

International Conference Call
Tarpon Investimentos
1st Quarter 2011 Earnings Results
May 11, 2011

Operator: Good morning ladies and gentlemen, welcome to Tarpon Investimentos 1st Quarter 2011 Earnings Results conference call. Thank you for standing by. Today's live webcast and presentation may be accessed through Tarpon's website at www.ccall.com.br/tarpon/1Q11.htm.

We would like to inform you that this event is recorded and all participants will be in listen-only mode during the company's presentation. After Tarpon's remarks there will be a Question & Answer session. At that time further instructions will be given. Should any participant need assistance during this call please press star zero (*0) to reach the operator.

Before proceeding let me mention that forward-looking statements... sorry, that this presentation may contain forward-looking statements which are based on the beliefs and assumptions of Tarpon's Management and on information currently available to the Company. They involve risks and uncertainties and actual results may differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Rafael Sonder, Tarpon's Investor Relations Officer. Please sir, you may now begin.

Mr. Rafael Sonder: Good morning everyone, thanks for attending this call.

Bom dia a todos, obrigado por participar do call de resultados da Tarpon. Iremos conduzir este call em inglês, porém todas as informações aqui divulgadas são parte da nossa divulgação de resultado que se encontra em nosso website.

We are very glad to present our consistent operating and financial performance for 1Q11. Let us now move to page 3 where we look at the quarter's highlights. Assets under management amounted to 6.3 billion as of March 31, 2011, an almost 6% increase compared to the end of 2010.

Our funds under management account also posted positive absolute returns contributing to good results during the quarter. As of March 31, 2011 the hybrid strategy posted 6% returns in US dollars versus a return of 1.2% from Ibovespa index also in the US dollars.

Gross revenues amounted to 92.4 million, an increase of 33% compared to 1Q10. Net income was 53.6 million in 1Q. We will cover all these topics with more detail in the next slides.

Now I would like to move to page 4 where we can find our AUM composition. It is always important to mention that the vast majority of our AUM is from long-standing clients. Our aligned and qualified investor base comprised of endowments, foundations, sovereign wealth funds and pension funds is of great importance as it provides the necessary reliability of capital allowing us to pursue the best investment opportunities in the long run.

Also I would like to highlight that our AUM is comprised of 13% proprietary capital, which comprises TIG's employees and executives of Tarpon.

On page 5 we briefly show our three main investment vehicles. As you know our activities are conducted under three investment vehicle formats: the long-only equity strategy which comprises public investments; the hybrid equity strategy which comprises public and private investments; and the co-investment strategy which comprises public and private co-investment in specific special opportunities.

All these vehicles are managed following our single-investment philosophy of concentration, contrarian the view of the market, high conviction, long-term horizon for investment, de-value and positive influence.

Now I would like to move to page 6. As indicated in the chart at the top of the page, our AUM amounted to 6.3 billion as of March 31, 2011, a 32% increase when compared to the same period of 2010. Also in the chart at the bottom of the page we can find AUM growth breakdown by performance gains and net inflows.

During 1Q growth in connection to performance gains corresponded to 321 million; the AUM growth in connection with net inflows was equivalent to 22 million - so from January through March 2011 the 343 million in increase in AUM was explained almost entirely by performance gains.

Now I would like to move to page 7. In the chart on the left-hand side of the page we present AUM breakdown by investment strategy and also the respective amount of called and uncalled capital. As you can see the total amount of uncalled capital totals 620 million as of March 31, 2011.

It is important to highlight that before the launch of the special opportunities fund designed to conduct specific co-investments we conducted these co-investments in segregated structures. At the end of the quarter these structures amounted to 151 million.

Our strategy now is to concentrate co-investment commitments on the Tarpon special opportunities fund. As of March 2011 the AUM of this vehicle amounted to 631 million, out of which 195 million was committed but uncalled.

In the chart at the right-hand side of the page we can see the AUM breakdown by public and private equity. As of March 31, 2011 Tarpon's exposure to public equities corresponded to 86% of our called capital; private equity investment corresponded to 14%.

Now let us move to page 8 where we talk about the funds' performance. On 1Q11 the long-only equity strategy posted net returns of 5% in reais and 5.8 in US dollars. Since the launch the accumulated returns annualized for this strategy were 35.6% in reais and 37.1 in US dollars.

