

# APPROACHING NEW MARKETS

Targeting Investors in Asia and Middle East

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# Importance of new markets for Latin American issuers

## Agenda

### ■ New Markets

- Who are the investors in the new markets?
- Where are they located?
- What is the size of the opportunity and where should I go?
- Are new markets feasible for my company?

### ■ Targeting Investors

- Why targeting is important for new markets and others?
- How to effectively reach new markets?

# NEW MARKETS

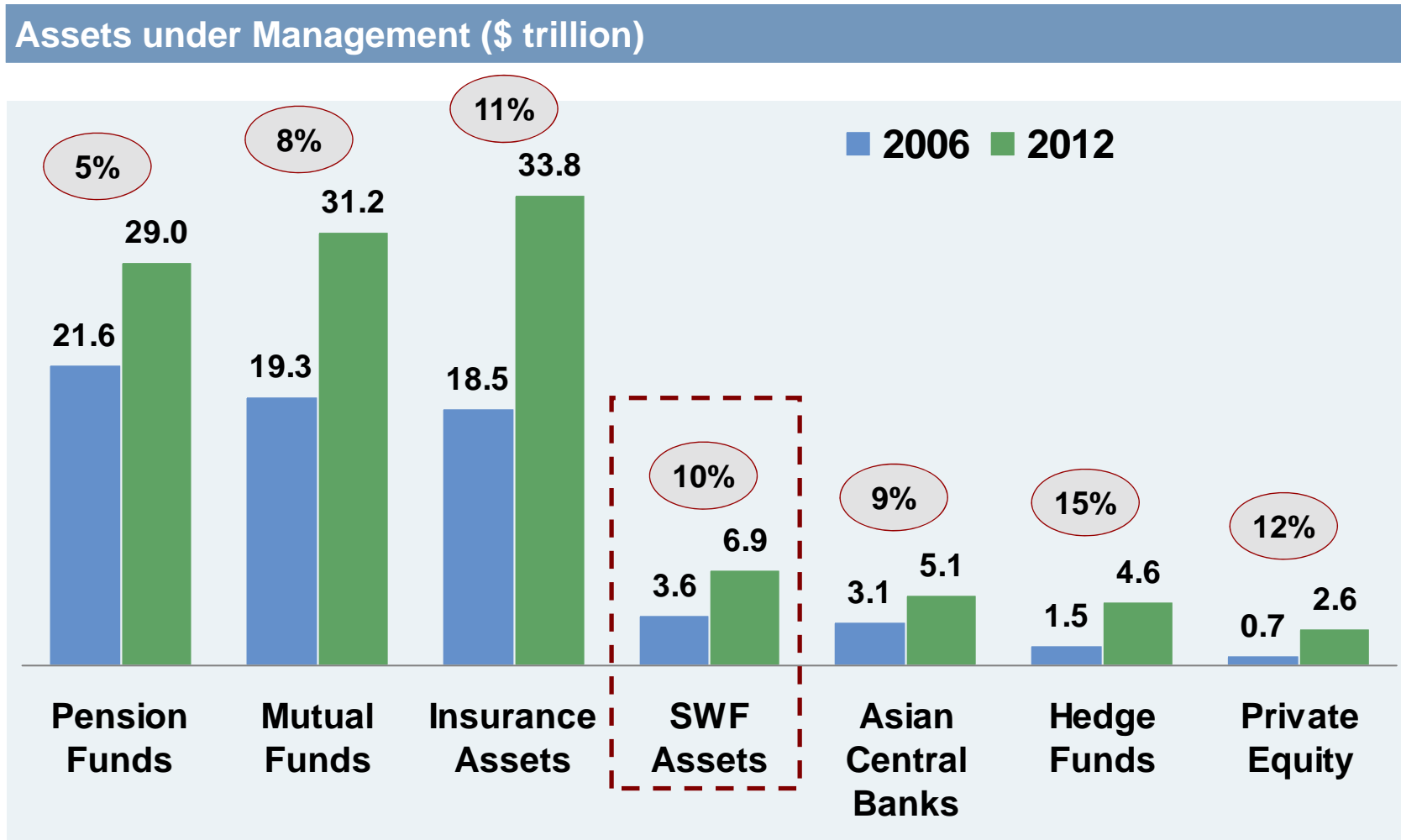
# What are Sovereign Wealth Funds?

## Definition

- Sovereign Wealth Funds (SWFs) are:
  - Special government asset management vehicles
  - Derived from a country's reserves
  - Invest public funds in various financial instruments
  - Aim of benefiting the country's economy and citizens

Should I target SWFs?

