

VISION

BRAZIL INVESTMENTS



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**India-Latin America
Conclave & Business
Delegation Brazil**

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Food security is achieved when “all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.”

1996 World Food Summit, Rome
UN Food and Agriculture Organization (FAO)

“The magnitude of the upcoming scarcity is next to impossible to forecast. [...] What is clear is that scarcity issues are here to stay, long term, and are a challenge to innovation.”

The Global Food Equation - Claire Schaffnit-Chatterjee
Deutsche Bank Research, 2009



Brazil in Evidence

Food Security & Brazilian Agribusiness

Renewable Energy in Brazil

Distressed Asset Opportunities

Vision Brazil Investments at a Glance



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Emerging Macro View

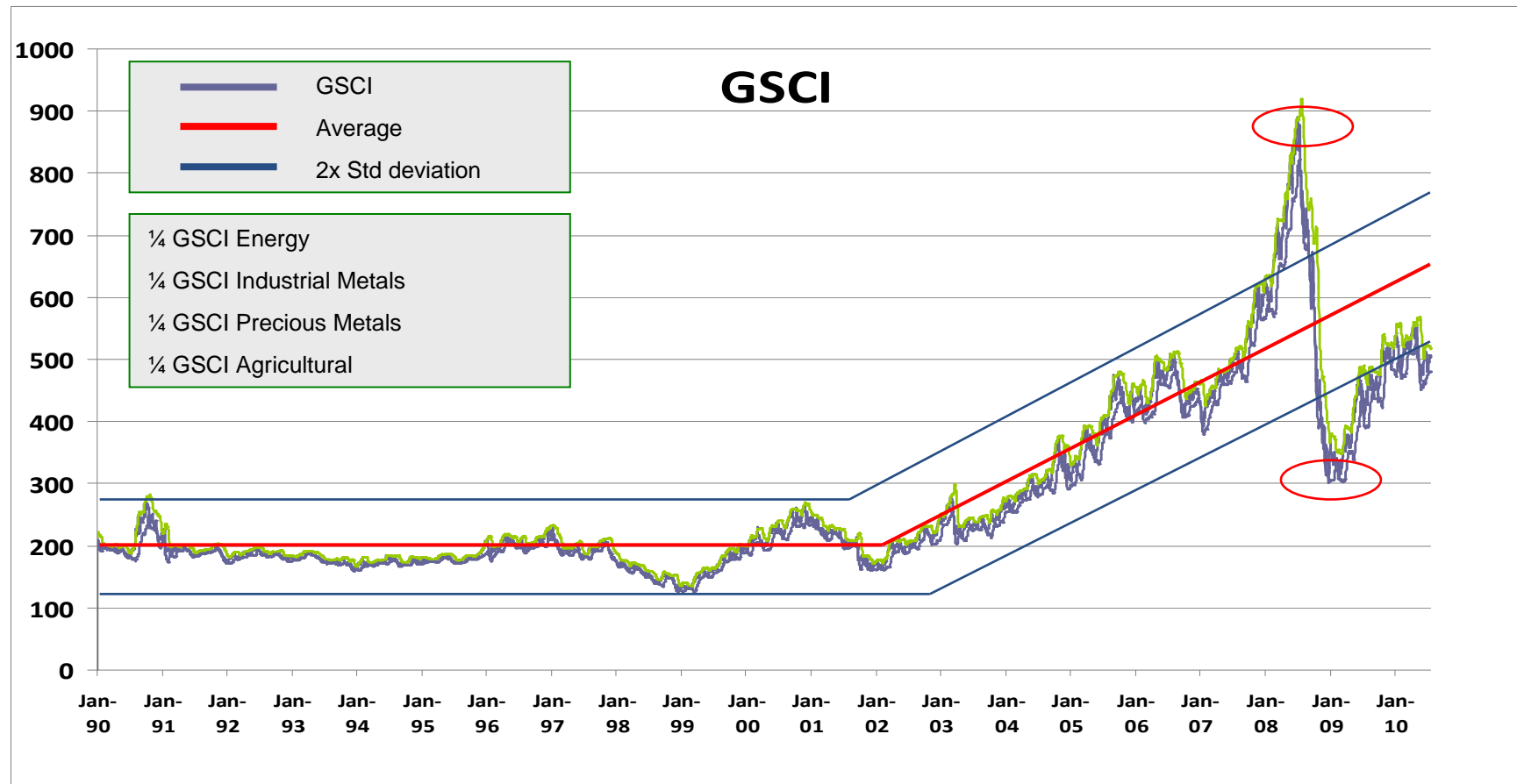
Unique Opportunity and Timing

- **Geopolitical and economic power shift... from developed to emerging countries**
 - Emerging countries now offer higher growth rates vis-à-vis developed countries
 - Enhanced legal/regulatory conditions for investments and stable economies
- **Demographic growth favors emerging countries**
 - Substantial increase of purchasing power and individuals having access to credit
 - Sustained increase in demand for food/protein, water, minerals, fiber and energy
- **Commodities super-cycle**
 - Investments in research and infrastructure to support commodities have lagged
 - In line with continuous demographic growth, expect supply scarcity
- **Real Assets**
 - Unleveraged real assets offer stable long-term growth perspectives

Emerging Macro View

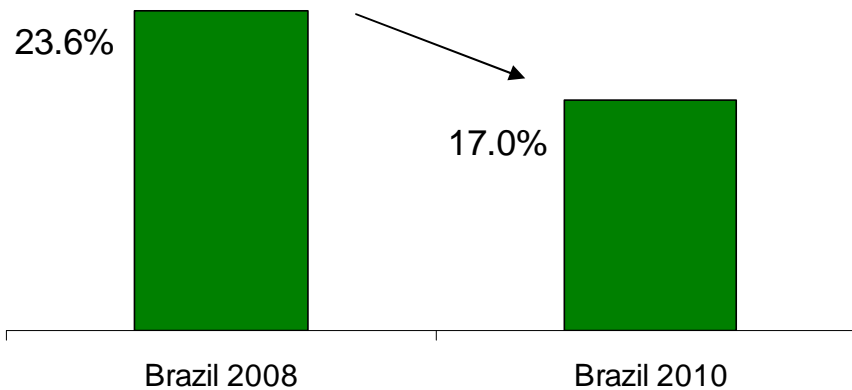
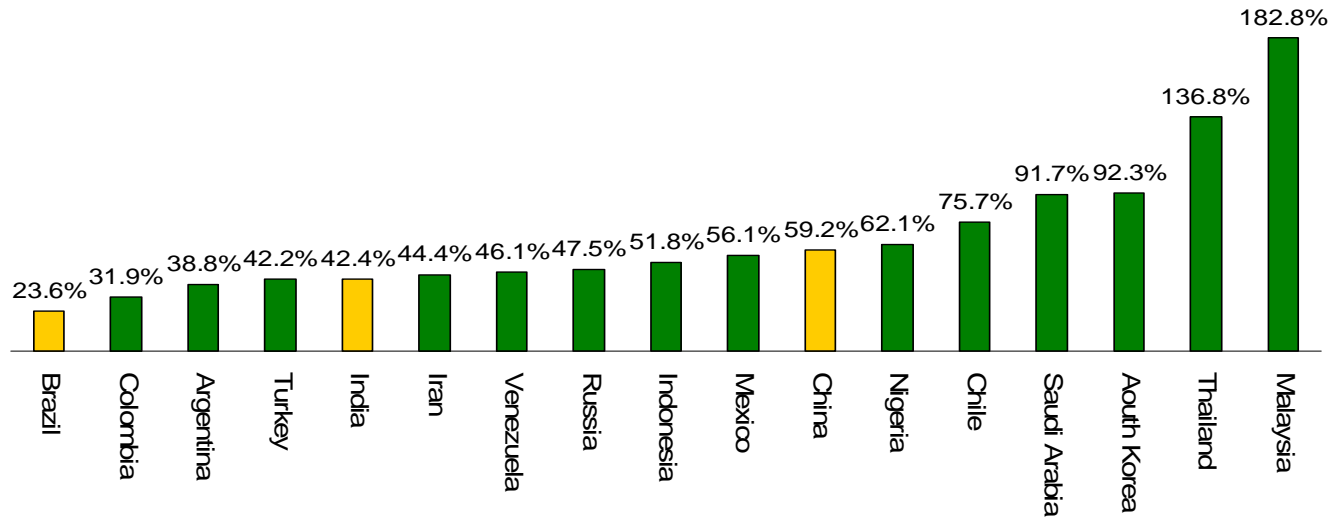
Super Cycle resumes

