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***Latin America fund assets to exceed \$3 trillion by 2020, driven by appetite for Asia  
– U.S. and European asset managers benefit most***

New York, London, and Hong Kong – November 7, 2011 – While still smaller than other global regions in terms of aggregate assets – around \$1.4 trillion in mutual fund assets and about \$710 billion in pension assets – fast growth in Latin America as a region is capturing the imagination of investors, distributors and asset managers alike, with tactical and strategic opportunities prompting resource allocations and investments.

According to a new 110-page Strategic Insight research study on the region, ‘State of the Asset Management Industry – Latin America’, “depending on the global market environment the region’s mutual fund industry could reach between \$2.8 trillion and \$3.6 trillion in assets by the 2020, while its pension fund assets could approach \$3 trillion –a total of over \$6 trillion,” stated Daniel Enskat, Head of Global Consulting for Strategic Insight and author of the book.

“Fund managers see Latin America as the primary region of focus for cross-border distribution by a margin of three to one compared to Asia, with Strategic Insight data showing more Luxembourg-domiciled funds registered in Chile than in Hong Kong.”

Added Enskat, “many international fund managers are selling cross-border funds into the region, have acquired local firms or stakes, and are building out distribution and investment capabilities on the ground, either with exclusive third-marketers or with broader teams that service multiple providers”.

**Among the key themes discussed in detail in this report:**

- **Local market opportunities:** “Markets such as Brazil, with over one trillion in mutual fund and pension assets, or Mexico with \$250 billion, and a highly profitable asset management business for some firms, has international managers establish a foothold for regional expansion and local growth, such as Julius Baer’s stake in wealth manager GPS, Credit Suisse with strong performance fees from Hedging-Griffo, JP Morgan Highbridge acquiring Gávea, and Blackrock after acquiring Barclays aggressively expanding on the ground for ‘SAXB’ (South America ex-Brazil).”
- **Institutional pension fund progress via UCITS:** “Chilean pension funds now hold 45% of its \$155 billion in assets in UCITS. Notably, the most appealing area of investment for Chilean Pension funds is Asia. Leading fund firms working with exclusive or multi-partner third-party marketers such as Econsult, Compass and others include Fidelity, Blackrock, Franklin Templeton, Vanguard, Schroders, DFA, and Investec. Of late, the data also shows increasing use of U.S. 1940 Act funds across Latin America”, stated Enskat.

- **Cross-border emerging market links:** Chile, Peru and Colombia display similar characteristics as Hong Kong, Singapore and Taiwan in Asia – cross-border UCITS hubs with strong growth potential for international firms, especially U.S. and European firms offering Asia expertise. “We see increasing links between emerging market regions: e.g., the best-selling fund in Japan in 2010 was Nomura US High Yield Bond linked to the Brazilian Real, conceived by Nomura’s NY team, set up by London via Cayman and then sold to retail investors in Japan by the securities house (sub-advised by JP Morgan for the second installment). And, despite regulatory hurdles, Asian firms such as Mirae are now moving into Latin America to gain market share in the Asia emerging market space.”
- **Exporting Latin America investment expertise:** According to Enskat, “Latin American specialist investment boutiques are registering UCITS products to be wrapped into fund of funds, platforms or investment solutions, to be sold non-domestically via Europe: e.g. BTG Pactual in October 2010 launched a Luxembourg SICAV UCITS, BTG Pactual Brazil Equity Plus; Itaú has a few Luxembourg SICAVs focusing on Latin America and Brazilian equity; and Victoire Brasil Investimentos has a Luxembourg domiciled OEIC and works with Casa4Funds, a Luxembourg third party manager to package investment solutions for European fund buyers.”
- **High-Net-Worth (HNW) in Latin America:** Latin America is home to the densest population of Ultra-HNW investors in the world – by far. “The non-resident investor growth for U.S. fund managers through hubs such as New York, Miami, California or Atlanta, et al is becoming a strong growth path for those firms, and private banks in Europe and Asia are pushing hard into Latin America. Already, 2011 profits for some prominent private banks primarily come from Latin America. For instance, HSBC on the wealth management side in 2011 is seeing two-thirds of revenues from Latin America and Asia. Santander outside of Spain is mostly focusing on Latin America, and BBVA so far in 2011 has reported 60% of total profits from Mexico and South America, compared to 37% from Spain.”
- **Latin American asset base in offshore hub is growing rapidly, along with needs:** Strategic Insight research shows that “global financial institutions in international finance hubs (e.g. Switzerland, London, Singapore et al) are seeing increasing proportions of assets in booking centers come from Latin American investors, ranging from 25% at the low end to up to 70% for some Latin America focused private banks. Thus, with greater asset power in booking centers attributed to Latin America HNW investors and institutional clients, information and service demands of those clients are rising, and local support is becoming more important for success.”
- **Europe and the US can learn from Latin America regulators:** We also see a paradigm shift for the industry globally around local investment approaches and a new normal of asset allocation mindsets and regulation. Added Enskat, “emerging markets are finding their stride and, while willing to listen to ‘developed markets’, see the world through their prism, culture and history. Chile recently removed Dublin-based funds from its pension funds, while Asia is discussing a regional or limited passport to compete with UCITS. Brazil has a transparent and sophisticated hedge fund industry with multimercado that could offer guidance to the UCITS/Newcits debate in Europe. All of these trends offer an opportunity to listen and build different business models for success going forward, especially as emerging markets are now starting to build bridges away from developed markets.”

- **GDP and demographic growth:** Latin America is home to 600 million people with a growing middle class, and already has the highest proportion of ultra-HNW investors in the world. Moreover, the world is interested in Latin America as an investment area, as part of emerging markets investing and for specific countries and sectors (such as BRIC). At the moment, the opportunities for Latin America are primarily institutional and family office/HNW mandates. However, local markets opening up and a growing middle class over time (the global middle class is expected to grow from 500 million people today to almost 2 billion in the next 10-15 years), will likely add an additional \$100 billion per year in retail net cash flows to the industry in the region in the second half of this decade.

*To receive a copy of the executive summary for this report, please contact Chantelle Davis ([cdavis@sionline.com](mailto:cdavis@sionline.com)) at 212-217-6879, or visit: [www.sionline.com](http://www.sionline.com) <<http://www.sionline.com>>*

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