

**BOGARI VALUE**

Investor Letter 2, Quarter 4 2008 – 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**

Finally, 6 months after converting Bogari Value from a private vehicle to a fully regulated fund, we were able to release our results. In 2008 – including the period where the fund was private – our performance was -20.1%, against Ibovespa's -41.2%.

Annual Performance			
Year	Bogari	Bovespa	Outperformance(%)
2008 <sup>(1)</sup>	-20.1%	-41.2%	+21.1
2007 <sup>(1)</sup>	278.8%	43.7%	+235.2
2006 <sup>(1)</sup>	18.7%	11.4%	+7.3

Accumulated Since Inception			
Year	Bogari	Bovespa	Outperformance(%)
2008 <sup>(1)</sup>	259.3%	-6.0%	+265.3
2007 <sup>(1)</sup>	349.6%	60.0%	+289.6
2006 <sup>(1)</sup>	18.7%	11.4%	+7.3

Despite not being satisfied with such a negative performance, we find solace in the following points:

First, our performance in 2008 seems significantly better than our benchmark. Since inception<sup>1</sup>, our total return was +259%, compared to -6% for Ibovespa. Over the last 3 years we have managed to beat the benchmark every year.

Second, in 2008, compared to the market, very few of our peers, with a similar investment philosophy, obtained a better performance than ours. If we only consider unleveraged long-only equity funds, we would be among the 5 best of 2008.

Still in relation to the market, the performance of Bogari Value in the last 24 months was quite satisfactory: +203% between January 2007 and December 2008 compared to -15.5% of Ibovespa.

It is important to note that we do not expect to repeat the 2007 results in the coming years. Returns of this magnitude cannot be regularly replicated. Moreover, we believe that, over the long term, the difference between the profitability of

Bogari Value for the Ibovespa should be, on average, around 10% per year and not the 21.1% that we posted in 2008.

Since its inception and over the last 24 months the performance of Bogari Value has been the best on the market.

The third aspect that leaves us reassured and confident is that our portfolio is diversified, of very good quality and is being traded at incredibly low prices. The drop in markets allowed us to reallocate part of the Fund's portfolio so that its potential for appreciation over the next few years should be higher than the benchmark. Our portfolio has a P/BV (Q3 08) of 0.7 and a 2008 estimated P/E of 5.0, while Ibovespa has a P/BV of 1.2 and P / E of 6.5 (estimated 2008). Clarifying that our portfolio has no companies linked to commodities while Ibovespa has a significant percentage of concentration in this type of companies, which currently have very low P/E.

**Portfolio Reallocations**

As mentioned in our initial report, we like to buy good assets at low prices to keep in our portfolio over long periods. We are investors in real assets acquired through public equity markets. We prefer assets with more liquidity and governance than those with less liquidity and governance, but we do not like to pay more for it. We understand governance to be the highest level of regulatory security vis à vis our economic rights.

The widespread fall in prices of publicly traded asset over the last few months has allowed us to make a significant portfolio reallocation. We were able to sell assets with good potential for valuation, but with less liquidity and governance, and to buy others with even greater valuation potential, with more liquidity and governance. In addition to not having paid more for it, we had a discount on the price of the assets, allowing a greater upside.

Before the crisis, when the market was trading at higher valuations, stocks that were worth buying had somewhat more restricted liquidity for our trading volumes. With the stock market crash, we were able to exchange these positions for others, so that today we have the capacity to liquidate more than 67% of the portfolio in just one day.

This was only possible because we are experiencing a "special" moment, where some stocks are being traded at unbelievable levels when we compare them with their values

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

in the private market, for example. We came to this situation, mainly because several asset managers around the world had the need to generate cash by selling assets at any price.

The imbalance between supply and demand in the public markets has made the price levels of some assets reach an unthinkable level compared to the private markets. In this market, where the buying and selling of companies is done outside of the stock market (via mergers and acquisitions), rationality continues to prevail. In the private market, prices fall but remain at rational levels. With public equities at these price levels, in many cases, it makes little sense to make private investments.

In any case, we take advantage of this irrationality to migrate some positions to assets with greater potential and liquidity.

## Hits and Misses

In an investment process, we always try to understand what we did right and wrong to learn from the facts. Here are our main hits and misses:

**Hit** – we had good performance over the last 3 years even without benefitting from the commodity market tailwinds: we missed out on the rise, but avoided the fall. Our understanding is that since we are a vehicle to for long-term investments in companies (we cannot go short), we make money when we buy cheap assets. Buying cheap assets in commodity companies (like steel and mining) means entering at the low point in the cycle. We did not know what part of the cycle we were in; we only knew that we were far from their lows. Therefore, these assets were not safe enough for us to acquire them.

