

Financial implications of the Argentine tax amnesty's alternatives

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Agenda

- Tax amnesty alternatives
- Internal rate of return
 - Additional considerations
- Analysis
- Conclusions

2016/7 Argentine tax amnesty alternatives

10% special tax rate in 2016

15% special tax rate in 2017

10% if paid in kind with BONAR 2017 or GLOBAL 2017

5% special tax for real estate

0% if invested in closed ended mutual fund oriented to real economy projects:

Infrastructure

Production oriented investments

Real estate

2016/7 Argentine tax amnesty alternatives (cont)

3y bond (USD)

0% coupon

Non transferable

Non negotiable

7y bond (USD)

1% coupon

First 4y:

Non transferable



2016/7's tax amnesty alternatives (cont)

Assets	Year	Target	Amount (USD*)	Tax rate
Local and foreign currency, stocks, bonds, and other assets	2016	Any	> 50k	10%
		5y mutual fund		0%
		3y bond		
		7y bond		
	2017	Any	2017 bonds	10%
Real estate	2016/7	Any	> 20k	5%

* approximately the USD equivalent to ARS brackets

Alternatives' Internal Rate of Return comparison

year	3y bond	3y portfolio	5y mutual fund	5y portfolio	7y bond	7y portfolio
2016	-100.0	-110.0	-100.00	-110.0	-100.0	-110.0
2017	0.0	4.2	5.50	5.0	4.8	5.7
2018	0.0	4.2	5.75	5.0	4.8	5.7
2019	100.0	104.2	5.75	5.0	4.8	5.7
2020			5.75	5.0	4.8	5.7
2021			105.75	105.0	4.8	5.7
2022					4.8	5.7
2023					104.8	105.7
IRR	0.0%	0.8%	5.7%	2.8%	4.8%	4.0%

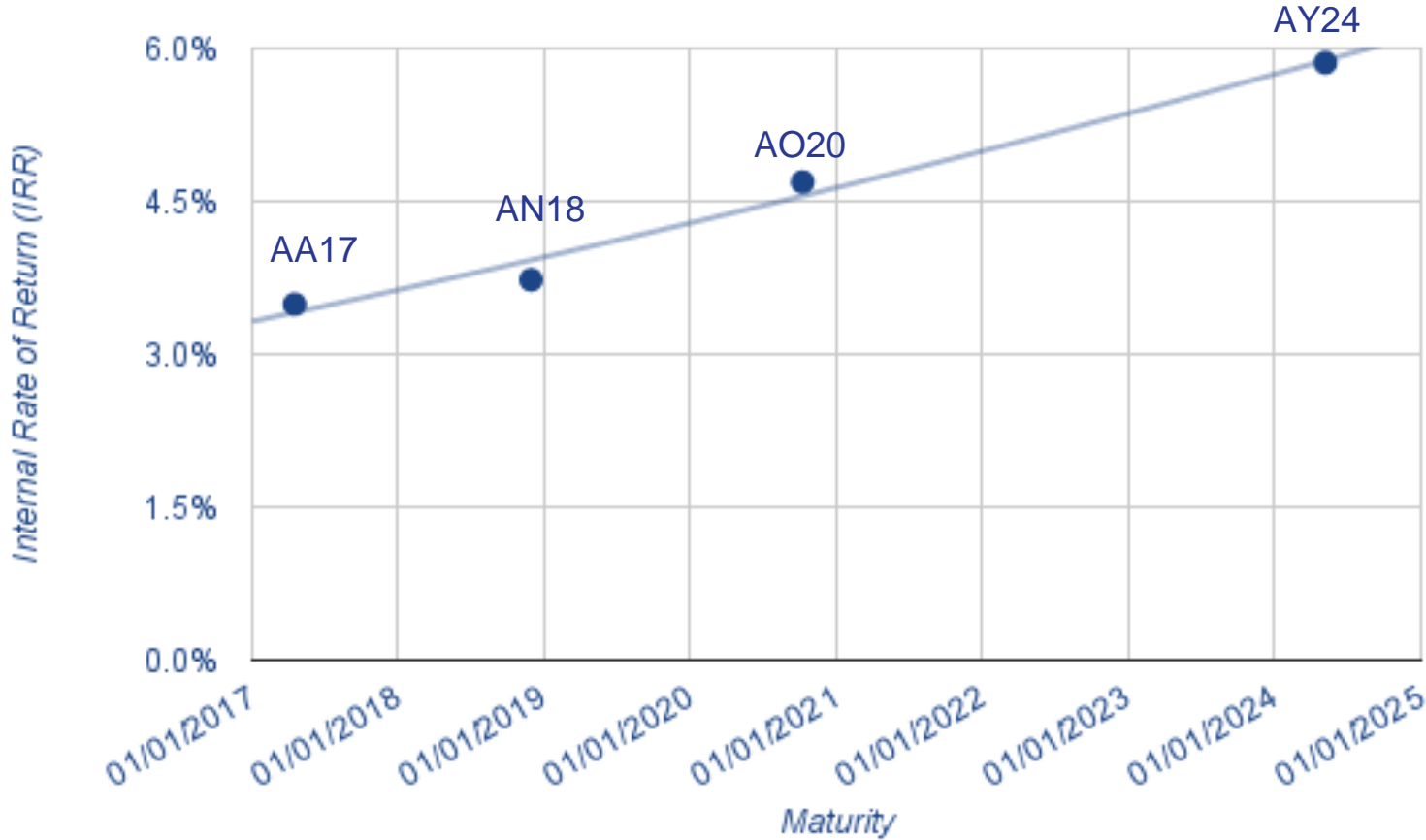
7y 3x bond held for only 4 years face discount

