Fullerton Fund Management raises US$100 million for climate action fund

Temasek-owned Seviora Group and Income Insurance are anchor investors in the fund

Genevieve Cua

Published Thu, Mar 21, 2024 · 06:58 PM

Asia accounts for more than half the world's carbon emissions and represents a US$5 trillion climate investment opportunity by 2030. PHOTO: BT FILES

FULLERTON Fund management has raised US$100 million for a private equity fund investing in decarbonisation solutions, with Temasek-owned Seviora Group and Income Insurance as anchor investors.

The Fullerton Carbon Action Fund aims to invest in companies at the forefront of accelerating decarbonisation in Asia. It has a strong pipeline of proprietary deals, said Fullerton in a statement earlier this week. The fund is evaluating opportunities across Asia and expects to close at least three transactions by the first half of the year.

Fullerton itself is part of the Seviora, a holding company set up by Temasek. Income Insurance is a minority shareholder in Fullerton, which is also one of several fund managers of Income's life fund. Income manages a total of around S$40 billion in assets.

Jenny Sofian, Fullerton chief executive, said Asia is at an inflexion point where the fight against climate change coincides with the emergence of compelling growth areas in private equity. "This strategy provides an avenue to ride the decarbonisation wave and advance the net-zero agenda in the region, while capturing long term opportunities."

The fund will invest in businesses in the manufacturing, industrials, energy and electric vehicle/mobility sectors. It seeks businesses with established, profitable and robust cash flows, and will avoid early-stage venture capital investments and infrastructure-related deals.

The target companies are expected to have "lower inherent downside risks and are well-positioned to deliver attractive financial returns over the long term". The fund will provide strategic support for its portfolio companies, alongside capital in areas including new market entry, mergers and acquisitions and sustainability improvements.

The fund will be managed by Fullerton's alternatives team, members of which have an average of 16 years of industry experience. Its investment approach will be underpinned by a "proprietary sustainability management framework that seeks to drive significant decarbonisation outcomes".

Seviora Group chief executive Jimmy Phoon said the need for collective action on climate change has never been greater. "Carbon transition in Asia will require significant capital to drive the development and adoption of solutions that can make a substantial impact on the environment within a tangible timeframe.

"By leveraging Fullerton's understanding and expertise in the decarbonisation space, we aim to achieve positive environmental change alongside an attractive risk-return profile."

Income Insurance chief investment officer David Chua said: "The choices of our capital allocation in financial markets can support climate transition and contribute to positive changes. Hence, we prioritise reduction of financed emissions, allocation of capital towards sustainable investments, and transition financing to advance net-zero 2050."

Asia accounts for more than half the world's carbon emissions and represents a US$5 trillion climate investment opportunity by 2030. Singapore aims to achieve net-zero emissions by 2050.