Report
DYNAMO 65
1.2010

'Own Way' of Be(er)ing

Ambev is an enduring investment of Dynamo Cougar, having been in the portfolio almost since the fund's inception, when the company was named Brahma. The reasons for this long investment period are simple and well known: Ambev is a great business, managed by one of the best team of executives we have ever met. Such unusual combination of qualities justifies the effort we make to closely follow the evolution of the company. And this narrative has been rich in important corporate events, and audacious in strategic moves, reflecting the entrepreneurial competence of the controlling shareholders.

Among such key developments, a few highlights were: the merger with Antarctica in 1999; the acquisition of companies in several countries in Central and South America, especially Quinsa in Argentina in 2002; the purchase of the Canadian Labatt in 2004, as part of a transaction where the controlling shareholders of Ambev joined the owners of Interbrew, transforming the Brazilian company into a subsidiary of the Belgian group. Four years later, in 2008, Interbrew, now definitely under control of the Brazilians, acquired Ansheuser-Busch (Bud), an American corporate icon, forming Anheuser-Busch Inbev (ABI), the largest brewery in the world.

We had the opportunity to comment on the fundamentals of Ambev´s business in Dynamo Report n. 40 and also described the transaction with Interbrew in Report n. 43. The idea now is to resume the chronology of the analysis in order to update our investment in both AmBev and Inbev. We have divided this task into two reports. In this one, we analyze Ambev´s operating performance over the last decade in order to illustrate the nature of the new challenges facing the company. We avoid repeating previous comments about the business' and the company´s virtues, preferring to focus this discussion on some elements that summarize and illustrate this transformational time. We finish the report explaining the reasons that led us to increase our exposure to Inbev at the time of the acquisition of Bud. In our next report, we will focus on the economics of the Inbev / Bud transaction, the results achieved so far, and the prospects we see for this investment.

Beer

AmBev is the fifth largest brewery in the world, and the leader in Latin America, being present in fourteen countries in the Americas. The beer business unit in Brazil, a country where the company has 70% market share, accounted for more than 50% of AmBev's net revenues in 2009 with an EBITDA margin close to 50%.

Beer is a consumer product with interesting features: low unit price with high perceived value (utility). Therefore, it shows resilience during financial crises and economic contractions, while responding well to increasing disposable income and social affluence.

The beer market in Brazil has peculiarities that make it different from others. In all regions of the country, for historical, cultural and commercial reasons, consumers are used to drinking beer at the point of sale, where beer is regularly sold in glass bottles. There is about one million establishments around the country that account for approximately 65% of the total volume consumed, a significant concentration of sales in such a large number of customers, who buy small amounts for consumption *in loco*. This unusual combination of features helps explain two of the main barriers to entry: distribution and scale at the point of sale. Efficiently selling and delivering a growing portfolio of products to a million customers who are visited, in many cases, twice a week, requires careful management of the supply chain. The "execution at the point of sale" becomes a key differentiator for the business. Beer consumption in bars and restaurants allows the continued use of returnable glass bottles, which are more economical for the consumer and more profitable for the company, as they can be reused several times. This does not happen with 'one way' bottles and cans, which are not reusable but are preferred by supermarkets to facilitate inventory management. On the other hand, returnable packages require investment in bottles and crates. Thus, starting a brewery in Brazil from scratch requires not only the conventional investment in equipment, product development and brand building, but also some additional capital and a lot of market intelligence, as any entrant would have to develop a distribution channel and handle the logistic equation of returnable packages.

