Private credit in China

A growing opportunity for international credit, special situations and distressed investors

Executive summary

As international investors have become increasingly comfortable with the efficiency and predictability of China's legal system, they are looking more broadly at the credit opportunity set and the possibility of realising uncorrelated and attractive risk-adjusted returns.

We have previously written extensively around the growing number of foreign funds who have invested into the Chinese non-performing loan ("NPL") market and the attractive risk-adjusted returns that we believe are available for that asset class. Interest in this market remains high.

As international investors have become increasingly comfortable with the efficiency and predictability of China's legal system, our clients are looking more broadly at the credit opportunity set – we are increasingly being asked how we can support them to source, underwrite and manage the direct and mezzanine lending, special situations[1] and distressed investing opportunities that are emerging in China[2] - both onshore and offshore.

This publication summarises our views on the growing demand for Chinese private credit[3] opportunities (other than NPL portfolios[4]), the reasons for the increased Chinese demand for non-bank sources of capital and the opportunity set that is available for private credit investors in China today.

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1. Special situations generally refer to value investment opportunities that have arisen due to a specific event. Common events can include M&A, a lack of liquidity, a shareholder dispute or a need for recapitalisation / restructuring, rescue or refinancing. Special situations generally refer to both privately negotiated deals (senior debt or mezzanine) and investing in stressed public bonds or shares.
2. In addition to China, almost all funds interested in "Asia" are also interested in pursuing private credit opportunities in India, due to its scale, and Australia, due to its steady flow of opportunities and predictable legal system. These investors are not, today, focussed as much on south east Asian countries given these markets are smaller and produce fewer sizeable opportunities for US$ investors.
3. Private Credit typically refers to debt instruments which are not financed by banks and are not issued or traded in an open market (i.e. bonds). The borrower can be a public or private company, it is the instrument itself which is "private". Private credit can be used to finance business growth, provide working capital, or fund infrastructure or real estate development.
4. Please refer to our November 2018 article "A sunnier outlook for international China NPL investors" for details on our view of the opportunities in this asset class.

The rising demand for Asian private debt

Following the 2008-09 global financial crisis (“GFC”), private credit has been transformed into a major global institutional asset class: the global volume of private credit AUM grew ~2.5x between 2008 and 2017[5].

This was driven by Europe and the US: Asia didn’t see an equivalent step change, as the fallout to the GFC was much milder. Sub-prime mortgages and CDOs hadn’t really reached Shanghai, Singapore or Hong Kong to the same extent as New York. And the Chinese central government injected a huge amount of liquidity into the Chinese economy post-GFC to ease its impact.

> “As you look at the stability of the [Asian] currencies and the scale of these economies, we’ve now really gone from a conversation of nice-to-have, maybe a niche strategy, to ... a must-have for institutional investors.”
>
> — Rob Petty, Co-Founder, Clearwater Capital

Today, western institutional demand for Asian private credit is undisputedly on the rise. This is due to:

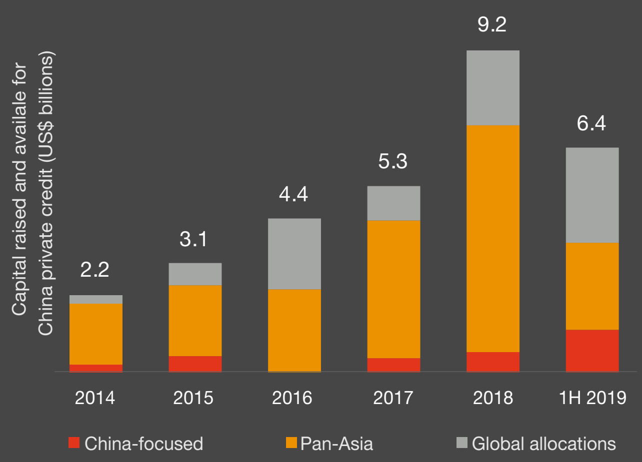
- **Diversification:** global debt managers’ looking to diversify into Asian opportunities for uncorrelated and attractive US dollar returns, transitioning away from the late-stage credit cycle in the West; and
- **Increased institutional demand for holistic portfolio solutions:** debt managers’ need to develop an Asian investment capability in order to back-up their claims that they are genuinely providing a “global” solution to LPs.

In 2018, we estimate that just over US$ 9 billion of capital was raised in private credit funds which was available to be deployed into Chinese credit opportunities, the highest on record. A further US$ 6 billion has already been raised in the first half of 2019. These numbers understate the true supply of international capital as they don’t include dry powder in hedge funds, investment banks, sovereign wealth, pension funds, and family offices – all of which can be directly invested.

Other "non-traditional" credit investors are getting in on the act. Take for example CapitaLand, the Singapore-based real estate company who in 2019 announced the first-closing of a US$ 750m discretionary real estate fund to invest into offshore US dollar subordinated instruments for real estate in China.

Whilst these amounts are much lower than the equivalent in the developed European or the US markets – that is part of the attraction and is good news for investors on the ground. Fewer funds competing (together with the increasingly illiquid local financing markets) prevents investor returns falling, and unlike in the US, means covenant-lite structures are not becoming the norm[6].

Figure 1: **Record amounts of US$ capital is being committed and targeted at Chinese private credit opportunities:**



Source: PwC analysis, based on a review of fund manager disclosures and Preqin data[7].

