

ANGIN

SFP SASAKAWA
PEACE
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THE EMERGENCE OF ANGEL INVESTMENT NETWORKS IN SOUTHEAST ASIA

Report I

A good practice guide to effective angel investing

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Foreword

Southeast Asia has become one of the fastest-growing markets over the last decade, attracting many talented entrepreneurs to start new businesses in the region. However, numerous studies indicate that social enterprises and women-centered businesses experience greater challenges to grow due to insufficient access to relevant financial and technical support. Angel investors play a critical role in expanding the pipeline of investible businesses by providing early-stage ventures with essential resources including capital to bridge the funding gap and by sharing their expertise and networks to unlock business opportunities that facilitate growth.

In conjunction with the steady rise in the number of angel investors in the region, the practice of angel investing has also been increasingly structured through the establishment of Angel Investment Networks. The proliferation of Angel Investment Networks has led to more coordinated efforts to streamline angel investments, often resulting in larger-scale deals into early-stage ventures. These networks have a considerable part to play in the investment spectrum by advancing co-investments, reducing the risk borne by individual investors, and coordinating support to help enterprises to scale to the level where they can access larger sources of growth capital provided by other private sector investors such as venture capitalists and impact investors. These recent developments across the region are a positive sign of the important catalytic role angel investments play in the early-stage investment landscape.

This report by the Angel Investment Network Indonesia (ANGIN) and the Sasakawa Peace Foundation (SPF) is the first of its kind to understand the landscape of Angel Investment Networks in Southeast Asia and explores the challenges and opportunities for angel investors in the region. The report also places a special focus on Gender Lens Investing and the drivers for angel investors to make gender-focused investments to contribute to the development of an inclusive entrepreneurial ecosystem in Asia.

Working with local partners, SPF has implemented a wide range of initiatives to support inclusive and women-centered businesses to grow, contributing to the development of sustainable market-based solutions that bring value to women across Asia. We hope that this report will highlight the opportunities for angel investors and net worth individuals to realize their potential as key contributors in supporting inclusive, impact-orientated businesses, and leverage their resources to efficiently create greater, long-term social impact in Asia.

Sincerely,



Shuichi Ohno
President, Sasakawa Peace Foundation

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ANGIN Research Team

David Soukhasing: Research Co-lead

Managing Director, ANGIN
(david@angin.id)

Natalia Hau: Research Co-lead

Consultant, ANGIN Advisory

Adirani Heraputeri: Research Associate

Research Associate, ANGIN Advisory

Rininta Bella Yunissa: Research Associate

Consultant, ANGIN Advisory

Benedikta Atika: Research Advisor

Impact Investment Lead, ANGIN Investment

Saskia P Tjokro: Research Advisor

Head, ANGIN Advisory

Victoria Forsgate: Editor

Independent Consultant

Sonia Febyola: Designer

Consultant, ANGIN Advisory

Sasakawa Peace Foundation (SPF) Research Team

Lily Yu, Senior Advisor

Asia Women Impact Fund, Gender Innovation and Investment Department

Yuka Yabashi, Program Officer

Asia Women Impact Fund, Gender Innovation and Investment Department

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Aaron Everhart, Founder
HATCH! Ventures

Arnil Paras, Philippine Country Representative
AVPN

Aung Htun, Founder
Myanmar Investments

Ayaka Matsuno, Director
Asia Women Impact Fund, Gender Innovation and Investment Department, SPF

Bikesh Lakminchad, CEO
1337 Ventures

Caterina Meloni, Founder,
Connecting Founders

Celia Boyd, Managing Director,
SHE Investments

Daniel Lin, Founder and CEO,
Fundedhere

Doris Clemenz, Head of Partnerships Southeast Asia, Seedstars

Gail Wong, Co-Founder,
Ladies Investment Club

James Lette, Executive Director,
Manila Angel Investors Network

Jiaway Koh, Associate Director,
BANSEA

Jo Chan, Investor Relations Manager
Angel Hub

Jordan Green, Founder and President
Melbourne Angels

Josephine Price, Managing Director and Co-Founder Anthem Asia

Lauren Trucksess, Marketing Manager
Investible

La Woon Yan, Investment Analyst
EME Myanmar

Maho Nakayama, Director
Asia Peace Initiatives Department, SPF

Matt Viner, Investment Manager
EME Myanmar

Melanie Mossard, Venture Support Director
Impact Hub Phnom Penh

Nana Souvannavong, Founder and Managing Director, TOHLAO

Nicole Paterno, Founder
1,000 Angels

Patricia Chu, Chief Growth Officer
Mana Impact Partners

Pat Thitipattakul, Investment Manager
500 TukTuks

Priya Thachadi, Co-Founder and CEO,
Villgro Philippines

Robbert Groenen, Director Myanmar
One to Watch

Surawat (Sam) Promyotin, Executive Director
Bangkok Venture Club

Suse Reynolds, Executive Chair
Angel Association New Zealand

Virginia Tan, Founding Partner,
Teja Ventures

Research Objectives

This is the first piece of research of its kind focusing on Angel Investment Networks (AINs) in Southeast Asia, with a specific focus on Gender Lens Investing practices.

This research aims to support the development of the angel investment market in Southeast Asia through three key approaches:

1. Completing a mapping of established Angel Investment Networks (AINs) across Southeast Asia (SEA) that are actively investing in early-stage enterprises. This includes investment structures used by net-worth individuals (NWIs) and high-net-worth individuals (HNWIs) - collectively referred to herein as AINs.
2. Identifying and analyzing key aspects and good practice of active AIN structures and impact models in Southeast Asia.
3. Providing a general overview of where and how Gender Lens Investing (GLI) practices take place across AINs in Southeast Asia to further advance the implementation of GLI in the region..

As part of a three part series, this first report presents the findings from the regional mapping of Angel Investment Networks and aims to provide individuals and organisations from within and outside the angel investment community with an overview of the emergence, activities, characteristics and stakeholders (e.g. investors, enterprises, deal flow developers) of Angel Investment Networks in SEA.

Future research reports to be launched in June 2020:

Report series:

The Emergence of Angel Investment Networks in Southeast Asia

Report 1: A good practice guide to effective Angel Investing

Report 2: A spotlight on Gender Lens Investing

Report 3: Country Profiles of Angel Investment Networks in Southeast Asia

Research Methodology

The research process looked at AINs in Southeast Asia: specifically, **Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam**. To achieve the specified objectives, the research team convened by ANGIN generated data, insights and analysis over a two-month period (January and February 2020) in the following ways:

- Primary data was gathered through in-depth **semi-structured interviews with 12 AINs operating in six SEA countries**. Aside from AINs, the research team held in-depth semi-structured interviews with 16 ecosystem players in nine SEA countries including Angel Investors, start-up assistance organizations (SAOs), financial advisors, and early-stage investment venture capitalists (VCs and Impact Investors)) to better understand angel investment activities in each country and to help further identify key stakeholders.

- Secondary data on AINs and Angel Investors was gathered from a literature review of academic papers, industry reports and other credible publications relating to a range of AINs, angel investment topics, and gender lens practices in SEA.

The interviewees were selected from a combination of ANGIN's existing database, intensive desk research, and snowball sampling (referrals recommended by previous interviewees).

Research Limitations

Below is a brief explanation of the main limitations of the research process.

Absence of documentation and previous research

There is currently limited public data and literature about AIN structures in Southeast Asia, especially those that put special attention on Gender Lens Investing.

Data accessibility and availability

Private investment and impact investment benchmarking can be a difficult exercise especially in less established private market segments and when Angel Investors are operating outside of formal networks, combined with the restrictive nature of information flows within the industry.

Informality of angel investing

The identified AINs may not be representative of the whole angel investment population in the region, due to the suspected large numbers of unknown microstructures or solo Angel Investors operating in an informal manner. The larger, constituent funds have a disproportionate influence on pooled performance calculations.

Information disclosure

The most reliable source of information on AIN investment performance since inception would likely be generated via unaudited quarterly and audited annual financial statements. This information is typically readily available for limited partners (LPs). However:

- Smaller AINs are not producing such reports.
- Most AIN managers are unable to share data with any third-party aggregator, given data restrictions.

We will mostly assess the performance of the AIN through the known performance of their portfolios.

Performance capture

Unlike public stock portfolios that often have significant overlap with both market indexes and peer strategies, private investments conducted by Angel Investors often have unique performance drivers that can differ to their peers. The performance cycles for private Angel Investors are dynamic, long and constrained by a defined period. For instance, research shows that private equity and Venture Capital funds do not generally enjoy steady returns till 5 -6 years after.

Remote collection of primary data

Due to COVID-19 restrictions and uncertainties, first-hand field visits and in-person interviews were not possible. Interviews were mostly done over online calls.

Selection bias

A minor subset of operators managing non-active or sub-performing AINs may have unknowingly provided assumptions and selective insights to corroborate with their experiences.

Key Abbreviations

AIN Angel Investment Network

AAA ASEAN Angel Alliance

DFI Development Finance Institution

HNWI High-Net-Worth Individual

SEA Southeast Asia

SDGs Sustainable Development Goals

SME Small and Medium-Sized Enterprise

TBL Triple Bottom Line

VC Venture Capital Funds or Venture Capital Firms

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1

A FIRST LOOK AT ANGEL INVESTMENT NETWORKS IN SOUTHEAST ASIA



1.1 The development of Angel Investing in the US and Europe

Early documentation on angel investing suggests the practice began in the United States (US) and Europe in the early 1980s. Back then, it was characterized as a largely anonymous, informal practice and Angel Investors relied on finding opportunities through their social circles. Investments were made either individually or with small groups of friends and business peers. "Angel groups" were loosely organized and members gathered primarily for deals within the state or region they resided in¹.

A lack of agency and structure led to certain inefficiencies and curtailed the potential for market growth. There were high search costs associated with identifying and matching entrepreneurs to investors. In the absence of formalized angel investment organizations, there was no coordinated way to educate investors on how to assess deals or to train entrepreneurs on how to be investment worthy.

In the 1990s, the market responded with the creation of semi-formal Angel Investment Networks (AINs) in the US², including Chicago's Investors Circle in 1992 and Silicon Valley's *Band of Angels* in 1996. They were primarily a conduit between entrepreneurs and investors, to introduce investment proposals for review without infringing on privacy³. Meanwhile in Europe, this model was also gaining traction and in 1999 the European Commission endorsed the formation of the *European Business Angel Network* (EBAN). The rise of AINs and angel investing was buoyed by the growth of the tech movement which spurred many innovations and start-ups seeking growth capital and mentorship.

The influence of these networks grew exponentially in just a few short years with visible macroeconomic outcomes. In 2015 alone, Angel Investors in the US were estimated to have channeled USD 25 billion into over 71,000 enterprises nationwide, and contributed to 45 percent of all early-stage investments⁴. AINs also played a critical role in supporting the financial industry in times of economic distress. In the seven years following the 2008 global financial crisis, EBAN reported that Angel Investors were the main capital segment supplying early-stage financing. Of the EUR 7.5 billion that was invested per year in Europe, EUR 5.5 billion came from Angel Investors⁵. The influence of Angel Investors on the development of early-stage investment ecosystems invoked a need to formalize their activities to meet the demands of the growing market⁶.

1.2 The emergence of Angel Investment Networks in Southeast Asia

Though documented data on the beginnings of angel investing in SEA is sparse, anecdotal evidence suggests that the first major spike was in Singapore during the mid-1990s technological boom⁷, alongside government efforts to champion entrepreneurship and innovation as the bedrock of economic development. Recognising the citizens of Singapore to be a major resource, the city-state created a competitive system to advance its economy and human capital. The country began to invest heavily in building world-class universities and research institutes to strengthen its innovation, research and development capabilities and create a formidable, skilled talent pool⁸.

