Report
DYNAMO 64
4.2009

Amalgam

"I hope you share all the excitement, all the optimism, all the positive vision we have for the company after this transaction. I think it is a unique agreement, a dream one. I think a dream company has been born in the industry".

The arguments in favor of mergers and acquisitions are typical. Through the magic of unification, revenues and synergies abound, costs and expenses disappear. The new company hides isolated fragilities and combines mutual virtues. Seasoned investors, armed with statistics, have reason to be skeptic. Empirical evidence shows that two thirds of M&A transactions destroy value for shareholders of acquiring companies. There are many explanations for this poor record: excessive optimism about a market's potential, exaggeration in estimated synergies, bad due diligence or simply hubris.

The quote above is from the final statements of Mr. Randal Zanetti, CEO and largest shareholder of Odontoprev, during a conference call to present the merger agreement between his company and Bradesco Dental. In this case, the transaction has subverted the logic of numbers and confirmed the rhetoric of aspirations. Unanimously praised by analysts, the deal became a decisive success in the market. Since the transaction announcement, Odontoprev´s shares appreciated 83.3%, while its peers on average gained 18.3% and the Ibovespa dropped 6.7%.

Dynamo has been following Odontoprev since it was a private enterprise. It eventually turned into one of the few instances where we bought shares in an IPO. The company went public on December 1, 2006. Soon after, we quickly increased our investment and reached a significant ownership percentage. As usual, we interacted positively with management, particularly with Mr. Zanetti. Building on this good working relationship, which has been well-tested, we have actively participated in the negotiations that led to this transaction with Bradesco Saúde. The two biggest players in the sector, once fierce competitors, now get together in a joint controlled company. The purpose of this letter is to share with you our views in this investment.

The Thesis

Odontoprev was founded in 1987 by dental professionals led by Mr. Randal Zanetti. Like any entrepreneurial activity, the company was born to exploit an opportunity - in this case, the huge potential of offering dental plans to corporate clients. However, that group of young entrepreneurs would not be the first or the last to try to exploit this promising market. According to ANS (Brazil's National Health Agency), there are more than four hundred registered dental plan providers in the country, most of them small businesses. Thus, the success of Mr. Zanetti's company has to be linked to some other ingredient than initiative. In our view, Odontoprev's achievement is a consequence of the unique DNA that Mr. Zanetti and his partners managed to imprint since the beginnings of the company.

The structural imbalance between supply and demand of dental services in Brazil is well known. The country holds the world record in absolute number of dentists and dental schools, the latter by a wide margin. Brazil has the world's highest per capita rate of dental professionals and continues to graduate a significant number of dentists each year. Moreover, for public policy reasons, Brazil's population in general has limited access to dental services. The public sector has traditionally not invested in the segment, contributing to Brazil having one of the worst proportions of public:private dental spending in the globe[1]. This means that an already huge supply of professionals is almost entirely confined to assisting a (small) part of the population who can afford to pay for private dental services. Consequently, the adjusted ratio of dental professionals per effectively cared inhabitant is very high. Additionally, the penetration of dental plans in corporate benefit packages is incipient. Currently, only 30% of the people covered by health insurance in Brazil have dental plans, merely 7% of the country's total population. The imbalance between supply growth and demand potential implies a permanent stimulus to entrepreneurs' 'animal spirits'. Hence the great number of registered dental insurance providers.

We also know that dentistry has peculiarities in relation to medicine that cause dental plans to be substantially different from health plans. Let's take a closer look at these differences. Essentially, there are only two types of pathology in dentistry - cavities and periodontal (gum) diseases2. These diseases are much more predictable, and generally present no death risk. The diagnosis is usually simple, easy, accurate, and can be done at the dentist's offices. Most dental treatments are also less complex and patients have options based on the quality of materials, making dental procedures more sensitive to price. The procedures are reversible, repeatable and correctable. They are also traceable, can be verified through radiology, as they typically leave physical marks. In dentistry, prevention is much more effective and responses to preventive actions are also measurable.

