Report
DYNAMO 66
2.2010

Buddy

In the last Report, we updated the fundamentals of our investment in Ambev and explained why we have increased the Fund´s exposure to the company by the time Anheuser Busch (Bud) was acquired, transforming the new company in the biggest brewery in the world. The idea now is to cover the economics of this unique deal.

July marked the second anniversary of the acquisition of Anheuser Busch (Bud) by InBev. Of course we know this is too short a period to analyze any investment but we think that it is good enough as a checkpoint especially because so much has happened since the deal was agreed in mid 2008. We also find that very few companies do *post mortem* analysis of their own investments even though this is a very helpful exercise for managers and investors so any effort in this direction is positive.

We will try to pursue the following screenplay: In the first part, we look at the numbers that were available at the time of the transaction, up to the third quarter of 2008. By doing this, we are trying to recreate the perspective that investors probably had of the deal back then. In the second part, we look at what has actually happened to see how the deal has gone so far. We opted to use the figures for calendar year 2009 which is the first full year after the closing.

We must point out that the analysis that follows is relatively simple. We present a step by step of a math based on publicly available information. We also had to use our own estimates of certain figures because the company has stopped disclosing information on Bud after the third quarter of 2008. The analysis is simple also because we have not attempted to do any DCF analysis as this would involve projections that are always subject to biases and legitimate differences of opinion. And the period is too short for a meaningful IRR analysis. That said, we think that focusing solely on the static financial figures as they were in 2008 and how they compare with what actually happened in 2009 does provide a pretty good sense of how the deal has fared so far.

To conclude the analysis, we then check how shareholders of InBev have done taking into consideration the capital increase undertaken as part of the funding for the acquisition of Bud.

Part I – Figures for 2008:

1. Total Acquisition Cost: On July 14, 2008, InBev announced that Bud's board had finally accepted its $ 70 per share offer (improved from $ 65). Bud had approximately 720 million shares outstanding on that date but on a fully diluted basis to include all options that vested with the transaction, the total share count was 750 million shares. Hence, the total cash consideration paid to Bud's shareholders was U$ 52.5 billion. On top of this, we have to add about U$ 1.3 billion in transaction costs which included investment banking fees as well as upfront fees paid with respect to the funding of the deal. So, the total cash cost paid by InBev was U$ 53.8 billion.

   Just to put this U$ 70 price into perspective, the highest price Bud shares ever reached before the deal was U$ 54.92 in October of 2002. The average price in the five year period from April 2003 to April 2008 was U$ 48.8 with a range between U$ 40.4 and U$ 54.4.

2. Existing Bud Net Debt / Total Enterprise Value: In addition to the acquisition cost, InBev also assumed Bud's existing debt which, net of cash,

we estimated at about U$ 7.4 billion[1], bringing the total enterprise value to U$ 61.2 billion.

3. Implied Valuation by P/E: At the outset, the implicit valuation paid by InBev was very high. Bud's profit in 2007 was U$ 2.1 billion; the first nine months of 2008 pointed to a slightly better result as the improvement in beer operations was partially compensated by a reduction in the equity income from Modelo and Tsingtao. The adjusted trailing twelve months net profit up to the third quarter of 2008 was U$ 2.18 million[2]. The market consensus then was that the company would make a profit of U$ 3.11 per share which translated into around U$ 2.24 billion of total profit. We can conclude that the acquisition cost implied a P/E of between 24 and 25x based on the earnings before the deal.

4. Implied Valuation by EV/Ebitda: There are some important adjustments to be made to arrive at the correct multiple of Ebitda paid. As seen in item 2 above, the total enterprise value paid was U$ 61.2 billion. The level of adjusted Ebitda reached during the 12-month period ended in September 2008 was U$ 4.08 billion[2] but this figure does not include any amounts generated by two relevant investments owned by Bud: Modelo and Tsingtao.

   To adjust for those, we could either add the proportional Ebitda of each company or reduce the enterprise value effectively paid by the market value of each investment when the deal was announced, July 2008, which were U$ 10.5 and 0.8 billion for Modelo and Tsingtao, respectively.

