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Unpacking the EMP

Vynn Capital, First Move and Kairous Capital are recipients of Jelawang Capital's Emerging Fund Managers' Programme. Turn to Page 2 to find out why they were chosen and what they bring to the table.

UNPACKING THE EMP

BY KUEK SER KWANG ZHE AND KIRAN JACOB

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Optimism ran high when Jelawang Capital entered the venture capital scene in October 2024, pledging to disburse RM1 billion over three years to grow the industry in Malaysia. Investors were excited as they would have a shot at securing a piece of the pie through a fair and transparent process.

The RM1 billion is to be disbursed under Jelawang's Emerging Fund Managers' Programme (EMP) and Regional Fund Managers' Initiative (RFMI). The former is aimed at supporting emerging venture capitalists (VCs) while the latter is targeted at regional players.

There are good reasons for this. Jelawang, a subsidiary of Khazanah Nasional Bhd, can leverage the capability and resources of its parent company, which has more than three decades of investment experience, to formulate its selection process. At the helm was Bryan Lim, Khazanah's executive director and head of the RM6 billion Dana Impak.

This year, questions were raised by some quarters in the VC community about the recipient selection process and Jelawang's role as a catalyst for the venture capital industry. Additionally, some in the industry felt they were not given sufficient explanation on why their applications were not picked in the first round of selections.

The sudden departure of Lim from Khazanah and Jelawang in June also surprised the market despite his LinkedIn post explaining that it was due to personal reasons. His replacement had not been decided at the time of writing.

An industry expert with intimate knowledge of Jelawang says the selection process adheres to a customised scoring system, followed by a thorough due diligence on the shortlisted candidates. The final decision rests in the hands of Jelawang's investment panel, with oversight of the board.

According to its official website, Jelawang's investment panel comprised Datuk Darawati Hussain, Johan Mohd Roslie and Lim prior to his departure. Darawati is senior independent director at RHB Asset Management Group and was a board member of Malaysia Venture Capital Management Bhd (Mavcap) from 2017 to 2024, according to her LinkedIn profile. Johan is a director of the Private Funds Group at Khazanah and served as senior vice-president of the private equity department at

Retirement Fund Inc (KWAP).

Its board of directors comprise Datuk Hisham Hamdan, Khazanah's chief investment officer and Jelawang's chairman; Ruswati Othman, former chief strategy and investment officer and chief financial officer at Malakoff Corp Bhd; Chris Chia, founder of Singapore-based private equity firm Kendall Court Capital Partners Ltd, and Johan.

RECIPIENTS OF THE EMP

Industry observers are asking whether the funds disbursed under the EMP actually reach the targeted VCs or if the funds are circulating in the same group of VCs that have already obtained funding.

Talk is rife that successful applicants of the EMP secured their spots based on their connection with Mavcap which, together with Penjaja Kapital, was consolidated into Jelawang. Questions have also been raised as to how First Move was selected by Jelawang when it did not have a venture capital licence as at the time of application.

Founded in 2001, Mavcap was the first national strategic venture capital entity while Penjaja Kapital was established during the Covid-19 pandemic in 2020 under the Ministry of Finance to support the local economy.

Vynn Capital, one of the three EMP recipients, also received funding from Mavcap's fund-of-funds programme, according to a 4Q2023 investment committee meeting report sighted by *Wealth*.

The Vynn Capital Emergence Fund's vintage year — when funds were raised and capital committed — was in 2018. It received RM10.2 million out of the RM12.8 million committed by Mavcap.

The fund had not realised any returns in cash as at 4Q2023, but it was expected to return RM26.1 million, or 1.55 times the amount it had received from Mavcap, according to the investment committee meeting report. Its capital has been fully deployed and the fund has yet to mature.

The document also shows that the Vynn Capital Progression Fund — the firm's second fund — was still actively investing as at 4Q2023.

Before setting up Vynn Capital in 2017, Victor Chua, its founding managing partner, was an investment manager at Mavcap and vice-president at Gobi Partners Inc from 2015 to 2018.

Gobi Partners, a venture capital firm with assets under management of US\$1.6 billion, according to its official website, is an industry

pioneer and one of the earliest external venture capital firms that invested with Mavcap's money. Jamaludin Bujang, managing director of Gobi Partners since 2019, was CEO of Mavcap from 2011 to 2018.

