

**QUARTERLY REPORT**

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**DECEMBER 2011**

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2011 was a peculiar year. On the one hand, we were encouraged while we saw the Brazilian market suffering as a whole; on the other, we were disappointed to see that few companies, among those we really admire and in which we would invest heavily, presented significant falls in their stock prices.

We saw many companies in sectors such as civil aviation, construction, steelworks, mining, pulp and paper, among others, falling over 30% to 35% (in reais). Not to mention some companies that were listed only a few years ago, and whose business is of inferior quality – or does not yet exist –, which generate little or no cash and which also suffered similar falls. It is difficult to talk about the value of businesses that generate very little cash, sometimes in an erratic manner, or that are still in a pre-operational phase and that we are not sure if they will go beyond such a phase. It is difficult to know how much of the loss in competitiveness of some of the industries mentioned above is temporary or structural – although we can declare that, no matter what the answer to this question is, they are not business models with the features we look for.

The point is this: contrary to 2008, when the falls were sudden and involved many companies of excellent quality, in 2011 the greatest falls were seen in companies of inferior quality – and in many of these cases, there is the possibility that the losses were of a permanent nature for their shareholders.

Many of our investments appreciated significantly in 2011. For some time we have been favoring businesses that generate a great deal of cash and that are well protected against higher inflation. Among our main investments, we have Aliansce and Multiplan (shopping malls), where inflation adjustments are made under contract, or even

Redecard (credit card merchant acquirer), where inflationary effects are seen directly in their revenue line. Not to mention Itaúsa and Bradesco (banks), AmBev (beverage), Natura (cosmetics), Brasil Foods (food processor and exporter)...

During the year we made few new investments, directing our increases to those companies where we had a very high degree of confidence that the value of the business had not fallen, as suggested by their stock prices, but had risen instead – which only increased the distortion between price and value.

Historically, it is at times like this – and not at times of unchecked rises – that the IP funds have most increased their advantage in relation to the main stock indices. As the good old man has got tired of saying about investments: *“Rule number one: don’t lose money. Rule number two: don’t forget rule number one”*.

### PORTFOLIO

The variation in the market prices of VBF Class A in the 4th quarter of 2011 was 8.0%, VBF Class C 8.9%, VBF- IP Brazilian Equities Class 9.1% and IP- Value Brazil, which holds positions in international companies up to 10% of its NAV, was 9.3%. The 2011 return of VBF Class A was -10.5%, VBF Class C -9.2%, VBF- IP Brazilian Equities Class -9.4% and IP- Value Brazil -10.5%.

During this quarter, we increased our investments in Porto Seguro and Natura (comments in the “Investments” section), in addition to resuming our presence – though still in a very modest way – in the shareholder base of our old friend Lojas Renner.

For various reasons, including matters of price and capital reallocation, we reduced our investments in Totvs, Redecard, AmBev ON, Aliansce and Multiplan,

though we continue holding investments of significant size in all these companies.

The simplistic comparison of cash level data between the end of 2010 and the end of 2011, although it correctly indicates that there was a rise in the exposure level during the year, does not tell the whole story of the Funds' behavior in the course of 2011. On the one hand, in a year in which the general feeling of investors fluctuated between discouragement (1<sup>st</sup> semester) and signs of panic (2<sup>nd</sup> semester), we remained ready to take advantage of the opportunities brought by the exaggerated short-term behavior of the market, and made some purchases. In September 2011, the cash position, which had started the year at 25% of the IP-Value Brazil's total portfolio and around 31% of VBF Classes', reached approximately 17% of the Funds' portfolios, even considering the fact that, among the many stocks that recorded significant losses, few companies displayed the levels of quality and price that would fit into our Funds profile. On the other hand, some of the companies in our portfolio, despite the very bad year for the Ibovespa (-18.1%, in reais), presented an excellent performance (for example, in reais, Redecard: 49.2%, Ambev ON: 30.9% and Brasil Foods: 36.4%), leading us to make a few adjustments, selling part of our positions. As a result, IP-Value Brazil and VBF Classes closed 2011 with cash positions around 20% and 23%, respectively .

In the IP-Value Brazil fund, our allocation in global assets was kept close to the regulatory limit of 10% by purchasing shares in our IP-Global Fund (without double fees, of course). The global investments in IP-Value Brazil made a positive contribution of 0.4% in 2011.

In the second half of the year, we managed to advance significantly in sensitive issues related to two "veteran" investments: Saraiva and Panvel. As mentioned above, more extensive comments will be found in the "Investments" section of this report.

### PORTO SEGURO

Several aspects seem to have contributed to the fall of its stock price, which at one point exceeded 30% (in reais) last year: (i) fierce competition, putting pressure on premia and margins in the industry, (ii) the market's lack of patience with the speed at which the company exploits the Itaú branches as a distribution channel, and (iii) the low profitability of Azul Seguros (Porto's low end insurance carrier), among others.

Fierce competition is a given. There is, however, one advantage in the car insurance business, not present in many other types of insurance: the rapid turnover of customer portfolios, which expire after one year. If any company is being too aggressive in trying to acquire a greater share of the market, the losses turn up rapidly, which tends to curb such aggressiveness and helps policy prices to return to reasonable levels. Anyway, even if Porto Seguro had no profit from the sale of these policies (underwriting) – which has not been the case historically and definitely is not the company's goal – the volume of the clients' funds "carried" by the company (float) grows every year and yields approximately the CDI<sup>1</sup> rate minus taxes, without any great need for new investments (considering a normalized situation). The business does have its negatives, but it also has several positive aspects – especially when we consider the evolution of the country's car and its prospects.

Regarding the use of Itaú branches as a distribution channel, it is a fact that this issue touches diverse interests and therefore deserves special care. It seems to us, however, that the company continues to seek a satisfactory alternative for both parties involved – and logically, we may be closer to a final solution today

than we were two years ago, when the deal with Itaú was closed.

Finally, in relation to Azul Seguros' low profitability, the pricing problem has been identified and the company has already been operating with new prices. We may therefore see improvements in the near future.

In short: we thought we were probably very close to the low point of the curve of a cyclical business; and at the prices at which we increased the position, we were paying a low price for a business with good profitability, good governance, good growth prospects, and with the benefit of seeing improvements in relation to the above-mentioned issues in the future.

### SARAIVA

In the course of these last 16 years, during which we were shareholders in the company, we had few reasons to complain. Driven especially by the excellent business of the publishing house, the company managed to deliver high returns, no matter the weather, for years on end.

For some years the company has, however, allocated a good part of the cash flow to expanding the bookstore business (stores and online operation). This capital allocation has been proving increasingly questionable, as (i) the retail operation's returns are still low, especially if compared to the publishing business'; and (ii) the online operation, within a very competitive market and with margins that are lower than one would wish, grows at high rates, consuming a great deal of capital, especially in the form of working capital. The result is that, with the weight of the bookstore company increasing continually in comparison with the publishing company, the

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<sup>1</sup>Brazilian interbank lending rate

consolidated returns have been declining for some years.

We believe that the physical stores and e-commerce operations are activities that have complementary characteristics to the publishing company and represent an important value for the shareholders. That said, we began to get a little concerned when, in order to cope with the growth in the retail business, the company started using third-party capital, in addition to its own capital that was already being re-invested in such operations, thus increasing its net debt.

We reached the conclusion that a way to improve the company's capital allocation situation would also include a revision of the compensation system for the executives, with the introduction of metrics that would leave them better aligned with the shareholders from returns stand point.

In the course of the last few months we were able to talk at length about such matters with members of the controlling families and of the company's board of directors. Without the slightest pretension of being right in our arguments, but with the intention of helping, we were able to expound our arguments and concerns in a totally transparent way – which was only possible due to the excellent relationship, worthy of true partners, that had been built over such a long time.

We could see a good receptivity to the points raised, for one thing because in some cases these points were already a matter of concern internally. Although it is still too early to reach any definitive conclusions about the actions that may be taken, we should have positive repercussions in the medium term.

