



2026 GLOBAL CONFERENCE

LEADING IN A NEW ERA



HOW LATAM'S INSTITUTIONAL WAVE IS RESHAPING GLOBAL MARKETS

Carolina Millan 00:00:04

Thank you for joining us everyone, and thank you so much to the Milken Institute for having us on this day. It's so great to be here to discuss such an important topic as Latin America's pension systems and how that's taking an even bigger role in the global economy. My name is Carolina Millan. I'll be your moderator today. So, as we kick off our discussion, we know Latin America's pension systems are entering a pivotal phase. Across the region we're seeing a powerful combination of forces. We're seeing growing pools of retirement savings, shifting regulatory frameworks, and demographic tailwinds. And all at the same time as seeing rising political scrutiny and demands that these funds play a more active role in domestic development. All in all, where we're seeing pension funds increase their role, we're seeing that the decisions don't just shape portfolios, they also shape economies. So, Cate, I'd like to start with you because you bring a global perspective to our panel and I thought I would start asking you how you are seeing the tailwinds for Latin America's pension system compared with the wider global outlook.

Cate Ambrose 00:01:14

Great. Thank you, Carolina, and great to be here again. Always appreciate the opportunity to be here at Milken in such an important topic. In terms of what's happening globally in private markets, we are at historic lows. It's been a very difficult fundraising environment for private capital managers around the world including in the US and speaking to our managers and the people that we know in the industry, it's a very challenging environment. And a lot of the other institutional investors around the world are frankly already at maximums. or have deployed an enormous amount of capital. They're more mature systems. Of course, US institutional investors have massive exposure to US private markets and global private markets, and they're waiting for money to be returned before they can make new commitments. Then you have Canadian pension plans who've been so active for the last 20 years in many cases making direct investments or GIC and Temasek out of Singapore, and then the Middle East sovereign funds. They've all

been deploying capital into private markets for a long time. The Latin American system is a relatively younger system, so the exposure is much lower and they're starting from an earlier place. To be fair, Peru, Colombia, and Chile have had alternative investment programs and been deploying capital into alternative investments and domestically and then internationally for some time. But Mexico in particular has only—I just got the update—it's only really like five years they've been making international commitments. So, what I see from where I sit when I'm speaking to fund managers around the world and they're having conversations around wanting to build relationships in Latin America, this is a newer source of capital that is able to build a portfolio today and get exposure to private markets today when they're not already carrying the legacy commitments of overexposure from previous years. The only other market in the world that I'd say is similar to that is Japan. Japan is starting to become a much more active institutional—their LPs are becoming much more active internationally in private markets, and they've been much more conservative. So, Japan, Mexico, Latin America, big focuses for global asset managers looking to raise capital.

Carolina Millan 00:03:39

Mm-hmm. When we look at the overall trajectory where we're seeing the growth of the system, Ignacio, I wanted to ask you how does that compare with the occasional cases where we've seen challenging situations? One is the example of Peru, that has seen repeated withdrawals in recent times. So, how would you describe the entire trajectory?

Ignacio Calle 00:04:03

Yes. So basically, what Cate has mentioned is what is happening to LatAm is that we are entering in a new era of growing fast vis-à-vis the amount of AUMs that we have in the pension fund systems in Latin America. So, as you mentioned, we are entering in new flows. Demographics are in our favor. We have tailwinds that there is a significant amount of students that are entering the labor market. We have longevity. We have changes in the regulations in some of these countries that are increasing the retirement age. But also, we have situations that the one you're mentioning in Peru is that the passing governments are approving in their congress to do withdrawals of the pension system. So, this takes a hit in the case of Peru. Now we're finishing the eighth withdrawal, and it's on a significant amount of money that we're taking. Just in the case of SURA in Peru, we have five million clients with 42 percent market share and after this withdrawal, four million clients will have zero balance in their accounts. The average age in Peru with our clients is 38 years old, and they could pre-retire at the age of 50. So, it's impossible for us to construct a good pension fund for these clients. So that's the type of situation that we're dealing with, that we are in principle discussion with governments how we can create long-term policies that we can adjust and avoid to have these changes in the system.

Carolina Millan 00:05:40

And to stay with you, Ignacio, what are some of the ideas that have come out of these conversations with governments?

Ignacio Calle 00:05:47

So basically, we try to promote higher contribution rates. On average, the contribution rates that we have for an OECD country, employees contribute around 18 percent of their salaries. In the case of Latin America, we had the case before the pension reform in Mexico that was only 6.5 percent, and on average, the countries in South America are in 10 percent. So, what we're doing is that we're trying to promote changes in regulation that they can increase savings rate by contributing more. In the case of Mexico, it will go up to 15 percent. The new reform in Chile will bring it to 16 percent, and those are topics that are very important to create a good pension system for the market in Latin America.

Carolina Millan 00:06:35

Juan Manuel, when we talk about the size of the sector growing, we also know that that comes with opportunities, but also with challenges. One of the challenges is that now the pension funds in some markets are so large that any position that they take or any change that they make would have an impact on the markets, especially for cases of low liquidity. So how do you look at these challenges, and how are you dealing with them?