Over time, Ambev managed to increase its share of direct sales at the expense of third party distributors. In 2000, direct distribution accounted for only 23.4% of sales volume. The largest part of the commercial channel was divided up by 700 independent distributors. In 2009, we estimate that direct distribution reached about 60% of the volume sold. The rest of the market was served by 175 independent dealers. This movement of actively transforming the profile of the distribution channel – increasing direct sales and consolidating independent distributors – has brought important benefits to the company. Ambev got closer to the point of sale, gaining a better knowledge of final consumer dynamics. With the gradual growth of direct sales, the company gained scale, which in part enabled the implementation of a series of measures at the retail level – like providing coolers, modernizing bars, among others – resulting in a dominant presence at retail establishments and a more detailed knowledge of final customer choices. Ambev grew in consumer preference, increased the turnover of its products ("cold beer is sold beer"), raised its sales force productivity, improved the quality of pricing to final consumers (sell out), while succeeding in matching product mix to the specificities of each market. With this strategy, the company has not only appropriated an ever larger share of their products' perceived value for final consumers, but also began to exert increasing influence on the margins of retailers.

Interestingly, the origin of this successful movement toward increasing direct distribution occurred almost accidentally. In the mid-1990s, three major distributors in the Northeast region of Brazil were in financial difficulties and had to discontinue their operations. In order to continue servicing those areas, the company was forced to temporarily assume the distribution. Management soon realized the benefit of this initiative and sought to replicate the experience in other regions of the country. The rapid dissemination of knowledge generated at the edge of the network illustrates the vitality of Ambev´s incentive model. Important information, even if generated spontaneously, flows rapidly through the system when individual interests are awake and aligned with corporate ones. Knowledge is not allowed to be lost in the labyrinth of internal bureaucracy neither in the ghettos of personal agendas. A company that properly follows this orientation functions as a living, evolving and adaptive organism, selecting and replicating winning concepts and best practices.

The strategy of consolidating the direct channel and appropriating value along the distribution chain explains much of Ambev´s operating margin expansion in a period of mediocre volume growth. Between 1999 and 2004, when volumes were constant, the company managed to add 1,600 basis points to EBITDA margin (Table I). If the external environment of the beer market did not offered obvious opportunities for volume expansion, the internal pressure generated by an active entrepreneurial culture found its own path to accommodate the aspirations of a group of executives focused on results.

TABLE I: Ambev Brazil - Beer - R$ million

	1999	2004	2009	Cagr 99-04	Cagr 04-09	Cagr 99-09
Net Revenue	3.492	6.907	12.065	14,6%	11,8%	13,2%
Ebitda	918	2.900	5.884	25,9%	15,2%	20,4%
Ebitda Margin	26%	42%	49%			
Volume (hl)	58	58	76	-0,1%	5,7%	2,8%
Ebitda/Hectoliter	16	50	77	26,0%	8,9%	17,2%

Source: AmBev, elaboration Dynamo

To illustrate the argument, we have prepared a chart where we present the behavior of gross margin for the beer business in Brazil (55% of total company gross margin) over the last decade as a function of two key variables: i) value appropriation along the distribution chain; ii) operating leverage resulting from volume growth. If Ambev was actually successful in this movement to extract value from the distribution channel, its net revenues adjusted for volume sold should have increased more than the average price of beer to the consumer. To measure this spread, we have looked at the difference between Ambev´s revenue per hectoliter and beer inflation at the point of sale, as measured by the IPCA (price index) from IBGE. To track the other variable, the operating leverage that comes from the quantum of increase in consumption, we have used year over year variation in sales volume.

