

**BOGARI VALUE**

Investor Letter 4, Quarter 2 2009 – Financial Sector

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**

As of April 2009, Bogari Value's performance was +25.4%, against Ibovespa's +25.9%.

Since inception<sup>1</sup>, our total return was +350%, compared to +18% for Ibovespa. During this period, our NAV per share appreciated to BRL 450 from BRL 100.

Annual Performance			
Year	Bogari	Ibovespa	Outperformance(%)
2009	25.4%	25.9%	-0.5
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	Ibovespa	Outperformance(%)
2009	350.5%	18.4%	332.1
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

Although cautious, we are very pleased to have recovered practically all the losses of 2008. While in the last 12 months our fund had a -1.8% return, the Ibovespa over the same period was -27.5%. The sharp difference between the Fund's and Ibovespa's profitability over this period shows the importance of having dropped substantially limited our drawdown during the 2008 crisis.

To recover from a 20.1% loss, it is necessary to return 25.2%. When the loss reaches 41.2%, it is necessary to perform 70.0% to recover the initial investment. Historically, it has been possible to demonstrate that large gains relative to the index are made in falling markets, rather than rising.

We were positively surprised at how fast our portfolio rose. Given the low correlation with the index, it is natural that we do not rise at the same pace as Ibovespa during rallies.

**Portfolio Commentary**

Over the last two months, 2008 results of the companies in our portfolio companies were released. In general, the numbers came as expected. The operating performance of the companies remains quite good and promising.

As expected, Eztec and Helbor showed good results and high dividend yields. Eztec reported a profit of BRL 102mn, despite making adjustments due to adopting IFRS standards per legal requirements.. The declared dividend was over BRL 0.12/share (6% yield). Currently, the company still has BRL 175mn in net cash and, even with the recent rally, is worth only BRL 450mn, making it one of the cheapest companies in the market.

Helbor showed a good result and a better dividend. The profit for 2008 was BRL 48mn, the declared dividend was almost BRL 0.22/share (8% yield). The company posted launches of BRL 589mn in 2008 and maintains good prospects for 2009. Incredibly, its market value is 230mn, or less than 5x 2008 profits, which does not consider its current value and the great potential of growth.

Both companies' stocks had substantial rises over the period. However, we believe they are still quite cheap and have outstanding growth potential.

Bematech and Contax presented good results, with excellent growth in 2008 and very healthy balance sheets. The year 2009 should be one of internal adjustments for Bematech and its results should be compatible with such adjustments. After several acquisitions, the company is restructuring to improve efficiency and achieve the expected synergies.

Our portfolio is adequately diversified, the largest position makes up around 10% of the Fund and the top 5 positions around 45%. The liquidity level is relatively high, in addition to 12% cash, we are able to liquidate over than 50% of the assets in just one day. Finally, we continue to hold good assets that are both cheap and with great prospects for the next few years. We are excited.

The financial market usually uses volatility as a measure of risk. As we said in previous reports, our risk measure is not this, but rather the probability of permanent loss of capital. However, in order to present other characteristics of the fund portfolio, we calculated its volatility and correlation with the index, presented in the table below.

<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.

to April 2009	12 months		24 months		Since Inception	
	Bogari	Ibov	Bogari	Ibov	Bogari	Ibov
Correlation to Ibov	0.49	-	0.33	-	0.29	-
Annual Vol.	21%	53%	25%	43%	26%	41%

As can be observed, we posted volatility well below Ibovespa, respectively 21% p.a. against 53% p.a. in the last 12 months. In addition, our correlation with the index has been historically low, 0.49. Considering this information, we can affirm that our portfolio presented less risk and better return than Ibovespa since the beginning of our operations.

## Financial Sector

We took advantage of the fall in banking stocks to set up two very distinct and interesting positions. The first, Itaúsa, requires few explanations. The second, Paraná Banco, deserves a little presentation.

With the general panic set in the last half of 2008, bank stocks were indiscriminately pummeled around the world. While the banking system is broken in several countries, in Brazil the situation is quite different. Much has already been said about the (newly recognized) virtues of national regulation of the financial system, so we will spare our readers on this issue.

Last quarter, the Central Bank had already implemented some liquidity measures for the average banks, which dramatically reduced the systemic. These measures prevented many of these institutions from becoming insolvent. We made a great effort to understand who had the liquidity to face their liabilities and the quality of assets required to withstand the storm. Evaluating the risk, the business and the price of the assets traded, we decided to buy Itaúsa and set up a position in Paraná Banco.

The fact is that when the market generalizes its fears, opportunities appear. We had the opportunity to acquire (twice) shares of Itaúsa (holding company of Itaú Unibanco) at incredible prices, around BRL 5.60/share. We believe that paying the price equivalent to 1.3x BV of the largest and best Brazilian bank seems very cheap. Itaú Unibanco has long-term sustainable competitive advantages and its profitability levels are likely to remain high.

