Quarterly Report

Third Quarter / 2012

Investidor Profissional
Desde 1988

INDEX

Introduction

We usually dedicate our reports to issues linked to investment selection and analysis. For a change, we thought it would be a good idea to write about how we handle operational risks. This subject is extremely relevant, even if dry.

One pivotal question lies in defining terms and responsibilities clearly. When IP was founded, clients needed clarification on the term independent manager. Almost a quarter of a century later, many people still think we are "banks".

Even when it is clear how the responsibilities are spread across the manager, administrator, broker, custodian and auditor, the intra-manager responsibilities are hardly defined. Many sub-aspects need to be addressed. The first one has to do with evaluating the issuers of the invested assets, which are either companies (with individual, shared, dispersed control), governments, something in between (state-controlled listed companies), closed-end funds, listed partnerships etc. What is their capacity, track record and incentives to provide an attractive return?

Next, we move to the details of each instrument. Stocks (common, preferred, redeemable), debt securities (senior, subordinated; secured or unsecured; convertible; perpetual; coupon or zero coupon), options, swaps etc. It is also the case of analyzing how taxes on each instrument impact the fund and its shareholders. As we know, tax rules are generally confusing, opaque and often change. This stage still calls for cost assessments.

In the third stage we compare these assets, taking into account the above aspects as well as relative prices.

In the fourth stage we get to the risk of the "liabilities". Shareholders and creditors (via acquisition of options, leverage...) may turn critical, thus explaining our eternal concern about the subject.

Last but by no means least: investment funds have "Cartesian" features. They have assets, therefore they are... This leads to the question "where are we going to leave the assets?"

In Brazil, CBLC[1] dominates the stock market, ensuring centralized custody, clearing and settlement[2] of operations at BM&FBOVESPA. CBLC keeps individual accounts, a practice that allows the end investor for each trade to be identified. In case a broker or custodian goes bankrupt, the assets are protected and available.

Things are more complex abroad. In the U.S., the most active market for us outside Brazil, asset clearing, settlement and custody are grouped according to the custodian rather than the end investor. This makes selecting and controlling service providers a more vital matter.

International Custody

When investing abroad, we use two major models for asset safekeeping: global custodian and prime broker.

The prime broker provides custody services as well as access to a wide range of markets. It is necessary for the execution of certain trades such as short selling and option trades. These operations may

[1] Companhia Brasileira de Liquidação e Custódia, a subsidiary of BM&FBOVESPA.
[2] Clearing encompasses the calculation of the net obligations of market participants. Settlement amounts to the transfer of assets and financial resources between buyers and sellers (eliminating clearing liabilities).

need "collateral" (or "margin"), which is money pledged to cover the credit risk. The prime broker is usually part of an institution that operates in several business lines such as brokerage, market making, operations financing, stock lending and as counterparty for non-listed instruments.

This "one-stop-shop" model has the advantage of being very practical operationally as all the assets and margins are in the same place. But there are also drawbacks that prevent us from keeping all the assets there. We see a potential conflict in maintaining the assets at just one institution (i) whose major source of revenue comes from other businesses, (ii) that sets the rules on margin requirements[3], and (iii) that may use part of the assets in custody to boost its remaining activities[4] – in keeping with the regulatory limits depending on the country.

Just to be on the safe side, we seek to keep as few assets as possible at the prime broker. If, for example, we can commit less collateral via U.S. Treasuries than Microsoft stock and the asset is available, we will use Treasuries.

For long positions in stocks and cash[5] that are not subject to margin, we use a global custodian. In this case, the institution guarantees that the assets are available at any time.

To this end, we seek providers whose main business is simply providing custody for third-party assets.

We also prefer a global custodian that is entirely independent of the prime broker. Independent means that the accounts at the global custodian are clearly separated from those at the prime broker when seen by a liquidator. That is, featuring different logos, systems, addresses, contacts, contracts and the like.

Another risk worth mentioning is fraud[6], though there isn't much to be done in these situations. Still, we seek relationships with institutions that enjoy a reputation for honesty and integrity, transparence and operational excellence. Also, we keep control of asset flows between the accounts in which we operate, preventing undue movements.

