1st QUARTER 2016
PIPA GLOBAL REPORT

Base Hierárquica, presented by **André Komatsu** at the PIPA 2011 exhibition

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PIPA GLOBAL REPORT

MENTAL MODELS

Prime Numbers

Some friends find our obsession with Prime numbers a bit odd. We do acknowledge that we're fascinated by them and don't think it's difficult to see why. They are the fundamental elements of all numbers. As those with an exact sciences background are well aware (and even those that went through the social or liberal arts might remember from school), Prime numbers are those Integers that can only be divided by themselves and one. Putting it another way,[1] all non-Prime numbers can be expressed as a multiple of Prime numbers. It's like Primes are the elemental particle of all numbers. Well, that could be enough to justify Primes' allure to fundamentalist investors. But there's more.

One oddity of Prime numbers is that no matter how hard all Mathematicians and Maths enthusiasts have tried over the centuries, no one could come up with a formula that, given a large Prime, could predict the next one. Even worse, there's no simple way to know if a given number is a Prime or not. Despite all efforts to the contrary, the way to check if a large number is a Prime is through trial and error using sheer computer power. There are some shortcuts, mostly by eliminating "candidates" like all the odd numbers greater than 2 and checking if it is divisible by any Prime number less than its square root. So there you go, number by number all the way to Infinite… and Beyond.

So the point here in terms of mental models is: there are some fundamental things that just can't be predicted or completely grasped. We think there's a very strong analogy with successful companies and elements of Prime numbers. No matter how hard we (and everyone we know) try, there's no precise formula to build or identify one. The only way is to use some shortcuts, specially by eliminating candidates, building experience and hard work. That's a very humbling concept that leads us to keep our largest positions at 15% of the portfolio, while always remembering our "shortcuts" list and working hard.

Information, Knowledge, Experience and Insight

The idea for this text came from several conversations where three questions occurred frequently. They are:

1. How do we deal with the continuing flood of information?

   Reception areas of asset management firms, investment managers and advisors companies in London, New York and Hong Kong often resemble the waiting rooms of doctors' offices: filled with advertisements from sales-reps of "miraculous" products.

   This avalanche has several problems beyond the obvious one that it is impossible to process the entire volume one gets every day. One of the problems is that once many people have access to them, they cease to be strategic and

[1] As good old Charlie Munger would say, "Invert, always invert"...

automatically become necessary information, at best – commodities, but not differentiated.

The second is that when someone proposes, for example, to cover the CVs and incentive packages of top executives from 2,000 companies, it is naive to expect something that you can blindly trust or even something that has consistent quality. We can never know if we are looking at a "good" report from an experienced City analyst or one done by a part-time intern in India.

Finally, we think there's a useful analogy with Art. For all communication processes, we have three variables: what the artist thought, the work itself and the interpretation of each one that "consumes/appreciates" it. This is the point where the experience to evaluate the potential value of the products being offered comes in. It starts by being able to know/evaluate the reputation of who provides the information, making sure that the process by which it's obtained and processed is satisfactory, and goes all the way to the capacity to effectively "digest" more information.

In the case of PIPA Global, when it comes to selecting and evaluating a specific company, we're mostly focused on five fundamental pieces of information:

a) Are the people who actually run the company well above average? That necessarily includes character, vision, leadership and execution skills, as well as the ability to attract, train and retain good people.

b) Are they focused on the "right" issues and do they have an adequate incentive scheme?

c) Is the business model good?

d) How is the world changing in terms of regulations, technologies, politics etc. in ways that can affect the conditions in which companies operate?

e) What are the risks that we get it wrong or that things change in a surprising and detrimental way?

There is no single source of information that can answer all those questions.

Once/if the answers to these questions are obtained, defining a range of reasonable prices for the assets is a "piece of cake".

In short, the secret seems to be "eat like an elephant and poop like a hummingbird", getting rid of the noise and avoiding complexity.

It's paramount to accept the fact that you cannot do everything that it would be nice to do. You'll never have all the information you'd like to have, so keep a pathological focus on the five most important things objectively defined above.

2. Does living in the London, New York, San Francisco or Hong Kong circuit make a difference?

We tend to think that the advantages of living in the "main trunk" of intelligence and where global decision-makers circulate are not, as is frequently believed, being close to Banks/Broker Dealers' conferences or Companies' Investor Days. These, as well as most of the corporate and sell-side reports, have become pasteurized events, focused on short-term data that don't carry a lot of relevance for us. Moreover, most reports and webcasts are available immediately on the internet.

