BOGARI VALUE

Investor Letter 11, Quarter 2 2010 – Miscellaneous

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 June, Bogari Value's performance was +0.1%, against Ibovespa's -11.2%.

Since inception[1], our total return was +698%, compared to +53% for Ibovespa. During this period, our NAV per share appreciated to BRL 798 from BRL 100.

	Annual Performance		
Year	**Bogari**	**Bovespa**	**Outperformance(%)**
2010	**0.1%**	-11.2%	+11.3
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**	**Bovespa**	**Outperformance(%)**
2010	**698.5%**	62.6%	+645.9
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

Until June, the fund remained practically stable, while the index showed a strong drop of more than 11%.

We continue to believe that the unstable international environment will reflect a more volatile market in the coming months, and therefore we remain cautious.

Portfolio Commentary

The successive market downturns in April, May and June allowed a significant realignment of the portfolio.

As we said in other letters, when the market falls in a generalized way it is possible to make two movements. The first refers to the increase in the portfolio's equity exposure, usually purchased at good prices. The second occurs with changes in the stocks that make up the portfolio, both acquiring new positions and increasing exposure in old positions.

Such opportunities arise because, in general, stocks do not fall evenly. Some assets fall more than others, allowing you to sell relatively more expensive stocks and buy more of those that we believe are cheaper.

In recent months we have made both movements. At the beginning of the year, we had a cash position of 20% of the portfolio, which reached 25% at some point. As the market subsided, we were able to buy stocks at appropriate prices. We currently hold a cash position of 16%.

Additionally, we took advantage of the reallocation of a portion of our equity portfolio. As a common feature of the fund's assets, it can be said that they focus on the domestic market. As we have been doing since 2006, we continue to have no exposure to companies linked to commodities.

Operationally, our companies have evolved well. The few that have momentarily lower results are working toward their improvement. In addition, our companies continue to have strong growth potential in their operations, which will result in greater cash generation and, potentially, a consequent appreciation of their assets.

Tempo continues to undergo its transformation. We believe that the bad news are running out and that for the next few months the positive ones will be many.

Helbor keeps selling well. Despite a likely lower volume of launches in the second quarter, the volume of 2010 should be a record. We believe that Helbor will have a similar history to Hering when the market gets to know it better.

We set up a relevant position in Equatorial, about which we will speak a little later. The stock was so cheap that even for such a low-risk investment, the potential return was quite high.

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 38% of AUM. Our liquidity level is relatively high, holding a 16% cash-position and being able to liquidate almost 90% of our holdings in 10 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.

Equatorial

Equatorial is a holding company with basically 3 investments in the Brazilian electricity sector: 65% of Cemar, 13% of Light and 25% of Geramar. Cemar is an energy distributor in Maranhão, serving more than 1.4 million customers. Light is an energy distributor in 31 municipalities in Rio de Janeiro, including the capital, serving around 4 million customers, and also has commercialization and energy generation activities. Geramar is an energy generator, which has two thermoelectric plants in Maranhão whose operation began in 2010.

Because it is heavily regulated by the Government, the electric sector has particular investment characteristics. The companies in the sector as a whole shows great predictability in their numbers (revenue, Ebitda, cash flow, etc.), high cash generation and, generally, high dividends, but they have returns that are limited by the government through the control of tariffs. Due to these characteristics, companies in the industry tend to trade close to their fair prices, i.e. it is difficult to find stocks with very high return prospects.

However, the sharp drop in its stock allowed us to make an investment in the company with great prospects of return in recent months.

In December 2009, Equatorial's controlling shareholders matched the sale of their stake in Light's control of Cemig. For tax purposes, the transaction was structured in such a way that the stake in Light will be split up from the company and distributed to its shareholders. However, until the implementation of this structure is completed, the company now has almost half its value equivalent to CDI-adjusted cash.

Each Equatorial shareholder will receive shares of a new company whose sole asset is the stake in Light. With the sale of control of this new asset to Cemig, the remaining shareholders will be entitled to tag along under the same conditions as the sale of the control. As a result, Equatorial's current shareholders will effectively receive cash from the sale of Light.

But what is the reason for Equatorial's stock drop? We identify two explanations, which in our view do not generate loss of value for the company. The first is that by reducing the size of the company there will also be a reduction in the liquidity of its shares. With the spin-off of the company, the remaining part of Equatorial will be practically half the value of before. Therefore, although the percentage of free float remains the same, the negotiated value will be reduced.

The second was the decision of the board of directors to reduce the company's dividend payment percentage. The previous policy was to pay 100% of the profit. Now the minimum will be paid, 25%. The rationale for such a change is that the company is seeking new investment opportunities and may eventually need more cash.

In our view, there are two possibilities for the company. The first is for its controlling shareholders to sell the rest of the assets and get out of the business. As we all know, Equatorial's controlling shareholders are Banco Pactual's former controlling shareholders, who usually act as financial investors. Should this occur, the value of the other assets will be unlocked with the sale of Cemar and Geramar, which is positive for the other shareholders.

The second possibility is that the company will continue to be the group's investment vehicle (or part of it) in the sector. Thus, the justification presented for the reduction of dividends is confirmed. We imagine that the opportunities to be pursued must be primarily in the area of generation. However, depending on the outcome of the presidential election, other investment opportunities may arise. We believe that Serra's election may initiate a greater search for efficiency in Eletrobrás, with the consequent sale of federated distributors in the North and Northeast. Just remember that the speech used in the Equatorial IPO was exactly to take advantage of this type of opportunity.

