

ALTERNATIVE ASSETS

COLOMBIAN PERSPECTIVE

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Reasons For Investing in Alternatives

Alternative Assets comprise different risk-return profiles for Institutional Investors

Institutional Investors' Main Reasons for Investing and Targeted Annualized Returns

Private Equity	Venture Capital	Private Debt	Hedge Funds
High Absolute Returns	High Absolute Returns	Diversification	Diversification
High Risk-Adjusted Returns	Diversification	Reliable Income Stream	Low Correlation to other Asset Classes
Diversification	High Risk-Adjusted Returns	High Risk-Adjusted Returns	Reduce Portfolio Volatility

Real Estate	Infrastructure	Natural Resources
Diversification	Diversification	Diversification
Inflation Hedge	Reliable Income Stream	Inflation Hedge
High Risk-Adjusted Returns	Low Correlation to other Asset Classes	High Risk-Adjusted Returns

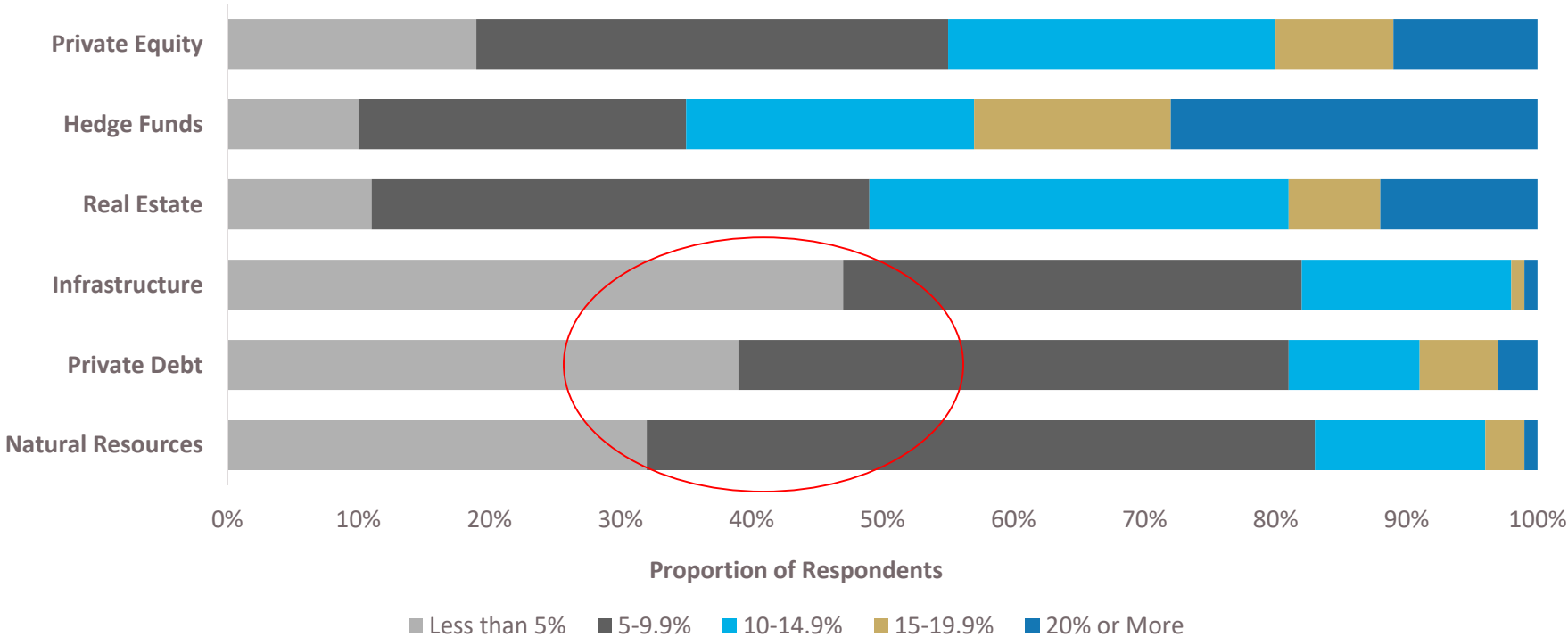
Source: Preqin Ltd. 2017 / www.preqin.com

