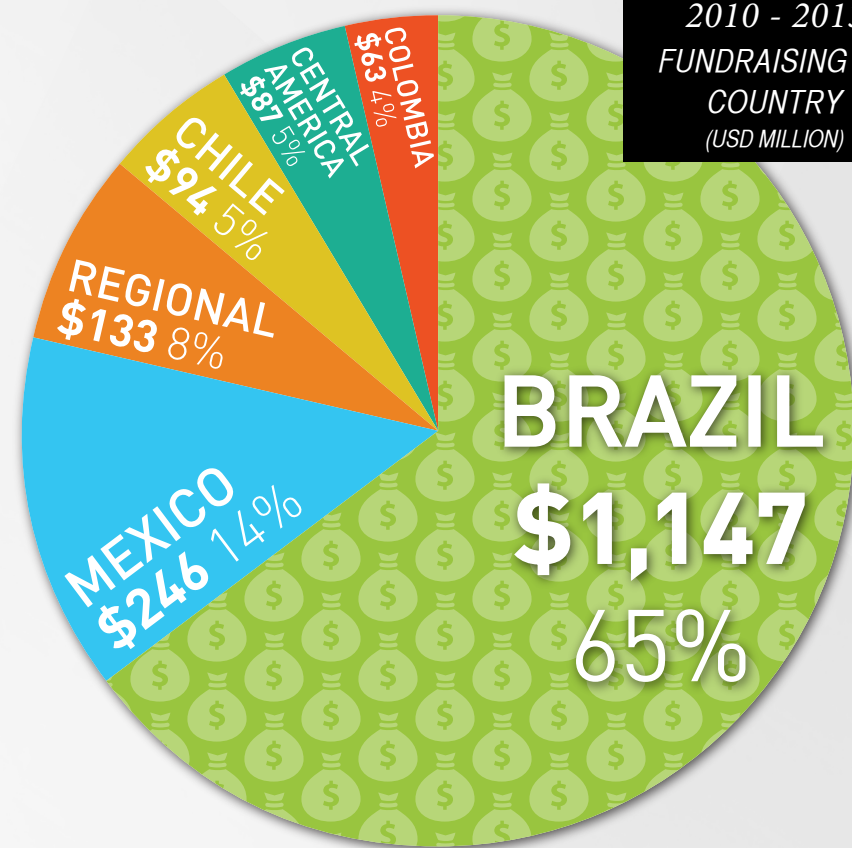
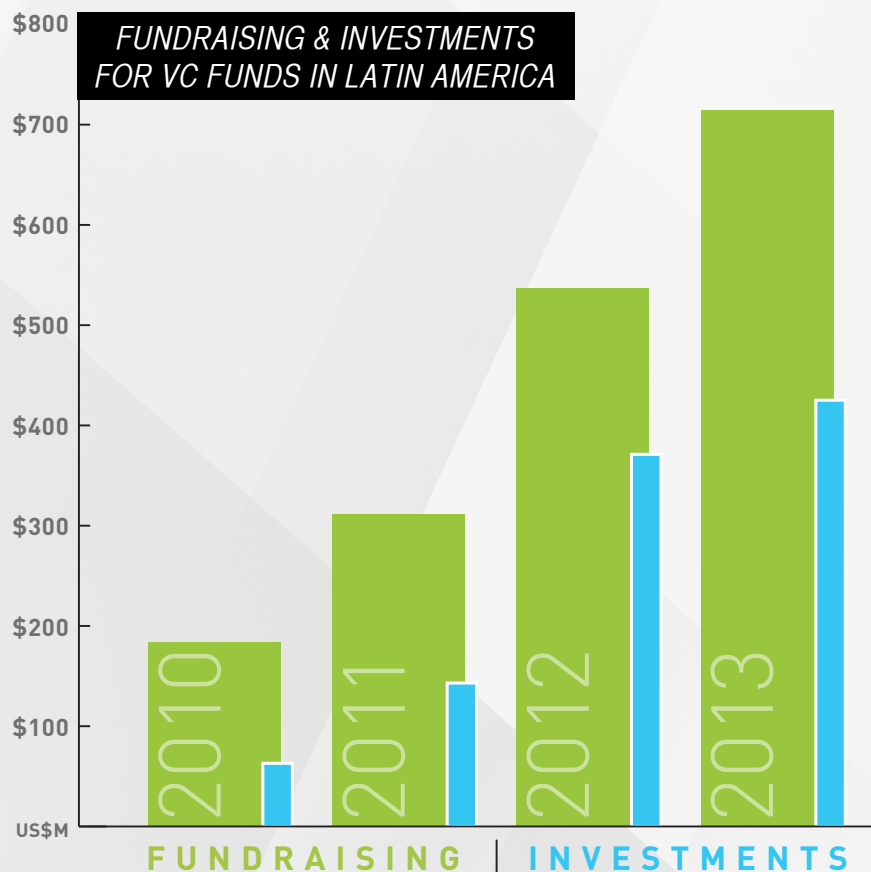