"Asia's special situations landscape is extremely diverse, more so than any other region globally. Our counterparties need partners who can understand the local context and who can provide capital that is flexible. We invest across the capital structure addressing three core areas – bespoke capital solutions, the deleveraging of financial institutions, and distressed investments, and have built a strong local presence to provide creative solutions for our partners in Asia. "

— Barnaby Lyons
Head of Asia Credit for Bain Capital

5. Alternative Credit Council, Financing the Economy, 2018.
6. Moody's believe over 70% of US new leveraged loan issuance in 2016, 2017 and 2018 was "covenant-lite" – meaning the quality (from the investor, or lender's perspective) has weakened.
7. Our estimate of the amount of capital in US$ credit funds that can be deployed into Chinese credit situations includes funds with a global mandate, where in our view, the GP has a deal team monitoring and actively evaluating opportunities in the China market. Global allocations assumes up to 20% of total capital (that is available to be deployed globally) can be invested into China. Pan-Asia capital only includes those funds where China is a focus for the investment team (i.e. it excludes US$ funds raised by, for example, Singapore-based GPs which is targeted at India and South East Asian opportunities). China-focused excludes domestic RMB funds. Refer to Appendix 1 for further details of the China-focused and Pan-Asia funds included above.

What is driving the increased demand for non-bank credit in China?

China's deleveraging tight rope:

China's central government has recently initiated a deleveraging campaign to reduce the amount of corporate debt in the economy.

Whilst Chinese officials want to see companies deleverage, they are also under strict orders not to let annual economic growth drop below the annual target set by the central government – currently 6% per year.

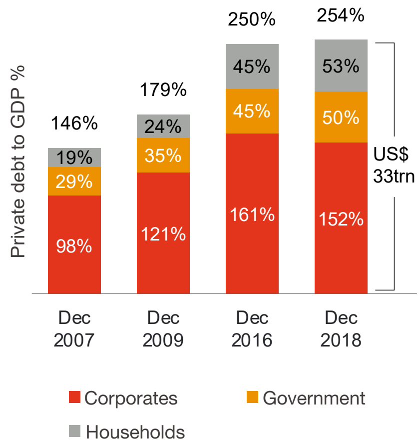
On several occasions over the last three years, the central government has applied brakes to slow down the economy, only to ease up when growth has softened. This most recently happened in late 2018 when monetary and fiscal stimulus[8] from the PBOC and other regulatory bodies was rapidly applied to shore up the weakest economic expansion since 2009.

How large are China's credit markets?

Onshore lending to China's "real economy"[9] stood at US$ 33 trillion (around 254% of GDP) as of December 2018. Corporate borrowing (both to SOEs and private companies) made up the lion's share: US$ 20 trillion (or 152% of GDP). Corporate borrowing (in particular, to private companies) is where the vast majority of opportunities for international private credit investors reside today[10].

BIS data indicates that the net impact of the central government's balancing act has been that corporate borrowing, whilst still growing in absolute terms, has started to decline as a percentage of GDP.

Figure 2: **Whilst overall Chinese credit continues to expand, corporate debt (as a % of GDP) has started to fall**



Source: PwC analysis, BIS, excludes financial sector

"Demand for credit, not just in China, but regionally, is an area that seems to have a huge tailwind. The factors that are in play in China, which is that banks are increasingly unwilling to lend to small and medium sized enterprises, are at play elsewhere."

— Asia-focussed private debt manager

8. Including five cuts to the banks' reserve ratio requirements since May 2018, VAT and corporate tax cuts and requirements around lower social security contributions.
9. Includes bank and non-bank loans and capital market (bond) financing. Excludes credit extended to financial services companies. This figure also excludes offshore financing (e.g. US$ bonds raised by overseas holding companies holding PRC businesses or assets).
10. Whilst outstanding household borrowing (which totaled US$ 6.6 trillion, or 53% of GDP at 31 December 2018) is growing and the performing onshore consumer loan ABS and private financing markets are developing, we don't, today, see this as a primary area of focus for most foreign credit funds. We expect this to become increasingly interesting for investors going forward, particularly if the growth of fintech lenders (who don't have large balance sheets, and therefore have a need for financing partners) continues. Equally, foreign credit funds are not presently able to acquire NPLs of SOEs or government related entities. Enforcing on loans of such parties is politically sensitive, particularly when a foreign investor is the lender, and we don't envisage this changing any time soon.

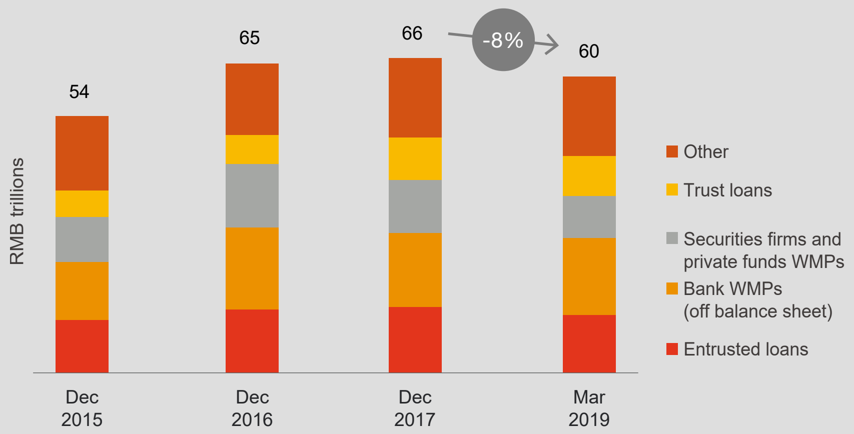
The crack down on shadow banking has caused a chill – and opportunities for credit investors

The macro-level picture hides the nuances of China's regulatory push to create a healthier financing mix for the nation's economy over the last two years. The authorities have introduced a number of new rules to turn the screw on the shadow banking[11] sector, including measures to:

- prevent the usage of short-term market funding structures to invest in longer-maturity structured products (e.g. real estate projects, M&A financing);
- tighten the definition of what activities trust companies can and can't funnel capital into (preventing activities not supporting the real economy);
- prohibit unauthorised individuals or companies from issuing private loans;
- strengthen the supervision of banks' wealth management product issuance; and
- stipulate the conditions for the orderly liquidation of failed P2P platforms and prohibit the registration of new platforms.

