Fund Report

VBF Class A and VBF Class C

Fourth Quarter / 2007

INVESTIDOR PROFISSIONAL
DESDE 1988

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This is the third report for VBF Class A investors and the first for VBF Class C investors. VBF Class A is fully invested since September 2007. VBF Class C had its inception last November and, although we are still in the phase of building the portfolio, at the end of December it was already 76% invested. Most of the positions we invest are present in both portfolios, the main difference being Globex, the top holding in VBF Class A which is not present in VBF Class C.

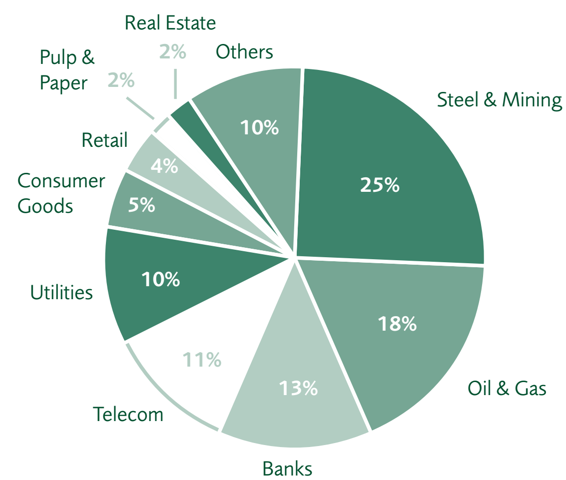
In 2007, the Brazilian stock market completed its fifth consecutive year in a strong rising trend. The outstanding performance may bring excitement or it may bring concern, especially given the recent market instability. The past shows several instances in which the Brazilian market surfed a wave of liquidity, to later crash along with international and local fears. When we look at the recent success in the Brazilian market however, we see improvements not present in the past. We should highlight two factors as the main structural evolutions.

The first, of a macroeconomic nature, was the continuation of a coherent and disciplined economic policy that makes Brazil today less susceptible to financial crises and to inflation; this leads to successive reductions in the investment risk and interest rates. This policy promotes consumption and investment, and consequently growth. The latter, in turn, improves profitability prospects for Brazilian companies. Differently from the 1997 cycle, this has been characterized by foreign debt de-leveraging, and a balanced current account.

The second factor was of a microeconomic nature. After years of effort on the part of Bovespa, active investors and the CVM (Brazilian Securities Exchange Commission), Brazilian entrepreneurs were convinced that giving greater rights to their minority shareholders would increase the demand for their companies' shares and reduce their capital cost. This development, endorsed by the success of the Novo Mercado, reduced the risk of excesses committed by controlling shareholders against minority investors, allowing the market value of the shares to reflect the real fundamentals of the underlying business. The consequent re-birth of IPOs in Brazil is public knowledge.

However, a third factor stood out in that period, though we cannot say it was structural: the strong advance in commodity prices. As may be seen in the chart, at least 45% of Ibovespa's breakdown is strongly affected by commodity prices.

IBOVESPA - SECTOR BREAKDOWN (SEPT-DEC 2007)



In 2007, the performance of the Brazilian market was particularly affected by this characteristic. If we exclude the returns on the stocks of Petrobras and CVRD, the Bovespa index would have yielded 47.5%*, instead of the 73.2% recorded in the year.

RISK VS. RETURN

When IP makes an investment, it seeks the best combinations of the following characteristics: a solid and easy-to-understand business, having sustainable competitive advantages and attractive prospects; honest and competent controlling shareholders and executives, aligned with the minority shareholders; and with its stock trading at prices significantly below the fair value.

* All figures are in US dollars, unless otherwise noted.

In most commodity businesses, especially at the present moment in the steel, mining and oil cycles, we find it difficult to discover prices that justify an investment. At the beginning of 2007, we had the same difficulty.

We believe that this type of investment has a risk/return ratio that is not very attractive. One runs the risk of paying a high price and trying to sell for even more. Ever since IP started operating, we have opted not to invest in this manner, because the results are usually disastrous.

We are aware of the arguments that say that from now on the prospects for commodities have changed; that due to economic growth in China and other countries, a new sustainable level for commodity prices has been reached; that there is a mass of people in developing countries being continuously introduced into the capitalist system; that with the growing consolidation taking place in the world steel sector, future returns will be higher than those observed in the past. They make sense and we believe in several of these arguments. Taking into account both these prospects and the current prices, however, we do not believe that companies in the oil, mining and steel sectors present the best risk/return ratios for our funds.