Rather, the great advantage is to have contact with former officials, academics, professionals from private companies, suppliers, customers, former partners, and consultants, and being closer to industry conferences and other "unstructured" sources of information that help the assessment of the qualitative variables mentioned above. For personal and professional reasons, "the world that matters passes through these places".

3. Do we think we're better analysts/investors with age?

One of the observations we've made is the cyclical nature of things, especially with regard to markets. So what seems to be a clear secular tendency when you're 20 gradually begins to look as though it may be the opposite as you get into your 30s. At 50 or so, we come to see the vast majority of events as cyclical and focus more on how to deal with their amplitude and duration. Always keeping in mind that, as was brilliantly put by Mr Buffett: "to finish first, first you have to finish".

Obviously, the biggest changes relate to greater humility, learning to listen more and talk less and develop a certain scepticism, if one can call it that. Last but definitely not least, the patience to follow with discipline a philosophy that requires more reflection than action. Understand that quantity does not replace quality. Most of the time, less is more. You have to focus on quality contacts, density and reliability.

We find it important to finish by pointing out that these are our generic musings. There are some (few) cases we know of excellent analysts/investors who are better than older and more experienced ones. Also, we know of other analysts and, in most cases, managers who live outside the major centres. In certain cases, personal idiosyncrasies overlap with the "general principles" listed above. However, just as sailing against the wind can be done, whenever possible it's better to follow its direction. Life already has too many obstacles. It's not reasonable to introduce unnecessary ones.

ANALYSIS

Amazon

The annual results day was a memorable one, with the stock oscillating 30% between low and high. Since nothing of relevance was reported, our takeaway was one which is of very common occurrence – that most people are clueless and certainly engaging in something very different from what we call investment.

As we mentioned in our last report, the key issue in terms of valuation was how much value could the AWS segment generate over the long term. Worst case scenario, it would be a drag for the company, turning into a commodities-like "race to the bottom" type of business, with endless Capex and margins that would always be competed away. That would be the scenario where they remained an IaaS (Infrastructure as a Service).[2] As we dig deeper in our scuttlebutt process, we're getting closer to believing that our friends at Amazon are being able to move a relevant part of their business into a PaaS (Platform as a Service) model. As we mentioned in our last report, this is a much higher margin business given its "stickiness", since clients develop software specifically for that platform, therefore having much higher switching costs and margins.

In that regard, one has to consider the fact that Nest, the home of automation/internet of things bought by Google two years ago, still uses AWS. Some switching cost must exist.

If there's one thing that still baffles us when it comes to Amazon it's the fact that they're now a USD 100 billion/year global company in revenues, growing 20% a year, and yet at the same time they're buying Woody Allen's production company, partnering with Morrison's UK supermarket for same-day fresh deliveries, leasing 20 Boeing 767 freighter jets for cargo, creating a voice-operated platform based on Artificial Intelligence (judging from Alexa and Fire TV remotes, it works quite well), operating the biggest (by far – Microsoft is the second biggest and Google a distant third) cloud service in the world (AWS), which is used by Netflix (one has to consider that Amazon Prime TV competes square on with Netflix), and running and developing their traditional e-commerce business. So far, they've been able to manage all complexities and stop the losses (Fire Phone). But one has to wonder how? Do they have enough people? Are they organized and managed? It has been a bad decision to bet against it, but those are questions we keep asking ourselves.

Gold

To put it simply, it's just an alternative that, given the uncharted territories most economies and central bankers are navigating, sounds quite reasonable vis-à-vis cash.

It has limited quantity and supply, it's known and recognized (and valuable), from the UK to Guatemala it's completely fungible (i.e., one ounce of pure gold is indistinguishable from another), it's easy to care for and indestructible. Contrast that to art works, precious gems and even real-estate. And it's indisputably liquid (as in you can buy and sell huge amounts very fast with little transaction cost).

[2] Please refer to our last report 4Q2015 for more details

So, given current gold prices, so many places with negative interest rates, unfathomable public debt levels in most big economies and asset classes inflated by long-term ZIRPs, we think of it as a nice parking space where one can wait for opportunities and/or better insights.

