

# THE BRAZILIAN INVESTOR MARKET FOR INTERNATIONAL HEDGE FUNDS - SUMMARY

BY ROBERT L. WOOD JR.

OCTOBER 2013

As the monetary, fiscal reforms of the mid-1990's known as the Real Plan slowly took effect, they brought stability and laid the foundation for the opening of the country's economy and capital markets. With growing confidence and exposure to the international arena, Brazilian investors also began to expand their outlook to multi-national markets and investment vehicles that had been virtually unknown. In the early 2000's, hedge funds became an increasingly common component of many offshore portfolios.

The international financial crisis of 2008 turned this scenario on its head. In contrast to the economic crisis and plummeting capital markets of the developed countries, Brazil boasted a booming stock market, appreciating currency and high real interest rates. It is little wonder that Brazilian investors began to repatriate their offshore capital to take advantage of the far more favorable investment environment at home. Interest in international hedge funds evaporated.

Starting in 2011, the Brazilian economy began to lose steam. The equity market followed suit and inflation once again raised its head. Given their recent experience and the continued state of much of the developed world's markets, Brazilian investors' focus remained on their domestic options. The rapid deterioration of the

Real in the past three to four months abruptly changed their outlook. Though the initial interest in redeploying investment capital off-shore seems to be centered on tapping into the soaring US equity markets, it will assuredly evolve over time as market conditions change. A recent visit to São Paulo confirmed our ongoing dialogue with the local investment community and reinforced our confidence that there is considerable potential to raise capital for quality international hedge funds.

The recent ebbs and flows of interest in off-shore alternative investments have to be viewed in the context of the magnitude of the crisis that befell the world's markets. That the Brazilian investor after 2008 was so focused on the domestic market can be viewed as an anomaly set in motion by the world's worst financial crisis since the Great Depression. This return to a more normal economic state coupled with the easing of restrictions on off-shore investing and the increased sophistication and wealth of the Brazilian investment community will significantly enlarge the market for international hedge funds, a market that we fully expect to continue to grow for the foreseeable future.

*Contact us to request the full version of this white paper.*

## ABOUT RISK ADVISORS INC.



### ROBERT L. WOOD JR.

Robert is a Managing Director at Risk Advisors Inc. and leads the Asset Allocation practice. Earlier in his career, Robert was a senior corporate and investment banker in Latin America with Chase Manhattan Bank and AIG. In the last twelve years, he

has built a successful track record marketing Hedge Funds primarily in the United States and Brazil. Over his career, he has lived for extended periods of time in Brazil and has developed a special expertise on that country's alternative investment industry. Robert holds an MA in International Relations from the Johns Hopkins' School for Advanced International Studies, and received his BA from Duke University.



### SANJAY R. BHARWANI

Sanjay is the founder and CEO of Risk Advisors Inc. Prior to founding Risk Advisors Inc., he was the Chief Information Officer at M. Safra & Co., a multi-strategy hedge fund focused on global macro and systematic trading strategies.

Earlier in his career he focused on emerging markets debt at EXIS Consulting, a boutique capital markets advisory firm, and derivative valuations at Reval, a risk solutions provider. Sanjay received his MBA from the Wharton School at the University of Pennsylvania, and a Bachelors of Commerce from the University of Mumbai.

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