In 2000, steel plates were sold for US$ 150-200/ton in the international market. In 2008, the price is already over US$ 500/ton. In 2000, the price of iron ore in Brazil was US$ 16 per ton. In 2008, a ton is expected to cost at least US$ 55. At current prices, even considering the higher costs of new investments and higher operating costs, the returns obtained from new projects are very high; this tends to attract investment and to regulate prices in the long term.

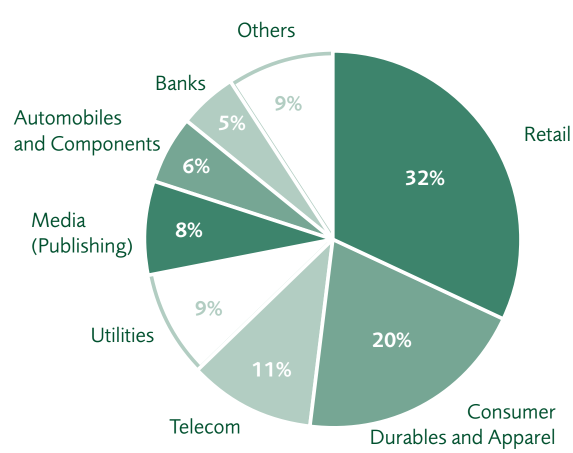
From 2000 to 2007, Petrobras' stock appreciated by 1,294%. CVRD's stock rose by 2,015%. The shares of the main steel companies rose by at least 2,319%. It is not easy to believe that, after so much appreciation, we should be seeing bargains "right now".

As growth in the Chinese economy starts depending less on very high investments in infrastructure, and more on domestic consumption, these are not the companies that will benefit the most.

It is not our place to guess what is going to happen to the Brazilian market, as our focus is on the individual companies, their price and their fundamentals. In general, we believe the valuations are reasonable and the fundamentals stable, but in the short term anything can happen to the prices. This is actually a good thing, as it creates new investment opportunities.

As for most commodity businesses, however, we find little that attracts us. The general absence of steel, oil and ore companies on the VBF portfolio may bring short-term underperformance if world prices continue strong. That's ok with us. We continue to seek investment alternatives that combine excellent return prospects with acceptable risks, and there are plenty available. The chart below shows the results of the search for this type of company in VBF Class A current sector breakdown.

VBF Class A - Sector Breakdown



Next we comment on some of the funds' main positions.

GLOBEX (VBF CLASS A)

Name: GLOBEX	
Sector/Industry: Retail	
Ticker: GLBO3 / GLOB4	
Share Class: ON / PN	
Tag along: 80% ON	
Price*: R$32.05 / R$38.99	
Market Cap*: USD3.5 Bn/ USD3.5 Bn	

* As of December 28, 2007

On January 4th, 2008 a Globex Board meeting approved a 1-to-1 conversion of all PN stocks into ON stocks. This event represents the debut of Globex at the Novo Mercado segment of Bovespa.

As a consequence of the secondary offer in course, we are restricted from negociating or commentig about Globex, by far the largest contribution to our YTD returns.

COPEL (VBF CLASS A/VBF CLASS C)

Name: Cia. Paranaense de Energia – Copel	
Sector/Industry: Utilities	
Ticker: CPLE3	
Share Class: ON	
Tag along: 80%	
Price*: R$ 29.43	
Market Cap*: USD4.2 Bn	

* As of December 28, 2007

Copel is an integrated electric power utility, controlled by the State of Paraná Government. It supplies 3.29 million consumers, covering practically 100% of the homes in the urban areas of that state and 90% of the homes in the rural area. The company's structure comprises generation assets, a high-voltage power transmission grid, a low-voltage distribution system and an optical fiber network. In order to carry out its distribution activities, in addition to using part of the power generated in its own plants, the company can enter into power purchase and sale agreements with independent generators.

The beginning of the year was very positive for the company. The problem relating to the Araucária gas-fired power station (with 485 MW installed capacity), which had been dragging on since 2006, was finally solved. At first, this was a joint investment made by Copel (with a 20% stake), Petrobras (with 20%) and El Paso (which controlled the plant, with a 60% stake). Alleging that the competitive environment had changed since the original contract was signed and that the plant's power had never been available, in January 2003 Copel's new management started renegotiating the contracts for the purchase of gas and of the plant's power. These negotiations turned into a legal battle, which was submitted to an arbitration tribunal based in Paris, and which involved the payment, by Copel, of over US$800 million related to the penalty for not complying with the contract.

