PIPA Global

PIPA Global Report

1st QUARTER
2018

Juliana Notari, PIPA Prize 2018 nominee, "Symbebekos", 2011, performance, glass shards, and light, variable duration.

PIPA
GLOBAL INVESTMENTS

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Research and Analysis

Research and Analysis

As a way to facilitate navigation through our often long report, we finally had the obvious idea of breaking the subjects in blocks clearer in the Index. Hopefully, this will help each of you find exactly what matters to you without incurring the risk of omitting something that could be of relevance to others.

BERKSHIRE HATHAWAY

What we liked (and expected):

1. Buffett, as expected, resisted the temptation of "doing something" despite the ever-growing cash pile. BRK ended 2017 with USD 116 billion in cash and T-bills. That's basically our strategy, on steroids. We mean, there's lots of dry powder to be deployed as soon as prices become more attractive.

2. Since most of BRK's businesses are US based, their tax benefit was outsized.

3. "At Berkshire, in contrast, we evaluate acquisitions on an all-equity basis."

4. "We will stick with our simple guideline: The less the prudence with which others conduct their affairs, the greater the prudence with which we must conduct our own."

5. "Betting on people can sometimes be more certain than betting on physical assets."

6. "An unsettled mind will not make good decisions."

7. Kipling's If:

   "If you can keep your head when all about you are losing theirs...

   If you can wait and not be tired by waiting...

   If you can think - and not make thoughts your aim...

   If you can trust yourself when all men doubt you...

   Yours is the Earth and everything that's in it."

8. "What investors need instead then is an ability to both disregard mob fears or enthusiasms and to focus on a few simple fundamentals. A willingness to look unimaginative for a sustained period - or even to look foolish - is also essential."

What we didn't like:

1. Airlines? Again? USD 6 Billion among Delta and Southwest Airlines, about half and half, which represent about 7.5% to 8% of each company. His argument is that the strong consolidation that has happened in the industry (fact). But this is a highly cyclical industry. It has just been announced "the plane maker Boeing just set company records for earnings, cash flow, and commercial deliveries in 2017, and pledged to do even better." On top of that, no matter how hard they try (and few really try with gusto), service quality is pathetic and anachronic in the days of Amazon. They rank with banks and cable companies at the very bottom of every client satisfaction index.

2. Operational subsidiaries results were "nothing to write home about". Despite all the frosty US economy, results marginally moved.

GENERAL ELECTRIC

"Catherine the Great once said that if you cannot be a good example, then you will just have to be a horrible warning."

In late February, GE announced it was reducing its board size from 18 to 12 members. Eight directors are retiring from the board in the reshuffling, while lead director Jack Brennan, former head of mutual-fund giant Vanguard Group, who joined the board in 2012 will step down in 2019. They appointed 3 new members:

- Larry Culp, 54. CEO of Danaher from 2000 to 2014 and current Harvard Business School Professor.
- Thomas Horton, 56. Former head of American Airlines.
- Leslie Seidman, 55. Former chairman of the Financial Accounting Standards Board, who is also on the board of Moody's.

Those of you that have read our reports in the past, know how much we respect and admire Larry Culp as a manager, so we won't repeat ourselves too much here. One quick Google Search on Mr Culp's tenure at DHR will make it very clear just how exceptional he is. The fact that someone like him, certainly after doing thorough due diligence, chose to take on the challenges at GE, makes us optimistic about the company's prospects.

Although the problems are plenty with a seemingly damaged culture, hugely underfunded pension and overall doubt about the long-term sustainability of their business model, the news of the new board made us look into the company a bit deeper. So, our intent here is to show what we would like to see from this new board, i.e a few steps that might help make GE a truly long-term compounder company, rather than merely a shareholder and/or sell-side friendly company:

1. Be bold in the reset initiative, face the vocal majority that will claim for regular dividends, guidances and constant “showtime”. Let the shareholder base change into a “voluntary” long-term investor base, one that will accept bumpy and sometimes risky investments that make sense and make it clear that you’ll really be focusing 99.99% of your time being true to GE Heritage as an innovative, customer-centric and financially-sound institution.