***VENTURE INVESTING
SNAPSHOT:***

**LATAM
TRENDS**



I. DEALS & FUNDS: A NEW GENERATION OF VENTURE ACTIVITY IN BRAZIL AND ACROSS LATIN AMERICA

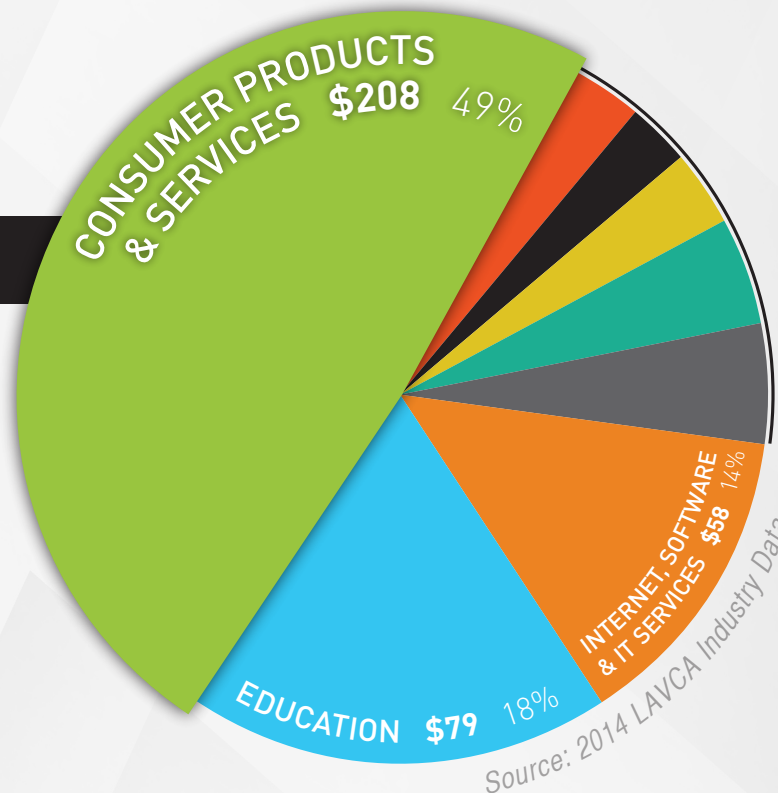
Venture capital investors active in Latin America deployed US\$425m in 2013 – more than four times the amount invested when LAVCA began collecting data in 2008, and a 15% increase from the previous year. In Brazil, there is an increasing maturity of both entrepreneurs and investors, fund managers have indicated that terms are starting

to become more aligned, and valuations are adjusting as venture firms become more selective in their investments. The best entrepreneurs are more open to working with financial investors. Capital committed to venture funds in Latin America reached US\$714m in 2013, representing a six-year high and an increase of over 30% from

2012. The supply of capital available for venture funds and entrepreneurs is expanding with increased participation from both international and local investors. Family offices and high net worth individuals within Latin America have become more aware of entrepreneurial activity in their countries and are backing venture funds as limited partners,

and startups as angel investors. A growing community of successful entrepreneurs is also investing as angels. Even more so than in the US, the “friends and family” network is critical to accessing capital in Latin America, particularly outside of Brazil.

2013 EARLY STAGE TECH/INTERNET INVESTMENTS BY SECTOR (USD MILLION)



FINANCIAL SERVICES	\$22	5%
MEDIA AND ENTERTAINMENT	\$21	5%
HEALTHCARE SERVICES	\$14	3%
OTHER	\$13	3%
CLEAN TECH/ALTERNATIVE/RENEWABLE ENERGY	\$11	3%

I. LATAM STARTUPS ARE TAKING ADVANTAGE OF ECONOMIC GROWTH, CHANGES IN DEMOGRAPHICS, AND ACCESS TO NEW TECHNOLOGY

The growth of young, middle class consumers across Latin America has created an opportunity for consumer related investments. Record VC deals in 2013 were driven by investments in e-commerce, taxi apps, online travel agencies, restaurant discount clubs, and other related activities. Consumer-focused venture capital deals contributed US\$208m, or about half of the total VC dollars invested in Latin America in 2013. Mexico and Brazil have the highest average spending per user on e-commerce in Latin America, with annual growth rates of 30-40%. Future growth will be driven by increased access to credit cards, improvements in online fraud prevention, and better logistics.