   We prefer to use the second method but either one would work in this case. There are two considerations to be made here. First, since Bud owns a relevant stake in Modelo, it seems fair to assume that there could be a premium to the market price if it ever wanted to sell its stake. On the other hand, the book value of the Modelo investment at the end of 2007 was U$ 3.6 billion so there would be a significant tax bill to be paid if the divestment occurred. If we assume a 30% premium (in line with where the stock is trading today) and a 30% tax bracket, the resulting value is roughly the same as the market value then, which is what we will use in this exercise. Neither issue is relevant for Tsingtao so the market value was also good enough for our calculations. Consequently, the total enterprise value paid by InBev adjusted by its relevant investments was U$ 49.9 billion, a multiple of 12.2x the trailing twelve months Ebitda[3].

5. The Blue Ocean program: When InBev announced its offer, Bud had an ongoing program called Blue Ocean which targeted a total reduction of costs and expenses of U$ 1 billion. Assuming that such objective would be reached (not an easy assumption given Bud's poor track record on efficiency), we should add this gross amount to the Ebitda and, taxed at 40%[4], U$ 600 million to net profits and the new adjusted multiples would be 9.8x Ebitda and around 19.5x P/E.

6. Capex / Free Cash Flow: Bud had been investing roughly U$ 100 million less than depreciation which would result in a higher effective free cash flow. However, about a quarter of the accounting profits was equity income from Modelo and Tsingtao. We think it makes more sense to look at the effective free cash flow yield of the Bud business which we reach by deducting the equity income from the profit in the numerator and subtracting the market value of the two investments from the acquisition cost in the denominator.

   Bud's net profits, excluding equity income, were around U$ 1.6 billion. The adjusted acquisition cost, after subtracting the combined market value of Modelo and Tsingtao, U$ 11.3 billion, was U$ 42.5 billion. In this first calculation, the free cash flow yield would be 3.8% per annum. If we add the U$ 100 million referred to in the

1 InBev expected that about U$ 1 billion of such debt would have to be refinanced as they had puts triggered by the change of control which is why some presentations made by the company showed a total use of funds of U$ 54.8 billion. Such puts ended up not being exercised.

2 This figure is adjusted by U$ 166 million in extraordinary expenses incurred by Bud to defend itself from the initially hostile bid.

3 Bud used to publish an Ebitda figure which was quite unusual. To its own Ebitda, it added the equity income from Modelo and Tsingtao on a pre-tax basis, that is, they divided it by the reciprocal value of the effective tax rate. For 2007, this Ebitda figure was U$ 4.99 billion. The EV/Ebitda multiple calculated using this data is 12.3x (61.2 / 4.99), almost the same as the one we reach using our method.

4 This is the marginal tax rate in the US. With respect to the additional synergies, we have ignored the fact that part of them would be coming from outside the US, particularly from China, where the tax rate is lower.

preceding paragraph, the yield improves to 4.0% and, finally, if we add the U$ 600 million from the Blue Ocean program, we reach 5.4% (all this multiples imply the same leverage structure that Bud had prior to the deal; we will comment on the actual deal financing structure later in this report).

7. <u>InBev's Additional Synergies:</u> As far as we can tell, those were the relevant numbers by the time of the acquisition. It is reasonable to believe that InBev was not looking to make an acquisition that would generate a return of around 5.4% per annum. At the very least, they included in their calculations the synergies they really expected to reach in the deal. Initially, they indicated that they could raise the U$ 1 billion target of the Blue Ocean program by U$ 500 million but that always seemed too low. Their caution was understandable as they did not want to attract too much attention to their cost cutting measures. Indeed, the fact that Bud already had an efficiency program going on was very favorable to InBev.

   In 2009, the company updated the synergy figure to a total of U$ 2.25 billion to be achieved in 3 years which we think is the fair input. This figure could be directly added to the Ebitda and, taxed at 40%[4], the resulting additional net profit would be U$ 1.35 billion. This exercise would have improved the multiples to 7.9x Ebitda, 15.4x P/E, and 7.2% free cash flow yield[5]. From this angle, the acquisition looked more reasonable than the headline multiples would imply.

8. <u>The leverage effect</u>: The deal was effectively financed with about 18% of equity and 82% of debt (U$ 44 billion) which cost, when the deal was closed, around 4% per annum. The interest expense was thus U$ 1.76 billion before tax.