Juan Manuel Valle Pereña 00:07:01

So certainly, the size of the system—particularly in Mexico—has been the challenge for accommodating the incremental resources. But I think there is still a lot of space within the investment regime to take full advantage. Now the pension funds, as more instruments were allowed in the investment regime—help to develop the market, including long-term fixed income—that it was impossible to see what we see today without the pension funds there. If we look at the regime and see where the industry is sitting and where we are sitting as an individual pension fund, I think we have been working a lot in taking full advantage of those things that are there, and there are still a lot of opportunities. So, a couple of examples. In the investment regime we are allowed to do 20 percent in private markets. Five years ago, we did 2 percent. Today, we are at 12 percent. The industry moved from five to eight. Now, in FIBRAs, we were at 2.6 just as system and we're at 6.8 today versus 3.4 of the system. So, we have been pushing really hard to take full advantage of what the regime allows today. We understand also that we have to be proactive. If we are not proactive, we will end up with a problem. And I personally think that we if think in 10 years of a system where 70 percent of the assets are invested in debt, and 80 percent of that is government, that's the worst scenario that we can imagine. So in being proactive, the industry now has a new opportunity to do more private equity in Mexico attached with infrastructure. So, I think there's still space to go—and once we are done with that—I think that there would be a good chance to sit down with the government, explain what we have done, and have a discussion on getting a little bit more space in the global equities. But it's that way. I don't imagine the other way around because that will never work. I think there's still space. Mutual funds. It took us one year to have one mutual fund approved in Mexico for investing through the mutual fund. So, we have been very proactive in trying to avoid or to minimize the effect of that challenge of having a not deep enough financial market.

Carolina Millan 00:09:35

You raised a really good point—which is the importance of diversification—and of the asset classes that you mentioned, I think probably one that in Mexico is less liquid is precisely equities. We have seen this in some of the recent, the few IPOs that we have seen. So, in such an illiquid asset class, how do you work to minimize those challenges?

Juan Manuel Valle Pereña 00:09:58

It's—for whom?

Carolina Millan 00:10:00

For you.

Juan Manuel Valle Pereña 00:10:02

Well, part of what we did was to identify a mutual fund that could help us with a different strategy than the one we had. We will never go all the way. So, if we see at the equity exposure that we have in Mexico, both global and local, we can go up to 40 percent. We are the 20 percent limit in global equities. We are half that in local equity. So clearly, we cannot go all the way to 20, but we're trying to get the most of what we have and combine our own strategy with mutual funds that could bring liquidity to the market. And we welcome the reform to the capital markets law, and we hope that with the presence of hedge funds—that will allow us to have more liquidity in some stock because we can be the anchor in an IPO—but we cannot solve both the equations. Being an anchor and giving liquidity, that's impossible for us because we're long-term investors. But we have tried to work with the government to see what suggestions we can bring to the table so that we have a better equity market that allows us to do more in Mexico.

Carolina Millan 00:11:12

Mm-hmm. Antonio, you bring a different point of view coming from the development bank CAF, and I know that CAF has been active not just in the major economies in the region, but also looking at opportunities in some of the smaller countries. Maybe you could talk to us about what opportunities you're seeing beyond the big countries.

Antonio Silveira 00:11:29

Well thank you Carolina, and thank you very much for the Milken Institute for this invitation to participate here. It's really fantastic, this conference. Just some basic information. CAF is kind of a different

multilateral bank because we don't have separation between donors and borrowers. Our business model is a little bit different when compared with IDB and World Bank—my previous life was around there—and we have a window from direct investments from CAF. This will mainly go through funds, mostly infrastructure funds, because we have kind of long-time bias towards investment infrastructure. CAF was created as a vehicle for investing infrastructure, and we have a small asset management that's called CAFAM. And this is the vehicle that we try to go on with local pension funds in order to organize funds for investing infrastructure, at the end of the day. These funds can have some investment from CAF or directly from CAFAM. And it started in one country that was out of those five big suspects in Latin America. Started in Uruguay, local demand, because Uruguay is quite a different country compared with other countries in Latin America. It's very sophisticated. It's small, so the scale, it's not significant. They have really good pension funds, and they don't want to mix themselves a lot with Brazilian, Argentinian investors, etc. So, they asked us to provide a local solution. And when we started CAFAM in Uruguay, it was for the first round of PPPs and we had a lot of success there. Then we moved to Colombia in a very different business model—it's in association with Ashmore in Colombia—was part of the effort of building up the structure for the concessions. At one side, we—together with IFC and Sumitomo—we supported the creation of the Financiera de Desarrollo Nacional, FDN. And we gave them technical assistance to build up ANI. That's their agency for infrastructure. And beside of that, we started CAFAM in Colombia. Of course, from CAF, we can go directly to Mexico, Brazil, Peru, with all the challenges we have there. We can go in Chile. But with CAFAM, we try to go to the other markets. Right now, on our effort, already we have some proposals in Costa Rica with very interesting things. We're starting the first fund there—there's not closure yet—but it's good prospects. And we're working hard in Paraguay, that has a lot of challenges. They need to mobilize capital. And before starting the fund, we're doing a lot of advice in order to adapt the regulation to permit the local. It's one big pension fund that they have there, and some smaller ones—but this big pension fund to allocate part of their assets in infrastructure. So right now, we are focusing attention in Costa Rica, in Paraguay, and waiting up to what's coming up in Peru, too. But Peru is different kind of market.

Carolina Millan 00:15:22

Cate, historically, we see that Latin America has been an exporter of capital. I wonder if you see a turning point where most of that capital is deployed back in the region, or what needs to happen for that to happen more?

