Report
Dynamo 53
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Poison

The IPO cycle in Brazil goes at cruising speed. So far, 69 transactions, involving close to R$42 billion. Total market value of these companies reaches R$210 billion, 12% of total *Bovespa* capitalization and almost 9% of Brazil's updated GDP. The companies' aggregate performance is still positive and the environment exudes innovation: new companies, new business, new players, new rules, New Market (Novo Mercado).

In recent Reports we covered some circumventing factors that are quite typical of this IPO cycle: investor optimism, the healthy (or not) opportunism of some entrepreneurs, abundant liquidity, the trials of dispersed ownership, the hastiness of the processes, and the insertion of value investors such as Dynamo in this context. Now, the intent is to deal with a specific aspect, a novelty of these companies' bylaws. This relates to the so-called "mechanisms for protection of shareholders dispersion". To be sure, their role is to thwart practices aimed at averting transactions of control changes. These then are our *poison pills*, tropicalized defenses, differently named, although the poison is the same. As known, it is also a recurring theme in markets other than our own. For this reason, we propose a rapid overview of the overseas experience which may help to locate ourselves and provide some interesting analogies.

Defenses and Takeovers

In Report 51, we saw that the takeover movement began precisely when internal corporate governance controls in US market were inert. Possibly, this arose from the huge size of US companies, in which individual representation was diluted and the entropy of collective shareholder initiative gradually grew. Where internal controls failed, the adjustment ended up coming from outside with the arrival of new business models, where leveraged buyout companies reigned supreme thanks to their more agile and effective performance. Armed as they were with a more apposite incentive design, an increasingly competitive capital structure (aided by the appropriate financial tools, such as junk bonds) and superior corporate government standards, these LBOs rapidly transformed corporate America's life.

Once again, the takeover era underscores the market's evolutionary capacity, by arbitrating opportunities and identifying structures more fitted to the dominant ecology of businesses[1]. But, every action has its corresponding reaction. In this case, the reaction came from where it was expected: from the mobilization of executives worried by this "efficiency patrol". By the latter half of the nineteen eighties, the takeover movement had begun to cool down with the approval of State laws giving companies an arsenal of anti-takeover mechanisms. At about the same time, M&A and buyout activities waned, thanks to more restrictive credit market regulations.

Under the guise of defending the interests of other "stockholders", and

Our Performance

Over the first quarter of the year, Dynamo Cougar earned 5.18%, while *Ibovespa* appreciated 2.3% and *IBX* 2.1%. Over the last ten years, Dynamo Cougar recorded a real gain of 22.1% *pa* above inflation measured on *IGP-M*, and 24.4% *pa* in US dollars. During this same period, the *Ibovespa* appreciated by 7.2% *pa* over the *IGP-M* and 10.0% *pa* in US dollars, and the *IBX* 12.0% *pa* and 15.1% *pa,* , respectively.

During this quarter, Brazilian equity market experienced high volatility. Right at the beginning of the year, *Ibovespa* dropped 7.3% in five days of trading. At the end of February, after a gradual recovery, it dropped again by 10.2% in a further five trading days to immediately recover throughout March to close the quarter at slightly higher. Some comments on the psychology of the market and on the nature of the agents can provide insights into this erratic performance.

It is a well-known fact that financial market volatility tends to reflect the level of agents discomfort. In this case, the insecurity arose from the degree of uncertainty regarding the duration of this long bull cycle in world equity markets. As the cycle endures, two forces diminish optimistic expectations: one, more objective and statistical, is the perception that the inventory of future good news tends to drop, the other, more psychological, is the weight of the very success of the recent past.

(1) *Recent private equity companies activity shows the revamped face of this same phenomenon. Agile private companies, partnership structures, abundant credit, recruitment of top quality executives, and billionaire business deals, as in the acquisition of TXU by KKR itself for U$45 billion. In 2006 alone, buyout companies raised U$240 billion.*

This is because, as we learn from good financial psychology as formulated by prospect theory, given the choice, individuals prefer losing less to gaining more (at a ratio of 2.5:1). Accordingly, the greater the amount of accumulated gains, the less the willingness to place it at risk. The slightest sign of instability on the horizon triggers the sell off race in order to retain the robust gains of the past.