1 *Source: OECD. Part of an interesting study called* Regulation and Health – Dental Plans: An Economic Approach in the Regulatory Context, *published by ANS (Brazil's National Health Agency) in 2002. Portuguese version only.*

2 *Periodontal diseases basically affect the gingiva (gums). There are 17 dentistry specialties vis-à-vis 66 in medicine.*

Technological advances in medicine are faster and disruptive. In dentistry, technical improvements are generally not substitutes. Another important aspect is that neither the demand for dental services nor the cost of dental care necessarily increases as the beneficiary grows old, an unequivocal fact in medicine. In health plans, the increasing longevity trend works against the economics of the business. In dentistry, empirical evidence suggests that after individuals reach middle-age, average expenditures on dental services tend to remain stable.

In summary, the inherent risks in dentistry are smaller than in medicine, the costs are lower and, usually, can be controlled. The greater ability to control costs is mainly related to the fact that most dental pathologies do not require urgent treatment, there is ample access to relevant information about realized procedures (traceability) and it is possible to undertake various alternative treatments. In most cases, the costs and implementation curve of dental procedures are known even before treatment begins. The nature of dental plans allows an alternative approach to the classical view of health insurance business as a financial protection against an unexpected and critical event. In fact, in medicine the frequency of events is low, while losses are high. In dentistry, the opposite is true. Losses are frequent, but their financial impact is low. The dental care business is not inherently as difficult or as dependent on exogenous events as health care is. That is because dental claims are not severe or random, and allow control through interventions. Therefore, management quality becomes a decisive factor for the success of the business.

It was precisely this aspect that caught our attention as early as in our first contact with Odontoprev: the quality of the management team, resulting in a distinct view of the business and a unique strategy for the company. Since its inception, Odontoprev relied on three pillars: industry-specific expertise, a pioneer information technology platform and a rigorous statistical approach for analyzing events and processes.

Competitors were tied to an opportunistic view of deriving revenue from insurance premium without offering a good quality service. Odontoprev differentiated itself by offering services to all counterparties (dentists, client companies and insurance beneficiaries or members), therefore building lasting relationships and seeking to create and extract value throughout the dentistry chain. A strong emphasis on systems and statistics produced over time a significant intelligence database. With this detailed virtual map in hand, Odontoprev learned that the best way to generate value (NPV per member) is to proactively force an increase in the dental loss ratio. Premiums without losses in the beginning of the contract lead to greater costs later. The predictable nature of events, the ability to trace procedures and the proven efficacy of preventive action, coupled with a proprietary IT system monitored by in house specialists, allowed the company to reach a then-unprecedented conclusion: shareholders' interests would be better served by actively inducing the curve of claims, rather than passively hoping for a favorable performance of the loss ratio.

This approach leads to administrative expenses and IT costs that are greater than those of the competition. On the other hand, Odontoprev's loss ratio is much lower than that of its peers. Ex post, the final balance has been quite positive, but the decision to face this trade-off was far from obvious ex ante. Even more so if we consider that this business has a retail aspect: volumes need to be large because margins are inherently low. A small miscalculation in pricing or a lack of cost control can completely jeopardize results. In 2009, for example, free cash flow per month per member for Odontoprev, the most profitable company in the industry, was 'only' R$ 2.25.

Using the business model described above, Odontoprev has grown organically at geometric rates, further increased by some acquisitions. Of course, growth in this case produces positive feedback, brings economies of scale through the dilution of operating costs, allows a better management of the dental specialists network, not to mention the benefits that an even larger amount of information and number of records bring to the intelligence database.

Odontoprev's business demands very little investment in fixed assets. Over the past eight years, the company's capex totaled only $ 17.5 million. IT systems and processing capacity were designed to accommodate high growth rates. Only marginal improvements are required, generally at low cost. The network expansion is achieved by the incorporation of 'resources' widely available on the market (dental surgeons). Indeed, in a business with scale gains, the opposite may occur. The growth starts to present opportunities to reduce invested capital, improving returns. One example is the recent creation of Dental Partner (and Easy Software), which brought savings in supply chain management (purchase of dental materials) by eliminating the need to deal with distributors.

