

INTRODUCTION

Investing with Brazilian hedge funds and private equity managers can be a daunting task for foreign institutional investors. The rapid growth and evolution of Brazil's alternative asset management industry makes the identification and selection of local asset managers a significant challenge. Differences in language, business culture, and regulatory environment are additional barriers to overcome.

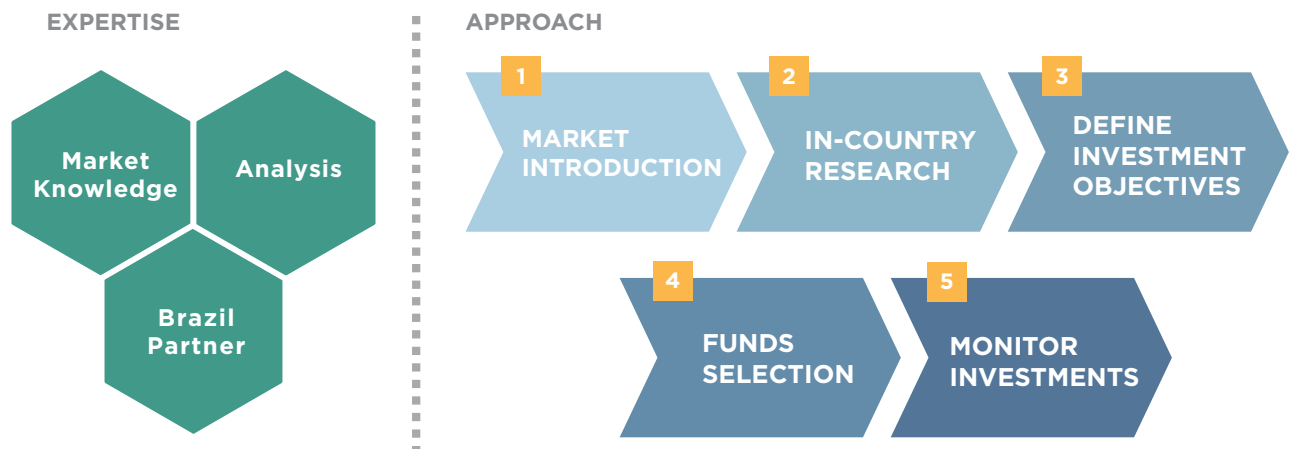
Risk Advisors Inc. provides expertise and logistical support to clients interested in gaining an understanding of the Brazilian alternative investment management industry and in the screening and selection of the managers that best meet their objectives. This engagement is undertaken in close association with a São Paulo based investment advisory group that provides the "eyes and ears on the ground" that are so critical to investing successfully in rapidly evolving markets. Access to local expertise is especially critical in identifying and assessing newly established investment groups.

Risk Advisors employs a rigorous research process to evaluate hedge fund and private equity offerings. The focus is to determine those products that best address a client's return goals within the risk and volatility parameters. Once the investment decisions are executed, Risk Advisors, in close coordination with its Brazilian partner, continues to assist in the monitoring, periodic review, and any re-allocation of assets that may be deemed necessary.

RISK ADVISORS DELIVERS:

- » **Brazil Expertise** – Experienced team with deep industry contacts and a track-record of investing in Brazil
- » **Research** – Extensive research on leading established funds and emerging managers
- » **Market Overview** – Overview of the Brazilian alternative fund industry with current outlook, trends, and local regulatory environment
- » **Manager Selection** – Identify and select managers through research, manager interviews, and in-country market knowledge
- » **Due Diligence and Support** – São Paulo based team provides support and performs manager due-diligence
- » **Ongoing Monitoring** – Monitor through periodic manager visits & tracking local investor perception