Berkshire Hathaway

As always, BRK's report with Buffett's letter came out on a late February Saturday and can be accessed here.[3] As it is widely read and we definitely don't think we can add much to what the old sage writes, we'll stick to a few comments:

1. Float continued to grow, standing at USD 88 billion by year end. Most importantly, it had negative cost for more than 10 years in a row. The reduced emphasis in supercat category and Geico's continuing market share gaining make the winning streak even more likely to continue than before.

2. Todd Combs and Ted Weschler are already managing USD 9 billion portfolios each, or USD 18 billion from the USD 112 billion in common stocks at year end, excluding the KHC position. If we exclude the USD 65 billion allocated in what Buffett calls the super four (AMEX 10.5, KO 17, IBM 11 and WFC 27) and which are pretty much stable and his own call, that means the new generation is managing about 40% of the remaining portfolio. That amount has been growing steadily and is an important indicator for the succession issue. On the same note, PCP's USD 30+ billion acquisition is credited to Todd.

3. The long energy strategy continues, both through efficiency-inducing oil and gas ducts and railways all the way to renewable sources.

4. Buffett says he would be delighted to buy BRK stock at 120% of book value. That would be approximately USD 186,650 for Class A shares and USD 125 for Class B.

5. With the exception of Wells Fargo, the other three companies have great business models but in our opinion management leaves something to be desired. We can only speculate and dream about the day when the 3G guys take over Coca-Cola…

There follow some excerpts from Charlie Munger's shareholders' meeting of Daily Journal Corporation:

On IBM: "I am neither a believer nor a disbeliever; it is a mystery. I would say the jury is out. It may work in a mediocre way, it may work big, I just don't know. The old business is sticky and will die slowly." Berkshire having to make big bets is a tough game, as they're no longer shooting fish in a barrel. "The answer, my friend, is blowin' in the wind..."

On investing:

"You make your money in the waiting." That was mentioned in the context that he invested all the

[3] http://www.berkshirehathaway.com/letters/2015ltr.pdf

company's gains at the time buying Well Fargo shares at USD 8.00. "Sure it was luck, but it wasn't luck that we had the money to deploy and were willing to do so when others were fearful."

"Most people don't pay enough attention to opportunity cost. American university faculty members and other important people hardly know their ass from a plate of squash."

We would like to re-inforce this last comment. In a way, the management of US companies, while better than average, still reminds us more of politicians than businessmen. In fact, to reach the top of most organizations, one is better served by being a sleazy, self-absorbed egotistic political operator than a great manager. We're looking for the exceptions.

"We don't use numeric formulas and take into account many factors, like a bridge hand. There will never be a formula that will make you rich. If that were true, every person who got A's in algebra would be rich."

"The constant quest for wisdom and a temperamental reaction to opportunity will never be obsolete."

"Warren and I do two things. One, we spend a lot of time thinking. Our schedules are not crowded, and we look like academics more than businessmen. It is a soft life waiting for a few opportunities, and we seize them and are OK with waiting for a while and nothing happens. Warren is sitting on an empire, and all he has on his schedule is a haircut this week."

"Multitasking is not the highest quality thought man is capable of doing unless you're chief nurse of a hospital."

ON BRAZIL

Since we're originally from there (not everyone is a winner in Buffett's "womb lottery", but we try to compensate for it…), and given all that is happening down there, we've got many friends asking us "what the hell is going on down there?".

To cut a long story short, our view is that Brazil as a nation is structurally flawed. It goes beyond the educational deficit. It relates to a place where most people don't value education, where former president Lula was proud to say that "his mother was born an analphabet" and that he doesn't like reading books. That's what you get when you apply unrestricted "democracy" (voting being mandatory) to a country of 200 million souls, where our educated guess is that less than 30% of the population have any usable knowledge or skills (and it's getting worse with all the tech advances) and most have poor cognitive skills.

Brazil has a cultural problem in that it's as capitalist as China is democratic. Most people don't have the framework to grasp the fact that one can't have a Constitution that focuses on citizens' "rights" but doesn't balance this with obligations. And as a byproduct of geography, language and the many years of isolation during the military dictatorship, most people lack references that would lead to a contemporary view. Travelling abroad is restricted to the elite, other than during brief periods of favourable exchange rates, when the middle class goes "abroad" to shop in the US, in order to benefit from the huge price difference in everything, given Brazil's scorching import taxes.

