(A free translation of the original in Portuguese)

JARDIM BOTÂNICO INVESTIMENTOS

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SECTION 1 THEMATIC ANALYSIS

I. 13 IS THE LUCKY NUMBER

The CVM instruction 480/09, which determines the rules to be followed when filing a registration statement for issuing securities, is a milestone in the development process of corporate governance in Brazil. By means of this instruction, the securities regulator publishes clear and detailed guidance regarding the minimum level of disclosure required of public companies.

The information required by the 22 sections of the new Reference Form (Article 24 and Appendix 24 of Instruction 408/09) are essential for investors to be able to evaluate the security. The first trial took place last year, when the deadline for filing the initial version of the Reference Form (RF) was set for June 30. We were pleasantly surprised when, examining the document, noted that the information requested corresponded to approximately 70% of our own internal due diligence questionnaire. However, the quality of many responses given to crucial questions was disappointing, covering roughly only half of the data we needed. Information regarding risk policy, the operation of boards/committees and executive pay were answered bureaucratically, with overly formal and vague wording. We believe companies should not view the RF as just another strictly legal/regulatory document. Everything we've heard so far from CVM goes along these same lines. The main point is not to punish possible mistakes in filling out the form but rather to guide companies on how to report their procedures in the clearest, simplest and most accurate manner.

It is natural for the debut to happen in that manner. We have more to celebrate with the creation/establishment of Instruction CVM 480/90 as another great progress for Brazilian capital markets.

Nevertheless, some information required in the RF must be better prepared. Item 13 of the RF, which refers to executive pay, is an example. Despite opposition from a few companies, the importance of its widespread dissemination must be acknowledged. JBI's investment philosophy seeks to determine the best combination among four crucial factors in companies: (i) a high-quality business model; (ii) an ethical and competent management team; (iii) alignment of interests; (iv) discounted price in relation to its intrinsic value. As noted in previous reports, a mistake in one of the first three factors could compromise the whole investment. Therefore, we spent a considerable amount of time examining the first three factors, and since they are more qualitative rather than quantitative in nature, their assessment is slightly more complex.

Executive pay is an important item for us to appraise the third factor (alignment of interests). The Instruction displays, in no less than 10 pages, the fields to be completed, and the requested information isn't limited to quantitative details. Considerable attention was given to addressing the elements that led to the reported figures, as is the case, for instance, when the form requires the disclosure of the *"reasons that justify the composition of compensation; the main performance indicators that are taken into account when determining each element of compensation; how well the compensation policy or practice is aligned with the interests of the short-, medium-, and long-term issuer."*

We believe that final compensation figures make little sense without this type of additional information. However, it is unfortunate that in this specific item public companies have disappointed even more than on the quantitative information, since if in these we see serious errors in filling out the form, on the qualitative information we see a type of standardized answers, such as: *"based on the best market practices… with the goal of rewarding the efforts of each professional in managing company interests… to encourage the best performance of each professional… to retain and attract qualified professionals".*

With regard to the variable portion of the executive pay, companies reported little information related to the criteria adopted for their creation, targets to be achieved and types of compensation. Based on established targets, we can assess the level of alignment of interests between shareholders and management. Here we give equal importance to financial, operating, quality control and customer satisfaction targets. Some companies disclose these criteria: many offer variable compensation based on targets of revenue growth, EBITDA, and net profit, while almost no company bases compensation on ROIC (Return on Invested Capital). Even those who do disclose such criteria offer only limited policy details without, for instance, explaining the proportion by which compensation increases based on the attainment of these targets.

