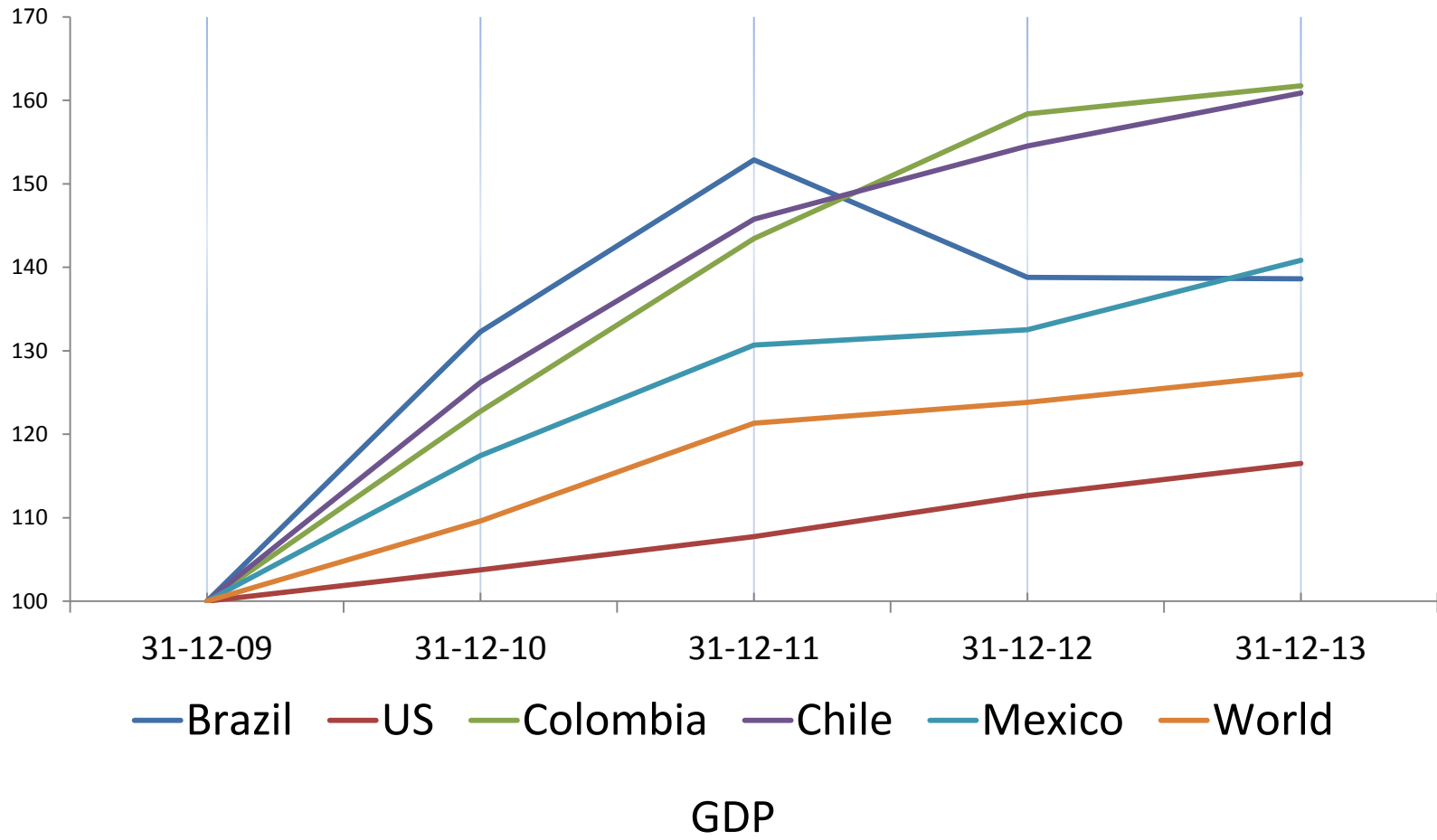


# **The Future of Investments in Latin America**

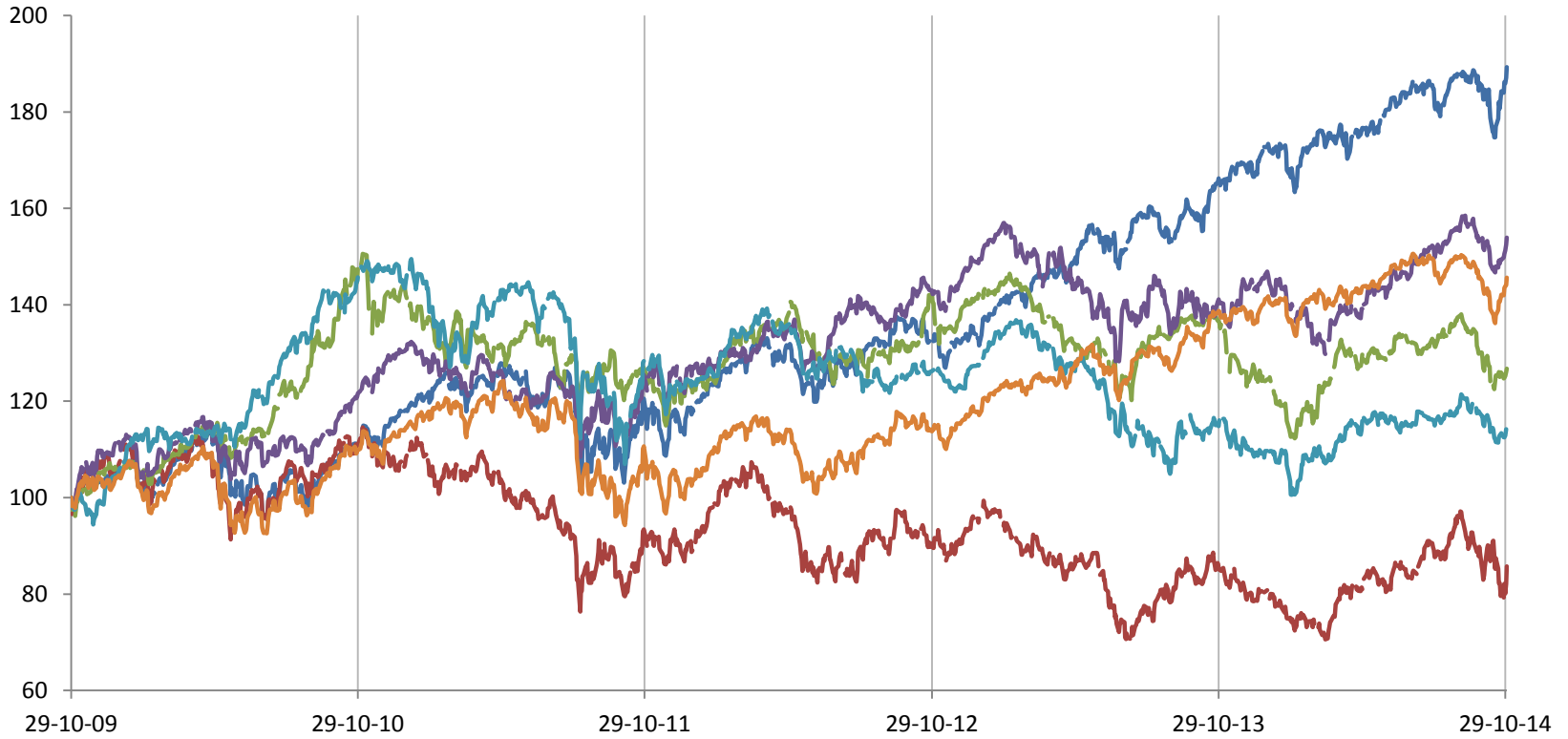
Fernando Araujo – CIO (FCL Capital)

# A good decade so far for Latin America...



...but sentiment appear to have turned negative in the past 5 years

— SPX Index    — IBOV Index    — COLCAP Index  
— MEXBOL Index — IPSA Index    — FTAW01 Index

