



OVERVIEW OF THE PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY IN COLOMBIA

February 2012



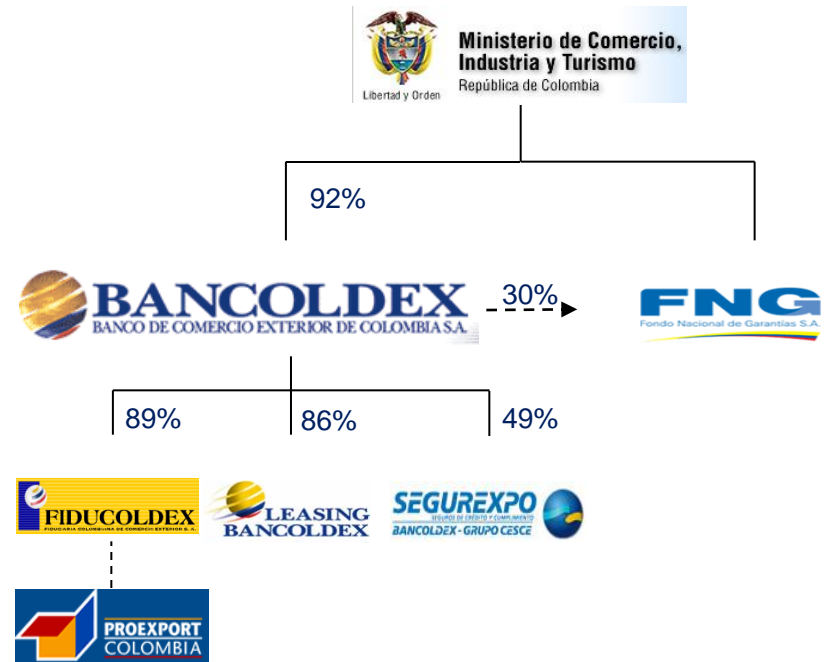


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- II. The private equity industry in Latin America and Colombia
- III. Bancoldex Capital: Private Equity and Venture Capital Investment Program

Bancoldex, the Colombian Development Bank

- State owned bank created in 1991 as a foreign trade bank (Eximbank)
- Nowadays, Bancoldex is a second tier bank that offers financial and non financial services
- Attending large companies, SMEs, micro financial institutions, etc.
- USD 2.800 millions in assets, and USD 766 millions in equity
- **SINCE 2009, BANCOLDEX IS INVESTING IN PRIVATE EQUITY AND VENTURE CAPITAL FUNDS, THROUGH BANCOLDEX CAPITAL PROGRAM**





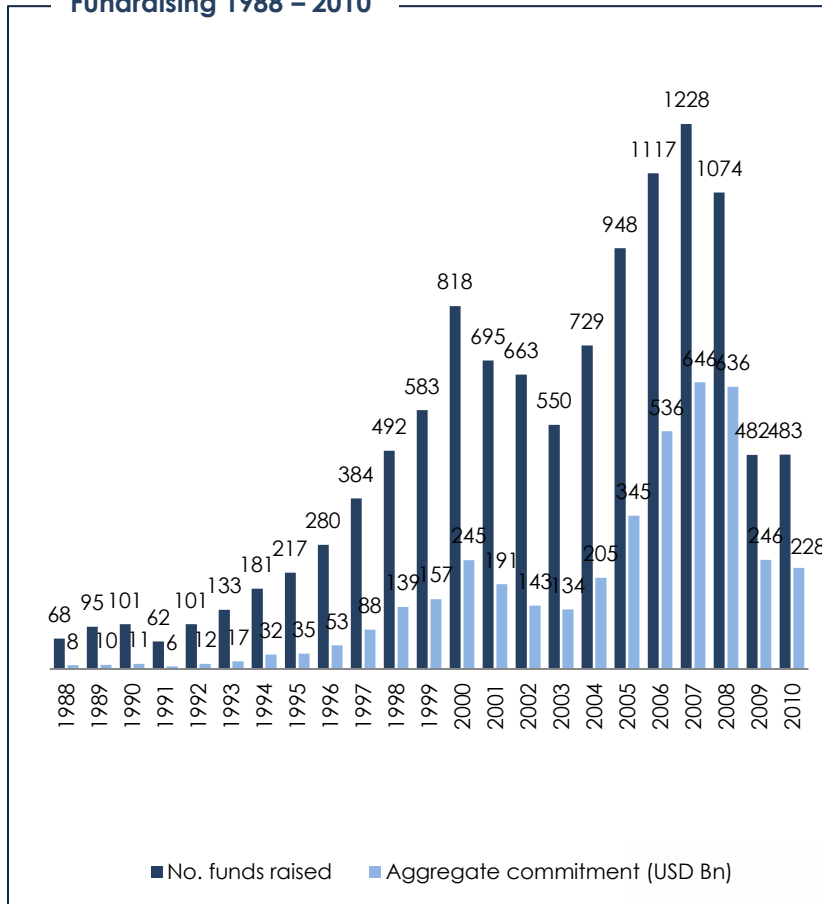
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In 2010, 483 funds raised USD 228 billion

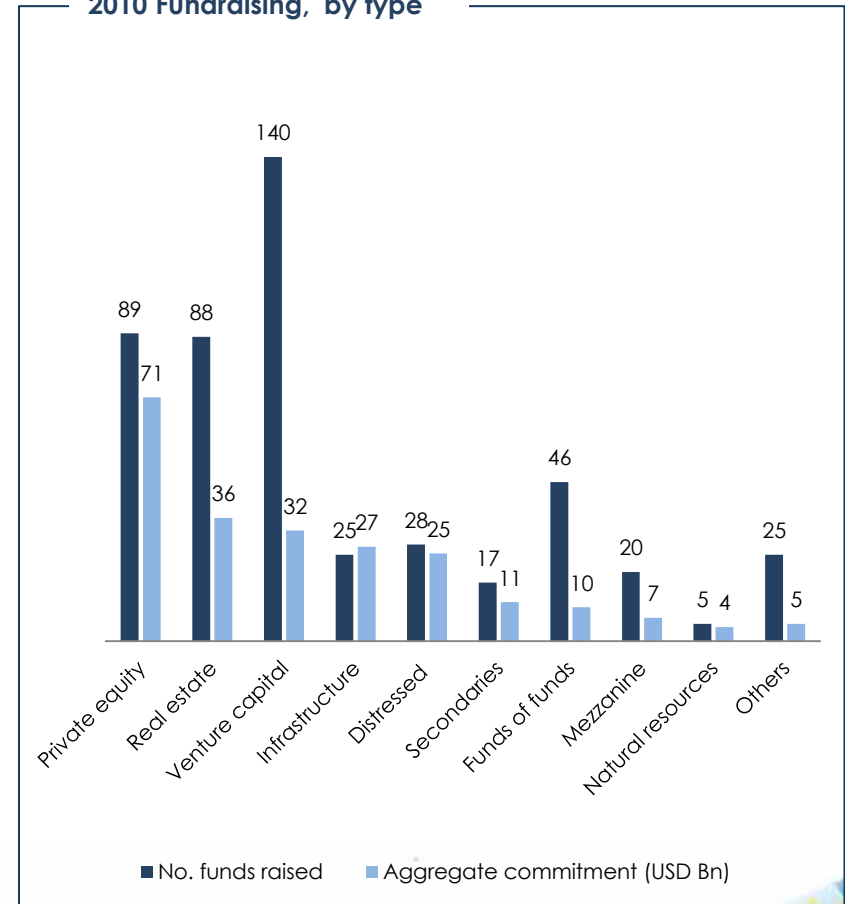
31% of the capital was raised by **Private Equity** Funds, but 29% of the funds were **Venture Capital** Funds