It concerns us when we read in GE’s Annual Report about giving more attention to its biggest shareholders. Indexed portfolios and ETFs represent a significant part of GE’s (and most big companies these days) investors. We have nothing against any of them and understand that the company’s acquiescence to them is important in order to sustain a long-term strategy. However, they tend to be too big and diversified to be able to focus and to be the best source of strategic insight, even if there might be exceptions to the rule. If any further evidence was needed, the last few years have proven so:

TOP 10 GE SHAREHOLDERS OVER THE LAST 5 YEARS

#	Investor Name	% of Outstanding Shares				
		31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
1	The Vanguard Group, Inc.	7.08%	6.57%	5.46%	5.38%	4.89%
2	BlackRock Institutional Trust Company, N.A.	4.21%	4.02%	3.45%	3.82%	3.57%
3	State Street Global Advisors (US)	3.89%	4.04%	3.43%	4.14%	4.13%
4	Capital Research Global Investors	1.92%	0.86%	0.92%	0.70%	0.76%
5	Franklin Advisers, Inc.	1.51%	0.63%	0.54%	0.73%	0.56%
6	Capital World Investors	1.21%	1.63%	1.74%	1.81%	2.00%
7	Geode Capital Management, L.L.C.	1.01%	0.90%	0.76%	0.79%	0.76%
8	Bank of America Merrill Lynch (US)	0.97%	0.94%	0.79%	0.64%	0.77%
9	Fidelity Management & Research Company	0.92%	1.43%	1.94%	1.18%	1.28%
10	Norges Bank Investment Management (NBIM)	0.89%	0.85%	0.72%	0.72%	0.74%

Likewise, we question ourselves if GE holding "*approximately 130 analyst and investor meetings with GE leadership present*" is the best use of the company's leaders time[2]...

2. It's all about execution and, as a consequence, people. Spotting, attracting, monitoring, nurturing, evaluating and promoting people should represent a very relevant (as in >50%) portion of ALL senior management members' time allocation. We believe that is what will ultimately drive long-term results and make investors happy.

3. We applaud that GE has made it mandatory for senior executives to have shares and even offer a 15% "discount" in the form of co-participation. We'd argue that board members should have even more skin in the game. And by that we don't mean options, but a relevant amount of shares, proportional to each member's personal wealth, so that they'd be exposed to an eventual downside as well.

On top of that, we've been through the whole 10k and proxy statements, from cover to cover and have been working hard on numbers, which is proving quite difficult given the uncertainties of some liabilities and how the asset disposal would go. The most we can say so far is that at current levels, about USD 13/share, using what seems to us like reasonable assumptions, it looks like an attractive proposition for long-term oriented investors. The biggest risk we see is that since the market is so traumatized and touchy about it, a piece of bad (or misinterpreted news) could throw the stock into a spin dive to the point where someone can come up with a buyout offer, squeezing out even those who might have bought it "cheap".

[2] GE form 10k, pg 115

We'll devote much more time to it over this quarter and look forward to the formalization of Mr Culp literally getting "on board", which should happen on the next shareholders meeting, this next April 25th.

WESTERN UNION

Let's talk a bit about a stock most people love to hate (as proven per the consistently low multiple). Western Union has been a cigar butt that has been giving us quite a few puffs over the years. In a way, it reminds us of the Tobacco industry. It's an unloved business with low growth, but which consistently throws out huge amounts of free cash flow to its shareholder, both in the form of dividends and buybacks.

We've written about WU in previous reports and something we mention every time is how their capital allocation is one of the reasons we were drawn to them in the first place.

So, this time, we figured we'd show you what that looks like in practice. We ran a very simple simulation of what would have happened had we bought 10% of the company 10 years ago.

	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014	Feb 2015	Feb 2016	Feb 2017	Feb 2018
Total shares outstanding (in thousands)	709,993	682,769	646,777	620,333	568,767	547,936	521,445	501,914	480,903	459,298
PIPA share ownership (in thousands)	70,999	70,999	70,999	70,999	70,999	70,999	70,999	70,999	70,999	70,999
% ownership of the company	10%	10%	11%	11%	12%	13%	14%	14%	15%	15%
Dividends per share (USD)	0.06	0.25	0.31	0.42	0.50	0.50	0.62	0.64	0.70	-
Total dividends received (USD thousands)	4,260	17,750	22,010	29,820	35,500	35,500	44,020	45,440	49,700	-
Total Gross Dividends over 10 year period (USD thousands)										283,997

As of the last ten years, we've seen many new entrants in the category, only to fail a few years down the road. The question we face now is: "is this time different"?

