

PROVENTUS NEWS 2009-09-02

PROVENTUS IS ESTABLISHING PROVENTUS CAPITAL PARTNERS TO INCREASE FOCUS ON INVESTMENTS IN CORPORATE BONDS

A note from Daniel Sachs, CEO of Proventus:

Dear Partners, Colleagues and Friends,

Proventus is establishing Proventus Capital Partners – a co-investment vehicle focusing on private corporate loans and public corporate bonds. The Fourth Swedish National Pension Fund (AP4), Folksam and Proventus have in a first closing funded Proventus Capital Partners with approximately EUR 150 million.

Proventus has in the past few years moved to meet what we believe to be an important, unfilled need among mid-sized European companies that are in expansion, generational shifts or restructuring, but are unable to acquire bank financing and unwilling to dilute current ownership to fund such initiatives.

Through Proventus Capital Partners, we will invest our own and external funds in public corporate bonds, leveraged loans and private corporate loans to mid-sized companies in need for growth and restructuring capital.

We see this as a major investment opportunity, targeting capital needs that cannot currently be financed because of restrictive loan policies of banks and others. The enormous needs of refinancing and restructuring that European industry is facing, in addition to upcoming generational shifts, will create interesting investment opportunities. We think there is a significant need for a more active bond market and aim to take part in developing it.

The bond market needs to become more liquid and transparent in order to be an efficient source of capital and of interest to potential investors, thus contributing to getting capital markets back to normal function. Also, the bond markets' corporate governance structures and procedures are underdeveloped. Many bondholders will find themselves in situations where activity is needed to protect their interests, but without the necessary tools. Too many bondholders have been squeezed between banks and equity holders in the last year and there is a need for active investors in this market.

Our ambition is to grow into that gap in the market, by becoming a problem solver for those mid-sized companies in need of capital or restructuring. We don't have a single formula for our relationships with potential borrowers, but will try to find the right mix of active participation and capital structure for each individual case. What is important to us is keeping a close working relationship with management and owners, so that we can anticipate changing needs as they may arise.

The European market for corporate bonds a few years ago was just one fifth of what it is in the US, but after the financial crisis, beginning in 2007, it has grown tremendously. Proventus has invested in public European corporate bonds since the late 1990s and we believe that by analysing the individual business situation of the borrowers, using the same framework as we would employ in an equity situation, we can identify high-yield corporate bonds with lower risk of default, and substantially higher recovery rates than the high-yield market in general. We also believe that we can add value in case of bond defaults, not necessarily by being a substantial investor in terms of size, but by having a clear analysis and plan for how to protect value.

Proventus Capital Partners had a first closing in August 2009 and will be open for further investments during the autumn of 2009. We hope that many other investors will join us. If you find this interesting, please don't hesitate to contact me.

Best regards,
Daniel Sachs
CEO Proventus

[Download the press release issued today...](#)

IN THE MEDIA

Daniel Sachs, CEO of Proventus, is being interviewed in today's Swedish business daily *Dagens Industri*.

[Read abstracts of the article \(in Swedish\)...](#)

LOOK AT OUR NUMBERS, READ OUR TALK

Proventus' annual report 2008 consists of NUMBERS, which is the more formal description of the development of the company, and the supplement TALK which is part of a series of conversations on issues that concern us as capitalists and citizens. This year's TALK, with the subtitle "reflections on consumerism", includes a documentation of several conversations between designers, architects, theorists and practitioners on the future of consumption.

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STAY UPDATED

If you have an interest in Proventus, our projects and activities, there is always up-to-date information on proventus.se. The aim of this site is to show our wide range of engagements, convey our values, release news about our projects and function as a node for the Proventus group.

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KATARINAVÄGEN 15 BOX 1719 SE-111 87 STOCKHOLM SWEDEN PHONE +46 8 723 31 00 FAX +46 8 20 57 25 WWW.PROVENTUS.SE