The safeguarding of assets is an issue of ongoing discussion at IP. We acknowledge the complexity of this subject and its hidden risks, be these regulatory, operational or legal. It is worth remembering Lehman Brothers's collapse and the consequences to its clients: far from being uninformed, many of them paid attention to contract and regulatory details[7] too late and ended up suffering inconvenient consequences.

In *Thinking in an Emergency*, Elaine Scarry said: "The first rule of emergency thinking is that one ought not to get into one."

For sure we pay a price for decentralizing the activities. We lose bargaining power and make our operation more complicated, thus increasing our responsibility. In a bid to ease such problems, we seek partners with adequate profiles and create internal monitoring processes.

When investing, our discipline of continuously studying companies is rewarded when the market offers opportunities. Likewise, this constant investment in risk control and asset safety may turn out to be extremely rewarding in stress scenarios.

[3] The prime broker, based on internal models, sets the margin need for each trade. It also decides the capacity of each asset in the portfolio to meet potential margin calls.
[4] Assets used as margin are subject to rehypothecation and may not be promptly accessible at all times.
[5] For safety, the cash is invested mostly in short-term U.S. Treasuries.
[6] Two recent examples: the declines seen in MF Global and Peregrine Financial Group. As reference, we recommend reading "Warning on returns from MF Global UK" (Financial Times, Jan/2012), "Peregrine chief faces 50 years in prison" (Financial Times, Sep/2012) and "Peregrine Financial Group" (Financial Times, Jul/2012).
[7] Read "Creditors still wait for assets" (Financial Times, Oct/2008).

The change in the market price of VBF Portfolio's positions resulted in an 8.3% variation in its NAV per share for the third quarter of 2012. The Fund's variation in the year was 5.9%.

The mistake of extrapolating recent success to a company's future projections is quite common. At IP we are careful to prevent this type of error – and this is no easy task.

In the past few years, stocks related to retail and domestic consumption performed very positively. Today, when we look at the progress in their results and draw likely scenarios, we often have a hard time finding a safety margin to make up for eventual snags.

With this background, the portfolio went through more changes than usual this quarter. A few positions were fully closed due to valuation, such as Lojas Renner and Amil. Meanwhile, Redecard, as we comment below, was successfully tendered to Itaú. In addition, we closed a recent and still small position as our continued studies raised a few issues. In all, sales amounted to roughly 15% of the portfolio. The proceeds were used for acquisitions of Ambev ON, Localiza, Multiplan and five other companies, including two recent additions.

Invested assets neared 67% of the portfolio, practically unchanged compared to the end of last quarter. Cash levels remain high as valuation levels for most good businesses continue to be rich. We rather sit tight and wait for better conditions than keep invested at any price or allocate capital to lesser companies – while they may do well in the short term if investors' appetite for risk continues to rise, their fundamental inferiority all but guarantees their underperformance in the long run.

Government Interference

During the quarter we increasingly saw the federal government meddling with Brazilian businesses, a move that is cautiously assessed in our investments.

Changes to railway concessions, for example, cut tariffs by 20-30%. The idea according to the regulators is to "pass on to consumers all the productivity gains enjoyed by these companies in the past 10-15 years". This movement appears similar to that seen in energy distribution, where companies strive to boost productivity and, following tariff revisions, are prevented from reaping the benefits. Moreover, they are forced to operate at the new levels for fear of hurting profits.

New government rules for companies in power generation and transmission also caught our attention. Obviously, cheaper energy for industries and residential consumers is good for the economy. However, it is important to understand how this goal will be attained. The positive side is that part of the decrease will stem from tax breaks. The negative part is that the remainder will be reached by the government pressuring the companies to decide for the anticipation of concession renewals under inferior terms. New tariffs are said to be significantly lower to only "cover operating costs", which suggests that companies should work for free.

Still in the power industry, the energy distributors have been surprised by significant tariff decreases from revisions. As much as there is a legitimate discussion between the agency and the companies about the real extent of investments made, statements in the media by regulators saying that "it wouldn't be like this hadn't they paid out so much in dividends" sound intimidating.

