SIXTH EDITION

THE **LATIN AMERICAN** PRIVATE EQUITY **DEAL BOOK + ESG CASES**

LAVCA

The Association for Private Capital Investment in Latin America

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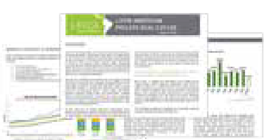
LAVCA PRODUCTS

LAVCA Industry Data and Analysis

Represents the most comprehensive and accurate source of regional industry data on private equity and venture capital investments available to date, and has been designed for use in investor presentations, media reports, and conferences.



LAVCA Real Estate Report

Latin American Private Real Estate presents an independent perspective on the size of the Latin American private real estate market, identifying the main players, geographies, and relevant sectors in the region, with a particular focus on Brazil, Mexico, Colombia, Peru, and Chile.

The Latin American Private Capital Update

The Latin America Private Capital Update is the official newsletter of LAVCA.

The LatAm Venture Bulletin

A must-read roundup of startup deals and news on emerging technologies in Latin America, delivered to over 3,000+ investors, entrepreneurs, & corporates bi-weekly.

LAVCA Scorecard

Produced in collaboration with the EIU the LAVCA Scorecard ranks 12 countries based on 13 indicators.

The Latin American PE Deal Book & ESG Cases

The Latin American Private Equity Deal Book & ESG Cases profiles investments from leading private equity players in Latin America. Cases include information about deal execution, investment strategy, ESG, and IRR.

Latin American Private Capital Fund Terms & Compensation Report

A benchmarking tool on preferred fund terms and compensation strategies for domestic and international GPs who are active in Latin America across the asset classes of private equity, venture capital, and real estate.

ABOUT LAVCA

LAVCA is the Association for Private Capital Investment in Latin America, a not-for-profit membership organization dedicated to supporting the growth of private capital in Latin America and the Caribbean. LAVCA's membership is comprised of over 190 firms, from leading global investment firms active in the region and local fund managers to family offices, global sovereign wealth funds, corporate investors, and international pension plans. Member firms control assets in excess of US$65 billion, directed at capitalizing and growing Latin American businesses. LAVCA's mission – to spur regional economic growth by advancing private capital investment – is accomplished through programs of research, networking forums, education and advocacy of sound public policy.

CONTACT LAVCA

research@lavca.org | Ph: 1-646-315-6735

DATE OF INVESTMENT 2014

AMOUNT US$245 MILLION

PARTICIPATION/STAKE 80%

COMPANY NAME
Zuma Energía
www.zumaenergia.com

INDUSTRY / SECTOR Renewable Energy

LOCATION(S) Mexico

DESCRIPTION
Zuma Energía is an independent renewable energy firm in Mexico, with a portfolio of four power projects. The company has total generation capacity of 818MW, as well as a pipeline of projects in the development phase. Zuma has two wind farms in the southern border state of Oaxaca with a combined capacity of 474MW and two solar parks in the northern border state of Chihuahua with 344MW of capacity.

INVESTOR PROFILE
Actis is a pan-emerging markets investor, with a portfolio of investments across Asia, Africa, and Latin America and US$9.2 billion of assets under management. The firm is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and in addition to consistent returns across asset classes over the long-term, is committed to bringing social benefits to investors, consumers and communities. Actis has three business units: private equity, energy and real estate. Within its energy business, Actis focuses on making investments in power generation and distribution companies in emerging markets.

FUND NAME Actis Energy Fund 3

FUND SIZE US$1.1 billion

TOTAL AUM US$9.2 billion

FUND ESG POLICIES Since inception, Actis has considered ESG issues as a core part of the investment decision-making process. Understanding the material ESG issues is integral to risk management and value creation in portfolio companies. Using ESG as a tool of analysis, Actis has built a portfolio of high quality, well governed and innovative companies that have a positive social and economic impact on the communities where they operate. Actis has a dedicated in-house ESG team of four professionals with combined experience exceeding 50 years. The team works closely with the fund's energy sector investments such as Zuma to ensure that the key elements of its investment approach are implemented. Actis also requires that each management team have a dedicated ESG head. Each portfolio company also has an ESG sub-committee on the board and is required to hold quarterly meetings, which are attended by Actis' ESG team. Adherence to IFC Environmental and Social Performance Standards and community investment strategies help limit risks and guarantee that companies operate more securely in the face of uncertainty.

OPPORTUNITY

Actis has targeted Latin America for energy investments due to the need to modernize outdated power infrastructure in the region. The supply and demand dynamics for electricity, combined with a sustained regulatory shift towards private sector participation in the segment since the 1990s, underpin the opportunity for Actis to invest in the sector. Actis also sees this as a sector that makes a positive contribution to economic growth by providing reliable, sustainable, and affordable power. In this context, Mexico is a particularly attractive investment destination for power generation, following the approval of the 2013 energy reform.

Zuma was founded in 2014 to take advantage of the compelling fundamentals for renewable energy and a window of opportunity for attractive power purchase agreements (PPAs). Zuma was well-positioned to build up a diversified portfolio of wind and solar assets both through greenfield projects or brownfield acquisitions. Actis teamed up with Mesoamerica, its former partner in Globeleq Mesoamerica Energy, to leverage expertise.

EXECUTION

Building on its extensive experience in this sector globally and regionally, Actis founded Zuma by creating a fit-for-purpose management team to grow the company while mitigating risks. After identifying the opportunity in the Mexican renewable energy sector, Actis teamed up with Mesoamerica. Zuma acquired Parque Eólico Ingenio, a 50MW wind farm in development in the state of Oaxaca in 2014, which was the initial seed asset for a platform to build up generation capacity of more than 600MW of renewable assets in Mexico. Ingenio reached commercial operations in 2016. That same year, Zuma agreed to acquire another three projects in development and participated in the government's 2016 power generation auctions. In the September auction, Zuma was the biggest winner, with roughly 25% of the long-term PPAs signed as a result of the auction, and securing long-term offtake contracts on both wind and solar projects in Zuma's portfolio. With a growing portfolio Actis, together with company management, focused on securing financing for its growing book of projects. Building on its extensive network in the financial sector, Actis helped Zuma to secure financing through Bancomex, Banobras, Nafin, Santander, NADBANK, and EKF for three projects in 2017. Zuma was the first sponsor to raise non-recourse financing for renewable projects with auction PPAs in Mexico. This allowed the company to bring the Reynosa wind farm and the Santa Maria and La Orejana solar parks online in early 2019, surpassing its stated target and reaching 818MW. The company is prepared to further grow its footprint as future opportunities in Mexico arise.

ESG IN FOCUS **With all of its investments, Actis appoints a senior executive that focuses only on ESG matters. This executive is involved in all major company decisions, which guarantees that ESG policies remain at the heart of each portfolio company. In addition to having a dedicated ESG executive, Zuma has an ESG sub-committee to the board composed of members of Zuma's management. From its inception, Zuma took a holistic approach to its investments, with the goal of avoiding environmental or community problems starting at the design phase. Each project has a dedicated person who acts as a community liaison who helps cater social projects to the specific needs of each region where the company operates. The community liaison works closely with local leaders to address problems before they arise. Likewise, Actis was able to build on its previous experiences in wind farm construction to guarantee that each project has the minimum environmental impact.**

Zuma's primary achievement has been to provide low-cost, clean power to communities in Mexico. The company's windfarms and solar plants contribute to the reduction of 1.35 million tons of CO_2 emissions every year. Zuma has also successfully reduced the environmental impact of these projects. Through specifically designed monitoring of birds and bat mortality, Zuma has managed to have one of the lowest collision rates for wildlife at their windfarms compared to North American standards. This includes selecting the location for its wind farms and clearing vegetation from around the turbines to limit potential food that would attract birds and bats in the vicinity. Zuma implemented wild flora and fauna rescue and relocation programs. At one of its sites, 40,000 wild plants were relocated.

Zuma defines a social investment strategy every year and allocates a budget to initiatives at the local community level. These initiatives have included training for teachers in pedagogy and group management; training for high school students to improve their communities; workshops for elementary schools on human rights and peace promotion; donations to improve community infrastructure, such as school buses, school renovation, a soccer field, classroom improvements and construction, a firefighting department, and tire donations to the federal police.

In terms of health and safety in the workforce, Zuma also designed a standardized ESG management plan with robust safety guidelines aligned with legal requirements, best practices, and Actis' own standards. It also implemented industry best practices, including monthly town hall meetings with all plant personnel, alcohol and drug tests, daily safety observations, management walk around, and monthly health and safety campaigns.

In relation to community investments, the company has also hired as apprentices a total of 12 students. Nine were eventually hired as part of Zuma's staff - six men and three women. Of the 38 scholarships given to students from high schools near the company's Santa María plant in the Galeana municipality, 74% were awarded to women. Of the 30 scholarships given to students from high schools near the Orejana plant in the Hermosillo municipality, 53% were awarded to women. The training provided for teachers on pedagogical techniques and group management also mainly benefits women. In Santa María, 73% of the teachers were women, in Orejana 72% were women, and in Reynosa 76% of the teachers were women.

Zuma also maintains a 39% ratio of women to men on its staff. Initiatives are in place to further improve labor conditions for female staff, such as the consideration of at least one woman candidate for every open position, the continued promotion of telecommuting mothers, and the promotion of an equal share of women in every area of Zuma.

OUTCOME

In less than five years, Zuma has consolidated into one of the largest independent Mexican renewable power producers, with 818 MW in diversified projects with long-term supply contracts, all in operation. Achieving this was the result of putting together a top-level multidisciplinary team with a proven track record in developing and managing projects. The team was able to identify and acquire a pipeline of excellent projects with high resource potential. With the help of local market intelligence, Zuma was the largest winner of projects (768MW) awarded in the second long-term renewable energy auction organized by Mexico's Federal Commission of Electricity (CFE). The company's positive record for project finance permitted the fund to raise over US$1 billion in third-party capital. It was able to build three projects simultaneously, including the largest wind farm in Latin America.