LATAM: PERCENTAGE OF THE POPULATION UNDER AGE 14



Source: World Bank

TECH/INTERNET

COMPANIES TO WATCH

COMPANY NAME	FOUNDERS	MAIN INVESTORS	COMPANY DESCRIPTION
BEBESTORE	Leonardo Simão, Juliana Della Nina	Atomico, W7 Venture Capital	Founded in 2009, Bebestore is an e-commerce platform for baby products based in São Paulo, Brazil. Since receiving its first investment from Atomico in December 2011, Bebestore has quadrupled its revenue and now offers over 45,000 items in its store.
BELEZA NA WEB	Fernando Fernandes, Jose Junior, Thiago Iyeiri, Christiane Bistaco, Alexandre Serodio	Kaszek Ventures, Tiger Global Management	Belezanaweb operates an online retail store for hair and skin care products. The company was founded in 2006 and is based in São Paulo, Brazil.
COMPARAONLINE	Sebastian Valin	Kaszek Ventures, Ribbit Capital, Rise Capital	ComparaOnline enables consumers to compare insurance and financial products, while simultaneously benefiting banks and insurance companies by expanding their distribution and lowering their customer acquisition costs. The company was founded in 2009 and is based in Santiago, Chile.
DAFITI	Malte Horeyseck, Malte Huffmann, Thibaud Lécuyer, Philipp Povel	IFC, JP Morgan, Quadrant Capital, Rocket Internet, OTPP, Summit Partners, Tengelmann Ventures	Dafiti operates an e-commerce website for footwear, clothing, and accessories targeted to men, women, and children. In 2014 Dafiti received BR\$50 million (approx. US\$21 million) from the IFC. Dafiti was founded in 2010 and is based in São Paulo, Brazil.
DESPEGAR.COM (DECOLAR.COM)	Roberto Souvion, Federico Fuchs	Accel Partners, General Atlantic, Insight Venture Partners, Merrill Lynch Global Private Equity, Sequoia Capital, Tiger Global, TPG Capital	Despegar.com, Inc. operates as an online business-to-consumer travel agency for the Portuguese and Spanish speaking markets. It operates in Argentina, Brazil, Chile, Colombia, Mexico, Uruguay, Venezuela, Spain, and the United States. The company was founded in 1999 and is based in Miami, Florida.
EASY TAXI	Tallis Gomes	Rocket Internet	Easy Taxi is a mobile application that enables users to request and track taxis. The company was founded in 2012 and is based in Rio de Janeiro, Brazil.
ELO7	Julian Ipolito, Monica Ipolito	Accel Partners, Insight Venture Capital, Monashees Capital	Elo7 is an online marketplace for buying and selling handicraft products. The company was founded in 2008 and is based in São Paulo, Brazil.
GRUPO XANGÔ		BV Capital, Index Ventures, Redpoint Ventures	Grupo Xangô is a holding company created to develop technology startups in Brazil and the rest of Latin America. The Rio de Janeiro-based company operates in the cloud, security, and e-commerce space.
HOTEL URBANO	José Eduardo Mendes, João Ricardo Mendes	Insight Venture Partners, Tiger Global	Hotel Urbano operates an online portal for affordable travel in Latin America. The company was founded in 2011 and is based in São Paulo, Brazil. In 2014 Hotel Urbano received US\$50 million in a Series D funding round led by Tiger Global Management and Insight Venture Partners.

