



## MONTHLY REPORT OCTOBER 2011

# Parvest Equity Brazil fund



### Performance overview

Performance at the end of October 2011 (gross of fees - %)	October	Last 3M	YTD	Last 12M	Last 24M*	Last 36M*	Last 60M*	Since inc.,**
Parvest Equity Brazil	18.83	-7.84	-13.85	-13.02	2.27	27.11	-	10.68
MSCI BRAZIL 10/40 \$ (NR)	19.44	-7.10	-12.21	-11.86	3.57	28.15	-	11.83
Excess return	-0.61	-0.74	-1.65	-1.15	-1.30	-1.04	-	-1.15

Performance History (%)	2010	2009	2008	2007	2006
Parvest Equity Brazil (full year)	9.55	127.08	-52.84	56.02	-
MSCI BRAZIL 10/40 \$ (NR) (full year)	10.36	130.54	-53.36	58.51	-
Excess return (full year)	-0.81	-3.46	0.52	-2.49	-
Parvest Equity Brazil (October to October)	20.25	96.32	-54.71	-	-
MSCI BRAZIL 10/40 \$ (NR) (October to October)	21.72	96.18	-53.91	-	-
Excess return (October to October)	-1.47	0.15	-0.80	-	-

Risk indicators (annualised)	Last 36W	Last 52W	Last 24M	Last 36M	Last 60M	Since inc.,**
Fund volatility (%)	32.34	29.26	27.42	30.12	-	34.89
Benchmark volatility (%)	32.47	29.38	27.72	30.60	-	35.21
Tracking error (%)	2.01	1.90	1.18	1.65	-	2.12
Information ratio	-1.20	-0.58	-1.10	-0.63	-	-0.54

all figures gross of fees (in USD)

\* annualised performance

\*\* inception date: 12/12/06 (annualised)

Past performance or achievements are not indicative of current or future performance.

### Market review

- US macroeconomic news improved in October. Employment growth, retail sales, durable goods orders and several regional measures of producer confidence came in better than expected. Indeed, GDP growth accelerated from the second to the third quarter despite drag from inventories. However, job creation and household income growth are still weak and consumers could only keep up spending by using savings. Eurozone leading indicators continued to weaken quite sharply. With growth already low in the second quarter, recession risks are high for the region. Trade and industrial production data from emerging economies show that growth is moderating. A positive consequence is that in many countries, inflationary pressures are abating.
- October was good for equities. The 10.6% gain in global equities in US dollar terms made it the strongest month in at least two decades. US equities moved briefly into positive territory for the year to date, although even that market has not yet fully recovered from the steep losses from May to September. Since the dollar fell against the euro, the 6.8% monthly gain in euros for global equities impressed less, but was still strong. Emerging equities (+9.2%) outperformed developed equities (+6.5%). The main drivers were fading fears of a recession in the US, (the prospect of) a deal by eurozone leaders to stem the sovereign debt crisis and another robust corporate earnings season.



- US bond yields rose by 25bp to 2.2%. In Germany, where the news was less upbeat, yields gained only 16bp at 2.0%. During the month, expectations of a comprehensive deal to tackle the eurozone debt crisis captivated markets and when the deal, which included Greek debt restructuring, bank recapitalization and increasing the eurozone's bailout fund, was announced, risk spreads on 'peripheral' government bonds narrowed. However, a far-from-successful Italian government bond auction and indications that Greeks are baulking at austerity measures in the absence of signs of growth meant that the cheer was brief.
- Brazilian equities rallied +18.8% in USD terms / +14.3% in EUR terms (MSCI Brazil index), outperforming both developed and emerging markets. This stellar month was not sufficient yet to recover losses from May to September, but Brazil is now top ranked within BRIC countries, and it is above emerging equities over the last three months period. October was good for the Brazilian real too. Currency recovered +9% versus USD, closing the month at 1.69 BRL/USD (2.36 EUR/BRL). Brazilian bond market has been volatile, but yield curve declined few basis points, especially in longer maturities.
- Brazil's central bank cut policy rate again by 50bp and monetary policy minutes continue to paint a dovish picture. The central bank remains worried about the impact of the global slowdown on Brazil's economy, and now add moderation in emerging markets to its list of concern. The central bank foresees inflation converging to "around" the target center next year in its base scenario. In all, it indicated that easy cycle should continue moderately in the coming months.