Fundraising 1988 – 2010



Source: 2011Preqin Global Private Equity Report

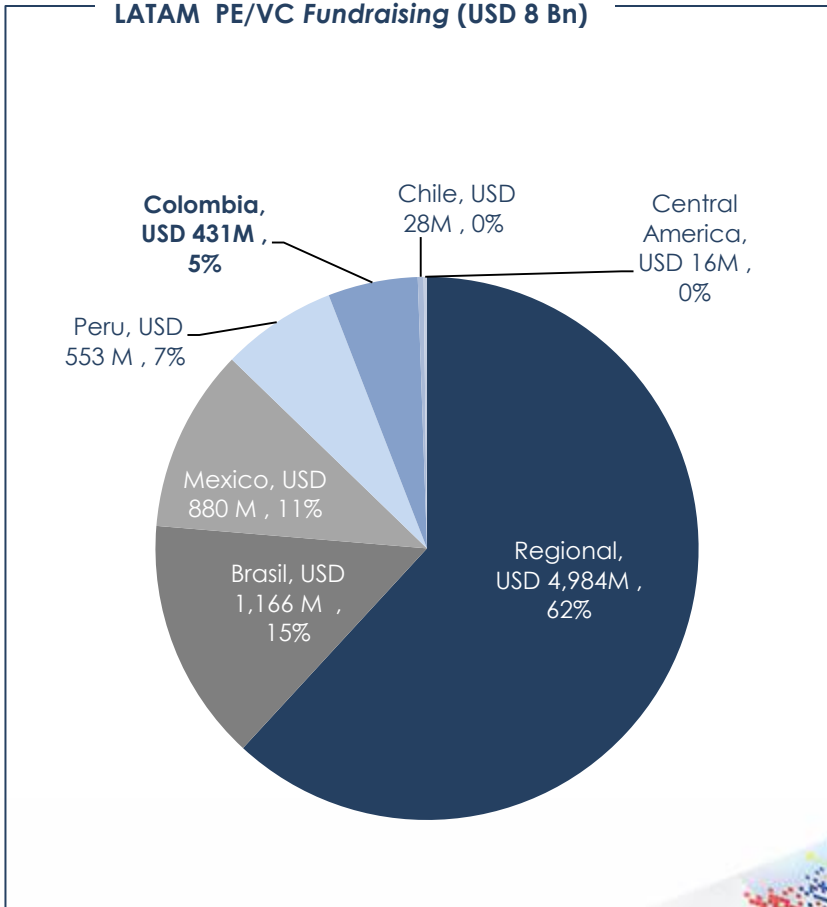
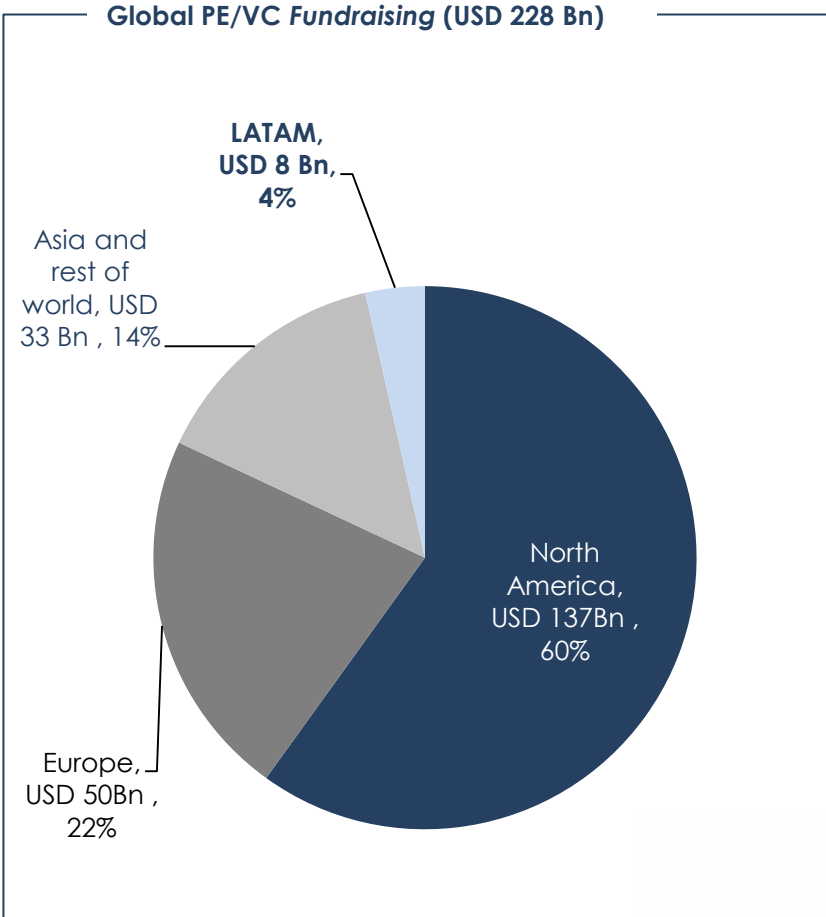
2010 Fundraising, by type



Source: 2011Preqin Global Private Equity Report

Colombia is the 4th Latin American country, by fundraising

Latin America represents 4% of global PE/VC, in terms of fundraising. Colombia represents 5 % of Latin America fundraising



