



EDITOR'S VIEWPOINT

Australia's Future Fund makes innovation an investment priority

Page 3

NEWS

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Page 4

INDUSTRY Q&A

Shoreline's Xiaolin Zhang on distressed debt opportunities in China

Page 11

Behind the blocks

GPs should look further than finance for blockchain opportunities Page 6

FUNDS



Blume goes bigger

India VC firm upsizes to \$60m for Fund II Page 10

DEAL OF THE WEEK



Internet advocates

PE buys marketing platform for lawyers Page 10

Blume gets early-stage boost

BLUME VENTURES' VISION HAD GROWN

beyond what its check sizes could deliver. The early-stage VC firm gained exposure to a wide range of Indian start-ups through its first fund and already achieved some successful exits, including the sale of Taxiforsure to Ola and the purchase of Zipdial by Twitter.

But spreading the INR1 billion (\$22 million) corpus across several dozen companies meant it often had only a very small claim on the proceeds.

"We realized that we had very little control over our positions in those companies when we were sitting in the single digit space. And even though we had good exits, they hardly moved the needle in terms of absolute dollar returns," says Karthik Reddy, managing partner at Blume.

Having recently closed its second fund, Blume Ventures Fund II, at \$60 million, the GP now plans to build on the experience gained in the first vehicle. Rather than spreading itself thin to gain exposure to a wide variety of businesses in the tech space as it has before, Blume will focus on obtaining bigger stakes in portfolio companies

and narrowing its investment preferences.

With almost three times as much capital as the previous vehicle, Fund II is expected to give Blume considerably more financial muscle. Whereas in previous investments the GP committed up to \$250,000 in pre-Series A rounds for stakes of 7-8%, now it can go as high as \$500,000. Blume is also planning more follow-ons, with over 60% of the corpus earmarked for additional contributions to investees up to Series A round. It will continue its strategy of finding co-investors to come in alongside it on deals, including in follow-on rounds.

Technology remains the key focus. The new fund has already made more than 25 investments in companies such as retail technology developer SnapBizz and health and fitness app developer HealthifyMe. Most deals will concentrate on the consumer technology space, but the firm also expects its business-to-business portfolio to deliver considerable success.

"They're not necessarily going to attack American markets, but they will at least go and build a significant presence in regional markets in and around Asia," says Reddy. "And we've seen some success already. We think some of our biggest returns are going to come from that space."

The new vehicle also gave Blume the chance to broaden its LP base. As much as \$40 million of Fund II comes from overseas investors – about half of whom are based in the US – in contrast to Fund I, which was mostly raised from Indian LPs. The GP sees this as a welcome step toward building a stronger profile among both LPs and investees.



Early stage: Broader base

"We just needed larger support, and since this is the foundation for what we hope will become a series of institutional funding-led future funds, that meant that we had to look at building a considerable international base as opposed to relying entirely on domestic capital," says Reddy. ▀

J-Star helps Asiro bring law online

JAPANESE ENTREPRENEUR HIROTO

Nakayama saw his country had a problem: too many lawyers with nothing to do. Government reforms launched in 2001 had worked well enough, raising the number of private lawyers from 17,000 to 37,000 as of April 2016. But the population had mostly failed to take advantage of the abundance of attorneys, preferring to stick to traditional informal methods of conflict resolution.

With younger lawyers bearing the brunt of the job shortage, Nakayama spied an opportunity, founding the media platform Asiro as a place where independent law firms and attorneys could advertise their services. Staff writers create articles on legal issues, written for laypeople, to attract ordinary readers who can then connect with lawyers through the site.

"Generally speaking, lawyers are not salespeople. Obtaining customers may be their biggest goal, but they don't have the capability," says Gregory Hara, CEO and managing partner of J-Star, which recently bought Asiro.

J-Star saw the company as a play on one of its

traditional focus areas: transition planning. While Nakayama was still in his 40s and not looking to retire from the company, he also believed that he would not be able to build the business to the scale he envisioned without outside capital. Selling to another company was not attractive since it would require him to give up too much control to the buyer, and an IPO would likely not attract much attention because the company, while solid, could hardly be considered trendy.

Bringing in a backer like J-Star – described by Hara as a "solution capital provider" that typically invests JPY1-10 billion (\$9.5-95 million) per transaction – seemed the best fit. Hara pitched the firm to Nakayama as a partner that wanted to enhance Asiro's ability to succeed on its own, rather than an owner that would use the company as a means to its own ends.

"We're a shareholder with a great understanding of the business, and we have

capital, but on the other hand, as a temporary shareholder, our goal is to train the company to make it strong. He liked this concept," Hara says.

J-Star's plans for Asiro include helping it to diversify its appeal. Currently the site's content is focused on traffic law, though lawyers also offer



Attorneys: Internet connection

other services, such as divorce, inheritance, bankruptcy and criminal law. The GP wants the company to raise the profile of these options.

Hara is confident in Asiro's future as a part of Japan's legal scene, citing its appeal to younger customers who are comfortable with obtaining professional services online and its ability to outmatch the competition in content. "Many newcomers need to pay Google to secure a space in the search engine," he says, noting that Asiro has never had to do so. "It becomes an entry hurdle for the other players. So once Asiro captures good content in a certain area, then its position is relatively stable." ▀