YDUQS

DATE OF INVESTMENT AUG 2017

AMOUNT UNDISCLOSED

PARTICIPATION STAKE UNDISCLOSED

Advent International
GLOBAL PRIVATE EQUITY

COMPANY NAME

YDUQS (formerly Estácio Participações)
www.yduqs.com.br

INDUSTRY / SECTOR Education

LOCATION(S) Brazil

DESCRIPTION

Founded in 1970, YDUQS (formerly known as Estácio Participações S.A.) is the second-largest post-secondary education company in Brazil in terms of the number of students enrolled. With 576,000 students across Brazil, roughly half of whom are online students, YDUQS is making educational advancement possible for many people who otherwise might not have access to higher education. Headquartered in Rio de Janeiro, YDUQS operates through 95 campuses and 258 distance-learning centers in all 27 Brazilian states. In 2018, YDUQS was recognized as the best education company in Brazil, scoring highest in the categories of financial performance, corporate governance, innovation, people, sustainability, and vision of the future (By Valor 1000, an annual publication of "Valor Econômico").

INVESTOR PROFILE

Founded in 1984, Advent International began operating in Latin America in 1996 and has since invested in over 60 companies located in eight countries across the region. Advent's Latin America team is comprised of 40 investment professionals based in Brazil, Colombia, Mexico, and Peru. The firm pursues control-oriented investments in later-stage businesses in its core sectors, including business and financial services; healthcare; industrial and infrastructure; retail, consumer and leisure; and technology.

FUND NAME Advent Latin American Private Equity Fund IV

FUND SIZE US$1.3 billion

TOTAL AUM US$54.3 billion

FUND ESG POLICIES Advent has an integrated approach to ESG that aligns the priorities of portfolio companies and investment teams with internal Advent resources and outside advisors. Advent takes ESG considerations into account at every stage of analysis for its investments. They employ standards designed to couple their investment thesis with the goal of ensuring that relevant ESG issues are identified during the due diligence process before any investment recommendations are made. Internal and external ESG resources also work with Advent's portfolio companies as necessary during active ownership to help build and position the companies for long-term success.

OPPORTUNITY

Advent identified YDUQS as an opportunity to invest in the second-largest educational company in Brazil. Despite policies in the late 1990s and early 2000s that significantly increased demand for college degrees, Brazil remains underserved in post-secondary education with just 16% penetration compared to 42% in OCDE countries. YDUQS offered the potential to pursue an expansion plan for both on-site campuses and distance-learning hubs, to serve the significant unmet demand for higher education in Brazil. Moreover, because of the high salary premium (+141%) associated with a college degree in Brazil, people from all backgrounds see the value of investing in education when given the opportunity. While YDUQS enjoyed leading market share positions in several cities and was a cash-generative business prior to the investment, Advent believed the company offered the opportunity for solid operational improvement and the potential to significantly increase margins. Furthermore, Advent brings to YDUQS their significant experience in the education sector as well as the operational and managerial know-how and resources to help the company grow.

EXECUTION

Advent became interested in investing in the company when the merger between two leading players in the education sector – Estácio and Kroton – was rejected by CADE, Brazil's antitrust regulator. Because it took the regulator roughly one year to analyze the merger, YDUQS (then Estácio) was in managerial limbo for an extended period. Once the regulator formally rejected the merger, Advent identified a myriad of value creation opportunities to help bolster the management team and put the company back on a path of strong growth. Following their investment, Advent worked closely with the company to improve governance and reinforce its management team with several new C-level hires and by strengthening the second layer of management with more than ten new executives. Advent also created a new holding company, YDUQS, positioning the company for future growth and opening up space for new ventures.

The value creation initiatives for YDUQS included improving operations, implementing programs aimed at reducing dropout rates, and increasing enrollment and engagement, and expanding both on-site campuses and distance learning offerings. Operational enhancements included improving the professor-to-student ratio by digitizing the curriculum and increasing the number of shared classes between courses, which helped bring faculty costs down. YDUQS also introduced a system to streamline the tuition payment process, which has yielded very positive results. To increase student retention and reduce the dropout rate, Advent worked with the company to implement a loyalty program, and worked to improve student engagement through an overhaul of the digital experience for distance-learning students employing more adaptive learning techniques and gamification. Another goal was to build a sales team to drive both on-site growth through increased enrollment, as well as to expand distance-learning hubs and identify new partners for hub growth. The sales team not only drove record-breaking intake for the incoming class in 2019 but also doubled the number of hubs between 2017 and 2019. Advent also helped the company identify acquisition targets, and in October 2019, YDUQS acquired Adtalem – a transformational acquisition opening new growth avenues for YDUQS through the expansion of its educational offerings, including graduate-level courses in medicine, as well as growing the company's geographic footprint.

ESG IN FOCUS **YDUQS' corporate social responsibility policy establishes guidelines and priorities for the vast number of community engagement projects it supports. These efforts focus on five pillars: sports, education, culture, innovation & entrepreneurship, and citizenship. YDUQS encourages its students, teachers and administrative staff to volunteer for social programs because of its belief that the experiences enhance the learning environment as well as the communities where YDUQS operates. In this vein, the company has created a website specifically to disseminate volunteer opportunities for employees, whether face-to-face, online, or through donations. In 2018, more than 112,000 students and 7,300 employees participated in the company's broad range of volunteer activities, and an estimated 3.3 million people benefited from it. These efforts include programs aimed at alleviating hunger, providing dental care, engaging older people in healthy activities, and working with disabled people.**

YDUQS also supports more than 500 student-athletes with scholarships in both distance and on-site programs. YDUQS provides both support and flexibility to these athletes so they can train and compete and still continue their education. Having this support enables athletes, including runners, gymnasts, swimmers, and many other athletes, to build successful careers after they stop competing. These programs are particularly important because Brazilian universities do not have college athletics, so many competitive athletes would not have the opportunity to study without them.

YDUQS also has a project aimed at improving literacy among both young people and adults. The program teaches adults and children to read, write, and to do basic math through a 140-hour hybrid program (100 hours face-to-face and 40 by distance learning). YDUQS offers classes for up to 25 students at four locations—Rio de Janeiro, São Paulo, Brasilia and Rio Grande do Norte. Early reports indicate this program has been very effective, and the company is looking forward to expanding it in the

OUTCOME

Since Advent's investment in YDUQS, the company has gone through a rapid expansion and is expected to reach its goal of posting R$2 billion in EBTIDA roughly one year ahead of schedule. Similarly, the company's share price has increased from roughly R$20/share in August 2017 to over R$42/share in late November 2019. The company's goal is to reach 1 million students and 2,000 distance learning hubs by 2023, but with the acquisition of Adtalem, the company expects to achieve these goals one or two years ahead of schedule. Advent and YDUQS have identified potential targets in 17 regions and remain well-positioned for future acquisitions. In the third quarter of 2019, the company had 576,000 students, up 8.4% from the same period of 2018, and expects to have 10,000 students in its medical school by 2023.

LAVCA

DATE OF INVESTMENT JUL 2015

AMOUNT US$11.2 MILLION

PARTICIPATION/STAKE 94%

COMPANY NAME
Fruehauf de México
www.fruehauf.mx

INDUSTRY / SECTOR Manufacturing

LOCATION(S) Mexico

DESCRIPTION
Fruehauf is a leading manufacturer of semi-trailers for industrial and commercial use in Mexico. The company owns the rights to the "Fruehauf" brand in Mexico and in the US, offering a wide variety of products. It is the last remaining operation in North America of the original Fruehauf Trailer Corporation that was founded more than 100 years ago by August Fruehauf – the inventor of the semi-trailer. For many decades, Fruehauf was by far the global leader in the industry and continues to be well-known with a reputation for high quality. With approximately 240 employees, Fruehauf de México operates a 65,000 m² facility where it manufactures high-quality products in short delivery times. Fruehauf offers fully customized products to its national and international clients. Fruehauf's main products are dry vans, flatbeds, dollies, tanks, dumps, and chassis.

INVESTOR PROFILE
Alta Growth Capital is a private equity fund that invests in middle-market companies operating in Mexico. It targets sectors that benefit from the rising domestic consumption of goods and services in the Mexican market, including industries such as consumer goods, retail, financial services, housing, healthcare, education, entertainment, and selective manufacturing and industrial sectors. The team at Alta Growth Capital is comprised of Mexican and US nationals with deep networks and significant business experience operating and investing in companies.

FUND NAME Alta Growth Capital, Mexico Fund II

FUND SIZE US$152 million

TOTAL AUM US$350 million

FUND ESG POLICIES Alta has a formal social and environmental management program that is part of its partnership agreement and is used to evaluate new investments. The policies of this program guide the decision-making process during the holding period of its portfolio companies. This program was developed in conjunction with the International Finance Corporation, one of Alta's limited partners. As part of this program, Alta performs an in-depth environmental and social due diligence audit on all of its portfolio companies. This audit may identify needed improvements to be included in a corrective action plan to be implemented during the course of the investment. Environmental and social elements of each of its investments are also addressed during monthly management meetings.

OPPORTUNITY
Alta Growth Capital identified Fruehauf as a company with significant growth potential but with the need to strengthen management. The company's operations in Mexico were owned by US investors that had taken over Fruehauf's assets globally after the company went into bankruptcy in the US in the 1990's. At the time of the investment, Fruehauf's Mexican operations were the final asset in the liquidating trust and the US investors were interested in selling this asset to wind down. Even though Fruehauf was still the leading local manufacturer for the semi-trailer market in Mexico, Alta believed that there was significant opportunity to expand market share and to resume exports to the US with more active management. The company was also being sold at an attractive valuation – even though it already had strong cash-flow generation, the universe of buyers was limited.

EXECUTION
Once the investment was finalized, Alta immediately brought in new management. Because the company had been managed by a long-distance executive who did not have a mandate to grow the company, there were myriad opportunities to improve the company's operations with a more commercial orientation. Alta hired an experienced CEO who had ample experience in this area. He reorganized and strengthened the sales department and revamped the engineering and operations departments. Alta also created an aggressive performance-based compensation scheme, which helped it to attract top-quality executives, such as the CEO, to the company.