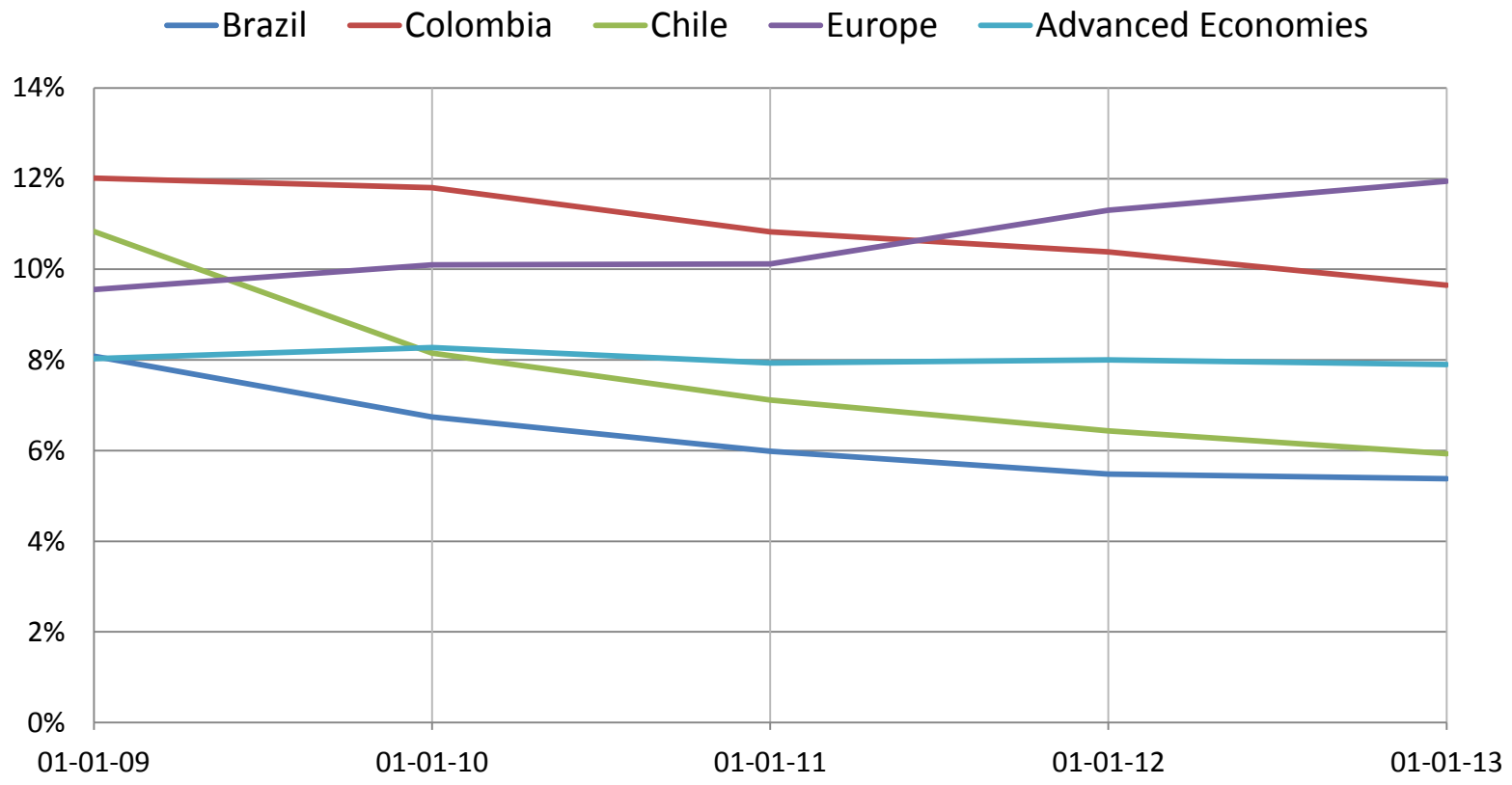


Index Performance

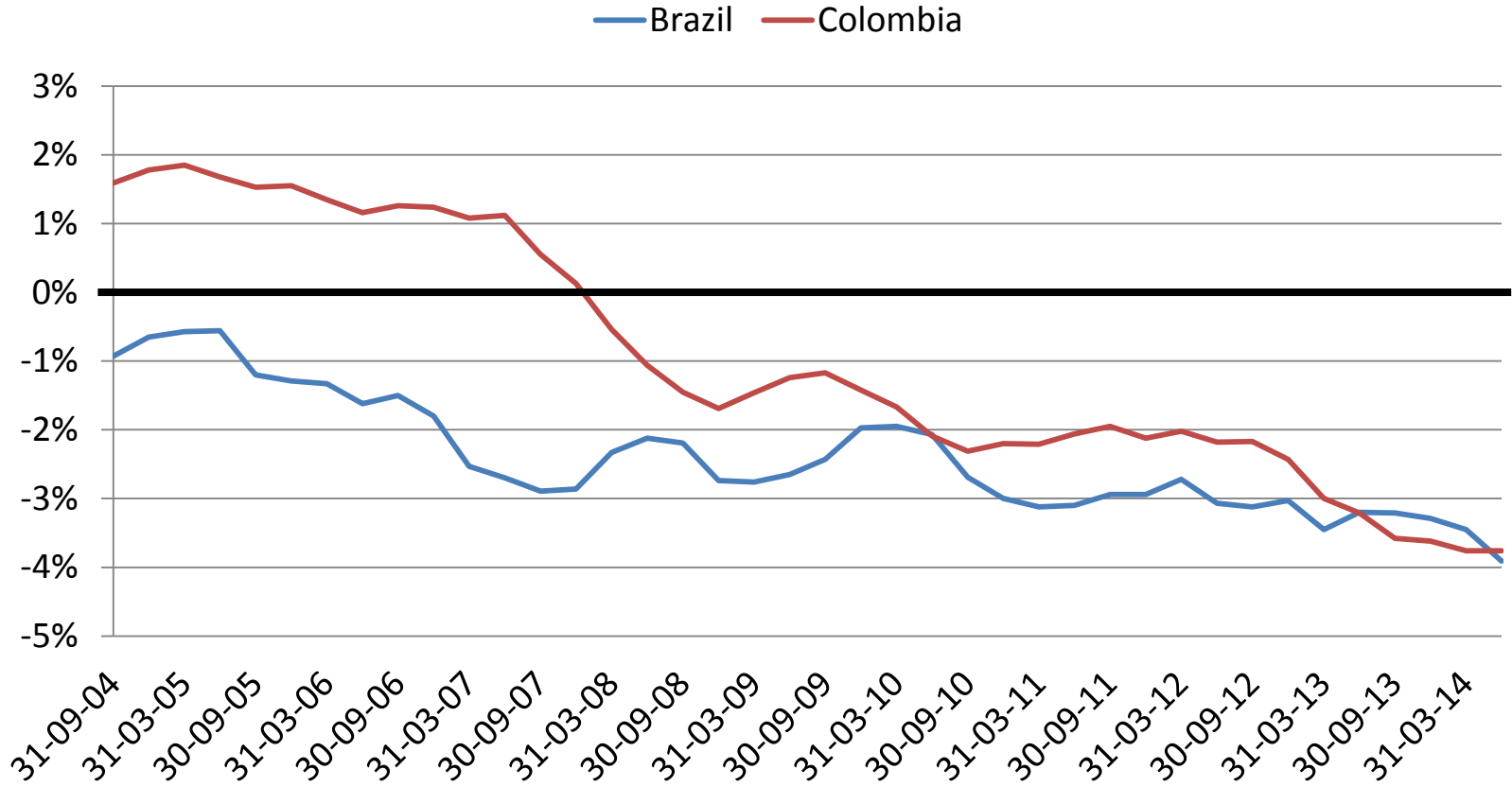
## Reasons for Gloominess

1. Reshuffle of fortunes between commodities' importers and exporters (cyclical)
2. Shock in costs due to overvalued exchange rates and low unemployment (cyclical)
3. Low productivity - Is Latin America still caught in the middle income trap? (structural)
4. Absence of reform-minded governments in the Atlantic countries (structural)