The intention of the company's competitive positioning is to realize value for all dental chain participants. Odontoprev currently has a network of 15,000 accredited dentists. According to the company, there is a significant queue of dentists interested in becoming part of its network: demand is equivalent to two times Odontoprev's current dentist base. The company takes advantage of this structural imbalance - excess supply of professionals – by arbitraging spaces on the agenda (especially) of newcomers in the market. Notwithstanding the company's strong competitive position, Odontoprev is not looking to commercially exploit its accredited dentists. Rather, the company's idea is to offer an opportunity for young dentists to reduce the time it would normally take them to cover their fixed costs, bringing an influx of patients that otherwise would linger to appear. Two pieces of evidence support this argument: i) the continued interest of dental professionals in participating in Odontoprev´s network; ii) the fact that Odontoprev´s accredited network presents a higher average duration (lower churn) than its competitors.

The excess supply of professionals, on the other hand, feeds a known problem in the industry, creating awry incentives for dentists to induce demand. Intense competition and a low number of office visits encourage the practice of unnecessary and /or fraudulent procedures. Odontoprev is more protect from such initiatives than its competitors, either because their controls are more effective, or because their accredited dentists realize they have more to lose than to gain.

Odontoprev´s commercial and relationship building efforts are focused on human resource (HR) professionals, since the company has historically prioritized the corporate plans market. The perception of value by the HR departments is clear. The quality of the service provided to covered members, and Odontoprev´s ability to control and even to project the loss curve are important assets for HR professionals, who have to cope with a multitude of demands, complaints and wishes. Odontoprev´s capacity to renew contracts at prices above market averages is proof of the high value HR departments place on Odontoprev's services.

The focus on corporate clients has additional advantages. In this segment, regulators do not exercise direct price control, as they do in the case of individual plans. In the corporate market, free negotiation between parties prevails. In addition, corporate plans have a lower incidence of a major problem in the industry: adverse selection. Individuals tend to buy insurance (join a dental plan) right before they expect to initiate treatment. This asymmetry of information is a huge headache for insurance companies. In the case of dental plans, this occurs more frequently in the retail segment. In the corporate market, the dynamics of hiring a plan are different. Dental insurance is part of a broader employee retention package (workers in general perceive great value in dental coverage) and therefore competes with other corporate benefits. In corporate plans, there is also an increase of occurrences immediately post-hiring, but that increase is not as significant as it is in the retail segment. In reality, this characteristic of an early increase in claims works as a barrier to entry and / or to growth of smaller companies, as it implies an important need for working capital, which less capitalized companies cannot bear.

Nevertheless, the phenomenon of adverse selection also occurs in the market for corporate plans. In this case, Odontoprev has another advantage over competitors that helps to protect the company from this information asymmetry: a large number of different plans. The company offers a portfolio of more than a hundred contracts, endorsing the theory that greater product differentiation helps reveal preferences (in this case, risk profiles) based on client choices[3]. Additionally, dentistry typically allows greater flexibility in treatment approaches – use of alternative materials and procedures - making it possible to attend different levels of demand, according to the budget of the insured. Offering a wide range of options for a product with high price elasticity of demand (dental plan) certainly has helped Odontoprev to more accurately price its contract portfolio, a vital ability in this business. This characteristic is evidenced by Odontoprev´s average ticket, which is well above the industry average (see table).

The third link in the chain of value perception is the member himself, the beneficiary of the plan. Here, Odontoprev´s differential lies in carefully choosing the correct accredited dentist for each client/member, controlling and making available individual dental records - with the possibility of portability, if the member starts to work for another of Odontoprev's client companies - and especially in monitoring the treatment by a second professional (a dentist directly employed by Odontoprev) who validates and intervenes in the treatment to benefit the member. The high satisfaction rate of beneficiaries increases the willingness of HR professionals to renew the contract on a favorable basis for Odontoprev. A culture attention to service quality is rooted in the company's incentive program, where no less than 50% of employees' bonuses are based on evaluation scores given by HR professionals and plan beneficiaries.

