Report
Dynamo 40
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Remuneration Systems

The objective of this Report is to deal with a subject that we deem most important. It is a relevant part of the analysis process that precede our selection of investments. We will write about systems of remuneration, one of the basic elements of life, of our relationship with work colleagues, and a critical factor in the success of a business. We shall focus on this topic in two Reports. The present one will contain a brief analysis of the basic principles of the concept of remuneration. Here we describe the most usual methods of payment and discuss some practical cases. We apologize in advance for our excessively conceptual and academic approach. This will not be maintained in our next Report, where we shall carry out a more in-depth investigation of the remuneration system that now predominates in US compensation packages, i.e., the stock option plan.

Our Performance

In the closing quarter, Dynamo Cougar quotas appreciated by 20.9% increasing in value by58.6% in 2003. Since was established in September 1993, the fund has accumulated a total return of 32.9% *per annum* in US dollar terms, and by 31,7% *per annum* in *IGP-M* (General Price Index) terms. During the same period, the *Ibovespa* (São Paulo Stock Exchange Index) increased by 9.9% *per annum* in US dollar terms, and by 8.9% *per annum* in *IGP-M* terms.

For the second time in its ten years of activities, Dynamo Cougar earnings dropped below the *Ibovespa*, which earned 97.1% during the year. This single isolated fact has caused us little concern, particularly in the context of a year like 2003, with such significant results. Furthermore, in the context of our investment proposal, a year is a short time. Over the last few years, our performance has consistently surpassed that of *Ibovespa* and, thus, occasionally, it would seem reasonable to expect an inversion of this figure.

It should also be borne in mind that an important part of Ibovespa´s return in 2003 is due to the performance of the companies leveraged in US dollar. The greater proportion of such changes in the index composition also explains the fact that *Ibovespa* surpassed the *IBrX* (Brazil Index) something that did not happen since 1998. The appreciation of the real in relation to the dollar led instantly to a decrease in the flow and also in the total amount of the financial liabilities expressed in US dollars. *Ceteris paribus*, for the same enterprise value, the reduction in the amount of debt should be offset with an increase in its equity value. In theory, the more the company is leveraged, the higher the adjustment, i.e., the more the equity should goes up. This effect was further increased by the high liquidity of the international market, where the trend was for financial flows to favor the more liquid assets in all markets worldwide. A result was that stock exchange Indices, in their susceptibility to negotiation criteria, were "pro-cyclically" pushed forward. In other words, the riskier assets performed best in 2003. Over the last two years, investors minimizing their risks did well in 2002, but lost some gain in 2003.

For 2004, a significant portion of the initial optimism has dissipated over the first quarter. Our portfolio remains with a similar profile of that of the last two years.

The Fundamentals

The value of human capital as a competitive resource has never been so unequivocal. In fact, it is impossible to imagine a successful company that does not have a competent and motivated work force. If "people are the only potential source of sustained advantage a company has"[1], if "the business of business is behavior"[2], the maximization of the performance of the human resources becomes an irreplaceable strategic role.

A remuneration system is a combination of programs and practices aimed at encouraging and reinforcing efforts, behaviors, and all actions essential to a business success. Its prime objective is to generate a standard of positive consequences for the work effort where, in psychology terminology, consequence means all that happens to an individual as a result of a given act or mode of conduct. According to what is known as the "theory of expectancy", individual motivation is a function of two expectations: i) effort produces performance; ii) performance leads to some form of reward.

The understanding of the reward / motivation ratio has required the work of a multi-disciplinary task force challenging a

(1) *Zingheim, P. Rewarding Scarce Talent, in* The Compensation Handbook, *Berger, L. & Berger, R. (ed.) McGrawHill, 1999.*

(2) *Herrnstein, R. Behavior, Reinforcement, and Utility,* Psychological Science *1, n. 4, 1990, quoted by Wilson T.* Innovative Reward System for the Changing Workplace, *McGraw-Hill, 2003.*

variety of fields within psychology - behavior, personality, and learning theories - in addition to sociology, anthropology, ethology, political science, and even new biopsychiatric frontiers. Some issues remain open, among them the physiological mechanisms through which recompense affects behavior or, still, what type of motivation would be most appropriate the internal (where the inherent nature of the task is in itself attractive) or external (where the task is a means to an end or external recompense). There are some professionals in the field who support the idea that external motivation results only in temporary loyalty. When it is removed or frustrated, it may undermine any authentic internal interest. Defenders of this point of view claim that a participative, collaborative, results-oriented workplace can be attained solely via the self-determination of the individuals seeking personal fulfillment. In fact, motivation represented by external recompense could even be a threat to our psychological need for independence and even our self-esteem[3]. These studies go against the more widely accepted behavioral/Skinnerian view of the need for external expectations to determine behavior[4].