# SWF's are predicted to grow substantially, but...



Source: Hedge Fund Research; Venture Economics; PE Analyst; International Financial Services, London; McKinsey Global Institute analysis

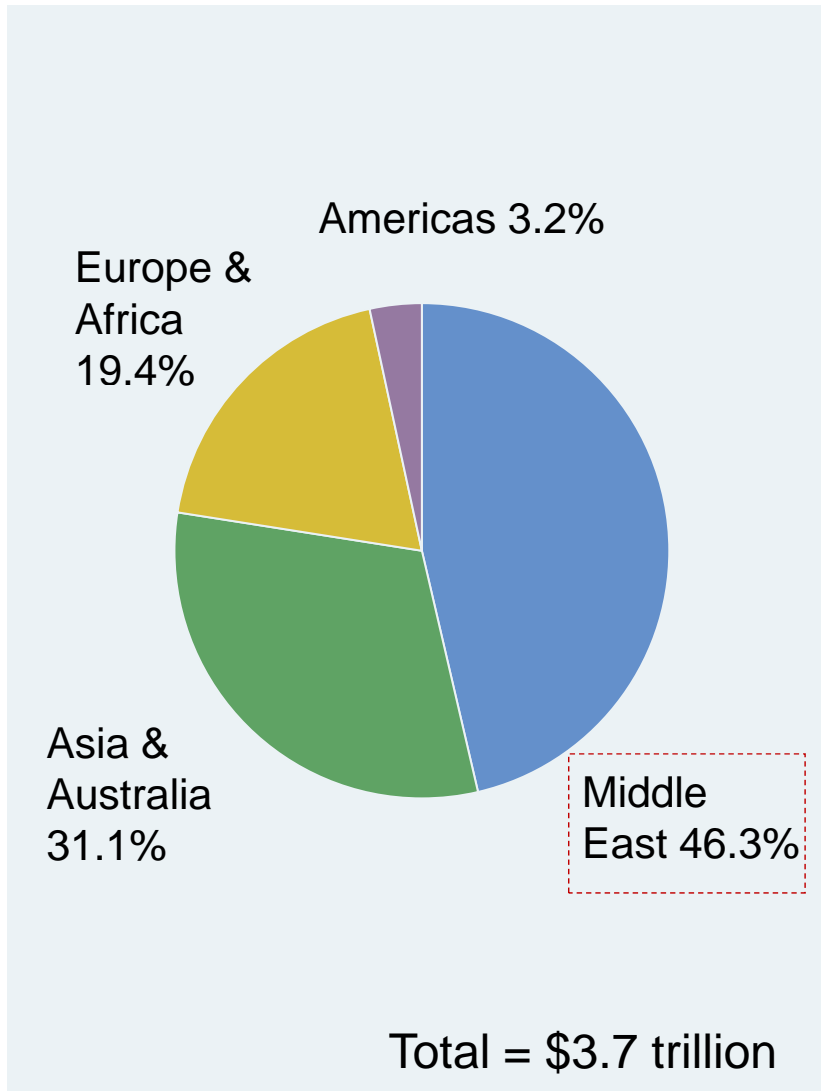
<sup>1</sup> Growth rate calculated on data reported to the International Monetary Fund (\$2.5trn in 2006E does not include UAE and Qatar)

<sup>2</sup> At oil price of \$50 per barrel. If oil prices fell to \$30 per barrel, petrodollar foreign assets would grow to \$4.8trn in 2012

<sup>3</sup> At oil price of \$70 per barrel

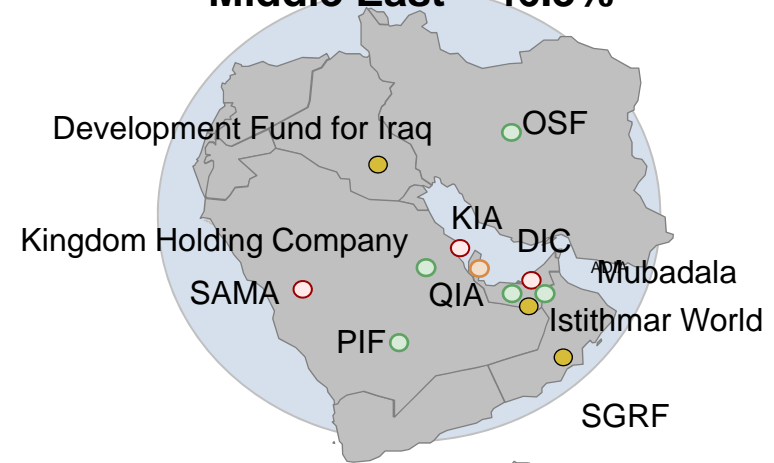
# Middle Eastern and Asian SWFs are far from Brazil

Assets under management (\$ trillion)



Middle East and Asia Pacific

## Middle East – 46.3%



## Asia Pacific - 31.1%



Key:   
 ○ >\$100bn    ● \$50—100bn    ● <\$50bn   
 ● <\$10bn    ● <\$1bn

# SWF assets under management are highly concentrated

Fund Name	Country	Total AuM (\$bn)
Abu Dhabi Investment Authority	UAE	627
Government Pension Fund	Norway	445
SAMA Foreign Holdings	Saudi Arabia	431
SAFE Investment Company	China	347
China Investment Corp	China	289
Government of Singapore Investment Corp	Singapore	248
Kuwait Investment Authority	Kuwait	203
National Welfare Fund	Russia	179
National Social Security Fund	China	147
HK Monetary Authority Investment	China-HK	140
Temasek Holdings	Singapore	122
Libyan Investment Authority	Libya	65
Qatar Investment Authority	Qatar	65
<b>Total</b>		<b>3,308</b>

