Interview

FUND NEWS

HMC Capital Seeks $100 Million for New Andean Private-Debt Fund

By Luis Garcia

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Interview with:
Daniel Dancourt
HMC Partner

Private investment firm HMC Capital aims to raise a $100 million debt fund focused on Peru, Colombia and Chile.

The Latin America-focused placement agent and asset manager plans to hold a first closing for the vehicle by the end of October

HMC Capital aims to raise $100 million for a new private-debt fund focused on Peru, Colombia and Chile as the Latin American specialist seeks to expand its reach to a broader universe of companies searching for capital.

"The focus of the fund will be mainly Peru and Colombia with Chile as an opportunistic market," HMC Partner Daniel Dancourt said.

The financial advisory and investment firm, which has offices in New York and four Latin American capitals, expects to hold a first closing of its HMC Andean Private Debt Fund by the end of this month, Mr. Dancourt said. He added that backers of the fund so far include insurers, mutual funds and other institutional investors from Chile, as well as development finance institutions.

HMC's new, direct-lending fund expands a strategy the firm launched about four years ago in Peru, where it invests in bonds issued by local middle-market companies. The firm encourages these businesses to issue the securities by guiding them through the process and buying a significant portion of the debt.

The firm's first fund dedicated to this strategy, HMC Capital High Yield Peru Fund, which closed in 2015 with $60.4 million, has been completely invested, according to Mr. Dancourt, who oversees HMC's credit-investing efforts. HMC is now seeking $200 million for a follow-on Peruvian fund and $100 million for a similar vehicle focused on Colombia, in addition to the new private debt fund.

While chasing deals for its corporate-bond fund, HMC spotted a considerable number of companies that could benefit from debt but are not yet prepared or willing to bear the costs and meet the requirements for issuing bonds, said Mr. Dancourt.

"We identified this opportunity," he said. "Even though [these companies] want the financing and they can explore the capital markets in the future, at this point in time they are not ready."

He noted, however, that the new fund will focus on "sustainable" businesses that also have access to traditional banking credit.

"We are not looking to replace the banks," he said.

HMC plans to invest from the new fund at about $5 million per transaction through senior-debt instruments with maturities of up to five years, Mr. Dancourt added. The firm is targeting a roughly 8% net return for the private-debt fund.

HMC Capital was founded in 2009 by Ricardo Morales and Felipe Held, former executives of Chilean investment bank Larrain Vial SA. The firm, which acts both as placement agent and asset manager, also has a real-estate strategy and owns a stake in GSV Asset Management, an investment firm focused on Silicon Valley.

Earlier this year, HMC set up a stock fund in Chile that gives investors passive exposure to alternative assets by tracking an index designed to emulate the performance of private-equity funds, WSJ Pro Private Equity previously reported.

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