Despite the fact that there is yet no consensus on what the ideal motivational formula is, there is no doubt that behavior is influenced and shaped by consequences. Within the corporate environment, the challenge becomes to design a compensation system that establishes the conditions for participants to "introspect" the desired choices, consistent with the intended corporate results.

Pay Methods

A system of remuneration comprises four main pay types: base or fixed pay, variable pay, recognition awards, and benefits or indirect pays. Usually, base pay is used to reward the individual contribution over time. It is a payment for employees carrying out tasks, for his/her effort to acquire skills or talents, for his/her consistency of performance and for his/her contribution to building the company's image. As a general rule, in companies where base pay prevail over other forms of recompense, they are set in line with market salaries.

Variable remuneration is dependent on results based on certain performance criteria. The increase in this type of compensation can be explained by on a number of factors: a desire from individuals to take part in the risk and results of the business, a dynamic competition environment requiring speedier solutions to market challenges and opportunities, and a reduced pricing power in a globalized market that reinforces the need for companies to reduce their fixed costs.

Variable compensation programs can be either short or long-term. The most common short-term plans are profit sharing, gain sharing, goal sharing (attaining certain operational criteria) or a combination of those. Long-term programs may be based on performance or market and maybe payable in cash or in company stock. Performance based programs comprise longer periods and take into account metrics such as return on assets or return on invested capital, covering the entire business cycle. Market based plans associate compensation with stock performance. The most usual are stock options, stock appreciation rights, restricted stocks, and phantom stocks.

Stock options are by far the most common market based compensation method. These plans grant their beneficiaries the right to buy company shares at a predetermined price (exercise price) over a given period of time. If the share price goes up over time, the employee will have the right to buy it at a price below the market. One of the chief reasons for the wide use of stock options was their favorable accounting treatment, since they are not considered to be a cost nor an expense for the respective companies.

In the U.S., the two most common stock option plans are the "qualified" or "statutory" plans, also known as incentive stock options (ISO), and the "non-qualified" or "non-statutory" plans. The "non-qualified" plans are considerably more flexible, as they do not include restrictions on exercise price, concession or holding periods. In addition to employees, they can also be granted to board members, consultants and service providers. In this version, the difference between market and exercise price at the time the option is exercised, is deemed to be a taxable personal income for the individual and a deductible expense for the company. Thanks to their flexibility and tax deductibility nature, non-qualified plans are more frequently implemented. On the other hand, "qualified" option programs are more favorable to the employee from a tax point of view as the exercise of the option does not constitute a taxable event and the capital gains tax will only be levied when the shares are sold in the market. However, this is a far less flexible version as it is subject to a series of statutory restrictions (concession period, exercise period, exercise price, among others), in addition to the fact that the company may not treat these options as a tax-deductible expense.

Stock appreciation rights entitle the employees to benefit from such price increases without incurring any expense in acquiring the shares themselves. On the date of exercise, the individual receives the difference between the market and grant price multiplied by the number of shares granted. Such amount may be paid in cash or in company stock and must be accrued and expensed appropriately. Due to this accounting system, stock appreciation rights have not been popular in the US market.

Under restricted stocks programs, shares are transferred to the employees who become direct shareholders. Under most such programs, these employees acquire all rights pertaining to the stock but they cannot sell during a restriction period. In some cases, grants are conditional upon certain events like continued employment, or the attainment of a given individual or collective performance goal. Restricted stock packages allow for some variations, such as *time-accelerated restricted stock award plans,* where restrictions can be lifted earlier than originally planned if certain performance targets are met, or the *restricted stock performance plans* where the attainment of certain performance levels releases a cash recompense advance. Restricted shares maybe acquired with or without company financing. Whichever the case, as long as the employee remains a shareholder, any

(3) *See, for example, Kohn, A. Challenging Behaviorist Dogma: Myths About Money and Motivation.* Compensation & Benefits Review, *Apr/Mar 1998.*

(4) *Skinner, B.* Science and Human Behavior. *New York: MacMillan, 1953.*

drop in share value represents a decrease of his personal wealth. Conversely, under stock option plans, if the share price drops below the exercise price (underwater), the employee suffers no real financial loss and merely loses a right he/she had.