This litigation ended in February 2006, when Copel and El Paso signed a letter of intention for the purchase, by Copel, of El Paso's part in Araucária for a price that seemed fair to us (about US$ 734/kW). The letter also made provision for the suspension of both the arbitration process in Paris and the judicial process, which by then had also been submitted to the State Courts. Thus, in April 2006, Copel settled the operation and assumed control of the plant (with an 80% participation), enabling the reversal of the provisions made in the company's balance sheet (relating to possible losses resulting from this process) and the conclusion of negotiations with Petrobras relating to the contract for the supply of natural gas. According to this agreement, the amount claimed by Petrobras – R$ 270 million (US$ 152 million) relating to gas ship-or-pay contracts plus R$ 140 million (US$79 million) relating to the take-or-pay part of the contract – was reduced to a debt assumption by Copel, of R$150 million (US$ 85 million), to be paid only as from 2010. This renegotiation also permitted the company to reduce part of its suppliers' account with Petrobras.

Due to this process, one question relating to the Araucária plant still remained: with no guarantee of a physical backing for the plant to be dispatched, it could not sell power until 2009 or 2010. Copel then started to make the investments needed to change it into a dual-fuel plant (so as to be able to operate with diesel oil as well) and, thus, try to sell its power as soon as possible.

However, the most significant news was given at the beginning of 2007, when the company announced that it had signed a contract with Petrobras for rental and maintenance services for the plant. According to this contract (which would end in December 2007 but was extended for another six months, with the option to extend it for a further six months), Petrobras will pay a fixed monthly amount per MW of the plant's capacity, plus a variable portion that is related to the power actually generated.

In short, four years ago Copel was a minority shareholder in a project that meant an annual loss of around R$500 million (US$ 282 million) for the company. In order to solve this issue, the company went through a lawsuit that could cost it over US$1 billion (adding together the potential liabilities both to El Paso and to Petrobras). However, it came out of this process as the plant's controlling shareholder, paying a price that we think fair for its participation. In addition, it recognized only R$150 million (US$ 85 million) as debt (payable only as from 2010) and closed a rental and service agreement that will ensure a significant income until the plant can be dispatched on a more stable basis. This was certainly an extremely positive outcome for Copel.

An old dispute was also solved; it involved a power purchase contract with CIEN (an Argentine electric power utility that belongs to the Spanish company Endesa). Due to the lack of guarantees for fulfillment of the previous contract, a new contract was signed. As a result of this agreement, in the first quarter of 2007 Copel had a provision reversal with a positive impact of R$100 million (US$57 million) on the results.

On the other hand, we were taken by surprise in September, when the company announced that it would take part in the auctions for federal highway concessions. Besides the absence of synergies with the current activities, the company has no know-how in this sector and would be facing others that are very experienced. It did not seem possible to us that the company would achieve an attractive return for the shareholders in this investment, if it were the winner. We had another surprise in November, when Copel announced that it would increase its participation in Sanepar (Companhia de Saneamento do Paraná) – the State water and sewerage company. In this case, there are synergies in the operations, but it would only make sense if these synergies were exploited, which does not seem to be the case.

We believe that the best thing for the company would be to invest in projects related to its core business, where it has plenty of know-how and where prospects are good, considering the expected increases in power prices and volumes. Moreover, even if it did not find any investment opportunity with attractive returns, the best alternative would then be to return money to the shareholders by means of dividend distribution. Investing in sectors where there is no clear comparative advantage does not seem to us an intelligent strategy.

In relation to the market in which it operates, in the year 2006 the industrial segment had presented a very weak result, due to the reduction in the region's industrial activity and the migration of "free" consumers, who stopped buying power from Copel. In 2007, however, the economic growth in the region has helped the company's results a great deal. The volume of energy sold to the industrial sector in the first three quarters of 2007 grew by 3.5%, and the residential and commercial sectors grew by 6.8% and 9.3% respectively, in relation to the 2006 figures. In all, the volume of power sold grew by 5.9% in relation to 2006.

