



ASSET PRICING MANUAL

FOR THE

PORTFOLIOS MANAGED BY

COPA GESTÃO DE INVESTIMENTOS LTDA.

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MARCH 2019

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## 1. INTRODUCTION

Copa Gestão de Investimentos Ltda. ("Copa Investimentos") only manages Equity Investment Funds, with a primary focus on the timberland industry. The other financial assets that may eventually make up the portfolios of the funds managed by Copa Investimentos follow the Mark to Market (MtM) principles and criteria based on the Self Regulation Code for Investment Funds of ANBIMA.

Pricing of the financial assets according to the MtM methodology is carried out by Lions Trust Administradora de Recursos Ltda. ("Lions Trust") and BNY Mellon Financial Services Distributors of Securities S.A. ("BNY Mellon"), the current managers of the funds managed by Copa Investimentos,

## 2. ASSESSMENT OF THE TIMBERLAND ASSETS OF FUNDS MANAGED BY COPA INVESTIMENTOS

The net worth of the timberland funds managed by Copa Investimentos at the end of each year is usually priced by an independent company specializing in the timberland industry, based on an assessment of the investees of the fund and their underlying timberland assets.

Our assessment process usually involves the following procedures, which are presented in detail below:

1. Review of the assessment model
2. Review of assumptions used in the assessment
3. Definition of the illiquidity premium

### 2.1. Review of the Assessment Model

A general review of the assessment model to ensure its reliability and consistency is conducted annually by Copa Investimentos and by the independent auditors of the relevant funds.

#### 2.1.1. Model Structure, Concepts and Calculations

The rationale adopted and the calculations incorporated in the assessment model are verified.

- ▶ Modeling rationale. Review of the structure and concepts employed in the model, including, for example:
  - » Consistency with fair value accounting principles ("*fair value*"),
  - » Projection horizon based on perpetuity for the forests on own land against a discrete period of projection based on the terms of leases of land or timberland rights,
  - » Confirmation of the correct tax treatment (different taxation regimes, presumed profit limit, accumulated deductible losses, value added tax (VAT), etc.),
  - » Consistency of nominal projections and real projections, etc.
- ▶ Calculations:
  - » Checking the consistency of the formulae,
  - » Verification of calculation errors, etc.

#### 2.1.2. Business Rules, Contractual Clauses, etc.

It is checked whether the business rules are correctly reflected in the assessment model. Examples include:

- ▶ Land use rules:
  - » Prices of land leasing and adjustment rules according to inflation,
  - » Rural partnership rules, including the percentage of production reverted to the landowner, advances to the rural partner, etc.
- ▶ Rules on timber supply contracts:
  - » Timber prices and adjustments to inflation,
  - » Advances, term, etc.
- ▶ Other contractual clauses:
  - » Earn-outs, volume adjustments, etc.
  - » Tax charges on contracts or tax clearing.

## 2.2. Review of assumptions

### 2.2.1. Data provided by Copa Investimentos

It is checked whether the data (more objective items) previously provided by Copa Investimentos are correctly reflected in the assessment model. Examples include:

- ▶ Timberland costs and administrative expenses:
  - » Copa Investimentos informs the appraiser of the data based on the actual performance of each portfolio company in the previous year.
  - » The appraiser has autonomy to use different cost assumptions in his projections. In these cases, we only confirm whether the difference reflects a willful decision or an assumption error.
- ▶ Non-forest assets and liabilities:
  - » Copa Investimentos informs the appraiser of the data based on the most recent balance sheet.

### 2.2.2. Appraiser's Assumptions

We compare the appraiser's assumptions against ours, but we do not interfere with the modeling decisions adopted by the appraiser, unless we identify an explicit error. Examples include:

- ▶ Timber prices:
  - » We compared the timber price in the spot market as adopted by the appraiser against our market expectations,
  - » In the case of timber supply contracts, we compare the appraiser's assumptions against the contractual values adjusted to the respective inflation index considered in the contract.
- ▶ Productivity:

- » We compare the appraiser's volume projections, which can be based on information from his own database as from regional studies and genetic material, with our own projections that are based on forest inventories and projections, where available.

### 2.3. Illiquidity Premium

Depending on the assessment methodology that may be specific to each fund, Copa Investimentos can establish for the appraiser the illiquidity premium to be used in the assessment. This illiquidity premium must be added to the discount rate used by the appraiser in calculating the net present value (NPV) of the free cash flow of the adopted model. The illiquidity premium, where used, should always be positive (increasing the discount rate and, consequently, reducing the valuation).