



ASEAN-BAC
Malaysia



ASEAN's Private Markets: Coming Together for Growth

April 2025



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Preface



Bangkok, Thailand

The ASEAN Business Advisory Council (ASEAN-BAC) was established by ASEAN leaders during the 7th ASEAN Summit in November 2001, held in Bandar Seri Begawan, Brunei, and officially launched in April 2003. Since its inception, the Council has played a pivotal role in providing private sector feedback and guidance to enhance ASEAN's efforts towards economic integration. It focuses on reviewing and identifying issues to facilitate and promote economic cooperation and integration across the region.

Our vision is to be the principal platform for business leaders across Southeast Asia to engage with policymakers, serving as the APEX private sector body of ASEAN. Our mission is to lead in coordinating inputs from established business councils and entities in their interactions with various ASEAN sectoral groups. We strive to implement a more inclusive and consultative process involving the private sector, assist private sector groups in initiating actions, and harness the collective resources of the private sector to drive economic growth and integration.

This paper on private equity markets in Southeast Asia is a testament to our commitment to fostering economic cooperation and integration. It provides a comprehensive overview of the current landscape, key challenges, and opportunities in the private equity sector, supported by McKinsey & Company's fact-based input and analysis to chapters 1 and 2. By highlighting the potential for growth and the strategies needed to overcome existing barriers, this paper aims to guide policymakers and business leaders in creating a more robust and dynamic private equity market in Southeast Asia.

We believe that the insights and recommendations presented in this paper will contribute significantly to the region's economic development and help realize the full potential of private equity as a driver of innovation and growth.

ASEAN Business Advisory Council (ASEAN-BAC)

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Private equity firms, venture capitalists, and other financial institutions that participated in the interviews for this report.

Special thanks to McKinsey & Company for providing the insights for this report. Insights were derived from interviews, and McKinsey's research and reports on private markets.

Executive summary

Private market activity plays a vital role in driving global economic growth and development. However, ASEAN's private markets are not as mature as global private markets. Private equity (PE) and venture capital (VC) investments in ASEAN amounted to \$19 billion in 2023, representing only 0.5% of the region's GDP – well below the global average of 1.5%. From 2018 to 2023, the region witnessed a 47% decline in PE and VC investments, which was substantially higher than the global decline of 15%.

Achieving global investment benchmarks could unlock \$36 billion to \$59 billion in additional value, positioning ASEAN as a hub for private market activity. The region's burgeoning middle-class populations and the significant reallocation of capital away from China present robust opportunities for both organic and event-driven growth. ASEAN can also learn from other markets such as Latin America, Europe or Africa – when it comes to creating an integrated block for fostering private capital markets.

Several challenges have historically impeded the growth of private markets. They include a fragmented regional framework where economic maturity and regulatory policies vary widely among ASEAN member states. Local PE and VC ecosystems are relatively underdeveloped and lack sufficient scale or an established track record to attract substantial international capital. Elements of PE and VC business models that can be rolled out successfully in mature markets are not fit for purpose in the ASEAN context. Additionally, investment exits in ASEAN have declined by 79% since 2021, which has reduced investor confidence and hindered further fundraising efforts. Despite these obstacles, opportunities are emerging in private credit, which, although currently underdeveloped, offer significant potential if properly cultivated.

Addressing legacy issues will be crucial for unlocking the region's full potential. Strategies could include raising investor awareness, strengthening local general partners (GPs), and fostering strategic partnerships. ASEAN BAC can help elevate local GPs and create a robust investment ecosystem; the council plays a material role in working with regional institutional investors and encouraging them to invest in regional private markets. Leveraging AI-driven business directories and innovative matchmaking platforms can streamline the capital deployment process and boost investor confidence. Additionally, focusing on workforce development and improving access for retail investors will further enhance the private market landscape. And finally, reducing foreign investment restrictions and increasing market liquidity through initiatives like initial public offering (IPO) wraps and secondary trading can democratise investment opportunities, making the market more accessible and attractive.

By tackling legacy challenges and nurturing a supportive investment environment, ASEAN can emerge as a global competitor and a dynamic hub for private market investment. Collaboration between governments, financial institutions, and investors will be essential to create a vibrant and sustainable private market ecosystem. This is a pivotal moment for stakeholders to reimagine ASEAN's private markets and collectively work together towards a more prosperous future.



Brunei Darussalam

Chapter 1

Private markets in ASEAN: Unlocking economic growth and innovation



Private markets in ASEAN: Unlocking economic growth and innovation

Private markets are a powerful catalyst for global economic growth and development. By mobilising significant capital, fostering innovation, and creating jobs, private markets channel investments into new ventures, stimulating economic activity and productivity. In regions with limited access to traditional financing, PE and VC provide essential funding, channelling capital into underbanked businesses and fostering the development of new ventures.

The fiscal impact of private market investments varies widely across sectors and asset classes. For example, investments in public services yield multipliers of 0.6, while those in healthcare can reach as high as 4.0. In the United States, PE exhibits an employment multiplier of 2.6, while VC can lead to a 3.3-fold increase in output.¹ And the multiplier effect of these investments extends beyond direct financial returns. Companies backed by VC are two to four times more likely to file for patents compared to their non-VC counterparts, underscoring the role of private markets in spurring innovation. With fiscal multipliers ranging from 1.0 to 4.0 across sectors, the impact of these investments on economic performance is profound, particularly for developing economies where they can offer efficient financing.

In the ASEAN region, private markets represent an underutilised opportunity with substantial room for growth. This report explores the current state of private market investments in ASEAN, shedding light on the substantial opportunities that lie ahead, as well as the challenges. The research and analysis draw from interviews with key stakeholders across ASEAN's private markets, proprietary research, including McKinsey's 2024 global private markets review and results from the global GP and limited partner (LP) survey, as well as insights from secondary sources and industry reports.

¹ OECD; International Monetary Fund, Copenhagen Economics; press search



Kuala Lumpur, Malaysia

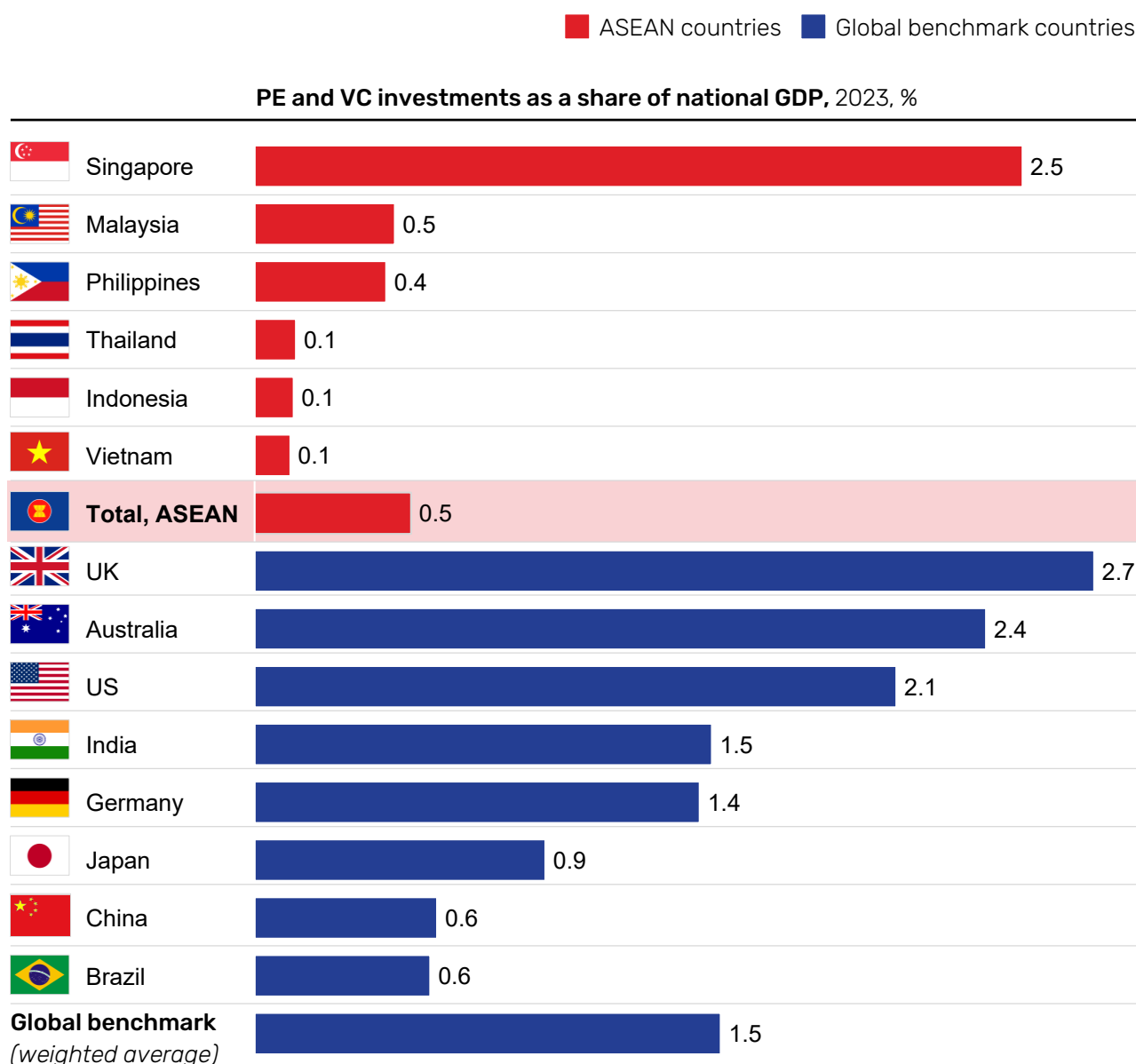
The value gap and opportunity for ASEAN

In 2023, ASEAN's PE and VC deployments totalled \$19 billion, representing 0.5% of the region's GDP – significantly below the global average of 1.5%. This gap signals an untapped potential of \$36 billion, or a doubling of current investment levels, if ASEAN aligns with global standards (Exhibit 1). Bottom-up analysis of raising private market penetration across sectors to these benchmarks could unlock up to \$59 billion in additional value, bringing the total potential to \$78 billion (Exhibit 2). For instance, individual sectors within ASEAN, such as financial services in Vietnam, remain underpenetrated compared to global benchmarks. For instance, PE and VC investments represent only 1% of Vietnam's GDP in financial services, compared to a global average of 2%, indicating latent growth potential worth an additional \$218 million (Exhibit 3).²