The publishing company continues to grow in a profitable and solid manner over the years, generating such a volume of cash that in itself, it more than justifies Saraiva's present market value. The business has a differentiated content in the law and education book segments, which would with no doubt attract

interested parties willing to sign fat checks – that is, if it were up for sale.

Due to the reduction we had implemented in this investment in the course of 2010 and the recent fall in the company's stock prices, Saraiva is today a smaller investment than it used to be. We continue to follow the company's progress with the same care as ever, aware of the threats and opportunities of its different kinds of businesses, and on the alert for possible chances to increase our investment once again.

## MATERIAL FACT

### SHAREHOLDERS AGREEMENT - DIMED / PANVEL

#### DIMED / PANVEL

We made our initial investment in Panvel over 10 years ago, at about R\$5 per common share and R\$4 per preferred share (compared to the present prices of R\$110 and R\$96, respectively), already adjusted for the dividends received since then. An investment that was small at first gradually increased in weight in the Fund's portfolio, mainly as a result of the appreciation of the shares, which in turn was a consequence of the good results the company has obtained over the years.

After such a long time as shareholders in the company, with a significant percentage of the total capital (about 15%), and it being an investment that was becoming more and more important for our funds, we naturally started to get closer to the controlling families, especially in the last two years. We thought that we could make a contribution in some matters, such as capital allocation, better use of the capital market as an alternative to fund its growth, investor relations, or even recommending people we knew who might help to improve operations – and, of course, hoping that all this could contribute to an even greater appreciation in the company's value.

As the relationship grew stronger, an idea that was very attractive to us was maturing: to formalize our partnership by means of a shareholder agreement. With the recent consolidation that is taking place in the sector, this has become even more necessary. Putting together an agreement that involved a large number of individuals (three families that effectively controlled the company) and open-end funds – from which, by definition, there can always be redemptions and that have peculiarities in their regulations – was not an easy task. However, after a great deal of joint work, we managed to arrive at a model agreement that took into account all the peculiarities of the parties,

including our own; and we finally succeeded in signing a definitive agreement on January 12, 2012.

Under the agreement, the participating groups are even more committed to the company's development, making it explicit that, for five years as from the date the agreement was signed, none of them may sell its stake without the prior approval of three out of the four groups. After this initial period, all the groups may negotiate the sale of their stakes, though still under the rules established in the agreement. As is customary, throughout the ten-year period of the agreement, there are the usual mechanisms that give all the groups greater safety in the investment: tag-along in the event any of the groups decides to sell, as well as right of preference and drag-along (if the tag-along rights and rights of preference are not exercised). IP is from now on officially entitled to elect a member of the board of directors – though in fact we already had a person appointed to it. Finally, it is important to note that, although we have a very old and stable investor base, we must always act responsibly, correctly “matching” the assets we manage with the funds' liabilities. As we manage open-end funds that may always be the object of redemptions – as well as fresh investments – a clause was added that allows us to sell shares in proportion to any redemptions. And if the market price is attractive, we have the prerogative of purchasing such shares for our other funds without breaking the link of these shares with the agreement. For those interested in more details, the agreement has been filed at the Securities Commission (CVM).

The formalization of a strong, cohesive group makes it possible for the company to contemplate primary offerings in the future, so as to accelerate its growth, making it even stronger.

Apart from the above-mentioned advances, it is worth going over a summary of our investment in Dimed/Panvel.

The company today owns a network of approximately 290 pharmacies focused on the South of the country (Panvel), especially in the state of Rio Grande do Sul, in addition to its drug distributing company (Dimed) and a laboratory that gives support to its private label operation (Lifar). With extremely capable executives who have the “mindset of owners” – which they are in fact, considering the size of their stakes in the company’s capital – the results have been excellent for years. A retail model that has been a winner, having been improved in the course of many years, has served as a basis for the expansion of the company’s chain, enabling safe, profitable growth, with practically no use of leverage. And while, for the last seven to eight years, we have seen returns on net equity fluctuating around 14%, in the last two we have seen returns of over 20% – which is the result not only of an increase in available income and the consequent greater demand on the part of its customers, but also the greater difficulty its competitors have started encountering to continue operating “informally” (our euphemism for tax evasion).

The Panvel pharmacies continue to be a benchmark, especially in Rio Grande do Sul, where its chain has very well located sales points and where its density is much greater. We are impressed by the fact that the company has managed to obtain satisfactory returns for so long, even with most of its competitors being able to offer aggressive prices because they operate informally – in a business where margins are low and the “price variable is important to consumers. Part of the explanation lies in (i) the excellent sales points and density in the South of the country; (ii) the Panvel brand, which is in fact a benchmark for consumers when it comes to pharmacies; and last but not least, (iii) the lean operation and cost control. For all these reasons, when we think of larger competitors trying to gain market share in the company’s main market – Rio Grande do Sul – we think they will at least have a difficult task ahead. We believe that it would be

easier for them to try to join forces with the company in the future.

Another asset that we consider to be a hidden gem, the company’s private label laboratory (Lifar), has been increasing its profitability and its relative importance in the company’s results. With the support of Lifar (and partly producing through third parties), the company has made progress with its own-brand product operation. Customers are offered products with the Panvel brand, with quality similar to that of products of renowned brands, but at prices that may be as much as 70% lower. The list of private label products is broad, ranging from perfumes and successful body lotion products such as the “Panvel Secrets”, even to diapers. This is another reason for customer loyalty: in addition to appreciating the excellent cost/benefit ratio of these products, customers know that they can rely on their quality.

Finally, it is worth contextualizing the difference in valuations between Panvel and other companies in the field with shares traded in the market.

Comparison among Chains – 2011 first 9 months (in R\$ millions)

	Raia	Drogasil	Raia Drogasil	BR Pharma <sup>(1)</sup>	Panvel <sup>(2)</sup>
<b>N° of Stores - 3Q11</b>	384	359	743	352	279
<b>Gross Revenue</b>	1,678	1,761	3,439	819	985
<b>Ebitda</b>	87	108	195	48 <sup>(3)</sup>	54
<b>Net Profit</b>	46	62	107	22	29
<b>Market Cap</b>	1,891	2,514	4,348	1,357	519
<b>EV</b>	1,740	2,423	4,106	1,175	508
<b>P/E TTM<sup>(5)</sup></b>	42	30	34	.. <sup>(4)</sup>	15
<b>EV/Sales TTM<sup>(5)</sup></b>	0.8	1.0	0.9	.. <sup>(4)</sup>	0.4

Source: IP and the above companies.

As one can see, by means of simple comparisons with its peers, the company has a very big upside potential. We also feel comfortable in relation to the upside potential in absolute terms – which we consider more significant – especially taking into account all the opportunities the company has ahead of it, and the increase in cash flow that we should continue to see.

<sup>1</sup> Numbers for the last 9 months of 2011, pro-forma and adjusted according to the company’s published figures.

<sup>2</sup> Also includes the drug distribution business.

<sup>3</sup> Number that has already benefited from R\$ 14 million in expenses that the company considers as non-recurring.

<sup>4</sup> These multiples have not been calculated for lack of adjusted figures for the 4th quarter of 2010.

<sup>5</sup> TTM: last 12 months.

**"THIS IS JOHN GALT SPEAKING"**

During the 23 years of IP's existence, we have always tried to convey, in the best possible manner, our values and way of thinking – aiming at permitting our investors to exercise effective evaluation and risk control in relation to ourselves; but it has occurred to us that we are guilty of a great omission. We have omitted to mention two works of fiction that had a great influence on our formation: the "Foundation Trilogy"<sup>1</sup>, by Isaac Asimov, and "Atlas Shrugged"<sup>2</sup>, by Ayn Rand.

