



MEXICO ADVOCACY DAY



CALSTRS.

May 5th, 2015

- **Fondo de Fondos** was created to serve as an economic policy instrument exclusively focused in the PE Investments. FdeF's goal is to create shareholder's value, to drive the development of the industry in Mexico and participate in the development of small and medium-sized enterprises.
- **The Mexican Development Banks** participate on a third-floor scheme, having an independent and professional administration and achieving risk diversification with a multiplier effect on their investments.







Before Fondo de Fondos creation, the Mexican Development Banks supported companies through “Equity Investment Programs”. However, the market was presenting the following problems:

- Management deficiencies at different stages of investment processes
- Lack of institutional investors
- High administrative expenses
- Insufficient exit options
- Inefficient tax regime
- Few companies supported

The origin of Fondo de Fondos



In 2003, the Mexican Development Banks along with the Trade Development Agency (TDA-USA) conducted a study to improve the Private Equity market in Mexico. The results included:

| | | |
|---|---|---|
| Appropriate legal framework |  | Reform to the Securities Market Law |
| Tax transparent vehicles |  | FICAP |
| Tax incentives for capital gains |  | Reform to the Income Tax Law |
| Corporate governance and protection to minority shareholders |  | SAPI |
| Alternative exits schemes |  | www.negocioextrabursátiles.com |
| More institutional investors |  | Afores – CKD's |

