MANAGEMENT REPORT

2nd Quarter 2012

EDGE INVESTIMENTOS

Av. Das Américas 8445 / 606
Barra da Tijuca – Rio de Janeiro – RJ
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Disclosure of Past Performance

Edge Value FIA returned -5.36% in the second quarter of 2012. In the same period, the Ibovespa and FGV-100 decreased 15.75% and 7.97%, respectively.

Since inception, in 2004, the accumulated return from the Clube San Francisco (currently Edge Value FIA) was 461.72%. In the same period, the returns from Ibovespa and FGV-100 were 157.71% and 259.59%, respectively.

Period	Edge Value FIA	FGV100	IBOVESPA
July 2012	2.31%	0.32%	3.21%
June 2012	1.03%	3.81%	-0.25%
May 2012	-3.65%	-12.57%	-11.86%
April 2012	-2.78%	1.40%	-4.17%
March 2012	3.63%	2.41%	-1.98%
February 2012	5.45%	5.22%	4.34%
January 2012	2.85%	7.09%	11.14%
2012 YTD	8.80%	6.55%	-1.16%
2011	-1.90%	-10.58%	-18.11%
2010	18.99%	10.22%	1.05%
2009	85.79%	87.65%	82.66%
2008	-27.18%	-34.09%	-41.22%
2007	40.30%	40.06%	43.68%
2006	33.13%	31.55%	33.73%
2005	29.24%	15.15%	27.06%
Since Inception (15/4/2004)	461.72%	259.59%	157.71%
Annualized Return	25.81%	20.49%	16.92%
Total Assets	R$ 48,810,928		

Data from 15/04/2004 to 13/01/2009 refers to the Clube de Investimento Edge Value (the former Clube San Francisco and incorporator of the Clube Triumph). The conversion date for the Edge Value FIA was 14/01/2009.

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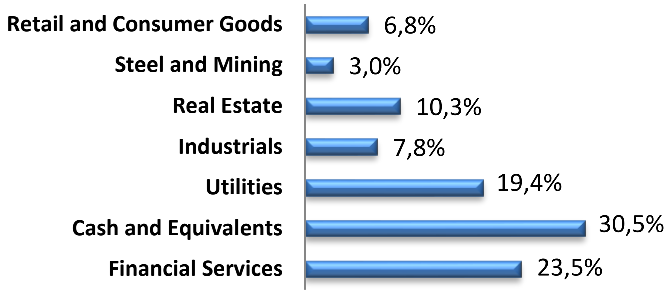
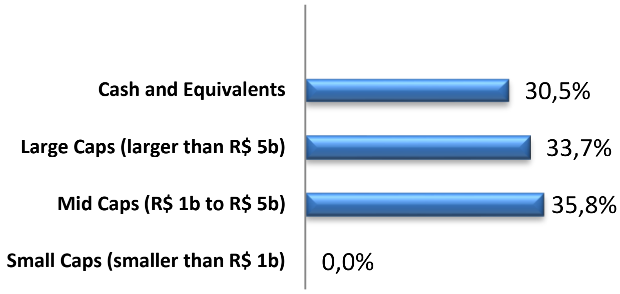
Portfolio Composition and Performance

On August 2012, the portfolio was composed of stocks from 10 companies, divided as follows:





(1) The red line represents the conversion date of the Clube de Investimentos San Francisco into the Edge Value FIA (14/01/2009).

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Comments

Markets

Volatility remained high during the last quarter. In the midst of this turbulence, Ibovespa produced a negative return of 1.16% up to July. In the same period, Edge Value FIA experienced a positive return of 8.80%, with a risk profile we believe to be lower than that of the index.

Our main positions remain the same from the previous quarter. With the exception of some rebalancing transactions and the divestment from two positions– Gerdau and Viver – which will be discussed later – the portfolio didn't change much.

If trading activity has been slow, the same cannot be said regarding our research effort. Our team has been actively investigating several investment opportunities, seeking excellent businesses at fair prices or honest businesses at deeply discounted prices. So far, in 2012, not much has been found.