Cate Ambrose 00:15:37

Yeah. It's such a complex problem, and actually we don't have—well, Brazil, I know Antonio is Brazilian—but the Brazilian pension funds created the industry in Brazil, and Brazilian pension funds were very active investors in alternative assets, going back to around 2005, 2006, 2007, in the early days. And it was this development agenda—very politically directed—and the governance wasn't always so clear. I think there is regulation in place. Again, what's happening in Mexico, and Juan Manuel can speak about it a little bit more in terms of how the AFOREs are incentivized now under new regulation to put more capital into their domestic markets. It just is a question of what are you seeking? Are you seeking returns, or is it purely return-seeking capital, and you're looking to satisfy the requirements that you need to meet the

pensions and the liabilities that you're going to have down the road? Or are you thinking about that development agenda where politics comes in more? I think there's a role for both. I think it has to be managed very carefully, and you have to be clear, but clearly infrastructure is a place in which I think, frankly, the experience with private equity and venture capital in Latin America of pension funds investing was not wholly successful—and those memories are still there, including from some of the panelists here. And that's why—there are a whole host of reasons—we've seen a shift towards infrastructure where there's greater risk mitigation. You own a longer-term asset. The AFOREs in Mexico are investing directly into infrastructure projects, so they're not doing it even—in some cases, you have partnerships. They've also committed. I know that there are Mexican infrastructure partners and others, there are a few there that are active. But I think both agendas are there. You just have to have clarity and really also the AFOREs or the pensions working with the regulators to make sure that there's an alignment of interests. The last point I would make here that is a real positive is currency risk mitigation. Currency risk is the Achilles' heel of investing globally. The US still has the enormous benefit of having the dollar as the reserve currency, and even though you see very successful investments in Asia and India and other parts of the world, — when the dollar revalues, that takes a huge hit on the portfolio. If Mexican and Latin American pension funds are able to have domestic currency that they're investing in domestic projects, you mitigate that currency risk.

Carolina Millan 00:18:16

Lots of great points, and we'll come back to alternative investments because that will be a big part of our conversation down the line. But I did want to remind our audience that you can also ask your own questions. Our colleagues are showing a QR code once in a while, and I will receive those questions on the iPad, and I will be happy to share them with our panelists. So please feel free to send them along. So, staying on the topic of the development agenda in the region, Antonio, as you were mentioning, CAF has been developing different structures to work on these projects with large managers and fund to fund structures. So, can you tell us more about how effective that has been in scaling investment across the region?

Antonio Silveira 00:19:01

Yes. Let me start with the example of our asset management. We had a small investment in 2013, and right now the last measurement of mobilization was 28 times that. So, it's quite significant. Okay, it's not so big, but especially in Uruguay, the impact was huge. And right now, with Colombia, it's a good example too. And as I mentioned, we started to go on in other countries. Directly from CAF, our strategy is mainly focusing on investment funds. It can be private equity, infrastructure funds, etcetera. But taking a look in the region, we have a very small window for venture capital because of our balance sheet, issues of risk management—but we were looking that there's a gap on impact investing—that's not VC, it's not private equity, it's something in the middle with a huge impact on development. And we opted to create with Fondo de Fondos, Didiene is here, and Sonen Capital, a CAF-branded impact investment fund that we publicly launched in July in Mexico City, targeting exactly biodiversity, climate, small and medium enterprises, owned by women, all the SDG constellation of priorities in order to fill this gap. Some countries already do it a lot. I know that Mexico has, Brazil has it, but for the whole region, and one of the

big discussions that we had on this fund is that we cannot be limited to the big countries where you have pension funds, where you have capital markets, etcetera. We have to go to the whole constituency of CAF. So, this is an example of one bet that we are bringing up, and we have a lot of expectation on moving on this.

Carolina Millan 00:21:26

Cate, as you were mentioning at the start, we've seen globally the issue of returns and exit opportunities for investors, and that has weighed across the world. But from your global perspective, I wanted to ask you, how pronounced is the tension in Latin America between domestic investment mandates and returns compared to what you're seeing elsewhere?

Cate Ambrose 00:21:51

Well, one of my favorite things to point out today is that given the liquidity in the world, capital is strategic, it's not financial. There are a lot of investors around the world who are looking for strategic outcomes rather than just a financial return on their money. I'm thinking primarily of the Gulf, which has been a very active—the capital of capital—a really important source of capital for the private capital industry for a long time. And now we see PIF from Saudi and others directing more of that capital internally. They've made actually just some very recent announcements in April around what they're using their capital for and the percentages that they're deploying internally as opposed to internationally. I think coming back to your question—it kind of builds on the last one—ultimately, what are you looking to achieve? Mexico has enormous liquidity. The capital under management, the assets under management in the AFOREs and in the Latin American pension fund system is growing dramatically. I guess a trillion is the number. We're at half a trillion in Mexico alone, and then a trillion in AUM. So, there's a real need to put money out globally and to think about those financial returns. I think there is an opportunity to invest domestically and to think about the development agenda, but it's very important to seek those returns internationally. Having said that, again this is the point I was making at the beginning, right at the time that capital is focusing more directly. We see CIC from China, more domestically focused. In many places in the world—the African pension funds are actually stepping up and starting to invest in the industry in their own markets. So, we see kind of a deglobalization in capital flows in a certain sense, or a focus on domestic development agendas, even in Europe, where there's a lot of politicization around this. But it does raise the question, if you are a region that has a trillion dollars to put out—and there are opportunities domestically, but more returns that you're seeking—where do you put that money in the world today? And the US market is very capitalized, so I think there's a challenge, a real opportunity and a real challenge for SURA, for Afore Coppel in thinking about where do we put our money out in the world today to seek the highest return.

Carolina Millan 00:24:23

And do you think there's space for a bigger discussion about a reset in return expectations? What would that realistically look like?

