

BOGARI VALUE

Investor Letter 5, Quarter 2 2009 – Corporate Actions

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 June 2009, Bogari Value's performance was +48.1%, against Ibovespa's +37.1%.

Since inception¹, our total return was +432%, compared to +30% for Ibovespa. During this period, our NAV per share appreciated to BRL 532 from BRL 100.

Annual Performance			
Year	Bogari	Ibovespa	Outperformance(%)
2009	48.1%	37.1%	+11.0
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(%)
2009	432.1%	30.3%	+401.7
2008 ⁽¹⁾	259.3%	-6.0%	+265.3
2007 ⁽¹⁾	349.6%	60.0%	+289.6
2006 ⁽¹⁾	18.7%	11.4%	+7.3

On July 7 2009, we completed one year of operation as a regulated fund. During this period, we were successful in protecting the fund's portfolio from drawdowns and, surprisingly, we were able to perform above the index in 2009. Considering the information presented above, the fund obtained a return of 31 percentage points above the index in the 12-month period ending in June.

From that date, we started appearing in the fund rankings for the last 12 months. According to information presented by Valor Econômico Online, Bogari Value already appears as the best fund of the category "Ibovespa Ativo", with a return of + 18.3% in the full 12 months on to July 9.

Although we are satisfied with the results, we remain cautious. At this point we are more concerned with achieving good results in the future than celebrating the past. In fund management, consistency is the most important.

Portfolio Commentary

The main positions in our portfolio have remained substantially unchanged since the beginning of this year.

We continue to believe that Eztec and Helbor are cheap and the best real estate investment vehicles. Both are showing volumes of launches higher than expected and should deliver handsome results in the coming years.

Paraná Banco has been showing growth in the volume of payroll loan origination and in the volume of premiums issued and retained in the insurance and reinsurance businesses. The market price still presents a good margin of safety in relation to the intrinsic value of the business.

In recent months, we have initiated a position in ABNote. We took advantage of the fact the stock was suffering from a large volume of sale by a foreign investor to buy shares at BRL 10.

We have been following this business since the IPO in 2006, but at the time, we did not bother with the case for two reasons:

The first of these was that one of the company's main lines of business, the induction card business, had prospects of strong sales volume declines. The induction card can be purchased at retail shops and is used on public telephones (TUP or payphone) to make calls. With the increase in mobile phone penetration and the consequent migration of voice traffic to this medium, the volume of induction cards was expected to fall.

Additionally, at some point in time, the price wars between mobile operators has intensified so much that it has become cheaper to make calls from mobiles with promotional packages than through payphones. And, payphones are one of the obligations of the concession holders that generates great losses. It is natural that, with falling usage, the companies negotiate a reduction in their footprint with the regulatory body. This has already happened and will probably happen again in the next few years. Anyway, induction card was a business that could only get much worse, which actually occurred.

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.

The second reason was price. It would make little sense to invest in a reasonably well priced company where one of the main lines of business would worsen over the years.

At the beginning of 2009, the induction card business had already fallen heavily and no longer represented so much of the company's revenue. At the same time, the company was successful in consolidating and diversifying other lines of business. Currently, the company has three different units: cards, identification systems and graphic services. Such units create a diversified revenue stream, which maintains a reasonably stable billing profile and the business as a whole more robust.

We like the predictability feature of cash generation. We believe the company has an immense commercial talent, allowing its lines of service to advance even with the technological changes. We also believe that management is extremely competent, with a history of success, delivery, aligned economically and focused on generating value for the company.

Finally, we understand that a business of this nature was not worth 5x profits, the price we paid at the beginning of our investment. Currently, even with the stock appreciation in the market, the company is still trading at less than 9x 2009 profit, which we consider below its fair value and adequate to remain in business..

