

**SUMMARY OF INVESTMENT ANALYSIS****Instrument:** iShares MSCI Brazil Index**Ticker (Stock Exchange)/Price:** EWZ (NYSE ARCA)/52.73 USD**Instrument Characteristic:** Investment in Brazilian shares**Description:**

EWZ is a financial instrument, abbreviation of iShares MSCI Brazil Index, exchange traded fund - ETF, which basically contains shares (ordinary and preferred) of leading Brazilian companies such as Petrobras, Cia Vale Do Rio Doce, Banco Itau, Banco Bradesco, Cia De Bebidas. Benchmark is the MSCI Brazil index under the management of Barclays. ETF is a form of collective investment. With realizing of a transaction, the investor gets the opportunity to acquire a share of the whole structure of the fund. Similar to the mutual funds also here the investment management has been entrusted to professionals from the global financial centers.

The case in point is these funds combine the advantages of open mutual funds and stock. ETF is traded as shares. ETF allows to the investors with relatively low volume to make an effective portfolio. Also according to the "transparency" of ETF, they know exactly what they invested their money in. Buying a share of EWZ the investor is "buying at the same time" several large Brazilian companies. Exchange-traded funds can help all investors to maximize their portfolio and to minimize the investment risk. This is the most direct and at the same time diverse investment opportunity. Instead of aggressively expanding of the portfolio and unnecessary buying of number of companies, the investment in the ETF is very diversified. Thus the need to follow and buy shares of individual companies is eliminated, it is sufficient to buy ETF shares.

Commentary:

- Brazil announced that it plans to regulate stricter the mutual funds that managed approximately 592 billion U.S. dollars. It wants to improve and make more transparent trade in this field (simplifying of prospects, no hidden charges, limiting keeping of derivatives with low liquidity, etc.).
- Reason for the limitations according to representatives of the central bank is constantly reducing of the benchmark interest rate in the country (from January to May was reduced from 12.75% to 10.25). This forced the managers of the funds to sell government debt securities (their profitability is decreasing) and to buy shares. Currently a total of 400 billion USD are invested in domestic debt securities. With some of these investments will be bought Brazilian shares.
- The Brazilian economy, like the other world economies, is trying to support gradually improving industry, notably with reducing of the interest rate. The revitalization of the industry is gradually (although the situation is much better than in the U.S.). It is presumable that interest rates will continue to decrease, or eventual to stagnate. Soon growth is almost excluded.
- The low interest rates will lead to a surge of funds to local capital market (because the last two months registered growth by 32%) and increase in Brazilian shares. Historical trend and the level of interest rates will certainly give a trump in the hands of the investors.
- In the first half of May, Citigroup recommended to its investors to increase their stakes in Brazilian shares. The company increased the recommendation to "overweight."

Graph:



G L O B A L M A R K E T S

Basic fundamental data:

P/E:	9.75		
Average Daily Volume:	22,201,400	Net Assets:	60.06 bln.
Beta:	1.63		

Market Price: 52.73 USD

Δ 1 month: +19.78%

Δ 1 year: -47.34%

Updated: 28.05.09

Sources: www.bloomberg.com, www.reuters.com, www.yahoo.com, www.biqcharts.com, www.proshares.com

For Global Markets Ltd. Created by: Tanya Atanasova, Investment adviser

The information above represents investment research as it is defined in art. 42, para. 6 - Ordinance № 38/2007 of FSC, for the requirements of the activities of the investment intermediaries, respectively it is not conformed to the investment objectives, financial statement, experience and the respond of the specific investor to the risk. It is in your interest, before taking an investment decision on the basis of this investment research, to receive an investment advice, appropriate for your specific characteristics as an investor.

Trading of financial instruments is a highly risky activity and there is a significant probability for making losses. This commentary does not constitute a proposal for purchase or sale of shares. Authors and owners of this website are not liable, jointly and severally, on the accuracy.