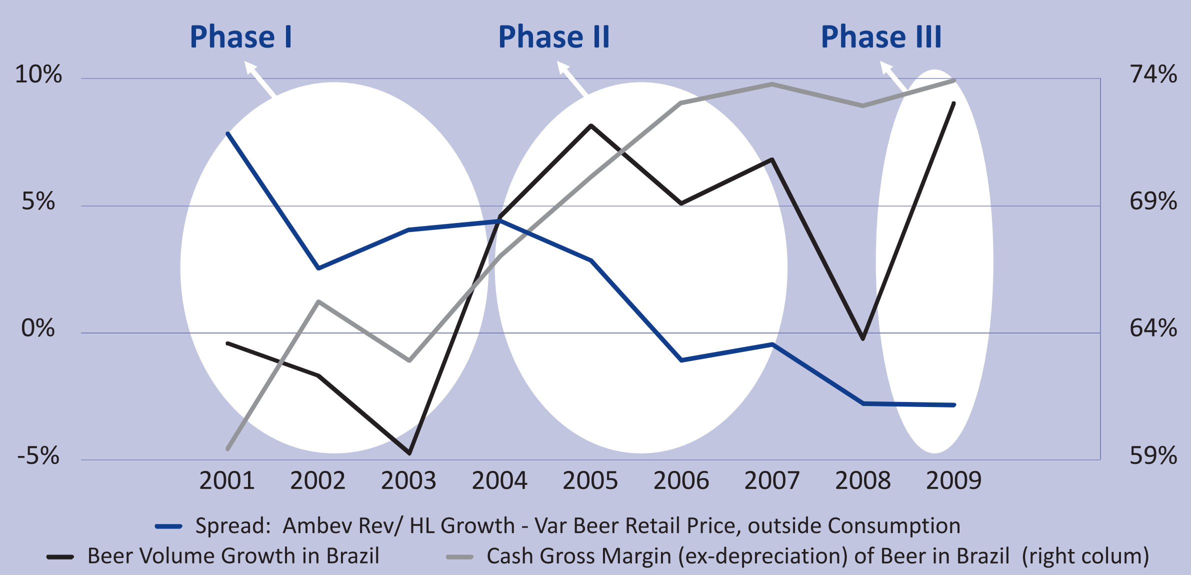
The results are plotted in the graph below, where we identify three distinct phases. In the first phase, from 2001 to 2004, the efficiency gains in distribution were very significant. On average, the spread of Ambev´s growth in revenue per hectolitre over the change in retail price of beer remained at almost 500 basis points. During this period, the company managed to deliver a strong expansion in gross margin (59% to 67%), despite very weak volume growth. In the second phase, covering the 2004-2007 period, Ambev's spread over variations in retail price started to fall. But it was still predominantly positive. At the same time, volume resumed growing. The result of these two forces was a continued expansion of gross margin in the beer business. That is, when beer consumption regained force from the middle of the decade on, AmBev had already consolidated a dominant position at the point of sale, which enabled the company to capture operating leverage gains resulting from this increased volume. The year 2007 marked an apparent end of the company's ability to extract value exclusively within the 'profit pool', as reflected in a spread over changes in consumer prices close to zero[1].

The year 2008 was an atypical one due to a combination of factors - food inflation, adverse weather conditions, and a financial crisis - that explains flat volumes and margins. A third phase began in 2009 and suggests a new trend for the company: a rise in operational results driven exclusively by volume growth. Throughout the year, the company successfully launched the '*Litrão*' ('Big Liter'), which gained share over competitors in target markets. With this, Ambev 'sacrificed' revenue per hectolitre in favor of greater absolute economic results. In fact, the company gained 300 basis points of market share (volume) in the past year and a half as a result of proper product positioning and mix changes. Ambev lives now a new stage, where a strategy of capturing value along the chain that was extremely successful throughout the decade shows signs of exhaustion. From this moment on, all eyes turn to volume growth and continuous product mix improvement. If the password to profitability in the recent past was largely

1 To simplify the argument, we purposely did not mention the tax increases, which are ad hoc and unpredictable, impacting revenue per hectolitre and causing sporadic variations in the operating leverage of the company

Phase

Chart I: Ambev - Brazilian Beer Unit - Gross Margin (%) - Determinants (bps)



Source: AmBev, IBGE, elaboration Dynamo

'distribution', the secret to achieving results from now on should probably be 'innovation'.

