



FONDO DE FONDOS

CORPORACIÓN MEXICANA DE INVERSIONES DE CAPITAL S.A. DE C.V.

February 10th, 2011

- **Emergence of the Mexican Economy,**
- **Attractive Domestic Market,**
- **PE / VC Industry.**



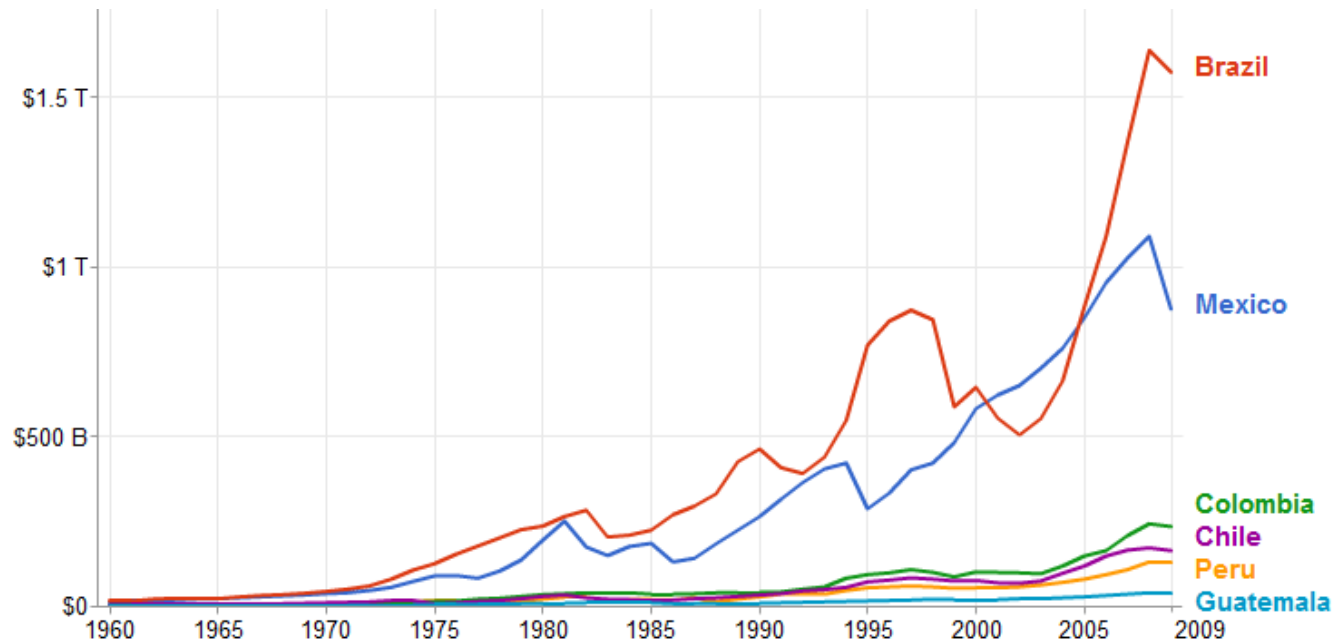
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Emergence of the Mexican Economy,

The Mexican Economy

- The economy of Mexico is the 14th largest in the world — 2nd only to Brazil in Latin America

Mexico GDP vs. Other Latin American Economies (Converted to current US Dollars)

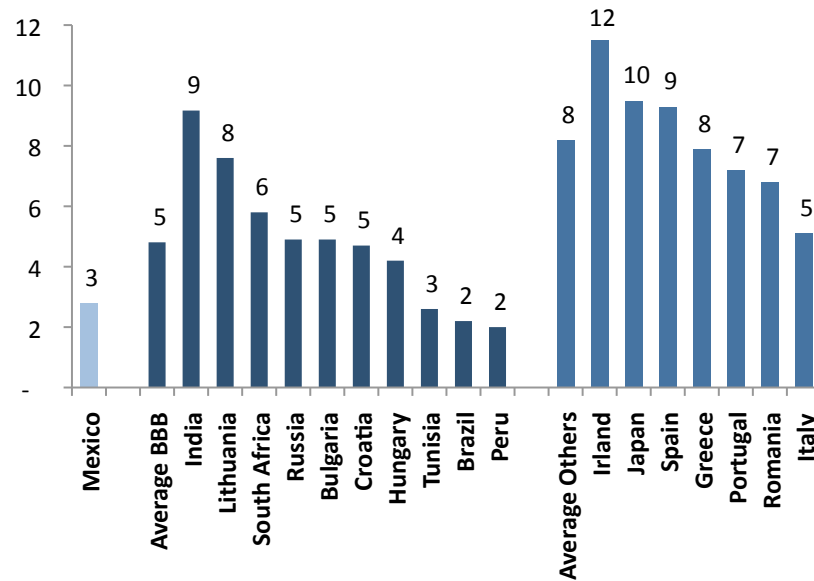


Source: World Bank, World Development Indicators - Last updated December 21, 2010

The Mexican Economy

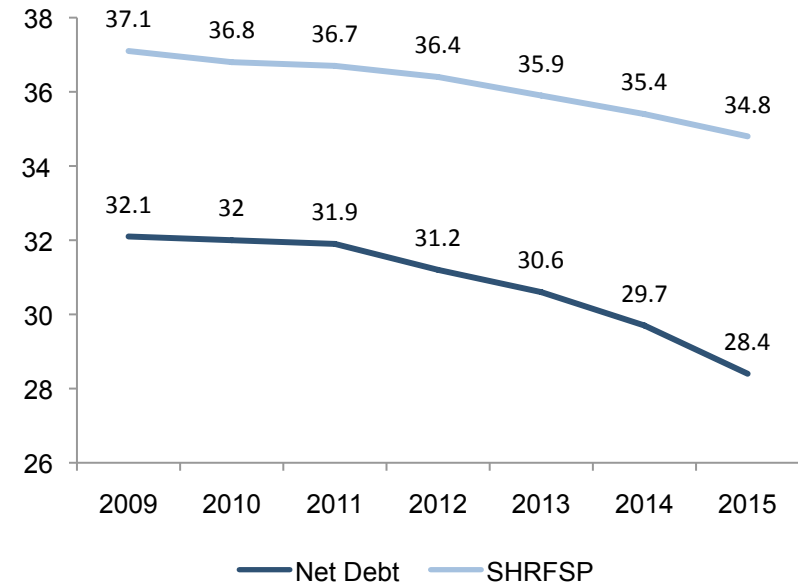
➤ Mexico's public finances are healthy due to a strict fiscal discipline.....

2010 Government Deficit as % of GDP



Source: SHCP & S&P

Net Public Sector Debt as % of GDP

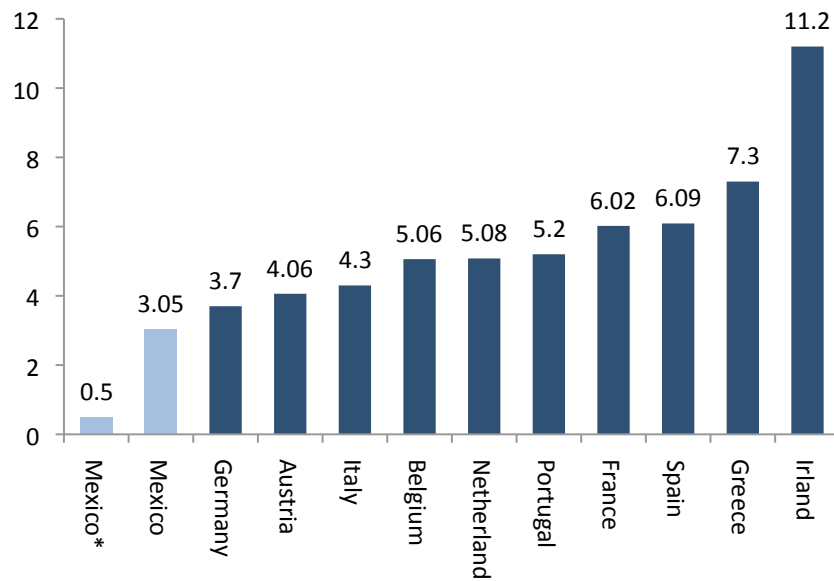


Source: SHCP

The Mexican Economy

➤ Mexico's public finances compare well among the current international situation

