

BOGARI VALUE

Investor Letter 10, Quarter 2 2010 – Paradox of Price Corrections

Bogari Value FIA is an investment vehicle focused on equity investments in Brazilian public companies. The fund's objective is to provide its clients with long-term capital appreciation by investing in companies whose stocks are trading at a discount to intrinsic value.

Our Performance

Up to April, Bogari Value's performance was -1.0%, against Ibovespa's -1.5%.

Since inception¹, our total return was +689%, compared to +69% for Ibovespa. During this period, our NAV per share appreciated to BRL 789 from BRL 100.

Annual Performance			
Year	Bogari	Ibovespa	Outperformance(%)
2010	-1.5%	-1.5%	+0.5
2009	122.0%	82.7%	+39.3
2008 ⁽¹⁾	-20.1%	-41.2%	+21.1
2007 ⁽¹⁾	278.8%	43.7%	+235.2
2006 ⁽¹⁾	18.7%	11.4%	+7.3

Accumulated Since Inception			
Year	Bogari	Ibovespa	Outperformance(%)
2010	689.4%	69.1%	+620.3
2009	697.8%	71.8%	+626.0
2008 ⁽¹⁾	259.3%	-6.0%	+265.3
2007 ⁽¹⁾	349.6%	60.0%	+289.6
2006 ⁽¹⁾	18.7%	11.4%	+7.3

While the fund remained broadly stable in 2010, the index showed strong volatility, rising almost 5.8% in March and falling 4.0% in April and 4.6% in January.

We believe that, with the international scenario still quite unstable, it is not unlikely that this type of movement will continue.

Portfolio Commentary

Our portfolio has not undergone any major changes in its composition in recent months. However, with the valuation and devaluation of some assets there was a relative change and consequent variation in the importance of each one in the portfolio.

On the one hand, Hering continued to appreciate to become the second largest fund position. On the other hand, some relevant positions suffered devaluations in the order of 10-20%, and their weighting in the portfolio decreased.

We are in a phase in which the presentation of results for 2009 was finalized and the disclosure of Q1 2010 began. Overall, there were no relevant surprises. Our companies continue to present good results or continue to improve their operations.

Helbor, for example, delivered an excellent result for 2009 and Q1 2010. Its sales velocity has been one of the best in the market, allowing the volume sold last year to have been higher than the total launched.

Hering continues to amaze, with same-store sales growing at 27%. We believe that the company's growth potential is very high and that it can deliver excellent results in the coming years. Apparently the market is starting to get to know the company better, reflecting this comfort in stock prices.

Tempo continues its turnaround process. As expected, December numbers were impacted by some provisions for "tidying up the house." However, we believe the company is better controlled now from an operational perspective than it was six months ago and that by the end of the year its operation will be more appropriate. We are sure that the current management team is capable and is working hard to improve the company.

In general, we are quite comfortable with our portfolio. On average, we have a good valuation potential with a low risk of loss in the operation of each company. As we will discuss in our next section, the devaluation of some of our assets has reinforced our comfort.

As we like to emphasize in our letters, we like to keep our portfolio adequately diversified. Our largest position is currently 10% of AUM and top 5 combined are around 36% of AUM. Our liquidity level is relatively high, holding a 20% cash-position and being able to liquidate almost 70% of our holdings in 2 days. We continue to hold good assets in our portfolio, with great prospects for the next few years. Additionally, we are positioned to take advantage of a potential market devaluation.

¹ The vehicle was founded on 1 Nov 2006 as a private investment vehicle. On July 8, 2008 it was transformed into Bogari Value FIA.

On The Paradox of Price Corrections

As many of you are aware, we sport no ambition to be traders, but rather long-term investors. Normally, in our investment cases we know what will happen to the companies and their shares, however we do not know when it will happen.

That is why we like to have time on our side. For that, we need to have: (i) adequate liabilities, i.e. long term investors; (ii) assets with a high probability of generating more value and growth over time; and (iii) the opportunity to buy these assets at a discount, or margin of safety, to protect ourselves from any unforeseen circumstances.

It is normal that while the company is in our portfolio, its share price will oscillate. Upward variations are usually not a problem, but downward price variations lead some to worry.

Over the months of March and April, some of our companies' share prices have dropped, negatively affecting the Fund's results.

We are not inclined to justify sporadic drops in the NAV due to a specific holding, but rather, are interested in presenting a different view of what the devaluation itself engenders. If, on one hand the devaluation causes momentary pain due to the perceived feeling of loss, on the other hand this devaluation should create an after-effect of comfort.

That is because when we re-analyze the investment case in a certain company, if nothing else has changed, the case is now stronger. As an example, if an asset was good at R\$10, it is better at R\$9, and better yet at R\$8. As much as a 10% or 20% drop in price may be "painful", in the long run it is possible that the investor will end up better off, should he or

she have additional capital to buy more of that same asset at reduced prices.

Some could argue that ideally, one should sell the asset at that higher price, and buy it again at the lower price. That way, we would have immediate gains with the sale, and cheaper repurchase. In theory the argument is correct, but in practice things are more complicated since future market moves are hard to predict. Additionally, as we have previously argued, we do not ambition to be traders and therefore do not take up short term positions, whether long or short.

