

# 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

## Comparative PE&VC End-to-End Returns (Q2 2012).

	US (PE and VC)	Western Europe (PE and VC)	Global Emerging Markets (PE and VC)
3 Year	15.9%	13.6%	15.5%
5 Year	5.8%	1.6%	7.8%
10 Year	10.9%	15.4%	11.4%
15 Year	13.6%	15.1%	7.9%



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.

Cambridge Associates LLC. Correlation of indices as of December 31, 2011	All Funds Net to LP	Top Quartile Net to LP
Correlation US and Emerging Markets Private Equity 2000-2011	0.5705	0.5295

# Performance Across Regions

Q3 2012	Annualized % Return			
	1 year	3 Years	5 Years	10 Years
Emerging Asia	6.5	14.7	7.8	11.6
Emerging Europe	9.2	9.5	2.5	16.3
Latin America & Caribbean	8.1	6.4	8.7	9.6

All Regions are Viable

Source: Cambridge Associates

# Summary - EM PE Market History

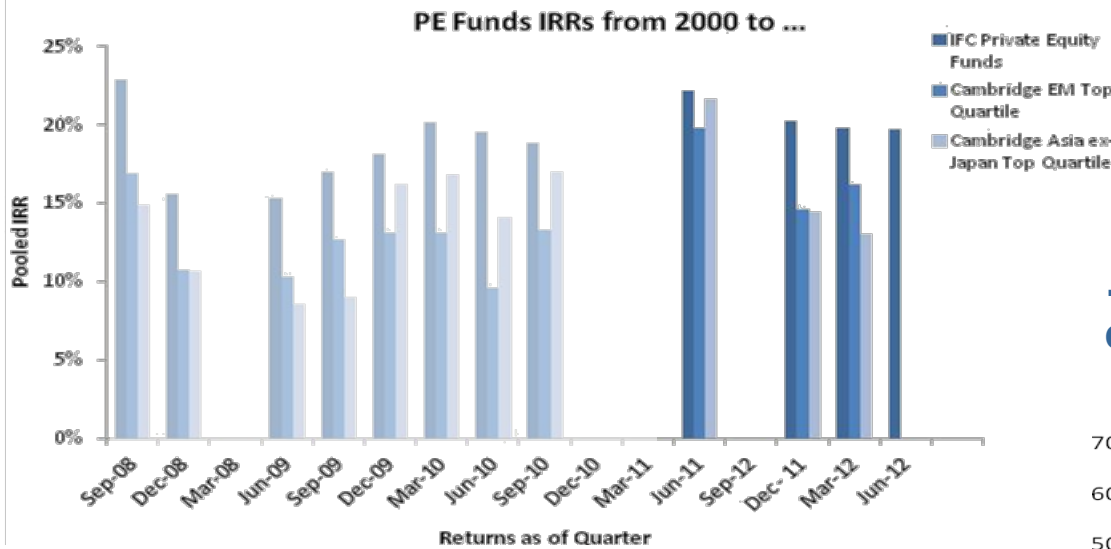
- Returns Competitive With Developed Markets
- Diversification Benefit
- All Regions are Viable

# HISTORY - IFC



# There are Advantages in Capitalizing on the Global Opportunity...

... As Our Experience Shows

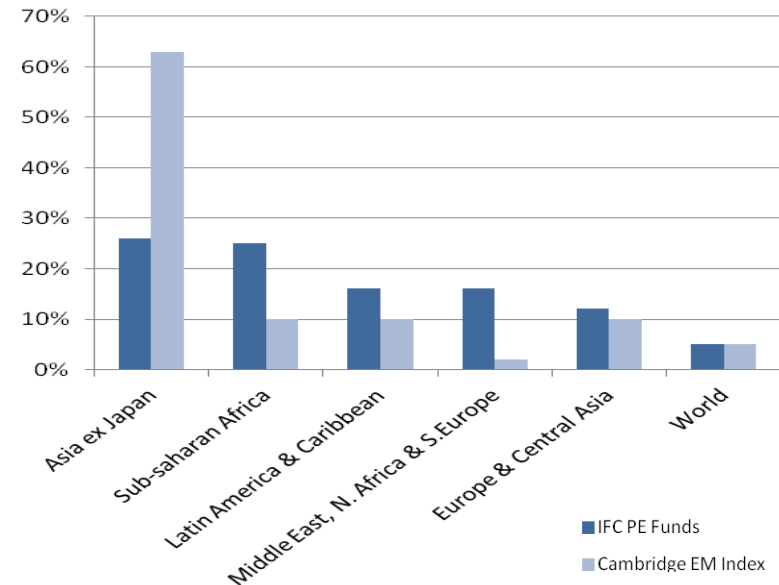


IFC has out-performed the Emerging Market Index....