1. OECD (2011) *Financing High-Growth Firms: The Role of Angel Investors*
2. Wetzel, W. E. jr. and Freear, J., (1994) *Promoting Informal Venture Capital In The United States: Reflections On The History Of The Venture Capital Network*.
3. Mason, C. M., and R. T. Harrison. (1996) "Informal Investment Business Introduction Services: Some Operational Considerations."
4. Newsroom (2016) 'UNH Center for Venture Research: Angel Investor Market in 2015 a Buyer's Market'
5. Marks, J. (2015) "Why Angel Investors are shaking up the global start-up scene".
6. Marks, J. (2018) "Why Angel Investors are Shaking Up the Global Startup Scene"
7. Lo, J.L. (2016) *Angel Financing in Asia Pacific: A Guidebook for Investors and Entrepreneurs*
8. Team Your Story (2019) "How Singapore is driving global innovation and what it means for India's startup ecosystem"

Due to the success of these supply-side policies, Singapore witnessed the successful local initial public offerings (IPOs) of several homegrown IT and manufacturing enterprises such as *Creative Technology and JIT Electronics*⁹. The co-founders were the earliest role models in the technology sector and continued their legacy by funding tech start-ups during the global dot.com boom. Other notable Angel Investors during this period were senior executives in subsidiaries of global multinational corporations (MNC) or government-linked corporations (GLCs) in Singapore. However, the subsequent dot.com crash in the 2000s, dulled the risk-inclined vibrancy of the angel scene for some years, and the Angel Investor community has adopted a more cautious and methodical approach to investing ever since¹⁰. Tracking the rate of progress in SEA compared to global markets, particularly in the 2000s, is hindered by a lack of reliable data. However, proxy indicators from a Global Entrepreneurship Monitor (GEM) study published in 2014 ranked Singapore – the region’s first mover on angel investing – in first place for its availability of private funding from individuals and venture capitalists (VCs), ahead of 26 other economies¹¹. Furthermore, Singapore’s rate of Total Entrepreneurship Activity (TEA) – taken as a percentage of total adult population, that correlates with informal investments – was ranked 4th place, behind the US, Australia and Canada. Singapore was already well ahead of other Asian economies, cementing its position as a global player in the field¹².

The first formal AIN in SEA, Singapore’s Business Angel Network of Southeast Asia (BANSEA), was established in 2001 and has been said to be modelled on *Band of Angels* in Silicon Valley and *Tech Coast Angels* in Southern California¹³. BANSEA members also had connections to other investor groups in Thailand, Malaysia, Vietnam and Indonesia. However, it would be another 12 years until the first AIN outside of Singapore was to be formalised¹⁴. In 2013, Cambodia Investor Club was established¹⁵, followed by *Angel Investment Network Indonesia* (ANGIN) shortly after in 2014. Other AINs joined the scene in subsequent years in Malaysia, Thailand, Philippines, Myanmar and Vietnam (Figure 1). This growth coincided with the significant upsurge in the digitization of services, internet penetration, mobile phone adoption in SEA. As the region’s frontrunner in adopting socially conscious practices, gender-focused AINs in Singapore began to surface in 2016 with *Angels of Impact*.

1.3 Angel Investment Network dynamics in Southeast Asia

The research team identified 22 formal AINs actively operating in eight countries in the region: Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Singapore leads the way with seven active AINs, including the first AIN formed in the region, BANSEA. The absence of a formal AIN in Brunei and Laos excludes their listing on this map, but detailed country briefs on their respective angel investing landscape are available in this report series.

9. Lo, J.L. (2016) *The Development of Angel Investment in Singapore*.
10. Ibid
11. Olexander, S.C., et al. (2015). *Global Entrepreneurship Monitor 2014 Singapore Report*.
12. Lo, J.L. (2016) *Angel Financing in Asia Pacific: A Guidebook for Investors and Entrepreneurs*
13. Ibid
14. Singh, I. (2019) 'The Scene in Southeast Asia'
15. Black, E. (2017) 'New platform revolutionises the way Cambodian businesses borrow money'

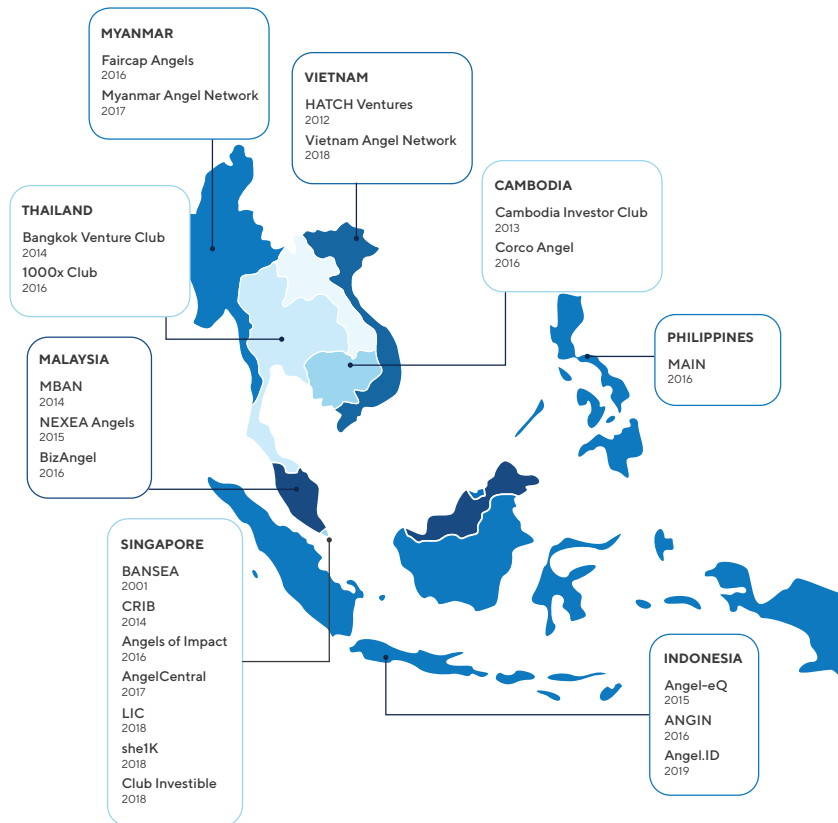


Figure 1: Regional Presence of Angel Investment Networks (AINs)

1.4 Measuring country market maturity in Southeast Asia

The angel investing movement has spread throughout the region to varying degrees. The landscape mapping undertaken by the research team finds AINs are at differing stages of growth. SEA country markets are categorised based on the indicators below (Figure 2) into four groups covering infancy, emerging, growing or mature ecosystems based on how advanced they are in establishing angel investing. Their current level of maturity indicates their potential for future growth. Contextual differences between countries have created opportunities for cross-border collaborations. For example, *Faircap Angels in Myanmar* has its special purpose vehicle (SPV) in Singapore with the registered operating company with the registered operating company in Myanmar for deal flow opportunities.

Stage of Growth	Indicators	Countries
Mature	<ul style="list-style-type: none"> # AINs: At least three active AINs # deals made by each AIN: More than five investments reported per year Government policies on AIN and angel investment: Dedicated angel-targeted policies Inclusion in the early-stage capital markets: High 	<ul style="list-style-type: none"> Singapore Malaysia
Growing	<ul style="list-style-type: none"> # AINs: At least two active AINs # deals made by each AIN: More than two investments reported per year Government policies related to AIN and angel investment: In discussion Inclusion in the early-stage capital markets: Establishing 	<ul style="list-style-type: none"> Indonesia Philippines Thailand Vietnam
Emerging	<ul style="list-style-type: none"> # AINs: At least one active AIN # deals made by each AIN: At least one investment reported per year Government policies related to AIN and angel investment: None and not on the agenda Inclusion in the early-stage capital markets: Low 	<ul style="list-style-type: none"> Philippines Myanmar
Infancy	<ul style="list-style-type: none"> # AINs: None # deals made by each AIN: None Government policies related to AIN and angel investment: None and not on the agenda Inclusion in the early-stage capital markets: Low 	<ul style="list-style-type: none"> Laos Brunei

Figure 2: Regional Angel Investment Networks classified according to degree of market maturity



2

KEY FUNCTIONS OF ANGEL INVESTMENT NETWORKS



Beyond their role as convening hubs, AINs directly facilitate early-stage deals, develop the potential of entrepreneurs and usually provide thought leadership to the entrepreneurial ecosystem. AINs also provide diverse value propositions for both the investors and the entrepreneurial ecosystem, as outlined in Figure 3.

Covenor and Hub	Transaction Support	Education & training	Advocacy and Thought Leadership
A National or Regional source for early stage funding.	Allows for remote deals sourcing and reduces search and information costs.	Raises awareness and provides know-how of early-stage angel investing.	Amplifies voices of early-stage investors and angel investors within the wider ecosystem.
A sharing platform for the Angel Investing Community.	Group investing enables larger ticket sizes and reduced risks.	Build a sustainable pool of Angel Investors and quality portfolio.	Engages high level institutions on investment trends and policy dialogue.

Figure 3: Key functions and associated value propositions of Angel Investment Networks¹⁶

2.1 Convener and Hub

AINs take on the role of a **community builder** by bringing together stakeholders supporting entrepreneurs to foster the exchange of ideas and knowledge; as well as facilitating potential collaborations and strategic tie-ups through networking events. AINs are built on the premise that entrepreneurs can be matched to committed Angel Investors that could grow with them in their ventures. Hence, much effort goes into **sustaining member engagement** with value-added activities such as pitching sessions, working groups and industry panel discussions.

2.2 Transaction Support

Arguably, one of the most important core functions of most AINs in SEA is to serve as a funding conduit between investors and entrepreneurs, particularly when access to diverse deal flow is restricted by geography. The expectation is AINs will support the upstream transaction processes by sourcing and screening promising investment opportunities, thereby reducing search and information costs across opportunities in different sectors and industries. The opportunity to analyze files with other Angel

Basic Services		Value Added Services			
Deal Sourcing	Screening	Due Dilligence	Negotiation	Deals Execution	Post Investment
Access to diverse deal flow through a regional access point that is not restricted by geography.	Reduces errors of judgement by enabling several angel investors to analyze and study files together.	Costs at this stage of the investment process are usually high and AINs can spread these amongst participating members to make the deal more feasible for review.	Reduce individual risks and participate in larger projects with more bargaining power by pooling capital with others	Provides legal and financial support to Angel Investors to process deals.	Undertakes a holistic evaluation of the performance of portfolio companies. Larger capital pool for follow-on funding.
Reduces search and information costs across opportunities in different sectors and industries					

Figure 4: Transaction support offered by Angel Investment Networks

16. This is based on ANGIN research and interviews, and correlated with data from The World Bank and Kauffman Foundation (2014).

Investors, can also reduce the risk of error in judgement. Currently, the most established AINs such as *Angel Central*, *ANGIN*, *BANSEA* and *MBAN* tend to be the only ones to offer downstream processes such as due diligence and deal closing. In doing so, they support Angel Investors with legal and financial complexity of deals that would otherwise be too time consuming for them to manage.

2.2.1 Basic Services

Deal sourcing and screening are the staple transaction support services provided by all AINs we interviewed in SEA. The expectation is that AIN reduces search and information costs across opportunities in different sectors, industries and geographies.

AINs have a variety of approaches to source investment opportunities including: opportunities derived from local incubators and accelerators, their own enterprises, and word-of-mouth referrals from funded entrepreneurs. Applications are benchmarked against a set of standard qualifying criteria, in order to select a pool of high-potential candidates to present to the angel investors. AINs could have a screening committee of experienced managers and/or members to conduct this process on behalf of the wider network and make informed decisions. Companies that qualify are then invited to a pitching session arranged by the AIN. These pitching sessions are usually organized quarterly (*CRIB*, *MBAN Singapore*) or monthly (*ANGIN, Indonesia*).

2.2.2 Value added services

Depending on the management structure of the AIN (see Section 3.2), members and/or managers with expertise in critical analysis and early-stage investing play a key role in due diligence, negotiation, deal execution and follow-up funding rounds.

Due diligence, negotiation and execution are considered to be the more resource-consuming phases of the investment process as it requires meticulous analysis and evaluation by experienced teams, sometimes aided by experts in relevant fields. AIN Managers or the lead angel investor will steward the investment process and share the findings with all interested angel investors before making an offer to the investee enterprise.

Follow-up funding and exits: If the enterprises manage to scale after the first round of investing or upon the completion of proposed milestones, they may seek a follow-on capital injection from the same Angel Investors. The sum requested tends to be larger than in the previous round. Angel Investors may either tap into their own reserves or the syndicate's capital pool, and may even partner with VCs for more leverage and to achieve better terms. AINs help facilitate this process all the way to exits.

Beyond investment related expertise, the angel investment community is at the intersection of many emerging disciplines such as impact investing and gender-lens investing (GLI). Given the relative lack of publicly accessible information on angel activities and deal outcomes, a network where **the community can gather to share best practices and nurture novice Angel Investors is crucial**. It can also function as an advocacy, information and education platform to conduct knowledge-driven events and

17. ANGIN (2018) '[RECAP] GIST x ANGIN Angel Investor Training'

2.3 Education & Training

convene working groups that interface with the entrepreneurial community at large. Some of the training efforts are supported by public stakeholders. AINs are ideal knowledge partners for DFIs to train and impart relevant best practices. For instance, *HATCH in Vietnam*, *ANGIN in Indonesia*, *GIST*, the *US State Department* and *VentureWell* collaborated to conduct the first *GIST Investors* session in 2018 to instruct Angel Investors on key topics in the investment curriculum to ensure investors understand the discipline and have the skills to apply themselves in the marketplace¹⁷.