In fact, the company's effort to adapt to the new reality of challenges is clear. Brazil is experiencing a moment of virtuous upward social mobility and changes in income and consumption patterns. In just five years (2003-2008), the middle class grew from 66 million to 92 million people. These are families with an average monthly income of one to four thousand reais, who have just entered the consumer market. The capacity to interpret this dynamic will give companies exposed to domestic consumption an important edge. Ambev has increasingly focused on the final consumer, trying to understand their profile and behavior, desires and preferences, patterns and trends. The company invests in research, stretches the marketing budget, and refines communication. Issues such as segmentation and brand repositioning, product launches and packaging, differentiated campaigns and new media, relevance and differentiation on innovation have gained relevance on the agenda.

During times of difficult market conditions, with practically no volume growth, the quality of AmBev's management team - who have created a culture of meritocracy, an "owners mentality" with focus on results, a continuous pursuit of excellence, an obsession with "people" - managed to turn a good business into a great one. Now volumes promise to recover pent up growth. At this point, we envision a new phase for the company, which requires unique skills and talents. In the first half of 2010, a combination of adverse factors (rising packaging and logistics costs, expenses with currency and sugar hedges, and World Cup marketing expenses) did not allow Ambev to translate volume growth into margin gains. The capture of operating leverage (Δ EBITDA/ hl) following an increase in sales volume was thus postponed. That is another challenge on the agenda of the company´s executives which we intend to closely monitor.

Besides Brazil, two other markets stand out in Ambev´s beer business unit: Argentina, operated by Quinsa, and Canada, under Labatt. Quinsa proved to be an excellent business, despite the market's negative reaction at the time of the acquisition in 2002. Ambev has succeeded in implementing its culture of operational efficiency and results soon appeared. Since 2002, Quinsa´s organic EBITDA grew at a compound rate of 31% p.a. in nominal Reais. In the case of Labatt, the company experienced two separate stages. In the first two years after the acquisition, results rose significantly, driven once again by the 'Ambev culture' effect. From 2005 on, after the most obvious opportunities had been captured, Labatt no longer was able to deliver consistent growth. A mature consumption profile, associated with the peculiarities of the Canadian regulatory environment, imposed natural limits to the operating leverage and profitability of distribution and commercial activities of beer businesses in that country. The translation of financial statements to Reais also played a role in results, helping in the case of Quinsa and hurting in the case of Labatt. Anyway, the difficulties of Labatt´s operations underscore the importance of scale gains that a proprietary logistics can provide, which only reinforces the virtues of the business model in Brazil.

TABLE II: Ambev Brazil - Soft Drink - R$ million

	1999	2004	2009	Cagr 99-04	Cagr 04-09	Cagr 99-09
Net Revenue	742	1.463	2.568	14,5%	11,9%	13,2%
Ebitda	22	429	1.255	81,1%	23,9%	49,8%
Ebitda Margin	3%	29%	49%			
Volume (hl)	16	19	27	3,5%	7,4%	5,4%
Ebitda/Hectoliter	1	23	46	75,0%	15,4%	42,1%

Source: AmBev, elaboration Dynamo

Soft Drink

Like the beer unit, Ambev's soft drink business was consolidated over time. In 1999, when the beer unit presented an EBITDA close to R$ 1.0 billion and EBITDA margin of 26%, the soft drink business in Brazil generated only R$ 22 million in EBITDA, with a 3% margin. A decade later, in 2009, the soft drink segment reported EBITDA of R$ 1.25 billion and a 49% margin. A successful trajectory, built on top of many obstacles along the way.

In the 90's, the 'Tubainas' invaded the soft drink market with a non-returnable PET bottle. Tax evading enterprises, making unbranded products, jumped the barrier to entry imposed by distribution costs and investment in returnable packaging, competing solely via low prices. The glass bottle which in 1993 accounted for 88% of the market fell to only 13% in 2001. The Tubainas jumped to 33% market share in 2000, from 13% in 1993. The brands that are now under Ambev´s umbrella were the ones which lost most share, since Coke chose to defend its market participation, following the low-price game. This event had a strong impact in the profitability of the market leaders (Coke, Brahma and Antarctica).