Source: 2011 LAVCA Industry Data . 2011 Preqin Global Private Equity Report

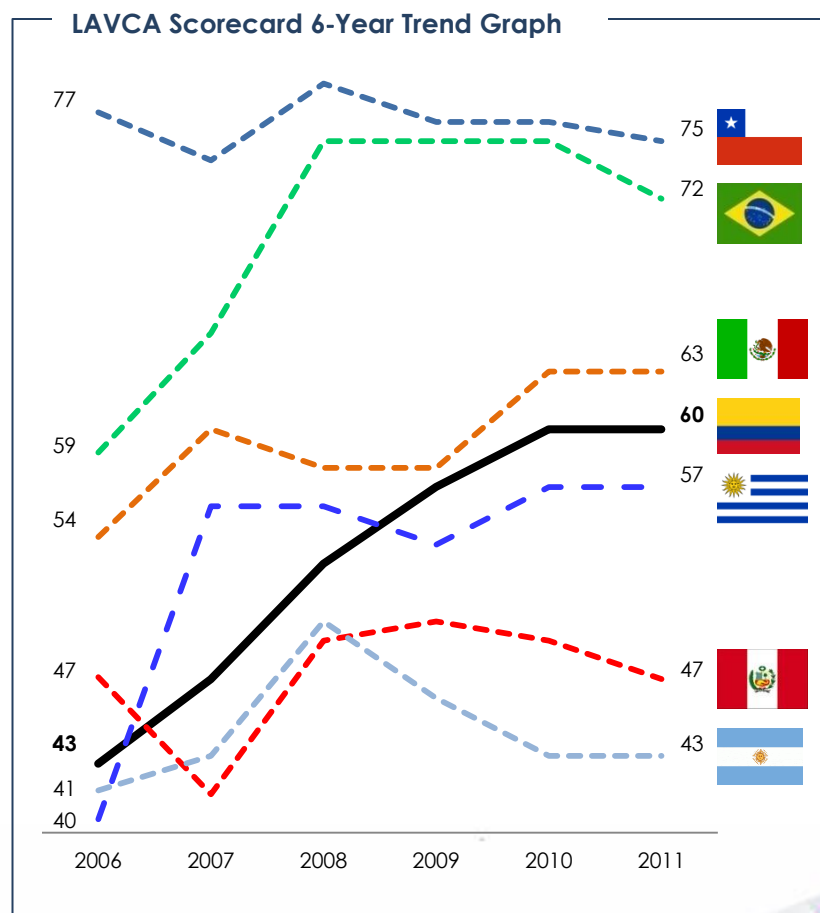
Colombia moved from the 7th position to the 4th in the LAVCA Scorecard

Colombia has as friendly Private Equity environment. Main improvements are based in protecting minority shareholder rights and corporate governance

Colombia		
Year	Overall score	Ranking
2011	60	4 th
2010	60	4 th
2009	57	5 th
2008	53	6 th
2007	47	7 th

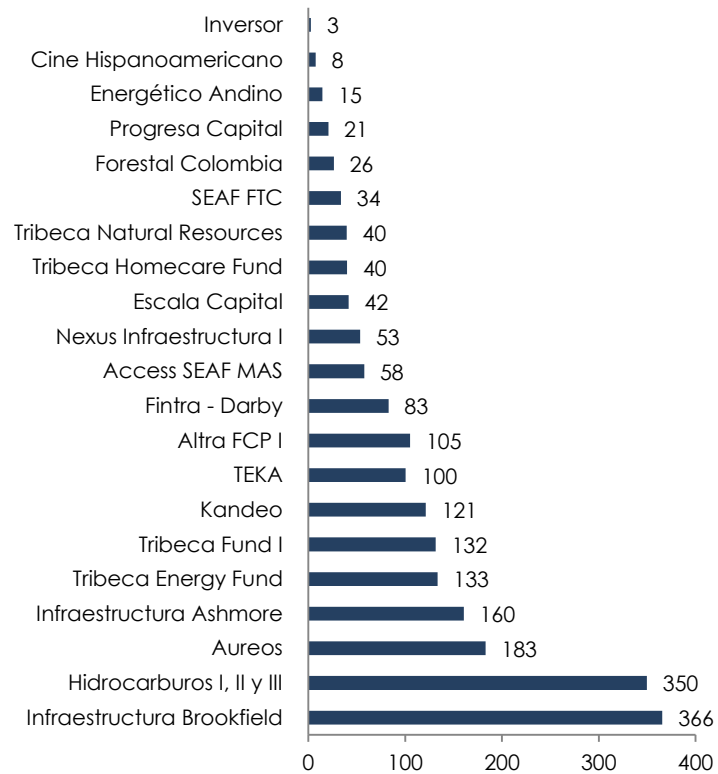
LAVCA Scorecard 2011		
Rank	Country	Score
	UK	93
	Israel	81
	España	76
1	Chile	75
2	Brazil	72
3	Mexico	63
	Taiwan	63
4	Colombia	60
5	Uruguay	57
6	Trinidad & Tobago	56
7	Costa Rica	54
8	Panamá	47
8	Perú	47
10	Argentina	43
10	El Salvador	43
12	República Dominicana	38