² PitchBook; IHS Markit; Oxford Economics; McKinsey analysis

Exhibit 1

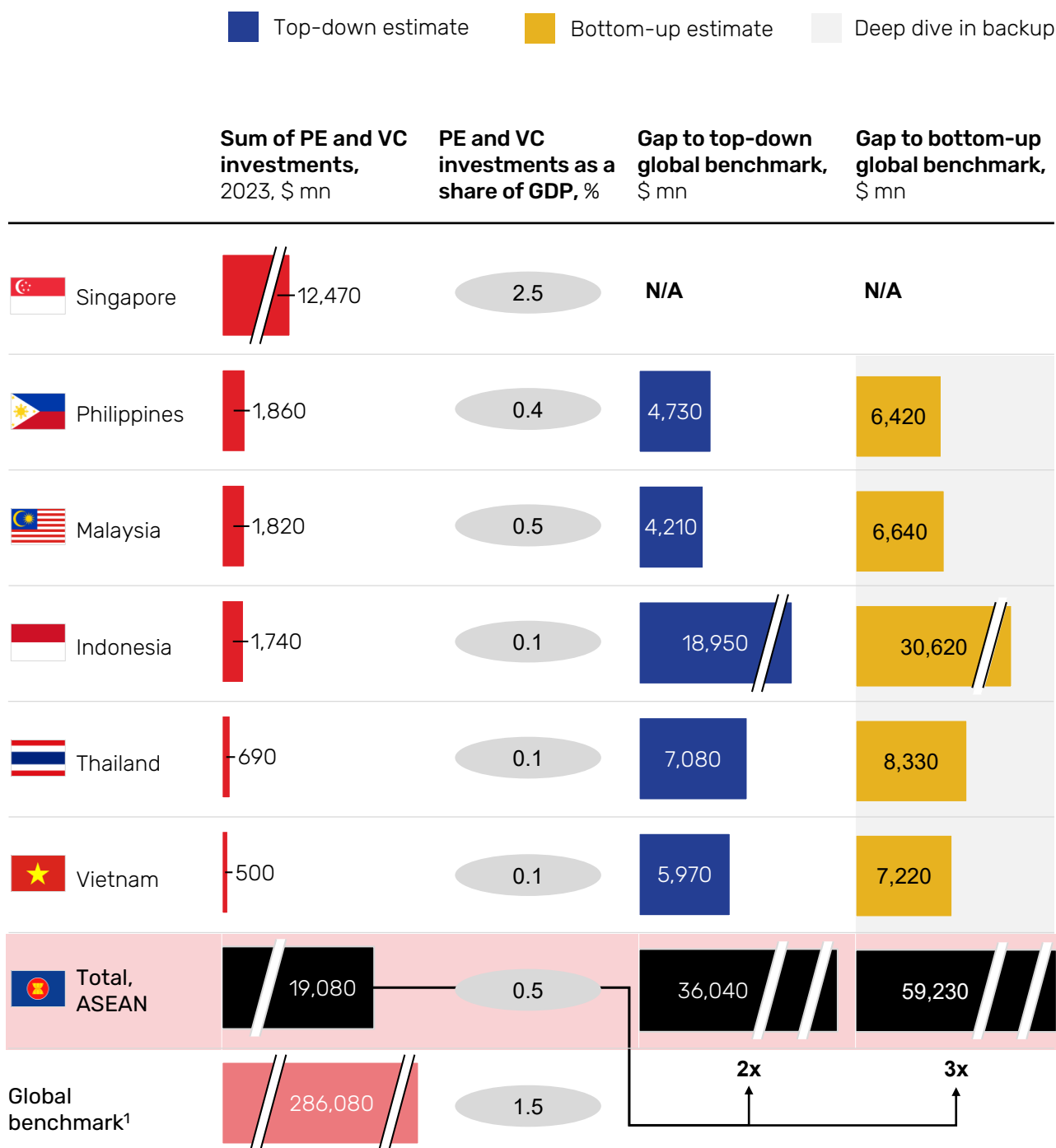
Private capital penetration in ASEAN lags behind mature markets



Note: Brunei, Cambodia, Laos, and Myanmar have negligible private capital investments and private capital penetration

Source: Oxford Economics; PitchBook

Potential to increase PE and VC penetration by ~2-3X



1. Calculated as a weighted average of PE and VC investments in selected benchmark countries: Australia, Brazil, China, Germany, India, Japan, the UK, and the US

Note: Brunei, Cambodia, Laos, and Myanmar have negligible private capital investments and private capital penetration
Source: Oxford Economics; PitchBook

ASEAN countries are poised to capitalise on a confluence of favourable economic factors. The foremost is the anticipated economic growth in the region. For instance, Vietnam's and the Philippines' projected annual GDP growth rates of 6.4% and 6.3%, respectively, until 2029, far exceed the 2% growth forecast for the United States (Exhibit 4). The region's expanding middle class and rising consumer spending further bolster the investment outlook. This is reflected in LP surveys, as they indicate a plan to increase allocations to new growth markets (Exhibit 5).

Exhibit 3

Vietnam: ~\$7 bn in PE and VC growth potential, particularly in manufacturing and communications

Funding/GDP: >1.5% <1.5% <1.0% <0.5% <0.1%

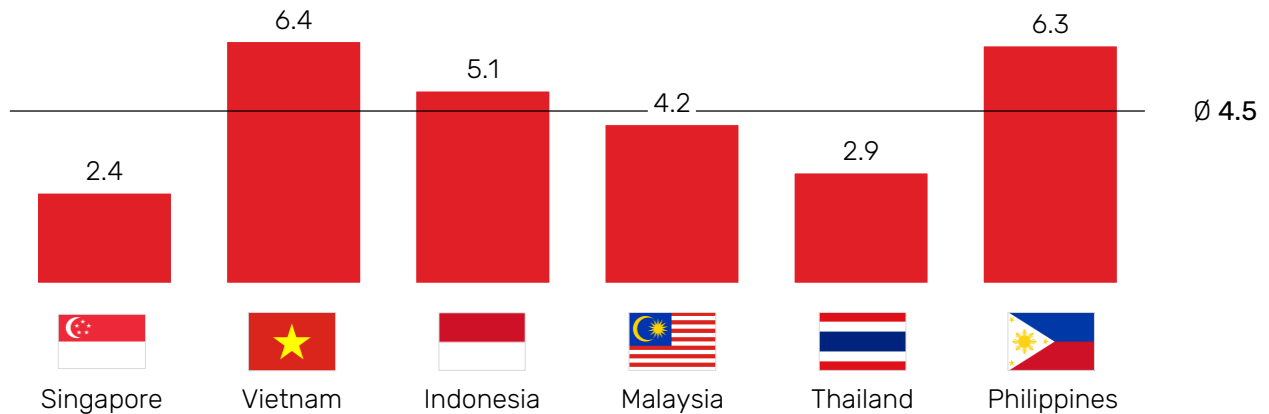
Subsector	Private capital ¹ penetration gap to benchmark basket, %	Private capital deployment growth potential, \$ mn	Share of private capital penetration in sector GDP									
			Vietnam	Benchmark basket average	US	UK	Australia	Germany	Japan	India	Brazil	China
Wholesale and retail trade	0.04	17	0.8	0.8	0.5	3.6	0.5	0.6	0.4	0.4	0.3	0.2
Information and communication	6.3	982	0.0	6.3	10.5	14.6	15.1	4.6	0.7	1.1	2.9	1.0
Manufacturing	2.4	2,509	0.0	2.4	3.5	4.6	6.0	1.6	1.0	1.6	0.7	0.4
Agriculture, forestry, and fishing	2.0	985	0.0	2.1	4.5	5.7	3.5	0.3	1.3	0.0	0.9	0.3
Transport and storage	3.2	631	0.2	3.3	3.5	9.2	7.6	2.6	0.9	1.0	1.0	0.9
Mining and quarrying	6.6	603	0.0	6.6	0.2	2.4	2.8	0.1	45.7	0.1	1.5	0.1
Financial and insurance activities	1.0	218	1.0	2.0	2.4	7.9	1.2	0.9	0.7	2.2	0.9	0.3
Human health and social work activities	2.3	272	0.1	2.4	3.3	2.6	3.2	1.5	0.5	5.6	1.2	1.3
Construction	0.4	119	0.4	0.8	0.5	2.6	0.3	2.2	0.0	0.4	0.3	0.1
Real estate activities	0.7	106	0.4	1.1	1.2	3.2	0.8	0.6	0.3	1.9	0.5	0.1
Education	0.1	20	0.2	0.3	0.6	0.7	0.4	0.0	0.2	0.1	0.5	0.0
Utilities	1.7	322	0.0	1.7	1.1	5.9	5.8	0.0	0.0	0.5	0.0	0.0
Administrative and support service activities	1.4	72	0.0	1.5	0.7	1.8	0.1	0.0	0.0	3.4	0.5	5.4
Public admin and defence, other services	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accommodation and food service activities	2.3	249	0.0	2.3	0.8	7.0	3.3	1.6	1.3	3.5	0.7	0.5
Professional, scientific, and technical activities	0.7	64	0.0	0.7	1.7	1.5	0.3	0.2	0.0	1.3	0.0	0.4
Arts, entertainment, and recreation	1.9	52	0.0	1.9	0.0	0.2	15.2	0.0	0.0	0.0	0.0	0.0
Total		7,220										

1. Only PE and VC were considered for this analysis

Source: PitchBook; IHS Markit; Oxford Economic;

Exhibit 4

Average GDP increase of ~4.5% p.a. by 2029 provides an organic tailwind for ASEAN member states



Source: International Monetary Fund; World Economic Forum

Exhibit 5

Capital availability: APAC remains the most attractive emerging market in the eyes of LPs

More attractive Less attractive

Top sector-geography intersections that LPs find attractive in Growth Equity, Venture Capital and Buyout¹
 % of respondents (n=93)

	Consumer Retail	Food & Beverage	Industrials	Business services	Healthcare	TMT	Chemicals	Oil & Gas	Consumer packaging	Aerospace & Defense
US	56%	59%	56%	68%	72%	68%	45%	53%	41%	67%
APAC-ex China	42%	33%	40%	35%	35%	31%	27%	25%	29%	23%
Western Europe	28%	31%	34%	40%	35%	33%	25%	17%	23%	27%
China	30%	26%	26%	17%	23%	16%	16%	14%	24%	16%
Middle East and Africa	25%	20%	20%	20%	13%	11%	20%	41%	15%	15%
Eastern Europe	25%	23%	26%	20%	16%	17%	22%	14%	15%	17%
LATAM	22%	24%	26%	20%	17%	15%	19%	19%	20%	10%
Canada	17%	18%	16%	15%	26%	17%	14%	17%	14%	10%