2.4 Advocacy and Thought Leadership

Governments, advocates and donors in the region are increasingly seeking ways to create an enabling environment for entrepreneurship and early-stage investing in SEA. Active and established AINs are sometimes engaged in strengthening advocacy capacity, alignment, and impact by sharing evidence, approaches, and expertise. They undertake research projects, take part in focus group discussions and are ad hoc advisors to governments.



3

THE TAXONOMY OF ANGEL INVESTMENT NETWORKS IN SOUTHEAST ASIA



As angel investments are yet to be formally recognized as an asset class, **AIN structures tend to be responsive to the evolving ecosystem and therefore vary across countries and regions, yielding different outcomes depending on the local environment.**

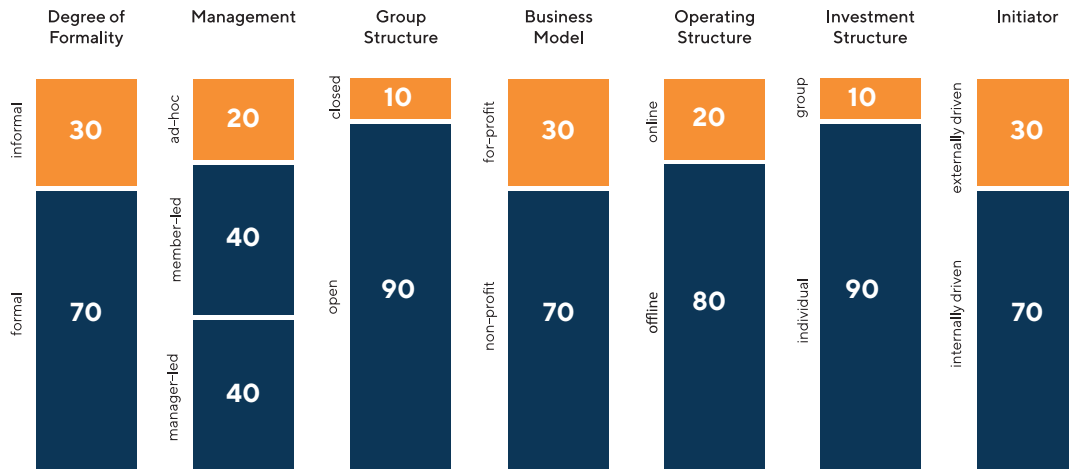


Figure 5: Classification of key attributes of Angel Investment Networks¹⁸

The need for AINs to evolve and maintain their relevance in the capital market may lead to gradual changes in these associated attributes over time. To aid with classification, the research team has designed an attribute framework (Figure 5) based on the 22 active AINs mapped in SEA.

3.1 Degree of Formality

Although this report predominantly focuses on AINs with formal structures, it is important to recognise this is not the only mode of operating.

- **Informal:** This is usually the option chosen in the first two years of AINs in the region. Informal AINs have no registered legal entity and operate with platforms such as WhatsApp or simple email chains. This way of working is particularly common amongst investors investing with their close peers. Its objectives and investment practices are likely to be closest to that of the founding angel.
- **Formal:** AINs in this category are **legally registered under a for-profit or non-profit entity and usually have a higher level of functions** (see Section 2). They may have previously operated informally, but taken steps to formalise in order to receive external financial support (grants) or monetize (invoicing), which tend to require a legal entity.

3.2 Management

Leadership is critical to an AIN's performance and sustainability, particularly when setting its investment thesis, monetization streams and growth strategies. Successful design, validation and execution of development plans are largely contingent on the commitment and efficacy of the management team. The mapping identifies three management arrangements common to AINs in SEA.

18. Percentages based on primary and secondary data gathered by the ANGIN research team in January and February 2020.

- **Member-led:** This arrangement entails the active and direct involvement of member investors in running the AIN across almost all functions. Occasionally, member-led AINs hire administrative support to handle peripheral matters such as member communications, event coordination and database maintenance. **There are eight AINs with member-led structures established in SEA, with four of them still actively operating.** They usually appoint their own screening committee from their pool of members to evaluate potential deals, recruit new members and conduct networking events, which can also lower network management costs. In member-led groups, due diligence and evaluation processes are recommended to be conducted by those with relevant knowledge and experience. Drawbacks of this structure include the significant time commitment required of members, and potentially slower progress and inconsistent execution if members are unable to deliver on assigned duties. Some member-led AINs in the region include *Angel Central (Singapore)*, *Angel-eQ (Indonesia)*, *Corco Angels (Cambodia)* and *Ladies Investment Club (Singapore)*¹⁹.
- **Manager-led:** This management model usually entails a full-time manager and a team of support staff to lead the key functions of the AIN. The manager, if qualified, is also responsible for structuring the terms of deals and leads negotiations on behalf of the investors. *ANGIN (Indonesia)*, *BANSEA (Singapore)* and *Malaysian Business Angels Network (MBAN)* are some of the manager-led AINs in the region that have professional staff with commensurate experience in deal making and in the sectors which investors are focusing their funding in. Operating costs incurred are often higher than in member-led arrangements to afford office space, staff salaries and administrative support. Dedicated management enables Angel Investors to spend more time cultivating their relationships with the entrepreneurs and ensuring they are well-supported. A study by the Organization for Economic Co-operation and Development (OECD) highlighted that more than half of angel organizations in 2011 were manager-led, though historically the member-led model had been more commonplace²⁰.
- **Ad hoc management:** Some AINs employ ad-hoc or part-time managers as practiced by *MAIN (Philippines)* and *Bangkok Venture Club* to fulfill certain tasks, including providing representation at public events and support on investment execution. Depending on the size of the AIN and its scope of work, this can free up time for members to concentrate on key investment and mentoring responsibilities. However, there can be drawbacks for effective management of AIN operations without an appointed leader overseeing key organisational functions and maintaining proper stakeholder management.

In summary, decision-making authority over investment decisions is held by the investors, regardless of the AIN management structure. The role of a management team is generally operational, and on occasions strategic with regard to business development responsibilities. AINs that can afford a dedicated manager often prefer full-time staff to maintain consistent interaction with primary stakeholders and efficient operational management.

The type of entrepreneur (see Section 6.1) that AINs attract is influenced by the leadership team driving the network and its positioning in the industry. Across all structures, we see a strong correlation between the strength of its management and the type of entrepreneurs that the networks attract and fund. In other words, the expertise and business background of an AIN's leadership team usually determines its target market. AINs with veteran tech entrepreneurs will attract tech enterprises, whilst leadership coming from the impact space will tend to attract more impact driven entrepreneurs. There is a general trend in matching investors and start-ups based on the credentials, contacts and knowledge of the former, which many entrepreneurs deem to be valuable in the further growth of their enterprises.

19. Refer to Appendix A for a detailed list of active Angel Investment Networks in SEA.

20. The World Bank and Kauffman Foundation (2014) *Creating Your Own Angel Investor Group: A Guide for Emerging and Frontier Markets*

3.3 Group Structure

Along with the AIN management, the Angel Investors are fundamental in shaping the culture, direction and vision of the organization. AINs commonly operate as either an open or closed group structure. Nearly all have membership criteria decided by founders or management, such as monetary pledges, qualifications or social referrals. Some AINs such as *MBAN* offer formal accreditation to investors for eligibility in tax schemes.

- **Open:** Public or open networks usually impose few barriers (fees or otherwise) for enrollment. This configuration usually requires the lowest degree of commitment and has few expectations from the Angel Investors. Open groups tend to start informally and grow organically, with new members joining through social connections and the pull of common values. Over time, the membership may make changes to the AIN's enrollment criteria. From our findings, larger networks usually cease their open membership stance once they have expanded and adopt a more selective approach.
- **Closed:** Out of the 22 active AINs mapped in Figure 1 (Section 1.3), most adopt a closed membership model. Closed-door, invitation-only networks have strict membership criteria. They are typically perceived to recruit and retain more passionate, committed and members of higher-net-worth; and, in turn, curate higher quality start-ups. The marketing perception of exclusivity may entice potential Angel Investors to sign up. Members are often required to pay subscription fees, commit to a minimum investment amount per annum or refer new members to retain their enrollment. In some groups, potential new members must complete application forms and be recommended or sponsored by existing members in order to be considered. Other main conditions may include compulsory annual pledges by all members.

Some AINs segment their members by tiers, with different fees corresponding to the types of services rendered. For instance, *BANSEA* has a two-tier model: ordinary (individual) membership and corporate membership²¹. The latter allows a set number of staff to participate in events and programs, but comes with more stringent criteria and higher fees. Charges for annual membership renewal can also be levied to ensure a committed angel pool. Most fees are used to fund daily operational costs, including full-time management.

AINs may also operate an entry pledge system. These are fees levied by the AIN in order to secure commitment and buy-in from members. For example, the *Manila Angel Investors Network* (MAIN) requires that members pledge at least USD 20,000 of investments through the network annually. This regular and reliable finance stream has allowed MAIN to remain active as a network and put them in a strong position for closing investment deals. In a span of 18 months, the network has invested more than USD 1 million into six start-ups, which demonstrates the level of performance strong buy-in can leverage.

3.4 Business Model

The longer investment horizons that characterize angel investments – typically three years and above – tend to put a strain on networks that solely depend on exit gains to fund their operational costs. To improve longevity, AINs engage in various revenue generating activities to pay for key functions like deal sourcing, due diligence, professional in-house management, deal support intermediaries and industry workshops. For example, if the AIN operates as a syndicate, it usually collects a fixed annual sum from all members that is pooled and deployed for deals selected by the network's investment committee. While AINs receiving funding from donor institutions are typically non-profits, it is important to note that, in some cases, for-profit AINs are known to engage with these channels as an additional income stream.

21. May, J. and Mannie Liu, M., (2015) *Angels Without Borders: Trends and Policies Shaping Angel Investment Worldwide*,
22. Gregoriou, G.N., Kooli, M., Kraeussl, M., (2006) *Venture Capital in Europe*

- **For-profit:** For-profit AINs have multiple revenue streams such as consultancy services, post-investment support, education and training masterclasses. They generally have more complex organisational structures but offer financial flexibility and benefits that non-profits cannot provide. For-profit structures and the laws that govern them vary from country to country, but they typically allow both individuals and entities to be members. This model will work well for AINs that require an upfront commitment of capital from members to make syndicate investments through a pooled fund. In this way, the AIN can function as a self-sustaining operational structure and investment vehicle. A corporate board of directors usually governs this type of organization, providing operational oversight, strategic direction, and approving certain organizational matters. A for-profit structure suits both manager-led and member-led organizations.
- **Non-profit:** Non-profit AINs are usually spearheaded and funded by a public sector entity such as a government agency or trade association through grants that cover short-term operational costs. In Europe, it is common to see guarantee schemes that subsidize non-profit networks and/or government co-funding for deals made through AINs²². In the long-term, these AINs must find alternative sources of funding to sustain their operations, but the start-up grants can help establish a strong foundation to attract initial members. Proceeds and returns from investments are usually channeled via a special purpose vehicle (SPV). In the mapping for this report, most non-profit networks - such as the *ASEAN Angel Alliance (AAA)* or *European Business Angels Network (EBAN)* - receive government funding and act as regional umbrellas for AINs. While they are AINs in name, their main purpose is to foster cooperation and solidarity amongst networks rather than directly pursuing commercial endeavours. .

3.5 Operating mediums

AINs use a range of mediums for promoting awareness, recruiting members, pitching and stakeholder management. Whilst digital technologies are instrumental to the execution of key functions in any organisation, a deeper understanding of how to leverage both online and offline mediums is key to maximizing a network's influence and reach, whilst fulfilling its objectives. With the emergence of purely online angel portals, it is useful to highlight how an online network is built and relationships are maintained.

- **Offline:** Before the advent of technology, AINs were characterized by the intimate and personal approach that they took to investing and mentoring start-ups. From deal matching to knowledge sharing, key functions were always carried out with an intention to build strong foundational relationships between primary stakeholders within the AIN. Geographical proximity to the local business community has enabled angels to open more doors for investees.
- **Online:** A growing number of AINs such as US-based *AngelList* and *Gust* conduct all their main operations online. This approach can allow exponential scalability. For example, *Gust's* platform has over 800,000 entrepreneur founders and 85,000 investors, a scale that a purely offline model would find challenging to achieve. Online offerings for AIN members can include digital access to a borderless network and database of funding options; as well as deal screening, pitching sessions, and coordination of deal analysis amongst entrepreneurs and Angel Investors. However, a key concern is that the personal connection between investor and investee can be hard to build in the early-stages of mentorship when all interactions are conducted online.

