Report

Dynamo 43

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AmBev

In Dynamo Report 40, covering the last quarter of 2003, we discussed the reasons behind our investment in AmBev, which, at the time was one of the fund's main positions. At that time, we explained that Interbrew's (currently InBev) deal and its consequences for the company would be analyzed and commented later. Since then, we have poured over the details of the transaction and over the company's new configuration while, at the same time, closely monitored the outcome of its operations, particularly in Brazil. This required considerable time and effort but it was necessary to build a common view within our firm. There was no lack of comments and opinions on the transaction, especially in the media. However, it was only after carrying out our own in-depth study of the new company's documents, traveling, talking to executives and others involved in the project, and ceaseless in-house discussions that, an educated opinion on the new AmBev and its new corporate environment was possible. The search for answers to questions such as those listed below were then, and continue today, to be greatly important to us.

- Did the AmBev controlling shareholders actually sell the company or did they, in fact , become joint controllers of InBev?
- How will the new AmBev management team be compensated? With whose interests will those of the remaining AmBev shareholders be aligned?
- How important is the AmBev operation to InBev?
- What is the importance of Labatt (Canada) in the context of the InBev operation?

In this Report, we set out our point of view regarding the aspects we deem most material in the new AmBev environment.

Firstly, a comment: as investors, we are uncomfortable in maintaining an important position in a company where we do not have a clear understanding of what is going on. As a matter of fact, our first impression of the merger, from the point of view of the preferred shareholders (non-voting) , was not favorable. For this reason, when the deal was announced, our first move was to reduce the fund's exposure to AmBev through the partial sale of the preferred shares. In relation to our common share (voting) position which, by the time the operation was disclosed, stood at close to 45% of our total position, our reaction was to buy more shares because, despite their immediate run-up, they still traded at a significant discount over the implicit tag-along price.

The Interbrew – AmBev transaction

On March 3, 2004[1], the Belgian brewery Interbrew and AmBev announced a transaction involving an exchange of shares and AmBev's acquisition of 100% of the capital of Canadian brewery Labatt. Interbrew issued 141.7 million shares for the controlling shareholders of the Brazilian company in exchange for their 21.7% share of AmBev's total capital (close to 8.19 billion shares representing 52.2% of voting capital). In turn, AmBev issued 19.3 billion shares (7.9 billion common stock and 11.4 billion preferred shares) to incorporate 100% of the capital of Labatt, which had a net debt of US$ 1 billion. The issue represented 33.5% of voting capital and 34.4% of the new AmBev's total capital.

In practice, the result was the formation of a holding company called Stichting Interbrew where the former AmBev controllers contributed all the shares they had received from Interbrew, thereby acquiring 44% of the new company's capital. The Belgian controlling shareholders of Interbrew contributed a substantial portion of their shares acquiring 56% of the capital of the new holding company. These Belgian families still hold close to 17% of Interbrew's capital besides the stock held in this holding company. The most important document in this new structure is the shareholders agreement, in force for twenty years, which

Our Performance

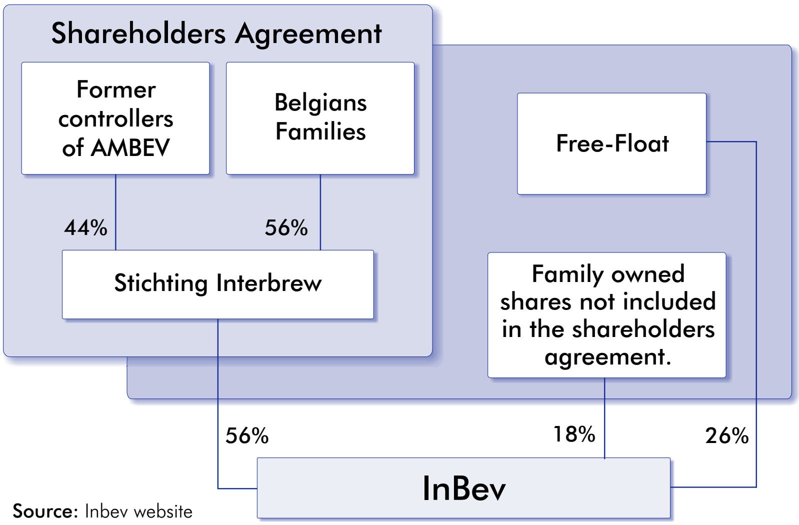
First of all, we apologize for the unjustifiable delay in the publication of this Report, which should have been issued in last November. The Report for the closing of 2004 will be published on the next few weeks. On the 1° quarter of 2005, we hope to bring the reports up to date.