**80%**

Source: [www.swfinstitute.org](http://www.swfinstitute.org)

# Asia – investor landscape

## Types

- Sovereign Wealth Funds (SWF)
  - Insurance Companies
  - Long Only Mutual Fund Managers
  - Hedge Funds
  - Qualified Domestic Institutional Investors (QDII) – China only
- 

# Key Asian investors

## Investors in Hong Kong, China & Singapore

### HONG KONG

- RCM
- Harvest Fund Management
- Wellington
- Broadpeak
- DBS

### SINGAPORE

- GIC
- Aberdeen
- Wellington
- UOB AM
- Third Avenue
- MSIM
- DBS
- Lion Capital
- Temasek

### CHINA (Beijing and Shanghai)

- SWFs (AuM: \$2,764bn)
  - China Investment Corporation
  - National Social Security Fund
  - SAFE Investment Company
- Insurance Companies (AuM: \$367bn)
  - China Life
  - Ping An
  - China Pacific Life
- QDII (AuM: \$11 bn)
  - China AMC
  - E Fund
  - Boshi
  - Harvest

# Japan – investor landscape

- Tokyo - top roadshow destination
- Seeking high returns
- Senior management meetings
- Company site visits

## Types of investors

### GLOBAL INVESTORS

- AXA Rosenberg
- BGI
- DBAM
- MSIM
- Fidelity
- Schroders
- Fleming
- Capital

### MUTUAL FUNDS

- Nomura AM
- Daiwa AM
- Daiwa SB Inv
- Nikko AM

### TRUST & BANKING

- Chuo Mitsui Asset TB
- Mitsubishi UFJ TB
- Mizuho TB
- Resona TB

### LIFE/GENERAL INSURANCE

- DIAM
- Mizuho AM
- Nissay AM
- Sumitomo Mitsui AM
- Tokio Marine AM

# Middle East – investor landscape

## LOCAL ASSET MANAGERS

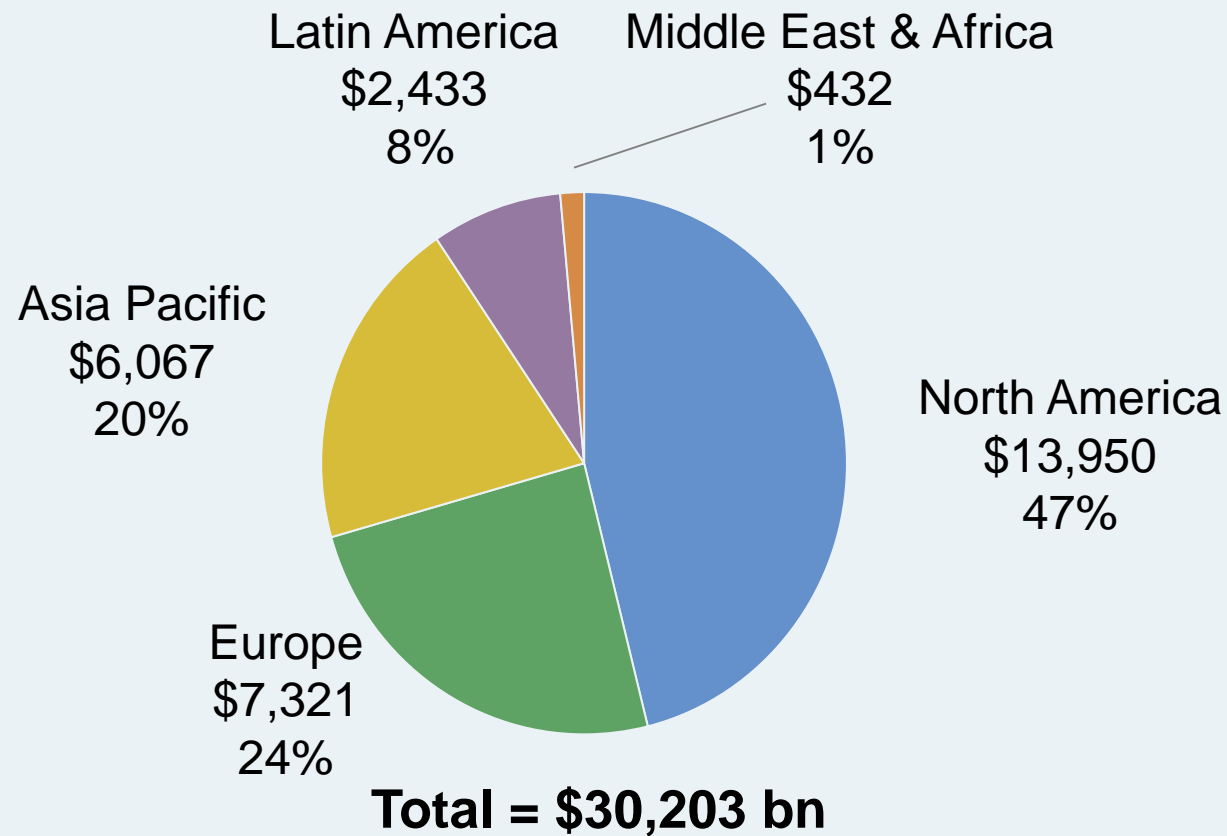
- Dubai Investment Group
- Dubai International
- Al Mal Capital
- Arqaam Capital
- Emirates NBD
- SHUAA Capital

