

## FEATURE

# The RMI effect on local start-ups

BY KIRAN JACOB

Taiwan-based AppWorks and Singapore-based Granite Asia are venture capital firms selected as investment partners by Jelawang Capital under its Regional Fund Managers' Initiative (RMI). The firms are not only expected to generate returns, but also to provide local start-ups with the key ingredients to scale regionally and globally.

The value that the two firms are expected to bring to the local start-up ecosystem, in exchange for the funds they receive from Jelawang for investments, is not just monetary. Intangible resources, including specialised knowledge, training, network and

market access for overseas expansion, are equally crucial, something that most people overlook.

Some may even argue that the intangible resources provided by the RMI partners to local start-ups are as important as capital injection. The reason being that start-ups are not short of funding from government agencies. In fact, they rely heavily on public funding, partly through government-backed venture capitalists (VCs). But what these agencies may lack are the resources to help start-ups scale their business beyond local shores quickly and successfully.

Other challenges faced by the Malaysian start-up ecosystem, which the RMI partners can help improve, include limited late-stage funding and weaker exit platforms than

those in Singapore and Indonesia.

The introduction of the RMI comes at an opportune time when VC money is flowing out of certain parts of the region, such as Indonesia, partly due to financial scandals that took place in its start-up scene such as those at agriculture technology start-ups eFishery and TaniHub.

The *Financial Times* reported in June that Singapore's Temasek had drastically reduced its investment in early-stage companies, partly due to rising interest rates and the collapse of crypto exchange FTX in 2022, which caused the sovereign

wealth fund to write down hundreds of millions of dollars.

The report, titled *Singapore's Temasek cuts back on start-up investments*, cited figures by data provider Tracxn, pointing out that Temasek's investments in early-stage companies had dropped to US\$509 million last year from US\$4.4 billion in 2021.

Against such a backdrop, and amid a "funding winter" faced by the start-up ecosystem in Southeast Asia, the RMI is expected to attract more regional VCs to Malaysia. *Wealth spoke* to the two international fund managers to see what they bring to the table.



## AppWorks is a double threat

At a glance, AppWorks is best known as an accelerator — one that does not charge any fees or receive equity and is widely credited with kick-starting Taiwan's start-up scene. But a deeper look reveals that the firm is more than just an ecosystem builder.

The Taiwan-based venture capital firm has also proved to be a capable venture investor. Its portfolio includes Lalamove, a logistics platform that raised US\$1.5 billion in its Series F round in 2021, and 91APP, Taiwan's first listed software as a service (SaaS) company.

AppWorks has raised four venture funds totalling US\$411 million to date, according to PitchBook data. With a 2014 vintage year, AppWorks Fund II (US\$51 million) has achieved an annualised internal rate of return (IRR) of 29.3% and a distribution to paid-in capital (DPI) of 11.34 times in 2022, according to the firm.

The AppWorks Fund III (US\$150 million), with a 2018 vintage year, posted an annualised IRR of 92.9% and began to generate a substantial distribution in the same year.

Most venture capital funds run for 10 to 12 years by design. AppWorks runs its accelerator for free, but makes money from its investments. The firm thrives on fund returns, not accelerator fees, says Sophie Chiu, AppWorks principal of its Southeast Asia arm.

AppWorks' accelerator is structured to attract a broad pool of determined founders by remaining entirely free — no cash, no equity. In comparison, well-known programmes like Y Combinator provide US\$125,000 in exchange for 7% equity.

Once inside the AppWorks accelerator, start-ups gain access to markets, corporate partners, financing, talent and hands-on mentorship. "We don't charge any cash. We also don't charge any equity. So, it means it will cost the start-up nothing, except for a flight ticket if they want to come to Taiwan," says Chiu.

When start-ups perform well, AppWorks follows up with investments from its funds. In a nutshell, the model is simple: build trust and understanding first through community, then invest once alignment is clear.

Charging equity upfront, like Y Combinator's 7% model, would have limited

AppWorks to only very early-stage founders and excluded later-stage companies, she explains. In Asia, where exits are scarcer and the mergers and acquisitions market is less acquisitive than in the US, most accelerators price that risk by demanding high equity stakes, she adds.

AppWorks chose not to adopt this model. Instead, it built a community-first approach that attracts determined founders without burdening them early on. By removing those barriers, the firm gains access to stronger founders and deeper relationships, which later translates into better fund performance, says Chiu.

"It is in the 10th year that we eventually prove with our fund performance that we made up all the costs in the previous 10 years. So, in the previous 10 years, the whole company was loss-making. But then we prove that our VC fund will run at a better return because of this design. Now, we no longer live on borrowing. We live on our fund performance," she says. AppWorks fully funds its programmes.