Lastly, phantom stocks are credits employees receive whose value is calculated as a function of the company share price. They do not represent true ownership of an asset or any other ownership rights. Thus, their holders do not become company equity-holders. Phantom stock "return" to the company at the end of a stipulated period and any value accrued during this period, if any, is paid out to the employee in cash. This system is sometimes used to defer gains arising out of incentive plans.

Besides base and variable compensation packages, remuneration systems may also include various awards for recognition and/or celebration of outstanding performance, in addition to indirect benefits. These awards can be financial, social, material, symbolic, etc. Within the wide range or benefits, the two most common are retirement and health plans.

Based on particular features of companies and related business opportunities, reward programs can also be specifically tailored. Common among these are compensation plans for scarce talents, sales force, for executives involved on mergers or acquisitions, and global companies. Finally, each program listed above can be designed to focus on the individual or on the entire team, business unit, specific department, or the company as whole.

Some Experiences

Although far from being a detailed classification, this brief list conveys the diversity of the components and possibilities available. Experience shows that a company's remuneration system tends to be a mixture of these plans combining the most suitable features of each one. There is no single, pre-arranged recipe, nor can it be said *ex ante* that one system is better than the other.

When a company's objective is to attract and retain talented individuals to carry out specific tasks or to acquire the desired skills pursuant to strategic guidelines, a fixed payment based on competitive salaries could be acceptable. But a fixed salary-based program says little or nothing about performance. A variable package has the potential for encouraging specific results. During the eighties, cost reductions based on gain sharing packages were very common, using criteria such as cost as a percentage of sales, cost per output unit, or cost versus budget. During the nineties, emphasis turned to quality and consumer satisfaction, and gain sharing considered measures such as number of defects per thousand items, delivery timing, and customer complaints.

Dynamo Cougar x Ibovespa x FGV-100
Performance up to december/2003 (in R$)

Period	Dynamo Cougar	FGV-100	Ibovespa
60 months	743,57%	754,22%	228,40%
36 months	147,25%	150,45%	46,16%
24 months	122,50%	131,53%	62,02%
12 months	58,59%	100,47%	97,10%
3 months	20,87%	34,53%	37,67%

NAV/Share on 31/dec/2003 = 57.14899723

During its restructuring effort of the late nineties, Sears reformulated its entire compensation system. After carrying out an in-depth survey, the organization concluded that the manner in which it treated its personnel was reflected in the way in which the latter treated customers. This, in turn, directly impacted company sales and profits. As a result, under a new salary policy, senior executive and management pay plan came to be based one third on employee satisfaction, one third on client satisfaction and one-third on the financial targets of the respective business units. In the case of store personnel, the variable compensation package began stressing customer satisfaction and financial performance. This new approach was decisive in restoring the company's profitability levels.

Practical experience has shown that communication processes play a vital role in the successful implementation of remuneration programs. The level of employee assimilation and commitment is dependent on the degree of understanding of the program's aim, the familiarity with its details, and the manner in which these impact daily life in the workplace. In the nineties, the Fleet Financial Group suffered from severe turnover problems. In response, it introduced a retention bonus based on each business unit's targets, together with an intermittent communication policy, along the lines of "your contribution is important, it is valuable, we need your help to succeed, we are entrusting our future to you." The results were remarkable.

In order to be able to offer products that were cheaper and more conveniently available than those bought through traditional retail outlets, compensation policy at Amazon, one of the world's most successful electronic trade organizations, is to pay below market salaries and grant stock options. This reinforces and propagates an "owner" mentality at all personnel levels. The remuneration system in place at Egon Zehnder International, a highly successful human resources consultancy, is, as described by its owner, somewhat more "old fashioned". It is based on a composite of salary, stock ownership and profit sharing. In determining how profits will be shared, which is the most important variable component, the main parameter is seniority. As explained by Zehnder, "In our profession, seniority is a key asset"[5]. The company continues to grow worldwide with a very low turnover attracting individuals with the appropriate profile.