The first for the risk management aspect and its probable but unforeseeable nature, which leads to the conclusion that ad hoc systems based on the knowledge of human nature are more powerful than human knowledge of the forces of nature (although, between you and me, we believe that one day the point of convergence will be found).

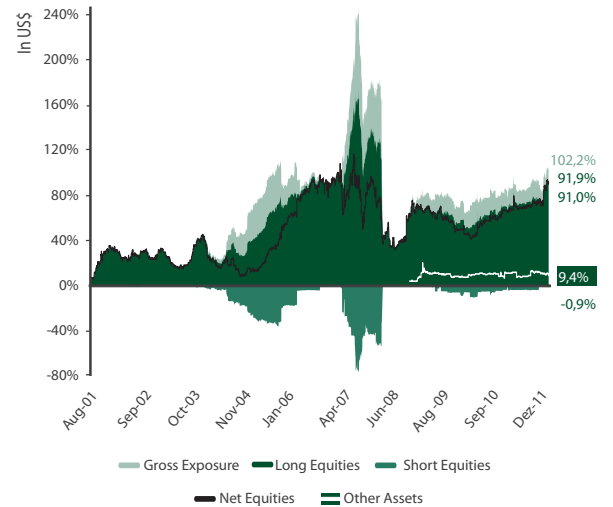
The second, for the risks and virtues of systems of belief. We see today a system that has misused erroneous beliefs (USA, Europe, Middle Eastern dictators, etc.) and is now going through a process of catharsis and repurification. 2011 was an "annus horribilis" for many, as always, but it seemed to us to have been especially bad for some "villains" (for example, Osama, Kadhafi, Mubarak and even Al-Assad, who is still President of Syria – just to focus on the media darlings).

Two perfect texts, over half a century old, which remain absolutely pertinent and up-to-date.

**PERFORMANCE**

The fluctuation in the market prices of IP-Global's positions in the 4<sup>th</sup> quarter of 2011 resulted in a variation of 7.9% in the share value. The Fund's variation in the year was 1.7%. Since the Fund's inception, the cumulative return of the IP-Global portfolio has reached 83.5%.

The chart below illustrates the long, short and net exposures in the history of the IP-Global portfolio; this calls for explanation.



In the course of the Global portfolio's existence – a little over 10 years – the Fund has had three managers. The present manager, Roberto Vinhães (IP's co-founder and partner), has been responsible for the Fund's management for two periods: from November 2003 to June 2006, and from June 2008 to the present time.

In the last three and a half years (since Roberto started managing the Fund for the second time), in what we still consider a short period of time, the relative data are as follows (returns in US\$):

Period	IP-Global**	S&P500***	Libor	10Yr Treasuries	MSCI World***
2008*	-2.8%	-28.5%	1.0%	19.3%	-33.5%
2009	38.3%	27.7%	0.5%	-10.6%	31.1%
2010	11.8%	13.9%	0.2%	7.7%	11.8%
2011	1.8%	2.5%	0.2%	19.9%	-5.2%
<b>Total</b>	<b>53.0%</b>	<b>6.6%</b>	<b>1.9%</b>	<b>37.7%</b>	<b>-7.6%</b>

\* as from June 30, 2008  
 \*\* before management and performance fees  
 \*\*\* total return, i.e. including total dividend reinvestment

<sup>1</sup> [http://www.amazon.com/Foundation-Trilogy-Isaac-Asimov/dp/0739444050/ref=sr\\_1\\_1?s=books&ie=UTF8&qid=1327693482&sr=1-1](http://www.amazon.com/Foundation-Trilogy-Isaac-Asimov/dp/0739444050/ref=sr_1_1?s=books&ie=UTF8&qid=1327693482&sr=1-1)  
<sup>2</sup> [http://www.amazon.com/Atlas-Shrugged-Ayn-Rand/dp/0452011876/ref=sr\\_1\\_sc\\_1?ie=UTF8&qid=1327693372&sr=8-1-spell](http://www.amazon.com/Atlas-Shrugged-Ayn-Rand/dp/0452011876/ref=sr_1_sc_1?ie=UTF8&qid=1327693372&sr=8-1-spell)

## NOTES ON TECHNOLOGY AND OUR PORTFOLIO

Amidst so much energy overload and dissipation, the fact is that the world's aggregate physical wellbeing seems to be growing positively. How could it be possible that, despite errors in the US financial and real-estate sectors, Asian earthquakes and tsunamis, cases of lack of corporate control in traditional Japanese technology companies (such as Olympus), some Middle Eastern dictators, a similar number of Brazilian politicians, European bureaucrats, and airline, airport and immigration agents that we profoundly dislike, the whole picture seems to be improving? Our answer tends to focus on technology as a factor to leverage human nature, which is the great driver, despite being much more "static" than other factors.

Here are some points that caught our attention in this area during the quarter:

- The F1 race in the Middle East, with everything being "state-of-the-art": buildings, cars etc. No sign of Apple. Computers in the boxes are predominantly HP (the world's largest PC manufacturer) and Windows-based; advertising by Acer (an Asian PC manufacturer)... This reminds us that, in one sense, Microsoft tends to be seen as less threatening to "China type" governments than Apple, as it has matured more and controls fewer parts of the value chain. In this sense, Linux is a greater threat than Apple to Microsoft.
- In another dimension, we have been researching and testing the Android mobiles and Kindles "seriously". It seems to us that Apple has a real challenge to face<sup>3</sup>.
  - In the case of telephones, the competition has arrived and has better marks in the quality of their screens, battery, reliability, size (thickness x depth), weight (lower), resistance to impacts, user friendliness, openness and lower price, with greater flexibility in relation to operators.
  - In the tablet segment, the Kindles are better or do very well in relation to the iPad in some significant niches (media consumption).
- Both have scale and easily surpass the switching cost barrier. Sales of Androids already exceed those of iPhones; the Kindle numbers are unknown, but there is no doubt that they are high and significant.
- In short: the "samba de uma nota só" (one-note samba – there is some exaggeration here) has lost its composer and band conductor, and the samba is becoming "all one beat", with a better one here and another one there. Without charm or technological differentiation, it seems to us that the assumptions regarding the elasticity curve (price x volume binomial) implicit in Apple's stock price, for a company that sells essentially mass consumption products, may be out of sync.
- Obama, at a meeting with Hu Jintao in Hawaii, praises the encounter of "two Pacific powers" (let's not forget that the USA is also an Atlantic power...) and focuses on the enforcement of intellectual property. *"A competitive advantage that we (USA) have and that we cannot give up."*
- In the intellectual property line, many companies have hidden and/or performing assets. Our favorites in terms of strategic positioning among the mega-caps are cases like SAP, Oracle, Cisco and Microsoft, which are in the world's "critical path" in the most literal possible sense. Using our governance and price filters, SAP falls by the wayside and Oracle depends on price. The criteria of dispersion and relative switching cost, competition, and especially the under-promising and over-delivering history, result in Microsoft being the Fund's largest position.
- Obviously, in terms of leverage, the best ratios are in the proverbial garages – micro-company entrepreneurs in a preliminary stage (start-ups – it is enough to recall Apple and Microsoft...).
- "Mid way" in the size dimension there are companies like Imax, Kodak, BMC, Dolby, etc...
- But having a significant percentage of our assets in one of these companies, when the market offers so many attractive opportunities (Price/Discretionary

<sup>3</sup>Which is totally different from saying that there will be financial problems in the short to medium term, which would probably be hugely nonsensical.

Free Cash Flow<sup>4</sup> <= 10) in companies with the quality of Microsoft, Berkshire Hathaway, Thermo Fisher, AB-InBev, Itausa, 3M etc., is of no interest to us.

- Surveys and statistics are always dangerous. Having said that, this survey<sup>5</sup> has called our attention for obvious reasons. The theme is “The Best Companies To Work For” and it was carried out in a universe of 2.5 million employees of over 5,500 companies. The top 10, in this order, were: Microsoft, SAS, NetApp, Google, FedEx, Cisco, Marriott, McDonald’s, Kimberly Clark and SC Johnson. It is certainly not precise, but even for its secondary effects, it is a small positive grain for Microsoft, Google and Cisco – all companies in our present portfolio. It is interesting to observe that four out of the 10 are more generally and explicitly considered as “technology companies”.