THE RISK ADVISORS APPROACH



BRAZIL INVESTMENT CLIMATE

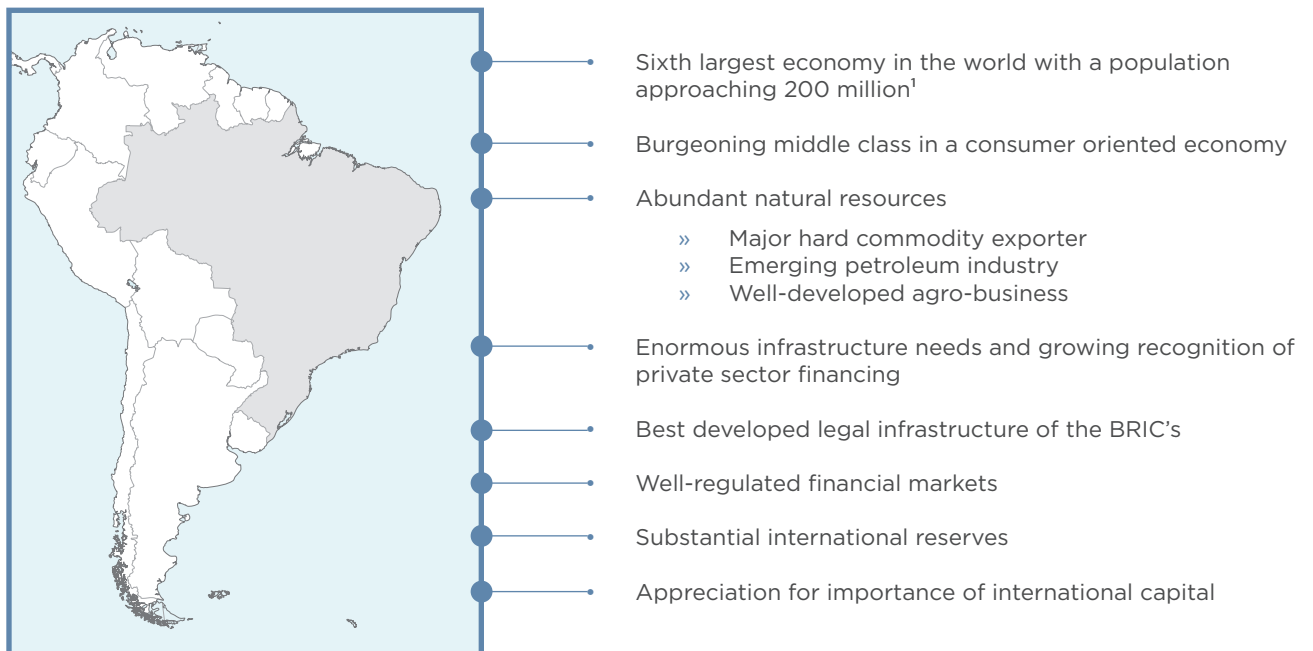
Monetary and fiscal reforms in Brazil, starting in the mid-1990s, set the stage by taming inflation, reducing budget deficits, and stabilizing the currency. Revamping of market regulations built on these gains helped expand a small equity market that had been dominated by a limited number of insiders. Moving into the new millennium, the economy received an additional impulse from the booming international commodity markets. The growth of the domestic consumer market was a direct beneficiary of the expanded social programs that were a major factor in the rapid expansion of the middle class.

Though initially lagging its Asian peers, Brazil took its place as one of the BRIC's and began to draw increased attention from international investors. Its profile was greatly enhanced with the onset of the global financial crisis of 2008. Brazil did not pass the crisis unscathed. In late 2008, the Brazilian Real plummeted from approximately 1.60 Real to the US dollar to 2.70. The stock market took a similar tumble, losing more than 50% of its pre-crisis value. By year-end 2009, however, the Real had reached 1.70 to the US dollar and the stock market was within 3% of its historic high that had been registered in the spring of 2008. This made Brazil a favored destination for investors seeking respite from the problems of developed economies in the promise and potential of the Emerging Markets.

However, by 2011, the Brazilian economy and markets were losing steam as growth slowed and inflation began to rise. The government failed to continue to build on the structural and regulatory reforms. The rapid accelerated growth had also pushed the infrastructure perilously close to full capacity. All too often, the official response to perceived difficulties was direct government intervention. As China began to cool, so did the international commodity markets.

The question is not whether Brazil has potential, but how to successfully evaluate and gain access to the opportunities that are being generated. The current political and economic uncertainties argue more than ever for the importance of having access to the knowledge and experience of investment professionals who are well acquainted with the business environment, and a developed network of contacts in the local market.

