



Ministry of Finance  
Malaysia



## DANA PENJANA NASIONAL FREQUENTLY ASKED QUESTIONS (FAQ)

2 March 2021

### Overview

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#### 1) What is the objective of Dana Penjana Nasional 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 1:1 matching of RM600.0 million will be contributed by the Government.

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

The funds will be managed by a partnership between the foreign venture capital and a corresponding local partner of their choosing, or vice versa. The foreign partner must display an excellent track record in the applied category of venture investments and commit to implementing a structured and extensive knowledge-sharing programme with the local partner.

More information can be obtained from <http://www.penjanakapital.com.my/>

**6) 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).

**7) 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. Indicative 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. Indicative 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. Indicative ticket sizes range from RM20.0 million to RM50.0 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. Indicative ticket sizes ranging from RM1.0 million to RM10.0 million

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

## 8) Awarded Funds (as of 15 December 2020)

Funding Stage	Venture Capital Fund Managers	Contact Details
Seed	Immersion Ventures Inc (IMO Ventures) <i>Tenggara Capital Sdn Bhd</i>	<a href="mailto:enquiries@tenggaracapital.com">enquiries@tenggaracapital.com</a>
Seed	The Hive Southeast Asia <i>Tuas Capital Partners Sdn Bhd</i>	<a href="mailto:info@hivedata.com">info@hivedata.com</a> or <a href="mailto:info@tuascp.com">info@tuascp.com</a>
Series A & B	KB Investment Co., Ltd <i>RHL Ventures Sdn Bhd</i>	<a href="mailto:Info@rhl.ventures">Info@rhl.ventures</a>
Series A & B	AC Ventures / Translink Capital LLC <i>Vertex Force Sdn Bhd</i>	<a href="mailto:info@acv.com">info@acv.com</a>
Growth	Emissary Capital Sdn Bhd <i>SB Kaikaku Fund</i>	<a href="mailto:enquiries@emissarycapital.com">enquiries@emissarycapital.com</a>
Growth	CMIA Capital Partners <i>Bintang Capital Partners Bhd</i>	<a href="mailto:Contact.us@bintangcapitalpartners.com">Contact.us@bintangcapitalpartners.com</a>
Venture Debt	Crewstone International Sdn Bhd (in collaboration with Bradbury Group, BFG)	<a href="mailto:investment@crewstoneinternational.com">investment@crewstoneinternational.com</a>
Venture Debt	Hanwha Asset Management Co., Ltd	[TBA]

*\*Italic denotes chosen partner*

## **Governance & Operationalisation: Penjana Kapital Sdn Bhd**

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### **9) 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 to monitor the venture capital fund managers, amongst others. This will include the monitoring of financial and non-financial deliverables expected from each VC fund manager.

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

### **10) 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.

**11) Will a local VC firm be required to partner with a foreign party?**

Local applicants are not required to have a foreign partner, as long as they have demonstrated a good track record and other relevant experiences. Foreign applicants, on the other hand, are required to partner with a local firm

**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 training programme should groom the local partners to have capabilities to run their funds successfully in Malaysia and ASEAN in the future. Malaysians should also be included as key management personnel.

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 registration requirements with SC be applicable to the funds or the management corporations?**

Yes. Each fund will be managed by a joint entity between the foreign and local venture capitals, and the fund must be domiciled in Malaysia (i.e. set up as either Malaysia Sdn. Bhd. or Labuan company).

**14) What were the criteria that Penjana Kapital utilised to select the fund managers?**

Penjana Kapital employed a set of criteria and a standardised framework to fairly assess ALL applications in their selection process. The criteria include:

- i. Firm Background
- ii. Track Record & Experience
- iii. Investment Plan & Strategy
- iv. Knowledge Transfer Plan

**15) What kind of due diligence does the Investment Panel and management team undertake?**

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**

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**16) 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.

**17) 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-enabled 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.

**18) 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 Penjana Kapital's Board of Directors.

**19) Can the same foreign venture capital firm invest in multiple funds under Dana Penjana Nasional?**

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

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

The funding period for every fund under Dana Penjana will be between 7 – 10 years.

**21) 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.

**22) 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.

### **23) 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).

### **24) 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.

### **25) 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.