BOGARI
capital

BOGARI CAPITAL

Investor Letter 34 - Startups, Venture Capital and the Brazilian Stock Market

Bogari Value is an investment vehicle focused on publicly traded Brazilian equities. The Fund is long-term oriented and focuses on identifying price distortions between intrinsic asset values and their trading prices.

Our Performance

As of the end of April, we have had a performance, gross of fees, in BRL, of +16.0% against Brazilian benchmark Ibovespa's +9.6%.

Since its inception, the Fund has had an accumulated performance, gross of fees, of +5,029.7% compared with +141.3% for the Ibovespa Index over the same period.

Annual Performance

Year	Bogari	Ibov
2019	+16.0%	+9.6%
2018	+21.1%	+15.0%
2017	+32.5%	+26.9%
2016	+34.3%	+38.9%
2015	+2.9%	-13.3%
2014	+4.3%	-2.9%
2013	+11.3%	-15.5%
2012	+33.9%	+7.4%
2011	+3.4%	-18.1%
2010	+39.2%	+1.0%
2009	+145.4%	+82.7%
2008	-19.2%	-41.2%
2007	+278.8%	+43.7%
2006	+18.7%	+11.4%

Accumulated Performance

Year	Bogari	Ibov
2019	+5,029.7%	+141.3%
2018	+4.324,0%	+120.1%
2017	+3,551.9%	+91.3%
2016	+2,655.7%	+50.8%
2015	+1,951.3%	+8.6%
2014	+1,892.6%	+25.2%
2013	+1,811.0%	+29.0%
2012	+1,617.7%	+52.6%
2011	+1,183.1%	+42.1%
2010	+1,140.6%	+73.6%
2009	+791.5%	+71.8%
2008	+263.3%	-6.0%
2007	+349.6%	+60.0%
2006	+18.7%	+11.4%

The year 2018 was marked by elections – a period that brought much uncertainty over the direction of the country's economy. The outcome of the elections could present a binary result for the stock market (similar to the impeachment process of 2016). Consequently, we built our portfolio with companies featuring more resilient business models that could perform relatively well regardless of the outcome of elections.

With Jair Bolsonaro winning the election, we have a good outlook of continuity for the agenda of economic reforms. Despite the setbacks, our base scenario is that the social security reform will be approved in congress, followed by other important ones, such as the tax reform.

As we discussed in our last letter, companies emerged out of recession in a stronger shape, having done their homework, becoming leaner after optimizing their cost structures. The competitive environment has improved since weaker companies have not survived the crisis. Furthermore, companies have deleveraged and are now benefitting from a scenario of lower interest rates and spreads. As a result, we are in the presence of a strong operating leverage scenario which is starting to translate into increased profits and cash flows, despite weak GDP growth figures.

With the prospect of a strong earnings cycle, we increased our portfolio exposure, adding companies that we believe will deliver outstanding results in the coming years. Although the Brazilian stock market has rallied in 2018 and in early 2019, this cycle will continue to support a strong performance.

In this letter, we will discuss the venture capital industry and the development of startups in Brazil. As the theme is rich and highly relevant, we have focused this issue exclusively on the subject at the expense of the section traditionally allocated to the portfolio update. Additionally, we will comment on some of our new investments in the main section.

As we always like to point out in our investor letters, our portfolio remains adequately diversified. The largest holding makes up around 8% of the Fund's assets, while the top 5 positions combined account for less than 32%. Liquidity is high: we are able to convert over 90% of the Fund into cash within 8 days. We continue to hold quality assets, at adequate prices and with good prospects for the coming years. Additionally, we believe we are prepared to take advantage of any possible devaluation in the Brazilian equity markets.

Startups, Venture Capital and the Stock Market in Brazil

Introduction

Due to the accelerated development of startup companies and venture capital (VC) recently in Brazil, we decided to address the theme in this letter. In recent years, several of these businesses have become operationally and financially viable and have become a potential risk for some of the companies we are invested in. Furthermore, the positive changes anchoring this dynamic also apply to some listed companies, representing potential investment opportunities for our fund.