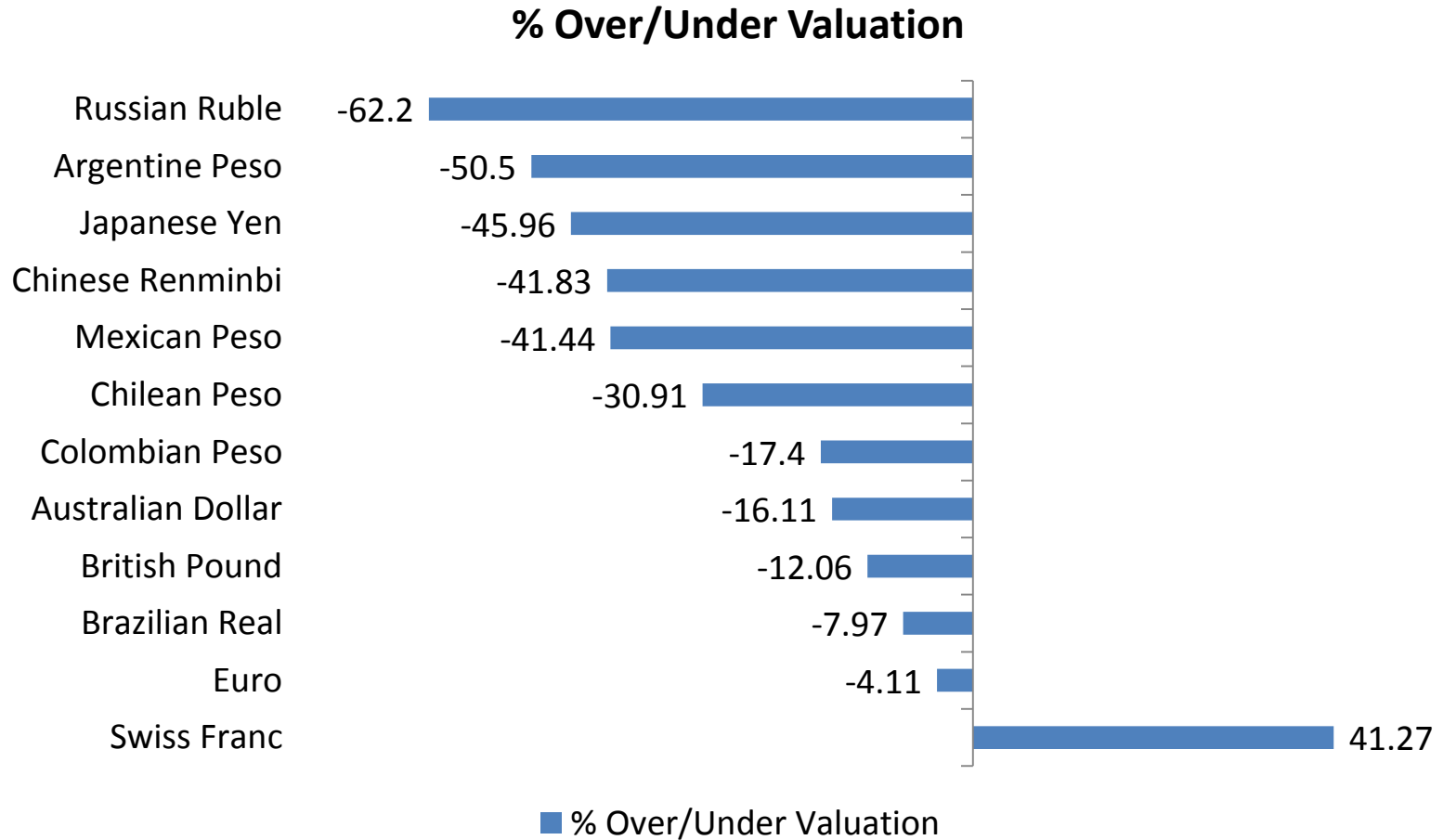
# Unemployment Rate



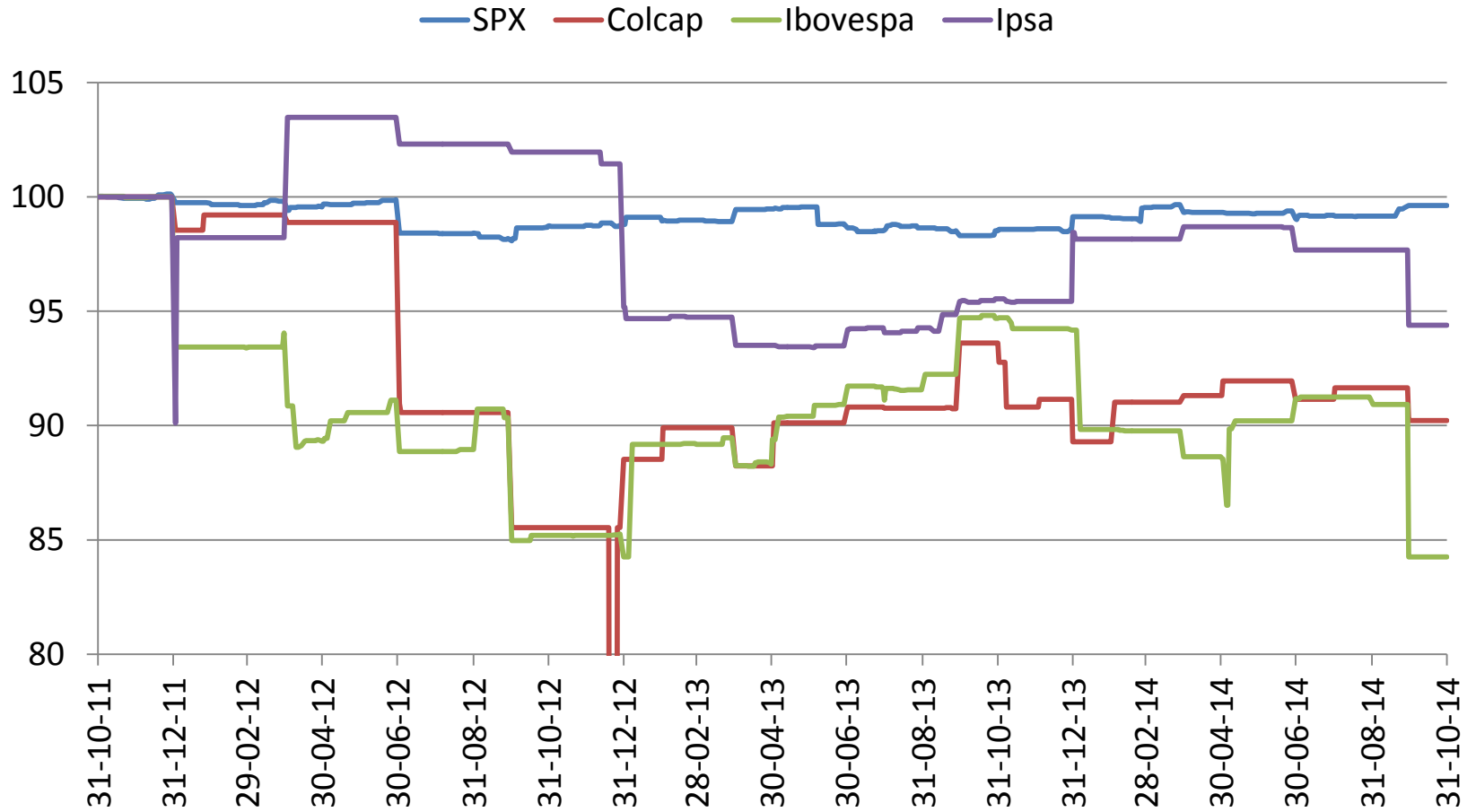
# Current Account Deficit - % to GDP



# Currencies' PPP Against US Dollar

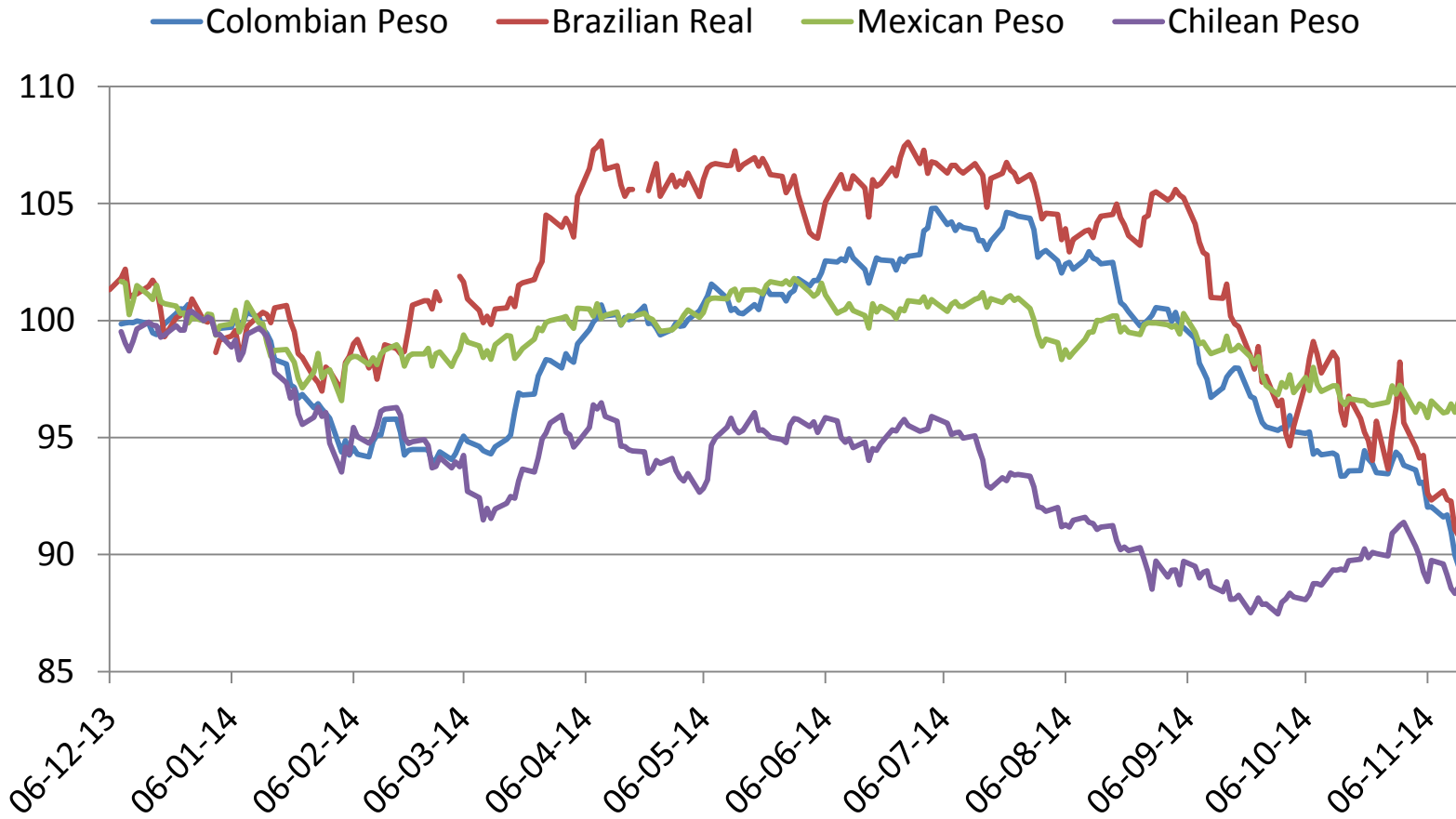


# Trailing 12 Months Gross Margins





# Latin Currencies Against US Dollar YTD



Minerva (BEEF3:BZ) is Brazil's largest and most efficient pure play beef exporter

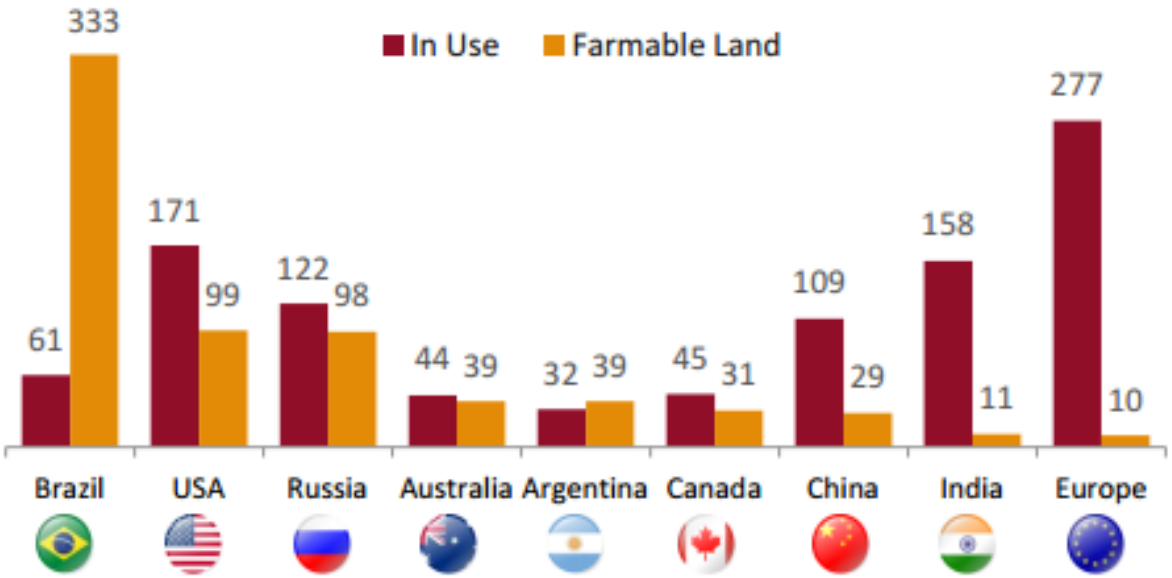
- EV/EBITDA (2015 estimate) - 5,5
- P/E (2015 estimate) - 8

## A play on China's rebalancing combined with South America's competitive advantages

- China's new economic direction
