Report
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LAt(t)itude

Facing the economic and political sections of the Brazilian papers has recently required the stoicism of Zeno. Accelerating unemployment, shrinking production, double-digit inflation, endemic corruption, impeachment threats. Not to mention regrettable episodes in other areas: unprecedented environmental disaster, and serious epidemic in public health. The atmosphere has been heavy. In our last Report, we described how inhospitable Brazil's business environment has become. We offered a raw account of the kinds of hardships our companies face. The feedback we received was in a tone of dismay. It was clear that the text did nothing to improve the general mood of our readers. Nor could it have done. It is impossible to be optimistic in this bizarre arrangement.

Since 2009, the Dynamo Report no longer includes the comments on Dynamo Cougar's performance. From then on, they have been compiled and delivered to shareholders in a separate quarterly report. Freed from the bonds of the calendar, the Report has become a more autonomous manifestation and thus more suitable for navigating open-ended themes. Taking advantage of the degree of freedom we granted to ourselves and being mindful of the low collective mood, we have decided to bring the heat down by addressing a lighter, cooler, and not less interesting topic: the Antarctic expeditions.

Needless to say, our intention is to draw parallels with our tropical reality as a Brazilian investment company. The text came long. We thus propose the following script: in this Report, we briefly describe the three most documented and well-known expeditions: Robert Scott aboard the *Terra Nova*, Roald Amundsen in the *Fram*, and Ernest Shackleton with the *Endurance*. We then explore symmetries that seem useful to us: animal spirits, focus, and preparation. In the next Report, we continue these reflections by way of three other themes: adaptation, leadership, and team building.

Before we begin, an explanatory note. The analogies we draw to the corporate environment are not intended to be definite proofs to validate a general argument about each theme. We do not have this deductive, almost sophist, pretension. The primary object of our interests, the companies, are living organisms, individuals continuously interacting and making decisions. We are in a much more fluid and uncertain environment, where even black swans lurk. The mentions made to companies are merely illustrative, inspired by the purpose of recounting the epic polar adventures from the standpoint of our condition as contemporary investors. At the end of the course, we hope to have profited not only from knowing more about a fascinating period in history, but mainly from the digressions – under an unusual perspective – around the things we collect along our excursions here at Dynamo.

The so-called heroic phase of the Antarctic explorations comprises the 17 expeditions to the continent that occurred between 1897 and 1922. At the turn of the nineteenth century, the Western world was experiencing a time of relative peace, economic prosperity, innovation in science and technology, and cultural and artistic fertility. It was in this upbeat spirit of the Belle Époque that most of the polar expeditions took place. A fascination for the unknown, a passion for adventure, and a desire for scientific knowledge all pushed these fearless guys to the inhospitable extremes of the planet. Political interests also flooded aboard. Many expeditions received sponsorships from governments wishing to be the first to peg their nation's flag to the polar ground, as an Olympic medal, symbolizing modernity and supremacy.

Three of these expeditions became emblematic. They were well documented and ended up being subjects of greater historiographical scrutiny later on. A century later, the interest in the Polar conquests is still vibrant, with new studies and reinterpretations[1].

Robert Falcon Scott (1868-1912) was a British naval officer who saw in the polar campaigns an opportunity to ascend professionally and financially. Aboard the *Discovery* he led his first expedition (1901-1904), reaching 82°17′S latitude (850 km from the Pole), and discovering the Antarctic Plateau. The expedition was deemed a success, Scott gained public fame, collected a number of honors, and began to prepare his next journey to the far South.

The British Antarctic Expedition (1910-1913) aboard the *Terra Nova* would have the dual goal of being the first to reach the Magnetic Pole, while pursuing a vast content of scientific studies, through a collection of samples, measurements and observations of several kinds, and sponsored by the Royal

1 *As usual, the complete list of bibliographic references is available on our website under the Library section: http://www.dynamo.com.br/var/www/html/dynamo.com.br/web/en/biblioteca*

Geographical Society (RGS). During most of his preparation, Scott believed he was alone in the attempt to reach the South Pole. Only in October 1910 did he receive a letter from Roald Amundsen informing him of Amundsen's intention of pursuing the same goal. Thus began the famous "race for the Pole".

Scott would set up the base camp in Cape Evens, a place more suited for the scientific experiments. From the Ross Ice Shelf, he would follow along a well-known route – discovered by Shackleton in the *Nimrod* (1907-1909) – reaching the Polar Plateau through the Beardmore Glacier (cfr. Map 1). As a means of transport, Scott would use a combination of motorized sledges, ponies, sled dogs, and men with skis to pull sleds. He reached the Pole on January 17, 1912 and found, to his great disappointment, the Norwegian flag. Amundsen and his crew had arrived five weeks earlier. On their way back, Scott and his four companions would face unusually adverse weather conditions, dying just 11 miles away from a food and fuel deposit that, if reached, would have probably kept them alive.