Notwithstanding the current head winds, Brazil continues to present a compelling case for international investors seeking medium to longer term investment opportunities in the emerging markets:



¹ "World Economic Outlook Database October 2012." World Economic Outlook Database October 2012. N.p., Oct. 2012. Web. 14 Jan. 2014

THE RISK ADVISORS APPROACH IS BUILT ON THREE FUNDAMENTAL ELEMENTS:



Central to Risk Advisors' philosophy is that its services are tailored to the needs and objectives of the client. We initiate our process by understanding the client's expectations and investment objectives. Typically, an engagement would contain a combination of the following:



➤ 1. MARKET INTRODUCTION

The critical first step is to gain an appreciation of the client's level of familiarity with, and understanding of, Brazil. Based on this determination, Risk Advisors will provide proprietary and third-party materials in combination with briefings on the critical aspects of the economy, financial markets and asset management industry. As an interactive process, the client's interests and orientation are the primary factors in defining the direction, focus, and extent of this phase.

➤ 2. IN-COUNTRY RESEARCH

Once clients have confirmed their interest in pursuing further the possibility of investing in Brazil, an in-country visit is the logical next step. Risk Advisors' Brazilian partner is central to this process and provides the practical knowledge of investing in the local market as well as the contacts to schedule face-to-face meetings with market leaders and leading investment managers across the spectrum of strategies. If desired, Risk Advisors will accompany the client on this visit, helping to overcome the language barrier and the difficulties of navigating an unfamiliar environment.

➤ 3. DEFINE INVESTMENT OBJECTIVES

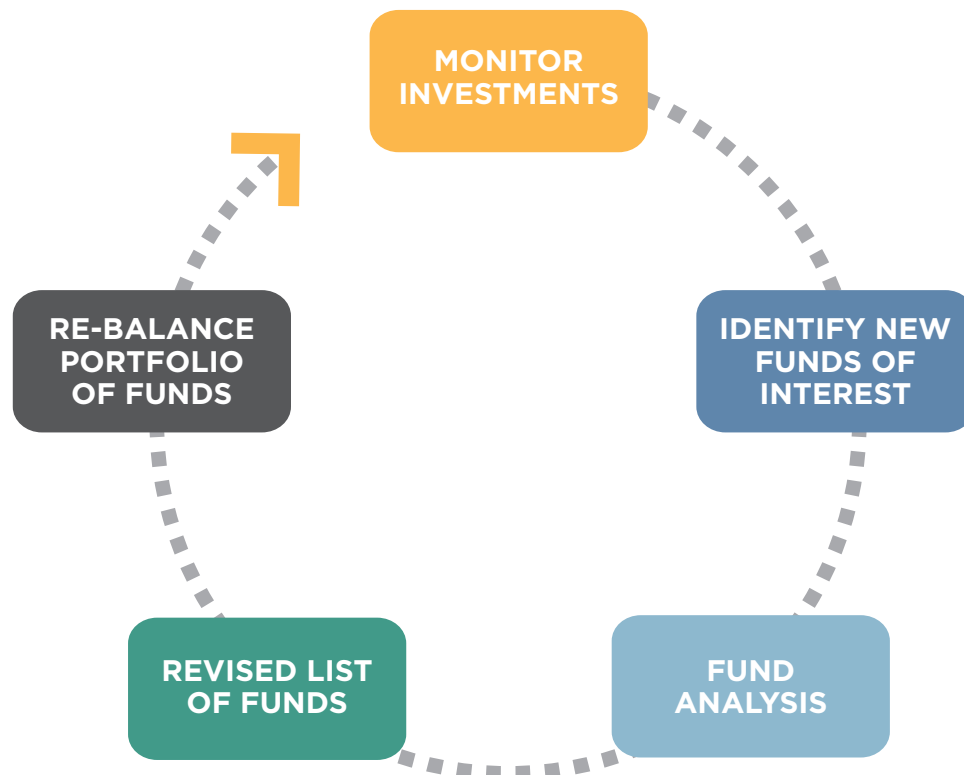
Armed with a preliminary understanding of the Brazilian market and the local asset management industry, clients have the base knowledge necessary to define the type of investment that best meets their own investment criteria. Working in close collaboration with Risk Advisors, the clients can set the parameters of their investment, including the scope (a single investment or a portfolio of funds), the preference(s) as to strategy, and the targeted risk/return profile. Having established the basic criteria and employing the knowledge and expertise of the in-country partner, a short list of fund candidates are developed for the final selection process.