In one way or another, the partners at Bogari have been involved with technology companies in Brazil since the late 1990s. From a master's degree thesis in 1998 on the subject, to investing in tech companies during the ill-fated internet bubble of the early 2000's, we have always remained in close contact with the Brazilian startup ecosystem.

Despite this closeness, in the beginning of 2017 we felt we were in need of a more thorough update on this space and therefore needed to spend more time to better understand what was happening to these emerging companies. After a quick update, including courses, readings and a series of interviews with VC industry experts, we came to understand that this process would have broader consequences than we had initially envisioned. As a consequence, we began dedicating a significant amount of our research time, in the last two years, to becoming closer to the theme and to the Brazilian startup ecosystem.

Brief History of VC in Brazil

Due to the economic instability, high inflation and historically low innovation of Brazilian companies, venture capital in Brazil was basically non-existent until the beginning of the Internet boom in the 1990s. Shortly before the end of the computer protectionism laws, the first incubators (precursors to the accelerators) emerged. It was not until the Internet boom, that the first wave of investments in Brazilian venture capital began in earnest. At that time, influenced by the internet revolution, which impacted markets and businesses around the world, hundreds of startups were created. However, few companies of this generation have survived, the most widely known being Mercado Livre, UOL and Submarino. There were, also, some cases of success for investors, where assets were sold for high sums, such as Patagon and Zipnet. There were also hundreds of other cases of companies that shut down or did not achieve great success during that period.

The main characteristic of this period was that many business models were ahead of their time (and others would prove not sustainable at all). Mobile telecommunication penetration was still low, internet connection bandwidth was insufficient and smartphones had not arrived yet. In short, the infrastructure was insufficient and the business models, for the most part, were not economically sustainable.

Much has happened since then. The bubble burst and investments in technology companies remained low for several years. Infrastructure has developed over time and many of those businesses have become viable. In addition, new technologies, techniques and business models were created. As Moore's Law[1] continued in full swing during this entire period, the exponential growth in processing capacity, data transmission and storage, has dramatically reduced the unit cost of a variety of services.

With the stabilization of the Brazilian economy and the operational and financial viability of technology companies worldwide, the development of VC funds in Brazil was a natural step. Today, the country has a fast-developing VC sector, with the presence of several local funds, in addition to a high level of interest from foreign funds. The availability of capital – a critical factor for supporting startup business models – is now a reality in Brazil, although it is always subject to sudden changes given the country's macroeconomic volatility.

However, we believe that we are in the beginning of a development process, which will also see a "*tropicalization*" of the VC model in the country. Due to the idiosyncrasies of doing business in Brazil, some variables probably will have to be adjusted over time in order to increase the likelihood of success of those startups. We see this adjustment of the VC investment model in more developed markets adapted to the Brazilian reality as critical to the success of investments in this area.

Startups vs. Incumbents

Despite the challenges of scaling a business from scratch, startups have some distinct advantages over traditional players in a given market: more customer focus, modern business models, up-to-date and flexible technology base, agile decision-making processes and new product creation. However, they have the challenge of having no brand, a small or non-existent customer base with a likely higher acquisition cost, in addition to the difficulty of accessing capital markets. In order to raise capital, basically, a startup has the challenge of: (i) having a good team, (ii) being able to prove that its business model exists and is feasible, for this an MVP (*Minimum Viable Product*) must be developed and tested and (iii) proving its economic feasibility in a market with great potential. For this it is necessary to evaluate if the result generated by a new customer is higher than its acquisition cost (LTV>CAC[2]) – the higher this ratio, the higher the marginal profitability and return on capital. If one meets these three factors, the probability of raising capital today is high.