Vynn Capital, Gobi Partners and Jelawang have their offices in Menara Ilham. Jelawang's office is in the same building as Vynn Capital and Gobi Partners because its team took over the space previously occupied by Mavcap.

First Move, a founder-led early-stage consumer-centric venture capital firm, was founded by serial entrepreneur and investor Joel Neoh and Audra Pakalnyte, his former colleague at Fave. It is backed by 500 Global.

With Khailee Ng, Neoh co-founded Groups-More, Malaysia's first local group-buying platform, in 2010. It was acquired for a "seven-figure" sum by Groupon the following year. The duo also co-founded online content platform Says.com, which is now owned by REV Media Group and is part of Media Prima Bhd.

Neoh is the investor and managing director of Prenetics, a health sciences company based in Hong Kong. He spends much of his time outside of Malaysia.

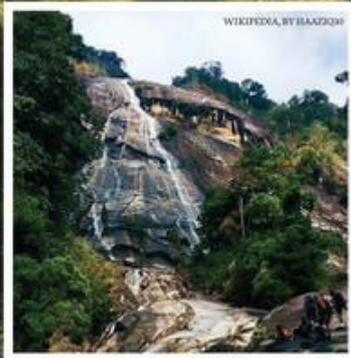
Ng, now managing director of 500 Global, is widely regarded as a trailblazer in the Malaysian venture capital scene while 500 Global was one of the earliest recipients of Mavcap's fund-of-funds programme in 2013.

As at 4Q2023, Gobi Partners was managing four funds funded by Mavcap — one was actively investing and the other three were fully deployed — while 500 Global had two, with one actively investing and the other fully deployed.

The 500 Startups III fund, whose vintage year was in 2013, has matured and generated a return of RM26.4 million, equivalent to 1.46 times the amount it received from Mavcap.

In total, the document shows that Mavcap distributed RM199.2 million to the four funds managed by Gobi Partners and RM62.2 million to the three funds managed by 500 Global (including the 500 Startups III fund that has matured). They were the largest recipients of Mavcap's funds over the years through its fund-of-funds programme.

Gobi Partners and 500 Global are also the partners of Khazanah's Dana Impak as they are among the most active venture capital managers with an extensive investing track record. Dana



WIKIPEDIA, BY HAADON

Jelawang Waterfall, also known as Gunung Stong Waterfall, is located in Dabong, Kelantan. Plunging from a height of over 300m, it is the tallest waterfall in Southeast Asia. Jelawang Capital was named after it to reflect the flow of capital into the local venture capital ecosystem.

Impak, a RM6 billion strategic investment fund, was launched in 2023 in support of Khazanah's broader commitment to enhancing economic competitiveness and resilience, while delivering positive socio-economic impact.

Similarly, Kairous Capital has been a recipient of Mavcap's funds.

SELECTION UNDERPINNED BY A ROBUST PROCESS

It is, perhaps, unavoidable that questions were raised about the selection of EMP recipients. However, an industry observer with insights into the selection process says the EMP applicants were assessed based on a customised scorecard that Jelawang had formulated after consulting Khazanah's public and private market investment teams and a third party consultant. The US-based third party consultant is said to have one of the widest coverage and most comprehensive databases on the venture capital industry in Southeast Asia.

The assessment criteria are made known to the applicants via the EMP Application Pack, namely the investment thesis and value creation track record, fund strategy, team dynamics and incentives framework, fundraising ability and operational capabilities. The applicants were required to submit information on those criteria for assessment, but the weightage of each criterion was not disclosed.

There were about 50 applicants for the EMP. Half of them were filtered out during the first round of selections as they were required to raise a minimum of RM60 million and secure at least 20% (RM12 million) of the funding commitments.

From there on, Jelawang shortlisted several VCs and proceeded to conduct due diligence on the qualified applicants. Names of the shortlist-

ed firms were submitted to the investment panel for the first time.

The due diligence, done with the help of third party consultants, is said to be thorough and includes a reference check, where more than 30 industry peers, including limited partners, co-investors and portfolio company founders, were contacted to evaluate the competency and integrity of the applicants. The final round of candidates were then presented for the second time to the investment panel for the final decision to be made, with oversight of the board.

