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Chile, Brazil & Mexico Remain Top Private Equity/Venture Capital Environments in Latin America

Annual Ranking Released in 2011 LAVCA Scorecard

New York, May 10, 2011 – Chile, Brazil and Mexico lead the annual ranking published by the Latin American Venture Capital Association, achieving top scores in the region on regulation and ease of investment for private equity (PE) and venture capital (VC) investors.

The 2011 LAVCA Scorecard, released today, is the sixth edition of the report and reflects progress in major Latin American economies towards regulation that will incentivize PE and VC investment.

However, both Chile and Brazil saw small decreases in their overall scores based on a decline in the indicators on laws on fund formation and restrictions on local institutional investors, respectively.

“While Chile and Brazil continue to be leaders in the regional PE/VC industry, further insight from industry participants was valuable in recognizing areas where the countries still need to make improvements in order to be on par with global expectations,” said Cate Ambrose, President and Executive Director of LAVCA.

In the case of Brazil, local pension funds have played an active role in the development of the Brazilian PE industry over the last decade, backing first time and other local managers. But their requirement for a seat on GP’s investment committee has created a governance conflict and acted as a deterrent for international limited partners looking to invest in funds managed by Brazilian managers with pension fund commitments.

“As Latin America continues to attract international investors, the 2011 LAVCA Scorecard reflects the healthy state of the PE/VC industry in the region. However, it also sends a word of caution to some of the countries that have been performing well,” added Susana García-Robles, Lead Investment Officer-Early Stage Financing Group at the Multilateral Investment Fund and member of the LAVCA Public Policy and Global Standards Committee.

In Brazil, local fund managers approved a new mandatory code of conduct this year which requires an extraordinarily high level of disclosure and transparency. It is yet to be seen how compliance with the code will affect firms active in Brazil.

The annual Scorecard ranks 12 countries based on indicators including taxation, minority shareholder rights, restrictions on institutional investors and capital markets development.

“The Scorecard measures the most critical factors for the development of PE/VC in Latin America. It is a valuable tool for investors and policymakers to encourage progress in the regulatory environment in their respective countries,” said Eduardo Elejalde, Founding Partner, Latin America Enterprise Fund Managers and Chairman of LAVCA.

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Regulatory efforts on areas like taxation and corporate governance have been complemented by programs hosted by public agencies such as CORFO in Chile, FINEP in Brazil, Bancoldex in Colombia and Fondo de Fondos in Mexico. These programs host government sponsored funds of funds and make capital and other resources available to local fund managers and entrepreneurs.

Rounding out the top five countries in this year's ranking were Colombia and Uruguay, with no change in overall scores.

Peru saw a downward revision to its score and is now tied for eighth place among the regional markets. The country's banking superintendency has taken a conservative position over the last year with regards to approving new funds, and new commitments from the Peruvian pension funds to alternative investments have been slow.

"Policy stagnation and slow fund approval processes hinder further development in the market," noted García-Robles.

Global investors continue to make Latin American private equity a part of their global strategies. The region captured a historic \$8.1 bln in fundraising in 2010, according to 2011 LAVCA Industry Data, and since January global firms including 3i, HarbourVest, Partners Group and Sigular Gulf have announced new office locations in the region.

The sixth edition of the Annual LAVCA Scorecard was produced in collaboration with the Economic Intelligence Unit, the Multilateral Investment Fund and the Andean Development Corporation. It is available for download on the LAVCA website: <http://lavca.org/2011/05/09/2011lavcascorecard/>

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About the Latin American Venture Capital Association

The Latin American Venture Capital Association (LAVCA) is a not-for-profit membership organization dedicated to supporting the growth of the private equity and venture capital in Latin America. LAVCA's membership is comprised of over 100 firms, from leading global investment firms active in the region to local fund managers from Mexico to Argentina. Member firms control assets in excess of \$35 billion, directed at capitalizing and growing Latin American businesses. In addition to the support of its member firms, LAVCA research and programs are made possible thanks to an ongoing core commitment from the Multilateral Investment Fund (MIF/FOMIN) and the Andean Development Bank (CAF). Visit www.lavca.org for more information.

About FOMIN

The Multilateral Investment Fund (FOMIN) has as one of its primary goals the promotion of inclusive growth through private sector development. An independent trust fund administered by the Inter-American Development Bank, MIF has been a pioneer in the Region for seed and venture capital investments. Through the funds in which MIF invested, over 300 small businesses and start-ups have received long-term equity financing and this has been translated into job creation and direct benefits to the countries' economies. Learn more at www.iadb.org/mif

About CAF

CAF is a Latin American financial institution established in 1970 with the aim of promoting sustainable development and regional integration. The institution promotes quality sustainable growth in the region by financing projects in the public and private sectors, as well as the provision of technical cooperation and other specialized services. CAF, consisting of 18 countries in Latin America, Caribbean, Europe and 14 private banks, is a major source of multilateral financing and a major generator of knowledge for the region. For more information, visit www.caf.com

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