Source: LAVCA 2011 Scorecard

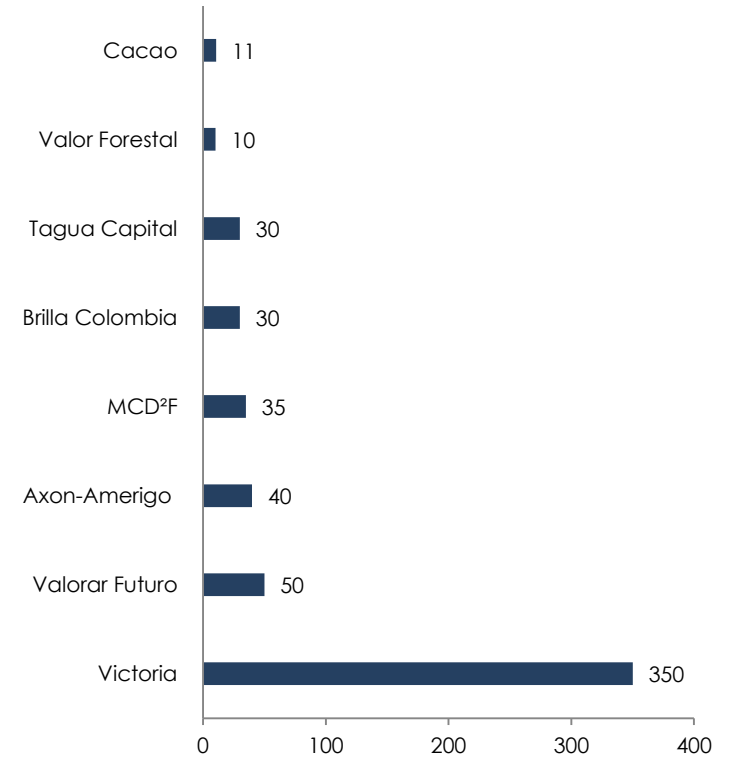


21 funds in Colombia with more than USD2 Billion of capital raised

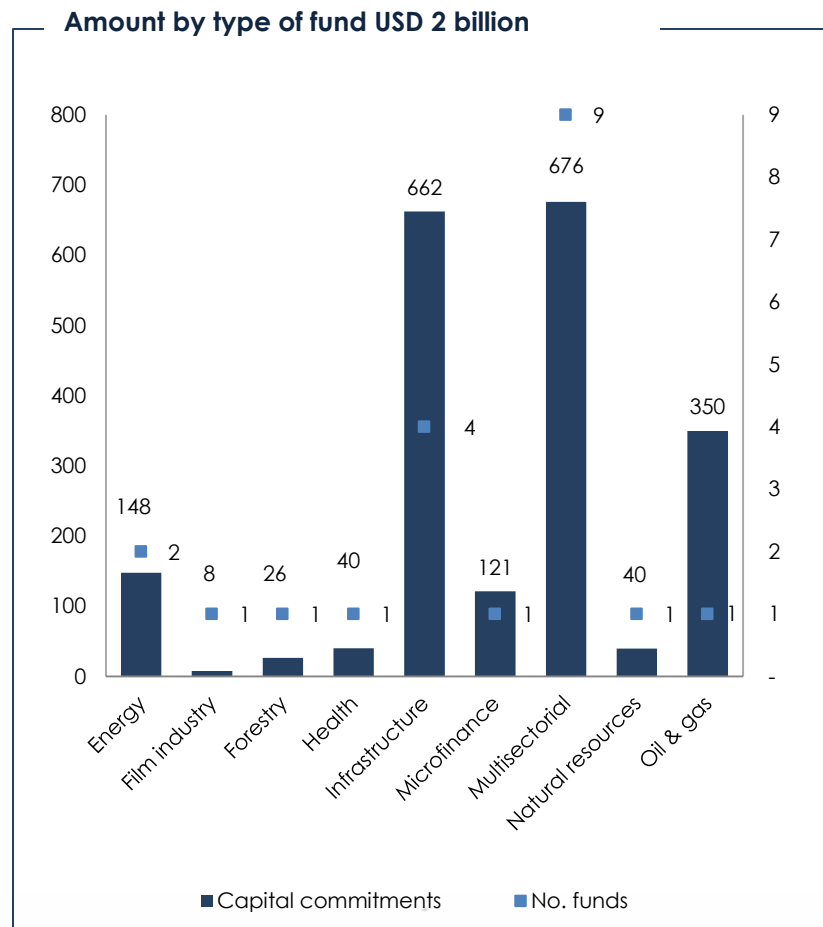
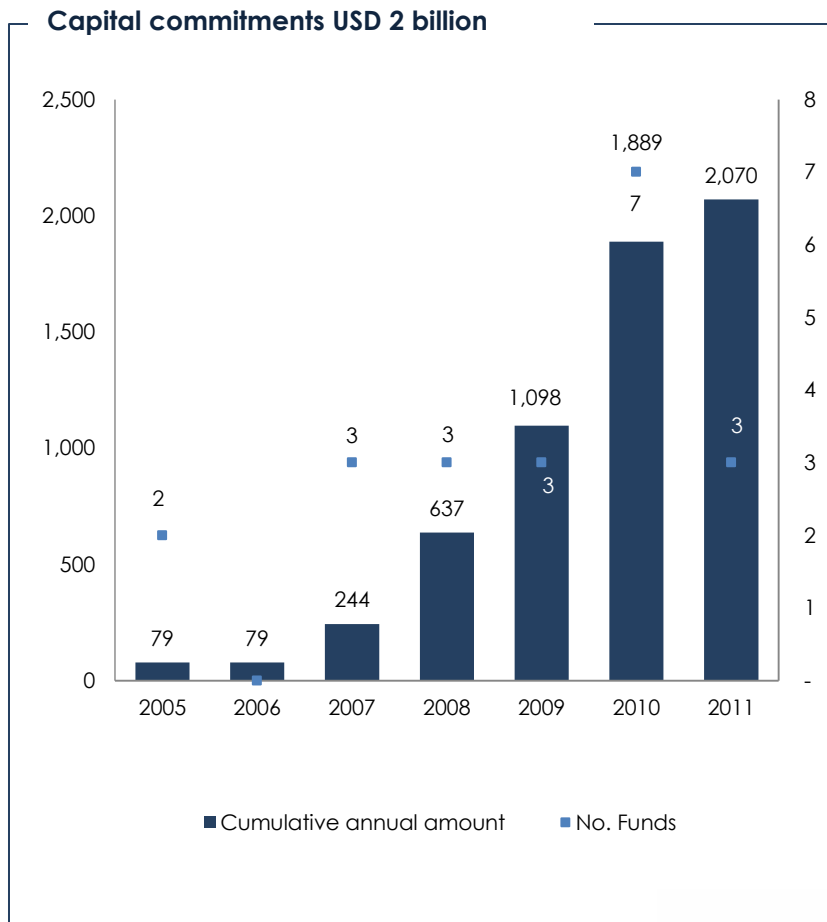
Closed Funds USD 2 billion