year	1/3 7y bond	2/3 7y portfolio	total
2016	-100.0	-200.0	-300.0
2017	1.0	6.4	7.4
2018	1.0	6.4	7.4
2019	1.0	6.4	7.4
2020	87.9	206.4	294.3
2021			
2022			
2023			
IRR			1.4%

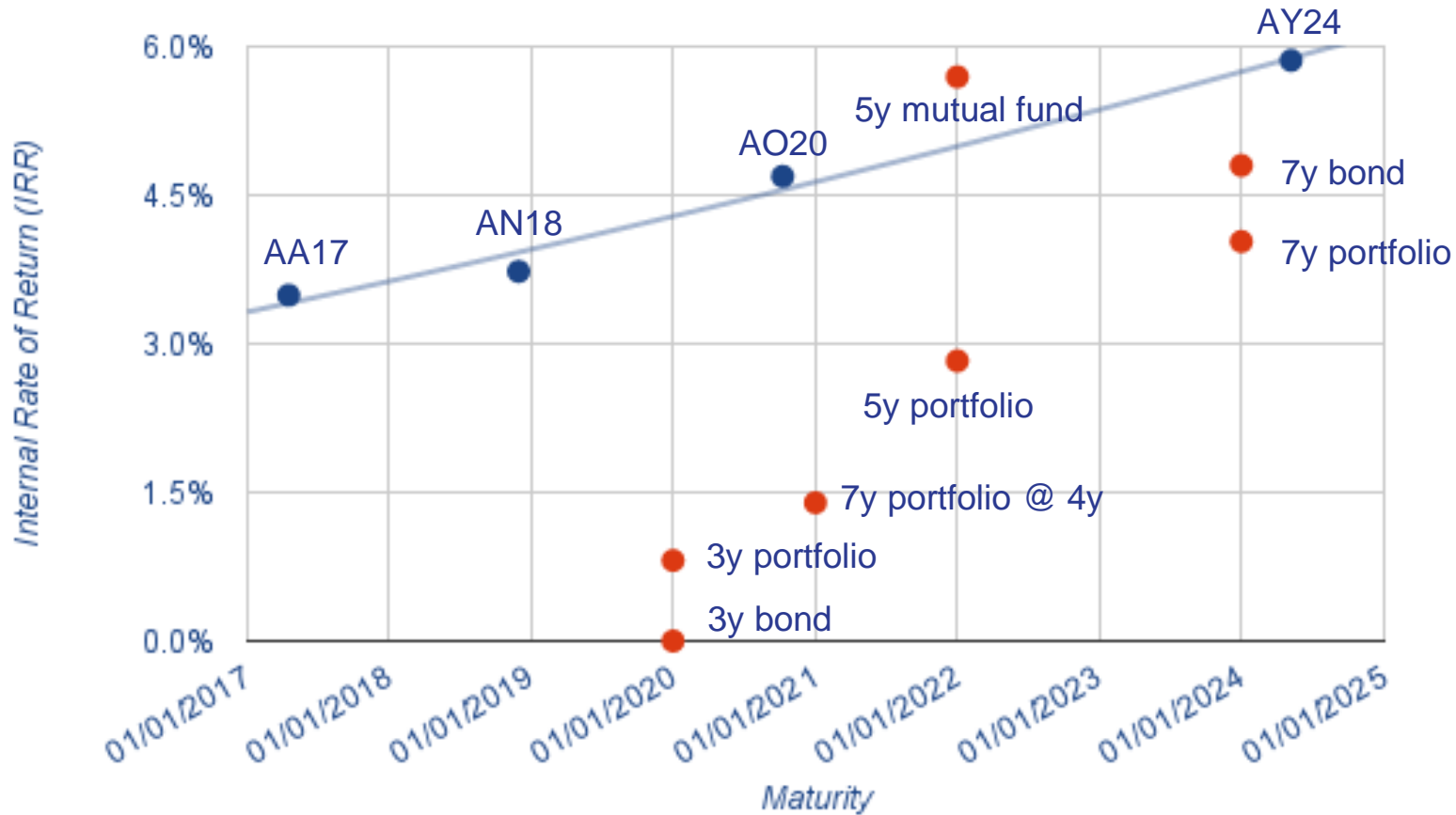
discount rate = 4.8%



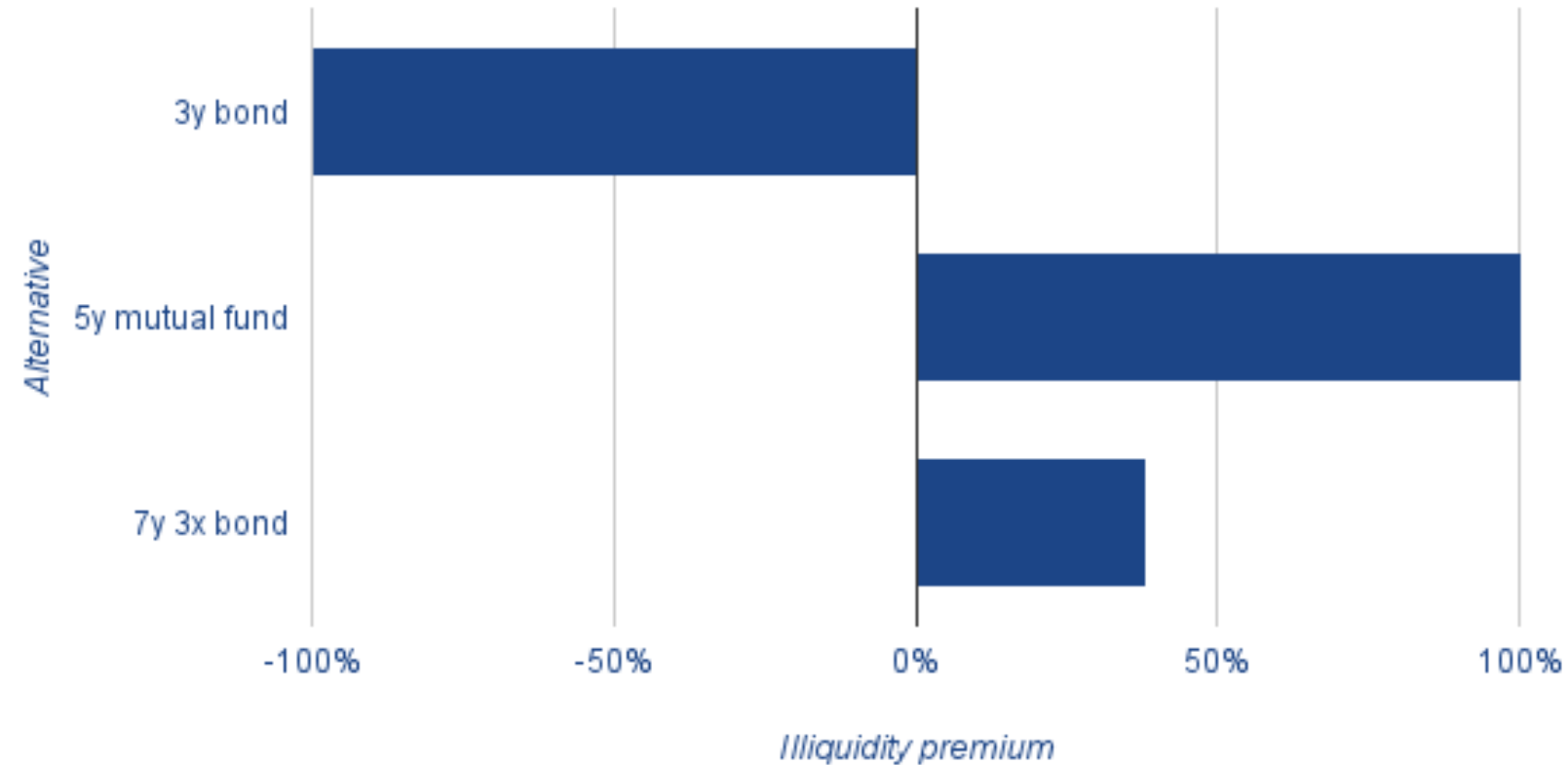
Internal Rate of Return (IRR) and maturity



Internal Rate of Return (IRR) and maturity



Illiquidity premium in each 0% tax rate alternatives



Analysis

3y bond delivers lower return than the portfolio alternative

It has a negative illiquidity premium!

5y fixed income mutual fund delivers a better performance than the portfolio

Return premium is 101% of the comparable portfolio!

Illiquidity

Minimum investment is USD 250k

Risk concentration: just one developer/counterpart, few projects per mutual fund

Riskier projects

Conclusions

3y bond adherence is expected to be low, given the poor incentives

5y mutual fund enjoys the best regulation benefits, probably given to balance all the constraints this alternative has

Success is uncertain as the regulation burden is high

Future positive externality: relaunching closed ended funds engaging real and financial sectors

7y 3x bond might be an interesting alternative for longer term investors willing to keep the bond until maturity

Investor may keep their investment views and strategies for up to $\frac{2}{3}$ of their assets

Q&A

Thanks!

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