   From a tax perspective, InBev would want to book as much of this debt as possible in Bud itself so as to benefit from the highest income tax bracket of the group, around 40%. However, the US IRS limits the amount of debt that can be placed in subsidiaries of international companies to a level which would be considered prudent if the American sub were independent. InBev stopped publishing the figures for Bud after the acquisition so it is not possible to know precisely how much debt was actually booked at Bud. If we assume that a level of around 6x Ebitda would be acceptable, then about 60% of the total debt could have been booked in the US. Hence, the after tax cost of the interest on this portion of the debt would have been 40% lower. We then assume that the remaining 40% of the debt was subject to the average income tax rate of InBev, 26%, and conclude that the average tax recovery of the interest cost was 34.4%. As a result, the interest cost net of taxes was U$ 1.15 billion. If we then deduct this amount from the last free cash flow figure we had of U$ 3.05 billion, we get to U$ 1.90 billion. This represents the effective additional net free cash flow that InBev shareholders should expect from their acquisition of Bud. Since they had to come up with an additional U$ 9.8 billion of equity to pay for the deal, we could argue that the expected return was 19.4%.

9. <u>Conclusions from the first part</u>: Although the price paid for Bud seemed very high at the outset, once we consider the total expected synergies, that is, the Blue Ocean program plus the merger benefits, the expected return was not so bad at slightly more than 7%. It must be noted that InBev's degree of confidence in achieving these vital synergies was probably very high given their own track record.

   If we take into account the highly leveraged aspect of the transaction, the actual return on equity was quite attractive. Granted, looking at this level of return may be deceiving because it does not consider the immense risk that InBev's shareholders ran by having added so much debt to their balance sheet at a particularly troublesome period in the world economy. Just so we do not lose track of so many different numbers, the table below recaps the most relevant figures we described at this point:

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5 *Enterprise value, net of Modelo and Tsingtao, of 49.9 billion for an adjusted Ebitda of U$ 6.33 billion = 7.9x; total acquisition cost of U$ 53.8 billion divided by total adjusted earnings of U$ 3.5 billion (U$ 2.15 + 1.35 billion) = 15.4x; and adjusted free cash flow of 3.05 billion divided by the adjusted acquisition cost, net of Modelo and Tsingtao, of 42.5 billion = 7.2%.*

Part II – Figures for 2009:

10. Bud's 2009 figures: Let's look now at how the acquisition of Bud looks when we take into consideration the actual 2009 results. In order to do so, we had to make some estimates because, as already mentioned, InBev stopped publishing Bud's figures after the deal closed. However, the company provides specific, albeit limited, information on its North American operations which include the US, Canada (Labatt) and a tiny bit of Cuba (which we ignored). We know the figures for Labatt because AmBev, as a listed company, publishes them in Brazil.

Therefore, if we subtract the Labatt figures provided by AmBev from the North American figures provided by InBev, we should get close enough to the results of the Bud operation. The problem is that this result is not directly

TABLE I – Calculation Step by Step

a	Total Acquisition Cost:	U$ 53.80 billion
b	Bud's existing net debt:	U$ 7.40 billion
c	Total Enterprise Value:	U$ 61.20 billion
d	Market Value of Modelo and Tsingtao:	U$ 11.30 billion
e	Acquisition Cost adjusted by Modelo/Tsingtao:	U$ 42.50 billion
f	EV adjusted by Modelo/Tsingtao:	U$ 49.90 billion
g	Trailing Twelve Months (TTM) Bud Profit:	U$ 2.15 billion
h	TTM Bud Ebitda:	U$ 4.08 billion
i	Free Cash Flow (FCF) Excluding Modelo/Tsingtao:	U$ 1.70 billion
j	Blue Ocean savings net of tax:	U$ 0.60 billion
k	Total synergies net of tax:	U$ 1.35 billion
l	FCF including total synergies:	U$ 3.05 billion
m	New Equity raised by InBev:	U$ 9.80 billion
n	Total interest cost on U$ 44 billion debt:	U$ 1.76 billion
o	Interest cost net of 34.4% average tax:	U$ 1.15 billion
p	FCF after net interest cost:	U$ 1.90 billion