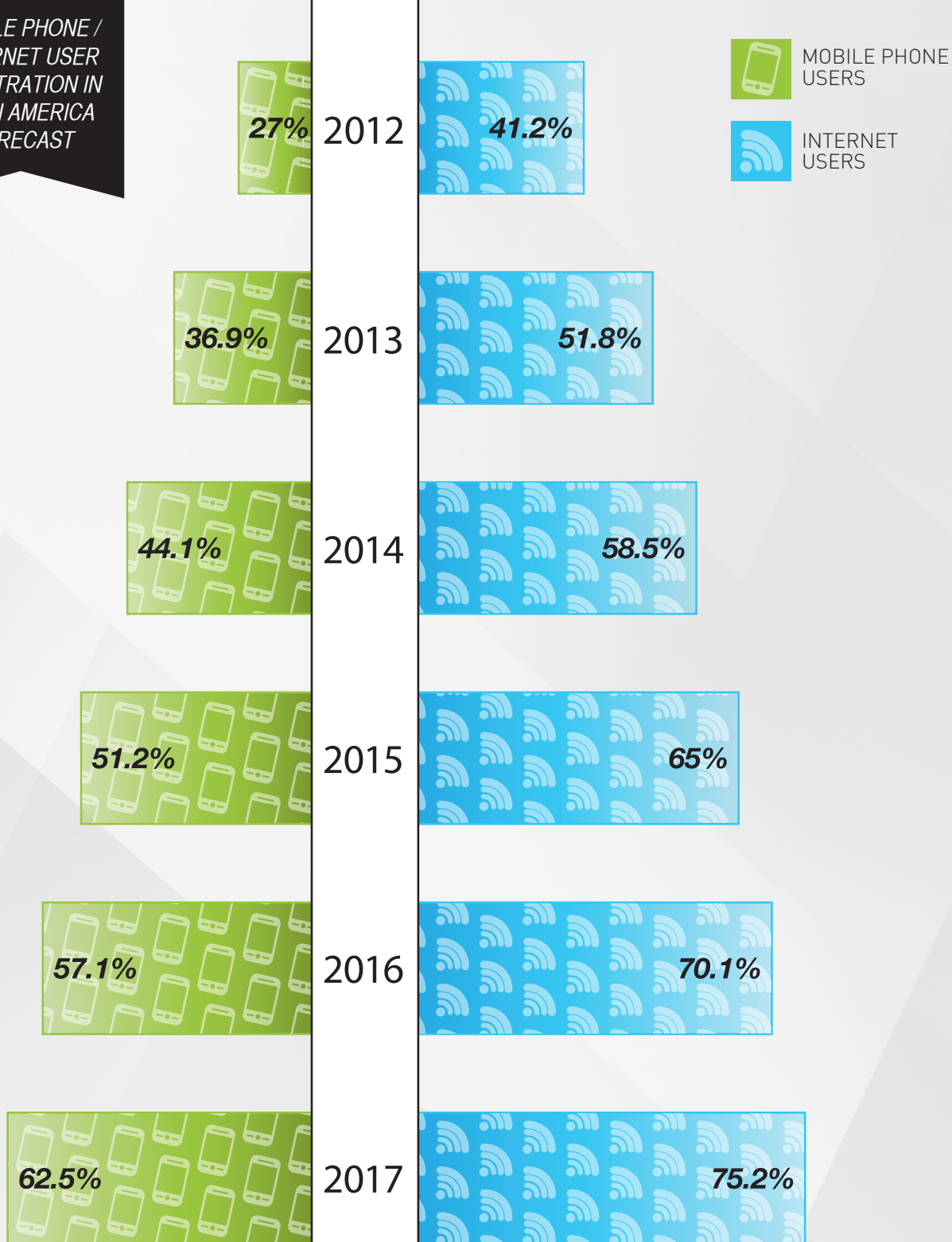
KEKANTO	Bruno Yoshimura, Fernando Okumura, Allan Panossian	Accel Partners, Kaszek Ventures, W7 Venture Capital	Kekanto is an online urban guide that helps people find recommended destinations based on the opinions and reviews of a community. Kekanto was founded in 2010 and is based in São Paulo, Brazil.
LINIO	Andreas Mjelde	Rocket Internet, Latin Idea Ventures, Summit Partners, Northgate Capital	Linio operates an online department store in Mexico. The Mexico City-based company has raised over US\$150 million since its founding in 2012.
MOBILE	Fabricio Bloisi, Rafael Duton, Eduardo Lins Henrique	Naspers	Founded in 1998, Movel provides content and commerce for smartphones, micropayments for virtual goods, Apps, HTML5, and seamless interactivity on mobile. Movel has over 300 employees throughout Brazil, Argentina, Colombia, Venezuela, and the United States. As part of a broader strategy, the company also invests in startups across the Americas.
NETSHOES	Marcio Kumruian	Iconiq Capital, Kaszek Ventures, Tiger Global, GIC, Temasek Holdings	Netshoes is an online retailer of sports shoes, clothing, and accessories. In 2014 the company received US\$170 million in funding led by Singapore's sovereign wealth fund GIC. Netshoes has operations in Brazil, Argentina, and Mexico and is based in São Paulo, Brazil.
OPEN ENGLISH	Andres Moreno, Wilmer Sarmiento	Flybridge Capital Partners, Insight Venture Partners, Kaszek Ventures, Redpoint Ventures, Technology Crossover Ventures	Open English is an online English school targeting Spanish speakers in the Americas. The company was founded in 2006 and is based in Miami, Florida. In 2013 Open English received US\$65 million in a funding round led by Technology Crossover Ventures.
OQVESTIR	Mariana Mendes Medeiros	A5 Internet Investments, Kaszek Ventures, Tiger Global, TMG Partners	OQVestir is an online store specializing in women's luxury fashion, carrying collections from over 180 brands of clothes, shoes, accessories, and home products. The company was founded in 2009 and is based in São Paulo, Brazil. In 2014 OQVestir raised its third round of investment for US\$30 million from TMG Capital and existing shareholders.
RESTORANDO	Frank Martin Bujaldon, Franco Silvetti	Atomico, Emergence Capital Partners, Flybridge Capital Partners, Kaszek Ventures, Storm Ventures	Restorando offers online restaurant booking services for restaurants, with operations in 10 cities across four countries in South America. The company was founded in 2010 and is based in Buenos Aires, Argentina.
TECHNISYS	Miguel Santos	Holdinvest	Technisys offers IT solutions for the financial services industry, allowing banks to integrate delivery channels with a service-oriented architecture (SOA) based platform. Technisys was founded in 1996 and is based in Buenos Aires, Argentina with locations in Miami, Madrid, Montevideo, Mexico, Central America, the Caribbean, and Chile.
VIVAREAL	Brian Requarth, Diego Simon	500 Startups, Dragoneer Investment Group, Great Oaks Venture Capital, Kaszek Ventures, Monashees Capital, Valiant Capital Partners	VivaReal operates an online real estate marketplace that connects buyers, sellers, and renters with properties. The São Paulo-based company was founded in 2007 and has operations throughout Brazil, Mexico, Colombia, and the United States, where it targets the Latin American population.
WINE.COM.BR	Anselmo Endlich, Rogerio Salume	e.Bricks Digital	Wine (wine.com.br) is the largest e-commerce platform for wines in Latin America. Launched in November 2008, Wine offers more than two thousand labels of global fine wines, accessories for wine-tasting, and gourmet products.
YELLOWPEPPER	Rafael Russ, Serge Elkliner	Fondo de Fondos, IFC, Latin Idea Ventures	YellowPepper provides mobile banking and payment solutions for financial institutions, corporations, and merchants. Founded in 2004, the Miami-based company has operations in six countries throughout Latin America.