The challenge for incumbents is the opposite to that of startups. They already have a customer base and established sales channels, but they need to deal with the competition from innovative products with better solutions for customers, in many cases at better prices. They do not have the agility to

[1] Comment by Intel co-founder Gordon Moore that computing capacity would double every 24 months.

[2] LTV: Lifetime Value
CAC: Customer Acquisition Cost

make a comparable product and have to deal with old technologies (legacy systems), which make innovation very costly. Moreover – and perhaps more importantly – they lack a culture of more radical innovations.

In many cases, innovation means terminating or cannibalizing an existing product/service currently generating relevant revenues streams to the company. Making the decision to sacrifice current revenue to prevent a competitor from advancing, or to introduce a product/service with an uncertain probability of success is a challenge that few can face. Due to their traditional structure, the incumbents struggle to understand and give credit to these new entrants. Even when they appreciate the situation, incentives to executives and shareholders usually do not allow the company to take the necessary steps to defend itself. We do not want to delve into this subject now, but it constitutes a rich subject for an in-depth discussion.

Stronger Competition

As startups have grown by expanding their product offering with both new and existing services, through new distribution channels, working with innovative business models or in specific segments, several industries are affected. The disruption of traditional business models results in lower barriers for these new entrants to attack established markets. However, this process is usually slow – almost imperceptible – since these new companies come from a very low initial base, usually from scratch.

Initially, these new players go almost unnoticed, but as their model begins to scale, they begin to be recognized. Many of these companies deliver exponential growth, making the evolution slow at first, and then very quick.

Two features are worth mentioning: first, exponential growth is initially slower, when compared to its linear counterpart. It then reaches the criticality, where the exponential curve surpasses the linear, and then starts to present a much higher growth speed than the former. The second feature is more interesting: exponentiality is not a natural concept for the human brain – we easily notice linearity, but not exponentiality. As a result, we do not give much note to these events that are initially irrelevant, but cumulatively, exponentially, become very impacting. Our brain tends to extrapolate the present, thus exponential events, which will have an important impact in the future, are not materially reflected in the present. The perpetuation of the *status quo* by our brain has already been well studied and one of its consequences is the amplification of both pessimism and euphoria in the markets, leading to great fluctuations in stock prices.

Going back to the effect on the competition, the impact of the emergence of new ventures is already perceived in some industries and it tends to be increasingly relevant for large Brazilian companies. An example of this phenomenon is the emergence of companies like Stone and PagSeguro in the acquiring market, increasing their market share from zero to ~14% in the last 5 years. This event marks the arrival of the startups to the world of listed companies in Brazil. Both offer services similar to the incumbents (Cielo and Rede), but in a different way.

Stone has targeted the existing market through its own distribution network, created with a modern managing model, through a sharp customer-centric sales machine (Stone Hubs). PagSeguro has focused on a new segment and business model, selling its POS terminal directly to the base of the acquiring pyramid, a previously underserved segment. The incumbents, in turn, paid no attention to these new entrants, believing the models that worked in the past would continue to hold true. Only now, after significant loss of market share, have they begun to adjust their strategies.

Another example is the banking sector, albeit with a less advanced competitive dynamic compared to the acquiring industry. This is one of the most promising areas we foresee for startups in the country, with some already well advanced and consequently closer to impacting incumbent companies. The banking sector is highly concentrated in Brazil, presenting high returns and a big profit pool. The room for the emergence of new and more competitive solutions is broad, as is the size of the addressable markets. It is not by chance that the availability of capital and the number of startups targeting these opportunities are high.

In addition to the technological changes previously mentioned, we shall highlight the change in the Central Bank’s stance in stimulating new contenders. Brazil has historically shown great restrictions in its financial system regulatory framework. This is a consequence of the insolvency crisis in 1990s, after which the Central Bank has favored solidity over greater competition. In the past years, the Central Bank was rigorous in granting new licenses and in controlling the institutions’ performance. With the economic instability and high regulatory risk, we saw a reduction in the number of banks and a growing market concentration in the hands of a few players.

