



**S\$200Bn
FUM**



**FUNDRAISING
STRATEGY?**

Keppel Ltd

TRANSFORMING INTO A GLOBAL ASSET MANAGER

IS KEPPEL'S FUNDRAISING STRATEGY SUSTAINABLE
IN THE LONG RUN?



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ABOUT CORPORATE MONITOR LIMITED

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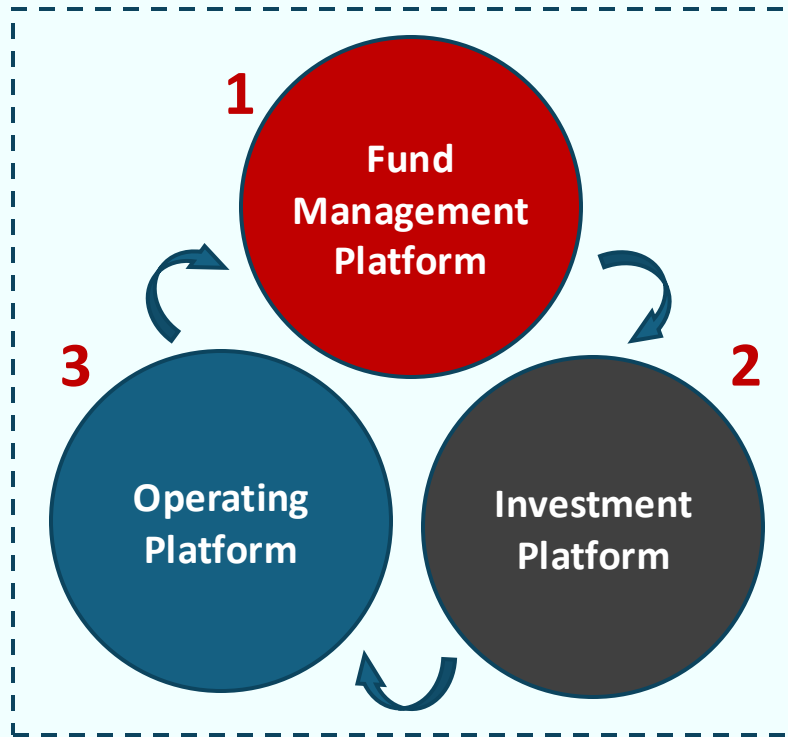
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REPORT OBJECTIVE

KEPPEL'S ROAD TO S\$200BN STRATEGY¹



1) Fund Management Platform

- Raising funds and gathering assets
- Managing and optimizing portfolio

2) Investment Platform

- Creating deal flow funnel and building quality pipeline
- Converting deals into quality investments with attractive risk-adjusted returns

3) Operating Platform

- Adding value with operating expertise
- Driving superior asset performance and investment outcomes

Keppel's Vision 2030, announced in May 2020, envisages that it would become a global asset manager and operator, with Funds Under Management ("FUM") of S\$200bn.

In this report we are focusing on Keppel's private funds, which account for 70% of its current FUM.

Based on Keppel's publicly released materials, Keppel's strategy to reach their goal is separated into 3 key components (left diagram).

A robust fundraising strategy is key to a fund manager's success. Successful global peers have strong fundraising strategies and capabilities anchored on a successful core product. They are also strategic in launching new products.

This report is focused on examining Keppel's fundraising strategy,

- What is Keppel's fundraising strategy?
- Is that sustainable in the long run or is it a land grab to hit the S\$200bn goal?

Due to Keppel's limited information disclosure, our analysis might not be fully reflective of Keppel's capabilities. We therefore welcome Keppel to provide more information, as suggested in our earlier reports.