After a bubble and a massive sell-off linked to the financial crisis, commodities have resumed the strong upward long term trend initiated in 2002.



Emerging Macro View

2008 - Export + Imports / GDP



**Brazil is the
Most
Insular
Emerging
Market**

Developed vs. Emerging World

Key Global Drivers

- **The swollen emerging middle class**

- BRICs already account for 50% of global food consumption
- China's urban population will increase by 350 million - more than today's US population
- The drive for protein, education and cars

- **Leverage**

- **Foreign debt** represents 106% of GDP for developed economies vs. 26% of GDP for emerging economies
- Emerging economies **deficit** at approximately 1/3 of the level of developed economies
- Emerging economies **growing** approximately 2x faster than developed economies

- **Risk**

- Water constraints and environmental impacts
- Social unrests and disruptions

Brazil - Unique Opportunity and Timing

✓ Declining local real interest rates...
... **still the highest real interest rate in the world (~ 5%)**

✓ Declining local credit spreads for individuals...
... **but average banking credit rates in excess of 40% p.a.**

✓ 2nd Largest food exporter in the world (after the US)...
... **despite very poor logistics and infrastructure**

✓ Consumer credit expansion starting from a very low base...
... **true consumer credit represents approximately 15% of GDP (total 45% of GDP)**

Brazil - Unique Opportunity and Timing

- **Brazilian advantages among other Emerging countries**
 - Non threatening divide between city and countryside (83% urban population)
 - Multi-party democracy
- **Stable Legal/Regulatory Framework**
 - Since 2002 micro-reforms lead to substantial improvements in the Legal/Regulatory framework
- **Relevant consumer and demographic changes**
 - Since 2005, more than 30 million Brazilians left classes E (Misery) and D (Poverty) and joined class C (Low Income)
 - Within 5 years demographic contribution to the economy close to 2 active individuals per 1 inactive individual
- **Self-sufficient in Food and Energy**

Brazil – Thinking Forward

- **Relatively lower % of GDP is related to foreign trade**
 - Internal consumer market is the key driver for growth
- **Is internal growth sustainable?**
 - Consumer lending nearly doubled in the past 5 years.....
 -BUT household debt % has been stable due to wage improvements
- **Global inflation can be good for Brazil**
 - As long as it drives commodity price increase without substantial pass-through to contract indexation (e.g., Utilities)
- **Moving away from informality**
 - Substantial labor and corporate improvements towards the formal economy
- **Growth discrepancies: the forgotten Northeast**
 - The bulk of demographic improvements seen in the past 5 years are happening in the Brazilian Northeast region

Brazil – Invest in Real Assets

- **Consumer Credit**
 - Non-banking related securitization growth
- **Infrastructure**
 - Drivers from: Agro ; Oil & Gas ; Mining ; Olympic games
- **Agriculture**
 - Transformation of frontier lands & the move from Family owned enterprises into corporations
- **Real Estate**
 - Affordable housing & Commercial real estate
- **Renewable Energy**
 - Small Hydroelectrics ; Ethanol biomass; Wind power ; Biofuels
- **High Yield and Distressed Credit Opportunities**
 - Consumer credit ; NPLs; DIP ; Legal claims ; Restructured government debt



Brazil in Evidence

Food Security & Brazilian Agribusiness

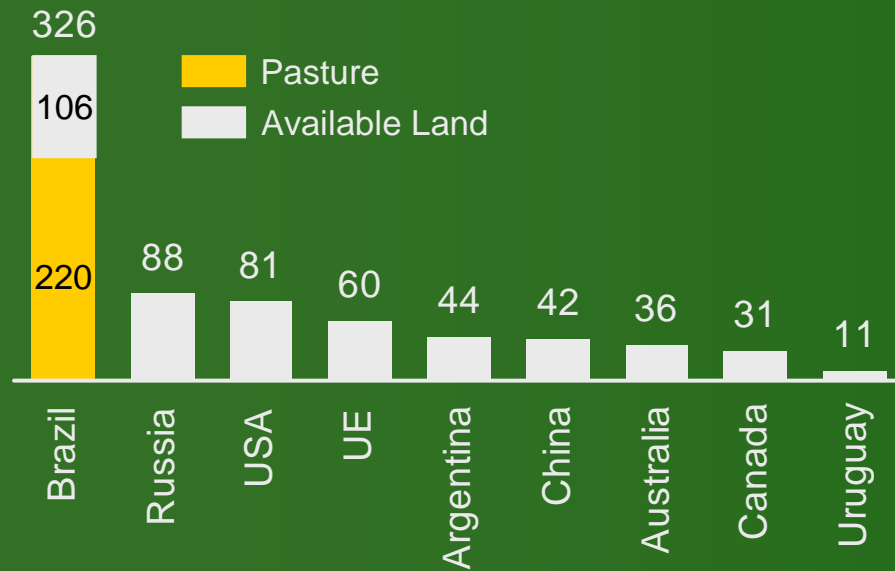
Renewable Energy in Brazil

Distressed Asset Opportunities

Vision Brazil Investments at a Glance

What is the Role of Brazil?