In any case, we believe that the investment made at the acquisition price is very interesting given the very low operational risk of the asset.

Miscellaneous

In July, our Fund will be two years old, and the vehicle nearly four. We cannot deny that remembering both days looks like schizophrenia, therefore we have decided to celebrate only the “birthdays” of the vehicle, which happen in November.

However, we would like to take the opportunity to reaffirm some of our commitments.

Our investment philosophy has always been focused on assets which may generate good returns for our investors while maintaining very low operational risk. Since our aim is to have an investment vehicle which is safe and whose longevity will surpass 20 years, we limit our concentration to a single company, closely watch liquidity, and do not leverage our portfolio.

Despite having a relatively high historical performance, we seek consistency. Performance is but a consequence of our process as a whole, and not just due to isolated factors.

Our intransigence in maintaining the elements described above does have its consequences. The first being that we do not always have in our portfolio the most popular stocks in the market, and therefore some of our holdings may seem “exotic” at first. At least until their investment cases are vindicated. This was the case when we invested in Hering in 2006, when we outperformed with Helbor, Eztec and Parana Banco in 2009, and when we built a relevant holding in Tempo in 2010. However, we also like the popular stocks, at the right price. The global financial crisis, and last month’s market corrections allowed us to buy Itau, Bradesco, Lojas Americanas and Banco do Brasil at great prices (in the latter case, we took the opportunity to buy the ordinary shares due to the large discount to preferred shares).

Having an unusual portfolio makes us sometimes to be considered different. Unfortunately, due to human nature, we tend to be unsettled by this. As 19th century German writer Marie von Ebner-Eschenbach said: “We are so vain that we even care for the opinion of those we don't care for”.

The second consequence is a moderate pace of growth in terms of the size of the fund. We want to have long-term investors who understand what we do, and therefore we avoid investments from excessively concentrated client portfolios, or investments which may have a shorter-term bias than our own. We seek to grow at an adequate pace, minimizing the risks of having a portfolio we are not comfortable with, or losing sight of the reason why the firm was created. Our patience and consistency has brought us the honour of serving around 110 clients, who seem to believe in what we are doing.

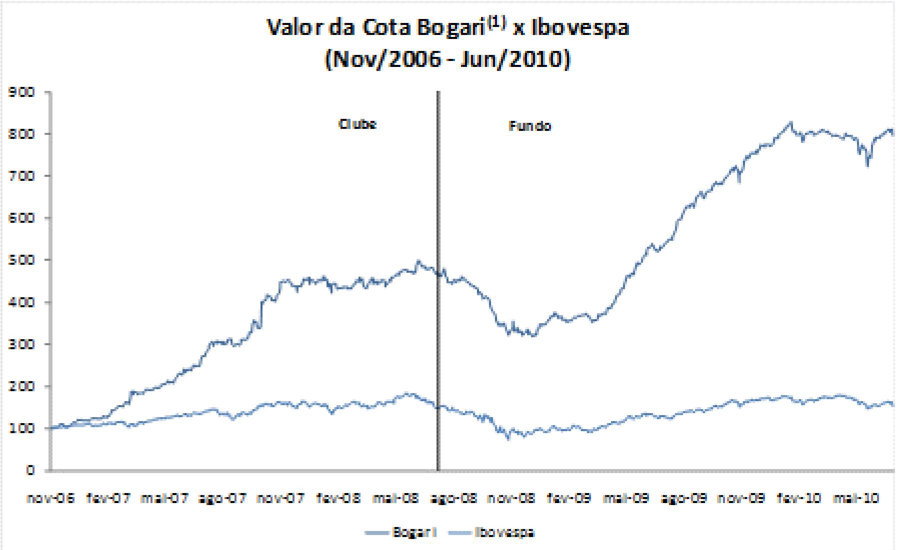
We remind you that our greatest guarantee as we take in new investors is the fact that the partners at Bogari have the majority of their wealth invested in the Fund. Therefore, when we buy an asset, we are investing our own money, and therefore treat our clients' money literally as we would our own.

We hope these principles lead us to continue doing what we have been consistently doing. As we have said in the past, we see our work as a marathon where consistency is paramount, and it makes no difference to sprint over the first few miles otherwise we would run the risk of not making it to the end.

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%	-0.1%	1.2%							0.1%
	Ibov	-4.6%	1.7%	5.8%	-4.0%	-6.6%	-3.3%							-11.2%
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

Rua Jardim Botânico, 674/523 | Jardim Botânico | Rio de Janeiro - RJ | Tel 55 21 2249-1500
www.bogaricapital.com.br
BNY Mellon Serviços Financeiros DTVM S.A. (CNPJ: 02.201.501/0001-61)
Av. Presidente Wilson, 231, 11º andar, Rio de Janeiro, RJ, CEP 20030-905
Telefone: (21) 3219-2500 Fax (21) 3974-2501 www.bnymellon.com.br/sf
SAC: sac@bnymellon.com.br ou (21) 3219-2600, (11) 3050-8010, 0800 725 3219
Ouvidoria: ouvidoria@bnymellon.com.br ou 0800 7253219