

Cartica invests US\$ 200 million in emerging markets (Valor Econômico)

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Mike Lubrano, managing director of Cartica: Brazil is on the top of the list of priorities

Cartica Management, a U.S. asset manager focused on emerging markets, just finished raising the capital for its first fund. The portfolio, with a focus on corporate governance, succeeded in raising \$200 million.

The strategy of the firm is to buy shares of undervalued companies and work with the controllers to improve governance and with that, stock prices.

The asset manager also reserves 20% of its capital to make investments in unlisted companies. The strategy is similar in this case. The asset manager will make efforts to improve the governance of companies to ultimately open capital.

In both cases, the fund advisor participates in the governance of the company. Therefore, it always seeks a seat on the board of directors. In general, Cartica seeks to have between 10% and 49% of a company's shares, with investments ranging from \$20 million to \$100 million. The target companies are from various sectors and are valued at between \$100 million and \$1 billion.

Cartica chose 12 countries to receive the investments from the new fund. With Brazil at the top of the list, other countries include India, Peru, Chile, Egypt, Vietnam and South Africa. Mike Lubrano, managing director of Cartica, told Valor that there are good investment opportunities in the Brazilian market for the retail trade, thanks to expansion of the C and D consumer classes. Another niche market is the infrastructure sector due to increasing investments in this area.

The directors of Cartica understand governance well. They are seven professionals, almost all former colleagues at the International Finance Corporation (IFC), the private sector financial arm of the World Bank. Mike Lubrano worked on corporate governance at the IFC for 10 years, helping, for example, to develop programs for various companies around the world. He was also an advisor in 2000 to firms with different governance practices during the creation of the Novo Mercado segment of the Bolsa de Valores de São Paulo (Bovespa). Lubrano has also worked with the Brazilian Institute of Corporate Governance (IBGC).

One partner of the firm is Carlos Botelho, who served at the IFC for six years. Before that, he was one of the advisors of the Department of Telecommunications during the privatization of the system Telebrás in 1997.

Cartica has its headquarters in Washington and a representative office in India. According to Lubrano, the plan is to open an office in Brazil, once the firm has significant investments here. For now, they will cover Brazil from the United States, with the partners constantly travelling to oversee investments and evaluate companies in the country. At the end of the month, Lubrano will visit Rio and São Paulo. In mid-November, he will return to participate in the IBGC congress.

The firm has no plans to launch a new fund. The present one, however, can be increased with a new tranche of capital. The \$200 million came from a large U.S. institutional investor, the name of which was not released, and wealth management companies (known as "family offices").