

# ROUTE TO RECOVERY

With the effects of the economic slowdown likely to linger in North America and Europe and remain a painful memory for a long time, the so-called emerging markets around the world are making headlines with economic recovery, stronger consumer demand and large-scale investments. For international companies it is no longer a question of if to invest, but rather in which of these alternative markets to focus their investments and future growth. AI's Charlotte Abbott talks to Doug Hewson, Managing Partner at Portland Private Equity about the Caribbean's premier private equity firm.

"We are a team of 8 people so we each are involved in most aspects of the firm's business. Obviously each of us has a primary responsibility and mine is external relations. Our investment committee is composed of the five partners, of which I am one."

"Portland Private Equity's genesis is in the family office investment activity of its Chairman, Michael Lee-Chin. The firm currently manages an '07 vintage, \$225M institutional fund called AIC Caribbean Fund which they expect to be fully invested in early 2011."

Doug Hewson explains: "Our investor base combines pension and fund of fund capital, several development finance institutions, and our Chairman's sponsorship commitment."

"Our region is typically overlooked and has some challenging qualities such as geographically fragmented markets, currency vulnerabilities, and a reliance on tourism related inflows."

"In general terms it is inefficient, which is an attribute for our firm's style of private equity investing which emphasizes operational involvement and a pan-regional perspective."

#### *Which sectors do you specialise in?*

"While our fund's strategy is opportunistic and generalist, we spend more time looking at deals in areas where we either have in-house expertise or an existing partner with the required expertise."

"In practical terms, this means we are able to quite effectively assess deals in financial services, telecom and telecom related services, and infrastructure development sectors. We are also developing expertise in the renewable energy category, with a focus on wind and geothermal."

*Does your firm have a specific country focus or does it take a more opportunistic approach to private equity? What levels and patterns of activity do you foresee in the next 12 months?*

"Since we are coming back to market with a successor fund in the next 12 months, we hope that we will see fundraising in the region pick up!"

**“We do not expect to see a material increase in the amount of growth capital available in our region in the interim period. It will continue to be underserved.”**

"At the same time, our current pipeline would indicate that a number of conditions are providing a solid investment background - specifically, well run family groups will be more open to partnering with private equity firms to grow their businesses, the region's role as a third border to North America and gateway to the Americas will be highlighted, governments will continue to privatize attractive assets and use PPPs as a means to build needed infrastructure, and the business case for certain types of renewable projects will continue to get stronger."

"We have a strong preference for investments that have pan-regional growth qualities since they scale to a mass that provides sufficient cash flows for dividends and become interesting to larger multi-nationals. In some cases, there are existing businesses in a particular country that have the potential to grow to become a regional platform."

"In other cases, there are areas where a business thesis has regional applicability. An example of the former would be the growth of portfolio company Columbus International from being a single country broadband services provider to servicing over 20 countries in the region. In the latter category, we believe that warm water aquaculture is an area that merits our continuing analysis."

*Have there been any notable deals (size, complexity, duration, etc.) that you've been involved in recently?*

"Our portfolio company Columbus International has enjoyed success in the late 2009 and 2010 bond markets and has raised a substantial amount of capital, in excess of USD\$500M, on favorable terms to help it execute its growth strategy. We anticipate announcing the newest companies to our portfolio soon and expect they will be notable."

*According to the EMPEA/Collier Capital Emerging Markets Private Equity Survey, emerging markets are to gain a greater share of private equity commitments as investors seek high growth markets. Have you seen any evidence of this in your jurisdiction?*

"Emerging markets is a misleading term sometimes. For example, both China and the Dominican Republic are considered emerging markets but the private equity investment strategies and structures best suited for either market are likely to have significant differences. I think a majority of the commitments seeking emerging market exposure are targeting several well-known, and perhaps now overheated destinations."

"In the Caribbean Basin region that we are involved in, there has been an uptick in fundraising and deal activity in areas like Colombia and Panama but it is not similar in volume to a place like Brazil."

*On a lighter note, what is the best piece of advice ever given to you?*

"Cash on cash trumps IRR."

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