23. Interview data gathered by ANGIN research team (2020).

24. *ibid*

Most AINs currently utilize both online and offline mediums to run key activities, maintain stakeholder relationships and expand operations beyond the countries in which they are located. For instance, 'high touch' events such as educational workshops may depend on direct and personal interaction, but through live streams they can now reach larger and remote audiences than ever before.

3.6 Investment structure

Another distinguishing characteristic of AINs is how they structure their investment processes.

- **Individual-Based:** Of the AINs surveyed for this report, 90% currently follow an individual-based structure²³, whereby all members invest directly into the enterprises without the use of an intermediary vehicle or the need for a group decision.
- **Group-Based:** Sometimes referred to as a "syndicated investment", most AINs surveyed also allow members to opt into investing as a group. ANGIN (Indonesia) previously used the syndication scheme for its Women Angel Fund. The decision to invest can also be organized as a collegial process with a voting quorum, for instance. For this purpose, a special purpose vehicle could be created. *AngelCentral* (Singapore) seems to be the most advanced network using SPVs. However, this appears to be the less popular solution²⁴ - with the notable exceptions being Singapore and Malaysia - due to the complexity of legal administration or the absence of appropriate legal options.



4

FOUNDERS OF ANGEL INVESTMENT NETWORKS **IN SOUTHEAST ASIA**



The market dynamics of the national entrepreneurial scene tend to determine the type of initiators who form AINs. In the context of SEA, we witness that AINs are either initiated by Angel Investors or entrepreneurs who have independently identified a need for more efficient deal sourcing, or by one or more institutions seeking to address the early-stage financing gap. While there is no concrete data available on the number of donor-driven AINs in the region, we can ascertain that **a greater proportion of currently active networks are internally-driven, given the large number of such networks in operation.**

4.1 Internal and External Drivers

Externally Driven

Given the impact that AINs have had in the early-stage investing market around the world, a growing number of private, government and global institutions have provided critical early-stage support in the establishment of new AINs, particularly in emerging markets. Government agencies often co-invest with AINs and Development Finance Institutions (DFIs) tend to engage AINs for local research projects. The long-term sustainability of externally-driven networks largely depends on whether the AIN is able to secure commitment, and therefore long-term funding, from members' after the grant ends. Without a suitable investible pipeline, it will be difficult for an AIN to effectively use the capital it has and to establish its presence in the long-run. In 2016, Australia's Department of Foreign Affairs and Trade (DFAT) and the Asian Development Bank (ADB) were collaborating to establish an AIN in the Mekong Region with the involvement of global Angel Investors. However, the project-based nature of the network did not lead to sustainability and they faced difficulties building pipelines in the region. One interviewee cited a lack of involvement of local key players as a contributing factor. In 2018, the AIN was discontinued.

Internally Driven

Bottom-up demand for AINs is fueled by the desire of individuals to pursue values-based investing methodologies, such as GLI. However, more often than not, the motivation to form an AIN is to source better deal terms and access opportunities with greater investment resources. Networks driven by individual initiators tend to have a clearer purpose and higher commitment to drive things forward, though management efficiency and alignment of investment philosophies are still important factors in achieving AINs longevity.

Comprehensive government policies have increased private sector demand for expanding the Angel Investor ecosystem. For instance, the Government of Singapore has been instrumental in creating co-investment and generous tax incentive schemes to invigorate the angel investing community²⁵. Schemes like *Spring SEEDS Capital*²⁶ and *Business Angel Fund (BAF)* were introduced to stimulate investments by pre-approved AINs. Similarly, Malaysia's flagship Angel Tax Incentive scheme has spurred HNWIs to offer seed financing²⁷. Popular co-investment schemes have helped reduce the risk borne by Angel Investors and most schemes require the investor to be accredited by a formal network to qualify for incentives.

25. OECD (2013) *Reviews of Innovation Policy Innovation in Southeast Asia*. OECD.

26. Enterprise Singapore (2020) 'SEEDS Capital - About'

27. Cradle (2020) 'A new initiative to encourage more early-stage investments'

4.2 Local and foreign founders

Most AINs in SEA were initiated by either local or foreign nationals who were themselves experienced entrepreneurs or had expertise in advising on entrepreneurship

Local entrepreneurs-turned-investors

These initiators are experienced entrepreneurs or retired corporate executives who are NWIs or HNWI. They are often motivated by a sense of altruism to help young entrepreneurs, and to give back to society. Typically, they are Angel Investors who have private wealth to invest, as well as time and experience to mentor their portfolio enterprises. A number of the AINs surveyed by the research team were initiated this way in Indonesia (*ANGIN*), Thailand (*Bangkok Venture Club*), Singapore (*BANSEA* and *Ladies Investment Club*) and the Philippines (*MAIN Angels*).

Long-term expatriate entrepreneurs and industry experts.

Foreign nationals (often from the US, Europe or Australia) who have worked in the region for more than five years are usually well networked with local HNWI, and tend to have maintained links with HNWI in their home country. Their primary motivation is often to find funding for entrepreneurs, seeing a like-minded group of angel investors as a solution to addressing difficulties accessing early-stage financing. However, the reverse may also happen: for example, 1000 Angels (Philippines) was initiated by an expatriate with connections to HNWI looking to invest but without knowing how to reach entrepreneurs²⁸.

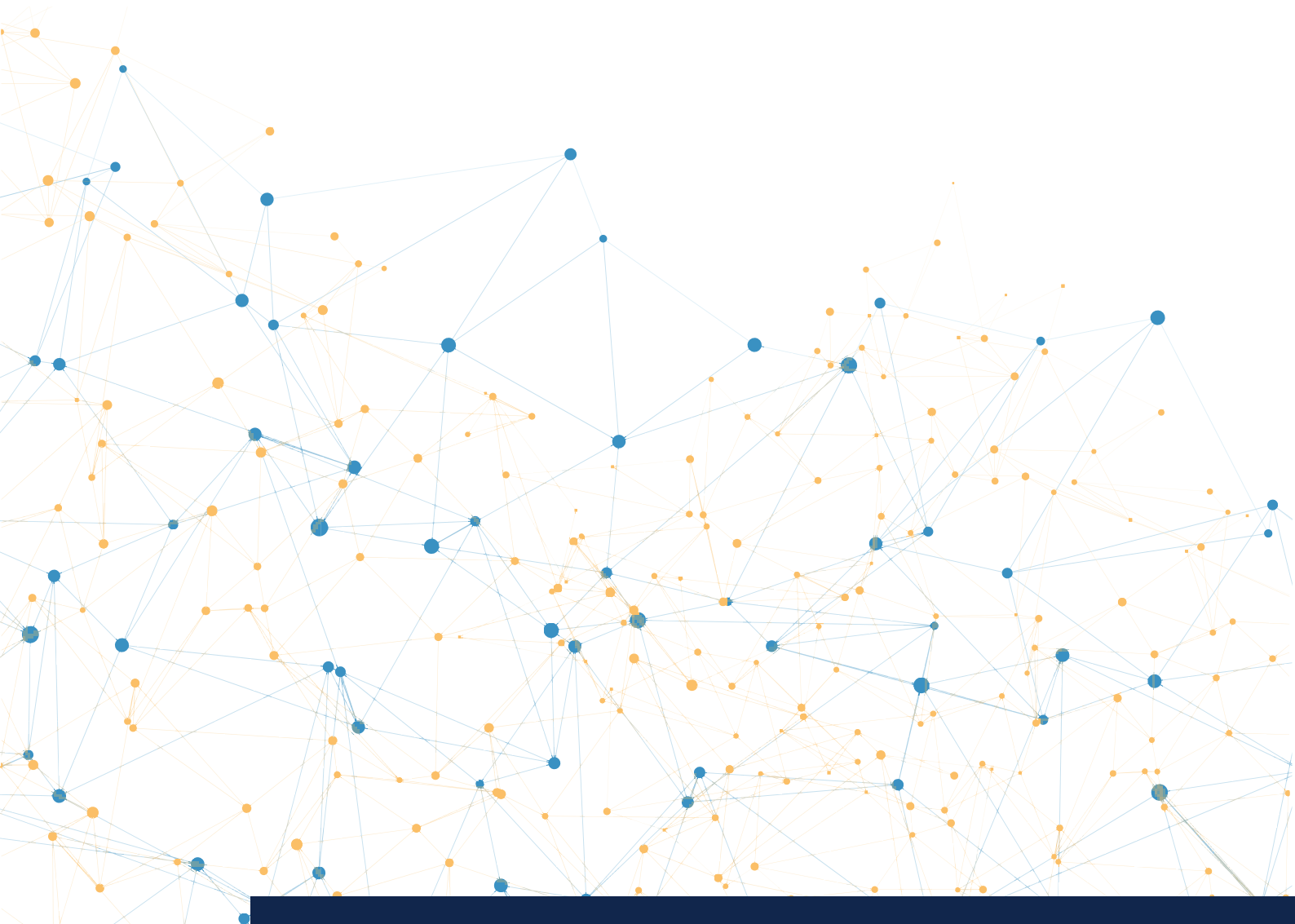
The initiator does not always remain the network leader. For instance, in Indonesia and the Philippines the largest and most active AINs were originally initiated by local entrepreneurs who later hired foreign professionals with experience in commercial and consultancy fields to lead on administration and deal sourcing functions.

28. 1000 Angels is now no longer operating.



5

INVESTORS SERVED BY ANGEL INVESTMENT NETWORKS IN SOUTHEAST ASIA



Whilst the research objectives did not directly include Angel Investors, interview data and literature reviews revealed a number of insights on this key stakeholder group. Gaining insights into the key characteristics of the Angel Investors joining AINs in SEA can enable us to better understand their role as early-stage capital catalysts.

5.1 Features of Angel Investors in Southeast Asia

5.1.1 Investment Stage

AIN managers in Southeast Asia indicate that Angel Investors in the region are following the same investment patterns as in the more developed markets. Angel Investors intervene at the very early-stages, or at the start of activity where the entrepreneurs have only a minimum viable product (MVP). This is the highest risk stage for most enterprises and during that time, the investors are very few. For entrepreneurs, this period comes after an entrepreneur has raised funding from family, friends and fools (so-called the Three Fs, or Love Money) and has potentially received entrepreneurship grants, but has not yet reached the seed phase when VCs are known to invest.



Figure 6: Overview of investing landscape and investor segmentation in Southeast Asia ²⁹

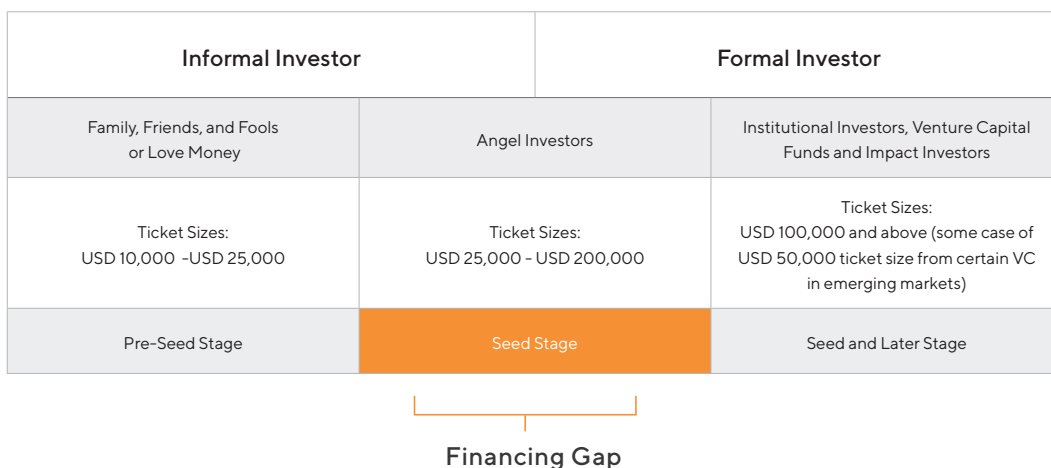


Figure 7: Classification of key attributes of Angel Investment Networks

29. Mohr, T. (2018) 'Funding & Exits - Chapter 3: The Investor Continuum'

5.1.2 Investment Capacity

Angel Investors mobilize their personal wealth, in contrast to more institutional investors like VCs who raise and deploy funds from limited partners (LPs). Due to the significant risks associated with pre-seed and seed stages, Angel Investors in SEA rarely invest sums larger than USD 500,000, which are more akin to VCs who enter the market in subsequent rounds (Figure 7). The average ticket size seems to be around USD 100,000 for the growing and mature markets, and USD 25,000 for emerging ones.