An element of the ecology of the market players can explain part of the speed of the downturns. The local explosion of 'multi-market' funds, the presence of external hedge funds, and also the significant involvement of individuals reduced the system's aggregate tolerance for negative results, for a similar period of time. As we all know, these types of investors, hugely sensitive to short-term performance comparisons, prefer to quit soon 'losers' positions and rapidly seek other investment strategies.

Dynamo Cougar responded well to this uncertain environment. Its quotas fluctuated less than *Ibovespa* and *IBX*, and the Fund closed this troubled quarter with yet another satisfactory result. The focal point of this performance was based on Arcelor Brazil, which made the principal contribution to our portfolio results. The publication of Mittal Steel's acquisition of Arcelor Europe in January 2006 led to long discussions over the need and conditions of a Mittal public offering to the other Arcelor Brazil shareholders (tag along OPA). We were actively involved in this technical discussion. Recently, *CVM* has issued a final decision on the conditions and the price of this offering, which was favorable to the minority shareholders. As price rose, we then decided to adjust Arcelor' position to a new risk:return ratio appropriate to our portfolio construction.

threatened by a wave of control changes, the executives of these companies organized a campaign for the implementation of anti-takeover provisions[2]. US States began amending their legislations and the companies themselves instigated a number of different bylaw provisions, by taking advantage of the widespread capital structure arising from an environment of minimal shareholder involvement in corporate decision making processes.

Anti-takeover rules and strategies spread rapidly in a number of different classes[3]: obligation to extending offerings to all stockholders, imposing approval requirements via target company shareholder vote, increasing the cost of an offering via mechanisms such as prohibition of action by written consent, restriction to call general meetings, and, most noteworthy of all, granting veto powers to the board members, such as in the case of staggered boards and poison pills approval[4].

We saw also that this sophisticated defense armory contributed to braking the takeover offensive, at the same time as it provoked executives entrenchment, with detrimental consequences on companies' operating results and on shares performance.

It was no coincidence that, at this very moment, a new shareholder movement began forming in US. Once again, the Newtonian mechanism was in action (and reaction). Shareholders realized that executives and raiders were benefiting from their very passivity and inattention. Deprived of the capacity to decide on the future of their investments and dissatisfied with poor management performance, they fought to recover their role in corporate decision making process.

Share ownership rights differ from those over other tangible assets such as a house, a car, or a stamp collection, where the owner may dispose of his/her property at any time or even transfer its use to third parties. The 'owner' of a minority percentage of a company's capital has a far less tangible interest in an organization in which, despite consisting of a number of tangible assets, the relationship between these assets and their owners is significantly less clear-cut and direct. The only right of direct use of ownership granted by a share to its owner is the power to transfer this same interest[5]. And consequently, any step forward in US capital market development was in some way based on an improved capacity of transfer of shares between their owners.

The segregation of share ownership and control over the business played a vital role in enabling large US companies to evolve from their original family business structures. Along the way, capital becomes more widely held and management is outsourced. To counterweight the loss of control, there comes liquidity and the capacity to immediately transfer ownership at a reduced cost. A greater part of US market technology and systems development was aimed at improving share transfer capacity. Up until the nineteen fifties, at least five documents and a number of formalities were necessary to conclude a sale of a single share[6]. This universalization of the capacity to transfer shares among owners completely altered the landscape of corporate control structure, and was an important factor to produce a wider dispersion of shares. Previously, shareholders were required to take part in the direction of company business as a way of monitoring their investments, which often represented most of their wealth. Today, as an 'exit' option is available in the market, management tasks can be outsourced in every business

(2) *The most effective pressuring mechanism came via the Business Roundtable, the leading US CEO association.*

(3) *The range of provisions is so great and the variants so creative, that they merit a more detailed description in an exclusive space in a future Report.*

(4) *Hannes (2002 and 2003) offers an original explanation for this diversity of defenses. It is based on the principle that there is a takeover market where target companies are seen to be competing among themselves. The defense of a given company redirects the takeover activity and the potential premium to another similar company. Thus, similar companies select different types of defenses to maximize their projected expected premium:desired protection ratio.*

(5) *The receipt of dividends and the utilization of shares as a guarantee and/or collateral are deriving uses from share ownership.*