There is still much progress to be made regarding item 13 (executive pay) of the RF, but the transparency achieved so far in the first version has brought about a better understanding of the general picture of incentives to Brazilian executives. The Brazilian Institute of Corporate Governance (IBGC) recently published a study on executive pay in Brazilian public companies based on the initial responses to this first RF[1]. Despite the predictable mistakes in completing the forms, they were able to obtain some interesting statistics: (i) median average individual annual compensation of board members is equivalent to roughly 10% of executive pay (R$118k x R$1.026 MM); (ii) only 15% of total compensation for board members surveyed is variable (of which 3% to 5% are shares/stock options); (iii) there seems to be a token compensation in 6% of the boards; (iv) the highest annual compensation package is R$10.7 MM – the assumption being that this goes to a CEO of a company; in this regard, perhaps the survey has incorrect data considering we've seen RFs with individual annual executive pay above R$15Mn (this is much lower than the compensation packages in the U.S., where the highest-paid CEO, Phillippe Dauman, of Viacom, earned US$84.3Mn in 2010, twice as much as in the previous year, of which US$54.3Mn were in stock – the highest-paid executive in Brazil in the same period would rank close to 250th on the U.S. list)[2]; (v) the variable portion of executive pay is equal to 37% of total compensation, of which only 8% are shares/stock options (we are now at U.S. levels of the early 1990s – currently, shares/stock options compose more than 70% of U.S. executive pay although, as we know, there are negative effects in the "race for stock options"); (vi) 15% of companies do not have any variable compensation for management.

The study also shows that 40% of companies don't have an audit committee – in our opinion, having an acting audit committee in fact shouldn't be mandatory. We noted that most companies interpret the 3rd §. of Article 162 of the Brazilian Corporate Law (LSA) as limiting the audit committee's pay to 10% of executive pay, when in fact the article establishes that minimum compensation for the audit committee should be *"no less than 10%".*

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[1] See http://www.ibgc.org.br/Pesquisas.aspx
2 Wall Street Journal, May 8, 2011

Finally, the study provides us a list of the 38 companies that used the court injunction obtained by the IBEF-RJ (Brazilian Institute of Financial Officers – Rio de Janeiro State) that allows them to not disclose the information in item 13.11 of the RF. This item requires the disclosure of the highest, the average and the lowest individual compensation packages. The companies argue that the rule violates estate secrecy laws – although names aren't disclosed, they believe it is clear that the highest pay belongs to the company's CEO – and they also cite security issues to avoid disclosing the sums. Although we understand the potential individual burden of this disclosure, this must not be a hindrance to full transparency in corporate information. After all, we are dealing with public companies that have a considerable number of shareholders who depend on having all available data to be able to make decisions, with the only exception being information that could harm the business if it became known by competitors, which, of course, would not include those regarding executive pay. The figures of compensation packages tell us a clear story on potential salary discrepancies within a company and research shows that highly dispersed compensation within the same management team can lead to higher turnover, disrupting project continuity and possibly the company's performance[3].

Along with Instruction 480/09, Brazil's Central Bank also issued Resolution 3.921/09 to regulate the compensation policy of executives and board members of financial institutions. The Resolution does more than offer guidance. In fact, it requires that at least 50% of variable compensation must be paid in shares/stock options and that 40% of it should be deferred for at least three years. It also determines that variable compensation can only be paid based on targets that take into account the institution's recurring results, thus excluding extraordinary effects in the short term. It also requires that the deferred portion should be reversed in case of a major decrease in earnings or a loss. Companies will have to comply with the Resolution as of January 1, 2012.

In the U.S., we also see the initial effect of 'Say on Pay'[4] measures, with shareholders rejecting executive pay in shareholder's meetings. Although this is a merely a consultation vote (to express the shareholders' opinion), many articles in the press have shown how these votes put managers in an uncomfortable position when setting their own compensation packages. And, to our surprise, even here in Brazil, the recent season of shareholders' meetings brought about strong rejection regarding decisions on the terms of executive pay. The information in the press shows that the main reason for this rejection is precisely the fact that the companies are taking advantage of the court order to avoid disclosing data related to item 13.11.

We are very optimistic about this debate and the series of events surrounding the subject of executive pay. It is natural for companies to lack expertise in disclosing the information with minimum quality, and we can expect setbacks such as the court order that allowed them to not disclose data, but it is clear that this important point in evaluating companies is being discussed and that, from now on, we will see considerable progress in this area.

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[3] The Problem with Financial Incentives -- and What to Do About It: Knowledge@Wharton (http://knowledge.wharton.upenn.edu/article.cfm?articleid=2741)

[4] "*Say on pay"* is a term used for a rule in corporate law whereby a firm's shareholders have the right to vote on the remuneration of executives (Wikipedia)

SECTION 2 — PORTFOLIO'S RISK-RETURN ANALYSIS

I. JB FOCUS FIA (calculated in Brazilian Reais)

The fund has gained 202.9% or 21.5% per year since its inception in September 16, 2005.

