

ANALYSIS

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This Analysis provides an in-depth discussion of assessment(s) for JMalucelli Investimentos and should be read in conjunction with Moody's most recent research and assessment information available on [Moody's website](#).

JMalucelli Investimentos

Curitiba, Brazil

Assessment Rationale

Assessment: MQ2 (Very Good)

Moody's assessment of JMalucelli DTVM Ltda. (JMalucelli Investimentos) is MQ2 (Very Good). JMalucelli Investimentos is a Brazilian domiciled asset management company and affiliate of Paraná Banco (unrated). As of 30 June 2015, assets under management totaled BRL1.9 billion (approximately US\$0.6 billion). The MQ2 assessment reflects Moody's view of the asset manager's very good management characteristics.

The **MQ2** assessment is primarily based on: (i) the company's disciplined investment process, (ii) the qualified team of professionals, (iii) solid risk-adjusted fund performance, and (iv) support and oversight of its direct parent, Paraná Banco (unrated), and ultimate parent, Grupo JMalucelli (unrated). The assessment is constrained by: (i) growth challenges considering the competitive landscape, (ii) risk-adjusted performance of its equity funds, and (iii) investor concentration.

Recent Developments

In the first half of 2015, JMalucelli Investimentos experienced BRL20 million of net outflows, mainly from equity funds. Flows in this segment have been weak, given elevated volatility and interest rates in the country. That said, the company has experienced significant growth in assets under management, albeit at a slower pace in the last couple of years.

JMalucelli Investimentos continues to deliver strong risk-adjusted performance in its fixed income funds. Over the past two years, JMalucelli Investimentos' fixed income funds have consistently shown better risk-adjusted return metrics than most of the peers.

Asset Manager Overview

EXHIBIT 1

Asset Management Entity

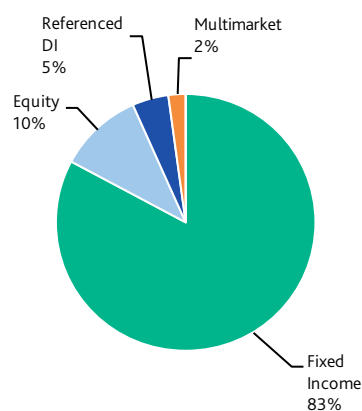
Name	JMalucelli Investimentos
Commencement of Operations	1968
Moody's Assessment	MQ2
Assets Under Management (June/15)	BRL1.9 Billion (US\$0.6 Billion) 84 th largest Manager in the country with 0.07% market share.
Headcount	15 (6 directly involved in investment management activities)

Headquartered in Curitiba, Brazil, JMalucelli Investimentos is a wholly-owned subsidiary of JMalucelli Group, one of the leading financial groups of Paraná State, Brazil. JMalucelli Investimentos is an asset management company, offering fixed income and equity funds, to both institutional and individual investors. The asset management company began operations in 1968, initially to manage the group's assets. In 1999, the company became a separate legal entity and started to manage non-affiliated assets.

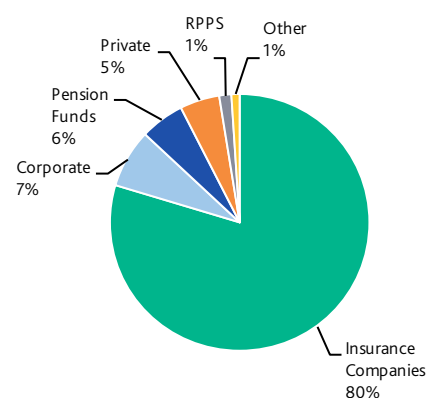
EXHIBIT 2

Assets Under Management

Fund Mix



Investors Mix



Source: ANBIMA and Investidor Institucional (Jun/2015)

Factor 1 – Investment Management Activities

Investment Methodologies: We consider JMalucelli Investimentos' investment identification process, the quality of its asset allocation processes as well as its capacity to match a fund's objective with an investment strategy as positive factors when evaluating the company's investment decision process. JMalucelli Investimentos' disciplined investment process involves top-down and bottom-up approaches, supported by macro and microeconomic analysis and risk control. For fixed income funds, the investment process involves the analysis of market dynamics and the definition of short, medium and long-term scenarios. The company seeks favorable risk/return relationships within the scenarios as a way to identify investment opportunities. For equity funds, the investment process is guided by a bottom-up approach, driven by fundamental analysis of the companies and proprietary models of valuation methods, seeking stocks that are considered mispriced relative to their respective intrinsic values. For the insurance technical reserves that are managed, JMalucelli Investimentos employs appropriate asset liability management