However, the regulator has been changing its stance. There is a growing concern over competition and effective steps are being implemented. The “Central Bank+” agenda, changes in the acquiring business and the creation of a specific regulatory environment for smaller companies are examples of this behavior change. This promotes the entrance of new players into various businesses and a more level playing field.

Despite the tougher competitive environment, we believe large banks will continue to play a relevant role in the Brazilian market in the coming years. It seems clear that some of its biggest profit pools will be attacked, especially those linked to non-lending activities. The phenomenon we are observing in the acquiring business will probably materialize in other banking businesses. Nevertheless, we understand that even with this competition, the banking business in Brazil will remain profitable. Our analysis indicates that even considering relevant market and price losses in the segments most vulnerable to fintech competition, banks will continue to deliver a return above their capital cost. Therefore, we keep holding a position in banks (lower than we historically had) in our portfolio. We still consider banks to be a good investment although we have adjusted the valuation parameters in order to reflect lower ROEs in the future.

Outlook and Opportunities

We do not intend to address all details in such a small space, but we want to share some insights on the dynamics we believe are currently at play. At the same time, we would like to remind our readers that as time goes by and things become clearer, we may revisit this view.

With available capital, a significant profit pool up for grabs and a more benign regulatory landscape, we have an environment conducive to the emergence of competitors in the financial sector in Brazil. Depending on the segment, this competition will occur in different ways. We believe in important changes in the competitive dynamics of both retail and SME segments. The large corporate segment demands a higher service level and presents a lower return on capital, so we believe that large banks will continue to be the "natural owners" of such customers.

In the retail segment, we are witnessing the beginning of a stronger competitive dynamic. XP and BTG Digital are targeting the high-income segment (Itau's Personnalité, Bradesco's Prime, and Santander's Select), mainly leveraging the independent financial advisor channel. The strategy is to attract the customer by offering an open investment platform. The next step will be offering a checking account and other banking products to their customers, in order to avoid withdrawal to perform day to day transactions like transfers, paying bills, etc. Although XP is far ahead of other players, BTG has a great team and a background of delivering on execution. In addition, just like the large banks, other players like Genial, Guide and Órama are trying to consolidate their service offerings to meet the needs of this segment.

Banco Inter, on the other hand, is targeting a somewhat lower income segment with a full range of financial services. We believe currently Banco Inter is the sole player offering a complete, better and cheaper retail banking experience/service, enabling its customers to fully replace their former retail bank relationships. For this reason, its growth has been exponential and at the current pace it may reach, by the end of 2019, around 10% the size of Itau's client base.

Offering a complete retail banking solution in Brazil is very difficult. Retail Banks in Brazil evolved to become a one-stop shop bank, meeting all their customers' needs, from cash withdrawals and deposits to payment of bills, and are difficult to replicate. Banco Inter, in addition to the basic checking account services, also has a reasonable credit offering and has launched its open investment platform at the end of 2018. Other competitors such as Nubank and Neon, despite their good work, still have to add more services to their platforms to provide a complete offering.

Some interesting facts about Banco Inter: first, in the VC world, digital platforms' activation level ranges from 10% to 30% of its customer base. Banco Inter's activation is over 65%. As one competitor told us, "this is a world-class benchmark." This means that Banco Inter's customers open their checking accounts and actually use the banking services. We believe that this is indeed happening because, as we mentioned earlier, Banco Inter has been able to perfectly substitute the traditional retail banks, offering a better service at a much lower cost. Thus, customers are able to close their current checking accounts at Banco do Brasil, Itaú, Bradesco, Santander and Caixa Econômica Federal and have a great experience with Banco Inter for a lower cost. In fact, this is not unfathomable, since NPSs are low and the cost for clients is excessive. Another sign that this is happening is that 40% of Banco Inter's client base already considers it to be their main bank.

