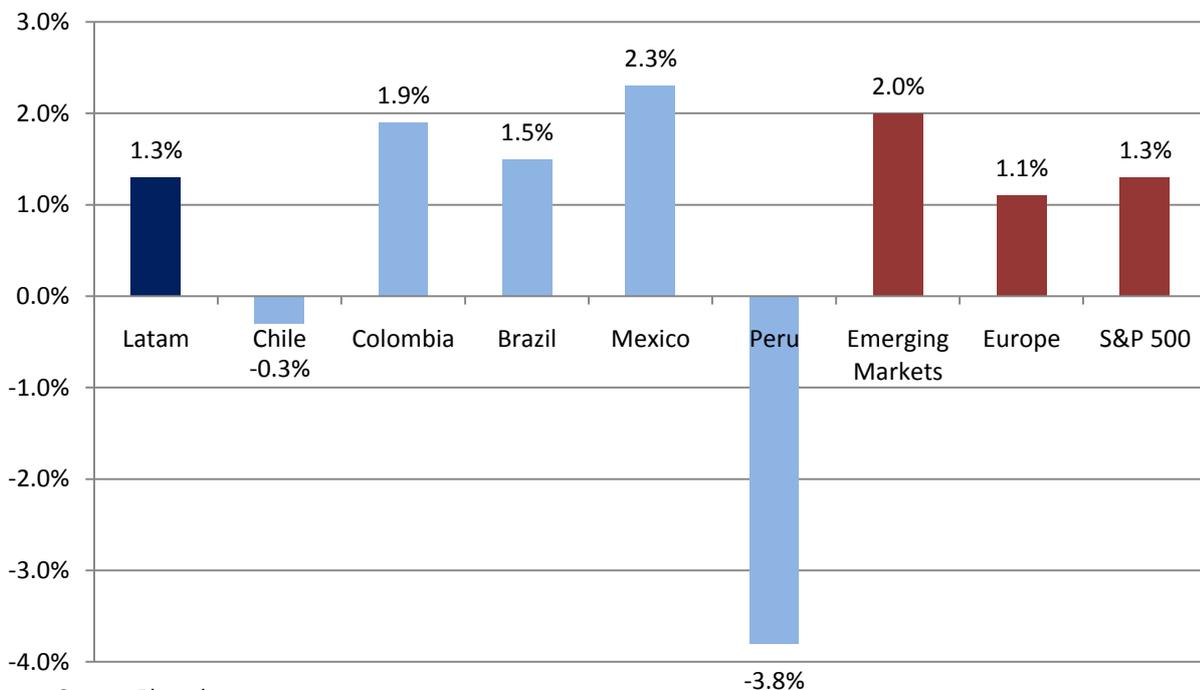


LATIN AMERICA MARKETS REBOUND FOR A SECOND MONTH

INCA Investments, LLC
(July 2012)



Markets accepted the lack of any particularly bad news coming from the European region in July as a good sign and pushed the rebound in global equity markets into a second month, albeit at a more moderate rate than June's market surge. Latin America's modest 1.3% gain during July was outpaced by the 2.0% appreciation of the Emerging Markets, but similar to the US and European's market rise of 1.3% and 1.1%, respectively. In Latin America, the equity markets were once again led by Mexico's 2.3% appreciation and Colombia's 1.9% increase. On a year to date basis, these two countries have also led the Latin American markets. Colombia's market has increased 20.2%

thus far this year largely due to its improving economic environment as a result of its above average growth prospects, which should be over 4.0% in real terms this year.

Mexico's markets are up 16.9% year to date based on its growing exports, primarily to the US market, which is expected to catalyze the country's economic growth to approximately 4.0% in 2012. On the negative side for the year, the flattish 0.9% increase in the Latin American markets has been held down by Brazil, whose market has fallen 6.4% for the year. The Brazilian market's entire decline is attributable to the 9.2% depreciation of the Brazilian Real, which

has been negatively affected by falling interest rates and a slowing economy.

