

## FOCUS THREE: MEXICO'S MANUFACTURING VALUE

Digging deeper into emerging economies

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**In 2014, the Mexican real estate market represented 12% of Mexico's GDP.**

Mexico is an under-gear economy with the potential for improvement of its manufacturing export industry given the cost competitiveness, even versus China, and its proximity to the United States. President Peña Nieto's mandate to drive investment should also help the country's industrialisation in the long term, which will in turn support the real estate sector.

In 2014, the Mexican real estate market represented 12% of Mexico's GDP, and its output is expected to reach USD 141.9 billion in 2018, compared to 110 billion in 2012, meaning growth of 30%<sup>(1)</sup>.

The Mexican industrial real estate companies, called "Fibras", benefit from the country's highly competitive manufacturing sector, the key driver of economic growth. Rents are often denominated in USD (between 75% and 95%) and industrial rents are still low compared to Latin American peers, which demonstrates that there is still space for future growth.



Source  
 Left: Carmignac, INEGI, Morgan Stanley Research, 30/06/2015  
 Right: Carmignac, Bloomberg, ILO, BLS, SHCP, Morgan Stanley Research, International Monetary Fund, June 2016

## Our picks

### Fibra Macquarie

**Fibra Macquarie** is a company specialised in the leasing and the management of industrial real estate properties in Mexico. The company owns one of the largest portfolios of industrial property with 274 industrial and 17 retail properties, with a high exposure to the booming Mexico and US geared auto industry. The company offers an attractive dividend yield of 8.3% for 2016, expected to reach 8.9% in 2018. As most rents are in USD, this is almost equivalent to a >8% USD dividend yield. We acquired a stake in the company at the end of 2013 and currently hold the position in **Carmignac Portfolio Emergents**.

### Fibra Terrafina

In September 2013, we bought **Fibra Terrafina** in **Carmignac Portfolio Emerging Discovery**. The firm manages more than 200 industrial facilities, which represents around 5% of Mexico's total industrial real estate market.

The company has high quality and relatively new assets, mainly in the manufacturing segment with long-term leases and high renewal rates (close to 91%). It has an experienced management team with a track record of sourcing accretive acquisitions.

Terrafina offers compelling financial metrics with consistently high dividend yields (estimated at 6.6% in 2016, 7.8% in 2017). In addition, the company benefits from the weakness of the Mexican peso, as 97% of its leases are denominated in USD.



## Previously

[Focus one: Brazil's growing insurance penetration](#)

[Focus two: Building on Asia's Economic Development](#)

[Carmignac Portfolio Emergents](#)

[Carmignac Portfolio Emerging Discovery](#)

[Carmignac Portfolio Emerging Patrimoine](#)

Promotional Material

(1) Source: World Bank, Oxford Business Group, PWC Research (2014).

Source: Bloomberg, World Bank, Morgan Stanley 2015.

Fibra Macquarie source: Bloomberg, JP Morgan Research, EM Advisors Group, Fitch Ratings July 2016.

Fibra Terrafina source: Bloomberg, JP Morgan, Barclays Research, April 2016

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