Dynamo Cougar's shares rose 24.3%, during the third quarter, a strong return when comparing to 11.4% of the Ibovespa and 16,0% of IBX, in the same period. Dynamo Cougar accumulates a return of 31,5% p.a. in dollar terms and 33,9% p.a. if measured in relation to inflation index IGP-M. Meanwhile, the Ibovespa rose 7.8% p.a. in IGP-M and 9.8% p.a. in US$.

The Fund performance on in this quarter is explained by a significant appreciation of various stocks – the stocks of thirteen companies posted returns above 20%, and some relevant investments had presented even stronger performance: Caemi (56,9%), Ultra (44,1%) and Belgo (59%).

(1) *In fact, the companies actually announced that they were closing on a major deal on March 1, but gave no details.*

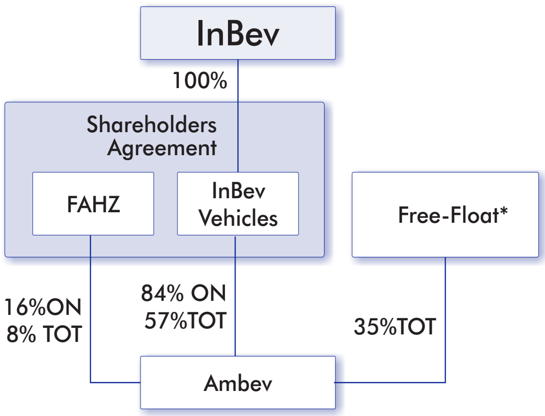
governs Stichting Interbrew that, in turn controls Interbrew (the present InBev). This agreement represents a control that, for all intents and purposes, is shared. In other words, despite holding a minority stake of the holding company, the powers held by the former AmBev controllers are exactly the same as those of the Belgian shareholders.



Source: Inbev website

A crucial question is raised at this point: How will this shared command of InBev, for such a long period and by two so very dissimilar cultures, work? The first possible solution is a buy or sell clause after the sixth year of the agreement in the event of a strategy related (ownership matters[2]) stalemate. The mechanics of this buy or sell are extensive and detailed and were, no doubt, one of the clauses most hotly discussed during the negotiations. It is almost impossible to project the future application of such mechanism but, nevertheless, it is a vital component of the Brazilian/Belgian interaction. For this reason, investors should monitor it closely.

AmBev came under the control of InBev, which holds 68% of its common stock (16% in the market and 16% held by *FAHZ* – the Antonio and Helena Zerrenner Foundation). In compliance with the requirements of pertinent legislation, InBev will make an offer to the minority voting shareholders under the same conditions as those that resulted in the sale of its control, and will pay them 80% of the amount received by the former controllers. There will be a cash offer or, alternatively, an offer in InBev's shares[3]. *FAHZ*, the foundation that formerly controlled Antarctica, and was part of the AmBev shareholders' agreement, announced that it would not sell its stock and that it would enter into a new agreement with Interbrew. This agreement is along very similar lines to the previous one with the Brazilian shareholders, except for the time limit, which was extended to 2019.



* Including management

Source: Public tender offer for aquisition of AMBEV´s common shares authorized by CVM (Brazilian SEC equivalent) on 02/14/05 (assumes 100% acceptance). As of 12/31/04. Not including shares held by the Company.

