

**Original Article:** [创投界元老的下一个宏图](#) (Lianhe Zaobao, 5 July 2020)

## **The VC veteran's next grand plan**

Once upon a time, Finian Tan was a rising star in finance, but during his career heyday, he changed track to be a senior civil servant to serve the Government.

While at it, he discovered his true calling in venture capital, and switched career track again.

Today, he is a VC veteran with investments across Europe, America, Asia Pacific and Singapore.

What is next for Finian Tan?

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Dr. Finian Tan is a well-known figure in Singapore's venture capital industry. However, some middle-aged Singaporeans might recall that he became the Deputy Secretary of the Ministry of Trade and Industry at the young age of 35 in 1997, as one of the top talents the government recruited from the private sector.

Three years later, however, he chose to leave.

At the time the world was in the midst of an internet bubble, followed by the crashing of tech companies once with sky-high valuations. The pain from the aftermath was felt by the entire tech industry.

However, Finian saw opportunities amid the crisis and joined Draper Fisher Jurvetson, a Silicon Valley venture capital firm, as its co-founding partner in Asia.

Recalling the change of career during the turbulent time, Finian Tan told Zaobao: "I believed that the Internet would bring a revolution that was going to change the world. The short-term volatilities don't faze me. I focus on the long-term outlook, as market bubbles always come and go. It's like when bubbles appear in real estate, it doesn't mean the asset is completely worthless. It's just that the value would have to drop after being hyped up. When all the dust would settle, the long-term trend of the Internet remained the same."

## **Investing in Baidu after 'searching' through the crowd**

Finian Tan's most talked about investment at DFJ is Baidu, the Chinese internet search engine. DFJ initially invested \$7.5 million (approximately S\$10.45 million) in Baidu, for 25 percent of the company, and continued to invest in the next few rounds to maintain the percentage ownership.

Baidu eventually went public on NASDAQ in 2005 as one of the best-performing IPOs in the history of the exchange.

In hindsight, Baidu's path to success was clear. Yet, at the time, it took considerable foresight to bet on a group of struggling young entrepreneurs crammed inside a small office.

Finian Tan said: "I took out a piece of paper and wrote down on the left the things I didn't understand, which there were many. On the right side of the of paper I wrote down the things I knew, which there were only two: the Internet for sure would grow, and China for sure would grow. I then asked myself, if these two things were to happen, where would I need to invest in to make money?"

"I believed that it would be the operating system of the internet in China. But what would be the operating system of the internet age? It certainly wouldn't be Microsoft of the PC age, instead, it should be a search engine."

In 2005, Finian Tan and four partners founded Vickers Venture Partners, which over the years invested in companies such as Asian Food Channel, TWG Tea, and Cambridge Industrial Trust (which later was renamed as ESR REIT).

After years of investing and learning, the company has moved away from investing in a broad range of areas to focus on deep tech.

Finian Tan himself holds a PhD. in Engineering from the University of Cambridge, and most of his partners are also PhDs or professionals with advanced training and experiences.

He classifies the risks of venture capital investments into three categories. The first risk is whether the technology developed will work, the second is whether there is IP protection, and the third is whether it can sell well in the market.

For example, if a social media company is developing a facebook-like application, because of successful precedents, the risk of their technology working is minimum. On the other hand, the company won't have much IP protection. The biggest risk lies in whether users will leave facebook for the new app.

Finian Tan admits that VCs are generally not good at guessing whether the market will buy a new product. "Even if I hire someone with Ph.D., he still can't accurately predict how the market will react to a new product. We can only decide if we are going to use it ourselves, but cant tell if the other 7.5 billion people in the world will. We have no advantage in guessing how the market will react."

"However, there are real scientists on my team, who can assess which technologies can take shape and whether they have competitive edges over their rivals. As a result, we can make

better judgment calls than our investors, and that's our value-add. This is why we focus on deep tech.”

### **No market risk in Deep technology investing**

Many start-ups have been affected by COVID-19.

By February Finian Tan had already issued an internal circular warning that the outbreak could turn into a global crisis, far more serious than SARS, and that the company must conserve capital. He also predicted that it would become much more difficult for start-ups to raise capital than before the outbreak.

Based on his observations, the impact of COVID-19 on the tech industry varies. The pure digital players such as Zoom have seen increased demand and are highly sought after. On the other hand, shared economy companies such as Grab, which require close personal contact, have been badly hit.

He is confident that Vickers’ investments in deep-tech will not be affected because the markets for these technologies are not affected by the pandemic.

A good example is the company's investment in a homegrown Singaporean company- RWDC Industries. They develop biodegradable plastic alternatives that can degrade in soil and water. This will replace single-use plastics, a great potential solution for saving the environment.