5.1.3 Portfolio Profile

Typically labelled as “patient capital”, Angel Investors tend to have long investment horizons (5-7 years at minimum) and flexible terms or deal structures tailored to each investee. As they invest personal funds, Angel Investors enjoy a higher level of autonomy and operational flexibility and generally have more diverse portfolios than other players. For example, they are not confined to institutional funding mandates that may narrow the investable sectors and limit investment outside of the technological space.

5.1.4 Super Angels

The region is yet to see a sizable segment of Super Angel Investors - serial investors who have typically invested more than a million dollar in angel investing or in more than thirty enterprises. The majority of professional Angel Investors (also known as full-time investors) still largely operate in more developed markets such as the US, Europe and India. A greater presence of Super Angels and Professional Angels in the region could arguably influence more potential Angel Investors to join the community.

5.2 Personas of Angel Investors

Depending on the composition of the network, the approach of how angel networks recruit members will differ. Conventionally, new angels are discovered through referrals by existing members or via organic applications if the AIN is known in industry circles. Occasionally, Angel Investors are sourced through business pitching events, investment forums, and member associations. Figure 8 summarises the typical personas of Angel Investors in the region.



**Figure 8: Personas of Angel Investors in Southeast Asia
(Part I)**

DIASPORA

Characteristics:

Profile

- Persons from SEA who have been highly exposed to foreign cultures and opportunities through overseas education and/or upbringing.
- Usually hold a high socio-economic status in their home country.

Insights

- Extensive and meticulous due diligence by dedicated teams to assess and review candidates.
- If proven viable, ticket sizes may be large enough to hold board positions or leadership roles within the start-up to guide the entrepreneur.
- If the corporation has a venture arm, substantial deals may be made each year.

FOREIGN NATIONALS IN SEA

Characteristics:

Profile

- Foreign nationals who currently work (or previously worked) in SEA, or that have had exposure to the region through personal or professional ties.
- Usually have local stakeholders administer and execute their investments.

Insights

- Their risk elasticity and the investment ticket sizes may vary over a wide range depending on familiarity with culture and sector, as well as connections to the local market.

ENTREPRENEURS OR FORMER ENTREPRENEURS

Characteristics:

Profile

- Track record of failures and successes with entrepreneurial ventures.
- Have valuable industry contacts, insights and knowledge to help new start-ups navigate around potential pitfalls.

Insights

- Higher risk tolerance due to their familiarity with the industry.
- Commitment and involvement are likely to be high, with the ability and experience to juggle multiple deals and mentorship duties.

NEW GEN AND MILLENNIALS

Characteristics:

Profile

- Highly motivated digital nomads born in the technology age.
- Notably high-flying young executives or generational heirs to family companies

Insights

- Novice investors may prefer to adopt an "on-ramp" approach and participate through informal networks or join an AIN for structured guidance and support.

**Figure 8: Personas of Angel Investors in Southeast Asia
(Part II)**

5.3 Motivations of Angel Investors in Southeast Asia

The interviews conducted for this report highlighted several motivations for Angel Investors to participate in early-stage investing. As institutional investors such as VCs tend to stick to financial investment profiles with a set criteria for assessment, Angel Investors are known to be more flexible in their decision-making, and tend to have non-financial drivers. Interview data revealed that personal motivations such as achieving self-directed goals or contributing to social or environmental change seemed to be more dominant in nascent and emerging markets, whilst financial motivations prevail in mature and growing markets. Tracking these investor motivations, objectives and values and how they shift over time could further develop our understanding of the drivers that influence their continued participation in the angel investing scene.

Drivers	Consideration	Objectives
Financial	Return of Investment (ROI)	<ul style="list-style-type: none"> • Generate financial gains and increase net-worth through portfolio exist and/or paid dividend • Benefit from attractive tax incentives and capital gains schemes
	Strategic Considerations	<ul style="list-style-type: none"> • Access to data and market intelligence • Diversify and expand market capabilities and services • Elevate public profile in the investment community • Potential future acquisition and integration into existing enterprise's portfolio • Vertical synergies with existing core business
Personal	Self-Directed Goals	<ul style="list-style-type: none"> • Apply their knowledge and experiences in a local context • Create their own legacies • Experience and learn about technological applications at the frontlines of innovation • Impart knowledge to future cohorts of changemakers entrepreneurs in angel's field of expertise or industry • A desire to arbitrage on local opportunities based on what they have experienced or seen abroad
	Outward Giving	<ul style="list-style-type: none"> • Contribute to their country's social or economic development, including the achievement of the SDGs (macro-level impact) • Directly contribute to local social or environmental impact in local communities or on specific issues (micro-level impact) • "Pay it forward" by supporting the next generation of like-minded individuals • Support relatives, alumni, or corporate/social peers in associated circles

Figure 9: Financial and personal drivers of Angel Investors in Southeast Asia



6

WHO ANGEL INVESTORS INVEST IN: **ENTREPRENEURS** **AND START-UPS**



6.1 Entrepreneurs engaging with Angel Investment Networks

We have identified a set of value propositions that underpin why entrepreneurs³⁰ turn to AINs for investment and these incentives are represented as six categories in Figure 10.

These top 6 reasons can serve as a set of benchmarks to monitor and evaluate the changes in the needs of entrepreneurs as well as help AINs cater to their needs more effectively.

Reasons most frequently given for why entrepreneurs turn to Angel Investment Networks



Figure 10: Reasons entrepreneurs seek investment from Angel Investment Networks

30. This information is based on data from interviews with AINs by the ANGIN research team (2020). Individual entrepreneurs were not interviewed in this process.
31. Source: interview data gathered by ANGIN research team (2020).

6.2 Entrepreneurs seeking angel investment

Based on interviews with AINs, we identified four categories of enterprises that generally seek out angel funding: commercial-oriented, impact-oriented, Start-ups and SMEs (Figure 11). It is important to state that the enterprises are not stagnant in their initial classification and could embody traits from multiple categories as they grow and evolve.



Figure 11: Classification of enterprises seeking angel investment

6.3 Market positioning of Angel Investment Networks in Southeast Asia

Based on the categories above, we have mapped the general orientation and classification of AINs in the region (Figure 12, below), in order to identify underserved pockets in the ecosystem, which new AINs may consider moving into.

The mapping highlights that a large majority of AINs in SEA are not explicitly seeking to be impact-conscious in their investment approach. None of the AINs reviewed demonstrated a specific preference on the maturity or size of the investee, as long as they meet basic requirements such as a minimum viable product (MVP), strong founding team and an articulated business plan. Naturally, the chances of being funded tend to be higher if the entrepreneur has a demonstrable level of business traction, such as volume of sales or users.

Interview findings suggest that countries like Cambodia and Myanmar are still predominantly focused on priming the ecosystem for investments and making concerted efforts on pipeline and talent development through accelerators & incubators. As an emerging market, they are spreading awareness amongst potential investors and start-ups via educational and business management workshops, and have far fewer active AINs than their regional neighbours.

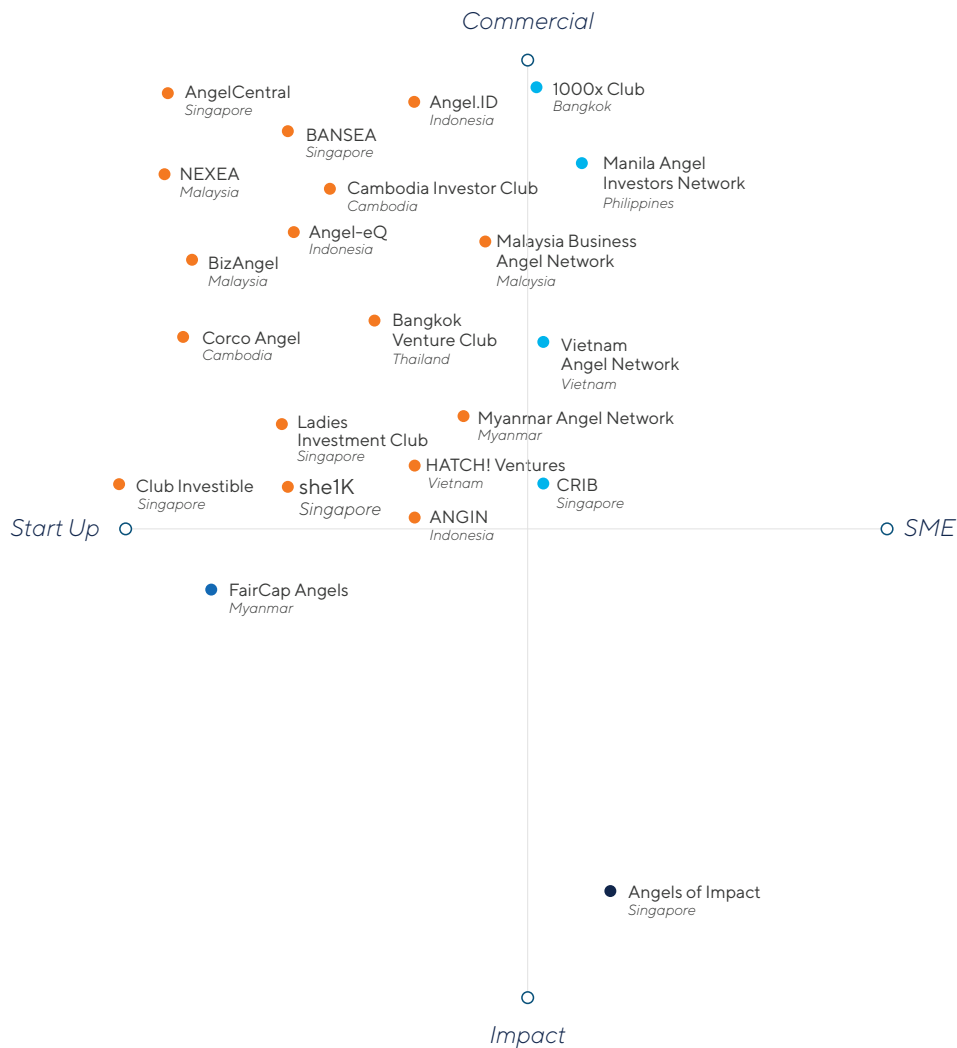
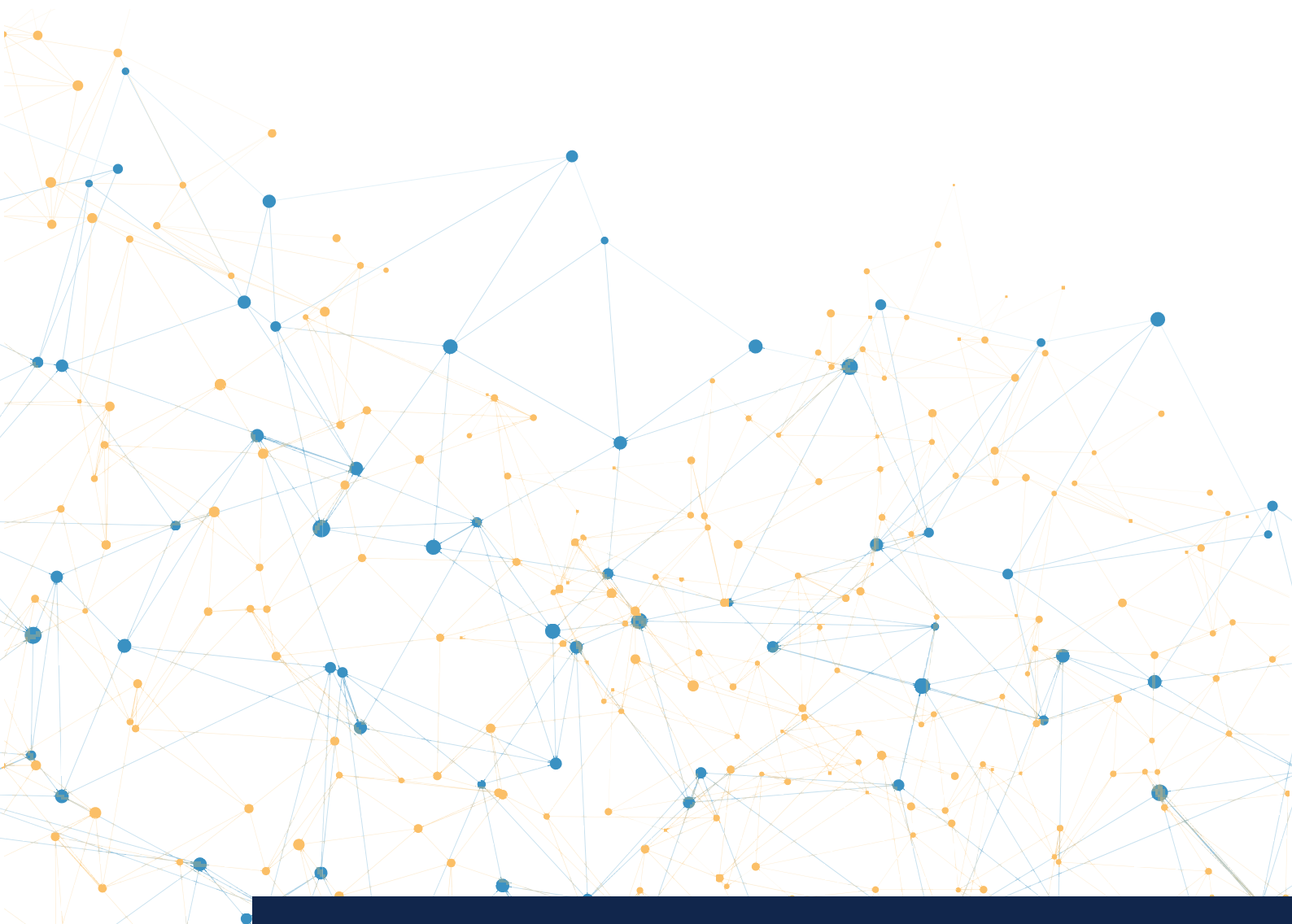


Figure 12: Market positioning of active Angel Investment Networks in Southeast Asia



7

ZOOMING OUT: THE ECOSYSTEM SURROUNDING ANGEL INVESTMENT NETWORKS



AINs are a central part of a broad and dynamic ecosystem of stakeholders in SEA. To effectively navigate the market and forge value-added partnerships, it is important to understand the function of each player in the ecosystem and their relationship to AINs.