## SOVEREIGN WEALTH FUNDS

- International Petroleum Inv. Corp
- Qatar Investment Authority (London)
- Kuwait Investment Office (London)
- Abu Dhabi Investment Authority
- Mubadala

# Global Institutional Equity Assets: \$30 trillion

Global Equity Assets by Region (\$bn)



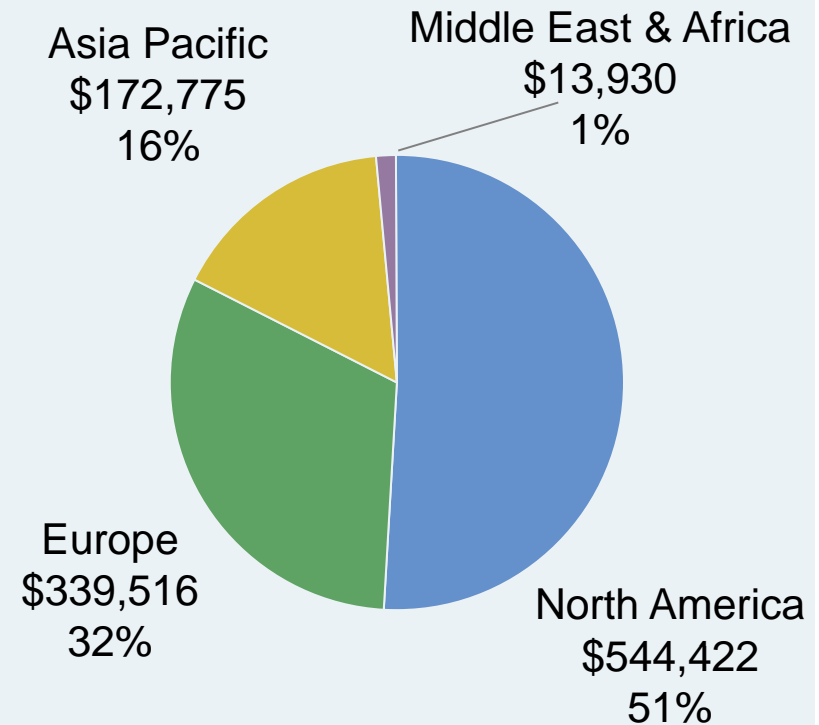
Source: Thomson Reuters July 2010

# Latin American Equities: regional distribution

## Investment in Latin American

- Latin American assets make up, on average, 3.5% of total equity investment by region
  - Europe: 4.6%
  - North America: 3.9%
  - Middle East & Africa: 3.2%
  - Asia Pacific: 2.8%