## Fund performance

- In spite of strong positive performance of +18.83%, the fund lagged 61bp gross of fees to the benchmark. In the month, while stock picking has added to fund performance, the average cash position of 4% more than offset it.
- At a sector level, the overweight position in Financials, mainly Banks and Real Estate, was the main positive contribution. Brazilian banks were favored by: positive industry data - solid loan growth and decelerating delinquency; Itaú's and Bradesco's better than expected quarterly results; and the rally on global financials. Real Estate companies strongly recovered from the sell-off in the previous month helped by diminishing concerns about inflation, lower interest rates and cheap valuation. Materials was also rewarding, given the sturdy performance of our core holding in Klabin. The overweight position in Industrials (especially Infrastructure names) detracted from the performance. Stock selection both in Utilities and Consumer Staples also negatively impacted excess return due to the poor performance of Copel (overweight) and the strong rebound of JBS food company (underweight).
- At a company level, the top 5 contributors to fund performance are: overweight position in Klabin and PDG Realty, the first rallied ahead of positive quarterly results and the last strongly recovered from September losses; and underweight position in Telefonica, Totvs and Br Malls. Top 5 detractors are: overweight position in Copel which performed poorly; overweight in Ecorodovias and Mill, both from Industrial sector; and underweight in JBS (Consumer Staples) and Cyrela (Consumer Discretionary).

## Portfolio activity

- We adopted a less defensive stance in the portfolio during the month, slightly increasing exposure to commodities related companies, but the overall strategy remains long in domestic related sectors vs. commodities
- Underweight exposure to Energy sector has been reduced as increased stance in both HRT and Petrobras. Although there is still several uncertainties in global outlook, recent development in eurozone, better data in USA and China and companies valuation justify our more cautious approach toward cyclical sectors. We also raised the overweight position in Banks and participated in a public offering of TIM (mobile), which we believe to be the best positioned company in wireless industry, offering superior growth coupled with attractive valuation.
- On the other hand, we reduced overweight exposure to Klabin, Materials - Pulp & Paper, and Industrials sector. Within this last, underweight in Embraer was increased and overweight in Ecorodovias reduced. Cash position has also been reduced to less than 3%.

## Outlook & positioning



- We think an important step was taken in eurozone this month, materially reducing systemic risk in the region, as the so far inability of European leaders to respond to the crisis seems over. In addition, the current economic data has been supportive of a scenario where a double deep recession in US seems unlikely and China is on course of a soft landing.
- With respect to domestic economic activity, new data continued to indicate deceleration. This is however a cyclical adjustment due to tightening policy in place until August and effects from global crisis. It has already start to provide some release to inflation figures and allows the Brazilian Central Bank to keep cutting the rate, what is supportive for equity.
- Our strategy is still cautious in the short term, as there are important details of the debt package to be resolved yet (from its legal model to funding sources) and as a political process, negative surprises may arise along the. We believe that market volatility should decrease slightly compared to last two months. A lower risk assessment gives support to asset prices, but it is too early to call for a turnaround, as developments in Europe, the US and China will continue to dictate broad market trends.

## Additional information

Parvest Equity Brazil Portfolio Composition: As at end of October 2011

Largest Positive Active positions			
Stock	PTF Weight	BCH Weight	ACT Weight
ITAU UNIBANCO HOLD	9.08 %	6.51 %	2.57 %
BRADSPAR SA	3.45 %	1.19 %	2.26 %
CIA PARANAENSE DE	2.39 %	0.53 %	1.86 %
ITAUSA INV ITAU SA	3.51 %	2.17 %	1.34 %
PDG REALTY SA EMPR	2.49 %	1.28 %	1.21 %
COSAN SA INDUSTRIA	1.55 %	0.49 %	1.05 %
COSAN LTD	1.05 %	--	1.05 %
EVEN CONSTRUT INCO	1.02 %	--	1.02 %
KLABIN SA	1.44 %	0.43 %	1.01 %
TIM PARTICIPACOES	2.00 %	1.12 %	0.87 %
METALURGICA GERDAU	1.58 %	0.80 %	0.78 %
HRT PARTICIPACOES	1.33 %	0.60 %	0.74 %
VALE FERTILIZANTES	0.80 %	0.15 %	0.66 %
ECORODOVIAS INFRA	0.97 %	0.33 %	0.64 %
HYPERMARCAS SA	1.02 %	0.39 %	0.63 %

Largest Negative Active positions			
Stock	PTF Weight	BCH Weight	ACT Weight
VALE S.A.	6.63 %	8.56 %	-1.92 %
CIA SIDERURGICA NC	--	1.77 %	-1.77 %
BANCO SANTANDER(BR	--	1.51 %	-1.51 %
CENTRAIS ELET BRAS	--	1.50 %	-1.50 %
ULTRAPAR PARTICIPA	--	1.50 %	-1.50 %
CIA SOUZA CRUZ	--	1.21 %	-1.21 %
REDECARD SA	0.48 %	1.46 %	-0.98 %
USIMINAS USI SD MG	0.50 %	1.47 %	-0.97 %
LOJAS RENNER SA	--	0.96 %	-0.96 %
SABESP CIA SANEAME	--	0.81 %	-0.81 %
PETROL BRASILEIROS	8.08 %	8.81 %	-0.73 %
CYRELA BRAZIL REAL	--	0.67 %	-0.67 %
BR MALLS PARTICIPA	0.48 %	1.13 %	-0.65 %
CPFL ENERGIA SA	--	0.64 %	-0.64 %
CIELO SA	1.08 %	1.68 %	-0.59 %