(6) *In 1950, the US market had never negotiated more than 750 thousand shares, while in the late nineteen eighties the NYSE was trading 290 million shares daily. Monks and Minow (1995) make a very thorough analysis of this topic.*

and immediate liquidity is guaranteed for any diversified portfolio investor. Liquidity converted long-term ownership risk into short-term investor risk. With the loss of the capacity to influence corporate decisions and the exponential liquidity increase, the sale of shares threatened to become the sole alternative for shareholders. Thus, the "Wall Street rule" swung into action: vote with senior management or sell your share. A consequence of this unintentional widespread ownership and liquidity was a diminishing interest in the corporate decision and management processes, which opened the door to abuses and accounting frauds that have tragically impacted the savings of thousands of households. At this time, even the US press has given in to self-analysis, as can be read in the WSJ (2002) itself: "bring back the hostile takeover. Just the threat of a takeover provides incentive for managers to run companies in the interest of their shareholders".

Defenses and Corporate Governance

The provisions in place against changes in control deeply impacted the equilibrium of US Corporate Governance and awakened shareholders from their long sluggishness. The benefits of a liquid market open to exit had been the mainly counterweight to outsourcing control to professional hands. Now, these same agents impose harsh restrictions on this basic right: the capacity to transfer shares.

Shareholders perceived that the automatic gearings of outside control, via capital market, were stuck by too many defenses. They became aware that they had to redeem internal controls by becoming more actively involved in corporate decisions. Leaded by activists and institutional investors, they began to attend shareholder meetings, claim their rights, demand involvement in major decisions, regain internal control channels, draw up alignment of interest mechanisms, in addition to removing obstacles to allow the disciplinary action of external arbitrage work.

If corporation (widespread control) is the highest level of the democracy of capital, it also requires some monitoring. To asleep shareholders, democracy of capital can turn into executive dictatorship. When executives become isolated from the market for control, the control of the market is lost, and internal controls become urgently needed. Executive incentives need to be aligned and the board must be clearly at the service of the shareholders. To permit an increase in the transaction cost of shares sales is at best a step backwards in the development of the capital market and, at worst, an abusive attack of control against ownership.

This is why corporate governance experts and investors worldwide recommend that discussions on proposed changes in control should take place during general shareholder meetings. Shareholders are the ones entitled to decide on the opportunity to sell or not sell their shares. The vital role of the executives is to communicate, to present the facts to shareholders, and, if they believe this to be necessary, to attempt to convince them of the best decision in the interest of the company.

Nevertheless, arguments attempting to justify the exclusive power that board members and directors (BM/D) should hold over proposals to buy control in the market should be carefully analyzed. These are: i) Treating the decision like any other. For example, if the BM/D takes decisions on investments, why can it not take decisions on the sale of control? ii) The market is "informationally" imperfect. As insiders, the BM/D have greater knowledge and can make better decisions than the other shareholders. iii) The BM/D can extract more value for shareholders in such offers.

Let us examine each one:

i) In the case of a sale of control, the executives are in a less exempt position. Obviously, conflicting interests exist. We have seen that all attempts to block changes in control in the US were made by executives to safeguard their careers. This is an incentive problem that defies solution since, by definition, executives are considerably less diversified than shareholders[7]. Thus, given that there is an incentive problem, shareholders should manifest themselves. Furthermore, precisely because the BM/D holds autonomy over all other aspects of the company's business, shareholders should have the power to decide on the sale of their shares, as a safety valve and source of discipline.

ii) The fact that the BM/D, as insiders, have superior knowledge, does not diminish shareholder rights to vote. They should manifest themselves and their valuations must take stock of the fact that, on the one hand, the BM/D holds asymmetrical information and, on the other, they have conflicting interests.

iii) In theory, in the same way that BM/D, shareholders on a general meeting should have the power to ask for a higher price, if such is the case. Furthermore, no definite empirical evidence exists proving that the BM/D's bargaining power (and not even the presence of poison pills) can obtain a premium over the initial suggested price[8].

Defenses and IPOs

Recently, defenders of the discretionary use of anti-takeover provisions by the BM/D have noted that a substantial number of companies, in different markets, have gone public armed with a number of defenses in their bylaws, and that this is the definitive evidence that their arguments are apposite. In fact, this has been the case. However, when called on to decide in a general meeting on the introduction of anti-takeover provisions, shareholders of already listed companies have widely rejected this type of proposal, manifesting their perception of the negative impacts of these arrangements and the importance of expressing interest in the matter.