Using the above figures, we derive the following multiples:

i.	Headline TTM P/E:	24.5x
ii.	Headline TTM EV/ Ebitda (adjusted for investments):	12.2x
iii.	P/E including Blue Ocean:	19.5x
iv.	EV/ Ebitda including Blue Ocean:	9.8x
v.	FCF yield (adjusted for investments):	3.8%
vi.	FCF yield including U$ 100 million over-depreciation:	4.0%
vii.	FCF yield including Blue Ocean:	5.4%
viii.	P/E including total synergies:	15.4x
ix.	EV/ Ebitda including total synergies:	7.9x
x.	FCF unlevered yield including total synergies:	7.2%
xi.	FCF levered yield including total synergies:	19.4%

Source: Dynamo

comparable with the figures above because they do not include the international operations, the parks and the packaging division. The last two were sold during 2009[6] so we do not have to worry about their results. For the results of the operations outside the US which are now included with the other InBev operations in the respective geographical areas, we assumed they were the same as in 2008.

A summarized estimated Profit & Loss statement for Bud US operations would look likeTable II

11. International Operations: We have assumed that Bud's operations outside the US generated another U$ 150 million in Ebit in 2009, in line with 2008. Consequently, the total Ebit in 2009 would have been U$ 4.75 billion and the Ebitda, U$ 5.5 billion.

12. Interest, taxes and net profits: For purposes of calculating the updated multiples we need to estimate the comparable net profits of Bud starting from the Ebit figure which we have.

    We assume roughly the same interest cost that Bud had the year before the acquisition, U$ 400 million. It does not make sense to include the acquisition finance as this was borne by InBev. The profit before taxes would then have been U$ 4.35 billion. Assuming the same 40% tax bracket for Bud as we have used before, net profit would have been U$ 2.61 billion. Note that this result includes only beer operations and does not include the equity income from Modelo.

13. Bud's asset sales in 2009: As part of InBev's divestment program, Bud sold three non-core assets last year[7]. The total program yielded a gross amount ofU$ 9.4 billion for InBev but it included other assets previously owned by InBev.

    First, the stake in Tsingtao was sold for U$ 901 million. As per the company's announcement, we have assumed no tax leakage. Busch Gardens was sold to a private equity fund for U$ 2.3 billion upfront plus a potential U$ 0.4 billion more subject to the performance of the company. We have assumed that half of the earn-out will be received leading to a total of U$ 2.5 billion. InBev informed that there was no tax leakage in this sale. The packaging operation was sold to Ball Corporation for U$ 577 million. In this case, the company did not inform whether there was any tax bill so, to keep it simple, we assumed net proceeds of U$ 500 million.

14. Updated Acquisition Cost and Enterprise Value: We have to reduce both by the net proceeds of the asset sales. In addition, as before, we think it makes sense to exclude the value of Modelo (and its equity income).

    We derive the updated acquisition cost by deducting from the original amount, U$ 53.8 billion, the sum of the net proceeds from the asset sales, U$ 3.9 billion and the original value of Modelo, U$ 10.5 billion. The result is U$ 39.4 billion. To get to the updated enterprise value, we simply have to add the original net debt of Bud, U$ 7.4 billion, and we get to U$ U$ 46.8 billion. We prefer to use the original debt amount because we want to compare the multiples as they were calculated before the deal but using the actual 2009 results.

15. Synergies and updated P/E and EV/Ebitda Multiples: Using the above estimates, the updated P/E would be 15.1x (39.4 / 2.61). The updated EV/Ebitda would be 8.5x (46.8 / 5.5).

    However, InBev informed that only about U$ 1.35 billion of the total U$ 2.25 billion expected synergies were achieved in 2009. It is fair then to add the remaining U$ 0.9 billion to

TABLE II

Bud US operations	2008	2009	Var %
Sales	13,535	13,401	(1.0%)
Gross Profit	6,251	6,817	9.1%
Gross Margin	46.2%	50.9%	-
S,G & A	-3,135	-2,472	(21.0%)
EBIT	3,076	4,6	49.5%
EBIT Margin	22.7%	34.3%	-
Depreciation (est.)	757	750	-
EBITDA (est.)	3,833	5,35	39.6%
EBITDA Margin (est.)	28.3%	39.9%	-

6 Note that the packaging division was not sold in its entirety but we have assumed the remaining plants generate no results.

