



OVERVIEW OF THE PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY IN COLOMBIA

February 2013

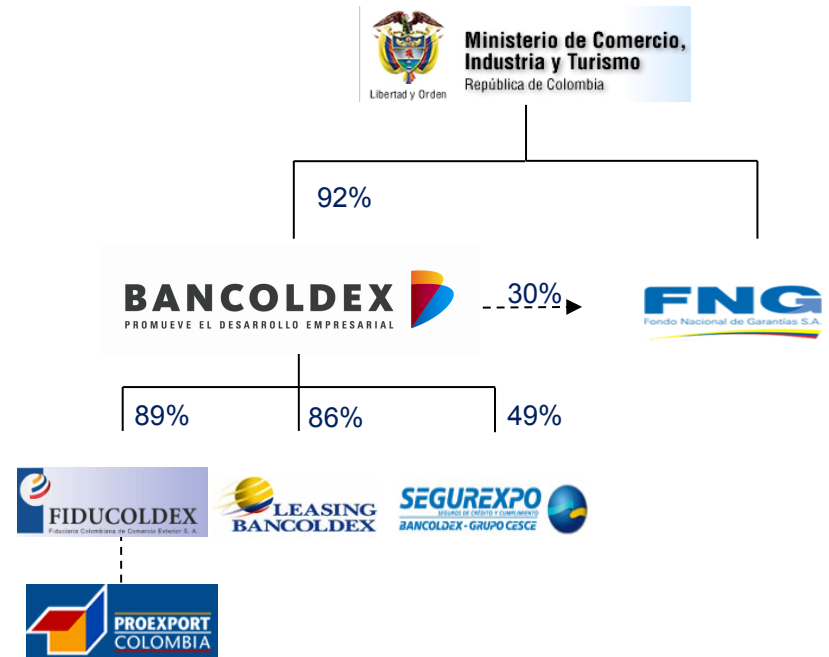
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Bancoldex, the Colombian Development Bank

- A state owned bank created in 1991 as a foreign trade bank (Eximbank)
- Today, Bancoldex is a second tier bank that offers financial and non financial services, to large companies, SMEs, and micro financial institutions, among others and promotes entrepreneurial development
- USD 3.069 millions in assets, and USD 694 millions in equity
- **SINCE 2009, BANCOLDEX IS INVESTING IN PRIVATE EQUITY AND VENTURE CAPITAL FUNDS, THROUGH THE BANCOLDEX CAPITAL PROGRAM**



BANCOLDEX
CAPITAL



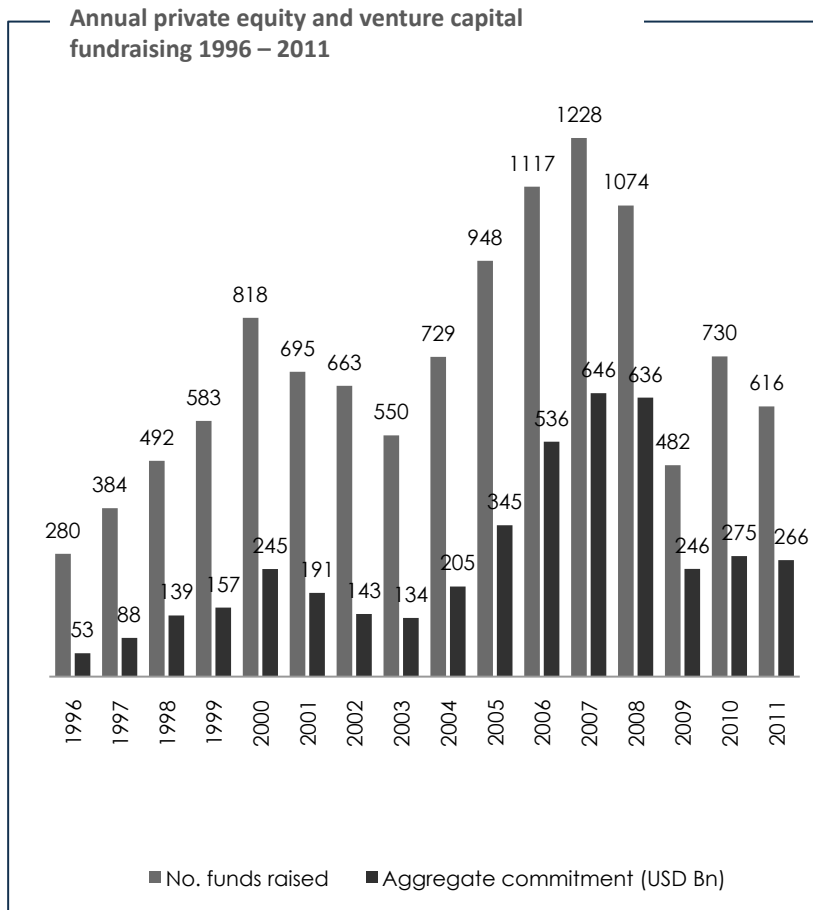
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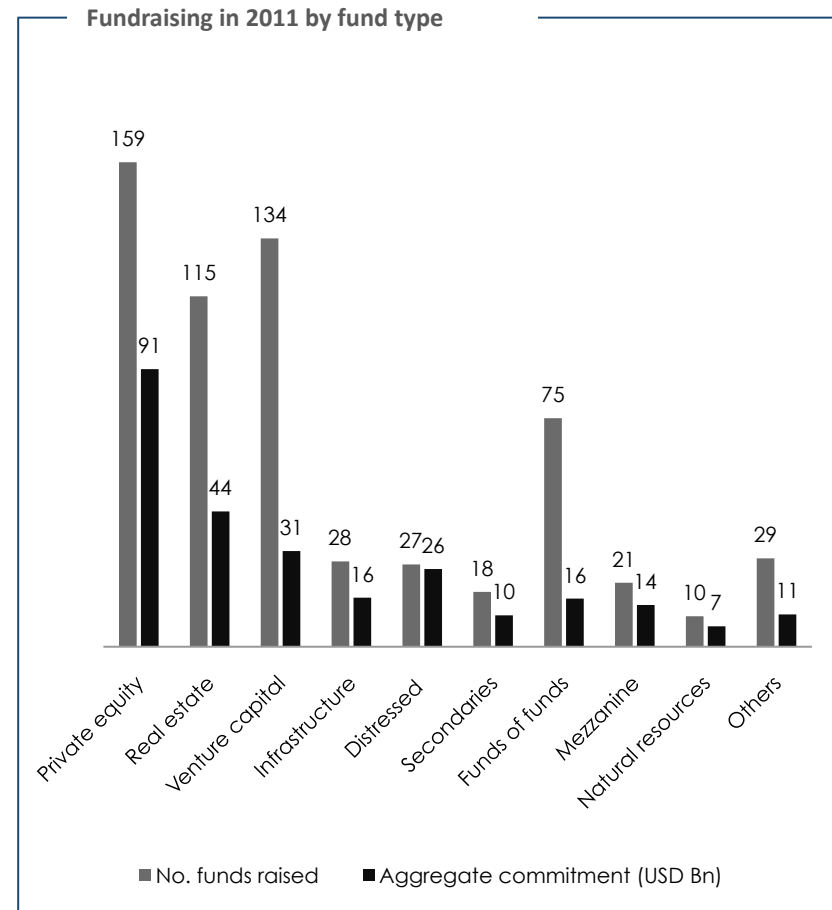