In case all remaining minority common stockholders accept the public offer, InBev would then hold approximately 85% of AmBev's voting capital and 63% of its total capital.

Valuation / Critical points

In a final analysis, based on the data of March 1, 2004, when the deal was first announced, the controllers sold their common AmBev shares for R$1,463.14/share[4]. Thus, the tag-along price would have been R$1,170.51/share. It is hard to calculate the exact control premium paid. If we take the price of the preferred shares on March 1, 2004 as a basis, R$819/share, the premium was 78.6%. But, this price was probably inflated by the speculation that the preferred stock would also be bought by Interbrew. If we compare the control share price sale with that of the preferred stock thirty days after the announcement, R$577/share, the premium rises to 153.6%.

Considerable criticism was heaped on this transaction. It came to the point of allegedly being contrary to the sovereign interests of the country. But, it is our opinion that only two aspects really merit investigation. The first relates to the control premium and the non-existence of any offer for the preferred shares. The Brazilian law is very clear in this respect, only common shares are entitled to tag-along rights in a sale of control. Furthermore, and just as important as the formal legal aspect, the company never took an ambiguous position on this topic. Whenever it was challenged on the absence of tag-along for its preferred shares, a query reiterated in almost all quarterly conference calls, the company always made it clear that it had no intention of extending such right and that, to acquire it, investors should purchase the common share. Thus, we believe these complaints to be groundless.

At the risk of fuelling the controversy but just as an academic digression, we would

(2) *Shareholders' Agreement (dated March 2, 2004, article IV - section 4.01)*

(3) *Public tender offer for acquisition of AmBev common stock approved by the CVM (Brazilian Securities Commission) on February 14, 2005.*

(4) *The controllers received 141.7 million Interbrew shares that, on that date, were worth € 234.5/share. Thus, they received € 3.32 billion for their 8.19 billion common AmBev stock, or € 405.23/share. At an exchange rate of R$/€ 3.61, we arrived at R$ 1,463.14/share.*

even go a little further. In our opinion, even the tag-along extension for the common stock in this deal could be questioned. If we take into consideration that the AmBev controllers merely contributed their stock to a new vehicle that, in turn, also held Interbrew control, and that the Brazilians entered into a shareholders agreement in force for twenty years, it would not be unreasonable to argue that control of AmBev was not, in fact, sold. And thus, article 254-A of Brazilian Corporate Law would be inapplicable. It is not worth continuing this line of thought in this Report, but the issue is quite interesting .

As long-term shareholders, we were convinced that, in order to align our interests with those of the AmBev controllers, it was better to own common stock even if this meant losing liquidity. Moreover, the discount at which the common stock was negotiated in relation to the preferred compensated the lower liquidity . The reason why the fund's preferred stock position was relatively high on the date of the negotiation is related to our desire to increase AmBev's weight in the fund when these shares dropped in value due to Nova Schin's (Schincariol is AmBev´s major competitor) rise in market share. Our plan was to go on exchanging the preferred stock for common stock over time without putting pressure on the latter's price.

The second controversial point deserving of detailed investigation, was the purchase, through a share swap, of the Canadian brewery Labatt. According to the official records of the deal, AmBev paid a multiple of approximately 12.9 and 11.1 times its 2003 and 2004 *pro forma* EBITDA respectively[5]. At first glance, these multiples appear very high for a Brazilian company, although less so for large breweries worldwide. But here some technical comments are necessary. Firstly, it is essential to emphasize that we have always taken the greatest care in analyzing multiples, since these almost always involve dangerous simplifications that may seriously undermine conclusions. What happens under EBITDA, i.e., how much the company invests and pays in taxes and interest, is crucial to the correct interpretation of the true results of any company.

