



ATHAMUS

hold. multiply. reap

Asian Opportunities: Capital Market Vs Business Investments



Asia Investing Summit 2018

Developed Vs Developing Asian Economies

TABLE: Rank of average annual real GDP growth among the major emerging and developing Asia countries.

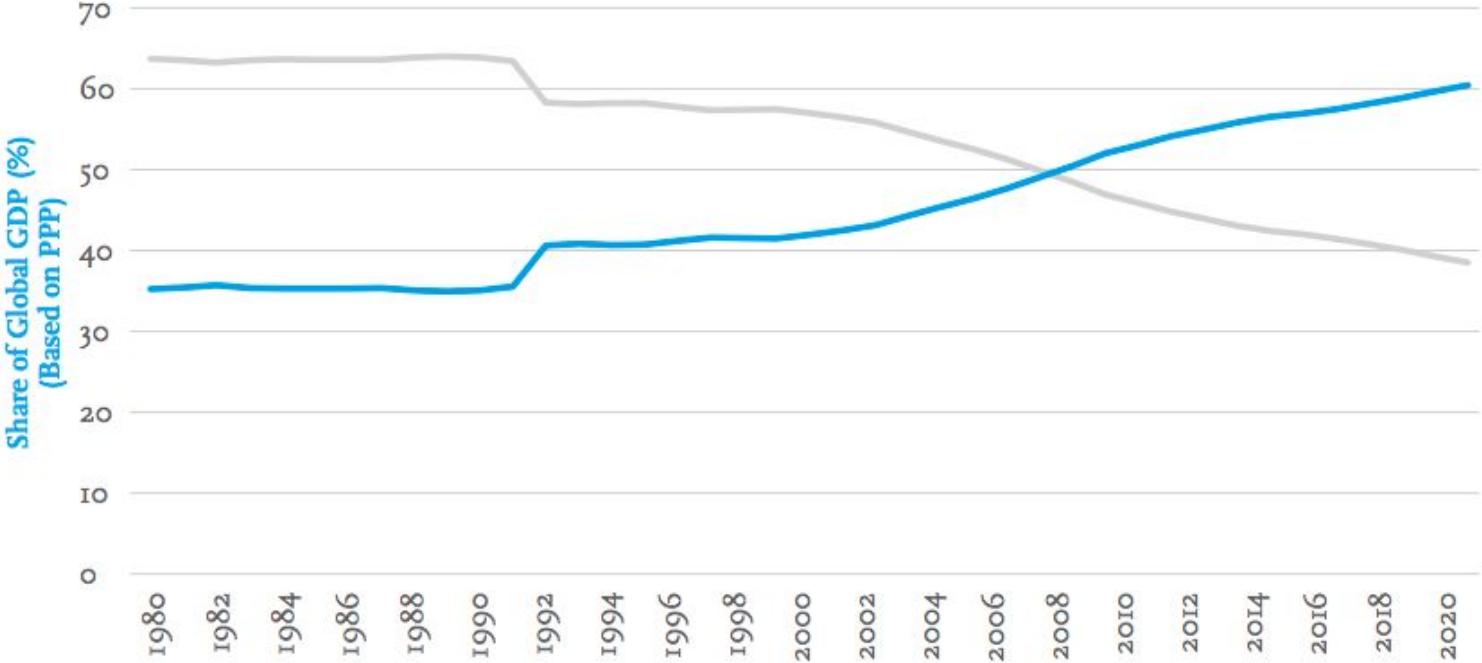
Rank	2000-2004	2005-2009	2010-2014	2015-2019
1	Myanmar	China	Mongolia	Myanmar
2	China	Myanmar	China	India
3	Cambodia	Cambodia	Laos	Laos
4	Vietnam	India	Papua New Guinea	Cambodia
5	Laos	Laos	Sri Lanka	Bangladesh
6	Mongolia	Vietnam	India	Papua New Guinea
7	India	Bangladesh	Cambodia	Sri Lanka
8	Bangladesh	Sri Lanka	Myanmar	China
9	Malaysia	Indonesia	Philippines	Philippines
10	Thailand	Mongolia	Bangladesh	Vietnam

Source: IMF World Economic Outlook Database, April 2015

Notes: Data from 2015 through 2019 are IMF projections

Macroeconomics of Global Growth Markets

GGM and Developed Nation Share of Global GDP (PPP), 1980-2020.