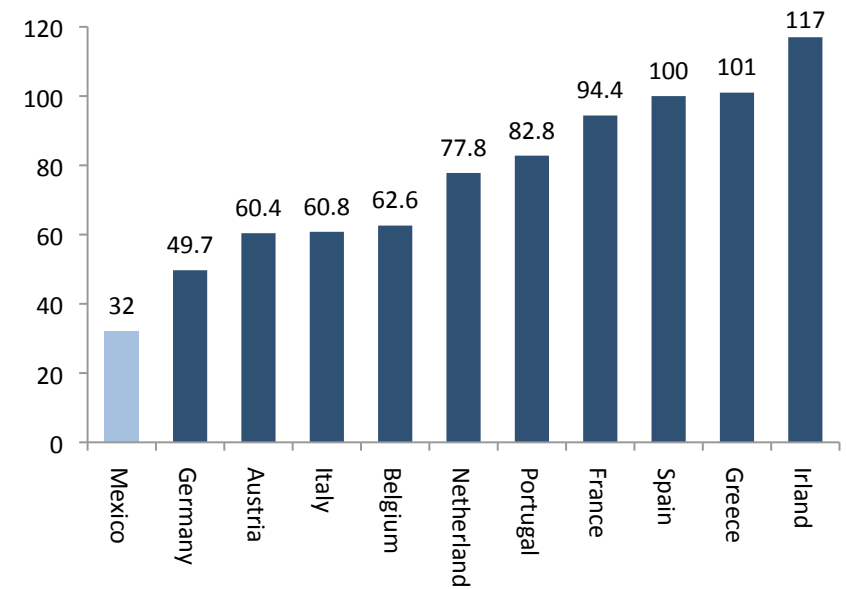
Forecasted Public Deficits as % of GDP



* Excluding Pemex Investments

Source: IMF

Forecasted Public Debt as % of GDP



Source: IMF

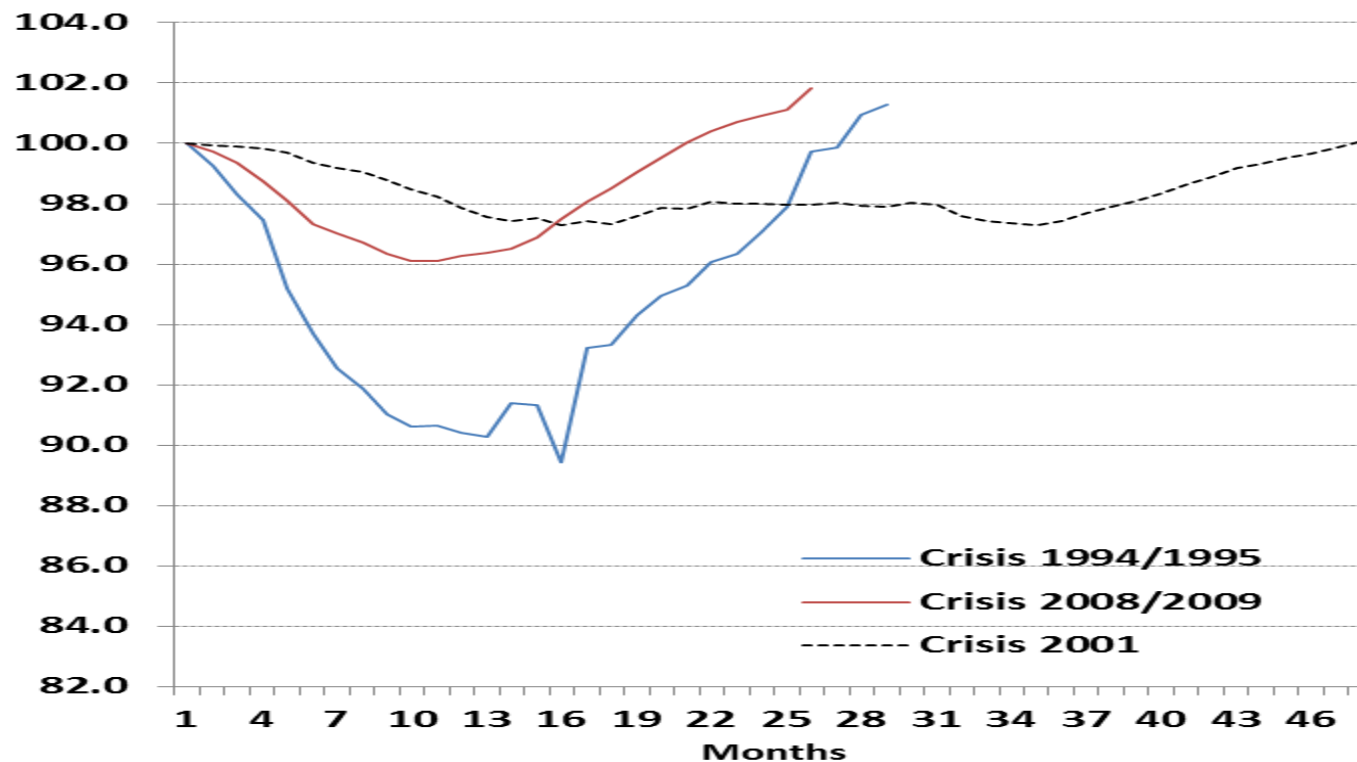
➤ **Strong Future Growth is Projected**



➤ **Despite a tumultuous 2008-2009, many predict Mexico will have strong growth over the next 40 years:**

- ✓ **“Real GDP in Brazil and Mexico is expected to increase by over 4 percent per year, nearly matching the GDP of Japan, today’s second largest economy, in 2050” (*The World Order in 2050, Carnegie Endowment, April 2010*)**

➤ **Employment Response (Seasonally adjusted data; monthly, 94:11=100, 08:09=100)**

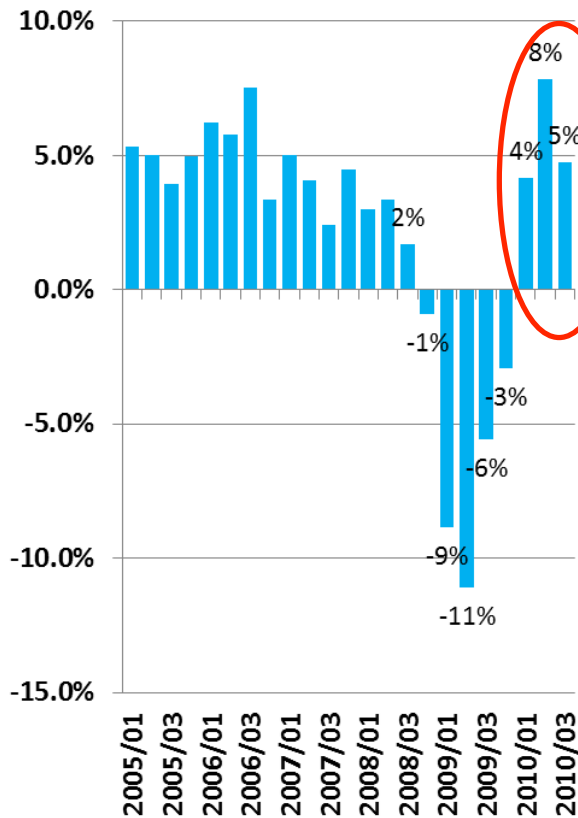


- ✓ **As compared with other economic cycles, employment has recovered faster after September 2008.**

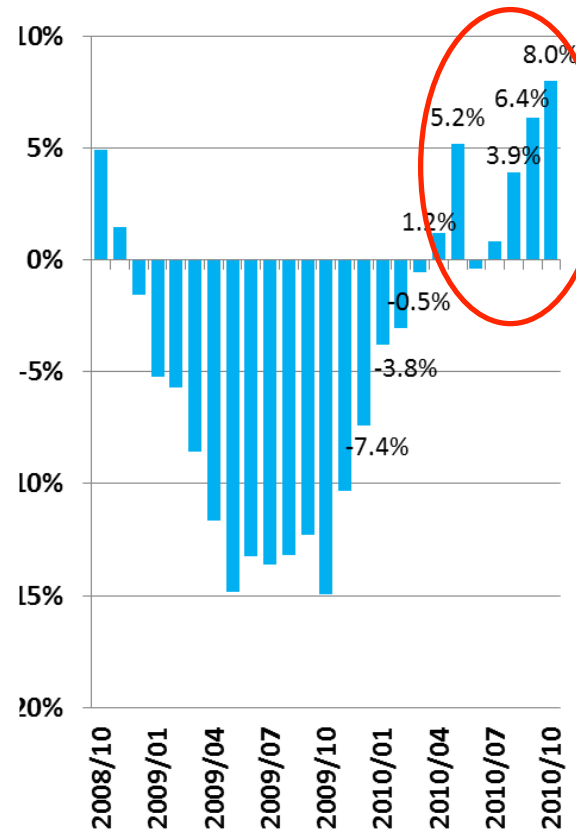
The Mexican Economy

- **Aggregate demand components also show strong signals of recovery (seasonally adjusted data; % of real growth)**

