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Extraordinary Achievements

Drawing on more than an aggregated 100 years of local investment experience in the Brazilian market, Prudent Group, through its innovative Prudent Investment Fund (PIF), offers investors a unique opportunity to move into this dynamic market. Having recently been awarded the firm Most Outstanding Hedge Fund Manager – 2018, we profiled it to find out more.

Since 2014, Prudent Group has been managing the PIF and managed account relationships, and has flourished from a small enterprise into a renowned bastion of hedge fund management.

Initially, the focus was capitalizing on inefficiencies within Brazil's capital markets and more specifically the daily challenges that Brazilian small to medium-sized enterprises (SME) face in respect to funding their working capital needs. Unlike their counterparts in the developed world, access to working capital is significantly restricted and costlier throughout Brazil. While the top tier of Brazilian companies readily has access to traditional banking services, even the highest-grade credits can expect to pay 10% per annum.

For SME's, the cost of a bank line can be prohibitive and reach up to several percentage points per month. Part of this is due to the lack of competition, with the top five banks effectively controlling access to lending and focusing mainly on servicing the needs of the largest corporate entities.

This lack of competition and the inherent inefficiencies have led to the emergence of a robust alternative banking market, mainly through the development of the Brazilian receivables financing market, whose size is now estimated at around US\$500Bn per annum. Short-term financing through the discounting of receivables (purchase orders), is nothing new in the world of trade finance, but the opportunity to enter this market in Brazil and offer a product to global external fund investors, is something that has taken the Prudent team many years of planning and careful implementation.

From the very beginning, the success of the venture has been based on attracting the best possible talent and building a unique operating platform. From modest beginnings in 2014, Prudent Group has expanded to three offices in Sao Paulo, one in Rio de Janeiro, and one in Porto Alegre boasting a local staff of approximately 150.

Over the years, the firm's investment process has been centred around a banking model, with fail-safe levels of credit checks, transaction monitoring, and over-collateralization. All of the firm's lending is short-term in nature, with loans on average maturing in 60

days. The loans are backed by the balance sheets of both the borrower, and the final purchaser of the product. Prudent does not rely on third parties to originate or purchase loans, instead their sales teams identify and recruit only the borrowers that meet their strict credit standards, after an exhaustive due diligence process.

Once these criteria have been met, only then will these candidates be short-listed and presented to the firm's credit committee. Because of the over-collateralization of these loans and the group's meticulous risk control process, its default rate has been marginal. This process has resulted in a four-year audited track record with mid-teens returns in U.S. dollars and no monthly drawdowns in the Luxembourg-based Diversified Corporate Lending Fund.

This consistent performance has led Prudent Group to be recognized as a serious player in the emerging markets credit space. The group's concept, has now been validated, not only evident by its growing AUM in the Diversified Corporate Lending Fund, but also with Prudent recently being awarded a market leading institutional mandate. This recent mandate speaks not only to the unique nature of their product, but also the barriers to entry into this credit niche. Effectively without a significant presence on the ground and a local infrastructure in place, it would be almost impossible for international investors to successfully enter and profit from the Brazilian receivables market without a local partner.

Having established a strong foundation, with total committed assets of over \$500mm, with an experienced local team in place, Prudent is pleased to offer three new strategies in 2018 through vehicles aimed at capturing the domestic US investor, as well as the offshore marketplace.

As Brazil emerges from the worst recessions in its history, many companies have been adversely affected. The Prudent Mezzanine Fund will provide both working capital and operational expertise to these companies to re-establish themselves in the marketplace and bring their operations back to, or even beyond, previous levels.

Currently merchants (stores, service providers, etc.) wait 30 to 45 days to receive payment from a credit card transaction, creating a significant strain on their working capital position. The Prudent Payment Processing Fund aims to streamline these inefficiencies by advancing funds to merchants to bridge the gap between their customer's transactions and the merchant being reimbursed.

Given Prudent's significant direct lending experience in its existing fund vehicles, North America presented a logical expansion of its fund business. Prudent has identified multiple borrowers that have existing financing needs for planned growth within North America. The Prudent North American Opportunities Fund; aims to provide financing for businesses in three distinct sectors that offered realizable collateral – such as earned receivables with end payors that have strong credit quality.

With these additional products and a fully staffed team in Brazil, Prudent Group are now ready and look forward to the next phase of their expansion. To effectively serve the new offerings, Prudent has substantially expanded their investor relations team through the addition of several seasoned and accomplished professionals. This dedicated teams aim is to effectuate the operations necessary for the new offerings, in addition to supporting the needs of current and new investors as they become part of the Prudent family. They are led by two individuals who will utilize their distinct experience to offer unparalleled expertise and service to the firm's investors.

The first of these is Rob Jurgens, a seasoned finance professional having worked both in the United States and internationally in Senior Management positions at many major financial institutions. Most recently, Mr. Jurgens worked with UBS as a portfolio manager for foundations, UHNW individuals, and family offices. Prior to that, he held Senior Management positions at Morgan Stanley, Thompson, Siegal & Walmsley, Jacobs Asset Management, Nomura, and AIG.

He is supported by Michael Mahar, who brings over 10 years of professional experience including fixed income trading and business development. Most recently, he was with Brevet Capital in New York, an alternative credit manager, where his primary responsibilities were fundraising and investor relations for global asset managers, pension funds, endowments, and large family offices. Mr. Mahar has mainly held roles assisting in the development of new business and ongoing client interfacing. He holds a degree in Business Administration with a focus on Finance and Management from Georgetown University.

Together Mr. Jurgens, Mr. Mahar, the investor relations team and the existing infrastructure at Prudent is excited for this next chapter in their growth, and are looking forward to emulating the success they have experienced since inception.

Company: Prudent Investment Fund

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