For more information about these deals and others, visit www.lavca.org.

II. INTERNET USERS ARE SKIPPING A GENERATION, ACCESSING VIA MOBILE TECHNOLOGIES

The number of smart phone users is growing at double-digit rates across the major markets in Latin America – in Argentina, Brazil, Colombia, and Mexico people spend more time using a smartphone than a TV or laptop/PC. As in developed markets, the rapid expansion of disruptive mobile business models is creating opportunities: taxi e-hail apps (Easy Taxi, 99Taxis), food delivery apps (Pedidos Ya/Ja), restaurant reservations (Restorando), hotel bookings (Hotel Urbano). This first wave of apps is focusing on how to save time for the consumer. As time becomes a more valuable asset for Latin American consumers, smartphones and mobile data allow them to avoid waiting in line for a taxi or for a table at a restaurant. Mobile payment systems represent another area of huge potential as low and middle-income populations enter the banking system.

MOBILE PHONE / INTERNET USER PENETRATION IN LATIN AMERICA FORECAST

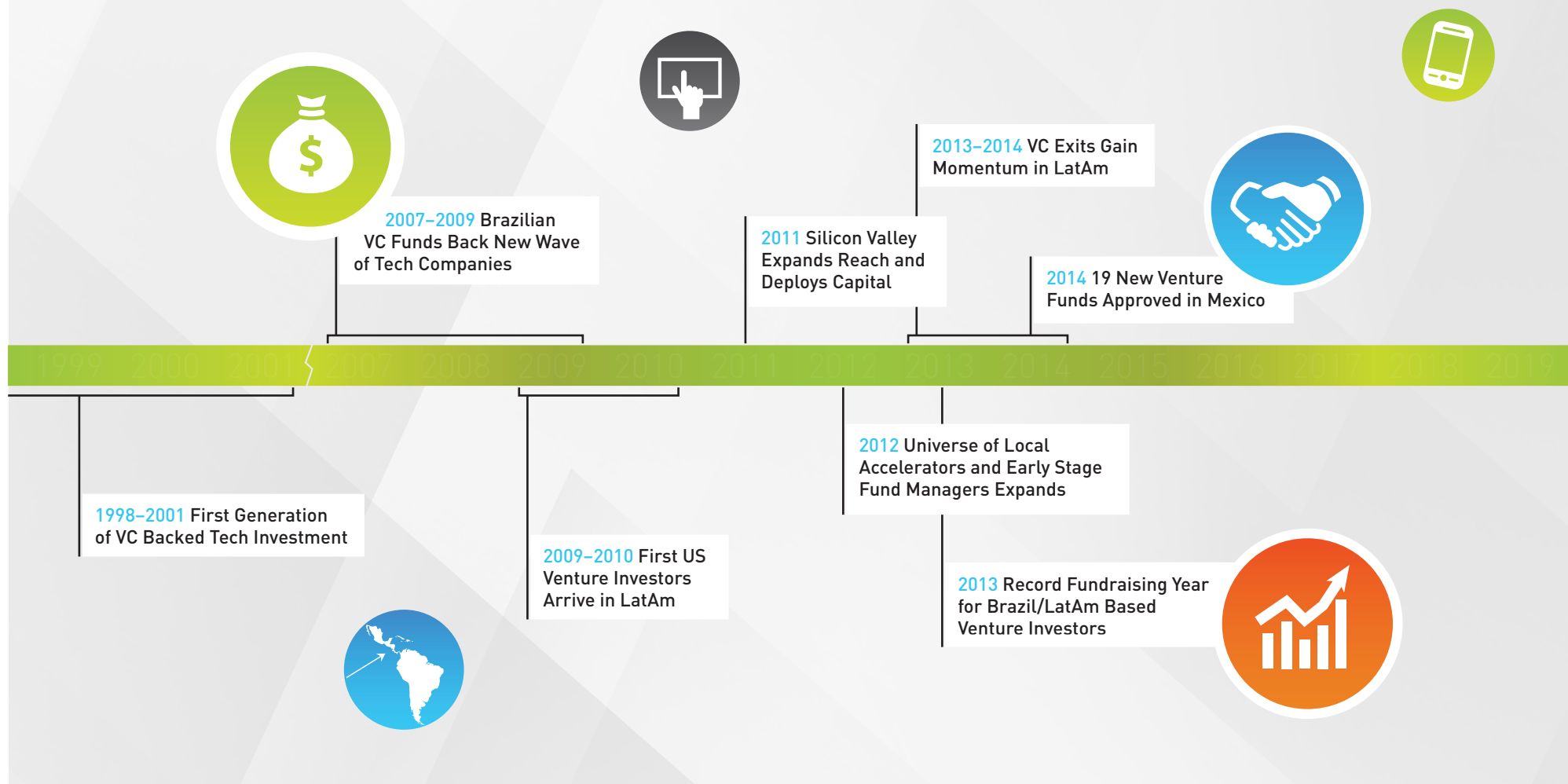


III. GENERATIONAL AND CULTURAL EVOLUTION

Latin America is experiencing a cultural shift as a new generation that has grown up with access to technology enters the workforce. In many cases the offspring of successful business owners are studying in the US or Europe before returning to the region to pursue less traditional career paths outside of family businesses, large corporations, or government. At the same time successful entrepreneurs are returning to the region either as mentors or investors.

The internationalization of the startup ecosystem is evident, with global founding teams from around the world – Germans in Brazil, Spaniards in Chile, Americans in Mexico and Colombia, and increasing ties to Silicon Valley, New York, and Miami. In Chile, the government sponsored Start-Up Chile program attracted entrepreneurs from around the world and fundamentally changed national attitudes towards risk-taking and entrepreneurship as an alternate career path.





IV. SECOND-GENERATION MODELS FOR STARTUP INVESTING ARE EMERGING

Since Silicon Valley and global VCs entered the Brazilian market about five years ago, the model for startup investing has evolved rapidly. Initially, investors backed competing platforms in the e-commerce sector, and some of the internet business models that were imported from the US (such as crowdsurfing discounts), were flawed from the outset. In 2014 the initial