As a result, China's shadow banking sector has shrunk by 8% to RMB 60 trillion (US$ 9 trillion) at March 2019

Figure 3: **China's shadow banking system has been cut down — this is what is creating challenges for borrowers underserved by the banking sector**



Source: PwC analysis, PBOC, Moody's Investor Service

(from RMB 66 trillion, at December 2017) and this has taken a significant amount of liquidity out of the domestic market. It has also severely impacted the ability of underserved (and in general, higher-risk) SMEs and entrepreneurs – who previously relied upon these financing channels – to access the credit they need to either fund growth or refinance existing debt facilities that fall due.

The recent take over of Baoshang Bank may exacerbate the problem as it led to the inter bank funding market for smaller banks to dry up.

Whilst foreign private credit funds are, arguably, part of the shadow banking eco-system – we believe China is supportive of the sector's development[12].

We believe the regulatory push for more assets to move onto the balance sheets' of regulated financial institutions (and away from the shadow banking lenders) is here to stay – and as China's financing markets transition to this "new normal", this will continue to mean that pockets of opportunities (to either refinance or replace existing lenders, or to provide new financing) will open for opportunistic investors, across the risk spectrum.

11. Shadow banking generally refers to credit channelled to the China's real economy outside of its regulated banking sector or domestic bond markets. This includes (but is not solely comprised of) assets funded by Chinese wealth management plans (WMPs) or discretionary asset management plans, entrusted loans arranged by banks, trust company loans, micro finance and consumer finance lending, and credit provided by leasing companies or P2P platforms.

12. We don't believe foreign private credit funds' activities in China are perceived as problematic by the authorities. Firstly, China has opened up its financial services sector over the last two years, encouraging foreign investors to enter this space. Secondly, the underlying drivers of the shadow banking crack-down is the central government's desire to maintain social stability (for example, preventing retail investors in P2P platforms from suffering losses) and to maintain a level of control over the financing which is powering the economy. The growth of foreign private credit funds' activities in China do not threaten either of these goals.

The China private credit opportunity set in 2019: What is available?

As China's financing ecosystem evolves and more Chinese companies are starved of credit financing, many international private credit funds are looking to expand into new lending strategies. We highlight below the types of opportunities in the market:

Figure 4: **Summary of private credit strategies in China, 2019**

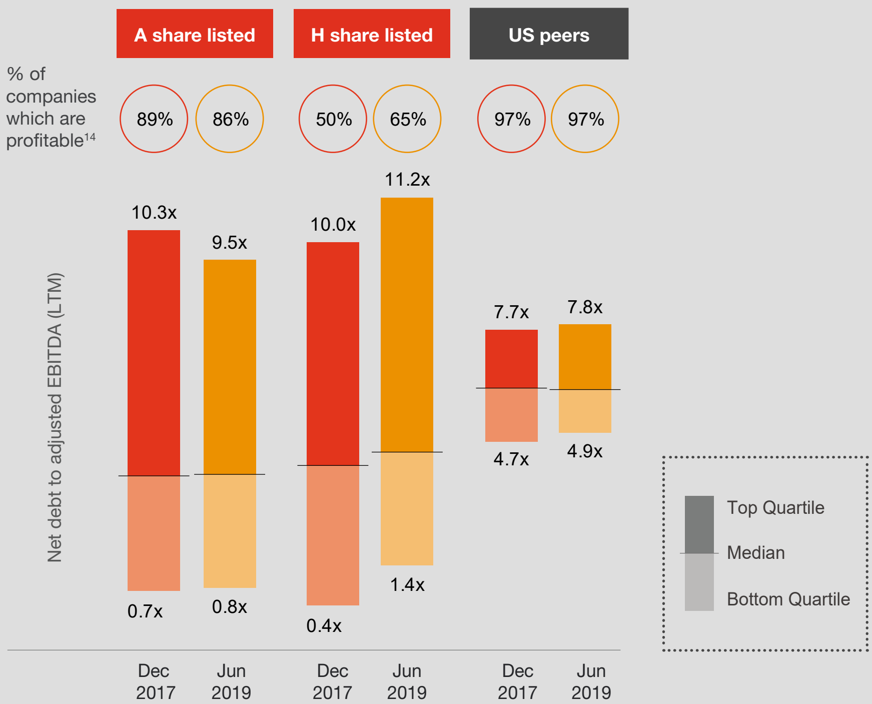
Strategy	Opportunity	Jurisdictional requirement	Foreign investor involvement in 2019?	Indicative net IRR available
Direct or mezzanine lending (some may be special situations)	Providing offshore financing to PRC real estate groups	Offshore	Yes	Mid-teens, depending on security package. Can be higher if borrower is stressed.
	Onshore RMB financing to PRC corporates	Onshore	Yes	Mid-to-high teens (onshore, gross yield). Can be higher if borrower is stressed.
Special situation / distressed	Partnerships or JVs with PRC investment groups	Depends on structure of partner	Yes	Typically strategic investments to access other credit opportunities
	Investing in onshore special situation / distressed PRC bonds	Onshore	Yes, nascent strategy	Funds are underwriting to returns of 25%+
Distressed	Single credit investments (real-estate backed)	Onshore	Yes, nascent strategy	Funds are underwriting to returns of 20%+
	NPL portfolios	Offshore	Yes	15%+

Providing offshore financing to PRC real estate groups

Chinese corporates have long tapped offshore capital markets for financing and the US$ high yield bond market is a well-established way for foreign investors to gain exposure to Chinese issuers. Real estate developers and operators ("RE groups") dominate this space[13].