Scott soon became a national hero, a symbol of the courage so beloved during the Edwardian period of England, paying the price of his own life to pursue honor for the British Empire. His reputation remained intact until the 1960s when a few scholars began to draw attention to some mistakes that were made, from the preparation of the expedition, to strategic decisions, and even gaps in his leadership abilities, to the point of calling him "bungler" (Huntford 1979). Recently, a more accommodating view began to thrive once again. This reinterpretation sought to rescue the cultural and historical context of the expedition, noting for example the major significance of the scientific orientation of the venture. Scott's authority was based on a more hierarchical and disciplined model of the British Navy, it was pointed out. And that at such an extreme environment, this kind of leadership regime might not be the most appropriate one. Scott relied on an excellent meteorologist, George Simpson, who developed sophisticated measurement techniques. But, on that year, his crew would face unusually low temperatures on the return trip. Another recent discovery revealed a text where Scott ascribed detailed orders to the support crew to leave the base camp with the sled dogs and meet him on the way back. But the crew arrived at the food deposit and returned. Had they insisted a little more, they would have probably found Scott and his men. This new set of interpretations shifts the focus away from blaming exclusively the logistical and operational mistakes Scott made, and explaining the outcome of the expedition as " a tragic combination of circumstances" (May, 2013).

Roald Amundsen (1872-1928) was born in Norway, to a family of ship owners and captains. The universe of travels and adventures would instigate him early on. By age fifteen, he would be deeply impressed by the account of Franklin Coppermine's expedition (1819) who, as a last survival resource, ate, along with his crew, their own leather boots. The young Amundsen was delighted by the stories of Fridjtjof Nansen, the great Norwegian explorer who returned triumphantly to his country after crossing Greenland by skis. When he was only twenty-one, Amundsen would drop his medical degree and by twenty-five he was aboard of the *Belgium*, led by Adrien de Gerlache, in the expedition that would inaugurate the so-called heroic phase in Antarctica.

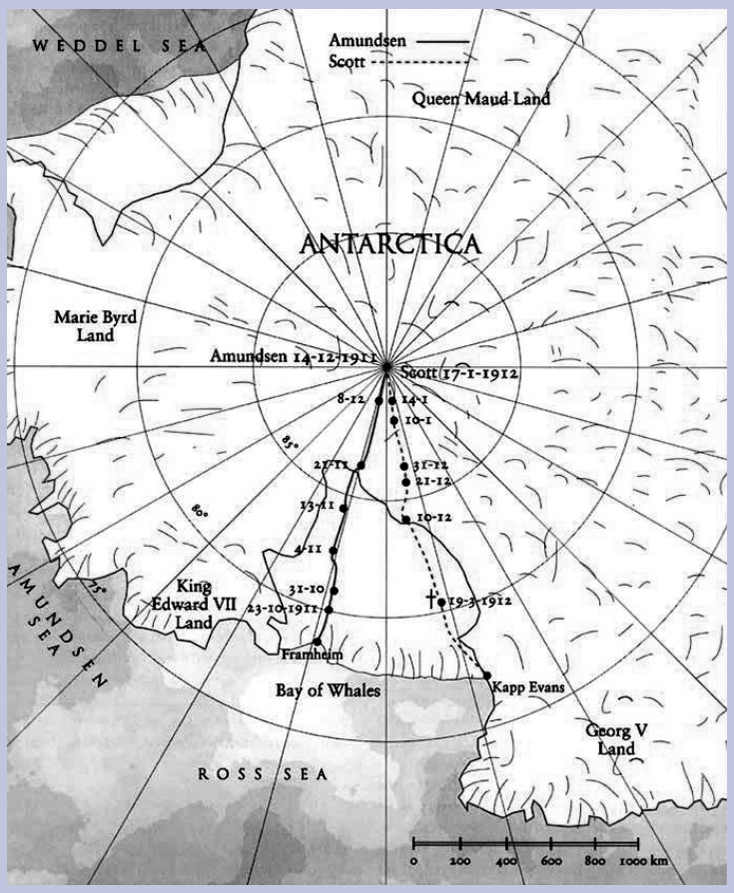
In 1903, aboard the *Gjoa*, a "ridiculously small 47-ton fishing vessel" (O'Connel, 2015), Amundsen and his six men were the first to cross the Northwest Passage, a route through the north of Canada, starting at the Atlantic, in Greenland, and ending in the Pacific, in Alaska. They were able to map several islands, registering for the first time the movement of the magnetic pole, and living alongside the local Netsilik people (Inuits), from whom they learned survival skills and techniques for training sled dogs.

