

Deals

SenseTime Backer Raises \$500 Million to Rev Up IPO Train

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February 13, 2019, 2:57 PM GMT+8

Updated on February 13, 2019, 5:41 PM GMT+8

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- ▶ All-Stars expects about 10 portfolio firms to IPO in 2 years
 - ▶ The near \$2 billion fund backs Grab and Full Truck Alliance
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A SenseTime Group autonomous driving system. *Photographer: Qilai Shen/Bloomberg*

All-Stars Investment Ltd. has raised another \$500 million to expand its portfolio of startups beyond such Asian heavyweights as Didi Chuxing, expecting about 10 of the companies it's backed to go public within two years.

The Hong Kong-based venture capital fund, whose latest bets include the world's largest artificial intelligence startup SenseTime Group Ltd. and ride-hailing giant Grab, manages nearly \$2 billion of assets and will stick to later-stage investments, co-founder Richard Ji said.

All-Stars’s focus on more mature industry leaders means it targets companies that usually command a significant premium in valuation. But an economic downturn and rapid decline in funding has thinned out the competition and enlarged its investment window, the former Morgan Stanley managing director said in an interview.

“We only invest in the industry champions that have the largest market share in some of the largest fields, with some degree of anti-cyclical nature,” he said in Hong Kong. “When the economy isn’t great, companies that focus on cost-savings and improving efficiency benefit, and that’s what our portfolios focus on.”

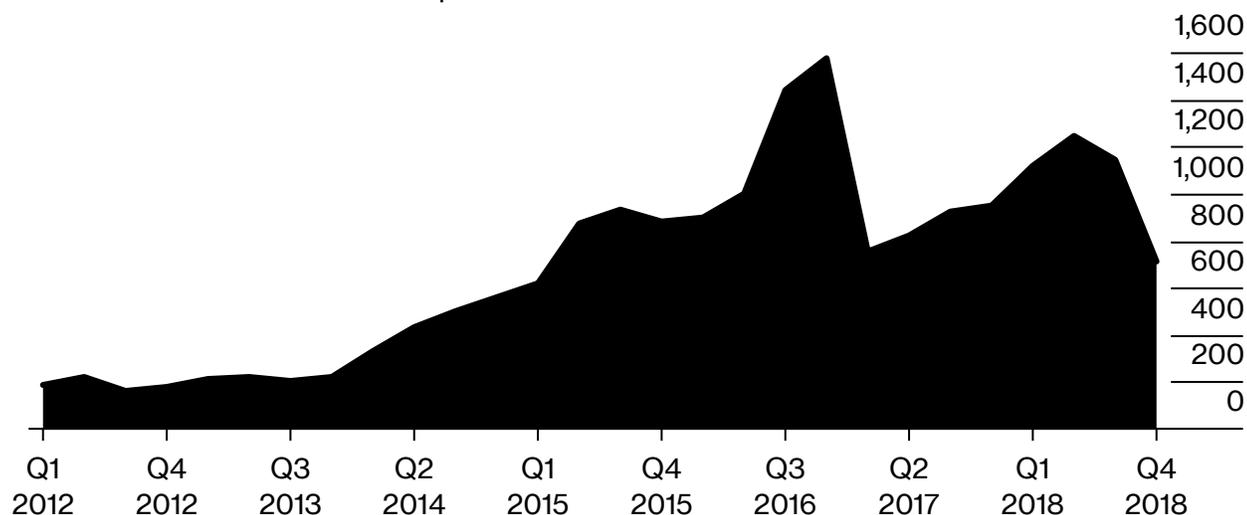
Bets on a once red-hot domestic technology sector are cooling alongside waning economic growth. Total investment among Chinese VC and private equity firms fell 67.5 percent to 29.4 billion yuan (\$4.4 billion) last month, according to data compiled by research firm Zero2IPO. And Chinese venture capital deals in the three months ended December totaled 713, down 25 percent from a year earlier, according to market research firm Preqin.

[Read more: China VC Deals Drop to Lowest Since 2015 as Funding Shrinks](#)

Winding Down

Chinese venture capital deals have dropped to the lowest since 2015

Number of Chinese venture capital deals



Source: Preqin

All-Stars made its name backing some of China’s largest tech startups. Full Truck Alliance, which counts the Softbank Vision Fund as its largest backer, posted 100-times growth in revenue last year, Ji said. Chinese ride-hailing giant Didi Chuxing, online finance platform Lufax, health-

care player [WeDoctor](#), SenseTime and home-sharing service Tujia are among its portfolio firms that could [float shares](#) within two years, he added.

Its most recent debutante however hasn't fared well on public markets. [Xiaomi Corp.](#) is down about a third from its IPO price -- which was set at the bottom of a marketed range. All-Stars however remains a backer of the Chinese smartphone maker. "We made a return on that investment," Ji said without elaborating.

The firm's roster is packed with former [Morgan Stanley](#) employees and All-Stars draws its money from a portion of the U.S. investment bank's private banking clients, seeking typically higher VC returns.

Ji expects a macroeconomic slowdown to persist in the near term, potentially curbing IPO valuations. But startups that generate organic revenue growth still present opportunities, he argued.

"Late-stage investment return comes from re-pricing on price-earnings ratio and organic growth of companies," Ji said. "When markets are down, that re-pricing arbitrage disappears, so we have to focus on companies that still see a lot of organic growth."

[Read more: Alibaba-Backed AI Startup Said to Mull Up to \\$1 Billion IPO](#)

(An earlier version was corrected after the company clarified assets under management)

(Updates with Preqin VC data and chart from the fifth paragraph.)