Doing the same valuation exercise that was done in the first quarter of 2007, and disregarding all assets that are not related to the electric sector, as well as Copel's shareholder participations, we see that the distribution operations continue to be badly valued by the market. Valuing the company's generation assets (at US$960/kW, a 30% discount on Tractebel's multiple) minus the company's net debt as of December 2007, we reach an amount of US$4.4 billion, greater than the company's present market capitalization of US$4.1 billion (calculation based on the price of its common shares). This means that, at present, investors are paying (with a discount) only for the company's generation business, valuing at zero the distribution and transmission businesses. Even with the appreciation that occurred in 2007, we still have a safety margin. If these same assets were valued at a 1x multiple on the base of regulatory assets, Copel would have a fair value of US$5.6 billion, without adding the assets that are not related to the electric sector and the shareholder participations.

Due to the recent problems, the shares continue to be penalized by the market and still trade at a discount to their fair value. We believe that the company continues to be an attractive asset with good prospects for increased power prices and volumes.

Suzano Papel e Celulose

(VBF Class A/VBF Class C)

Name: Suzano Papel e Celulose S.A.	
Sector/Industry: Pulp & Paper	
Ticker: SUZB5	
Share Class: PN	
Tag along: -	
Price*: R$ 28.94	
Market Cap*: USD4.7 Bn	

* As of December 28, 2007

Our skeptical view in relation to investments in steel, ore and oil companies does not apply in the case of wood pulp. Although the prices of this commodity have also risen significantly, the movement was caused mainly by exchange rate variations and by energy costs. Thus, although prices are high in dollar terms, they are still very close to the costs of the least efficient producers. This scenario provides a greater safety margin for low-cost producers, such as the Brazilians. In this country, profitability remains at levels that permit investments for the expansion of capacity with an attractive return.

In 2007, Suzano reached its highest level of indebtedness due to the construction of its new plant in Bahia. The expansion allowed the company to add one million tons of pulp to its production capacity.

At the beginning of the year, the prevailing hypothesis was that pulp prices would probably drop as a result of new capacity coming on stream, expected for the end of the year in the Southern hemisphere (Chile, Uruguay and Brazil). This expectation caused Suzano's stock price to fall to attractive levels, which motivated our investment.

In the months that followed, the price of pulp continued to rise, as a consequence of the strong demand, problems in supply, and the constant movements in the exchange rate and energy costs in the Northern hemisphere – which caused a gradual appreciation of Suzano's stock.

We remain confident in the investment. In addition to the safety margin identified in pulp prices – due to the costs of producers in other countries – there is a high probability that prices will accelerate significantly in the coming quarters.

It should be pointed out that the world pulp market is not immune to the famous "China factor" either. Since 2000, paper production in that country has grown by around 14% per year and represented over half the marginal demand for market pulp. China's paper consumption today is linked mainly to exports of manufactured products, which require boxes, instruction manuals, and tissue paper to pack delicate items. Up to now, the production that has most expanded is packaging paper, using recovered paper (for recycling) from countries such as the USA. This type of paper is not produced from Brazilian pulp.

However, as the Chinese GDP per capita grows, we expect domestic paper consumption to grow more rapidly than that linked to exports. For that reason, we believe that there is a considerable chance that growth in consumption of short fiber paper in China will remain strong, or even accelerate in the coming years. This is the type of fiber that is most suitable to produce paper for books, notebooks and advertising materials, and for use with ordinary printers.

Taking into account the lack of available land in the country and the low productivity of its forests, most of the additional fiber for the production of paper will have to be imported. This is precisely the type of fiber that is exported by Brazilian companies.

Last year, we monitored the impact that a possible recession in the USA could cause on the balance between supply and demand for market pulp. However, as the months went by, invetories came to such low levels that, even with a slow-down, we think a crisis in the sector is not at all likely.

There were two reasons for choosing Suzano among the other pulp and paper companies. First, because it would soon benefit from the cash-flow of its new plant, which started up in October. This fact, together with the company's high leverage, may generate a very attractive return in a scenario of rising pulp prices. The second reason is the quest for greater operational and managerial efficiency, which may bring Suzano's profitability close to that booked by companies such as Aracruz and VCP – which is not reflected in the stock price.

Therefore, we found in Suzano the opportunity to invest in a business with sustainable competitive advantages, capacity to invest above the opportunity cost, safety margin, prospects for operational improvements, and also the opportunity to take advantage of a possible appreciation in pulp prices. We believe that this is a very attractive combination.