"It was a robust selection process. The final result was not decided based on connection or favouritism," says the industry observer.

As for Neoh, he was asked to secure a venture capital licence in Malaysia before Jelawang committed and started investing in First Move. He was also asked to quit his job at Prenetics and focus on running the firm full time. Not all applicants are licensed at the point of application and it was not a requirement listed in the Application Pack.

Some believe that First Move was selected by Jelawang because its founding partner, Neoh, has a very strong track record as a serial entrepreneur, having launched three start-ups and successfully exiting all of them. Such a background allows him to add value to start-ups and attract quality companies.

Vynn Capital's Chua came from humble beginnings. His father was in sales at fast-moving consumer goods companies before becoming an insurance agent and wealth planner. Chua is particularly known for his grit and diligence in conducting research and negotiating deals, as well as his knowledge of mobility and supply chain-related technology.

Led by its managing partner Joseph Lee, Kairous

Capital specialises in later-stage venture capital investments and has successfully exited several deals through overseas listings and secondary transactions by leveraging its cross-border capability and regional connections.

WINNING BACK TRUST WITH CONSISTENCY AND TRANSPARENCY

On June 24, on the seventh floor of Mercuri UEM in KL Sentral, Khazanah managing director Datuk Amirul Feisal Wan Zahir gave a speech at the event announcing the Jelawang EMP and RMI initiative. He said what Jelawang was doing was not new, but a continuation of a long collective effort over two decades, involving other parties including Mavcap, Cradle and the Malaysian Technology Development Corporation (MTDC).

He mentioned the importance of trust. "In this line of work, building an innovation ecosystem, you quickly realise that capital is necessary, but not sufficient. What's harder, and far more valuable, is trust. Trust between investors and founders, between public and private institutions, between those who take risk and those who steward it."

Industry players have observed the erosion of a certain level of trust between VCs, investors and relevant government agencies, partly due to a news report on the overall lacklustre performance of Mavcap in the past two decades.

Also in the news was the alleged financial mismanagement at FashionValet, a modest-fashion e-commerce platform, which prompted the Malaysian Anti-Corruption Commission to raid its office and press charges on its founders. Khazanah and Permodalan Nasional Bhd were investors of the firm.

Trust also needs to be established between Jelawang and the VCs for industry players to continue to engage with Jelawang and apply for its programmes, which is said to be very time-consuming.

"The process of the request for proposal (RFP) is time-consuming as it has to be thorough. It is more than just building a PowerPoint deck. We have to make sure everything we present at the time of submission is accurate, provide proof of funds and ensure companies in our pipeline are still keen to receive our investments, among others," says an EMP participant who was not selected. He and his team have not decided on whether to apply for the EMP next year, largely due to the perception that the recipients were predetermined.

A keen observer of the venture capital industry says that in order to build trust, "consistency" is key. This means Jelawang will most likely use the same or a mostly similar selection process in the next two years to continue to engage with, evaluate and select emerging VCs for the remaining RM800 million. Jelawang announced on June 24 that about RM200 million would be deployed to



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COVER STORY

'Guard rail' a result of lessons learnt

PAGE 4

Five EMP and RMI recipients.)

Jelawang initiated the RFP process by giving interested parties two months to submit their proposals in the first round of selections. It also made clear the doors to the EMP and RMI remained open to interested VCs over the next two years.

These steps, while simple, could be put in place due to lessons from the past, according to the industry observer. For instance, Mavcap did not have an RFP process in place and did not make clear the amount it aimed to disburse in each year, which impacted its engagement with VCs. Penjana Kapital had done so, but it was a one-time disbursement.

Jelawang's requirement for the EMP participants to secure at least 20% of funding commitments, after which it will match the next 30%, is seen as a "guard rail" put in place as a result of lessons learnt in the past.

The industry observer has seen cases where a relevant government-linked agency adopted a matching programme and committed specific amounts of funds to the VC applicants, but the applicants eventually failed to raise the amount they promised. The government agency ended up owning a large part of the fund and shares in certain companies, leading to concentration of risk.