Alta also brought on board an experienced COO, who created a supply chain department and an industrial engineering department aimed at improving and expanding the company's product offerings. One of the main initiatives in this area was the relaunch of a 53' dry van. The company identified significant potential in this market and just two years after the product was launched, it accounted for 30% of sales. Fruehauf also designed and developed specific products for the US and hired a project leader for this market. The US market was dominated by large players in the industry, but, following careful market research, the company was able to compete in the US through a local distributor.

The sales department of the company was completely revamped with the goal of expanding and diversifying the company's customer base. This involved hiring and training an internal sales team. At the time of the acquisition, the company was dependent on third-party salespeople for 80% of its revenues. With a dedicated sales team, this was reduced to 20%. The new sales team also focused on reducing the company's excessive dependence on a single leasing company, which at the time of the acquisition accounted for 30% of sales. With the new strategy, this client fell to just 10% of total revenues. Likewise, the number of total customers jumped by 33%. The company also developed a new pricing strategy to make it more competitive in all segments, including institutional clients and small businesses. All of these initiatives resulted in increased revenues and profits, which repaid the investment in full just 30 months after it was made.

ESG IN FOCUS **At the time of acquisition, the company did not have a board of directors and was managed by a long-distance CEO. Alta created a board of directors with three external independent members with relevant industry experience. It also began holding monthly executive committee meetings with management to review financial and operational performance, with the goal of improving governance. On the environmental front, Alta hired a third-party consultant to do a complete environmental inventory of the company's plant in Coacalco in Mexico state. This audit concluded that the factory met primary environmental, health and safety standards. Following this audit, the company developed a formal environmental and social management system with specific policies for compliance, monitoring and mitigation. It also established a more formal training system for all employees aimed at improving environmental and social management. Alta also aimed to reduce environmental risks during the first two years of the investment, including a wastewater storage area to prevent potential spills. The company also constructed containment walls in all areas where chemicals, lubricants, and fuels were stored. To contribute to the health of workers, it replaced the asbestos fiber roof with metallic sheets. The company also established an internal grievance mechanism together with local union leaders. It opened up channels of communication with the local community and established external grievance mechanisms for complaints. Alta launched mechanisms for the board of directors to monitor social and environmental issues as part of the company's overall performance.**

Alta also implemented a gender equality policy. At Alta's entry, women made up 18% of the workforce, which increased three percentage points during the investment period to reach 21% at exit.

OUTCOME

During Alta's investment, Fruehauf sales and EBITDA more than doubled, and the 53' dry van was relaunched and successfully positioned in the market. Fruehauf also consolidated its position as the leading semi-trailer manufacturer in Mexico and successfully re-entered the US market after 20 years of absence. Alta Growth sold Fruehauf to Fultra, a highly recognized Mexican conglomerate focused on the heavy-duty truck industry. During the investment period, Fruehauf saw a considerable expansion of its customer base, entered key markets, and generated significant cost efficiencies. The deal highlights that the opportunities for growth in emerging markets are there when investors focus on under-served markets.

DATE OF INVESTMENT SEP 2014

AMOUNT US$16.2 MILLION

PARTICIPATION/STAKE 100%

COMPANY NAME

72 HUB
www.72hub.com

INDUSTRY / SECTOR Real Estate

LOCATION(S) Colombia

DESCRIPTION

72 HUB is a mixed-use real estate development located on an urban renovation area close to Bogotá's financial district, universities and main shopping centers. The project consists of three residential towers with a total of 618 apartments and 8,115 m^2 of retail space, including a gym, restaurants, and other commercial spaces designed to improve the quality of life of bot the residents and the overall community. Additionally, the project has common areas including a rooftop space, a lounge bar, pool, yoga room, jacuzzi, playroom and communal laundry. The first two towers of the project have 208 residential units including one- and two-bedroom units. The third tower will be a multifamily building with 408 rental units priced to target middle-income residents of Bogotá.

INVESTOR PROFILE

AshmoreAVENIDA was formed in July 2018 when Ashmore Group, an emerging markets asset manager with US$91.9 billion in AUM (as of September 2019), acquired a majority stake in Avenida Capital, a Latin America-based private equity real estate investment firm. AshmoreAVENIDA has offices in Bogotá and New York City. The firm pursues opportunistic fund and direct investments across select property types throughout the emerging markets and has committed capital both as a principal and on behalf of its institutional investors to residential, retail, and mixed-use projects in Colombia, Brazil, Peru, Mexico, Chile, and Panama. The principals of AshmoreAVENIDA have executed over US$1.75 billion in real estate transactions and manage a series of opportunistic real estate funds and co-investments.

FUND NAME Avenida Colombia Real Estate Fund I

FUND SIZE US$140.2 million

TOTAL AUM US$310 million

FUND ESG POLICIES AshmoreAVENIDA is one of the largest private equity real estate investors in Colombia and believes that it is important to weigh ESG factors in all phases of its investment process, beginning with due diligence and extending to project management. AshmoreAVENIDA uses ESG as part of its strategy to mitigate risks and reveal opportunities to create long-term value. The fund looks beyond its goal of delivering financial returns to the broader impact of its projects. To achieve this goal, AshmoreAVENIDA has its own proprietary system, called the AshmoreAVENIDA Impact Framework, which was designed based on its experience in investing in real estate in Latin America. It includes the adaptation of internationally accepted ESG frameworks to the Colombian context, including the IFC Performance Standards on Environmental and Social Sustainability. Additionally, AshmoreAVENIDA has created an ESG Integration Task Force that provides guidance on investment and project management activities. As part of the Ashmore Group, AshmoreAVENIDA is a signatory to the United Nations Principles for Responsible Investment (UNPRI).

OPPORTUNITY

Several factors contributed to AshmoreAVENIDA's decision to invest in the 72 HUB project including demographic changes in the city and transportation trends. The 72 HUB project is located in a strategic area of Bogotá, just a 10-minute walk from the financial center and from the Transmilenio bus rapid transit line, which is a key public transport corridor. Additionally, there are more than seven bus routes within three minutes walking distance from the project, providing access to virtually everywhere in the city. The project has access to Bogotá's entire central area. The location is ideal for residential and retail uses and is adjacent to a public park that was integrated into the design of the project.

AshmoreAVENIDA also recognized the innovative qualities of the 72 HUB project, which offers both residential units for sale and lease, a clubhouse with common areas and amenities, retail areas, and a new public park of over 2,000 m^2 in the same complex. AshmoreAVENIDA believed that the project had the potential to become a catalyst for economic development in the area and would contribute to the revitalization of the surrounding neighborhood, improving local business opportunities and providing public spaces for the enjoyment of the entire community.

EXECUTION

From the beginning of the investment, AshmoreAVENIDA understood that it would be important to remain active at every stage of the development. AshmoreAVENIDA worked to select contractors and developers with the right experience to make this project a reality. When the project was originally presented, the plan was to have one residential tower with retail space and a second tower for high-end office space. But as the project progressed, it became increasingly clear that demand for office space was weaker than anticipated and that the market had shifted because of oversupply. At that time, AshmoreAVENIDA decided to significantly shift the project of the development of the second tower to a multifamily complex with 410 apartments for the rental market. This decision was motivated by the local context, demographic trends, and developmental needs.

According to the Inter-American Development Bank (IDB), Colombia has the highest proportion of families living in rental residences in the region at 39%, while the Latin American average is only 20%. In Bogotá, the proportion is even higher with 45% of households renting. However, the institutional multifamily rental market is underdeveloped in the country, with most rental offerings in the hands of single property owners. AshmoreAVENIDA identified an opportunity to supply this demand in a premium location with a pricing strategy designed to be affordable for the middle class. It developed a project which took into account Bogotá's population-income distribution and the median income of the households potentially interested in occupying the project, as well as the World Bank recommendations for housing expenditures.

Based on AshmoreAVENIDA's analysis, the project would able to offer for-rent residential units at a price below the recommended 30% of the income of an average middle-class couple. To make this shift in strategy, it was necessary for AshmoreAVENIDA to take full control of the project. This involved selecting Mensula Ingenieros to build the project and for AshmoreAvenida to take on an even more direct management.

ESG IN FOCUS One of the main environmental and social initiatives of the 72 HUB project is that it provides quality housing and leisure spaces to middle-class families that typically have very few options. The centrality and logistic superiority of the project also mean that people who spent hours each day stuck in traffic can now live closer to their places of employment and cut down transit times. Not only does this reduce emissions, but it also has an immeasurable social benefit, considering that Bogotá is one of the cities in the world with the longest commute times and worst traffic. The 72 HUB project is also a pioneer in that it offers myriad health and leisure options to its residents, which is not typical in Colombia.

AshmoreAVENIDA recognizes that the construction industry is a leading producer of greenhouse gases globally and works to reduce the carbon footprint of its projects. To achieve these goals, AshmoreAVENIDA divides its environmental initiatives into two phases. The first focuses on construction and development and the second targets the efficiency of the project once it is completed.

At the project level for 72 HUB, AshmoreAVENIDA closely monitors the implementation of the environmental performance of construction firm Mensula, which is responsible for the project. The fund's policies include emission controls and protocols to reduce particulate release into the atmosphere. The project also has water use and conservation programs, which include the collection of rainwater for the irrigation system as well as the development of a recirculation system to be used at the concrete plant and in the brick cutting process. Workers are also trained to efficiently use energy and all appliances are set at energy-saving modes. Additionally, energy consumption is tracked regularly. The 72 HUB project recycles and reuses over 95% of its total waste production.

The 72 HUB project is also one of the first in Colombia to pursue EDGE certification, an international certification of energy and water efficiency. The EDGE certification process confirmed a 26.78% decline in energy use, a 36.08% reduction in water use, and a 26.76% reduction in energy consumption of construction materials compared to the national baseline. Additionally, the energy-savings during the building's operation generate a reduction of 7.14 tCO_2/year and 14.96 tCO_2/year per unit of two-bedrooms and one-bedroom respectively, totaling 2,705 tCO_2 per year. Not only will this benefit the residents of the project by reducing their utility bills, but it will also improve the air quality both in the short and long terms.

AshmoreAVENIDA also monitors its contractors to ensure that the labor conditions of its workers meet the strictest standards. The fund believes that happy and motivated employees are more productive. As a result, AshmoreAVENIDA has worked closely with Mensula on a benefits package for its employees, which guarantees time off for birthdays, weddings, and graduations. It also offers life insurance to employees and the contractors' employees. Workers are also entitled to have flexible schedules if they are enrolled in training or education programs. Additionally, the company has an internal promotion preference policy and offers a healthy lifestyle program to employees.