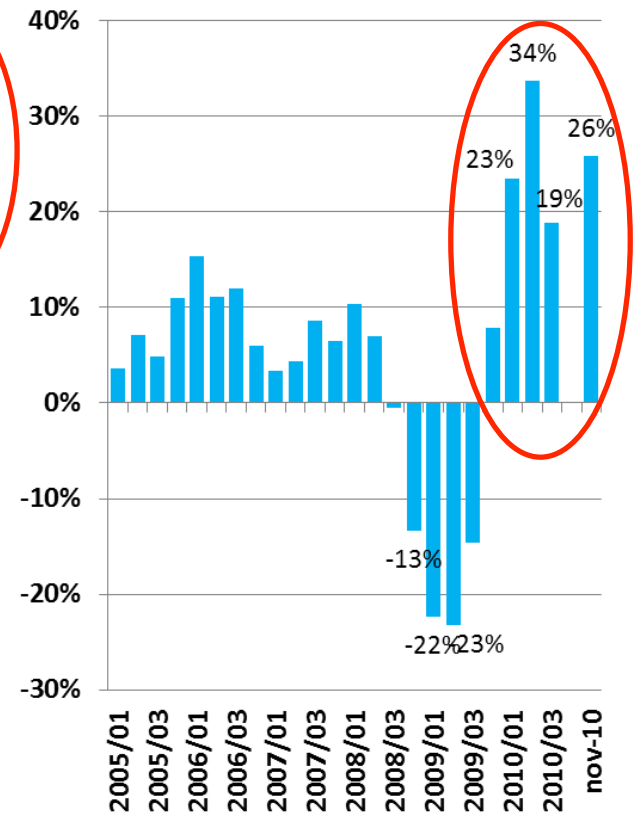
Private Consumption



Gross Fixed Capital Formation



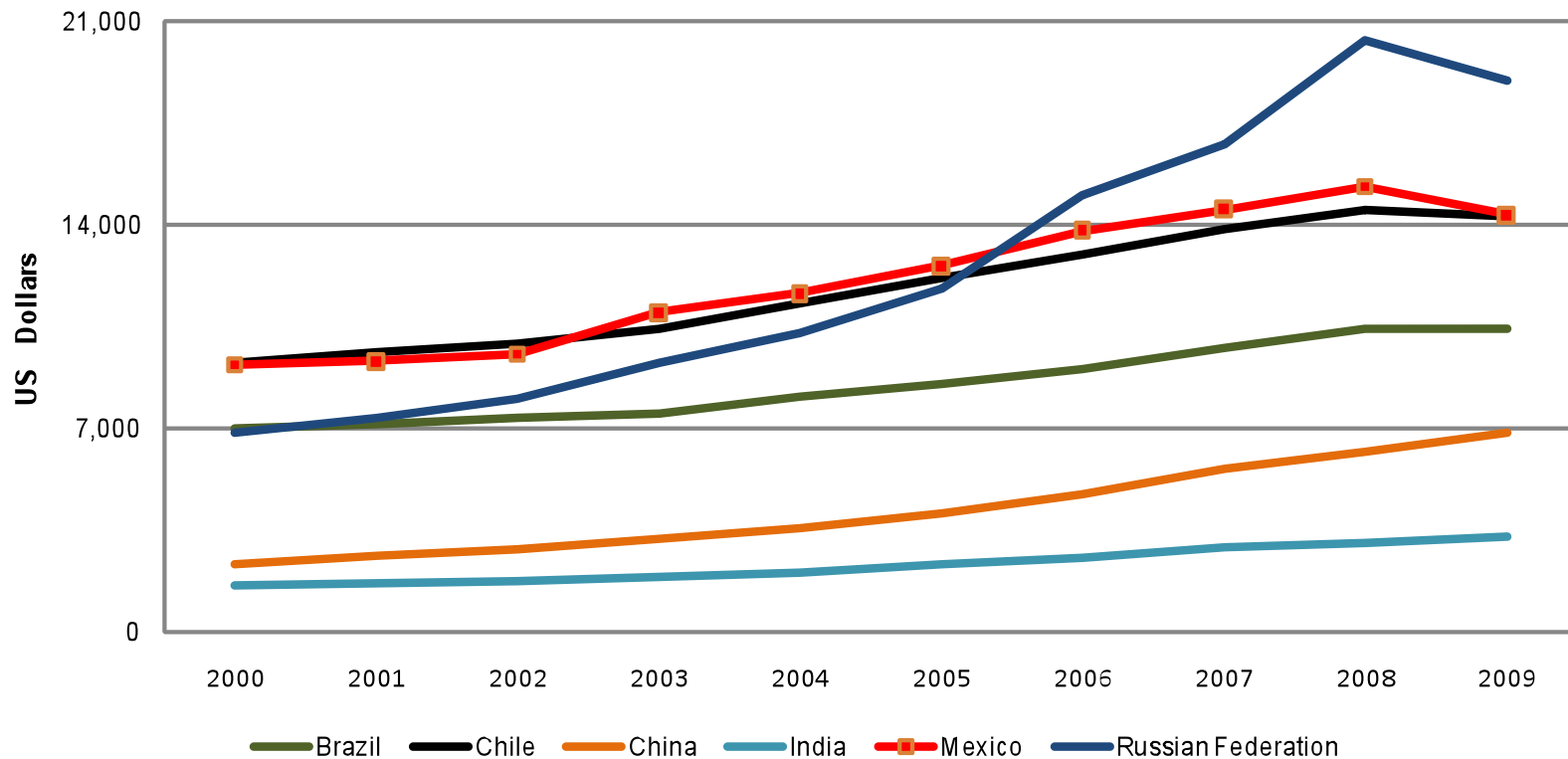
Total Exports



The Mexican Economy

- From 1996 to 2008 GDP per capita has been growing at a fairly strong rate, driving private consumption

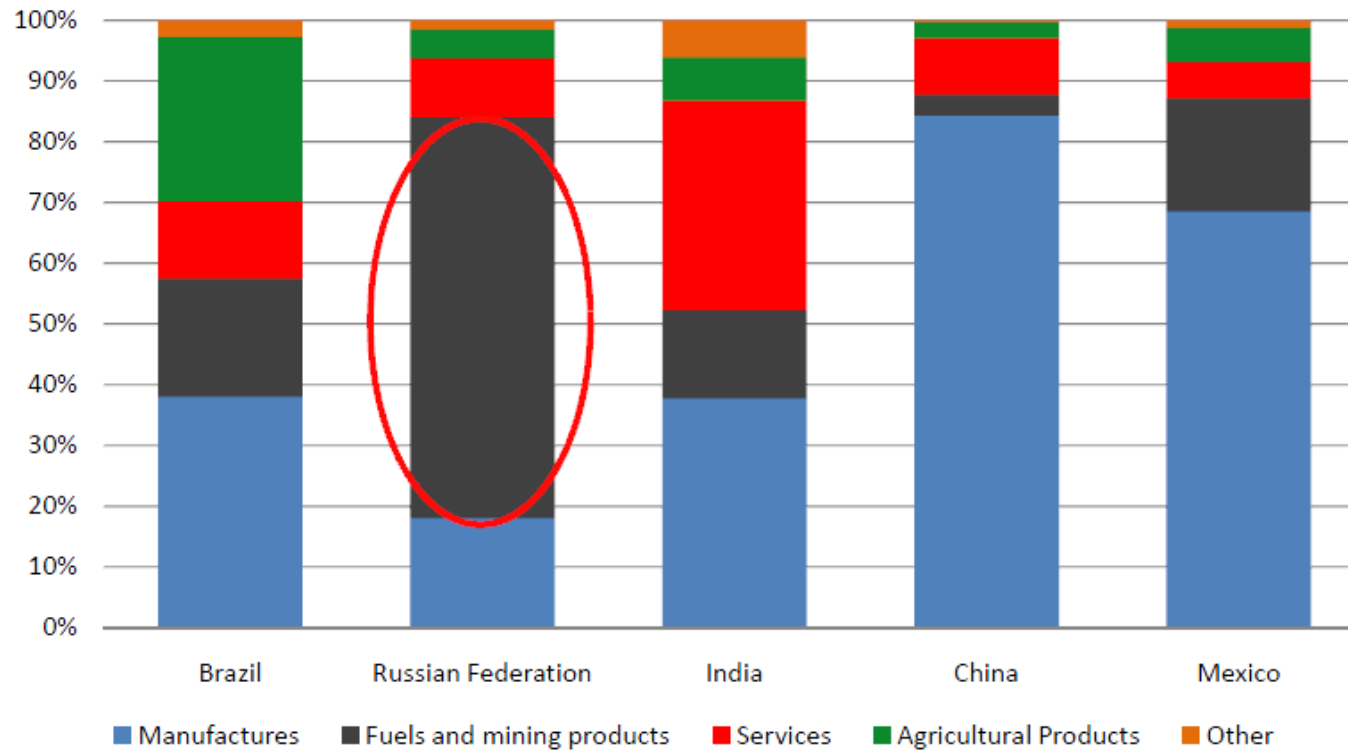
Mexico Per Capita GDP(PPP Adjusted) vs. Other Emerging Markets
(Converted to current US Dollars)