On his way back, Amundsen started the preparations for a new expedition aiming to reach the North Pole. In 1909, he heard of the news that Frederick Cook and Robert Peary had already reached the Pole. Amundsen immediately changed his plans and directed the *Fram* to Antarctica, aiming to conquer the South Pole instead. He feared the announcement of the new route could compromise its goal and only told his crew of the change when they had already reached Madeira Island. The message to Scott was also sent from there.

Amundsen took a different, original route. He set up base-camp in the Bay of Whales, 60 miles further south than Scott's base – and reached the Polar Plateau through the Alex Heiber Glacier, named after one of its sponsors (cfr. Map 1). For transportation, he primarily used sled dogs in addition to the men on skis. With meticulous planning and precise execution, the Norwegians reached the Pole on December 14, 1911, after a 56-day crossing. The return trip lasted only 38 days. So large was the margin of safety employed in the provisions that Amundsen and his team returned to the *Fram* weighing more than when they left it.

Back in Norway, the crew received awards from King Haakon's own hands. However, the news of Scott's disaster brought with them an uncomfortable feeling. The British accused Amundsen of a lack of fair play for taking too long to reveal his intentions of attacking the South Pole. Some sympathized with Scott's view that a foot march was a nobler, idyllic achievement, belittling the Norwegians and 'their dogs'. It is said that Scott's death disturbed Amundsen, even though he had no influence on the fate of his rival. He indeed received less adulation and financial support than one would expect after such a significant achievement. Even so, he established his own ship business, which did well even during the war. Amundsen died in a plane crash in a rescue mission in the

Map 1 – Expeditions of Scott and Amundsen



Arctic in 1928. The wreckage of the small plane was found, but the bodies of its six crew members were never recovered.

As time went by, Amundsen's image rightly regained its place in a pedestal consistent with his achievement. Today, his talents as a planner and a leader are praised especially in the business and management literature.

The expedition led by Ernest Henry Shackleton (1874-1922) aboard the *Endurance* completes the trilogy of the most famous heroic expeditions. Shackleton was born in Ireland and was raised in London. Despite his father's efforts in trying to direct him to a career in medicine like the example set before him, the young Shackleton discovered the sea. After manning several vessels, in 1901 he was elected third officer on the *Discovery* expedition, led by Scott, where he contracted scurvy and was sent back home. After a few years working several jobs on land, he managed to raise capital for his own expedition, the *Nimrod*. Shackleton and three companions reached 88° 23'S latitude, just 180 km from the South Pole, setting a new record. He was knighted in the UK where he became a hero and gained recognition among the other explorers. Although he had promised his wife that he would never return to the south, when he learned of Amundsen's feat, Shackleton immediately planned a new expedition, aiming to cross the Antarctic continent from coast to coast, through the Pole.

The Imperial Trans-Antarctic Expedition (1914-1917) comprised of two ships. The *Endurance* would leave South Georgia transporting the main group to the Weddell Sea, from where Shackleton and five other men would follow the familiar route from the Beardmore Glacier to the Ross Sea on the other side of the continent. The *Aurora* would sail from Australia with the support team and reach the McMurdo straight in the Sea of Ross. They would set up base-camp over there and make the food and fuel deposits available for Shackleton and his men to recharge in the final part of the 2,900-mile journey.

In the Weddell Sea, after almost two months navigating, the *Endurance* was trapped in between the walls of ice. The boat was adrift for ten long months before it finally sank. In the end, according to Shackleton himself, the pressure of the polar plates on the wood-frame produced the sound of an agonizing groan. Over the following five months, the expedition would stay put on a camp next to *Endurance*'s wreckage. When weather conditions allowed, the men left in the lifeboats towards Elephant Island. As the place was very remote, far from any sea route, Shackleton selected five crew members and decided to risk a 1300 km journey in an open six-meter-long lifeboat, the *James Caird*, to South Georgia where he knew help would be found (cfr. Map 2). The men faced fifteen days of extreme weather in a more than precarious vessel. After reaching the south of the island, they still had to face hostile ground before they could arrive at the whaling stations to the north. After 36 hours of strenuous hiking, Shackleton and the two men he selected for this mission reached their destination, where a rescue mission was arranged. The trail would only be covered again forty years later by the British explorer Duncan Carse, who would say he could not understand how those three men could cross it with only "a 50 feet of rope between them - and a carpenter's adze", so big was the challenge (cfr Fisher 1957). All of the 28 crew members of the *Endurance* returned alive. Six years later, Shackleton would return to South Georgia aboard the *Quest*, and there he would die from cardiac problems. His death marked the end of Antarctic adventures.