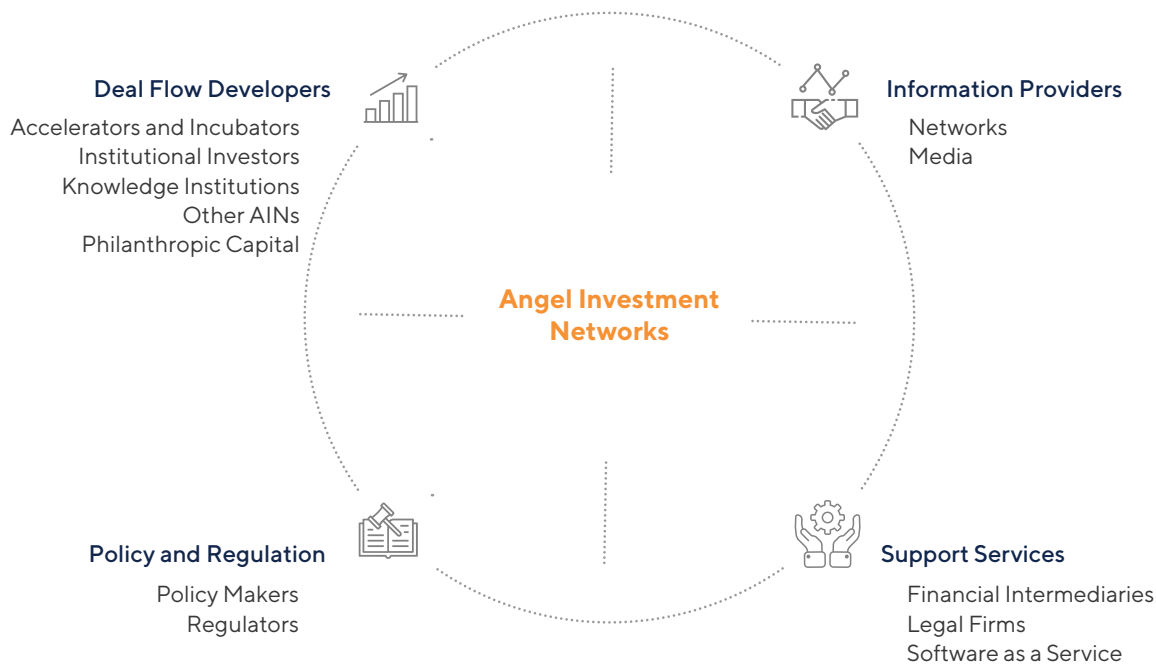


Figure 13: The ecosystem surrounding Angel Investment Networks

7.1 Deal Flow Developers

Deal flow developers create conditions, products and services to build a high calibre talent pool, disruptive innovations and, ultimately, shape better enterprises. In doing so, they help to sustain the quality and volume of quality investment opportunities received by AINs.

7.1.1 Accelerator and Incubators

Though often grouped together, they differ in their mode of execution. Accelerators primarily speed up the growth and progress of early-stage start-ups, while incubators focus on nurturing ideas into a functioning business model and enterprise. In short, accelerators focus on growing an operational enterprise while incubators focus more on innovation. They have been partnering with AINs on various occasions (e.g. *ANGIN partnering with Food Startup Indonesia and BANSEA with MAGIC in Malaysia*).

7.1.2 Institutional Investors

In addition to AINs, a multitude of funding vehicles have critical roles to play in ensuring more early-stage enterprises can grow and sustain their endeavors. They include, but are not limited to: crowdfunding websites, private equity and VCs, business loans and grants (private and government) and microfinancing outfits. For start-ups who have received early-stage funding from angel investments, VCs are an integral part of the growth stage in the capital continuum.

7.1.3 Knowledge Institutions

From universities to research centres, knowledge hubs are building an educated and driven talent pool with innovative ideas that can offer quality business models to investors. This is essential for building an effective pipeline. Entrepreneurship has assimilated into the main curriculum of many tertiary institutions and start-up competitions are becoming a staple for business schools. They may sometimes collaborate with AINs and VCs to co-invest in their own graduate enterprises.

7.1.4 Other AINs

While collaboration between AINs in SEA often happens informally, the region is seeing more and more consolidation efforts to provide platforms for AINs to find synergy and cooperate with other ecosystem stakeholders. For example, the *ASEAN Angel Alliance* (AAA) provides a regional stage for the angel investment community and entrepreneurs to connect and engage, whilst raising the profile of the angel investment movement across the region.

7.1.5 Philanthropic Capital

A fair segment of HNWIs have family foundations that offer grants to impact-focused initiatives, particularly non-profits. The scale of philanthropic foundation operations varies greatly, with small outfits run by key family members to large-scale global institutions like the *Bill and Melinda Gates Foundation* and *The Rockefeller Foundation*. Given their environmental, social and governance (ESG) leanings, they are an ideal co-investment partner for deals that impact-based AINs bring into the pipeline.

7.2 Policy and Regulation

National policies and regulations assert significant influence over the proliferation of AINs, particularly in terms of incentives and policy alignment to early-stage investing.

7.2.1 Policy Makers

Singapore and Malaysia are stand-out case studies in fostering a national entrepreneurial culture and a dynamic investment community. Angel tax incentives and tax waivers on capital gains have proven to be best practices in directly stimulating private investment activity. Policies that stimulate angel investing include tax schemes and licensing, which help to facilitate formal accreditation for Angel Investors.

7.2.2 Regulators

Regulators create the overarching framework for market operations and ecosystem development. A lack of regulations may lead to questionable business practices that go unchecked, which is a particular risk in the early-stage financing scene. Regulations can ensure that AINs are governed legally and that enterprises have received necessary approval for their product and services from the relevant authorities; for example, a digital banking license. This, in turn, will give investors greater assurance.

7.3 Information Providers

Network partners play a key role in advocating for specific market trends within the region where AINs are located. In developing markets, civil society may play a bigger role than government when it comes to creating conditions that foster innovation and entrepreneurship.

7.3.1 Networks

AINs have provided foundations with contextualized market research to validate potential impact investing projects in the region. Several AINs are also affiliated to policy and information networks that provide outreach to a larger pool of resources and stakeholders. For instance *CRIB* and *ANGIN* are members of the *Asian Venture Philanthropy Network (AVPN)*, and *MBAN* members are part of the *World Business Angel Investment Forum (WBAF)* which promotes policy dialogue on improving access to finance for businesses from start up to scale up³².

7.3.2 Media

Media channels like *Tech in Asia* or *Deal Street Asia* put a spotlight on the activities and developments of AINs in the region. They bring visibility to deal transactions, success stories and co-investment opportunities with other capital market players, which raises awareness on the roles played by AINs.

7.4 Support Services

Finance, legal and IT services support the proper execution of AIN activities, particularly for deal transactions and streamlining operations. The maturity of the investing landscape plays a part in determining which services are of greatest need.

7.4.1 Financial Intermediaries

If the network participates in multiple deals with different members, there could be complex, time-consuming arrangements in the disbursement of funds that may require professional bankers to execute. Similarly, professional accounting firms may be engaged to stagger the issuance of funds for milestone-dependent investments. Larger networks with a professional team tend to employ dedicated in-house staff to manage deals made in bigger ticket sizes and increasing frequency, or they may outsource if costs are lower and confidentiality is not a concern. Meanwhile, smaller AINs may rely on members who operate in these industries to provide advice and services in a personal capacity.

7.4.2 Legal Firms

As an accountability measure, closing an investment deal requires formalizing contractual terms made between the Angel Investor and investee. An AIN that brokers many deals will work with appointed notaries and legal teams that can manage the bulk of documentation.

7.4.3 Software as a Service (SaaS)

Software is essential for deal flow management and maintaining effective communications within the AIN and with the wider ecosystem. Video conferencing applications are increasingly used for pitching sessions in order to accommodate attendees not physically present, save time on remotely-performed tasks and share regional updates on cross-border activities. AINs also have an online web presence as an interface with potential investors, entrepreneurs and institutional partners. Additionally, administrative duties can be automated with integrated accounting and payroll software, freeing up valuable time for management and network members to focus on more value-added work.



8

CHALLENGES FACED BY **ANGEL INVESTMENT NETWORKS**



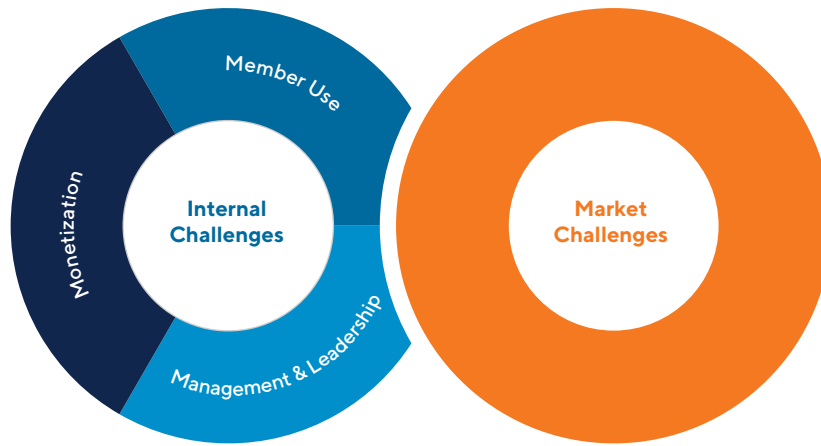


Figure 14: Pressure Points of Angel Investment Networks

8.1 Internal Challenges

The ability of an AIN to adapt and respond effectively to external challenges in the ecosystem is largely dependent on how well it operates as a unit. A successful AIN is one that can manage its leadership and members to chart its course and drive its vision, and financial sustainability is critical to its relevance in a dynamic marketplace with constant additions of new competitors and challenges.

8.1.1 Management and Leadership

Leadership: AINs are usually strongly associated with their individual founders, and many lack concrete and comprehensive succession plans. Most grew out of what were initially small gatherings with a few members. Over time, some AINs in SEA have gradually lost sight of their mission and leaders have faced difficulties managing operations, keeping members on course, and/or sourcing from a lacklustre pipeline.

Time commitment: Across all currently active AINs in the research sample, having professional management is highly correlated with the level of activity that the network is engaged in. Interviews by the research team revealed that member-led AINs initiated by individuals who do not give their full-time commitment to its development and growth, generally tend to falter and cease operations after three years. It is a significant undertaking to run an AIN and stay relevant in such a rapidly developing environment.

8.1.2 Member and User Engagement

Gathering traction: Fragmented markets like Cambodia, Laos and Myanmar require strong local influencers with a credible contact base and reputation to initiate the movement and gather like-minded Angel Investors. A chicken-and-egg conundrum may occur in which more evidence are required to validate the relevance and value of AINs but the lack of recorded successes hinders efforts.