The second relates to the bank's market cap. In the VC world, digital platforms like N26, Revolut, Nubank, among others are valued with a multiple of $1,000 per customer (whether active or not). For example, Banco Inter has 2 million customers today and could have a valuation of U$ 2 billion. By the end of the year, with 4 million customers, the bank could be valued at U$ 4 billion. We are not saying that this is the right number, but we are just drawing the attention to the discrepancy between prices of listed assets versus its peers in the private market. Moreover, as we have mentioned, the activation rate of Banco Inter is far higher than that of other competitors, therefore Banco Inter's multiple could be closer to reality than that of some of its peers.

In other banking segments, we see players offering different solutions. For the lower income bracket, customers typically demand more credit solutions. Here we find the players who offer payroll and personal loans – subprime or otherwise – creating digital checking account solutions to facilitate credit granting and collection. Banks like Agibank, Pan and BMG are developing their own solutions.

The new fact is that retail businesses also have the opportunity to provide financial services to their customers. Since they already offer credit through their store cards for the purchase of goods, personal loans and insurance, they are also able to offer checking account solutions. Large retailers, such as the major Brazilian apparel chains Renner and Riachuelo, are likely to follow this trend.

In the SME segment, we believe changes will be deeper. Traditional channels for financial services distribution have never been very efficient due to the high cost of servicing such customers. Now they have started to face more competition through some digital platforms. We believe these platforms – whether vertical or horizontal – will be the "natural owners" of some customers, both by being an important source of sales for these customers and by providing services with high switching costs. As one entrepreneur has taught us: "you win your customer´s heart by bringing business to them."

We call vertical platforms the specialized solutions for some business segments with specific demands. For example, iFood should become a powerful financial service distribution platform for its segment. Since its solution brings new sales to restaurants, iFood is highly important to them. By offering acquiring services and digital checking accounts – as iFood is already doing – it will be able to offer credit, based on its customers' sales information. The offering could be expanded over time, with higher conversion rates and higher profitability per customer as iFood has already previously acquired the customer. What´s most interesting is that the company is not required to become a bank, as there are currently some institutions working on BaaS (banking as a service) solutions that make this type of offer feasible.

Another vertical solution we believe will follow this path (and indeed is following) is Mercado Livre. Its solution is important for those companies with online sales and – similar to iFood – it will be a powerful distributor of financial products. The same will happen with PagSeguro, which has already launched PagBank.

Horizontal solutions, on the other hand, do not necessarily serve exclusively single SME segments, but rather a wide range. We believe the most relevant horizontal platforms are enterprise resource planning (ERP) companies, such as Linx. With a high switching cost – since the system tends to control a large portion of its customers' operations - ERP companies accumulate sets of transactional information that are important levers for those wishing to provide financial services to their client base. As a result, we have already begun to see important movements in this direction.

Linx, for instance, has a large customer base that uses its point-of-sale solutions (POS, TEF[3]) and ERP. Offering an acquiring solution is a natural step. Initially, the company shared a distribution agreement with Rede, but after realizing its potential value, Linx decided to step up its offering. It started offering acquiring services as a subacquirer by outsourcing part of its infrastructure. Linx' sales pitch for its TEF customers focuses on an attractive price with added convenience, as its solution allows the customer to centralize troubleshooting into a single point of contact.

The potential to penetrate its client base is quite considerable as it serves many retailers who can replace their current acquiring service providers. The cost of reaching this customer is low, since it is tapping into its own base, allowing the company to have a very competitive value proposition, with higher profitability. Since the companies are already on the customer base and Linx is only selling an additional service, its marginal profitability is quite high. The next steps will certainly involve the offering of a digital account and credit. We keep in mind that the amount of financial information from customers held by the company is greater than most credit providers.