Pão de Açúcar (CBD)

(VBF Class A/VBF Class C)

Name: Cia Brasileira de Distribuição – Pão de Açúcar	
Sector/Industry: Retail	
Ticker: PCAR4	
Share Class: PN	
Tag along: -	
Price*: R$ 33.79	
Market Cap*: USD5.0 Bn	

* As of December 28, 2007

With gross revenue of US$ 7.7 billion in 2006 and a market share of 13.3%, Companhia Brasileira de Distribuição (CBD) is the largest retailer in Brazil. The Company operates 546 stores in 14 states and in Distrito Federal, with more than 1.2 million squared meters sales area, near 62 thousand employees and 19 distribution centers. Its business is based on a multiformat structure, with a balance between supermarkets and hypermarkets, allowing a wide range of consumers' needs and expectations in different regions and diverse social and economic classes: neighborhood supermarkets for higher purchasing power classes (Pão de Açúcar), supermarkets addressed to minor purchasing power consumers (CompreBem and Sendas), hypermarkets (Extra), electronic and home appliance stores (Extra-Eletro) and convenience stores (Extra-Perto).

In 2007, we started to see the first results of the company's restructuring. Last year, the group decided to cut prices, reduce margins and become more competitive.

The first semester was difficult for the company, which saw its gross margins drop and operating expenses being reduced more slowly than desired. In the third quarter, on the other hand, results were much better: margins rose after a new price strategy and other operating initiatives were adopted.

In the first nine months of the year, revenues grew by 6%, the gross margin was 28.2% (-0.8p.p in relation to the previous year) and the Ebitda margin was 6.6% (-0.5p.p in relation to the previous year), impacted by the first semester results.

In that period, the Pão de Açúcar Group gained market share in relation to Carrefour, basically because its sales are concentrated in the supermarket model (Pão de Açúcar and Comprebem). In a low inflation environment like the present one, the hypermarket model becomes less attractive to the consumer: greater value is given to location and convenience than to lower prices for the monthly shopping.

Moreover, for the customer who simply aims at obtaining the lowest price, the "Atacarejo" model (a cross between wholesale and retail) is increasingly attractive. These are stores with relatively low-quality service, but with more attractive prices than those at hypermarkets.

Due to these changes in the market, we think that the company's decision to acquire Assai, an Atacarejo chain in São Paulo, was a good one, because it complements the range of formats operated by the Pão de Açúcar Group.

In this format, margins are narrower, but the low investment capital needs generate attractive returns. There are very clear synergies in this acquisition: scale gains, possible opening of Assai stores on the group's plots of land, and conversion of already existing stores to this format, among others.

Another store format that promises good results is the convenience store, which operates under the "Extra Perto" flag. The units in operation have shown good results, and the company expects to open another 100 of the same format in 2008.

At the end of 2007, the Pão de Açúcar Group appointed the consultant Claudio Galleazi to the position of company CEO. Given his broad experience in restructuring, we believe that Galleazi can help the company to achieve the results expected since the beginning of the restructuring process, which started two years ago. The new CEO's remuneration, aligned with future results and, at the same time, linked to the market stock price, reinforces our optimism.

In addition to this good news, another factor started to become more important within our value perception for the Pão de Açúcar Group: the buildings and plots of land that are still within the company and the numerous opportunities that arise from them.

The group owns several stores on large plots of land, where commercial and residential developments can be built, in addition to the Distribution Centers, some of them located on the best roads in São Paulo, and several plots of land not yet developed.

In France, Carrefour and Casino separated their real estate properties into subsidiaries that were subsequently listed at the stock exchanges, raising funds for new developments. This type of operation generated a great deal of value for the original companies' shareholders and we believe that the same may occur in the case of Pão de Açúcar. We shall explore this subject further in a future Report.

Therefore, the restructuring under way, the good prospects for the Brazilian retail segment and the opportunities to generate value from the company's buildings and plots of land reinforce our confidence in this position. We believe that, at the current price, Pão de Açúcar is a great investment opportunity.

Lojas Marisa (VBF Class C)

Name: Marisa S.A. – Lojas Marisa	
Sector/Industry: Retail	
Ticker: MARI3	
Share Class: ON	
Tag along: 100%	
Price*: R$ 8.01	
Market Cap*: USD750 MM	

* As of December 28, 2007

Marisa is one of the largest department-store chains in Brazil, and has been operating in the country for almost 60 years. Specialized in women's and intimate apparel, its main focus is on female consumers in the 20-35 year age group, with monthly income in the US$ 600-1,200 brackets (class C). Most sales are made under "Marisa", a traditional and well-recognized brand.