BACKGROUND - KEPPEL'S PRIVATE FUNDS LISTING

As of 1H2024 (latest)

Keppel Fund Raising Strategy



14 Funds in total

REAL ESTATE

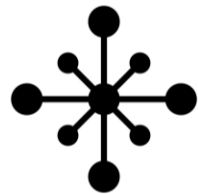
1. Alpha Asia Macro Trends Fund III (2016)
2. Alpha Asia Macro Trends Fund IV (2020)
3. Keppel Indo Logistics Fund (2020)
4. Keppel Vietnam Fund (2020)
5. Keppel Education Asset Fund (2020)
6. Alpha Asia Separate Account (2021)
7. China Logistics Property Fund (2021)
8. Keppel Sustainable Urban Renewal Fund (2022)
9. Funds managed by Aermont Capital
 - Perella Weinberg Real Estate Fund II
 - Perella Weinberg Real Estate Fund III
 - PW Real Estate Fund IV
 - Aermont Capital Real Estate Fund V
 - PGV Asset
10. German RE SMA (N/A)
11. Korean RE GP Program (N/A)
12. China Residential Program (N/A)
13. China SUR Program (N/A)
14. US Senior Living GP Program (N/A)



4 Funds in total

INFRASTRUCTURE

1. Keppel Asia Infrastructure Fund (2020)
2. Keppel Asia Infrastructure Fund II (2023)
3. Keppel Private Credit Fund (2020)
4. Keppel Core Infrastructure Fund (2022)



2 Funds in total

CONNECTIVITY

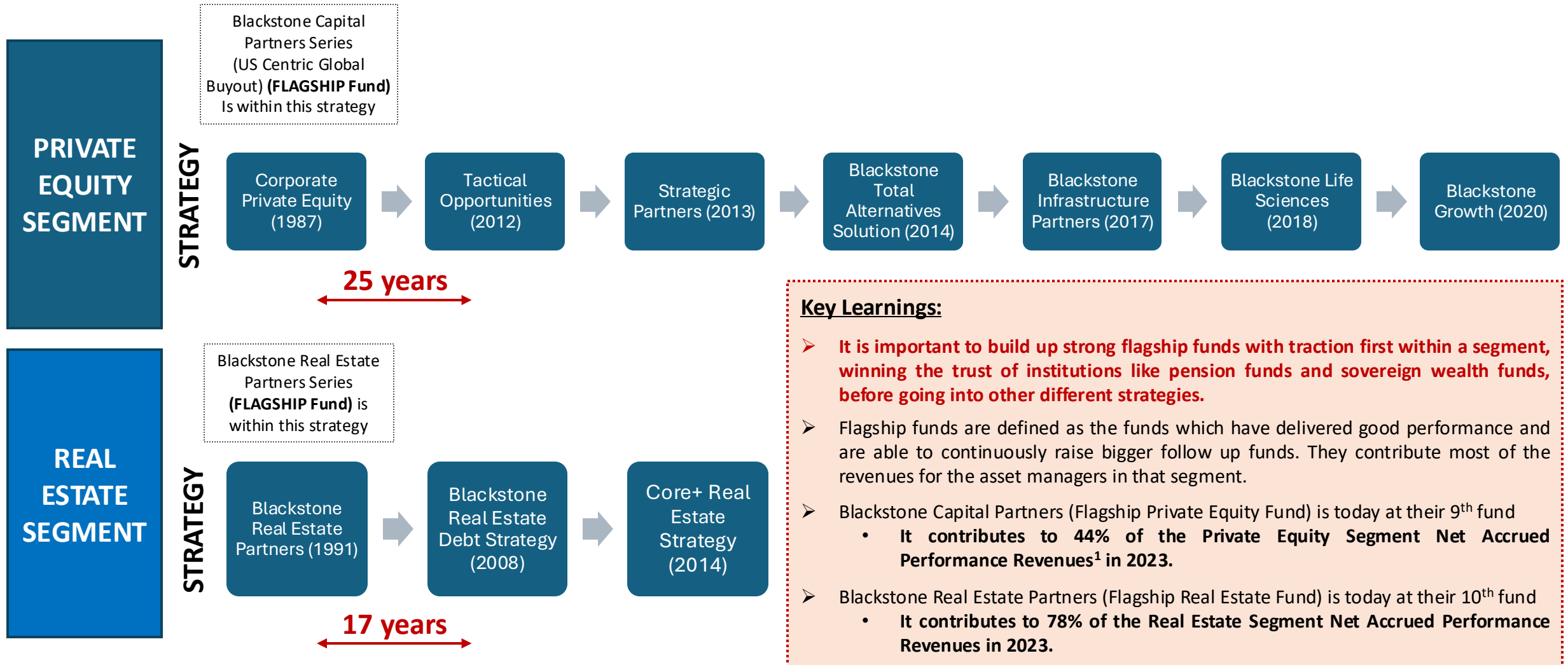
1. Alpha Data Centre Fund (2016)
2. Keppel DC Fund II (2020)

Keppel does not appear to have a strong core product nor a clear fundraising strategy especially since 2020.