AppWorks has 624 active start-ups and 2,029 founders in its ecosystem, and has raised a total of US\$6.6 billion in funding to reach a total valuation of US\$32.1 billion. In Southeast Asia, the firm has 195 active start-ups and 485 founders, and has raised US\$2 billion in funding to reach a total valuation of US\$5.7 billion.

"If you ask what our goal is in Southeast Asia, it's still the same mission. We believe that founders need an ecosystem first, then capital. Capital is just one of the things we help with. But the ecosystem is more important because most founders would know that at the end of the day, capital is not the biggest bottleneck when you try to prove product-market fit or scale," says Chiu.

AppWorks' relationship with Malaysia may

have been formalised only when Jelawang Capital's Regional Fund Managers' Initiative (RMI) was announced in June this year. But the firm has been active in the country since 2017, when it backed Signature Market, a fast-growing natural snacks e-commerce brand. This was a year after the firm entered Southeast Asia by investing in ShopBack, a cashback reward programme available across Asia-Pacific.

Today, 20 Malaysian-founded start-ups are active portfolio companies of AppWorks. Beyond that, over 50 other companies in its wider ecosystem also have business operations in Malaysia.

"We have about 70 companies that you can [call] Malaysia Nexus under Jelawang's definition, meaning that they either have their headquarters in Malaysia, have business [operations] in Malaysia or have revenue from Malaysia," says Chiu.

Indonesia and Singapore absorbed the bulk of the "hot money" in 2021, driving up valuations but

not necessarily generating returns, she says. By the following year, funding had cooled and Malaysia emerged as a more attractive market because "only Malaysian investments made some fair returns because they didn't attract hot money".

Chiu says that is because Malaysian founders tend to be more sensible, conservative and business-savvy. But they must also have greater ambition and reach out to regional markets.

"Malaysian founders are incredibly sharp. They know how to run lean and sustainable companies, often reaching millions in revenue without raising much capital. But with a smaller home market, it's easy to settle into a comfortable spot," she says.

"My hope is that founders don't underestimate themselves. Malaysia can be the perfect launchpad, but the real opportunity lies in growing beyond it."

The country should be treated as a testing ground and not the destination, says Chiu. In this regard, founders can validate product-market fit and their go-to-market strategy in the country. But ambitious founders aiming for revenue in the range of US\$100 million must scale and expand to the next market.

Naturally, AppWorks provides exposure to Taiwan as a secondary market. For Malaysian founders, the island republic is an ideal springboard with a market large enough to prove scalability, she says.

Taiwan also provides a pathway to better exits. Chiu says one of AppWorks' "secret sauces of engineering exits" lies in leveraging the vibrant initial public offering market there. "We sit in a very good IPO market in Taiwan, which we helped the Taiwan Stock Exchange promote through roadshows in Malaysia and Singapore earlier this year," she adds.

Nearly 70% of listed companies in Taiwan are technology-driven, making the stock exchange there a "mini Asian Nasdaq" for small- and mid-cap firms, says Chiu. For Southeast Asian start-ups, this translates into higher valuations and more active trading if they list in Taiwan.

"If you're big enough you can go to the US. But if you're smaller...you can get better multiples in Taiwan compared to Indonesia or Singapore, because Taiwan is full of tech stocks and investors know this species [of tech founders] better," says Chiu.



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## Granite Asia opens up market for start-ups

Industry observers describe Granite Asia as a market access provider helping founders expand into China, Japan, India and beyond. This aligns with its mandate in the country to help Malaysian founders institutionalise, professionalise and scale beyond their home market.

"In today's world, capital is important, but so is the ability to institutionalise and connect to global markets. Malaysian start-ups need governance, networks and scaling know-how just as much as funding," says Jenny Lee, senior managing partner at Granite Asia.

She was the first woman to break into the Forbes Midas List Top 10 and was named one of Forbes' 100 Most Power Women for three consecutive years.

"Our role, working alongside Jelawang Capital, is to combine financial capital with global insights so founders can compete regionally and globally. We want to back founders with the right capital at the right stage, while connecting them to Granite Asia's regional and global network," says Lee.

Founded in 2000, Granite Asia — then known as GGV Capital Asia — is one of Asia's longest-standing venture firms. It had 24 years of investment experience in the US and China before entering Southeast Asia. The firm has made over 320 investments to date, with 210 active portfolio companies. It has recorded 14 exits thus far, according to PitchBook data.

GGV was rebranded as Granite Asia in 2024.

It is also known as one of the few Southeast Asian venture capital firms, if not the only one, to successfully penetrate China, gaining access to high-profile deals like Xiaohongshu.

Granite Asia operates a multi-stage, multi-asset strategy, using both equity and private credit to support companies across the growth cycle. It has raised four venture funds totalling just over US\$1 billion to date, according to PitchBook data.