Omie is another interesting example. Omie is a startup which provides an ERP solution to approximately 20,000 SME customers, on average smaller than Linx's. In a partnership with a company specialized in the prepayment of receivables, Omie is already able to offer a very interesting service. Following client registration, Omie is able to prepay receivables (backed by non-credit card purchases) in 30 minutes. In this case, financial products distribution by alternative digital channels is already a reality. The company has recently raised U$20 million in a Series B round from Riverwood, which will help intensify its growth trend.

We believe solutions for SMEs should follow a path of service bundling, just as it happened in telecoms. The telecom industry understood that selling a single service is highly expensive, worsening the economic equation, once revenue per customer is low and churn is high. Therefore, bundles of fixed-line, mobile, internet and pay TV were created. Thus, for a similar acquisition cost, we have more revenue and lower churn, because it is much more complicated to switch three or four services than just one.

We will probably see bundles for the above-mentioned providers. Multiple services offered in one single package encourage loyalty, reduces churn and increases unit revenue in addition to generating more flexibility in the collection model, since it enables charging for one service while offering another service for free. Thus, we should increasingly witness the offering of a package including POS software, ERP, payment solution, digital account and other financial services. The customer would have a single provider for all these services at a very attractive price making it harder to compare prices to alternative unbundled solutions, while offering better levels of service.

Conversely, the opposite trend whereby the financial company offers management software (ERP) is more complicated. The product is much more complex than the financial offering and its sales cycle is longer. Therefore, following this path seems riskier for incumbents.

Large banks will always have the advantage of their ample supply of credit, which is difficult to replicate by any other player. However, they will have to greatly improve their offerings, improve service and reduce costs. Their natural move would be using their huge cash generation to acquire some of these platforms in order to shield its offerings to SMEs. We will see if this will occur over the years.

Final Remarks

We are living through an interesting period, where deep changes are happening, creating the need for updates and adjustments in our investment activity. We started this process some years ago and although we still have much to learn, we believe we have understood the dynamics of these changes and identified some vectors that may influence the universe of companies we cover. We believe that the focus given to the subject has already brought visible results to our investment process.

On the risk side, the knowledge accumulated so far has allowed us to be agile in order to avoid permanent losses in the emblematic case of the acquiring sector, where value has been transferred from incumbents to new players. We have identified changes in the fundamentals of this industry and sold our position in Cielo – which had been an important investment of the fund for years – before the value loss which occurred soon after, as the stiffer competition became more visible.

On the flip side, we made investments in Banco Inter, Linx and Mercado Livre, anticipating the development of those trends highlighted here and their impact on the perception of the intrinsic values of these companies. While reasonably

[3] TEF: Electronic Fund Transfer - a system that makes the connection between merchants and acquirers.

representative in aggregate, the size of the individual positions has been calibrated to reflect the challenges of investing in companies from the new economy that often requires a different valuation mindset. We will probably need a longer acquaintance process to scale individual positions from the new economy to core positions in our portfolio.

We are experiencing a time of relevant transfer of value to new companies and business models, where risks and opportunities cannot be neglected. In the midst of this changing environment, we will continue to focus on expanding our knowledge. Without, of course, losing sight of the values of our investment culture, as the focus on fundamentals, long-term view, gradualism and the usual caution.

Thank you for your trust.

Fund Objective

The objective is to provide our clients with long-term investment opportunities in companies where there are substantial distortions between the negotiation price and the assets' intrinsic value.

Monthly Returns (BRL)[3]

