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## The land of opportunity

*Despite some immediate headwinds, Asia's private equity landscape could stand to benefit from the Trump administration's tariff policy, write [Amy Carroll](#) and [Alex Lynn](#)*

US President Donald Trump's tariff roller-coaster continues unabated as we move through the second half of the year. Asian economies were among the hardest hit on 'Liberation Day' in April: some, including Japan, Taiwan and South Korea, found a measure of relief in the latest round of announcements in August, while India was not as fortunate. Any mention of China, meanwhile, was conspicuously absent.

Despite the continued uncertainty that this policy oscillation presents, Asia's private equity protagonists appear largely unperturbed.

"I don't see anything fundamentally new going on here," says Doug Coulter, partner and co-head of private equity for Asia-Pacific at LGT Capital Partners, speaking on *Private Equity*

*International's* Asia roundtable. "Institutionalised private equity has been around for 40 or 50 years, including 25 years in Asia. In that time, there have been many ups and downs. There is always something to worry about. As investors, we just continue to do what we do, which is deploy capital in great assets and talented managers."

For Jun Tsusaka, CEO of mid-market Japanese private equity house NSSK, the most damaging impacts of the tariffs are being restricted to multinationals with extensive export exposure. "Companies such as Toyota, Honda, Panasonic and Sony that sell a significant portion of their products or services to the US are going to be affected," he says. "But for private equity investors focused on domestic-facing sectors, there is very little impact. We focus on themes such as healthcare, education, domestic real estate and

financial services, which are largely isolated from geopolitical events."

Randy Wang, a partner at StepStone Group, agrees: "After Liberation Day, we conducted an extensive outreach with our GPs to ascertain the direct impact of tariffs on their portfolios. We found that for the most part, portfolio companies across Asia had a strong domestic orientation, with minimal reliance on global revenues or supply chains."

Wang concedes, however, that second-order effects are much more unpredictable – and potentially more significant. "These could include reduction in demand, declining consumer confidence, supply shortages, currency depreciation and prolonged capital or public market volatility," he explains.

Asian GPs are being vigilant in factoring the consequences of tariffs into



### Doug Coulter

Partner and head of private equity, Asia-Pacific, LGT Capital Partners

Doug Coulter joined LGT Capital Partners in 2007 to co-lead its Asian private equity investment activities. Prior to LGT, he made direct investments in emerging markets at the International Finance Corporation.

### Shawn Yang

Partner, Debevoise & Plimpton

Shawn Yang is based in Debevoise & Plimpton's Hong Kong office. He is a member of the firm's investment management group with a practice that focuses on private equity fund formation, secondaries and select investor-side representations.



### Jun Tsusaka

CEO, NSSK

Jun Tsusaka is the founder, chief executive and chief investment officer of Japan's NSSK, as well as chairman of the ESG committee. He was formerly a partner at TPG Capital.



### Chris Lerner

Group chairman and co-founder, Thrive Alternatives

Chris Lerner has spent his career building financial services businesses and working with asset managers, both across Asia and globally. Prior to founding Thrive, Lerner

was a managing partner at MSA Capital and a global partner and head of Asia at Eaton Partners. He began his career at Citigroup.

### Randy Wang

Partner, StepStone

Randy Wang is a member of StepStone's private equity team, focusing on funds and co-investments across the Asia-Pacific region. Prior to joining

StepStone, Wang was an investment analyst at CloudAlpha Capital Management and worked in the investment banking division at Morgan Stanley.



their short-, medium- and long-term planning. “In the short term, our GPs continue to monitor balance sheets and market exposures at the asset level. They are working with companies on contingency plans and business continuity,” says Wang.

“Taking a medium-term perspective, GPs are considering revenue exposures and supply chains in any new deals, focusing on businesses with strong domestic demand drivers, pricing power, high barriers to entry and countercyclical attributes. And from a longer-term perspective, GPs are identifying emerging themes arising from a potential new world order, centred around domestic consumption, self-reliance on strategic industries and technologies, as well as the regionalisation of supply chains.”