In 2011, 616 funds raised USD 266 billion

37% of the capital was raised by **Private Equity** Funds. 22% of the funds were **Venture Capital** Funds



Source: 2012 Preqin Global Private Equity Report

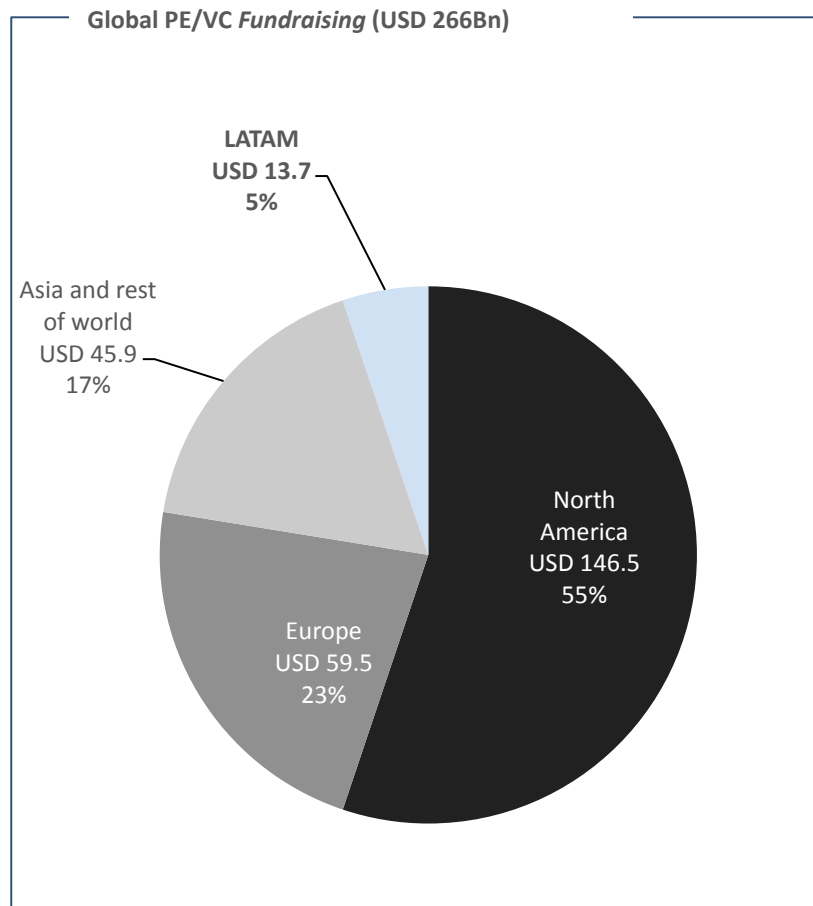


Source: 2012 Preqin Global Private Equity Report

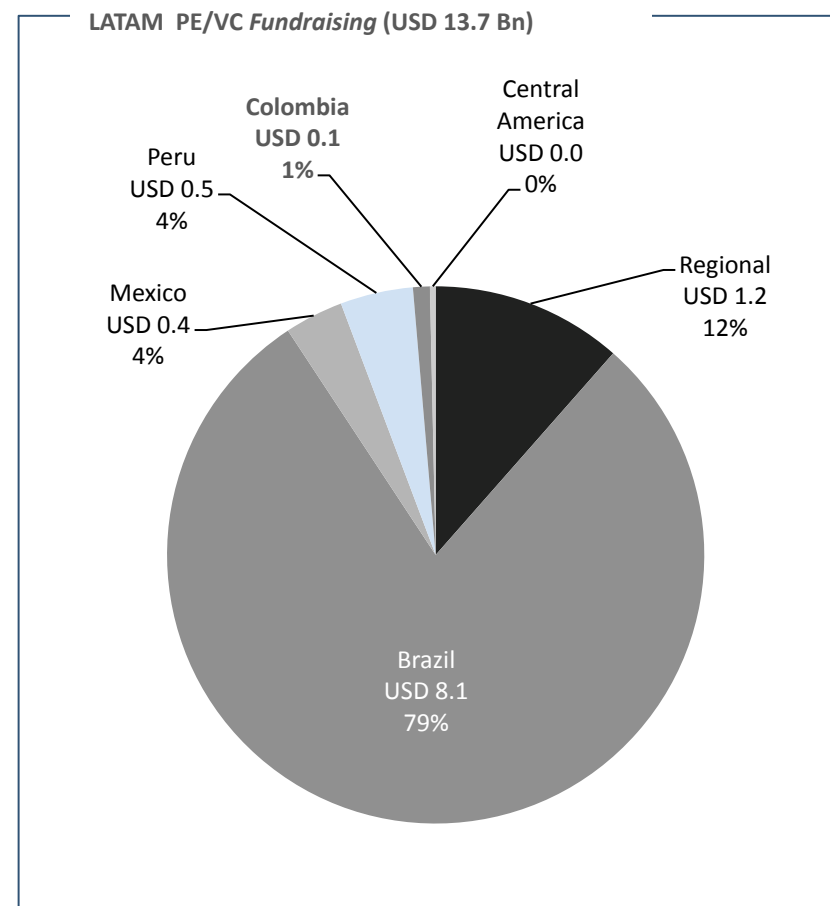


Colombia is the 4th Latin American country, by fundraising

Latin America represents 5% of global fundraising in PE/VC. Colombia represents 1% of the total fundraising of Latin America