## Regional Summary (\$mm)

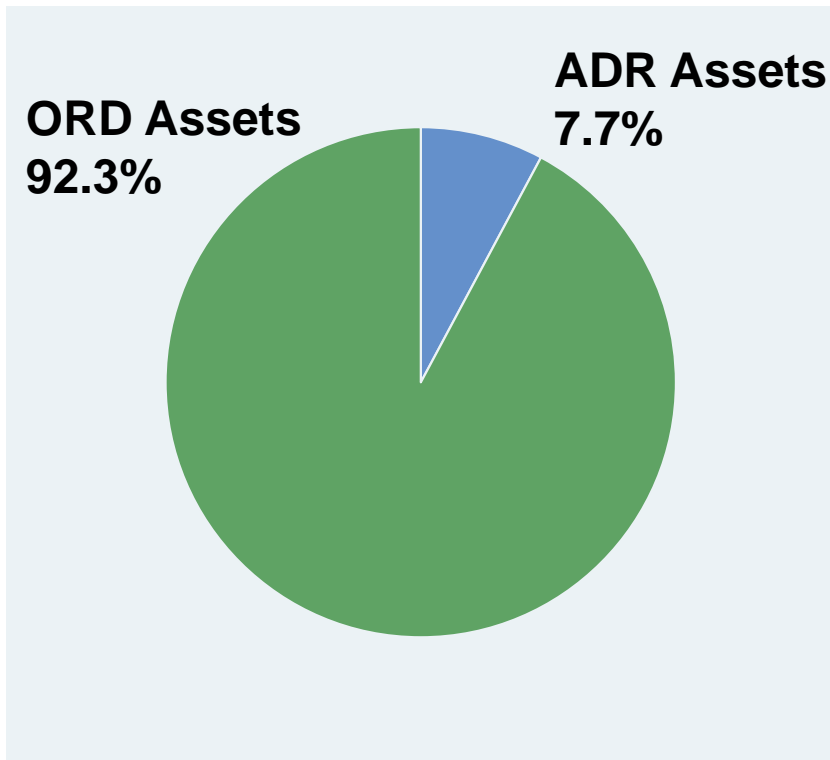


**Total = \$1,070,643 mm**

Source: Thomson Reuters July 2010

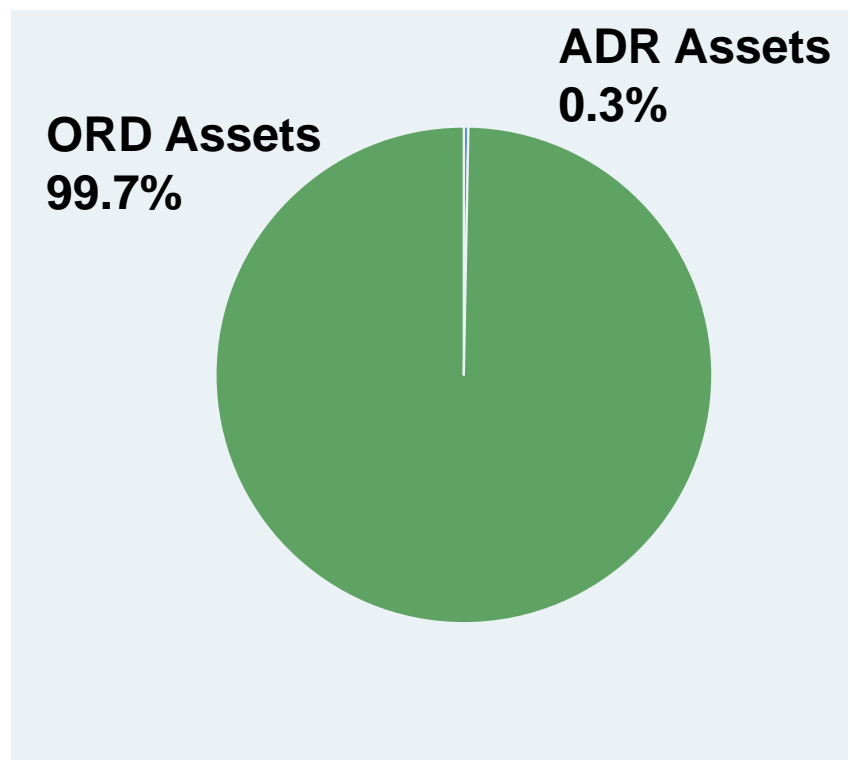
# Regional Breakdown of Latin American ADR Assets: APAC and Middle East