Private Equity in Mexico



2005



Mexico-only Funds



Pan-regional Funds

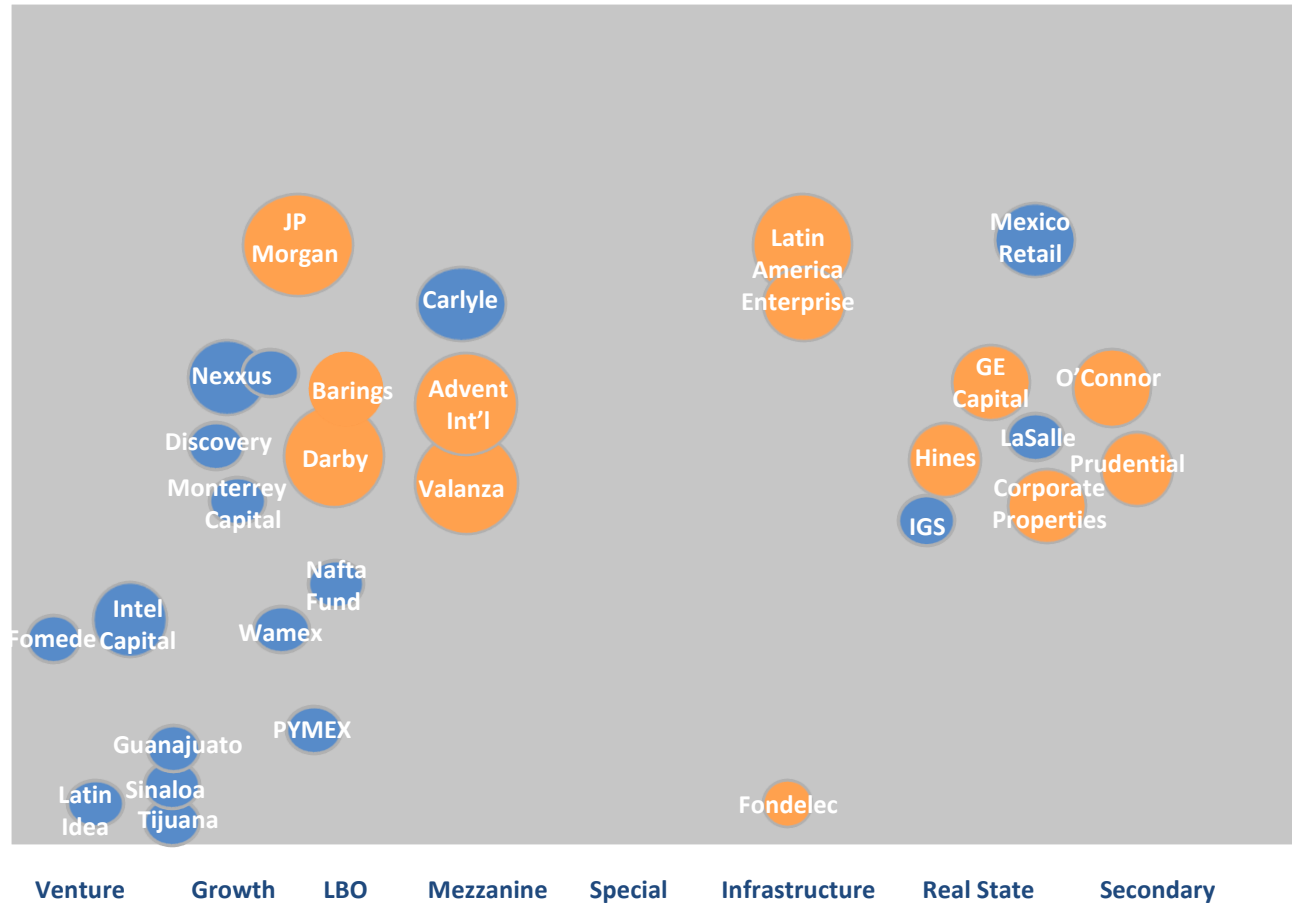
Large

Large +
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Medium

Medium
& Small

Small

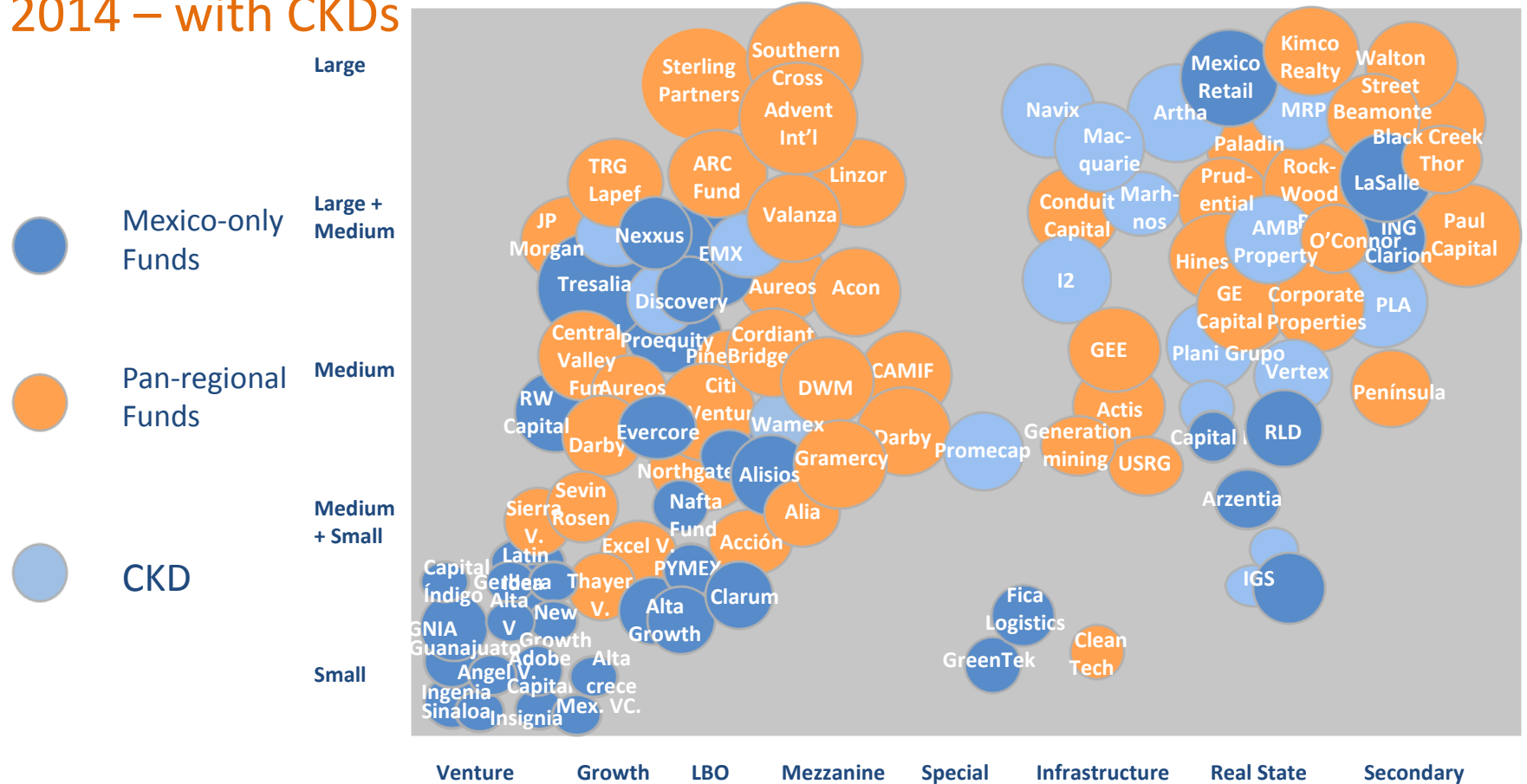


The market in Mexico had few players

Private Equity in Mexico

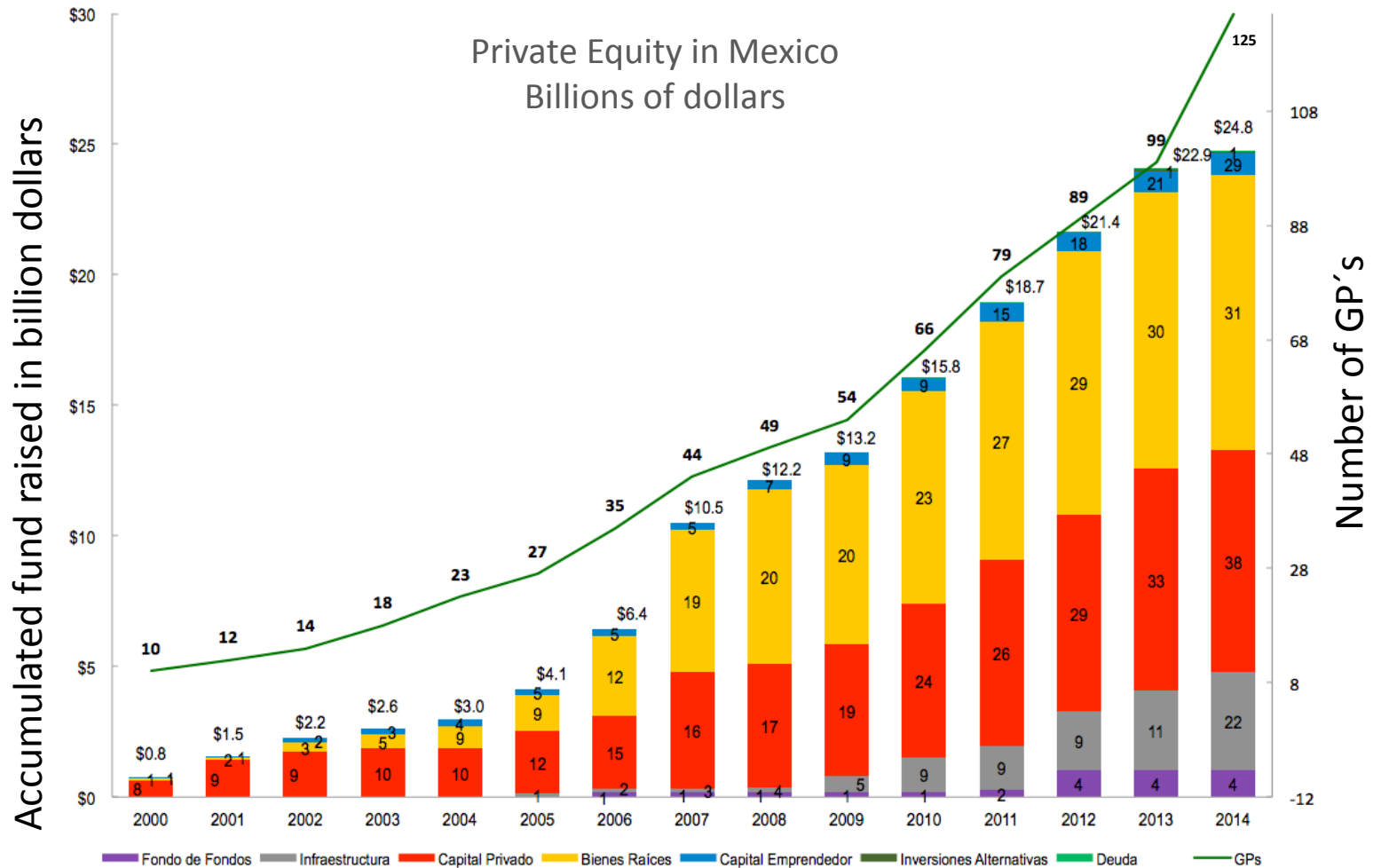


2014 – with CKDs

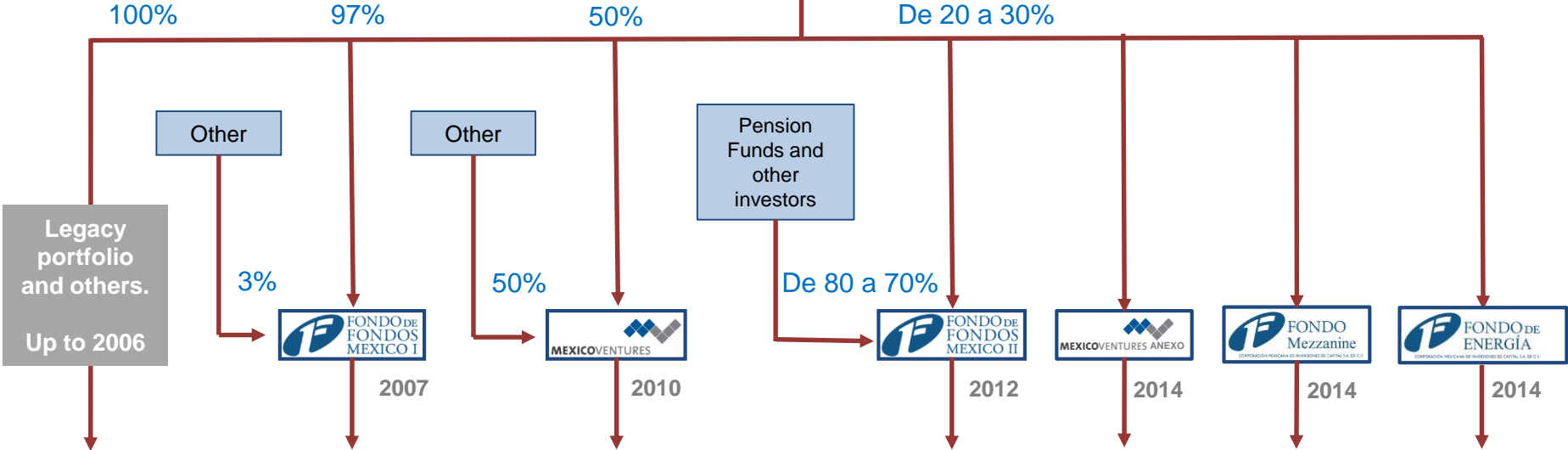


Today it has a broader range of options

Private Equity in Mexico