➤ 4. FUNDS SELECTION

Provide access to all pertinent marketing materials and investment documentation. This process is greatly facilitated by the combined information databases of Risk Advisors and its in-country partner. What is not immediately available is obtained through direct contact with the fund manager. This material is then used to develop initial quantitative analysis on the individual funds that is enhanced by qualitative inputs and evaluation from both Risk Advisors and its in-country partner. Further, Risk Advisors will coordinate on-site visits and can organize and manage the due diligence process.

➤ 5. MONITOR INVESTMENTS

Once the client has made and implemented their investment decisions, Risk Advisors will assist with the ongoing monitoring of the funds. The receipt of periodic performance updates and organizing this into an analytical quantitative is vital at this stage. However, even more critical, are those developments that go unreported but can have a significant impact on a manager's effectiveness and/or the composition of the manager's team (i.e., the value of having "eyes and ears" on the ground). Risk Advisors is well positioned to perform or coordinate periodic on-site due diligence visits to reinforce routine performance analysis. Similarly, Risk Advisors' in-country presence and continuous involvement in the Brazilian market is an invaluable resource for identifying promising new managers or funds fitting the client's investment profile.



CASE STUDY: *ASSIST INSTITUTIONAL INVESTORS IN IDENTIFYING OPPORTUNITIES IN THE BRAZILIAN ALTERNATIVE INVESTMENT INDUSTRY*

A representative engagement includes an overview of the industry, in-country research on managers and strategies, assistance with fund selection, and an ongoing local monitoring of investments. The client is typically a pension plan, endowment fund, investment consultant, or family office seeking exposure to Brazilian alternative asset managers including hedge funds and private equity managers. The client engages with our seasoned team of Brazil alternative investment experts in New York and our fund-of-funds investment team in São Paulo.

SOLUTION

- Present an updated market summary with trends, industry facts, and regulatory environment affecting the alternative investment landscape in Brazil.
- Discuss investment objectives for the Brazilian portion of the client's alternative investment allocation and ascertain expected risk/return profile.
- Facilitate visit to Brazil to meet with fund managers in São Paulo and Rio de Janeiro.
- Select managers to evaluate based on research and dialogue with our fund-of-funds investment team based in São Paulo.
- Perform quantitative analysis using Risk Advisors' process developed through working with institutional investors in the United States.
- Provide qualitative analysis including insight and commentary from São Paulo based team.
- Ongoing monitoring of investment and investment themes utilizing local investment team.

BENEFITS

- Overcome differences in language, business culture, and regulatory environment through Brazil expertise and in-country assistance.
- Access to information, fund materials, and institutional level analysis on interesting hedge fund and private equity funds.
- Identify opportunities and issues early through ongoing monitoring and continued support.



ROBERT L. WOOD JR.

Robert is a Managing Director at Risk Advisors Inc. and leads the Asset Allocation practice. Earlier in his career, Robert was a senior corporate and investment banker in Latin America with Chase Manhattan Bank and AIG. In the last twelve years, he has built a successful track record marketing Hedge Funds primarily in the United States and Brazil. Over his career, he has lived for extended periods of time in Brazil and has developed a special expertise on that country's alternative investment industry. Robert holds an MA in International Relations from the Johns Hopkins' School for Advanced International Studies, and received his BA from Duke University.



SANJAY R. BHARWANI

Sanjay founded Risk Advisors Inc. to bring together markets professionals, risk management experts, and technologists to serve clients in financial markets. He actively consults with clients on risk management and technology related projects, and advises startup ventures focused on new ideas for the financial services industry. Previously, Sanjay was the Chief Information Officer at M. Safra & Co., a multi-strategy hedge fund focused on global macro and systematic trading strategies. Earlier in his career he focused on emerging markets debt at EXIS Consulting, a boutique financial markets advisory firm, and derivative valuations at Reval, a risk solutions provider. Sanjay received his MBA from the Wharton School at the University of Pennsylvania, and a Bachelors of Commerce from the University of Mumbai.

ABOUT RISK ADVISORS

Risk Advisors Inc. is a consulting firm that understands the dynamics of financial markets and the inherent challenges in implementing a cohesive investing and risk management program across the enterprise. We offer deep industry knowledge, a rigorous process framework, and technology expertise to provide practical solutions for financial institutions and asset managers.