

Coller Capital



Latin American Private Equity Survey

❖ 2013

A UNIQUE PERSPECTIVE ON THE ISSUES AND OPPORTUNITIES
FACING INVESTORS IN PRIVATE EQUITY IN LATIN AMERICA

Coller Capital/LAVCA *Latin American Private Equity Survey*

The *Survey* is a unique snapshot of both domestic and international investors' views of private equity in Latin America.

The *Survey* captures the views of 105 private equity investors (Limited Partners or LPs) from around the world.

The findings are globally representative of the LP population by:

- Investor location
- Type of investing organisation
- Total assets under management
- Length of experience of private equity investing

Contents

Key topics in this edition of the *Survey* include:

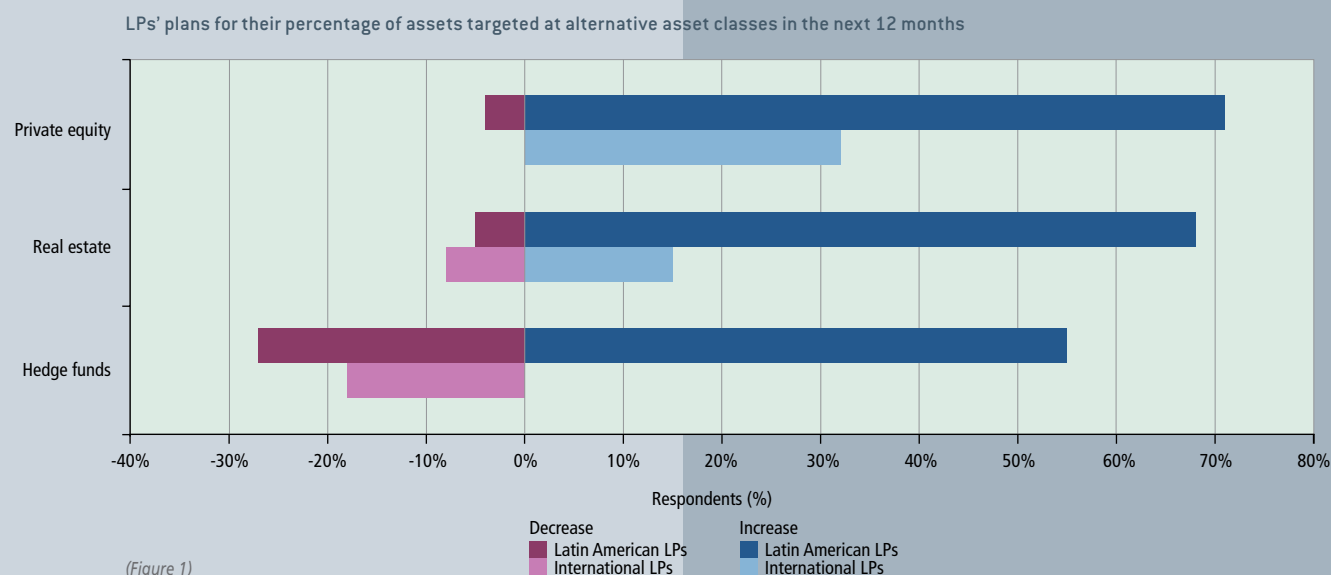
- LPs' appetite for Latin American private equity
- Opportunities/challenges for PE investment
- Attractive countries & sectors in Latin American PE
- Means of accessing Latin American private equity
- Direct investments and co-investing by LPs
- LPs' use of consultants/gatekeepers
- LPs' return expectations
- The exit market
- GPs' first Latin American funds
- Influence of ESG considerations on LP investment decisions

Abbreviations

- Limited Partners (LPs) are investors in private equity funds
- General Partners (GPs) are private equity fund managers
- Private equity (PE) is used as a generic term covering venture capital, growth capital, buyout and mezzanine investments
- 'International' investors are defined as LPs headquartered outside Latin America

Target allocations to PE and RE rising; hedge fund appetite mixed

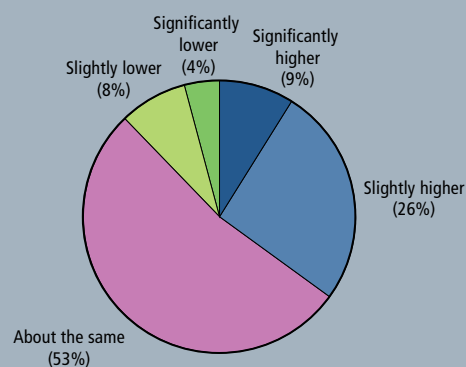
LPs' overall target allocations to private equity and real estate are expected to rise over the next year. (This is particularly true for Latin American investors). However, LPs' appetite for hedge funds remains mixed.