Source: 2012 Preqin Global Private Equity Report



Source: 2012 LAVCA Industry Data

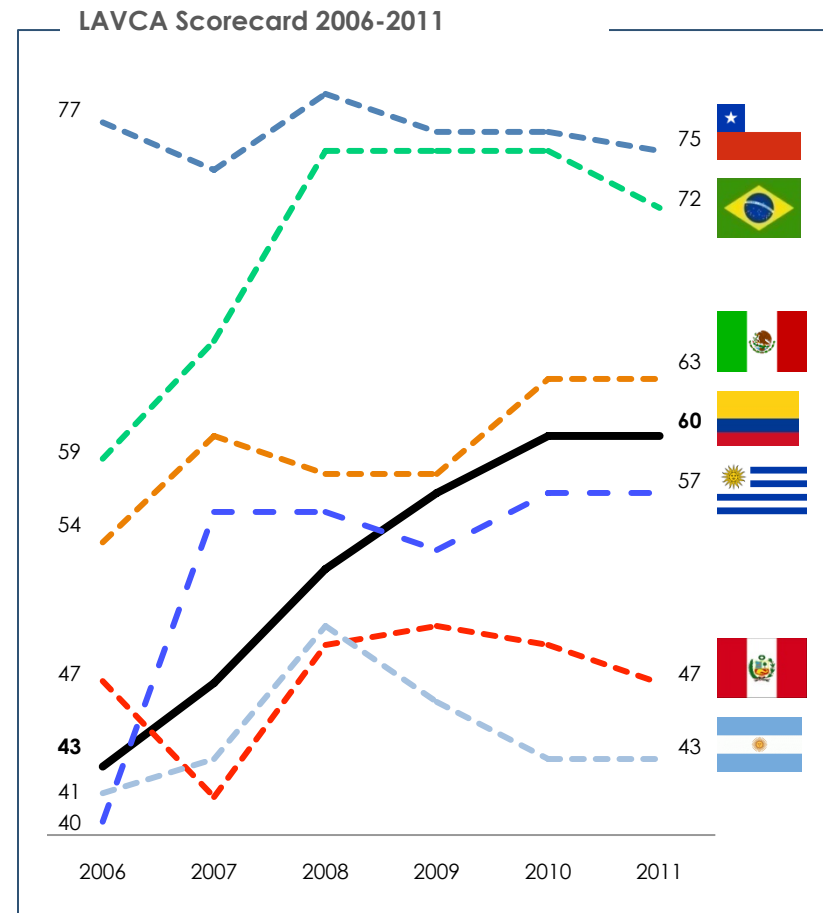


Colombia moved from the 7th position to the 4th in the LAVCA Scorecard

Colombia has a friendly Private Equity environment, with improvements in the protection of minority shareholder rights and corporate governance

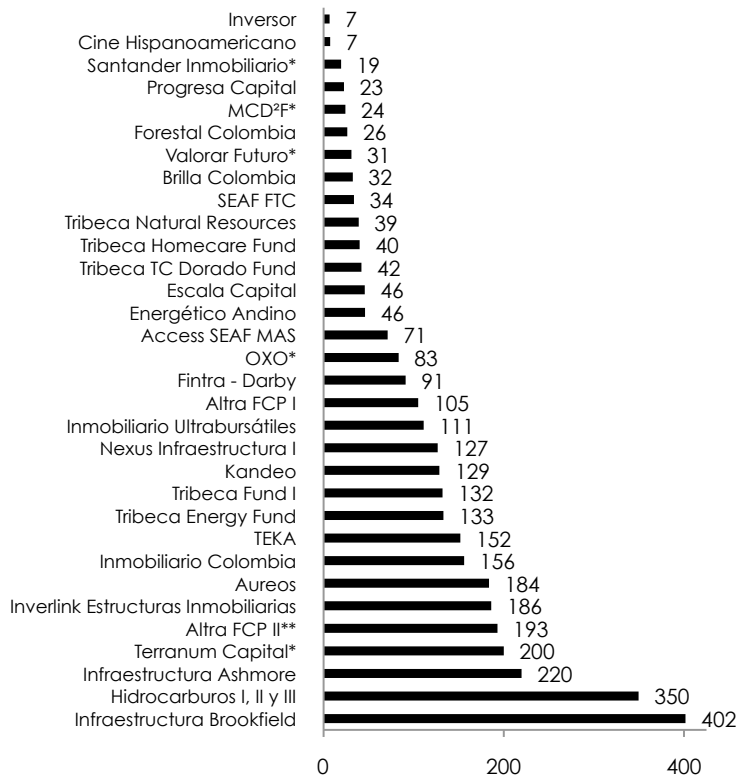
Colombia		
Year	Overall score	Ranking
2011	60	4 th
2010	60	4 th
2009	57	5 th
2008	53	6 th
2007	47	7 th

