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Korea Pension Enters Private Equity, H&Q AP Raising \$400M Fund

South Korea's National Pension Corp. has decided to invest capital into buyout firms, selecting **H&Q Asia Pacific** and Shinhan Private Equity to receive a total of \$350 million.

H&Q Asia Pacific, along with Hyundai Securities and Wise Asset Management, received \$200 million. Shinhan Private Equity, part of the Shinhan Financial Group, received \$100 million. These investments mark the first time the Korean pension has been able to invest in buyout funds.

Starting with the \$200 million commitment from the Korean pension, H&Q Asia Pacific plans to raise a fund with a \$400 million target to investments in South Korea,

according to Dr. Ta-lin Hsu, chairman and founder of H&Q Asia Pacific. The majority of the remaining capital will come from Korean institutions.

Hsu said eight or nine regional private equity players were asked to bid for the commitments in March after South Korean legislation changed, allowing the pension to invest in buyout funds. He added his firm wasn't thinking of raising a Korea-specific fund at this time, but changed their mind after receiving the notice from the National Pension Corp.

Hsu added the genesis for the law change was the success foreign investment firms had in restructuring South Korean financial institutions. H&Q Asia Pacific and Carlyle both had quite successful exits in South

Korea recently and reportedly paid no tax in South Korea on the exits.

"South Korea is feeling they ought to put their own pension fund to work if there is money to be made in private equity," Hsu said.

The wave of financial restructurings is probably over, Hsu added. But, he said, opportunity in the country remains.

"There are still many companies, both public and private, that are in the hand of creditors as a result of the IMF crisis," Hsu said. "Many of these creditors need to get out now and they require a restructuring capability in addition to capital from private equity managers."