Table 1: Risk-Return Ratio

	Focus FIA	Ibovespa	IGC
Annualized Return	21.5%	15.1%	16.4%
Annual Standard Deviation	20.8%	30.5%	29.5%

Source: Economática and BNY Mellon.

From January to April 2011, the fund was down 1.8%, compared to 3.1% and 4.6% decline in the IGC and Ibovespa, respectively. We reiterate that, due to our management's strong capital preservation quality, this tends to be a typical behavior of our portfolio.

In the table below, we see the main positive and negative contributions in the January-April period:

Table 2: JB Focus Contributions (Jan-Apr 2011)

	Positive		Negative
AES Tiête PN	1.0%	Met Gerdau PN	-0.9%
Mills ON	0.4%	Saraiva PN	-0.8%
Marcopolo ON	0.4%	Itaúsa PN	-0.7%

Source: JBI.

II. ULTRAPAR

Company Overview

Ultrapar, founded in 1937 by the Igel family, was created as an LPG distribution company and pioneered the business of gas cylinders in Brazil. Today, Ultrapar is one of the largest Brazilian business corporations (it ranks among the five largest Brazilian companies in terms of revenues), with diversified businesses, operations in Brazil and abroad, and a position of leadership in its markets.

The company operates in four different segments using specific subsidiaries:

- Fuel distribution through Ipiranga;
- LPG distribution through Ultragaz;
- Petrochemical industry, with Oxiteno; and
- Logistics services for liquid bulk cargo through Ultracargo.

Ipiranga, founded in 1937, is the second-largest fuel distribution company in Brazil (second only to

Petrobras-BR). It operates in the retail and consumer markets and in the retail wholesale reseller. It has a network of more than 5,500 gas stations and a market share of around 20%, with strong presence in the retail segment and in the south and southeast regions of Brazil. Through this network, Ipiranga sells diesel, gasoline, ethanol, compressed natural gas (CNG), fuel oils, kerosene and lubricants. Moreover, it offers complementary products and services to retailers, such as convenience stores, oil lubricants, loyalty program and credit cards with the Ipiranga brand.

Ultragaz, also founded in 1937, is the largest LPG distributor in Brazil, with operations throughout the country and a 24% market share. The company delivers LPG to an estimated 10 million households (bottled LPG) and 34,000 commercial clients (bulk LPG, using its proprietary system, UltraSystem), through its own truck fleet and its network of over 4,000 independent dealers.

Oxiteno, which launched operations over 30 years ago, is the sole producer of ethylene oxide (and its main by-products) in Brazil and one of the largest in Latin America. It is also the only producer of fatty alcohols and its by-products in Latin America and a major producer of specialty chemicals. Over time, Oxiteno changed its sales profile, going from a large producer of commodities to a large producer of specialty chemicals. Its product range is very wide and has several uses, such as cosmetics, detergents, pesticides, polyester, packaging, oil, and paints and varnishes. Among Oxiteno's major customers are fast growing industries, such as: (i) cosmetics and detergents, spurred by higher disposable income in Brazil; (ii) pesticides, (iii) paints and varnishes, whose growth is linked to the real estate and automobile sectors, and (iv) oil, driven by oil exploration projects in the pre-salt layer off the coast of Brazil. Oxiteno operates nine plants in Brazil, Mexico and Venezuela, and has sales offices in Argentina, Belgium and in the U.S.

Ultracargo, established in 1966, is Brazil's largest provider of storage for liquid bulk (especially chemicals, fuels and vegetable oils), with seven terminals and storage capacity of approximately 625,000 m3 (22,000 cubic feet). Its facilities are strategically located in port terminals or railway junctions in the south, southeast and northeast regions of Brazil. Ultracargo provides storage facilities for most of the companies in the northeast petrochemical complex, including Oxiteno. Moreover, following the acquisition of União Terminais in 2008, Ultracargo has a built a strong presence in the Port of Santos, Brazil's major commercial port, and the company became strategically positioned in the ports of Rio de Janeiro and Paranaguá, where they previously had no operations.