Corporación Mexicana de Inversiones de Capital



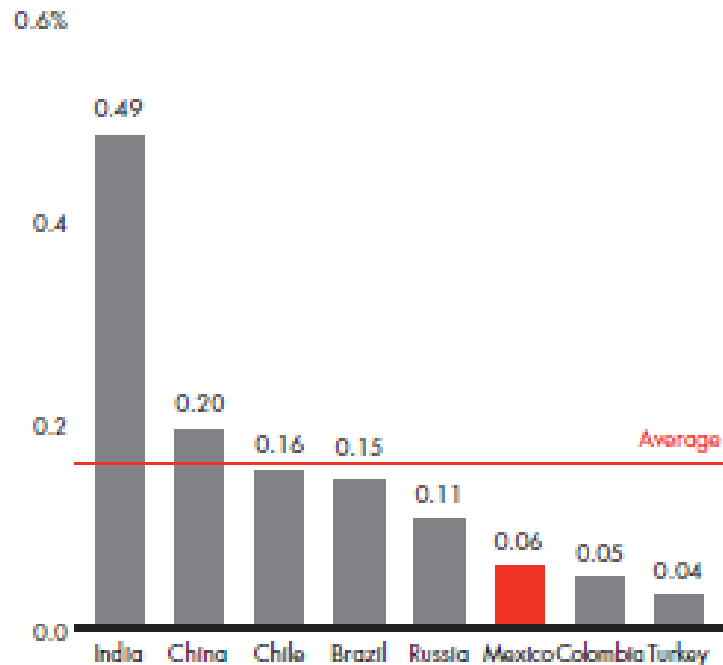
786.0 MDD in 67 Funds and 11 co-investments, and 434 companies

Private equity in Mexico

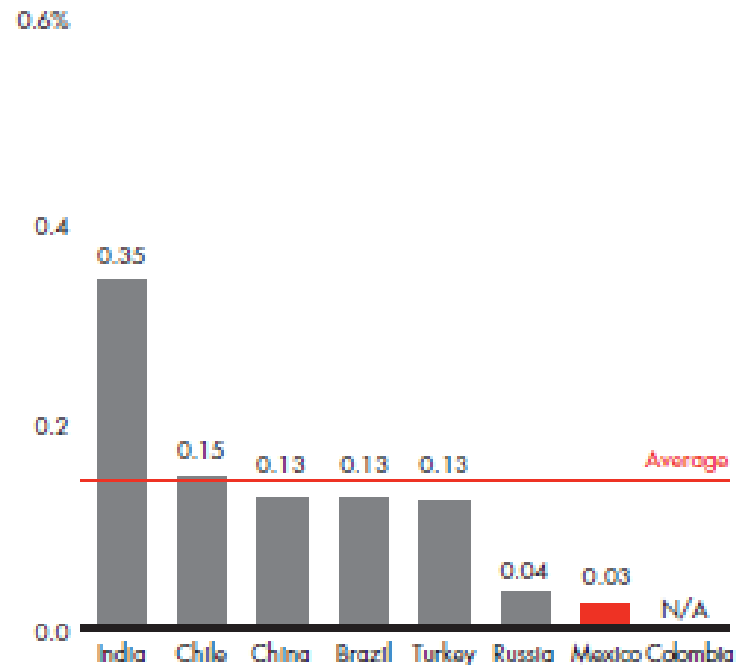


Private equity penetration in Mexico remains well below other emerging markets, both in terms of funds raised and total deal value

Funds raised as a percentage of GDP
(Average 2006–2010)



Deal value as a percentage of GDP
(Average 2006–2010)