#### OTHER CONSIDERATIONS REGARDING PORTFOLIO MANAGEMENT

##### Repurchases

Stock repurchases, which are not a definitive indicator but data points that are worthy of note, have increasingly called our attention. We include below a table we find interesting.

##### Buyback Champs

In the 12 months through September, Hewlett-Packard was the only S&P 500 company that ranked in the top 10 in both the amount spent on stock repurchases and the value of those shares as a percentage of its recent stock-market value.

##### Top Spenders by Amount

Company / ticker	Total (US\$ bi)	% of Recent Stk-Mkt Val
ExxonMobil / XOM	22.4	6.1
IBM / IBM	15.1	7.1
Intel / INTC	11.7	9.7
ConocoPhillips / COP	10.6	11.7
Hewlett-Packard / HPQ	10.1	20.1
Microsoft / MSFT	9.1	4.4
JPMorgan Chase / JPM	8.7	8.0
Coca-Cola / KO	6.6	4.4
Goldman Sachs / GS	6.2	13.7
Cisco Systems / CSCO	6.1	6.4

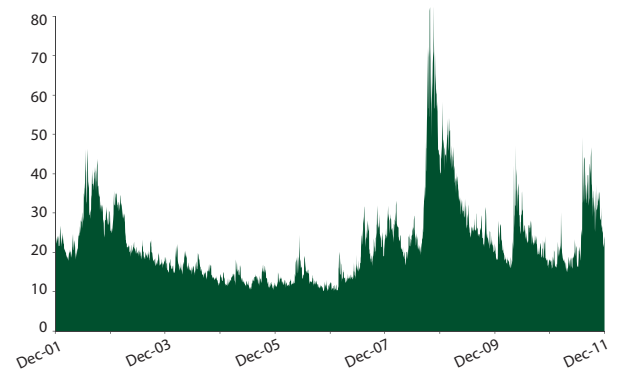
##### Top Spenders by %

Company / ticker	Total (US\$ bi)	% of Recent Stk-Mkt Val
Novellus / NVLS	1.1	51.8
Gap / GPS	2.6	29.1
Kohl's / KSS	3.0	21.2
Hewlett-Packard / HPQ	10.1	20.1
R.R. Donnelley / RRD	0.5	19.8
Torchmark / TMK	0.8	19.5
DIRECTV / DTV	5.9	18.6
L-3 Comm / LLL	1.2	18.4
LSI / LSI	0.5	17.5
Cintas / CTAS	0.6	16.0

Sources: S&P, Bloomberg, via Barron's

##### Volatility

In 2011, the market went round and round and got nowhere (S&P 500: 2.5% in the year). However, the volatilities implicit in the prices of options of companies listed in the USA were most of the time at very high historical levels.



This phenomenon enabled us to maintain a relatively insignificant price variation in the portfolio also, despite the fact that we believe we ran much less risk (significant cash position during the year), besides liquidating the position in Petrobrás ADRs (small amount) and carrying some positions which, we hope, will still yield results.

<sup>4</sup> Price/Discretionary Free Cash Flow): what is “left” to be distributed (dividends, repurchases), voluntary payment of debt or simple cash accumulation.

<sup>5</sup> <http://www.geekwire.com/2011/memo-microsofts-ballmer-finds-anonymous-survey-love>

## THE JAPANESE ANALOGY

Many people today refer to the “Japanese crisis”, which has been dragging on since 1990. During this period, between December 29, 1989 and December 30, 2011, the Nikkei 225 index fell 78.3% from its peak (all yields in this section are in Yen). It is important always to start analyses that are rich in data recalling the joke that “the statistician is a person who drowns in a river that is 40 cm deep on average”. Having said that, it is interesting to observe that, even in a historical “negative” case like this one, there have been many opportunities. In order to understand the case better, we undertook a study of it. Here are our main “takeaways”:

- A handful of companies presented an honest cumulative return in the period, although the great majority produced mediocre cumulative returns. In addition, many of them were de-listed.
- Companies that had bad cumulative returns during these last 20 years presented good investment opportunities / opportunistic trades at some moments.

### Nikkei in 1990

- Of the 12 companies included in the Nikkei in 1990 and classified as banks and financial services, only two (Japan Securities Finance and Nomura) remain listed to this day (with cumulative falls of 83.2% and 91.3% during this period, respectively).
- The two companies with the highest cumulative returns between 1989 and today are Canon and Honda (returns of 271.1% and 226.6% respectively). The return presented by the 10th company in this list, Bridgestone Corp, was only 26.9% in this 20-year period.

### Nikkei in 2001

- The picture improves when we look at the companies that comprised the index in 2001. The cumulative

returns of the top 10 displaying the best performance from 2000 until today were between 536.9% and 134.9%. This group includes many companies linked to the construction sector (materials, engineering, machinery, etc.).

- Once again, a lot of movement in the Bank / Financial Service segment: of the 19 companies classified as such in the index, only four remain listed today.

### Highest Possible Returns

No matter that the results, in this case, show an extreme and non-realistic case (“the best market timing of all times”) – they help to give the message.

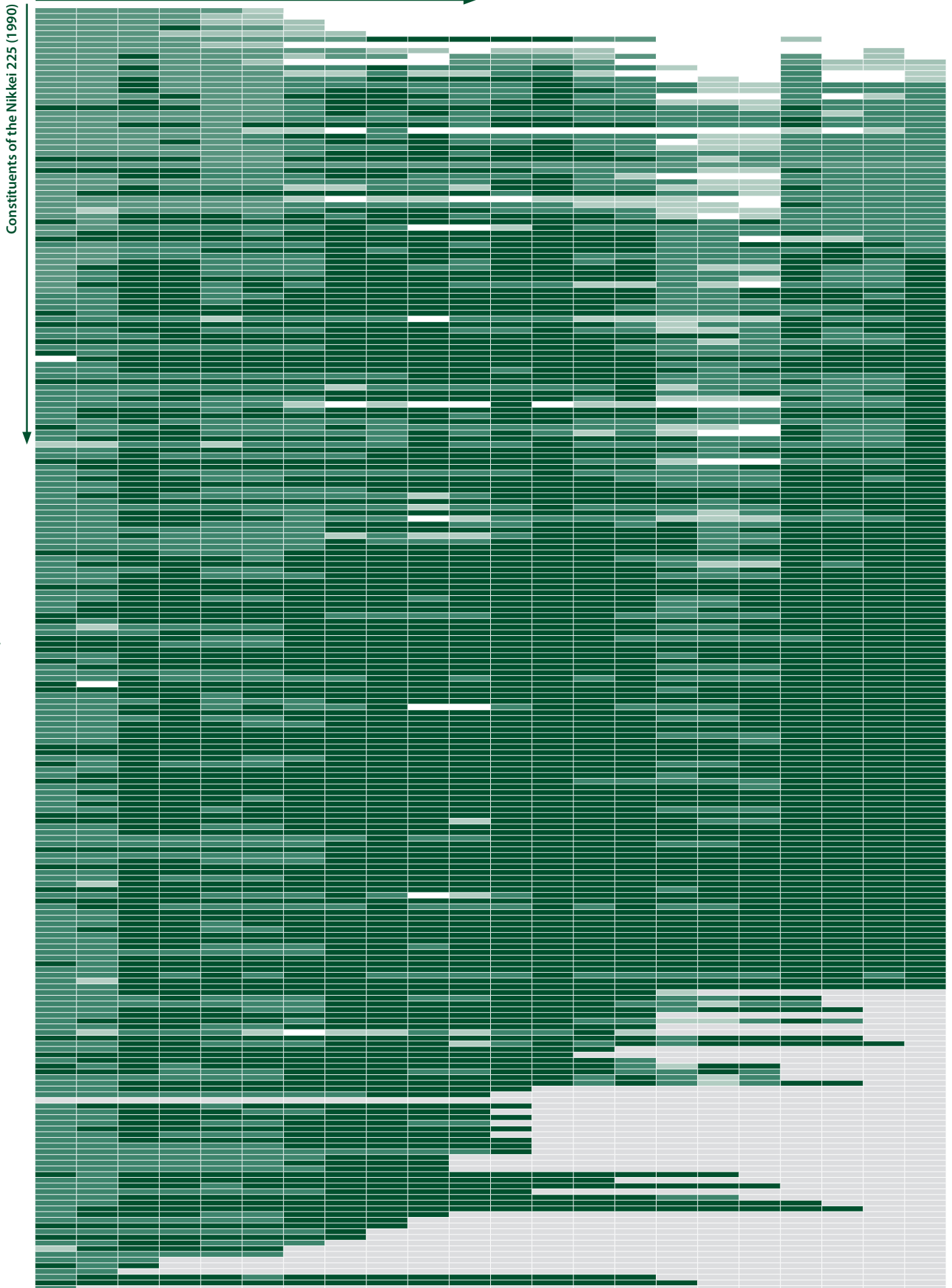
- Fast Retailing Co. (retail): highest possible return of 7,474.3%, buying in June 1998 and selling in December 2009 (annualized return: 45.5%). Since it was listed, in April 1997, its stock has appreciated 2,816.7%.
- Softbank Corp (telecom): highest possible return of 4,634.4%, buying in January 1998 and selling in February 2000 (annualized return: 533.0%). Since it was listed, in January 1998, its stock has appreciated 442.3%.
- Mizuho Trust & Banking Co (bank): was de-listed in August 2011, after its stock had fallen by 96.9% since 1989. If anyone purchased shares in November 2002 and sold them in December 2005, they could have had a return of up to 1,157.6% (129.4% p.a.).