wave of accelerators and demo-days is giving way to a more consolidated base of investors collaborating on deals and rounds.

In a related trend, we have seen examples of consolidation among some of the early e-commerce plays (including Bebe Store's recent acquisition of Baby.com.br), and in Brazil and other markets, a number

of acquisitions by international firms (Eventbrite, Priceline) of relatively early stage venture backed tech companies.

Investors from the US and Europe are partnering with Latin American teams to launch their businesses in the region, moving beyond the simple copycat models of recent years to a more sophisticated approach that addresses local problems. VCs are providing not only financial resources but also

local networks and operational and commercial involvement, while the startups backed by international investors provide the product and business model. One recent example is Lenddo, an online platform that leverages social connections to build creditworthiness, which has expanded from Asia to Mexico and Colombia.

Although public funding has been an early but critical input to the development of innovation and venture ecosystems in the US, Israel, and other markets, government money can also distort incentives. A wide range of public programs in Mexico, Colombia, Brazil and Chile have had some positive long-term effects, but the short term impact can generate funds managed by unproven investors and 'zombie companies'. Public sources of capital are necessary to spur fund formation, however a private market of investors must emerge in order for the industry to be sustainable.

Young, eager, and smart entrepreneurs can only take a company so far. Accelerators are planting seeds for new companies to get started, but once they gather momentum, they are not able to make the jump to the next level – there is a limited pool of technical talent that can take a company from a staff of five to a company of 50 or 500. As a result, investors are competing for experienced business managers that have done this before and that are able to build a team. There is a recycling of experience that happens in successful companies – today we see that

experience coming out of MercadoLibre or Globant or Movile – where managers will leave those companies in order to contribute to others. It is the role of the VC to act as a link among those experienced and talented professionals, and to dedicate half or more of their time to interviewing candidates to work for portfolio companies. In Latin America today, many new VCs don't understand that this is part of their job description.

