



MINISTRY OF FINANCE
MALAYSIA

penjana penjana
Pelaksanaan Semula Ekonomi Negara **Kapital**

DANA PENJANA NASIONAL FREQUENTLY ASKED QUESTIONS (FAQ)

Overview

1) What is the objective of Dana Penjana initiative?

Dana Penjana Nasional aims to enable economic recovery and enhance the growth of the nation's post-Covid-19 pandemic by spurring the private capital market. In the medium- to long-term, this initiative is expected to catalyse our private capital market by championing the growth of local private capital players.

2) What is the contribution from the Ministry of Finance and the investors for this fund?

The initial target fund size is RM1.2 billion, of which RM600.0 million will be invested by foreign and domestic investors, and a matching of up to 50% will be contributed by the Government. As such, the private capital funding available is RM1.2 billion.

3) Who are the beneficiaries of Dana Penjana Nasional initiative?

Dana Penjana Nasional initiative aims to benefit:

a. Malaysian businesses

During the onset of the Covid-19 pandemic, many businesses face significant challenges, especially in terms of access to funding. As such, to plug the funding gap and enable the Government's economic recovery agenda, the Dana Penjana funds will be invested into innovative early-stage Malaysian businesses. This will help to increase employment, reduce the likelihood of failure, as well as accelerate the growth and expansion of portfolio companies into regional markets.

b. Malaysian private capital industry

The Government's participation brings in much-needed confidence in our nascent private capital industry, which incentivise and attract foreign private investment into the country. The initiative will also build up a pipeline of early-stage companies for later-stage investors, including private equity funds and corporate investors, while strengthening the base of Malaysian venture capital firms.

4) What are the benefits of having foreign capital participation as part of this initiative?

The private funding market is still a growing industry in Malaysia. However, since the Covid-19 pandemic, Malaysian companies in this industry have been facing funding challenges. By providing a proper ecosystem for foreign participation, Malaysian early-stage companies with potential will be able to reap the benefits on two fronts:

a. Talent development

As part of Dana Penjana Nasional requirements, each foreign venture capital company is required to select a local partner to work together in managing the fund and subsequently devise a formal knowledge transfer programme. This is to ensure that our talent in the local venture capital industry is being supported and developed through the foreign-local partnership.

b. Scale and network

The success of early-stage companies hinges greatly on the company's ability to scale and expand regionally out of Malaysia. With a larger network of stakeholders and funds, collaboration with international partners will enable smoother expansion and unlock new synergies regionally or globally for the investee companies.

5) Definition and the differences between the specific funds under Dana Penjana in the venture capital value chain

Under the current initiative, Dana Penjana will be allocating the RM1.2 billion fund (RM600.0 million from private investors matched by RM600.0 million from the Government across any one of the following venture capital life cycle:

a. Seed/Co-Creation

This fund is specifically dedicated as a startup launchpad by co-creating companies or providing seed capital to early-stage companies. Ticket sizes ranging from RM0.5 million to RM5.0 million.

b. **Series A/B**

Invest in post-revenue companies that have passed the ideation stage. Scaling upstage for a company. Ticket sizes range from RM5.0 million to RM20.0 million.

c. **Growth Stage**

It is the phase after Series A/B. Expansion stage for a company. Investment ticket sizes range from RM5.0 million to RM30.0 million.

d. **Venture Debt**

Specifically, dedicated fund to provide short/mid-term debt financing for companies. Provides funding for businesses not traditionally covered by the banks. Ticket sizes ranging from RM1.0 million to RM20.0 million

The respective fund size will be decided by the Penjana Kapital's Investment Panel, subject to the approval by its Board of Directors.

Governance & Operationalisation: Penjana Kapital Sdn Bhd

6) **What is the role, governance set-up and operationalisation of Penjana Kapital Sdn Bhd?**

Pembangunan Modal Penjana Sdn Bhd, a company under the Minister of Finance Incorporated, has established Penjana Kapital Sdn Bhd ("Penjana Kapital") as its subsidiary to allocate the Government's portion of the funding. Penjana Kapital will have a Board of Directors and an Investment Panel ("IP").

Penjana Kapital will have three layers of governance;

a. **Board of Directors (BoD)**

The BoD will set the overall strategic direction of Penjana Kapital, under the guidance from the Ministry of Finance. They will also review and approve investments recommendation by the Investment Panel.

b. **Investment Panel (IP)**

The IP will leverage on their specialised expertise and experience to drive decision making for Penjana Kapital. They will review and refine investment strategies and guidelines; as well as assess the selection of venture capital by Penjana Kapital's management team.

c. Management team

Penjana Kapital's management team will be responsible for the smooth management of the funds. They will recommend the investment and fund allocation strategy over the short-, medium- and long-term horizons, to the IP and establish appropriate monitoring process and management of Penjana Kapital's portfolio funds.

Penjana Kapital's senior management will also sit in the Investment Committee (IC) of the portfolio funds to ensure that funds remain aligned to Dana Penjana's objectives.

7) How will the Government's RM600-million funding be operationalised and managed?

Penjana Kapital's IP will begin by assessing foreign and/or domestic venture capital firms based on point (5) above. Once approved by Penjana Kapital's Board of Directors, and once those venture capital firms have allocated their capital, Penjana Kapital will match an equivalent amount of capital that is raised by the approved foreign or domestic venture capital firms.

8) What is the reporting process for the funds?

Penjana Kapital's BoD and IP meeting will be held every quarter (at the minimum). The management team will be responsible for reporting the performance of all the funds under the Dana Penjana initiative to the members of BoD and IP.

9) Will Penjana Kapital be involved in managing the funds?