Our analysis of the sector indicates a higher proportion of Chinese RE groups were not profitable (in the year to 30 June 2019) and more levered than their US counterparts.

Figure 5: **A higher proportion of China's RE groups are not profitable and a significant number are more levered, than their US counterparts.**



Source: PwC analysis, Capital IQ. Bars represent the net debt / adjusted EBITDA (LTM) ratios for RE groups whose equity is listed on exchanges in Shanghai and Shenzhen (A Share listed), Hong Kong (H Share listed) and on the Russell 3000 index (US peers). Analysis excludes companies that generated a loss before interest, tax, depreciation and amortisation and we have excluded unrealised fair value gains and losses from EBITDA.

Credit investors' fret about those highly-levered groups with a significant concentration of projects in over-supplied Tier 3 and 4 cities, causing funding costs for this group to increase. Particularly those that are reliant on a liquid domestic real estate market to sell completed properties – which is often needed to allow the loans that were granted to the developer to finance the original construction costs in the first place to be repaid.

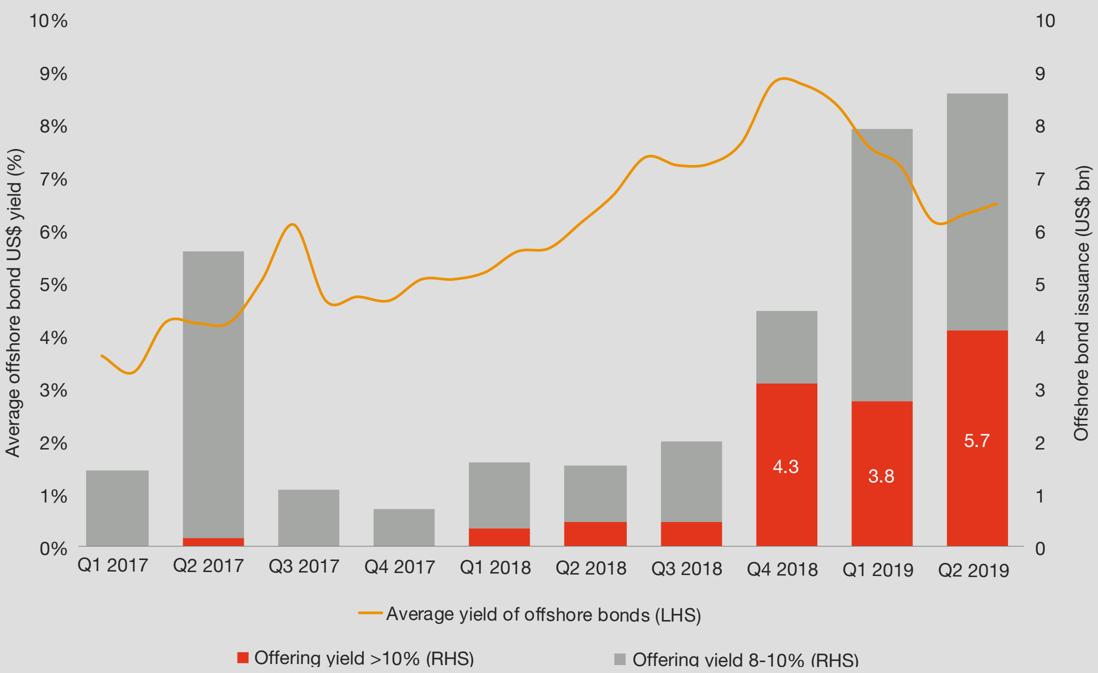
13. US$ 43 billion of offshore bonds have been issued by Chinese RE groups in the first half of 2019. This compares to US$ 31 billion in the first half of 2018. Chinese RE groups make up more than 30% of the total offshore US$ bonds issued by Chinese issuers.

14. At an EBITDA level, adjusted to reverse the impact of any unrealised (non-cash) gains or losses on property or other assets.

The pressure on the finances of Chinese RE groups (particularly the mid-sized developers) has abated somewhat relative to the back end of 2018. This is because during the first half of 2019 there has been growth in contracted sales figures, more offshore bond quotas being approved[15] and more disciplined land purchases to reduce short term liquidity pressures.

Still, US dollar denominated debt has become increasingly expensive for some RE groups. Double digit yields have become the norm: just over US$ 15 billion of bonds were issued over the last twelve months that had an offering yield in excess of 10%! These are juicy yields for investors – considering US treasury bond yields are hovering around 200 basis points.

Figure 6: **Whilst the average yield on offshore bonds issued by Chinese RE groups has fallen over 2019, ~US$ 15bn of debt has been raised in the last 12 months with an offering yield in excess of 10%**



Source: PwC analysis, Capital IQ.

With over US$ 200 billion of Chinese RE group's bonds due to mature in 2020 and 2021 and with bank lenders increasingly cautious around their exposure to the sector, we expect opportunistic investors will be able to identify numerous refinancing opportunities over the next 24 months.

A typical lending structure would include a competitive interest rate (relative to bank lenders' or bond coupons) thereby reducing any immediate liquidity pressure on the debtor. In return for this relief the lender would receive an equity kicker[16]. Of course this lending would need to be secured, and obtaining an adequate security package can be challenging as onshore real estate projects have normally been pledged (generally at 50-55% LTVs) to domestic bank lenders and very few developers have material offshore unencumbered assets which can be offered as security[17].