Fundraising USD 556 millones

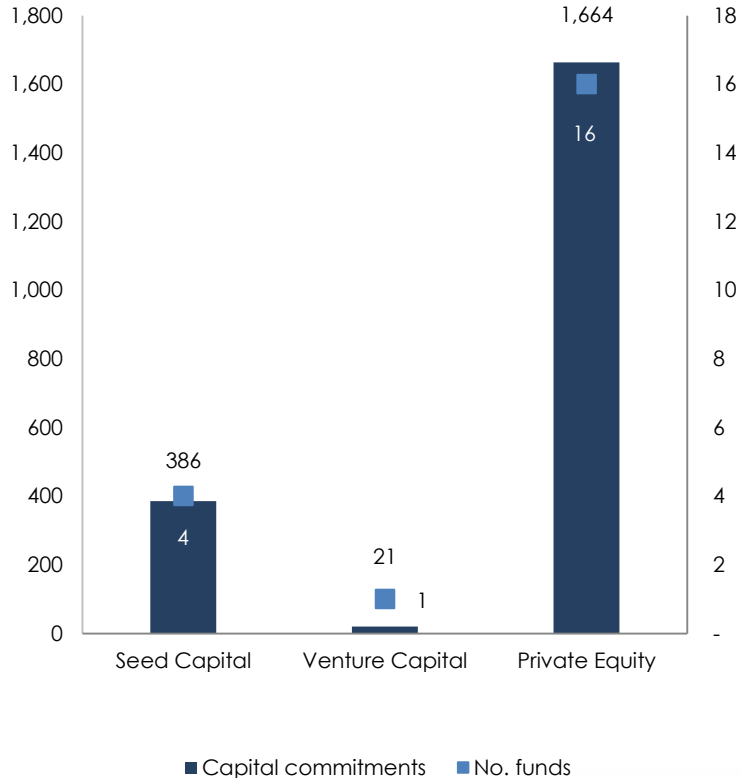


Compound annual growth rate of 72% in capital commitments



80% of funds capital commitments is buyout oriented

Funds closed by stage of business development

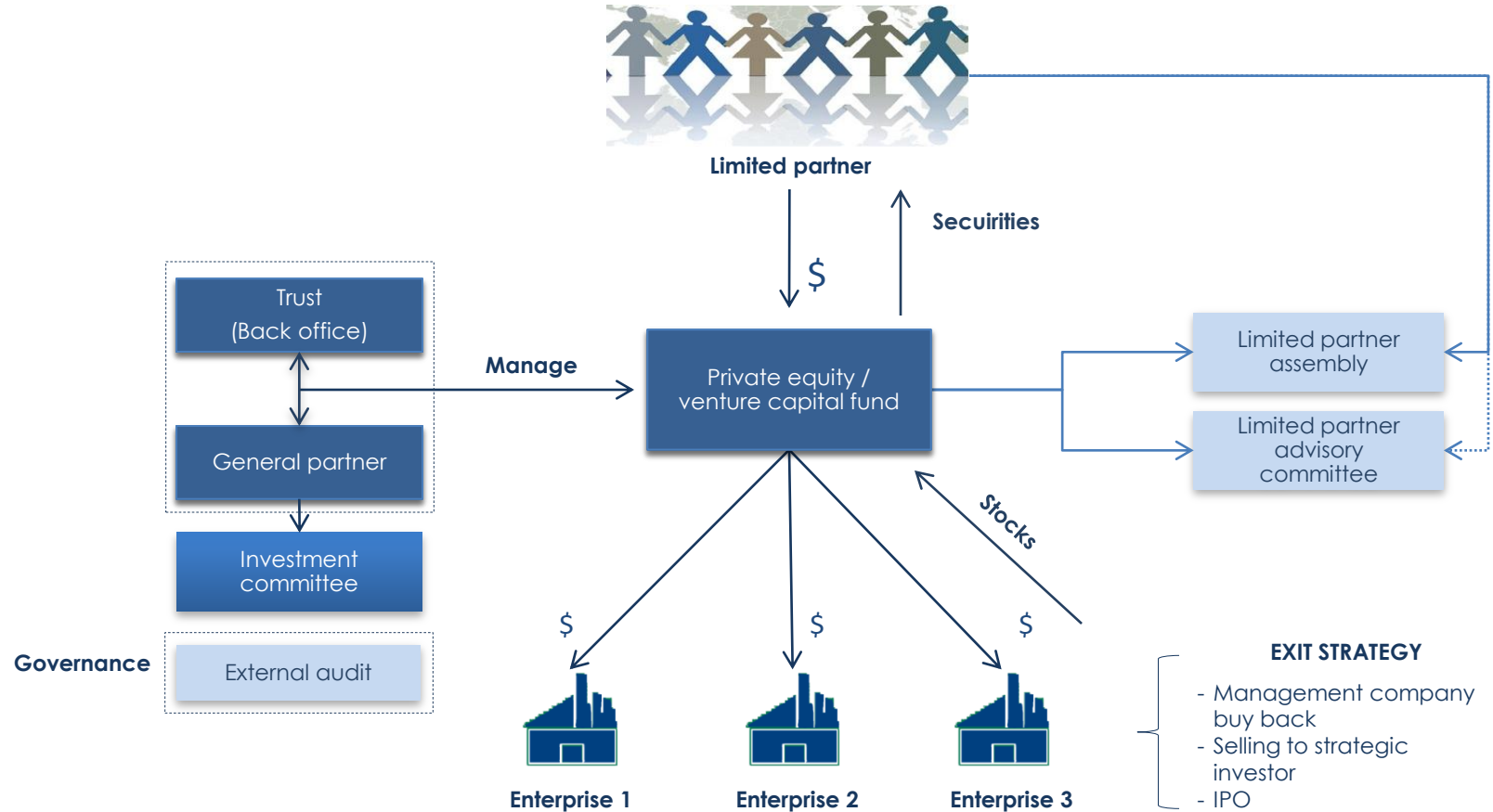


- In Colombia there is only one venture capital fund with COP 40.000 million and recently sold a biotech company
- Infrastructure funds represent 32% of total capital commitments
- Colombia has two major challenges: to develop the venture capital industry and to offer investment resources for early-stage companies

Business model for PE fund under Colombian legislation

Private equity and venture capital funds are regulated by Decree 2555 of 2010

Private equity and venture capital business model in Colombia



International General Partners



Ashmore

Ashmore Investment Management Limited (UK)- Ashmore
Infraestructure Colombia



Brookfield

Brookfield Asset Management Inc (Canada)



DARBY
PRIVATE EQUITY
FRANKLIN TEMPLETON
INVESTMENTS

Darby Overseas Investments, Ltd., the private equity arm of Franklin
Templeton Investments



SEAF Your Global Investment Partner
Connecting Local Enterprises with the World

SEAF (US Management Company)



aureos
CAPITAL

Aureos Latin America Managers – Aureos (UK)



Advent International, global private equity firm



SOUTHERN CROSS GROUP

Southern Cross Group, private equity firm focused on Latin America



LINZOR
Capital Partners

Linzor Capital, private equity firm focused on Latin America



VICTORIA
CAPITAL PARTNERS

Victoria South American Partners, private equity firm focused on South
America



HARBOURVEST

HarbourVest , global private equity firm

International investors with investments in Colombia

General Partners and International Investors



Equity International, private equity firm focused on growth countries outside the U.S.



