(A free translation of the original in Portuguese)

JBI JARDIM BOTÂNICO INVESTIMENTOS

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SECTION 1 THEMATIC ANALYSIS

I. PURISM

When examining a new investment opportunity during our investment committees, we discuss the company's fundamentals, its corporate culture and governance, and always end by asking ourselves the same questions: is the company's business model solid? Do we trust the management, i.e., our future partners? Do we wish to be a partner in this company for the next 10 years?

Value investing naturally implies a long-term investment horizon. We dedicate considerable time and effort to analyze the business fundamentals and majority shareholders and management incentives. When we are convinced we have identified value in a company, we won't replace it with another whose business value isn't as clear.

This translates into stability for the portfolio's main positions. In the table below, disregarding first year outlier (when portfolio was being set up), it is evident how low turnover is among the top ten positions, (considering that, on average, we hold 15 companies).

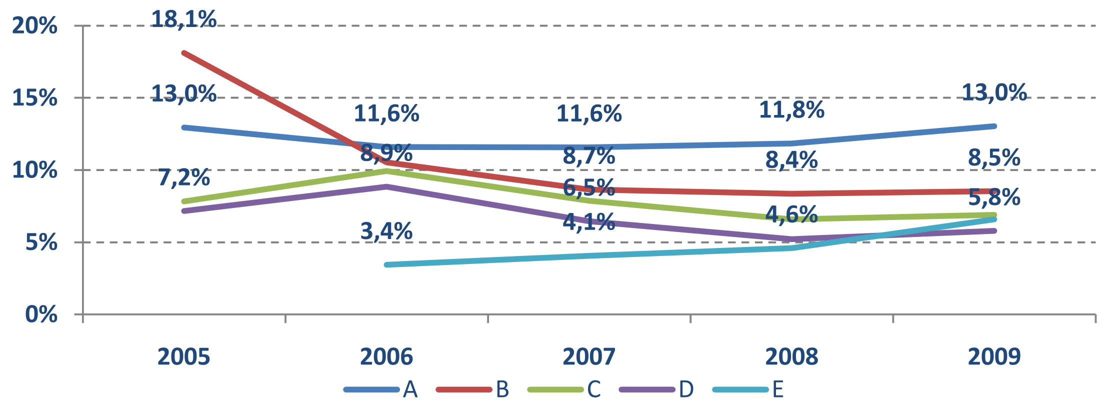
Table 1: Data from the Top Ten Positions in JB Focus FIA 2005-09

	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
% of Fund's AUM	78%	70%	69%	69%	73%
Turnover		50%	10%	10%	20%

Source:JBI

Of the top ten positions, 8 have been part of the portfolio since 2006 and the stability of 5 of these positions may be seen below.

Graph 1: 5 companies' positions from the launch of the portfolio



Source:JBI

Our team searches for the <u>best combination</u> of four factors: (i) good business; (ii) competent management; (iii) alignment of interests; (iv) attractive price in relation to intrinsic value. Evidently, finding all four factors together in a company is rare. In general, this happens during severe economic crises, such as the one in the second half of 2008.

A less obvious conclusion is that, for someone who follows value investing, the three first factors are of greater significance than the fourth in guaranteeing success of an investment. This is not to say that the purchase price is immaterial but rather that measuring an asset's value is a complex task, it is far from being an exact science. Experienced managers don't let themselves be deceived by a false sense of confidence that comes from correctly estimating next year's cash flow. They know the important thing is to assess whether the company's profits will be flat, grow modestly, considerably or extraordinarily in the following 5 to 10 years. The trend and degree to which they grow are more relevant, while value is simply an estimate. Many variables of certain businesses don't fit the discounted cash flow model, especially in the case of well-managed companies.

We've seen countless situations in which a "bargain" becomes a nightmare due to a failure in correctly valuing one or more of the first three factors. The risk of buying a much discounted asset and missing the mark on the analysis of these points seems to us as being greater than the risk of supposedly paying a lofty price for a high-quality asset, well managed and with aligned interests. A high-quality asset surprises by creating value not included in the valuation model and potentially compensating less attractive purchase price.

If the company's results indicate we were correct in our analysis of its business value, management and alignment of interests, we remain invested in these assets for a very long time since what has value always implies an excellent risk-return ratio.

Buffett (always him!) says that when it comes to the stock market, “inactivity strikes us as intelligent behavior.” Actually, the concept of “permanent holding” is a trademark of his philosophy. This means that some assets are so good he says he would never sell them. In fact, many of the important positions he holds, through his investment company, have been there over 30 years, since its inception.

Buffett says his philosophy is 85 percent Benjamin Graham and 15 percent Philip Fischer. However, we feel it’s exactly the opposite, since Graham’s analysis was more quantitative and Fischer’s was more qualitative, as is Buffett’s.