One third of investors are accelerating new commitments to Latin American PE

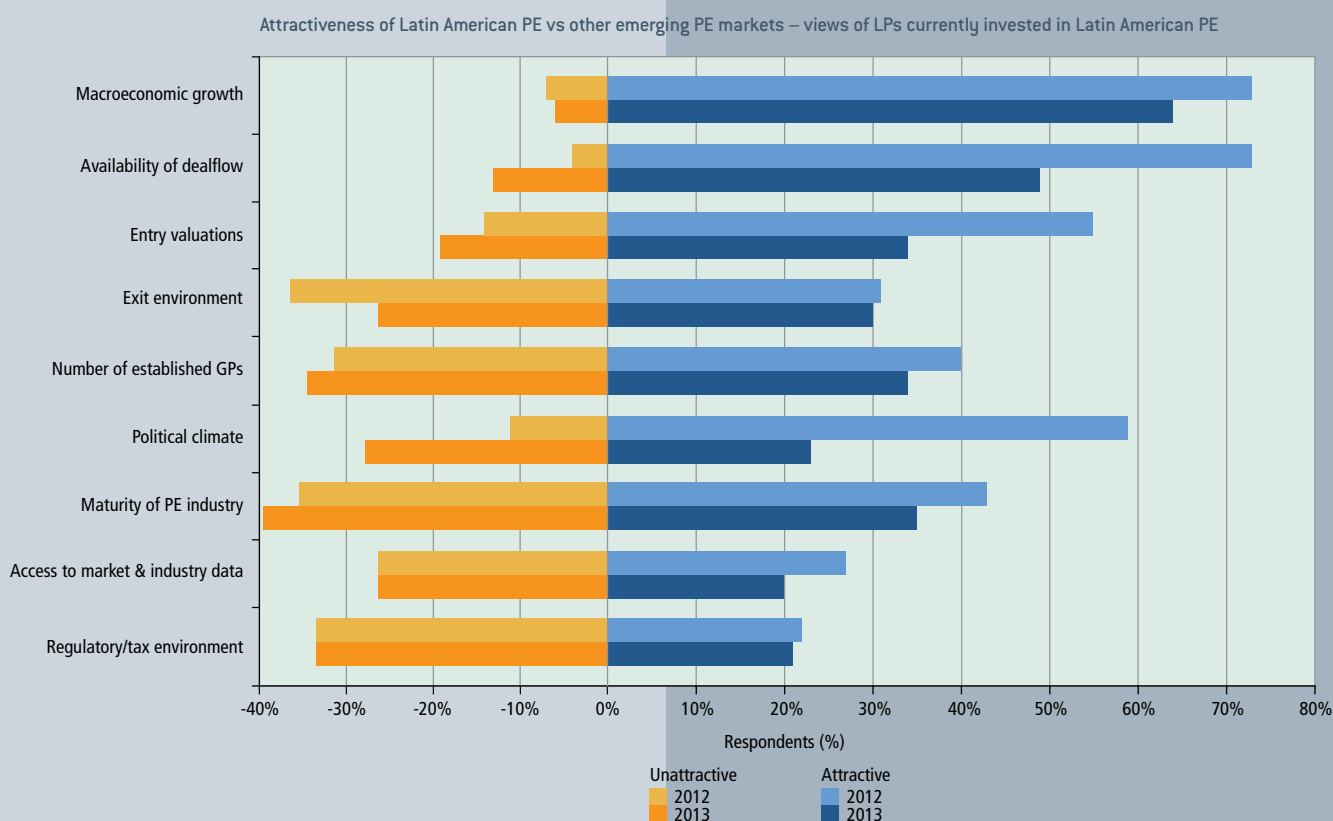
35% of LPs with PE exposure to Latin America plan to accelerate their new commitments to Latin American PE funds in the next 12 months. (Latin American and international LPs have similar intentions).