Cate Ambrose 00:24:35

I think the scale of capital raises the question of the returns expectations that are out there. Maybe we see that a little bit with the shift to infrastructure and private credit, which I know we were also going to talk about. When interest rates were at near zero in the US, it wasn't that difficult for us to see highly successful—and a lot of liquidity and—private equity in private markets. But today—since we saw this shift in interest rates, we've also seen a massive shift towards infrastructure and private credit, where you have real assets, you have greater protections, you have some cash generation. I think today there's more of a focus on getting cash back rather than just, you know, where—yeah.

Ignacio Calle 00:25:17

And if I may add, I think one thing that we're seeing as investors right now, given the amount of capital that we need to invest, is that there are many funds worldwide that the cycle to divest is at this moment. So, the valuations are at a very good point in order for us to enter the market and probably get good transactions in order to comply with the amount of capital that we need to invest in the coming years.

Carolina Millan 00:25:46

We started getting some questions, so thanks everyone for submitting them. We have a few of them about some of the recent changes that we've seen in specific countries. So, Ignacio, I think I'll start with you and then open to if anybody else wants to answer that one. We had questions asking about the recent decree in Colombia the changes in Chile. How are you assessing these specific cases?

Ignacio Calle 00:26:08

Okay. So, in essence, today we're implementing three pension reforms in South America, Chile, Peru, Colombia. In the case of Chile, we're pretty advanced in implementing target date funds. We're moving from a structure in which we have multi-funds to target date funds, the similar situation that we did back in 2020 at the pension reform in Mexico. And also, by 2028, there will be an auction of the affiliates that is pending to review what will be the mechanism with the government. So, this is something that we're reviewing at this point, but the two big changes that we have are those in the case of Chile. In the case of Peru, we're also implementing the reform. The reform opens the door for not only the four pension funds that are existing today, that they could participate in the market of the mandatory pension funds, but also it opens the door for banks, for insurance companies, life insurance companies, and for cooperatives to participate in the market. So probably what we will see is an increase in the number of players in the case of Peru that will come by 2027. And in the case of Colombia—it is a more complex situation because the pension reform was approved by the congress—but is demanded giving the mechanism that was used to be approved. So, at this point, it rests at the Constitutional Court to be approved. And what is happening right now is that the government is issuing certain decrees that goes directly to the pension funds. One of them is to have a restriction in foreign investments. So, what the decree says is basically that in the next five years, the amount of foreign investments will need to go down from 50 percent to 30 percent. So, this

is something that we are reviewing with the government. We are checking what will be the impacts because the flows of AUMs will increase in the next five years, but also diversification is very important. Just to give you an example, 10 years ago, if we didn't have the diversification that we had in foreign investments, the clients of SURA would have \$12 billion less of what they have today. So, this is what we have been proving to the government, that diversification is very important in the international markets.

Carolina Millan 00:28:43

Did anyone else want to comment on some of the regional changes?

Juan Manuel Valle Pereña 00:28:48

Well, I think in general, if we look at how we are invested—and again, going back to taking full advantage of diversification—if we look at the Mexican system, it will be 30 years old next year. If we go to the first five years, real returns were like 6.12. If we go to the first 10 years, they were like 5.90. And all of that was government debt, because at some point, government was paying 30 percent. If we go the whole 30 years, it's like 4.90 percent real returns. So, if we are standing today and we are looking to a more stable economy with interest rates closer to the 9s or 10s in nominal government, we will not be able to get—if we continue the path we are following with half our assets in government securities—we will not be able to go beyond 4.5, 5 percent in real. And if we look into other opportunities, infrastructure, credit, real estate, I'm not going into more complex ones that are more challenging. Only on those three, we can easily get in Mexico today, 15s in pesos. That for us, it's an advantage because at the end we are paying the returns in pesos, so we don't have any challenge with the exchange rate. Not going into that, not doing that, seems like a bad idea on our side given that our target is to maximize the returns for our customers. So, I think that without anything changing, by doing that and working together with the government, we can take full advantage of the opportunity that a country that has not too-deep financial markets and very dispersed real estate and infrastructure projects, there's a good opportunity of consolidation, and we are there. It's hard to imagine that a lot more people will come and compete with us. We still have an advantage that we can secure most of the investments and bring other players together with us and take full advantage of the opportunity.

Carolina Millan 00:30:54

Juan Manuel, staying on Mexico, there's a growing interest from the government in having pension funds support domestic development. How do you balance those expectations with the mandate to generate returns for your clients?

Juan Manuel Valle Pereña 00:31:09

Well, I think the only mandate clearly is to maximize returns. And I think going back to the argument, if I think that keeping the portfolio—let's go five years ago that I arrived, and then we saw portfolio, how it looked then—part of the agenda was how do we reduce government exposure by doing more things? And some were quite easy. It was bringing more people into the team and getting into different options, and others were being proactive with the government. So, Antonio was mentioning Sonen—we're investors with Fondo de Fondos. We started a new project where we are investing private equity in nearshoring. We were very active with the government when the Iberdrola plants were sold. Well, part of it was sold to the pension funds. We were very active there. So, we're pushing the agenda into doing that because we understand that it's something that we have to do without taking unnecessary risks and without looking at the return as the ultimate goal. So, if we need to discuss with the government what we should be doing or how we should be framing the projects, the final objective is that we don't run unnecessary risks. And I think that's important. But again, I think we have to be very proactive on that front. It's not wait and see, but move first and be able to help the authorities to do things that are interesting for them, while at the same time, we're keeping very high our fiduciary duty to our investors.