N2
245
239
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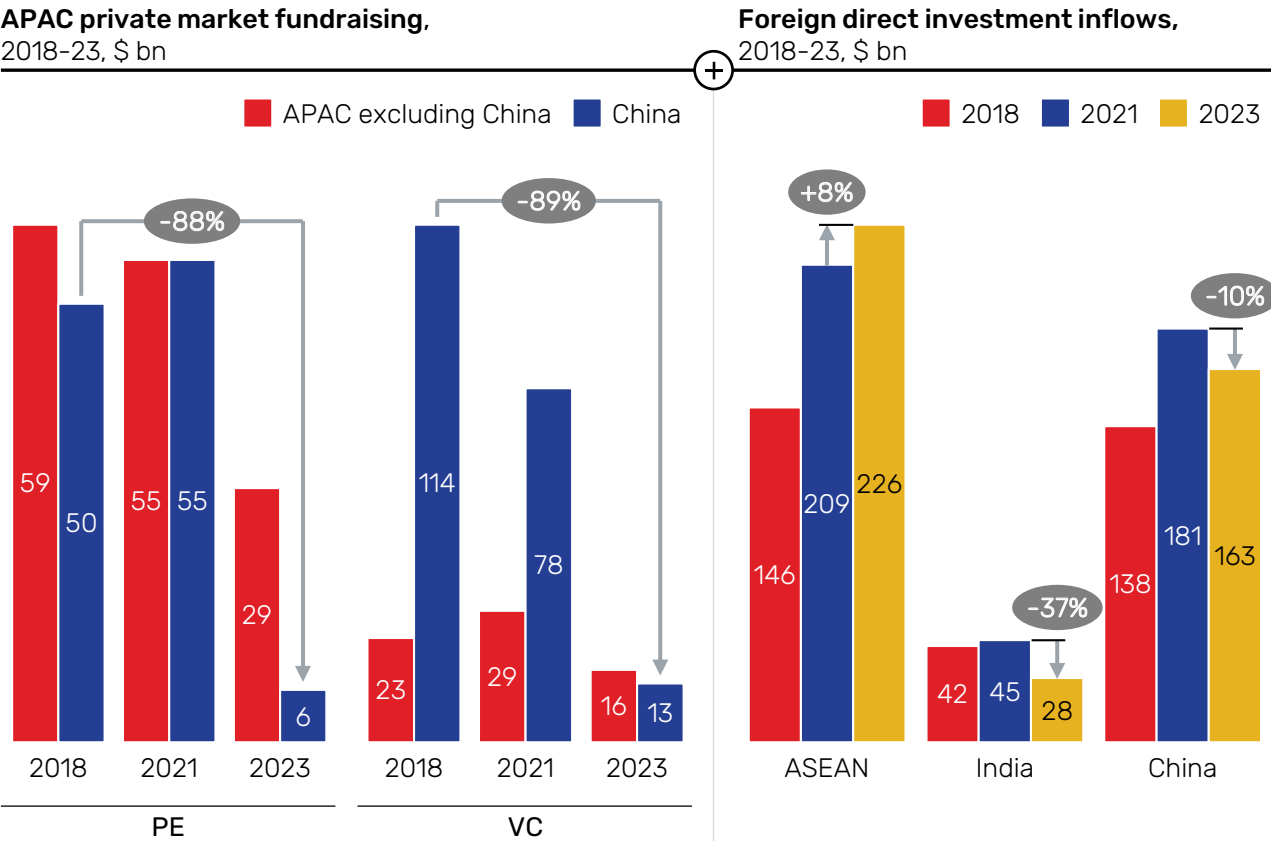
1. GEOS3a. Select the sector-geography intersections that you find attractive in the PE, Growth, or VC space over the next 1-3 years
 2. If one respondent chose multiple regions for the same sector, it would be counted multiple times

Source: McKinsey LP Survey January 2024 (N=320)

Near-term trends also favour ASEAN's rise as a private market hub. The shift of capital away from China – where PE and VC fundraising dropped by 90% between 2018 and 2023 – presents ASEAN with a rare opportunity to capture reallocated funds (Exhibit 6). Investments in China by China-based GPs have decreased from around \$201 billion in 2021 to \$71 billion in 2023,³ with Chinese PE and VC fundraising dropping from \$164 billion in 2018 to \$19 billion in 2023.

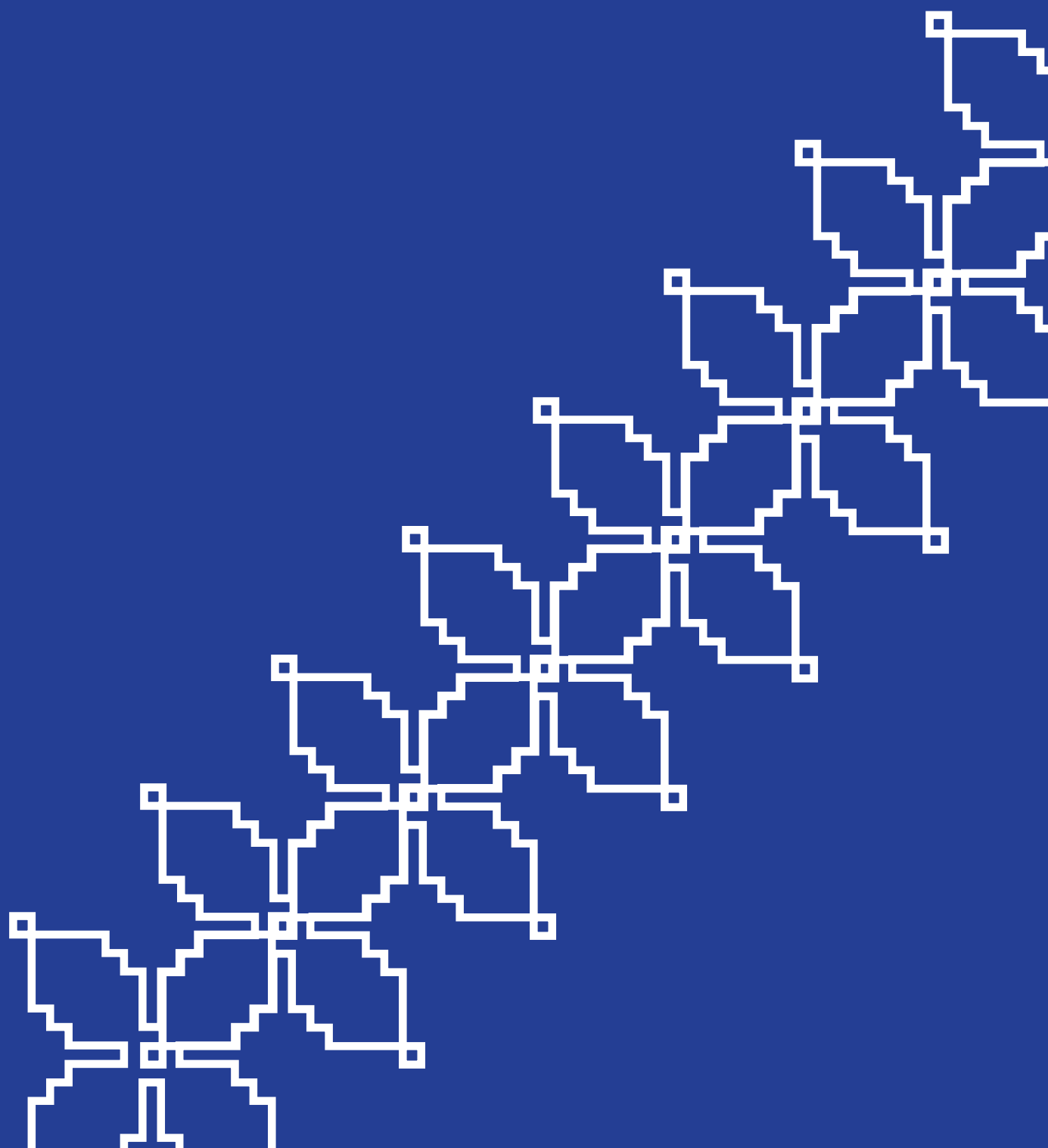
Exhibit 6

Fundraising in China decreased ~90% across PE and VC, while foreign direct investment in ASEAN reached record highs