- Alpha Asia Macro Trends series, started in 2007, is the longest fund series for Keppel. It should be Keppel's core product given its history, and is within the real estate sector that Keppel has operating expertise in.
 - How has it been performing?
- **Keppel has been branching out into many different funds that have different strategies, and most of them are single funds.**
 - Expanding into infrastructure and data centre funds appears to make sense as Keppel supposedly has operating expertise.
 - Private Credit Funds, Education Asset Funds, Logistics Funds etc, do not seem to relate to Keppel's operating businesses.

LEARNING FROM THE BEST: A successful asset manager starts with a strong flagship fund within a sector before branching out to other funds

An illustration of how Blackstone grew 2 of their biggest business segments:



Note: (1) Net Accrued Performance Revenues – accrued performance revenues receivable by Blackstone, net of the related accrued performance compensation payable by Blackstone, excluding performance revenues that have been realized but not yet distributed as of the reporting date and clawback amounts, if any.

KEPPEL'S LONGEST ALPHA FUND SERIES APPEAR TO BE LOSING STEAM IN PERFORMANCE

As Keppel does not disclose individual fund's performance (which global asset managers do, as reported in our "Keppel: Study on Disclosure (Report 1)"), information in this and the next page is extracted from Preqin, a leading provider of data and insights in private markets.

Funds	NET IRR	TVPI
Alpha Asia Macro Trends Fund	1 st Quartile	1 st Quartile
Alpha Asia Macro Trends Fund II	4 th Quartile ▼	3 rd Quartile ▼

Note:

1) Internal Rate of Return (IRR)

- IRR is a measure of return on investment. Expressed as a percentage, it is based on realized cash flows and the valuation of the remaining interest in the partnership

2) Total Value to Paid in Ratio (TVPI)

- Also called Total Return, TVPI is the sum of a fund's distributions and residual value of assets, divided by the paid-in capital

FUND PERFORMANCE LOSING STEAM?

Institutions that invest in private funds, such as sovereign wealth funds and pension funds, focus on **RELATIVE** performance. Empirically, only investing in 1st and 2nd quartile funds results in good returns in the long term.

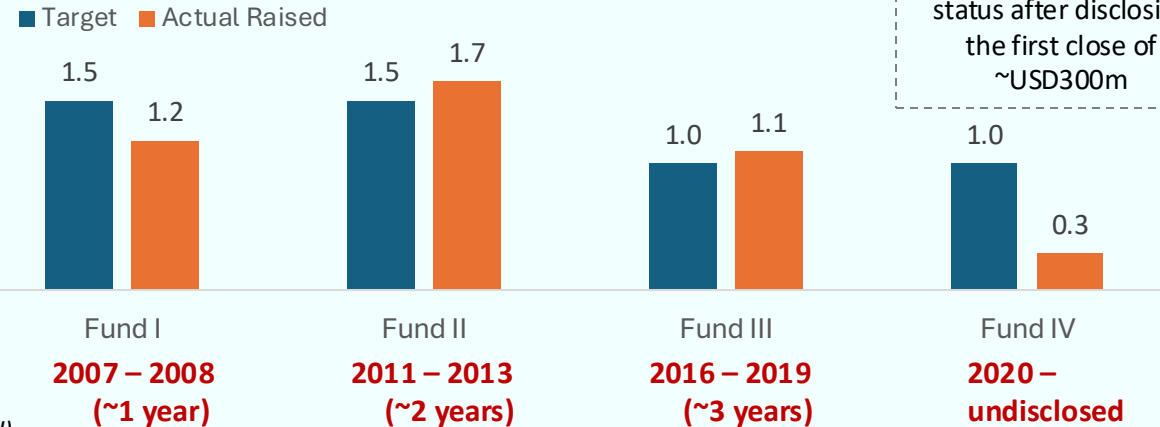
By definition funds of the same vintage operate under the same economic situations. Identifying good managers is therefore straightforward by comparing returns among such funds.