LPs' anticipated level of new commitments to Latin American PE in the next 12 months vs last 12 months



Latin American growth attracts LPs despite challenges

Latin America's growth story remains attractive to investors, though some challenges have emerged since last year, particularly in terms of the region's political climate, dealflow and entry valuations.

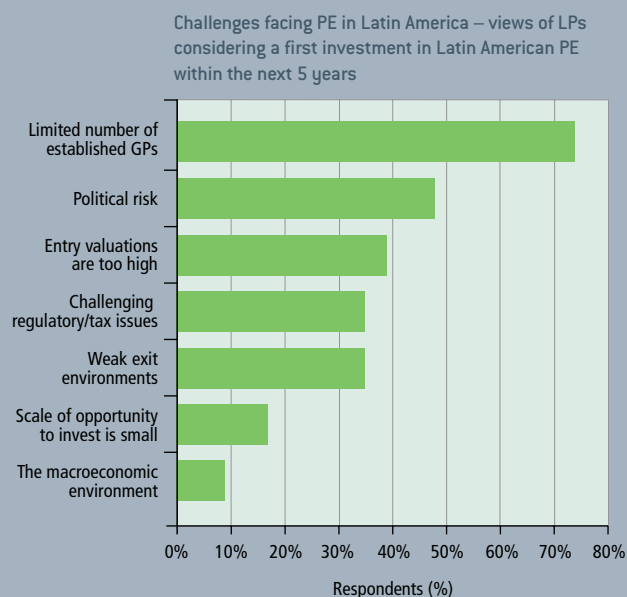


(Figure 3)

Limited experience of GP community main deterrent for prospective LPs

Investors considering a first commitment to Latin American PE within the next five years see the limited number of established GPs as the largest obstacle.

Interestingly, investors that already have exposure to Latin American PE see the region as neither better nor worse than other emerging markets in this regard.



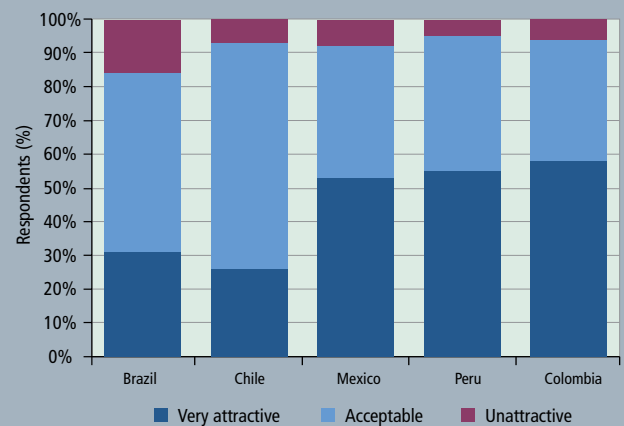
(Figure 4)

Most attractive opportunities are in Latin America's newer PE markets, LPs say

Over half of LPs believe Mexico, Peru and Colombia will provide very attractive markets for GP dealmaking in the next two years.

Mexico is the country about which Latin American and international investors differ most. Two thirds of Latin American LPs see it as very attractive vs only 38% of international LPs.

The attractiveness of Latin American markets for GP investment over the next 1-2 years – LP views



