




## Serving the mid-caps

12 January 2006

Middle market private equity investors in emerging markets are revving up their activities. While this group has historically been largely overlooked by service providers, one newly launched law firm is seeking to fill that gap. By Judy Kuan.

Last year's splashiest emerging markets news may have involved the activities of the large global buyout firms making investments of over \$100 million – or even \$1 billion – in size. However, operating below the surface are a significant number of middle market private equity firms that are either investing in or investing from Asia, the Middle East, Latin America and Africa, and some service providers to the private equity industry are showing greater awareness of – and interest in catering to – this growing group of investors.



*Schwartz: betting on emerging markets*

One such firm is New York-headquartered [Schwartz Law Firm LLC](#), whose launch was officially announced just last week and whose founding partner is betting that the time is ripe for emerging markets private equity. According to [Kenneth Schwartz](#), formerly the head of [Grant Herrmann Schwartz & Klinger](#) law firm's Latin American private equity practice (although not the name partner of the firm), Schwartz Law Firm will "focus on emerging market firms with US needs and US middle market firms with emerging market needs."

While the market for large takeover deals is very well served by elite firms, "there is a gap in the middle market, creating an underserved market that does require sophisticated international counsel," says Schwartz.

For now, the Schwartz Law Firm operations will focus mainly on Latin America, with interest in exploring opportunities in Africa and the Middle East. The firm may also eventually expand into Asia, although according to Schwartz, the legal services market there is fairly saturated already.

In conjunction with the new law firm, an affiliated emerging markets-focused consulting firm – [Schwartz Global Consulting](#) – is also being launched to provide specialized emerging market consulting services. The consulting arm, to be run by Middle East consulting expert [Habib Gherab](#) and former [Deutsche Bank](#) investment banker [John Urquidi](#), addresses the reality that investors typically require much more than "purely legal memoranda" when looking at investing in emerging markets, says Schwartz.

In terms of the rationale for targeting emerging markets as a whole, "obviously there are different legal and cultural individualities within each country, but when you are working with countries coming on to the private equity scene for the first time, there is an educational process," says Schwartz. "There are expectations by fund managers and entrepreneurs on the ground, and there are expectations from

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the global investment community too. The bridging of these relationships has a lot in common, regardless of the region.”

Emerging markets do have more inherent challenges for investors, but still, success is possible and becoming more common, particularly in places like Brazil, South Africa, and parts of the Middle East. “The way that successful investors seem to have reduced [country, legal and political] risks is by focusing on particular sectors that promise stronger growth and have some insulation from external factors,” says Schwartz.

Overall, Schwartz is bullish on the potential of emerging markets private equity. “I think all emerging markets have been enjoying tremendous injection of growth from the demand generated by China and India,” says Schwartz. “We have achieved a new level of global integration that is changing the political and economic calculus, and private equity is going to play a key role in emerging markets.”

It has been said that service providers, given their intimate knowledge of the current needs and inquiries of their clients, are often a bellwether for market activity. In this case, it remains to be seen how the current enthusiasm over emerging markets private equity will ultimately play out.

## Judy Kuan

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