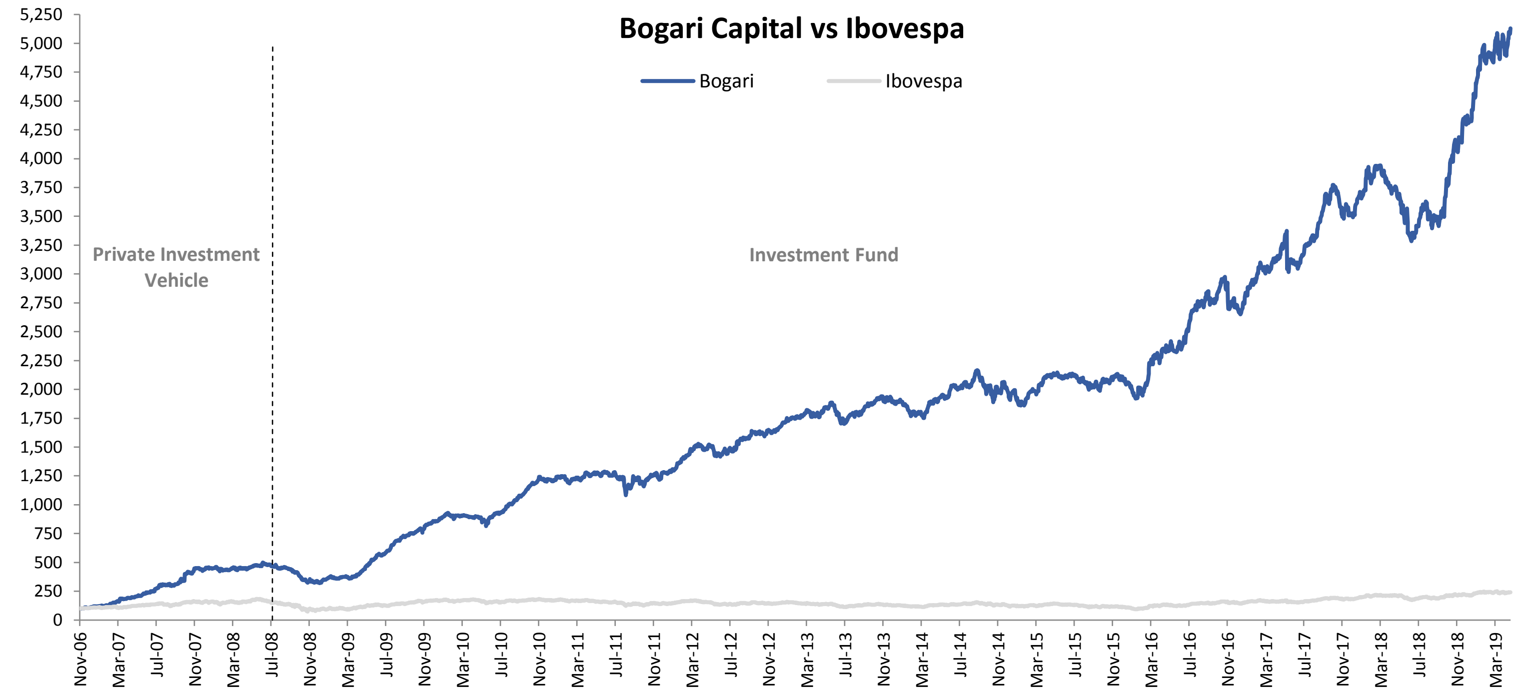
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2019[(2)]	Bogari	11.8%	-1.3%	2.1%	3.0%									16.0%	5,029.7%
	Ibov	10.8%	-1.9%	-0.2%	1.0%									9.6%	141.3%
2018[(2)]	Bogari	6.7%	0.2%	-1.9%	-2.0%	-7.2%	-3.6%	5.9%	-1.9%	1.9%	15.0%	6.3%	1.8%	21.1%	4,324.0%
	Ibov	11.1%	0.5%	0.0%	0.9%	-10.9%	-5.2%	8.9%	-3.2%	3.5%	10.2%	2.4%	-1.8%	15.0%	120.1%
2017	Bogari	6.2%	4.3%	1.5%	3.9%	-3.2%	0.6%	4.2%	5.8%	5.4%	-0.5%	-3.2%	4.1%	32.5%	3,551.9%
	Ibov	7.4%	3.1%	-2.5%	0.6%	-4.1%	0.3%	4.8%	7.5%	4.9%	0.0%	-3.1%	6.2%	26.9%	91.3%
2016	Bogari	-1.8%	3.5%	9.7%	2.9%	-1.3%	7.5%	9.2%	1.9%	-1.2%	8.3%	-6.3%	-1.2%	34.3%	2,655.7%
	Ibov	-6.8%	5.9%	17.0%	7.7%	-10.1%	6.3%	11.2%	1.0%	0.8%	11.2%	-4.6%	-2.7%	38.9%	50.8%
2015	Bogari	-6.7%	7.1%	3.4%	3.4%	-1.5%	1.4%	-1.4%	-3.1%	-0.8%	2.3%	1.1%	-1.5%	2.9%	1,951.3%
	Ibov	-6.2%	10.0%	-0.8%	9.9%	-6.2%	0.6%	-4.2%	-8.3%	-3.4%	1.8%	-1.6%	-3.9%	-13.3%	8.6%
2014	Bogari	-5.7%	-0.3%	3.6%	1.9%	1.7%	4.4%	0.4%	6.7%	-7.5%	1.3%	2.0%	-3.4%	4.3%	1,892.6%
	Ibov	-7.5%	-1.1%	7.1%	2.4%	-0.8%	3.8%	5.0%	9.8%	-11.7%	0.9%	0.2%	-8.6%	-2.9%	25.2%
2013	Bogari	2.1%	2.3%	0.1%	1.9%	1.6%	-6.0%	2.0%	1.2%	3.4%	3.9%	-0.1%	-1.3%	11.3%	1,811.0%
	Ibov	-2.0%	-3.9%	-1.9%	-0.8%	-4.3%	-11.3%	1.6%	3.7%	4.7%	3.7%	-3.3%	-1.9%	-15.5%	29.0%
2012	Bogari	6.8%	6.4%	3.3%	1.1%	-5.1%	1.6%	4.7%	2.3%	2.5%	0.5%	2.1%	3.8%	33.9%	1,617.7%