Risks and Challenges of Investing in Emerging Economies

RANK	2015	2016	2017
1	 ENERGY PRICE SHOCK	 HIGH UNEMPLOYMENT	 HIGH UNEMPLOYMENT
2	 HIGH UNEMPLOYMENT	 ENERGY PRICE SHOCK	 NATIONAL GOVERNANCE FAILURE
3	 NATIONAL GOVERNANCE FAILURE	 NATIONAL GOVERNANCE FAILURE	 URBAN PLANNING FAILURE
4	 CRITICAL INFRASTRUCTURE SHORTFALL	 URBAN PLANNING FAILURE	 ENERGY PRICE SHOCK
5	 FISCAL CRISES	 CRITICAL INFRASTRUCTURE SHORTFALL	 CRITICAL INFRASTRUCTURE SHORTFALL

How They Rank

Policy Risk

Political Risk

Regulatory Risk

Opaque Environment

Protectionism

Perils of Pursuing Growth at All Costs

- ⇒ PE Investing Strategy in Emerging Markets has historically centered only on growth resulting in only the strongest firms making outlier returns
- ⇒ Minority PE Investors with passive hands-off approach relied solely on growth to deliver returns; ill-equipped to react to macro, executional and operational challenges
- ⇒ Not a winning combination:
 - Lack of deep sector knowledge and operational expertise
 - Shortage of qualified professionals
 - Lack of industry network
 - Corporate Governance Issues
 - Lack of partnership between PE firm and Management

Last Two Decades of PE in Developing Economies

⇒ Long Term Investment Horizon

- Typically 10+ year tenures with average holding periods of 5 years
- Sufficient time and stable environment to successfully grown businesses
- Constraints and challenges in business environment calls for patience

⇒ Value Creation

- Improvement through active management & experienced decision making

⇒ Flexible Investment Approach to Fill the Financing Gap

- Tailor made financial solutions for companies of all stages and across sectors
- SMEs are the growth drivers but face financing gap and inadequate access to capital

A Study in Contrasts

First Ten Years	Last Ten Years
Strong Performance & Returns Outperformed Developed Markets	Weaker Performance & Returns
Smaller Capital Raised	Larger Capital Raised
Consistently Higher GDP Growth Rates in Emerging Markets	Consistently Higher GDP Growth Rates in Emerging Markets
Experienced Fund Managers	Relatively Inexperienced Fund Managers
More Transactions of Scale & Quality: Moderate Valuations, Higher Returns	Fewer Transactions of Scale & Quality: <ul style="list-style-type: none">○ More Lower-quality, Easy-to-access Deal Flow○ Increased Valuations, Lower Returns

Resurgence of Control Investing Via Buyout Funds

- ⇒ Increased emphasis on active value creation at business level through majority ownership rather than pursuing growth strategy
- ⇒ Recent data supports this: more capital has been raised for Buyout vs Growth Funds
- ⇒ Though Growth still dominates as a % of PE deals, it's shrinking compared to Buyout deals

Why Control Matters

Risks / Challenges / Opportunity	Buyout / Active Ownership	Growth / Minority Ownership
Corporate Governance	✓	
Inadequate Regulatory Framework - Corruption / Fraud Risk	✓	
Transparency & Integrity	✓	
Value Addition / Creation	✓	
More Emerging Countries & Sectors Opening up resulting in access to control oriented investment opportunities	✓	
Entrepreneur Succession offers Opportunities	✓	

Athamus Venture Managed Funds

- ⇒ Specialized Fund Manager with Integrated Model of Fund and Real Estate Development for Superior Returns
- ⇒ Capital Protection with 100% Held Assets
- ⇒ Focus on End User Driven Micro Markets in Tier I Indian Cities
- ⇒ Investments Targeted at Land Buy Stage Resulting in Superior Returns

Returns & Risks - Athamus Vs Rest

Investment Stage	Challenges & Risks	Typical Fund	Asset Purchase from Developer	Athamus Funds
Land Acquisition	Title, litigation, acquisition risk; Understanding location potential			✓
Approvals	Approvals declined for lack of technical expertise/valid title		✓	✓
Project Launch	Failure of projects owing to lack of positioning, branding & network expertise, cash flow projections	✓	✓	✓
Construction of Apartments / Villas	Projects fail due to lack of strong project development & operations background	✓	✓	✓
Completion of Sales / Exit	Failures due to absence of sufficient sales or financial closure of the project	✓	✓	✓
Net Returns to Investors - \$100 investment for 5 yrs		Investment (\$100) + 12% - 18% IRR = \$170 - \$250	Asset (\$100) + 2x Market Appreciation (best case) = \$200 - \$300	FSI multiple of 1.75x to 3x + Project Profits + Market Appreciation = \$400 - \$600

Team Athamus - Strengths & Accomplishments

1

Experience structuring & successfully executing the largest offshore fund (\$1B+) in India

2

Developed & exited from 5,000+ acres of real estate projects in India

3

150+ years of combined experience in fund management & real estate projects

4

Strong experienced team with risk management, compliance, finance & core real estate expertise

5

Only Indian Fund with Foreign Investment Promotion Board (FIPB) Approval

6

Proven capability to invest & exit in most competitive markets

Athamus Venture Management Private Limited

**No.208, Regent Prime, 48-50, Whitefield Main Road,
Whitefield, Bangalore 560066, India**

www.athamus.com