In 1999, Marisa started an ambitious growth plan. At that time, the company was still a medium-size retail chain with small stores selling only women's items. The market was changing fast at the end of the nineties, as women were demanding more convenience given that they were working more outside their homes. At the same time, longstanding department stores (Mappin and Mesbla) were going bankrupt, leaving a huge market to be won.

They did their homework: they expanded the product lines to include the whole family, incorporating products for men, children and the home (bed, table and bath linen); divided the stores according to the lifestyle concept; added new space to existing stores and opened new, larger ones. At the same time a Private Label card was launched to finance their customers, creating a great opportunity to build brand loyalty and to profit from the sale of financial products.

Since the start of this process, the company has been growing slowly and gradually, but taking advantage of the recent opportunity generated by the market, Marisa has been changing its growth pattern. The main objective of the offering in the Novo Mercado (IPO) was to reduce the company's debt and raise funds in order to continue the growth plans. It was also an important step in creating long-term liquidity for the controlling shareholders.

Marisa has an excellent position in the most attractive retail sub-sector in Brazil. There is a significant opportunity for growing revenues and expanding margins. Growth will come from new stores and from the maturing of existing ones, which are being expanded. Expense reduction should come from operational leverage and the turnaround at the Private Label card operation.

The results of the financial operation are growing from a very small base, impacted by management mistakes in granting credit during the 2006 Christmas holiday season. The company has already identified the mistakes made and is working to restructure the operation.

We believe that the IPO price did not take into account all of these opportunities. There was a big discount to Renner. The market seems to be giving too much weight to the bad results related to the Private Label card operation in 2007. Given the low comparison base, we see more opportunities than risks in the company's present situation.

With regard to the future of the business, we believe that the recent credit restrictions adopted by the company should greatly reduce the current default account. On the other hand, sales in the fourth quarter should show very low growth, due to the high comparison base of sales involving excessive credit granted in 2006.

With these negative events involving the coming results, the stock price has been considerably affected. We are taking the opportunity to increase our position, based on the fact that long-term prospects remain positive.

Performance – VBF Class A Portfolio

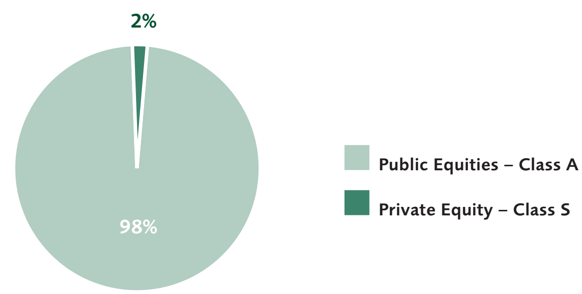
VBF Class A		Performance (USD)(3)		
	% Invested Equities	VBF Class A	VBF Class S	Classes A + S (2)
December 07	98.90%	2.55%	0.49%	2.50%
November 07	98.36%	-5.38%	-1.80%	-5.29%
October 07	97.69%	7.68%	4.53%	7.61%
September 07	95.13%	5.61%	6.47%	5.63%
August 07	95.71%	-4.99%	-4.48%	-4.98%
July 07	82.87%	3.06%	-0.84%	3.00%
June 07	68.36%	3.12%	-	3.12%
May 07	64.13%	9.04%	-	9.04%
April 07	54.76%	5.75%	-	5.75%
March 07 (1)	30.36%	1.64%	-	1.64%
2007 (YTD) (1)	-	30.59%	4.03%	30.51%
Since inception (1)	-	30.59%	4.03%	30.51%