We believe our portfolio continues to have adequate diversification. Our largest position is currently 11% of AUM and top 5 combined are around 45% of AUM. Our liquidity level is relatively high, holding a 13% cash-position and being able to liquidate over 50% of our holdings in 2 days. We continue to hold good assets in our portfolio, at attractive valuations, and with great prospects for the next few years. Despite the rise in some of our stocks, we continue to be excited.

Corporate Actions

Over the past few months, two corporate actions have impacted assets in our portfolio. Those assets are medium sized positions of the portfolio, but we would still like to make some comments.

1. The first was the capital increase at Kroton as a result of the entry of a private equity fund ("PE") into the holding company ("PAP"). Overall, we were not fully comfortable with the transaction, as its structure may suggest that its main motivator may not have been a cash requirement for the company. At the outset, in economic terms, the effects of the transaction for minority shareholders are marginal, but should be discussed.

According to our accounts, the capital increase in PAP of BRL 280mn by PE was almost BRL 20/share of Kroton, while PAP's capital increase in Kroton of BRL 220mn was almost BRL 13/share (adjusted for dividend). We do not know how the remaining BRL 60mn contributed to the PAP and not injected into Kroton will be allocated, but it will possibly be used to pay some past debts or cash out

of the controlling shareholders. There is nothing wrong or illegal in this type of operation. However, this may have been a way for the controlling shareholder to raise cash without going directly to the market. For the "old" shareholders of the company (such as us), it is necessary to allocate more cash in shares of the company to maintain the same shareholding. Moreover, the logic of investment is changed, as we shall see.

As a result of this capital increase, we believe that the new funds will drive growth in operations much more. That is exactly the point. In this case, since the company already had an ambitious growth plan, it will become even more ambitious. We like the company and the market it is in, as well as its business model, and the management's experience and alignment.

However, we are concerned about very high growth rates. We usually say that those who enjoy very high growth rates are Excel spreadsheet models. Our experience in the real world leads us to believe that such plans are often not feasible or that bad decisions are made in order to achieve those goals. The fact is that Kroton's business plan before the capital increase was already quite challenging and the return to shareholders was adequate. We find it unnecessary to face new challenges that can increase the operational risk of the company and that have a consequence to generate a return similar to what would be obtained with the original business plan.

Our greatest comfort in the case of Kroton is that all involved (PAP, PE and management) have relevant values of their assets invested in the company. We hope this is enough to keep their feet on the ground. Finally, we hope that the new controlling block can pass the perception that the relationship with the market will be improved.

2. The second transaction announced was the merger of Duratex and Satipel. Without wishing to dwell much on the subject, we believe that: (i) the gains of operational synergies will be quite high, (ii) there will be a gain in the number of competitors and consequently a greater commercial rationality in the market, (iii) there will be a reduction in the volume of investments, mainly by Duratex, and finally (iv) we think that having Satipel's controlling shareholder as chairman of the new Duratex board is an excellent change. It will probably bring greater economic rationality in the management of the company in the coming years.

Still on the transaction, there is an interesting discussion in the corporate sphere about the incorporation of shares by an independent company (in the case of Satipel) with different trading relationships for minority and preferred shareholders of a second company, in this case Duratex. In this transaction, in particular, there is a distinction between the exchange ratio of the shares of the controllers and the other shareholders. Our shareholder position is simple. We believe that the controlling shareholder should not be able to vote in matters that

benefit them to the detriment of other shareholders, as is the case. The controller receives more than the other shareholders in the exchange of shares, which means they will have a bigger piece of the pie in the new company. As the pie is limited, those who fail to win that piece are the minority. Since the one who has the majority of the votes to approve such changes in the General Assembly is the controlling shareholder, philosophically, we do not think that it is reasonable that he votes. Specifically, we do not think that Duratex's controllers should vote in the resolution to incorporate the company by Satipel in the Shareholders' Meeting. Finally, we believe that CVM guideline opinion 34 (adjusted for circumstances) should be applied in this case.

Miscellaneous

As we have extensively underlined to our investors, our focus is the long term. Both in building portfolio of assets and our client base.

