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# Hong Kong-based Beyond Ventures' maiden fund clocks 58% IRR in four years

Hong Kong-based venture capital (VC) firm Beyond Ventures's maiden fund has clocked an internal rate of return (IRR) of 58%, less than four years after it was launched at HK$1.2 billion ($154.3 million) to back early-stage technology startups in the Asian financial hub.

Beyond Ventures, a co-investment partner of Hong Kong's government-led Innovation and Technology Venture Fund (ITVF), said on Tuesday that the IRR on Beyond Ventures Fund I is for the period between September 2017 and June 2021.

The IRR of 58%, which is rare even among top-quartile VCs, was achieved thanks to strategic buybacks coupled with subsequent funding rounds of portfolio companies, as well as its cooperation with the ITVF, said Beyond Ventures.

Launched in 2017 by the Hong Kong government as a HK$2 billion ($257.1 million) fund, the ITVF has a mandate to co-invest in local startups with selected VCs at a matching investment ratio of about 1 to 2.

Collectively, ITVF and Beyond Ventures invested in 10 startups in Hong Kong, including online consumer electronics platform YOHO and family robot supplier enabot. The ITVF poured a combined $7.9 million in these companies, representing 52% of its total invested amount of nearly $15.29 million as of today on co-investment projects.

Some of the 10 co-invested ventures moved on to raise subsequent funding rounds or an initial public offering (IPO). Beyond Ventures said that its book value increased to 265% of the investment cost. The buyback from the ITVF brought in over 150% book profit for the debut fund.

The VC firm exercised the buyback option and only paid the ITVF investment cost plus the accrued interest for the 10 co-invested startups. The prescribed interest rate was 3.7% in 2020, and 2.9% in 2019.

In a statement, Lap Man, co-founder and managing partner of Beyond Ventures, said that the ITVF programme encouraged VCs like Beyond Ventures to “take additional risk in investing in Hong Kong-related startups and hence help those potential Hong Kong startups that are in the early stages, especially when they are in need of life-and-death capital.”

Beyond Ventures, which is named after Hong Kong’s Beyond rock-and-roll band, which became popular in the early 1990s, is planning to raise $100 million for Fund II within this year as the firm targets to expand the investment scope into the mainland China market, Man told local media outlets earlier this year.

As of March, the firm has built a portfolio of 28 startups in the fields of consumption, corporate service, semiconductors, and beyond, with its aggregate investment size totaling approximately $60 million. Twenty-four of the 28 investments are Hong Kong-related, including artificial intelligence (AI) major SenseTime.

Backed by real estate private equity (PE) firm Gaw Capital and China's Hony Capital, Beyond Ventures expects to generate returns through its potential exits from at least three of its portfolio companies in the coming three to 12 months.

YOHO and chip designer SmartSens are eyeing an IPO on the Hong Kong Main Board and Shanghai's Nasdaq-style STAR Market, respectively.

Prenetics, a genetic testing startup that it first backed in 2017, planned to merge with Artisan Acquisition, a special purpose acquisition company (SPAC) backed by Adrian Cheng, the CEO and Executive Vice Chairman of Hong Kong-listed conglomerate New World Development.