Source: *The World Bank*

➤ **Exports are well diversified**

Exports by commodity group & services
(as a % of total exports)



Source: World Trade Organization, Statistics Database & DB Research: BRIC Capital Markets Monitor June 2010



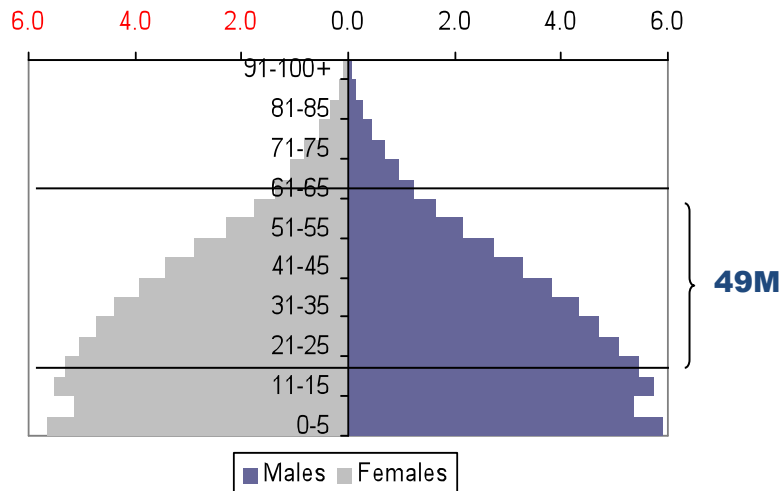
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Attractive Domestic Market

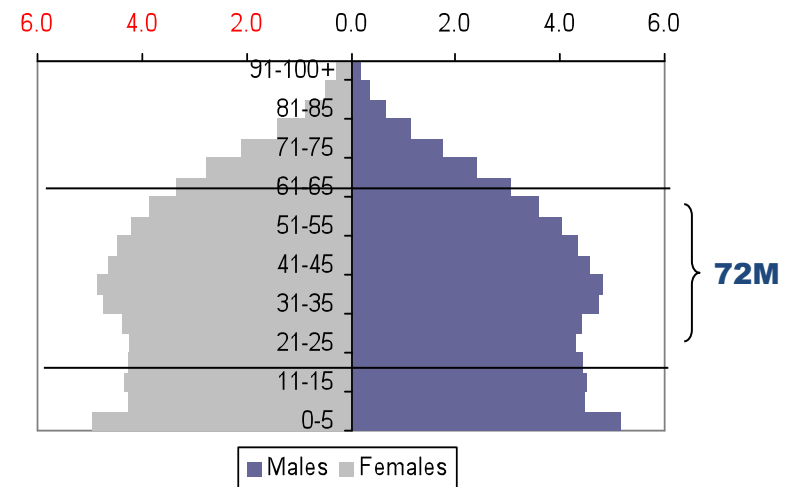
Attractive Domestic Market

- Mexico will have a demographic premium in the following 25 years which will result in higher consumption and production.
- ✓ Half of total population is under 25 years of age. The working age group of between 18 and 64 years will grow from 49 to 72 million inhabitants in 2030. The total population will grow from 110 million in 2010 to 127 million in 2030.

Population by age group (2007)
Million inhabitants

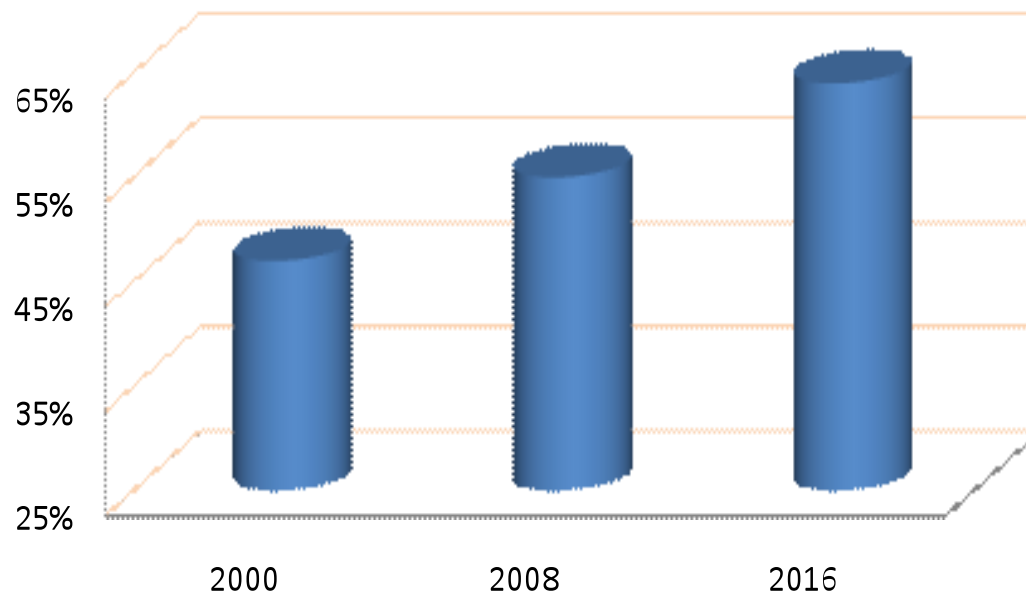


Population by age group (2030)
Million inhabitants



- **Mexico's improvement in GDP and its demographics are contributing to a fast expansion of the domestic market**

Medium and High Income Population as % of Total Population



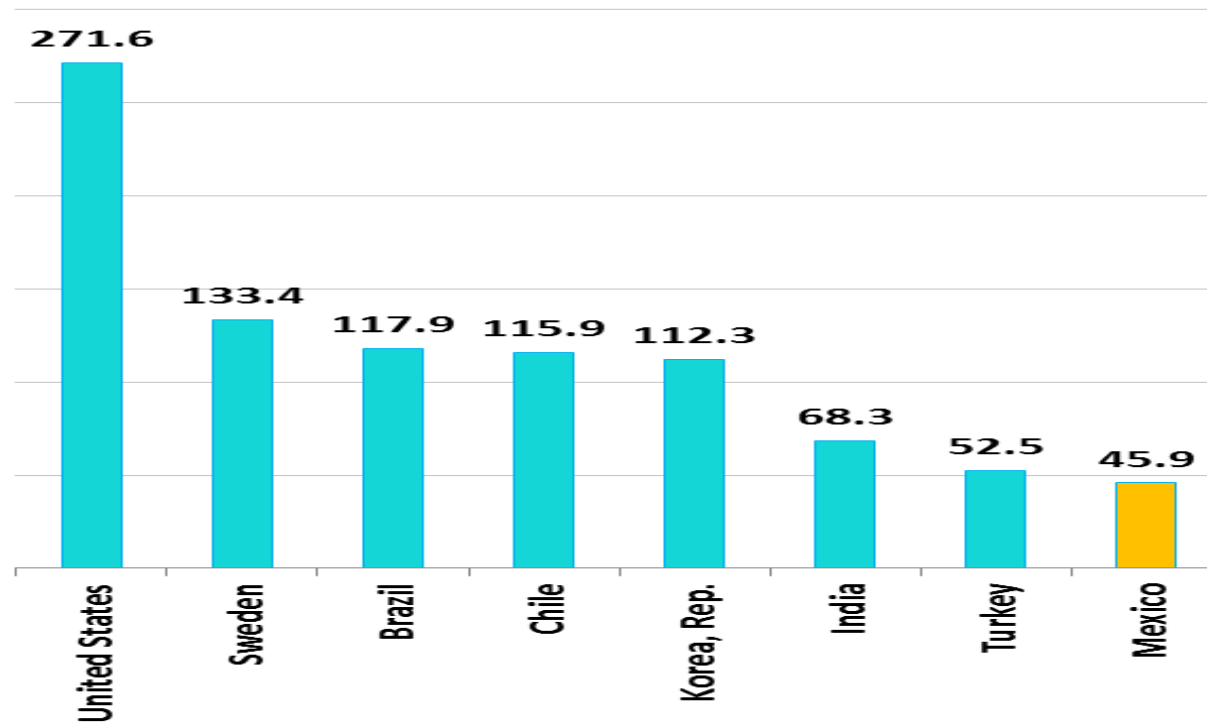
Source: Estimation based on data from National Council for the Evaluation of Social Development Policy and National Council of Population, Mexico (2011)

1/ People living over the level of income necessary to satisfy all basic needs.

