

## ShoreVest launches \$750m fund to tap NPL portfolios in China



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Private equity firm ShoreVest Capital Partners has floated a \$750 million fund focused at the bad debt industry in China as non-performing loans (NPLs) continue to rise in the country, said a report in The Financial Times.

ShoreVest, which specialises in Chinese distressed debt and structured credit, started investing in NPL deals in November, just a few months after its launch by Benjamin Fanger. It then estimated the Chinese NPLs at \$3 trillion.

With the launch of the new fund, the Guangzhou-based firm has joined other foreign investors including Lone Star and PAG who have been reportedly tapping the growing NPL portfolios in the country since past few months.

Last month, Bain Capital said that it is buying a portfolio of NPLs worth \$200 million in principal from a Chinese asset management company, marking its foray into the Chinese bad debt market. ShoreVest is acting as the master servicer for the acquisition, as per Bain.

ShoreVest's latest fund has received investments from sovereign wealth funds and pension funds, the report added.

The bad debt in China has only gone up after the country's massive credit-led stimulus during the global financial crisis in 2009. The Chinese government's non-transparent structure and lesser autonomy with the banks has further complicated the process of recovering returns from bad debt in China.

US rating agency Moody's recently downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. The downgrade reflects Moody's expectation that

China's financial strength will erode somewhat over the coming years, with economy-wide debt continuing to rise as potential growth slows.

Fanger in a separate report in November had said, "China has entered the distressed stage of the cycle and started deflating one of the world's largest credit excesses. Beijing and bank regulators have been actively encouraging Chinese banks to recognise and sell NPLs. Indeed we are working with an unprecedented deal flow."

The ShoreVest team has managed US\$1.6 billion of distressed debt-focused capital in China, on behalf of institutional investors including sovereign wealth funds, pension funds, foundations, endowments and family offices from around the globe, according to its website.

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