EDGE INVESTIMENTOS

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To

The Shareholders of Club Triumph and San Francisco

Subject: Presentation Letter to the Shareholders

Dear shareholder,

We are pleased to send you the first Management Report for the Triumph and San Francisco Investment Clubs. In summary, as it is already known by our clients, these clubs will become Edge Value Fundo de Investimentos em Ações, to be managed by Edge Brasil Gestão de Ativos Ltda. ("Edge Investimentos"), an asset management firm founded by Alexandre Martins and Bernardo Dantas. The creation of Edge Investimentos represents a very important step in our lives and a natural evolution towards complete professionalization in asset management.

At this moment, we are working to transfer the administration of the clubs from the brokers (Prime and Intra) over to BNY Mellon Serviços Financeiros, a subsidiary of The Bank of New York Mellon Corporation focused on providing service for independent managers and institutional clients, with over $20 trillion in assets under custody and administration.

In parallel, we are carrying out the necessary stock exchange trades for the equalization of the portfolios of both clubs. Therefore, only the stocks with higher upside potential will remain in the portfolios. By the end of the year the portfolios will be practically the same. On this occasion, a meeting for the takeover of both clubs and for the transformation into a fund will be held. We believe that this process will be concluded in February 2008.

On this first letter, we will comment only on issues relating to our investment philosophy.

The past several years witnessed a persistent bull market and unbridled optimism started to take over investors. New investments by foreigners and by inexperienced domestic investors arrive at the market seeking quick returns from IPOs and “fashionable” industries.

Within this scenario, it is already possible to see some stock prices detaching from their economic fundamentals, raising risks to the inattentive investor. We know that, in the long term, the returns on stocks cannot be higher than the profit growth of the companies they represent, so it is evident that exaggeration[1] periods will be succeeded by adjustments when stocks are again traded near fair prices, causing significant losses to those who started investing on a later step of the appreciation cycle.

Even though these market cycles have been repeated countless times, psychological factors – mainly greed and fear – act against the financial interests of the investor, who buys stocks during bull markets and sells them during crises (bear markets).

We will dedicate this letter to our investment philosophy because we believe that its understanding will bring to our investors the necessary comfort to navigate market cycles, earning profit during exaggerated bull markets and investing during periods of unjustified pessimism.

Below we present the eight investment principles that were agreed to by the partners of Edge Investimentos when they decided to unite both investment clubs and set up an asset management firm. After each principle, we will comment on the rationale behind it.

[1] It is worth mentioning that, in our opinion, current market exaggeration is concentrated in some industries and companies.

INVESTMENT PHILOSOPHY

1 – We are long-term investors. We seek to reach considerable capital appreciation through the acquisition of minority stakes in publicly-traded companies.

We do not assess stocks, we assess companies. We consider ourselves business analysts and we spend most of our time studying companies, seeking to understand the competitive landscape, products and services, financial health and management quality.

When we find a business whose fundamentals and market price seem sufficiently good, we make an investment. At this moment, we have neither a price nor a date to exit the investment.

We do not have a date because in the short term stock prices are influenced by external, macroeconomic events and by investor expectations in general. In the long term, factors such as stock buyback programs, mergers and acquisitions in the industry, positive operating results and good return on employed capital influence the market to review its expectations and better price the stock.

We do not have the right price because we constantly see our fair price estimate changing considerably after our initial investment. Changes in the competitive landscape, expansion projects and investments, acquisitions and several other internal and external factors alter the price that we consider to be fair to sell the asset. In general, companies with strong competitive advantages and a competent management tend to present changes that positively alter the fair value. Mediocre companies, on the other hand, even when acquired at a low price tend to present negative surprises, which significantly compromise their fair value.

We are always watchful for these issues, monitoring short-term events while separating unimportant noise from facts that really alter the value of companies. We are not influenced by market rumors, changes in daily prices, broker reports and the like. We encourage our shareholders to think similarly and focus their attention on the longer term.

2- We choose our investments based on the margin of safety that the current market price offers over our fair value estimate for the company, supported by a thorough study of the financial and competitive situation of the business, management quality, growth perspectives and corporate risks.

We are value oriented. We are very careful not to confuse a good company with a good investment.

A company with strong competitive advantages, good growth perspectives and a serious and competent management may not be a good investment. In order to be a good investment, the expectations embedded in the market price must not exceed such fundamentals.

Our work consists in seeking companies whose market value, based on the perception of economic agents, presents a discount to the fair value based on a thorough analysis of the business fundamentals. We call this discount margin of safety.

Normally, we require a margin of safety of 30% before investing in a company. For some rare businesses – those that present both a sound strategic positioning and a history of outstanding returns on employed capital - we accept to buy them with a slightly smaller margin.

3- We will always focus on the preservation of invested capital through the constant monitoring of operating, financial, regulatory and corporate risks inherent to our investments.

Given that the future is uncertain, the only variable that is under our direct control is our bid price. Consequently, we pay extra attention to how much we pay to get into an investment.

We seek bargains such as R$1.00 value for R$0.50. If our bid price is cheap enough, even a mediocre sale in the future may represent a good return. We see the margin of safety as an insurance policy that somewhat protects us from significant drops and unforeseeable factors in a volatile environment.

After we make a buy decision, we constantly monitor the changes to our baseline investment scenario. We include in our analysis several scenarios that span all the risks and opportunities that we can think of, then we compare these scenarios with the current market price.

We do not hesitate to sell a company whose margin of safety has been reduced, regardless of the cause – be it an appreciation of the market price, a change in economic fundamentals, or both.