STARTING A NEW BUSINESS INDICATOR

East Asia & Pacific	7	37.8	29.8	293.3
Europe & Central Asia	5	12.8	6.7	3.5
Latin America & Caribbean*	9	36.1	33	3.6
Middle East & North Africa	8	19.8	28.9	45.4
South Asia	7	16.2	19.8	15.8
Sub-Saharan Africa	8	29.7	67.4	125.7

*Aggregate scores reflect the regional average – Chile, Colombia, Peru, and Mexico rank among the top third of the World Bank Ease of Doing Business Report.

PROCEDURES
number

TIME
days

COST
% income per capita

PAID-IN MIN. CAPITAL
% income per capita

III. SOME MARKETS ARE HANDICAPPED BY POOR REGULATION

Despite strong government support for the development of local venture capital industries, regulation represents a hurdle for entrepreneurs in some of the major markets. Two of the most dynamic start up markets in Latin America – Brazil and Argentina – rank 116 and 126 in the World Bank's 2013 Ease of Doing Business ranking. There is much that could be done with regards to tax advantages and tax incentives, including cross border tax regimes to facilitate pan-regional businesses. Other areas for improvement include bankruptcy and limited liability for business owners, labor laws, and immigration laws for foreign entrepreneurs in the region. Finally, going forward there is a need for legal frameworks that will facilitate and regulate mobile and electronic payments, including for non-bank payment processors.

LAVCA SCORECARD: COUNTRY BREAKDOWN BY INDICATOR

2013 SCORECARD 2014 UPDATE

	Argentina	Brazil	Chile	Colombia	Costa Rica	Dominican Republic	El Salvador	Mexico	Panama	Peru	Trinidad & Tobago	Uruguay	Israel	Spain	Taiwan	UK
Overall score*	42	72	76	61	56	42	39	67	49	51	57	57	81	76	64	96
Laws on PE/VC fund formation and operation	1	4	3	3	2	2	0	2	2	2	2	2	4	3	4	4
Tax treatment of PE/VC funds & investments	1	3	3	2	3	1	2	3	2	1	3	3	2	4	3	4
Protection of minority shareholder rights	2	3	3	3	1	2	1	3	2	1	2	2	4	3	1	4
Restrictions on local institutional investors investing in PE/VC	0	3	3	3	1	1	1	3	2	3	2	2	4	3	2	4
Protection of intellectual property rights	2	2	3	2	3	1	2	2	2	2	3	2	2	3	3	4
Bankruptcy procedures/creditors' rights/partner liability	2	3	3	2	2	1	2	2	2	2	2	3	2	3	3	3
Capital markets development and feasibility of exits	2	3	3	2	2	1	2	3	2	2	2	1	3	3	3	4
Registration/reserve requirements on inward investments	1	3	3	3	3	3	3	3	3	3	4	3	3	3	3	3
Corporate governance requirements	2	3	3	3	2	3	1	3	2	3	2	2	4	3	2	4
Strength of the judicial system	2	2	3	2	3	1	1	2	2	1	2	3	3	2	2	4
Perceived corruption	1	1	3	1	3	1	1	1	1	1	1	3	3	3	2	3
Quality of local accounting/use of international standards	4	4	4	2	4	3	3	3	2	4	3	3	4	4	3	4
Entrepreneurship	3	3	3	3	2	2	2	3	1	2	2	2	3	2	4	4

(Ranked 0-4, 4 being best/strongest environment)

An **interesting development** during 2013 was the **increasing** number of **INTERNATIONAL PRIVATE COMPANIES**

acquiring startups in the region. Out of the 14 strategic sales, **70 percent** were sold to an **INTERNATIONAL BUYER.**

I. EXPECTATIONS FOR EXITS AND THE TURNING POINT TO COME

The boom of investment activity over the last five years has contributed to pent up expectations for the kind of highly successful exits that propel the VC industry forward. One of the key challenges here will be for investors to prune their portfolios. A historical and cultural aversion to failure in the region makes it more difficult for new investors to embrace a systematic approach to cutting losses and unwinding the companies that will not gain traction. The most successful VCs are now making fewer investments in order to focus on their area of expertise, and fully supporting the companies in their portfolio to ensure their ultimate success.

Venture investors in Latin America reported 74 exits to LAVCA between 2008-2013; reliable data on returns and exit multiples is not available at this stage of the industry's development, but the majority of exits have been less than US\$10m. There are at least two real successes to point to from among the region's first generation of Internet companies – MercadoLibre went public on the NASDAQ in 2007 and today has a market capitalization of US\$4b, and Naspers acquired Buscape for US\$350m in 2009. These examples are an important marker for investors looking forward.