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



32 funds in Colombia with USD 3,4 Billion of capital raised

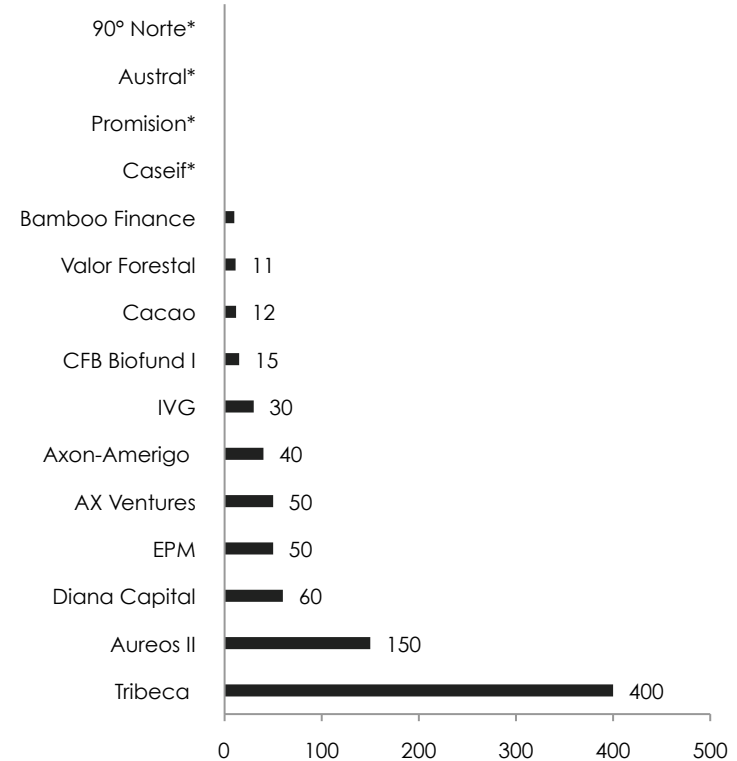
Closed Funds (USD 3.4 billion)



*: Funds with partial closed

Funds in fundraising (USD 828 million)

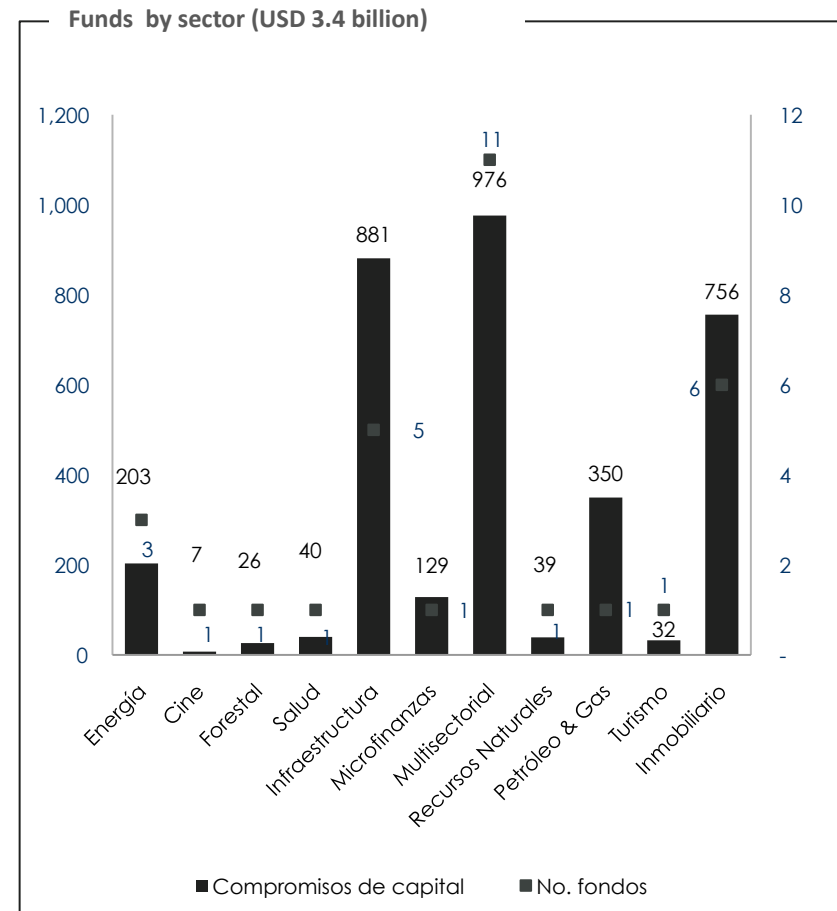
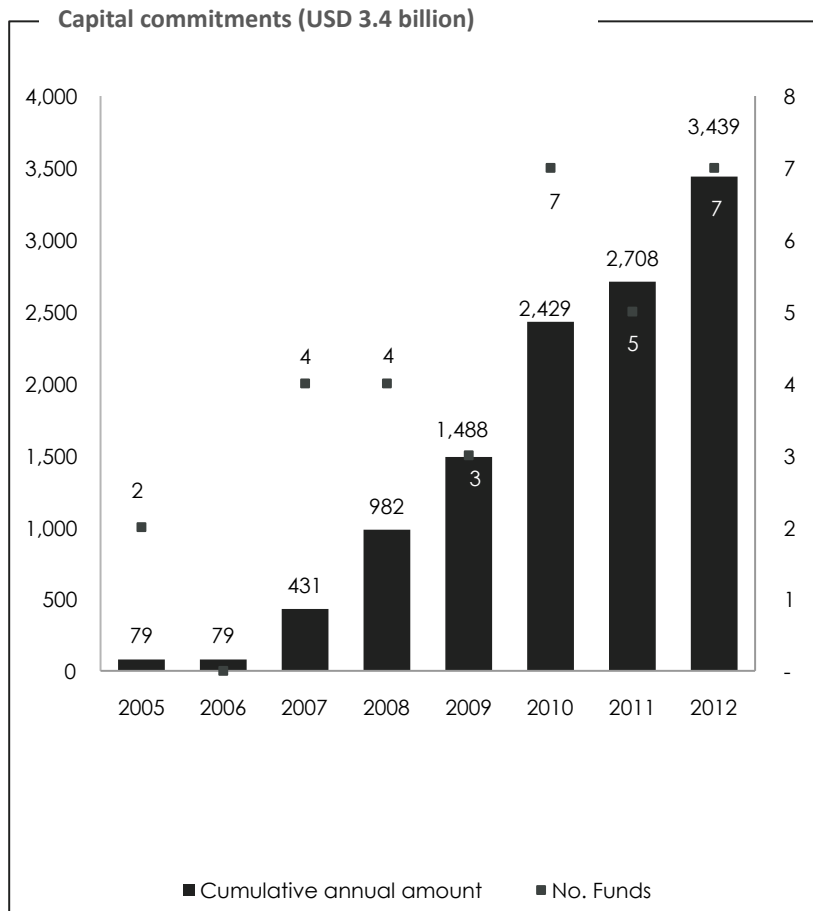
Minimum amount