In today's Brazil, the regulatory agencies do not look too concerned about balancing the interest of the government and the society with those of the companies, which need to provide a return to their shareholders. Such tough stance hurts private interest in investing and increases the risk of insufficient supply in the future.

Considering that we already looked rather suspiciously at investing in Brazilian utilities, now our likelihood of allocating capital to the sector is just about zero.

The government's "iron fist" is also felt on other fronts such as currency and interest rate policies, special incentives for specific industries, capital increases at BNDES and loans for state-owned banks (spurring the economy without a negative impact on public finances).

State-controlled listed companies are also increasingly used for public policies – something that should at least have been expected by the minority shareholders, given that this role is described in their by-laws.

The list goes on to feature an ill-fated attempt to lure international airport operators to become minority shareholders of Infraero-run operations, persistent tax hikes on tobacco companies and breweries/soda manufacturers (which were recently cut in negotiations), not to mention the constant pressure on private banks for "lower interest", etc.

Although we comprehend some of these movements, a more interventionist presence by the government has made the business environment in Brazil more challenging – especially for competent and profitable companies.

Redecard

Another example of the government's recent behavior is the pressure for banks to cut rates on credit cards. For their part, the banks claim that the interest on credit cards subsidizes their portfolio of client payments "on installments at zero interest," given that the delinquency risk on this business is theirs (the issuing banks). Meanwhile, the card-payment processors (Redecard, Cielo, Santander etc.) do not take on this risk, receive a percentage cut on transactions only slightly lower than that paid to the issuing banks and also profit from interest on advances to shopkeepers.

Whatever the solution to this imbalance – such as fewer installments, sales on "*crediário*", higher interchange rates – Itaú Unibanco acted correctly by paying a reasonable price to take Redecard private. Now it may carry out the necessary adjustments without any conflict of interest with shareholders.

The delisting allowed us to end the Redecard position. Now we are exposed to this business indirectly and in a more diluted manner via Itaúsa. When considering the changes that may happen in the business, the ownership structures and market valuations – Cielo's roughly R$35 billion market value versus R$100 billion for Bradesco, which also holds about 30% of Cielo – we prefer to keep the investments in Itaú Unibanco (through Itaúsa) and Bradesco ON stock rather than make a direct investment in Cielo. With positions in virtually all sides of the credit card business, the banks have more flexibility for sorting the matter with limited impact to their overall profitability.

The change in the market price of IP-Global's positions resulted in a 5.6% variation in the NAV per share for the third quarter of 2012. Since its inception in 2001, the accumulated return on the portfolio of IP-Global for foreign investors was 102.0% in dollars.

Portfolio

The decrease in the portfolio's net exposure was the highlight for the quarter. That represents a change from the first half, when we loaded up on stocks.

Most of the reductions were triggered by higher stock prices. In the specific case of H.P., we reflected on it more deeply and realized that our timing was wrong. Meanwhile, we kept our losing short position in Apple, maintaining our analysis and even increasing the position slightly.

The other controversial positions in Nokia, Deckers e JCPenney were positive, mainly due to the volatility of the stocks and the implicit volatility of the options that were sold short.

We maintained relevant stakes in Microsoft, Google and Cisco. In technology, the quarter was marked by major releases sparking fiercer competition. The point now is to find out how fast the players are going to compete away the margins, or if some of them will enjoy high prices a bit longer. The growing relevance of the Asians as brand players and consumers adds to the theme's complexity.

Another aspect has to do with opportunity cost. Given the policy by the central banks of keeping interest rates near zero, the risk of staying out of the market is considerable. We do not intend to engage in market timing, but the risks don't seem to have retreated as much as the recent surge on stock markets imply. The fiscal issues are not yet adequately addressed and the recent bull market may result in a false "feel good effect" (which will go away as more taxes and/or spending cuts are implemented). In the meantime, signs from the East are also worrying. In summary, being somewhat cautious makes us sleep better at night. At the end of this quarter, cash amounted to roughly 30%.

On the other hand, as always, anxiety remains over the search for new opportunities, ideally long term. However, in a world that is increasingly dynamic, these are scarce and depend on specific or widespread crises. Our role is unchanged, so we are keeping an eye on the landscape and the finger on the trigger.

