

## Google Move and IPOs Draw Foreign Money to Brazil and LatAm

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Private equity and venture capital interest in Latin America is picking up, with some data suggesting investment in 2006 is outstripping the pace of recent years after a period of investor indifference.

Investment in the first six months of this year was US\$ 1.54 billion in Latin America, more than the US\$ 1.02 billion invested all of last year and the US\$ 609 million in 2004, according to Emerging Markets Private Equity Association (EMPEA).

Returns also have picked up after years of decline, and the best-managed funds are posting one-year returns of about 50%, said Sarah Alexander, executive director of EMPEA.

Several initial public offerings in Brazil this year, in tandem with Google Inc.'s acquisition last year from Brazilian venture firm Fir Capital of Akwan Information Technologies Inc, should be snapping investors out of their apathy toward Latin America, observers say.

"This is going to be a wake-up call for people who had forgotten about the region," said Umberto Pisoni, senior investment officer in charge of private equity investing in Latin America for the International Finance Corp.

Many private equity funds were unable to recoup their investments as initial public offerings were put on hold after the technology bubble burst and slammed equity markets.

The internal rates of return for funds that had invested in electricity distributor Equatorial Energia SA and business software provider Totvs SA topped 200%, Pisoni said in an interview last week. The two Brazilian companies went public this year.

Some of the best-managed private equity firms have internal rates of return of about 40%, although the average for Latin America has been in single digits or mid-teens, he said.

Fund raising for emerging market private equity more than tripled in 2005 to US\$ 22.1 billion from US\$ 5.8 billion the previous year, but the bulk, about US\$ 15.5 billion, went to Asia, with less to Japan, Australia and New Zealand, Alexander said.

She spoke during a presentation in New York yesterday of the Brazilian Association of Venture Capital and Private Equity.

Latin America attracted US\$ 1.3 billion last year, or less than half the funds raised for Central Europe and Russia at about US\$ 2.7 billion each, the Washington-based association said. The outlook for Latin America is clearly changing, she said.

The return of the IPO market and the strengthening of investor rights has helped reignite investor interest in Latin America, Julio Lastres, senior managing director, Americas, at Darby Overseas Investments Ltd., a unit of Franklin Resources Inc, said in a recent interview.

Corporate governance has improved in Latin America, while in Brazil the Novo Mercado stock market eliminated non-voting shares, bolstering investor rights.

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