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COMMENTARY & ANALYSIS | NORTH AMERICA , LATIN AMERICA SECONDARIES

Garcia's Take: PE Investors Set Their Eyes on Peru

By **LUIS GARCIA**

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Peruvian private-equity firm Enfoca last week announced what was possibly the largest secondary deal ever involving a Latin American firm. The nearly \$1 billion fund restructuring was also a remarkable bet from two large investors, Goldman Sachs Asset Management and the Canada Pension Plan Investment Board, on a country that until few years ago accounted for just a tiny portion of Latin America's private-equity industry.

A combination of economic growth, political stability, a growing middle class and favorable government policies has attracted more private-equity investors to Peru and other Andean countries, especially Colombia. Investor optimism about Peru only grew after the election, in 2016, of President Pedro Pablo Kuczynski—himself a former partner at a private-equity firm, although Mr. Kuczynski narrowly escaped impeachment in December.

Private-equity funds focused on the Andean region raised \$304 million in the first three quarters of 2017, or about 12% of Latin America's total fundraising, according to the latest data available from Emerging Markets Private Equity Association, an industry trade group. That percentage went up from only 2% in 2014, while Brazil's contribution to the region's total fundraising dropped from 38% to 19% during the same period, Empea's data showed.

Enfoca invests in a variety of sectors more exposed to consumer spending, such as retail, education, health care and transportation. But more specialized private-equity firms also are expanding their presence in Peru, in a sign of the diversity of opportunities investors are finding there.

New York-based TC Latin America Partners, for one, is backing real-estate projects in Arequipa, while Latin America-focused HMC Capital is investing in bonds issued by Peruvian midmarket businesses. TC Latin America and billionaire Sam Zell's firm Equity International also backed a \$230 million pool that telecommunication investor Digital Bridge Holdings collected last year to finance the expansion of a cell-tower company in Colombia and Peru.

Peru also might be benefitting from the turbulence that Brazil and Mexico, Latin America's largest private-equity markets, faced in recent years, including a massive corruption investigation and potential threats to the North American Free Trade Agreement, respectively. Those countries face more uncertainty as both will hold presidential elections this year.

Once those elections have passed, however, private-equity investor interest in Brazil and Mexico may surge once gain, potentially drawing attention away from the Andean countries.

Still, Enfoca's secondary deal shows that, at least for now, Peru's private-equity market has room to shine.

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