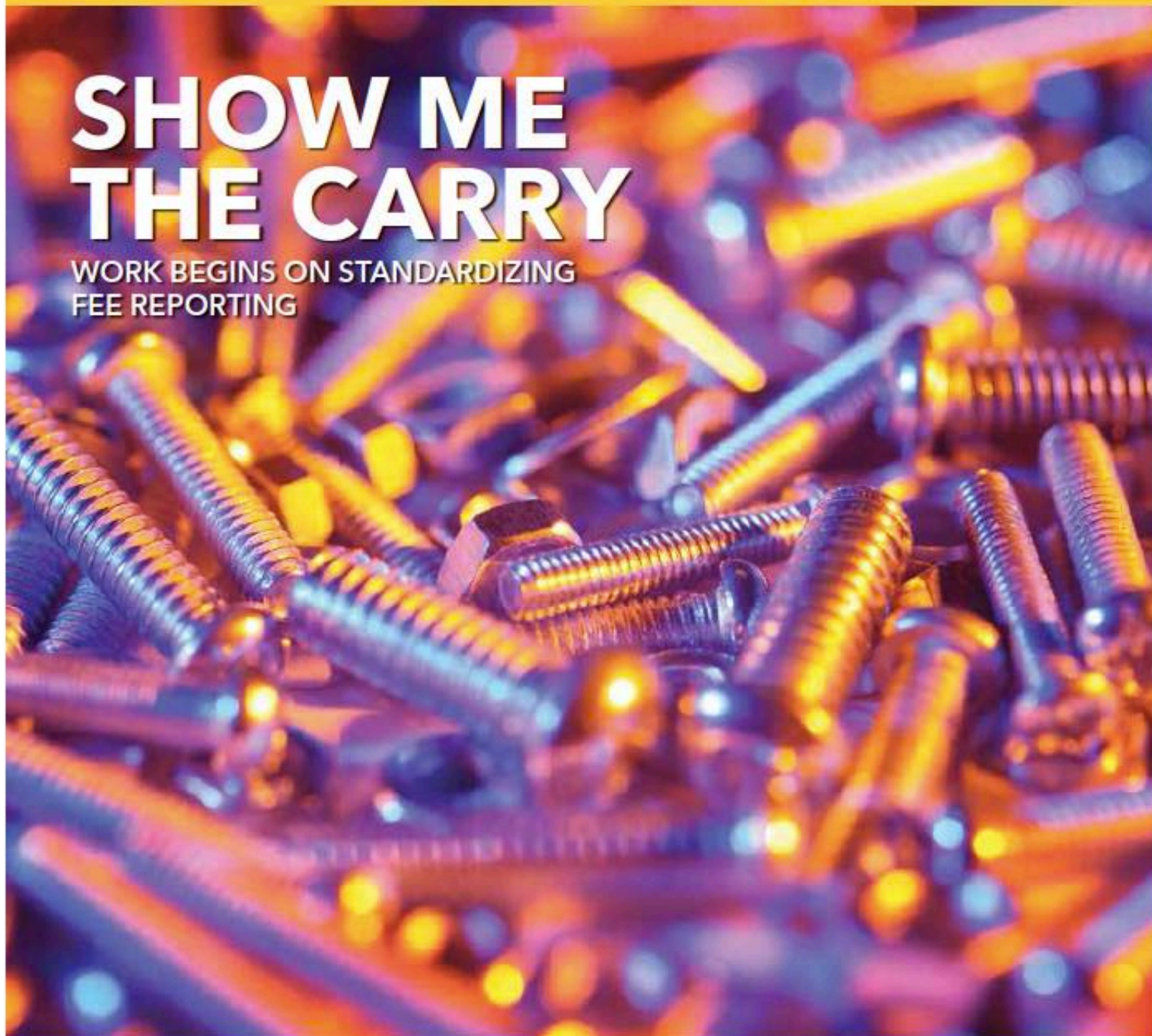


pfm

private funds management

SHOW ME THE CARRY

WORK BEGINS ON STANDARDIZING
FEE REPORTING



CYBERSECURITY INSURANCE

Are the policies worth
the cost in PE?

KNOWN UNKNOWNNS

A special report on
risk management

HELLO CUBA

Is the island state
ready for PE?

Assessing the landscape

Contestant:



Jonathan Blue
Managing director
Blue Equity

The challenge:

Following a half-century of hostility, relations between the US and Cuba are finally warming up. Last month, full diplomatic relations between the two sovereigns were restored, and in May, the US government removed Cuba from the list of nations that sponsor terrorism. But considering that the US has yet to lift a crippling trade embargo, should dealmakers reserve their enthusiasm for new hunting grounds in the large island state of 12 million?

Jonathan Blue's response:

Let me begin by saying the acceleration at which relations are easing between the US and Cuba is a welcome surprise. Here at Blue Equity [a Kentucky-based private equity firm] we've recently set up a Cuba team. We have three people in total researching opportunities in the country, in some ways by using the business contacts I've cultivated there after numerous trips to explore Cuban art and culture. I now regularly travel there in search of market openings, of which I believe there will be many.

But here's the thing: Cuba is slowly opening, but we've still got some ways to go. There are only a few sectors a private fund manager could even begin thinking about investing in if entering Cuba. As far as most promising sectors, legal importation of certain products, including agricultural, as well as companies involved with bringing US travelers to Cuba. Another area of heavy focus is biopharmaceuticals and health care research. But later-stage private equity deals are not even on the radar. The good news

though is that Cuba has been taken off the US list of state sponsors of terrorism, which opens up new banking opportunities and some credit flow between the two nations.

For private equity to have a real shot of flourishing in Cuba, which I should mention is less than 90 miles away from the US, we need full removal of the embargo. And even if that happens, it's important to remember that you will in one capacity or another be partnering with the Cuban government to conduct deals, which is its own kind of risk. An investor should keep in mind that in some permissible areas of investment that the government becomes an equity or joint venture partner.

Taken all together, we are receiving a myriad of investment opportunities through our vast network as well as from other private equity firms looking to capitalize on the changes announced on December 17 as well as the recent embassy openings. We also continue to see much interest from firms in foreign countries now looking to capitalize on the recent surge of US travelers to Cuba. Things are beginning to move fast. ■



Embassies reopen in Cuba and the US: PE takes notice