Member retention and long-term buy-in: All AINs have raised the difficulty in finding dedicated Angel Investors and other champions who commit long-term and outlast potentially unproductive investments. HNWIs often prefer anonymity or establishing their own equity venture firms that operate with more financial predictability and rigor. This is a common stance amongst Angel Investors operating in informal settings or under their family foundations in countries like Indonesia and Thailand. AINs therefore need to elevate

the key benefits of being a member, such as the freedom to pursue agendas aligned with an investor's own values, combined with the opportunity to be highly involved in dynamic, innovative enterprises. For example, in Singapore and Malaysia, where there are a high proportion of self-made entrepreneurs and C-level executives, AINs are in demand as a conduit to pursue these individuals' investing endeavours.

Individual saturation and capacity: The angel investment market is still a niche one, particularly given the high market entry costs to becoming an Angel Investor. A sizable segment of HNWIs do not have time to take start-ups under their wing and would prefer to operate discreetly. There is also a limit to the number of mentees Angel Investors can feasibly be responsible for, to ensure the quality of the relationship is optimal for both parties. A mismatched angel-mentee relationship can lead to poor decision-making and affect business performance, and the network may take a financial and reputational hit if the relationship sours.

8.1.3 Monetization

Payback uncertainty: Angel Investors are commonly deemed "patient investors" with a relatively high risk tolerance and, although they often accept more unknowns in their investments, there is inevitably a ceiling for losses or payback periods before it becomes unsustainable for them to continue. Angel Investors are known to invest for more than financial reasons alone, but there needs to be sufficient return on investment (ROI) for members to justify staying in the AIN. AINs that have demonstrated long-term results are those that have completed the full investing cycle. An increasingly popular mitigation strategy is revenue-based financing – regular payments to Angel Investors with a fixed percentage of ongoing gross revenue until a certain multiple of the original investment has been fully repaid.

Variable funding: Out of the key revenue streams outlined, a significant portion of revenue made by AINs is made through membership/entry fees and deal success fees. Though they are viewed as regular streams, networks run the risk of a dwindling member pool and sparse deal flow that will dry up their coffers fast. Intermittent funding from DFIs and donors are heavily project-based and most of it is channeled to fulfilling program objectives, not to keep the network going for long periods. This is why most non-profit AINs do not make it past a few years and those that do are fully dependent on governmental support.

8.2 Market Competition

AINs face competition from a number of long-established capital providers (Figure 15) ranging from "lone wolf" investors to large institutions that provide grants. In addition, there are newer entities such as equity crowdfunders, online fundraising platforms and AINs based in more developed markets setting up offices in the region.

Foreign AINs entering the region: Whilst the SEA market has mainly been served by AINs based in the region, there is a growing perception that new entrants from outside of SEA are entering the market. One of the notable players is Investible – an Australian AIN which expanded into the region in 2018 and has an office in Singapore³³. It was a strategic move to diversify their global portfolio of early-stage companies.

Donor-driven competition: 50 percent of AINs questioned by the research team perceived competition from a growing number of AINs entering the market that are supported by large grants from donors, or governments. Usually tender-driven, these pools of resources are relatively unknown amongst AIN stakeholders, few of which have direct knowledge of the non-profit ecosystem.

33. Lee, T. (2018) 'In brief: Invite-only, high-net-worth investor club expands to Singapore'

	Type of Competitor	Example Entity	Competing with AINs for Investors	Competing with AINs for Entrepreneurs
Newly Entered	New AIN entrants	Investible <i>Singapore</i>		✓
	Equity Crowdfunders	Crowdo <i>Indonesia, Malaysia & Singapore</i>	✓	✓
		Likuid <i>Indonesia</i>		
	Fundraising Platforms	E27 Pro <i>Singapore</i>	✓	✓
	Initial Coin Offering (ICO)	Tokenize Xchange <i>Singapore</i>	✓	✓
Established	"Lone Wolf" Angels			✓
	Financial Advisors	Connecting Founders <i>Thailand</i>		
		Fundedhere <i>Singapore</i>	✓	✓
		Fundnel <i>Singapore</i>		
	Grant Funders			✓
Micro/Seed VCs	East Ventures <i>Indonesia</i>			
	500 Startups <i>Indonesia, Malaysia, Singapore, Vietnam</i>	✓	✓	

Figure 15: Overview of competing players in the early-stage capital market

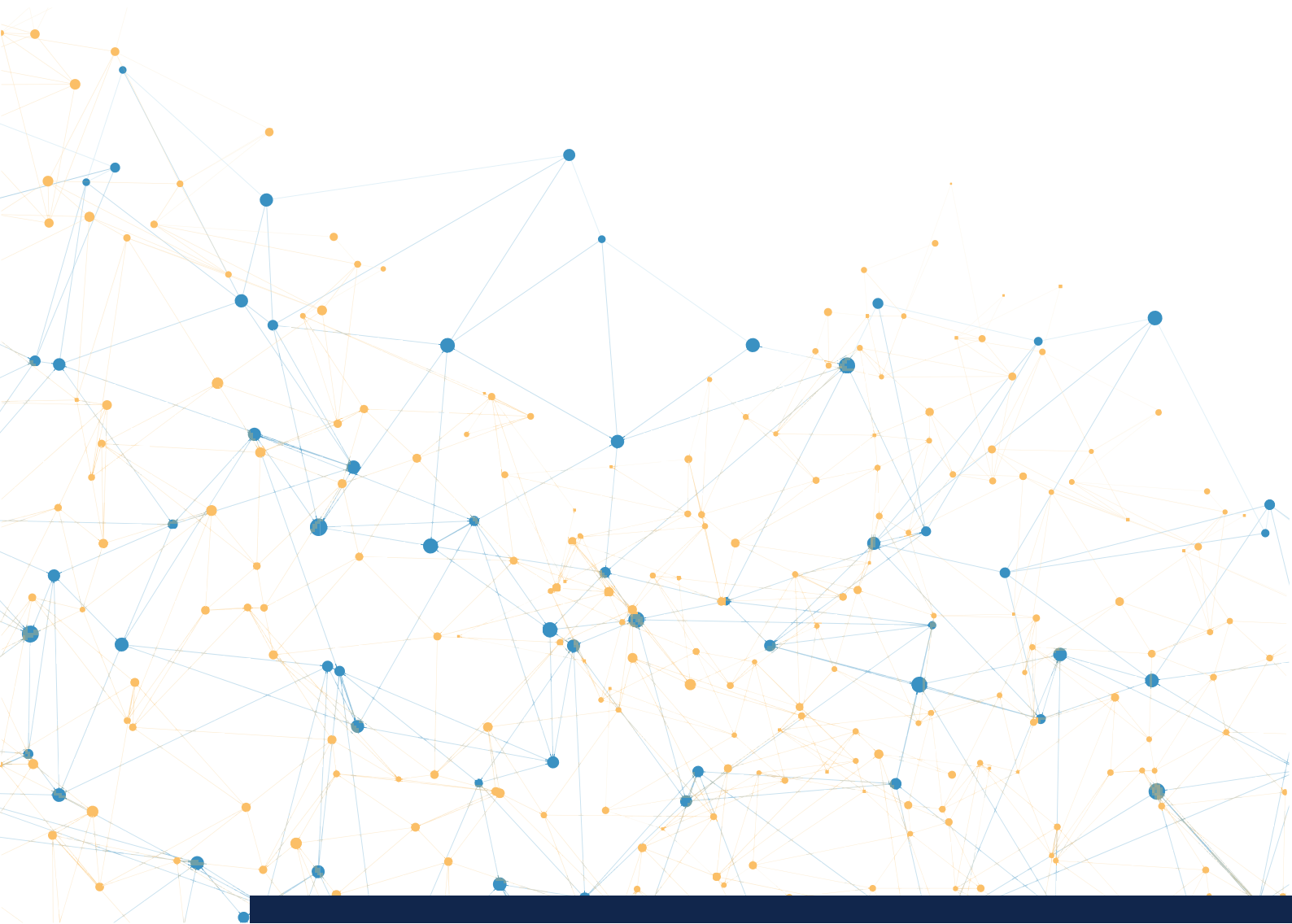
New early-stage financing alternatives for entrepreneurs: As the capital market develops, accelerators, equity crowdfunding platforms, grant funders, VCs and initial coin offerings (ICOs) are emerging as competitors to AINs for risk capital. The growing prevalence of financial instruments is slowly closing the gap in the informal equity market for entrepreneurs across the region. This trend is visible in more developed markets such as Singapore and Malaysia where there is a sophisticated financial infrastructure, matched with investor-friendly regulations, that supports innovation in the financial technology sector. As an example, in 2020 the media agency e27 launched a fundraising platform to connect SEA startups and investors³⁴.

34. Manalastas, A. (2020) 'Is your startup in need of funding? Let the e27 Pro Fundraising Highlight do the trick!'



9

CONCLUSIONS AND FURTHER RESEARCH



The capital market landscape for early-stage investments has seen exponential growth over the last decade. Capital flows have fuelled the emergence of homegrown “unicorn” enterprises, alongside a myriad of groundbreaking innovations that have fundamentally changed our way of living in Southeast Asia. Extensive analysis and reports have been published on the role and effectiveness of several players in the early-stage investment spectrum including venture capitalists (VC), impact investors, and private equity, as well as corporates, which collectively make up a significant composition of the region’s capital supply.

This report, a first of its kind, sheds light on a more discreet, less chronicled but equally important funding source: angel investors and the networks in which many conduct their investing activities. Angel investors have been a catalyst in the initial phases of many early-stage enterprises, seeing them through key early milestones in their entrepreneurial journey. As an example, the research team identified that 76% of the start-ups and social enterprises funded by VCs and impact investors in Indonesia received angel investment in their first round of funding.

Angel Investment Networks (AINs) in the region have harnessed the collective capital, experience and wisdom of angel investors to amplify the impact of their investments. AINs provide platforms and infrastructure to facilitate learning and transactions for investors, and serve as an ambassador for the angel investing community in the wider ecosystem. As external forces present new sources of competition and other market challenges, AIN managers and leaders are shifting how they operate in order to adapt.

This research finds that AINs in Southeast Asia are at a pivotal stage of their life cycle. They face a slew of opportunities to extend their market influence on the capital continuum, whilst leaning into new sources of growth offered by the variations in market maturity across the region.

Angel Investment Networks have to keep pace with the changes in this renaissance age of empowerment capital, and their longevity hinges on their ability to navigate and habituate the dynamic changes intrinsic to the entrepreneurial epoch.

<p>The scope of this report precludes certain avenues that could have provided a more holistic understanding of the angel movement across the investment value chain. More research is recommended in the following areas:</p>	<ul style="list-style-type: none"> • Entrepreneur insights on how angel investments have helped them financially and in other aspects • The impact of angel investments on subsequent growth and performance of funded entrepreneurs • Success strategies in conducting angel investments to achieve ROI and impact • The ROI of angel investments being deployed in SEA • The role of angel investors in emerging markets with the lowest capital markets
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Figure 16: Recommended further research

Appendix: Active Angel Investment Networks in Southeast Asia

CAMBODIA

Cambodia Investor Club (CiC)



Location: Phnom Penh
Established: 2013
Members: 400+ including SMEs as members
Operational Model: Manager-led
Business Model: Fund management fee
GLI: Exposed
Website: <http://cic-association.com>
Contact: Lem Chansamrach (Managing Director)
- chansamrach.lem@cic-investment.com

Corco Angel

(No logo)

Location: Phnom Penh
Established: 2017
Members: 10+ individual investors
Operational Model: Manager-led
Business Model: N/A
GLI: N/A
Website: <http://corcoangel.launchrock.com>
Contact: Rithy Thul (Founder)

INDONESIA



Angel Investment Network Indonesia (ANGIN)

Location: Jakarta
Established: 2014 (as ANGIN Women's Fund)
Members: 100+ individual & institutional investors
Operational Model: Manager-led
Business Model: Annual membership fee \$300, add-on post investment services, advisory business arm
GLI: Practitioner
Website: <https://www.angin.id>
Contact: David Soukhasing (Managing Director) - david@angin.id



Angel eQ / ALTIRA

Location: Jakarta
Established: 2015 (now in development to become an investment advisory firm ALTIRA)
Members: 15 individual investors
Operational Model: Member-led
Business Model: N/A
GLI: Exposed
Website: <https://altira.co>
Contact: Shinta Dhanuwardoyo (Co-Founder) - n/a



Angel ID

Location: Jakarta
Established: 2019
Members: 3-5 mentors
Operational Model: Member-led (Ad-hoc staff)
Business Model: N/A
GLI: N/A
Website: <http://angel.id>
Contact: Rahmadayu Febrina (Journey Manager) - rahmadayu@angel.id

MALAYSIA



Malaysia Business Angel Network (MBAN)

Location: Kuala Lumpur
Established: 2014
Members: 250+ individual investors
Operational Model: Government-led
Business Model: Angels and AINs Accreditation processing fees
GLI: Exposed
Website: <https://mban.com.my>
Contact: Tricia Francis (Executive Director) - manager@mban.com.my