Some possible explanations account for this seeming paradox:

i) The presence of provisions can provide the necessary comfort for a controller

(7) *In the sense that, as a rule, the bulk of executives' wealth (salaries, bonuses, pension plans, options) is linked to a single underlying asset: the company performance. On the other hand, as portfolio investors, shareholders are exposed to a basket of different assets.*

(8) *For an example, see Bebchuk 2002 and Coats 2000.*

to take a company public and acknowledge that, at some time in the future, ownership will become more dispersed to meet growth requirements. In such a case, even knowing that this is not the ideal solution, the defenses would be desirable merely to encourage the controllers to one day break the control block, thereby generating the benefit of dispersion and enabling the desired investment projects.

ii) In theory, provisions are always unwelcome to investors, since they reduce the value of their share. However, there could be the case in which the benefits of the protection experimented by controllers, at least at the initial stage of the IPO, could be greater than the loss of value for investors. Accordingly, under a rent protection perspective, these defenses could be efficient.

iii) Even admitting that the provisions are inefficient, agency costs could explain them. Among pre-IPO shareholders, for example. The ones who will not sell their shares in the IPO may choose to include the defenses, thereby ensuring the future benefit of rent protection and the tranquility of control, while the cost of a lower IPO price is shared by all shareholders. Bebchuk (2003) also identifies asymmetrical incentives between shareholders and lawyers. The latter favor the presence of defenses, since, if company control is taken by a future hostile takeover, their reputations could be damaged, while they are unlikely to be held accountable for a lower IPO price[9].

iv) As, in IPOs, investors encounter difficulties in more accurately defining the value of the company, pre-IPO shareholders can be encouraged to signal to investors that they are acquiring a more valuable and profitable asset, so much so, that certain defenses will be put in place. In this event, investors would be 'informed' that the company could worth more, thereby partially offsetting the gap of information at the time and, possibly compensating for the intrinsic dissatisfaction with the presence of provisions[10].

v) Lastly, as we saw in Report 50, in an IPO, investors are especially impacted by the absence of information, lack of time and focus of attention. Accordingly, the provisions can pass unnoticed. Furthermore, the inherent problems of defenses will only appear at a future time, as company's ownership advances towards dispersion. Since many investors have a more immediate timeframe, they usually attribute less importance to antitakeover provisions at times such as this.

Defenses in Brazil

This IPO cycle in Brazil also introduced the novelty of the antitakeover provisions. Of the 69 companies that went public, to date, 34 included a protection clause in their bylaws. Creativity has been more scarce here. In all cases, the defenses impose to the acquirer the obligation to make a public offering to all shareholders when his stake reaches a percentage of the company total shares. The variants depend on the size of this threshold – between 10% and 35%[11] – and on the rule that establish the price of the offering. In most of the cases, it requires a significant premium, from 20% to 50%, over: i) an average of recent market prices or recent purchases in the market made by the buyer, or ii) the issue price of any recent capital increase, or iii) a fundamental reference (accounting or operational multiple or one stated in a fairness opinion valuation), and, as a rule, the greater of the three.

The so-called "mechanisms to protect shareholders dispersion" remind us of the rhetorical need to protect the interests of vulnerable shareholders from the attack of predatory opportunistic investors. During a market downturn, a company could be hostilely taken over by a rogue buyer unqualified to run the business, thereby leaving the shareholders in a difficult position in the future. Hence, the mechanism designed to 'protect' the shareholder base. However, by assuring the opportunity for a generous withdrawal of shareholders, in practice, this mechanism limits the scope of a change in control and imposes a substantial toll at the exit. There is a clear trade-off in this type of regulation between a withdrawal opportunity and the possibility of changing management. This inflexibility and mandatoriness of the rule usually result in the maintenance of current management, disregarding the proven benefits of vigilance and control discipline provided by market forces[12].

In fact, some companies in Brazil have already experienced the reality of widespread ownership. Thus, we would see a fragile imbalance between the degree of some shareholders' economic interests and the exercising of their actual control powers. In this case, the expanded power is based on rules limiting the capacity of other shareholders to obtain greater voice on corporate decisions. This is quite ironical, since, by eliminating preffered shares, Novo Mercado's greatest virtue was exactly that of offering a corporate arrangement which would eliminate the undesirable impact of this asymmetry between control and ownership. Also, some of these companies reached this position via a secondary offering, in an IPO or in follow-ons. In other words, the former controllers had already monetized their stakes and remain in charge of the business with no risk of external disciplinary action, which could doubly encourage further loosening.