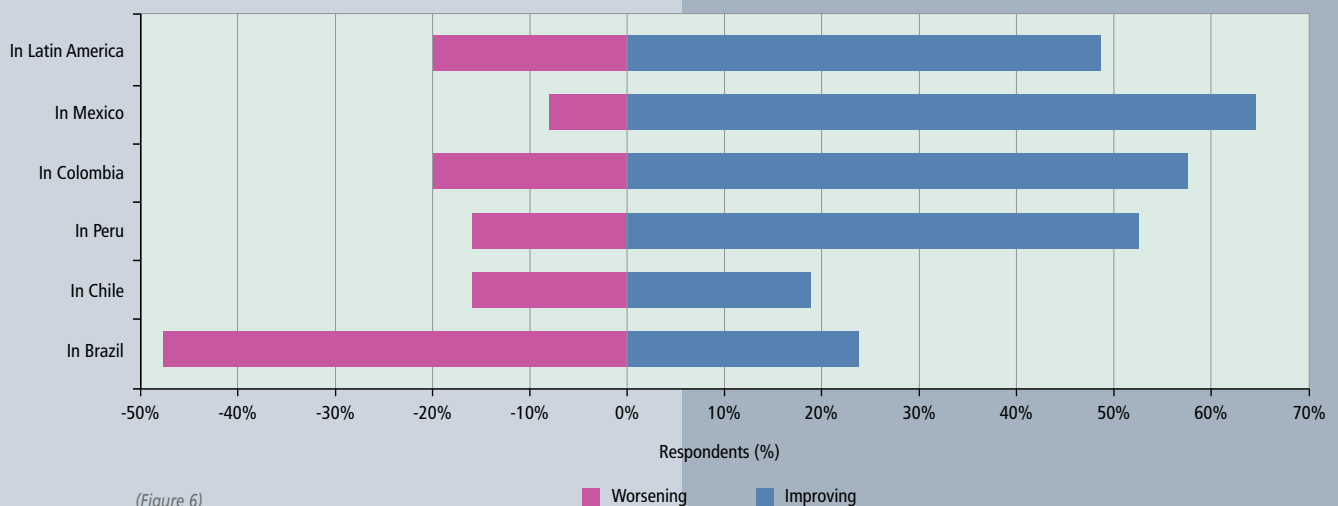
(Figure 5)

The risk/return equation for Latin American PE is improving, LPs think

The overall improvement in the risk/return equation for Latin American PE is reflected in very strong scores for Mexico, Colombia and Peru.

However, almost half of LPs see the risk/return equation deteriorating in Brazil. (Latin American and international LPs have similar views in this area).

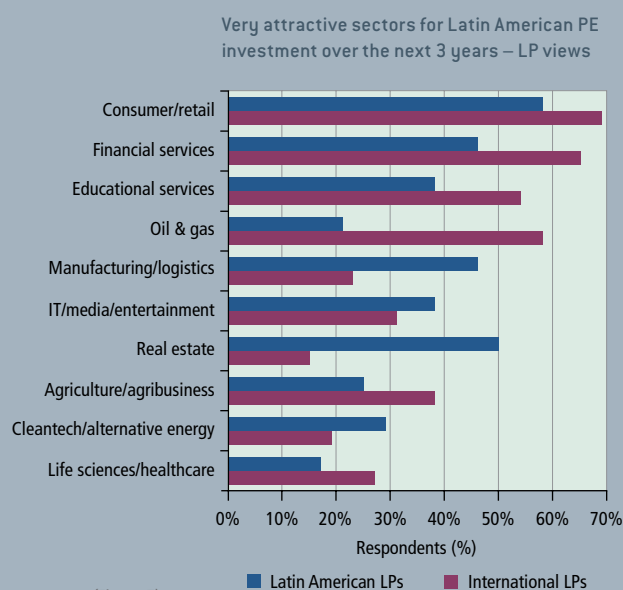
The risk/return equation in Latin America – LP views



(Figure 6)

Latin American and international LPs differ on industry sectors

There is a marked difference in how Latin American and international investors see the attractiveness of individual industry sectors in Latin America. Latin American LPs see manufacturing/logistics and real estate as more attractive than international LPs do, while international LPs see the oil and gas sector as more attractive than Latin American LPs do.

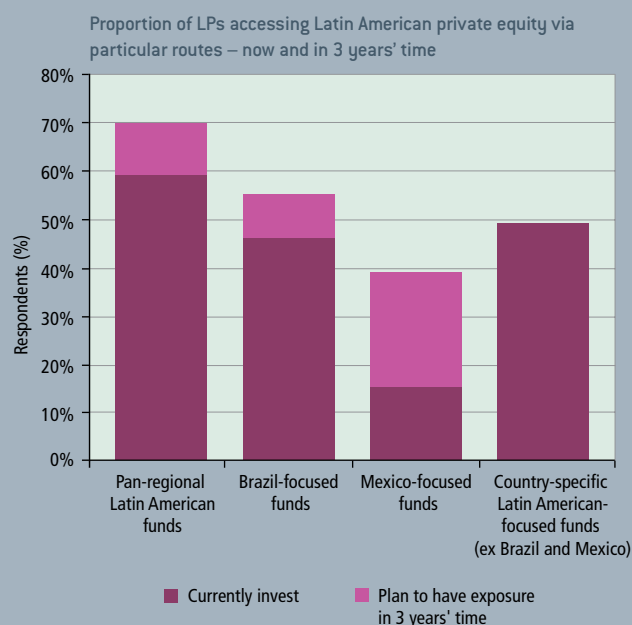


(Figure 7)

Mexico-focused funds set to boom

Just 15% of investors with Latin American PE exposure have committed to Mexico-focused funds. However, within three years, one fifth (22%) of Latin American LPs and fully one half of international LPs currently invested in Latin America expect to have commitments to Mexico-specific PE funds.

