

Latin America becoming an investment powerhouse

Global asset managers increasingly turning to Latin America to expand their businesses
Latin American investors are seeking the 'badge' of Luxembourg UCITS

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The spotlight is set to remain focused on Brazil and Latin America over the coming years, but not just in a sporting sense.

There is growing interest from around the world to invest in Latin America, whilst there is also a significant level of domestic capital looking for global asset managers. As a result, we expect that the wider region will continue to evolve into a strategic marketplace for money management.

The Latin American asset management industry is already ranked 6th in the world with an estimated USD1.5 trillion assets under management, up from USD0.3 trillion in 2002¹. Indeed, forecasts by the U.N. Economic Commission show that Latin-American economic development will be the highest of all global regions during 2014.

A confluence of macroeconomic trends

A burgeoning middle class, supportive population dynamics, the increasing maturity of economic and political structures and the formation of new economic blocs like the Pacific Alliance between Chile, Colombia, Mexico and Peru are driving worldwide interest in Latin America.

In addition, as the five major economies of Brazil, Mexico, Chile, Colombia and Peru look to accelerate their growth story, the creditworthiness of the region has improved. Moody's recently upgraded Mexico's government bond ratings to A3, joining Chile as the only other country in the region with an A3 rating. Mexico also has been upgraded by S&P and Fitch to BBB+. Also the credit ratings of Colombia, Ecuador, Mexico, Paraguay and Peru have improved since 2013.

Opportunities for fund managers to expand in Latin America

A recent report² reveals that 57% of investors believe that Latin America presents more attractive investment opportunities than other emerging markets. Meanwhile, Brazil remains the most prominent destination for Latin America-focused investment, ahead of Colombia, Mexico and Peru.

Concurrently, as the region becomes increasingly active, investors from Latin America are also looking for new global strategies. High Net Worth Individuals (HNWIs) in Latin America are estimated to



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>> Latin America is very open to foreign asset managers who wish to establish long-term transparent relationships <<



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invest one-third of their portfolio outside their home market, which will only increase the potential for foreign asset managers seeking to launch their products in this region. HNWI's are particularly interested in cash or cash equivalents (29%) followed by real estate (28%), fixed income (20%), equities (12%), and alternative investments (12%), with most (22%) of their alternative investments being in private equity³. Importantly, investors from Latin America are looking for trusted and secure managers, and ahead of investors from any other region, HNWI's further prefer direct contact with investment managers.

In line with this, important factors for new managers entering the region are:

- Launching strategies that are attractive to the specific markets
- Establishing strategic distribution relationships
- Ensuring a local presence and long-term commitment to the region

Luxembourg UCITS – the vehicle of choice

UCITS made in Luxembourg are a widely accepted investment for institutional investors, including pension funds, banks and broker dealers in Latin America. We are already seeing local pension funds in Chile and Peru as well as Colombia, which are keen to invest in UCITS. Chilean pension funds manage over USD170 billion and use their foreign investment quota, which has raised nearly 80%, to invest in Luxembourg UCITS. At the end of 2013, 1,466 Luxembourg UCITS were registered in Chile and 767 in Peru. The preference for Luxembourg UCITS is supported by the regulatory environments in the region which restrict mandatory pension schemes to investing in funds that are deemed the safest.

Latin American asset managers are also launching UCITS funds to broaden their investor base. Independent asset managers in particular are looking to launch UCITS-compliant versions of their strategies to attract investors from Continental Europe. Whereas big market players tend to use their established relationships with the big investment banking platforms, smaller and middle size managers often seek independent partners and platforms.

As the world looks to invest in Latin America, it is important to remember that substantial growth differences between the countries still remain. Many international firms are enthusiastic about entering the Latin American markets, but local knowledge of the markets and potential customers is essential to future success.

1. The BCG Global Asset Management Benchmarking Database 2013
2. A special report by Preqin on Latin America
3. The Global High Net Worth Insights Survey 2014 from Capgemini, RBC Wealth Management, and Scorpio Partnership queried more than 4,500 HNWI's across 23 major wealth markets in North America, Latin America, Europe, Asia-Pacific, the Middle East, and Africa.

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Established in 2007, Alceda is represented in 4 countries, with offices in Luxembourg, Hamburg, London and Hong Kong. With over 70 employees worldwide, Alceda has over USD 8bn in Assets under Administration across a variety of products.

For more information please see: www.alceda.lu

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AFINA International Advisors S.A. (AIA), an independent specialist advisory firm focused in Latin America, provides access to investment opportunities to key relationships throughout the region. AIA offers asset managers in Latin America access to the Global markets by using the Alceda UCITS Platform. AIA connects investors with innovative, independent, proven and regulated strategies across the globe and brings global independent asset managers to the Latin American investor.

For more information please see: www.afinaholdings.com

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