Attractive Domestic Market

- Low leveraged economy and dynamic credit markets are key factors for potential growth of the domestic market

Banking Sector Domestic Credit (% of GDP)

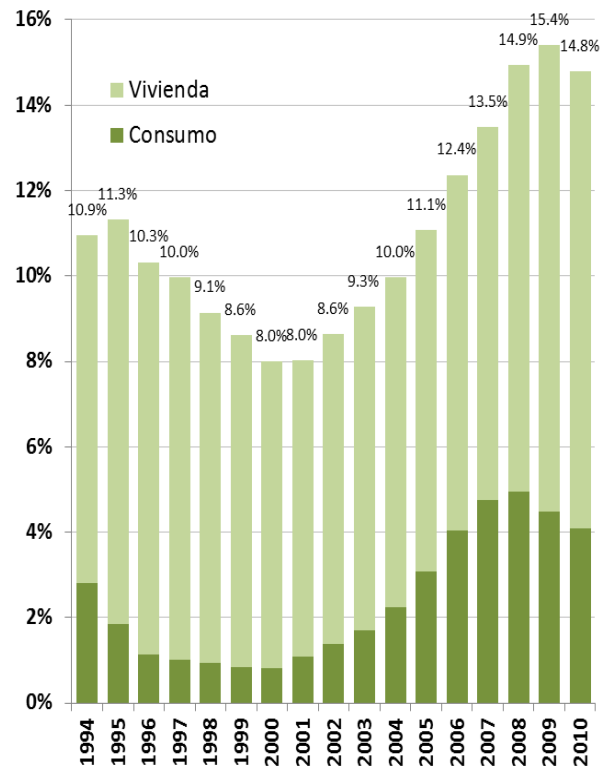


Source: WDI. The World Bank. Domestic credit provided by the banking sector includes all credit to various sectors on a gross basis, with the exception of credit to the central government. The banking sector includes monetary authorities and deposit money banks, as well as other banking institutions where data are available (i.e. savings and mortgage loan institutions and building and loan associations).

Attractive Domestic Market

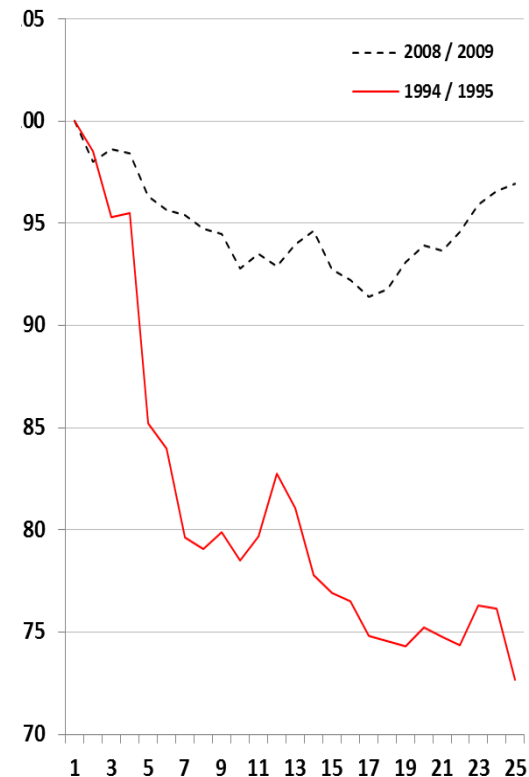
- Although the Mexican economy is underleveraged, the increasing access to financing is contributing to the strengthening of the domestic market

Household Financing (% of GDP)



Source: INEGI

Real private Sector Financing (Monthly, Nov. 2008 = 100)



Source: Central Bank

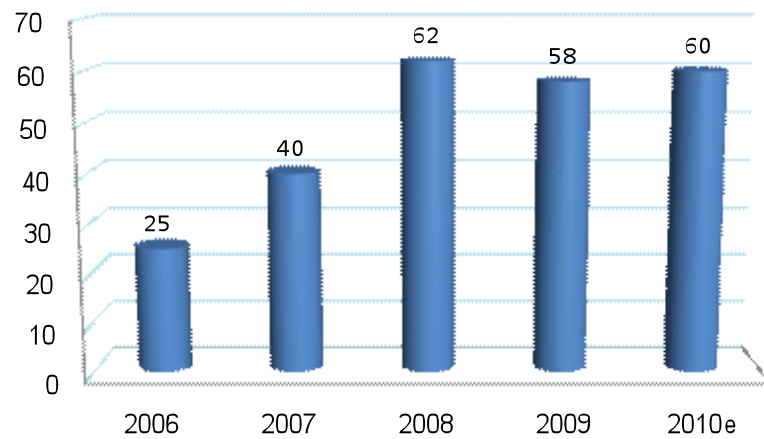


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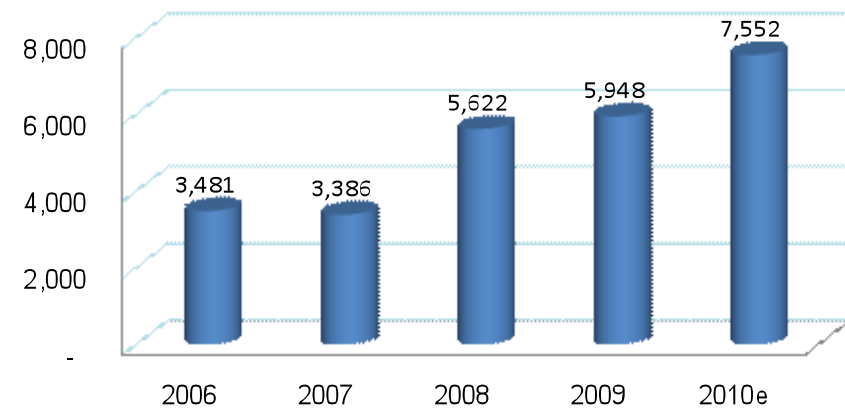
PE / VC Industry

➤ **Mexico's PE / VC Industry is still emerging**

Fund Managers

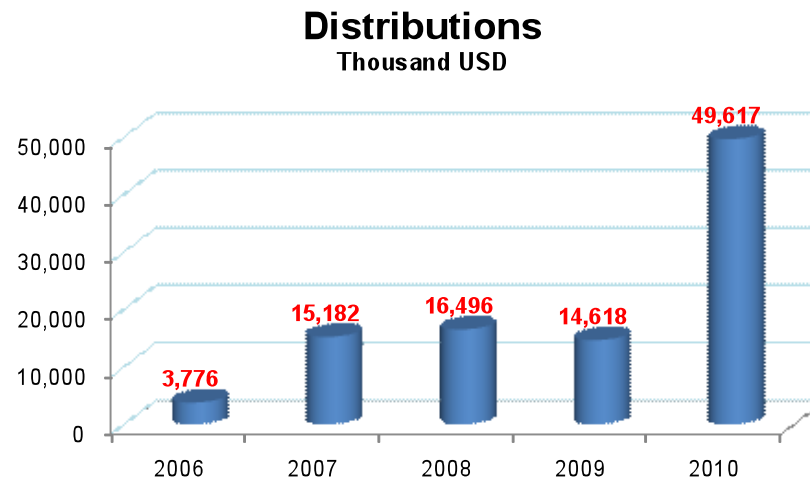


**Capital Commitments
Million USD**



Source: AMEXCAP

- Exits have been increasing as well. Our Corporation has received the following distributions:



- Between 2005 and 2007 (latest data available), private equity as a component of Mexico M&A activity has an increasing trend.