HSBC Capital, investment banking subsidiary of HSBC Bank



Riverwood Capital, private equity firm



Citi Venture Capital International, manager of private equity funds focused on emerging market

Multilateral



Multilateral Investment Fund, a member of Inter-American Development Bank (IDB)



Corporación Andina de Fomento, development bank of Latin America



International Finance Corporation, a member of the World Bank Group



Inter-American Investment Corporation, member of the Inter-American Development Bank (IDB)

Other International entities



Norfund, Norwegian investment fund for developing countries



FMO, entrepreneurial development bank of the Netherlands



Mexican Chamber of Private Equity Investment – Fund of Funds



Spanish development finance institution



UK's development finance institution



Investment through the Secretary of State for International Cooperation (SECI)



The Swiss Investment Fund for Emerging Markets

Colombian Pension funds



Pension fund, member of Grupo AVAL



Pension fund, member of Grupo Empresarial Antioqueño



Pension fund, member of Grupo BBVA



Pension fund, member of Grupo Colpatría



Pension fund, member of Grupo Suramericana de Inversiones



Pension fund, member of Grupo Financiero Old Mutual

Insurance Companies actively investing



Seguros Bolívar, general and life insurance company



Suramericana S.A., insurance company member of Grupo de Inversiones Suramericana



Global Seguros, Colombian insurance company

Colombian Development Banks

 **BANCOLDEX** BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. The Colombian development bank


 **FINAGRO** Finagro, fund for agricultural financing

 **FINDETER** Findeter, development bank that finances investment initiatives that contribute to infrastructure development

Other investors

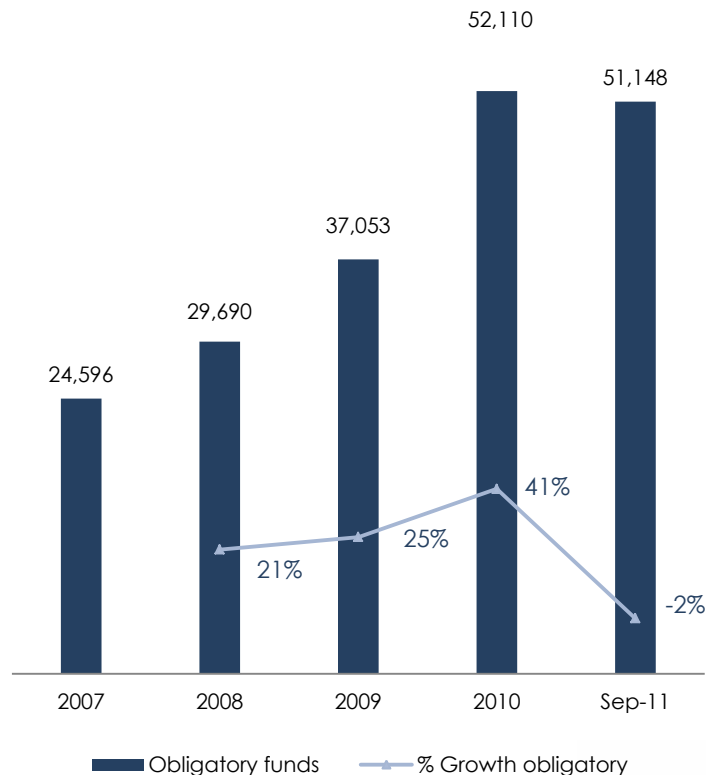
 **Corficolombiana** Corporación Financiera Colombiana S.A., member of Grupo AVAL

 **Banca de Inversión Bancolombia** Banca de inversión, member of Grupo Bancolombia, which is part of Grupo Empresarial Antioqueño

 **ARGOS** INVERSIONES ARGOS S.A. Argos, productora y comercializadora de cemento y concreto, miembro de Inverargos, miembro del Grupo Empresarial Antioqueño

 **GRUPO DE INVERSIONES suramericana** Grupo de Inversiones Suramericana holding company, member of Grupo de Inversiones Suramericana, which is part of Grupo Empresarial Antioqueño

Assets under management of obligatory pension funds in Colombia (USD MM) before multifondos



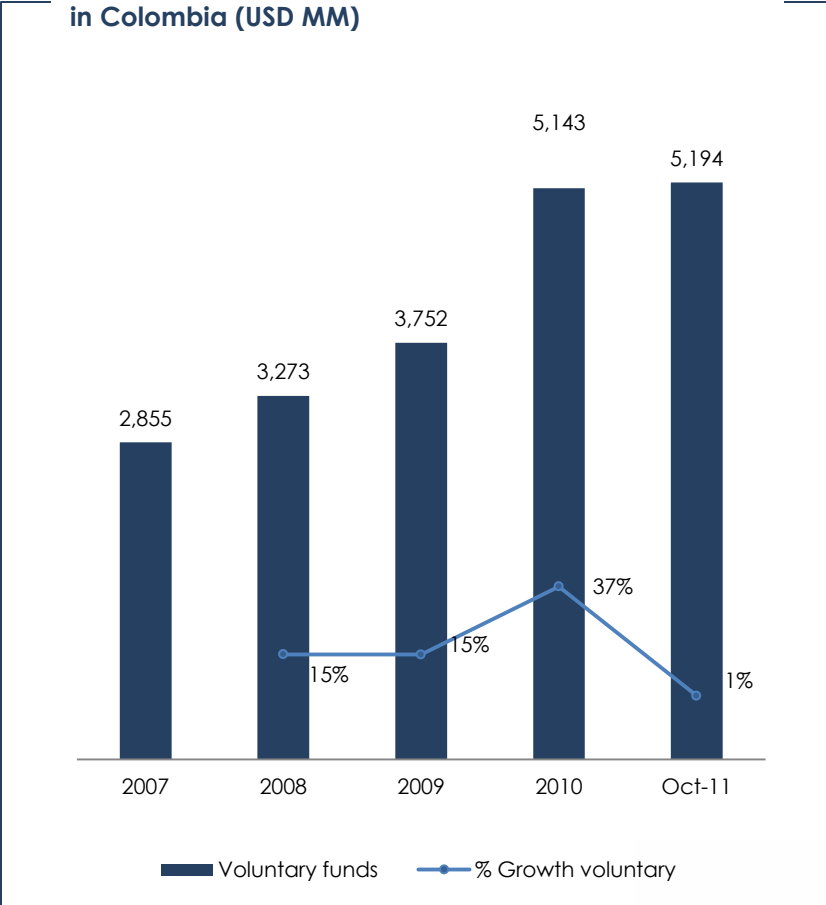
Since August 2010, the obligatory pension funds change to a Multi funds model.