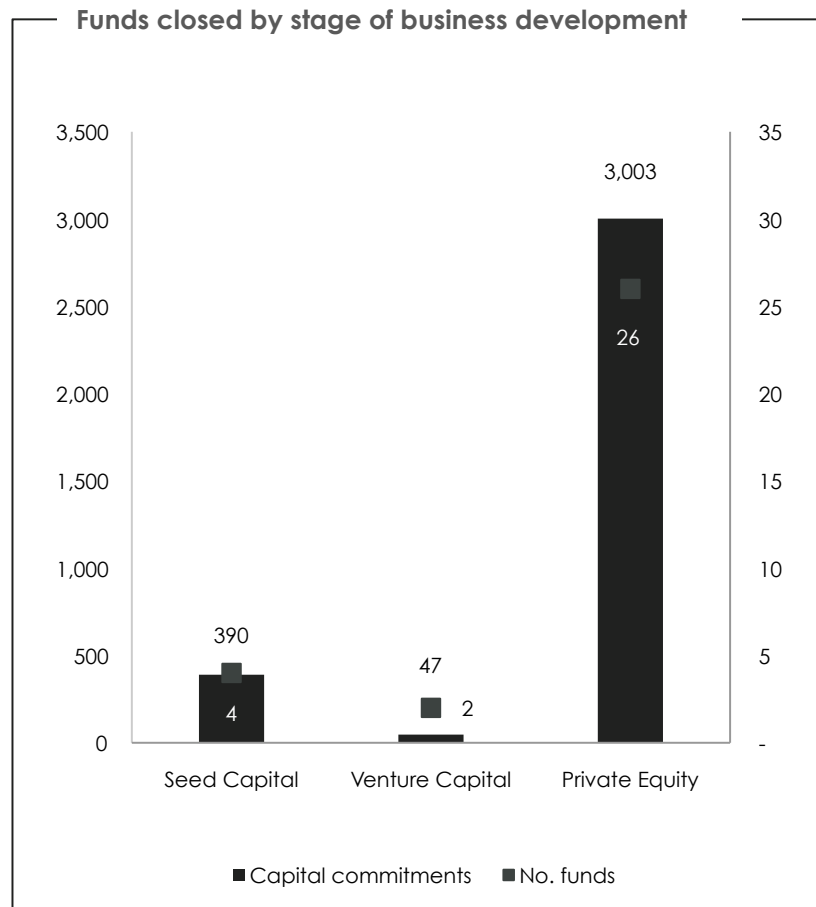
*: In process



Compound annual growth rate of 71% in capital commitments



81% of funds capital commitments is buyout oriented



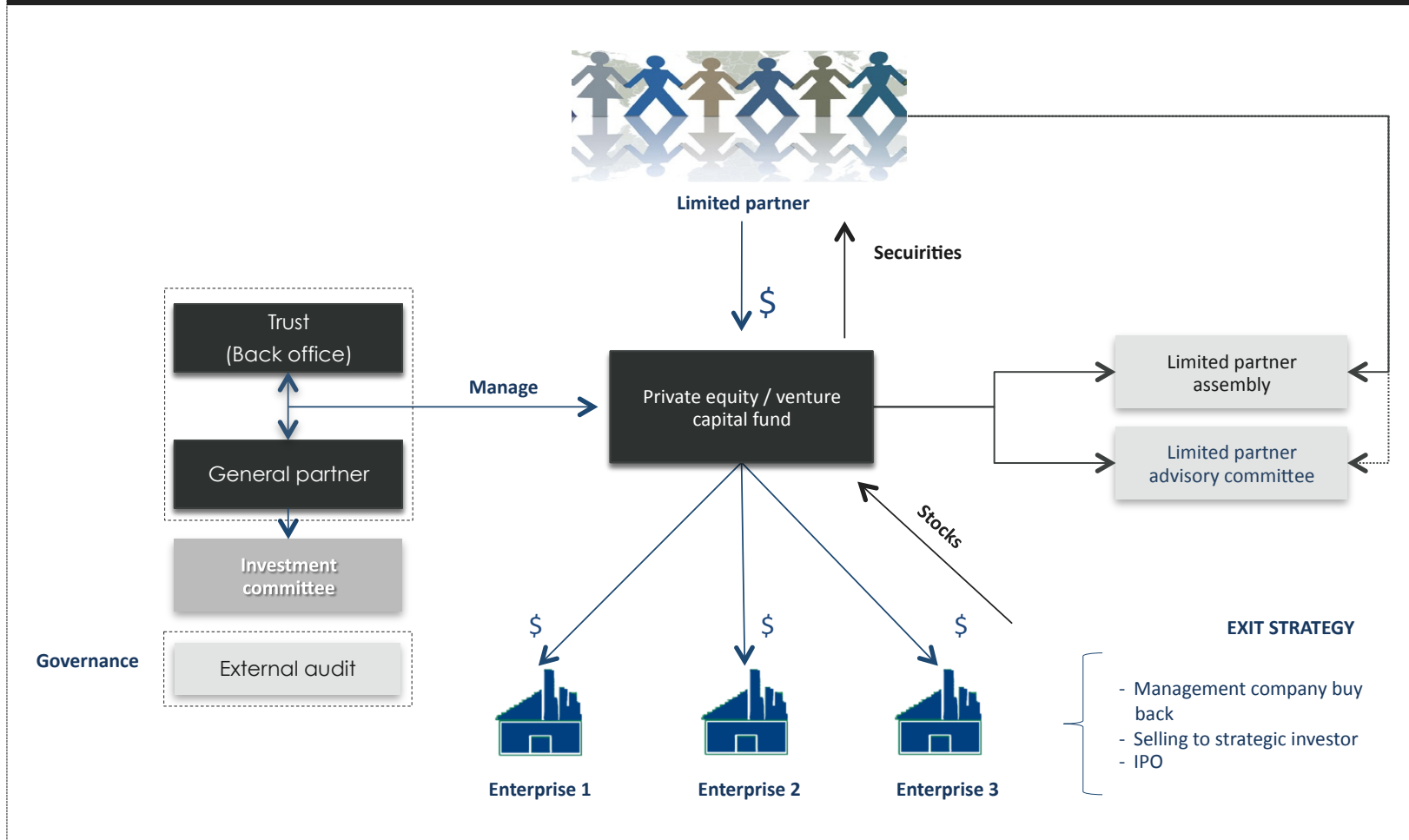
- In Colombia there is only one venture capital fund with COP 40.000 million
- Infrastructure funds represent 26% of total capital commitments
- Colombia has two major challenges: to develop the venture capital industry and to offer equity resources for early-stage companies