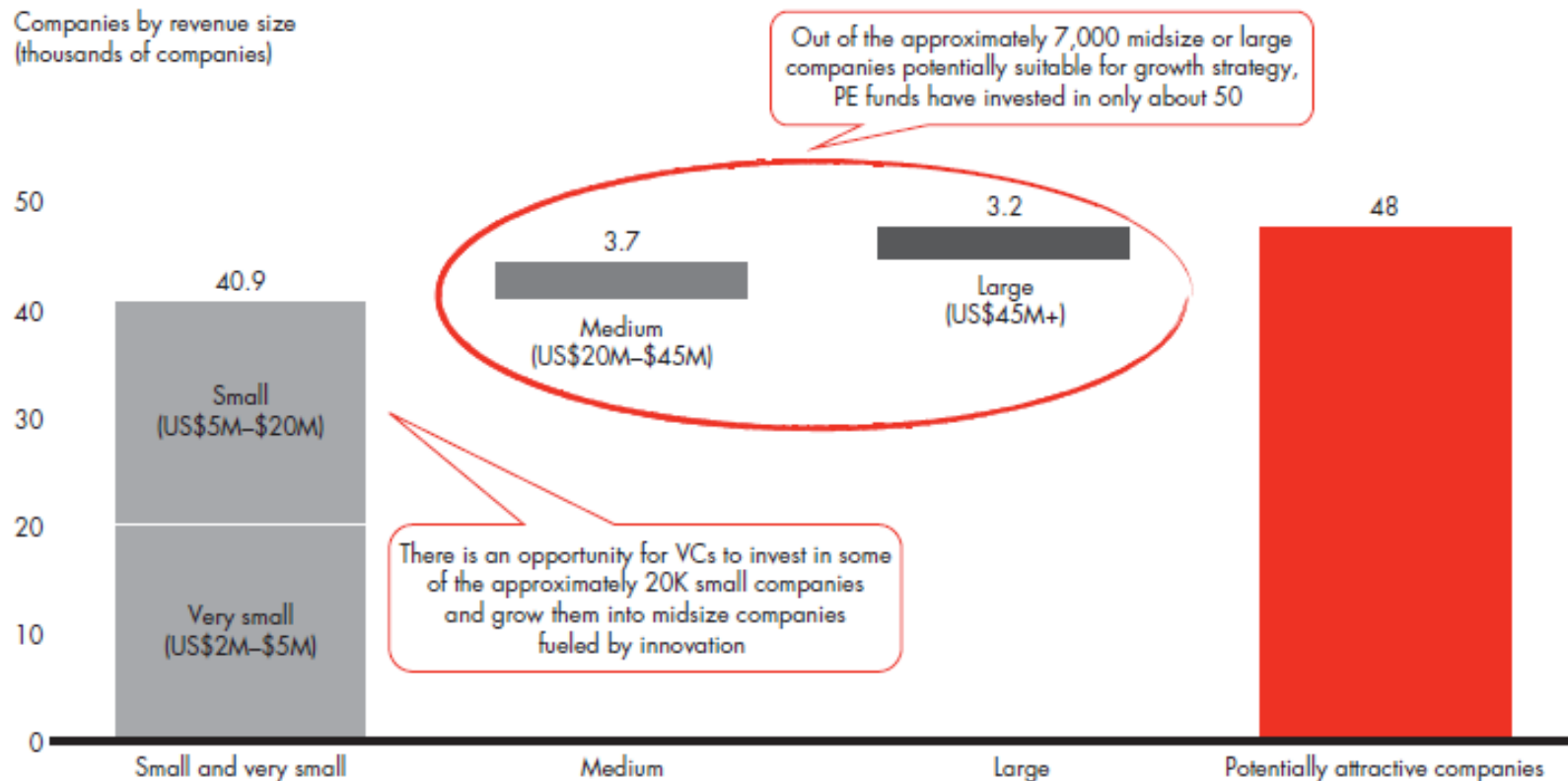


Sources: PwC; Dealogic; Capital IQ; Bain analysis

Private equity in Mexico

Mexico has approximately 48,000 companies in the size range sought by PE and venture funds...

Companies by revenue size
(thousands of companies)