It's easy to get the wrong impression by driving through the rich neighbourhoods of the main cities, or visiting the ultra-competitive agro-businesses. Of course there's a well-educated elite (not to be confused with the financial elite, although some overlap occurs) of a few million that compare with any global elite. But they're a minority, and very few have any interest in politics, given the widespread corruption of the system and elements of the political class. Since politicians have, historically, obtained immunity in Brazil, there's a certain selection bias going on. For those who watched Netflix's "Narcos" series, think Pablo Escobar running for Congress.

Having said that, it will move on, in a bumpy ride, mostly depending on external conditions (petrodollars recycling in the 1970s, China's immense surge in commodities demand in the 2000s). Can it change internally? Hopefully it will. But it will require a more enlightened leadership than the last ones. For now, many believe that God is Brazilian and they've never heard the "bad news" brought by Nietzsche.

We got a glimpse of what's possible when Mr Fernando Henrique Cardoso, an extremely well educated intellectual who was elected President and, despite his leftist past, was smart enough to delegate key economic planning and execution to people like André Lara Resende,[4] Arminio Fraga,[5] Edmar Bacha[6] and Persio Arida.[7] If you're interested in more details, we'd recommend *The Accidental President of Brazil: A Memoir*, by Fernando Henrique Cardoso, though the title already says a lot.

Can one make money in Brazil? Of course.

There are a few world class listed companies like AmBev (brewery – Anheuser Busch/InBev and now SABMiller subsidiary), Itaú (banking), Lojas Renner (retail) and Odontoprev (dental care), to name some market favourites, that have been growing profitably through all the ups and downs.

The infrastructure opportunities are immense, but unfortunately will quite likely continue to be just that, opportunities, since one would have to successfully navigate the legal, regulatory and political headwinds.

So, basically, that's it. If you have the time, energy and stomach to face it, lots of beautiful places to visit. Pelé and bossa nova are a thing of the past. The down cycle has run for a while now, but we'd suggest that you don't hold your breath.

[4] André is an MIT PhD and currently is Senior Research Scholar at Columbia University.
[5] Armínio holds a PhD in economics from Princeton University and worked with George Soros.
[6] Bacha is a Yale PhD.
[7] Persio is an MIT PhD as well – coincidence is no causation, but it does ring a bell…

And one can always go short…

PERSPECTIVES

Sometimes it's useful to look back a bit in order to evaluate possible future developments. With that in mind, we invite you to a short ride back into the memory lane of corporate strategy, mostly in the US.

Back in the late 60s and early 70s there were the nifty-fifties, the conglomerate era, where the biggest (50s) market cap companies used their inflated price shares to buy lower valued smaller companies, no matter their industry or activity. There were two theoretical assumptions underlying this movement. The first one was algebraic. Since a higher P/E company was buying a lower P/E company, all acquisitions were instantly accretive. The second was managerial.

This period marked the peak in the creed that management was a science that had its universal laws deciphered. All one had to do was to follow the basic Taylor rules and add a bit of Druckerian sprinkle on it and voilà! Problems arose when complexity[8] (management's hell) showed its ugly face and made it clear that there were limits to management theory. Just as Einstein hadn't reached his unified theory, management theory turned out to work only within boundaries.

Crisis struck as two basic assumptions clashed. On one side, problems on "legacy operating profits" decreased due to issues of management complexity. On the other, the need for ever bigger acquisitions to stop overall profits decreasing grew, which obviously only increased complexity.

The virtuous cycle turned into a vicious one and conglomerate prices came crashing down, setting the stage for the next trend: corporate raiders. By the end of the 70s, T. Boone Pickens, Theodore Forstmann, Jerome Kohlberg and others launched countless leveraged buyouts, mostly financed by the controversial but brilliant Michael Milken,[9] then at Drexel Burnham Lambert. The underlying principles again were sound clear: take on debt to buy whole conglomerates at low valuations and completely messed up in terms of management, disassemble them into simpler and more focused parts and bring in aligned management (usually by financing a stake to C-level executives).

Then came the tech boom and emerging markets which generated their own dynamics, a combination of which brings us to today. The trends we believe we see today are based on these two fundamental developments. We'll spare you the first one, technology, which has been discussed here and elsewhere *ad nauseum*.

The second one is in part a consequence of the first, which is the possibility and necessity of scale combined with focus, long-term orientation and

[8] Reynolds number briefly mentioned and explained in our last report, dated 4Q2015.
[9] In our humble opinion, his legal problems were much more a consequence of the "disruption" he brought to the establishment than due to his faults.

culture. The most obvious examples, of course, are Danaher, Fortive, Colfax (Rales Brothers), Berkshire, ABI-InBev, Heinz-Kraft, and JAB Holdings/ Reckitt Benckiser/Coffee/Coty (Reimann family), among others.

