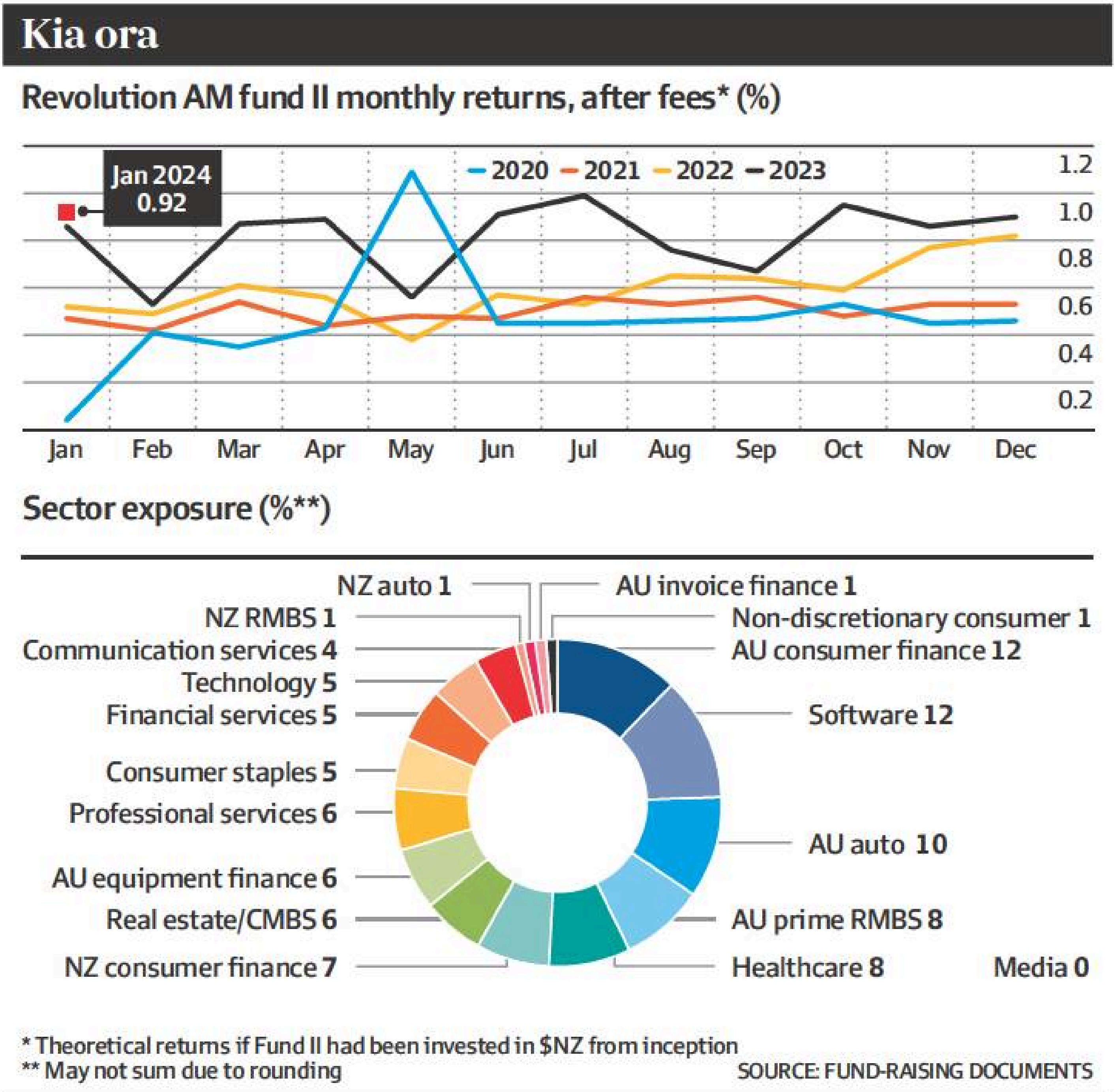
# Revolution pounding the pavement for Kiwi fund




Sydney private debt house Revolution Asset Management has pulled the trigger on a new fund for the New Zealand market, where it already lends to classifieds giant Trade Me.

Revolution founders – Bob Sahota, Simon Petris and David Saija – have been meeting with Kiwi institutions, endowment firms and high-net-worth investors to build support for Revolution Private Debt PIE Fund (NZD). The fund feeds into the firm's flagship Fund II, and is pitched as a tax-effective – maximum 28 per cent versus the 39 per cent top tax bracket – and currency hedged entry point for Kiwi investors.

Revolution has 14 per cent or about $300 million of its $2.2 billion Fund II ploughed into New Zealand companies. In addition to taking a slice of London PE investor Apax Partners' debt financing for its $NZ2.6 billion buyout of Trade Me in 2019, it is a lender to Bluestone Home Loans, Humm NZ and Latitude Financial Services.

In addition to welcoming new NZ investors, the team is scouring the country for new deals. It expects its exposure to New Zealand companies to grow from 14 per cent to about 20 per cent of Fund II's portfolio.

"We think the biggest opportunity [in New Zealand] is in non-bank lender financing because there are much fewer players in mezzanine ABS, where we are specialists. In commercial real estate, many loans are development loans which we don't invest in; and in LBOs many Kiwi companies are now too small because of our scale, where we need to do $30 million to $50 million for individual deals," Sahota told Street Talk.

Revolution sticks to big companies, steering clear of SME loans and property construction or development financing. The borrowers are typically backed by blue-chip financial sponsors, or – for non-bank players – at the bigger end of town.

Take its Fund II as an example. Its portfolio includes takeover financing for PAG's Patties Food, PEP's IT business Citadel Group, Brookfield's Healthscope, and KKR's MYOB and Arnott's. It faced a setback last year at cancer care group GenesisCare, but was able to contain losses by exiting via a secondary trade in October, as the lender syndicate waited on a restructure that is still ongoing.

The new fund is tracking at 5.8 per cent credit margin over the BKBN rate of 5.6 per cent, bringing its gross yield to 11.4 per cent. Fees are a flat 95bps, with no performance fee and all origination fees fed back into the fund – and to the investors. The firm now overseas $2.7 billion, primarily for institutional investors such as UniSuper, with about $900 million coming from high-net-worth investors.

Sahota was previously Challenger's fixed income boss, while Petris was a senior portfolio manager for Westpac's $2.2 billion Credit Relative Value fund. Saija was a portfolio manager at Kapstream Capital.