Chris Lerner, group chairman and co-founder of private funds advisory firm Thrive Alternatives, suggests the long-term impact of tariff policy is likely to favour Asia. “The current tariff environment is creating short-term uncertainty and disruption. While it’s important to assess the immediate impact on portfolios, I believe today’s developments will drive inevitable long-term shifts toward Asia.

“We’ll see continued realignment towards regional trade, domestic industry development and value-chain upgrades. I also believe Asian consumers will surpass their US counterparts in global economic importance within the next 10-15 years. These trends clearly affect how private equity investors should position themselves: as a long-term asset class, we must also stay focused on the long-term implications of today’s events.”

### Capital reallocation

There are many who believe Asia will also benefit from investors diverting capital away from the US as a result of Trump’s tariffs.

“I think all US investors – from pension plans to family offices, and even foundations and endowments,

which are facing their own difficulties – are looking carefully at the Japanese private equity market right now,” says Tsusaka. “This shift is not only due to geopolitics – it is also the result of the solid returns and actual DPI that Japanese private equity has delivered over the past decade.”

According to Wang, Asia also stands out to investors due to its attractive relative valuations. “Many Asian markets are cheaper than the US and Europe, so there is some value play in investing in these regions. Leverage multiples in Asia have also historically been lower than the US and Europe. In an uncertain interest rate environment, there are benefits to a lower leverage strategy, which is another reason why some

investors may be gravitating towards Asian private equity.”

While some country-specific funds – including a number in Japan – are faring well on the fundraising trail, it is largely the pan-regional players that are positioned to benefit from any geographical shift in appetite.

“We are seeing pan-regional funds benefit as part of a flight-to-quality theme,” says Wang. “Such pan-Asia funds tend to be larger and more established... We’ve observed a rotation of capital away from riskier single-country funds towards these more diversified offerings during times of global macro uncertainty.”

Coulter agrees that pan-regional funds are soaking up a lot of the capital

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LGT Capital Partners

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that is being invested in Asia. However, he believes those funds are raising too much today, given that most are now investing little in China. “If you take a \$20 trillion economy out of the mix and then raise a fund that is the same size as its predecessor, the numbers no longer add up,” he says.

“Furthermore, all the data shows us that only around 2 percent of deal-flow in Asia involves the large-cap deals that the pan-regionals focus on. That means if you are only allocating to pan-regionals, you are eventually missing out on about 98 percent of the market. This is not what we consider to be healthy diversification.”

Coulter remains unconvinced that this great migration of capital is actually taking place: “In the current geopolitical environment, you would absolutely expect Asia to be benefiting in terms of fundraising, but that is simply not what is happening. Most portfolios remain heavily overweight to the US.

“Private equity is a pro-cyclical business. In 2021, many investors piled into Asia and paid high valuations. Today,

most observers believe 2021 is going to be a weak vintage year for Asia; by contrast, we expect 2025 and 2026 will be strong vintage years for the region. However, many LPs have closed their offices in Hong Kong in the meantime, and hence they cannot – and they are not – allocating to Asia. It doesn’t make sense, but that’s what’s happening.”

Indeed, Asia only accounted for around 8 percent of global fundraising last year, according to *PEI* data. The picture in the first half of 2025 is even bleaker, with Asia taking just a 4 percent share.

“We are starting to see a shift in focus among global allocators, but in the near term, Asia will remain a story of haves and have-nots,” says Lerner. “Groups with the operational depth to generate alpha and navigate today’s environment, such as specialists and pan-regional funds, will fare well. There are also bright spots in country-specific strategies, particularly Japan and India, where domestic consumption exceeds half of GDP and there is significant scope to drive growth and improve efficiency.”

Elsewhere, Lerner predicts a shake-out in the Asia GP landscape. “There’s a huge backlog of un-exited positions, which means existing investors are grappling with liquidity constraints,” he explains. “At the same time, investors that are new to Asia tend to look in the rearview mirror. So, unless you’re a real standout, fundraising will be difficult. We fully expect some managers will be unable to raise successor funds. The bar is high.”