We've heard some people putting ABI and Valeant, for example, in the same category: the in-vogue "platform companies". In our view, nothing could be more wrong. True platform companies are, first of all, built for the long run. They have a clear vision, strong culture and great focus on developing people. That's something completely different to the "pump-and-dump" variety concocted by investment bankers and financiers, where the objectives are clearly to generate a fast rising stock price and exit. Or even more dangerously, to keep the "bicycle" running as far as possible until the inevitable moment when bad management faces an unfavourable situation, share prices start to fall and the whole thing implodes before you can say "Enron".

Summing it all up, we see an inexorable wave where most companies will eventually "get it". It seems like a natural Darwinian phenomenon. Just as Japan and China eventually had to start opening up to the world, communism crumbled and the EEU is having to adapt. Companies that lag too far behind in terms of efficiency adoption and bureaucracy busting will be eliminated, no matter how good their business models, products and market penetration. No army can stop an idea whose time has come… The "company" idea was a brilliant one. A well managed one, even better.

As always, we'd like to finish by recommending that you read the text on the PIPA Art prize, since we find much inspiration and learn a lot from artists. Also, it's always important to remind you that PIPA is a not-for-profit organization maintained by voluntary contributions from yours truly. So if it were not for YOU, our co-investors, there would be no PIPA. So enjoy...

RANDOM BITS

"2015 was the first year since 2008 with annual sales of PC units under 300 million."
— IDC Research

"China consumed 6.6 billion tons of cement between 2011 and 2013. By contrast, the US used 4.5 billion over the entire XX century."

"The average breast of an eight-week-old chicken is seven times heavier than it was 25 years ago."
— Peta animal welfare charity

With the chicken genetics of the 1950s, every tonne of feed produced 330 kg of chicken meat. Today it produces 580 kg.

"It doesn't make sense, from the perspective of either human health or sustainability, to increase meat production to meet rising demand. An alternative strategy might be to encourage people to adopt diets that contain proteins from legumes and funghi, which take a fraction of the resources required to produce meat."
— Lynn Frewer

"50 billion chickens are reared each year for meat."
— FT

Chicken meat is just about to surpass pork as the main source of animal protein.
— FT

"Every device, every media, every person will be connected. Mundane tasks will be taken away by algorithms that can automate large chunks of everyday life… We built a network for people but in the future every person will have 100 connected things."
— Marcus Weldon, President of Bell Labs

By 2020, Huawei estimates that network traffic will grow threefold and mobile traffic will increase eightfold.

MISCELLANEOUS

“I believe AWS is one of those dreamy business offerings that can be serving customers and earning financial returns for many years into the future. Why am I optimistic? For one thing, the size of the opportunity is big, ultimately encompassing global spend on servers, networking, data-centers, infrastructure software, databases, data warehouses, and more. Similar to the way I think about Amazon retail, for all practical purposes, I believe AWS is market-size unconstrained.”
— Jeff Bezos, 2014 Annual Letter to Shareholders

“It is difficult to get a man to understand something when his expense account depends on his not understanding it.”
— Simon Kuper

“Your mind will answer most questions if you learn to relax and wait for the answer.”
— William S Burroughs

“It was something every child knew how to do, maintain a direct and full connection with the world. Somehow you forgot about it as you grew up, and had to learn it again.”
— Jeffrey Eugenides

“There is no compression algorithm for experience.”
— Amazon Web Services’ Andy Jassy

“I only went out for a walk, and finally concluded to stay out till sundown, for going out, I found, was really going in.”
— John Muir

“Creativity – like life itself – begins in the dark.”
— Julia Cameron

“There are three classes of people: those who see, those who see when they are shown and those
who do not see.”
— Leonardo da Vinci

"Vision is the art of seeing what is invisible to others."
— Jonathan Swift

"Culture shock is what happens when a traveller suddenly finds himself in a place where 'Yes' may mean 'No', where 'fixed price' is negotiable. Where to be keep waiting in an outer office is no cause for insult. Where laughter may signify anger."
— Alvin Toffler, Culture Shock (1970)

"Everything in life has a good and a bad side. Except for Pink Floyd's Dark Side of the Moon album, in which both sides were spectacular."
— Unknown

"My advice is to have good behaviour, be dependable, live in morality. It makes things easier, and you don't have to remember your lies."
— Charlie Munger

The following was sent to us by our wise and brilliant friend André Jakurski, who always feeds us with great ideas and comments. Tks! Keep them coming.