Penjana Kapital will be operating a Fund of Funds (FoF) model, which means Penjana Kapital will not be involved in the day-to-day management of the funds. However, to ensure that the funds remain aligned to Dana Penjana's objectives, a representative from Penjana Kapital will sit in each fund's Investment Committee (IC).

Application Requirements and Timeline

10) Application timeline

Date	Process
September 2020	Submission of application <ul style="list-style-type: none">▪ Applicants are expected to provide submission by email in, any preferred format.
October 2020 onwards	Due diligence <ul style="list-style-type: none">▪ Assessment and screening of all proposals.▪ Follow up with applicants to obtain further information.▪ Interviews with shortlisted funds across different categories. Investment Panel approval and Board approval <ul style="list-style-type: none">▪ Based on due diligence undertaken, the Investment Panel will make a recommendation to the Board for approval.

11) Proposal requirements

Proposals from interested venture capital firms should include details such as company background, track record, investment team, proposed local partner, governance structure, fund category applied, and any other information deemed relevant for the submission.

The details of the application criteria is available on our website. For more information, please visit <http://www.penjanakapital.com.my/>

12) Talent/knowledge transfer program

One of the key objectives of Dana Penjana is to develop the local venture capital funds and expertise. Successful applicants are required to propose and implement a structured knowledge transfer programme within a year from the inception of the fund and demonstrate results from this knowledge transfer programme at the end of each year.

The talent/knowledge transfer program may also cover the investee companies where guidance/training/collaboration initiatives may be initiated to allow companies to develop quickly, leveraging on the foreign partners' extensive network and expertise.

13) Are the foreign and local venture capitals required to be registered with the Securities Commission Malaysia?

Only the local venture capital will be required to be registered with the Securities Commission Malaysia (SC). For those unregistered, a 6-month grace period will be given to register with SC.

14) What kind of due diligence does the Investment Panel and management team take?

The due diligence process to select the foreign venture capital has been done in three stages;

a. Screening due diligence

Review and evaluate all proposals received throughout the application process, based on a standardised selection framework. Proposals that are determined to fit Dana Penjana Nasional's investment criteria will be escalated to the next stage.

b. Business due diligence

Further investigation to determine the viability of the proposed funds' strategies, the track record of both foreign and corresponding local venture capitals, as well as alignment with Dana Penjana Nasional's vision. Subsequently, a meeting or discussion is held with the representatives of all venture capitals shortlisted to further assess capabilities and future plans.

c. Legal due diligence

Once a particular proposed fund has successfully completed the screening and business due diligence, the investment team of both foreign and local venture capital firms will meet Penjana Kapital management team to negotiate the terms of investments, subject to final approval by the Investment Panel and the Board. Subsequently, lawyers from both sides will complete a legal review before finalising the deal.

Investment Parameters

15) Local companies that are eligible to be invested by the funds?

To ensure that Malaysian businesses will be the ultimate beneficiary of the initiative, all Dana Penjana funds are required to invest a substantive portion of the fund's committed capital into Malaysian-owned and Malaysian-based businesses.

16) What are the sectors focus of the funds?

As a start, Dana Penjana pilot funds will be sector-agnostic, and the funds' General Partners will be given the flexibility to pursue their desired strategies into sectors of their choosing. Generally, preference will be given towards investments into companies that are technology-based and deploy innovative solutions in their operations, such as those in the Agritech, E-commerce and FinTech industries.

While the overall fund will be sector-agnostic, it will nevertheless follow ethical guidelines which prohibit investments in certain sectors such as alcohol, tobacco, and gambling.

17) What are the commercial terms of the fund?

The commercial terms of the funds under Dana Penjana Nasional will be built upon a set of reference points provided by the Ministry of Finance, which are based on global benchmarks. For instance, every fund will be subject to a hurdle rate to earn the carry on the final return. The maximum deal size for any investee company will also be capped to mitigate concentration risk. Nevertheless, the final commercial terms will be decided by Penjana Kapital's Investment Panel, following negotiations with the respective venture capital firms involved, subject to the approval of the Board of Directors.

18) Can the same foreign venture capital fund invest in multiple funds under Dana Penjana Nasional?

Yes, subject to the Investment Panel's recommendation and approval of the Board of Directors.

19) What is the funding period of the funds under Dana Penjana Nasional?

The funding period for every fund under Dana Penjana will be a minimum of 5 years, plus any mutually agreed extension between the venture capitals and Penjana Kapital.

20) What is Dana Penjana's exit strategy?

Exits at the end of the fund life or earlier are expected to be through either public market offerings or trade sales to other venture funds. Ideally, the capital is returned to the Government with an adequate level of returns.

21) Can the amount of fund invested by venture capitals be more than the proposed fund size?

The fund invested by the venture capital firms must, at least, match the commitment by Penjana Kapital.

22) Fund disbursement method and timeline

Funds from the Government will be disbursed through Penjana Kapital to match the venture capitals' funds once they have been successfully raised and disbursed from the respective funds' Limited Partners (LPs).

23) Intellectual Property requirements and ownership

Operating the fund of funds (FoF) model, the underlying funds will take ownership of the investee companies on behalf of Dana Penjana. Penjana Kapital will not take ownership of any intellectual property.

24) How are the arrangements between the foreign and local venture capital firms structured?

Under Dana Penjana initiative, the foreign venture capital firms and the corresponding local venture capital partner of their choosing will set up a general partnership (GP) to manage the fund, which will be domiciled in Malaysia (set up as either Malaysia Sdn. Bhd. or Labuan company). The GP will be comprised of investment team representatives from both parties.

Matching funds provided by Penjana Kapital will be disbursed to the GPs only once private investor disbursement has been made. Upon disbursement to the GP, Penjana Kapital management will closely monitor the performance of the fund.