

On Brazilian Soil

With US \$200 million from the CalPERS fund, Cartica makes its first investment in the country

By Simone Azevedo

The wheel and chassis manufacturer Iochpe-Maxion was chosen by Cartica managers to be the fund's first investment in Brazil. Founded in 2008 by former International Finance Corporation (IFC) executives, Cartica is an asset management firm that focuses its investments on governance and emerging markets. Through an auction held at BM&FBovespa on March 25, the fund manager obtained a 3.5% stake in Iochpe-Maxion, acquiring shares formerly held by the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), controller of the company along with the Ioschpe family. The company is listed in the Novo Mercado – thus it has only common shares.

Mike Lubrano, one of the directors at Cartica, met the company at the 2008 Annual Congress of the Instituto Brasileiro de Governança Corporativa (IBGC – Brazilian Institute of Corporate Governance), when he attended a presentation by CEO Dan Ioschpe. “I was very impressed with his frankness and work on professionalizing the business,” Lubrano said. He was also enthusiastic about the Iochpe's potential to profit from the investments in infrastructure planned for the next few years in Brazil.

The business plan of Cartica is to buy relevant stakes (between 20% and 25%) in companies with the potential to become more valuable through improvements in their corporate practices. Iochpe is, in this sense, an exception. “This is a large company for us to achieve that level of share ownership,” Lubrano explained. “But we can add value through an open dialogue with the administration.” The fund currently manages US \$220 million, US \$200 million of which comes from CalPERS, the giant pension fund in California. “Brazil is one of our favorite markets,” Lubrano said. Iochpe is the third investment by Cartica, who also bet on the oil and gas explorer GeoPark and on a company whose name has not yet been revealed. Both companies are also Latin American.

From April 2010 issue of Capital Aberto, p. 63. Translation by Cartica.