for disposals. With growing importance being assigned to corporate governance, an increasing number of independent directors with a focus on operational efficiency are now being appointed to large groups.

The corporate carve-out market can, however, be described as lumpy. Deal flow is not consistent and when deals do arise, valuations are high. That said, there is potential here for some co-investments alongside large international GPs. The more conspicuous opportunity is in succession buyouts. Family-owned companies account for a significant proportion of market activity in Japan, but the average age of their CEOs is in the 60s.

Transactions linked to family successions have become one of the main drivers of Japanese private equity and, according to Deloitte, account for about 60% of all deals.¹ Alongside the economic and demographic factors

driving this trend, there is a shifting mindset whereby private equity is increasingly recognized as a valid exit route for family-owned businesses. A growing number of GPs are targeting this small- to lower-mid-cap space. These GPs employ investors with solid industry track records, either from investment platforms or with operational backgrounds.

Japan is not without risks. There are signs of labor shortages emerging in the economy and the future direction of interest rates and the yen remains uncertain. Ongoing tensions with China, also Japan's largest trading partner, continue to cause concerns. The ageing of the population, which is helping to drive succession buyouts, also poses a wider economic risk. On balance, however, Japan stands out due to its unique combination of being an advanced and affluent economy on the one hand but having muted levels of private equity activity compared to other developed economies on the other.

¹ Breaking new ground | Deloitte Global

Korea

A wealthy but ageing nation

A number of economies in APAC are successfully linked to both the West and China. Korea is a prime example of this phenomenon: it is clearly within the US political sphere while having China as its number one trading partner.

Korea's economy, with GDP of around USD 1.7 trillion, has been dominated and defined for decades by its export-oriented, family-owned conglomerates known as "chaebols". Their global success has been key to Korea's development and has contributed to its status as one of APAC's highly developed markets.

However, Korea faces demographic challenges due to its declining and ageing population. This trend is important when considering investment opportunities in areas such as consumer-facing businesses, but it can also create opportunities in other sectors such as healthcare, insurance and senior care.

Conglomerate carve-outs

In Korea, mid-cap private equity has not expanded or achieved the success seen in Australia or Japan, but the long shadow of the chaebols has created another opportunity with significant potential. In 2022, revenues at the top five Korean conglomerates accounted for more than half of the country's GDP.¹ However, this group faces its own challenges of inefficiency and the need to remain nimble and adaptable to new developments.

Corporate carve-outs have therefore become a notable feature of the Korean private equity landscape as conglomerates seek to raise cash for adaptive investments. Several funds dedicated to facilitating these deals have emerged, often as leveraged buyouts and usually headed by experienced managers with deep knowledge of the Korean market. The inevitable inefficiencies that build up in large conglomerate-owned operations mean there is considerable scope for value creation in carved-out assets.

Less prominent, but not insignificant, is the emergence of venture capital opportunities that are partly driven by technological advances and a generation of younger Koreans who are looking increasingly towards entrepreneurship and careers outside the chaebols.

Korea is similar to other developed economies in the region such as Australia, but its conglomerate history and these giants' ongoing adaptation is a distinctly Korean phenomenon and offers another example of the diversification available in a pan-regional strategy.



Southeast Asia

The term "Southeast Asia" is meaningful as a geographical reference but beyond that, any attempt to unify these highly diverse ASEAN economies² in a single analysis remains difficult. That is not to say there are no common themes. The economies of Southeast Asia share some characteristics with India and China, such as having rapidly growing middle classes and experiencing rapid digitalization. The ASEAN region is also a large market, with GDP of approximately USD 4 trillion in 2024 according to the IMF.

Outside India and China, the countries with the fastest growing consumer class in absolute terms are Indonesia, whose consumer class increased by 5 million in 2024, and Vietnam, which recorded almost 4 million new consumers that year. A similar trend is visible in terms of Internet usage; over 40 million users came online in Southeast Asia for the first time in 2020, driving up the total number of Internet users in the region to 400 million.³

¹ Chaebol Families Dominate South Korea's Economy: What to Know – The New York Times

² ASEAN was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei Darussalam, Vietnam, Laos, Myanmar and Cambodia joined in later years to make up today's ten Member States of ASEAN.

³ Southeast Asia: 40 million new internet users in 2020, report finds

"Given that even top-tier APAC-based GPs and LPs are struggling to find an optimal strategy for the region, it is no surprise that remote investors have found it even more difficult"



Along with digitalization, other sectoral themes are linked to the expansion of the middle classes, such as consumer businesses, healthcare and education, which can yield significant investment opportunities. However, these common features of Southeast Asian markets are not enough for us to regard them as a single entity, and this is a source of risks and challenges for private equity investment in these economies.

Earlier expectations that Southeast Asia would experience a private equity boom following the crisis in the region in the late 1990s were not realized and there are few managers who delivered attractive results or achieved success across the subsequent economic cycles.