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 (US Management Company)



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, private equity firm focused on Latin America



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



HarbourVest , global private equity firm



Brilla Capital Management (US Management Company)



AEF Private Equity Management LTD (Canadian Management Company)



General partners and 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



Pantheon Ventures, global private equity fund of funds



Hamilton lane (in process of establishment)



Partners Group (in process of establishment)



Main investors

Multilateral



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



Corporación Andina de Fomento, Latin America development bank



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



Main Investors

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 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



Main Investors

Colombian Development Banks



The Colombian development bank



Finagro, fund for agricultural financing



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

Other investors



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



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



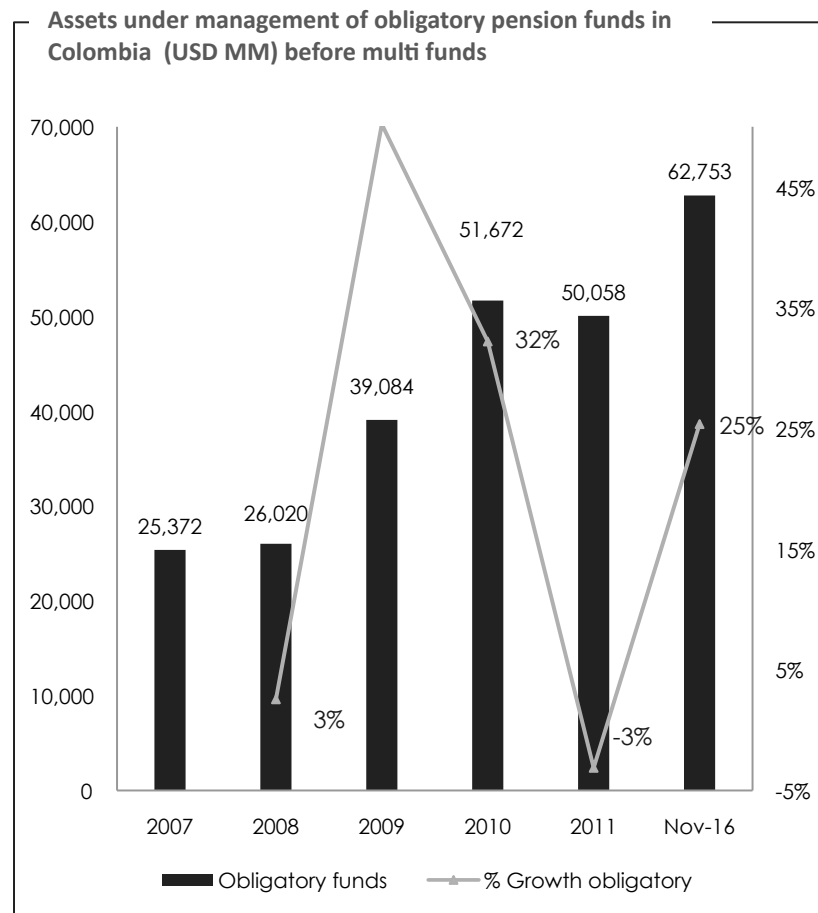
Argos, productora y comercializadora de cemento y concreto, miembro de Inverargos, miembro del Grupo Empresarial Antioqueño



Grupo de Inversiones Suramericana holding company, member of Grupo de Inversiones Suramericana, which is part of Grupo Empresarial Antioqueño



Pension funds looking to invest in PE funds



Source: Colombia Financial Superintendence report, October 2012

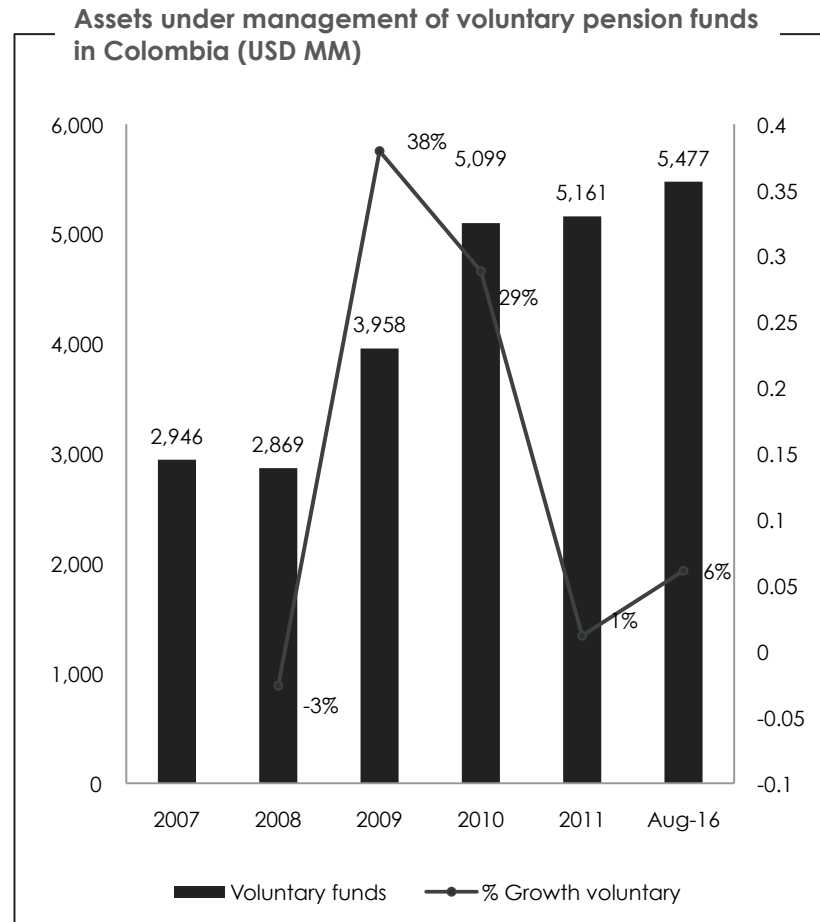
In August 2010, the obligatory pension fund model change to a Multi fund model.