Investor Participation in Alternative Assets

Institutional Investors target a diversified allocation among alternative asset classes

Institutional Investors in Alternative Assets by Target Allocation to each Class – June 2017

As a % of AUM



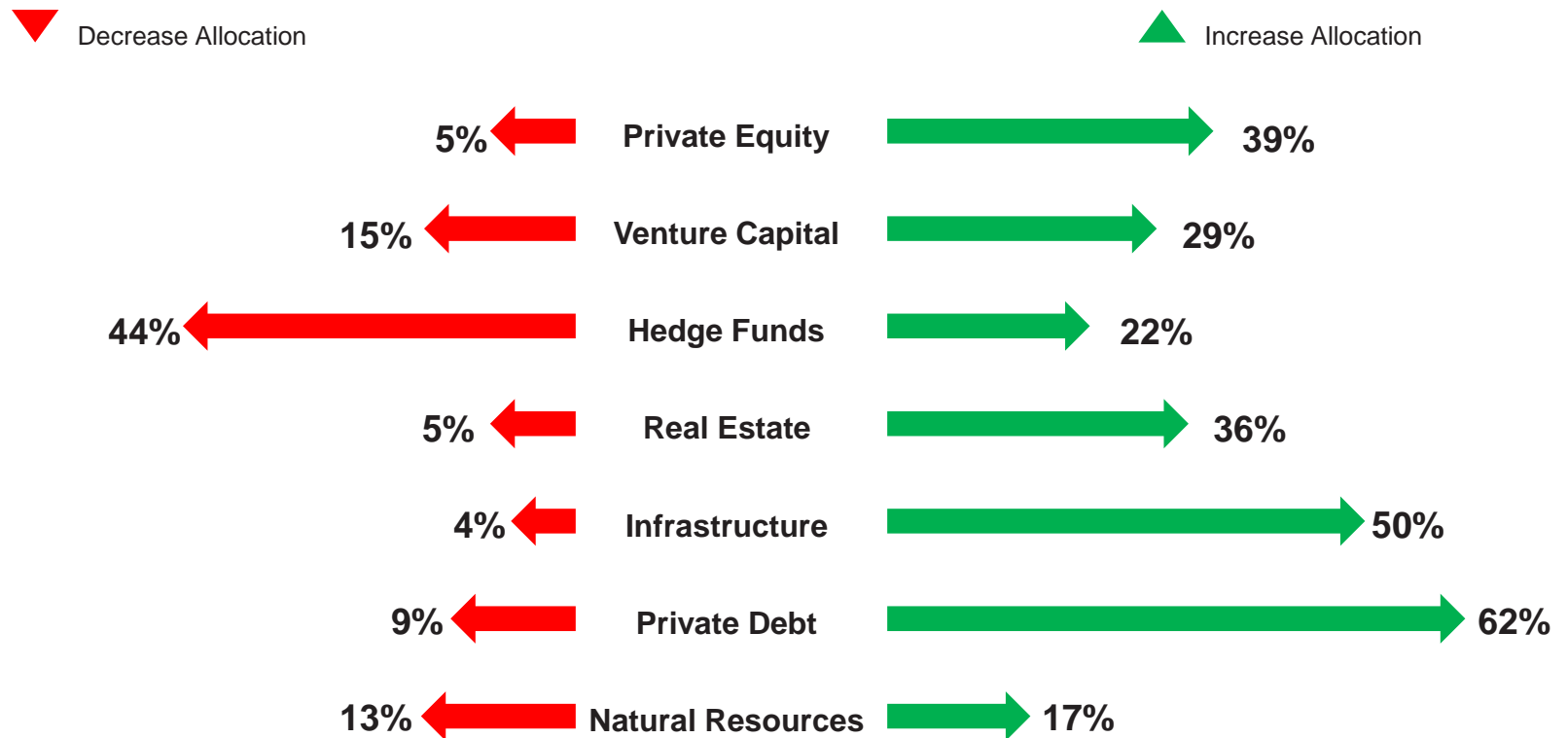
Source: Preqin Ltd. 2017 / www.preqin.com