In the following decades, Scott's memory would overshadow Shackleton's one. When the Victorian ideal of heroism began to fade in the collective unconscious, the popular preference was reversed. Shackleton was valued because of his selflessness, courage, unlimited willingness to sacrifice himself, and uncommon leadership talent in extreme situations. Not

to mention, of course, that in the case of *Endurance*, all this quality was exclusively directed to save his fellow men.

Animal Spirits

Antarctica is home to extreme conditions. It is the coldest, driest, and windiest place on earth, where nature reigns sovereign and hostile. With the lowest-ever recorded temperature of negative 89°C the continent has average temperatures exceeding -60°C in its central regions. An ice desert, twice the size of Australia, which does not tolerate amateur play or any kind of misjudgment. Expeditions would never take less than 500 days, since the first year was always necessary for supply preparations, then winter had to be avoided, and only in the following year could the Pole be attacked. Hunger, frostbite, blindness, burns, and scurvy were all regular members in the expedition's routines. The technology embedded in clothing, fabrics, food and equipment, although considered state of the art at the time, was far from current standards. It is true that private incentives were also at play. Personal vanity, public recognition, and financial ambitions were all present. Coupled to this, a good deal of confidence in the planning and in the diligence of preparations infused the endeavors. But perhaps the best clue to explain the polar adventures comes from JM Keynes in his General Theory, in the classic passage that introduces the concept of 'animal spirits':

"Even apart from the instability due to speculation, there is the instability due to the characteristic of human nature that a large proportion of our positive activities depend on spontaneous optimism rather than on a mathematical expectation, whether moral or hedonistic or economic. Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of ***animal spirits****—of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities. Enterprise only pretends to itself to be mainly actuated by the statements in its own prospectus, however candid and sincere.* ***Only a little more than an expedition to the South Pole, is it based on an exact calculation of benefits to come.*** *Thus if the animal spirits are dimmed and the spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die;—though fears of loss may have a basis no more reasonable than hopes of profit had before" (Keynes, 2009, our emphasis).*

This type of phenomenon cannot be explained solely by rational calculations, by logical risk/return considerations, or by the cold weighting of pros and cons. It takes something else to start up a venture with so many challenges and uncertainties. Only this "*spontaneous urge to action*" (Keynes), this instinctive search to reach new grounds not yet mapped-out, this nonconformity that is always chasing the new, which is precisely the source of business activity, can overcome such unfavorable payoffs from the start.

This *spiritus animalis* – which does not come from 'animal' in the bestial sense, but from *anima* (lively spirit), animated, that which moves, which possesses life – that is at the core of business activity. And, as we nowadays know, entrepreneurship is associated to economic growth. The nations that are more entrepreneurial and dynamic often display healthier economic and welfare indicators. The said communist regimes failed in smothering this spirit in its source.

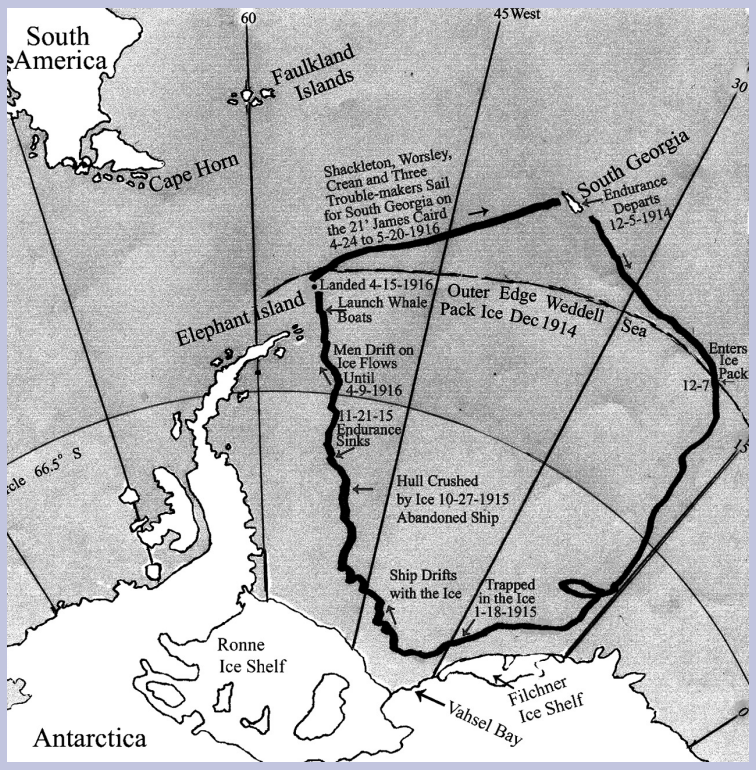
Our first "polar lesson" resides precisely here: a nation that aims to develop in a sustainable fashion must offer the conditions for entrepreneurial risk-taking. It is necessary that the Scotts, Amundsens, Shackletons, Gates, Jobs, Bezos and Pages flourish. Economically mature countries appreciate entrepreneurship, admire its success, and reflectively depreciate its failure. It is a bad sign if a sense of suspicion and distrust towards business profits prevails in a nation's collective unconscious. Or when the professional aspiration among young people is to look for the "easy" gains in financial speculation or the stability of a public-sector job rather than the riskier option in the private sector, or the even more uncertain option in entrepreneurship. In an unequal country such as ours, there is no doubt that we have to pursue a more balanced social and economic development. But experience from abroad tells us we should watch out for the expansion of public bureaucracy and to the swelling of social guarantees, in a way that these achievements will not produce side effects that inhibit our vital strength of the impulse to undertake risk, which, at the end of the day, is what disposes the effective resources for redistributive policies.