Potentially Arable Land (million hectares)



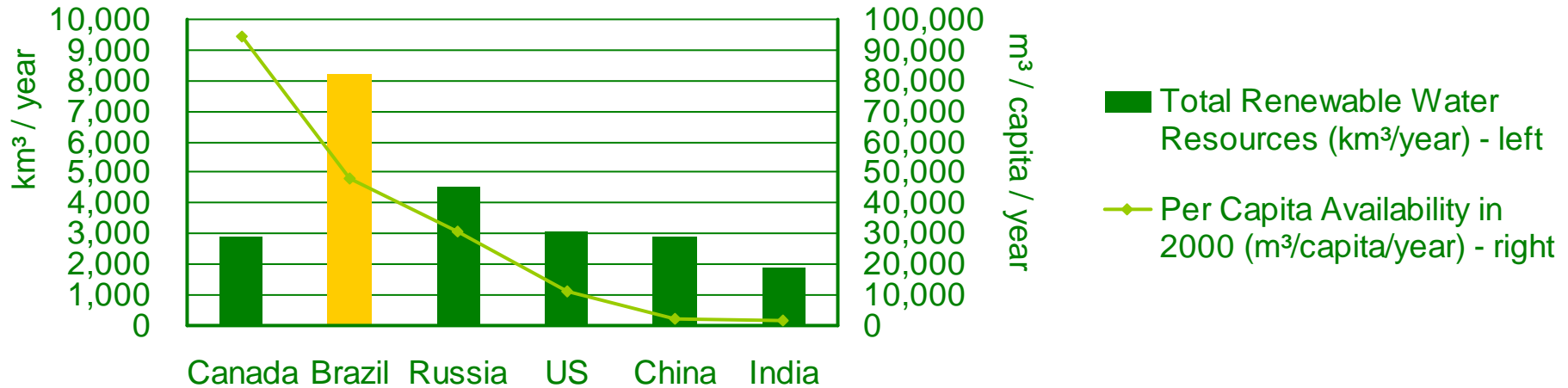
- ✓ **Brazil has the largest amount of available arable land in the world**
- ✓ **Flat topography**
- ✓ **Sunlight abundancy**
- ✓ **Mild temperature**
- ✓ **Adequate soil**

Source: FAO, Brazilian Institute of Geography and Statistics (IBGE)
Note: Does not include protected areas and areas used for human settlement or roads. Areas used as pastures are considered "potential arable land not being used by agriculture" by FAO

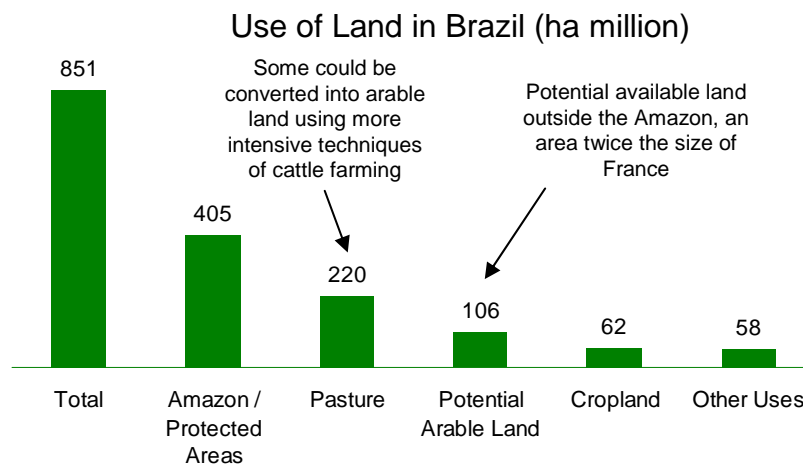


Brazil has Large Availability of Water...

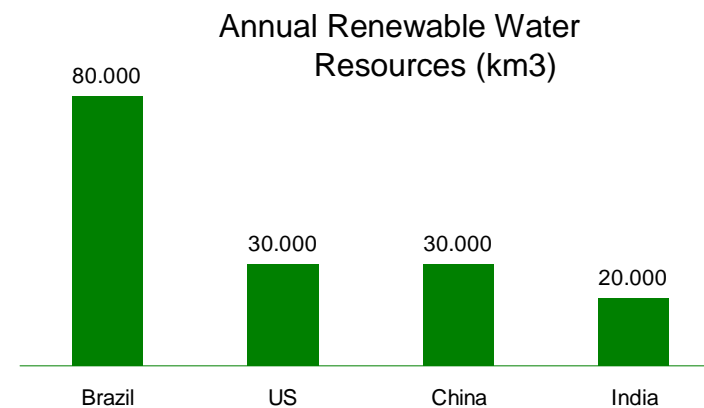
National Water Resources Comparisons



Rich in water and land resources...



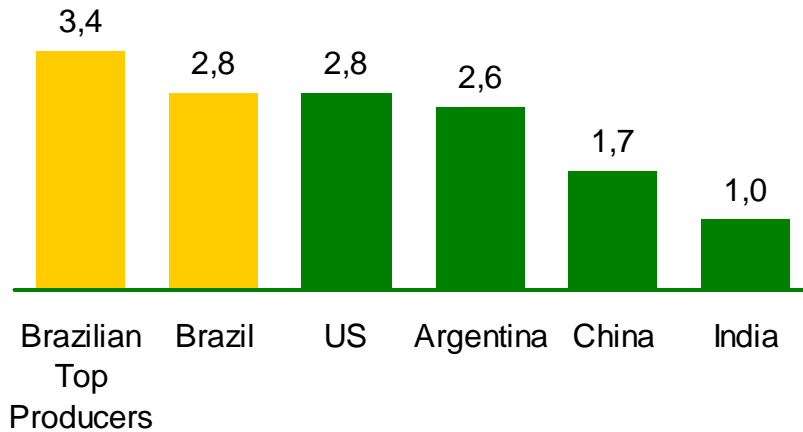
Source: Conab, 2006



Source: USDA

...and One of the Best Yields Globally

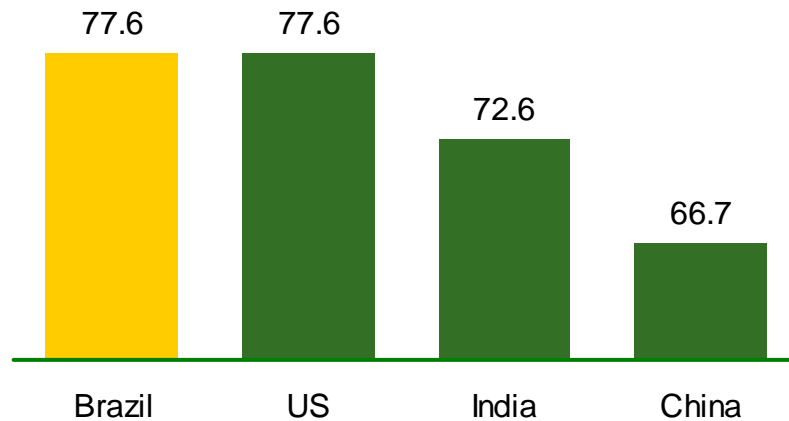
Soybean Productivity (tons/hectare)



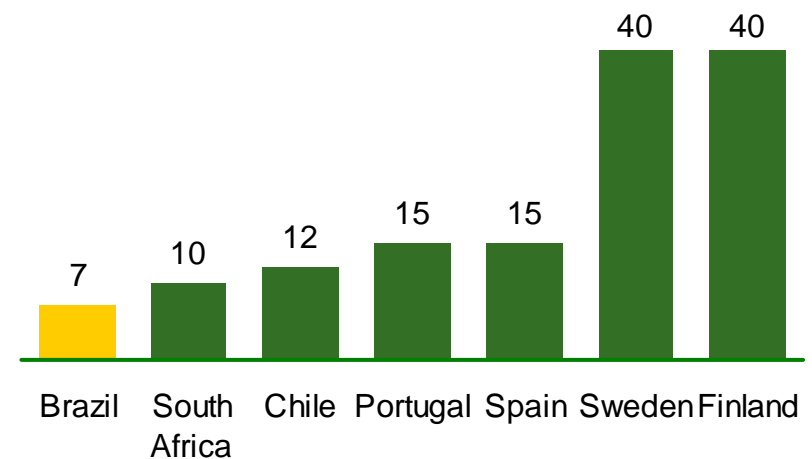
Cotton Productivity (tons/hectare)