Seek out proven performance – deal by deal

The challenges for managers in Southeast Asia begin with its fragmented nature: operating across the region poses challenges due, for example, to differing financial and legal jurisdictions. GPs must also consider whether to adopt a "fly in, fly out" strategy from headquarters in Singapore, for example, or to spread their team across

multiple countries within the region – an approach that is also not without risks.

As a result, scaling private equity investment is difficult when no single market has developed to the point where solid returns at a fund level can easily be achieved in that market alone (the size of local private equity markets remains relatively small from a GDP perspective).

Without long-established managers with a proven track record, and with the difficulties of investing across the various countries of Southeast Asia, we generally prefer to invest on an asset-by-asset basis rather than through manager selection. This means that while a limited number of primary investments may be possible, secondary and co-investment approaches are more likely to provide the returns that LPs are looking for.

However, the private equity market in Southeast Asia is growing and, as this paper itself illustrates, evolving markets and regions require investors to keep an open mind, adapting and rebalancing over the longer term.

APAC private equity – where do we go from here?

The approach to APAC adopted by many investors in the past has involved a kind of momentum investment, injecting capital into hot markets or broadly allocating across regional funds. As discussed, the second approach has limitations, given that regional funds tend to be very large and are not equally strong across all markets and sectors, with each having its own strategic and/or geographic specialty.

We believe a more sophisticated approach is to regard the region as a “menu of opportunities” that brings natural diversification across economies (from advanced to emerging) and across vintages and access points (primary, secondary and co-investments).

While the diversity of APAC private equity is one of its attractions, balance is key to building a successful portfolio. Finding that balance cannot be achieved through remote investment and by visiting the region once a year for annual meetings or APAC investment conferences; it requires an on-the-ground presence and true access to and relationships with local managers.

Having allocated to the region for over 25 years, LGT Capital Partners has been rewarded for being a long-term, patient investor who has committed across vintage years, particularly when others have pulled back. Having a clear playbook for the region is crucial to navigate the shifting environment in which risks exist but opportunities abound.

In short: now is not the time to pull out of APAC.

Head office

Pfäffikon (Switzerland)

Schuetzenstrasse 6, P.O. Box
CH-8808 Pfäffikon
+41 58 261 8000

USA

New York

1133 Avenue of the Americas
30th Floor
New York, NY 10036
+1 212 336 0650

San Francisco

580 California Street
Floor 13, Suite 1330
San Francisco, CA 94104
+1 628 201 0050

EMEA

Dubai

Dubai International Financial Centre
Office 7–Level 3–Gate Village 10
P.O. Box 125115
Dubai 12511, United Arab Emirates
+971 4 401 9900

Dublin

30 Herbert Street
Third Floor
Dublin 2 D02 W329
+353 1 264 8600

London

1 St James's Market
London SW1Y4AH
+44 207 484 2500

Luxembourg

21, Allée Scheffer
2520 Luxembourg
+352 27 86 66 86

Frankfurt am Main

Taunusanlage 9–10
60329 Frankfurt am Main
+49 69 505 0604 701

Paris

43 Avenue de Friedland
75008 Paris
+33 1 81 80 5600

The Hague

WTC The Hague, Prinses Beatrixlaan 582
2595 BM The Hague
+31 70 701 8270

Vaduz (Liechtenstein)

Herrengasse 12
FL-9490 Vaduz
+423 235 2525

APAC

Beijing

Floor 61/Unit 01, China World Tower 3B
1 Jianguomenwai Ave
Chaoyang District
Beijing, P.R. China 100004
+86 10 5082 5354

Hong Kong

Suite 4203, 42/F Two Exchange Square
8 Connaught Place Central
G.P.O. Box 13398
Hong Kong SAR
+852 3841 78 88

Singapore

50 Raffles Place, Singapore Land Tower
Suite 19, Level 46
Singapore, 048623
+65 60 47 82 70

Sydney

264 George Street
Suite 40.04, Level 40
Sydney NSW 2000
+61 2 7908 7777

Tokyo

9th Floor, Okura Prestige Tower
2-10-4, Toranomon, Minato-ku
Tokyo 105-0001
+81 3 4510 6900

Disclaimer

This marketing material was produced by LGT Capital Partners and/or its affiliates (hereafter "LGT CP") with the greatest of care and to the best of its knowledge and belief. LGT CP provides no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information. The opinions expressed in this marketing material are those of LGT CP at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures are unaudited. This marketing material

is provided for information purposes only and is for the exclusive use of the recipient. It does not constitute an offer or a recommendation to buy or sell financial instruments or services and does not release the recipient from exercising his/ her own judgment. The recipient is in particular recommended to check that the information provided is in line with his/her own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary with the help of a professional advisor. This marketing material may not be reproduced either in part or in full without the written permission of LGT CP. It

is not intended for persons who, due to their nationality, place of residence, or any other reason are not permitted access to such information under local law. Every investment involves risk, especially with regard to fluctuations in value and return. Investments in foreign currencies involve the additional risk that the foreign currency might lose value against the investor's reference currency. It should be noted that historical returns and financial market scenarios are no guarantee of future performance.

© LGT Capital Partners 2025. All rights reserved.