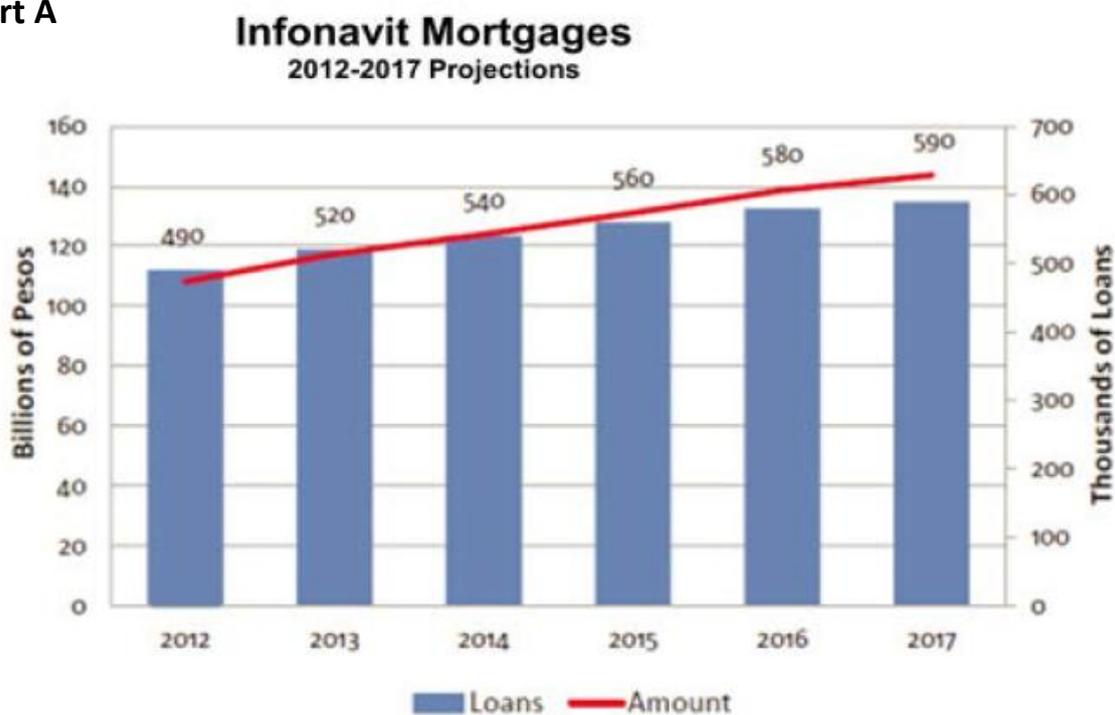
URBI, CREDICORP AND LOCALIZA IN FOCUS

July saw price declines in Urbi, one of Mexico’s leading builders of affordable homes, and Credicorp, Peru’s leading bank. In the case of Urbi (1.6% of the WIOF Latin American Performance Fund portfolio), the company’s share price decreased by a hefty 39.0% as a result of an earnings miss and the disclosure that its short term outlook will be affected by a higher than expected level of working capital, which will continue to negatively affect the company’s cash flow.

Mexican government. Although the number of government provided mortgages is expected to continue increasing (Chart A), the problem for all of the publicly listed Mexican home builders has been that the government has changed the types of homes they would like the home builders to construct.

The government is now pushing vertically oriented homes in low rise buildings, which require a greater initial capital outlay to build than the previous single and two story homes in horizontally oriented developments. This change in home types has raised the cost to the homebuilders without an offsetting benefit of higher prices.

Chart A



Source: Infonavit presentation; Infonavit is the primary government sponsor agency that provides mortgages

Urbi’s negative cash flow situation is symptomatic of the low- end housing sector, which is dependent upon the issuing of subsidized mortgages by the

Urbi was, until the recent news, considered to be the best positioned homebuilder to deal with the new changes. Unfortunately, Urbi’s latest