Furthermore, in the case of a share swap, this multiple could be artificially inflated, as we believe to have been the case in this particular operation. The reference used in the calculation shown was the preferred stock price on the days immediately preceding the transaction disclosure date. This valued AmBev at a very high multiple (close to 10.5 times its projected EBITDA for 2004). If the same calculation had been done 30 days after the announcement, since the currency of the payment for Labatt – AmBev´s shares – had dropped significantly, the multiple for the acquisition of the Canadian brewery would also have fell considerably (to 9.2 times its projected 2004 EBITDA, as per our estimates).

But the fact of the matter is that, technical considerations apart, AmBev's purchase of Labatt at the same time that the former controlling shareholders were selling their stock to the Belgian brewery, represented an unequivocal conflict of interest. In conceptual terms, the higher the price that AmBev could pay for Labatt, the higher the sale price for the Brazilian controllers shares. The limit for these amounts is precisely what can be deemed to be a fair price.

Legally speaking, Brazilian jurisprudence on this matter, which has been much discussed in the context of a number of other transactions, seems unanimous. Under Brazilian corporate legislation, only a transaction that *a posteriori* (afterwards), results in a loss for the company, can be deemed to represent a conflict of interest. Not only do we disagree with this approach, but we are also unable to accept or understand its practical consequences. However, there is no doubt that, within the context of Brazilian law, the purchase of Labatt as it occurred was legitimate.

In our opinion, the unquestionable existence of a conflict does not necessarily mean a loss for AmBev preferred shareholders. It is important to analyze whether the price actually paid, in light of the expected operational and financial synergies, and the qualitative changes in the companies accounts (close to one-third of its cash flow now originates in a country of lower potential risk, albeit with less growth potential). We must also evaluate the probable impact of typical AmBev management in a company that seems to have been poorly managed for some considerable period of time. This is a complex and demanding analysis. We have concluded that the valuation seems reasonable but the truth is that only time will tell whether the exchange ratio of stock between AmBev and Labatt was fair. AmBev executives have vigorously defended the aquisition and, in the final analysis, proof that this was correct will be incumbent on them. Given their outstanding track record, they probably deserve the benefit of the doubt.

A possible solution to this discussion on conflicts of interest would be for all shareholders, including preferred stockholders, to vote on relevant matters related to ownership transactions. In fact, this is one of the prerequisites of Level 2 of the *Bovespa* Corporate Governance rules. Were this to occur in companies with more levered ownership structures the chances of a controlling shareholder losing in a major vote would increase and his approach would be certainly very different. But this is a complex topic, one that merits its own exclusive Report.

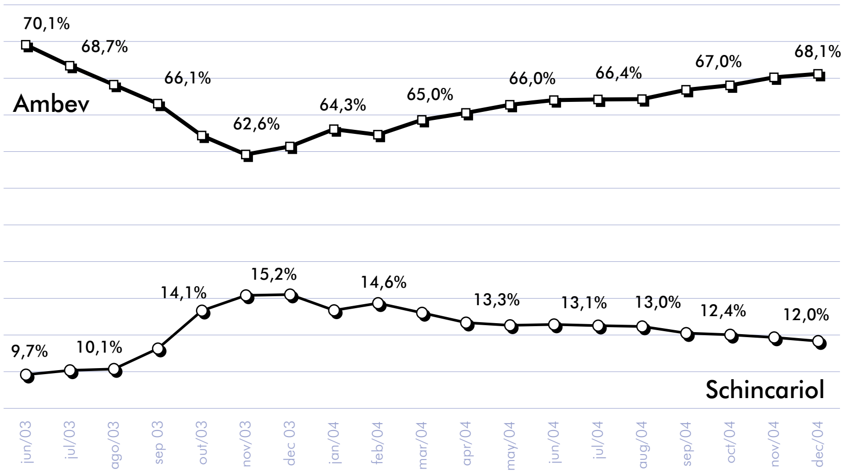
After the deal was announced the common stock began to be negotiated as an algorithm of Interbrew shares and of the Euro/*Real* exchange rate, affected by the likelihood of the deal being actually concluded. The preferred stock, which was negatively impacted by the very bad repercussion of the deal among investors, lost 25% in the first five trading days. This loss widened to 37% in May. In fact, it took almost a year for the preferred stock to be once again traded at its March 1, 2004 price. And this was only possible thanks to the company's excellent performance throughout 2004, as described below.

