



Validus Risk Management speaking at the UN General Assembly to highlight currency issues in Emerging Markets

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Francois Scheepers, one of the founding partners at Validus Risk Management, was invited to speak at the United Nations General Assembly on September 27th.

This panel session, organised by Sarona Asset Management and The Centre for Global Health and Diplomacy (GHD), gathered private equity firms and senior government representatives to discuss concrete examples of innovative partnerships to advance the United Nations Sustainable Development Goals (SDGs).

There is general agreement among the global investment community that Emerging Markets (EM) countries represent significant investment potential. As of mid-2017, there was approximately \$500 billion in EM assets under management by private equity firms. Factors that have influenced a recent pullback from investment in EM include increased risks from political unrest and currency volatility.

The panel debate focused on key issues preventing private equity investment in Emerging Markets, experiences from investing in those regions and how new models of financing can be used to create not only financial but also social returns on investment, as well as improve coordination with private equity firms, governments and public-sector agencies to help achieve the SDGs.

Francois Scheepers talked about currency risk as one of the biggest issues preventing investment in EM by private funds who otherwise would be interested in deploying capital there. Mitigating this risk is extremely difficult, either because it is too costly or because in some countries no financial instruments exist to directly hedge local currency exposures.

Scheepers described how Validus has developed a possible solution to this problem by using a dynamic proxy hedging approach. This methodology was originally developed as part of a joint initiative with Sarona Asset Management, EMPEA and Crystalus Inc, with support from USAID. The panel discussion created a great deal of interest among public-sector agencies and private equity managers who are keen to support a solution that will help advance a market-ready solution that can potentially lead to billions of dollars of new investment into Emerging Markets.