"When these applicants only put in a small sum of money in the fund, there is very little skin in the game. There's little motivation for them to work hard," he says.

The industry observer believes that Jelawang will focus more on distributed paid-in (DPI) capital in measuring the performance of the EMP recipients. Put simply, DPI shows how much cash has been paid to investors relative to their initial investment.

A misstep that some investors could have made is by having too much focus on the net asset value (NAV) instead of DPI. The NAV estimates the value of a venture capital fund's investments at any given time, even if those companies have not been sold yet.

This means the shares of those private companies invested in by a venture capital firm could have increased over time after several funding rounds, translating into a higher NAV. But the value of those shares took a dip when they were eventually sold, leading to low DPI and unsatisfactory cash returns.

DEFINITION OF EMERGING FUND MANAGER SAME AS PITCHBOOK'S

As for whether the selected recipients are considered "emerging fund managers", the industry observer says Jelawang's definition follows that of PitchBook, defined as venture capital firms that have launched three or fewer funds. PitchBook is a database and research firm that focuses on private markets.

The industry observer says people should understand that Jelawang's goal is to support the growth of Malaysia's venture capital ecosystem and it does not focus purely on returns. But it still strives for decent overall returns, which explains the introduction of RMI.

As RMI is awarded to established foreign players, it potentially can have a higher rate of success. The players are required to run capacity-building activities locally, such as accelerator programmes for start-ups, and hopefully can attract even more private investments from overseas into the Malaysian venture capital ecosystem.

"What was lacking in the ecosystem before was really consistency, which is an area that Jelawang seems to be addressing. It wants to be able to speak to as many fund managers as possible.

"I think a key message that Jelawang wants to tell the public is that it has a consistent [selection] process. You might not be a recipient this year, but please come back next year," says the industry observer.

What's next now that EMP recipients have been chosen?

Khazanah Nasional Bhd launched the national fund-of-funds, Jelawang Capital Sdn Bhd, to streamline the disbursement of funds to venture capital firms to eliminate overlapping mandates and improve governance.

Jelawang, a consolidation of Malaysia Venture Capital Management (Mavcap) and Penjana Kapital, recently launched the Emerging Fund Managers' Programme (EMP) and Regional Fund Managers' Initiative (RMI) to support and grow the local venture capital industry.

Apart from the selection process, sceptics say the fund distribution process and continuous monitoring should be made known and be more transparent.

In response, the EMP recipients say the selection process was highly rigorous and was not a simple handshake deal. They are not able to reveal the amount of funds they received due to ongoing fundraising activities.

They add that Jelawang's contribution is structured as a commitment rather than an upfront disbursement. The

venture capitalists (VCs) will operate on a capital call basis where they draw funds when necessary for investments, which is an industry best practice.

The recipients will also submit quarterly reports to limited partners (passive investors in general), including fund performance metrics and updates on portfolio companies.

An industry player also points out that the venture capital ecosystem involves a lot of relationship building and collaboration, which is the nature of the industry.

"When businesses need funding, who would they reach out to? It is usually their family and friends, someone close to them whom they can trust. Similarly, when a person writes a big fat cheque to a VC, the person tends to invest in someone they understand well and trust, whom they tend to have some connections with."

Wealth speaks to the three recipients of the EMP to see what they bring to the table.

First Move looking to write first cheque to 25 more early-stage start-ups

First Move is the only fund manager in the EMP that is raising money for its first fund. The First Move Fund operates on a 10-year fund life, with the option of two one-year extensions and follows a four-year investment cycle. It plans to invest in 50 companies during this period.

So far, First Move has made 25 investments in various sectors. Most of the start-ups are already generating revenue and several are co-invested alongside regional players like 500 Global, AC Ventures and Orvel Ventures.

Its founder Joel Neoh says the fund is still in its early stages, but signs are promising as the fund currently reports a multiple on invested capital (MOIC) of 2.4 times.

First Move's MOIC is measured by exit value divided by invested capital, a straightforward financial metric that measures value generated by investments relative to their initial cost.

The fund will invest in another 25 start-ups with the capital injection from the EMP and other external LPs. Its average deal size is relatively lean, with a preferred investment range of between US\$80,000 (RM338,430) and US\$2.33 million, according to PitchBook.

