(A free translation of the original in Portuguese)

JBI JARDIM BOTÂNICO INVESTIMENTOS

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INDEX

PORTFOLIO HIGHLIGHTS

I. Marcopolo

A key factor compelling us to invest in the company is its ability to adapt to adverse situations. Take the appreciation of the real beginning in 2005 as an example. At the time, 55% of the company revenue was derived from exports. The company handled this situation by using local suppliers to provide for its joint ventures abroad, resulting in improved margins and a reduced currency risk. The strategy enabled the company to maintain a 20% return on equity (and, remarkably, 40% in 2010!).

In the last two years, the business environment has been very positive for the sector, and prospects are no different. The 2014 World Cup and 2016 Olympics in Brazil are starting to bring about a series of urban mobility projects, such as the BRT (bus rapid transport). Besides, the federal goverment has begun the bidding process for interstate routes, which require a maximum age of 10 years for buses. Note that the current average age of the Brazilian bus fleet is 14 years. And three of Marcopolo's international joint ventures are currently going through a period of vigorous growth: Argentina (+98% in 9M11 vs 9M10 in sales volume), Colombia (+49%) and India (+12%).

The market seems to have taken notice of some of these positive prospects: POMO4 went up 7% in 2011 (against an 18.1% decline of the Bovespa index), after a 24% increase in 2010 (against a 1.0% rise of the Bovespa index). For this reason, in December we decided to reduce the percentage allocated in our funds from 6.5% to 4.5%. Still, its shares have the potential to appreciate over 40% in value, as they are trading at a 10.3 P/E (2012), and free cash flow is expected to increase by 30%.

II. Mills

We have been investing in Mills since its IPO in April of 2010. We set up a position of 4% of our portfolio that rose to over 6% during 2010, given its considerable appreciation in value, ending the year almost 80% higher than its IPO. The story in 2011, however, was quite different: the market penalized its stock which, by November, had fallen more than 23%, mainly due to lower-than-expected margins and returns.

To make matters worse, in 3Q11 the company had to make a big allowance for bad debt (R$ 9 million, representing around 2.5% of its revenue, whereas normal levels typically fall around 0.3%), strongly impacting results for the quarter. These events were not well taken and, in our opinion, were misinterpreted by the market, which led the stock to be traded at its lowest level in 12 months.

Our conclusion is that Mills' margins and returns are temporarily below market expectations mostly due to its considerably aggressive investment plan (R$ 350 million in 2010 and R$ 430 million in 2011), which focuses on purchase of equipment and geographic expansion. The purchase of equipment and opening of new branches immediately increases the company's asset base and level of spending, while any revenue related to this equipment and to new contracts generated by new branches will only appear in the results a few quarters later. As for the size of the allowance for bad debt made in 3Q11, we feel this was an isolated event and that it does not signal a deterioration in the quality of its clients' credit. In fact, this notion is supported by the fact that Mills has already renegotiated almost 40% of the allowance, having already received a portion of these funds (nearly R$ 1 million), and expecting to receive the remaining funds in the coming months.

The heavy construction division was badly hurt by the delay of a series of infrastructure projects that should have begun in 2010 and 2011. As construction restarts, we will see an increase in the usage rates (which actually fell below 60% in the first half of 2011 and reached about 70% in 3Q11) of Mills equipment, probably resulting in better pricing for this business.

We remain confident in our investment rationale and in its potential for gains. The stock presents a P/E of 15x (2012), with an expected revenue growth (in a conservative scenario) of 16% p.a., expected EBITDA margin of 40% and a ROIC of 25%. After another visit to the company in November, we increased our allocation from 4.5% to 7.0%.

III. Bematech

We invested in Bematech in November of 2007, six months after its IPO. The purpose of their offer was to raise funds in order to expand into the *business automation* segment. The company had focused exclusively on the production and sales of hardware and now wanted to offer an integrated solution (hardware, software and service). The idea was to follow the model adopted by Micros Systems, Inc., a company with a strong presence in the Unites Stated restaurant and hotel sector. At the time of our first investment, Bematech stock was being traded at 30% lower than its IPO, at 9.5x the expected P/E.

Our rationale behind the investment was that, with the growth in retail and a greater formalization of the economy, there would be a bigger need for businesses (even less sophisticated ones) to modernize their operations and control mechanisms, which would lead to a greater investment in new machines, systems and support services. Given that it already owned 55% of the market for tax printers among a geographically widespread client base, Bematech would be well positioned to capture part of this growing demand.

It seems to us, however, that the problem did not lie on our investment rationale but rather on implementation costs and poor execution. The process of integrating the nine companies acquired in 2007 and 2008 was more difficult and used up a lot more resources (time, personnel, money) than we had anticipated for in our most pessimistic forecast. Furthermore, the retail investment/modernization pace was lower than expected. The company was therefore unable to obtain the desired results, which reflected in a poor performance of its stock.

The reason for (or perhaps the effect of) the company's weak execution, was the high turnover of its main executives. During the course of our investments, the company went through three different CEOs and a series of financial and operations executives. This lack of continuity further contributed to the difficulty in integrating the acquired companies and in executing the new strategy.

After the announcement of yet another CEO (in August of 2011), and of a 14% drop in 9M11 revenues (vs 9M10) along with a 28% drop in EBITDA, we lost all our confidence in the business and decided to sell our position. The net result for the fund was not positive. Our average purchase price was at around R$ 7.50 while our selling price averaged R$ 5.30. During our investment period, we received R$ 1.10 in dividends per share, resulting in a 14.7% loss (against a drop in the Bovespa of 7.4%).

PORTFOLIO PERFORMANCE

I. JB FOCUS FIC DE FIA (NET OF FEES AND CALCULATED IN BRL)

In 2011, our flagship fund posted a 3% loss compared to a 12.5% drop of the IGC and a 18.1% drop of the Bovespa index.

The table below summarizes our portfolio performance:

Table 1: Risk and Return Since Inception

Return	**JB Focus**	IGC	Ibovespa	IGPM+6%
Since the inception*	**199.4%**	115.0%	91.3%	108.5%
Annual average	**19.0%**	12.9%	10.9%	12.4%
12m	**-3.0%**	-12.5%	-18.1%	11.7%
24m	**22.1%**	-1.5%	-17.3%	32.0%
36m	**109.6%**	80.7%	51.1%	37.7%
48m	**57.8%**	-1.8%	-11.2%	60.6%
60m	**101.2%**	29.2%	27.6%	84.1%
Average annual vol.	**16.5%**	21.6%	24.5%	n.a.

**inception date: September 16, 2005*

Source: Economática e BNY Mellon.

The table below lists the major positive and negative contributions in 2011:

Table 2: JB Focus FIC de FIA Contributions (in 2011)

Positive		Negative	
AES Tiête ON	2.4%	Saraiva PN	-4.0%
Ambev ON	1.6%	Met. Gerdau PN	-2.1%
Tractebel ON	1.2%	Bematech ON	-1.4%

Source: JBI