The firm expanded into private credit through its Libra Hybrid Capital Fund, which is a US\$500 million strategy that raised US\$250 million at first close in 2025. The fund targets consumer, business services, advanced manufacturing automation, energy transition and healthcare sectors investing in Asia and Oceania.

Granite Asia has delivered an internal rate of return of about 30% with strong distributed to paid-in capital across its funds over the past 20 years, according to Lee. That performance comes from backing automation and advanced manufacturing, which is "the kind of 'new letters' Malaysia is looking to add to enhance its economic complexity".

Granite Asia's investment approach leans heavily toward technology: nearly 65% to 70% of deals are in information technology, followed by consumer and enterprise services, according to PitchBook. Its median deal size is around US\$20 million, with the median portfolio valuation at US\$541 million.

In this regard, the firm is actively



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scouting for opportunities in advanced manufacturing and digital infrastructure in Malaysia. Many of these companies are already attracting strong interest from local and global investors, says Lee.

On its part, Granite Asia provides additional value in governance, scaling experience and regional access. This is with the international connections built up over decades of backing automation, advanced manufacturing and enterprise software companies, she says.

Ultimately, the firm aims to help Malaysia nurture more home-grown champions. How will it do this with Southeast Asia going through a funding winter?

Lee is not fazed by this. "Funding cycles come and go, but what matters is whether companies are ready when markets recover. We focus on structural opportunities where Asia has long-term advantages — automation, energy transition, supply-chain resilience — and pair capital with governance and scaling expertise," she says.

"By helping Malaysian start-ups strengthen their fundamentals and expand regionally, we can generate sustainable returns while contributing to the ecosystem's long-term resilience." ■

## Pitfalls & Pitch Calls

BY MICHAEL LAI



## The 'Barbarians at the Gate' moment

Last month, this column highlighted several key risks for the remainder of the year. Chief among them is the independence of central banks globally. The high debt burdens accumulated during Covid-19, coupled with the need to maintain price stability, have created tensions between central banks and the governments of the day. For many investors, the recent example of the US Federal Reserve and President Donald Trump stands out as a clear case of pressure on central bank independence.

Trump has intensified his campaign against Federal Reserve officials, calling for governor Lisa Cook to resign following allegations of mortgage fraud made by the Federal Housing Finance Agency director Bill Pulte, a close ally of the president.

At the time of writing, the matter had progressed to the courts and is expected to drag on in the months leading up to the end of Jerome Powell's term as Fed chair in May 2026.

The Trump administration's pressure on the Fed — including personal attacks on Powell, the nomination of White House economist Stephen Miran to fill the remainder of governor Adriana Kugler's term, and the consideration of several Fed officials as potential replacements for Powell — is already impacting financial markets. Here's how:

- Interest rate expectations:** Investors anticipate the Fed will resume rate cuts at the next Federal Open Market Committee meeting on Sept 16-17. With weak August employment data, the fed funds rate is expected to be cut by 0.25% in September, October and December, ending the year at 3.50% to 3.75%.
- Yield curve steepening:** Concerns over the Fed's independence are steepening the US Treasury yield curve. The 10-year yield is now 55 basis points higher than the 2-year yield, reflecting expectations of faster rate cuts (lower short-term yields) and rising long-term inflation risks.
- USD weakness:** The US dollar remains weak against most major currencies, with the exception of the yen.

### PORTFOLIO IMPLICATIONS

In last month's column, I discussed the importance of using a strategic asset allocation (SAA) model to build a portfolio resilient to a wide range of market scenarios. This involves diversifying across asset classes and geographies to provide greater stability and peace of mind.

Assuming you have constructed



such a portfolio, what are the implications of more aggressive rate cuts and the threat to central bank independence leading up to May 2026? Let's break it down:

- USD exposure volatility:** Portfolios heavily concentrated in USD assets may face increased volatility. While the US remains dominant due to its large and liquid markets, rising fiscal debt and expectations of aggressive rate cuts are eroding investor confidence. Political motivations — especially with the Fed leadership transition in May and the US midterm elections in November — could further influence rate decisions if the "barbarians" succeed in storming the gate.
- Gold as a hedge:** Adding gold to your portfolio is a prudent hedge against these risks. However, with gold currently priced at US\$3,500, many investors are understandably hesitant to enter at such elevated levels.
- Emerging market diversification:** If gold feels too expensive, consider diversifying into emerging markets in Asia. These markets tend to benefit from a weaker USD. While performance in regions like China and broader Asia hasn't matched gold's recent gains (up 39%), the fundamentals remain strong — driven by domestic consumption, benign inflation and resilient growth. Valuations are also relatively attractive.

Lastly, while it is smart to manage the risks outlined above, whether it is through currency diversification, strategic asset allocation or tactical hedging, it is also important to note that a rate cut cycle that is not followed by a recession in the US has historically been good for risk assets. And the base case is not for a US recession, in the view of the house. ■

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