



# Fintech investors striking a match

Funds sniff for deals as startups grow to find niches even in this burgeoning space.

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The Singapore FinTech Festival 2017 is already playing to the demands of matchmaking investors and startups, as it runs a unique networking event known as Deal Day. FILE PHOTO

FINTECH investors are beginning to find pockets of opportunity in this market, as startups mature to find niches even in this burgeoning space.

Among the fresh fintech funds that have come into this space is GTR Ventures (GTRV), the venture capital arm of trade finance intelligence firm Global Trade Review. Operating in both Singapore and London, it is the world's first investment platform targeted specifically at fintechs operating in the global trade ecosystem.

Kelvin Tan, co-founder and chief investment officer, told The Business Times that the fund screens fintechs that can help to close the annual US\$1.5 trillion trade finance gap, particularly for SMEs.

GTRV is keen on trade-related fintech that looks to boost efficiencies in trade, such as digitalisation of trade, or blockchain solutions, as well as to mitigate fraud and reduce trade-based money laundering.

It plans to deploy with its partners both equity and debt capital worth at least US\$20 million by year-end, and has been in talks with about 10 trade-related fintechs. "We are in the process of closing out three deals and will have five companies in our portfolio by year end," said Mr Tan, who was previously deputy director, trade finance and capital markets development, at the Monetary Authority of Singapore. The fintechs GTRV have been in talks with come from Singapore, the UK, the UAE, and China.

## **ZIPPING AROUND THE WORLD**

Based on some of the equity discussions so far, the post-money valuation range of the firms it speaks to ranges from US\$2.5 million to US\$10 million. These companies range from startups to "revenue positive" enterprises with over 15 staff and three years of operations.

"Given the global nature of trade flows, the companies we talk to are literally global from day one. Coupled with our preference to back founders who have had solid track records and industry experience, a coffee or meal around the Singapore table with them feels like being in an aircraft or container ship zipping around the world, be it China, the US, Asean, the Middle East or Africa," said Mr Tan.

"What we can comfortably disclose is that we intervene at the seed to pre-series A stage of a fintech's fundraising cycle. This is because we like to take a very hands-on and active approach to co-building the company with the founders," said Mr Tan.

The fund, which was launched in September, is still in talks with potential shareholders, funds and investment partners to explore building up its own investment balance sheet.

Another fintech investor to watch is tryb Capital, which has streamlined its investment approach, and now looks to acquire profitable enterprise technology companies that are catering to the Asean market.

"There is a unique opportunity to provide new infrastructure technology for financial services in Asean," said Markus Gnirck, co-founder and CEO of tryb Capital. "Over 50,000 financial institutions are looking for cloud-based solutions to drive financial inclusion for millions of individuals and unbanked SMEs. tryb is looking to fill that gap to become the leading technology ecosystem."

tryb looks to bring the portfolio companies together through collaboration, and standardise processes and technology. The aim is to then connect the tryb companies to Asean financial institutions and corporates through a common platform.

It has looked into more than 1,400 companies from Asean and overseas, and has identified six acquisition targets for the next 12 months that fit into its portfolio and the future platform. It is keen on established mid-market, profitable companies that have "significant" market traction in their respective industries.

"We are interested in cloud-based solutions that support the creation of digital financial contracts in the areas of wealth management, trade finance and corporate banking, and that can hence build up unique data sets," said Mr Gnirck. "The structured data is crucial for decision-making and risk-matching - key functions for the future of digitised financial services in Asean. Within Asean, we are exploring investment and technology deployment opportunities in various countries, from Singapore to the Philippines and Thailand."

For fintechs looking at venture debt, InnoVen is also on the prowl. The joint venture between UOB and Temasek Holdings that offers venture debt financing to startups in China, India and South-east Asia, has invested in fintechs such as Mswipe, a card payments processor. Chief executive officer Chin Chao said InnoVen should soon close its first transaction with a Southeast Asian consumer-finance company. It is also in late-stage due diligence with fintech companies in South-east Asia and India. "We are quite active in evaluating fintech companies in the region. One thing to note is that 'fintech' is a broad industry vertical and means different things in different countries. For example, 'fintech' in China means P2P (peer-to-peer) lending only. But in South-east Asia, fintech

is used much more broadly as an industry vertical, from blockchain technology that focuses on remittances, to digital wallets, P2P lending and to consumer finance," said Mr Chin.

## **DEAL DAY**

"We see venture loans as a good solution for many fintech companies, especially those in the remittance and consumer finance space, where such business models require a larger cash float or balance sheet to achieve its projected growth. Similarly, venture loans are an attractive option to other business models in the fintech space, as loans are a much cheaper option of financing, relative to the cost of equity."

The Singapore FinTech Festival 2017 is already playing to the demands of matchmaking investors and startups, as it runs a unique networking event known as Deal Day. "The Deal Day is a unique matchmaking opportunity that personalises the process of fundraising for fintech startups by enabling them to be connected directly to the investors that are interested in their solutions and approach," said Liew Nam Soon, Asean financial services leader at EY, which is running the programme.

"Some of the key considerations of investors include the uniqueness of solution, market opportunities, credentials of the team, and ability to scale. Fintechs look at how investors could enhance their connectivity with stakeholders, domain expertise, and complementary capabilities in portfolio, in addition to amount of money being raised."

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