## APAC (\$mm)



**LATAM ADR Assets= \$13,300 mm**

## Middle East/Africa (\$mm)

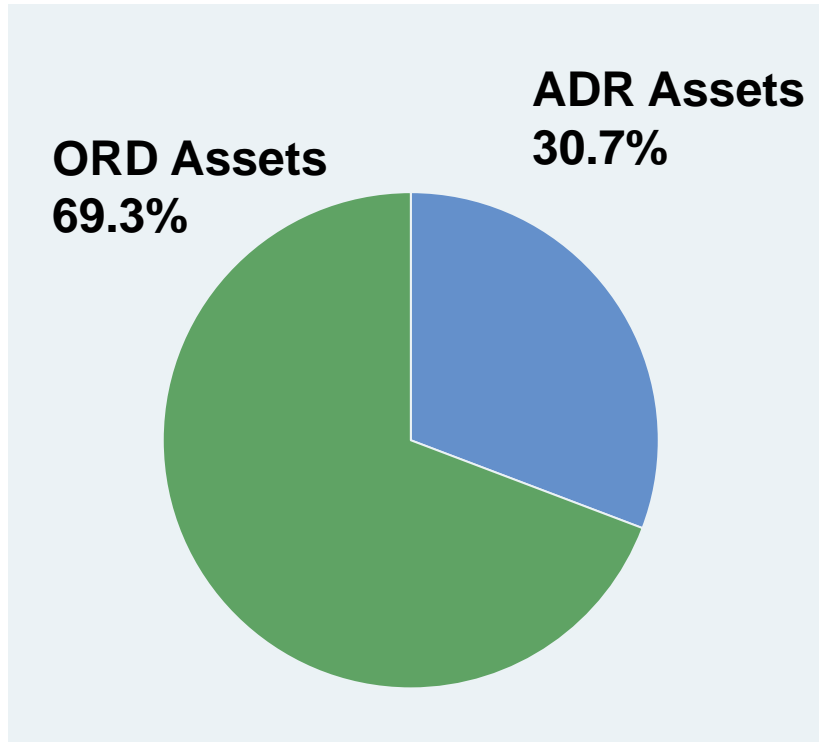


**LATAM ADR Assets= \$47 mm**

Source: Thomson Reuters, July 2010

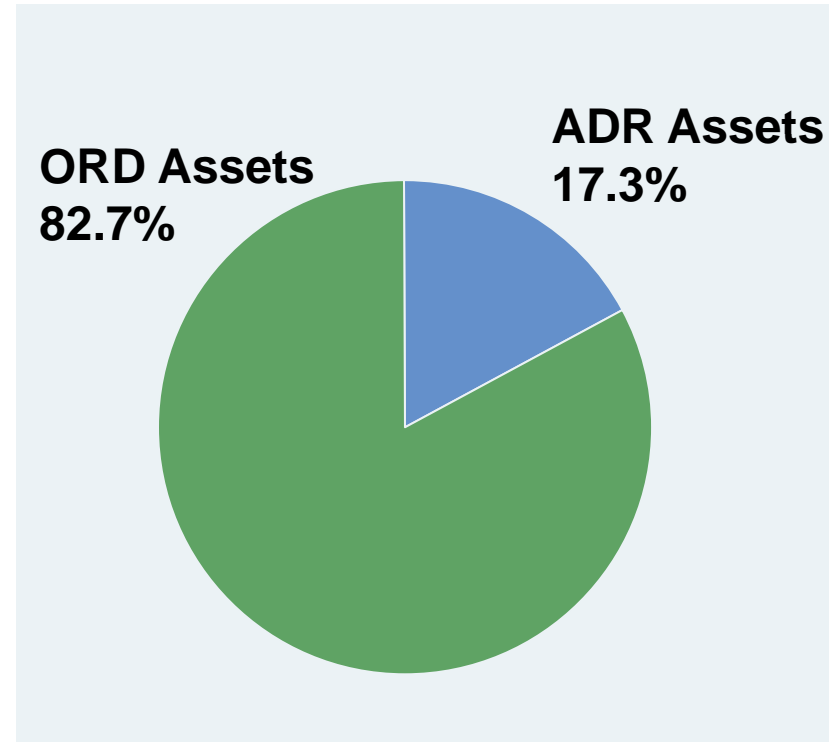
# Regional Breakdown of Latin American ADR Assets: North America and Europe

## North America (\$mm)



**LATAM ADR Assets= \$167,247 mm**

## Europe (\$mm)



**LATAM ADR Assets= \$58,581 mm**

# Are the new markets appropriate for my company?

## Feasibility

- Characteristics of most successful companies:
  - Resources companies
  - Global Large Cap Blue Chip issuers
  - Business in the region
  - High liquidity
- Potential obstacles to consider:
  - Active investment in International Equities is limited
  - Hiring external investment managers is common practice
  - Investors expect Senior Management (CEO / CFO)
  - Business in Asia should be integral part of discussion

# Best Practices - Top destinations for global issuers

## Overview

- J.P. Morgan conducted a roadshow survey to understand the current trends of where companies go to meet investors
  - Results indicate that Europe and the US (including Canada) remain the main destinations
  - Few companies are currently going to the 'new markets' to search for capital

### Europe (>85%)

- London
- Frankfurt
- Paris
- Zurich
- Amsterdam

### US & Canada (>85%)

- New York
- Boston
- San Francisco
- Toronto
- Chicago

### New Markets (>25%)

- Tokyo
- Abu Dhabi
- Singapore
- Dubai
- Hong Kong

# TARGETING INVESTORS

# Utilizing investor targeting to optimize an IR program

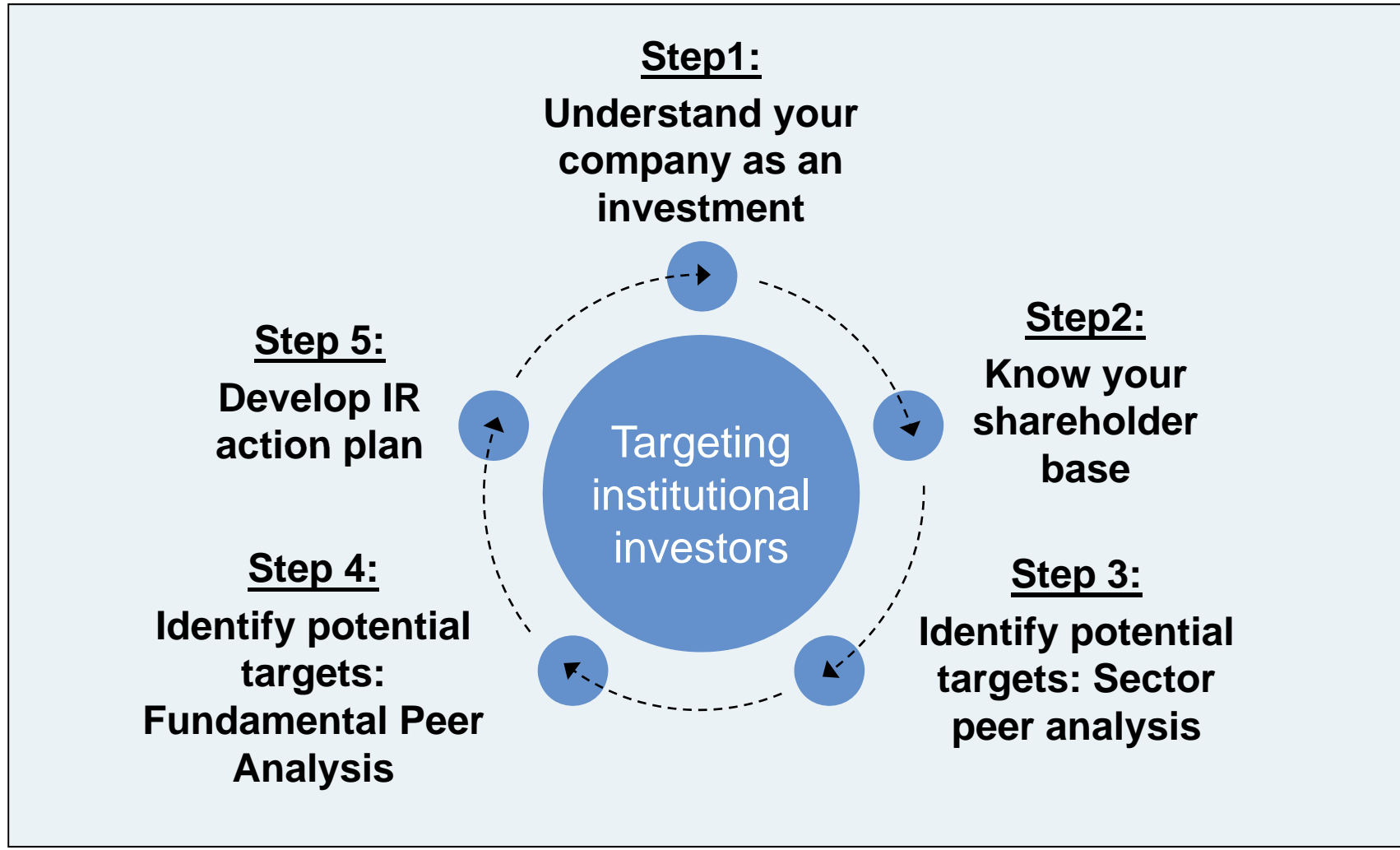
## Key Benefits:

- Increase demand for shares and ADRs
- Retain existing long-term shareholders
- Generate trading activity = greater liquidity (for illiquid stocks)
- Align shareholder base with company fundamentals
- Diversify shareholder base
- Limited time and resources to conduct IR activities
- Cultivating new buyers takes time

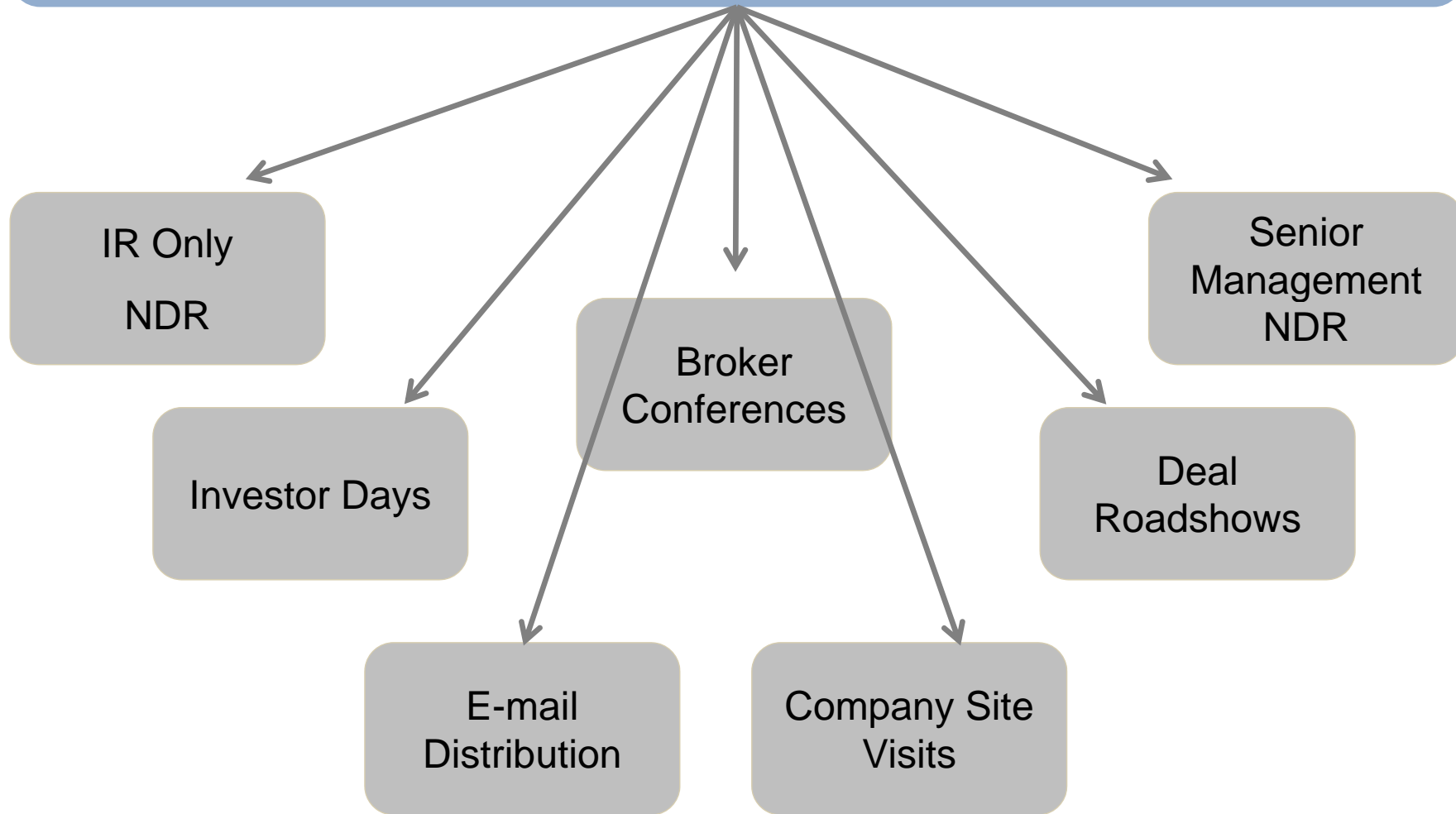
Prioritize Investor Outreach and  
Communications