Brazil

During the second half of 2003, AmBev lost close to 5% of its Brazilian beer market share, mostly due to the launch of Nova Schin. At that time, in our Dynamo Report 40, we commented "AmBev's recent drop in market share will be, at least, partially reversed…. by either a decrease in marketing investments or by an increase in Schincariol's prices to balance out its expenses/revenue ratio." In this same Report, we also commented "A similar situation had arisen when, prior to its merger with Brahma, Antarctica invested heavily in marketing its Bavária brand and reduced its price, thus significantly increasing its market share at the time. However, the combination of high investments and low prices did not result in the projected economic results and this strategy could not be maintained over the medium term". Since Schincariol is a private company with little public information, it is difficult

5) *Information included in AmBev's presentation to investors in March 2004.*

Market Share



Source: AC Nielsen

to establish whether their marketing expenses were materially reduced. But it is a fact that the price of Nova Schin has risen a few times since then, and its gap in relation to the AmBev brands was significantly reduced. In turn, AmBev increased its marketing expenses. As a result of this combination of factors, in the last quarter of 2004, AmBev achieved a 68.1% market share - roughly three-quarters of this recovery was directly due to Schincariol losses. It is worth mentioning here that we place great importance in the monitoring of the market share of value (revenues) as opposed to volume only.

This market share recovery came about at a period of economic growth in Brazil which was only reflected in beer consumption towards the end of 2004. In fact, thanks to the delay in publishing the present Report, we learned of AmBev's reported 14.3% increase in beer sales volume in the last quarter of 2004 over the same period in 2003, taking its growth for 2004 to 4.6%. There has been no increase of this proportion since 1994/1995 (*Plano Real*). Since that time, the Brazilian beer market has been suffering from lower personal income and tax evasion. Despite the fact that national beer production has remained stable since 1995 at around eight billion liters, *per capita* consumption dropped from 50 liters/person in 1995 to 46.8 liters/ person in 2003[6]. If the Brazilian economy is truly entering upon a longer growth period, with increased revenues and reduced tax evasion (as commented below), AmBev could look forward to a very profitable era, since it will not need to make any major investments to maintain an annual growth volume of 5%. A part of its operating structure is similar to a retail operation where increases in revenue occur without an increase in fixed expenses, thereby generating a significant improvement in the company's free cash flow. In an organization such as AmBev, whose strict capital discipline resonates in all important company decisions, we believe that the logic behind the use of this cash flow will not differ from past policy. In other words it will be utilized to maximize stockholder returns.

Another positive point in the current economic environment for AmBev's operations in Brazil – and in Argentina – has been the US dollar devaluation. Given that a major portion of beer production costs is linked to prices of commodities quoted in this currency, this drop has positively impacted the company's operating margins (hedge policies notwithstanding).

To this favorable economic scenario, we can also add the Brazilian government's recent approval of flow meters, which, as from the first half 2005, have "monitored" Brazilian brewers production volume to ensure payment of all taxes by the industry. It is almost impossible to calculate the impact, undoubtedly positive for AmBev, that this measure will bring to competition in the Brazilian beer industry.

Before concluding our comments on the Brazil operation, a brief comment on the soft drinks sector. Even after the creation of AmBev, when the company acquired critical mass in this segment (close to 17% of the market share), the return of this business, analyzed on its own, was less than satisfactory, especially when compared with the beer sector. However, this scenario is changing. AmBev is reporting significant improvements, thanks mostly (as in the case of beer) to the Brazilian economic environment and to Coca Cola's (market leader and price maker) "new" policy of focusing on margins even to the detriment of volumes. Even with the present high level of tax evasion (it is estimated that a group of small companies whose soft drinks are dubbed *tubaínas* operate under a flexible tax practices, and are responsible for close to 30% of the Brazilian soft drinks market), business as a whole is improving. The EBITDA margin that was only 12.6% during the first half of 2003 had already risen to 32.4% by the last quarter of 2004. During this same period, the EBITDA/hectoliter sold, grew from R$ 8.9 to R$ 24.7 respectively. This is yet another of the company's activities that merit attention and could generate some positive surprises in 2005.