As investors, it is our duty to identify the true entrepreneurs. A task that we find far from trivial as it assumes attaining a particular worldview, which is often almost incomprehensible. The great entrepreneur is ahead of its time and as such advances without the approval-stamps provided by concrete evidence, something so beloved by investors. Our mindset is of evaluating risk/return permanently, and our reflex is of favoring the most parametric paths. To format the entrepreneur within this model – our model – can be a fatal mistake. What can be seen as security for an investor may be asphyxia for the entrepreneur. One must understand the different nature of these two roles, and learn to live with this apparent dissonance. An organic process of consensual decision making such as the one we have at Dynamo may help in this regard.

Focus

The polar expeditions have always incited the curiosity of historians, journalists and scholars. Numerous accounts and reinterpretations have been published in these past one

Map 2 – Expedition of Shackleton



hundred years. More recently, they began to spark the interest of the business and leadership literature. A frequent argument in this genre of "polar lessons" attributes Amundsen's success to focus. Being the first to arrive at the Pole was Amundsen's sole and exclusive objective. Scott, on the other hand, was divided between conquering the Pole and conducting scientific research. Indeed, the *Terra Nova* comprised a great scientific program. From the preparatory stages, discussed at length at the Royal Geographical Society, all up to the execution, where around eighty members were directly involved in geological material collection, cataloguing zoological species, and measuring a vast quantity of meteorological observations. Contrarily, Amundsen concentrated all efforts of preparation and execution in being the first person to reach the extreme south, relegating scientific measurements as subsidiary activities, and never admitting any kind of interference in the explorers' routines. In Amundsen's own words: "our plan is one, and only one: to reach the pole. To achieve this goal, I decided to leave everything else aside."

The argument of focus was always dear to us. Specialization and respect to the limits of the circles of competence are core principles we pursue here at Dynamo. Similarly, we are suspicious of companies that give themselves ample freedom to act in distant and often unrelated business segments. But the emphasis given by the management literature in attributing to focus – or the lack thereof – the direct responsibility for the success or failure of the expeditions seems excessive. Although there are reports of conflicts between the scientific teams and the explorers in Scott's expedition, the scientific effort is not to blame for the tragedy that ensued. It seems unreasonable to say, for example, that the 50 kilograms of rocks that were collected would have contributed, as deadweight, decisively to the expedition's failure. Focus certainly plays a strategic role, but, in this case, making it a protagonist seems exaggerated, and this point deserves a few considerations.

Firstly, focus was not even an option in Scott's expedition. The endeavor was only possible due to funding by RGS. That is, the scientific mission were both a desire and a necessity. At that time, the *Terra Nova* was unaccompanied in the goal of reaching the Pole. Competition was not expected. It was, let's say, the incumbent corporation, boasting not only the first mover advantage, but primarily the common view at the time that expeditions were more of a collaborative rather than competitive endeavor. In the so-called 'heroic era', there is no account of simultaneous expeditions sharing identical objectives. In this situation, being the first to reach the Pole and producing scientific research were noble and perfectly compatible objectives, there were no reasons for conflict.

It this context, we can understand the suspicion – and, after Scott's death, the resentment –, especially among the British, when Amundsen decides to change his plans and navigate to the south. Only at that moment did the famous "race to the Pole" begin. Scott's dual objective, once seen as meritorious, turned into a potential disadvantage. Scott would encounter the classic problem of incumbents when confronting threats of new entrants (niche players).