OUTCOME

The first phase of the project will be fully delivered in the first quarter of 2020, with construction slated to begin in the second phase at the same time. This project shows that it is possible to focus on ESG initiatives and still produce a profitable project in a timely manner. The project is also a pioneer in that it will provide quality housing to the rental market. Following AshmoreAVENIDA's lead, other developers are also entering this market, which will improve the quality of life for thousands of families in Bogotá.

DATE OF INVESTMENT SEP 2018

AMOUNT UNDISCLOSED

PARTICIPATION STAKE UNDISCLOSED

COMPANY NAME

Reve Group

www.justoybueno.com / www.justoybuenopanama.com / www.tostaocafeypan.com

INDUSTRY / SECTOR Consumer / Retail

LOCATION(S) Colombia, Panama

DESCRIPTION

The Reve Group ("Reve") is a fast-growing Colombian company engaged in the retail and consumer foodservice segments. Founded in 2015, the company's operations are comprised of two main business units, which include the Justo & Bueno discount supermarket chain and the Tostao specialty coffee shop chain. Justo & Bueno provides high-quality consumer staples at the lowest prices, and Tostao sells low-priced, high-quality coffee and baked goods as well as cold beverages and ready-to-eat meals. Reve is taking advantage of the expansion and modernization of the Colombian food retail sector. The company operates 950+ Justo & Bueno and 500+ Tostao stores, respectively.

INVESTOR PROFILE

Australis Partners is an independent investment firm that manages private equity funds with a focus on the Pacific Alliance countries of Chile, Colombia, Mexico, and Peru. Founded in 2014 by former senior investment professionals of CVCI Latin America, its partners have led more than 20 investments, deployed more than US$1 billion in capital, and developed extensive experience investing in different industries across the region.

FUND NAME Australis Partners Fund

FUND SIZE US$379 million

TOTAL AUM US$440+ million

FUND ESG POLICIES Australis Partners is committed to executing the investment objective of each of its clients in a responsible manner. As a responsible investor, Australis Partners fosters the proactive consideration of environmental, social and corporate governance ("ESG") factors in its investment research and decision-making processes alongside financial, commercial, and strategic considerations.

Australis Partners' ESG policy adopts the International Finance Corporation's performance standards, an internationally recognized benchmark for environmental, social and governance risk management. Assessment of the performance standards is firmly integrated into Australis Partners' investment analysis from the initial screening until exit with the aim of improving portfolio performance.

Australis Partners believes that ESG factors can impact all its stakeholders, including its clients, portfolio partners and the communities where it operates. Experience has taught Australis Partners that diligent ESG risk management will lead to better-informed investment decisions and, ultimately, enhanced returns.

OPPORTUNITY

The Reve transaction is consistent with Australis Partners' strategy to invest in high-growth businesses driven by strong underlying industry and macro trends, particularly those related to consumption growth and expansion of the middle class in the region. Reve contributes to the growth of the Colombian retail segment that was benefiting from a rise in consumption and formal retail penetration. In addition, the company has the right management team to materialize Australis' investment thesis. Reve management pioneered the hard discount business model in Colombia almost 10 years ago, a model characterized by low opening costs and high returns over invested capital per store. Australis identified Reve's investment as an opportunity to provide capital and managerial know-how to a company that is expanding rapidly in an underpenetrated industry.

EXECUTION

Once the investment was made, Australis immediately began working with Reve's management to instill a culture of financial discipline. Founders were successful entrepreneurs with a solid growth vision, but this growth needed to be managed in an organized and structured manner. Australis introduced tools to better monitor the ongoing performance and set future targets.

With Australis' guidance, Reve was also able to embark on a rapid expansion of Tostao coffee chain. Like the Justo & Bueno model, Tostao offers high-quality coffee and baked goods at prices that are accessible to a broader segment of the population. Tostao can offer its products at a fraction of the price of its competitors because of a better supply chain and lower store opening costs. With Australis' help, Reve built a seasoned management team and invested in new technology to improve inventory controls and reduce shrinkage.

Australis is also helping Reve to expand the hard discount model in the region, identifying potential partnerships in new countries with favorable market and macroeconomic conditions.

ESG IN FOCUS **Reve created more specific environmental and social management systems. The company now has an overarching policy that is embraced by the management and lays out the standards for equitable treatment for all employees. This involved more rigorous stakeholder engagement and created channels for employees to voice grievances. Such policies have further enhanced gender diversity at the company. Reve advocates gender diversity and promotes women in leadership roles. Women comprise roughly 70% of top management at Justo & Bueno Colombia, Reve's largest company. Moreover, approximately 55% of total Reve employees are women.**

On the environmental side, the company is working to reduce electricity consumption through investments in more efficient refrigeration systems at its stores. Tostao is working on boosting recycling at its stores and is implementing a plan to recycle around 10% of the coffee cups by the end of 2020.

Reve has also played a key role creating formal jobs. The management team has created more than 10,000 formal jobs in the last 10 years in Colombia, contributing to pensions, health insurance coverage, and paid vacations for workers from several regions.

OUTCOME

Since the investment, Reve has had a rapid expansion. The company has opened around 500 Justo & Bueno and Tostao stores in 2018 and continues to execute its ambitious expansion plan.

BR MARINAS

DATE OF INVESTMENT SEP 2012

AMOUNT UNDISCLOSED

PARTICIPATION STAKE UNDISCLOSED

AXXON GROUP PRIVATE EQUITY

COMPANY NAME
BR Marinas
www.brmarinas.com.br

INDUSTRY / SECTOR Infrastructure

LOCATION(S) Brazil

DESCRIPTION
BR Marinas is the largest marina operator in South America. The company owns eight marinas, seven of which are fully operational and one that is under construction. The company has approximately 2,000 dry and wet berths for boats up to 150 feet. BR Marinas also provides space for other companies in this industry, including brokers, maintenance providers, small shipyards, and boat leasing companies. The company's flagship operation, Marina da Glória in the city of Rio de Janeiro, is a premier location for events in the city. It is also a tourist attraction, with shops and restaurants which attract both local and out-of-town visitors.

INVESTOR PROFILE
Axxon is one of the pioneers of the Brazilian private equity market and has been investing in small and medium-sized companies in the country since 2001. Axxon invests in a broad range of sectors and has extensive experience supporting, developing and professionalizing family-run companies in Brazil. Axxon's partners have a long history of investing in the region and take an active approach to the management of their portfolio companies. Axxon looks for investment opportunities in all sectors of the economy, with a focus on small and medium-sized companies.

FUND NAME Axxon Fund II

FUND SIZE US$315 million

TOTAL AUM US$800 million

FUND ESG POLICIES Since its founding, Axxon has focused on responsible investing and works continually to improve and expand the ESG criteria of its investment and management process. The use of ESG analysis in its investment and management was formalized in 2014 when Axxon began integrating environmental, social and governance criteria into its investment process. At that time, Axxon instituted specific processes to analyze compliance, labor and environmental issues, with the goal of safeguarding its investments. This process was institutionalized in 2015 with the creation of a responsible investment policy and exclusion list. Axxon also began formally including ESG criteria in its due diligence process in 2016. The following year, Axxon developed two specific ethics and compliance projects in its portfolio of companies. Since 2018, it has included ESG as a top priority for the boards of its companies, all of which are creating formal, long-term ESG strategies as well as short-term plans to improve ESG metrics.

OPPORTUNITY

Brazil has over 7,000km of coastline, yet its marinas are relatively underdeveloped. The existing market in Brazil is highly fragmented and largely dominated by small, unprofessional and poorly capitalized companies. While there is solid demand for quality marina facilities in Brazil, the lack of adequate infrastructure has been a factor limiting growth of this industry. The founders of BR Marinas identified the lack of quality marina facilities in Brazil and focused on bringing state-of-the art facilities to Brazil through the investment in two marinas. While the founders were able to grow these two marinas into successful and profitable companies, BR Marina had a long pipeline of greenfield projects and needed capital to move ahead with construction and development of new projects. Axxon identified the opportunity to take advantage of BR Marina's extensive operational knowledge, excellent reputation, and state-of-the-art assets with a more robust capital structure and stronger managerial support. Axxon also saw the opportunity to consolidate the sector and to invest in greenfield projects with growth potential.

EXECUTION

BR Marina was already a very efficient, well-run company when Axxon invested in it. As a result, Axxon focused on working with company management to develop a solid growth strategy. One key initiative was the acquisition of the Marina da Glória in Rio de Janeiro. This acquisition required roughly R$100 million in investments which needed to be made on a very strict deadline, because the Marina was to be used in the 2016 Olympic Games. Additionally, there were numerous parties involved in the transaction, including the local government, company creditors and local construction companies. Axxon helped facilitate negotiations with all parties involved and also secured additional financing for the project from its network of contacts. The project was ultimately delivered on time for the Olympic Games. Likewise, during the 2015-17 economic downturn, Axxon worked closely with BR Marinas' management to maintain the company's financial health at a time of adverse market conditions in Brazil. Organic and inorganic growth plans were revisited and prioritized while the debt profile was improved significantly during this period.

ESG IN FOCUS BR Marinas always understood that maintaining a healthy environment was key to the company's business because, without it, people would not use the marinas. In this context, Axxon conducted an in-depth ESG audit of the company to understand all of its environmental procedures and policies. One of the main initiatives involves educating surrounding communities about the environment. In this vein, the company created the BR Marinas Environmental Fair. The event is open to the public, and universities, high schools and NGOs are all invited to share experiences and work on solutions to regional environmental problems. This fair has 15,000 visitors each year and has played an important role in raising understanding of environmental issues involving Rio de Janeiro and the surrounding regions. The company has also created a program to reduce plastic consumption. The Zero Plastic Campaign has created an awareness among employees and clients and was started during the 2019 edition of the BR Marinas Environmental Fair.