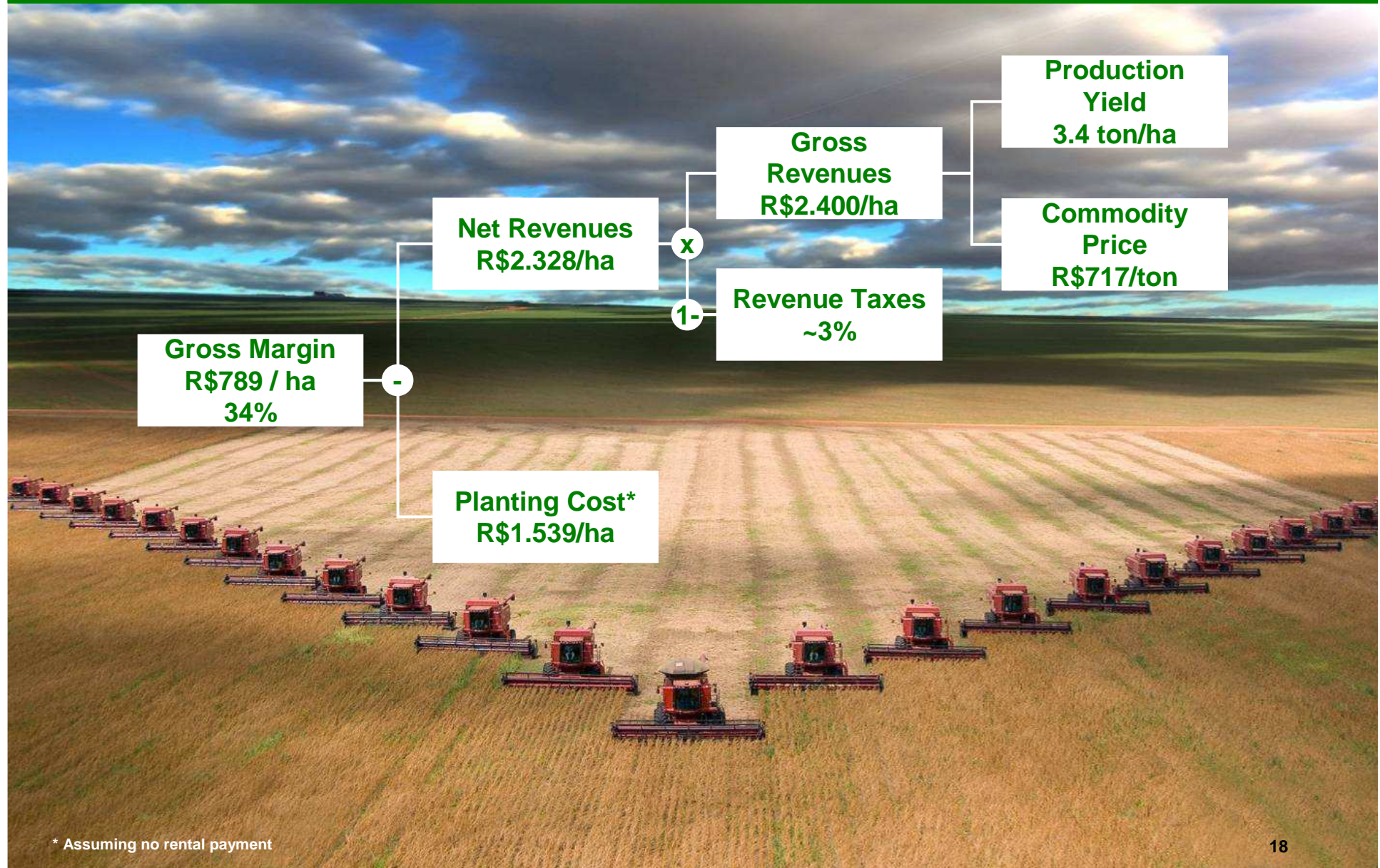
Sugarcane Productivity (tons/hectare)



Short-Fiber Timber Cycle (years)

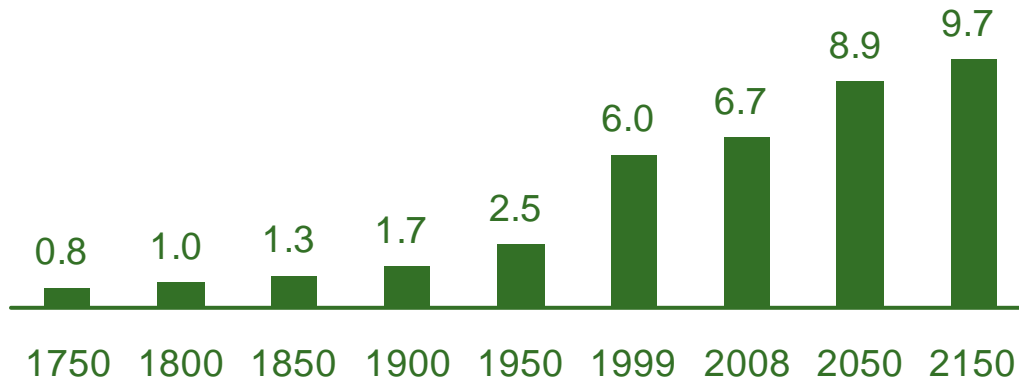


Soybean Production as a Business

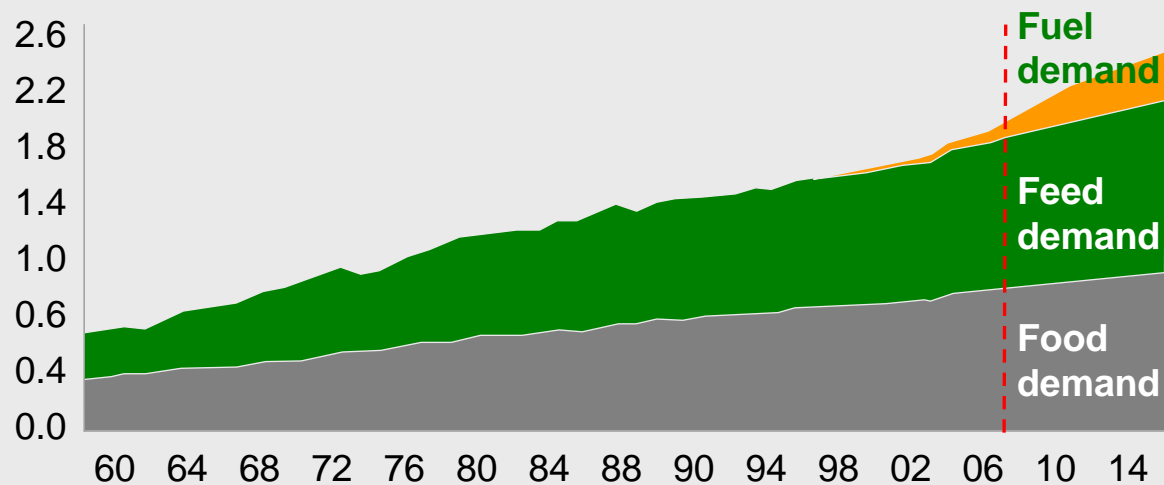


...Impacted by Population Growth and Protein Consumption Increase...