In many cases, these challenges can be resolved. But mitigating the risk of a debtor hiding or transferring its onshore assets (out of the reach of the offshore lender) and getting comfortable on the completeness of other local creditors' claims (which can in some cases be senior, even to first lien holders) is key and needs to be carefully investigated during diligence.

Onshore RMB financing to PRC corporates

Offshore creditors in Chinese corporates are almost always structurally subordinate to their on-shore coun-terparts. The solution? For many funds the obvious answer is to become an onshore lender, allowing them to take liens over borrowers' onshore assets and directly plug the gap left by the withdrawal of the onshore shadow banks. There are broadly two options for funds looking to raise capital onshore:

How to get capital onshore	The challenge?
Converting US dollar funds into RMB, and investing via onshore vehicles Once US$ capital is converted and in onshore platforms[18], funds can invest in high yielding RMB denominated[19], senior secured loans to domestic SMEs and other borrowers.	In addition to being able to manage credit and FX risks, getting the structure right is critical. In general, a slug of the seed capital that needs to be injected onshore, needs to be injected as equity – meaning this capital is tied up until the structure is unwound. For WFOE structures – it is key to get the PRC business scope right.
Raising onshore RMB fund capital from PRC investors We are aware of a handful of international funds considering RMB fundraising from a domestic Chinese investor base – this would allow the funds additional flexibility where situations aren't suitable for USD capital.	Balancing RMB and USD investor's interests and the potential conflicts. Unlike private equity fundraising rounds (which are more clearly onshore or offshore), private debt opportunities don't always neatly fit into a bucket.

Both strategies can be attractive if executed well – however the key success factor in both instances is the need for a localised team to allow effective sourcing, origination and monitoring of loans in China. There are, in general, higher effective tax rates that apply to onshore structures and these have a direct impact on the cash that is available to be remitted and therefore investor returns. The upsides and costs of moving onshore need to be carefully considered.

15. Chinese offshore bond issuance (and the setting of quotas at the company level) is regulated by the National Development and Reform Commission ("NDRC") and thus the government has the ability to control the pace of issuance, and use of proceeds.
16. An equity incentive where the lender provides credit at a lower interest rate, in exchange for the right to receive a portion of the equity in the borrower, or an additional return, upon a trigger event occurring (giving the lender a higher overall implied return).
17. Whilst it is technically possible for offshore lenders to take onshore collateral (and for PRC companies to borrow from offshore lenders – subject to a 2x cross border financing leverage ratio), we rarely see this in practice.
18. There are a variety of structuring options available: deploying foreign capital into PRC partnerships has been popular recently, whilst QFLP structures also seem to be feasible, subject to local practices. We have also seen some funds deploy equity capital into WFOEs.
19. The FX risk can be hedged. In our experience, the cost of hedging USD-RMB is approximately 1% to 2% per annum.

Partnerships or JVs with PRC investment groups

Many international debt funds acknowledge that there are huge challenges in hiring investment professionals with the right level of onshore credit or restructuring / distressed experience *and* the ability to credibly respond to challenges from IC members in London or New York.

This has led many to consider strategic partnerships with Chinese entities who do have onshore investment capability[20]. There are dozens of domestic private fund managers in China, many of whom have teams, a domestic track record (typically managing anything from RMB 500 million to RMB 5 billion of assets) and a level of specialism in credit investing. Many of these have a real estate, distressed or special situation focus.

Foreign credit funds with star names, global distribution networks and institutionalised investment processes are seen as attractive partners for domestic parties.

It is hard to sell these deals to internal compliance and legal teams in New York or London: understanding how the local partner is able to satisfy FCPA or anti-bribery rules is a key aspect of diligence (depending on how the deal is structured). Other key areas to consider include how to get the cultural fit correct, ensuring incentives are genuinely aligned and thinking through how equity investments in platforms will be exited at maturity.

Investing in onshore special situation / distressed PRC bonds

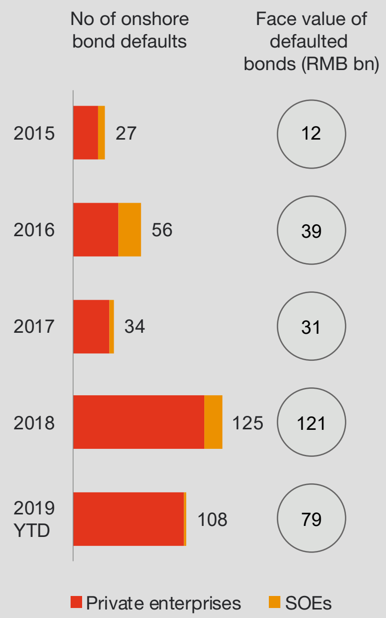
Many of China's old economy sectors were facing structural issues and appeared ripe for consolidation, long before the trade war raised its head 12 months ago. On top of these sectoral-driven special situations, there are always a handful of onshore corporates that are in a level of distress from company-specific issues. 2019 examples of distressed names include the laminating film manufacturer, Kangde Xin; the coal miner Wintime Energy; and Inner-Mongolia based Baosheng Bank.

2019 looks to be another record year for onshore defaults: weaker companies are increasingly reneging on their debt payments with RMB 79 billion (US$ 10 billion) of onshore defaults defaults to date.

Today, international fund participation in onshore domestic restructurings is rare[21]. One way for international distressed debt investors to access these opportunities is through investing in PRC onshore bonds of these groups (now a possibility via Bond Connect). Bond prices can be hugely volatile, meaning it can be possible to acquire names at deeply distressed levels (and make a significant profit if the company recovers).