This is a constant worry we face in our investment analysis process, especially in relation to incumbent businesses. We must investigate if the companies' choices in exploring new regions or market segments, in venturing into new products, distribution channels, or in pursuing a broad set of goals, really makes sense. Is it a healthy diversification, a consistent decision that strengthens the company's competitive position, or does it simply derive from that feeling of immunity, which leads to complacency, a false sense of safety anchored in its condition of market dominance?

The variety or uniqueness of corporate objectives by itself does not determine, beforehand, the success or failure of a company. The attitude towards these strategic provisions is

more important. There are examples of dominant companies which are complex, have many interests, and do not lose a habit of constant vigilance and attention to the smallest crevices where competition might flourish. There are even numerous examples where the right decision was precisely to bet outside of the core business. IBM has reinvented itself with the personal computer, not the mainframe, Netflix radically changed their revenue model by practically abandoning its DVD subscription business in favor of the online streaming subscription model. Here in Brazil, Grupo Ultra had the opportunity to acquire COPENE and, instead of doubling down on the petrochemical business, ended up buying Ipiranga, and the fuel distribution business later proved much more profitable. Cosan followed the same route of diversification, acquiring Esso's and later Shell's gas stations, thus diluting their original dependency on the sugar and ethanol business. On the other hand, there are cases where obsessive focus may blur the best strategic vision. A typical example is that of Oi, which, entertained with the cash-cow telephony business, did not realize the market opportunity for broadband, leaving an open gap precisely where GVT established itself.

Going back to the polar adventures, focus and persistence almost derailed *Fram's* plans. Worried that mechanical snowmobiles would give Scott an important advantage, Amundsen decided to begin his move to the Pole earlier than what was deemed prudent given the meteorological conditions. As soon as the sun came out in the end of August, Amundsen and his team set course, despite the warning of one of his crewmates, Hjalmar Johansen, who said: *"I don't call this an expedition. It´s panic."* Johansen was right. Facing freezing temperatures, the expedition made little headway, some sled dogs died of frostbite and others had to be placed above the sleds, demanding even more effort from the men. Amundsen acknowledged his mistake, returned to base camp, and waited for better conditions to continue his trek.

On the other hand, after Scott lost the race to the Pole, by tripping over his own mistakes, his expedition's reputation stood still largely due to its secondary objective, once seen as a potential distraction: the value of scientific achievements. Indeed, the advancement of knowledge and scientific production of the *Terra Nova* was fruitful. The results of the researches and collections were published in eighty specialized articles, sustaining a lasting contribution to the understanding of the Antarctic continent (cfr McTurk 2012). The expedition cemented the understanding that Antarctica should be a region of scientific research, a view transformed into reality fifty years later through the Antarctic Treaty. That is, we find evidences against the traditional arguments in the very expeditions. Excessive focus can be harmful and multiple objectives might counteract this harm. Even if in giving a chance to the whims of luck, as was the case in the *Beagle* expedition, whose main goal was to map the South American coast but was eventually popularized for accepting a certain naturalist aboard…

Preparation

The organizational and logistical complexity of the expeditions required intensive diligence in planning and preparation. The extreme conditions in the Antarctic environment required a precise execution, leaving no room for mistakes.

In terms of preparation and execution, Amundsen clearly stood out. Not that Scott had not prepared. He did, but he did so from the perspective of his previous experiences aboard the *Nimrod* and the *Discovery*, not taking care to anticipate other remote risks. Antarctica is an unpredictable region, with quickly changing conditions, so one must prepare for the worst. Amundsen left little room for chance. He personally oversaw the manufacture of the skis, tents and even the making of the fabric used for clothing, to make sure there was nothing other than pure wool. He concocted some equipment: glasses, harnesses for the dogs, and pemmican (food). And adapted others: boots, socks, whips, sledges, and tents. He built "workshop-shelters" on ice where men could work on the preparation. He tested and retested everything in the base-camp. He spent a long time choosing the sled dogs. And he selected his men one by one, considering both their manual skills as well as experience.

The provision deposits are critical elements in expeditions. The concept is simple: instead of carrying all supplies during the entire journey, which would be absurdly heavy, deposits are previously arranged along the route, in order to meet the needs of the return trips. Amundsen took a whole year to complete this task, placing deposits at regular intervals, with ten times more provisions than Scott's deposits. Furthermore, he took care of nailing black flags every half mile, which helped guide his team in such a low visibility environment. Scott did not leave enough supplies to replenish the caloric expenditure of his men. What was worse, the "one ton deposit" was set 37 miles from the originally planned location, which proved a fatal oversight, since his men died 11 miles from this deposit.

