

CGN FUND III PREMARKETS SALE OF RENEWABLE ASSETS

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The manager of the CGN Infrastructure Fund III is premarketing its renewable asset portfolio as it unveils a plan to return capital to LPs.

The China renewable-focused fund is likely to mandate an investment bank to help with its portfolio sales later this year, Raymond Fung, CEO of CGN Fund Management Company, told *Inframation*. The fund expects to group its projects into a number of renewable portfolios for sale.

“Our assets will be attractive to long-term investors such as insurances and pension funds both at home and overseas,” Fung said. “We are not in a rush, while we welcome conversations ahead of time,” he said.

China Life and Ping An - two of China’s biggest insurers - as well as China Three Gorges and the fund’s parent China General Nuclear (CGN) were singled out as prospective buyers, while interests from foreign investors are also anticipated, according to Fung.

“We have a good understanding of the Chinese market, including the local financing and regulatory trends,” Fung said. “Our portfolios should be appealing to pure financial investors – they are clean and easy to understand, most are able to generate cash in the short-term.”

The PE arm of the state-owned Chinese nuclear giant, which plans to raise its **fourth fund** next year, has deployed 68% of CGN Fund III’s capital so far. It reached final close for CGN Fund III in June last year at RMB 3.69bn (USD 543.7m).

Capital deployment

“We are looking at a strong pipeline of 2.5GW projects and there are quite a few deals that are very attractive,” Fung said.

Among them are new renewable energy projects sharing the same grid connection lines with existing that CGN owns, which are believed to save extra construction costs.

Wind projects, especially in eastern and central China, continue to be a favourite. The fund would also not be shy of investing further in solar farms that offer good value for money.

“Our recent solar deals have done well,” Fung said. “The challenge facing China’s solar market is there is an overbuild of solar projects suffering from quality issues.”

Fung said his fund now gets “ample time” to pick ideal assets given that it had closed deals over the last year much faster than expected. He is also confident that all of the fund's the capital will be deployed by the end of this year.

The team has managed to invest 60% (or RMB 2.21bn) of the funds' RMB 3.68bn capital so far, closing RMB 600m worth of deals in 4Q17.

For the present quarter, “we are patient in deploying the capital,” Fung said, adding it is also hard to pin down the exact timetable for some brownfield deals as the transactions are going through the regulatory approval process.

CGN Fund III's LPs are Agricultural Bank of China, CGN, China Cinda Asset Management, China Huarong Asset Management, China Pacific Insurance, China Three Gorges, ICBC, PICC, Postal Savings Bank of China and Utilico Emerging Markets.

For its fourth fund, the manager expects to see more LPs from outside China.

Investor Profile

CGN Infrastructure Fund III FUND

 CHINA | Unlisted | Closed-ended | Equity fund

CGN Infrastructure Fund IV FUND

 CHINA | Unlisted | Closed-ended | Equity fund

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