In conclusion, we believe that some recent economic and structural ingredients may contribute to improve AmBev's Brazilian results, such as: i) Brazil's improved economy, which is increasing demand for beer throughout the country; ii) implementation of the flow meters, which will prevent tax evasion and undermine unfair competition; and iii) the possibility of adjusting prices which, in fact, began last December. And all this is happening exactly when AmBev regains a market share of close to 70% of the volume of beer sold in Brazil.

Canada: Labatt

Since the transaction was announced, we have been closely examining the Canadian beer market and Labatt itself. Our familiarity with this market and company is not yet at the level of our knowledge of the Brazilian market and AmBev, but we feel more comfortable with what we have learned to date. We have even been to Canada, which is always important within the process of examining different markets and cultures.

Labatt shares its leadership of the Canadian beer market with Molson, both of them with very similar shares, ranging from 40% to 45% over the last few years. In 2003, Labatt sold close to 9.2 million hectoliters of beer, recorded a net revenue of almost US$ 1.2 billion and generated an EBITDA of approximately US$ 400 million in a year where a strike in the province of Quebec (this province produces close to 28% of Labatt's total volume) negatively impacted the company's operating results. In 2004, Labatt's EBITDA reached almost

(6) Source: Sindicerv.

US$ 500 million (CAN$ 647 million). To have an idea of proportions in the beer segment, in 2004, in Brazil alone, AmBev sold 57.7 million hectoliters, had a revenue of US$ 2.3 billion and its EBITDA came close to US$ 1 billion.

In September 2004, AmBev officially took over Labatt's operations and began consolidating the company's results in its financial statements. A team of AmBev personnel, led by its former CEO, Carlos Brito (on the team since the beginning of Brahma's "new" history in 1989), went to Canada to introduce the changes required to achieve the synergy announced to investors, and to implement the "AmBev culture". In our opinion, it is this last point that must be very carefully monitored.

The Canadian market is mature, reasonably controlled by the government, and the "duopoly" seems to have settled well. In the developed world, a market with these characteristics operates on bases differing markedly from those of the Brazilian market. For example, at Labatt, net revenue per hectoliter of beer sold in the last quarter of 2004 was approximately US$ 150 while, in Brazil this same revenue is in the region of US$ 44. Moreover, unlike Brazil, it would be unreasonable to expect significant volume variations in Canada.

For these reasons, it seems clear to us that, to attain the intended targets and synergy levels, management action will be directed inwards and not outwards of the company. A restructuring of the production process via a factory productivity program, a zero base budget, and, most importantly, a redesign of compensation policies to bring them more in line with Brazil will be, as in AmBev's own history, the basic tools for attaining these objectives. A determining success feature will be the speed and effectiveness of the imposition/implementation of the "AmBev culture" within Labatt. As with InBev, the testing point is the change in culture. If this new standard of corporate culture succeeds, the company will be in a position to achieve more than the announced synergy, as can also be seen in the history of its recent acquisitions.