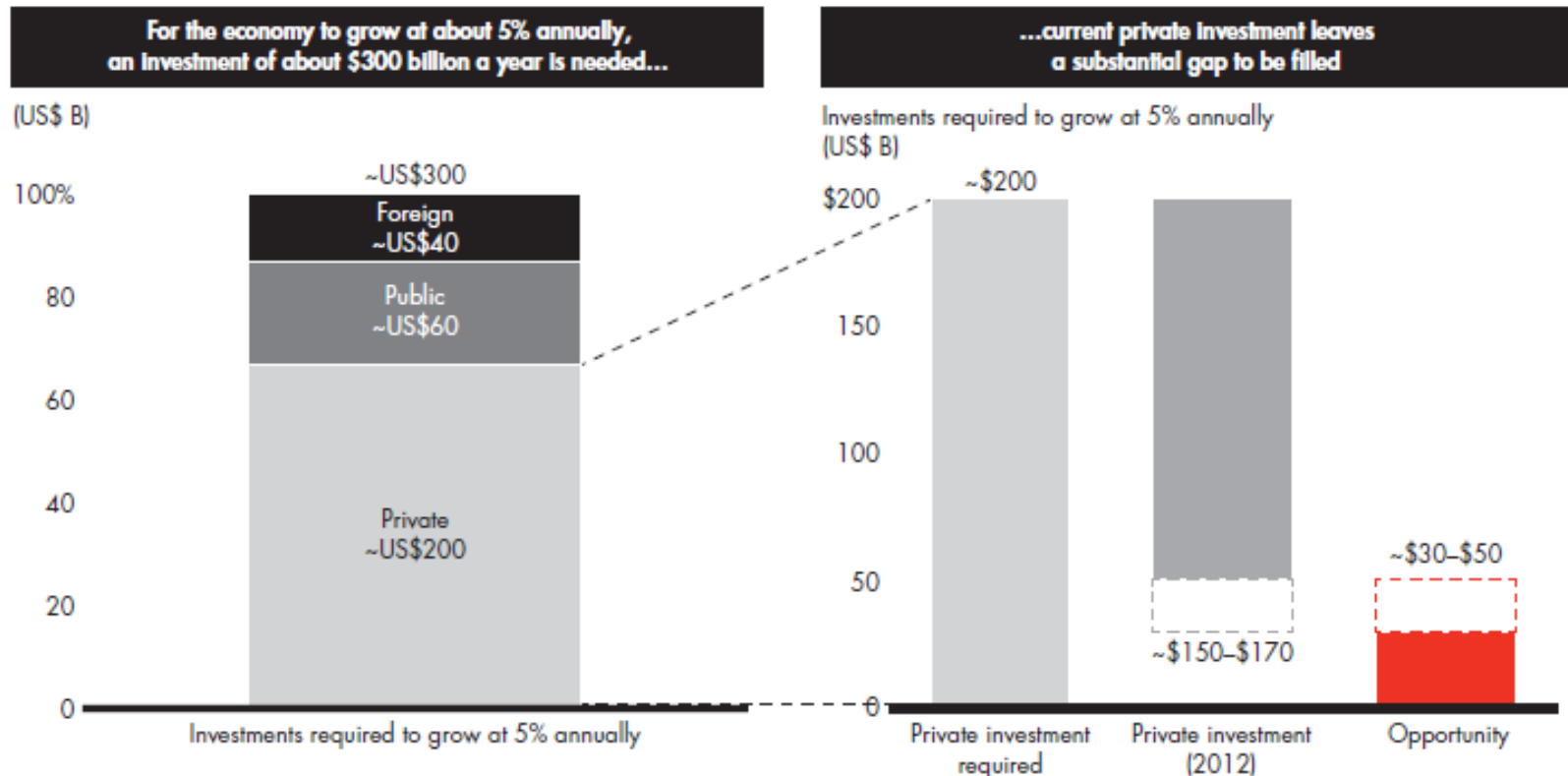


Sources: INEGI Economic Census 2009; Bain analysts

Private equity in Mexico

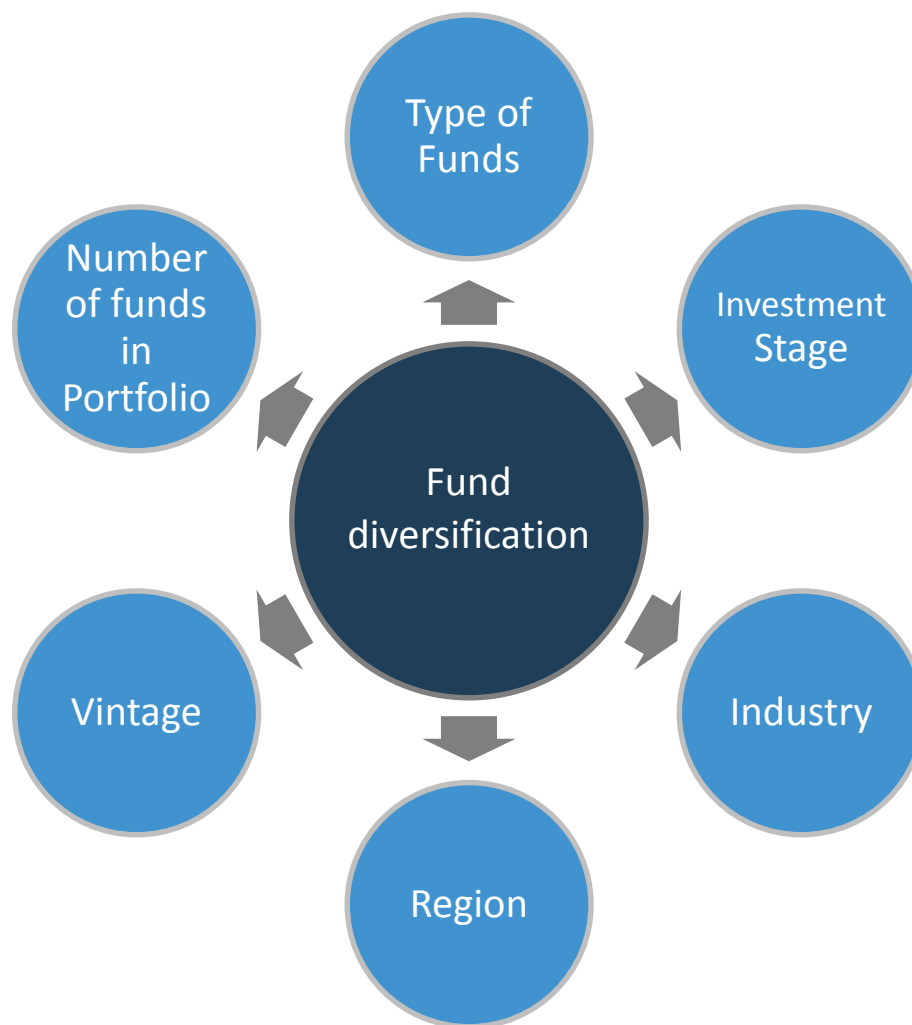


An increased PE contribution could help to generate the investment needed for Mexico to grow at a faster pace overall

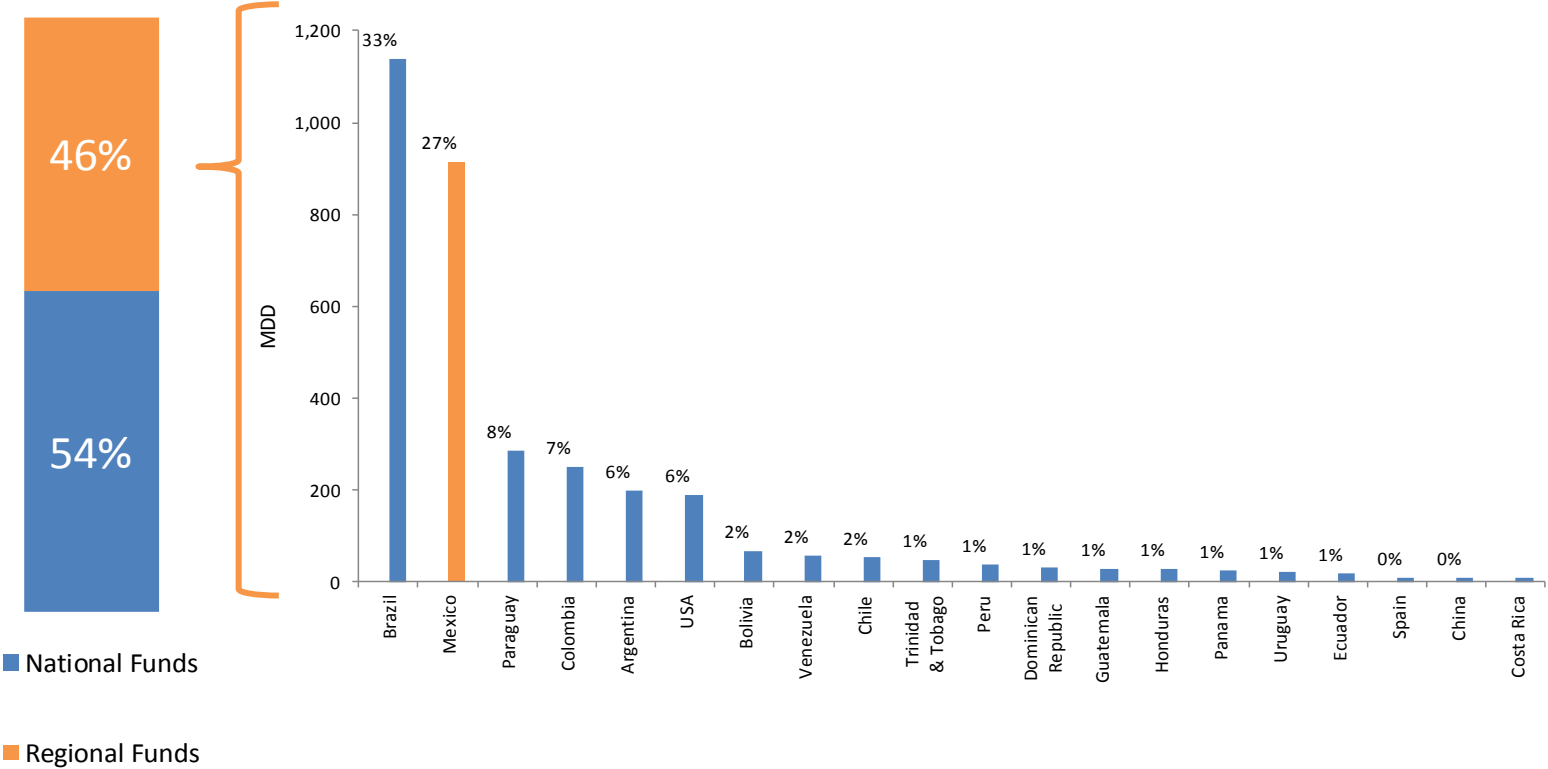


Sources: CNBV; World Bank; INEGI; AMAI; Bain analysis; CEESP; Annual report Banco de Mexico and INEGI (BIE)