The paraffin containers used as a fuel in both expeditions illustrate the importance of details in preparation. It was known that the vessels had leakage problems. Amundsen took care of welding the covers, sealing them completely. Scott chose the standard solution of the time, leather washers. In the return trip from the Pole, as they reached the deposits, Scott and his men were dismayed to find that most of the paraffin had evaporated. This meant they had to eat frozen food and could not melt snow to drink it, which eventually led them to dehydration. In contrast, one of Amundsen's paraffin containers was found fifty years later in perfect conditions and completely full.

The means of transport are another key aspect. Amundsen decided to use only sled dogs and men on skis, technologies which were perfectly controlled by him and his

team of expert skiers. Amundsen accurately predicted the exact places in the route where the dogs would be sacrificed and fed to others. Meanwhile Scott ignored the advice of experienced Norwegian explorer Fridtjof Nansen who suggested him to take only dogs, preferring to test unproven technology in the region. He chose a combination of motorized sledges, ponies, sled dogs, and human strength. Of the three motor sleds, one was soon lost in a drowning accident during disembarking, and the other two soon broke down. The ponies were also of little help because they were too heavy for the soft snow and would sweat quite a lot slipping on ice. The dogs proved in fact efficient, even if Scott's crew, with little prior experience, encountered problems domesticating them.

Looked at with perspective, Amundsen's life can be seen as a long preparation in chasing an extreme challenge. He built up his fitness by practicing mountain climbing near Oslo. It is said he attempted an unprecedented 72-mile ski crossing, as a resistance test. During winter, he slept with his windows open in order to get used to the cold. When he was still young he learned a valuable lesson when the *Belgium* got stuck in the snow. It is said that while the crew despaired, the impassive Amundsen absorbed all that learning experience. Later on he spent years living among the Eskimos, where he learned survival techniques, as well as the confection of polar clothing and domestication of dogs. He developed a network of relationships with other explorers, sending them letters, requesting information, and cataloguing their experiences. Years went by in constant self-improvement, intense study and hard work before commanding the *Fram*. Commenting on the Polar conquest, he said: "This did not happen overnight. My trajectory, since I was 15 years old, has been a continuous progress towards a definite goal". And in another time he proclaimed the now-famous quote, which we never forget here at Dynamo: "Adventure is just bad planning" (cfr Miller 2012).

The diligence in planning and the thorough execution of Amundsen's expedition are permanent lessons which illustrate a winning recipe for any kind of business activity. As a current parallel, Sir Alex Ferguson's trajectory is worth noting. He is the most successful coach in world football history. Ferguson recently retired at Manchester United, the traditional English team, collecting titles and records, a brilliant career with extraordinary results. Highly acclaimed, his fame crossed the football fields, arousing curiosity from universities and investment firms. Michael Moritz, Chairman of Sequoia Capital, a man interested in the ways in which individuals can format and influence organizations, enthusiastically wrote the epilogue of Ferguson's latest book: *Leading* (2015).

The book is a compilation of Ferguson's life experiences, a road map of the elements that ended up making him the best 'coach-CEO' of his generation. Preparation is one of his favorite topics. Ferguson sees intense preparation as a means of preventing players from getting lost in the critical moments of the match, as when temperatures rise and individualism takes over, taking the place of good technique and the team's tactical planning. At these moments, the automatic memory of repetitive training acts as a kind of emotional homeostasis, regulating the player's psychological balance and awarding him once again the capacity of collective coordination. Ferguson says that if he had to start his career over the crucial factor he would pay attention to would be precisely the player's attitude towards training. When talent and determination are present, the diligence in training ensures that things will happen. The parallel with Amundsen continues. According to Ferguson, the secret in pursuing excellence through a good training regime is to *"eliminating as many surprises as possible because life is full of the unexpected"*. Just as Ferguson obsessively studied each of his opponents, Amundsen scoured all available information, knowledge and prior experience that could be useful to him, and as such summarized his way of thinking and acting (which could just as well have been written by Ferguson):

"I may say that this is the greatest factor – the way in which the expedition is equipped – the way in which every difficulty is foreseen, and precautions taken for meeting or avoiding it. Victory awaits him who has everything in order – luck, people call it. Defeat is certain for him who has neglected to take the necessary precautions in time; this is called luck". (Amundsen, 2001).

