

## **Shifting trends in Venture Capital and Private Equity favorites: from US and UK to BRICs and rising stars in the Middle East and Africa**

*IESE and Ernst & Young produce the IESE 2011 Global Venture Capital Private Equity (VCPE) Country Attractiveness Index which this year reflects US/UK continued top positions and demonstrates the growing appeal of emerging markets*

**Barcelona. March 17, 2011.** Global investors continue to have many reasons to flock to Brazil and China, according to the IESE 2011 Global Venture Capital Private Equity (VCPE) Country Attractiveness Index. The editors of the index, Alexander Groh, Heinrich Liechtenstein, and Karsten Lieser explain the success of Brazil and China from “an increase in economic activity and improvements in their capital market system and institutional framework”. The study also highlights some interesting rising stars in promising regions: Indonesia, Vietnam, several Middle East countries, Morocco, Kenya, Tunisia, and Nigeria.

Jeff Bunder, Global Private Equity Leader at Ernst & Young says, "Geographic diversification by PE firms is increasing. Emerging markets -- with their favorable long-term growth rates and upward socioeconomic mobility -- have become a critical pillar of PE firms' investment strategies. It is no surprise that Brazil and China are the winners in this year's index -- the top 10 emerging market buyout funds raised in 2010 were all targeted at either Latin America or Asia."

Other countries did not fare so well in the index, which also includes an analysis of the performance over the past five years. Among the Western European countries, Ireland suffered a dramatic economic downturn, as tracked by the index, dropping ten ranking positions. As expected, Spain also fell with respect to its index ranking, from position 20 to 23. Similar patterns were seen in various Eastern European countries, which significantly fell in position on the index after being hit by economic paralysis and the weakening of capital market structures. India shows a remarkable economic growth, second, right after China. However, the pace of the development of other important factors for successful VC and PE deal making does not catch up.

### **This year's winners**

The study which is published by IESE's International Center for Finance Research in collaboration with Ernst & Young shows that overall the United States (1), the UK (2) and Canada (3) achieve the top ranking positions. They earn top marks in terms of the six key drivers of VC and PE country attractiveness taken into account by the index: economic activity, depth of capital market, taxation, investor protection and corporate governance, human and social environment, and entrepreneurial culture and deal opportunities.

The country which improved the most this year compared to five years ago was Brazil, jumping up fourteen positions to number 43. Indonesia and Saudi Arabia also moved up the charts, each rising 11 positions to number 48 and 25, respectively. Other countries that made big gains on the list were Vietnam, Bahrain, and Tunisia.

“This year, we broadened the index from 66 to 80 countries and included many more emerging economies in Latin America, Africa and Asia,” says IESE Prof. Heinrich Lichtenstein, who heads up the index together with Prof. Alexander Groh of EMLYON Business School (France) and Karsten Lieser, Project Manager at IESE’s International Center for Finance Research. In addition, the research team optimized the index structure for an even more accurate picture of the driving forces behind VC and PE.

“We also find a strong correlation between past Venture Capital and Private Equity returns and our index. That signals that the attractive countries, according to our index, also yielded higher returns,” highlight the authors.

The aim of the index is to serve the investor community through the analysis of comprehensive socio-economic data, as well as to provide a tool for policymakers who seek to boost entrepreneurial activity, economic growth, and access to finance for SMEs.

\*The study is available at <http://blog.iese.edu/vcpeindex>.

The top 10 countries in the 2011 index are:

- |    |                |     |             |
|----|----------------|-----|-------------|
| 1. | United States  | 6.  | Japan       |
| 2. | United Kingdom | 7.  | Australia   |
| 3. | Canada         | 8.  | Sweden      |
| 4. | Singapore      | 9.  | Netherlands |
| 5. | Switzerland    | 10. | Germany     |

Current index positions (in brackets) and rank changes from 2007 to 2011:

(-) Deterioration or (+) improvement of ranking position

