

# Aberdeen Asset Management

**Jonathan Schein**, senior vice president and managing director of global business development at Institutional Real Estate, Inc., recently spoke with **Katherine Giordano** of Aberdeen Asset Management. The following is an excerpt of their conversation.

*Tell me about Latin America. What is your approach to the region?*

We started researching Latin America almost four years ago, but we really accelerated our focus during the past year as we are getting ready to make investments in the region. We have done an exhaustive review of macro trends in the major countries that are investable for institutional investors, as well as the breadth of offerings in terms of funds and other investment opportunities for our clients. As part of our research, we made several trips to the region in 2014. We spent a full week in Mexico, a full week in Brazil, and another week combined between Colombia and Peru. This follows four other trips that we had made over the past three years.

*What are the themes that you have identified?*

There are three main themes that we have identified and that interest us as avenues for putting capital to work. One of those is a broad residential theme. We see this in Brazil, Colombia, Peru and Mexico as well as a handful of other countries that you might consider, for instance, Panama, Uruguay and some others. The first four are where we see the deepest opportunity set, mostly in major urban centers. That is largely owing to the fact that the opportunity is coming, in many cases, from demographic change in the population. Across the region, you have people ascending income levels — from very low and low income levels to low and middle income levels. This is generally happening in the more urban areas. It has been historically difficult to access capital for residential property, for both developers and in some cases homebuyers, while there is a significant demand. We really want to focus on where there truly is a need and an ability to access housing. In Colombia, Peru and Brazil, it is very much about the low to lower-middle income segments, and in Mexico the largest need is actually in the middle income segment.

*In addition to Latin American residential, what other themes have you identified?*

The second main theme is what I would call capital market dislocation in Brazil. This is based on the



**Katherine Giordano** is head of property multi-manager – Americas at Aberdeen Asset Management. Prior to joining Aberdeen in 2010, she was responsible for the U.S. portfolio of ING Select, ING's property fund of funds business. Kate graduated with a BA from Northwestern University and an MBA from the University of Connecticut.

challenges that have been faced in the country, economically and politically, as well as at the property level, due to supply-demand imbalances. It has been a trying time, and we are seeing right now post-election that changes are in the wind. While we feel as though there could be opportunities for investors to take advantage of the so-called distress, we have not actually seen that materialize in a profound way in terms of an investment pipeline. We are watching for the right opportunity to enter the market. With Brazil, everybody talks about the World Cup and the Olympics, but I do not see the World Cup and the Olympics as being closely tied to the kind of opportunity that we are looking at. It is something we certainly consider, but it is not a main driver.

*And what is the third theme you have identified?*

Our third main theme has to do with Mexico, and it is a more broad-based concept, which is that the real estate market in Mexico is maturing. Mexico has listed real estate companies and pension funds investing heavily in real estate, and so it is becoming a more liquid market. Historically, over the past cycle, people have been focused on industrial and retail. As those sectors are maturing, there could be opportunities in other sectors, including alternative exposures such as limited-service hotels. Mexico also has strong ties to the United States and a relatively stable currency. While the market has its challenges, no doubt — as we all know of the political and social issues that Mexico has been experiencing — over the long term, it is a market that is undergoing an evolution. We are long-term investors, and we see Mexico as a place where we want to participate in the evolution that is happening there.

*So those are your three main themes in Latin America. Have you begun to make any deals in the region?*

In terms of deals, we are focusing on two investments that exemplify one of the three themes that

we have identified. Our selection for our first investment is focused on residential. We are looking at equity and debt residential opportunities in all the major countries that I mentioned, except Brazil, where we are cautious about some of the dynamics in the residential market.

*What does Aberdeen bring to the table, with regard to investing in the region?*

Aberdeen is very well known as an investor in emerging markets, especially with equities and fixed income. That experience and comfort level is a significant advantage for us as we move into Latin America as a private, unlisted real estate investor. We are able to utilize the experience and institutional knowledge Aberdeen has in those markets, and it really has given us a great head start on getting our bearings in those markets. Aberdeen has an office in Brazil, and that helps serve as a hub for us in South America.

*What changes has Aberdeen made to support your investment capabilities in the property multi-manager division?*

In 2014, Aberdeen's real estate multi-manager division moved into a new division within Aberdeen known as the Alternatives division. There are key benefits to our clients following the association of our multi-manager property group with Aberdeen's Alternatives umbrella. One of the main objectives of the leadership of the Alternatives group is to ensure that each of our business units, and the people on those teams, are 100 percent focused on investing and managing investments. We are not distracted with corporate or administrative burdens, and that is an improvement over our previous structure. We have had the benefit over the past six to nine months of having a lot of weight lifted off our shoulders and taken up to the divisional level. We are purely an investment desk now. As part of the Alternatives division, we find that leveraging the resources of that division, which includes private equity, hedge funds, and infrastructure, really brings a lot of benefits to our clients.

*Do you have anything else you would like to highlight about the new structure?*

Where it is beneficial, we have identified best practices from the other business units within the

Alternatives division and sought to incorporate them into Aberdeen's multi-manager process. This is an ongoing level of engagement and one that encompasses many directions across the business. Our investment committee is a crucial part of the process for us, and we are currently looking at expanding the committee. Currently, the committee is composed of professionals from the real estate team, but we are looking into including others from the Alternatives business lines. We believe this is important as it helps to bring more of a global, multi-asset class perspective. This all leads to a greater level of communication, understanding and consistency across the different teams, with the ability to draw out additional, valuable investment and risk perspective for our investors.

*What do you expect 2015 will bring?*

We continue to see a lot of fund offerings in the United States. I think we see a fair amount of opportunity in Asia. Europe is probably where we see the fewest fund launches, and so it is definitely more challenging to put capital to work in Europe today. I think in the United States the challenge is ensuring that you are focusing on a strategy that has both durable income and true growth potential and to shield yourself against the potential of overpricing and interest rate movements. ❖

#### CORPORATE OVERVIEW

Aberdeen Asset Management is a global investment management group, managing more than \$525.9 billion for both institutional and private clients from offices around the world, as of September 30, 2014. Our mission is to deliver strong fund performance across diverse asset classes in which Aberdeen believes it has a sustainable competitive edge. Aberdeen Asset Management is an active property investment manager with a local presence in key international markets. The group offers separate accounts and commingled funds, including funds of funds.

#### CORPORATE CONTACT

**Jonathan Matson**, Senior Business Development  
Manager – Real Estate Americas  
Aberdeen Asset Management Inc.  
+1 212-776-1175  
[jonathan.matson@aberdeen-asset.com](mailto:jonathan.matson@aberdeen-asset.com)

Investments in property may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid, limiting the ability to vary investments in response to changes in economic and other conditions. Property values can be affected by a number of factors, including, inter alia, economic climate, property market conditions, interest rates, and regulation. Foreign investments are more volatile, harder to price and less liquid than U.S. investments; and are subject to different accounting and regulatory standards, and political and economic risks. Diversification does not guarantee a profit or protect against a loss. The use of leverage may subject investments to additional risk and could magnify losses.

Aberdeen Asset Management is the marketing name in the U.S. for the following affiliated, registered investment advisers: Aberdeen Asset Management Inc, Aberdeen Asset Management Investment Services Ltd, Aberdeen Asset Management Ltd and Aberdeen Asset Management Asia Ltd (collectively, the "Aberdeen Advisers"). Each of the Aberdeen Advisers is wholly owned by Aberdeen Asset Management PLC. "Aberdeen" is a U.S. registered service mark of Aberdeen Asset Management PLC.