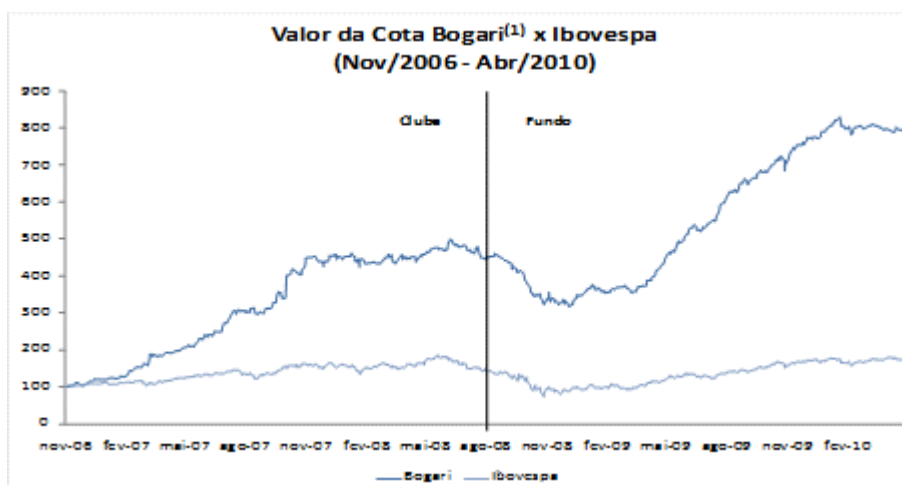
In our strategy, within an interval of share price variation, we do not sell our positions and therefore accept market movements, however undesirable they may be. Past a certain value, we may buy or sell such assets. We sell our positions when their price reaches a level close to what we consider to be fair, and conversely, increase our position when there are exaggerated price drops which are not accompanied by a change in the company or its competitive environment which would justify this drop. The exception occurs when there is a great variation to the relative price between assets, as was the case in 2009. In this case, despite the fall, we sold stocks to buy others which were even cheaper.

Therefore, the price fluctuations of assets and, as a consequence those of the Fund's NAVs is normal and in many occasions beneficial to us. At this moment, as much as it may seem like a paradox, despite the devaluation of some of our assets, we are more comfortable with our portfolio than we were prior to the drop.

Thank you for your trust.

Monthly Returns (BRL – Net of Fees)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	Bogari	0.0%	0.0%	-0.4%	-0.7%									-1.0%
	Ibov	-4.6%	1.7%	5.8%	-4.0%									-1.5%
2009	Bogari	-1.2%	5.5%	-0.9%	21.3%	12.3%	5.1%	15.1%	7.3%	4.0%	3.0%	8.7%	4.2%	122.0%
	Ibov	4.7%	-2.8%	7.2%	15.6%	12.5%	-3.3%	6.4%	3.1%	8.9%	0.0%	8.9%	2.3%	82.7%
2008 ⁽¹⁾	Bogari	-3.6%	3.9%	-1.2%	3.1%	2.5%	2.2%	-7.3%	-0.8%	-12.9%	-13.0%	-0.6%	7.8%	-20.1%
	Ibov	-6.9%	6.7%	-4.0%	11.3%	7.0%	-10.4%	-8.5%	-6.4%	-11.0%	-24.8%	-1.8%	2.6%	-41.2%
2007 ⁽¹⁾	Bogari	9.4%	25.7%	14.4%	9.7%	16.3%	13.9%	11.3%	3.3%	8.8%	28.6%	0.6%	2.4%	278.8%
	Ibov	0.4%	-1.7%	4.4%	6.9%	6.8%	4.1%	-0.4%	0.8%	10.7%	8.0%	-3.5%	1.4%	43.7%
2006 ⁽¹⁾	Bogari											5.1%	12.9%	18.7%
	Ibov											5.0%	6.1%	11.4%



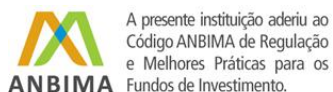
(1) Bogari Value was launched as a regulated private investment vehicle in November 1, 2006. In July 8, 2008, the vehicle was converted into Bogari Value FIA

Main Fund Characteristics (Brazilian Onshore Vehicle)

Administrator	BNY Mellon Serviços Financeiros DTVM S/A	Subscription	T+1
Manager	Bogari Gestão de Investimentos Ltda.	Redemption	T+30
Distributor	BNY Mellon Serviços Financeiros DTVM S/A	Settlement	T+33
Custodian	Banco Bradesco S.A.	Management Fee	2.175%
Auditor	KPMG Auditores Independentes	Performance Fee	20% over Ibovespa (w/ high watermark)
Minimum Investment	R\$ 50,000.00	Anbima Identifier	212962
Minimum Balance	R\$ 50,000.00	Classification	Equities Ibovespa
Minimum Transaction	R\$ 10,000.00	NAV	Close of Business Day

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In order to comply with applicable law, all investors must provide to the administrator copies of their identification documents prior to investing in the fund.



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