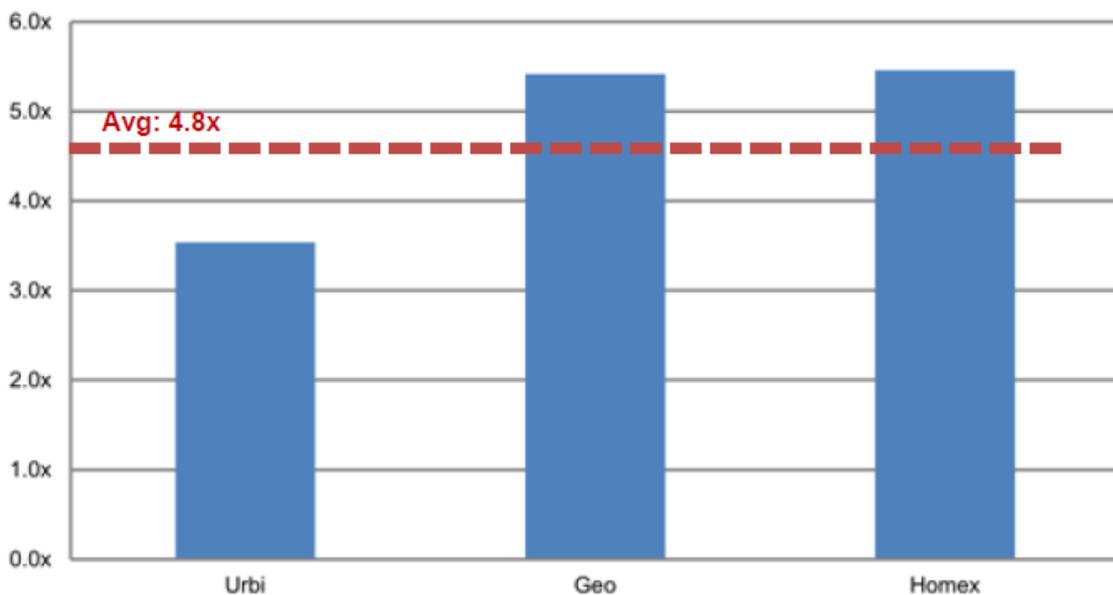
release demonstrated the company's vulnerability to the new building requirements. We believe that eventually the government will have to find a way to help the homebuilders with their cash flow problems or risk the political embarrassment of facing a significant shortfall in the building of affordable homes to address the nine million unit housing deficit for the lower and lower-middle class sector of Mexican society, which is estimated to encompass one third of the population.

The investment attraction of the publicly traded Mexican homebuilders, all of which target the affordable housing sector, is not only that they are the

P/E's of Urbi, Geo and Homex, the big three Mexican homebuilder, are approximately 4.8x (Chart B).

As mentioned, we believe that the Mexican government will eventually find a way to alleviate the cash flow crisis it has created for Mexican homebuilders of affordable homes. When these changes to the sector occur, we expect the Mexican homebuilders to return to profitability and provide their investors with an extremely attractive return. However, we do not expect any significant changes to government policy regarding the affordable home sector until the new administration of the president-elect takes office in December

Chart B **Mexican Homebuilders Trailing P/E**



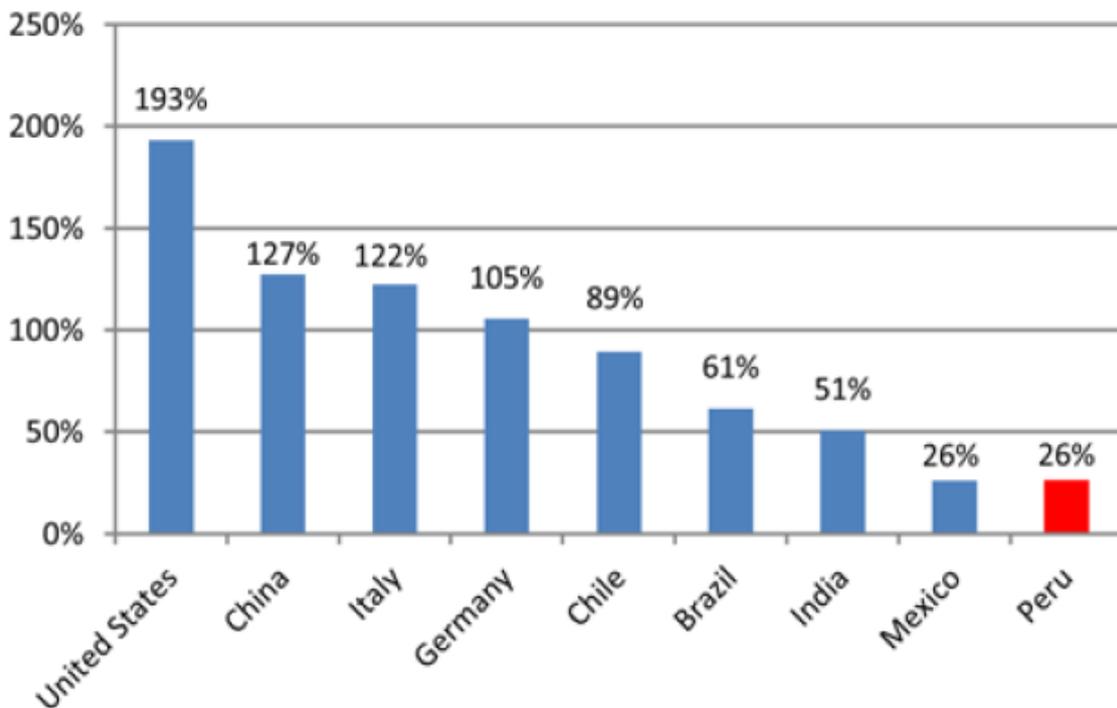
Source: Infonavit presentation; Infonavit is the primary government agency that provides mortgages

strongest players in the homebuilding sector, but that they also represent the lowest valuations we see in the entire Mexican market and perhaps in all of Latin America. On average the trailing

of this year. As such, our plan is to closely monitor this sector and not make any additional investments in the Mexican homebuilders until we are more confident that we can expect a