However, our efforts have not been fruitless. The absence of new investments hides the valuable knowledge base that is being formed. With the profound understanding of some companies and 30% of our assets in cash, we believe we are positioned to take full advantage of any future price dislocations that may occur.

Companies

Divestment – Metalúrgica Gerdau

In June 2011, we invested 3% of the fund's assets in stocks of Metalúrgica Gerdau.

At the time, the company had accumulated a loss in market value of approximately 50% in 12 months, following the steel sector performance, as the stock market had begun to price in the difficulties arising from the significant idle capacity of the sector coupled with raw materials price increase.

We believed[1], however, that Gerdau had different economic fundamentals from other listed steelmaking companies and, because of this, its current price performance was disconnected from the variation of Gerdau's earnings power.

In the months subsequent to our investment, the stock continued to fall, which allowed us to increase our exposure in GOAU4 to 5% of the fund, with prices that were up to 25% lower than our entry level.

At the end of July 2012, after the stock price rebounded from the recent depreciated levels, we sold our position. The annualized return on the investment was 23.5%.

[1]See 3rd Quarter 2011 Management Report. (in Portuguese)

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Divestment – Viver

In August 2012, we concluded the sale of our shares of Viver. The disinvestment was motivated by the conclusion that our investment thesis was wrong and, therefore, even after significant price depreciation, the expected return was still insufficient to justify the risk incurred in maintaining the position.

Whenever we disinvest from a company, with a profit or a loss, we compare our convictions at the time of the investment with the reality of the subsequent periods.

In the example of Viver, the post-mortem analysis points out mistaken assumptions. We seriously underestimated the extent of the damage done by previous management, in the pre-crisis period of 2008, and the challenge of assembling a new management team capable of launching lucrative projects in a volume that was compatible with the company’s size and G&A.

These difficulties were evidenced by: (i) replacement of several members of top management in a short period of time, (ii) recognition of R$ 117m in “budget deviations”, including projects launched in 2010 (and probably more to come) , (iii) interruption in the rhythm of launches in 2012, with only 95 units launched up to the June 2012 and (iv) delays in cash flows from units sold, putting pressure on the short term liquidity.

The result obtained from the investment in Viver was an annualized negative return of 37% - the worst investment ever made by the fund. As the fund exposure to Viver was limited to 5%, the performance attribution from this investment was -3.5% over two years.

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Organizational Update

Recent developments

It is a healthy exercise to analyze our own company using the same criteria that we apply to our investments. With respect to the qualitative evaluation of the business, among other factors, we take into account the quality of the managers.

Much has already been written in relation to the methods of analyzing this aspect: track record in terms of capital allocation and value creation, the coherence between execution and strategy, moral values and alignment with the investors. Up to this point, we believe that we have met all these criteria, always maintaining vigilance to correct any future course deviation.

That said, it is evident that our company is growing and, in order to provide continuity to this evolution, we evaluated that our team was in the need of reinforcements – more honest and motivated people, to increase our capacity to monitor additional companies and sectors. We also needed more physical space – an office that better encouraged the collaboration between team members, by providing them with the best possible infrastructure.

Therefore, we are pleased to announce:

1. The entry of Gustavo Ballvé as a new partner in Edge Investimentos, at the end of July;

2. The change of the office address to Barra Tower Offices Building, at Av. das Américas 8445, Suite 606, at the end of August.

Gustavo worked for 11 years at Investidor Profissional (IP), where he was a partner, analyzing different sectors and also operating in knowledge management, Private Equity and trading. He has experience that is aligned with our investment philosophy and, more importantly, with our values and culture. In fact, we have been following his blog (Buysiders.com) for a period of time and we have already exchanged ideas about investments on several occasions. Gustavo is an engineering graduate from PUC/RJ and he recently completed Harvard Business School's Program for Leadership Development.

With respect to the new office, we cordially invite our investors to visit us at our new address. We hope it will be the base for many profitable investments.

Alteration in the minimum transaction amount

On 04/07/12, we altered the minimum additional investment of the fund to R$ 1,000. This step was taken to meet with the request of some investors who wanted to have more flexibility in order to allocate monthly amounts that were lower than the previous limit of R$ 10,000.

Yours sincerely,

Edge Investimentos