
Street Talk

Special sits investor Arbitrium eyes \$300m for new fund

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Two-year-old special situations credit investor Arbitrium Capital Partners has begun doing the rounds for a new a \$300 million fund.

Arbitrium's co-founder Mukhtader Mohammed, best known in restructuring circles for his work at Deloitte on Virgin Australia's administration, has already raised \$230 million on a deal-by-deal basis from some deep-pocketed backers.

He's now heading out with the strategy bundled as a fund, named Arbitrium Capital Partners Fund, to plough into a growing pipeline that's likely to get bigger as inflationary pressures cut into companies' EBITDA and compress headroom to debt covenants.



Arbitrium Capital Partners' Mukhtader Mohammed. **Dominic Lorrimer**

The new closed-ended fund, which Arbitrium did the paperwork for in March but started marketing in the past few weeks, would plough the \$300 million into six or eight deals with a target 10 to 13 per cent annualised return on the loans, increasing to 17 to 20 per cent after adding enrichments like milestone payments, equity warrants and convertibles.

The fund's playing field is mid-sized corporates looking for \$20 million to \$80 million, that are non-investment grade but have strong asset backing via property, plant, equipment or good-quality receivables. The fundraising documents sent to potential investors said it's picked its ticket size after considering both ends of the range: family offices were happy to cut sub \$20 million cheques, while banks usually looked past \$80 million.

As for track record, it's deployed or committed about half of the \$230 million raised so far into three deals, which were travelling at about 10 to 11 per cent annualised return. Enrichments, which come further into the loan's lifecycle, were expected to push the returns closer to 17 to 20 per cent.

The flyer was shrouded on actual deals. But Street Talk's previously reported Arbitrium cut a cheque to Drillman Australia's purchase of Sandvik's global drill manufacturing business. [<https://www.afr.com/street-talk/local-debt-investor-arbitrium-capital-seals-first-deal-20210606-p57yhx>]

It's the kind of spicier debt fund that Street Talk doesn't see often in local investors' slush piles, who tend to be more invested in real estate credit.

But Arbitrium's team should help open the doors: former CVC boss Sandy Beard and Melbourne landowner Patrick Handbury are on its advisory board, while former Tasplan (since renamed to Spirit Super) chief investment officer Ian Lundy and ex Equity Trustees' exec Harvey Kalman are also involved. Recently deceased steel industry titan Ray Horsburgh was its chair.

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