### The China story

One of the most significant factors impacting capital flows in Asia has, of course, been the exodus from China. The question remains whether this capital will be deployed throughout the rest of Asia, or if it is destined for other markets.

“The numbers don’t lie,” says Coulter. “For many LPs, the Asia story was largely synonymous with China. Now appetite for China has waned, only a limited share of that capital has been reallocated to markets like Japan, India and, to some extent, Australia. The

trend is clear: most investors have reverted to a home-market bias. The money has gone home.”

While the China story may be on pause, it is far from over. “It’s not that investors have lost faith in China, so much as they have lost faith in a category of local sponsors who were seen as riding a valuation wave without having built systematic processes and capabilities,” says Shawn Yang, partner at Debevoise & Plimpton.

“When China does come back, I’m not sure institutional LPs will return to those local sponsors in droves. While there are bright spots and notable exceptions, my sense is that it’ll be the larger blue-chip sponsors who stand to benefit. We’re seeing some of that now with larger private equity shops building out their presence in Asia, raising pan-Asia funds and securing larger commitments than ever before.”

One of the challenges that the pan-regionals sponsors face in relation to China is the variance in appetite among investors. “We’ve advised a number of sponsors who have thought about ex-China sleeves and discretionary excuse rights in recent fundraises,” says Yang. “Our advice is to not go down that rabbit hole unless you just can’t raise the fund. There is something to be said about [having] confidence in your strategy and your ability to pick the right deals. While it is understandably difficult to not give investors what they want in the near term, sponsors that have demonstrated discipline and the ability to generate liquidity will still be able to hit their hard-caps.”

Yang also believes the recent downturn in Asia fundraisings will prove to be a positive for the region’s long-term future. “There may be some survivorship bias in what I’m saying. It may sound a bit cold, but we’ve seen sponsors and advisers alike struggle to stay afloat, or exit the market entirely, and that’s okay. If you’re not able to add value in the region when times are tough, then that’s probably the right

## Secondaries success?

### The secondaries opportunity in Asia-Pacific remains vast, but untapped

A proliferation of stuck assets in Asia – particularly in China – has long been heralded as a secondaries opportunity. For now, however, successful continuation vehicles in this market remain few and far between.

“We are not seeing many China secondaries opportunities translate into closed deals,” says Debevoise & Plimpton’s Yang. “CV transactions are in a sense a timing bet, and I don’t think there are many investors willing to underwrite that bet at the moment.”

Continuation vehicle activity is picking up elsewhere, however. “We are in year four of a global distribution drought that began in 2022,” says Wang of StepStone. “As a result, we are seeing increased CV activity across many Asian markets to fill the void left by traditional exit channels, notably in India, South Korea and Australia. GP-led activity has not yet taken hold in China or Japan, but I do think that will come with time, given that it is one of the only alternative exit channels that allows GPs to generate liquidity for their investors.”

Thrive Alternative’s Lerner, however, believes that if the current situation drags on, other alternatives will inevitably emerge. “I think we’ll see solutions beyond CVs. If investors no longer have confidence in a manager, they’ll need to find a way to address that.

“That could involve sponsor-to-sponsor solutions, consolidation, joining a larger platform and bringing the assets in-house, or switching out managers altogether. But at some point, there has to be a recognition that you’ve reached an end-of-fund-life situation.”

result. What we’re left with are more sophisticated market participants, and that’s what you need for this industry to thrive over the course of economic cycles. I think we’ll look back on these times as a period of growing pains for the region.”

“While we should be cautious in the near term,” adds Tsusaka, “we shouldn’t forget the fact that China is a \$18 trillion marketplace. It is the second largest economy globally, it has 1.5 billion people, and some of the greatest technology in the world. We are going through a major dislocation right now, but I believe that at some point, China could represent the opportunity of the century when it comes to investing in viable, well-positioned businesses at highly attractive prices.

“China is not in our mandate, of

course, but we are still monitoring the situation with great interest. How can any business in Japan ignore the second largest economy and the second most populous nation in the world?”