An excellent example is the acquisition of Quinsa: In May 2002, AmBev acquired Quinsa from the Bemberg family via a transaction involving cash, shares, and assets. For its acquisition of 37.5 % of the total capital of the Argentine market leader, AmBev paid close to US$ 347 million plus its own assets in the country, and assumed a debt of US$ 220 million. In other words, at the time, AmBev paid an amount representing a total value for Quinsa of almost US$ 1.15 billion. The EBITDA for 2002 was US$ 91.5 million. Thus, the multiple paid was 12.5 times, more than that of Labatt and also that of AmBev itself at the time. At the end of 2003, with the AmBev culture in place, the EBITDA reached US$ 220 million, which would have reduced the acquisition multiple to 5.2 times. In 2004, Quinsa reported an EBITDA of US$ 300 million. Obviously, the success of this acquisition had a lot to do with the strong recovery of the Argentine economy and a robust peso but, in our opinion, this factor reinforces the merit of the transaction. It is hard to imagine that any other beer producer in the world would have had the nerve to carry out an acquisition such as this, at such a high multiple, when the economy of the acquired company's country was struggling under the impact of a moratorium.

Dynamo Cougar x IBX x Ibovespa
Performance up to september / 2004 (in R$)

Period	Dynamo Cougar	IBX	Ibovespa
60 months	415.30%	204.81%	103.62%
36 months	256.34%	153.40%	119.87%
24 months	148.47%	155.23%	172.51%
12 months	60.88%	51.48%	44.28%
3 months	24.30%	16.99%	11.43%

NAV/Share on 09/30/2004 = R$76.063851620

People

We are convinced that one of the more important and immediate rewards obtained by AmBev on its acquisition of Labatt was the possibility of better utilizing the company's outstanding management personnel. For some time, AmBev had been "exporting" talents, i.e., the number of high potential individuals with the appropriate culture being formed by the company was greater than the opportunities were they could be used. With Labatt and, to a lesser degree, with the growth of its Latin American operations, AmBev's horizons expanded substantially. The new Labatt CEO has been with the company since 1989 when the Banco Garantia partners acquired control. Apparentely three other AmBev individuals went with him. The new InBev CFO, once an AmBev trainee, took a 28-person team with him. These changes opened up new opportunities in Brazil – the new Brazilian CEO is also a former AmBev trainee. These are very positive points for the company's culture which, in our opinion, has always been a crucial comparative advantage of AmBev.

One negative aspect of this deal which was of particular concern to us was the fact that the vast majority of the stock or stock options held by AmBev associates were preferred. The morale of the company could have been impacted by the negative repercussion with investors, themselves also preferred shareholders. It would have been understandable, at that particular moment, for them to have the feeling of having been left behind and for this to cause a general lack of motivation. Again, in our Dynamo Report 40, we stated our concern: "… and whether the individuals who have made the difference in the company will continue to be as motivated as they were before." Curiously, in defending its actions, the fact that so many executives held substantial positions in preferred shares was one of the company's strongest arguments. Maybe because of the conviction with which the company supported this argument or maybe because of the possibility of new professional opportunities, the fact is that the motivation and enthusiasm returned strongly after the initial hiccup. This is the most important non- quantitative factor in our analysis.

Financial Aspects

With AmBev's acquisition of Labatt, the organization now generates a significant portion of its cash in a strong currency (the Canadian dollar), which has the favorable aspect of reducing the need for operational currency hedges. It also reduces the company's exposure to generation of cash in emerging economies, which are always more volatile. There is no question that this new factor has led to an important reduction in its cost of capital.

In fact, in December 2004, Standard & Poor's Ratings Services raised AmBev's local and foreign currency risk classifications. Thanks to the latter, the company became the first Brazilian organization to attain Investment Grade status, higher than Sovereign Risk The reduction in its capital cost will enable the company to work with a closer to ideal capital structure, increasing its leverage capacity . One measure of this optimum capital structure is the net debt /EBITDA ratio. We estimate that that its net debt for the closing quarter of 2004 will be close to the EBITDA that AmBev could generate throughout 2005. The company has shown that, with its absorption of Labatt, it could (this is not necessarily a company target) maintain a net debt / EBITDA ratio in the region of 1.4 times . To attain this level, AmBev would have available to pay out dividends or to buy back its own stock or for acquisitions, the amount of its current net debt (approximately, R$ 6.3 billion).