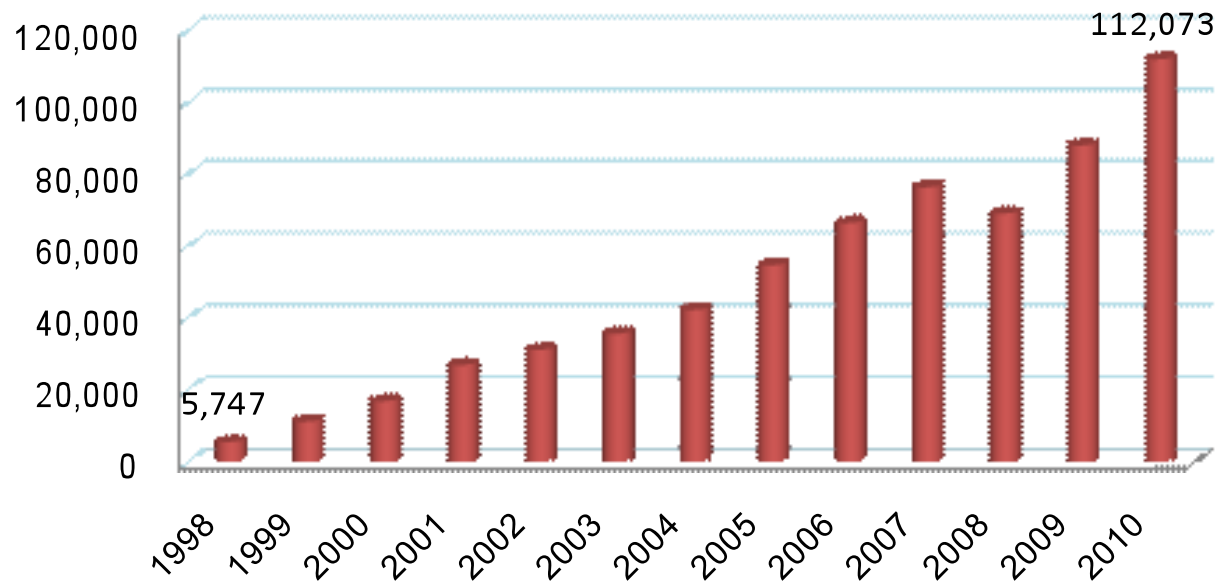
Private equity contribution to M&A involving Mexican target						
	2005		2006		2007	
	No. of Deals	USD Millions	No. of Deals	USD Millions	No. of Deals	USD Millions
Total deals	35	6,518	50	8,328	44	10,135
Private equity	4	132	3	282	3	562
% Private equity	11.4%	2.0%	6.0%	3.4%	6.8%	5.5%

Source: mergemarket

- **From September 2009 Mexico's Stock Exchange and regulators developed a new asset class to finance PE / VC, as well as some projects**
- **This new instrument is known as "Certificado de Capital de Desarrollo" (CKD)**
 - ✓ **New Listing segment in the BMV**
 - ✓ **New asset class**
 - ✓ **Financing growing companies and economic sectors**
 - ✓ **In some cases a "waiting room" for full equity listings, IPOs**
 - ✓ **Solid Regulatory Framework, developed by CNBV and CONSAR**
 - ✓ **High quality registration requirements**
 - ✓ **Suitable for Institutional and Qualified Institutional Buyers (QIB)**
- **Mexican Pension Funds (AFORES) were allowed to invest in this instrument (up to 8% of their AUM)**

- Due to demographics, employment increments and interest earnings, AFORES' assets under management has been constantly growing

AFORES (AUM) (Million USD)

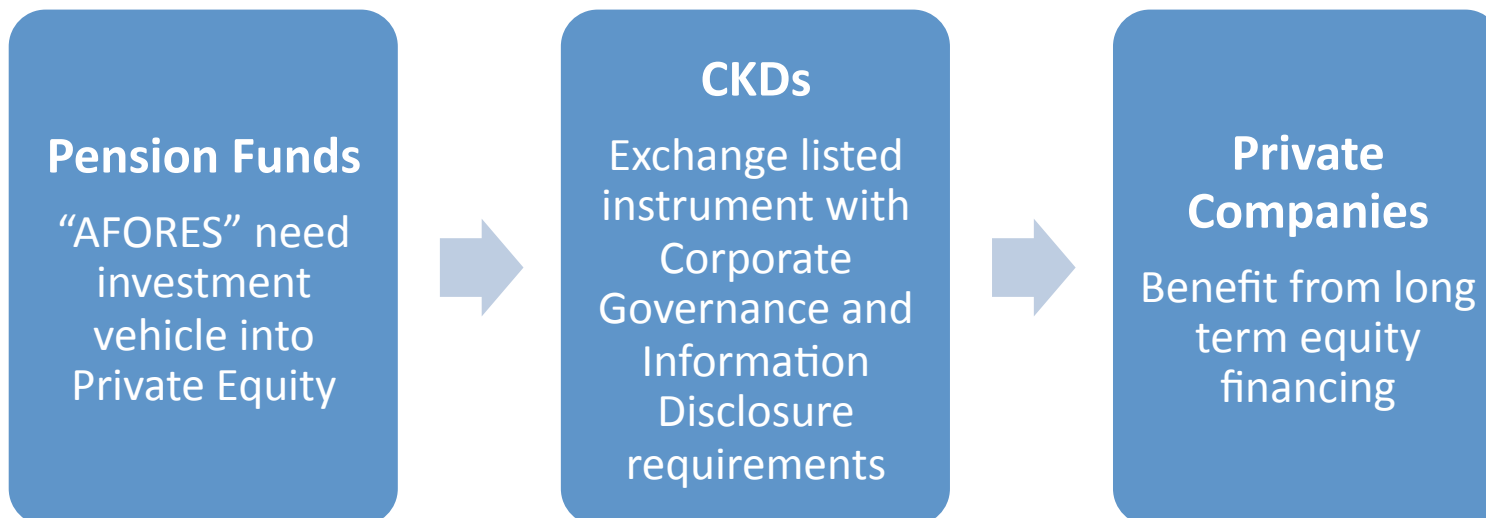


Source: CONSAR

➤ Capital Development Certificate (CKD)

<h3>Definition</h3>	<ul style="list-style-type: none"> ➤ Trusts set up to finance one or more projects or purchased enterprises. ➤ Returns (partial or total) linked to performance of assets held in trust. ➤ Grant rights over revenues or returns generated from investments and/or from sale of assets.
<h3>Certificate Classes</h3>	<ul style="list-style-type: none"> ➤ Focused in equity investments or cash flows from a group of companies and/or projects. ➤ Focused in equity investments or cash flow from one company and/or project.
<h3>Characteristics</h3>	<ul style="list-style-type: none"> ➤ Returns: not paid as predetermined principal and interest. ➤ Cash flows: variable and risky, linked to returns from financed projects, or enterprises. ➤ Financing scheme: trust frees resources according to an investment schedule. ➤ Non rated: they are not debt type structures. ➤ Eligible enterprises: must have operating history and/or proven management expertise. ➤ Investors: must sign that they understand and are aware of the risks, costs and expenses involved.

➤ **Pension Funds (“AFORES”) participation in PE / VC**



- **Using domestic (long term) savings to finance new or existing companies,**
- **Some countries’ stock exchanges have similar type of structures:**
- ✓ **London Stock Exchange (Specialist Fund Market),**
 - ✓ **Toronto Stock Exchange (Income Trusts),**
 - ✓ **Australian Securities Exchange (Infrastructure Funds),**
 - ✓ **Euronext (Alternative Investment Vehicles),**