Sectors			
Level 1	PTF Weight	BCH Weight	ACT Weight
CONSUMER STAPLES	13.94 %	12.50 %	1.44 %
FINANCIALS	28.77 %	27.50 %	1.26 %
TELECOMMUNICATION SERVICES	5.84 %	4.91 %	0.94 %
CONSUMER DISCRETIONARY	6.84 %	6.42 %	0.42 %
INDUSTRIALS	4.87 %	4.48 %	0.39 %
MATERIALS	17.85 %	17.90 %	-0.05 %
HEALTH CARE	0.78 %	1.17 %	-0.39 %
ENERGY	11.63 %	13.67 %	-2.04 %
INFORMATION TECHNOLOGY	1.57 %	3.61 %	-2.04 %
UTILITIES	5.25 %	7.85 %	-2.59 %
Unassigned	2.67 %	--	2.67 %
TOTAL	100 %	100 %	-0.00 %

## Performance details



ISIN Codes: Classic share LU0265266980; Institutional share LU0265342161

Fund size as at end of October 2011: USD 897,016,034.98

Performance (net of fees C share) (%)	October	Last 3M	YTD	Last 12M	Last 24M*	Last 36M*	Last 60M*	Since inc.,**
Parvest Equity Brazil	18.61	-8.35	-15.38	-14.87	0.09	24.41	-	8.43
MSCI BRAZIL 10/40 \$ (NR)	19.44	-7.10	-12.21	-11.86	3.57	28.15	-	11.83
Excess return	-0.83	-1.25	-3.17	-3.00	-3.48	-3.74	-	-3.39

Performance History (%)	2010	2009	2008	2007	2006
Parvest Equity Brazil (full year)	7.21	122.27	-53.82	53.24	-
MSCI BRAZIL 10/40 \$ (NR) (full year)	10.36	130.54	-53.36	58.51	-
Excess return (full year)	-3.15	-8.27	-0.46	-5.28	-
Parvest Equity Brazil (October to October)	17.68	92.20	-55.65	-	-
MSCI BRAZIL 10/40 \$ (NR) (October to October)	21.72	96.18	-53.91	-	-
Excess return (October to October)	-4.04	-3.98	-1.75	-	-

Risk indicators (annualised)	Last 36W	Last 52W	Last 24M	Last 36M	Last 60M	Since inc.,**
Fund volatility (%)	32.33	29.25	27.38	30.07	-	34.84
Benchmark volatility (%)	32.47	29.38	27.72	30.60	-	35.21
Tracking error (%)	2.01	1.90	1.18	1.66	-	2.12
Information ratio	-2.15	-1.56	-2.94	-2.26	-	-1.60

all figures net of fees (in USD)

\* annualised performance

\*\* inception date: 12/12/06 (annualised)

Management Fees : 1,75%

Past performance or achievements are not indicative of current or future performance,

Performance (net of fees I share) (%)	October	Last 3M	YTD	Last 12M	Last 24M*	Last 36M*	Last 60M*	Since inc.,**
Parvest Equity Brazil	18.72	-8.09	-14.60	-13.93	1.20	25.78	-	9.59
MSCI BRAZIL 10/40 \$ (NR)	19.44	-7.10	-12.21	-11.86	3.57	28.15	-	11.83
Excess return	-0.72	-0.99	-2.39	-2.07	-2.37	-2.37	-	-2.24

Performance History (%)	2010	2009	2008	2007	2006
Parvest Equity Brazil (full year)	8.40	124.72	-53.32	54.72	-
MSCI BRAZIL 10/40 \$ (NR) (full year)	10.36	130.54	-53.36	58.51	-
Excess return (full year)	-1.96	-5.83	0.04	-3.79	-
Parvest Equity Brazil (October to October)	18.99	94.29	-55.17	-	-
MSCI BRAZIL 10/40 \$ (NR) (October to October)	21.72	96.18	-53.91	-	-
Excess return (October to October)	-2.73	-1.89	-1.26	-	-

Risk indicators (annualised)	Last 36W	Last 52W	Last 24M	Last 36M	Last 60M	Since inc.,**
Fund volatility (%)	32.34	29.26	27.40	30.09	-	34.87
Benchmark volatility (%)	32.47	29.38	27.72	30.60	-	35.21
Tracking error (%)	2.01	1.90	1.18	1.66	-	2.12
Information ratio	-1.67	-1.07	-2.00	-1.43	-	-1.06

all figures net of fees (in USD)

\* annualised performance

\*\* inception date: 12/12/06 (annualised)

Management Fees : 0,75%

Past performance or achievements are not indicative of current or future performance,



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