Chapter 2

Current landscape of ASEAN's private markets



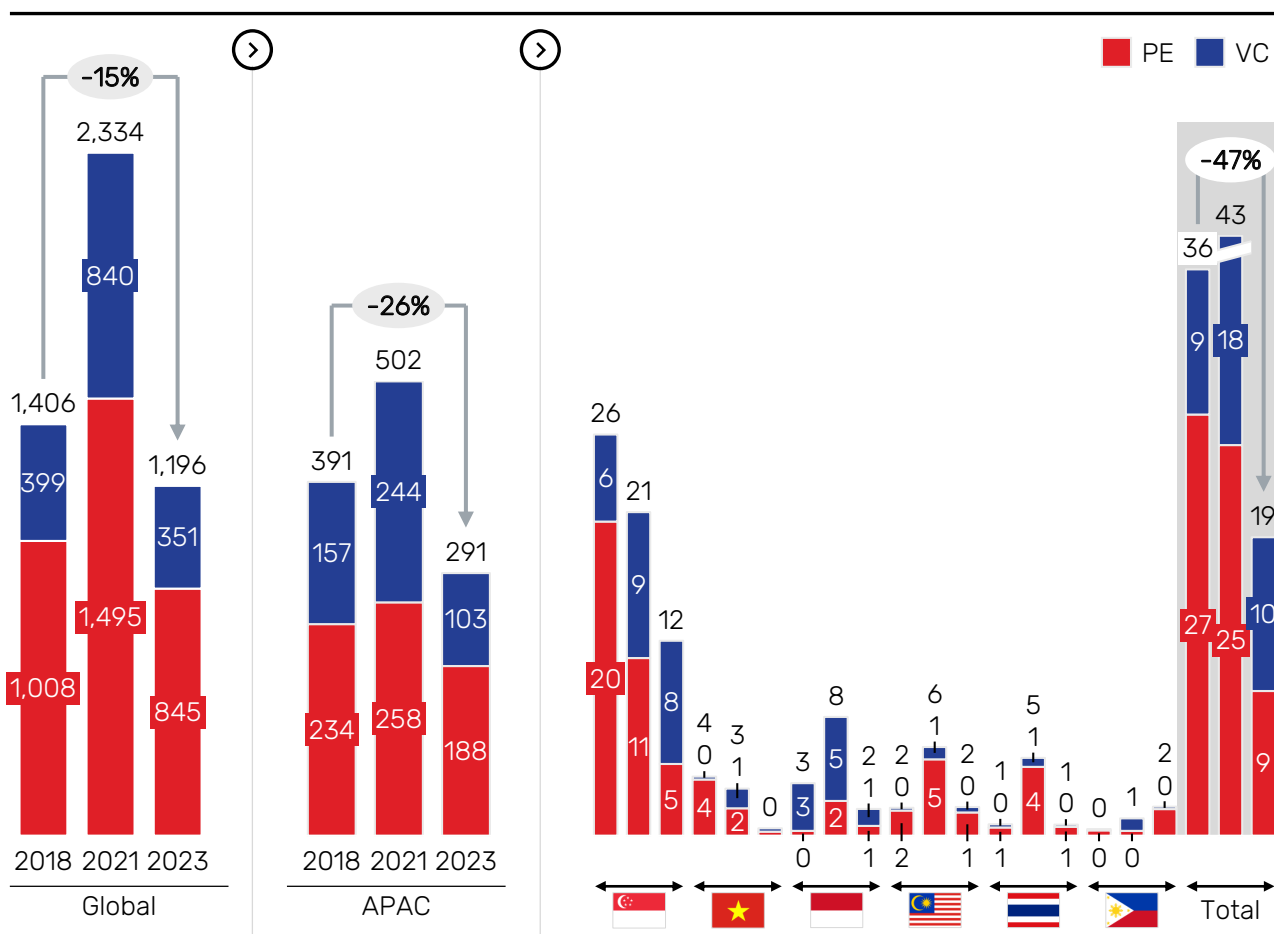
Current landscape of ASEAN's private markets

As discussed, ASEAN's private market maturity remains relatively low by global standards, with significant disparities among its member countries. PE and VC activity has declined notably in recent years. From 2018 to 2023, combined investments plummeted by 47% in ASEAN, significantly more than the 15% decline observed globally and the 26% decrease in the Asia-Pacific (APAC) region (Exhibit 7). This downturn has been primarily driven by market cyclicality, particularly rising interest rates, which have constrained GPs' ability to secure debt financing and deploy capital effectively.

Exhibit 7

PE and VC deal value is down globally by ~15%; ASEAN hit worst at ~47% while APAC fared slightly better at ~26%

Total PE and VC deployments, 2018-23, \$ bn



Source: PitchBook

The specifics are telling. PE investments fell from approximately \$27 billion in 2018 to just \$9 billion in 2023 – a staggering 65% drop. VC investments, which peaked at \$18 billion in 2021, up from \$9 billion in 2018, subsequently declined to \$10 billion in 2023. Notably, this still reflects a 6% increase compared to 2018, defying the broader global trend of declining VC investments, which decreased from \$399 billion to \$351 billion over the same period. This resilience in VC funding suggests that early-stage and growth-stage companies in ASEAN are still attracting interest. This could foster innovation and the development of new businesses, potentially offsetting some of the negative impacts of reduced PE investments.



Da Nang, Vietnam

Constraints on private market growth

Despite ASEAN's vast potential due to its rising population and growth forecasts, several factors have historically impeded the growth of private markets in the region. For stakeholders aiming to harness ASEAN's full economic potential, understanding these challenges is crucial.

A fragmented regional and regulatory landscape

ASEAN exhibits diverse structural dynamics that influence economic maturity and private market penetration. For example, Singapore ranks 4th in the 2024 Global Innovation Index, while Malaysia and Indonesia are positioned at 33rd and 54th, respectively. Regulatory discrepancies further underscore this fragmentation; Singapore imposes no restrictions on foreign direct investment, whereas Thailand enforces a 49% cap on foreign ownership in specific sectors. The Philippines' restrictions on foreign investment in strategic sectors significantly narrow the pool of investable assets. Similar differences are seen in taxation, licensing policies, and entrepreneurial and exit activity (Exhibit 8).

ASEAN is not one cohesive and contiguous investment environment

Least favourable   Less attractive

Country	Entrepreneurial activity	Innovation	Foreign investment	Exit activity	Taxation for investors	Licensing for fund managers
	At what rate are new businesses being created?	How strong is R&D, patent development, and government support?	How stringent are regulations on foreign ownership?	How does regulation stimulate IPOs, trade sales, and secondary sales?	To what extent do tax incentives encourage GPs and LPs?	How difficult is it for GPs to meet capital and tenure or experience requirements?
 Singapore	878 new businesses/ 100,000 inhabitants	5th in the Global Innovation Index	No restrictions	Grant to co-fund 70% of IPO expenses; limited co-funding scheme	Special 10% fund manager tax rate, no capital gains taxes	No capital requirements; no min. tenure for managers
 Malaysia	183 new businesses / 100,000 inhabitants	36th in the Global Innovation Index	No restrictions	Expedited 3-month IPO approval	Prevailing corporate tax rate; up to \$4.3 mn p.a. VC tax deduction	Min. \$53,000 capital requirement; min. 5-year fund director experience
 Philippines	68 new businesses/ 100,000 inhabitants	56th in the Global Innovation Index	Up to 40% foreign ownership in strategic sectors	Acceleration board, SME financing programmes, capital market training	Tax exemptions for firms investing in priority sectors	Min. \$170,000 capital requirement; min. 5-year fund director experience
 Indonesia	29 new businesses/ 100,000 inhabitants	61st in the Global Innovation Index	Up to 75% foreign ownership	Dual class shares; lowered profitability requirements	Prevailing corporate tax rate; 0.1% capital gains tax	Min. \$3.2 mn capital requirement; min. 2-year fund manager experience
 Thailand	93 new businesses/ 100,000 inhabitants	43rd in the Global Innovation Index	Up to 49% foreign ownership	Regulatory Guillotine scheme to reduce processes and paperwork	No capital gains taxes on VCs	Min. \$150,000 capital requirement; min. 2-year fund manager experience
 Vietnam	123 new businesses/ 100,000 inhabitants	46th in the Global Innovation Index	Up to 49% foreign ownership in strategic sectors	Limited regulation on IPOs	Prevailing corporate tax rate; 4-year tax exemption for strategic industries ¹	Min. \$430,000 capital requirement; min. 5-year fund manager experience

Includes biotech, automation technology, software, education, and healthcare
Information comes from publicly available sources.



Phnom Penh, Cambodia

Maturity of local funds

The PE and VC ecosystem in ASEAN remains relatively nascent compared to more mature markets like Europe or the United States. The sector faces notable challenges, primarily difficulty raising funding and the lack of a credible track record. As many of the PE and VC funds in this region are still developing, there is hesitation among large international investors within and outside ASEAN to commit substantial capital, preferring to invest in markets with more established funds and proven returns. This limits the ability of the funds to scale their operations and compete effectively, creating a vicious cycle.

Limited capital deployment at scale

Traditional PE and VC business models, which thrive in more mature markets, often impose artificial constraints when applied in the ASEAN context. Strategies that emphasise large investment sizes, stringent control rights, and short- to medium-term investment horizons often prove ill-suited for ASEAN's unique market dynamics. Consequently, these factors deter global GPs from committing capital on a larger scale in the region.