- "It is no crime to be ignorant of economics… but it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance."
— Murray Rothbard

- "I come from an intellectual tradition where public policy is important, it can make a positive contribution, it's our social obligation to do this… 'We can help to make the world a better place.'"
— Janet Yellen (July 2014)

- "Of course housing is a relatively small sector of the economy, and its decline should be self-correcting."
  — Janet Yellen (October 2006)

- "I don't think China's economic slowdown is that severe to threaten the global economy."
  — Ben Bernanke (January 2016)

- "Again, I think we are unlikely to see growth being derailed by the housing market."
  — Ben Bernanke (March 2006)

- "One of the great errors in intellectual history has been the notion of a national economy that can be manipulated by uniquely gifted policymakers."
  — Bob Hoye

- "One of the great mistakes is to judge policies and programs by their intentions rather than their results."
  — Milton Friedman

- "The smart learn from other people's mistakes. The normal with their own mistakes and the stupid simply don't."

  — Roberto Campos

Late March brought the sad news of the death of Andy Grove, the man that "made" Intel and one of the few that, in our humble view, deserve great credit for creating the whole ethos of the current tech industry. A brilliant overachiever (like most Hungarians, there must be something in the water there), he wrote the highly influential book *Only the Paranoids Survive*, a book that was very important in our formation and that we strongly recommend. The world is intellectually poorer and dumber without him.

PIPA PRIZE

PIPA PRIZE

PIPA PRIZE 2016 – YEAR 7

Over the past six years, our small team has had a lot of work on their hands, but we are extremely happy with all that we have accomplished thus far. For us, this is not a time to sit and relax, quite the opposite in fact. We believe that, the more we accomplish, the more responsible and ambitious we become.

Content and curatorship

PIPA's founder and Board Member, Luiz Camillo Osorio, has been an essential figure in the constant search for development and improvement of the project, since its inauguration in 2010. Having announced his departure from MAM-Rio, earlier this year, Osorio has recently become Director of the Philosophy Department at PUC-Rio, as well as the curator of the PIPA Institute, sponsor of the PIPA Prize.

Osorio will be writing a monthly article for the website (www.premiopipa.com / www.pipaprize.com) on the contemporary Brazilian and international art scene, in addition to contributing critical texts and relevant material to the website, which will also be featured in the newsletter. From his introductory text, published last February, we may highlight:

"To continue as a member of PIPA's board and to assume the curatorship of the Institute which sponsors the Prize can be considered a natural development of my involvement in the project. The main idea is to consolidate the website as a platform for research on the current artistic scene in Brazil.

"Leaving my position as Curator of MAM-Rio in December 2015, in order to dedicate my time to the University, will not change my relation with PIPA. This new activity which will be developed at PIPA Institute, is not incompatible with my new role at PUC; on the contrary, it will enhance it, given the strong relation between my academic research and contemporary art.

"In the last two years, whilst traveling to lectures, biennials and art fairs, talking to curators, critics, collectors, gallerists, artists, and those who are generally interested in Brazilian art, I have noticed that our website was becoming an assiduous research space. Firstly, as it is bilingual and secondly as it is geographically encompassing (with artists beyond the Rio-São Paulo circuit) and historically focused (dealing solely with the nominated artists, with the relatively recent scene from the past twenty years). Given this current situation, we have decided to strengthen this tendency to qualify the website as an online research platform, a window into Brazilian contemporary art. As of now, this will be my main project in PIPA. The results which this new project might bring will only be analyzed over time, but we are convinced of the potential of this initiative and that it will develop its own character with continuous hard work. The collaboration of the artists involved, the galleries and from the circuit in general is fundamental.

"Another important objective is to constitute an art collection for PIPA Institute, acquiring works by the nominated artists (initially focusing on the finalists) and trying to create significant assemblages that would shape the development of individual poetics. Eventually, in accordance with each case, we can commission original projects, pertaining to the interest of the artist, which would directly be included in the collection once it is complete. The idea is to encourage artists who have been part of PIPA to maintain a relationship, through the website and the collection.