Comparing against funds of similar vintages, **Alpha Fund II's relative performance deteriorated significantly compared to Fund I**. This may have led to institutional investors switching to other fund managers performing at the top quartiles, as we shall see on page 6.

KEPPEL'S LONGEST ALPHA FUND SERIES APPEAR TO BE LOSING STEAM IN FUNDRAISING

KEPPEL

Target Fund Size vs Committed Capital (USDbn)

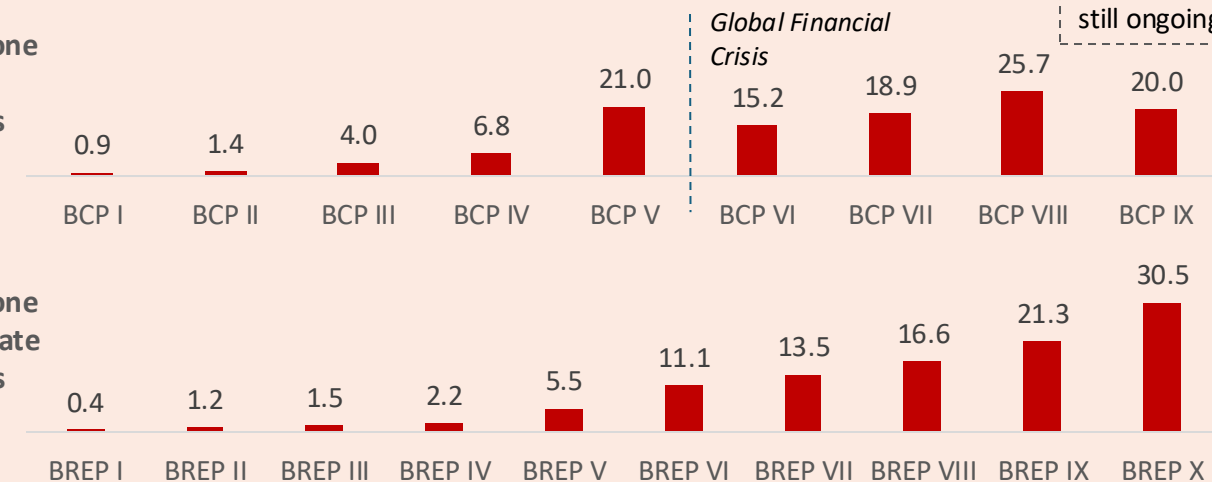


FUNDRAISING LOSING STEAM?

- Fund size appears to be falling from Fund III. For Fund IV, Keppel stopped disclosing how much had been raised beyond the first close of US\$300mn.**
 - This trend is in line with the Fund Performance.**
 - Fund I did well leading to Fund II being able to raise more and exceed targets.
 - However, as Fund II performance deteriorates, Fund III was able to raise only USD1.1bn, lower than Fund I and II.
- Fund raising period [which normally takes 1-2 year] appears to be lengthening for each Fund, suggesting Keppel's difficulty in fund raising.**
 - In addition, according to Preqin database², one of the investors, **Oregon State Treasury (US Public Pension Fund)**, which invested in Fund I and II, did not invest in Fund III.
 - This raises further question on Keppel's fund performance as big pension funds usually stay with a fund manager if it provides good top quartile returns.