Chart C

Domestic Credit to Private Sector (% of GDP)



Source: World Bank (2011)

change in the near future regarding the government's policy towards this vitally important sector to the Mexican economy.

Another loser in the month was Credicorp (4.0% of the portfolio), Peru's leading financial company, which declined 7.9% as credit quality concerns added further pressure to the Peruvian market's decline of 3.8% in July. We believe that the pressure on the stock was caused by the rising provision for expenses among regional and local banking peers and at Credicorp's banking subsidiary, Banco de Credito del Peru (BCP). We believe the rise in provisions to be an expected consequence of a shift toward the higher risk consumer loan business. We believe that Credicorp is currently the premier financial franchise in Latin America,

which is a region with extremely well managed banks that have very strong business franchises. In addition, Credicorp is well positioned to take advantage of the increase in financial services due to Peru's low penetration of loans in relation to other Latin American markets (Chart C).

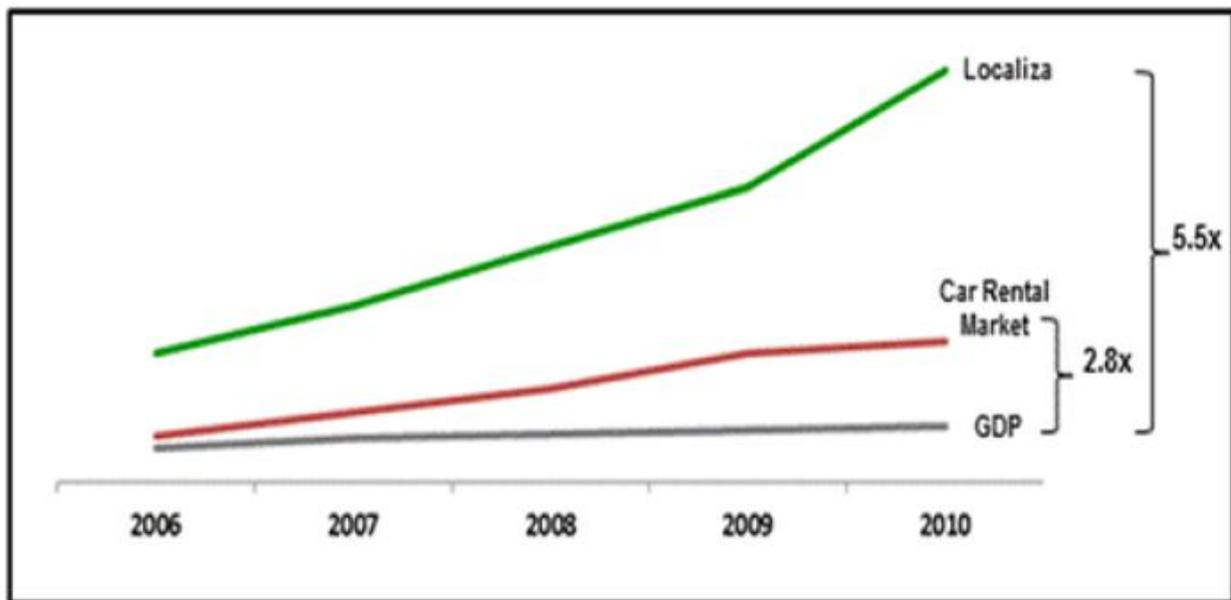
One of the best performers of the month was Localiza (4.4% of the portfolio), Brazil's largest car rental company, which increased 7.5% as second quarter results provided some signs of an inflection in business trends. More specifically, the tax cuts that impacted the price of new and used car sales look to be fading with only minor adjustments being made to financial forecasts.

As you will recall from our newsletter last month, Localiza was the worst performing stock with a decline of 4.9% during the month. We remain steadfast in our long term positive view of the company. Localiza offers a lasting set of

competitive advantages in a sector buttressed by secular growth opportunities, which we believe will result in the continued growth in the company at a multiple of GDP growth (Chart D).

Chart D

GDP, Market and Localiza growth



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