BR Marinas has also been actively involved in other educational initiatives. Since 2015, the company started providing monthly workshops for local public-school students to focus on environmental issues. These eight-hour workshops engage the student in problem-solving exercises, which are then translated into concrete environmental initiatives. The company is also involved in an important project to clean Rio de Janeiro's Guanabara Bay. Each year, the company removes two tons of floating waste from the bay. Additionally, the company participates in two other city-wide events to clean the bay, where an additional four tons of floating waste are removed. The company also has a program with the local electricity concession to sell the recycled material collected in the bay. The revenues from the sale of these materials are converted into a discount on the electricity bill of a local NGO called GASTROMOTIVA, which provides daily, three-course meals to 90 homeless people living in the Lapa region of Rio de Janeiro. The company has also been installing solar panels in an effort to reduce its carbon footprint. The Bracuhy Marina generates more than 30% of its energy needs through solar power. Marina Pirata currently generates 16% of its consumption through solar panels. The company's target is to generate 60% of its own power over the next six years. BR Marinas is also one of just 18% Brazilian companies that have a female CEO and works to promote female leadership in the company.

OUTCOME

Since the investment, BR Marinas has gone through a significant expansion process. The company has seven marinas in operation and an eighth that will soon be opening. The number of slips has more than doubled to roughly 2,000. Although the development of new projects was slowed by the 2015-16 recession, the company has managed to maintain stable cash flow, largely through a very well-managed greenfield expansion process. Furthermore, the company is well-positioned to take advantage of future expansion opportunities as more cities look to launch marina concessions. The company has also been transformed into an extremely attractive acquisition target because of its solid cash flow, particularly in the current low-interest rate environment in Brazil. Moreover, the company has created a new public space for the city of Rio de Janeiro. Prior to the investment, the Marina da Glória was a private space but is now open to the public and fully integrated with the Aterro de Flamengo park, which is one of the world's largest urban oceanside parks.

Selina

DATE OF INVESTMENT JAN 2018

AMOUNT US$55.6 MILLION

PARTICIPATION/STAKE 9.65%

Colony LatAm partners

COMPANY NAME
Selina Holding Company
www.selina.com

INDUSTRY / SECTOR Hospitality / Travel / Tourism

LOCATION(S) Panama, Global

DESCRIPTION
Founded in Panama in 2015, Selina is an experience-based hospitality business that targets the "digital nomad". Selina operates properties across Latin America and Europe and is expanding into North America. Selina provides accommodation, co-working spaces and dining services at its location, while offering unique experiences at each location. These include music, art, and education as well as wellness spaces. Selina also offers tours and excursions that cater specifically to millennial travellers. Selina currently has 72 locations in 15 countries and has plans to open its first US location in NYC by December 2019.

INVESTOR PROFILE
Colony LatAm Partners is an investment company that provides growth funding to middle-market companies across Latin America. Colony Latam currently manages over US$700 million and has made 22 investments across Latin America since it was founded in 2006. Colony LatAm's senior partners have extensive experience in the region and a solid network and local presence in key markets. Colony LatAm focuses on companies that provide services to the region's growing middle class and that have high growth potential in consumer-related sectors. Colony LatAm focuses on mid-cap companies that will benefit from access to growth capital to scale up their presence locally and globally.

FUND NAME Colony Latin America Fund II (CLAF II)

FUND SIZE US$542.2 million (CLAF II 354.8 mm + CKD 187.4 mm)

TOTAL AUM US$726 million

FUND ESG POLICIES Colony LatAm Partners is committed to responsible investing and ESG matters are one of the main pillars of its investment and management strategy. Colony sees good ESG practices as a vital element to guarantee shareholder value because they lower risks and liabilities. Colony LatAm Partners aims to ensure that environmental, social and governance risks and opportunities are managed across every stage of the investment cycle, from screening to exit. Colony has developed procedures that are fully integrated into the investment process to evaluate ESG issues. These processes are designed to guide investment professionals in assessing ESG considerations. They enable more comprehensive investment analysis and enhance the decision-making process. Portfolio companies are required to commit to Colony LatAm's ESG principles, to address gaps by taking ESG actions, and to report progress and performance. Through the holding period, Colony management works closely with the portfolio companies to ensure the effective implementation of the ESG value creation and corrective action plans.

OPPORTUNITY

Colony LatAm identified Selina as a possible investment target when the company was still in its early stages. Colony identified Selina as a company with significant potential, not only because of its innovative approach to the hospitality industry but also because of its ability to meet the needs of a growing legion of travellers who work remotely. Colony saw that Selina was tapping into the changing needs of a new generation of travellers, who are seeking local experiences, rather than cookie-cutter accommodations in traditional hotels. After a first round of investment which had mainly family members and angel investors, Selina was looking for a larger investor that could help bring a more professional management structure to the company and improve its corporate governance, while helping to develop a clear plan for the company's ambitious growth plan. Connectivity to potential investors and partners, both locally and globally, made CLAF II the partner of choice for Selina management and founders.

EXECUTION

When Colony invested in Selina, it was still a fairly new startup. As such, the company needed to adjust the organizational structure and internal processes to better support its evolving business model. Colony played a fundamental role in formalizing the decision making, creating a board of directors and finance committee and institutionalizing additional corporate governance practices. Colony worked closely with Selina's management to develop new financing models to fund its expansion plan. This was a key element that allowed the company to grow quickly. With Colony's support, Selina attracted local real estate players to fund its growth in certain markets. During 2019, Selina raised a series C funding round with the participation of one of Colony's limited partners, which co-invested alongside Colony. One of the characteristics of the Selina investment was that it involved very rapid expansion, which relied on multiple contracts with local investors. Colony was able to work closely with Selina to tap into its regional and international networks to help advance this process. This allowed the company to expand across Latin America and into Europe and the US.

ESG IN FOCUS From the start, Selina's mission has been to enable travellers to make real, meaningful and transformative connections with people, places, and communities around the world. As an initial effort to measure its impact, Selina implemented guest experience surveys. Within Selina's curated experience, guests are able to connect and learn from different cultures, while immersed in rich natural and local environments. Selina promotes the protection of cultural heritage, oftentimes with properties in beautifully and responsibly conserved buildings, as well as the construction of a new cultural identity with the collective participation of different social actors.

Selina's flagship and most deep-rooted environmental initiative is the upcycling of existing materials to efficiently and creatively design each of its properties. Selina's model starts with identifying and acquiring long term leases of existing properties in interesting locations, which it then renovates. Old furniture and décor available at the location from the previous operation are transformed through a creative process that is part of Selina's DNA. The inspiration for each location is born out of the Selina Workshop, on-site spaces where Selina's global designers collaborate with local artists and craftsmen to reuse locally-sourced items and create original pieces of furniture, art, lighting, and installations for each new property.

Selina's upcycling initiative gives a new life to materials that would otherwise end up as waste in landfills and turns them into products of high aesthetic and functional value. The team is able to reuse up to 80% of the materials found at its site and save on the procurement of new resources, with the associated environmental benefits related to reduced consumption of raw materials, with respect to air and water pollution, greenhouse gas emissions and conservation of resources. Upcycling practices also promote the construction and conservation of cultural identity, the promotion of local art and artists and the engagement of individuals in the community.

In addition, with the support of Colony LatAm Partners, in July 2019 Selina launched a tool to enable each location to evaluate the main social and environmental risks associated with operations and define specific action plans to minimize these risks. Environmental categories analysed include energy and water consumption, wastewater management, waste generation, air quality, chemical products, and the preservation of protected areas and biodiversity. So far, 35 locations have completed the assessment and will develop improvement plans based on their findings.

The company appoints a community manager to every site early in the development process to start the identification and engagement of local stakeholders. The process is standardized through Selina's stakeholder mapping guidelines. This tool enables the evaluation of the resources, skills, and experience available in a community and allows for proactive engagement on the basis of sensitive topics.

The company also commits 2% of staff time to IMPACT, Selina's social responsibility initiative. The program aims to address local socio-economic and environmental challenges through community-based partnerships with staff, guests and locals. IMPACT seeks to ensure shared wellbeing and to act as a catalyst for the empowerment of staff and community members through education and sharing of valuable skills. It also aims to provide guests with valuable experiences that are beneficial for the local community. In 2019 alone, the company's staff donated close to 30,000 hours to more than 500 initiatives, many of them in partnership with NGOs, government agencies and academic institutions. In addition to IMPACT, in 2018, the company launched the "Selina Gives Back Hospitality Program" to address the unemployment of disadvantaged local community members. This program provides hands-on practical training to increase the community's hospitality skills and job opportunities. As of August 2019, it is being implemented in 15 locations across eight countries. More than 167 participants have graduated from the hospitality program since inception, and 72% of graduates are employed or pursuing higher education within the first three months of completing the program.

OUTCOME

Over the past year, Selina has gone from having just 30 locations to 72 locations. The company is now working on its US expansion plan. Selina expects to have 80 locations running in the coming months, including new locations in New York and San Diego. Colony LatAm has helped the company raise several property funds, which will allow it to continue to grow in a sustainable manner. Colony believes Selina is on track to achieve its 2022 goal of having 350 properties and 100,000 beds in operation with [illegible]0% occupancy. This will be possible because the company has developed a robust sourcing of real estate, efficient property conversion, a strong central structure and a multi-product sales strategy.

DATE OF INVESTMENT APR 2016

AMOUNT US$7.5 MILLION

PARTICIPATION/STAKE 50%

COMPANY NAME
Conix
www.conix.com.co

INDUSTRY / SECTOR Consumer / Retail

LOCATION(S) Colombia

DESCRIPTION
Through full-service leases, Conix provides its clients access to a variety of fixed assets, including IT equipment, industrial machinery, lighting solutions, solar energy equipment, and other goods. The company provides a turn-key solution for its clients' productive asset needs, which includes financing, acquisition, installation, maintenance and general servicing of the assets. The client pays a monthly fee and does not bear the burden of internally managing these processes, allowing their management teams to focus on their core business operations.

INVESTOR PROFILE
Kandeo Asset Management was founded in 2010 by senior business professionals with global experience in a wide range of sectors. The fund manager primarily targets financial services companies focused on people or small and medium-sized businesses that have limited access to traditional banking and credit services. These industry segments include microcredit, fixed-asset financing, working capital financing, payroll-deducted loans, and housing development. Kandeo typically seeks to make investments of between US$15 million and US$50 million. Kandeo has 12 companies in its portfolio and has completed one exit.