The investment limits of the multi funds are:

- Higher risk pension fund: **up to 7%**
- Moderate risk pension fund: **up to 5%**
- Conservative risk pension fund: **0%**

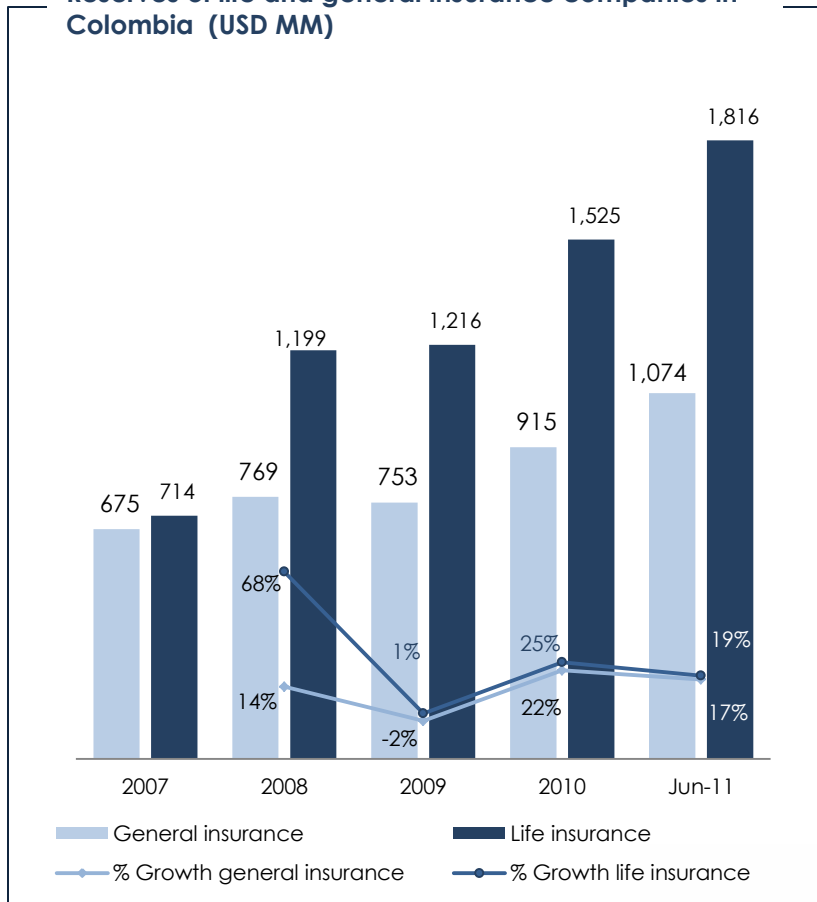
Voluntary pension funds looking to invest in PE funds

Assets under management of voluntary pension funds in Colombia (USD MM)



The voluntary pension funds could invest **up to 10%** in private equity funds local and foreign

Reserves of life and general insurance companies in Colombia (USD MM)



Source: Colombia Financial Superintendence report, September 2011

Since August 2010, the investment limits on of the Insurance Companies to invest in private equity are:

Life insurance

- Local PE funds up to 5% on the value of reserves
- Abroad PE funds up to 5% on the value of reserves

General insurance

- Local PE funds and abroad funds up to 5% on the value of reserves

Earthquake insurance

- Abroad funds up to 5% on the value of reserves

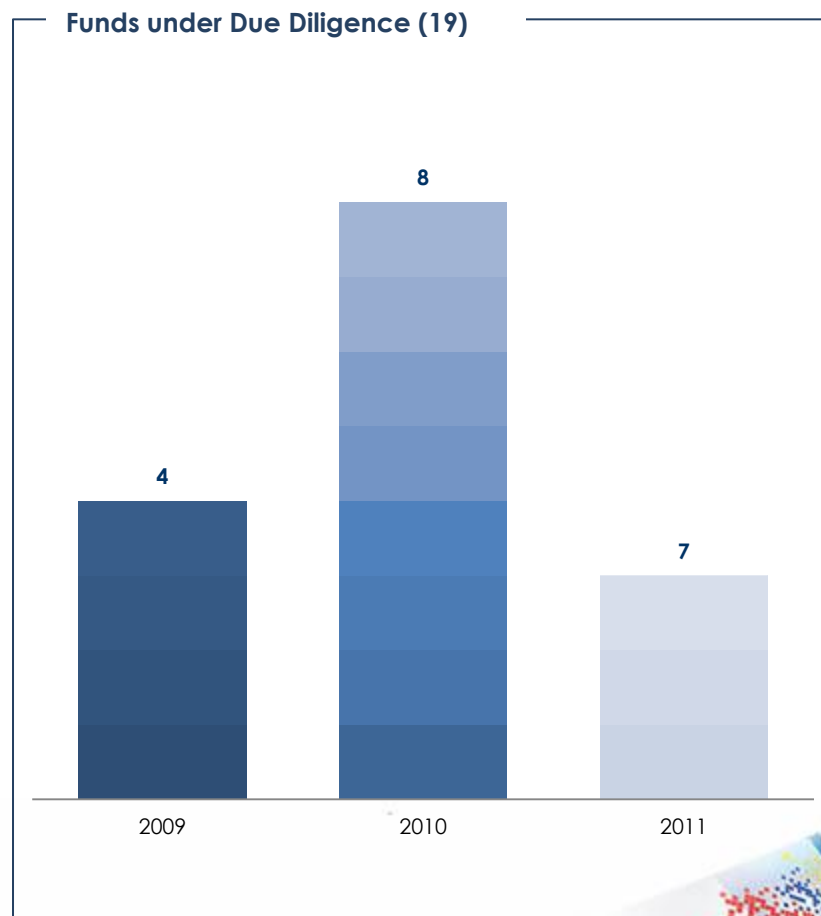
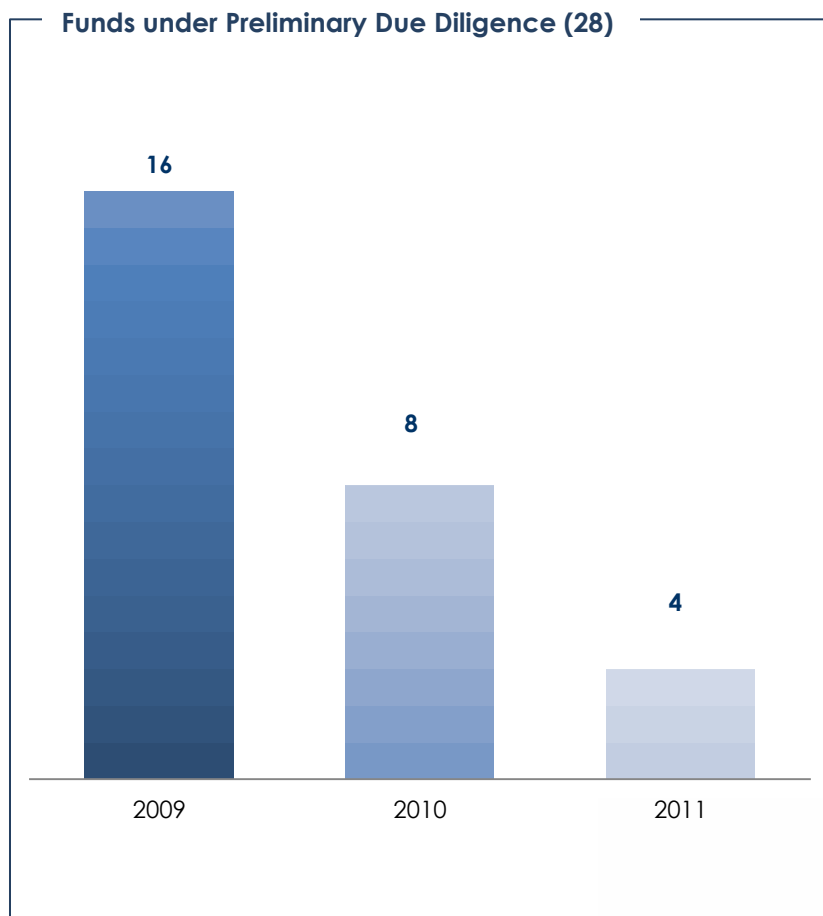