Fischer argued that if the analysis of critical factors is well done, the best time to sell a stock is: “almost never”. He used to say that the only reasons to sell were: (i) mistake in analysis; (ii) structural changes in quality of business over time; (iii) identifying a relatively better asset. Although in Fischer’s opinion, this last case rarely proves to be true.

As we can observe from the analysis of the portfolio’s data shown above, our investment philosophy contains some of Fischer’s ingredients. Adding to what we mentioned in our previous letter about our faithfulness to Graham’s margin of safety concept, we have what we could call a degree of purism in adopting value investing.

This purism appeals only to a select number of investors. Even after the 2008 crisis in which it supposedly became clear how dangerous it is to focus on returns and disregard risks, we notice investors continue to be obsessed with performance and insist on ignoring risks inherent to past performance. Even though results may be useful in evaluating success, investment decisions shouldn’t be judged exclusively based on them but also on the quality of the decision process.

After 20 years analyzing companies we have learned that if a stock rises it doesn’t mean we have made the right choice, and inversely, if a stock falls, it doesn’t mean we have made a mistake. We’ve made the right choice if returns from high-quality, well-managed assets flow to shareholders in an equitable manner. We’ve made a mistake if the company’s fundamentals are fragile, if we misinterpret competence and ethics of management, or alignment of interests among stakeholders.

Our biggest challenge is to convey the importance of this purism to our investors and to attract partners who in fact value our view: that it is more important to focus on downside risks than on potential gains. Being able to rely on investors who totally understand our philosophy and who have a long-term outlook is crucial to the success of our fund. In this sense, we must say we are honored by the trust our investors have demonstrated since the fund’s inception in 2005. The larger part of our investors has never redeemed. We have a history of positive annual inflows and were pleased to record the largest number of net subscriptions in our flagship fund during the third quarter of 2008, at the height of the crisis. Our mission is to continue rewarding the trust deposited in us by fulfilling our fiduciary duties as fund managers, seeking higher long-term returns adjusted by incurred risk.

II. PROGRESS IN MARKET REGULATION

In the first half of 2010, we will observe initial effects of two important rulings issued by CVM (Comissão de Valores Mobiliários, Brazil's Securities and Exchange Commission): Regulation 480 and Regulation 481.

Regulation 480 is a major improvement in corporate transparency. The new Reference Form demands much more detailed information from publicly traded companies, which we would like to highlight:

- Disclosure of executive pay by fixed and variable components. Unfortunately, opposition to this measure has been so intense that some companies have been able to secure preliminary injunctions against requirements and still haven't disclosed executive compensation data to public. Everything indicates that, once again, this should be a thorough process of cultural paradigm shift in the Brazilian corporate world. Through March, within the 214 companies that have issued their 2009 income statement, only 40 have disclosed the required compensation data. And of those 40, only 21 followed guidelines established by CVM.
- Disclosure of legal proceedings involving the company and its managers
- Discussion of internal control's efficiency regarding financial statements
- Explanation on use of proceeds from public offerings, including differences between initial disclosure and actual use
- Listing of off-balance sheet assets and liabilities
- Description of evaluation methods for company's board of directors, executive committees and management
- Disclosure of criminal and civil convictions (under CVM's regulatory scope)
- A section in the annual report designed specifically to discuss changes to individual line items in the balance sheet and income statement from previous year, following example of the MD&A in the U.S. (Management Discussion and Analysis).

Another improvement of Regulation 480 is the first ever definition of what the CVM determines as being a foreign company, the only ones allowed to issue BDRs (Brazilian Depositary Receipts). The directive should end the practice of companies that operate in Brazil registering abroad, thus evading CVM's regulatory supervision. The agency won't allow BDR listing of companies headquartered in Brazil or that have at least 50 percent of their assets located in

Brazil. On that note, JBI eliminates any company that trades via BDRs from its investment universe, precisely because of additional uncertainty of not being regulated by the CVM.

Regulation 481 should represent a major advancement in how companies' shareholders meetings are carried out. The regulation calls for greater transparency regarding information that is crucial to the voting process. It also advances shareholders' participation by regulating proxy statements and by encouraging online voting.

Within the data that must be made available at the time of the meeting's announcement, we highlight:

- A résumé, including detailed job experience, for candidates to the board of directors
- Rationale as well as economic and legal justifications behind changes in company bylaws.
- Management's compensation packages, including detailed information as per Regulation 480
- Detailed proposals for stock option plans reporting, for instance, the plan's beneficiaries, its rationale and the criteria for determining strike prices

Adapting companies to the new level of transparency will not be an easy task. By mid-April, 368 companies filed their management proposal for their shareholders meeting, but CVM estimates that in 87 percent of the cases, there was some sort of mistake or oversight in filling out the forms.