This remarkable level of cash flow generation is an issue that investors tend to attribute a higher degree of risk than we do. If InBev decides that AmBev should use such cash to make a relevant acquisition, the high valuations usually paid in such deals (as evidenced by high multiples paid in acquisitions of consumers products companies around the world) could cause AmBev shares to fall. We believe this may indeed happen until investors can assess the consequences of a deal. However, once again, the issue must be analyzed on a case by case basis. In our opinion, there remains an adequate alignment of interests. The system for management compensation, strongly related to EVA™, the substantial equity interest held by executives (roughly 8% of the preferred shares or something like US$ 740 million) as well as the relevance of AmBev to InBev all suggests that acquisition discipline should continue to prevail. Taking this a step further, we are reminded that, before InBev was formed, the Interbrew story involved several highly complicated acquisitions with little focus on returns on invested capital. Given the dynamics of the operation, the track record of AmBev's former controllers and current official InBev policy, the logic seem to have changed even in Belgium The search now is for returns and not just for growth. If the decision regarding the destination of the cash flow generated in 2005 is towards dividends or stock buybacks, AmBev should distribute significant funds to stockholders, resulting in a very interesting, albeit not necessarily recurring, yield.

In summary and to finalize for now, we are optimistic about AmBev's operating performance, geared by the excellence of its management and by the good overall conditions of the business. Furthermore, the stock now has a somewhat defensive characteristic given its exposure to Labatt. This new aspect looks particularly attractive to us especially in the context of a Brazilian stock market that has gone up so much in the last two and a half years.

Rio de Janeiro, march 10th, 2005.

Dynamo Cougar x Ibovespa x FGV-100

(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	-	38.78	38.78	-	9.07	9.07	-	11.12	11.12
1994	-	245.55	379.54	-	165.25	189.30	-	58.59	76.22
1995	-	-3.62	362.20	-	-35.06	87.87	-	-13.48	52.47
1996	-	53.56	609.75	-	6.62	100.30	-	53.19	133.57
1997	-	-6.20	565.50	-	-4.10	92.00	-	34.40	213.80
1998	-	-19.14	438.13	-	-31.49	31.54	-	-38.4	93.27
1999	-	104.64	1,001.24	-	116.46	184.73	-	69.49	227.58
2000	-	3.02	1,034.53	-	-2.63	177.23	-	-18.08	168.33
2001	-	-6.36	962.40	-	-8.84	152.71	-	-23.98	103.99
1stQuar/02	13.05	13.05	1,101.05	3.89	3.89	162.55	-2.76	-2.76	98.35
2ndQuar/02	-19.15	-8.60	871.04	-22.45	-19.43	103.60	-31.62	-33.51	35.63
3rdQuar/02	-22.31	-28.99	654.37	-31.78	-45.04	38.90	-44.17	-62.88	-24.28
4thQuar/02	29.76	-7.86	878.90	38.00	-24.15	91.67	45.43	-46.01	10.12
1stQuar/03	4.47	4.47	922.65	4.63	4.63	100.55	5.39	5.39	16.06
2ndQuar/03	27.29	32.98	1,201.73	38.16	44.55	177.07	34.33	41.58	55.91
3rdQuar/03	19.37	58.73	1,453.83	24.72	80.29	245.56	22.34	73.20	90.74
4thQuar/03	22.18	93.94	1,798.51	35.98	145.16	369.91	39.17	141.04	165.44
1stQuar/04	4.67	4.67	1,887.16	2.35	2.35	380.16	-1.40	-1.40	161.72
2ndQuar/04	-4.89	-0.45	1,790.04	-8.66	-6.51	339.30	-11.31	-12.56	132.11
3rdQuar/04	35.12	34.52	2,453.91	23.73	15.67	443.56	21.13	5.92	181.16

Average Net Asset Value for Dynamo Cougar (Last 36 months): *R$ 213,177,085.18*

(*) The Dynamo Cougar Fund figures are audited by KPMG 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.

For any further information, visit our web site:

www.dynamo.com.br

DYNAMO

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