We are not aware of any other Brazilian or international company with an approach similar to Odontoprev´s. This service quality approach has recently helped the company to sign an agreement to provide services to Group Ike, which has about 15 million employees in Mexico. With this peculiar strategic positioning, and a unique business vision, Odontoprev was able to gain market share, while maintaining operating margins consistently above those of its competitors.

The Difference

At the time of the IPO in 2006, Odontoprev was already the market leader with 1.4 million members through approximately 1.2 thousand corporate clients. Its network of accredited dentists had already reached 12.5 thousand professionals, distributed in more than a thousand cities across Brazil. The IPO took place in the context of the exit of a private equity fund, TMG, whose investment approached maturity. Founding partners and executives sold proportionately less and remained relevant shareholders. Becoming public has enhanced Odontoprev´s professionalism, and helped to instill in management a practical sense of accountability, which translated into a concern with capital market issues and a constant dialogue with investors.

Since the IPO, Odontoprev has made seven acquisitions, but most of the growth has occurred organically. Over the past five years, revenue and EBITDA have grown approximately 30% p.a. The company ended 2009 as a prominent market leader, with about 2.6 million members, more than 5 thousand corporate customers and 15 thousand accredited dentists. As the business has very low capital requirements, Odontoprev recorded in its first three years as a public company an average free cash flow yield of 10% p.a. (for those who invested in the IPO), even with such high growth rates.

At Dynamo, we attempt to combine the best of both environments in our investments: the agility and liquidity of financial assets with the substance and support of the real economy. Our pretension when investing is to transform securities into genuine ownership

TABLE 1

2009	Odontoprev	Sector w.out / Odontoprev
Revenue per Member (R$/month)	12,20	6,97
Gross Margin per Member (R$/month)[1]	6,66	3,47
Loss Ratio (dental care ratio)[2]	45,4%	50,3%

1 Revenues from dental plans less costs of services
2 costs of services/revenues from dental plans

3 *This result is suggested in the classic paper of the economists Michael Rothschild and Joseph Stiglitz (1976) Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Competition. Facing a broader "menu of policies", higher risk profile individuals will tend to buy contracts with a deeper coverage. Identifying riskier individuals helps the insurer to reduce negative externalities against lower risk clients, improving across the board the company´s ability to better pricing.*

stakes in different businesses. We believe that patience, discipline, study, active involvement and a long-term horizon could elevate financial investments to the status of entrepreneurial decisions. The difficulty is that if aspirations converge on goals, conditions are still different in origin. And so, this chemical to occur completely, we need to understand the essence of the entrepreneurial project and the entrepreneur needs to recognize the different nature of our condition as investors.

Our experience with Odontoprev over time has almost always been positive and constructive. Besides being a successful entrepreneur and competent manager, Mr. Zanetti proved to be a very approachable partner.

With high operating margins, no financial leverage, a clean P&L, positive working capital and low need for capex, Odontoprev started to accumulate cash. The company has a history of operating without leverage. In 1997, the entry of a financial investor - the first private equity deal in the Brazilian health sector - resulted in a change of control. This episode illustrates the aversion to debt that has always been present in company practices.

The cash build-up eventually led to a difference of opinion between Dynamo and the key shareholder and CEO of the company, Mr. Zanetti. This incident illustrates some aspects of what we consider a healthy relationship between minorities and controlling shareholders. For us, that cash accumulation was unnecessary and inefficient for tax purposes. Opportunities for relevant acquisitions were not obvious nor seemed to be imminent. And even if they occurred, probably would not demand much of the resources that were already available and increasingly accumulating over time. Additionally, the company had no debt and traded at multiples that would have easily allowed a capital increase if a substantial acquisition opportunity came along. We then suggested an extraordinary dividend distribution. The company maintained that keeping a significant cash balance was strategically necessary. We had many inconclusive conversations that led to an irreconcilable difference of perceptions.

Collecting dividends payments has never been nor will be a priority in the way we invest. As we have been repeating, we prefer businesses that require continuous reinvestment and offer high compound rates of return over time. But when free cash flow generation is high and there is no foreseeable alternative to deploy money in the business, we believe it is appropriate to return funds to shareholders. From an economic and financial standpoint, this is the most productive and efficient decision.