"In the last six years, the PIPA Prize has been establishing itself, and it is now one of the main references to the Brazilian contemporary circuit. To consolidate this place of prestigiousness and to enhance the purpose of action is the intention behind this current development phase."

And it is not only Osorio who has been noticing the relevance of the Prize outside Brazil. Our team in London has been in touch with many figures of the art world. We have been talking with local institutions, renowned artists, critics and collectors who have demonstrated enthusiasm with PIPA and its work for Brazilian contemporary art, highlighting the website, the catalogue, the video-interviews and the award itself.

Tabula Rasa

At one of the workshops we attended, Ossian Ward, Head of Content at the Lisson Gallery and former chief art critic at Time Out London, talked about a subject which was also published in his book Ways of Looking – How to Experience Contemporary Art.

"The best foundation for any fresh consideration of contemporary art is to start from zero and wipe the slate clean, no matter how many bad encounters you may have had before. In Latin this is known as tabula rasa – the unblemished tablet or blank slate – and it's from that word tabula that the following mnemonic, or memory-jogging acronym, derives:

T - stands for time - spend time to really experience is a key factor

A - association - the hook, the link that gets people in

B - background, make a research

U - understand

L - look again, put down the first thoughts and read more

A - assessment, make your own judgment."

We find that this tabula can be applied to other fields than contemporary art.

Participating artists

We have recently announced the 71 artists who are participating in this year's edition. Although many artists have already been nominated at least once in previous editions, every year new names arise. In 2016, three indigenous artists were nominated, demonstrating the importance of diversity in a wider view of our contemporary art scenario.

33 artists were nominated this year for the first time and are having their profile pages created on our websites, adding to the current 303 that are already featured. The profile pages include biographies, images of artworks, critical and curatorial texts and video interviews. These pages are constantly being updated.

All participating artists are invited to run for the PIPA Online category, an open internet voting on our website, which takes place from 17th July to 7th August.

The four finalists, who will run for the main award – PIPA Prize 2016 – will be announced in June. They will showcase their works in an exhibition at MAM-Rio from September to November.

Cover

The installation Base Hierárquica by André Komatsu presented at the 2011 PIPA exhibition features a structure crumbling at its base. It calls for a deeper reflection, not only on the artwork itself but on the current state of the world. The following quote, eloquently put by Curator Jacopo Crivelli Visconti, captures the essence of the work: "Order, as it is conventionally known, is just one of the possible ways in which the world can be manifested – and it is not necessarily the most easily understood way. It is enough to take a step, to look at things from another angle, and what at first sight appeared ordered can be revealed as disordered, what looked chaotic can, ultimately, be seen in its flawless logic."

PIPA MISCELLANEOUS

- "Among the top 200 art collectors there were 29 nationalities in 2013, up from just 17 in 1990."
  – FT, 1/1/2016

- "Art was, seriously, the only thing I'd ever wanted to own. It can change the way that I feel in the mornings." David Bowie, who died on Sunday, January 10 at age 69, to the New York Times in 1998

- "When Paul McCartney checked to see if David Bowie minded the title of his 1990 canvas Bowie Spewing, Bowie said 'Of course not, but what a coincidence, I am currently working on a song that's called McCartney Shits,'" he told Belgium's Humo magazine.

- "Art isn't utilitarian, and if it is, perhaps it isn't art. Art serves a non-practical role in our lives, but that does not mean that it is not vital or necessary. One's individual identity and our collective identity as a culture have no clear serviceability, but they are critical to our ability to function as a society."

- "Even if the artist could explain everything she may have intended and was able to put into her painting, that would be only a fraction of its meaning. There always remains a range of aesthetic communication beyond precise explanation." – ***Hugo Moss***

- "Art, in its highest role, is one of the tools that helps us befuddle ourselves and reach the highest level of our consciousness… One key aspect of this is what I call befuddling the intellect – the transcending of our exquisitely honed logical, analytical mental process in pursuit of a higher perspective." – ***Hugo Moss***

- "The only thing that matters in art is what cannot be explained." – ***Georges Braque***

- "Great things are not done by impulse, but by a series of small things brought together." – ***Vincent Van Gogh***

- "The whole culture is telling you to hurry, while art tells you to take your time. Always listen to the art." – ***Junot Diaz***

- "But it is useless for a critic to tell me that something is a work of art: he must make me feel it for myself. He must get at my emotions through my eyes." – ***Clive Bell, Art (1958)***

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