

## CHINA

## Shoreline closes on China distress at \$178.1 million

### Regulatory stress increases asset supply

Shoreline Capital Management, a China-focused distressed asset investor, has closed its debut fund at \$178.1 million, exceeding its original \$150 million target.

According to Shoreline, endowments committed 42% of the capital, with endowment style fund-of-funds comprising 21%, foundations 17%, traditional fund of funds 8.5% and pensions 8.5%.

The fund will acquire assets in special situations, including distressed debt

portfolios and real estate, in which a developer or manager needs additional debt or equity financing. Deals will be sourced throughout China, with a focus on second-tier cities outside of Beijing and Shanghai.

China's real estate market has exposed plentiful distressed assets after a tightening of financing regulations aimed at cooling the sector. The resulting capital drought has left some local developers with uncompleted projects.



Benjamin Fanger,  
Shoreline co-  
founder

According to several estimates, the PRC has non-performing assets totaling \$500 billion. The China Banking and Regulatory Commission estimated at the end of 2007 that there were RMB 1.268 trillion (\$186 billion) of non-performing loans held by the nation's large commercial banks alone.

Benjamin Fanger, Shoreline co-founder and MD, told

AVCJ that the firm is sector agnostic, investing \$5 million - \$30 million in each deal. It has "exited investments through a variety of means, including court auctions, workouts with borrowers, restructurings, sales to strategic investors, debt-equity swaps, and pursuing both borrowers and guarantors in the local courts. [We] will hold stakes for a timeframe ranging from a few months to over three years."

Since its establishment in 2004, Shoreline has closed more than \$70 million of investments in PRC distressed assets with face values of over \$1.5 billion. It has offices in Guangzhou and San Francisco. -MA