Our diversification policy

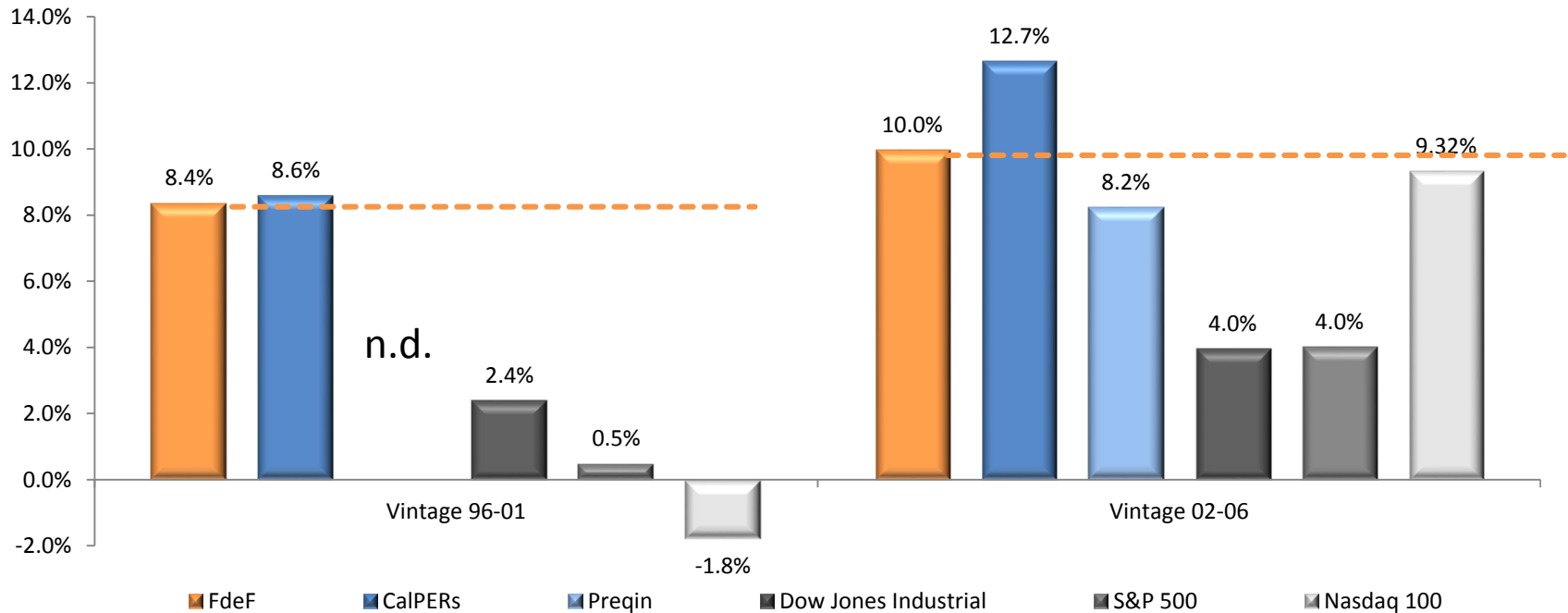


Country allocation of capital invested by regional funds*



*Statistics based on the history of regional funds that are part of the portfolio of Fund of Funds, including 3,412 invested in the region

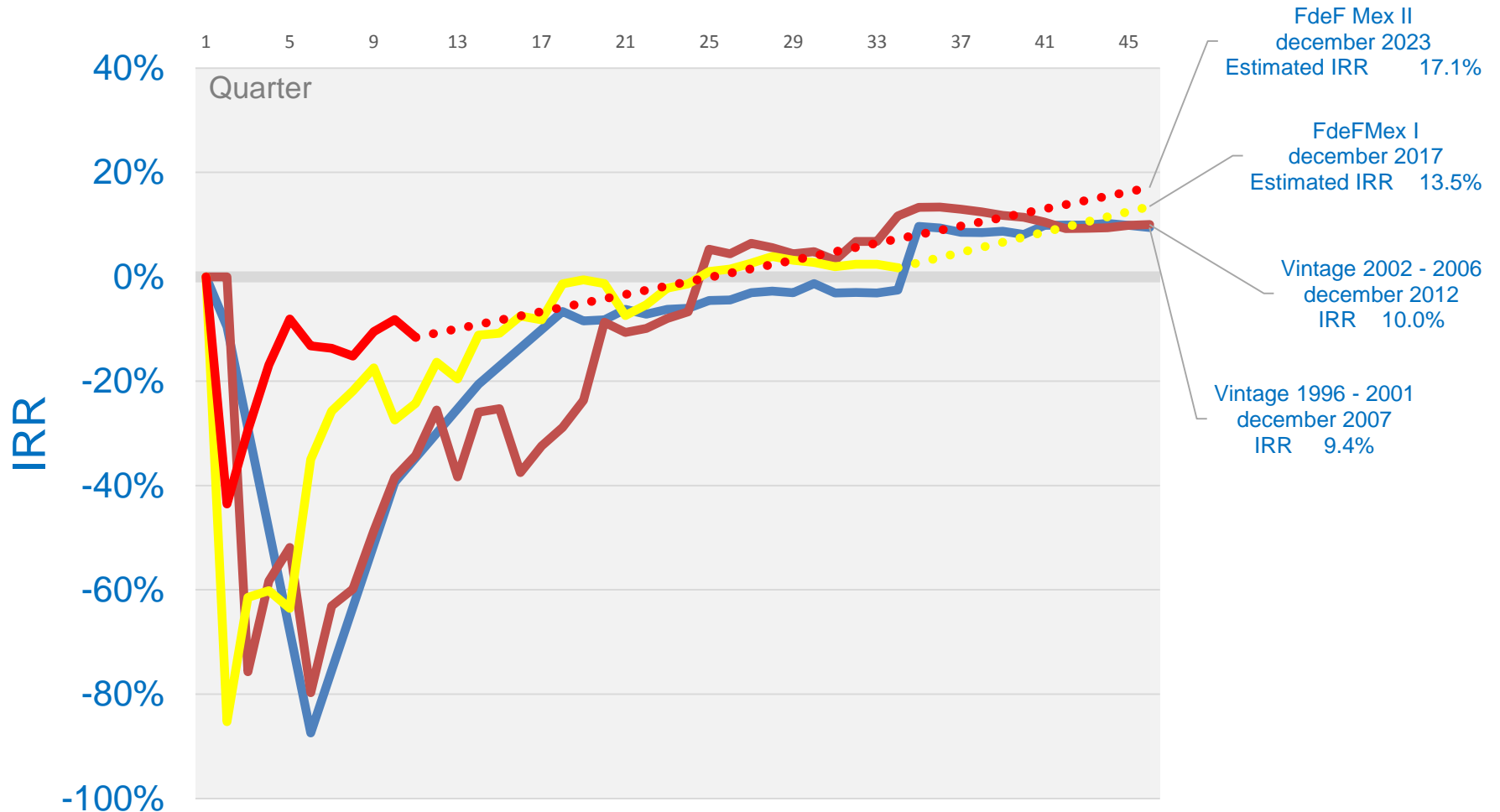
IRR Comparative in dollars at March 31, 2015