We want clients who understand our philosophy, have patience and do not need the assets allocated over the short term. The volume of assets available to each client is less important than the commitment of each client to the strategy, in other words, we prefer clients that are smaller but more

committed to the strategy than large customers with less commitment.

In our fund, we wish to have a diversified client base that cannot affect the allocation dynamics of our portfolio. Therefore, the fund has a minimum and maximum limit for subscriptions. We believe that customers with significant volumes of capital should use separately managed accounts which reflect their specific needs.

In early July we reached the level of BRL 10mn AUM, and a significant number of clients. We were satisfied with the confidence gained from each of them. We understand the responsibility we carry and always remember that the partners of Bogari Capital are the main investors of our fund. Whatever happens with the fund, the partners will be most affected, positively or negatively. We are fully aligned.

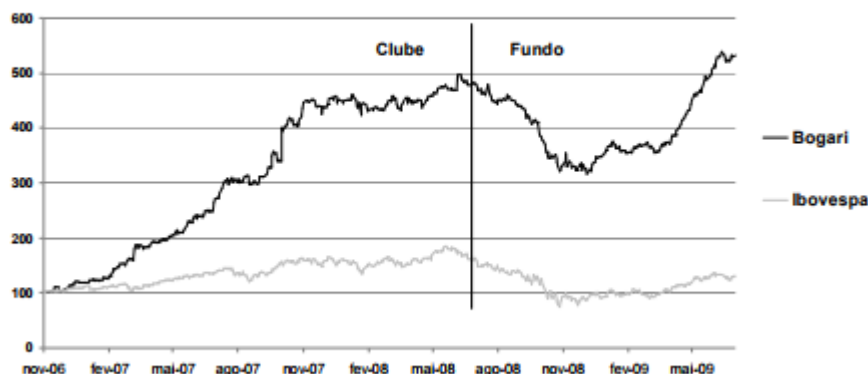
We always say that our business is patience-intensive. Therefore, we have the patience to buy, maintain and sell the assets of our fund. We also have the patience to build a business with an appropriate, committed and diversified client base. We do not want to and we do not need to grow too fast. Having an appropriate strategy and time on our side, we have been able to seize opportunities that the market cannot, maximizing the return of our fund.

Once again, 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%	12.3%	5.1%							48.1%
	Ibov	4.7%	-2.8%	7.2%	15.6%	12.5%	-3.3%							37.1%
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%

Valor da Cota Bogari⁽¹⁾ x Ibovespa
(Nov/2006 - Jun/2009)




(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

The information contained in this factsheet is merely for information purposes and should not be considered an offer to sell or a solicitation to buy funds' shares or any other financial assets in any jurisdiction in which such an offer or solicitation is unlawful. Investors should contact their financial advisors for more information. This document is not the prospectus provided for in the "código de auto-regulação da anbima para a indústria de fundos de investimento". There is no public market for the shares and no such market is expected to be developed in the future. Bogari gestão de investimentos Ltda. Does not distribute the fund's shares or any other financial assets. The prices and returns are net of all fees and gross of income taxes. The fund may use derivatives as an integral part of its investment policy. The use of such instruments may result in significant losses for its investors, including losses superior to the fund's net asset value. In such circumstances investors will be obligated to invest additional resources in the fund in order to cover any shortfall. The disciplined risk management practices used by the management are not a guarantee against possible losses to the investors in the fund. Past performance is not a guarantee of future results, prospective investors should carefully read and retain a copy of the fund's prospectus and regulamento prior to making an investment in the fund. The regulamento should not be considered to be legal, tax, investment or other advice, and each prospective investor should consult with its own counsel and advisors as to all legal, tax, regulatory, financial and related matters concerning an investment in the fund. The return of an investment in the fund is not guaranteed by the administrator, the manager or any insurance instrument, including the Brazilian "fundo garantidor de crédito - fgc". The fund may be exposed to a significant concentration in assets issued by few issuers, being subject to the consequent risks.

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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