Local start-ups in First Move's portfolio

Name	Industry	Year founded
3cat	Specialty retail	2022
Decube	Business/productivity software	2022
Finknight	Other financial services	2023
Koppiku	Beverages	2023
MalaysianPaygap	Information services (B2C)	2022
Notti	Other consumer non-durables	2023
Scentsies + Co	Other services (B2C non-financial)	2020
Collektr	Specialty retail	2022

First Move will focus on investing in start-ups with a low headcount, scalable model and artificial intelligence integration. "The era of high-valuation and high-burn start-ups is over and investors now prioritise lean, efficient and revenue-generating business models," says Neoh.

The firm is closely tied to 500 Global, a Malaysia Venture Capital Management (Mavcap) partner, and Neoh is widely known to be friends with its managing partner Khailee Ng. This has raised concerns about capital flowing in the same close-knit circles.

In response, Neoh says the ultimate goal of the ecosystem should be to build successful companies. And people's focus should be on cultivating "winners" in the ecosystem.

For this to happen, interconnected support from various investors at different stages of a company's growth is necessary, such as First Move providing the first cheque and 500 Global or other funds investing in later rounds.

He adds that venture capital ecosystems cannot operate in silos and that a healthy ecosystem thrives on co-investments and interconnected support across all stages.

First Move also lacks a fund management licence in Malaysia, but steps are underway to address this, say its founders.

Audra Pakalnyte, who launched the firm with Neoh, says First Move initially operated through an investment holding company structure. But as they scale and onboard institutional LPs, they are in the process of securing the necessary fund management licence. The licence is a "condition precedent" for First Move to receive any funds, says Neoh. He is also transitioning out of his commitment at PreNetics Global Ltd, a Nasdaq-listed company, to fully focus on First Move.

"I've already transitioned or am transitioning out of PreNetics. So, moving back to Malaysia... I'm dedicating a significant amount of time, the majority of time, to First Move and what we're going to do next," he says.

Neoh joined PreNetics as its chief consumer officer and took charge of CircleDNA, which is wholly owned by PreNetics, as its managing director in June 2023.



The era of high-valuation and high-burn start-ups is over and investors now prioritise lean, efficient and revenue-generating business models. > Neoh



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Vynn focused on mobility and supply chain technology



"It is important for VCs to start looking deeper into specific industries because that is how you can create, build your knowledge base and pass that down to your portfolio companies as well."

> Chua



Vynn Capital stands out as one of the few venture capital firms in Malaysia with a vertical-focused and industry-specific thematic approach, targeting the mobility and supply chain technology sectors.

Jelawang is joining as a limited partner (LP) of an existing fund, which is the Vynn Capital Progression Fund (CPF). This is Vynn's second fund, launched in July 2023, after its debut Vynn Capital Emergence Fund (CEF) in 2018.

The CPF achieved its first close in 2023 and is backed by institutional LPs such as Retirement Fund Inc (KWAP) and Sime Darby Bhd (KL:SIME). The fund operates on an 8+1+1 year lifecycle and focuses on early-stage investments, from seed to Series A, mostly in mobility and supply chain technology across Southeast Asia.

Vynn founding and managing partner Victor Chua says the CPF has invested in five companies, with official announcements pending for two of them. The plan is to invest in 12 to 15 companies during the fund's open investment period.

It is worth noting that prominent investor Tunku Ali Redhaudin Tuanku Muhriz is a shareholder of Vynn, with 29% equity interest as at June 5, according to CTOS report.

Tunku Ali has been an active early-stage tech investor over the last decade. He is also chairman of two listed companies, Bumi Armada Bhd (KL:ARMADA) and Taliworks Corp Bhd (KL:TALIWRK).

Chua believes that it is crucial to delve deeper into specific industries to build knowledge and benefit portfolio companies by fostering an internal ecosystem.

"For me, it is important for VCs to start

looking deeper into specific industries because that is how you can create, build your knowledge base and pass that down to your portfolio companies as well," he says.

Vynn was a recipient of Mavcap funds for its first product, the CEF. It is one of the funds that have come under the spotlight due to the overall lacklustre performance of Mavcap's fund-of-funds programme.