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

... as well as the MSCI...

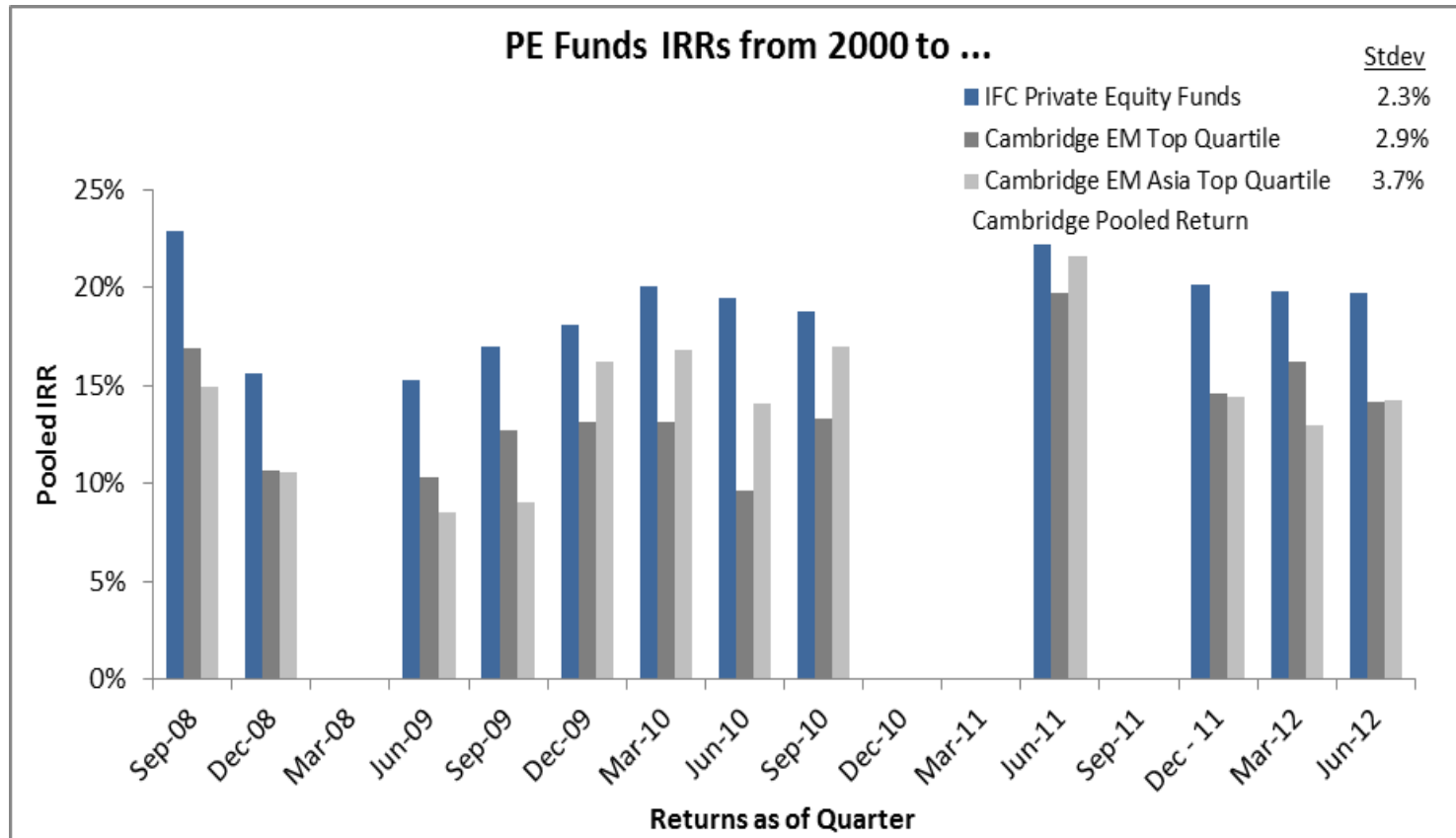
IRR from 2000 to	Jun-11	Dec-11	Jun-12
IFC Private Equity Funds	22.2%	20.2%	19.7%
MSCI Global Emerging Markets Index <sup>(1)</sup>	12.8%	9.7%	9.3%