Prêmio Investidor Profissional de Arte

PIPA Online, a prize in which anyone can vote for the participating artists, took place during the quarter. This year, we introduced a two-round voting system – those who exceed 300 votes move to the second round – and created an award for the runner-up.

Besides allowing the general public to choose their favorite artists, PIPA Online benefits the artists as more people are drawn to PIPA's website. On it, most of the artists have images depicting their work, in addition to short and exclusive video interviews in which they talk about their processes, life and goals. In line with "if the mountain won't come to Muhammad," the site, videos and the Facebook page have been very effective in taking art closer to youngsters, while integrating and publicizing budding artists.

Results of PIPA Online:

Winner

Berna Reale - R$ 10.000,00 (ten thousand reais)

Runner-Up

Tinho (Walter Nomura) - R$ 5.000,00 (five thousand reais)

Berna Reale, born in Pará State, has been praised for her high-impact performances. She has appeared frequently in the media while garnering well-deserved recognition in the art circuit. The runner up, Tinho (Walter Nomura), is an artist from São Paulo who works with urban art and enjoys ample recognition as a graffiti artist.

Each year the numbers strengthen the theory that the online channel is a highly viable alternative for publicizing artists and their work, independently of the media conglomerates. Throughout the quarter, the number of PIPA fans on Facebook topped 84 thousand. Unique visitors on the site exceeded 38 thousand. The total votes cast on PIPA Online rose from 3,987 in 2010 to 9,389 in 2011 and 23,906 in 2012.

PIPA 2012 Exhibition at MAM-Rio

The exhibit of the year's four finalists opened on October 6th at MAM-Rio. The finalists are:

- Marcius Galan
- Matheus Rocha Pitta
- Rodrigo Braga
- Thiago Rocha Pitta

As with past editions, the four finalists are consolidating their trajectories with major exhibitions and awards. Matheus and Thiago Rocha Pitta are twins who have been together in the same exhibition before, but never competed for the same prize. Rodrigo Braga and Thiago Rocha Pitta are at the 30th São Paulo Biennial. Marcius Galan was a PIPA finalist in 2010 and just like Matheus Rocha Pitta, participated in the 29th São Paulo Biennial in 2010.

The winner of PIPA 2012 will be announced on November 8. The exhibition at MAM-Rio ends on December 2.

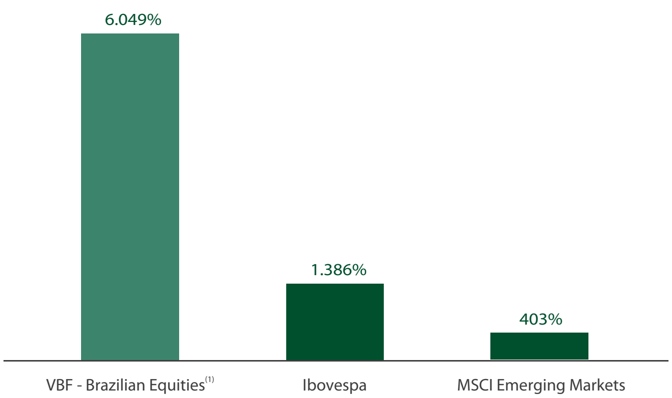
In a quest to continuously improve the Prize, the PIPA 2012 exhibition will feature the participation of invited critics Marta Mestre, Santiago Garcia Navarro and Cezar Bartholomeu. They will write about the exhibition as a whole or about the individual work presented by an artist (it's their choice). The texts will be available on the site and in the catalog of the 2013 edition.

It is always important to remember that the sites www.pipa.org.br and www.pipaprize.com contain more information about the artists, with images and videos. Information about the exhibitions and other current events related to artists who have already participated in PIPA will also be announced.

Performance - VBF Portfolio Brazilian Equities Class

Performance (US$)(1)

Since February 26th, 1993 (1)



(1) For the period before VBF-Brazilian Equities inception, on April 2010, for reference, we show the Brazilian investment vehicle (IP-Participações) performance in dollar terms. The returns up to April 2010 are net of all fees and after that, gross of performance fee.