Preqin interviewed 540 global institutional investors in June 2017

Institutional Investors Perceptions and Expectations

Institutional Investor's expectations for the long term remain positive, with increasing allocations primarily in Private Debt, Infrastructure and Private Equity

Long term expectations – survey 540 global investors June 2017



Colombian Pension Funds⁽¹⁾

Colombian Pension Funds have significantly increased its portfolio participation in Global Private Equity

<i>COP\$ BN</i>	August – 2008		August - 2012		August - 2017		CAGR	
Category	Value	As of Total (%)	Value	As of Total (%)	Value	As of Total (%)	'08-17	'12-17
Local Private Equity	221	0.2%	2,350	2.3%	2,961	1.7%	33.4%	4.7%
Global Private Equity	7	0.0%	1,221	1.2%	8,576	4.8%	122.2%	47.7%
Total Private Equity	227	0.2%	3,571	3.5%	11,537	6.5%	54.7%	26.4%
Pension Funds Portfolio	56,494	100.0%	100,977	100.0%	178,537	100.0%	13.6%	12.1%

Source: Colombia Superintendence of Finance, as of August 2017 . (1) Considers Only Moderate Risk Portfolio

Colombia Private Equity Funds – Commitments

Main contributors to Private Equity commitments in Colombia are Infrastructure and Growth / Buy-out funds, representing +75% of total commitments

Private Equity Fund Deal Type	# Private Equity Funds	Commitments - USD MM	Commitments (%)
Infrastructure	13	6,333	45%
Growth / Buy-out	30	4,318	31%
Real Estate	26	3,230	23%
Natural Resources	5	90	1%
Venture Capital	11	80	1%
Impact	10	55	0%
TOTAL	95	14,106	100,0

Source: ColCapital, as of June 2017

Colombia Private Equity Funds – Investments

Since 1997, Infrastructure and Growth / Buy-out funds have represented +80% of investments

Private Equity Fund Deal Type	Investment - USD MM
Infrastructure	4,951
Growth / Buy-out	2,991
Real Estate	1,337
Natural Resources	360
Venture Capital	27
Impact	22
TOTAL	9,688

Consideraciones Caso Colombiano

- **Por qué invertir en opciones alternativas?**
 - Atender el pasivo pensional
 - Solución ante ambiente de intereses bajos
 - Buscar mejores retornos
 - Diversificación y exposición a activos que no se pueden conseguir en el mercado público

- **Cuáles son los retos?**
 - Liquidez
 - Regulación y escrutinio
 - Conocimiento
 - Transparencia
 - Riesgo reputacional
 - Evidencia de track record de los gestores locales

Consideraciones Caso Colombiano

- **Fondos alternativos comenzaron en el 2005 en Colombia, y hoy existe una buena base**
 - Hay 95 Fondos de capital privado dedicados a Colombia (locales e internacionales)
 - Compromisos de inversión acumulados de US\$14,100 millones
 - Inversiones acumuladas por US\$9,700 millones
- **Sin embargo, es una industria donde toma tiempo consolidarse**
 - Ciclo de vida de un fondo es de 10 años o más en caso de activos reales
 - Construir track record toma tiempo -- Ciclo de la economía afectó posibilidades de salida
 - No todos los fondos van a ser exitosos -- Hemos tenido descalabros
- **Los jugadores colombianos han hecho la tarea**
 - Fondos de pensiones y aseguradores han hecho la tarea
 - Empiezan a surgir gestores de fondos de activos reales y private equity con resultados de mostrar

Mensaje final

- Se requiere paciencia
- “No hay atajos”