- Water abundance in South America
- Weak competitors: droughts in Australia & Midwestern USA
- Best in class: higher capacity utilization and ROIC, combined with positive cash flow

# South America: favorable environment for beef producers / Part 1

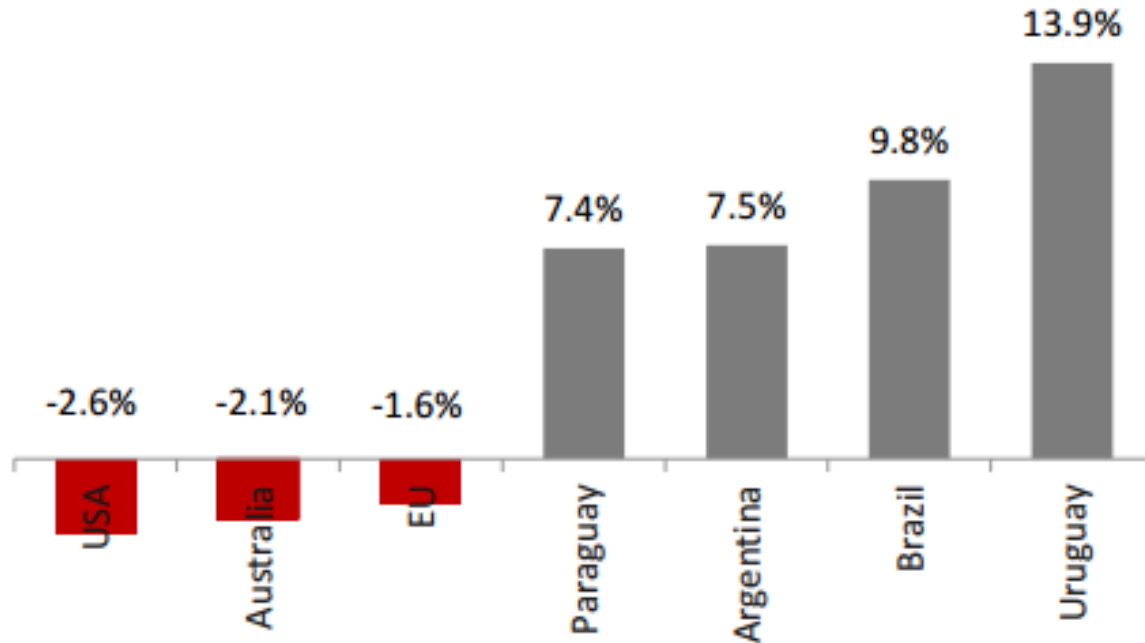
Land Availability (million hectare)