(1) Inception VBF Class A 2007, Mar 06

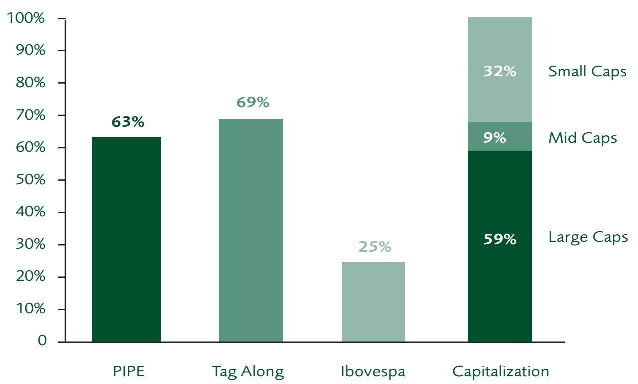
(2) Inception VBF Class S 2007, July 06

(3) Net of all fees

Break-down Public Equities x Private Equity

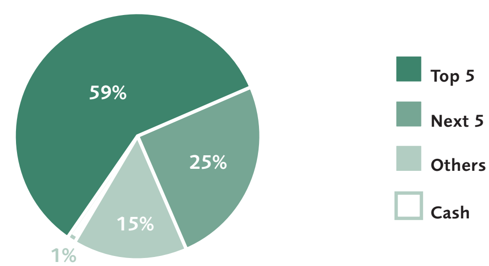


VBF Class A – Equity holding characteristics*



* PIPE: Private Investment in Public Equity/Tag Along: % with tag along rights/Ibovespa: % in the index/ Capitalization: small (smaller than US$1b), Mid (between US$1b and US$3b), Large (larger than US$3b)

VBF Class A – Portfolio Concentration



Portfolio Multiples*	2007E	2008E
Price/Earnings	16.96	15.13
Price/Book	2.23	2.07
Enterprise Value/EBITDA	10.78	6.29
Return on Equity	20%	18%
Dividend Yield	4.0%	4.1%

* Estimate by IP

Structure

IP Brazil Fund SPC, VBF Segregated Portfolio is an exempted company registered as a segregated portfolio company, incorporated under the provisions of the Companies Law of August 3, 2006 of the Cayman Islands.

Investment Manager: Investidor Profissional Gestão de Recursos Ltda.
Net Asset Value Calculator: Mellon Serviços Financeiros DTVM S.A.
Brazilian Custodian: Banco Bradesco S.A
Bank: UBS AG, Stamford Branch, CT (USA)
Registrar and Transfer Agent: UBS Fund Services (Cayman) Ltd.
Auditor: KPMG
Inception Date of Class A: March 06, 2007

Terms and Conditions

Subscription: On scheduled rounds. Closing day of the first round was March, 2007.
Next Round: November, 2007
Minimum Initial Investment: USD 1,000,000.00
Redemption: Lock-up Period of 18 months. Redemption dates on the last Business Day of each calendar quarter, with a three months prior notice
Maximum Redemption: Limit of 10% of the issued shares of the class in each quarter of the first five years after the lock-up period and 15% thereafter.

Terms and Conditions (cont.)

Management Fees: (i) 1.0% per annum of the Net Asset Value of the VBF Segregated Portfolio allocated to fixed income investments, including but not limited to cash, and (ii) 2.0% per annum of the Net Asset Value of the VBF Segregated Portfolio allocated to the remaining Investments.
Any Management Fee and Incentive Fee payable in respect of any Class S Shares representing Designated Investments will not be paid until the realization or deemed realization of the Designated Investments.
Incentive Fees:

- 20% computed on returns in excess of IPCA+9%, with catch-up mechanism:
  – between IPCA+9% and IPCA+10% p.a.: 100%
  – above IPCA+10% p.a.: 20%
  note: IPCA is the Brazilian Broad Consumer Price Index
- High-water-mark mechanism avoiding double charging for same performance
- Accrued daily and paid semi-annually

Additional Information

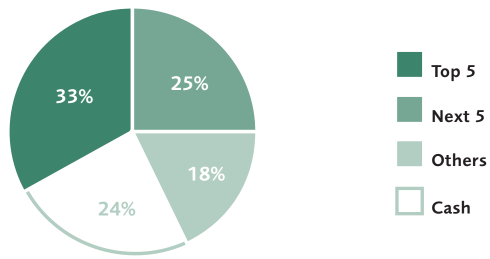
For additional information regarding of VBF, please contact us by phone at (55 21) 2104-0506 or by e-mail at contactus@investidorprofissional.com

Performance – VBF Class C Portfolio

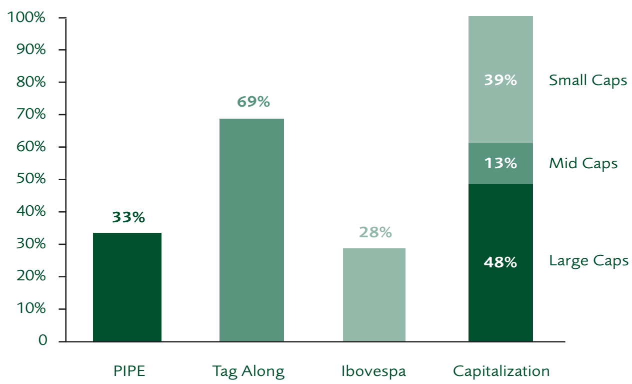
	VBF Class C	Performance (US$)		
	% Invested Equities	VBF Class C	Ibovespa	MSCI
December 07	76.01%	-1.54%	1.51%	0.36%
November 07 [1]	64.84%	-1.64%	-2.15%	-2.76%
2007 [1]	-	-3.15%	-0.68%	-2.41%
Since inception	-	-3.15%	-0.68%	-2.41%

