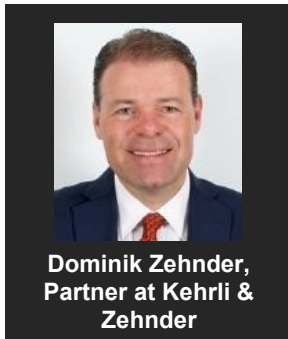


THE INVESTOR:



**Dominik Zehnder,
Partner at Kehrli &
Zehnder**

- Co-founded Kehrli & Zehnder in 2003.
- Previously served at Goldman Sachs for nine years in the asset management division.

THE FIRM:

KEHRLI & ZEHNDER

- Switzerland-based wealth advisor with global reach comprised of carefully assembled senior partners with national and international backgrounds.

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LPEJ: Briefly describe your firm Kehrli & Zehnder.

DZ: We are a Switzerland-based wealth advisor that focuses on two businesses: multi-family office services and global wealth management. The family office business is purely advisory while global wealth management is discretionary. We focus on asset allocation and then select appropriate managers to mirror our views. The firm's partners come from banks like Goldman Sachs, Pictet and Credit Suisse, as well as some smaller banks in Switzerland. We serve a global client base across Asia, Europe, Switzerland and Latin America.

LPEJ: Where are you investing across asset classes and geography?

DZ: We invest globally across all asset classes, including fixed income, convertible bonds, equities as well as hedge funds and private equity. We pursue absolute returns and capital preservation. We can't say that we want a certain percentage exposed to a certain asset class at all times. For capital appreciation and growth, private equity is an important component. It's not for everybody, but for some of our clients who have an entrepreneurial background, private equity is an important allocation.

Because Switzerland is a small market, we have always looked internationally for investment opportunities. Historically, our firm has had more exposure to Asia and Latin America than most firms our size. Over the past 20 years I've travelled to Latin America probably 100 times, so I have a thorough understanding of the region.

LPEJ: How much have you allocated to private equity specifically?

DZ: Between five and ten percent is allocated to private equity. The actual allocation is client driven. Our family office clients have more exposure to less liquid investments than our wealth management clients. It is also a question of size in absolute terms.

LPEJ: And how much is invested in emerging markets and Latin America?

DZ: We have about 15 to 20 percent in growth markets, which I define as Asia, Latin America, and also Africa for more adventurous investors. There are times when we like to have more exposure in one region or another.

LPEJ: You mentioned you have twenty years of experience traveling to the region. What has been your impression on how the Latin American markets have changed over the years?

DZ: When I first went to Latin America it was as a wealth manager for Goldman Sachs. This was between 1994 and 2003. Wealth advisory was mostly about tax efficiency and yields. Now it is more about global growth opportunities. When I first began in this industry, wealth management services were still largely commission based. Today clients are asking for all-in fee structures and overall allocation advice.

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On a regional level, it is amazing how certain countries like Colombia and to a lesser extent Peru have developed a middle class and a consumer class. In my view, Colombia offers a huge opportunity for private equity, given the need for infrastructure, public transportation and consumption.

LPEJ: What has been your due diligence process in Latin America?

DZ: While I am in Latin America I split my time between meeting with clients and investment managers. Apart from careful monitoring and crunching the numbers we place emphasis on a fund's institutional backing, its client roster as well as local insights. With age also comes experience.

LPEJ: What is the typical size of a commitment in Latin America?

DZ: Depending on the opportunity we would allocate between \$2 and \$20 million. We are more cautious with first-time funds, unless there is a compelling reason.

LPEJ: What type of returns do you expect?

DZ: In private equity we're shooting for an IRR of 15 and 35 percent and look for a multiple of 2x depending on liquidity, industry and region.

LPEJ: Have your clients had a particular interest in Colombia?

DZ: Absolutely. When I first proposed allocating to a Colombia-based real estate development fund earlier this year, our family office clients were intrigued immediately. We probably could have raised double the amount we did, had the fund not set up its offshore vehicle through the states. It is becoming increasingly complicated to meet the U.S.'s formalistic requirements, to put it gently. We see a growing number of international families that would rather pass on an investment opportunity than needing to meet certain formalistic requirement of doubtful effectiveness in the fight against money laundering or tax evasion. If red-tape gets out of hand it suffocates business. An extraterritorial application of one country's tax laws on citizens of other tax jurisdictions does little to promote (long-term) investments from foreigners.

LPEJ: How is your approach in Colombia a part of your overall Latin America strategy?

DZ: We are looking at opportunities but we're not targeting a specific region. Mexico, Peru and Colombia are the countries we currently like best in the region. They have pro-business governments and have been able to pull their economies and public life away from the tug of war of capitalism versus socialism.

We feel Brazil is somewhat late in the cycle. In Colombia there are only a few experienced managers working for strong institutions. In the case of the real estate development fund, we liked the experience of the management team, the seed investors and who we were co-investing with. Knowing who we're co-investing with is an important part of our due diligence process.

In addition to the real estate development story, we've invested in a trade financing fund in the southern cone. The yields are lower but more predictable and stable. We've also put some money with locally run equity and fixed income funds.

LPEJ: What has been the educational process for you as a European investor going into Latin America?

DZ: International investors tend to overlook Latin America. The region still suffers from the stigma of being involved with crime and drugs in the 80s and 90s. Needless to say this has changed a lot. Latin America has many things that Asia and other countries need like energy, water and its derivatives like food and feedstock. One problem is that it has historically had difficulties with infrastructure. However it has a young, motivated, well educated population that wants to move the continent forward. From a portfolio allocation point of view, in my opinion, allocations to Latin America could benefit from the fact that it has become more difficult to invest in the US.

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LPEJ: What is your view on the perception that investors are shying from emerging markets as a result of account deficits in some countries, and the Fed eventually raising interest rates?

DZ: For a private equity investor that's a short term view. Private equity is a long term investment and if you believe in the region you shouldn't be basing your decision too much on the interest rate being raised or not. You either believe in an investment theme or you do not.

Mr. Zehnder will be speaking on the panel "Local Investments for International Investors" at the Colombian Investors Forum on February 6, 2014.

LPEJ Archive of Investor Interviews:

[September 30, 2013](#) - Illinois Municipal Retirement Fund, Chevy Chase Trust Investment Advisors

[September 23, 2013](#) - Quilvest Conference Call

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[August 26, 2013](#) - Denham Capital, Oregon State Treasury

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[August 12, 2013](#) - Okayama Metal & Machinery Pension, Weyerhaeuser Solutions, UBS Global Asset Management

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[July 29, 2013](#) - Banesprev, Real Grandeza, Prudential Real Estate Investors

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