Since 2003, the Coke group, by far the market leader, has decided to radically alter its competitive strategy. Coke began to offer its products in a variety of sizes and different packages. For example, today you can find soft drinks in eight different returnable packages and sixteen non-returnable ones, besides the *light* and *zero* versions. This movement, coupled with additional efforts in marketing, required additional investments from larger competitors who decided to follow the leader. Additionally, the campaign against tax evaders escalated, reducing the advantage of not paying taxes. As a result, in 2009 the market share of Tubainas declined to 25%, the two-liter PET package also lost share of total sales volume and, more importantly, the market regained pricing ability, substantially improving margins.

The challenge in the soft drink business is to continue pursuing market share gains at the expense of Tubainas. To that extent, the winds of rising income levels are also favorable, as consumer's preference for traditional brands (brand equity) is well known. The expected growth in disposable income can then accelerate the movement of trading up in the soft drink market, benefiting both Coke and Ambev. Coke´s revised strategy in the soft drink market has been quite successful. And Ambev has not disguised its intention of bringing this experience to the beer market - the same concept of best practices, now in an 'imported' version. The idea then is to combine a comprehensive portfolio of products, well-segmented and directed to target markets, even if that adds complexity to day-to-day management and to the distribution chain. From the view point of a distant market leader with a superior management team, the final result may even be a greater competitive advantage.

Anheuser-Busch InBev (ABI)

On February 20, 2008, CVM implemented Instruction 465, which allows equity mutual funds to invest up to 10% of their portfolio in foreign securities. This regulation not only broadens the scope of investment, but also enables a better management of geographic risk within the same asset class. In the case of Ambev the benefit was even greater, since the new regulation allowed us to mitigate specific risks of the investment itself, as Dynamo Cougar, from that moment on, could also invest in Inbev.

In fact, we had already been closely following the evolution of Inbev as the fund we manage from our London office is a shareholder of the company. Before we move on, this fact deserves some comments. At Dynamo, he have long lived with one certainty and one doubt. The certainty is that Munger's principle of only investing within our circle of competence is an intrinsic part of our practical experience. This lesson applies not only to our research oriented way of approaching investments , but specially to our way of being as a company. We have always maintained the same investment philosophy. The doubt was whether we could replicate our business model in other markets, expanding the geography of investment possibilities for what we think is a good and tested value oriented investment approach. So, in 2006, some Dynamo partners started an asset management company in London to invest primarily in shares of European and American companies. The team grew and in September of that same year Dynamo Fund commenced operations.

The challenge has been anything but small. And the experience has been very auspicious. Not simply because Dynamo Fund has accumulated a track record of interesting results, but mostly due to the learning process that only day-to-day investment practice can offer. The spectrum of companies and sectors is much larger, the dynamics of the markets is different, as are the background conditions (corporate aspects, regulation, accounting, taxation, etc.). Still, we have sought a home cooked answer: a local approach, focus on detail, search for a different angle, close contact with management, constant monitoring, carefulness in the analysis. The exchange of experiences with the Brazil team has been mutual, rich and intense. In a world of free transit of capital, people, technology and processes, where investment does not respect national borders, where Brazilian companies increasingly acquire assets abroad and several companies listed on Bovespa are controlled by foreign groups, the ability to count on this 'remote base' in London has been for us here in Brazil a privilege and a differential. There have been numerous examples of geographic synergy in our analysis[2]. Let's then continue to discuss the case of Ambev / ABI, with the benefit of the insights of our team in London.

