

ShoreVest targets \$750m for China distress fund



[Tim Burroughs](#) , 09 June 2017

ShoreVest Capital Partners, a China-focused distress and special situations investor created by former executives from Shoreline Capital, is looking to raise \$750 million for its debut fund.

The size of the target – Shoreline closed its third fund at \$500 million in mid-2015 and then raised a \$200 million overflow vehicle – could be seen as an indication of growing interest in Chinese non-performing loans (NPL). Some industry participants say the banking industry’s NPL ratio is up to five times the official estimate of 1.7%, which implies \$3 trillion in bad loans.

ShoreVest [started bidding](#) on NPL portfolios in November of last year and said at the time that it was tracking more than \$15 billion worth of potential investments. Those deals were to be financed using capital sourced from a large global asset manager. Investments can be as small as \$10 million in size and as large as \$300 million, with an average of \$30-50 million.

Indications that China was set for another wave of distressed debt began to emerge a few years ago, as the credit boom instigated in 2008 to minimize the local effects of the global financial crisis reached its logical conclusion. While some industry participants are bullish about the opportunity, others question the government’s willingness to force banks to take action, the availability of large-cap deal flow, and the impact of rising competition – from local as well as foreign investors – on pricing.

Resources assigned to pursuing NPL deals have [increased in the last year or so](#), with the likes of BCC, Lone Star, Oaktree Capital Management, Avenue Capital Group, PAG and Goldman Sachs all said to be hunting for deals. PAG bought its first portfolio last year, which had an original principal balance (OPB) of RMB10 billion (\$1.5 billion).

Last week, Bain Capital Credit (BCC) agreed to [buy a portfolio](#) of real estate-related NPLs worth approximately \$200 million from China Huarong Asset Management. ShoreVest will act as master servicer on that portfolio. BCC is targeting \$750 million for its first [Asia special situations fund](#), with a hard cap of \$1 billion, and NPLs are expected to account for as much as half of the overall China activity.



Shoreline remains active in the market, but the ShoreVest team is not the only spin-out from the firm. DCL Investments was formed by executives from Shoreline and CDH Investments in 2015 and closed its [**debut renminbi-denominated fund**](#) the following year with more than RMB3 billion in commitments. The GP is now [**seeking around RMB5 billion**](#) for a second local currency fund and its first dollar vehicle.

Source: <https://www.altassets.net/private-equity-news/by-news-type/fund-news/shorevest-eyeing-chinas-bad-debt-industry-with-750m-fund.html>