Paraná Banco is a different history. The company was founded in the 1980s and is part of the J. Malucelli Group, one of the largest conglomerates in southern Brazil. The bank was one of the pioneers, and is one of the largest in the payroll lending activity, offering loans to public sector workers and social security retirees. In addition, it controls J. Malucelli Seguradora, leader in surety bonds, and J. Malucelli Reinsurer. Of the medium-sized banks, Paraná Banco is the only one that has diversified revenues through the insurance segment.

In addition to business diversification, Paraná Banco has the lowest leverage of banks traded on the stock exchange (Basel ratio 56.7% as of Dec 2008) and excellent asset quality, mostly payroll-deductible loans. The main characteristic of this type of credit is its low default rate, since the repayments are taken directly from the customer's paycheck before they have access to the money.

The insurance company J. Malucelli is the market leader in surety bonds with 43% participation. Often unknown in the market, it has presented growth rates of 33% p.a. since 2000 in the issuance of premiums. The prospects for the coming years are still very positive, mainly due to government-sponsored infrastructure works, and the alteration in the legislation allowing the use of surety bonds in government tenders. Its profitability is around 20% of the BV.

The reinsurer was created so that the larger volume of insurance premiums issued by the insurer is retained by the group. Insurance regulations limit the insurer's exposure to a particular risk. In this way, when a percentage of the BV is reached, it must pass on part of the risk to the reinsurers. Due to the low loss ratio and experience in the field, the group has the ability to assess the best risks to be retained. Although it started operating only in mid-2008, its results seem quite promising and its profitability is already at 20%pa.

Because of its low leverage, the bank has been posting below-average levels of profitability. The low leverage is the result of a conservative stance of the controlling family in the years 2007 and 2008. With the competitors capitalized, the credit market was going through a period of price wars (low consumer rates) and high commercial cost. The controllers of Paraná Banco preferred not to participate in this war, limiting the volume of credit granted to profitable opportunities. This conservatism made the institution pass the period of turbulence more calmly than the others.

In order to diversify revenue sources, the bank has been seeking other opportunities for its credit portfolio. It created the middle market area, based broad client base of the insurer, and has been offering products like pass-through credit to shopkeepers. With the increase in leverage and credit diversification the bank's profitability is expected to rise in the coming years.

## Miscellaneous

Much of the excess devaluation of assets occurred in 2008 was corrected. Assets that were shockingly low at the end of 2008 are now "just" very cheap. Neither the market nor we expected that there would be such a rapid short-term recovery. At the beginning of May, we began to live moments of euphoria, as if we were back in 2007.

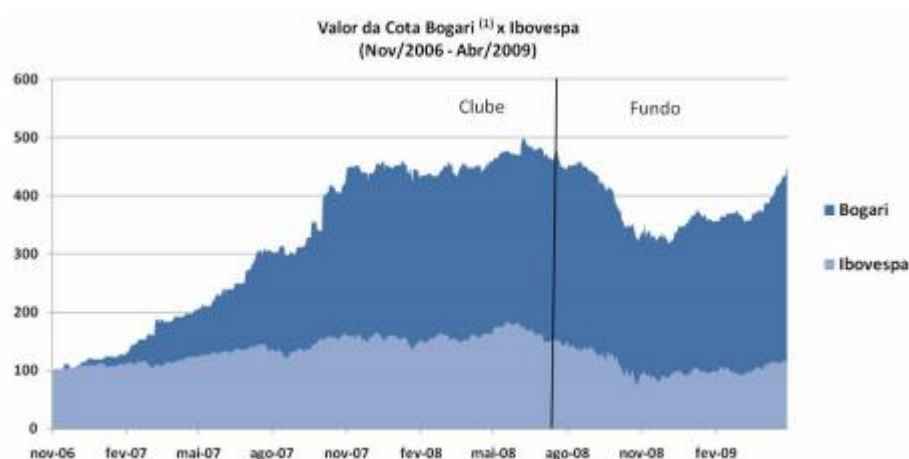
The month of April, when the Ibovespa rose more than 15%, reminded us of an important aspect of equity investing. As we do not know when the stock will go up, the biggest risk the investor can take is to stay out of the market. In short, if it is cheap it must be bought, so we take unexpected highs.

The caution of our management seems to be yielding adequate results. Regardless of the comparative performance with other indexes, for us, the most important is the result for our clients. In this regard, we are very pleased, as all their losses were recovered by April. Currently, all our customers have positive returns, even those who entered just before the crisis. We know that the market is volatile and this can change. But after so many thrills, for the moment, that's what matters.

Thank you for your trust.

## Monthly Returns (BRL – Net of Fees)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	Bogari	-1.2%	5.5%	-0.9%	21.3%									25.4%
	Ibov	4.7%	-2.8%	7.2%	15.6%									25.9%
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.

 A presente instituição aderiu ao Código ANBIMA de Regulação e Melhores Práticas para os Fundos de Investimento.

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