We show below the chart that we call, in-house, the “DNA of the Japanese market”, covering the last two decades:

# Accumulated Returns, since end of 1989 (in Japanese Yen)

Returns above 30%    Returns between 0% and 30%    Returns between -50% e 0%    Returns below -50%    Securities with no quotes

Years, from 1990 to 2011



## PROSPECTS

### What about us now?

The regeneration effects of the crises are progressing. Risks, ranging from the impacts of solar storms to epidemics and wars, are a certainty. However, considering the prices of quality assets, especially in the incumbent technology area, the probability distribution seems very attractive to us.

What if, due to the crisis, governments start to privatize more aggressively, think a little more seriously about focusing their efforts on justice and regulation, and move, while mortality is still relatively high, towards a reduction in the number of public servants per capita, by means of the normal rate of attrition? Considering that the great majority of companies worldwide have been achieving significant productivity gains, it would be reasonable to expect governments to improve their indicators in a measurable manner. We lack the competence and experience to say which these indicators might be, but we're sure that we would know who to ask in order to receive a more satisfactory answer. Intuitively, we have the impression that 2011 was a bad year for people like Osama Bin Laden, the Syrian president, Libya's former dictator, and – not quite as bad, but still bad – for certain politicians in Brazil and abroad. And what is bad for "that kind of people" tends to be good for the others. With the crisis of the former model and the explosion of communications, the time seems to be at hand.

The result of it all is the beauty and complexity of what we experience and also of the activity of an independent manager. This reminds us of the works "Leviathan Thot"<sup>6</sup>, by Ernesto Neto, and of what we call "Matrix", by Hilal Sami Hilal<sup>7</sup>. Each one rows in a particular direction, with variable intensity. What is the

final resultant? What is the resultant of the moment? What is the perception of each person? The results for us have been a performance sufficiently decent in the material sphere to enable this "epistemophilic"<sup>8</sup> enjoyment.

Concluding on a personal note: in 1979, I was extremely fortunate to have been the pupil (and friend) of Luis Antônio Machado, at a physics course. One of his fantastic teachings was the following: "A test is not the time to think. A test is the time to get things done." We have applied the same reasoning to the portfolio. After years of waiting, we are close to being fully invested. It may fall further before going up, but it is better to wait for things that generate value (stocks of global quality companies) rather than for things that destroy value (sovereign bonds). Happy Singularity<sup>9</sup>!

<sup>6</sup> <http://www.youtube.com/watch?v=bZrL7ncLoVI>

<sup>7</sup> <http://www.hilalsamihilal.com.br/>

<sup>8</sup> "Epistemophilic": desire to know, curiosity.

<sup>9</sup> To those who are not familiar with the concept, we recommend flipping through the book "The Singularity is Near", by Ray Kurzweil.

## INVESTIDOR PROFISSIONAL ART AWARD

The stimuli received from interesting people and the hours of reading and webcasts lead one to such epistemophilic enjoyment, which transcends money. In fact, we have little patience and interest in relation to people who are in the market just for the money.

Warren Buffett is famous for saying he goes “tap-dancing” to work every day. Walt Disney coined the expression “I don’t make films to make money, I make money to make films”. After he was expelled, Steve Jobs returned to save Apple without receiving a salary. These are examples, among many along these lines, which have always made a deep impression on us and which we try to repeat and disseminate. To do what is right and pleases us. What simply “makes” more money in the short term has always been secondary.

This passion is also something recurrent (in most cases) when we talk to artists.

In this last quarter of 2011, as planned, the following were announced:

- The grand winner of the PIPA 2011: Tatiana Blass, awarded R\$100,000 (comprising money and an Art Internship for approximately three months at Gasworks/London in 2012).
- The winner of the PIPA Popular Vote at the MAM-RJ 2011 exhibition: Tatiana Blass once more, who therefore received an additional R\$20,000.
- The winner of PIPA Online (popular vote via internet): Iuri Sarmiento, who received R\$10,000.

## EXECUTION

Allow us to remind you of the mission established for the PIPA:

- To motivate and support “young” “Brazilian” artists
- To develop an alternative model for the third sector, focused on a high impact/cost ratio, replicability and transparency
- To support the Rio de Janeiro Modern Art Museum (MAM-RJ)

The strategy adopted has been based primarily on three pillars:

- The use of an online platform
- Significant awards
- Processes: organization and discipline

In line with the principle of “*what gets measured gets done*”:

Quantities in 1.000s	2011 target	2011 actual	2011 real
Unique visitors to the website	20	34	49
Friends on Facebook	7	12	27
Online Votes	4.0	5.2	9.4
Votes at the MAM	1.0	2.3	2.3
Attendance book at the	0.8	na	1.7

Another metric that we consider important is that which measures the percentage of the total PIPA budget that is donated to the artists. Both in 2010 and in 2011, this indicator has been around 50%<sup>1</sup>, which we consider very satisfactory (and challenging to maintain).

<sup>1</sup> The total donated in 2011 was R\$ 10,000 higher, because the artist Tatiana Blass accumulated the main award, chosen by the Official Jury, with the award for the votes given by visitors at the MAM/RJ exhibition.

On the other hand, approximately 40% has been invested in communication materials, such as catalogues, websites, Facebook, press advisory, videos<sup>2</sup>. In accounting terms, the PIPA's SG&A has been kept at 10%.

The PIPA's total budget was maintained in 2011. The Investidor Profissional Institute ("IIP") remains under the responsibility of our dear full-time employee (Catarina Schedel) and a full-time voluntary worker (Lucrecia Vinhães – who is also an IIP board member), but in a burst of enthusiasm, we hired an intern (Livia Rodrigues), who has been helping a great deal.

Once again, 100% of the funds donated by Investidor Profissional to the IIP were given voluntarily, without receiving any tax benefit or incentive.

In terms of time schedules, the deadlines were strictly met, except for the duration of the exhibition (which was extended by one week).