If there is a genuine desire to uphold shareholder interests, our suggestion would be that the conditions and the obligation to extend the offering, in the event

(9) *In fact, in his study of 320 IPOs in the US market in the nineteen nineties, Coates IV (2000b) reached the conclusion that variations in anti-takeover defenses can be explained by the differences in the opinions of legal advisors contracted by the companies.*

(10) *This positive signs only works in a good legal protection environment. Were this not the case, the presence of provisions could give out contrary signals, i.e., the existence of private control benefits at stake.*

(11) *In most European Union companies, this percentage is 33% and never less than 20%.*

(12) *A more technical argument in favor of these protection mechanisms points out that the New Market rules were designed to deal with a concentrated control environment, one where the concept of tag-along was envisaged merely in cases of transfer of control and not its acquisition. Nevertheless, it seems unreasonable that, based on allegedly protecting minority shareholders in an change of control without setting off a tag-along situation, greater benefits deriving from the possibility of an effective corporate control market should be discarded.*

anyone attains a threshold of, say 30%, should be established in a general meeting[13]. In the meantime, the executives would present their arguments to shareholders to guide them in their decisions. In turn, shareholders should discuss the matter among themselves and prepare themselves in the best US proxy fight style.

When the presence of this 'mechanism to protect shareholders dispersion' is a deal break requirement, without which the entrepreneur would refuse to go public, the device should at least be transitory, with time validity, whose renewal would be decided in a general shareholders' meeting. In this way, entrepreneurs would have a comfort period of, say two or three years, to become accustomed to dealing with a large number of shareholders, while the latter would be assured of a mechanism enabling them to occasionally express their opinions on the performance of the individuals who are managing the business. It is important to remember that the bylaws of many of these companies which oblige a public offering also mandate the shareholders who voted in favor of the amendment or suppression of this clause in a general meeting to make themselves the offering under the same conditions. In other words, there is a protection against the modification of the protection. These companies' bylaws are hermetically sealed and the controllers fully entrenched. Here, we note that, in the future, the strictness of the rule could turn against the controllers themselves, should they themselves decide to sell their investments. In this case, that which today is regarded as protection, tomorrow could become handcuffs.

One exception worth mentioning arose recently in the GVT Holding bylaws. Here, in a general meeting, shareholders are granted the prerogative to exempt any party from acquiring more than the established limit of 15% to carry out the respective public offering. Among the bylaws with poison pill clauses, this is a significant advance. Not only because it does not penalizes shareholders aiming to alter the offering conditions, but also because they have the option to waive the respective obligation. This most certainly is aligned with best democratic practices of transferring the basic decisions on the future of the company to the shareholders' general meeting[14].

Also in relation to the present IPO cycle and its defenses, we have identified some typical standards here: i) among the extensive range of options available, companies have implemented a single type of defense, with an almost identical text[15]; ii) the provisions have appeared more frequently in the latest IPOs. Of a total of 69 IPOs, 34 use the protection mechanism, and they are present in 27 of the last 40 transactions, iii) the number of deals has increased over time – 34 offerings in the last seven months as compared with only seven during the first seven months of the cycle. This acceleration of recent offerings is compatible with the empirical evidence that bankers and entrepreneurs calculate the opportunity of taking companies public based on their expectations on the duration of favorable market environment, iv) there is an acknowledged competition between the two leading investment banks in the IPO ranking top, and these banks were present in 85% of the deals with anti-takeover provisions.

The combination of these ingredients, supported by our recent experience in becoming involved in some companies going public, suggests a high level of influence of the coordinator banks in shaping these protection clauses. In the battle for top ranking, the banks are more active and are prospecting for less obvious clients. Since a minimum size for the deal is important and, in some cases, the business does not require such primary resources, secondary offerings come to represent a substantial portion of total capital, and take the entrepreneurs to the limits of control. In order to assure them some comfort, the banks counter propose a control protection mechanism. The inattentive investor is oblivious to this. It is hard for us, long-term shareholders, not to regard this script with a certain skepticism.