World Population (billion people)

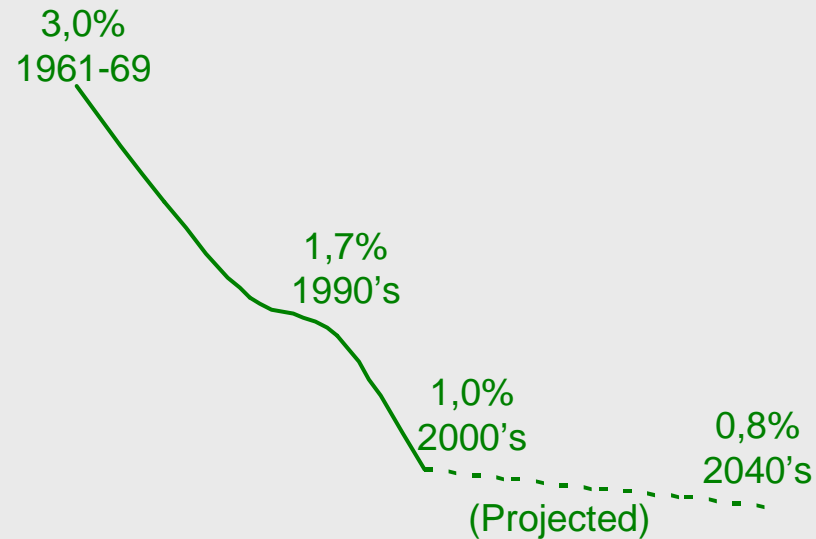


Global food, feed and fuel consumption (billion tons)



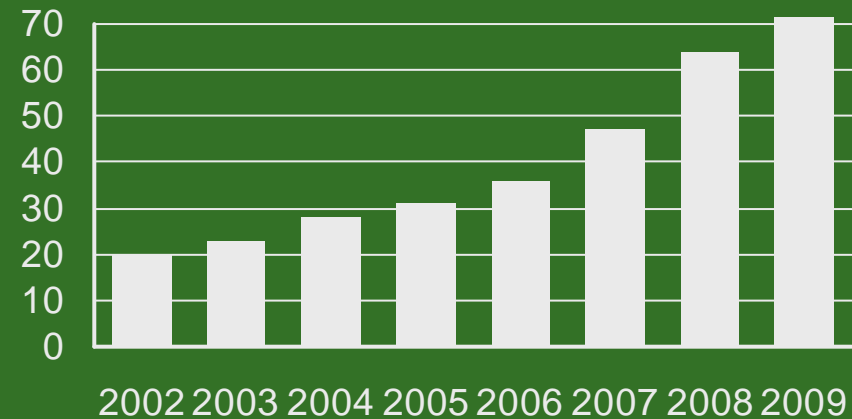
... and Intensified by Stagnating Yields and Biofuels Impact

Average Annual Rate of Growth in Cereal Yields per Decade



Yield growth rates have been decreasing dramatically

Global Ethanol Demand (Billion liters)

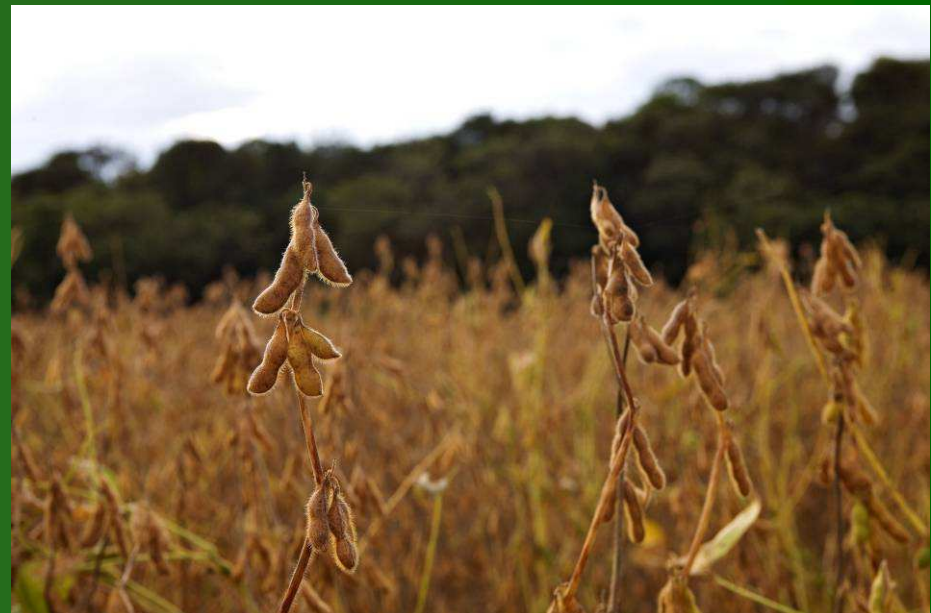


Biofuels drive demand and competition for cropland

Although biofuels are a small percentage of the total grain and oilseed demand, it is expected to increase

“We face the challenge now of not only ensuring food for the 973 million who are currently hungry, but also ensuring there is food for nine billion people in 2050. We will need to double global food production by 2050.”

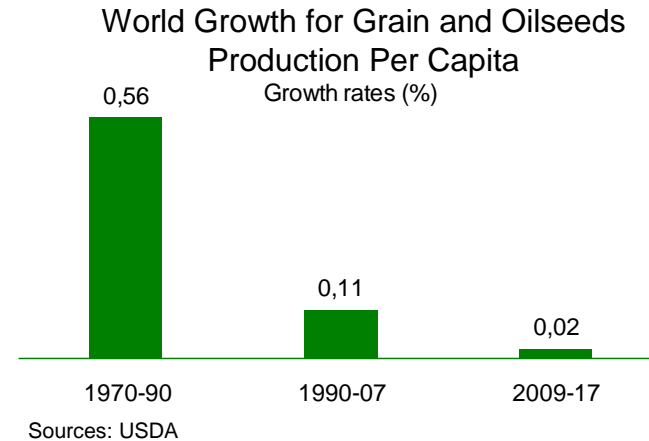
FAO (2009)



Current Production Drivers Are Not Matching World Demand

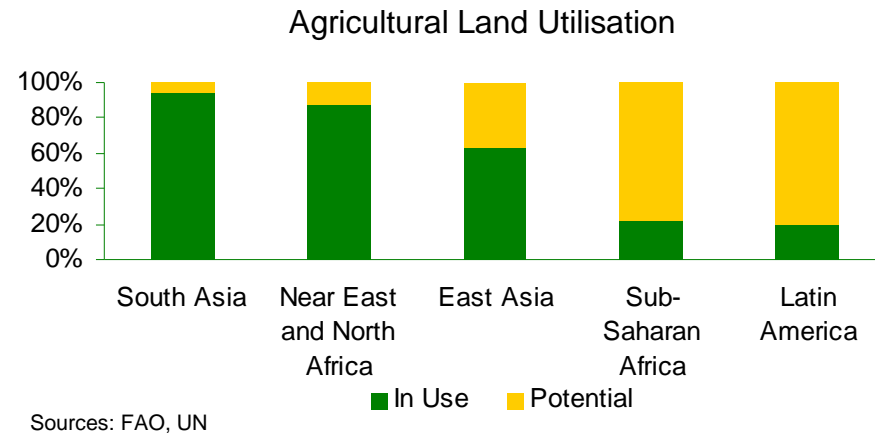
Rising Productivity Deficit

- 1961-1999: more than 75% of total production increase came from productivity gains, land expansion accounting for approximately 15%
- A new “Green Revolution” is required:
 - 1 ha sustained 2.4 people in 1960; 4.5 in 2005; and will have to sustain 6.4 people by 2050