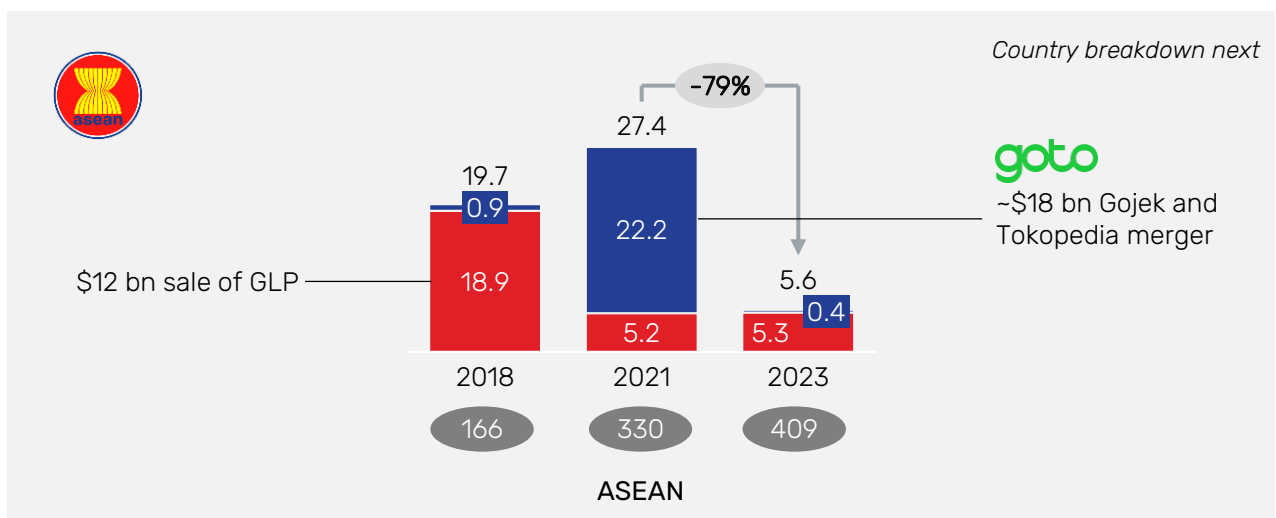
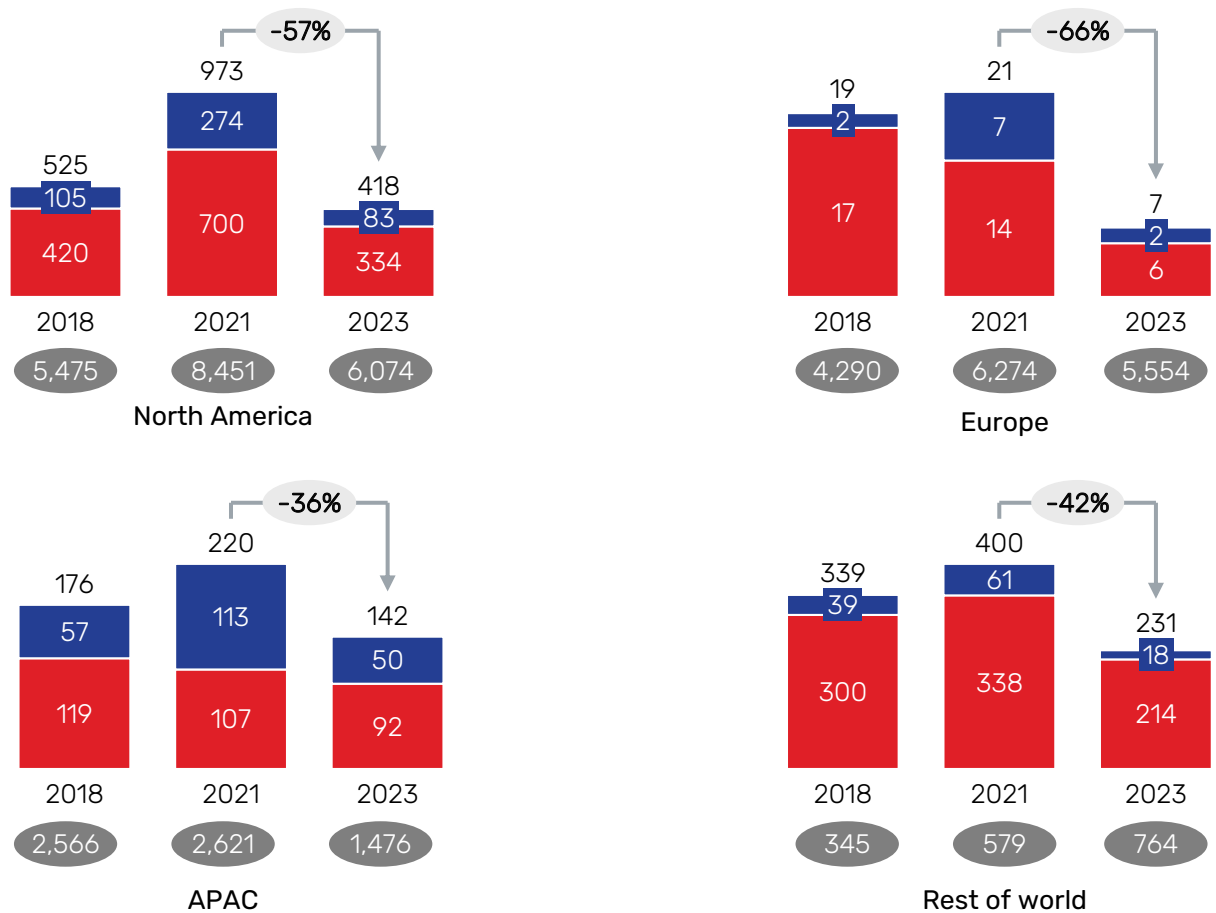
Lack of viable and diversified exit channels

Since 2021, PE and VC exits have declined by 79% in ASEAN (Exhibit 9). This is significantly higher than the 57% decrease in North America and the 66% drop in Europe, underscoring the fragility of the region's exit environment. The limited depth of the ASEAN market poses a substantial challenge for investors seeking to realise returns. Options to sell to strategic investors, access bridge funding sources, and capture private side opportunities remain limited.

The decline in PE and VC exits in ASEAN exceeds other regions

■ PE-backed exits ■ VC-backed exits (xx) Total exit count (xx) Change from 2021 to 2023

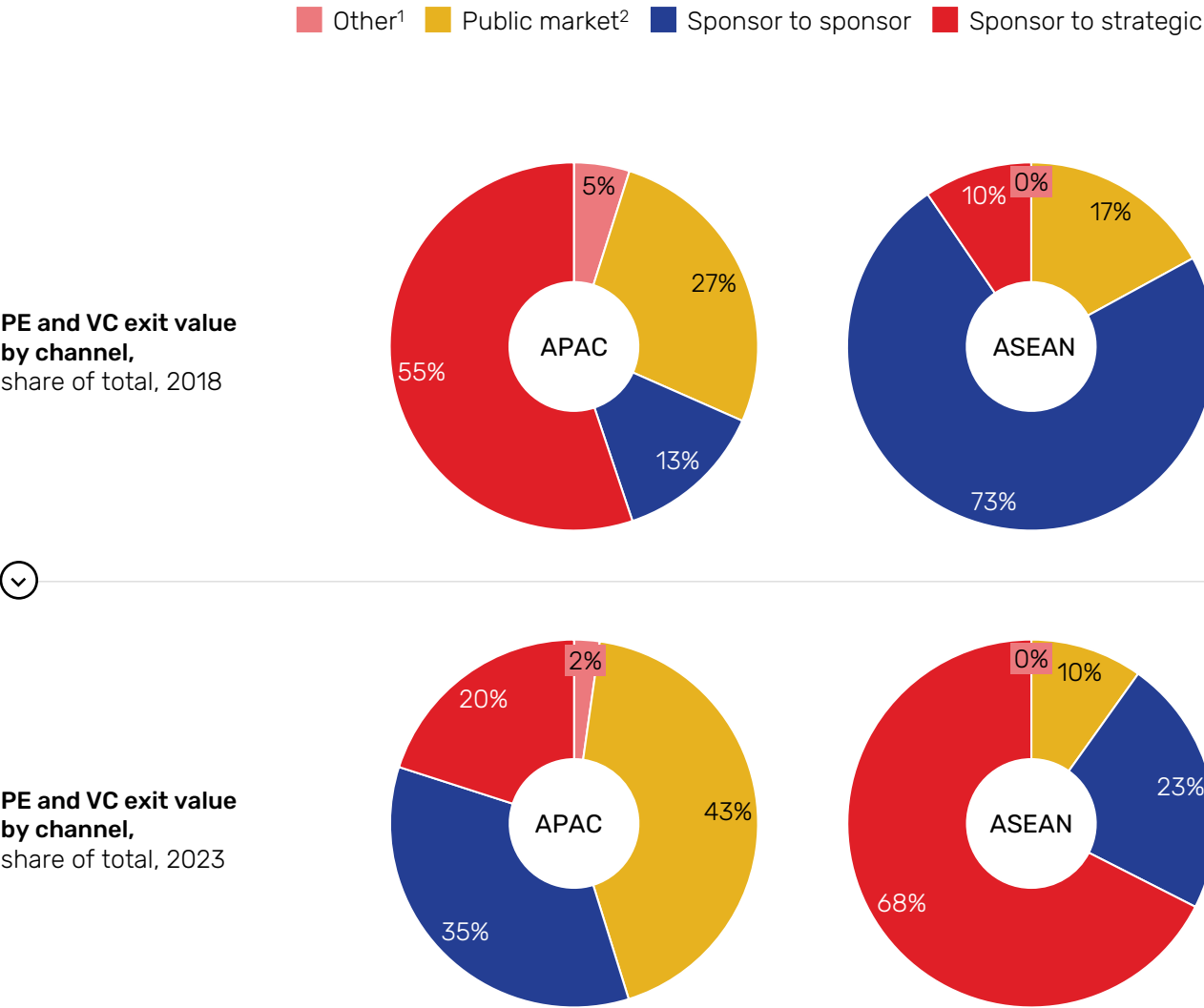
PE and VC exit value and deal count by region, 2018-23, \$ bn



Compounding this issue, IPOs in ASEAN accounted for a mere 10% of exit value, down from 17% in 2018 (Exhibit 10). In contrast, IPOs constituted 43% of exit value in the broader APAC region and 32% in India. The scarcity of effective exit channels not only dampens investor confidence but also stifles new capital deployment, thereby affecting fundraising from LPs.

Exhibit 10

IPOs in ASEAN trail those in APAC



1. Includes investor buyout by management, dividend recapitalisation, share repurchase, bankruptcy – liquidation, and bankruptcy – administration/reorganisation
 2. Includes IPO and secondary offering (i.e., issuance of new stock for public sale from a company that has already made its IPO)