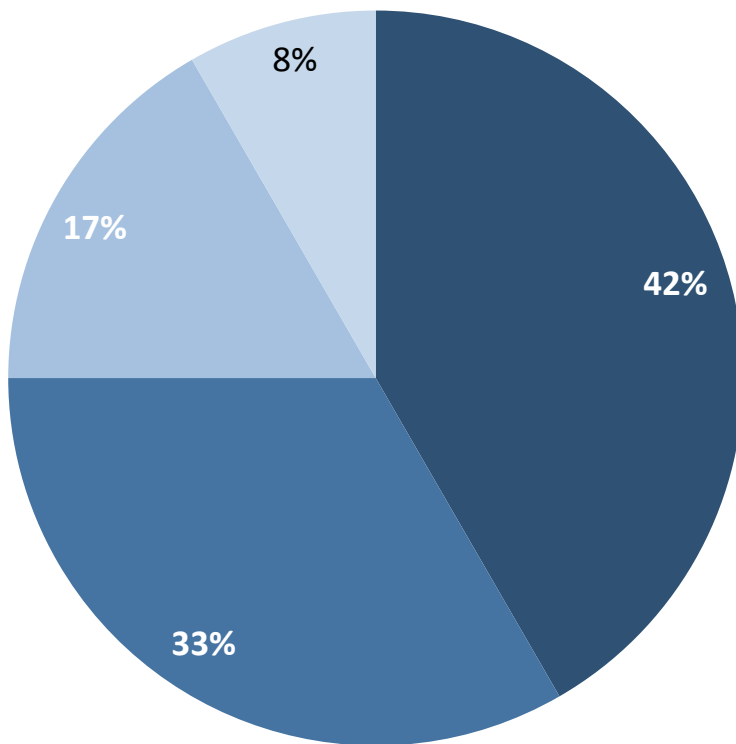
➤ **CKD issuance in 2010 (figures in Million Pesos)**

Issuer	Date	Amount (Millions)	Assets
Nexus Capital	04-Mar. 10 27-Oct. 10	\$1,457 \$1,174	Private Equity Investments
AMB México Capital Manager	30-Jul. 10	\$3,300	Real Estate Investments
Promecap Capital de Desarrollo	02-Aug. 10	\$2,503	Private Equity Investments
PLA Inmuebles Industriales	24-Aug. 10	\$3,095	Industrial Real Estate
Artha Capital	20-Oct. 10	\$2,440	Infrastructure Fund
NAVIXX	13-Dic. 10	\$4,002	Energy
Infraestructura Institucional	23-Dic. 10	\$2,736	Infrastructure Fund
INMAR del Noreste	24-Dic. 10	\$1,000	Real Estate Housing

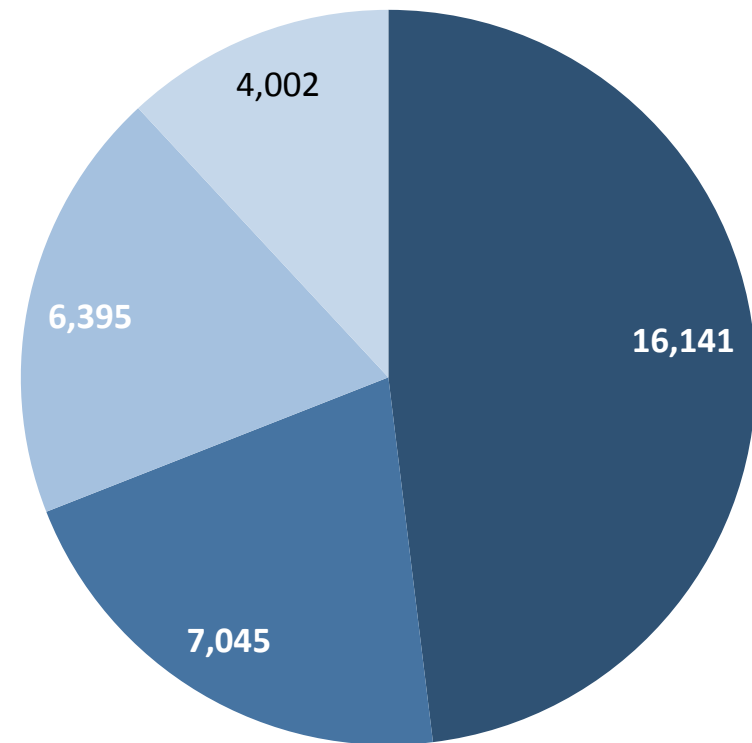
Total \$21,708

- Mexico scores well on many of the following metrics vs. several popular emerging markets

CKD Listings by type



Amounts raised by CKD type



■ Infrastructure ■ Private Equity ■ Real Estate ■ Energy

■ Infrastructure ■ Private Equity ■ Real Estate ■ Energy

- Since September 2009, 12 CKDs listed, for over \$33.5 billion pesos

Source: Bolsa Mexicana de Valores

- Mexico scores well on many of the following metrics vs. several popular emerging markets

2010 Scorecard

	Argentina	Brazil	Chile	Colombia	Costa Rica	Dominican Republic	El Salvador	Mexico	Panama	Peru	Trinidad & Tobago	Uruguay	Israel	Spain	Taiwan	UK
Overall score	43	75	76	60	54	38	43	63	49	51	56	57	81	76	61	93
Laws on VC/PE fund formation and operation	1	4	4	3	1	1	0	2	2	2	2	2	4	3	4	4
Tax treatment of VC/PE funds & investments	1	3	3	2	3	1	3	3	2	1	3	3	3	4	3	4
Protection of minority shareholder rights	2	3	3	3	1	2	2	3	2	1	2	2	4	3	1	4
Restrictions on institutional investors investing in VC/PE	0	4	3	3	1	1	1	3	2	3	2	2	3	3	2	4
Protection of intellectual property rights	2	2	3	2	3	1	2	2	2	2	2	2	2	3	3	4
Bankruptcy procedures/creditors' rights/partner liability	2	3	3	2	2	1	2	2	2	2	2	3	2	3	3	3
Capital markets development and feasibility of exits	2	3	3	2	2	1	2	2	2	2	2	1	3	3	3	4
Registration/reserve requirements on inward investments	2	3	3	3	3	3	3	3	3	3	4	3	3	3	2	3
Corporate governance requirements	2	3	3	3	2	3	1	3	2	3	2	2	4	3	2	3
Strength of the judicial system	2	2	3	2	3	1	1	2	2	1	2	3	3	2	3	4
Perceived corruption	1	1	3	1	3	0	0	1	1	1	1	3	3	3	2	3
Quality of local accounting/use of international standards	4	4	3	2	4	3	4	3	2	4	3	3	4	4	2	4
Entrepreneurship	3	3	3	2	2	1	1	2	1	2	2	2	3	2	3	4

Source: Latin America Venture Capital Association

- **Mexico is ranked 35 in the “Doing Business Report 2011” published by the World Bank (benchmark to June 2010)**

DB 2011 Rank	DB 2010 Rank	Country	DB 2011 Rank	DB 2010 Rank	Country
5	5	United States	86	80	El Salvador
7	9	Canada	92	98	Grenada
35	41	Mexico	97	95	Trinidad and Tobago
36	46	Peru	99	93	Belize
39	38	Colombia	101	100	Guatemala
43	53	Chile	106	105	Paraguay
47	49	Puerto Rico	115	113	Argentina
72	62	Panama	124	122	Uruguay
77	71	Bahamas	125	121	Costa Rica
81	79	Jamaica	127	124	Brazil

Note: The rankings for all economies are benchmarked to June 2010 and reported in the country tables. This year's rankings on the ease of doing business are the average of the economy's rankings on 9 topics: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.

Last year's rankings, shown in italics, are adjusted: they are based on the same 9 topics and reflect data corrections. The number of business regulation reforms includes all measures making it easier to do business.