It is not uncommon for entrepreneurs to complain about lack of opportunities or luck. Often, it is not lack of opportunity, but of preparation. Opportunities arise, but companies are not always properly organized to take advantage of them. We recall Renner's trajectory. During the 1990s, the

Dynamo Cougar x IBX x Ibovespa Performance up to February 2016 (in R$)

Period	Dynamo Cougar	IBX	Ibovespa
60 months	75,8%	-18,2%	-36,5%
36 months	28,7%	-16,3%	-25,5%
24 months	26,8%	-8,2%	-9,1%
12 months	7,7%	-16,0%	-17,0%
Year to date	0,7%	-1,3%	-1,3%

NAV/Share on February 29 = R$ 518,63481638

DYNAMO COUGAR x IBOVESPA

(Performance – Percentage Change in US$ dollars)

Period	DYNAMOCOUGAR* Year	DYNAMOCOUGAR* Since Sep1,1993	IBOVESPA*** Year	IBOVESPA*** Since Sep1,1993
1993	38,8%	38,8%	7,7%	7,7%
1994	245,6%	379,5%	62,6%	75,1%
1995	-3,6%	362,2%	-14,0%	50,5%
1996	53,6%	609,8%	53,2%	130,6%
1997	-6,2%	565,5%	34,7%	210,6%
1998	-19,1%	438,1%	-38,5%	91,0%
1999	104,6%	1.001,2%	70,2%	224,9%
2000	3,0%	1.034,5%	-18,3%	165,4%
2001	-6,4%	962,4%	-25,0%	99,0%
2002	-7,9%	878,9%	-45,5%	8,5%
2003	93,9%	1.798,5%	141,3%	161,8%
2004	64,4%	3.020,2%	28,2%	235,7%
2005	41,2%	4.305,5%	44,8%	386,1%
2006	49,8%	6.498,3%	45,5%	607,5%
2007	59,7%	10.436,6%	73,4%	1.126,8%
2008	-47,1%	5.470,1%	-55,4%	446,5%
2009	143,7%	13.472,6%	145,2%	1.239,9%
2010	28,1%	17.282,0%	5,6%	1.331,8%
2011	-4,4%	16.514,5%	-27,3%	929,1%
2012	14,0%	18.844,6%	-1,4%	914,5%
2013	-7,3%	17.456,8%	-26,3%	647,9%
2014	-6,0%	16.401,5%	-14,4%	540,4%
2015	-23,3%	12.560,8%	-41,0%	277,6%

2016	DYNAMOCOUGAR* Month	DYNAMOCOUGAR* Year	IBOVESPA*** Month	IBOVESPA*** Year
JAN	-5,8%	-5,8%	-10,0%	-10,0%
FEV	4,9%	-1,2%	7,6%	-3,1%

Average Net Asset Value for Dynamo Cougar (Last 12 months): R$ 2.335.444.850

(*) The Dynamo Cougar Fund figures are audited by Price Waterhouse and Coopers and returns net of all costs and fees, except for Adjustment of Performance Fee, if due. (**) Index that includes 100 companies, but excludes banks and state-owned companies. (***) Ibovespa closing.

company implemented important changes in its management plan, as well as in its information systems, intensified its training, developed its supply chain, raised capital and patiently observed the adventures of some of its competitors. When a crisis hit at the end of the decade bringing large retailers such as Mesbla and Mappin to bankruptcy, Renner was prepared: occupying the space left by these competitors, in a bold move, it opened 28 new stores, doubling in size in two years, and consolidating its position in the market. Had things not been done this way, Renner would probably be another company mumbling through the corridors of trade associations, blaming the environment for the difficulties.

In some situations, the direction of causality even reverses and it is preparation which creates opportunities. As in the case of Amundsen. When he saw that the project of pioneering the North Pole was too late, Amundsen did not hesitate to point his expedition's compass South, even though he knew that the conditions in the two continents, Arctic and Antarctic, were quite different. The corporate history of the following hundred years would show that radical and sudden changes in business plans in unstructured companies without previous planning would invariably result in failure[2].

Keeping our tradition of not abusing our readers' time, we hereby interrupt our polar reflections, leaving the three remaining themes for the next Report: adaptation, escalation, and leadership.

Rio de Janeiro, March 10th, 2016

2 *Who does not remember the case of OGX? Which decided to change its business plan in a few days, when the government decided last minute to withdraw the pre-salt blocks off the ninth bid round. The company redesigned its exploratory campaign and ended up taking 21 other blocks, differently from what was originally planned. We would later find that the Albian would prove more enigmatic than previously thought and the radical change of plans proved to be a complete mistake.*

Please visit our website if you would like to compare the performance of Dynamo funds to other indices:

www.dynamo.com.br

DYNAMO

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