A number of foreign distressed funds are playing in this space today. These are high-risk strategies – predicting the outcome of a Chinese domestic restructuring is hugely challenging, even when there is no obvious state-angle or "social stability" factor at play. Whilst investors' can complete diligence on the financials, background checks on the founder / shareholder and obtain anecdotal data points to support investment thesis', PRC domestic restructurings – of which we are actively involved in many – are not driven by solely by commercial considerations.

Figure 7: **China onshore bond defaults**



Source: PwC analysis, Wind

20. A recent example is Warburg Pincus' US$ 1 billion joint venture with the Beijing-based asset management firm, Hande Group, for investing in distressed and special situations real estate opportunities in China.

21. One example of a successful foreign involvement in a domestic bankruptcy restructuring is Four Rivers' (an Invesco affiliate) JV with Baowu Steel to restructure RMB 20 billion of debt of Chongqing Iron & Steel over 2017-18.

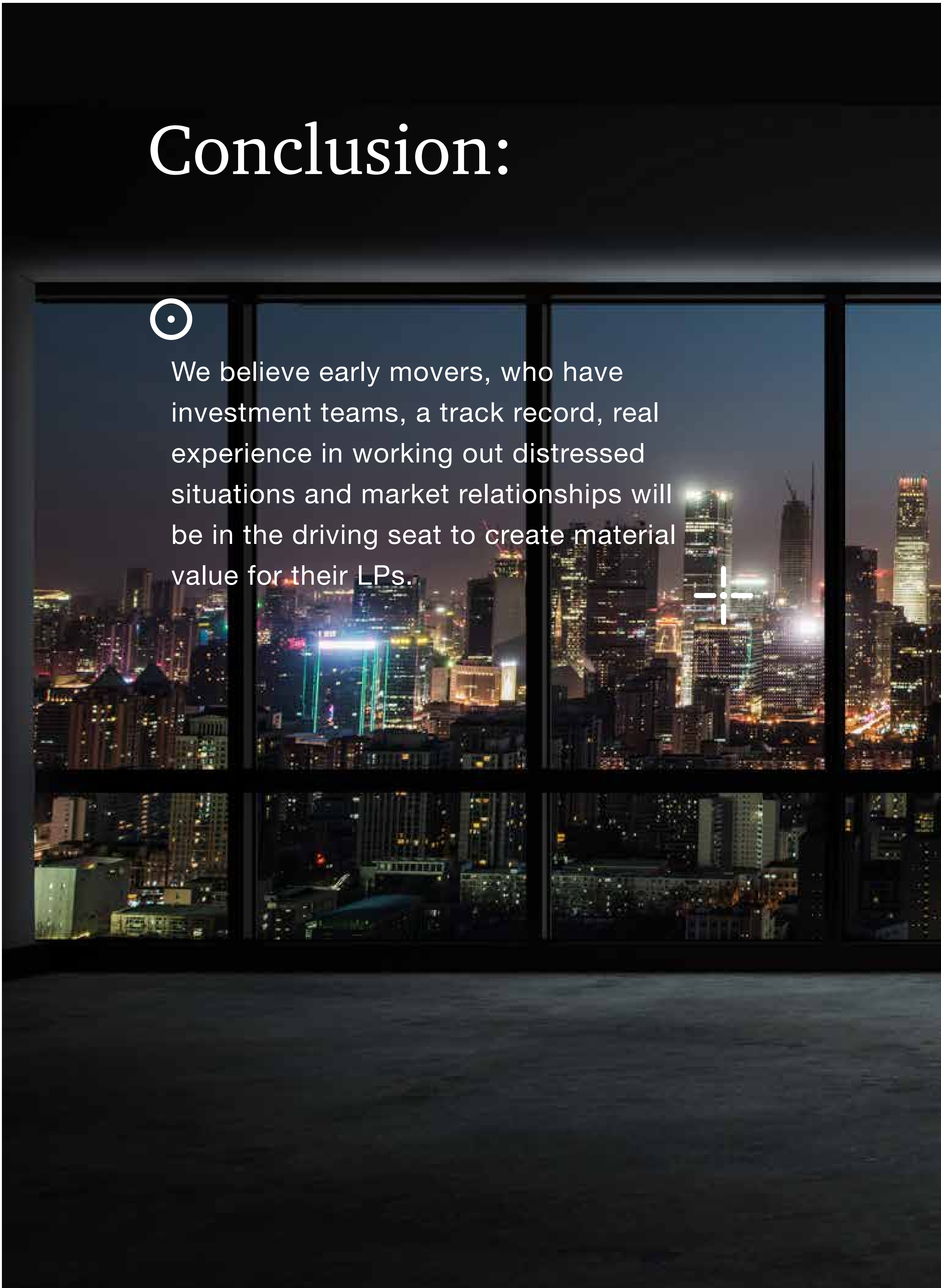
Distressed single credit (real-estate backed) investments

Whilst we are bullish on the China NPL portfolio opportunity set, some investors don't like having their returns dependent on the recovery of 20+ loans. For them, there are too many variables to consider to get to their target ROI. These investors would rather invest in large distressed loan situations, where they can focus their underwriting efforts on a single situation.

For these situations to be attractive the investment amount typically needs to be at least US$ 50 million (and for many investors, greater still). Loans of this size are generally secured against much larger, non-homogeneous real estate assets – maybe a large retail mall, hotel or a whole commercial office building – with multiple stakeholders involved.

Whilst underwriting the situation can be less time intensive for funds, in general there is less liquidity for secondary market sales of these larger real estate assets, even in Chinese Tier 1 and 2 cities – meaning the challenge in both accurately estimating the recovery value and devising a work-out strategy can be more complicated. One benefit of these deals is the enhanced opportunity for value creation – maybe by taking ownership of the real estate and bringing in new tenants, repositioning or finalising the development.