Concluding the subject of execution, it should be recorded that the PIPA is the top priority of the IIP. The main reasons are the belief in the concept of focus, the fact that it is something we love and that we operate in a segment (at various levels, from art in general to the MAM-Rio in particular) that we consider – without any value judgment – “underweighted”, and where we can make some difference.

Consequently, we have to say ‘no’ to several other requests, which are certainly noble and deserving as well.

### “PRAFRETEMENTE”<sup>3</sup>

We have recently started exhibiting, in the PIPA website, a package of 3 special videos created and produced for the PIPA. Among other things, from the

practical point of view, the idea is to keep the PIPA website “alive” as a channel for the discussion and dissemination of contemporary “Brazilian” art.

Another interesting link that we believe exists between art and investments lies in the demand and benefits obtained by means of contemplation. Many people today see in speed one of the biggest competitive advantages, if not the only one. They forget that when one goes in the wrong direction, speed is the worst enemy. The best results come from a proper balance between the time/persons/energy dedicated to contemplation and to execution, so that one does not become only a conjecturing ruminant or an agitated roadrunner.

In our case we have found out that, in addition to long walks and bike rides during which we engage in deep “conversations with ourselves”, in many situations the result is even better when the other party to our communication is a great “artist” (whether or not renowned), in any area, live or through other media, their works and legacy.

### KEEPING IN TOUCH

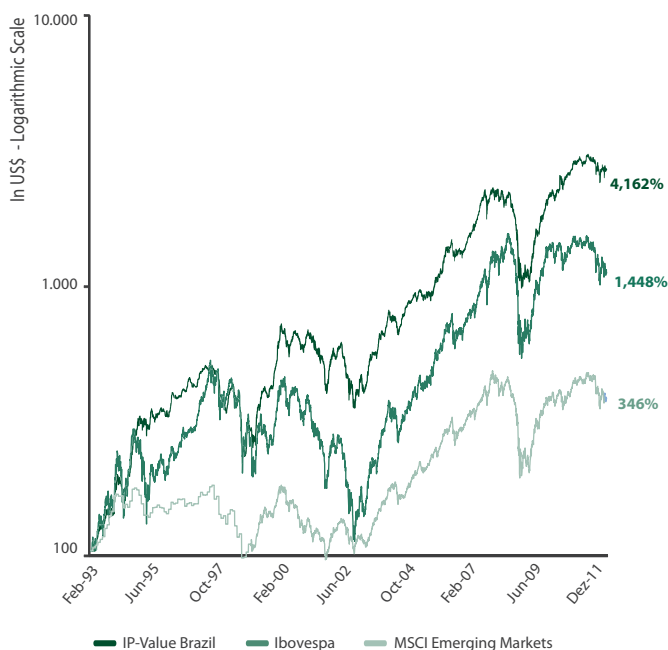
If the subject is of interest, the website presents a significant collection of videos, photos, curricula and constant updates of exhibitions and works of artists who have already taken part in the PIPA. There is also a free, very simple weekly email service that can be accessed at the bottom left-hand corner of the homepages [www.pipa.org.br](http://www.pipa.org.br) and [www.pipaprizo.com](http://www.pipaprizo.com) (in English). The PIPA 2011 catalogue, with images of the works of the 73 participants, is already available in “PDF” for downloading at the websites [www.pipa.org.br](http://www.pipa.org.br) and [www.pipaprizo.com](http://www.pipaprizo.com). And the MAM-Rio is there, always inspiring.

<sup>2</sup>We strongly recommend the videos posted on the PIPA website. The producer, Matrioska, has done an exceptional job with 3-minute “pills”, containing interviews with artists, nominators and members of the Board.

<sup>3</sup>To those who do not know this expression – roughly corresponding to “forwardly”, and at the same time a play on words and a take-off of an uneducated but pretentious politician – we recommend the play “O Bem Amado”, by Dias Gomes. The main character, Odorico Paraguaçu, played by Paulo Gracindo, is historical, contemporary, hilarious and sad.

# PERFORMANCE - IP-VALUE BRAZIL CLASS

## PERFORMANCE



\* IP-Value Brazil is an offshore mirror of IP-Participações, a long-only equities fund based in Brazil and managed by Investidor Profissional. Both funds hold the same positions, the only difference being cash, held in dollars for IP-Value Brazil and in reais for IP-Participações. Although IP-Participações had its inception on 02/26/1993, its offshore mirror was not created until 12/29/1995. For reference, we show IP-Participações performance in dollar terms for the period between 02/26/1993 and 12/29/1995. To make it easy to differentiate, every time we show an IP-Value Brazil performance number affected by IP-Participações' performance, it will be in italics.

Performance (US\$)	IP-Value Brazil <sup>(2)</sup>	Ibovespa	MSCI EM
December 11	-0.06%	-3.28%	-1.43%
November 11	-4.12%	-8.71%	-6.66%
October 11	14.08%	22.07%	13.26%
September 11	-13.68%	-20.73%	-14.56%
August 11	-2.14%	-5.83%	-8.90%
July 11	-2.97%	-5.45%	-0.38%
June 11	-1.26%	-2.27%	-1.50%
May 11	-1.65%	-2.70%	-2.58%
April 11	2.40%	-0.18%	3.12%
March 11	5.10%	3.82%	5.90%
February 11	0.25%	1.96%	-0.92%
January 11	-4.62%	-4.35%	-2.22%
2011 (YTD)	-10.47%	-26.88%	-17.97%
2010	39.52%	6.23%	19.69%
2009	127.67%	143.95%	77.42%
2008	-57.06%	-55.52%	-53.18%
2007	54.10%	73.43%	39.78%
2006	45.32%	46.41%	32.59%
2005	23.13%	44.09%	34.54%
2004	28.11%	28.16%	25.95%
2003	87.65%	141.04%	56.36%
2002	-26.36%	-46.01%	-6.05%
2001	-7.58%	-23.98%	-2.37%
Last 12 months	-10.47%	-26.88%	-17.97%
Last 60 months	88.20%	46.19%	13.99%
Since 02/26/93 <sup>(1)</sup>	4162.04%	1447.99%	346.32%
Annualized Return	22.40%	15.90%	8.39%

(1) Inception of IP-Participações.

(2) Performance numbers of IP-Value Brazil and IP-Participações are net of all fees.

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## EQUITY HOLDING CHARACTERISTICS

	% In Equities
International Assets	12%
Overlap with the Ibovespa portfolio <sup>(1)</sup>	40%
Small Caps (smaller than US\$ 1bi) <sup>(2)</sup>	13%
Mid Caps (between US\$ 1bi and US\$ 5bi) <sup>(2)</sup>	35%
Large Caps (larger than US\$ 5bi) <sup>(2)</sup>	53%

(1) As a percentage of the Brazilian equities book.

(2) As a percentage of the Brazilian and Global equities book.

## THE FUND

IP-Value Brazil is a Class of IP Investment Fund Ltd, which is an open-ended investment fund organized as a limited liability exempted company, incorporated under the provisions of the Companies Law (2001 revision) of the Cayman Islands.

### Objective

Obtain significant long-term absolute returns by investing long only in the Brazilian and international equity market.

### Strategy

- We follow a disciplined, value oriented long-term approach. We do thorough fundamental analysis to identify companies that are trading at far less than their intrinsic value.
- Our aim is to find Brazilian companies with the best combinations of:
  - Perfectly understandable business;
  - Above average long-term prospects;
  - Managed by people that are competent, honest and aligned with minority investors;
  - Trading at attractive prices.
- We do not associate risk with the inevitable short-term fluctuations in the market quotes of our positions.
- We believe our main competitive advantage is having a different investment horizon than that of the market as whole, and sticking to it with discipline. By focusing on the long-term and having a deep knowledge of the companies we invest in, we are able to take advantage of short-term market overreactions.