The second part of the regulation deals with the proxy statements, regulating the manner in which they must be filed for and what information should be available to shareholders interested in them. Traditionally, the process of obtaining a list of shareholders in a company has been extremely complicated for minority shareholders. The regulation states very clearly that companies are neither allowed to impose bureaucratic formalities for sending these shareholders the list nor permitted to charge them for it.

We aren't aware of any proxy filings in March-April shareholder's meeting season. However, given the growing number of companies with dispersed ownership in the Brazilian market, this Regulation will certainly be useful in the future.

SECTION 2 PORTOFOLIO'S RISK-RETURN ANALYSIS

I. JB FOCUS FIC FIA (Flagship Fund measured in USD)

The fund was up 231.8 % since inception (on September 16, 2005), or 29.2 %annually.

Table 2: Risk-Return Ratio

	Focus FIA	Ibovespa	IGC
Annual Return	29.2%	26.5%	25.5%
Annual Standard Deviation	34.8%	43.9%	42.5%

Source: Economática and BNY Mellon.

In the first four months of the year, the fund was up 2.8%, compared with IGC's 0.7% return, and Ibovespa's 0.9% decline. We reiterate that, due to our strong capital preservation approach, this tends to be typical relative performance for our portfolio.

The main positive and negative contributions from January to April are shown in the table below.

Table 3: Focus FIC FIA Contribuitions (Jan-Apr 2010)

	Positive		Negative
Marcopolo PN	1.19%	Net PN	-0.76%
Vale PNA	0.94%	Pão de Açúcar PNA	-0.40%
Saraiva PN	0.91%	AES Tietê PN	-0.22%

Source: JBI.

Marcopolo (up 23.9% in 2010) is a kind of "investment model" of JBI's management philosophy. The company has shown a valuable ability to adapt to adverse scenarios. When the Brazilian Real began to appreciate in 2005, we witnessed the management's agility in finding local suppliers for its joint ventures abroad, thus reducing exposure to low-margin exports. This timely strategy has allowed the company to keep its return on equity unchanged at a 20% level over the past five years. Also noteworthy is the company's capability to generate positive returns on equity above 15% in 15 of the last 21 years.

Again in 2009 we noted the company's resilience when faced with a steep drop in sales in the first semester due to the credit crisis. The domestic market only began to recover in September. Even in an unfavorable year, when sales fell almost 20 percent, Marcopolo was capable of keeping its cash generation, as measured by EBITDA, virtually unchanged over 2008. This was an excellent result, given the environment.

Net PN has been lagging due to lower-than-expected new subscriber adds in the 4Q09 and 1Q10. The relatively weak numbers come from an adjustment in the sales channel, but in March, new subscriber adds were back to their 2009 level. We continue to be confident in the investment rationale that the company will benefit most among its peers from growth in the country's broadband market.

This has been an uncommon period for the fund, with more reallocation than usual. We switched our position in AES Tietê PN to ON, since we believe in a growing probability of corporate restructuring of the AES Group in Brazil. Therefore, we opted for greater shareholder protection in exchange for lower liquidity and dividends.

Another important move was our decision to participate in Mills Engenharia's IPO. Our team already had close ties with the company and was very much aware of the nature of its business and quality of its management. Mills offers a combination of the four factors we mentioned early in this letter: a first-rate business model, good management, strong alignment of interests among stakeholders and an attractive price in relation to its intrinsic value. The company is at the forefront of the sector that encompasses engineering services and equipment leasing for heavy and light construction, as well as industrial plant maintenance. For that reason, Mills is an excellent way for us to be part of the expected growth in infrastructure in Brazil.

Also in April we concluded the sale of our position in Natura, which had been showing low margin of safety since the end of 2009, with a market price too close to what we consider a fair value. Natura continues to be one of our favorite companies in view of its excellent business model, management and governance.

Finally, we sold our position in Fosfértil. Although we continue to see the company's outlook in the Brazilian fertilizer business as positive in the following years, we chose to disinvest due to doubts regarding possible asset incorporation by its new parent company (Vale).

II. TRACTEBEL

In our August 2009 newsletter, we described the investment rationale behind Tractebel and how this fits perfectly into JBI's strong capital preservation investment philosophy. However, we alerted investors to risks in the company and, within these, we mentioned the agreement with GDF Suez (parent company) for new project development and transfer.

The history of this agreement had shown that there had been no impact to Tractebel's business. Even though we believe this continues to be true, the last transfer involving the Estreito hydropower plant represented a higher price for Tractebel than previous projects. We believe the market has been punishing the company's stock for this reason.

We have recently met with the company's management to discuss the issue of related parties. We made a formal suggestion of potentially neutralizing this conflict of interests. Management responded favorably to solving the problem, as it had already done in a teleconference for 2009 results. We hope to hear good news on the subject in the near future.

III. QUOTES

"We are what we repeatedly do. Excellence, then, is not an act, but a habit." – Aristotle

"*Compound interest is the eighth wonder of the world.*" – Einstein