Source: *Doing Business database.*

➤ **Mexico is ranked by KPMG as the most affordable place to do business**

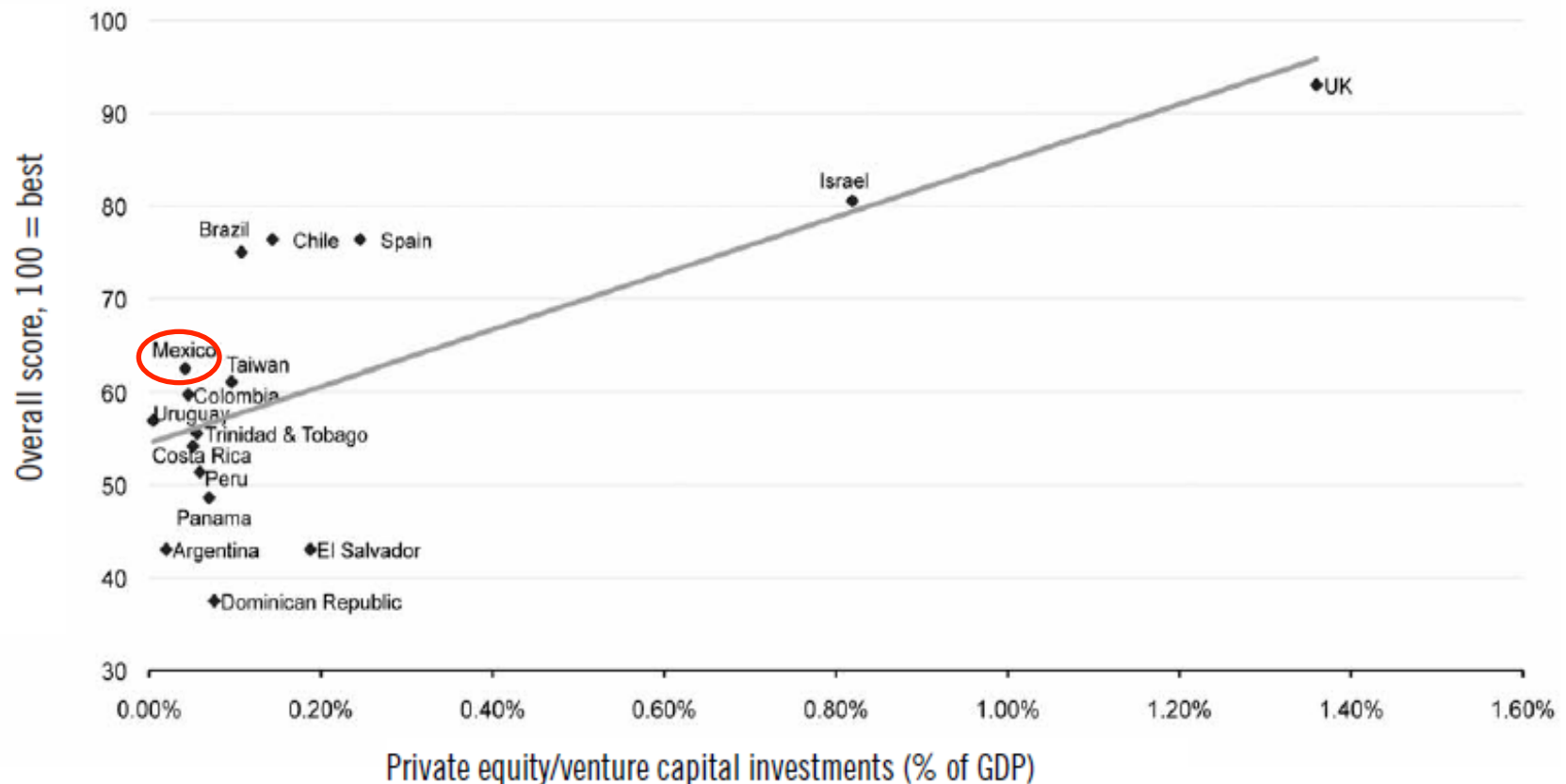
1. Mexico,
2. Canada,
3. Netherlands,
4. Australia,
5. United Kingdom,
6. France,
7. Italy,
8. United States,
9. Germany,
10. Japan.

Source: “The Competitive Alternatives 2010” study published by KPMG every two years, measures 26 cost components such as labor, taxes, real estate & utilities, exchange rate advantages, infrastructure, regulatory environment, personal cost of living and quality of life.

➤ **Improved investment environment:**

- ✓ **There have been several changes in recent years that improve the investment and regulatory climate for venture capital:**
 - ❖ **Legal Structure:** NAFTA rules permit establishment of limited partnerships in Canada. However, in 2005 the government established the FICAP (fideicomisos de inversion de capital privado) structure as a vehicle for risk capital funds
 - ❖ **Taxes:** The Flat Rate Business Tax (Impuesto Empresarial a Tasa Unica or IETU), enacted last October, was designed to increase government revenue and promote economic growth. The tax, which replaces the Asset Tax, is a minimum corporate tax that applies a lower rate than the income tax (ultimately 17.5 percent versus 28 percent) on a broader base of assets with fewer deductions.
 - ❖ **Shareholder Rights:** The 2005 Securities Markets Law increases guarantees for minority shareholders for traded firms.
 - ❖ **Accounting Standards:** Mexico is converging towards international standards. In 2008, the CNBV announced that all companies listed on the Mexican Stock Exchange will be required to use IFRS starting in 2012 (no similar requirement for private companies however).

- Despite having a trillion-dollar economy, private equity/venture capital investment represents only 0.04% of the Mexican economy



Source: Latin America Venture Capital Association

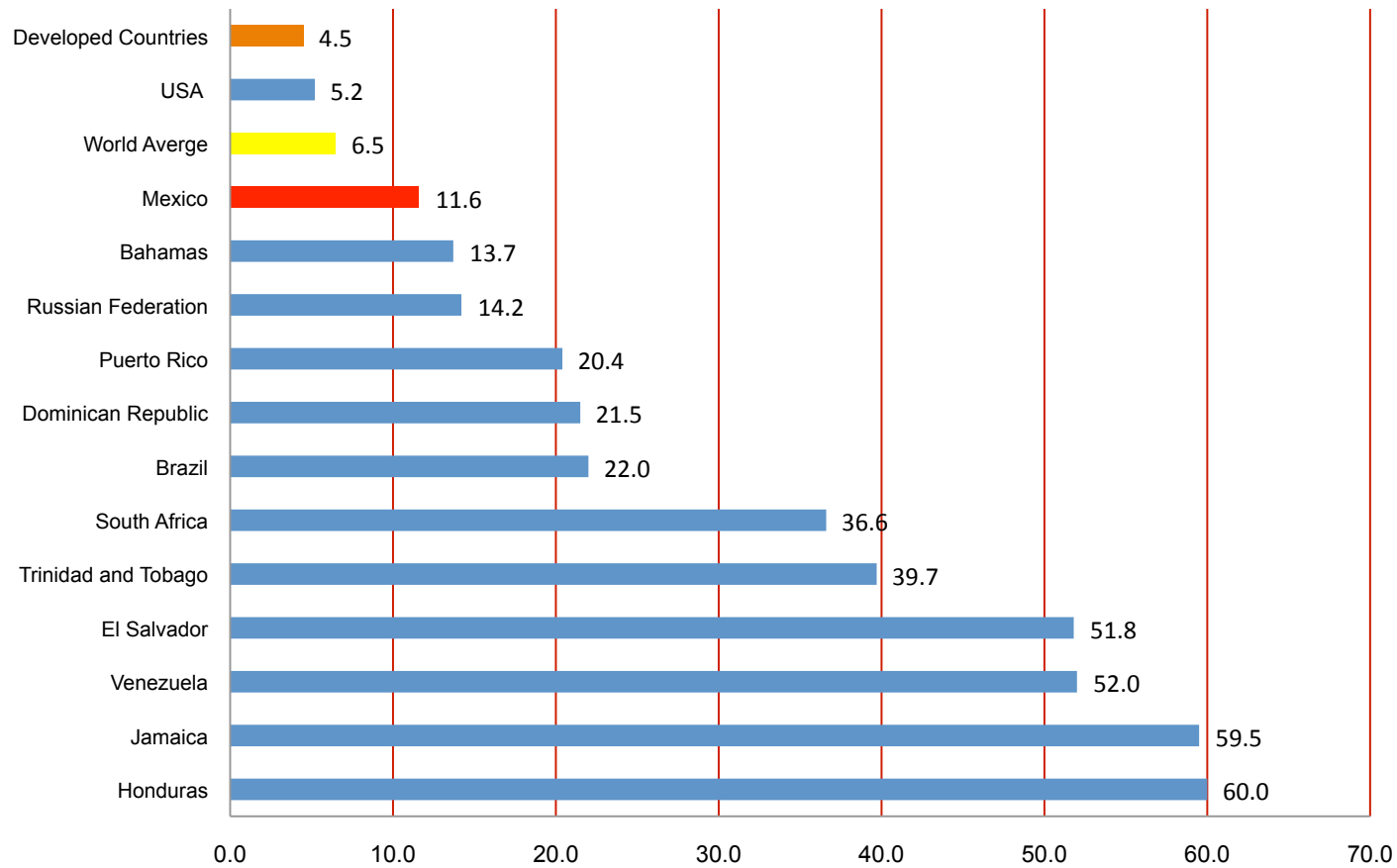
➤ **Despite;**

- ✓ **Stable and growing macro-economic indicators,**
- ✓ **An attractive domestic market,**
- ✓ **A young and vibrant PE / VC industry,**
- ✓ **The incoming participation of AFORES, with large and increasing amount of resources to invest,**
- ✓ **Improved regulation framework**

Mexico remains severely underserved by the private equity / venture capital industry, that means low entry valuations and potential high exit multiples.

It is fair to say that great investment opportunities exist in México.

International Homicide Rate Per 100,000 Inhabitants (Selected Countries)



Source: United Nations Office on Drugs and Crime Homicide Statistics, Criminal Justice



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