## PORTFOLIO CONCENTRATION

	%	Monthly Attribution
Top 5	36%	0.66%
Next 5 <sup>(1)</sup>	18%	0.16%
Other	26%	-0.42%
Cash	20%	-0.47%

## TERMS AND CONDITIONS

**Subscription:** Daily

**Minimum Initial Investment:** US\$ 100,000

**Minimum Additional:** US\$ 100,000

**Minimum Redemption:** US\$ 100,000

**Minimum Balance Left:** US\$ 100,000

**Redemption:** The last Business Day of the second subsequent month following receipt by the Registrar and Transfer Agent of the Redemption Form. Payment of redemption proceeds shall generally be made within 10 business days following the Redemption Day.

**Performance Fee:** 15% of the increase of the Net Asset Value per Share, accrued daily and paid semi-annually or on redemption, subject to a high-water mark.

**Management Fees:** 2% per year of the Net Asset Value per Share, accrued daily and paid monthly.

## ADDITIONAL INFORMATION

For additional information regarding of IP-Value Brazil Class, please contact us by phone at (55 21) 2104-0506 or by e-mail at [contactus@investidorprofissional.com](mailto:contactus@investidorprofissional.com)

# PERFORMANCE - VBF PORTFOLIO

## VBF PERFORMANCE

Performance (US\$) <sup>(1)</sup>	BR EQUITIES	CLASS A (CLOSED)			CLASS C (CLOSED)				
	VBF Brazilian Equities Class	VBF Class A	Class S <sup>(3)</sup> (Mills)	Class S <sup>(4)</sup> (Casa Show)	All Classes Combined	VBF Class C	Class S <sup>(3)</sup> (Mills)	Class S <sup>(4)</sup> (Casa Show)	All Classes Combined
December 11	0.05%	-0.10%	-	-3.57%	-0.16%	-0.06%	-	-3.73%	-0.18%
November 11	-4.12%	-4.14%	-	-6.83%	-4.18%	-4.08%	-	-7.22%	-4.19%
October 11	13.71%	12.79%	-	9.52%	12.74%	13.61%	-	10.28%	13.49%
September 11	-13.34%	-13.58%	-	-14.36%	-13.59%	-13.43%	-	-15.17%	-13.49%
August 11	-1.68%	-1.65%	-	-2.19%	-1.66%	-1.62%	-	-2.11%	-1.64%
July 11	-3.19%	-3.23%	-	0.23%	-3.17%	-3.12%	-	0.24%	-3.00%
June 11	-0.89%	-1.03%	-	1.17%	-1.00%	-0.83%	-	1.18%	-0.76%
May 11	-1.35%	-1.33%	-	-0.57%	-1.32%	-1.34%	-	-0.56%	-1.32%
April 11	2.42%	2.41%	-	3.41%	2.42%	2.48%	-	3.52%	2.52%
March 11	5.41%	5.52%	-	2.00%	5.46%	5.51%	-	1.99%	5.39%
February 11	0.13%	0.10%	-	0.68%	0.11%	0.13%	-	0.67%	0.14%
January 11	-4.75%	-4.66%	-	-0.55%	-4.60%	-4.64%	-	-0.55%	-4.50%
2011 (YTD)	-9.41%	-10.53%	-	-12.25%	-10.55%	-9.24%	-	-12.79%	-9.36%
2010	24.75%	27.70%	515.08%	-7.68%	52.09%	22.93%	490.32%	-8.88%	30.02%
2009	-	127.84%	36.80%	35.07%	112.22%	129.18%	34.36%	37.42%	111.65%
2008	-	-57.28%	-25.46%	-22.64%	-54.54%	-41.12%	1.80%	-29.90%	-40.92%
2007	-	30.59%	4.03%	-	30.51%	-3.15%	-	-	-3.15%
Since inception <sup>(2)</sup>	13.01%	45.24%	552.52%	-15.34%	71.28%	45.81%	707.47%	-23.44%	42.72%

(1) Net of all fees

(2) Inception dates:

VBF Class A, March 6, 2007; VBF Class S Mills, July 6 2007; VBF Class S Casa Show, February 29, 2008  
VBF Class C, September 9, 2007; VBF Class S Casa Show, February 29, 2008; VBF Class S Mills, October 8, 2008  
VBF Brazilian Equities, April 1, 2010

(3) Total realization of VBF Class S Mills in October 25, 2010

(4) Class S (Private equity) corresponds to 1.7% of VBF Class A portfolio and to 3.5% of VBF Class C portfolio

## EQUITY HOLDING CHARACTERISTICS

	% VBF Br Equities Class	% VBF Class A	% VBF Class C
Overlap with the Ibovespa portfolio	46%	46%	46%
Small Caps (smaller than US\$ 1bi)	13%	13%	13%
Mid Caps (between US\$ 1bi and US\$ 5bi)	38%	38%	38%
Large Caps (larger than US\$ 5bi)	50%	50%	50%

## CONCENTRATION AND MONTHLY ATTRIBUTION

Concentration	% VBF Br Equities Class	% VBF Class A	% VBF Class C
Top 5	39%	39%	39%
Next 5	19%	19%	19%
Other	18%	18%	18%
Cash	23%	23%	23%

Monthly Attribution	% VBF Br Equities Class	% VBF Class A	% VBF Class C
Top 5	0.70%	0.66%	0.66%
Next 5	-0.13%	-0.15%	-0.15%
Other	-0.22%	-0.25%	-0.24%
Cash	-0.29%	-0.36%	-0.33%

## STRUCTURE

IP Brazil Fund SPC, VBF Segregated Portfolio is an exempted company registered as a segregated portfolio company, incorporated under the provisions of the Companies Law of August 3, 2006 of the Cayman Islands.

**Investment Manager:** Investidor Profissional Gestão de Recursos Ltda.

**Net Asset Value Calculator:** Mellon Serviços Financeiros DTVM S.A.

**Brazilian Custodian:** Banco Bradesco S.A

**Bank:** UBS AG, Stamford Branch, CT (USA)

**Registrar and Transfer Agent:** UBS Fund Services (Cayman) Ltd.

**Auditor:** KPMG

**Inception Date of Class A:** March 06, 2007

**Inception Date of Class C:** November 09, 2007

**Inception Date of Class IP Brazilian Equities:** April 01, 2010

VBF Classes A and C are closed.

## INVESTMENT OBJECTIVE

The investment objective of the VBF Segregated Portfolio is to provide sophisticated investors with substantial long-term returns comprised of capital appreciation (capital gains, dividends and interest income) by investing in companies listed on the São Paulo Stock Exchange ("BOVESPA"), which in the Investment Manager's opinion are trading at a substantial discount to their intrinsic value.

## INVESTMENT STRATEGY

The strategy of the VBF Segregated Portfolio is to identify and invest in companies whose prevailing share prices, in the Investment Manager's judgment, do not reflect their intrinsic values, and to hold such investments until such fair value is reflected in their market prices. While the VBF Segregated Portfolio may invest in any securities that in the Investment Manager's judgment meets the underlying objective of long-term capital appreciation.

## TERMS AND CONDITIONS FOR IP BRAZILIAN EQUITIES CLASS

**Subscription:** Daily

**Minimum Initial Investment:** USD 1,000,000

**Minimum Redemption Value:** USD 100,000

**Minimum Holding:** USD 1,000,000

**Redemption Day:** the last Business Day of the second subsequent month following receipt by the Registrar and Transfer Agent of the Redemption Form.