Experience has shown that variable compensation must be geared to a series of measures and indicators associated with value creation and shareholder returns, such as operating margins, *EVA*© (Economic Value Added), market cap, return on invested capital, and free cash flow yield. The trend is for a clearly defined metric system to provide positive feedbacks to senior management and employees. A system based on proper metrics also makes available real time data on the adherence of performance to projected results, enables reviews of con-

(5) *Zehnder, E. A Simpler Way to Pay.* Harvard Business Review on Compensation. *HBS Press, 2001.*

duct, correction of mistakes, and represents an incentive for maintaining efforts or even celebrating target attainment. There are several cases attesting this. At Herman Miller, *EVA©* has been the parameter guiding the company's entire bonus and incentive system since 1995. As from that year, inventories dropped significantly as did accounts receivable, the company's capital structure was improved, revenues and operating margins increased, all of which created wealth for both shareholders and management. At Votorantim Celulose e Papel (*VCP*), the chief basis for senior management's variable compensation program is 'cash flow return on gross investments (CFROGI). Ever since this indicator was implemented in 2000, operating margins have increased, as have employee bonuses, and shareholders have seen significant improvement in stock prices.

One challenge faced by remuneration programs has been how to motivate teamwork in order to generate a cooperative environment, exchange of information, fertility of ideas, with less hierarchical rigidity and dependence on individual talents, in addition to increased flexibility and willingness to accept innovation. However, as if the links between motivation, performance and recompense were not confusing enough for the average individual, what happens when the object of examination becomes an entire group, a department, a sector, or the company as a whole? How do you motivate behavior and action that will result in greater benefit to the company but not necessarily for each individual? How do you bring about among personnel a positive attitude towards exchange of information and cooperative interchange when their compensation competes against each other? How do you eliminate the tendency of certain individuals to just sit back at the expense of other group members' efforts, knowing full well that their pay is linked to the results obtained by the group as a whole? Also in this case of group-based compensation, a combined program seems more appropriate. *AmBev* allocates percentages of profit to each business unit, based on attainment of their pre-established targets. From then on, members of each group are evaluated individually based on their individual performance, and are rewarded based on the percentage received by their business unit. In other words, individual performance establishes each employee's compensation, and the ceiling varies depending on the results achieved by the team.

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Our conclusion is that a company's remuneration system is as unique as its objectives, values and culture, and should combine in a single system the various different types of pay. In 1984, the average compensation in the US for a CEO was around U$1 million *per annum*, practically all of which in the form of salaries and bonuses. In 2001, this amount rose to U$7 million, of which 66% was based on market performance, mostly in the form of stock option plans. This high prevalence merits closer investigation. That is what we intend to do in our next Report.

AMBEV

We had already decided to write about *AmBev* when the Interbrew transaction was announced, involving the exchange of shares and acquisition of Labatt/Femsa stock. We continue to analyze the mechanics, the amounts and the implications of this complex deal, which will merit specific comments soon. For the time being, at the risk of sounding somewhat anachronistic, we have decided to simply maintain our comments reflecting our opinion on the company as it stood prior to this transaction.

AmBev (Companhia de Bebidas das Américas) has been a Dynamo Cougar portfolio position for a quite some time. The company was not among our more important investments since it always traded at a price close to what we believed to be a fair value. However, during the second half of 2003, when the new beer *Nova Schin* was launched and *AmBev's* market share suffered, the stock fell and it seemed like an interesting opportunity. A similar situation happened when, prior to its merger with *Brahma* to create AmBev, *Antarctica* invested heavily in the marketing of its *Bavária* brand and reduced its price, and gained significant market share. However, the combination of high marketing investments and low prices did not yield positive financial results and the strategy could not be maintained for a long time. It is our belief that *AmBev's* recent drop in market share is temporary and will be, at least partially, reversed. This could occur by either a decrease in marketing investments or by a price increase on the part of *Schincariol* to balance out its expenses/revenue ratio. Based on this rationale, we increased our investments in AmBev by buying preferred shares, which are more liquid and allowed enabled us to build a position more quickly (until then, our position was almost entirely of common stock).

AmBev is the world's fifth largest brewery, Latin America's largest, and Brazil's beer market leader, holding over 64% of the market. Its three leading brands, *Skol*, *Brahma,* and *Antarctica*, are, respectively the third, ninth, and nineteenth ranked beers consumed worldwide. The company is also Brazil's second largest soft drink producer with a market share of approximately 18%. It also operates in Argentina, Uruguay, Paraguay, Bolivia, Chile, Venezuela, Ecuador, Peru, Guatemala, and the Dominican Republic.

AmBev has the main features that we seek in a company: the fundamentals of its business are good, it has growth potential and is managed by competent individuals who focus on creating value and returns for their shareholders.