Suitable Land is Scarce and Opening is Stagnating

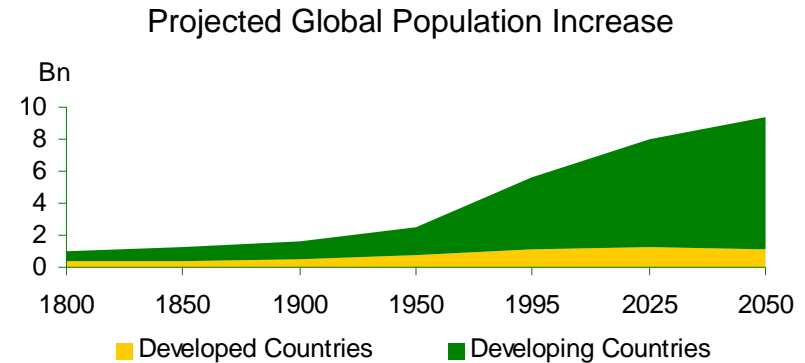
- Stagnating acreage expansion:
 - world cropland surface increased by 10% between 1961 and 1985, but only 3% between 1985 and 2003
- In order to achieve production targets and compensate for stagnating productivity a trend reversal is required
- USDA estimates that acreage expansion needs to grow almost 3 times faster than in the previous 2 decades



Demand Drivers Remain Strong

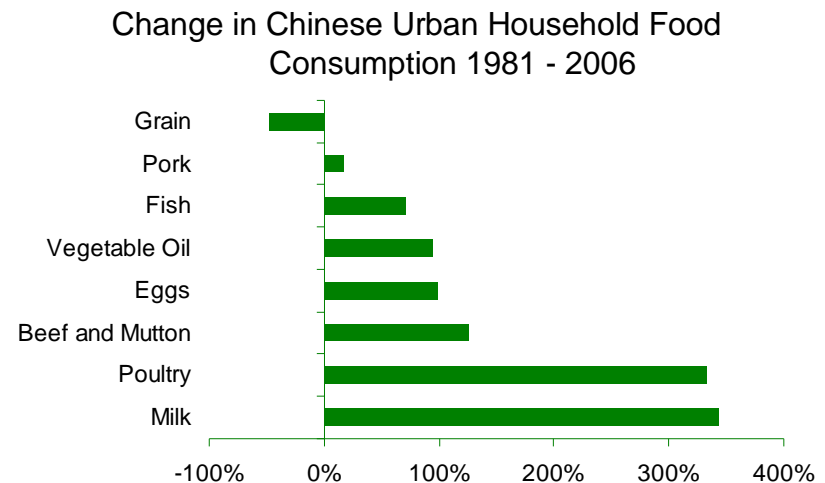
Continuous Population Growth Centred in Emerging Markets

- World's population is projected to increase by 37% from 6.7 billion today to 9.2 billion by 2050
- Asia, particularly China, India and South-East Asia projected to account for 60% of population by 2050
- Among the 20 most populated countries in 2050, 18 will be developing or transition economies
- Demand further dynamised by emergence of biofuels

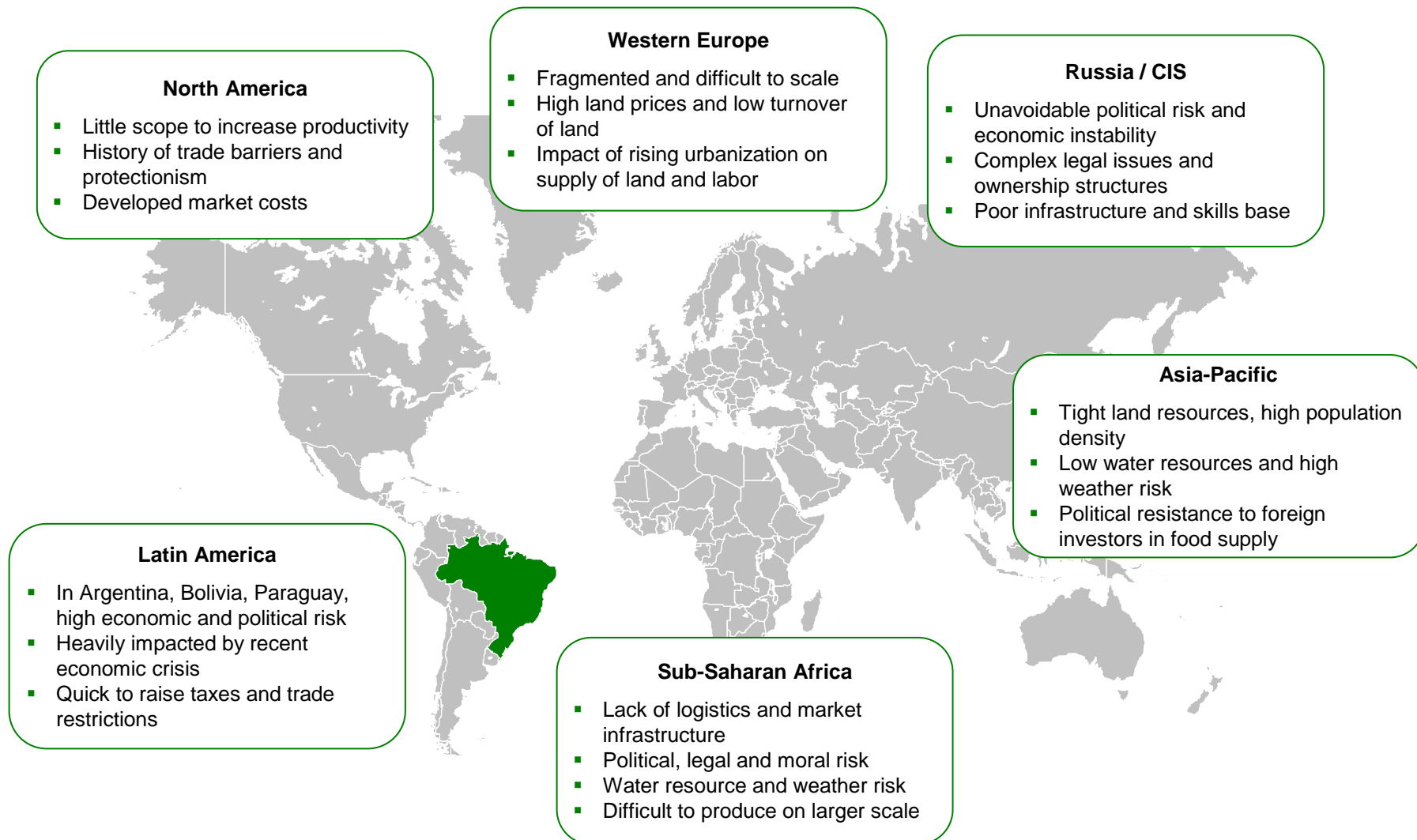


Improvements in Diet

- By 2025:
 - 1.1 billion people will join the middle-class income groups in China and India
- Income growth materially affects demand
 - it takes 3kg of grain to produce 1kg of chicken
 - it takes 7kg of grain to produce 1kg of beef



Brazil's Edge Compared to Other Areas in the Globe



Brazil, an Agricultural Giant With Untapped Potential

Already an agricultural superpower...