We do not speculate, we do not use leverage and we do not engage in day-trading.

4- We concentrate the fund's assets on our best ideas.

The rationale behind concentrating the assets on a few stocks is quite simple. There aren't so many companies on the market that meet all of our investment requisites, especially margin of safety. Given that the effort is already tremendous to find just one company, how about finding twenty? As a result, our fund will have a portfolio that is responsibly concentrated, with approximately ten stocks.

We define "responsible concentration" as the allocation of resources in a small group of assets that have uncorrelated value drivers. Therefore, our investments will always feature industry, currency and consumer market diversification. No industry or production chain will make up more than 25% of the portfolio.

5- We do not perform market timing and discourage short-term speculators from investing with us.

We are not short-term investors. If we were runners, we would be marathoners and not sprinters.

We expect the same profile from our shareholders, including focus on the long term.

6- Our partners do not invest directly in stocks, neither are they shareholders in other stock funds. The entirety of our investments in stocks will always be allocated in our funds[2]. We understand that this alignment of interests is a paramount condition for the exercise of our activity.

7- We do not charge performance fee over inflation. We believe that an ample market index truthfully represents the minimum compensation corresponding to the risk incurred by the equity investor. Therefore, we will only be compensated for performance when we outperform the FGV-100[3].

8- We will consider closing the fund for new investments whenever we judge it beneficial for our investors.

Commentary to the principles 6, 7 and 8

Although these principles do not deal directly with the investment process, we decided to include them because they refer to two sensitive points that are fundamental to shareholders: the alignment of interests and management compensation.

In general, fund managers earn a percentage over the AUM as management fee. This compensation scheme may generate a conflict of interests, as the manager may conclude that it is easier to increase assets under management through client acquisition than by share appreciation. Consequently, we note some managers using a considerable part of their time making presentations, visits and conference calls with large investors in detriment to dedicating more time to the analysis of investment opportunities.

Also, we commonly see managers of sizable resources adopting portfolios that are very similar to the index, thus preventing the performance from being substantially lower than the market average, which could lead to redemptions. Note that, in this case, the performance cannot be much higher than that of the index.

This misaligned behavior brings gains to the manager in detriment to returns to clients.

[2] "Investments in stocks" are all the investments in stocks of publicly-traded companies listed on Bovespa and investments in long-only funds that buy stocks of publicly-traded companies listed on Bovespa.
[3] The performance fee will follow the "high-water mark" principle, in which the fee will only be paid again if the share value is above the latest benchmark share for the payment of previous performance.

Despite these misalignment risks, it is evident that there are efficient ways to align interests. The performance fee is one of them. Another one (more important in our opinion) is the co-investment of fund managers. The more managers' net worth is exposed, the better.

In the case of Edge Value FIA, more than 80% of the assets in December 2007 belong to the managers. Obviously, this percentage will shrink as the fund grows, but we will always be major co-investors, highly aligned with our shareholders.

Regarding performance-based compensation, we understand that in order to have an alignment, compensation must be made only if the active management generates a return higher than the minimum available on the market for the same level of risk. In the case of equity investors in Brazil, the minimum return for risk exposure is the long-term return of an ample market index.

Therefore, we chose as the benchmark for our fund the FGV-100 index, and we will only be compensated for performance if we outperform the index.

Finally, in a further effort to preserve the alignment of interests and the capacity to generate superior returns, we may close the fund for new investments when we deem that the entry of new resources will harm the return of current shareholders.

HISTORY OF THE CLUB'S RETURNS AND EXPECTATIONS

During their lifetimes, both clubs outperformed the Bovespa index and the FGV-100. Club Triumph had an accumulated return of 133% from February 2006 through November 2007, which compares with 72% for the Bovespa index and 74% for the FGV-100 in the same period. Club San Francisco had an accumulated return of 227% since its opening in April 2004 through November 2007, which compares with 191% for the Bovespa index and 182% for the FGV-100 in the same period. The returns are net of all management-related fees and expenses.

Some clients see our past performance and ask if these results will be repeated in the long term, or what will be Edge Value FIA's annual return. As there is no right answer to these questions, we decided to list below our realistic expectations for Edge Value FIA under the management of Edge Investimentos.

What to expect from Edge Value FIA and its managers?

We expect to obtain – in the long term – high absolute returns. In relative terms, we expect to outperform the benchmark index.

Undoubtedly there will be short periods of underperformance compared with the index, as well as negative returns. Just a curiosity: a recent study in the U.S., carried out with approximately 600 funds and analyzing a 10-year history, concluded that all funds, including the top 10%, had periods of 12 months underperforming the S&P 500.

We will truly follow the investment philosophy presented at the beginning of this letter. We will always seek great businesses, run by competent and honest managers and trading at prices that enable a margin of safety. We will not use leverage and we will responsibly concentrate the fund's assets on the best ideas. We will always be relevant co-investors.

We will adopt full transparency in the relationship with our shareholders. On a quarterly basis we will send a management report with detailed information on our investments. On a monthly basis, each client will receive by email a summary of the period with returns, composition of the portfolio by industry and other relevant information.

In addition to the reports, the managers are always available to talk to investors. Our clients can contact us at Edge, or directly on our mobile phones.

We would also like to invite all shareholders to visit our new office in Barra da Tijuca, in the commercial building of Shopping Via Parque at Bloco 2 / room 324*.

**Note: since September 2012, our office is located still in Barra da Tijuca but at Barra Tower Offices. Full address below.*

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Respectfully,

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