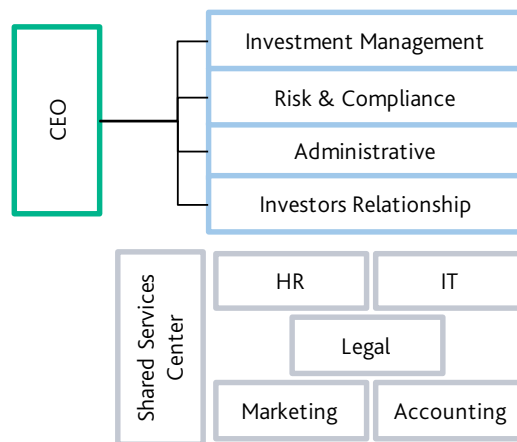
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

techniques. Risk management is an integral part of JMalucelli Investimentos' investment management activities. The risk management team consistently and strictly monitors set guidelines and exposure limits, considering value-at-risk (VaR) and stress tests, as well as overseeing critical risks such as credit and liquidity risks.

Investment Infrastructure: JMalucelli Investimentos has a good investment infrastructure, with real time portfolio management systems. There is a formal contingency plan and a couple of offsite backup tests are performed annually. We consider that JMalucelli Investimentos has a low exposure to business interruption risk.

Organizational Structure: JMalucelli Investimentos' asset management business is comprised of 15 employees, 6 of which are directly involved in investment management activities. The company has a qualified team of professionals, with a relatively low employee turnover.

EXHIBIT 3

Organization Structure

Source: JMalucelli Investimentos

Factor 2 – Investment Results

Investment Skill and Risk (*): JMalucelli Investimentos' Investment Skill and Risk scores are strong and funds have shown good risk-adjusted performance relative to local benchmarks and local peers. In the Fixed Income Segment, the company maintained its position in the 1st quintile. Funds in the segment have outperformed the benchmarks and most of local peers. In the Equity segment, performance has improved in the last semester and now ranks in the 3rd quintile. Funds in the segment have generally outperformed the benchmarks but not local peers. Overall, Moody's views the company's investment performance to be strong and consistent with an MQ2 assessment.

EXHIBIT 4

	Fixed Income				Equity				Multimarket				Pension Funds				
Best ↑																	1st Quintile
																	2nd Quintile
																	3rd Quintile
																	4th Quintile
	Worst ↓																
	2H 2013	1H 2014	2H 2014	1H 2015	2H 2013	1H 2014	2H 2014	1H 2015	2H 2013	1H 2014	2H 2014	1H 2015	2H 2013	1H 2014	2H 2014	1H 2015	

* Based on the following metrics and weights: Information Ratio (55%), Merton Skill (17%), Alpha (13%), Sharpe Ratio (7%), beta (5%) and Maximum Drawdown (3%). Further details on Appendix 1.

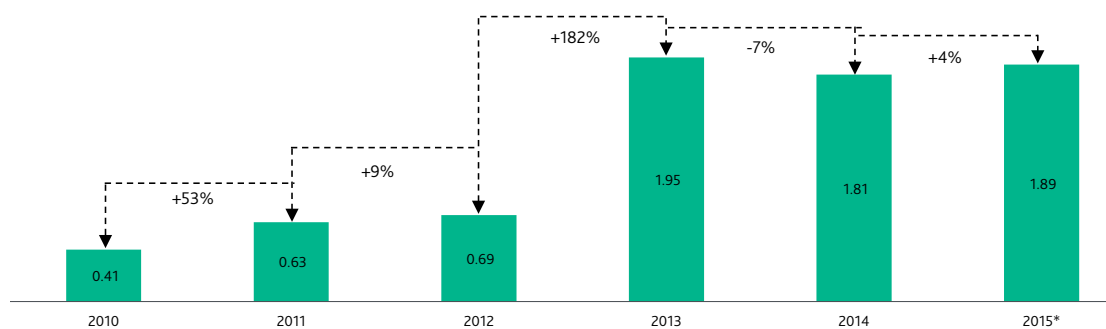
Factor 3 – Financial Profile

Revenue and Profitability Levels and Stability: JMalucelli Investimentos has consistently reported solid financial metrics, and its operating profit margins continue to be moderate. A significant portion of JMalucelli Investimentos' revenues is derived from managing the group's assets and, as a result, the company has exhibited a relatively low level of income volatility, which results in stable revenues and profit.