FUND NAME Kandeo Fund 2

FUND SIZE US$256 million

TOTAL AUM US$377 million

FUND ESG POLICIES Kandeo utilizes ESG tools to drive financial performance through risk mitigation and operational efficiencies. All investments go through an ESG due diligence process, which follows IFC's Environmental and Social Performance Standards. Each potential investment is categorized based on its ESG risk profile. If a company is classified as a medium or high ESG risk, Kandeo hires outside analysts to assess the risks before moving ahead with the investment. If Kandeo decides to move ahead with an investment, it works with the portfolio company to develop an ESG framework that will guide the investment over its lifetime. The key elements of the framework include identifying and prohibiting operations in restricted activities; identifying key environmental and social risk factors to create mitigation plans; and establishing internal and external communication methods. Over the course of the investment, Kandeo monitors each investment and does an annual ESG report on each company. These reports help Kandeo to identify new risks and implement plans to reduce potential problems for the following year.

OPPORTUNITY

Conix is perfectly aligned with Kandeo Fund 2's investment thesis, which targets companies that provide financial services to people and companies that are not sufficiently served by the traditional financial system. In the case of Conix, the company provides an essential service to SMEs, where the renting of key equipment and machinery allows company management to focus their financial and operational resources on their core business, instead of diverting working capital and labor efforts towards the acquisition and management of these assets. Worldwide, the rental market is thriving as companies opt to rent assets instead of owning them, offering a variety of financial and operational benefits. As the first company in Colombia to offer IT rental services, Conix has developed key know-how and a solid reputation in the corporate segment, especially in and around Medellín, the city where the company was founded. At the time of the acquisition, Kandeo had identified three main areas of growth potential for the company, including the diversification of its product portfolio, complementing its offering of IT equipment with industrial machinery, solar energy equipment, lighting, and office furniture. Kandeo also saw extensive potential for the geographic expansion of Conix's operations, including a greater presence in the nation's capital Bogotá. Finally, Kandeo believed that it could apply its know-how from other investments to significantly improve funding structures, giving the company more flexibility and improved terms.

EXECUTION

Prior to the investment, almost all of the company's portfolio was in IT equipment. As of 2019, the portfolio is now widely diversified, with only 40% represented by IT equipment, thus reducing sector-specific risks and improving commercial competitiveness. With Kandeo's help, the company was able to expand from having a single office in Medellín where the bulk of its operations were concentrated, to other parts of the country. This was important because Kandeo identified that the lack of physical presence in the nation's capital, Bogotá as a limiting factor in the company's growth potential. With the entrance of Kandeo, Conix opened an office in Bogotá, which allowed the company to increase its exposure and deepen its nationwide presence beyond Medellín. As of 2019, only 40% of the company's operations are in Medellín, with the remainder being diversified throughout the rest of the country. At the time of investment, the company did not have ample access to funding or ideal financing conditions. With Kandeo's help, the company has successfully strengthened its relations with its creditors. While funding amounts have increased by over 50%, the average funding cost has decreased by more than 300bps. The company has also successfully implemented a pricing-discrimination model, resulting in a very competitive value proposition for all of the customer segments it serves. This policy has resulted in substantial expansion in the company's portfolio, which has seen an average annual growth rate of 35% since the investment. Similarly, the company's net income has seen average annual growth of 74% since the investment.

ESG IN FOCUS **Kandeo has helped Conix to implement a series of ESG measures. Since the investment, the company has implemented a social and environmental management system. This includes a variety of elements to ensure that the company protects the interests of all its stakeholders, such as formalizing health and safety processes to protect its employees and creating stricter investment requirements over activities that can have a potentially negative environmental or social impact. Kandeo has also focused on gender equality issues and encouraging the promotion of female executives in the company. Conix is a female-led organization and has increased its female leadership further since the entrance of Kandeo. At the moment of investment, women represented 12.5% of management positions. However, by the close of 2018, this figure increased to 50%, with women holding the positions of CEO, CFO, and COO. Furthermore, Kandeo has appointed a female to the board of directors. Overall, women represent 58.5% of total employees.**

Since the investment, the company has created several governing bodies to improve its operations and reduce risks. This included the development of a credit committee, which played an important role in reducing the company's non-performing loan ratio from 5.63% at the time of investment to 3.37% currently. The company also added an independent member to its board of directors to further institutionalize its governance processes. Conix also promotes the use of renewable energy generation technology through the implementation of solar energy equipment into its portfolio. The company also offers energy-efficient lighting through the inclusion of LED lighting into its portfolio, which can save up to 80% in energy consumption for that purpose.

OUTCOME

At the time of the investment, Conix was a regional player that faced growth restrictions because of lack of access to growth capital. With Kandeo's capital and managerial support, the company has expanded regionally, which currently accounts for just 40% of its revenues. The company has also diversified its portfolio, which was almost exclusively IT equipment and now includes industrial equipment and power generation. These initiatives have not only helped the company grow, but also reduced the vulnerability of Conix to regional or sector-based risks. The company has seen a 35% annual increase in its portfolio since the investment, while its net income has grown by an average annual rate of 74% in the same period.

DATE OF INVESTMENT DEC 2016

AMOUNT US$50 MILLION

PARTICIPATION/STAKE 33%

COMPANY NAME
Espaçolaser
www.espacolaser.com.br

INDUSTRY / SECTOR Consumer / Retail

LOCATION(S) Brazil, Argentina

DESCRIPTION
Espaçolaser is the leading hair removal company in Brazil. Founded in 2002 with a single location in São Paulo, the company currently has hundreds of stores across Brazil including its network of franchise stores. Espaçolaser provides health and wellness through the use of leading technology for the removal of unwanted hair for women and men. The company utilizes the most sophisticated and effective technology available, the Alexandrite laser with Candela machines. The technology is also embedded with a cooling cryogen solution that speeds up treatments, which makes them more comfortable compared to other methods. Espaçolaser has become the largest laser hair removal company in the country with over 1 million treatments completed in 498 stores across all Brazilian states. The company is now eleven times the size of the second-largest laser hair removal player.

INVESTOR PROFILE
Since 1989, L Catterton has made more than 200 investments in consumer brands across all segments of the consumer industry. L Catterton manages seven fund strategies in 17 offices globally and has invested over $20 billion into growing middle-market companies and emerging high-growth enterprises. L Catterton is a consumer-focused private equity group and was formed through the partnership of Catterton, LVMH, and Groupe Arnault. The group has a team of more than 190 investment and operating professionals and partners with management teams around the world. Its Latin America fund targets investments between US$40 million and US$75 million in middle-market growth companies across the region.

FUND NAME L Catterton Latin America II

FUND SIZE US$403 million

TOTAL AUM Approx. US$20 billion

FUND ESG POLICIES L Catterton has been committed to making investments based on ESG principles since its inception and formalized this commitment through the adoption of an ESG policy in 2015. Its policy is based on the principles set forth by the internationally recognized United Nations Principles for Responsible Investment (UNPRI), for which Catterton is also a signatory. L Catterton established a Global ESG committee comprised of individuals from its fund to develop a framework with which to evaluate companies using ESG criteria. It engages the Malk Group to help conduct due diligence reviews, highlighting potential areas of concern and provide recommendations to mitigate identified issues.

OPPORTUNITY

Espaçolaser presented an opportunity to invest in a well-positioned and rapidly growing laser hair removal business with exceptional unit-level economics. The transaction offered the ability to leverage L Catterton's deep knowledge and strong track record in the personal care space. Espaçolaser combined several themes and trends that L Catterton has followed for years including wellness and beauty; products and services targeting women; and changing demographics and gender norms. Furthermore, consumer dynamics in Brazil indicated that laser hair removal was a particularly attractive segment with roughly 95% of consumers surveyed saying they would be willing to consider the treatment. Superior technology had facilitated the company's strong growth and the opportunity for new services and locations was highly attractive. Diligence on the category's dynamics, the company's performance, and the franchise's organization suggested that Espaçolaser was positioned for rapid growth in this segment.

EXECUTION

In August 2015, L Catterton bought US-based spa services provider Steiner Leisure Limited, which has one of the largest laser hair removal services in the US. This gave L Catterton insight into the industry and the right strategic partner positioning to Espaçolaser in Brazil. It became a valuable thought partner in the very market segment that Espaçolaser was already well-positioned and growing.

Once the investment was made, L Catterton worked closely with the company's founders to create a unified company strategy in Brazil. The goal of this initiative was to integrate the franchising division with the company-owned locations. Best practices and operational excellence were applied across the network of owned, joint venture and franchise stores. An example of a key initiative under this program is the establishment of Universidade do Laser, a training facility that offers courses to physiotherapists, sales managers and staff at the clinics. More than 3,000 women from across Brazil are trained at this center every year.

Additionally, a management suite (COO, Head of Franchising, CMO, CTO, and CFO) was hired. The executives focused on building infrastructure to manage this growth and improve service quality and brand awareness. As the company grew, significant investments went into IT and digital technology to fully implement an e-commerce platform aimed at improving the client experience. The company also invested in improving e-business performance to help with the rapid expansion of the company's services. In its most recent stage, the company is increasingly focused on internationalization with the opening of new units in Argentina, further underscoring the potential of the company abroad. These new locations use the same superior technology and effective commercial strategy achieved in Brazil. The company is also looking at moving into other locations in the Latin American region. Espaçolaser is also branching out into additional services with the launch of Estudioface offering aesthetic facial procedures including fillers, botulinum toxins, Dermoblate lasers, and other state-of-the-art techniques offered in the segment.