We dare to think that for quite a while, the answer is no, for three basic reasons:

1. It's a scale business, and WU's volume is bigger than the next two combined.

2. It's a very complex business where brand awareness and dynamic pricing makes it almost impossible to compare prices in a practical way.

3. Banks, which could be natural competitors, have no interest in facing all the compliance hurdles for average USD 300 per transaction

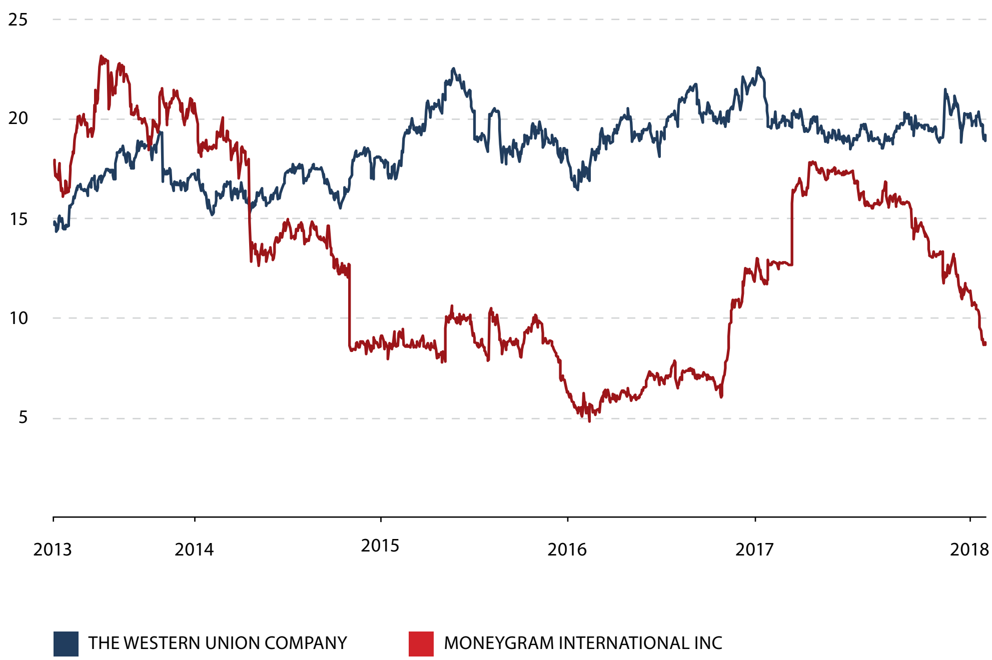
Expanding our first point, when one compares WU with MoneyGram one can see in practice the immense difference scale makes in a global network business:

2017	WU	MoneyGram
Cross-border transaction volume in 12 months[3]	Approx USD 75 Bi	Approx USD 24 Bi
Total Revenue	USD 5.5 Bi	USD 1.6 Bi

[3] Source: www.saveonsend.com analysis.

And it shows at the stock price level, although obviously other variables played their role:

WU VS MGI



That being said, the USD 10 billion question is if their business model is sustainable and/or if they'll benefit from or be victims of the fintech revolution. That brings us to a point that has puzzled us for many years: with so many mega tech players trying to enter the payments market, why hasn't one of them bought the entire Western Union company? Or even one of the big banks?

As we study the industry, talk to former and current executives involved with the business, we've narrowed the answer down to a few key points:

- They don't want the added complication of a primarily cash-based money transfer business.

- Regulation/Compliance related costs are very high and as we know, even the best compliance structure that is well run and flushed with cash will, from time to time, run into to trouble. It's simply the nature of their business.

- Brick and mortar structure is too complex to run and, in their mind, a doomed business. The very scale that makes WU excel pushes potential buyers away.

Given all of these issues, why go through the trouble (that is if the deal is even approved) for a company growing revenues 1-2% annually with their main driver of future growth being the online business that tech companies can try to replicate if they so wish? That seems to us like a good proxy for their mindset.

Even if we stay in the purely conceptual plain of thinking, to imagine these tech companies that are innovative and boundary-pushing, with a mission to promote an increasingly digital and online world, would acquire a cash-based money transfer operator that relies on physical structure to make money, seems unlikely to say the least. Then again, anything is possible...