"The biodegradable plastic alternatives will degrade after getting into the ocean, fresh water and soil. But their cost, use cases and texture are similar to that of the normal plastics." Tan said. “Once such technology is ready to go to market, the demand is certain. In other words, there is no market risk.”

In response to the COVID-19 pandemic, pharmaceutical researchers across the world have been racing to develop vaccines.

Emergex, a UK vaccine research and development company funded by Vickers, is also developing a COVID-19 vaccine.

Finian Tan revealed that the company has been conducting animal trials, and is expected to apply for clinical trials in July in Switzerland and Brazil, possibly Singapore too.

### **His approach of separating the population to deal with the pandemic**

Many countries have adopted severe lockdown measures to stop the spread of the virus. It caused many businesses to close, inflicting severe economic pain.

Finian Tan shares his own take on the strategy for dealing with COVID-19.

He pointed out that the current data shows that COVID-19 is much more deadly to the elderly than to the young. Even after catching the virus many young people show little to no symptoms. The infection doesn't seem life-threatening in this group.

Based on this, countries could divide the measures to two parts: firstly, strictly isolating the over the 65s in absolutely virus-free facilities; secondly, allowing the young to continue working and keeping all economic activities open, to achieve herd immunity. Eventually, the elderly with the highest mortality will be protected as the result of the herd immunity nationwide.

He stressed that the approach is focused on protecting the elderly who are most at-risk, unlike some European countries' open-to-all strategies. And even when countries do impose strict lockdown, they still cannot prevent crowding, such as election rallies.

"Until people obtain immunity, Covid-19 won't go away, " he said. "Immunization through vaccination is of course ideal, but it's still uncertain when a vaccine will become available. Thus, the re-opening of the economy faces the risk of a new wave of outbreak and lockdown. The cycles of opening and containment could compound the losses"

However, he admits that even though the mortality risk from influenza is accepted without any lockdown needed, similar to not closing the roads because of car accidents, people are still not able to accept a similar mortality risk from COVID-19.

### **Meeting his dream career during his stint as a civil servant**

By his early 30s Tan was the Asia-Pacific head of J. Aron and Co, a commodities trading arm of investment bank Goldman Sachs.

In 1997 he became the deputy secretary of the Ministry of Trade and Industry and later served as Vice-Chairman of the National Science and Technology Bureau (now known as the Singapore Science and Technology Research Council A\*STAR), responsible for advancing the national technological development.

He said "I had made three proposals to the government which were all accepted. The first was to set up a \$1 billion venture capital fund to drive the local startup ecosystem, the second was to set up an inter-ministerial committee to change the relevant laws and guidelines to help start-ups to thrive, and the third is to set up a science and tech hub, right in the Bona Vista area."

He shared that it was during this period that he became familiar with VC and fell in love with it. VC is a combination of technology and finance, a perfect match of my professional skills and

interests. I hold a Ph.D. in Engineering, with a background in technology, and had a career in finance.

"I decided that VC is the dream career that I'd like to pursue"

When Finian Tan left the public service in 2000, the media quoted comments from Heng Swee Keat, then the deputy secretary of the Ministry of Trade and Industry, and Tharman Shanmugaratnam, deputy director of the Singapore Monetary Authority.

Tharman pointed out that the government needs bright and creative people to come up with innovative ideas and explore potential opportunities. Meanwhile, the government also needs thoughtful and disciplined people to prioritize and implement various development initiatives . "Very few people tick both boxes, and that's why it's so important to bring in people like Finian from the private sector, and to build teams with different backgrounds and skills, " he said.

Heng Swee Keat said: "Finian Tan presents unique and valuable points of views. The way he approaches a subject is different from the rest, partly because of his background and work experience."

### **Contributing towards the nation's progress as a VC**

Before the 2001 election, the media speculated that Finian Tan, who had already returned to the private sector, might join the PAP and run for office.

Asked about the past, Mr Chan said that he did not feel politics was a good fit.

"To be in politics, one not only needs to be a decision-maker, but also to build good relationships with voters to win the votes, " he said. "where I am today, I do not need to win votes, and whether everyone likes me is less important, as long as my investments can make money, it is enough. It is a lot easier for me."

Having invested more than \$200 million together with his co-investors in local start-ups and created more than \$3 billion in value, he believes that running a Singapore headquartered VC is also a form of contributing towards the nation's progress.

After 20 active years of being a venture capitalist, the 58-year-old Finian Tan is still in high spirits. He is giving himself 10 more years to devote to the industry, after which he will concentrate on running the foundation he and his wife set up, focusing on philanthropy efforts in Africa, India, and other poverty-stricken countries.