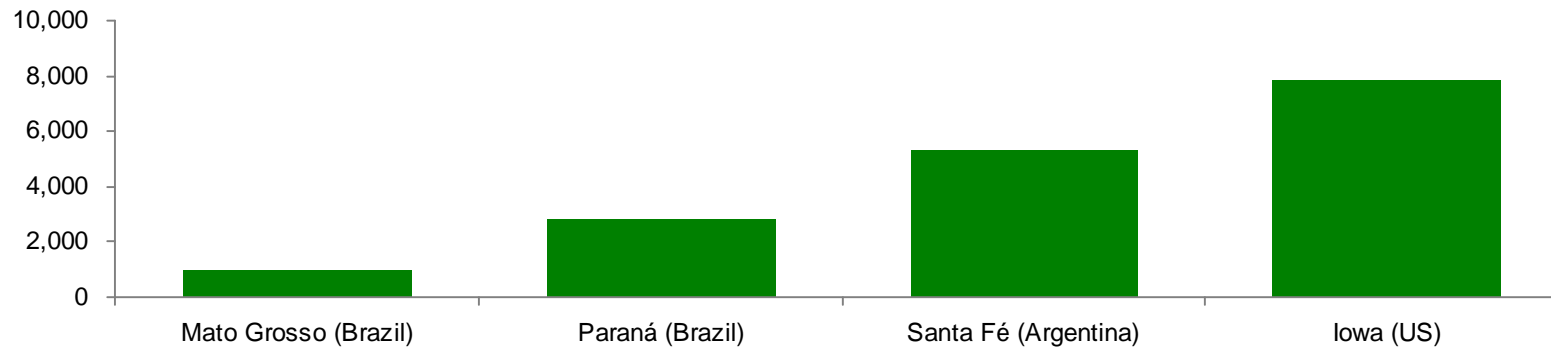
- Agricultural superpower
 - world leader in numerous commodities (beef, poultry, sugar, coffee, orange juice, soybean, corn)
 - because of its resource advantage, Brazil's position is strengthening
- Major sector of the Brazilian economy, critical engine of growth and foreign exchange earnings
 - 35% of exports, 25% of GDP
 - \$60 bn agribusiness trade surplus
 - Focus on highly productive corporate farming

Brazil's Global Agribusiness Ranking

	Export	Production
Sugar	1	1
Coffee	1	1
Meat	1	1
Poultry	1	2
Soybean	2	2
Orange juice	1	1
Corn	2	2
Cotton	4	4

Source: Credit Suisse, JPMorgan, Banco do Brasil

Brazil vs. Other Countries (US\$/ha)¹



Source: IBGE, FNP, and Iowa State University



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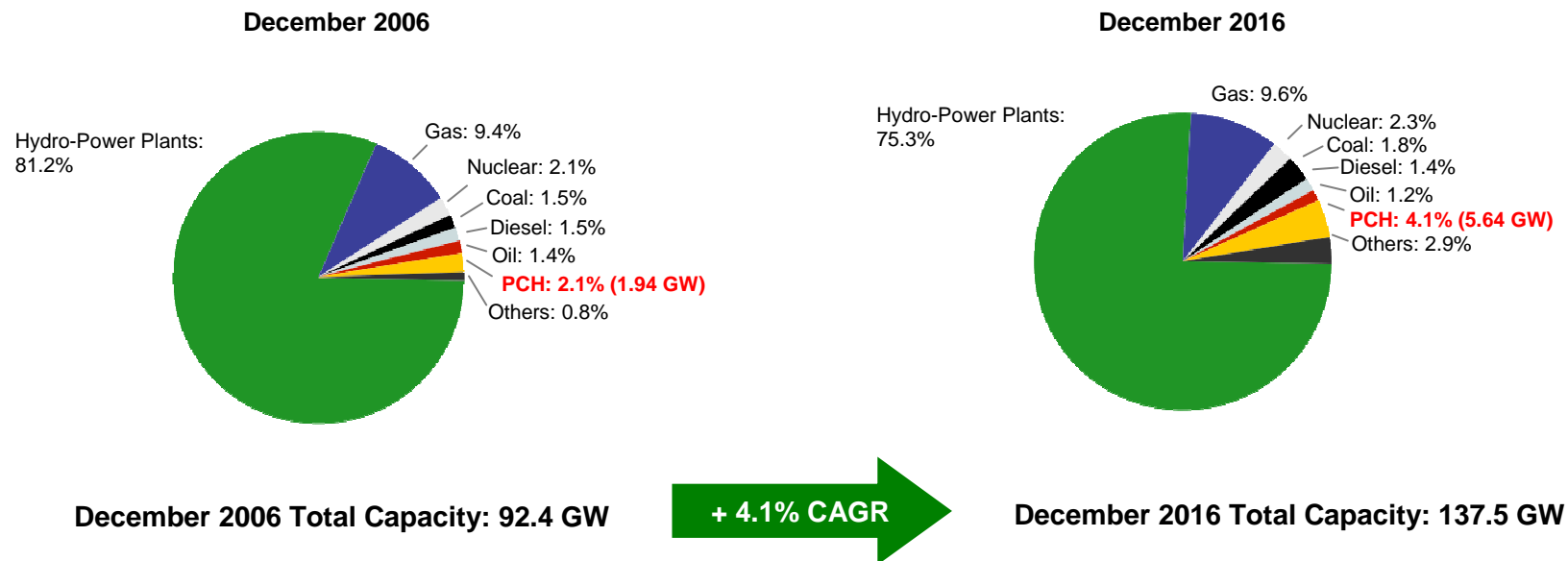
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Brazilian Energy Sector – Installed Capacity

Brazilian Energy Sector

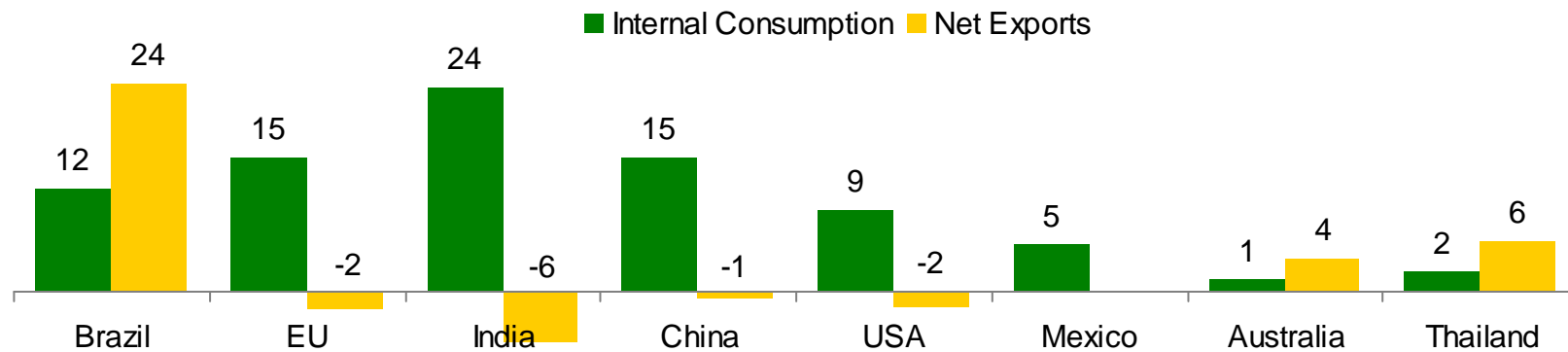
- In June 2007, the Brazilian Government defined the 10-year plan for expansion of electricity generation capacity. PCHs play an important role in this expansion plan
- The plan was designed to boost power generation capacity in Brazil from 92.4 GW in December 2006 to 137.5 GW by 2016



Source: EPE/MME
Historical demand growth for electricity is 1.2x GDP growth.