7 The company also sold some real estate and the Labatt's operations in the US for a total of U$ 280 million.

2009 results. The new Ebitda becomes U$ 6.4 billion, and the new net income, U$ 3.15 billion (after tax synergies of U$ 0.54 billion).

The new multiples would then be a P/E of 12.5x and an EV/Ebitda of 7.3x.

16. Capex and Free cash flow yield: InBev reduced Bud's capex significantly, a task made easier by the softer volumes seen last year[8]. The company does not disclose such amount but we estimate that they invested U$ 450 million last year at Bud, U$ 300 million less than depreciation. We should thus add this amount to the accounting profit to get to the actual cash flow generation, including the expected synergies to be achieved in 2010 and 2011. The new cash flow figure is then U$ 3.45 billion.

    As a result, the unlevered free cash flow yield would get to 8.8%, U$ 3.45 billion divided by U$ 39.4 billion. To get to the levered free cash flow yield, we need to reduce the interest on financing from the free cash flow. Again, without making any adjustments to the outstanding debt, we use the same interest cost as we did in the first part of this exercise, U$ 1.15 billion net of taxes and we get to a free cash flow to equity of U$ 2.30 billion. On the U$ 9.8 billion of new equity raised by InBev, the return was a respectable 23.5%. Note that this levered return has not improved more remarkably from the calculation pre deal because only the leverage has been reduced by the proceeds from the asset sales.

How have Inbev shareholders done so far?

The timing of the Bud deal was very poor for the stock of InBev. Hurt by the prospects of the substantial leverage which many feared was at risk as two of the leading banks were RBS and Fortis, and by an impending capital raise which led to many short positions, the stock hit a low of around € 10 per share post capital increase (or € 16.5 pre-dilution).

Comparing this price, € 10, with the current € 45.3 per share is not a good measure. We opted instead to compare the current share price with the maximum share price InBev ever traded at before the deal, € 69. Such comparison is not as straightforward as it looks because it depends on what each shareholder did with respect to the capital increase. They had three choices:

i. Sell their subscription rights in the market, effectively taking some money off the table;
ii. Subscribe their entire rights, effectively putting more money on the table; or
iii. Sell enough rights or shares to subscribe their rights in a cash neutral transaction.

For the shareholders in the first situation, we assume they sold their rights at € 13.04 which was what they would have received if they had not done anything[9]. Since they had one right per share, all we have to do then is to add this amount to the current share price and we get to € 53.4 per share, still some 22.5% below the highest price InBev ever traded at. This is not surprising as the dilution effect of raising 1.6 times the existing number of shares at a discounted € 6.45 price is massive.

Those who opted to raise their bets by subscribing all their new pro-rata shares evidently did much better. A shareholder with 1 million shares would have had to subscribe 1.6 million new shares at a price of € 6.45, around € 10.3 million. This shareholder now has 2.6 million shares which, at € 45.3, result in € 117.8 million. Let's say that the new money was borrowed at a 7.5% cost and will be repaid now, almost 20 months later. The adjusted amount to be repaid is around € 11.9 million so this investor would have to sell 262,700 shares at 45,3 (no tax considerations here) to be debt-free. He would be left with 2.333 million shares, worth € 104.1 million today. The maximum value this shareholder had before the deal was € 69 million and he is 50% better than that, a fair reward considering the amount of risk he ran at a very difficult period.

This is what the Brazilian controlling shareholders did; they leveraged themselves in order not to be diluted. We understand that this was done also by most of the senior executives of the company.

Finally, there was also the option of doing a so-called cash neutral transaction, i.e., they could

8 *InBev says that unless volumes in the US start growing again, the existing level of capex is sustainable for a long time.*

9 *In the last day of trading of the subscription rights, the banks auction all unexercised rights in the market and credit the proceeds to the shareholders who did not act. On that day, InBev stock was already trading at € 14.7.*

have sold enough rights or shares in the market to use the proceeds to participate in the capital increase therefore reducing the dilution. We have to make a few assumptions to perform this exercise but using the same example of a shareholder who owned 1 million shares before the deal, he would have about 1.7 million shares after the transaction. As a consequence, this shareholder would now have a stake worth € 77.0 million, still better than the maximum value he had prior to the Bud deal. In view of how few stocks are trading close to their historical highs, this is quite remarkable.