Table 4: Ultrapar's Subsidiaries

	Ipiranga	Ultragaz	Oxiteno	Ultracargo
Revenues	85.9%	8.6%	4.9%	0.7%
EBITDA	60.4%	17.3%	14.2%	6.3%

Source: Company. (1) 2010 data; (2) Percentages may not equal 100% due to rounding, Holding expenses and other adjustments.

Investment Thesis

We believe our investment in Ultrapar is an attractive way to participate in the fuel distribution industry through a company with an outstanding performance in its areas of operation, with an established growth history (both organic and through acquisitions) and profitability under various macroeconomic scenarios and with a high degree of shareholder protection given its high standards of corporate governance - particularly related to alignment of interests and minority shareholder's protection.

Fuel distribution operations account for nearly 80% of Ultrapar's cash generation. It is a sector that is growing at rates close to 10%, driven by Brazil's growing automobile fleet, higher per capita income and inflation under control. Moreover, Ipiranga has shown an excellent level of profitability, following severe cost cutting by Ultrapar after its acquisition in 2007 and the excellent integration and synergy program carried out in Texaco (purchased in 2008).

The combination of a company that stands out for: (i) its care with strategic planning and execution guided by discipline in capital allocation; (ii) its results-oriented culture (cost controls); (iii) Governance; and (iv) alignment of interests, translate into resilient results and proven performance in varied economic cycles. The first quarter of 2011 was the 19th in a row in which the company reported EBITDA growth.

Regarding corporate governance practices, Ultrapar has a history of commitment to capital markets and of pioneering outstanding practices, among which we can highlight a few:

- In 1999, Ultrapar was the first Brazilian company to go public simultaneously on the São Paulo Stock Exchange (BM&FBovespa) and on the New York Stock Exchange (NYSE), with Level III ADRs (greater level of transparency and disclosure);
- In 2000, it was the first company to grant 100% tag-along rights for all shareholders;
- In 2002, it established a compensation mechanism linked to EVA and allowed holders of non-voting shares to elect a member of the Board of Directors;
- In 2007, the role of CEO was separated from the role of Chairman of the Board and the company secured its Sarbanes-Oxley certification;
- And, in its latest move, Ultrapar concluded its migration to the Bovespa's Novo Mercado, with all of its shareholders retaining the same political and economic rights
    - Following the approval of these changes at a Special Shareholders' Meeting, Ultrapar will turn into a company with diluted ownership and with rules that exceed the Bovespa's Novo Mercado requirements;
    - As such, Ultrapar intends to deepen its alignment of interests, increase its investment capacity, and ensure the company's institutionalization and perpetuation.

Outlook

Following this migration to the Bovespa's Novo Mercado (which should increase the chances of the company using its shares as currency in acquisitions), we believe that Ultrapar will have good opportunities for growth (both organic and through mergers and acquisitions) and may also have more ambitious projects, creating value for its shareholders.

Ipiranga’s strategy is to strengthen the brand and increasingly distinguish themselves for services to prevent the “commoditization” of their business and reduce the chances of a predatory competition focused on price only. In addition, the company should try to increase its market share in the Midwest, northeast and north of Brazil, mainly through acquisitions. Finally, we note that the joint venture between Shell and Cosan should have the positive impact of bringing more rationalization to the ethanol market (though this new company may represent a generally higher level of competition since it is a new entrant to the industry and, furthermore, it is capitalized and has ambitious growth targets).

In Ultragaz, the opportunities are in the bulk segment, where the company's proprietary system, the UltraSystem, can produce growth rates above the industry average and compensate for the stagnation in the bottled LPG segment. The continued implementation of operational efficiency programs should help in generating cash and maintaining profitability levels. Finally, we must not rule out the possibility of overseas acquisitions as a means to expand the business and take it to new heights.

Oxiteno is going through a capacity expansion period. The coming months and years will consequently be dedicated to reaping the most benefits from this expansion through economies of scale and greater operating leverage. In relation to the company’s sales mix and volume, the focus should be on the fastest-growing segments such as cosmetics, detergents, paints and varnishes, pesticides and oil and gas.

Ultracargo just went through a restructuring process in which it sold its transportation and solid bulk storage businesses to concentrate on the storage of liquids. This operation is more profitable than its previous businesses and the company is expected not only to expand existing terminals but also to acquire new ones.