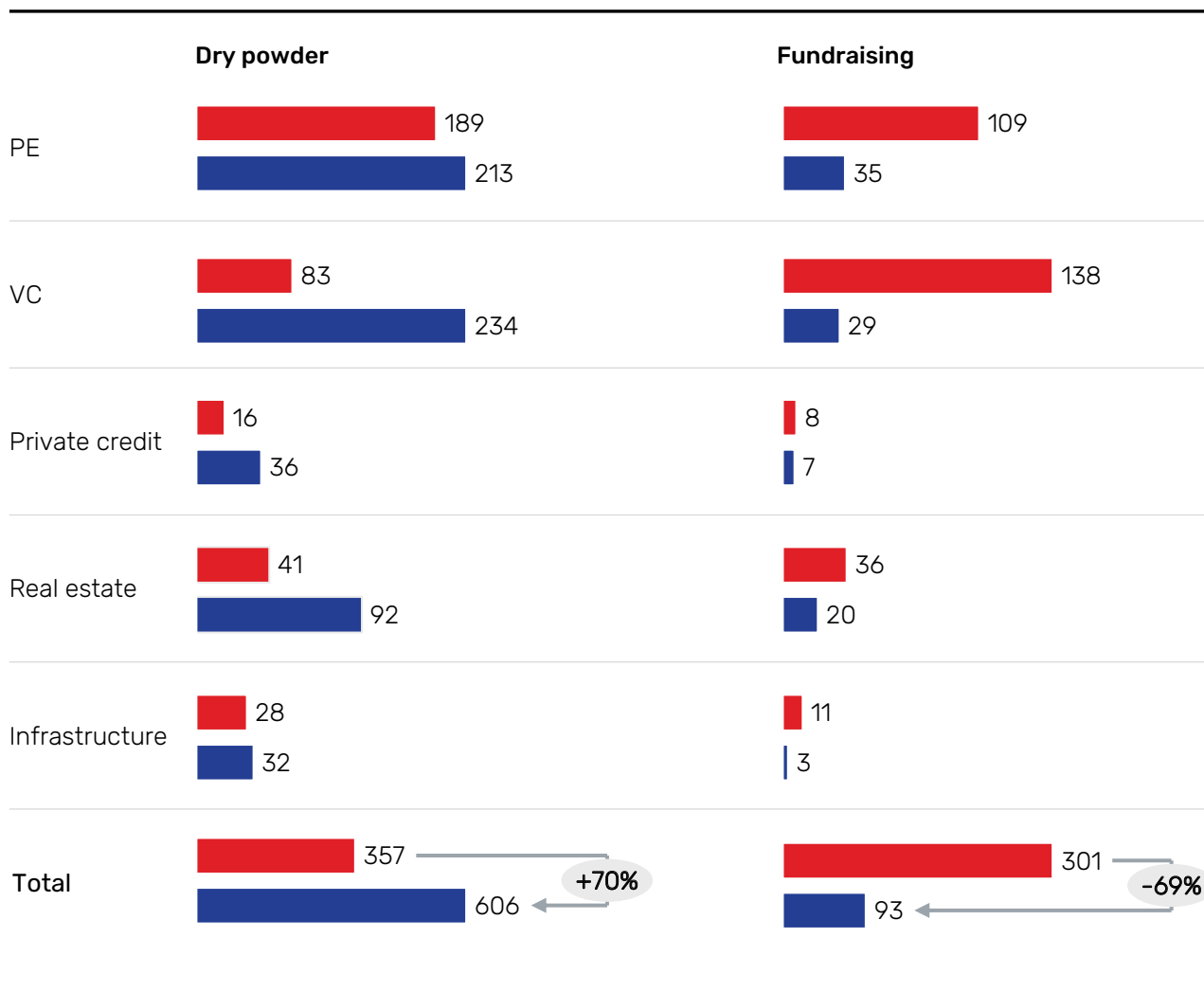
Source: PitchBook

Despite the APAC region achieving a record high of approximately \$3 trillion in assets under management and maintaining a substantial pool of dry powder – \$600 billion available to GPs – fundraising from LPs plummeted by 69% from 2018 to 2023, totalling only \$93 billion across all private asset classes (Exhibit 11). This decline is particularly concerning, as it is much higher than that seen in global fundraising trends; for instance, North America’s fundraising from LPs decreased by a modest 14% and Europe experienced a 21% decline over the same period.

The rise of dry-powder-impacted fundraising

■ 2018 ■ 2023

APAC private market fundraising and dry powder by asset class, 2018-23, \$ bn



Source: Preqin; McKinsey Global Private Markets Review 2024

This downturn in private market fundraising underscores the broader challenges within ASEAN's exit environment. The lack of reliable exit mechanisms has led to increased investor hesitancy, creating a cycle of limited capital deployment and reduced fundraising.

Emerging opportunities in private credit

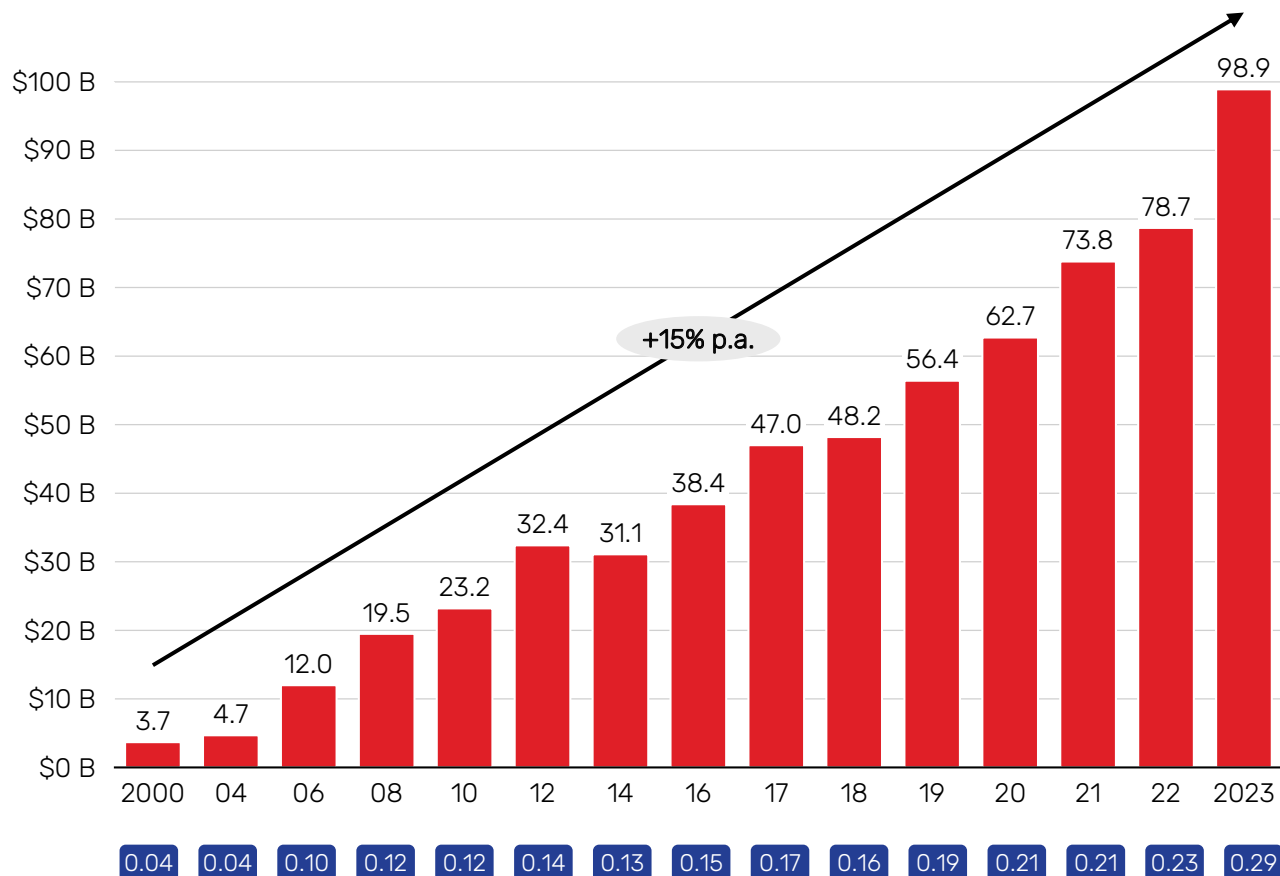
While private credit in ASEAN is still in its infancy, it presents immense growth potential. There has been significant volume growth in recent years, driven by increasing investment from asset management and PE firms (Exhibit 12). Banks are also increasingly active in this space by partnering with PE funds and actively pursuing an originate-to-distribute strategy.

There are a few fundamental drivers of growth of private credit in APAC. Firstly, there is significant demand for credit from mid-sized corporates for capex and cash flow needs that is not met by banks today. Alternate funding vehicles e.g., insurance companies, funds are more capital efficient to meet this demand. Moreover, deployment is easier in private credit and banks provide a strong exit channel e.g., via refinancing.

Significant growth in private credit volume in the region

■ Private debt AUM, Asia Dec 2000- Dec 2023 ■X% Private debt as share of APAC GDP

AUM under Private debt is soaring



Source: Preqin; McKinsey Global Private Markets Review 2024

Lessons from India: A model for success

India has successfully scaled its private market ecosystem, attracting the highest flow of foreign direct investment in the APAC region (excluding China), with a total of \$240 billion over the past five years. By 2021, India accounted for 20% of APAC's private market investments, up from 12% in 2015.⁴

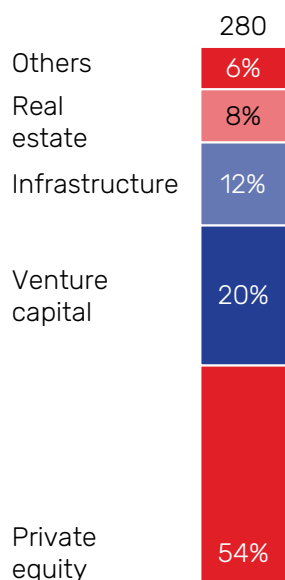
A vibrant private capital ecosystem has emerged, with diversified opportunities across asset classes (Exhibit 13). This diverse landscape accesses different pools of capital at varied deal sizes, creating an environment conducive to growth-focused investments. Notably, 60% of all PE investments in India are directed towards growth-oriented sectors, particularly in financial services and technology.

⁴ Preqin; World Bank; Reserve Bank of India

Historically, India has seen high deal flow across asset classes and sectors 2019–2023

India has diversified opportunities across asset classes ...

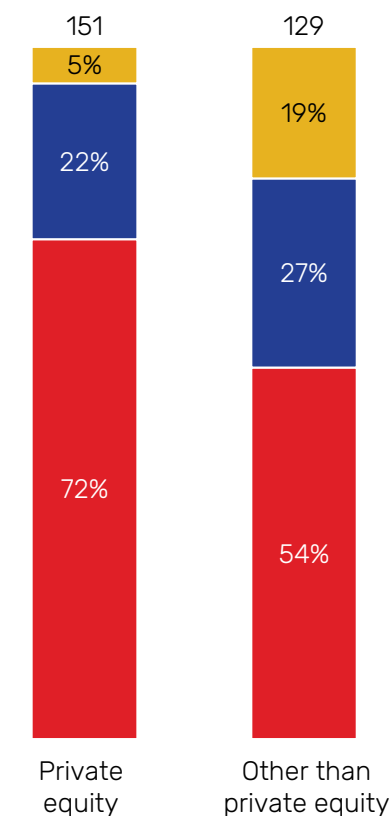
Private investment by asset class, \$ bn



... with a focus on growth capital ...

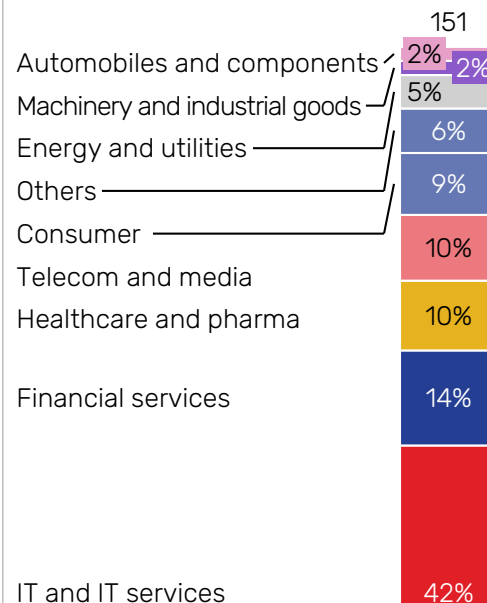
Deployment by deal size, \$ bn

■ <\$50 mil ■ \$50–200 mil ■ >\$200 mil



... across diverse sectors

PE investment by sector, \$ bn



Key insight

There is significant large-deal potential in private investments in India (out of \$151 bn private equity deals done in 2019–23, 72% were worth >\$200 million)

Source: Preqin; AVCJ Research; Venture Intelligence, VCCEdge; McKinsey Principal Investor Practice analysis

Several factors contribute to India's success:

- **Attractive macroeconomic fundamentals:** India's strong macroeconomic fundamentals and the substantial scale and depth of its market position it as a premier destination for private capital. Consistently ranking among the fastest-growing large economies, India offers a dynamic and expansive environment that appeals to investors seeking growth opportunities
- **Thriving start-up ecosystem:** India's rapidly expanding start-up ecosystem, especially in dynamic hubs such as Bangalore, Mumbai, and Delhi, exemplifies the transformative power of a flourishing technology landscape. Bolstered by substantial global VC inflows, the country has positioned itself at the forefront of technology-driven industries. This growth is further accelerated by the swift adoption of digital payment systems, e-commerce platforms, and fintech innovations.