Interestingly, the Belgian controlling shareholders did a combination of options 2 and 3. As a block, they owned close to 40% of InBev right before the Bud deal. In order not to be diluted, they would have to invest around € 2.5 billion in the capital increase. They raised € 1.3 billion in financing and did a cash neutral transaction for the remainder. Even with this much leverage, they were still diluted to about 32.8% of the new company. And in the execution of their cash neutral transaction, they sold shares at the lowest price of the past 10 years.

But what really matters is how much their new stake is worth, net of their leverage. At € 45.3, their shares are worth € 24.0 billion. If their financing cost 7.5% per annum (we think it was lower), the updated debt would stand at € 1.5 billion so their net stake in InBev is worth € 22.5 billion.

When the stock of the old InBev traded at € 69, heir stake was worth € 16.9 billion so despite the significant dilution, they are now 33% better off than their peak value prior to the deal[10]. Given the considerable dilution and the poor execution of the cash neutral transaction, we think this is impressive.

Conclusion

The acquisition of Bud by InBev looked very expensive at the outset. A significant premium was paid for a stock that did not seem cheap on a first look. InBev controlling shareholders had made no secret that acquiring Bud had been their dream for a long time so many investors thought this was a very expensive dream. Others questioned whether this was not just empire building or even if they were just after a mediocre but relatively low risk return.

However, when we factored in the improvements the company was already targeting, the multiples improved slightly. Then, if we included the synergies InBev expected to achieve, the multiples became quite reasonable. And if we analyze the deal from a leveraged buy-out perspective, the expected return was good.

We then go on to analyze the actual performance of the company in 2009. Even in a soft market, there was a significant improvement in the numbers beyond what the company had already identified as synergies. By the end of 2009, they had achieved U$ 1.35 billion of the original U$ 2.25 billion target but the Ebit improved almost U$ 1.7 billion compared to 2008. When we factor in these actual results plus the better management of capex and working capital, the result is quite interesting, not mediocre at all. There is definitely no sense of empire building.

Of course, this is all rear mirror view analysis. For investors, what matters is the future. In this case, the opportunities are numerous. In the next Report, we will finish the trilogy tracking the map of opportunities that we believe to be present on ABI´s radar.

Rio de Janeiro, October 21th 2010.

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

Period	Dynamo Cougar	IBX average	Ibovespa average
60 months	187,9%	120,1%	121,1%
36 months	48,0%	9,6%	14,6%
24 months	76,9%	36,6%	44,6%
12 months	36,5%	11,5%	12,7%
3 months	13,7%	12,4%	11,5%

NAV/Share on December 30th = R$ 285,157122726

10 This analysis refers to the Belgian group as a block but since each of the many families may have chosen different options, their individual results may vary.