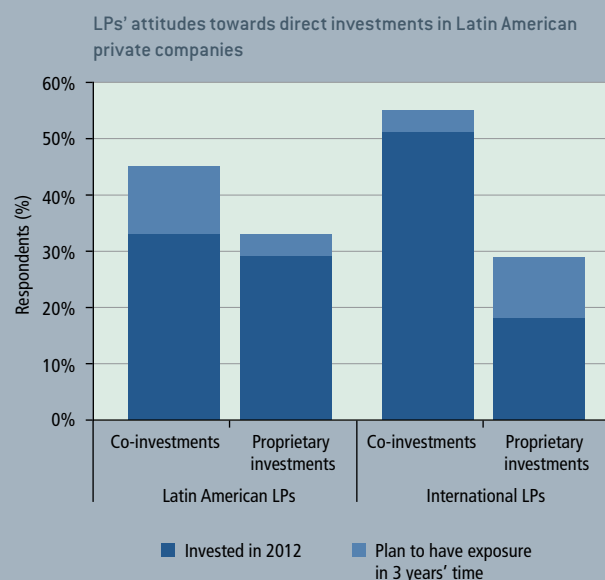
Overall, pan-regional Latin American funds remain the most popular method of accessing Latin American PE for both domestic and international LPs – 59% of LPs currently invest this way; 70% of investors expect to be doing so within three years.



(Figure 8)

Latin American and international LPs' attitudes to direct and co-investments are aligning

In the 2012 Survey, Latin American investors had a stronger appetite for making proprietary investments in private companies (directs) than international LPs – and for co-investments the picture was reversed. However, within three years, LP exposure to these two forms of PE will be more homogenous.

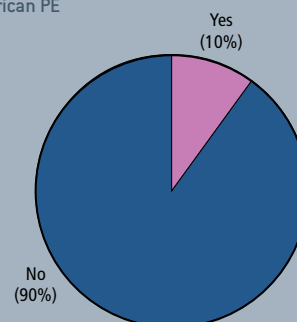


(Figure 9)

Consultants/gatekeepers little used for Latin American PE

Only one in 10 Latin American and international LPs use consultants or gatekeepers to help them make commitments in the region.

LPs employing consultants or gatekeepers to access Latin American PE



(Figure 10)

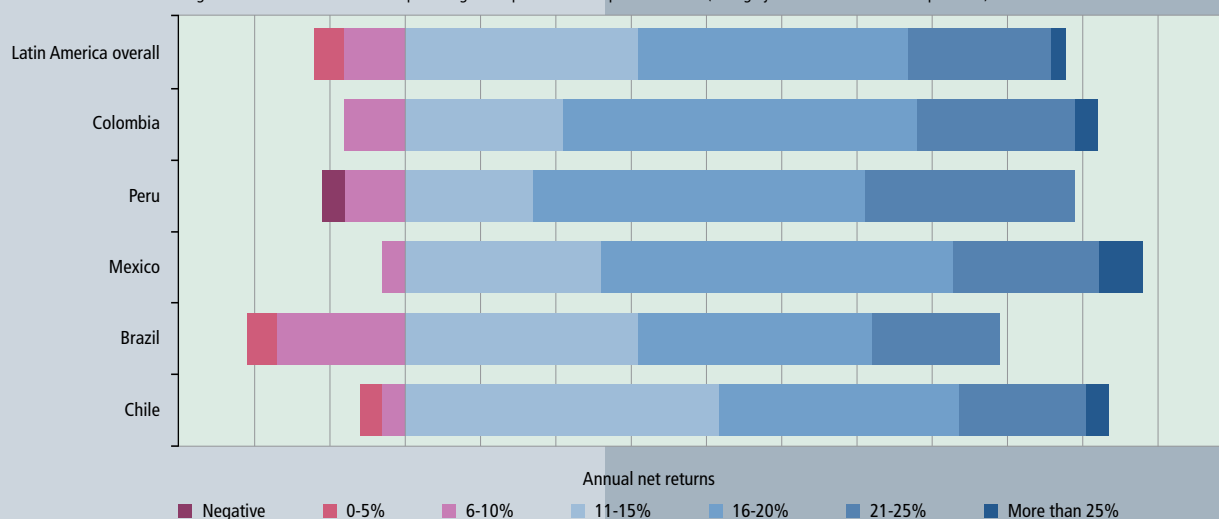
More than half of LPs expect returns of 16%+ from Latin American PE