Carolina Millan 00:32:54

And on that topic of Mexico's project, specifically where we're seeing the government speak more and more about the importance of bringing in private players on many different infrastructure projects—this one is for you again, Juan Manuel and for you, Ignacio—has the pace of involving private actors been what you expected? And what are you seeing more generally as the biggest hurdle to participating in these projects?

Juan Manuel Valle Pereña 00:33:20

Well, I think, and I will be very honest, for six years, we were out of the table. We, pension funds and the private sector. It was six years where the government had three very big projects and a lot of money to spend. The government spent all that money on those three projects. We know where we're standing now. But by the end of the previous administration, it was evident that there was no more money to do that. But you had lag of six years because nothing else was done. And not only that, in some projects where the private sector was playing, they were kicked out. And generating trust again and putting together everything, it takes time. So, in terms of the timing—I think it would have been better if it was only one year—and it has taken two years. I think most of what we need is there today. I think the rules are clear. I think the message that we have received from the authorities, both energy and finance, have been the right messages. We think there's a lot of interest and a lot of projects already there brought to the table by the private sector, both in energy, in logistics and in roads. And the final thing is how we will structure everything. We did a good job, and probably the first project was the Iberdrola deal because all the pension funds sat down with the authorities, and not only we made it happen, but also we understood what things we didn't want to see there. So, one example, if we are not comfortable with CFE operating the projects because we believe that they are inefficient, we should have something to say in terms of who has to be part of the project. I think the government is quite conscious that having operating partners is

good. So, I think what is missing at the end is that we have the first project to invest and deliver, and we are very confident that by the end of this year, that will be happening. In our case, we already have our vehicle, the new vehicle listed, the Mexico-focused vehicle, and in our analysis, we believe that half of that vehicle can easily go to infrastructure. And we have perfectly identified in ports, in energy, and in roads, some of the projects we want to be involved. And we're trying to bring also the global investors into the equation because there's far more need of capital than what the pension funds can provide. So, we believe that in working together, it will be better for everyone.

Cate Ambrose 00:36:01

And you do—

Ignacio Calle 00:36:02

—Just let me—well, go ahead.

Cate Ambrose 00:36:03

You do see international infrastructure players active in Mexico right now. We definitely—

Ignacio Calle 00:36:09

Yeah. Well, just to complement one that I was going to mention that, and your point is very relevant because what we've seen not only in Mexico but also in South America is that the amount of projects in infrastructure that we need is huge. The AFOREs or the pension funds in South America do not have enough capital to comply with the amount of projects that the governments are planning to do. And some of the points that Juan is mentioning is very relevant. First is corporate governance. We need good governance in these projects in order to enter the projects. But of course, for the international investors to enter and participate in these projects is important. So, one thing is that if the due diligence has been made by the local institutional investor, this opens the door for international investors to come. The issue is that the target internal rate of returns that these projects have—and is demanded by the international investors—are competing with projects in North America and Europe. So, this is a situation that we're seeing in the market in Latin America.

Cate Ambrose 00:37:15

Interesting.

Carolina Millan 00:37:18

Antonio, as we talk about the importance of partnering with governments, something that goes hand in hand with that is the ability to create successful partnership, no? Could you talk to us about what are some of the cases that have been successful examples and what characteristics did they have that would be good to implement going forward in other cases?

Antonio Silveira 00:37:38

You know, Carolina, when you're talking about infrastructure, there's no way to avoid some kind of planning and projecting. This is basics in almost all the sectors. In the port sector, there are some specificities, but energy, transportation, etcetera, you need to have good bankable projects. So, you need to—as this is one of the roles of multilateral development banks—is to support the generation of good bankable projects in line that we can tender it to private sector, bring in pension funds, bring in investors from abroad, and then especially for Mexico. The Spanish investors right now are really taking advantage of their relation with Latin America. There have been a lot of Spanish investing in South America. I think in Mexico, especially on the energy sector, it will be like that. But I think our best example—I will mention two. Uruguay, not only because we started an asset management in a dialog with the government planning to have some kind of PPP structure for infrastructure there, and take note that was a kind of center-left government. Uruguay is really a nice place. Center-right government don't like PPPs, center-left government like PPPs. Strange, but it's how it is. And Colombia—Colombia was work from zero to the various vintages of concessions that we started supporting Colombian government. And we have actually a really good experience there. So, this role is quite pivotal. And right now, where we are going with CAFAM, we're going with CAF on technical assistance in order to have this matching. You really need this matching to attract foreign investors. And we'll mention here—I think what Cate had mentioned, the exchange rate risk—when you're dealing with long-term investors, most of the countries you have kind of on the long run a certain matching with inflation and effects in a way that if you're not concerned with short period returns, it's, at the end of the day, a safe investment. A couple of years ago, I went on a mission with Red Eléctrica de España and the president of the board was telling me “We really do like investing in transmission in Brazil. For us, even working in euros, it's like a fixed income contract in the long run.” And not because it was indexed to the dollar or to the euro, it was because the indexation to inflation in the long run on equilibrated things. So, this is one important issue that you have to incorporate to contracts and have really good regulatory agencies too, because of all the problems that come on with long-term contracts.

Cate Ambrose 00:41:18

But I would just point out that in the environment that we're in right now, there is a big focus on stability. There's so much uncertainty. That's why we've seen this shift towards infrastructure investing from a focus on private equity, where it's more difficult to see. And when you have so little certainty in terms of where we're going geopolitically and the risks that are coming in the world and the focus on building data centers and a new energy supply, I think this is something that plays really to infrastructure's advantage

and to Latin America's advantage, that it's not necessarily just seeking the higher return, it's seeking somewhere where you can look out into the future and know that you've got an asset that's going to be a cash-generating asset—

Ignacio Calle 00:41:57

—Stream of load—

Cate Ambrose 00:41:58

—down the road.