The investment limits of the multi fund model 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

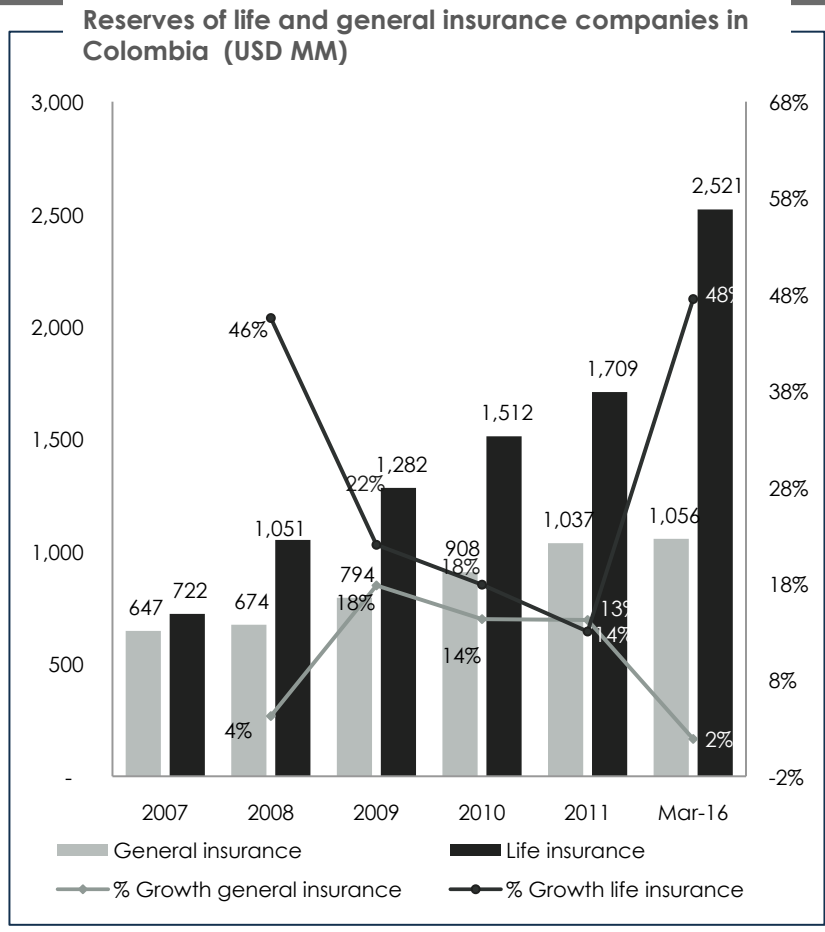


Source: Colombia Financial Superintendence report, July 2012

Voluntary pension funds could invest **up to 10%** in private equity funds in Colombia and abroad



Insurance companies as new LPs



Source: Colombia Financial Superintendence report, march 2012

Insurance Companies have an investment limit in private equity of:

Life insurance

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

General insurance

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

Earthquake insurance

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



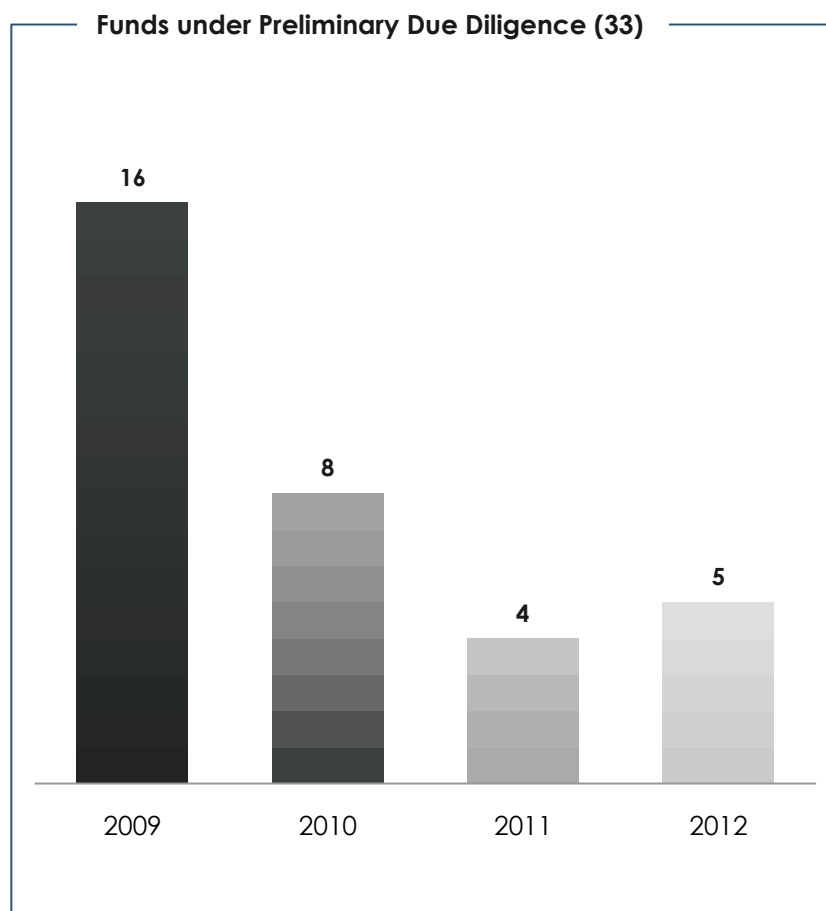
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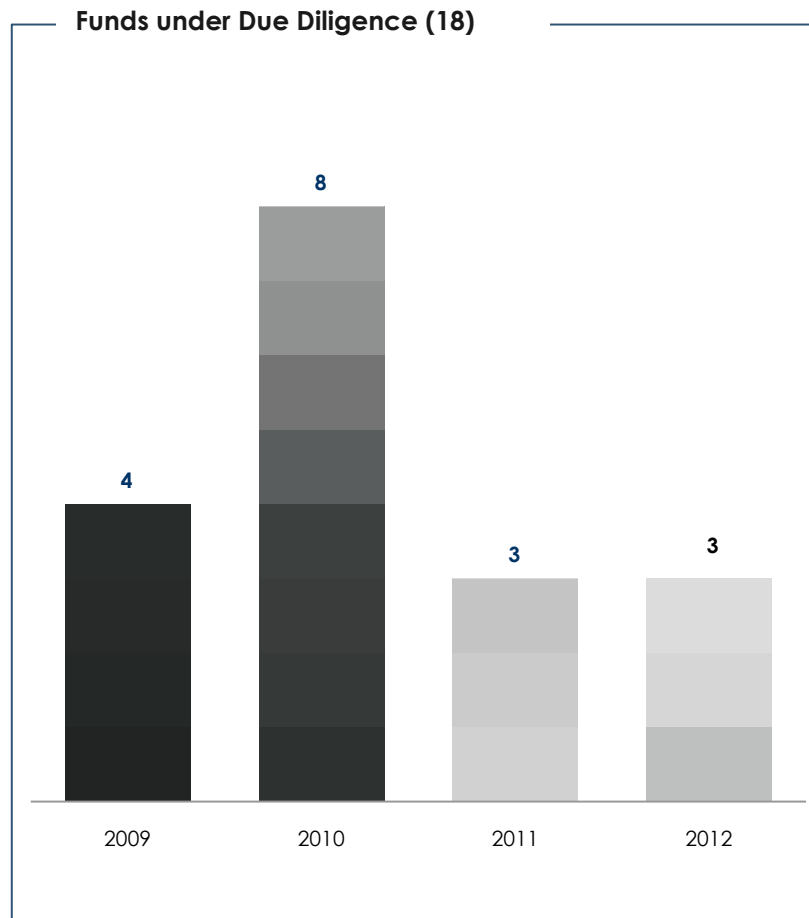


Actively investing in Private Equity and Venture Capital funds

Since 2009, 33 funds have been analyzed by Bancóldex. Five investment commitments (USD 46M) in multi sector funds, tourism, venture capital and infrastructure



Source: Bancóldex, December 2012



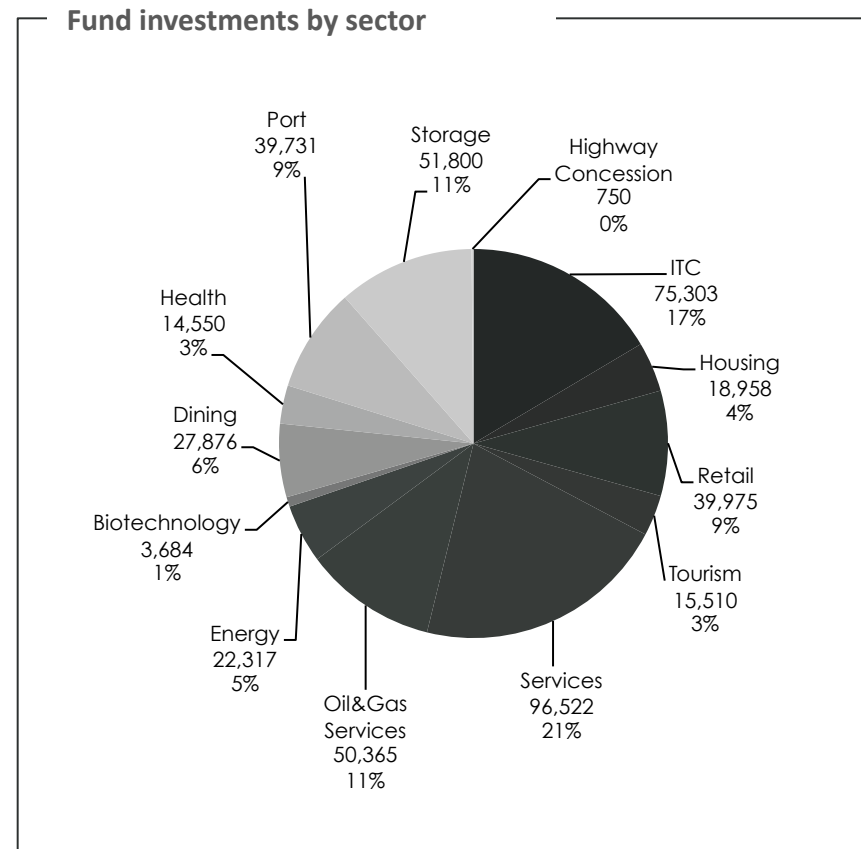
Source: Bancóldex, December 2012



Funds' portfolio companies

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

- 27 companies have been backed, 17 of them are in Colombia
- 21% of the capital have been invested in service companies
- 17% in Information technology and telecommunications companies
- Successful exit of a biotechnology firm (agribusiness)



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- Supporting the creation of the Colombian PE/VC Association - COLCAPITAL- 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- Developing 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)





GRACIAS

www.bancoldex.com