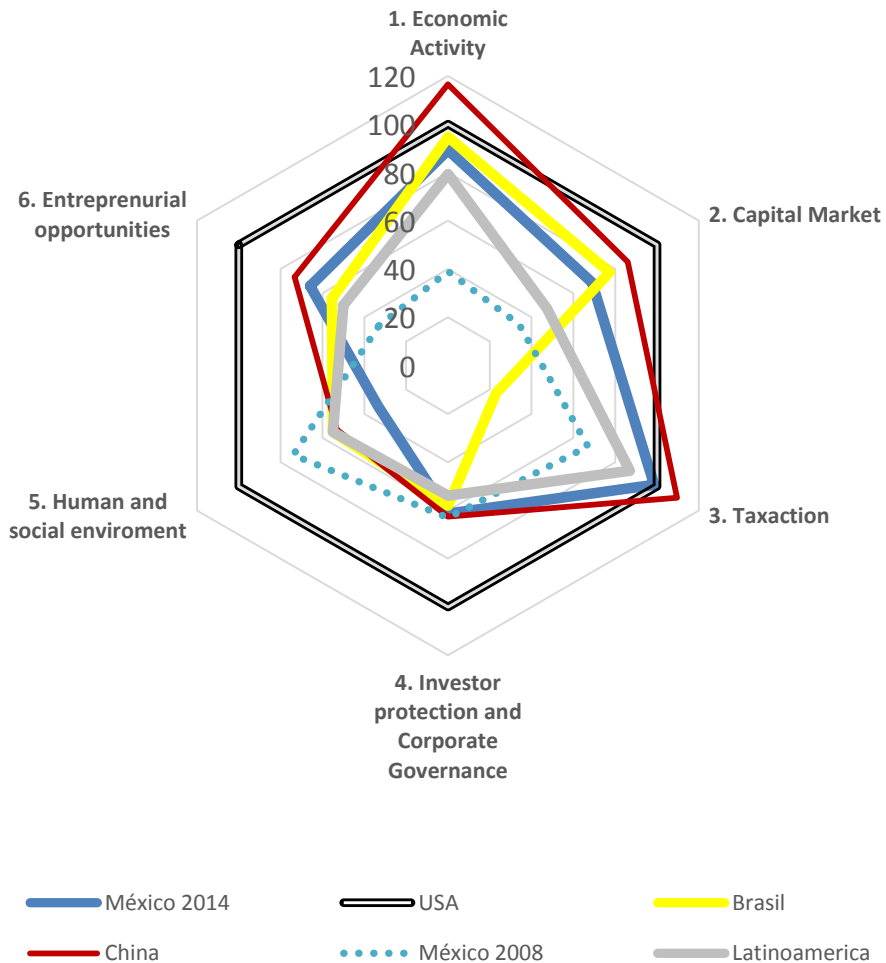
Projected yields of Fondo de Fondos



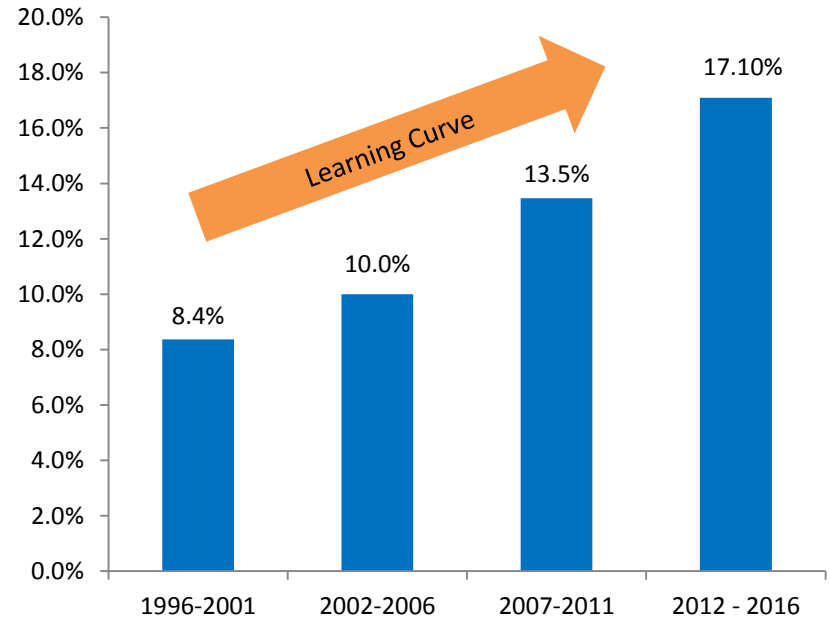
J CURVE REAL & PROJECTED



PE / VC Environment improvement



Evolution of Returns Fondo de Fondos (IRR in dollars)