ESG IN FOCUS **Espaçolaser has a formalized diversity policy and prioritizes recruiting women, minorities and disabled people while ensuring that these individuals have access to management positions and professional training. Espaçolaser frequently hosts workshops aimed at professional and personal development and Barbara Fortes, the company's COO, has hosted panels for LinkedIn. Espaçolaser also practices inclusive hiring. Younger Brazilians have among the highest unemployment rates of all demographics and the company has been able to bring thousands of younger people, especially women, to the formal job market for the first time. This also applies to many young people in minority groups in the country.**

Espaçolaser places great value on the employment and business opportunities it has provided to Brazilian women across the country. Espaçolaser often gives these women their first professional work experience. Once people are working for the company, it seeks to create a positive work environment and recently received the "Great Place to Work" award. Each year, the company spends R$1 million on childcare and hosts monthly support meetings for women that are expecting children. Additionally, 95% of management and 96% of overall employees of the company are female professionals. One out of the seven board members are women and there are approximately 400 women in leadership positions throughout the company, including management. The company has provided training to 3,000 women from all over Brazil during a week-long bootcamp in São Paulo. Espaçolaser provides its employees with access to a profit-sharing system and several other benefits.

OUTCOME

Espaçolaser has opened 400 new stores in the last three years, capturing a large whitespace opportunity during a difficult time for the Brazilian economy. Since acquisition, revenue has increased 500% and system-wide sales are expected to reach BR$1 billion in 2019. It has become the largest laser hair removal company in the country with over 1,000,000 treatments completed in 498 stores across all Brazilian states. The company is now eleven times the size of the second-largest laser hair removal player, and is planning to expand to other countries in Latin America. The implementation of the "One Company" concept has helped to guarantee standards across owned, franchised and joint venture units during this period of rapid expansion. The company is also diversifying services through its EstudioFace initiative and has expanded internationally into Argentina with new units. L Catterton was deeply involved with preparing the company for these challenges, and played a fundamental role in its rapid expansion during this period.

DATE OF INVESTMENT JUN 2013

AMOUNT US$11.9 MILLION

PARTICIPATION/STAKE 17.83%

COMPANY NAME

Promotora Medica Las Américas
www.lasamericas.com.co

INDUSTRY / SECTOR Healthcare

LOCATION(S) Colombia

DESCRIPTION

Promotora Medica Las Américas (PMLA) is a Colombian hospital and healthcare group. Founded in 1989 in Medellín, PMLA offers a full range of healthcare services with world-class standards. The company controls Clinica Las Américas, one of the top-25 hospitals in Latin America, and Instituto de Cancerología Las Américas, a leading cancer institute in Colombia. It also has medical diagnostics, dental care and other in- and out-patient medical services.

INVESTOR PROFILE

MAS Equity Partners (MEP) was founded by a group of investment professionals with vast experience in Colombia and in the international financial markets. MEP focuses on medium-sized businesses with strong growth potential. To date, MEP has made 16 investments from three private equity funds, one of them managed by SEAF Colombia. It invests in a broad range of sectors, with the goal of partnering with entrepreneurs with strong industry expertise and a drive to grow their businesses. MEP's investment strategy is centered on Colombia but it also backs companies that are seeking capital and management expertise to expand regionally. MEP has completed six exits, and its portfolio companies have had an average annual increase in EBITDA of 17% and a 14% jump in sales.

FUND NAME Fondo MAS Colombia LATAM

FUND SIZE US$90 million

TOTAL AUM US$200 million

FUND ESG POLICIES MEP follows a strict due diligence process that analyzes companies based on both financial and ESG criteria. In addition to following the IFC's Environmental and Social Sustainability Performance Standards, MEP also uses its own ESG framework to analyze companies. During the due diligence process, MEP relies on third-party ESG specialists to do a complete ESG audit of each company. MEP has been working with the same group of ESG professionals since 2008 and during this period, these audits have played a fundamental role in helping it to shape and improve its own ESG policies as well as those of its portfolio companies.

OPPORTUNITY

MAS Equity Partners (MEP) identified several target sectors based on long-term, macroeconomic trends in Colombia. One of these strategies targets companies that provide products and services to Colombia's growing middle class. MEP identified healthcare in Colombia as a strategic and promising industry, owing to demographic trends, including increased life expectancy and the growing senior population. As one of Colombia's premier healthcare providers with over 25 years in the market and a solid reputation for excellent services, MEP saw significant growth potential for Promotora Medica Las Américas (PMLA). MEP's partners believed there was an opportunity to make PMLA a leading treatment center for complex procedures in Colombia, while expanding its geographical reach and optimizing its financial structure. MEP also saw PMLA as a defensive investment, because healthcare is a sector that is less vulnerable to cyclical economic slowdowns.

EXECUTION

MEP's work with PMLA started well before the investment was finalized. The company was founded by a group of roughly 500 doctors, none of whom had more than a 1% stake. MEP's partners were introduced to the management of PMLA at a meeting hosted by the Colombian Stock Exchange because it was considering holding a share offering. MEP convinced PMLA that partnering with a private equity investor would contribute to value creation. Before the investment could take place, the team at MEP needed to negotiate with the company's partners to obtain approval from a large majority of the shareholders to create a trust. Eventually, MEP obtained approval from roughly 300 doctors, paving the way for the investment to be finalized.

Once the investment was concluded, MEP quickly began working on honing PMLA's growth strategy to guarantee that the company had clearly defined goals and priorities. Together with company management, a 10-year growth and expansion plan was defined which included the construction of new hospital and clinic facilities. One of the initial priorities was to take advantage of the just concluded expansion of the Oncology Institute, one of the leading cancer treatment centers in Colombia. MEP saw the potential to expand in this area in order to increase the number of patients with access to world-class treatment. MEP's growth strategy also focused on expanding its presence in under-served areas of Medellín. In this context, PMLA invested in the Citi Plaza Medical Center in the Envigado region, which is a high growth urban area. Central to the investment thesis, PMLA and MEP identified the potential to invest in a new hospital, Clínica del Sur, to serve Envigado, which would focus on intermediate to high complexity specialties. To execute this project, MEP played a very active role in negotiating financing and forming strategic partnerships to facilitate construction. MEP also played an instrumental role in strengthening the management of the company, hiring a new General Manager for the main hospital, who combines medical and business experience.

ESG IN FOCUS As one of the leading cancer treatment centers in Colombia, PMLA believes that it is important to guarantee treatment to people who cannot afford to pay for it. Therefore, the company developed a subsidy program to help a selected number of low-income patients with travel and accommodation expenses during the treatment. The company also participates in an international mission with doctors from over 15 countries, which provides free surgery to children with harelip defects. So far, 430 children have benefited from this mission.

PMLA's social initiatives focus on the surrounding communities and specifically on a region of Medellín known as Barrio Belén Rincón. This is a low-income neighborhood that has historically had issues with violence and drug trafficking. PMLA's social outreach programs have had a specific focus on teen populations in this neighborhood. One important initiative was the creation of a youth basketball league. This league has helped to teach important life skills to the players and has more than 65 teenage girls currently competing who are fully sponsored by PMLA. In an effort to promote healthy behavior in the neighborhood, PMLA staff and doctors also give talks to the community on topics that improve the overall health metrics of the population, such as alcohol abuse & drug addiction, teenage pregnancy & family planning, and nutrition & exercise. PMLA also has programs aimed at promoting cardiovascular health for people in the community.

PMLA has taken extra steps to guarantee that it has a positive work environment, specifically for its female staff. Of its total workforce of 2,200, more than 70% are women. Many are single mothers, who are responsible for supporting their families. To recognize its efforts, PMLA has been granted a "Family-Friendly" status by the Fundación Más Familia of Spain. To receive this certification, PMLA needed to comply with 110 separate metrics that cover areas such as employee wellbeing, employment quality, flexibility, family support, personal and professional development, diversity and non-discrimination, and equal opportunities. The company also makes a concerted effort to hire female doctors as part of its gender diversity initiatives.

Following the MEP investment, PMLA made important strides in furthering corporate governance policies by improving decision-making processes through the strengthening of the board of directors. MEP helped to bolster the effectiveness of corporate governance, adding value to the company while improving the efficiency of decision making.

On the environmental side, PMLA made important investments to improve wastewater disposal through the construction of a new water treatment plant.

OUTCOME

During the investment period, MEP played a critical role in the growth and expansion of PMLA. MEP also helped strengthen governance and management in the company. These improvements were crucial at the time of the exit. After a very competitive process with many interested buyers, MEP not only made exceptional returns from its investment in PMLA but also found a strategic buyer, which specializes in oncology and brought additional best practices to the company. MEP is confident that with the sale of PMLA, the quality of the medical services will be maintained and will even improve because of knowledge transfers between the two organizations. Furthermore, prior to this investment, the healthcare sector in Colombia was seen as too complex for private equity investors. MEP's record with PMLA is now considered a model for potential healthcare sector investments in the country. The sector has now seen a flood of new investments, in Colombia and across the Andean region, which means that residents of these areas are increasingly getting access to quality healthcare.

DATE OF INVESTMENT JAN 2019

AMOUNT US$28.3 MILLION

PARTICIPATION/STAKE 31.8%

COMPANY NAME
Grupo Turistore

INDUSTRY / SECTOR Consumer / Retail

LOCATION(S) Mexico

DESCRIPTION
Founded in 1982, Grupo Turistore is a leading retail company specialized in international tourism. The company has 59 stores in Mexico's main international tourist destinations, including Playa del Carmen, Cancún, Tulum, Cozumel, Isla Mujeres, Progreso, Guadalajara, Puerto Vallarta, Los Cabos, and Tijuana. Stores are concentrated in key tourist areas, such as main tourist avenues, cruise docks, airports, shopping centers, and hotels. The company has a broad product offering including handicrafts and clothing as well as convenience store items, such as groceries and medications.

INVESTOR PROFILE
Nexxus has actively participated in the private equity industry in Mexico since 1995 and is one of Mexico's largest independent alternative asset managers. Nexxus has completed 27 investments and has fully divested from 14 portfolio companies. Nexxus has raised and managed seven funds through ten investment vehicles with aggregate capital commitments and co-investments for over US$1.6 billion and is the only Mexican alternative asset manager that has listed six portfolio companies on the public markets.

FUND NAME Nexxus Fund VI

FUND SIZE US$550 million (at closing)

TOTAL AUM US$1.5 billion

FUND ESG POLICIES Nexxus follows strict guidelines for environmental, social and governance in all phases of its investment. On the environmental side, it is the fund manager's policy to avoid investments that have a negative impact on the environment. Nexxus also seeks a positive social impact through job creation and by investing in companies that help to boost economic growth in Mexico.