Carolina Millan 00:42:02

I wanted to spend some time chatting about alternative investments, and I think this is a perfect segue in a way because one of the questions that we received here on the iPad had to do precisely on whether there's appetite for venture capital. And from what you were saying, we're actually seeing some of the capital rotate away from private equity, venture capital, and more into infrastructure and private credit. So, I wanted to ask you, Cate, if you could touch on that more and chat about whether this is cyclical or more a structural shift in private markets.

Cate Ambrose 00:42:35

Well, if we talk about venture capital specifically, there's been, again, a big downshift and I just looked this up this morning to make sure I was right. I mean, US venture capital fundraising is at historic lows for several years. There was an enormous upcycle up through COVID, 2020, 2021. I remember Juan Manuel was telling me that they started in 2022, which was the perfect time to come in after the peak. So, it's a very difficult environment to seek cash in and it's basically all being driven by AI today. If you look at Latin America—I think it's not necessarily that obvious that a pension fund with half a trillion dollars to deploy that venture is the most natural place—although I invite Ignacio and Juan Manuel to share what they're doing in that space. What there is a great opportunity for is next-generation family office money to be focused on that, and we definitely see—we're not talking about it on this panel, but family office—there's extraordinary wealth in Latin America, not only the pension reserves, but the family office capital that's been generated over the last 20 years. And we do see second generation from some of these families looking to get active in venture capital. A lot of times they want to do it themselves. They set up their own venture capital fund. Maybe it works out, maybe it doesn't, but it's still a good exercise of deploying capital internally. And so I think, I don't know, I'd be curious, but I think venture is maybe a slightly different space in terms of who's investing.

Ignacio Calle 00:44:07

Yeah, you're right, Cate. Basically, pension funds are very regulated in Latin America, so the glide path to investing in VCs is restricted in most of the countries. Only Chile opened the door recently to invest up to 2 percent in VCs directly. But most of the investments come—what we do is that we invest in a private equity fund. The private equity fund probably has an allocation of 10, 8 percent in VC, so that's indirectly how we invest in VCs, but not directly. And you're right, what we see in our wealth management business, we see a lot of family offices or multi—families that when we put the outsource CIO platform, some of them choose to go directly to investing in VCs. So that could be an opportunity in LatAm for families. But institutional, I see it very restricted in our case.

Juan Manuel Valle Pereña 00:45:02

So, in our case, when we built our portfolio, we got two global advisors—and given the demographics we have the youngest demographics in Mexico—and given our exposure to everything else, the conclusion was that in our private equity, private markets allocation, we could go up to 10 percent in venture capital, and that's what we have done. So, we have most of that exposure outside Mexico, but even in Mexico, we do credit, we do real estate, and the other thing that we saw as an opportunity was venture. And for many reasons, the fact that venture had been better performing class than grow and buyout probably has to do with the fact that the exit for companies in venture funds is broader than only doing an IPO. So, if they are very, very successful, they can do an IPO in the US. But if not, there are a lot of very large strategic players in Mexico or players that are interested in Mexico that can take advantage of the venture, the exits that are in Mexico and many times are in Mexico towards Hispanic LatAm. So, we do have an exposure also in venture in Mexico, not only globally. And we think that we can continue more or less with that exposure in the next years.

Carolina Millan 00:46:21

Juan Manuel, can you tell us briefly about some of these VC opportunities that you have been investing in?

Juan Manuel Valle Pereña 00:46:27

Excuse me?

Carolina Millan 00:46:28

Juan Manuel?

Juan Manuel Valle Pereña 00:46:30

Oh, I didn't hear the question.

Carolina Millan 00:46:31

If you could double click on what you were just saying about some of these VC opportunities where you have seen opportunity.

Juan Manuel Valle Pereña 00:46:38

Well, in particular, GPs, Mexico, we are investors at High, we are investors at Angel Ventures, we are investors with High, Angel Ventures, Ignia and—I forgot the last one—and Cometa. Those four, we are investors with them. We are investors in the impact fund with Fondo de Fondos, and then globally, we have five investments in very important venture funds. Luckily, by the time we entered was a time when they were willing to receive our resources. Probably in any other time, we would not have been able to put money with them. And we have a couple of funds of funds that do investments in smaller venture firms, and they also do co-investments with them that we will not be able to do directly.

Carolina Millan 00:47:30

Ignacio, SURA also had a really interesting move this year, taking a stake in Banamex.

Ignacio Calle 00:47:36

Mm—hmm.

Carolina Millan 00:47:38

So, is this kind of private transaction taking a bigger role in your overall strategy?

Ignacio Calle 00:47:42

It is. Basically, it was a very interesting transaction. We acquired from CD 25 percent of Banamex, a transaction marked at \$2.5 billion. And it was very interesting because basically what we did is an alliance with a couple of asset managers here in the US with some Mexican families. And rapidly, we were able to put in place a due diligence with a very good data room, and we were able to participate in that

transaction. What we see looking forward is that we're looking also for this transaction. So, in the region you don't see very big GPs in private equity that are participating in the market. So that for us is an interesting role that we can look for targets that we can invite international investors to participate in this type of transaction and create alpha for our portfolios. And the way to exit is one of the things that you mentioned. We need to promote more companies to go into the market and increase the number of IPOs that we need in Mexico and also in the region, in the rest of the countries in South America.