**Hit** – as we were a bit more cautious in 2008, we kept a portion around 15-20% of the portfolio in cash. In addition to avoiding the downturn, we were able to take advantage of some of this liquidity to acquire some cheap assets in the months of November and December.

**Miss** – we could have waited a little longer to initiate some purchases. Businesses that were very cheap, like Eztec trading at 50% of their book values, still ended up dropping another 50%. We cannot evaluate the consequence of many

small and medium sized companies in the same segment, so we do not anticipate the possible size of the sale and the scarcity of demand for many of these assets. In short, we could have bought it for an even lower price.

## Going Forward

We do not know how the crisis will unfold, but we know that it will eventually pass. It may be a little longer and harder than normal, but in some quarters, it will be over.

Our stock portfolio is concentrated in assets linked to the domestic market. Even with the crisis, many of our companies continue to have healthy growth prospects for their operations. Our main positions are Karsten, Bematech, Contax, Eztec, Itaúsa, Providência, Paraná Banco and Helbor. These 8 companies represent more than 67% of the fund's assets.

We believe that in 2 or 3 years, these companies will be bigger, more profitable and, consequently, worth more. Both because their operations have improved and because markets will be more normalized.

Even with a potentially difficult 2009, we are quite optimistic about the long-term prospects of our portfolio.

## Administrative Matters

In our initial report, we stated that we would be convening a meeting to amend some terms of our Offering Memorandum, namely: liquidity terms for redemptions.

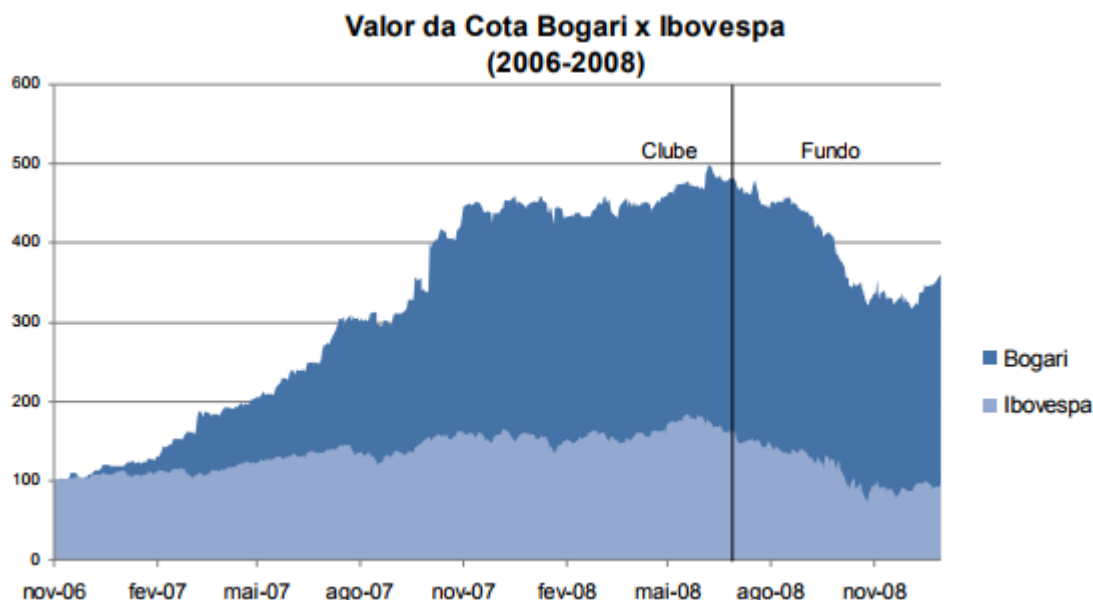
Due to the general confusion that was introduced on the market in the last quarter of 2008, we decided to call off these changes. We believe that we could generate a misunderstanding by convening this assembly at that time.

In addition, since we now have a more liquid portfolio, we can wait a little longer and evaluate the need for increasing or not our liquidity terms.

Thank you for your trust.

## Monthly Returns (BRL – Net of Fees)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008 <sup>(1)</sup>	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 <sup>(1)</sup>	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 <sup>(1)</sup>	Bogari											5.1%	12.9%	18.7%
	Ibov											5.0%	6.1%	11.4%



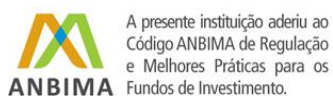
(1) Bogari Value was launched as a regulated private investment vehicle in November 1, 2006. In July 8, 2008, the vehicle was converted into Bogari Value FIA

## Main Fund Characteristics (Brazilian Onshore Vehicle)

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