Nexea Angels

Location: Selangor
Established: 2015
Members: 30+ individual investors
Operational Model: Manager-led
Business Model: For-Profit, Fees on memberships and deal exits. Accompanied by an accelerator, start-up fund and venture builder units
GLI: N/A
Website: <https://www.nexea.co>
Contact: hello@nexea.co



BizAngel

Location: Malaysia
Established: 2016
Members: N/A
Operational Model: Member-led
Business Model: N/A
GLI: Exposed
Website: <https://bizangel.co>
Contact: ramesh@bizangel.co

MYANMAR



Faircap Angels

Location: Myanmar
Established: 2016
Members: 10+ members
Operational Model: Non-profit member-led
Business Model: Funded by dues, grants and membership dues with investments conducted via sidecar fund (no syndicate)
GLI: N/A
Website: <https://faircapangels.com>
Contact: hello@faircapangels.com



Myanmar Angel Network

Location: Myanmar
Established: 2017
Members: 11 members
Operational Model: Member-led
Business Model: Invests as a syndicate
GLI: Exposed
Website: <https://gust.com/organizations/myanmar-angel-network>
Contact: Loring Harkness (Founder), loring.harkness@gmail.com

THE PHILIPPINES



Manila Angel Investment Network

Location: Manila
Established: 2016
Members: 80+ individual investors
Operational Model: Manager-led
Business Model: Non-Profit
GLI: Practitioner
Website: <https://www.main.ph>
Contact: James Lette (Executive Director) - james@main.ph



The Business Angel Network of Southeast Asia (BANSEA)

Location: Singapore
Established: 2001
Members: 150+ individual investors
Operational Model: Manager-led
Business Model: Annual membership fee (SGD 800 for individuals, SGD 2,500 for corporates), government grants, events hosting
GLI: Exposed
Website: <https://www.bansea.org>
Contact: info@bansea.org



CRIB

Location: Singapore
Established: 2014
Members: 4 Founders, 6 board advisors,
Operational Model: Manager-led
Business Model: Success finder's fee ranging from 2-5% based on invested amount
GLI: Core
Website: <http://crib.com.sg>



Angel Central

Location: Singapore
Established: 2016
Members: 300+ individual and institutional investors
Operational Model: For-Profit Member-led
Business Model: Annual membership fees (SGD 500 and SGD 1,200 for individuals in standard & premium benefit, SGD 2,000 for corporates), hosting paid workshops
GLI: Practitioner
Website: <https://www.angelcentral.co>
Contact: Shao-Ning Huang (Founder/Chief Angel)
- shaoning@angelcentral.co



Angels of Impact

Location: Singapore
Established: 2017
Members: 2 Co-Founders and 11 founding angel investors
Operational Model: Manager-led
Business Model: Annual membership fees (SGD 120 for individuals, SGD 80 for women social entrepreneurs, and SGD 800 for corporates), consultancy fees
GLI: Core
Website: <http://www.angelsofimpact.com>
Contact: Laina Greene (Co-Founder) laina@angelsofimpact.com



Ladies Investment Club (LIC)

Location: Singapore
Established: 2018
Members: 30+ members
Operational Model: For-Profit Member-led
Business Model: Members' contribution SGD 100 for meeting expenses and website maintenance
GLI: Core
Website: <http://licvc.com>
Contact: Gail Wong (Co-Founder) gailwong@livetruer.sg



She1k

Location: Singapore
Established: 2018
Members: Target to have 1'000 members worldwide
Operational Model: For-Profit Member-led
Business Model: Corporate sponsorships, tiered membership model with annual membership fees for different term lengths, investments conducted as a syndicate
GLI: Core
Website: <https://she1k.com>
Contact: vip@she1k.com



Investible

Location: Singapore
Established: 2018
Members: 2 Co-Founders, with an invite-only network of 60+ active, high-net worth investors and family offices
Operational Model: For-Profit, Member-led
Business Model: Hybrid model with early-stage VC fund (accept co-investments from Club's angel investors)
GLI: Exposed
Website: <https://investible.com>
Contact: <https://www.linkedin.com/company/investible>

THAILAND



Bangkok Venture Club (Bangkok VC)

Location: Bangkok
Established: 2014
Members: 600+ of individual and institutional investors, government agencies, SAOs, corporate executives
Operational Model: Manager-led
Business Model: Not-for-profit, meeting expenses contribution from in-attendance members
GLI: N/A
Website: <https://www.bangkokvc.com>
Contact: Surawat (Sam) Promyotin (Executive Director)
- sam@bangkokvc.com

Shift Ventures (1000x Club)



Location: Bangkok
Established: 2016
Members: 35+ individual investors
Operational Model: Manager-led
Business Model: Consultancy business arm
GLI: N/A
Website: <https://www.shiftventures.asia/>
Contact: Worawisut Pinyoyang (Managing Partner) - ir@shiftventures.asia

VIETNAM

HATCH! Ventures



Location: Ho Chi Minh City
Established: 2012
Members: N/A
Operational Model: Manager-led
Business Model: Membership and program fees
GLI: Exposed
Website: www.hatch.vn
Contact: Aaron Everheart - aaron@hatch.vn

Vietnam Angel Network



Location: Ho Chi Minh City
Established: 2018
Members: 4 Founding Members
Operational Model: government-led
Business Model:
GLI: Exposed
Website: <https://www.vietnamangelnetwork.org/>
Contact: Phi Van Nguyen (Chairwoman) - phi@nguyenphivan.com

Glossary

Accelerators: Structured programs that typically provide mentorship, connections, educational components, and (sometimes) capital in return for equity to help an entrepreneur grow their enterprise during a specific period; usually over the course of three to four months.

Angel investor: An individual (usually HNWI) who invests their own capital in an enterprise in its early-stages of operation (see definition of Early-Stage Enterprises below). Angel Investors often also provide mentorship and other support.

Angel investment network (AIN): A structure (formal or not) grouping Angel Investors together with the core objective to facilitate and organize early-stage investments. Additional value propositions could be offered along the investment activities such as networking, education. Core investing via a member-directed investment process may vary considerably between AINs. Each network member has input on decision-making, either through their individual decision to invest, or the decision to invest part of the network's fund.

Bootstrap: An enterprise started with little or no external funding especially from Angel Investors or VC. Usually the enterprise will only rely on the founder's existing personal resources or the cash generated from its activities.

Deal flow: The volume of business proposals or investment offers that investors receive.

Deal sourcing: A process to discover, evaluate and select investment opportunities.

Development Finance Institutions (DFIs): Specialized development banks or subsidiaries set up to support private sector development in developing countries. Usually majority-owned by national governments and often source their capital from national or international development funds, or benefit from government guarantees.

Early-stage enterprises: Enterprises that are defining and developing their business ideas, models and products; ranging from those at ideation stage to those who have already generated recurring or non-recurring revenue.

Early-stage investment: Capital transfer from investors to early-stage enterprises with the following characteristics during one of three rounds:

- **Pre-seed round:** Characterised by an ongoing ideation process, composing a team, and early development of the minimum viable product. In this type of investing, entrepreneurs pitch their business idea. Investors in this round are typically friends and family, as well as Angel Investors.

- **Seed round:** Business models still require testing and validation. Expectations of returns have slightly increased from the pre-seed stage, with strong indication of market fit based on testing - although the risks are still high. Seed investment signifies the first institutional money coming into the enterprise. The typical fundraising amount is around USD 250,000 to USD 2 million.

- **Series A round:** Early-stage enterprises that have demonstrated progress in their working business and shown potential to grow and generate revenue over a long-term period. The typical fundraising amount is around USD 1 million to USD 5 million.

Glossary

Ecosystem: The network of organizations (e.g. suppliers, distributors, customers, competitors, government agencies) involved in the delivery of early-stage capital through both competition and cooperation.

Equity: The ownership stake of the company, which may be owned by a number of different parties.

Equity crowdfunding (ECF): A method to facilitate investments from the public (a retail investment) in exchange for equity in early-stage enterprises. An online campaign platform is frequently utilised to reach a wider pool of potential investors.

Exit: The stage when an investor (usually a venture capitalist) sells their stake in a firm to realize their gains or losses.

Gender lens investing (GLI): The practice of integrating gender-based factors and data into financial analysis in order to validate investment decisions, with goals ranging from enhancing risk-adjusted returns to promoting gender equality.

High-net-worth individuals (HNWIs): Individuals with investable assets of USD 1 million or more, including primary residence, collectibles, consumables, and consumer durables. Ultra-high-net-worth individuals (UHNWIs) have investable assets over USD 30 million, excluding personal assets such as primary residence and collectibles.

Impact investing: Investments made to generate both financial return and positive social and/or environmental impacts (as identified in an investors' screening criteria). In this report, impact investors are identified as entities whose investment goals include both financial return and creating impact aligned to the UN Sustainable Development Goals (SDGs).

ICO: An Initial Coin Offering is an unregulated means by which funds are raised using new cryptocurrencies.

Incubators: Any entity that offers long-term assistance to start-ups in the form of training, management advice, and working space as a way to help entrepreneurs build the right foundation for their enterprises. They often provide investment in the form of grants or equity to support start-ups in the early-stages.

Institutional investor: Usually defined as an entity which pools money to provide grants, loans or other investment. Institutional investors in the entrepreneurship ecosystem include DFIs, banks, and microfinance institutions. In this report, institutional investors are more specifically defined as alternative investors to VC, private equity or impact investment which also provide funding to early-stage enterprises.

Intermediary: Any entity that acts as the middle-person between two parties in the ecosystem, mostly between the investors and the entrepreneurs.

Investable: An asset that can be used to make an investment. For example, cash.

Investible: An asset in which an investment can be made. For example, a start up.

Lone Wolf: An Angel Investor operating independently and outside any formal or informal

Glossary

Angel Investment Networks.

Manager-led AIN: A network with a dedicated individual(s) managing the operational needs, with experience and background in the investment process and/ or in the industry in which the AIN intends to focus its investments.

Member-led AIN: A network that requires active member involvement in nearly all aspects of operations. Member-led networks usually hire administrative support to handle matters such as stakeholder communications, event organization and database maintenance.

MSMEs: Micro, small, and medium-sized enterprises.

Net-worth individuals: Individuals with investable assets below USD 1 Million.

Official Development Assistance (ODA): Government aid designed to promote the economic development and welfare of developing and emerging countries.

Pipeline: The potential ventures that the AIN has started developing. For instance, the investor pipeline refers to all start-ups that the investors are interested in.

Professional Angel: An individual who has pursued angel investing as a full-time job for more than a year.

Seed financing: A relatively small amount of capital provided to an entrepreneur to prove a concept and to qualify for later stage capital. This may pay for product development and market research as well as building a management team and developing a business plan. By this definition, pre-seed financing refers to financing to help articulate the concept. Small and medium-sized enterprises (SMEs): Non-subsidary, independent enterprise whose number of employees falls below certain limits. This number varies across countries.

Special purpose vehicle (SPV): A legal subsidiary, created for a specific business acquisition or transaction, which is protected from the parent company's financial risks. It can also be used as a funding structure.

Start-up: A business venture with an innovation at its core (usually ICT related) initiated by one or more highly ambitious entrepreneurs to develop a product or service and validate a scalable business model.

Start-up assistance organizations (SAOs): Entities that enable entrepreneurs and ventures at diverse growth stages to develop successful enterprises, by providing a variety of services for assistance and support. The term is often used interchangeably with the terms intermediaries (including incubators, accelerators) and Entrepreneurial Support Organizations (ESOs).

Super Angel: The most active type of Angel Investor who typically invests larger amounts averaging from USD 200,000 to USD 500,000 per year.

Syndication: A common mechanism that allows multiple individual investors to join together and fund an investee. In doing so, investors can increase the ticket size (defined below) and negotiate for better terms, particularly when the project is regarded as too large or too risky for one Angel Investor to handle.

Glossary

Ticket size: Amount invested in an enterprise by the investor(s).

Venture builder: Organizations such as accelerators and incubators that help to build start-ups from pre-seed or seed stages.

Venture capital (VC): Capital provided by a firm to small, high-risk, startup enterprises with major growth potential. VCs can also refer to the organization disbursing the capital. Corporate venture capital is the practice of directly investing corporate funds into external startup enterprises through joint venture agreements and the acquisition of equity stakes. Micro VCs are venture firms that mainly invest in seed stage emerging growth enterprises.

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PT ANGIN UTAMA JAYA managing
ANGIN (Angel Investment Network
Indonesia)
Wework, Revenue Tower, Jalan Satrio
Jakarta Selatan, Indonesia
contact@angin.id

www.spf.org

www.angin.id