Since the transaction with Interbrew in 2004, and knowing the aspirations of the Brazilians who formerly controlled Ambev, we wondered what the next relevant strategic move would be. Indeed, the complementarity of markets and the characteristics of the brands, pointed to Anheuser-Busch (Bud) as an almost obvious target. At the time, we thought trading by insiders from both companies would be a good barometer for a looming transaction. Long periods without any transaction could suggest that a deal might be on its way. On May 14, 2008, Bud's CFO announced that he had exercised options and sold shares in the market. With this, our 'barometer' readings naturally declined. However, on May 23, 2008 the Financial Times broke news that InBev was working with a group of banks to structure a bid for Bud. We were right about the strategic direction of the business, but we were caught by surprise after choosing an indicator that did not capture the possibility (which we considered remote at the time) of an unsolicited offer.

The final bid was officially confirmed on July 14: $ 70 per share in cash, financed primarily with debt. The following months were extremely busy for the shareholders of InBev. Analysts immediately ruled that the company was paying dearly for Bud. Doubts about the real motivations for the deal fell on the Brazilian controlling shareholders: empire builders, overconfidence, hubris, or proper entrepreneurial insight? The capacity of a syndicate of banks to honor a commitment to raise about $ 45 billion to fund the transaction had been seriously challenged by a deepening financial crisis,. Since the first news report in the press, the combination of these uncertainties resulted in a drop of up to 66% in the share price of InBev.

During 2008 and 2009, abiding by the CVM instruction mentioned above, Dynamo Cougar started building a position in Inbev, renamed Anheuser-Busch Inbev (ABI) after the completion of the transaction in November 2008. Basically, our thesis was based on the following arguments:

i) we analyzed the numbers of the company post deal and found a much more reasonable valuation than the market consensus estimated[3]. We also believed that ABI's financial leverage, although high, was manageable given the resilience of the business. Moreover, the funding structure was well designed, providing an armor to the deal, even at moments of stress for the banks. As 2009 progressed, we were gaining confidence in the investment, motivated by a combination of evidences: the reality of the market was not as bad as initial projections indicated, ABI was being able to refinance its debt with longer maturities, and was also succeeding in its asset sale campaign.

ii) we thought that most of the opportunities for gains from improved management and synergies would be in ABI, since much of this work had been already done in Ambev. The growing involvement of AmBev executives in key positions at ABI confirmed the origin and content of the cultural yeast taking place at the new company.

iii) we were confident in the ability of the new, reinforced ABI management team, which had been extensively tested in past acquisitions. The track record of these executives was favorable, and they delivered results that contradicted - in hindsight - the idea that earlier acquisitions had been very 'expensive'.

iv) investing in ABI, we continued to maintain a desired exposure to the growth of the Brazilian market and the previously described capacity of the local management to transform challenges into results for shareholders. It is true that this would be a smaller exposure than the one we could have achived buying

2 *Some specific recent cases: CBD/Casino, Gerdau/Ameristeel, Tractebel/Suez, Aliansce/GGP, not to mention the comparative analysis between the daily dynamics of the industries in Brazil and abroad, and among the domestic companies and their foreign peers.*

3 *The next Report will describe this calculation step by step .*

AmBev's shares. But it was still important, as the ABI had a 62% economic interest in AmBev. Moreover, through ABI, we would benefit from growth in other emerging markets - notably China, where the socio-economic drivers are favorable, the consolidation of the beverage industry is already happening, Bud and InBev brands are particularly complementary and where the two companies had already allocated a significant amount of capital in local operations, without obtaining consistent returns.

v) an investment in ABI would also allow us to mitigate a possible risk perceived by the market that Ambev could be used as a vehicle for the purchase of Grupo Modelo, bringing unfair or negative implications to minority shareholders of the Brazilian company . Let's explain. ABI owns 50.2% of Grupo Modelo, an important beer operation in Mexico. The market perception is that an unlevered Ambev offers an interesting route to consolidate this profitable business, which could lead to a conflict of interest between minority shareholders of AmBev and its controlling shareholders, the owners of ABI stock. Recall that during the transaction with Interbrew, AmBev preferred shares fell as much as 35%, as the market interpreted that AmBev 'paid the toll' (an expensive acquisition of Labatt) that allowed its controlling shareholders to gain control of Interbrew. At the time, AmBev acquired Labatt from Interbrew itself[4].

