

Everything to play for in Latam

LatAm FM takes a look at some of the prominent fund launches of 2011, speaks to leading Latam practitioners about how the fund industry has fared through the year and asks which key variables will be crucial to success in 2012

By Annie Roberts

Relatively low inflation and sustainable growth are two attributes that have so far protected Latam from the downfall of the global economy. Also, public debt is low as a percentage of GDP, and the region's banks have enough liquidity and capital to endure a financial crisis.

Against this backdrop, assets under management in the Latin American fund industry in Latam grew to \$1.2trn. 2011 saw investors shifting their assets from balanced funds to fixed income due to the market volatility and the biggest fund launches were fixed income products managed by large retail and independent asset managers.

The global economy is in turmoil but according to the IMF, Latam is well placed to resist the deepening global crisis. The IMF believes the Latam economy will continue to grow in the next few years.

According to the IMF's latest World Eco-

nomic Outlook, Latam experienced a fast economic expansion in the first half of 2011, thanks to "vibrant activity in many of the region's commodity exporters." The expansion started to slow down in the second half of the year, but not to critical levels.

The IMF report is positive about the region: "Financial conditions have become, to a certain extent, more unstable with the increased synchronisation of world markets and the growing aversion to risk, but the impact on Latam so far has been limited."

"Inflation will stay at an average of a manageable 6% for 2012, mainly due to the fact that those countries more inclined to have high inflation - Brazil, Chile, Colombia, Mexico, Peru and Uruguay - have managed to control it and keep it low. Their central banks have increased interest rates to keep inflation down, despite the trend in other economies (mainly in Europe) to keep interest rates low, in order to fuel domestic consumption as a tool for economic growth."

Private equity

According to the Latin American Venture Capital Association (LAVCA), the influx of new private equity and venture capital players in Latam will continue to gather momentum in 2012.

"Global asset managers, funds of funds and institutional investors are making trips, forming partnerships and opening local offices. There is intense competition to recruit local executives with relevant experience, and PE managers cite human capital as the greatest constraint to building a presence in Brazil in particular. At the same time, local firms in Colombia, Chile, Peru and Argentina are aiming to build regional scale to access deal flow across multiple markets, and are looking to expand their reach into neighbouring countries."

“Certainly domestic consumption was the key driver in 2011 and, given the current world growth prospects, it should still be the chief driver in 2012 (provided local inflation stays on track).

"2012 will probably be a thorny year too. Even if US avoids recession and China does not hard land, EU depressing growth prospects will definitely hinder world growth and, therefore, affect Brazilian GDP. Nonetheless, Brazil is at least well positioned to benefit from its strong domestic consumption and historic low levels of unemployment.

"Inflation is definitely the key variable to monitor over the next year because it has a critical impact over disposable income and, therefore,



VIEWPOINT

Frederico Mesnik
CEO, Humaita
Investimentos

domestic consumption. Competition from foreign products (particularly Chinese) are likely to be another challenge considering that exporters will redirect their goods from EU markets to other potential trade partners like Brazil."

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VIEWPOINT

Silvia Bugelli, founding partner, Almeida Bugelli e Valença Advogados Associados

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The HFA comes to Latam

The non-profit Hedge Fund Association (HFA) expanded into Latam in March this year. Victor Hugo Rodriguez, CEO of LatAm Alternatives, was appointed by the HFA's board to serve as the director of the Latin American Regional Chapter alongside a well-known panel of board members to represent the entire Latam region.

"The Latin American Chapter is already one of the fastest growing chapters of the HFA and we think this is reflective of the fact that alternatives in Latin America are coming of age and are ready for prime time," says David Friedland, president of the HFA and president of Magnum US Investments.

Rodriguez explains that the HFA's main focus is to educate the public, the media and the government, creating improved understanding and dispelling common misperceptions about the hedge fund industry in Latam.

JULY

- Vix rolls out low volatility fund

AUGUST

- Moreira Salles sets up \$1bn fund
- GS Advisors quadruple launch in Brazil

SEPTEMBER

- GBM launches Mexico growth fund in Brazil
- Schroders launches private equity fund
- Barings launches EM fund for LatAm equities, bonds
- Ibiuna double fund launch

OCTOBER

- Celfin rolls out latest real estate fund
- STK launches offshore Brazil equities fund
- Polo Capital double Brazil fund launch

NOVEMBER

- Pacifico debuts with two Brazil funds
- Euro Pacific Asset Management Launches EP Latin America Fund

DECEMBER

- Oceana offshore launch