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Online matchmakers catch investors' eye

By **Oliver Jones** | 15 April 2015 (18 hours ago)
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The strong growth of two Singapore-based online platforms is pointing to a greater role for technology in sourcing alternative assets and putting investors in touch with fund managers and businesses.

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Private debt is getting a boost in Asia from the rise of online platforms which match investors with capital-hungry businesses and fund managers.

The matchmaking websites have taken off in recent years, with operators reporting increasing number of deals as information overload pushes investors towards more passive distribution channels.

But the trend doesn't appear to be uniform across the asset classes, with online trading of fixed income securities failing to take off in the same way.

Private debt platform AsiaDealBox.com was established three years ago in Singapore. But the volume of transactions has surged this year, said founder and managing director Andrew Veale. The first quarter of this year has seen three transactions initiated on the platform, he said – up from two over the whole of 2013 and six in 2014.

His platform allows small business owners looking for loans to post details of terms on the website. Veale's team then undertakes preliminary due diligence on the collateral being offered in exchange for the loan.

"A lot of business owners across Asia are not familiar with the wall of capital that is looking for them," Veale said.

Targeted at another audience – namely fund managers looking for investors – real asset platform Source Central went live in January 2015.

Founder Rajeev Ranade said that the firm now has institutional investors with \$110 billion of real asset AUM on the platform. Now the challenge is to get real estate and infrastructure fund general partners (GPs), who will be using the platform to look for limited partners (LPs), to sign up. Unlike LPs – who don't pay to sign up to the platform – GPs pay a flat annual fee to join.

Both AsiaDealBox.com and Source Central are focused on linking up buyers and sellers to exchange information – but not transact – online.

However, electronic transacting or trading of fixed income securities has been notoriously slow to gain traction. A Morgan Stanley/Oliver Wyman report released last month noted that even "aggressive estimates" are unlikely to see the volume of credit traded electronically grow to more than 25% of the total in the next few years, up from 15% today.

That report points to the lack of standardisation of fixed income instruments as a factor limiting growth. In contrast, a lack of standardisation is helping to drive adoption of information-sharing platforms such as AsiaDealBox.com and Source Central.

"We are many years away from standardised documentation – we're happy to keep it that way," said Veale.

Veale said that transactions to date have ranged in size from \$2.3 million to \$65 million. He observed that deals below \$5 million appeal to high-net-worth individuals and family offices while the large deals go to institutional investors – the \$65 million loan was provided by two large real estate and infrastructure funds.

"Generally, there's always a time element involved when people come to us," Veale said. The time from the initial meeting with the business owner to disbursement of capital can be four weeks. In contrast, banks take three to six months to disburse loans, said Veale.

Ranade said that information overload was driving LPs to Source Central. "The typical large-scale investor has no problem accessing deal flow," he



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said. "Any GP would meet them – the problem is too much and inconsistent information."

For GPs the proposition is a passive distribution channel to complement their more labour-intensive real-world efforts. Ranade also highlights the potential for smaller, niche fund managers to find investors on the platform. "There's a really strong interest across the board in infrastructure," he said, citing the struggle that LPs face shifting from spending most of their time assessing investments in real estate funds to acquiring skills to evaluate infrastructure opportunities also.

Users in Singapore and Japan are interested in using the platform to tap opportunities in the US and Australia, said Ranade, while those based in Western Europe are looking to Asia and the US for opportunities and US investors are "interested in global opportunities."

Meanwhile another Singapore company yesterday announced the launch of a peer-to-peer platform to lend to businesses in the city-state.

Capital Match said its online lending platform would help Singapore SMEs obtain loans financed by individual investors, because it said many were struggling to obtain financing through traditional sources such as banks.

The firm said it had completed two loans worth a total of S\$250,000 (\$184,000) since its first listing in February.

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