When looking for a concrete example of this, one has to look no further than Paypal. After missing the fintech revolution, in 2015, the company had enough cash and room to leverage if it wanted to acquire a WU competitor, MoneyGram for example. Instead, they opted to acquire Xoom, a then online and US-only service for USD 890 million in cash.

Although Xoom does now offer a few cash options with a few brick and mortar partners, this acquisition clearly signaled that the scale and physical presence when attached to cash in a very regulated environment, is not that appealing to tech and payment companies. What is appealing is fewer focused channels (in this case US to around 40 countries) ran in a completely digital experience.

Before we move on, it's worth mentioning that the integration of this deal has been, to put it mildly, mediocre. The deal closed in November of 2015 and to this day a client cannot pay for their money transfer with their Paypal credit. From the client's perspective, the only benefit this acquisition brought is logging in with your Paypal details instead of having to create a brand new account for Xoom, but that only goes so far as the payment part. Reading something like this makes us value even more the few companies and management teams active today that can deliver on execution.

When one takes a closer look at the big banks, it is evident their focus lies elsewhere, lately in cryptocurrencies and digital cash for example. The money transfer business is not one they are particularly interested in. The data supports this assumption: in the US, the world's largest outbound country that represents 20% of all global remittances, only 10% of around 6,000 banks offer remittance services.

As a blog we follow has eloquently put: "*In terms of importance for a large bank, remittances stand somewhere between a travel insurance and overdraft products and executives in charge tend to be three-four levels below heads of retail banks.*"

More importantly perhaps is the fact that the banks that do offer remittances services of their own as well as provide banking services to MTOs are increasingly de-risking their portfolio. Which tells us that the amount of money banks make from their MTO clients is not enough to justify the investment required to serve them and, especially given the increasingly stronger anti-money laundering standards[4], the risks of doing business with companies with varying levels of risk management.

According to an International Finance Corporation (IFC) survey conducted in 2016, the de-risking process being carried out is the results of *"three primary challenges reported by banks: (i) several requests from multiple regulators; (ii) expensive software and system upgrades; and (iii) lack of harmonization in global, regional, and local regulatory requirements.*"

A recent report from Europe-based Centre for Economic Policy Research (CEPR)[5] provides some more insight into the matter:

[5] https://voxeu.org/article/stubbornly-high-cost-remittances

"In July 2009 the leaders of the largest advanced economies (G8) pledged to reduce the cost of remittances to 5% – a commitment endorsed by the G20 in 2011 and again in 2014, and included in the UN's Sustainable Development Goals in 2015 (G8 2009, G20 2011, United Nations 2015). After eight years, the global average is roughly halfway there."

"It also became clear Guillermo Ortiz[6], 19 March 2015 "With the implementation of 'know your client' rules, anti-money laundering efforts, and so on, it has become increasingly difficult to have an efficient payments system. Many banks have retired from the business, for example, of handling remittances, which are a very important source of income for many emerging markets."

"From the perspective of a bank, mobile payments create similar risks. As is the case for virtual currencies like Bitcoin, mobile payments systems can be used to conceal nefarious activities (Cecchetti and Schoenholtz 2017a). Meeting the 'know your customer' standards that banks demand (and governments expect) is expensive. As a result, these factors may continue to throttle the speed with which cost-competitive technology firms make inroads into the remittance business."

In sum, although we recognize the reasons why WU hasn't been bought yet, we don't rule anything out when it comes to M&A especially now with credit being cheap and easy to access. On the other hand, we should make clear that we see the value in the company as a stand-alone organization providing a needed (if not essential) service to people that are on the margin of the financial system, which none of these potential acquirers have been able to do.

[6] Ex Governor of the Bank of Mexico for over 10 years and currently Mexico's ambassador to the International Monetary Fund (IMF).

In our minds, the case remains the same: more than anything else, it's a bet on the continuation of the nightmarish regulatory system and the Babylonesque way Central Banks operate in those "non-urgent" matters. Plus, there are many other ways and things easier to fintech disruptors to focus on.

RICHARD FEYNMAN

"The first principle is that you must not fool yourself — and you are the easiest person to fool." - Richard Feynman

When setting out to investigate a company, we always try to focus much less on what we know, than on what we don't know. This means that much of our research process consists of rigorously defining the right questions, coming up with hypotheses and trying to prove them not by asking "Could this be the case?" but instead "Is this *actually* the case?".