BLACKSTONE

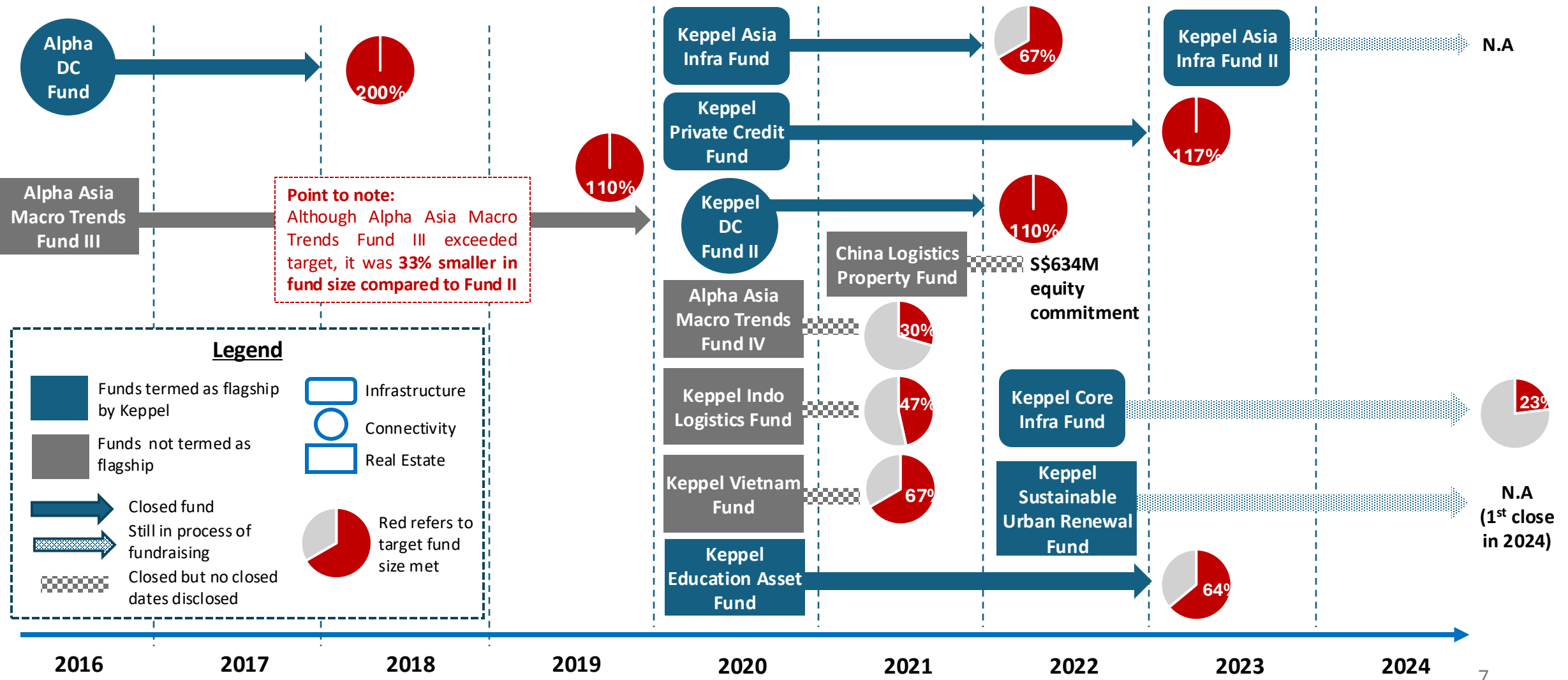
Flagship Fund Series: Committed Capital (USDbn)



Blackstone, the top alternative asset manager, has shown that a successful asset manager has strong flagship fund series where each subsequent fund is bigger

KEPPEL STARTED TO RAISE MANY DIFFERENT FUNDS SINCE 2020 BUT DID NOT DISCLOSE FINAL FUND RAISE STATUS

Many of the new funds launched appears not to be able to gain traction, which raises the question of Keppel being able to raise follow up funds.



Note: (1) Exact launched and closed dates are not available, hence graph only indicates the year it is announced; Information is based on what is disclosed to the public; Other SMAs etc are not included in this table, to refer to Appendix for more information; N.A – No available information on raised amounts; All information updated as of 1H2024 (latest available information)

ONLY DATA CENTRE FUNDS HAVE TRACTION IS KEPPEL'S LAND GRAB STRATEGY WORKING?

HAS OPERATING
EXPERTISE

DATA CENTRE FUNDS (DC Funds)

DC Funds appear to be **attracting investors**, both funds were oversubscribed. However it is less than 10% of Keppel's private funds FUM

INFRASTRUCTURE FUNDS

Infrastructure funds **appear to be not getting traction**, with targets not achieved and funds taking long time to raise.