	Ibov	11.1%	4.3%	-2.0%	-4.2%	-11.9%	-0.2%	3.2%	1.7%	3.7%	-3.6%	0.7%	6.1%	7.4%	52.6%
2011	Bogari	-1.8%	0.9%	2.7%	1.3%	0.7%	-1.0%	-2.7%	-1.9%	-1.7%	4.4%	1.0%	1.8%	3.4%	1,183.1%
	Ibov	-3.9%	1.2%	1.8%	-3.6%	-2.3%	-3.4%	-5.7%	-4.0%	-7.4%	11.5%	-2.5%	-0.2%	-18.1%	42.1%
2010	Bogari	1.1%	-0.1%	-0.8%	-0.5%	0.1%	3.4%	8.9%	6.1%	6.9%	5.6%	1.5%	1.7%	39.2%	1,140.6%
	Ibov	-4.6%	1.7%	5.8%	-4.0%	-6.6%	-3.3%	10.8%	-3.5%	6.6%	1.8%	-4.2%	2.4%	1.0%	73.6%
2009	Bogari	-1.0%	5.8%	-0.8%	22.1%	15.9%	7.1%	17.5%	8.4%	3.2%	3.8%	8.9%	4.9%	145.4%	791.5%
	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%	71.8%
2008[(1)]	Bogari	-3.6%	3.9%	-1.2%	3.1%	2.5%	2.2%	-7.2%	-0.6%	-12.8%	-12.8%	-0.4%	8.0%	-19.2%	263.3%
	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%	-6.0%
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%	349.6%
	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%	60.0%
2006[(1)]	Bogari											5.1%	12.9%	18.7%	18.7%
	Ibov											5.0%	6.1%	11.4%	11.4%

Note: (1) Bogari Investment Club inception was in November 1, 2006. In July 8, 2008, the investment club was converted into Bogari Value FIA

Note: (2) On Feb, 21st Bogari Capital started a new fund, same strategy, but free of pension funds regulation restrictions

Note: (3) Returns are gross of fees

As of: 04/30/2019



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