Based on this rationale, we insisted that at least part of the excess cash should be distributed. At the time, a group of shareholders represented by Mr. Zanetti and funds managed by Dynamo held roughly equivalent stakes, around 15% of the company's capital. Therefore, we suggested that the matter be discussed at the proper forum of decision in a corporation, a shareholders' meeting, where all interested parties would have an opportunity to express their views. In a corporation, where control is dispersed, a general shareholders' meeting is the ultimate expression of democracy, where all are equal and effectively have pivotal decision power.

The meeting proceeded with the same mutual respect that has always guided our relationship with the company. Some investors - all the local shareholders represented at the meeting - voted for our proposal. Supporting Mr. Zanetti and the other executives were some foreign shareholders, voting by power of attorney. In the end, the proposal defended by management won by a small margin (supported by shareholders representing 34% of Odontoprev's total capital, a slight majority of the 66% of total capital attending the meeting).

Had we done a little more work with other shareholders, we might have obtained the majority of votes. The tight voting showed not only that our claim was legitimate, but also served to call the attention of shareholders to distinct reality of corporate practices in companies without a controlling shareholder. In this case, the strategic guidance of the company depends on concerted actions and a harmony of interests among the principal shareholders. Relevant decisions should pass the filter of corporate aspirations in synchrony. Following this important experience, commenced what would be the largest transformation in Odontoprev´s history.

Demonstrating strength of character, Mr. Zanetti asked us to participate in a conversation involving a strategic matter for the company. This was the beginning of a negotiation that would prove determinant for the company's future. We agreed to join the conversation and, of course, stopped trading Odontoprev´s shares. We then learned that the company was analyzing a merger with Bradesco Seguros. We also discovered that the circumstances involving this complex transaction explained to a great extent Mr. Zanetti's position regarding the preservation of the company´s cash hoard.

The Synthesis

A merger between two industry leaders usually gives rise to a number of technical, economic and legal discussions. There were days, nights and dawns dedicated to arriving at a deal structure that would best serve the interests of all involved. It is curious that one of the controversial topics involved the poison pill clause in Odontoprev´s bylaws. We have long been speaking out against the excesses committed in the name of "protecting the dispersion of the shareholder base," a frequent feature in the bylaws of the companies that have recently become public in Brazil. In Dynamo Report n.53, published in the first quarter of 2007, we discussed these 'poisoned' mechanisms: *"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"*. Little did we know that two years later we would be trying to unlock one of these shackles.

After numerous meetings between Mr. Zanetti, Bradesco Seguros' executives and Dynamo partners, the outcome of the negotiations was a merger agreement between Bradesco Dental and Odontoprev. It is worth noting that even with a relatively dispersed shareholder base, investors who together accounted for about 42% of the company's ownership were involved in the negotiations, without compromising the fairness and secrecy of the deal at any time. Besides Dynamo, Mr. Zanetti and his partners, other asset management companies also participated in this process: M Square, Investidor Profissional and Águas Claras. We thank them for their collaboration.

The result of all this effort was a constructive union of the two major players in the Brazilian dental care segment. Perhaps one of the best outcomes of the negotiation process was the enormous empathy developed between the two sides, reducing the transaction costs which are usually high in situations like the one described here.

Here are some details that illustrate the main characteristics and benefits of the deal. Prior to the closing of the transaction, Odontoprev´s shareholders received R$ 7.47 per share in dividends. Then, Bradesco Dental was fully incorporated by Odontoprev, becoming its wholly owned subsidiary. Following this incorporation, Bradesco Saúde held a 43.5% stake in Odontoprev. Mr. Zanetti maintained a 7.56% stake, directly and through a holding company, ZNT. The market held the remaining 48.94% stake. Within six months after the completion of the deal, Odontoprev´s shareholders received an additional R$ 5.60 through a new cash distribution. Bradesco Saúde and Mr. Zanetti, together holding 51.06% of the new company's capital, celebrated a shareholders' agreement regulating voting and other rights. Basically, the control of the company will be shared, with the two parties electing an equal number of directors and the most relevant corporate strategy and governance issues depending on joint approval. Mr. Zanetti remains as CEO. Odontoprev´s bylaws were amended to reflect an increase in minimum payout to 50% of net income from 25% previously.