Corporate Organization: JMalucelli Investimentos benefits from financial support provided by its direct parent, Paraná Banco, and ultimate parent, Grupo JMalucelli (unrated). The group has continuously supported JMalucelli Investimentos, which has invested in technological infrastructure to expand its asset management business. Also, JMalucelli leverages on the group's distribution network to expand its client base. Moody's notes that the support provided by the group is a key factor in support of the assessment.

Assets Under Management: JMalucelli Investimentos has experienced growth in assets under management over the years, albeit slower growth in the last couple of years. The company has a relatively concentrated product offering, with fixed income and equities being the main products. JMalucelli Investimentos' client base is also relatively concentrated, with most investors being insurers and pension. That said, a significant portion of JMalucelli's assets under management still comes from managing the group's technical reserves.

EXHIBIT 5
AUM (BRL Billion) – JMalucelli Investimentos



Source: JMalucelli Investimentos (jun/2015)

Factor 4 – Client Servicing

Retention and Replacement of Clientele: JMalucelli has exhibited strong client retention, with low rates of client turnover. The company's replacement rate, measured by the percentage of assets lost that are being replaced by new subscriptions from investors, is relatively strong.

Other Considerations

What Could Change the Assessment – Up

The company sustains its risk-adjusted investment results over a long period

The company's total assets under management and revenues demonstrate strong and sustainable growth

JMalucelli Investimentos continues to diversify its investor mix and increasing participation of non-affiliated assets under management

What Could Change the Assessment – Down

The company's funds risk-adjusted investment performance deteriorates significantly – both relative to peers and local benchmarks

The funds experience a substantial decrease in assets under management

There are significant deviations in the firm's investment processes, which increase exposure to operational risks

Appendix 1: Investment Performance Measurement

1. Fund Sampling

The SI-ANBID database includes a large number of active mutual funds (about 14,400), and we selected a sample funds that met some pre-determined criteria for use in our historical performance analysis:

1. **Fund Segments:** narrowing the sample down to the most popular mutual fund segments among investors, we selected the following segments: Equity, Fixed Income, Multimarket ("Multimercado") and Pension.
2. **Length of Existence:** we only considered mutual funds that have traded for at least three years.
3. **Fund Size:** only funds with a minimum of BRL25 million in total assets as of June 30th, 2015 were included in the sample.

After filtering, we came up with a sample of 1,228 funds.

2. Performance Measurement

We analyze the historical risk-adjusted return performance achieved by individual products or representative portfolios of like funds across assets, offered by the firm. The analysis, covers a three-year period. Results are aggregated, compared to a universe of similarly managed products, and scored on the basis of quintile ranks. The firm's ranking in each segment is the average score of all performance metrics weighted by AUM.

In the case of risk-adjusted performance results, we compute the median three-year Sharpe Ratio using monthly total rates of return for a representative sample of portfolios. The median Sharpe Ratio is then compared to a distribution of Sharpe Ratios stratified into quintiles for local peers.

In a similar fashion, we extend this form of analysis to the other key risk measures including Maximum Drawdown, Beta and R^2 . To this, we add measures of manager skill, including such key measures as Alpha, the Information Ratio and the Merton Skill Measure.

Basic Measures Used to Evaluate Investment Results, Risk, and Manager Skill:

Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk (as measured by beta). It can be used to calculate the "skill" of a fund manager.

Beta is a measure of a fund's volatility relative to the market, which for stocks in the US, for example, may be represented by the S&P 500 Index.

The **Sharpe Ratio** measures the fund's risk-adjusted return. It is the portfolio's average return in excess of the risk-free rate divided by the portfolio's standard deviation.

R^2 , or the R-squared value, is the fraction of variance in the dependent variable that is explained by variance in the independent variable.

The **Information Ratio** is the ratio of a manager's excess return (Alpha) divided by the standard deviation of that excess return. It is a measure of the value added by an active manager.

The **Maximum Drawdown** is the worst period of "peak-to-valley" performance for a fund or other investment vehicle, regardless of whether or not the drawdown consists of consecutive months of negative performance.

The **Merton Skill Measure** is a returns-based measure of market timing skills that includes a ratio of unsuccessful to successful "down market" calls.

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