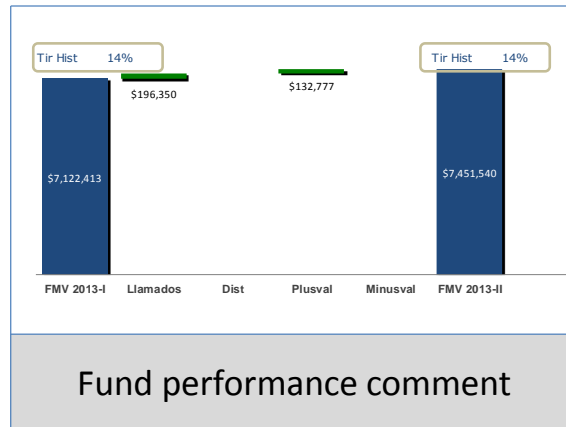
Source: CMIC

Our reporting model

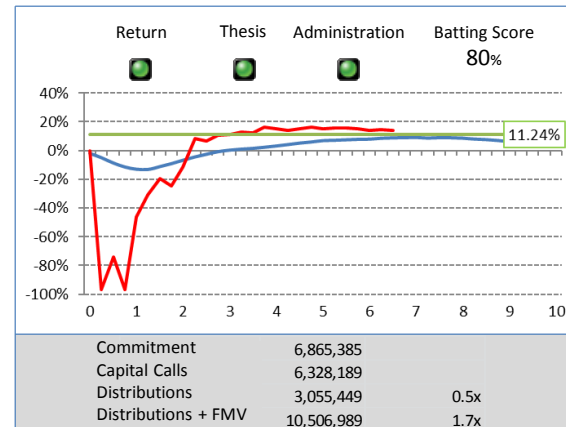


FUND (Date of first closing – Maturity)
FdeF % of participation

1 - VALUACIÓN



2 - ESTADISTICAS



3 – PORTAFOLIO (MDD)

| Fondo | Part. dic-12 | Fecha entrada | Pais | Costo Total | FMV Rem. | FMV + dist. | +/- valia T-1 | Múlt. Total | Comentarios de Plusvalias/Minusvalias |
|--------------------|--------------|---------------|------|-------------|-------------|-------------|---------------|-------------|---|
| Empresa 1 - SAPI | 2% | Dec-07 | MEX | 4.2 | 3.2 | 10.6 | 4% | 2.5x | Company performance comment Valor Presente de la fórmula de salida considerado situación de la Cia Castigo en valuación por ventas mínimas y EBITDA negativo. Valor Presente de la fórmula de salida considerado situación de la Cia Aumento en ventas y EBITDA. Adquisición de 16 pantallas digitales publicitarias. |
| Empresa 2 - SAPI | 20% | Jun-08 | MEX | 3.0 | 6.3 | 6.3 | 0% | 2.1x | |
| Empresa 3 | 47% | Mar-09 | MEX | 3.4 | 1.6 | 1.6 | -44% | 0.5x | |
| Empresa 4 - SAPI | 34% | Feb-10 | MEX | 1.3 | 1.7 | 1.7 | 4% | 1.3x | |
| Empresa 5 - SAPI | 25% | May-10 | MEX | 4.0 | 9.9 | 11.9 | 25% | 3.0x | |
| Total Fondo | | | | 15.9 | 22.5 | 32.0 | 4.4% | 2.0x | |

Investors get reliable and on time information each quarter

Our Benchmark model

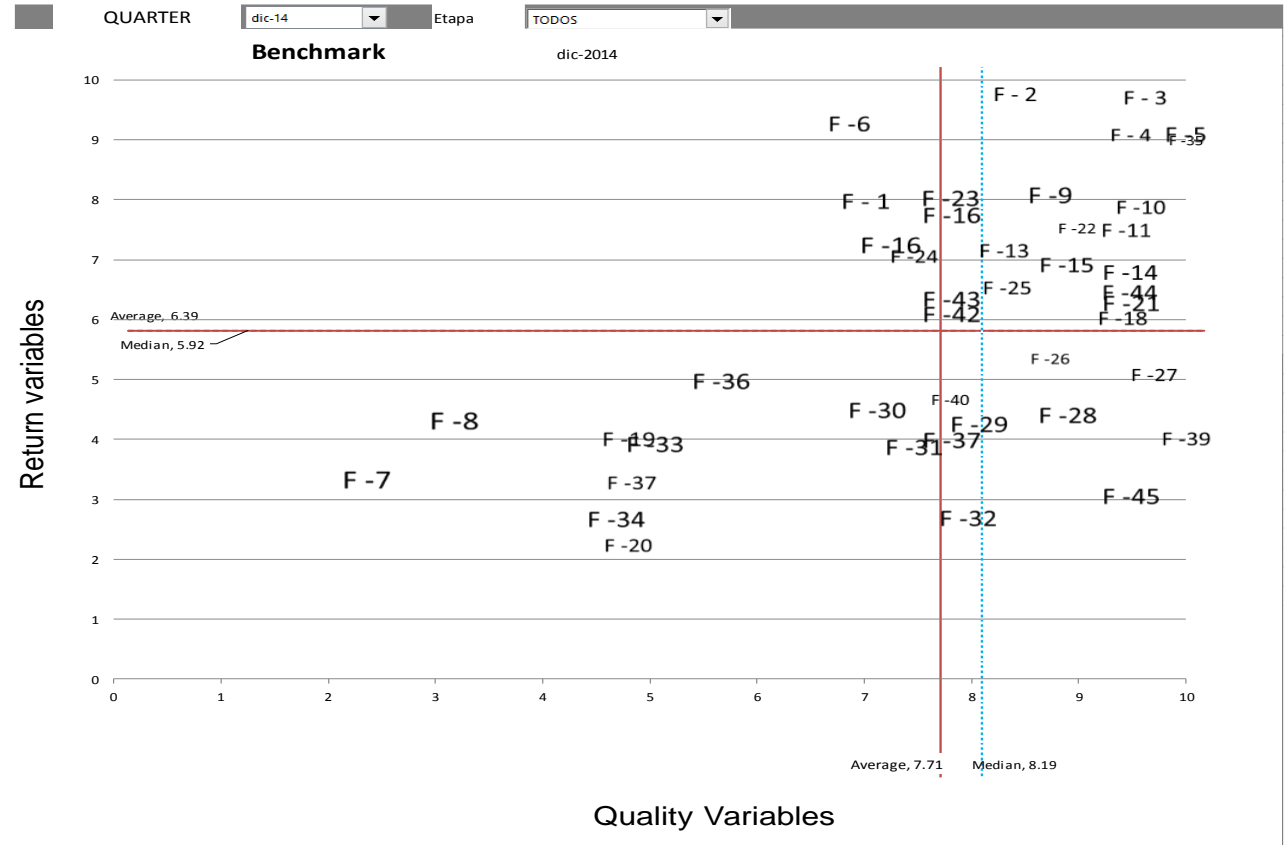


Fondo de Fondos created its own benchmark system, going ahead of global best practices

Grade

- Return
- Investment thesis
- Reports
- Diversification

28 variables considered



With more than 7 years of investment operations, Fondo de Fondos is one of the most experienced investor in Mexico and LatAm Private Equity industry

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