Conclusion:

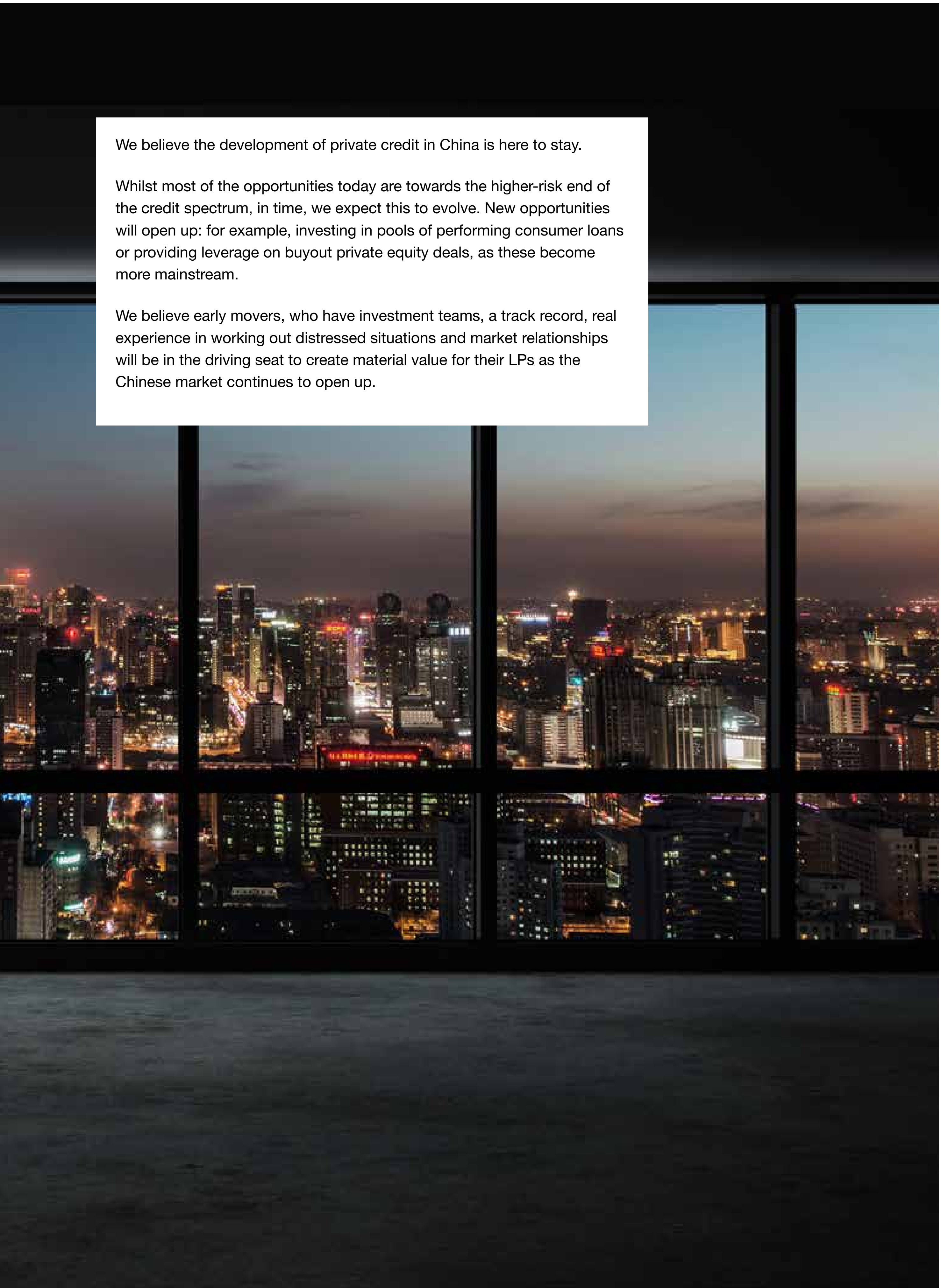


We believe early movers, who have investment teams, a track record, real experience in working out distressed situations and market relationships will be in the driving seat to create material value for their LPs.

We believe the development of private credit in China is here to stay.

Whilst most of the opportunities today are towards the higher-risk end of the credit spectrum, in time, we expect this to evolve. New opportunities will open up: for example, investing in pools of performing consumer loans or providing leverage on buyout private equity deals, as these become more mainstream.

We believe early movers, who have investment teams, a track record, real experience in working out distressed situations and market relationships will be in the driving seat to create material value for their LPs as the Chinese market continues to open up.



PwC's capabilities: how we have been helping private debt funds

PwC has a market-leading credit, restructuring and special situations practice in China. We help a range of international investors source investment opportunities and evaluate the attractiveness of these deals. We are increasingly advising international private debt investors grow and deploy capital in the region:

Our services	How we are helping private credit investors
Fundraising advice	Our global Fund Advisory Platform ('GFAP') provides tailored advice to address the capital formation objectives of private fund sponsors, building on PwC's transactional capabilities, experience and resources. The GFAP team has broad, meaningful and global LP relationships and has raised billions of dollars for hundreds of private fund sponsors at all stages in their evolution.
Due diligence on GPs and local partners, originators or servicers	We have recent experience of helping LPs complete due diligence on alternative Asian asset managers. We also have experience of helping GPs and institutional strategic investors to complete market entry studies or financial, tax, commercial and operational due diligence on the investment capabilities, corporate governance or track records of Asian alternative asset managers, funds, loan origination or servicing platforms.
Deal sourcing and lead advisory	We have over 600 Partners and 17,000 client service and practice support staff in China – we leverage our firm relationships to identify investment opportunities and bring these to our Fund clients. In particular, through our sizeable restructuring and insolvency practice we come across numerous opportunities that we introduce to Fund clients.
Deal structuring and tax advice	We can act as your tax advisor in the deal process and help you to identify tax risks, explore tax planning schemes, and design solutions.
Integrity due diligence on sponsors	We have extensive experience in helping investors better understand the backgrounds of their potential investee companies or sponsors. Our global team of more than 400 Forensic Intelligence professionals examines parties' reputations, potential involvement in illegal or unethical business practices, political exposure and government connections.
Due diligence on potential fund Investments	Across Mainland China and Hong Kong, we provide financial and tax due diligence on over 850 deals a year. We are increasingly being asked by our private debt fund clients to help assess more complex situations. We ensure our deal teams combine sector and credit experts to ensure the diligence is focussed on the areas that are important from a lenders' perspective (for example, the underlying cash flows, the seniority of other debt, as well as the underlying business' risks).
Financial reporting	Our Asset & Wealth Management assurance practice provides statutory audit services to a number of the leading alternative asset managers operating in China.

PwC contacts:

Onshore restructurings and special situations

Hong Kong

James Dilley
Partner
james.ha.dilley@hk.pwc.com
+852 2289 2497

Peter Greaves
Partner
peter.greaves@hk.pwc.com
+852 2289 1826

Chris So
Partner
christopher.mc.so@hk.pwc.com
+852 2289 2577

Ted Osborn
Partner
t.osborn@hk.pwc.com
+852 2289 2299

Shanghai

Victor Jong
Partner
victor.yk.jong@cn.pwc.com
+86 (21) 2323 3650

Tim Guo
Partner
tim.guo@cn.pwc.com
+86 (21) 2323 2610

Beijing

Chen Lau
Partner
chen.lau@cn.pwc.com
+86 (10) 6533 2208

Jett Wang
Partner
jett.x.wang@cn.pwc.com
+86 (10) 6533 7476

Leon Qian
Partner
leon.qian@cn.pwc.com
+86 (10) 6533 2940

Qingdao

Kurt Xu
Partner
kurt.xu@cn.pwc.com
+86 (21) 2323 2437

Tax and structuring

Lear Mei
Partner
lear.mei@hk.pwc.com
+852 2289 3090

Real estate deals

Winnie Liu
Partner
winnie.liu@hk.pwc.com
+852 2289 2488

Wayne Chen
Partner
w.chen@cn.pwc.com
+86 (21) 2323 2606

Fundraising advice

Edward McDonald
Partner
edward.mcdonald@uk.pwc.com
+44 7710 033 958

Financial reporting

Josephine Kwan
Partner
josephine.wt.kwan@hk.pwc.com
+852 2289 1203

Carlyon Knight-Evans
Partner
carlyon.knight-evans@hk.pwc.com
+852 2289 2711

Appendix 1: Selected China focused or Pan-Asian credit funds

Manager	Fund	Vintage	US$ capital raised
SSG	Capital Partners V (inc. side car)	2018	2,000
	Capital Partners IV (inc. side car)	2017	1,681
	Capital Partners III	2014	915
	Secured Lending Opportunities II	2017	815
	Secured Lending Opportunities I (inc. side car)	2015	325
			5,736
PAG Capital	Asia Loan Fund IV	2019	1,000
	Asia Loan Fund III	2018	950
	Asia Loan Fund II	2014	832
	China Special Situations Fund	2017	180
	Asia Special Situations Fund III	2019	1,000
	Asia Special Situations Fund II	2015	904
			4,866
Bain Capital Credit	Distressed and Special Situations (~33% Asia)	2019	1,000
	Special Situations Asia (inc. side car)	2018	1,300
	Distressed and Special Situations (~25% Asia)	2016	750
			3,050
OCP Asia	Fund III	2018	511
	Fund II	2016	177
	Fund I	2014	855
			1,543
Farallon Capital	Asia Special Situations III	2016	1,120
Apollo*	IFC-Apollo Distressed Debt Fund	2016	1,000
Dignari Capital	China Credit Fund II	2018	626
	China Credit Fund I	2014	256
			882
MBK Partners	Special Situations I	2018	850
CapitaLand	Real Estate Debt Opportunities China I	2019	750
ICG	Asia Pacific Mezzanine Fund III	2015	691
Crescent Point	Asia Consumer & Deep Value Fund II	2018	500
	Asia Consumer & Special Opportunities Fund	2017	150
			650
DCL Investments	Special Situations I	2019	500
Shoreline Capital	China Value III	2015	500
Avenue Capital	Special Situations Fund V	2017	450
Clearwater Capital	Yield Fund	2019	300
	Fund V	2017	129
			429
Värde Partners	Asia Credit Fund	2018	400
BlackRock*	Asia-Pacific Private Credit Opportunities Fund I	2017	300
ADM Capital	Asia Secured Lending Facility II	2017	178
	Asia Secured Lending Facility I	2015	101
			279
Adamas	Adamas Ping An Opportunities Fund	2017	252
Phoenix Property	Asia Secured Debt Fund	2016	250

Source: Preqin, fund managers' public disclosures, PwC analysis of fund raising from 2014 onwards. Data excludes credit funds with global mandates which can be deployed into Chinese opportunities (with the exception of Bain's 2016 and 2019 Distressed and Special Situations funds, where an approximate Asia allocation is shown). For funds which have not reached final close (typically the 2019 vintages) figures in the table represent the target fundraising amount. Vintage refers to the year of first close.

*Also using funds with a global investment mandate to invest into Asia (not shown above).