Carolina Millan 00:48:48

Mm—hmm. Antonio, so one of the big things we've been talking about is mobilizing capital into infrastructure. What are some of the key barriers to channeling more local pension and capital into infrastructure? And how is CAF helping to bridge that gap?

Antonio Silveira 00:49:03

Well, first of all, regulation. Each country have regulation for pension funds and how they have a prudential approach to investments. So, Brazil, for example, there's a huge bias for infrastructure because the big pension funds were connected to SOEs in the past. Some of them are already privatized. On the first round, they went to privatization, the second round to expansion and infrastructure. The other thing that's quite important is the financial equation of each sector in infrastructure. When you go electric sector, it's almost done, especially on generation transmission. So, it's kind of low-hanging fruit, if I can call it that. Although projecting is challenging in a lot of ways—especially with environmental and social issues.—but the basic equation of the sector, it's already done. IT telecom, it's another beast. This is completely crazy with technology advancement. So, this is a very challenging environment. And there's always this kind of struggle with the big listed companies and the new incomers. So, most of the systems that I know have already a lot of barriers for this more risky. As Juan was mentioning Mexico, in VC, they have 10 percent of what they can do in private sector as a window for VC. Sometimes the regulation will put a barrier there. So, part of the sectors deal with this kind of thing of the financial equation. But at the other side, contract enforcement is basic all around. We were, on the morning, having a discussion on investors' view for Brazil, and everybody was in agreement that okay, in Brazil, we really don't worry with political risk. And this is a huge variable. Political risk is a reality, and have good institutions that deal, especially on the infrastructure side, but not only. You have a tariff for the market and a good central bank or building blocks, to have some confidence from international investors to go in different kinds of investment. Can go directly to equities, etc. But still as a fact, you have good institutional arrangement. You have big pension funds, and connected to that, a fund industry. This is the basic for attracting foreign investors to almost all business in the country. This you see in Brazil, you see in Mexico, you see in Colombia, in different degrees of course. But Chile is, I could almost say is outlier there because Chile is on this path for the last 40 years. Yeah. So, you're front runner on them.

Carolina Millan 00:52:56

I'm going to combine a question that I had with some that we received from the audience about what asset classes are of interest right now. What we were getting from the audience is incorporating the geopolitical outlook and whether that has made certain asset classes in Latin America more interesting. So, I think this would be more for you, Ignacio, and for you, Juan Manuel, what asset classes in Latin America you're looking most at. And then we also had one about whether there's an asset manager in the US that you're working more closely with to partner with or to invest in their funds. Maybe we'll start with you.

Ignacio Calle 00:53:19

Okay. So, in essence, when you take the entire portfolio of SURA Asset Management, we managing \$240 billion. 60 percent of that is invested in LatAm. 40 percent is invested outside LatAm, mostly US and selected Europe, small part in Asia. And then the 60 percent that is invested in LatAm is our prop desks, the different trading desks in LatAm. Roughly 55 percent is fixed income, mostly government denominated in local currency and securities, and then a small part in equities in LatAm. Then the other 40 percent, we invested via managers with long-term relationships that we have. And basically, what we did is that we divided the relationships for markets, in which we have investors that invest in equities and FX, and then other type of managers that invest in alternatives. Our alternatives program today is at \$32 billion, mostly for asset classes private equity, private debt, infrastructure, and real estate. So that's the way we have the allocation right now and it's divided with long-term relationships outside the LatAm, and we do it internally for the investments in Latin America.

Carolina Millan 00:54:48

And in your case, have you been making changes because of the geopolitical situation? Around the world?

Ignacio Calle 00:54:55

Well, in essence, we have been reducing the exposure to some of the equity markets in the US in Europe. We see opportunities, as Juan was mentioning, fixed income in LatAm is increasing given the rates. So, we're overweighting fixed income in LatAm. And then for private credit—that has been in a turbulence recently—we see opportunities with good managers outside LatAm. And also we have our own GPs that are investing in private credit in Latin America. Latin America right now is at \$1 trillion in terms of private credit, and is an asset class that is growing fast and without the issues that we see here in the US.

Carolina Millan 00:55:45

Mm—hmm.

Cate Ambrose 00:55:46

And—

Carolina Millan 00:55:47

—Oh, go ahead.

Cate Ambrose 00:55:48

I just want to double down because we've been talking a lot about infrastructure, and private credit has been the other asset class within private markets that has grown dramatically, and Latin America is a great opportunity there. So, and we saw from the GPCA data, record amounts of private debt investment in Latin America in 2025.

Carolina Millan 00:56:07

Juan Manuel, and in your case, have you been adjusting the portfolio based on what's going on in the world?

Juan Manuel Valle Pereña 00:56:13

Not necessarily a big adjustment. Probably the most important one is if we see Europe, we have seen more opportunities in private equity, mid-market Europe, and less opportunities in public equities in Europe. We didn't have any exposure to Middle East investments, so there was no consideration there. And we still believe that in terms of global equities, the conditions for the US to continue driving the returns are there, with certain adjustments in the sectors. And if we look at the largest part of our portfolio, that is Mexico, the strategy will continue very similar to what we have done, going more and more away from government securities as we grow larger. Not necessarily in nominal, we will continue having a large exposure, but some of the incremental capital will go more to private credit, to real estate, and to infrastructure mostly. And that's where we think we can get good returns in the following years.