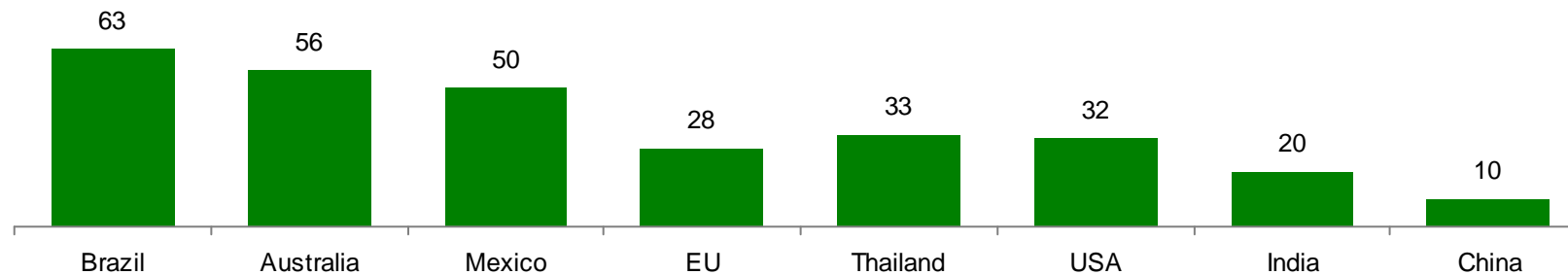
The Sugar Sector

Global Production and Consumption of Sugar – Harvest 2009/2010 (million tons)



Source: U.S. Department of Agriculture (USDA)

Sugar Consumption Per Capita – Harvest 2009/2010 (Kg/inhabitant/year)

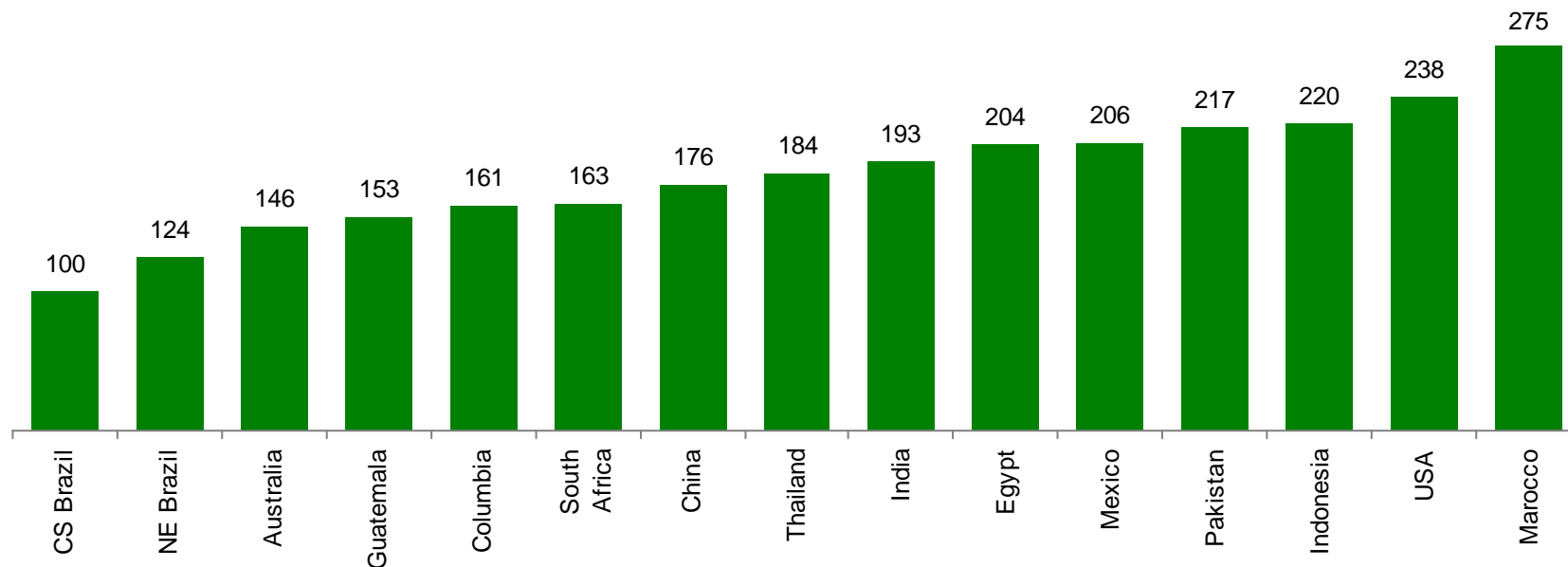


Source: U.S. Department of Agriculture (USDA)

The Sugar Sector in Brazil

- Brazil is the largest producer of sugar in the world (36 million tons produced in the 2009/10 harvest)
- Regional characteristics (weather, land availability etc) qualify the country as the lowest cost sugarcane producer in the world

Costs Related to the Production of Sugar – Harvest 2004/2005 (Brazil 100 basis)



Source: U.S. Department of Agriculture (USDA)



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Distressed / Special Credit Opportunities

The key distressed / special credit opportunities in Brazil are:

- **Consumer distressed assets / NPLs**
 - Driven by sourcing and servicing capacity

- **Corporate distressed assets / DIP financing**
 - New legal/regulatory framework (2005 Bankruptcy Law) validated in 2009 by the Brazilian Supreme Court

- **Restructured Government Debt**
 - Originated from credits against the failed Brazilian mortgage bank (BNH '80s). Also related to problems during the hyper-inflationary period

- **Legal claims / Writs of payment**
 - Hyper-inflation in Brazil in the 80s and 90s generated an array of distortions leading to liabilities of the public sector a result of the miscalculation of monetary adjustment due to its creditors



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Vision Brazil Investments

Facts

- **One of the leading Private Equity and Asset Management firms in Brazil**
 - Rated #1 by “Investidor Institucional” as most focused on foreign Institutional Investors
- **Manages in excess of US\$ 2 Billion of investments in Brazil on behalf of foreign Institutional Investors**
 - US\$ 500 million with 1-2 yr tenor; US\$ 900 million with 3-5 yr tenor; US\$ 600 million with 7-10 yr tenor
- **In business since 2003**

Areas of Expertise

- **Agriculture**
 - Grains (Soybeans, Cotton & Corn), Cattle Beef, Timber and Sugar/Ethanol
 - One of the largest Agriculture Land Developers in Brazil with a portfolio in excess of 320,000 hectares
- **Real Estate**
 - Commercial class A development ; Commercial class B retrofits; Affordable Housing
- **Renewable Energy**
 - Ethanol /Biomass; Small Hydroelectric and Wind Power
- **High Yield Credits**
 - Consumer financing; NPLs; Corporate distressed assets; Restructured Debt ; Legal claims / Writs of payment

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