Over the last two years an increasing number of international strategic and corporate buyers have been active acquiring startups in the region. Examples include US-based Eventbrite's acquisition of Eventioz from Kaszek Ventures; Ideasnet's sale of Bolsa de Mulher to Batanga Media, a US-based digital media and content company for the Spanish-speaking market; Thomson Reuters' acquisition DGF's T. Global; Priceline's acquisition of Buuteeq.com; and multiple acquisitions in food delivery platforms with HelloFood buying Peixe Urbano Delivery and Janamesa, and German startup Delivery Hero acquiring Uruguayan PedidosYa and Colombian ClickDelivery.

Looking forward there is an opportunity and a need for real momentum in the next 12-24 months. In July 2014

Argentine technology service provider Globant listed on the NYSE, and there is a pipeline of fast growing venture-backed companies that are positioning for IPOs or liquidity events, including Hotel Urbano, Despegar, OpenEnglish, Netshoes, and Dafiti.

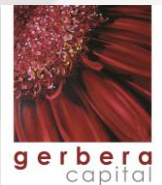
Exciting success stories around these and/or other companies will support the evolution of the region's burgeoning venture ecosystem, with more entrepreneurs starting companies, more funds backing them, and new fundraising cycles.

**HIGHLIGHTED
TECH/VC EXITS
FROM 2013-2014**

FUND MANAGER	PORTFOLIO C O M P A N Y	EXIT M E T H O D	BUYER (COUNTRY)	BUYER
<i>Riverwood Capital</i>	Globant	IPO (NYSE)		
<i>Promotora Ventura Capital</i>	Easy Solutions	Sale to Financial Buyer	USA 	Medina Capital
<i>Ideiasnet</i>	Ciashop	Strategic Sale	Brazil 	TOTVS
<i>Ideiasnet</i>	iMusica	Strategic Sale	Brazil 	Claro SA
<i>NXTP Labs</i>	Comenta TV	Strategic Sale	USA 	Wayin
<i>Tokai Ventures</i>	Micropagos	Strategic Sale	USA 	IN Switch
<i>Kaszek Ventures, Atomico</i>	Pedidos Ya	Strategic Sale	Germany 	Delivery Hero
<i>Axon Partners Group</i>	ClickDelivery	Strategic Sale	Germany 	Delivery Hero
<i>Riverwood Capital</i>	ALOG	Strategic Sale	USA 	Equinix
<i>Bolt Ventures, Otto Capital Partners</i>	Janamesa	Strategic Sale	Germany 	HelloFood/FoodPan- da
<i>Tiger Global Management, General Atlantic</i>	Peixe Urbano Delivery	Strategic Sale	Germany 	HelloFood/FoodPan- da
<i>DGF Investimentos</i>	T. Global	Strategic Sale	USA 	Thompson Reuters
<i>Ideiasnet</i>	Bolsa de Mulher	Strategic Sale	USA 	Batanga Media
<i>Kaszek Ventures</i>	Eventioz	Strategic Sale	USA 	Eventbrite

PARTICIPATING MEMBER FIRMS

CLICK LOGO TO VISIT MEMBER FIRM WEBSITE



The Latin American Private Equity & Venture Capital Association (LAVCA) is a not-for-profit membership organization dedicated to supporting the growth of private equity and venture capital in Latin America and the Caribbean. LAVCA's membership is comprised of over 160 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 US\$60b, directed at capitalizing and growing Latin American businesses.

LAVCA's mission is accomplished through programs of research, networking forums, investor education seminars, and advocacy of sound public policy.

VC COUNCIL

The LAVCA Venture Capital Council aims to establish a platform for collaboration between Latin American and global venture investors and to develop the Latin American early stage investment ecosystem. Members of the VC Council support LAVCA in generating ongoing discussions about industry best practices and current market trends. This is accomplished through a series of programs and initiatives throughout Latin America and the US, including educational workshops for investors in venture funds and angel investors, local peer exchanges, introductions for LatAm investors and entrepreneurs to the international venture community, private seminars, and industry research.

VC Council members include:

- Chairman, Hernán Kazah of Kaszek Ventures
- Eliza Erikson of Omidyar Network
- Alexander Rossi of Latin Idea Ventures
- Roberto Trevisan of Monashees Capital

TEAM

Cate Ambrose	President, LAVCA
Claudia Piza	Manager of Venture Capital Programs, LAVCA
Ariel Muslera	Senior Advisor, LAVCA
Lindsay Walsh	Advisor, LAVCA



Latin American Private Equity & Venture Capital Association

2014 LAVCA VENTURE INVESTOR EVENTS

Brazil Venture Investors Peer Exchange

May 7 | São Paulo, Brazil

LAVCA Venture Investors NY Summit

October 2 | New York, NY

Mexico Venture Investors Peer Exchange

November 12 | Mexico City, Mexico

Medellín Laboratorio de Inversión

November 18 | Medellín, Colombia

LAVCA hosts additional invitation-only and partner events throughout the year



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