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

# Consistent Out-Performance, Lower Volatility

## Our Performance Has Benefited From Diversification



The margin of out-performance is driven a lot by what is happening in Asia, given our under-weight position

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

# Regional Returns Relative to The Portfolio

Key	Above/Positive	Below/Negative	Neutral
Relative to Portfolio			
Contribution from Fund Type			
Contribution from Fund Selection			

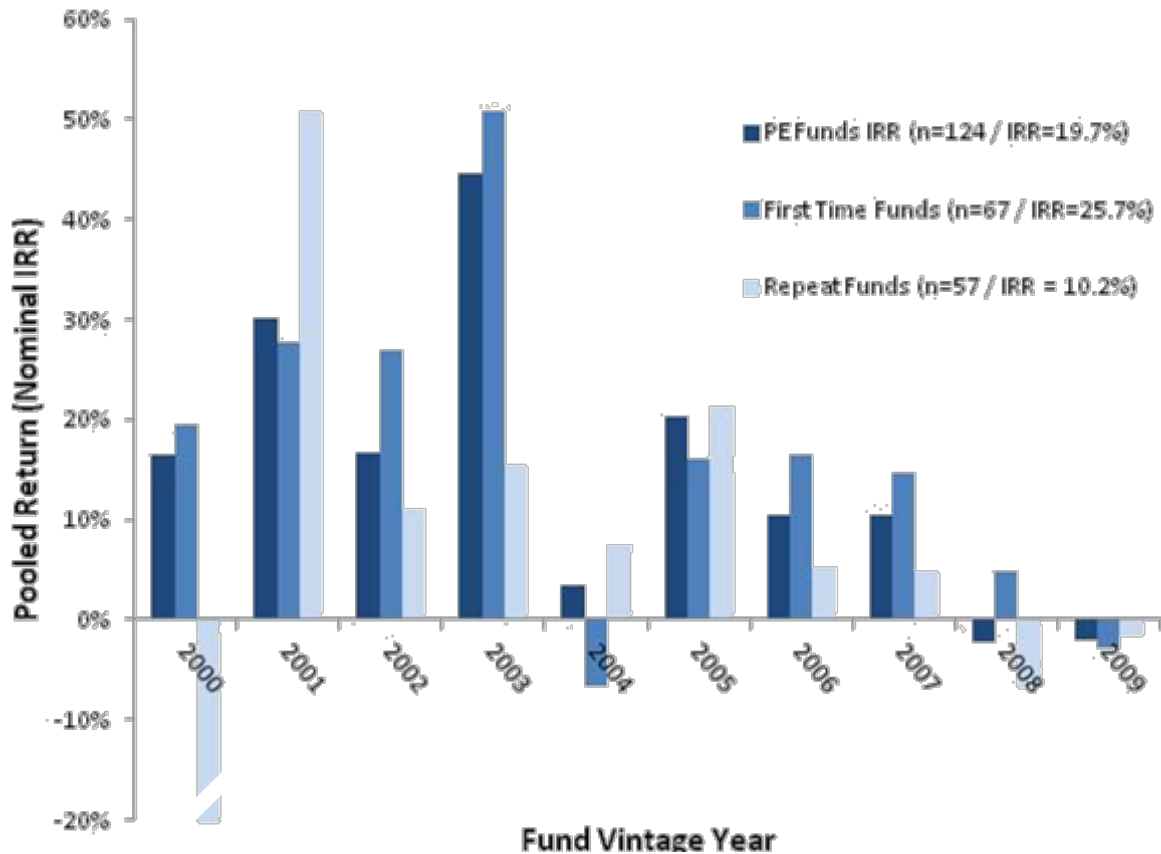
	Relative to Portfolio	Contribution of Fund Type	Contribution of Fund Selection	Comments
East Asia Pacific				Mature Portfolio
Europe & Central Asia				Mature Portfolio
Sub-Saharan Africa				Mature Portfolio
Latin America & Caribbean				Mix of very strong & very weak funds
Middle East & North Africa				J-curve & impact of Arab Spring
South Asia				J-curve

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

	Total Emerging Markets 2007-2012			
	No. of Funds	% Funds	Total Capital Raised (US\$m)	% Capital
<US\$100m	227	31%	10054	5%
US\$100m-US\$249m	157	22%	24446	11%
US\$250m-US\$499m	105	21%	36521	16%
US\$500m-US\$999m	61	14%	39736	18%
>US\$1 billion	61	12%	111071	50%
<b>Total</b>	<b>611</b>		<b>221827</b>	

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: 1<sup>st</sup> 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](http://www.ifc.org/funds)