56% of LPs anticipate annual net returns of 16% or more from their Latin American PE portfolios over the next 3-5 years – and fully 88% expect net returns of 11% plus. (Since the onset of the global financial crisis about one third of investors have expected net returns of 16%+ from PE overall).

Approaching three quarters of LPs expect PE portfolios in Colombia, Peru and Mexico to deliver annual net returns of 16% or more. Half of LPs expect the same for Brazil and Chile.

LPs' annual net return expectations for Latin American PE over the next 3-5 years

Length of each coloured bar indicates percentage of respondents with specified returns (Each grey line interval = 10% of respondents)

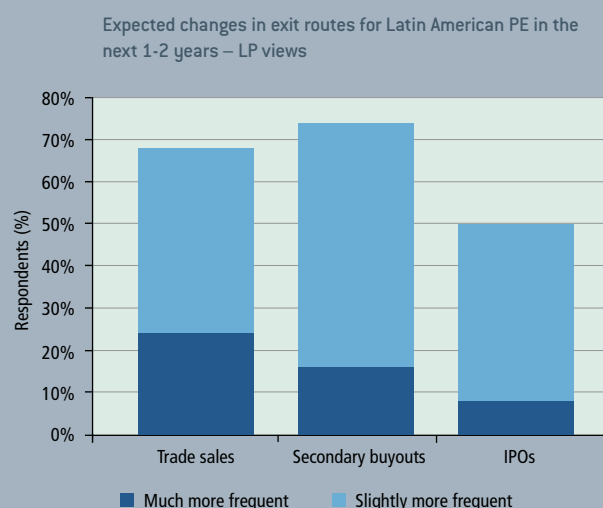


(Figure 11)

Trade sales to remain Latin America's dominant exit route

Trade sales have been by far the most popular exit route for Latin American PE over the last year or so. LPs expect them to increase further in importance in the next couple of years.

An improved exit climate generally is expected to be reflected in slightly more secondary buyouts and IPOs.

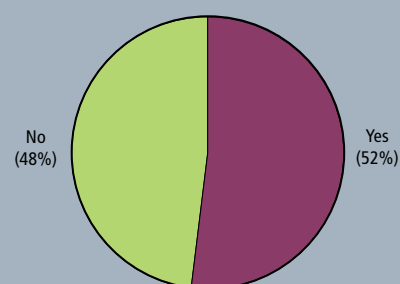


(Figure 12)

Half of Latin American LPs have recently invested in a GP's first Latin American fund

52% of Latin American LPs have invested in a GP's first Latin American fund in the past 18 months. One quarter of international investors have done the same.

Latin American LPs that have invested in a GP's first Latin American fund in the last 18 months

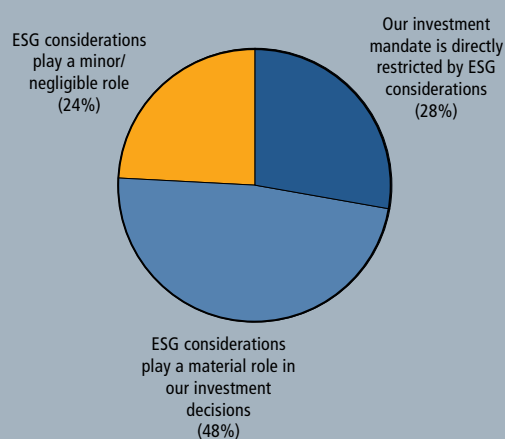


(Figure 13)

ESG issues are important to LPs in Latin American PE investing

Three quarters (76%) of LPs claim that environmental, social and governance (ESG) considerations materially impact their fund selection process in Latin America. (28% of LPs have investment mandates directly restricted by ESG issues).