Keppel touts its operating expertise as a key strength, but only the Data Centre funds seem to have traction, whereas infrastructure funds do not.

- Keppel Asia Infrastructure Fund Series
 - Fund I could only raise 67% of the target capital, and Keppel does not disclose Fund II status.
- Keppel Core Infrastructure Fund has a target size of US\$2.5b, but after announcement of a first close of US\$575m on Oct 2023, Keppel has not provided more update.
- Keppel announced the first close of its Sustainable Urban Renewal Fund in April 2024 but did not provide precise figures for the size of commitment or target fund size.

OPERATING
EXPERTISE???

PRIVATE CREDIT FUNDS (PC Funds)

Keppel Private Credit Fund **appears to have raised the target amount but took over 3 years**

EDUCATION ASSET FUNDS

Education asset fund **appears to have not reached target** and has a considerably smaller size compared to others

SINGLE FUNDS

Funds like Keppel Logistics Fund, Keppel Vietnam Fund **do not appear to have traction and are might end up as one-off funds**

Keppel also branched into areas where operating expertise is not as evident, such as private credit, education asset, logistics etc.

- Keppel launched the logistics fund in 2020 but divested its logistics business in April 2022

KEPPEL'S RAISING OF A OFFSHORE FUND RAISES IMPORTANT QUESTIONS

Quick background of Asset Co Transaction

In first quarter of 2023...

Keppel

Sold its entire Offshore & Marine business (less the legacy rigs and other out of scope assets) to Seatrium Limited

Sold the legacy rigs to RigCo Holding Pte. Ltd ("Asset Co"), while retaining 10% equity stake¹ in Asset Co, and owns S\$139 million in perpetual securities and ~S\$4.3 billion in Vendor Notes



Keppel's rationale for the Asset Co transaction:

1. Asset Co's external investors will provide capital that can be used for finishing uncompleted legacy rigs, which will no longer be funded by Keppel
2. **Asset Co will be run by an independent management team that will focus on:**
 - Completing uncompleted rigs
 - Marketing of existing rigs to potential buyers
 - Chartering of completed rigs to improve their marketability and generate cash flow until suitable outright sales can be arranged
 - Selling of rigs

"Keppel is planning to establish a new and dedicated private fund, the Keppel Offshore Infrastructure Fund to own and manage the legacy rigs and its 49% stake in Floatel as well as attract third party capital from limited partners and co-investors." - Keppel

In less than 2 years, based on Keppel's latest release on 19th Nov 2024, they intend to secure control of the legacy rigs that they sold to Asset Co in 2023.

KEY QUESTIONS:

- How does this fund fit into Keppel's fund raising strategy? Keppel has divested its O&M business, so there is no relevant expertise. Without this, how does Keppel convince institutional investors to back this fund? Our analysis showed that Keppel's forays into funds outside of its operating capabilities have not fared well.
- How confident is Keppel in fund raising? Why are funds to invest in offshore oil rigs appealing to institutional investors given environmental concerns? The commercial attractiveness of legacy offshore oil rigs is not apparent either.
- Will the inclusion of Floatel complicate the fund raising? Floatel is dependent on more debt to stay afloat. After a debt restructuring in 2021 to bring debt down to US\$284m from close to US\$900m, debt as of Sep 2024 has increased to US\$330m. In the 9 months of 2024, finance cost was US\$40m, nearly double the operating profit of US\$22m.
- Will this be a one-off fund, given that Keppel clarified that it had no intention to re-enter the offshore market? As we learn in page 4, successful global asset managers focus on raising fund SERIES. Keppel will be swimming against the tide by raising a one-off fund.
- **Is it an indirect acknowledgment that the sale of such assets to AssetCo in 2023 was not working out? If so is a new private fund the best solution?**