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Actively investing in Private Equity and Venture Capital funds

Since 2009, 28 funds have been analyzed by Bancoldex. Four fund investments have been for USD 37M, in multi sector funds, venture capital and infrastructure funds

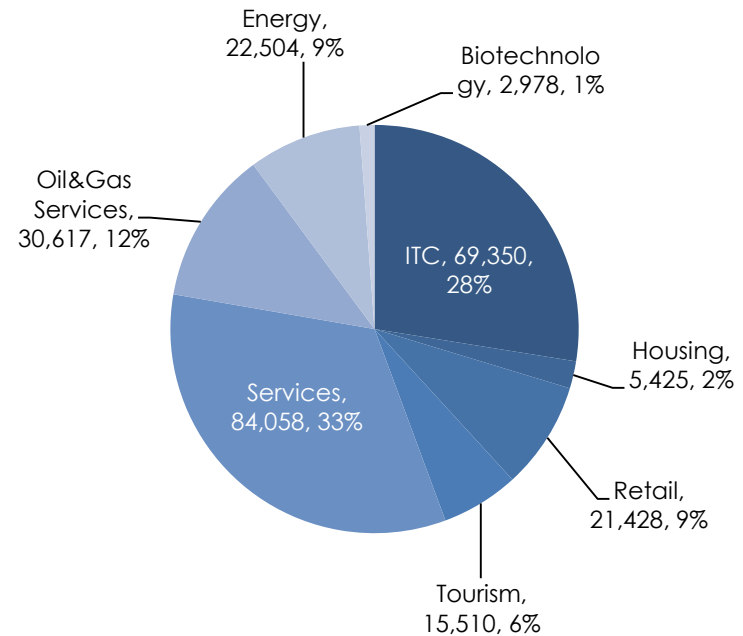


Funds' s portfolio companies in diverse sectors

Outsourcing Services, Information Technology, Biotechnology, Clean Energy, Digital Animation, Tourism, Power generation , Logistics are some of the sectors backed by Bancoldex investments in funds

- 20 companies have been back, 12 of them are in Colombia
- 33% of the capital have been invested in service companies
- 28% in Information technology and telecommunications companies
- There is a recent successful exit of a biotechnology firm (agribusiness)

Fund investments by sector





Broader investment strategy moving forward to VC funds and INNOVATION

Stage	Private equity funds / Venture capital funds (early stage and growth capital)
Geography	Local and international funds that invest in Colombia at least 2 times Bancóldex investment commitment into the fund. GPs local presence preferred
Sectors	Industry, services, trade and tourism
Minimum fund size	USD 10 million (VC) ; USD 15 million (PE)
Bancoldex investment	Up to USD 10 million per fund (maximum 20% of the fund)
Funds regulatory framework	Foreign law applicable for international PE funds ; Colombian regulation for local funds (Decree 2555 of 2010)
Track record and experienced GPs	Experienced Management Teams and track record preferred. Proper corporate governance structure
Waterfall distribution	Full fund preferred
Diversification	Funds with risk diversification strategies
Exclusions	Financial services companies, supervised the Superintendence of Finance in Colombia, ii) Microcredit companies in Colombia, iii) weapons, gambling or similar and iv) ideas or business plans

Technical Assistance Program to build the PE/VC ecosystem

To promote the development of the PE/VC industry in Colombia, we concentrate on four pillars:

Fund Managers (GPs)	Investors in funds (LPs)	Enterprises	Ecosystem
			
<ul style="list-style-type: none">- Supporting the creation of a PE/VC Institute for Latin America-Creating the Colombian PE/VC Association- Encouraging best practices	<ul style="list-style-type: none">- Promoting PE/VC funds as an asset class among new potential investors- Promoting best practices among LPs	<ul style="list-style-type: none">-Implementing Corporate Governance best practices- Venture forums to connect companies with PE/VC funds	<ul style="list-style-type: none">-Proposing a friendly regulatory framework-Sponsoring events-Disseminating information (web portal , and news letters)

SINCE THERE IS NO PRIVATE EQUITY OR VENTURE CAPITAL ASSOCIATION, BANCOLEX ACTS AS THE COLOMBIAN PE/VC ASSOCIATION

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