- **Supportive government policies:** The Indian government has launched a series of strategic initiatives to attract capital, reflecting its commitment to fostering growth and innovation. Notable measures include:
 - **Removal of foreign direct investment caps:** Allowing 100% foreign ownership in over 90% of sectors, significantly opening up the market⁵
 - **Robust divestment pipeline:** The Government is targeting more than \$200 billion in divestments by 2030, presenting unique investment opportunities⁶
 - **Multisector initiatives:** Allocating over \$25 billion in production-linked incentives to localise manufacturing and boost the Make in India initiative⁷
 - **Infrastructure monetisation programme:** Introducing new public-private partnership models and expedited approval processes to enhance the investment landscape⁸
- **Improved corporate governance:** The improvement of corporate governance standards in Indian companies has been instrumental in attracting foreign investment. Examples include mandating a higher proportion of independent directors on boards, granting audit companies greater oversight of financial reporting and risk management, and implementing stricter disclosure norms. This increased transparency and accountability has bolstered investor confidence, creating a favourable environment for private market activity.
- **Liquidity and ease of exit:** Investors in India benefit from high liquidity and a relatively straightforward exit process. Between 2017 and 2021, the country has seen approximately \$70 billion in fund distributions through various exit modes, including IPOs, strategic sales, and buyouts.⁹ The ability to exit investments without significant government intervention has further solidified India's reputation as an attractive destination for private capital. The country has now built a diverse pool of global and local funds across deal sizes and stages.

As India continues to innovate and streamline its investment landscape, it is well positioned to sustain its growth trajectory and offer opportunities for global investors. India's experience in building a robust private market ecosystem offers valuable insights for ASEAN as it aims to strengthen its own landscape.

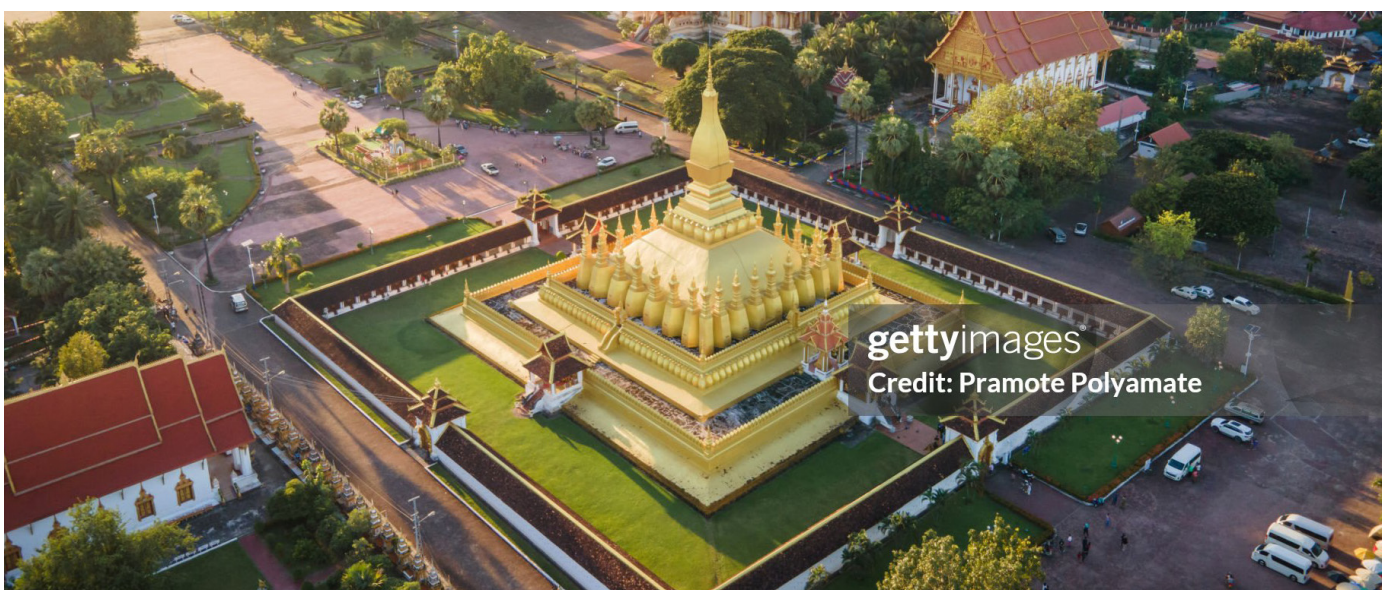
⁵ Foreign Direct Investment, Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, accessed February 2025.

⁶ Nikunj Ohri and Sarita Chaganti Singh, "Exclusive: India to ditch privatisation plans, pour billions in state-run firms, sources say," *Reuters*, January 27, 2025.

⁷ PLI Schemes: Shaping India's Industrial Growth," Ministry of Information & Broadcasting, Press Information Bureau, Government of India, November 25, 2024.

⁸ Twesh Mishra, "Finance Minister draws up plans to encourage PPP for infrastructure building," *The Economic Times*, February 1, 2025.

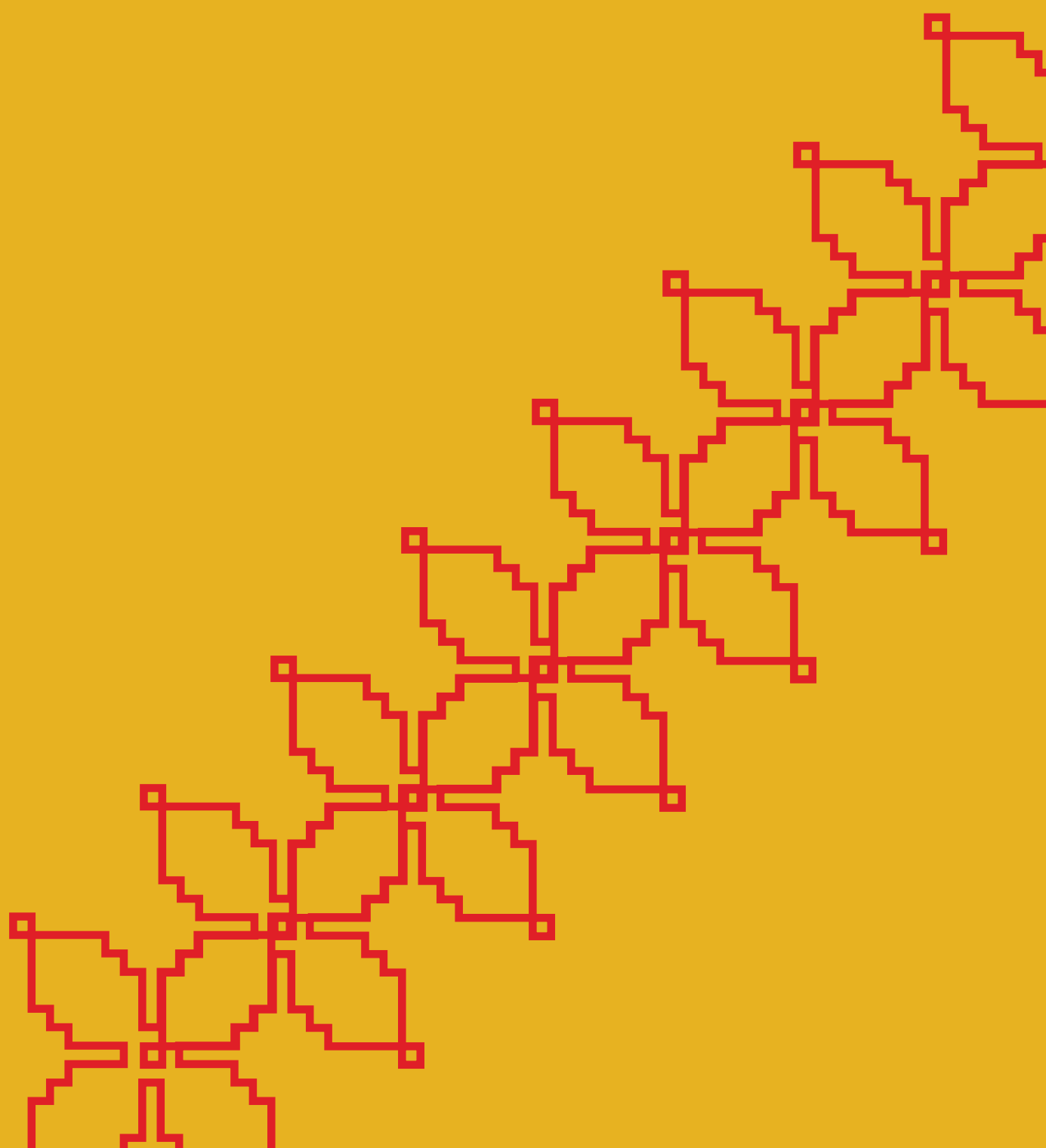
⁹ Preqin; AVCJ Research; Venture Intelligence, VCCEdge; McKinsey Principal Investor Practice analysis



Laos

Chapter 3

Strategic building blocks for ASEAN's private markets



Strategic building blocks for ASEAN's private markets

While the path to developing mature private markets has its share of challenges, these obstacles also present opportunities. To unlock the full potential of private markets in the ASEAN region, it is imperative to address the legacy issues that have hindered private market development. A concerted effort will be needed to enhance capital deployment opportunities for both local and global players.