Experience has shown us that more often than not, we have to ignore what everybody else thinks and focus on answering questions in a completely different way. A hypothesis doesn't need to make sense, it needs to be right. Even more importantly, we have to systematically test and question our assumptions as a team, always being open to changing our minds. In short, we make a point of policing ourselves to be intellectually humble, rational and unstuck.

Whether by design or by accident, perhaps as a consequence of part of our team having a hard sciences background, the similarities between our research processes and the scientific method are often uncanny. This became quite clear to us when looking at the unconventional reasoning used by Richard Feynman, one of our favourite scientists (and analysts, we would argue). In particular when it came to investigating fields that were foreign to him.

As one of the most successful and best-known scientists of his time, Feynman was invited to join the Rogers Commission, set up to investigate the Challenger Shuttle disaster in 1986. Despite his principle of not going anywhere near Washington, convinced by his wife, he agreed to join former Secretary of State William Rogers, Neil Armstrong and a team of other eleven "experts" with the objective of submitting a report to President Reagan outlining the causes of the disaster and suggest improvements to be made in future missions.

From the beginning, realising the disconnect between NASA's engineers and its managers, Feynman avoided the official schedule of "investigation" and set up his own agenda. While the commission entered a detailed discussion about what happened in the last few seconds of the 73 second-long flight, Feynman would go straight to the engineers and try to better understand some of the structural flaws the organization faced. This was how he realized how a culture marked by poor communication and a "no bad news" theatre within the organization ultimately allowed for the disaster to happen. As is often the case with very large teams, a collective confirmation bias tends to set in, and the human tendendy to be irrational and misinterpret/ignore the facts only worsens.

Going straight to the field engineers, Feynman also discovered how despite several of them having expressed their opposition to the flight due to the unsuitably low temperatures, NASA still proceeded with the launch anyways. Using a dangerously unrealistic model which put the mission risk of failure at 1 in 100,000 (created in part to ease the US Congress pressure), they went ahead with the launch, leading to the predictable failure of an O-rings sealing in the right solid rocket booster and the death of all seven crew members.

Much like Feynman, when setting our investigative agenda we steer clear the typical path of consulting sell-side analyst or a company's investor relation. We also make the case to run away from biased model makers and their garbage in, garbage out projections. In fact, we've found that scuttlebutting (as Philip Fisher defines it), being creative to go the extra mile, obviously always staying within the legal limits, to find insights among the people actually involved with a company is an immensely effective way to find the truth as long as we identify their biases.

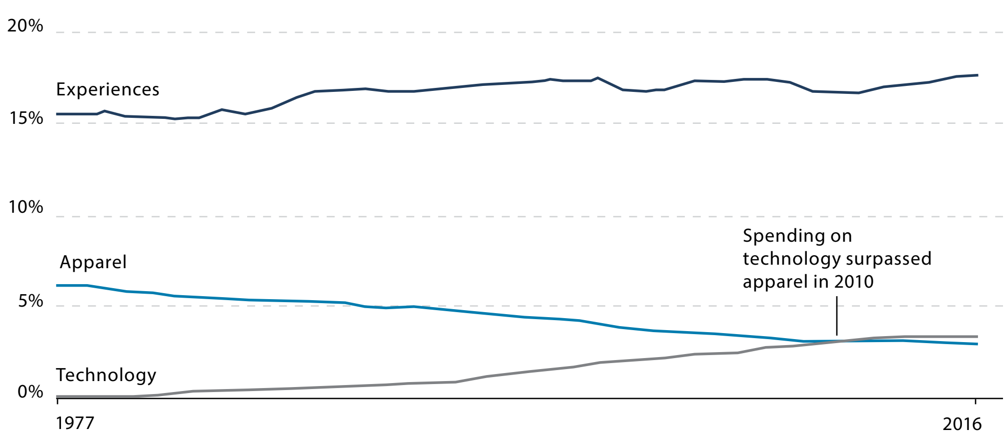
As with the shuttle flight, our research also tends to focus much less on the short-term fluctuations, results and guidance a company has been delivering and much more on the big picture. Company's problems tend to be of much deeper roots than it often appears. Just like analysing the last second of a flight won't explain the true source of an accident, looking at a company's quarterly results won't explain the true health of its business nor its sustainability over time. As Feynman puts in the concluding remarks of his report, "reality must take precedence over public relations, for Nature cannot be fooled.".