Impact of environmental, social and governance (ESG) considerations on LPs' fund selection processes in Latin America



(Figure 14)

Collier Capital/LAVCA Latin American Private Equity Survey

Respondent breakdown

The *Survey* researched the plans and opinions of 105 investors in private equity funds. These investors, based in Latin America, North America, Europe and Asia-Pacific, form a representative sample of the LP population worldwide.

About Collier Capital

Collier Capital, the creator of the Barometer, is the leading global investor in private equity secondaries – the purchase of original investors' stakes in private equity funds and portfolios of direct investments in companies.

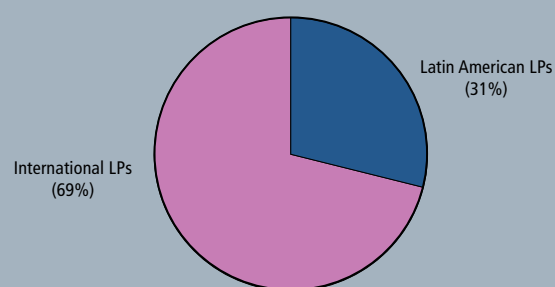
About LAVCA

The Latin American Private Equity & Venture Capital Association (LAVCA) is a not-for-profit membership organisation dedicated to supporting the growth of private equity and venture capital in Latin America and the Caribbean. LAVCA's membership is comprised of over 150 firms, from leading global investment firms active in the region to local fund managers from Mexico to Argentina. Member firms control assets in excess of US\$50 billion, directed at capitalising and growing Latin American businesses.

Research methodology

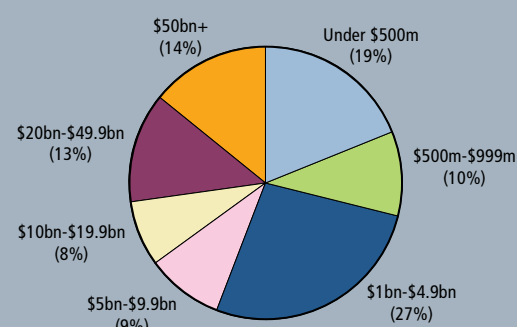
Fieldwork for the *Survey* was undertaken for Collier Capital and LAVCA in June-July 2013 by Arbor Square Associates, a specialist alternative assets research team with over 50 years' collective experience in the PE arena.

Respondents by region



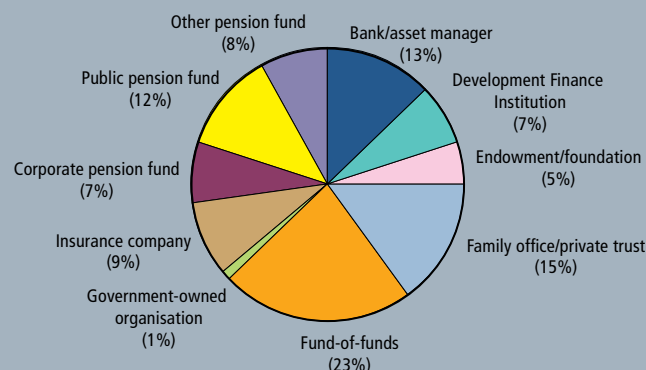
(Figure 15)

Respondents by total assets under management



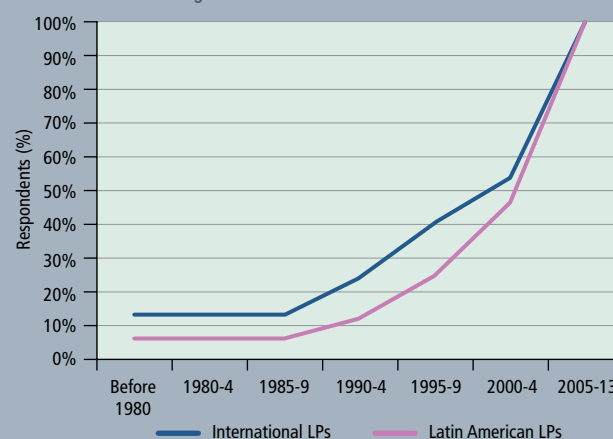
(Figure 16)

Respondents by type of organisation



(Figure 17)

Current investors in Latin American PE – by year in which they started to invest



(Figure 18)



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