Which Emerging Markets Are Outperforming?

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Outline

Historical Performance
- Market
- IFC

What About the Future?
HISTORY - GENERAL MARKET
Emerging Market Private Equity Has Come of Age

Since 2000 EM PE has become competitive with DM PE

A disproportionate number of EM funds are in the top half and top quartile of the Global PE Universe for vintage years from 2004. For vintage years 2004 to 2008 EM Funds constitute between approximately 30% to 45% of the top quartile of the Global PE Universe.

Source: Cambridge Associates
Diversification Benefits

Geographic Diversification and Low Leverage Lead to Low Correlation with Developed Market Private Equity

Emerging market private equity provides diversification within the private equity asset class.

<table>
<thead>
<tr>
<th>Cambridge Associates LLC. Correlation of indices as of December 31, 2011</th>
<th>All Funds Net to LP</th>
<th>Top Quartile Net to LP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation US and Emerging Markets Private Equity 2000-2011</td>
<td>0.5705</td>
<td>0.5295</td>
</tr>
</tbody>
</table>
## Performance Across Regions

### Q3 2012 Annualized % Return

<table>
<thead>
<tr>
<th>Region</th>
<th>1 year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging Asia</td>
<td>6.5</td>
<td>14.7</td>
<td>7.8</td>
<td>11.6</td>
</tr>
<tr>
<td>Emerging Europe</td>
<td>9.2</td>
<td>9.5</td>
<td>2.5</td>
<td>16.3</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>8.1</td>
<td>6.4</td>
<td>8.7</td>
<td>9.6</td>
</tr>
</tbody>
</table>

All Regions are Viable

Source: Cambridge Associates
Summary - EM PE Market History

• Returns Competitive With Developed Markets
• Diversification Benefit
• All Regions are Viable
HISTORY - IFC
There are Advantages in Capitalizing on the Global Opportunity...

... As Our Experience Shows

IFC has out-performed the Emerging Market Index....

.... with a much more geographically diversified exposure.

<table>
<thead>
<tr>
<th>IRR from 2000 to</th>
<th>Jun-11</th>
<th>Dec-11</th>
<th>Jun-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC Private Equity Funds</td>
<td>22.2%</td>
<td>20.2%</td>
<td>19.7%</td>
</tr>
<tr>
<td>MSCI Global Emerging Markets Index (1)</td>
<td>12.8%</td>
<td>9.7%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Source: IFC Portfolio as of June 2012 and Cambridge Associates, IFC analysis
Note: Private Equity Funds Includes: Agribusiness, Cleantech, Midcap, Mining, SME, VC and Healthcare Funds
(1) MSCI returns on IFC Private Equity Fund cashflows in the relevant period
The margin of out-performance is driven a lot by what is happening in Asia, given our under-weight position.
# Regional Returns Relative to The Portfolio

<table>
<thead>
<tr>
<th>Key</th>
<th>Above/Positive</th>
<th>Below/Negative</th>
<th>Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative to Portfolio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution from Fund Type</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution from Fund Selection</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Relative to Portfolio</th>
<th>Contribution of Fund Type</th>
<th>Contribution of Fund Selection</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia Pacific</td>
<td>Above/Positive</td>
<td></td>
<td></td>
<td>Mature Portfolio</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>Above/Positive</td>
<td></td>
<td></td>
<td>Mature Portfolio</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>Below/Negative</td>
<td></td>
<td></td>
<td>Mature Portfolio</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>Below/Negative</td>
<td></td>
<td></td>
<td>Mix of very strong &amp; very weak funds</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>Below/Negative</td>
<td></td>
<td></td>
<td>J-curve &amp; impact of Arab Spring</td>
</tr>
<tr>
<td>South Asia</td>
<td>Below/Negative</td>
<td></td>
<td></td>
<td>J-curve</td>
</tr>
</tbody>
</table>

We Have Benefited from Good Manager Selection
IFC Backs Many First Time Funds - To Our Advantage

There is an Early Mover Premium in Entering Nascent Markets
If you have the experience to capitalize on it.

Source: IFC fund investments by Vintage Year as at June 2012
IFC Backs Mostly Smaller to Mid-Sized Funds
This is a Less Crowded Space

<table>
<thead>
<tr>
<th>Fund Size</th>
<th>No. of Funds</th>
<th>% Funds</th>
<th>Total Capital Raised (US$m)</th>
<th>% Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;US$100m</td>
<td>227</td>
<td>31%</td>
<td>10054</td>
<td>5%</td>
</tr>
<tr>
<td>US$100m-US$249m</td>
<td>157</td>
<td>22%</td>
<td>24446</td>
<td>11%</td>
</tr>
<tr>
<td>US$250m-US$499m</td>
<td>105</td>
<td>21%</td>
<td>36521</td>
<td>16%</td>
</tr>
<tr>
<td>US$500m-US$999m</td>
<td>61</td>
<td>14%</td>
<td>39736</td>
<td>18%</td>
</tr>
<tr>
<td>&gt;US$1 billion</td>
<td>61</td>
<td>12%</td>
<td>111071</td>
<td>50%</td>
</tr>
<tr>
<td>Total</td>
<td>611</td>
<td></td>
<td>221827</td>
<td></td>
</tr>
</tbody>
</table>

Cambridge Associates Data indicates EM funds < $750m out performing funds > $750m, with around 3x as many smaller funds achieving Total Value Multiples > 2x

Source: EMPEA
Summary - IFC Performance History

IFC’s Results Have Benefited From:

- Diversification - Taking Advantage of the Entire Global EM Opportunity
- Good Manager Selection
- Capturing the Early Mover Premium
- Concentration in Mid-Sized and Smaller funds
WHAT OF THE FUTURE?
In A Nutshell

• Diversification Will Still Be Beneficial
• The Early Entrant Premium Will be Present, but Diminishing
• The Mid Market Will Continue to be Attractive
• Markets are Still Evolving, Bringing Opportunity & Risk
  - You Must Keep Close to the Markets
• Risk of Flooding with Excess Capital has Increased
What Are We Looking At?

China - West & North where PE is less developed
- Growth equity, not pre-IPO
- Dry powder less excessive than estimates indicate due to local LP defaults
- Control positions increasing

India - New generation of growth equity managers, not momentum
- Frontier states, Tier II & III cities
- Control positions increasing

New Markets: 1st Philippine fund Bangladesh

Re-visiting: Russia Turkey Indonesia Sub-Saharan Africa Central America

Worth Watching: Vietnam Egypt
THANK YOU

QUESTIONS?

For more information on IFC’s experience investing in Emerging Market PE Funds, please go to our website www.ifc.org/funds