There were absolutely no leaks during the negotiation phase. Odontoprev´s shares underperformed the Bovespa index prior to the announcement – regardless of considering prices three, seven or thirty days prior to the disclosure. Following the press release, ODPV3 appreciated 30.7%, adding R$ 255 million to the company's market cap, while the Ibovespa gained 1.2%. In the following trading days, as analysts upgraded the stock and revisited projections, Odontoprev's shares kept outperforming the index. After the deal, liquidity increased threefold. Odontoprev then appeared on the radar screen of large foreign investors, who returned to the shareholders chart. As we write this report, the total return to Odontoprev´s shareholders who invested in the IPO is about 220% or 40% p.a.

Market readings indicate that the merger combined the best of the best. Odontoprev´s quality and experienced management team, its state of the art systems /controls, and its brand name, with Bradesco´s distribution capability and large presence. The two companies together have 4.2 million members and six thousand corporate clients. Still, the new company has 'only' a 30% share of Brazil's dental plan market, which grows at double-digit rates. The trends of increasing formalization of the economy and stricter regulatory requirements (broader plan coverage) favor the dominant player in a market that is still very fragmented. Operating margins should improve, as the company explores cost synergies as well as product and channel complementarities. Bradesco´s higher loss ratio can converge to Odontoprev's efficiency level. The aggregate average ticket can rise through the repricing of Bradesco´s older contracts, and possibly some relief in commercial disputes.

Like any association of this nature, there are challenges ahead (and some are not trivial): the integration of different corporate cultures, possible conflicts in commercial channels, progress in penetration of the retail segment -which promises enormous potential, but has distinct dynamics from the corporate market.

As membership reaches a hefty absolute size, marginal growth rates in coming years may be lower. On the other hand, synergies and the tax benefit of amortizing goodwill should boost cash flow generation. Undoubtedly, the opportunities are greater than the challenges. After the two industry leaders joined forces, the path to profitable growth has become plainer for Odontoprev and steeper for the other players in the market. Whatever the name of the game from now on - health, partnership, scale /commodity, consolidation - the new company will be very well positioned.

The market has already recognized the merits of the transaction, and we remain confident in the virtues of the business model, the size of the sector's opportunities and Odontoprev´s now enhanced capacity to capture them. And from our part, we cannot hide a certain satisfaction for having participated, albeit in a supporting role, in this tremendous success story.

Rio de Janeiro, June 10, 2010

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

Period	Dynamo Cougar	IBX average	Ibovespa average
60 months	192,2%	171,8%	163,4%
36 months	61,1%	48,2%	53,8%
24 months	32,0%	10,3%	15,6%
12 months	71,5%	58,6%	70,3%
3 months	1,1%	2,0%	2,7%

NAV/Share on March 31st = R$ 248,994907828

DYNAMO COUGAR x FGV-100 x IBOVESPA
(Performance – Percentage Change in US$ dollars)

Period	DYNAMO COUGAR* Quarter	DYNAMO COUGAR* Year to Date	DYNAMO COUGAR* Since 01/09/93	FGV-100** Quarter	FGV-100** Year to Date	FGV-100** Since 01/09/93	IBOVESPA*** Quarter	IBOVESPA*** Year to Date	IBOVESPA*** Since 01/09/93
1993	-	38,8%	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%

Average Net Asset Value for Dynamo Cougar (Last 36 months): R$ 930.842.254,81

(*) 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

DYNAMO

DYNAMO ADMINISTRAÇÃO DE RECURSOS LTDA.
Av. Ataulfo de Paiva, 1351 / 7° andar. Leblon. 22440-031. Rio. RJ. Brazil. Phone: (55 21) 2512-9394. Fax: (55 21) 2512-5720

PRINTED IN RECYCLED PAPER