# Five steps to a successful investor targeting program

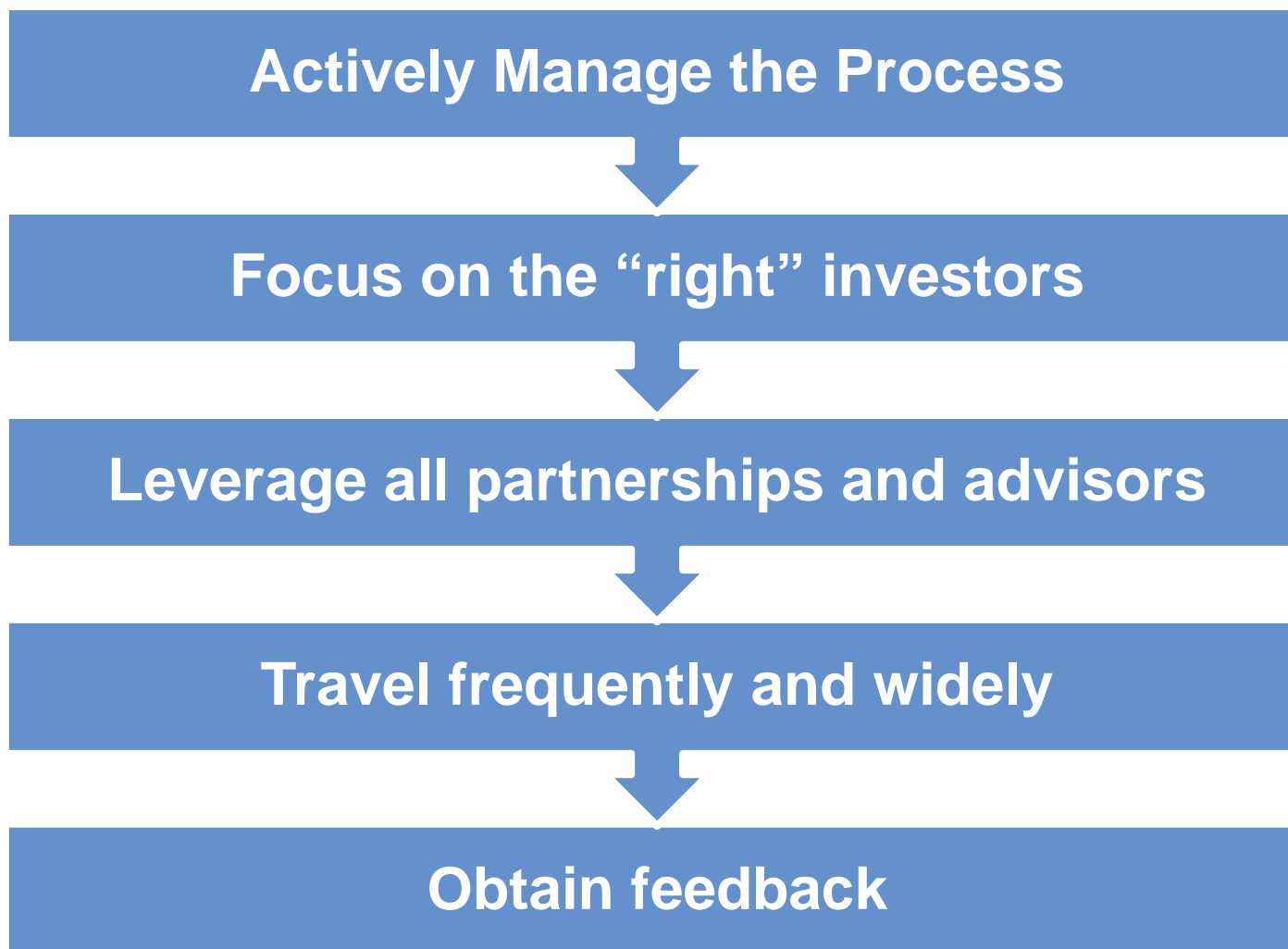
## Competing for investment capital



# Implementing Investor Targeting



## Best Practices: Organizing effective non-deal roadshows



# Conclusions

- The 'new markets' have grown in significance, but the 'old markets' offer the greatest opportunity
- IR efforts need to be focused and take into account the return of time invested for top management
- Targeting is essential for effective assessment and planning
- J.P. Morgan remains at your disposal to offer advice on your IR strategy