Equity Holding Characteristics

	% of total equities
Overlap with the Ibovespa portfolio	45
Small Cap (smaller than US$ 1bi)	22
Mid Cap (between US$ 1bi and US$ 5bi)	25
Large Cap (larger than US$ 5bi)	53

Concentration and Monthly Attribution

	%	Monthly Attribution (%)
Top 5	39	1.83
Next 5	19	0.73
Other	7	0.77
Cash	34	0.14

Objective

The investment objective of the VBF Segregated Portfolio is to provide sophisticated investors with substantial long-term returns comprised of capital appreciation (capital gains, dividends and interest income) by investing in companies listed on the São Paulo Stock Exchange ("BOVESPA"), which in the Investment Manager's opinion are trading at a substantial discount to their intrinsic value.

Strategy

The strategy of the VBF Segregated Portfolio is to identify and invest in companies whose prevailing share prices, in the Investment Manager's judgment, do not reflect their intrinsic values, and to hold such investments until such fair value is reflected in their market prices. While the VBF Segregated Portfolio may invest in any securities that in the Investment Manager's judgment meets the underlying objective of long-term capital appreciation.

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 3rd, 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 VBF-Brazilian Equities Class: April 1st, 2010

Last 12 months returns (US$)(1)

Period	VBF-Br Equities (%)	Ibovespa (%)	MSCI EM (%)
September 12	3.47	3.75	6.05
August 12	1.45	2.61	-0.29
July 12	3.20	1.72	2.02
June 12	1.07	-0.24	3.91
May 12	-7.83	-16.65	-11.16
April 12	-5.14	-8.43	-1.17
March 12	-6.20	-7.65	-3.33
February 12	7.29	6.33	6.01
January 12	9.96	18.57	11.36
December 11	0.05	-3.28	-1.20
November 11	-4.12	-8.71	-6.66
October 11	13.71	22.07	13.26
Last 12 months	15.56	3.47	17.33

Annual returns (US$)(1)

Period	VBF-Br Equities (%)	Ibovespa (%)	MSCI EM (%)
2012 (YTD)	5.94	-4.01	12.33
2011	-9.41	-26.88	-17.77
2010	26.91	6.23	19.69
2009	151.58	143.95	77.42
2008	-54.98	-55.52	-53.18
2007	61.41	73.43	39.82
2006	53.41	46.41	32.55
2005	34.94	44.09	34.54
2004	41.49	28.16	25.95
2003	96.16	141.04	56.35
2002	-28.31	-46.01	-6.04
2001	-6.97	-23.98	-2.37
2000	2.88	-18.08	-30.61
1999	105.66	69.55	66.41
1998	-25.54	-38.44	-25.34
1997	-10.81	34.47	-11.19
1996	35.97	53.23	5.55
1995	3.34	-13.77	-5.21
1994	142.54	58.97	-7.32
1993	50.54	63.95	71.13

Annualized returns (US$)(1)

Period	VBF-Br Equities (%)	Ibovespa (%)	MSCI EM (%)
Last 5 years	7.61	-2.36	-0.99
Last 10 years	33.18	30.17	17.72
Last 15 years	16.95	7.02	7.57
Since February 26th, 1993 (2)	23.77	15.00	8.72

(1) For the period before VBF-Brazilian Equities inception, on April 2010, for reference, we show the Brazilian investment vehicle (IP-Participações) performance in dollar terms. The returns up to April 2010 are net of all fees and after that, gross of performance fee.

(2) Inception of IP-Participações.

Terms and Conditions

Subscription: Daily

Minimum Initial: USD 1,000,000

Redemption Day: The Redemption Day shall be the last Business Day of the second subsequent month following receipt by the Registrar and Transfer Agent of the Redemption Form. Payment of redemption proceeds shall generally be made within 10 business days following the Redemption Day.