CML's OPINION

- Since Vision 2030 was announced, **Keppel has been raising funds of different types (equity vs credit), in different geographies and segments. While some are related to its operating expertise, most are not. Keppel lacks a successful flagship fund series. Alpha Asia Macro Trends funds, which have the longest history, appear to have stalled in Fund IV. Many other funds might end up as one-off funds (probably not by design). Can Keppel build up their asset management business strategically in the long run? Keppel's current strategy appears to be more of a "land grab".**
- Keppel often boasts that its operating expertise in Data Centres, Infrastructure and Real Estate sectors is its unique strength, but it appears that,
 - **Only the Data Centres funds**, which are benefiting from global tailwinds, are **working well for Keppel**, but the contribution to total FUM is smaller than the other two
 - Keppel's operating expertise might not always result in superior performance. In a separate CML report, M1, which is part of Keppel's connectivity vertical, performed poorly since Keppel took it private in 2019.
 - **Infrastructure and real estate funds do not appear to be gaining traction**, which raises the question of their ability to further fund raise in this sector.
- Other funds not relating to Keppel's operating sectors are not faring well.
- Keppel's announcement on 19th November 2024 confirmed this "land grab" approach. Keppel will raise a new fund to buy back the legacy offshore assets that it sold to Asset Co in a transaction completed less than 2 years ago. It appears to be a one-off fund, considering
 - Keppel divested the offshore business in 2022/2023, and clarified that it had no intention to re-enter the offshore market. This means that Keppel will have no operating capability. Unless there is a clear advantage Keppel has not disclosed, fund raising may be difficult.
 - Legacy rigs are not mainstream assets for private funds these days given environmental concerns. Instead, energy transition is the theme.
- **Keppel prides itself as a sustainability-focused company. Offshore rigs and assets are anything but positive for environment and sustainability. Will Keppel alienate its institutional clients ?**

CML has serious reservation that Keppel's lack of a core product, coupled with a "land grab" strategy, will enable it to grow its asset management business strategically in the long run.

APPENDIX: PRIVATE FUNDS INFORMATION (Updated as of 1H2024)

Private Funds information are manually consolidated by CML through all Keppel's official released reports and media releases, unless stated otherwise. This should serve only as a reference.

Funds Information – Total Private Funds (20) - Infrastructure Funds (4)

S/N	Funds	Risk Category	Launched Date	Closed Date	Vintage Year	Target (USD)	Fund Raised (USD)	FUM	Carrying Value of Keppel Sponsor Stake
1	Keppel Asia Infra Fund (KAIF)	Value Add	2020	2021	2020	1.0B	666.9M	S\$9.7B	S\$254M
2	Keppel Asia Infra Fund II (KAIF II)	Value Add	2023	Not closed	N.A				
3	Keppel Core Infrastructure Fund (KCIF)	Core	2022	Not closed	N.A	2.5B	575M first close 2023		
4	Keppel Private Credit Fund	Debt	2020	2022	N.A	600M	700M		

Notes: N.A – Not available

Vintage Year – extracted from media releases where Keppel announces their first investment for the respective fund.

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Funds Information – Total Private Funds (20) - Connectivity Funds (2)

S/N	Funds	Risk Category	Launched Date	Closed Date	Vintage Year	Target (USD)	Fund Raised (USD)	FUM	Carrying Value of Keppel Sponsor Stake
5	Alpha Data Centre Fund	Value Add Opportunistic	2016	2017	2016	500M	1.0B	S\$4.8B	S\$241M
6	Keppel DC Fund II (KDCF II)	Value Add Opportunistic	2020	2021	2021	1.0B	1.1B		

Notes: N.A – Not available

Vintage Year – extracted from media releases where Keppel announces their first investment for the respective fund.

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Funds Information – Total Private Funds (20)

- Real Estate Funds (14) 1 of 2

S/N	Funds ¹	Risk Category	Launched Date	Closed Date	Vintage Year	Target (USD)	Fund Raised (USD)	FUM	Carrying Value of Keppel Sponsor Stake
7	Alpha Asia Macro Trends Fund (AAMTF) III	Value Add	2016	2019	2016	1.0B	1.1B	S\$46.4B (includes next slide)	S\$762M (includes next slide)
8	Keppel Asia Macro Trends Fund (KAMTF) IV	Value Add	2020	N.A	2020	1.0B	295M first close		
9	Alpha Asia Separate Account	Core+	2021	2021	N.A		S\$360M		
10	German RE SMA	Core+	N.A						
11	Korean RE GP Program	N.A							
12	China Residential Program	N.A							
13	China SUR Programme	N.A					S\$300M (Keppel stake 30M)		
14	Keppel Indo Logistics Fund	Core+	2020	N.A		200M	93M initial commitment		
15	Keppel Vietnam Fund	Opportunistic	2020	N.A	2021	600M	400M first close 2020		

Notes: N.A – Not available

Vintage Year – extracted from media releases where Keppel announces their first investment for the respective fund.