### Increasing Japan

China isn’t the only nation in Asia stirring up discussion, says Wang. “Japan itself is undoubtedly a hot market right now... We are definitely seeing growing interest for Japan. However, while there is a lot of capital flowing into the market, private equity investment volume as a percentage of GDP is still very low at around 0.8 percent, versus 2 percent in the US. So there is still a lot of runway for private equity.”

Tsusaka views the increased capital flow into Japan as a positive, adding that he is unconcerned about any



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Thrive Alternatives

impact on competitive dynamics. “Any time you have smart, sophisticated LPs putting their risk capital into Japanese private equity, that is a good thing. It raises the bar. Japan’s private equity market is positioned today where the US market was in the late 80s and early 90s – we are only at the beginning of something really exciting. It is up to us collectively to build a healthy private equity ecosystem.”

For now, however, the relative scarcity of domestic Japanese GPs – coupled with a culturally disciplined approach – means this remains an access-constrained market.

Says Coulter: “We have been through a decade where it was normal for GPs in much of the world, including in Asia, to increase fund sizes substantially when they came back to market. At the peak in 2021, almost everyone in Asia was raising too much. But that didn’t happen in Japan to the same extent.”

According to Lerner, more firms are now starting to set up in Japan. “Everything in Japan is underpenetrated, but we’re starting to see more new entrants in the lower segment of the mid-market,” he says. “With fewer barriers to entry, we’ve seen a lot of spin-outs, and now specialist players are beginning to emerge.”

Attractive supply/demand dynamics are also inevitably attracting global players to the Japanese market. It remains to be seen, however, whether these firms will take a buy or build approach.

“It is natural that larger firms are going to want a seat at the table here in Japan, and I think it will ultimately prove easier to buy than to build,” says Tsusaka. “I don’t see this happening in the short term, because no one is selling. However, if you look at the ages of Japanese private equity founders, I think consolidation will start to take place at some point. I would not be shocked to see some significant GP stakes being sold within the next 10

years. I also wouldn't be surprised if we didn't see some strategic alliances between Japanese GPs and GPs in the US, Europe or even China."

### India and beyond

India is another market that is attracting increasing investor attention, particularly given the country's improving track record when it comes to DPI. "The key concern historically with India private equity has been liquidity,"

says Wang, "but that situation has improved meaningfully over the past few years, driven by strong capital flows into and out of the region, as well as deepening and maturing public markets that account for a meaningful percentage of exit volume," says Wang.

However, Coulter warns against equating the India story with that of China: "A lot of people say India is the new China, but things need to be put in perspective. India is a \$4 trillion

economy; China is a \$20 trillion economy. That said, there have been a lot of positive developments in India in the past few years."

LGT Capital Partners first entered India in the aftermath of the global financial crisis. "We started allocating more actively at that time following a big devaluation in the rupee. Those vintage years have been exceptionally good," Coulter says. "In the intervening years, the country has come a long way. The deepening of the domestic capital markets has been particularly important. We are even seeing some Indian technology companies redomicile from the US to India in a bid to achieve higher valuations."

Indeed, despite a barrage of negative headlines highlighting everything from the fallout of Trump's tariffs to China's economic woes, there is much to be optimistic about in Asia in general.

"There are undoubtedly some green shoots," says Coulter. "Last year, India was the second largest IPO market globally. The IPO volume in Hong Kong in the first half of this year was seven times higher than in the same period of 2024, giving good reasons for optimism."

Lerner, meanwhile, sees the region's current challenges as necessary growing pains. "It's just the natural evolution of the market. Many GPs in Asia, especially in China, have historically been momentum players, identifying top-down themes and investing behind them. As we go through challenging periods, we learn to adapt and evolve."

"Now, we're starting to see Asia managers with real domain expertise and groups upgrading their value-add playbook. That's a positive shift for our market, especially amid regional economic realignment and an upgrade of the value chain. At the same time, globally competitive Asian companies are emerging across sectors from mobility to healthcare. That's why 2025 and 2026 show promise to be great vintages." ■

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StepStone