The Business

Why is *AmBev* business so good? Selling beer in Brazil is the main segment of the company, representing 81% of its EBITDA for 2003. Beer is a low unit value product, with fast moving inventories, and a high margin. Moreover, *AmBev* has two other unique features that strengthen its main business even more: i) 70% of beer consumption in Brazil takes place in approximately one million bars and restaurants throughout the country, very much due to the Brazilian climate; and ii) *AmBev* produces approximately 64% of all Brazilian beer.

The concentration of sales in so large a number of customers buying small volumes for *in loco* consumption is responsible for two major barriers to entry in the

Brazilian beer market: distribution and returnable packaging. The efficient sale and delivery of such a huge portfolio of products to one million customers visited, in many cases, twice a week, requires a substantial investment in distribution or "point of sale execution", which, according to the company, is its core business. Beer consumption in bars and restaurants allows the company to keep its 600ml returnable glass bottle policy, which is cheaper for the consumer and more profitable for the company, since they are reutilized several times over. This is not the case with one-way bottles or cans (much preferred by supermarkets because they simplify inventory management). Returnable bottles require substantial investments in both the bottles themselves and in the cases. Consequently, in the event someone wishes to start up a beer business from zero in Brazil, it should bear in mind that, in addition to investing in equipment and in the new brand, a significant investment must be made in distribution and in packaging materials.

Margin Power

A significant proportion of beer production costs is linked to commodity prices (such as malt, aluminum, and paper), all of which are quoted in US dollars. Upon examining the growth of the company's net revenue per hectoliter over a reasonably long period – comprising two major foreign exchange devaluations – we note that *AmBev* was able to maintain the margin on its products. A major portion of its margin power arises from the fact that the company sells "a low unit value product" that is somehow immune to economic recession and whose image is associated with consumer pleasure"[6]. Furthermore, *AmBev* owns the favorite market brands, consolidated over time through substantial marketing investments, and is not dependent on a few customers for sales.

A considerable portion of the company's increased revenue by hectoliter occurred with no corresponding increased price to the end consumer. This was possible because: i) frequent improvement in "point of sale execution" has increased *AmBev's* share of the final price of its product to the detriment of the margin for the retailer and the distributor. In other words, the company has been growing the amount of its products that it distributes directly, and has retained only its more efficient distributors, thereby capturing a higher percentage of the beer retail price; and ii) better product mix obtained through (re)launching brands such as *Bohemia*, *Skol Beats*, *Brahma Light*, *Original*, etc, whose margins are significantly higher than those of its principal beers, *Skol*, *Brahma*, and *Antarctica*.

Working Capital

As mentioned above, beer is a fast moving product so it spends little time on retailer's shelves, a positive factor since slow-moving inventories represent invested capital without return. In addition, as a major raw material buyer (*AmBev* is Latin America's largest producer) and thanks to the wide diversity of its customer base, the company can pay its suppliers with terms longer than it takes for it to receive payment from its clients. Accordingly, *AmBev's* business is not working capital intensive, and thus its sales volumes grow steadily without the need for allocating much capital in the operation.

The People

Understanding the culture of a company is essential for us to evaluate how focused its people are on results/returns. *AmBev* has a highly intense culture of focusing on results, which is only possible when people are motivated "to work like owners and not like executives … *AmBev* is built on recognition of merit, a concept applied daily to all employees" [7]. Also, according to the company, "a variable compensation system is a powerful tool for motivating and rewarding *AmBev* personnel. Our culture … allows our employees that excel in achieving their goals to double their annual salary through an aggressive variable compensation program. This program is based on both individual and collective performance, and is directly linked to growth (our emphasis) of the company's *EVA©*". The application of *EVA©* as a metric for profit sharing tool is a vital instrument in the direction of the alignment of interests between company shareholders and management, since the latter is fully aware that each resource used in their daily activities bears an opportunity cost (capital cost), which must earn a return.

