

# Asia Asset Management

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## Asian institutional investors putting money in China distressed debt

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Demand for China-focused investments in the form of distressed debt from real estate borrowers is increasing among Asian institutional investors as well as US endowments and pension funds.

The increasing demand is being brought about by growing and attractive opportunities in the distressed debt space in China both in the form of returns and as a means of diversifying their portfolios, according to Benjamin Fanger, US-based managing director of Shoreline Capital Management. Shoreline Capital is a China-focused distressed asset investment firm, cofounded by Mr. Fanger and his partner Xiaolin Zhang.

The increasing demand for distressed debt assets from China can be seen from the oversubscription of the Shoreline China Value I, L.P.; a private equity fund managed by Shoreline Capital, which surpassed its US\$150 million target hitting a total \$178 million. It had 17 million in total subscriptions when it closed last month.

Before raising the current fund, Shoreline Capital closed investments in Chinese distressed debt with face values of over \$1.5 billion.

Shoreline Capital is planning to launch another private equity fund which will also target Asian institutional investors in early 2009, Mr. Fanger says. The distressed debt market which is loaned out by the commercial banks is estimated at \$500 billion. In addition, there are distressed debt portfolios outside the commercials.

The investors of Shoreline China Value I, L.P, who are also limited partners, consists almost exclusively of top endowments, foundations, pensions and fund-of-funds, including an Asian-focus fund-of-funds.

Shoreline Capital began operating in 2004, and was one of the first investment firms to establish a presence in China's multi-billion dollar distressed securities market.

Its investment team has grown to over 30 professionals with offices in the Chinese cities of Guangzhou, Shenzhen, and Beijing, as well as an office in the Silicon Valley where Mr. Fanger is based.

Shoreline Capital's investment platform allows it to manage not only the sourcing and pricing of the distressed debt deals, but also work-outs, restructurings, litigations, auctions, and all other aspects of entering and exiting distressed Chinese investments. The platform works with both passive investors through its fund and active investing partners who add value to investment sourcing and decisions.

"Shoreline has a niche platform that allows us to source and execute distressed opportunities in

China where others lack presence or know-how. Every professional at Shoreline has deep experience in Chinese distressed assets and is fluent in both the language and culture necessary to navigate the space,” Mr. Fanger says.

Co-founder, Ms. Zhang leads the firm’s investments in NPLs and partner, Linyu Yang, manages its investments in distressed real estate. Both bring over a decade of Chinese distressed debt and real estate investment experience.