(1) Alpha Asia Macro Trends Fund I and Fund II are not included in the list as they are not included in the list of operating funds that Keppel disclosed in 1H24 results

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Funds Information – Total Private Funds (20)

- Real Estate Funds (14) 2 of 2

S/N	Funds	Risk Category	Launched Date	Closed Date	Vintage Year	Target (USD)	Fund Raised (USD)	FUM	Carrying Value of Keppel Sponsor Stake	
16	China Logistics Property Fund	Opportunistic	2021	N.A			S\$634M (RMB 3.2M)	S\$46.4B (includes previous slide)	S\$762M (includes previous slide)	
17	US Senior Living GP Program	N.A								
18	Keppel Education Asset Fund (KEAF) ¹	Value Add	2020	2022	2020	500M	>250M as of 2020			
19	Keppel Sustainable Urban Renewal Fund (KSURF)	Core+ Value Add	2022	Not Closed	N.A	2.0B	2024 Apr achieved first closing from a KR institutional investor but amount not disclosed			
20	Funds managed by Aermont Capital² 1) Perella Weinberg Real Estate Fund II 2) Perella Weinberg Real Estate Fund III 3) PW Real Estate Fund IV 4) Aermont Capital Real Estate Fund V 5) PGV Asset	Opportunistic	2012 2015 2018 2021 N.A	2013 2016 2018 2022 N.A	2013 2016 2018 2022 N.A	EUR 1.2B EUR 1.25B EUR 1.6B EUR 3.0B N.A	EUR 1.32B EUR 1.5B EUR 2.02B EUR 3.8B EUR 3.0B			

Notes: N.A – Not available

Vintage Year – extracted from media releases where Keppel announces their first investment for the respective fund.

(1) According to sources (not Keppel), final close is S\$450M which approx. US\$320 (<https://www.mingtiandi.com/real-estate/outbound-investment/singapores-keppel-buys-two-sydney-school-campuses-for-125m/>)

(2) Information on Aermont is also extracted from Preqin and Pitchbook Databases

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Risk Category Definitions

Risk Category	Definition
Debt	This strategy involves financing infrastructure assets through organizing or acquiring loans secured by those assets . This may include mezzanine debt, preferred equity or senior loans. While the risk exposure of the strategy will depend on the type of debt provided, most infrastructure assets are typically financed by senior debt and have simple capital structures meaning they tend to be relatively low risk .
Core	This strategy targets essential assets with no operational risk and assets that are typically already generating returns . These are usually secondary-stage assets, in developed countries with transparent regulatory and political environments. Key features of the underlying assets include monopoly position, demonstrable demand, and long-term stable cash flows that are forecastable with a low margin for error.
Core Plus	Targeting assets in undeveloped markets, but with little-to-no construction risk . These are usually secondary stage or can be brownfield if in a developed market. These assets may also have higher sensitivity to the economic cycle and may be exposed to fluctuations in demand, although some will include features that act to limit risks, including long-term contracts, long-term government or regulatory price support, and high barriers to entry for competitors.
Value Added	This is a moderate-to-high-risk strategy targeting assets that require enhancements . The focus will be in adding value by growing demand for the asset. Assets are typically greenfield or brownfield, potentially involving new or unproven technologies that do not have pricing power at time of investment.
Opportunistic	Opportunistic strategies have the highest risk/return profile of the five strategies. Projects targeted will be fairly risky and assets may need to be developed or constructed in their entirety . The focus will be less on generating stable cash flows, and more on achieving capital growth in the value of the underlying asset.