In this case, we could even see some mitigating circumstances that would lessen the chances of a bad deal for Ambev. Many of Ambev's employees have their remuneration linked to Ambev's stock price and, in addiction a transaction that would hurt the reputation of the company in the capital markets would also jeopardize the group's future expansionist aspirations, a fact that the controlling shareholders of the ABI would certainly like to avoid. But these arguments are not definitive. Anyway if a Modelo purchase occurred via Ambev, it is clear that AmBev's minority shareholders would prefer a good deal instead of a 'fair' one.

The fact is that the Labatt episode still lives in the minds of investors. We recently saw evidence of this. On August 2nd, news circulated in the market that AmBev had filed with the CVM a request for authorization for a stock offering. Investors soon concluded that it would be a primary equity offering to raise funds to purchase Modelo. Like a déjà vu of Labatt, AmBev's preferred shares fell by 7.5% in less than an hour of trading. After the misunderstanding[5] was cleared, the stock price quickly recovered. But the episode left a message and a record.

The possibility of participating in this entrepreneurial story through two distinct vehicles allowed us to better calibrate the risk / return management on this investment. Ambev offered greater growth, with the expectation of capturing the resultant operating leverage. At Inbev, the exposure to growth was smaller, but the potential efficiency gains were more obvious. Moreover, after the acquisition of Bud, InBev offered protection (natural hedge) against the risks of geographic concentration and an adverse corporate event at Ambev, either through diversified exposure to other markets, or as a counterparty to any transaction with Modelo.

Having updated the fundamentals behind our investment in AmBev and the reasons why we chose to increase the Fund's exposure to the Group, in the next Report we will discuss the economics of the Bud acquisition and its prospects.

Rio de Janeiro, August 26, 2010

4 *We described in detail this complex transaction in Dynamo Report No 43.*

5 *Actually, it was a recurring auction of subscription rights. Every year Ambev issues shares in favor on Imbev relative to the tax benefit obtained with the incorporation of Inbev Holding Brasil. 70% of the benefit goes to the controlling shareholders via shares issue and 30% is offered to minority shareholders. The auction in question referred to the remaining subscription rights offered to minority shareholders.*

DYNAMO COUGAR x IBX x IBOVESPA
Performance up to June/2010 (in R$)

Period	Dynamo Cougar	IBX average	Ibovespa average
60 months	216,8%	148,3%	146,7%
36 months	33,5%	11,0%	14,2%
24 months	25,5%	-10,5%	-4,4%
12 months	41,6%	16,3%	20,5%
3 months	0,7%	-11,8%	-11,2%

NAV/Share on June 30th = R$ 250,825352591

DYNAMO COUGAR x FGV-100 x IBOVESPA
(Performance – Percentage Change in US$ dollars)