As a complement to its variable compensation plan, *AmBev* offers its personnel a hybrid plan of stock option and stock ownership. Under this plan, executives and "eligible" employees receive stock option calls from the company which exercise price is never less than 90% of market price prevailing at the time of the grant. These shares may only be sold at market price five years after the options have been exercised. The beneficiary must invest at least 70% of the funds he receives from the profit-sharing program (bonus) in the exercise of the call options he was granted, at which time he becomes a company shareholder with all the rights inherent to the shares. In fact, it is common practice among these individuals to allocate 100% of his profit-sharing bonus to anticipate the exercise of his call options. Some even finance the remainder of his call options with company loans, the cost of which is inflation plus 8% *per annum*. Just to give the reader an idea of the importance of variable compensation to *AmBev* personnel, in 2002, they received from nine to eighteen salaries *per annum* (depending on attainment of goals per team and per individual). From this, we can conclude that a high portion of the net worth of the people working for *AmBev* is invested in the company's own stock. Obviously, this fact ensures that, over the long-term, the price of the stock is very important to the company's chief decision makers. Thus, the manner in which the company recompenses its human resources is one of the principal factors to the alignment of interests between the company's stakeholders.

Returns

As investors, we are always alert to the returns obtained by our investee companies. There are many ways to analyze whether or not shareholder money is being well invested. In the specific case of *AmBev*, we monitor EBITDA growth by hectoliter sold, i.e., how much money does the com-

(6) *Muncuing, P. Beer Blast, Random House, 1997.*
(7) *Ambev, Annual Report, 2002.*

pany generate per product unit sold. To avoid temporary distortions, including the seasonal nature inherent to the beer and soft drink sector, we always analyze the figures on a twelve-month rolling basis. Starting from the end of 2000, we note that *AmBev's* EBITDA per hectoliter rose 77% in US dollars through to the 2003 year-end closing (despite a 59% devaluation of the Brazilian *Real* during this period and its negative impact on company costs). After examining the growth of EBITDA over invested capital (property, plant, and equipment plus working capital) for the same period, we note that this ratio (an approximation of return on invested capital before taxes) leapt from 38% to 61%. This was due to the fact that, while its EBITDA increased by 104% in Brazilian *Reais*, invested capital grew by only 26%. The great improvement of returns obtained by the company's management was reflected in the price of its shares. In the beginning of 2000, the market cap of *AmBev* was approximately US$5 billion. From then to the close of December 2003, the company invested (including the acquisition of *Quilmes*) close to US$1.7 billion, and the market cap went to US$9.9 billion (an increment of US$4.9 billion). In other words, during this period, each dollar invested by *AmBev* in its business activities was transformed into US$2.9 for its shareholders (as measured by the increase in market cap). Furthermore, between dividends and buybacks in the market, the company "returned" approximately US$ 1 billion to its shareholders.

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These are the fundamentals that, in our opinion, substantiate an important investment Dynamo made in *AmBev*. As stated above, we are currently analyzing the recent transaction with Interbrew, which will have significant impacts on the company's corporate structure, on its strategic position, and on some of the opinions expressed above. There is an enormous amount of documents, which we are currently examining. At present, our analysis seeks to check whether these fundamentals will be preserved in the company's new competitive environment, whether the amounts involved in the deal are compatible with the desired levels of return, and whether the individuals who have made the difference in the company will continue to be as motivated as they were before.

Rio de Janeiro, april 4th, 2004.

Dynamo Cougar x Ibovespa x FGV-100
(in US$ dollars)

Period	DYNAMO COUGAR*			FGV-100**			IBOVESPA***		
	Quarter	Year to Date	Since 01/09/93	Quarter	Year to Date	Since 01/09/93	Quarter	Year to Date	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	1001,24	-	116,46	184,73	-	69,49	227,58
2000	-	3,02	1034,53	-7,69	-2,63	177,23	-10,45	-18,08	168,33
1stQuar/01	-0,98	-0,98	1023,40	-10,06	-10,06	149,33	-16,00	-16,00	125,39
2ndQuar/01	-6,15	-7,07	954,28	-1,76	-11,64	144,95	-3,73	-19,14	116,97
3rdQuar/01	-27,25	-32,40	666,97	-33,81	-41,52	62,12	-36,93	-49,00	36,84
4thQuar/01	38,52	-6,36	962,40	55,88	-8,84	152,71	49,07	-23,98	103,99
1stQuar/02	13,05	13,05	1101,05	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	1201,73	38,16	44,55	177,07	34,33	41,58	55,91
3rdQuar/03	19,37	58,73	1453,83	24,72	80,29	245,56	22,34	73,20	90,74
4thQuar/03	22,18	93,94	1798,51	35,98	145,16	369,91	39,17	141,04	165,44

Average Net Asset Value for Dynamo Cougar (Last 36 months): ***R$ 150.488.196,17***

(*) 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.

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