With this abundant liquidity, rising prices, and the general sense of well being in the air, reflecting on the clauses of bylaws regulating future events is less than a profitable task. With the passing of time, changes of mood could come about, possibly sharpened by lower than expected operating results. It is at these times that the contracts are remembered. And there, we have two remarks, one legal, and the other, one of practical observation.

In the legal side, the legality of these 'mechanisms to protect shareholders dispersion' has been questioned. Some of the arguments are: i) the clauses could infringe a basic shareholder right by imposing a very low limit to trigger the offering, thereby blocking up the free circulation of the shares, ii) they take from the shareholders the legal right to receive a reasonable bid for their shares, when they impose an excessive premium on offering price, iii) they may suggest a deviation on

Dynamo Cougar x IBX x Ibovespa
Performance up to march/2007 (in R$)

Period	Dynamo Cougar	IBX	Ibovespa
60 months	431.66%	333.91%	240.71%
36 months	156.71%	145.75%	106.28%
24 months	81.42%	83.46%	71.31%
12 months	25.71%	21.98%	20.37%
3 months	5.18%	2.10%	2.34%

NAV/Share on March 30th, 2007 = R$ 154.587335179

(13) *This is the case, for example, of Switzerland's Loi sur les bourses (Goergen, Martynova, and Renneboog 2005). Another mechanism used allegedly to protect against possible future immediatist interests, is the rule of the right to vote in proportion to the length of time of the respective shareholding, found in the bylaws of some French companies, for example.*

(14) *Bematech's bylaws also provide for the possibility of dismissing from a public offering any investor reaching 30%. In this even, the bylaw imposes the need for 50% plus one shareholders as the minimum quorum for approving the dismissal in a general meeting.*

(15) *In line with Hannes' (see footnote 2) suggestion, a likely explanation for this uniformity is the fact that we have no effective takeover market here. Thus, companies have not yet perceived the need for varying their defenses.*

fiduciary duty, since management could be using their empowerment to get entrenched and not to pursue the interests of the company.

In practice, this IPO cycle shows us that local entrepreneurism has attained a greater degree of maturity. And, with this, it has acquired the credentials to access new financing channels and the possibility of implementing its growth projects at competitive costs. As soon as the capital market becomes a witness of such lofty pretensions, the presence of these provisions becomes an anachronism. The sole benefit deriving from the late development of our capital market is the power to speed through its stages, and to learn from the experience of others. In this sense, the US experience should be considered. And, over there, the evolutionary route, shaped by the imperatives of competition, decreed the disuse of antitakeover provisions, at the same time that elected the market for corporate control as a successful adaptive mechanism in the life of corporations.

Rio de Janeiro, May 25th, 2007.

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	-	-38.40	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
4thQuar/04	22.17	64.35	3,020.19	25.32	44.96	581.16	21.00	28.16	240.19
1stQuar/05	-1.69	-1.69	2,967.41	-1.66	-1.66	569.87	1,06	1,06	243.80
2ndQuar/05	5.41	3.62	3,133.23	2.98	1.27	589.80	7.51	8.65	269.60
3rdQuar/05	32.32	37.12	4,178.29	25.21	26.80	763.71	31.63	43.01	386.50
4thQuar/05	2.97	41.19	4,305.49	3.13	30.77	790.73	0.75	44.09	390.17
1stQuar/06	23.32	23.32	5,332.90	18.89	18.89	958.98	22.51	22.51	500.48
2ndQuar/06	-3.88	18.54	5,122.20	-4.58	13.44	910.48	-2.68	19.23	484.40
3rdQuar/06	5.68	25.27	5,418.57	2.64	16.44	937.17	-1.03	17.99	478.36
4thQuar/06	19.56	49.77	6,498.25	23.01	43.23	1,175.83	24.08	46.41	617.65
1stQuar/07	9.67	9.67	7,136.29	10.07	10.07	1,304.32	6.72	6.72	665.84

Average Net Asset Value for Dynamo Cougar (Last 36 months): R$ 554,583,992.84

(*) O Fundo Dynamo Cougar é auditado pela Price Waterhouse and Coopers e sua rentabilidade é apresentada líquida das taxas de performance e administração, ficando sujeita apenas a ajuste de taxa de performance, se houver. (**) Índice que inclui 100 companhias, mas nenhuma instituição financeira ou empresa estatal (***) Ibovespa Médio (não o fechamento).

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