(1) Inception VBF Class C 2007, Nov 09

VBF Class C – Portfolio Concentration



VBF Class C – Equity holding characteristics*



* PIPE: Private Investment in Public Equity/Tag Along: % with tag along rights/Ibovespa: % in the index/ Capitalization: small (smaller than US$1b), Mid (between US$1b and US$3b), Large (larger than US$3b)

Portfolio Multiples*	2007E	2008E
Price/Earnings	17.95	14.45
Price/Book	2.50	2.31
Enterprise Value / EBITDA	10.49	6.52
Return on Equity	21%	21%
Dividend Yield	4.0%	4.3%

* Estimate by IP

Structure

IP Brazil Fund SPC, VBF Segregated Portfolio is an exempted company registered as a segregated portfolio company, incorporated under the provisions of the Companies Law of August 3, 2006 of the Cayman Islands.

Investment Manager: Investidor Profissional Gestão de Recursos Ltda.
Net Asset Value Calculator: Mellon Serviços Financeiros DTVM S.A.
Brazilian Custodian: Banco Bradesco S.A
Bank: UBS AG, Stamford Branch, CT (USA)
Registrar and Transfer Agent: UBS Fund Services (Cayman) Ltd.
Auditor: KPMG
Inception Date of Class C: November 09, 2007

Terms and Conditions

Subscription: On scheduled rounds
Next Round: -
Minimum Initial Investment: USD 1,000,000.00
Redemption: Lock-up Period of 18 months. Redemption dates on the last Business Day of each calendar quarter, with a three months prior notice

Terms and Conditions (cont.)

Maximum Redemption: Limit of 10% of the issued shares of the class in each quarter of the first five years after the lock-up period and 15% thereafter.
Management Fees: (i) 1.0% per annum of the Net Asset Value of the VBF Segregated Portfolio allocated to fixed income investments, including but not limited to cash, and (ii) 2.0% per annum of the Net Asset Value of the VBF Segregated Portfolio allocated to the remaining Investments.
Any Management Fee and Incentive Fee payable in respect of any Class S Shares representing Designated Investments will not be paid until the realization or deemed realization of the Designated Investments.
Incentive Fees:

- 20% computed on returns in excess of IPCA+9%, with catch-up mechanism:
  – between IPCA+9% and IPCA+10% p.a.: 100%
  – above IPCA+10% p.a.: 20%
  note: IPCA is the Brazilian Broad Consumer Price Index
- High-water-mark mechanism avoiding double charging for same performance
- Accrued daily and paid semi-annually

Additional Information

For additional information regarding of VBF, please contact us by phone at (55 21) 2104-0506 or by e-mail at contactus@investidorprofissional.com

Miscellaneous

"People seem to pay rating agencies for psychological comfort, or, more deceptively, to justify a certain class of risk taking – apparently not for any true empirical understanding of the risks involved." – Nassim Nicholas Taleb

"Happiness, psychologically measured, is often improved by believing things that are not true." – Charlie Munger

"Illiquidity induces appropriate long-term behaviour. Rather than relying on liquid markets to trade out mistakes, investors in illiquid securities enter into long-term arrangements, purchasing part ownership in a business with which they have to live. As a consequence, increased care, thoroughness, and discipline represent hallmarks of successful investors in less liquid assets." – David Swensen

"The man who doesn't read good books has no advantage over the man who can't read them." – Mark Twain.

"The extreme success of free-market capitalism as an economic system owes much to its prevention of many of bad effects from incentive-caused bias. Most capitalist owners in a vast web of free-market economic activity are selected for ability by surviving in a brutal competition with other owners and have a strong incentive to prevent all waste in operations within their ownership. After all, they live on the difference between their competitive prices and their overall costs and their business will perish if costs exceed revenues. Replace such owners by salaried employees of the state and you will normally get a substantial reduction in overall efficiency as each employee who replaces an owner is subject to incentive-caused bias as he determines what service he will give in exchange for his salary and how much he will yield to peer pressure from many fellow employees who do not desire his creation of any strong performance model." – Charlie Munger

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