**Management Fees:** 2.0% per annum of the Net Asset Value of the VBF Segregated Portfolio.

**Incentive Fees:**

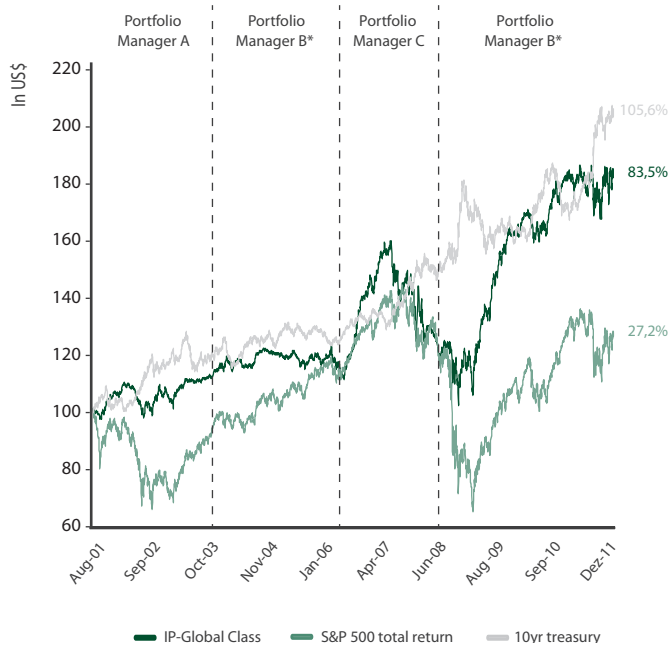
- 20% computed on returns in excess of Libor+6%
- High-water-mark mechanism avoiding double charging for same performance
- Accrued daily and paid semi-annually

## ADDITIONAL INFORMATION

For additional information regarding of VBF, please contact us by phone at (55 21) 2104-0506 or by e-mail at [contactus@investidorprofissional.com](mailto:contactus@investidorprofissional.com)

# PERFORMANCE - IP-GLOBAL CLASS

## PERFORMANCE



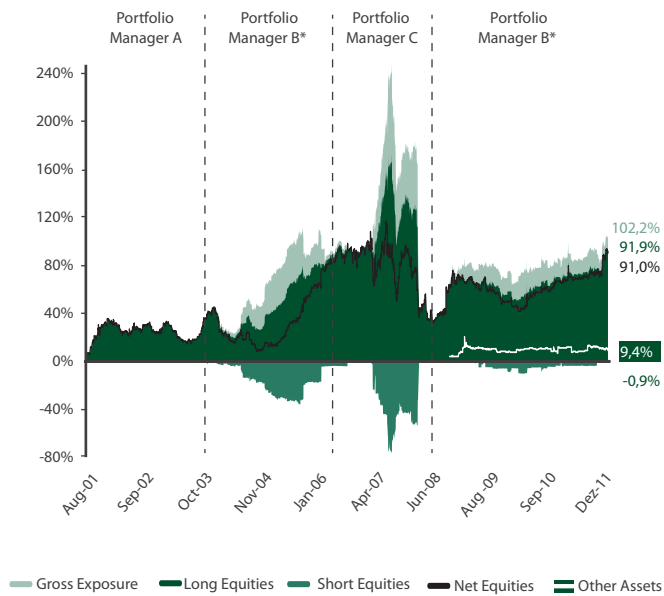
Performance (US\$)	IP-Globl Class <sup>(1)</sup>	S&P 500 Total Return <sup>(2)</sup>	10 Yr Treasury <sup>(3)</sup>	3-month Libor
December 11	0.04%	1.45%	2.17%	0.03%
November 11	0.30%	-0.22%	0.35%	0.03%
October 11	7.54%	10.93%	-1.35%	0.02%
September 11	-5.47%	-7.03%	3.29%	0.02%
August 11	-1.01%	-5.43%	6.31%	0.02%
July 11	0.76%	-2.03%	3.67%	0.01%
June 11	-1.68%	-1.67%	-0.85%	0.02%
May 11	-1.29%	-1.13%	2.73%	0.01%
April 11	3.31%	2.96%	1.92%	0.01%
March 11	-1.39%	0.04%	-0.16%	0.02%
February 11	0.82%	3.43%	0.13%	0.02%
January 11	0.26%	2.35%	0.30%	0.02%
Last 12 months	1.67%	2.53%	19.86%	0.23%
2011	1.67%	2.53%	19.86%	0.23%
2010	11.82%	13.93%	7.68%	0.24%
2009	38.31%	27.75%	-10.64%	0.48%
2008	-17.93%	-37.00%	23.09%	2.09%
2007	1.83%	5.49%	10.00%	3.79%
2006	18.46%	15.79%	2.21%	3.70%
2005	-2.89%	4.91%	3.30%	2.53%
2004	7.24%	10.88%	4.84%	1.15%
2003	8.12%	28.76%	1.01%	0.86%
2002	-1.29%	-22.15%	15.58%	1.26%
2001	6.04%	-5.00%	1.88%	0.76%
Since inception (01-Aug-01)	83.47%	27.22%	105.60%	18.41%

(1) Gross of performance fee

(2) Dividends are assumed reinvested in the S&P 500 Index.

(3) Assumes an investment continually reinvested into a 10 years constant maturity security (Bloomberg: F08210YR Index)

## EXPOSURE



\* Roberto Vinhães, IP's founding partner

## ADDITIONAL INFORMATION

**Investment Manager:** Investidor Profissional Gestão de Recursos Ltda.  
**Net Asset Value Calculator:** BNY Mellon Serviços Financeiros DTVM S.A.  
**Registrar and Transfer Agent:** UBS Fund Services (Cayman) Ltd.  
**Auditor:** KPMG  
**Contact us:** (55 21) 2104-0506, contactus@investidorprofissional.com

## THE FUND

IP-Global Class is a Class of IP Investment Fund Ltd, which is an open-ended investment fund organized as a limited liability exempted company, incorporated under the provisions of the Companies Law (2001 revision) of the Cayman Islands.

## OBJECTIVE

Provide sophisticated investors with substantial medium to long-term absolute returns by investing globally with no restrictions regarding geographic or asset class exposure levels and with strong focus on capital preservation.

## STRATEGY

Investing among strategies, asset classes and geographies based on opportunities for medium to long-term value creation with limited use of leverage. Given our history and equity expertise, it is expected that over time the fund will have a relevant equity exposure and investments in other asset classes will be done mostly for hedging purposes.

## TERMS AND CONDITIONS

**Subscription:** Daily

**Minimum Initial:** US\$ 1,000,000

**Minimum Additional:** US\$ 100,000

**Redemption:** the Redemption Day shall be the last business day of the subsequent month following receipt by the Registrar and Transfer Agent of the signed Redemption Form for the Shares being redeemed.

**Minimum:** US\$ 100,000

**Minimum Balance Left:** US\$ 1,000,000

**Management Fee:** Up to 1.5% p.a. on the Net Asset Value per Share, accrued daily and paid monthly.

**Performance Fee:** 15% of the increase of the Net Asset Value per Share, accrued daily and paid semi-annually or on redemption, subject to a high-water mark. The Incentive Fee will be paid through the automatic redemption of a number of Shares of each subscription in respect of which an Incentive Fee is payable, corresponding to the value of the accrued and unpaid Incentive Fee.

## MISCELLANEOUS

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*"In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could"* - Rudiger Dornbusch, economist, via Pedro Malan (idem)

*"The average human has one breast and one testicle."* - Des McHale, Irish mathematician.

*"Reactions in Europe's capitals ranged from stoicism to outrage as Standard & Poor's put 15 of the 17 euro-zone nations on credit watch."*<sup>1</sup>

Wall Street Journal, December 7th 2011.

*"If you can't explain it simply, you don't understand it well enough."*

Albert Einstein.

*"Fashion is what seems beautiful now but looks ugly later; art can be ugly at first but it becomes beautiful later."* - Unknown source.

*From the series "predicting the past is already difficult enough": "A real-estate trade group said Monday it plans to lower its estimates of how many homes were sold in the U.S. since 2007, after analysts came up with evidence that the group was overestimating sales"*<sup>2</sup>

Wall Street Journal, December 12th 2011.

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<sup>1</sup> <http://online.wsj.com/article/SB10001424052970204903804577081853460187594.html>

<sup>2</sup> <http://online.wsj.com/article/SB10001424052970204903804577081853460187594.html>



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