DYNAMO COUGAR x FGV-100 x IBOVESPA
(Performance – Percentage Change 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	-	38,8%	38,8%	-	9,1%	9,1%	-	11,1%	11,1%
1994	-	245,6%	379,5%	-	165,3%	189,3%	-	58,6%	76,2%
1995	-	-3,6%	362,2%	-	-35,1%	87,9%	-	-13,5%	52,5%
1996	-	53,6%	609,8%	-	6,6%	100,3%	-	53,2%	133,6%
1997	-	-6,2%	565,5%	-	-4,1%	92,0%	-	34,4%	213,8%
1998	-	-19,1%	438,1%	-	-31,5%	31,5%	-	-38,4%	93,3%
1999	-	104,6%	1.001,2%	-	116,5%	184,7%	-	69,5%	227,6%
2000	-	3,0%	1.034,5%	-	-2,6%	177,2%	-	-18,1%	168,3%
2001	-	-6,4%	962,4%	-	-8,8%	152,7%	-	-24,0%	104,0%
2002	-	-7,9%	878,9%	-	-24,2%	91,7%	-	-46,0%	10,1%
2003	-	93,9%	1.798,5%	-	145,2%	369,9%	-	141,0%	165,4%
2004	-	64,4%	3.020,2%	-	45,0%	581,2%	-	28,2%	240,2%
1stQuar/05	-1,7%	-1,7%	2.967,4%	-1,7%	-1,7%	569,9%	1,1%	1,1%	243,8%
2ndQuar/05	5,4%	3,6%	3.133,2%	3,0%	1,3%	589,8%	7,5%	8,7%	269,6%
3rdQuar/05	32,3%	37,1%	4.178,3%	25,2%	26,8%	763,7%	31,6%	43,0%	386,5%
4thQuar/05	3,0%	41,2%	4.305,5%	3,1%	30,8%	790,7%	0,8%	44,1%	390,2%
1stQuar/06	23,3%	23,3%	5.332,9%	18,9%	18,9%	959,0%	22,5%	22,5%	500,5%
2ndQuar/06	-3,9%	18,5%	5.122,2%	-4,6%	13,4%	910,5%	-2,7%	19,2%	484,4%
3rdQuar/06	5,7%	25,3%	5.418,6%	2,6%	16,4%	937,2%	-1,0%	18,0%	478,4%
4thQuar/06	19,6%	49,8%	6.498,3%	23,0%	43,2%	1.175,8%	24,1%	46,4%	617,7%
1stQuar/07	9,7%	9,7%	7.136,3%	10,1%	10,1%	1.304,3%	6,7%	6,7%	665,8%
2ndQuar/07	29,3%	41,9%	9.259,4%	28,8%	41,8%	1.709,3%	27,2%	35,7%	874,1%
3rdQuar/07	7,5%	52,4%	9.957,6%	15,7%	64,1%	1.993,7%	16,4%	58,0%	1.033,7%
4thQuar/07	4,8%	59,7%	10.436,6%	2,6%	68,4%	2.048,7%	9,8%	73,4%	1.144,6%
1stQuar/08	-1,7%	-1,7%	10.253,1%	4,1%	4,1%	2.136,6%	-4,1%	-4,1%	1.094,1%
2ndQuar/08	16,4%	14,4%	11.950,7%	11,6%	16,1%	2.395,0%	17,9%	13,2%	1.308,3%
3rdQuar/08	-32,9%	-23,3%	7.983,4%	-23,4%	-26,0%	1.480,9%	-38,7%	-30,7%	763,2%
4thQuar/08	-31,1%	-47,1%	5.470,1%	-17,6%	-50,1%	973,3%	-35,9%	-55,5%	453,7%
1stQuar/09	8,1%	8,1%	5.919,9%	5,1%	5,1%	1.027,5%	10,6%	10,6%	512,5%
2ndQuar/09	44,7%	56,41%	8.612,4%	52,0%	59,6%	1.613,5%	48,8%	64,6%	811,6%
3rdQuar/09	29,4%	102,4%	11.175,9%	34,8%	115,2%	2.210,2%	30,9%	115,5%	1.093,2%
4thQuar/09	20,4%	143,7%	13.472,6%	17,0%	151,9%	2.603,3%	13,2%	144,0%	1.250,7%
1stQuar/10	-1,1%	-1,1%	13.318,6%	0,8%	0,8%	2.625,8%	-0,3%	-0,3%	1.255,7%
2ºQuar/10	-0,4%	-1,5%	13.263,4%	-10,7%	-9,9%	2.355,3%	-12,3%	-11,9%	1.089,6%
3ºQuar/10	20,9%	19,0%	16.054,8%	20,2%	8,3%	2.828,3%	18,6%	4,4%	1.310,7%

Average Net Asset Value for Dynamo Cougar (Last 36 months): R$ 988.521.534,00

(*) The Dynamo Cougar Fund figures are audited by Price Waterhouse and Coopers and returns net of all costs and fees, except for Adjustment of Performance Fee, if due.
(**) Index that includes 100 companies, but excludes banks and state-owned companies. (***) Ibovespa average.

Please visit our website if you would like to compare the performance of Dynamo funds to other indices:

www.dynamo.com.br

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DYNAMO

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