To guide this transformation, there are three strategic building blocks that could serve as a road map (Exhibit 14). This strategy aims to create a robust investment environment that attracts capital, stimulates innovation, and drives economic growth throughout the region.



Manila, Philippines

Raise investor awareness and bolster local GPs

To harness the potential of ASEAN's private markets, both global and local institutional investors need to be aware of the region's attractiveness. ASEAN BAC can elevate local GPs and provide a vital platform for engagement. Through the council, targeted investment summits and panels could connect emerging managers with funds of funds, global and regional institutional investors and cultivate a robust investment ecosystem. Over time, this could also include support for intermediaries that set up vehicles to raise funding for private market assets from retail investors.

The platform could also enhance visibility and create opportunities for collaboration, such as encouraging partnerships between private market firms and conglomerates. A noteworthy example is the EV Growth fund in Indonesia, a successful joint venture between East Ventures and Sinar Mas, which has invested in leading companies such as ShopBack, Grab, and Gojek. Moreover, seizing opportunities in private debt is imperative. With 42% of global LPs planning to increase allocations in this area over the next 12 months, ASEAN could establish a framework that supports innovative approaches to private debt investment.

3 building blocks to address challenges across the value chain

Building blocks	Key unlocks
1 Elevate local GPs and establish ASEAN Advisory council	Setup ASEAN advisory council to promote private markets in ASEAN; connect emerging managers with funds of funds, global and regional institutional investors through targeted investment summits and panels. Support intermediaries that set up vehicles to raise funding for private market assets from retail investors i.e., platforms that support democratization of wealth
	Encourage partnerships between private market firms and conglomerates to increase capital velocity and accelerate value creation (e.g., Indonesian EV Growth fund formed in 2018 as a joint venture between East Ventures and Sinar Mas, resulting in successful investments in ShopBack, Grab, and Gojek)
	Highlight opportunities in private debt, where 42% of global LPs indicate they intend to increase allocations over the next 12 months, and create a framework that allows for innovative approaches to private debt investments (e.g., develop a reverse factoring framework where investors can buy short-term debt to help SMEs grow their operations)
2 Enhance deployment opportunities for local and global players	Identify and certify regional GPs with an ASEAN badge; based on deployment track record and provide special privileges in conjunction with ASEAN Governments e.g., access to regional investor summits, treatment as local investors across ASEAN markets
	Enable local/ regional GPs to identify and monitor targets through AI-queryable business directories for investment data and company performance, and facilitate matchmaking (e.g., M&A Research Institute in Japan was founded in 2018 as an M&A advisory firm that harnesses AI to match buyers and sellers, and processes >5,000 deals annually)
	Set up taskforces to address additional deployment-related issues via discussions with relevant local regulators, e.g., lack of policies to promote entrepreneurship and innovation, uncertain policy outlook in critical sectors
	Empower local/ regional GPs to deploy a robust value creation toolkit by supporting upskilling and reskilling of the local workforce to increase the talent pool for companies in crucial sectors such as banking and financial services (41% of private capital investments in Vietnam, 39% in Thailand, and 28% in Singapore) and technology, media, and telecom (39% of private capital investments in the Philippines, 31% in Indonesia, and 24% in Singapore)
3 Establish a deep and multidimensional exit ecosystem	Increase access for retail investors (e.g., allow IPO wraps to market IPOs to retail investors) and other attractive intermediaries, e.g., providers of bridge funding across the deal cycle, participants in secondary trading of private market assets
	Reduce fragmentation of ASEAN public markets by creating one ASEAN prospectus to target investors across ASEAN member states
	Attract and train local intermediaries (bankers, lawyers, etc.) with specific expertise in PE and VC to facilitate exits



Yangon, Myanmar

Enhance deployment opportunities for local and global players

Providing recognition to GPs that are multi-local/regional via an ASEAN badge could potentially be powerful. Especially if the ASEAN Advisory Council could work with relevant ASEAN Governments to ensure these GPs get treatment as local investors across markets. This is like India's 2016 decision to remove such limits across most sectors. This would bolster ASEAN's market appeal.

Empowering GPs to effectively identify and monitor investment targets will be crucial. Developing AI-driven, queryable business directories that provide comprehensive investment data and performance metrics could enable GPs to make more informed decisions. Additionally, innovative matchmaking platforms, akin to advisory firms leveraging AI to connect middle-market buyers and sellers, could create synergies between investors and promising start-ups, optimising the capital deployment process.

To further enhance deployment opportunities, establishing task forces dedicated to addressing deployment-related challenges could be beneficial. These teams could help craft policies that promote entrepreneurship and innovation while navigating the uncertain policy landscape in critical sectors. By fostering a supportive environment for new ventures, ASEAN could significantly increase its appeal to investors.

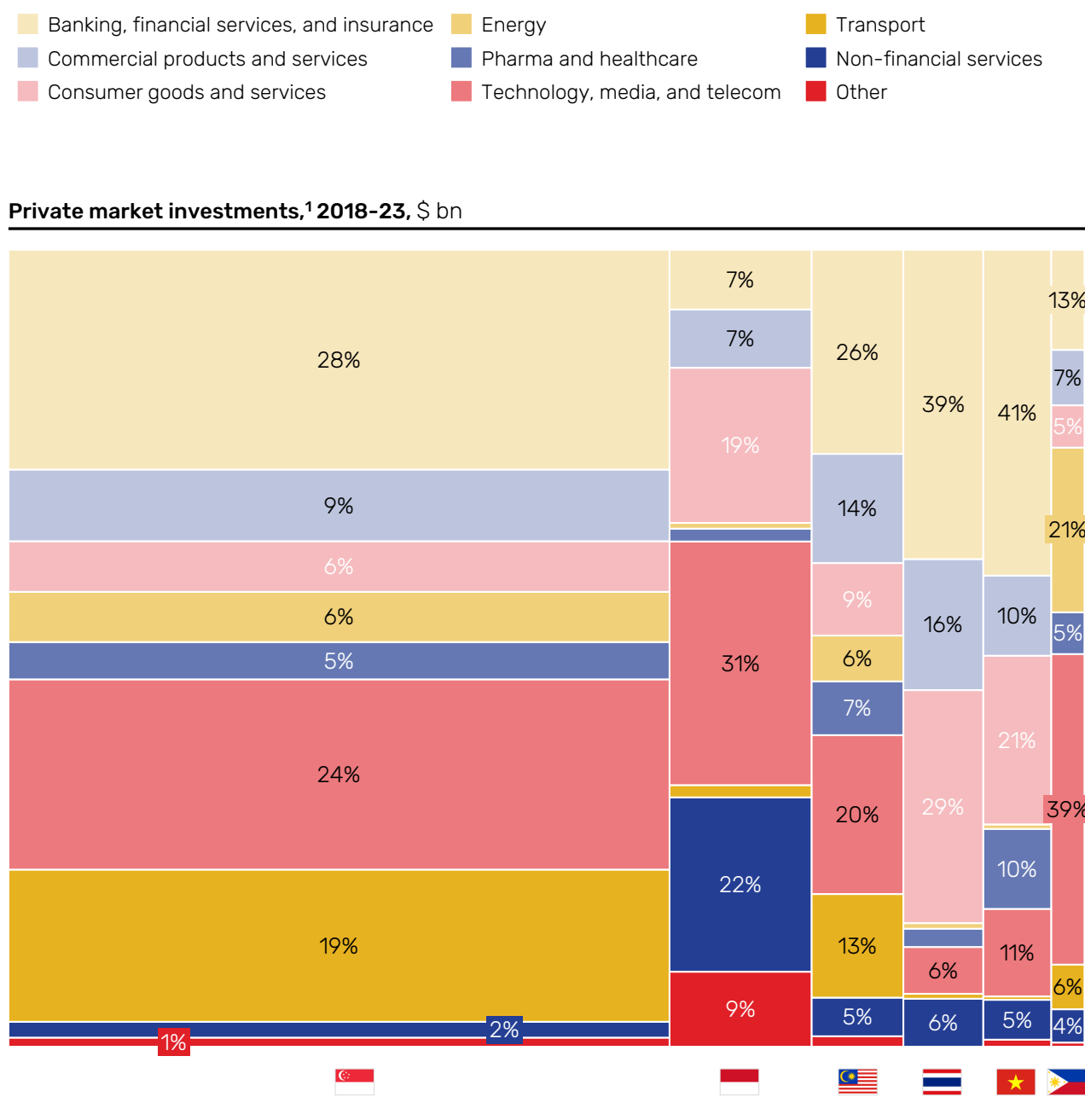
Equipping local GPs with a robust tool kit is paramount. This includes investing in upskilling and reskilling of the local workforce, particularly in key sectors such as banking and financial services, which account for a significant portion of private market investments in Vietnam (41%), Thailand (39%), and Singapore (28%).

The technology, media, and telecommunications sector also presents substantial investment opportunities, with notable private market investments in the Philippines (39%), Indonesia (31%), and Singapore (24%). Expanding the talent pool in these crucial sectors will enhance ASEAN's investment landscape (Exhibit 15).

Establish a multidimensional and deep exit ecosystem

Drawing inspiration from other emerging markets, ASEAN could consider deepening its exit ecosystem and making it more multidimensional. Increasing access for retail investors is a vital component of this strategy. Initiatives such as allowing IPO wraps for retail investors and introducing attractive intermediaries – such as bridge funding providers and participants in secondary trading of private market assets – could democratise investment opportunities and enhance market liquidity.

The financial, commercial, and tech sectors are attractive value pools for talent reskilling and upskilling



1. Excluding infrastructure and real estate

Source: PitchBook

Reducing fragmentation in ASEAN's public markets is crucial for maximising investment opportunities. ASEAN could develop a unified prospectus aimed at targeting investors across member states to create a more cohesive investment landscape, enhancing the region's attractiveness as a destination for private market investments.

To facilitate successful exits, attracting and training local intermediaries, including bankers and lawyers with specialised expertise in PE and VC, is imperative. These professionals could provide the necessary guidance and support to navigate the complexities of exit strategies, ultimately boosting investor confidence.



Singapore

By tackling legacy challenges, enhancing capital deployment opportunities, and building a robust investment exit ecosystem, ASEAN stands to unlock significant growth and attract substantial capital. The strategic interventions outlined in this paper can help the region transform into a dynamic hub for private market investments and become a global competitor. Governments, financial institutions, and investors are called on to collaborate.

This is a pivotal moment for stakeholders to reimagine ASEAN's private markets and work together towards a more prosperous future.



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