Additionally, Nexxus evaluates all prospective investments through an institutionalized, four-phase process. For a deal to move forward, it has to be approved by multiple committees during the analysis phases. Nexxus relies on third-party experts for legal, fiscal, financial, labour, and IT due diligence. If Nexxus moves ahead with an investment, it guarantees that the portfolio company implements the highest corporate governance standards.

OPPORTUNITY

The investment in Grupo Turistore was in line with many of Nexxus's main investment themes, including providing management expertise to successful, family-owned companies in Mexico. Grupo Turistore was already a profitable and well-managed company, but its founding partner was looking for an investor that could help implement a corporate governance strategy and develop and execute a value plan to accelerate a sustainable growth on the medium / long-term. Due to Nexxus's experience in the retail sector, it was particularly well-equipped to provide both capital and managerial support for Turistore.

Nexxus also identified other positive elements of Turistore, including the fact that its revenues are in US dollars, which gives the company a natural hedge against the Mexican peso.

Tourism – one of the most important industries in the Mexican economy with strong fundamentals – is the fourth largest source of foreign currency in the country, which further increased Nexxus's interest in the company. Nexxus also identified Mexico's specialized retail sector as an area with strong growth potential, which has the added benefit of avoiding the ups-and-downs of typical retail cycles because of its link to tourism and a client behaviour of impulse purchase.

Additionally, Grupo Turistore's stores are located in key tourist areas in the country, which benefit from a steady flow of international tourists. Likewise, the company's founder has over 35 years in the industry and proven track record for success.

Finally, Nexxus identified myriad opportunities for expanding the company's existing footprint of stores, as well as potential acquisition targets.

EXECUTION

Once the investment was concluded, Nexxus, together with Alta Growth Capital as a co-investor in the company, developed a value creation plan for Grupo Turistore. This is a five-year plan with clear goals that mapped out the company's strategic priorities, with the objective of focusing the company's human and economic resources over the next years.

Nexxus also started implementing a plan to strengthen the company's management by hiring a CEO, a CFO, and other executives in key roles, such as a purchasing director, which had previously not existed at the company. Key hires included Lamberto Vallejo, who was appointed CEO and has more than 30 years of experience in the retail industry. Nexxus and its partners also brought Alejandro Payró on board as CFO. Payró had extensive experience in both companies and the financial sector.

As part of the value creation plan, Nexxus also helped create key committees, which were responsible for making strategic decisions, overseeing the management and helping to mitigate risks. As part of this process, Nexxus helped Turistore to implement a new software system that provides data and allows the company to make better management decisions. Both Nexxus and Alta Growth have also been working with company's management to help Turistore strengthen ties with Mexico's leading airport groups and real estate developers in the main tourist destinations as part of the expansion strategy. The partners also helped to identify an advisory firm that is helping Turistore to identify potential acquisitions in the US and in Latin America.

Finally, Nexxus has also helped the company to access new credit lines taking advantage of the fund manager's extensive network among international and local financial institutions.

ESG IN FOCUS **Nexxus, together with Alta Growth Capital, has been focused on improving the corporate governance of Turistore. Since the investment was made, there have already been significant improvements on this front, including the implementation of monthly executive committee meetings that monitor key metrics such as cash flow. A board of directors was also created, with two voting seats for both Nexxus and Alta Growth, as well as three independent board members with extensive experience in the Mexican retail sector.**

The company also created a separate committee just to evaluate store openings. Nexxus has also worked with the company to focus on gender diversity initiatives, which has contributed to an increase in females in its workforce to 54%.

Additionally, as part of a solid corporate governance structure, Nexxus identified and supported a strong organizational structure by recruiting key members (CEO and CFO) and granting them liquidity event bonuses based on the company's performance and the investment return at exit in order to align incentives between operating partners and investors.

OUTCOME

Since the investment, Nexxus and Alta Growth Capital have played an instrumental role in the implementation of a growth strategy for the company. Turistore is already close to finalizing its first acquisition. Nexxus has played an active role in securing financing for this acquisition.

The company is also implementing a growth strategy that aims to expand the company's operations into (i) new store formats (e.g. jewellery stores and pharmacies), (ii) channels (e.g. hotels, archaeological zones) and (iii) regions of Mexico (e.g. Ensenada, Mexico City, among others).

DATE OF INVESTMENT **JAN 2018**

AMOUNT **US$8.5 MILLION**

PARTICIPATION/STAKE **22.6%**

COMPANY NAME
Mundo do Cabeleireiro
www.mundodocabeleireiro.com.br

INDUSTRY / SECTOR
Consumer / Retail

LOCATION(S)
Brazil

DESCRIPTION
Mundo do Cabeleireiro ("Mundo") is a multi-brand beauty retailer based in Recife, the capital of the northeastern state of Pernambuco. As of December 2019, it owns 52 physical stores: 20 in Pernambuco and 32 in São Paulo. It offers a vast mix of products with more than 15 thousand items in a broad assortment of categories in the beauty segment. Women make up for 98% of the company's stores client base.

INVESTOR PROFILE
Vinci Partners is a Brazilian independent alternative asset manager with approximately US$7.5 billion assets under management, as of October 2019. The firm was founded in 2009 by a team of partners with extensive experience in financial and investment markets. Vinci Partners is currently focused on several strategies including Private Equity, Infrastructure, Real Estate, Credit, Public Equities and Hedge Funds. Vinci's Private Equity team has raised and managed seven funds among the two distinct Private strategies (Buyout and SMEs) including Nordeste III, fund that invested in Mundo. As of June 30, 2019 (excluding one PIPE investment, a strategy that will not be pursued in VIR IV), Vinci Partners' prior Private Equity investments have generated US$3.9 billion in total value, representing a 2.5x gross MOC and 68.7% gross IRR in US$ (3.1x and 63.3% in R$, respectively).

FUND NAME Nordeste III

FUND SIZE US$60 million

TOTAL AUM US$7.5 billion

FUND ESG POLICIES Vinci has been a signatory of the United Nations Principles for Responsible Investment (UNPRI) since 2012 and has been integrating ESG issues into its investment philosophy since its inception. Although these topics have always been part of Vinci's investment process, it has recently broadened such practices by reviewing, expanding and formalizing its ESG management model. Vinci believes that responsible corporate behavior from the environmental, social and governance perspectives has a positive impact on its investments' performance because it helps mitigate risk and enhance long-term value creation.

OPPORTUNITY
Vinci identified Brazil's rapidly expanding beauty segment – a US$29 billion market with a compound annual growth rate of 10% in recent years – as an attractive one. Although Brazil is the fourth largest beauty market in the world (behind the US, China and Japan, respectively), the market for multibrand beauty retailers remains very fragmented. The fund's investment in Mundo was based on expanding a proven and profitable business model, with more than 15 years of consistent growth, grounded in the experience of its founders, who were leading the business and willing to take advantage of Vinci Partners' strategic and financial know-how to expand the company. Vinci had been in contact with the company's founders since 2004, when Mundo had just four stores. Back then the fund approved the business model and the entrepreneurs, but it was still too small to receive an investment at that time. More than a decade later, Mundo had continued to grow and the founders of the company were looking for a strategic partner. Vinci re-engaged and presented them with a value-creation proposal, which involved growing the business in preparation for a future sale. The founders liked the idea of expanding nationally and decided to partner with Vinci.

EXECUTION

Vinci's first value creation initiatives focused on developing a Five-Year Plan, a Value Creation Plan and a 100-Day Plan. These management tools were meant to establish short-term and long-term objectives to aid Mundo in its growth strategy. This included the implementation of governance procedures, such as regular board meetings, independent board members and audited financial statements. Vinci worked closely with management to (i) create a model for evaluating and approving opening of new stores and (ii) to create its first-ever long-term budget. These management tools and the new management structure were essential for the company to go from opening just two stores per year to roughly twenty.

Vinci also contributed to hiring top management executives with experience in the retail sector. These included a new head of expansion, a CFO and a customer service officer. Vinci also created a new compensation scheme, offering performance-based compensation for people at all levels in the company. Additionally, the fund also contracted third-party consultants for initiatives yet under implementation, such as a digital transformation journey, improvements in IT systems, enhancements on supply chain processes and own-brand (private label) products expansion.

ESG IN FOCUS **One of the main contributions of Vinci's Nordeste III fund is that it provides growth capital to companies located in the less developed region of Brazil, with limited access to capital and management know-how. Many of the companies that have received an investment from Vinci in this region simply would not have been able to grow because of a lack of capital and limited structures to foster regional expansion. In this sense, Vinci works with entrepreneurs to implement important governance tools aimed at enhancing the decision-making process, support strategic planning and generate value for future buyers.**

In the case of Mundo, Vinci team supports the effort to guarantee gender diversity at the company level. This included naming women as vice president, CCO, and CHR positions. More than 70% of the company's hires are women at all levels and positions. The company has also aimed to guarantee representation of the LGBT community. Market surveys among clients and employees have classified the company as discrimination-free, with both clients and employees agreeing that gender identity and sexual orientation are respected. In the stores, employees are welcome to express their own style, with no beauty stereotype, which has had an exceedingly positive impact on clients' perception.

The company has also been an important source of jobs for many young people who have been excluded from the formal job market. Mundo not only provides jobs for people in this demographic range but also offers extensive training and internal promotion opportunities.

OUTCOME

In a two-year term, the company doubled its revenues and is expected to grow an additional 50% in 2020. The number of stores went from 20 to 52 in two years. The plan is to reach 100 stores in 2-3 years and become the largest player in the segment.

At the time of the fund's investment, Mundo was a regional player that was slowly expanding. Just two years later, it is among the five-largest multibrand beauty retailers in Brazil. The company plans to continue its aggressive growth strategy. At the time of investment, the company had just two senior executives: the two entrepreneurs. In two years, it developed a team of five additional C level executives, in order to support higher growth and reduce execution risk. Vinci also identified new opportunities. As an example, private label products, which have nearly two times the average gross margin, grew from almost zero to a significant portion of revenues.

THE **LATIN AMERICAN** PRIVATE EQUITY **DEAL BOOK** + **ESG CASES**

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