The hybrid equity strategy posted net returns of 6.1 during the quarter in US dollar terms. Since the launch this strategy posted annualized net positive performance of 33.6% also in US dollars.

It is important to highlight that we do not follow any stock market index as a performance benchmark; however, for illustrative purposes during 1Q11 the Ibovespa and IBX indexes posted negative returns of 1% and positive return of 0.6% respectively, both in reais.

Moving ahead to page 9 we will now discuss Tarpon's financial highlights. On this page we present our operating revenues. As seen on the top-left chart, management fees are charged on the Tarpon funds on a monthly or quarterly basis calculated over the amount of called capital under management. During this quarter gross revenues related to management fees amounted to 15 million. The year-over-year increase in results reflects the AUM increase previously mentioned.

Now regarding performance fees revenues this quarter we were glad to present strong results in terms of performance and since 100% of Tarpon's funds NAV were above high watermark, this translated into solid performance fee revenues.

Performance fee gross revenues amounted to 77.3 million in 1Q compared to 56.6 in the same period of 2010. Just remember these fees are collected based on the performance of the funds when a certain hurdle rate is surpassed and are charged on the same dates of the year depending on the characteristics of the fund.

In addition, as of March 31, 2011 the uncollected potential performance fees amounted to 143.2 million. This amount is based on the net assets of the funds that were above high water mark as of such date. It is important to make clear, however, that we cannot guarantee that this potential amount will be owed to Tarpon at any future date. The amount presented may differ substantially from the actually realized amount.

Lastly on the bottom right chart of this page we see the performance fee payment schedule. This chart is a result of the collection date contracted for the different vehicles that we manage. For illustrative purposes on 1Q of the year Tarpon collected a performance on investment vehicles that accounted for 28% of our total assets under management.

Now moving on to page 10 total gross operating revenues amounted to 92.4 million and net revenues amounted to 87.3 million. Operating expenses amounted to 6.6 million resulting in an operating margin for the quarter of 92% calculated over net revenues.

In the chart at the bottom of the page we can find the operating expenses segregated by recurring and nonrecurring expenses. The recurring portion of operating expenses is comprised of general, administrative and payroll expenses and represents a 43% growth over the same quarter last year, but it is in line with the last quarter of 2010. Year-over-year increase is mainly due to increased headcount; costs related to the larger office facilities we moved to in September of last year and costs related to monitoring of our invested companies.

From January to March 2011 the nonrecurring operating expenses amounted to 1.9 million, which is entirely related to the non-cash expense of our stock option plan.

Now moving on to page 11. First it is important to note that as previously reported due to the size of the revenues that Tarpon has achieved it is now operating under the *lucro real* regime of Brazil's tax legislation. This in turn results in an effective tax rate for 1Q11 of 39% including all taxes compared to 19% in the same period of last year. Therefore net income in 1Q amounted to R\$ 53.6 million equivalent to R\$ 1.17/share. This amount represented a net margin of 61%. Net income is in line with the same quarter of last year.

At last on page 12 we have some details on TRPN3's performance. Since May 26, 2009 our shares are traded in the *Novo Mercado* segment of BM&FBOVESPA, which holds the highest standards of corporate governance. This year Tarpon's shares are up 9% and based on yesterday's share price Tarpon's market cap is R\$ 831 million.

I would like to thank you all for attending this call and now open the floor for questions.

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the Question and Answer session. If you have a question please press the star key followed by the

one key (*1) on your touch-tone phone. If at any time you would like to remove yourself from the questioning queue press star two (*2).

Excuse me. As a reminder to pose a question please press star one (*1). Again as a reminder, if you would like to pose a question please press star one (*1).

This concludes today's question and answer session. I would like to invite Mr. Rafael Sonder to proceed with his closing statements. Please sir go ahead.

Mr. Sonder: Well I would like to thank everyone for attending this call and please feel free to contact us if you have any additional questions in the future. Thank you very much.

Operator: Thank you. That does conclude the Tarpon Investimentos 1Q11 earnings results conference call. Thank you very much for your participation and have a good day.