The CEF has recorded two exits to date, but specific financials and fund performance cannot be disclosed due to confidentiality agreements with its LPs.

When asked about the results, Chua simply says: "Let's wait and see. We can't talk about the numbers right now because we still have to get clearance from the LPs."

"So far, the fund is doing alright. I think there have been a lot of words on the ground, but as I said, venture investing is a marathon. We are not at the end yet."

"My only feedback to questions on the returns is that we'll let our returns speak for us. We do what we need to do. We put our heads down and just grind."

Responding to his past connection with Mavcap and Gobi Partners, which some quarters speculate may have helped Vynn secure a spot in the EMP, Chua asserts that there is no conflict of interest here. In fact, he says Malaysia's ecosystem needs cooperation between firms instead of operating in silos. Gobi Partners focuses on multi-stage investments, whereas Vynn does early-stage deals, which creates opportunities for collaboration.

"We've always wanted to build an ecosystem where firms and people are willing to collaborate and partner up," he says.

Local start-ups in Vynn's portfolio (two funds)

Name	Industry	Year founded
Ashita Group	Electronics (B2C)	1993
Epost Express	Logistics	2017
Borong	Media and information services (B2B)	2016
Ouchi	Other insurance	2018
WYZauto	Automotive	2021
Carsome	Automotive	2015
DF Automation & Robotics	Other hardware	2012

*Epost Express is out of business

Kairous specialises in later-stage VC deals

Kairous Capital has the highest number of exits among the three firms as it is also a private equity (PE) firm with two PE funds launched.

According to PitchBook, the firm has completed seven exits through initial public offerings (IPOs), mergers and acquisitions (M&A) and secondary market transactions.

The IPO companies were oilfield services and manufacturing firm OMS Energy Technologies Inc, automotive interior materials provider Mingxin New Material Co Ltd and animal feed additives distributor Ritamix Global Ltd.

Its M&A and secondary transactions involve e-commerce service provider Intrepid Asia and private culinary academy Cilantro Culinary Academy respectively.

Ritamix and Cilantro are Malaysian companies based in the Klang Valley.

According to Kairous managing partner Joseph Lee, those exits generated returns of 2.5 to five times. PitchBook also shows that those were later-stage venture capital deals.

Lee takes pride in the firm's cross-border capability and additional value that it provides its investee companies. The former is key to its outperformance as investors in Hong Kong and China are able to offer better prices to acquire businesses in Southeast Asia.

He says it is not uncommon for Kairous to be the sole and lead investor in some deals, having demonstrated its investment

conviction and capability to add value to the companies.

According to PitchBook, Kairous was the sole investor in most of its exit deals, including OMS Energy, Mingxin, Ritamix and Cilantro.

"We prefer to lead investments rather than following others," says Lee, adding that the firm tends to secure a board seat at those investee companies if it is the lead investor, to be actively involved in the business.

Jelawang's investment is in Kairous Asia Venture Fund II, the firm's second venture capital fund, which focuses solely on Southeast Asia. With an investment horizon that spans until 2027, the fund has made four investments and targets to invest in a total of 12 companies. It has a six-year tenure, with the option of two one-year extensions (6+1+1), making the maximum cycle eight years.

The EMP defines emerging fund managers as venture capital firms that have launched fewer than three funds. Is Kairous qualified as it is launching its fifth fund?

Lee explains that the firm has only raised two venture capital funds, Kairous Asia Venture and Kairous Asia Venture Fund II. The rest were PE funds.

Before launching its first institutional venture capital fund in 2017, Kairous relied on special purpose vehicles (SPVs) to invest in selected opportunities. These were small, one-off funds, he says.

Local start-ups and companies in Kairous' portfolio including VC and PE funds

Name	Industry	Year founded
& Sons	Personal products	2020
Ritamix Global	distributor/wholesale	1982
PrimeKeeper	Financial software	2015
HSS	Food products	2003
Softinn	Business/productivity software	2013
Kairous Acquisition	Special purpose vehicle	2021
Wellous	Food products	2016
Cilantro Culinary Academy	Education and training services	2006

*Kairous exited from Kairous Acquisition, Ritamix Global and Cilantro Culinary Academy



"We prefer to lead investments rather than following others."



> Lee



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