Source: FAO, UNVESO-IHE and WBR

## South America: favorable environment for beef producers / Part 2

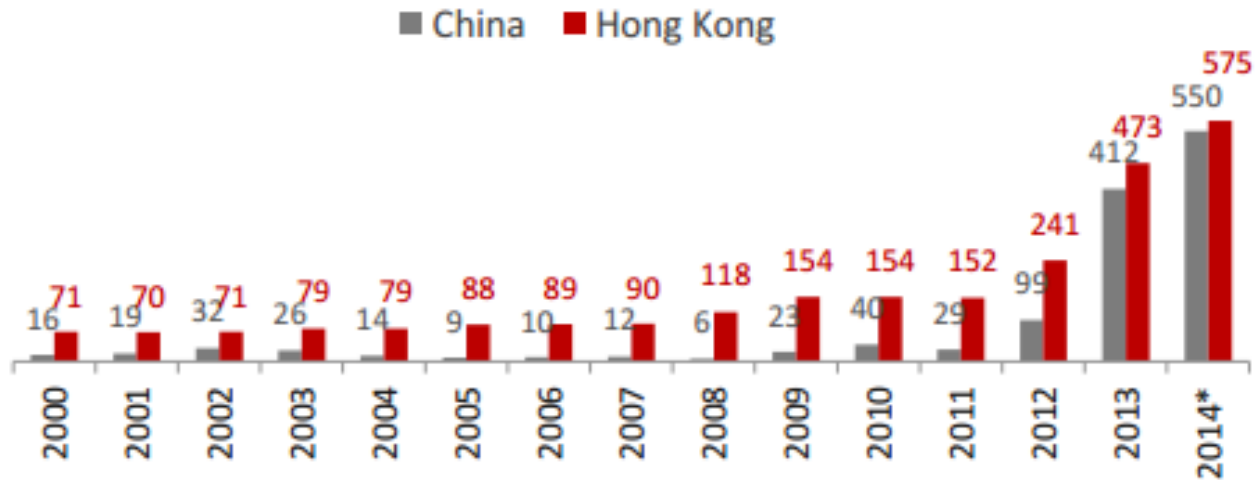
Beef Exports Volume (2014E x 2013)



Source: USDA

## South America: favorable environment for beef producers / Part 3

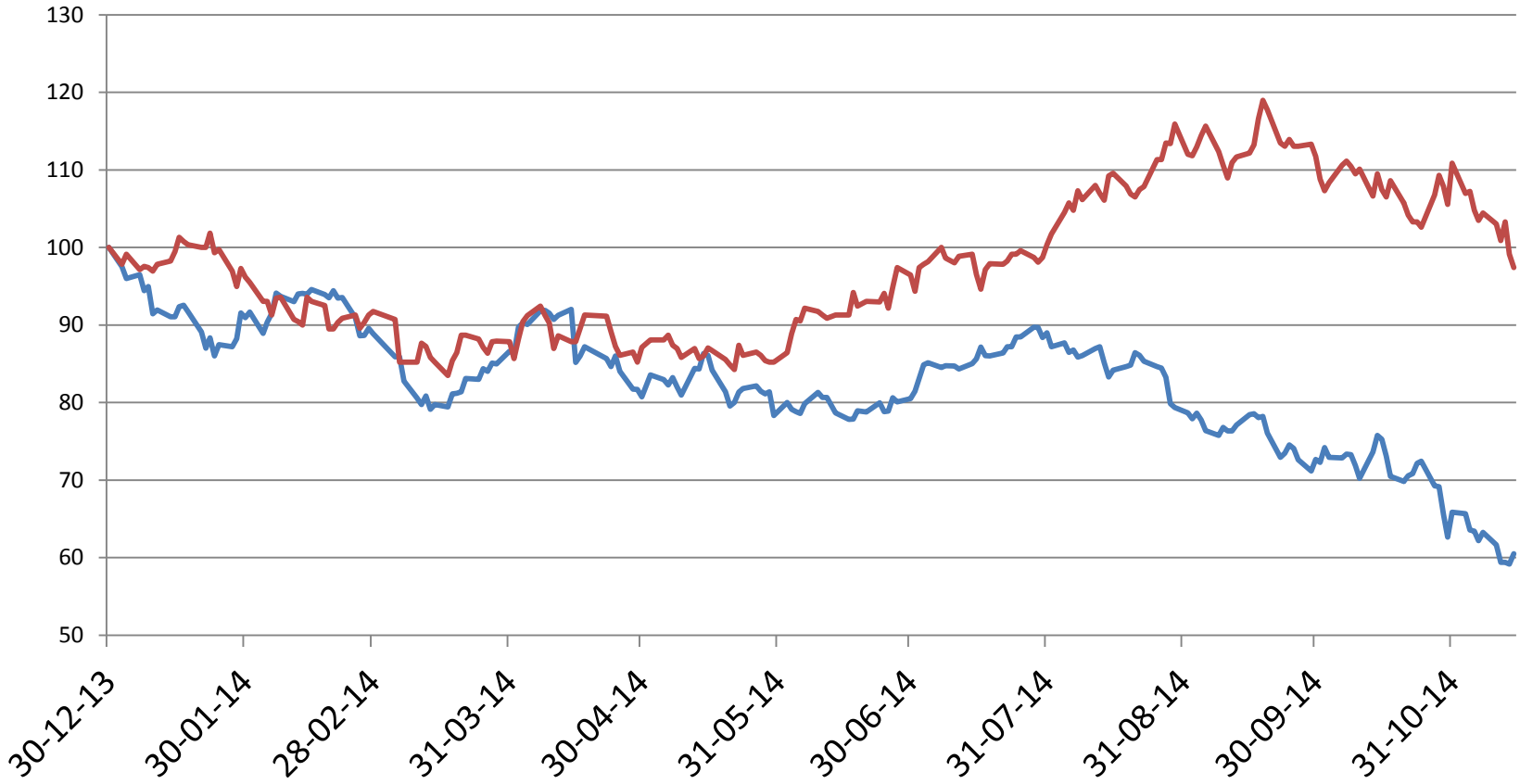
### Beef Imports - China/Hong Kong (thousand tons)