Minimum: USD 100,000

Minimum Balance Left: USD 1,000,000

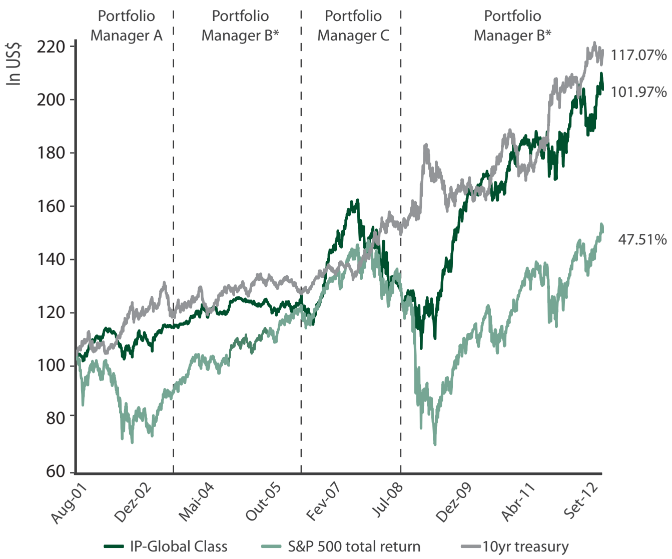
Management Fee: 2.0% per annum of the Net Asset Value of the VBF Segregated Portfolio.

Performance Fee: 20% computed on returns in excess of Libor+6%, accrued daily and paid semi-annually or on redemption, subject to a high-water mark. The Incentive Fee will be paid through the automatic redemption of a number of Shares of each subscription in respect of which an Incentive Fee is payable, corresponding to the value of the accrued and unpaid Incentive Fee.

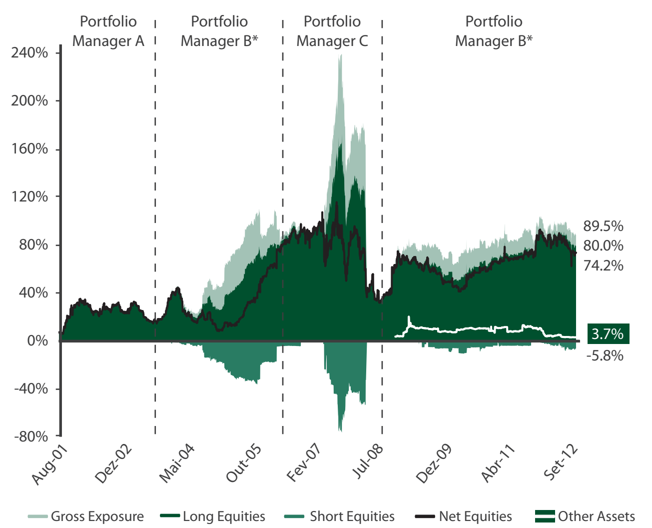
Additional Information

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



Exposure



* Roberto Vinháes, IP´s founding partner

Objective

Provide sophisticated investors with substantial medium to long-term absolute returns by investing globally with no restrictions regarding geographic or asset class exposure levels and with strong focus on capital preservation.

Strategy

Investing among strategies, asset classes and geographies based on opportunities for medium to long-term value creation with limited use of leverage. Given our history and equity expertise, it is expected that over time the fund will have a relevant equity exposure and investments in other asset classes will be done mostly for hedging purposes.

Structure

IP-Global Class is a Class of IP Investment Fund Ltd, which is an open-ended investment fund organized as a limited liability exempted company, incorporated under the provisions of the Companies Law (2001 revision) of the Cayman Islands.

Investment Manager: Investidor Profissional Gestão de Recursos Ltda.

Net Asset Value Calculator: BNY Mellon Serviços Financeiros DTVM S.A.

Registrar and Transfer Agent: UBS Fund Services (Cayman) Ltd.