Carolina Millan 00:57:14

Something that is present in all of the countries in Latin America, to varying degrees, is the size of the informal market. No? That is definitely something we see across the board. And of course, while Latin America has a demographic tailwind, that also creates a challenge for pension systems that are feeding on the funds from workers. So, do you consider that to be a risk, and what can the systems be doing to incorporate more of that informal market? Open that to the floor.

Ignacio Calle 00:57:48

Well, definitely it's an issue in Latin America—except for Chile and Uruguay—most of these countries, they have 55 percent, 60 percent informality rates. And it's a significant issue. And what we see with our clients is that they come in and out of the formal market in time, especially women. Women have two significant moments, birth rates and also when women are between 40 and 45 years old, the person that takes care of the children dies, which usually is a grandmother or the grandfather, and that's when the mother gives up one of the two jobs that usually they have. When we see the types of families that we have in Latin America that are more like than 12 types of families, the first type of family with the most numerous families, the mother with one child, a mother with two children, and then starts the other type of families. So, the problem that we see is that in SURA, on average, a woman saves in the formal market 15 years. 15 years retires, depending on the jurisdiction, between 57 and 62 years old. Then, longevity that we discussed yesterday is basically we have mortality rates for females at 84, 90 years old. So, it's impossible for us in 15 years to create a good pension for women. So, this is something that we're promoting to change regulation because basically women retire five years before men, and this is something that we want to adjust in the pension systems in Latin America. And the other thing that we are implementing is that for the informal market or for people who do not save, is that we have voluntary pension funds. In some countries, they have tax advantages, and basically they can save in the payroll, starting at \$5 and then create a complementary pension for that. So those are the types of examples that we're doing—and also with digital platforms—we're creating mechanisms for people to save, even if they're not in the formal market. But to tell you the truth, I think the best pension reform that you can do in Latin America is a good labor reform. Labor reform with more flexibility for people to enter the formal markets.

Carolina Millan 01:00:10

Mm—hmm. Anybody else?

Juan Manuel Valle Pereña 01:00:12

I think communicating people a lot. Now that you have a lot more access to the individual, that you have the information, you can make a strong case. At least in Mexico, if you retire without contributing 1,000 weeks in the pension system, you will get \$170 per month. If you are able to manage to get to the 1,000 weeks, you will get the \$170 that is for everyone plus \$190 up to \$500. So, with numbers, you can make a stronger case that working in the formal sector, at least for 1,000 weeks, is the best solution. And I don't imagine any other way of doing it as doing it with pesos and cents, that it's a lot more easy for people to understand.

Carolina Millan 01:00:56

Mm—hmm. Yes?

Antonio Silveira 01:00:58

Just let me pick up here. As Ignacio mentioned, this idea of labor reform. Brazil went into a very aggressive labor reform, and part of that impacted on the pension structure. Why? Because right now you can have a one—person enterprise. Okay, all the journalists, all the medical doctors, etc. can go that way, but even a shoe seller can be contracted that way. So how to deal with this situation? It's a question mark. But for going through this issue, informality I think, beyond recognizing the types of informality one way to go at it is bringing people into the banking system. And this can be a revolution, because when people start to have banking accounts, they start to deal with banking accounts, they start to have access to credit, and then you can sell some products. Especially insurance companies can fill a gap, not only in the kind of unemployment insurance, but eventually to pension on the long run. I think this can be a path.

Cate Ambrose 01:02:23

Great. Nothing to add, so—

Carolina Millan 01:02:24

Great.

Cate Ambrose 01:02:25

Very well said.

Carolina Millan 01:02:26

I thought I would close on a forward—looking note, and we'll do it as a lightning round since we're almost out of time.

Cate Ambrose 01:02:32

Where—

Carolina Millan 01:02:33

Which is, if we sit here again in five years, what do you think will be the biggest change: Will it have to do more with regulation, with allocation, with the role funds are taking in society? Why don't you start?

Ignacio Calle 01:02:46

I would say role and allocation. Cate mentioned it before. When we take the pension funds in Latin America, ex-Brazil, we are today managing \$1 trillion. The CAGR that we see in the next five years will be around 10 to 12 percent. So that means that three quarters of a trillion will be coming in five years. That's \$1.75 trillion that we will have in Latin America in the pension funds, and we will be managing. So, \$750 billion will need to be invested, not only in domestic markets. We're too big for the domestic market, so we will be looking for money outside in the international basis.

Carolina Millan 01:03:28

Mm—hmm. Cate?

Cate Ambrose 01:03:29

Maybe I would just say I think the financial services sector has an enormous role to play. In many ways, Latin America is at the forefront of FinTech. We have banks like Nubank. Brazil is at the forefront of regulation with blockchain, and as was just being referenced by Antonio, that's a wealth generator. So, the more that we see participation in the pension fund system, the participation in FinTech, and that money going in, the more wealth will be created for the next generation.

Carolina Millan 01:03:56

Mm—hmm. Antonio?

Antonio Silveira 01:03:58

I will go completely another way. What I will not be willing to discuss in five years the architecture of multilateral system because it affects all of us. Hopefully, we do not have to discuss this further.

Carolina Millan 01:04:16

Mm—hmm.

Juan Manuel Valle Pereña 01:04:18

Hopefully, instead of seeing in Mexico 65 percent allocated to fixed income, we will see 40 percent. That means that we did a very good job in everything else, and engagement of the people. If we get the individuals engaged, it will be a fantastic thing for the pension systems.

Carolina Millan 01:04:35

Mm—hmm. Well, thank you Cate, Antonio, Ignacio, Juan Manuel. Thank you for joining us.

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