\*Preliminary data | Source: USDA

# Minerva vs Vale YTD

— VALE5 — BEEF3




## Direcional (DIRR3:BZ) - a play on Brazil's interventionist government

- A traditional Brazilian real estate company, focused on the lower income segment
- Minha Casa Minha Vida
- Growth with positive cash flow
- Estimated multiples for 2015 according to Bloomberg Consensus:
  - P/E: 4.8
  - Price to Book value: 0.87
- Dividend Yield past 12 months: 6.92%



## MCMV: Market Share

Level 1	Contracted Units	Direcional	Share %
MCMV 1 & 2	1.619.400	84.065	5%
MCMV 1	482.741	7.391	2%
MCMV 2	1.136.659	76.674	7%

 +500 bps

Source : Ministério do Planejamento, Orçamento e Gestão 07/2014

## Dirrecional's Construction Technology



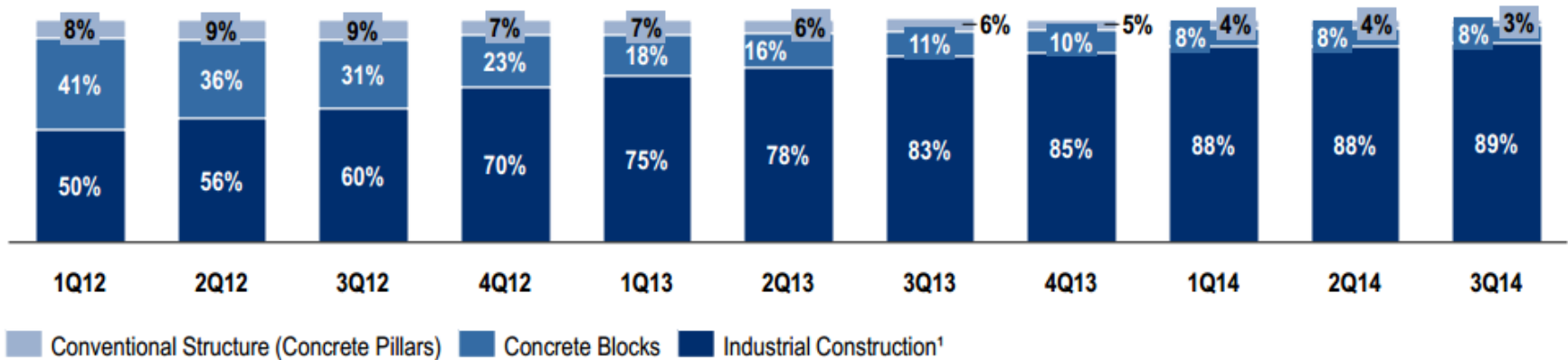
45 days to develop 2 buildings with 5 floors and 4 apartments per floor

## Focus on Performance

	3Q14	3Q13	Δ %
Units Under Construction	79.163	68.216	16%
% of Industrialization (# of units)	89%	83%	6 p.p.
Construction Sites	61	59	3%
Average # of Units by Construction Sites	1.298	1.156	12%
# of Cities	19	15	27%

### Units Under Construction by Construction Method

(% of Units)



<sup>1</sup> Aluminum mold and concrete walls method

## A Strategic Region

- 8% of world's GDP in PPP (source: IMF)
- 95% of world's GDP per capita (10004 x 10514 according to the World Bank)
- Still a low share of world's stock market capitalization and low market cap to GDP ratio
- 3.11% of public investable companies trade more than \$1 million USD daily (350 in Latam x 11239 companies in the world)

## The Future of Investments in Latam

- Less emphasis on fixed income markets
- More public companies and convergence on market cap to GDP levels
- Less commodity dependence: Latam is a middle income consumer story
- A Pan-Latin American investment environment (funds with a Latin American mandate)

## Disclaimer

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