Period	DYNAMO COUGAR* Quarter	DYNAMO COUGAR* Year to Date	DYNAMO COUGAR* Since 01/09/93	FGV-100** Quarter	FGV-100** Year to Date	FGV-100** Since 01/09/93	IBOVESPA*** Quarter	IBOVESPA*** Year to Date	IBOVESPA*** Since 01/09/93
1993	-	38,8%	38,8%	-	9,1%	9,1%	-	11,1%	11,1%
1994	-	245,6%	379,5%	-	165,3%	189,3%	-	58,6%	76,2%
1995	-	-3,6%	362,2%	-	-35,1%	87,9%	-	-13,5%	52,5%
1996	-	53,6%	609,8%	-	6,6%	100,3%	-	53,2%	133,6%
1997	-	-6,2%	565,5%	-	-4,1%	92,0%	-	34,4%	213,8%
1998	-	-19,1%	438,1%	-	-31,5%	31,5%	-	-38,4%	93,3%
1999	-	104,6%	1.001,2%	-	116,5%	184,7%	-	69,5%	227,6%
2000	-	3,0%	1.034,5%	-	-2,6%	177,2%	-	-18,1%	168,3%
2001	-	-6,4%	962,4%	-	-8,8%	152,7%	-	-24,0%	104,0%
2002	-	-7,9%	878,9%	-	-24,2%	91,7%	-	-46,0%	10,1%
2003	-	93,9%	1.798,5%	-	145,2%	369,9%	-	141,0%	165,4%
2004	-	64,4%	3.020,2%	-	45,0%	581,2%	-	28,2%	240,2%
1stQuar/05	-1,7%	-1,7%	2.967,4%	-1,7%	-1,7%	569,9%	1,1%	1,1%	243,8%
2ndQuar/05	5,4%	3,6%	3.133,2%	3,0%	1,3%	589,8%	7,5%	8,7%	269,6%
3rdQuar/05	32,3%	37,1%	4.178,3%	25,2%	26,8%	763,7%	31,6%	43,0%	386,5%
4thQuar/05	3,0%	41,2%	4.305,5%	3,1%	30,8%	790,7%	0,8%	44,1%	390,2%
1stQuar/06	23,3%	23,3%	5.332,9%	18,9%	18,9%	959,0%	22,5%	22,5%	500,5%
2ndQuar/06	-3,9%	18,5%	5.122,2%	-4,6%	13,4%	910,5%	-2,7%	19,2%	484,4%
3rdQuar/06	5,7%	25,3%	5.418,6%	2,6%	16,4%	937,2%	-1,0%	18,0%	478,4%
4thQuar/06	19,6%	49,8%	6.498,3%	23,0%	43,2%	1.175,8%	24,1%	46,4%	617,7%
1stQuar/07	9,7%	9,7%	7.136,3%	10,1%	10,1%	1.304,3%	6,7%	6,7%	665,8%
2ndQuar/07	29,3%	41,9%	9.259,4%	28,8%	41,8%	1.709,3%	27,2%	35,7%	874,1%
3rdQuar/07	7,5%	52,4%	9.957,6%	15,7%	64,1%	1.993,7%	16,4%	58,0%	1.033,7%
4thQuar/07	4,8%	59,7%	10.436,6%	2,6%	68,4%	2.048,7%	9,8%	73,4%	1.144,6%
1stQuar/08	-1,7%	-1,7%	10.253,1%	4,1%	4,1%	2.136,6%	-4,1%	-4,1%	1.094,1%
2ndQuar/08	16,4%	14,4%	11.950,7%	11,6%	16,1%	2.395,0%	17,9%	13,2%	1.308,3%
3rdQuar/08	-32,9%	-23,3%	7.983,4%	-23,4%	-26,0%	1.480,9%	-38,7%	-30,7%	763,2%
4thQuar/08	-31,1%	-47,1%	5.470,1%	-17,6%	-50,1%	973,3%	-35,9%	-55,5%	453,7%
1stQuar/09	8,1%	8,1%	5.919,9%	5,1%	5,1%	1.027,5%	10,6%	10,6%	512,5%
2ndQuar/09	44,7%	56,41%	8.612,4%	52,0%	59,6%	1.613,5%	48,8%	64,6%	811,6%
3rdQuar/09	29,4%	102,4%	11.175,9%	34,8%	115,2%	2.210,2%	30,9%	115,5%	1.093,2%
4thQuar/09	20,4%	143,7%	13.472,6%	17,0%	151,9%	2.603,3%	13,2%	144,0%	1.250,7%
1stQuar/10	-1,1%	-1,1%	13.318,6%	0,8%	0,8%	2.625,8%	-0,3%	-0,3%	1.255,7%
2ndQuar/10	-0,4%	-1,5%	13.263,4%	-10,7%	-9,9%	2.355,3%	-12,3%	-11,9%	1.089,6%

Average Net Asset Value for Dynamo Cougar (Last 36 months): R$ 959.770.660,72

(*) 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 average.

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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