Auditor: KPMG

Last 12 months returns (US$)

Period	IP-Global[1](%)	S&P 500 Total Return[2](%)	10 Yr Treasury[3](%)	Libor 3 months (%)
September 12	0.31	2.58	-0.61	0.02
August 12	3.96	2.25	-0.28	0.03
July 12	0.99	1.39	2.11	0.03
June 12	2.03	4.12	-0.65	0.02
May 12	-7.10	-6.01	4.05	0.03
April 12	0.05	-0.63	2.82	0.02
March 12	2.28	3.29	-2.12	0.03
February 12	2.58	4.32	-0.89	0.03
January 12	5.05	4.48	0.95	0.03
December 11	0.04	1.02	2.40	0.03
November 11	0.30	-0.22	0.35	0.03
October 11	7.54	10.93	-1.35	0.02
Last 12 months	18.78	30.20	6.79	0.33

Annual returns (US$)

Period	IP-Global[1](%)	S&P 500 Total Return[2](%)	10 Yr Treasury[3](%)	Libor 3 months (%)
2012 (YTD)	10.08	16.44	5.35	0.24
2011	1.67	2.09	20.12	0.24
2010	11.82	13.93	7.68	0.24
2009	38.31	27.75	-10.64	0.48
2008	-17.93	-37.00	23.09	2.09
2007	1.83	5.49	10.00	3.79
2006	18.46	15.79	2.21	3.70
2005	-2.89	4.91	3.30	2.53
2004	7.24	10.88	4.84	1.15
2003	8.12	28.76	1.01	0.86
2002	-1.29	-22.15	15.58	1.26
2001	6.04	-5.00	1.88	0.76

Annualized returns (US$)

Period	IP-Global[1](%)	S&P 500 Total Return[2](%)	10 Yr Treasury[3](%)	Libor 3 months (%)
Last 5 years	7.87	1.06	9.69	0.84
Last 10 years	7.43	8.17	6.40	1.58
Since Inception[4]	6.62	3.61	7.32	1.57

(1) Gross of performance fee
(2) Dividends are assumed reinvested in the S&P 500 Index.
(3) Assumes an investment continually reinvested into a 10 years constant maturity security (Bloomberg: F08210YR Index)
(4) Inception: August 1st, 2001

Terms and Conditions

Subscription: Daily

Minimum Initial: US$ 1,000,000

Minimum Additional: US$ 100,000

Redemption: The Redemption Day shall be the Wednesday (or if such day is not a Business Day, the Business Day immediately following such day) of the calendar week following the calendar week during which the Registrar and Transfer Agent receives the signed Redemption Form for the Shares being redeemed. Payment of redemption proceeds shall generally be made within 5 business days following the redemption day.

Minimum: US$ 100,000

Minimum Balance Left: US$ 1,000,000

Management Fee: Up to 1.5% p.a. on the Net Asset Value per Share, accrued daily and paid monthly.

Performance Fee: 15% of the increase of the Net Asset Value per Share, accrued daily and paid semi-annually or on redemption, subject to a high-water mark. The Incentive Fee will be paid through the automatic redemption of a number of Shares of each subscription in respect of which an Incentive Fee is payable, corresponding to the value of the accrued and unpaid Incentive Fee.

Additional Information

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

MISCELLANEOUS

"Switzerland has been accurately described as a "reverse Potemkin village. A Potemkin village has visible facades with no actual construction behind them. Switzerland is the opposite: its shelter system has few visible structures, but inside many mountains are hidden hospitals and beneath every house is a fully stocked and working fallout shelter. (..) The shelter system gives Switzerland political autonomy. (...) [Swiss shelter system] is one of the few pieces of evidence we have that the right of exit (as well as the 'right to exist') is still imaginable in the nuclear age. (...) The shelter system restores to the Swiss their power to affect their own destiny ."

Elaine Scarry, in "Thinking in an Emergency"

"Dear MFGI Correspondence Team: Since you have been taciturn and uncommunicative – I thought I might lighten the mood, break the ice so to speak. You do realize that the theft of customer funds is a first. So congratulations (...). Even Madoff had the class to run a proper Ponzi scheme requiring charisma, finesse and time."

Letter from a client with money tied up in the MF Global debacle. Read the full letter at: http://www.ritholtz.com/blog/2011/11/those-mf-global-mfs/

"For most of recent human history—from the invention of the steam engine in the late 17th century through about the late 1960's or so— technological process has been tremendous, perhaps even relentless. In most prior human societies, people made money by taking it from others. The industrial revolution wrought a paradigm shift in which people make money through trade, not plunder."

Peter Thiel

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