Retail

A Bloomberg article from February examines "The Death of Clothing"[7], looks for explanations behind the huge decrease in american dollars being spent on clothing. The rise of social media as a way to express one self and increasing importance placed on experiences are some of the contributing factors.

"In 1977, clothing accounted for 6.2 percent of U.S. household spending, according to government statistics. Four decades later, it's plummeted to half that."

SHARE OF PERSONAL CONSUMER EXPENDITURES



Sources: U.S. Bureau of Economic Analysis,Wells Fargo Securities

[7] https://www.bloomberg.com/graphics/2018-death-of-clothing/

Volatility

The “all is well until it isn’t” department has been quite active during the first quarter of 2018. People are looking for explanations, and certainly there are a multitude of factors involved, but big movements in one direction are usually preceded by an exaggerated movement in the opposite direction. Witness what happened to volatility and volatility-indexed products in early February. The following chart is one more reminder, if anybody still needs one, of Munger’s axiom that we always try to keep in mind: “To finish first, first you have to finish”. Or putting it algebraically, any product of a series of numbers, no matter how big they could be, multiplied by zero = 0.

BET ON MARKETS REMAINING CALM TURNS SOUR

VelocityShares daily inverse Vix short-term ETN* net asset value
($ per share)

* Exchange-traded note

Source: Bloomberg © FT

Darwin on writing

- It has had the compensating advantage of forcing me to think long and intently about every sentence, and thus I have been often led to see errors in reasoning and in my own observations or those of others.
- There seems to be a sort of fatality in my mind leading me to put at first my statement and proposition in a wrong or awkward form.
- Sentences thus scribbled down are often better ones than I could have written deliberately.
- "As the Darwin quote above suggests, this may often result in a better way of framing something than if one had thought about it more deliberately, and it may also help one to keep thinking about a given idea intently enough to force a better understanding and simplification of that idea in one's own mind." - Joe Koster[8]

With all this Facebook controversy, a precept from the 1970s originally about television that now gets thrown around with media and technology is worth repeating: If you are not paying for a product, then you are the product.

Tencent has done some 600 M&A and investment deals over the last six years, of which 120 came in 2017. Retail seems to be the focus - Since the start of 2017, Alibaba has done at least 14 deals in this space while Tencent is close on its heels at 13[9]. Buying is easy, integrating is a whole other story. For what history has shown, hyperactivity usually doesn't end well...

[8] http://www.valueinvestingworld.com/2018/02/immediately-writing-things-down.html
[9] Bernstein Research, "Shopaholics: The deal mania of Tencent and Alibaba.", 7th February, 2018.

Miscellaneous

"Picking pennies in front of steamrollers always end up in tears"

- Miles Johnson - FT

"Courage is what it takes to stand up and speak. Courage is also what it takes to sit down and listen."

- Winston Churchill

"... expect the world to do silly things from time to time, because everybody wants easy money."

- Charlie Munger

"The only way to have real success in science, the field I'm familiar with, is to describe the evidence very carefully without regard to the way you feel it should be."

- Richard Feynman

"Groundless hope, like unconditional love, is the only kind worth having."

- John Perry Barlow

The following are quotes by Larry Culp during a Harvard lecture:

> "Don't be afraid of opposition or to be alone in your convictions. If you believe it, actively pursue it!"
>
> "Trust doesn't follow you. You have to earn it everywhere you go."

There are no two ways about it, Larry says, "it takes reps; it takes practice. You have to practice."

"It's easy for us, in the rarefied air of an HBS classroom, to talk about the 'what'. A lot of us aspire to do that post-graduation, but it's in the 'how' where you win or lose, it's the 'how' that determines whether or not you create value. There's a lot more in the messy day-to-day reality of leading and driving change and performance than the bully pulpit and carrots and sticks. Some folks think there are better routes to real leadership roles than roles that actually allow you to practice real leadership. One can only study swimming for so long before having to actually swim."

Balancing the short-term and long-term is one of the biggest CEOs' challenges. "They are paid to have the longest time horizon of anybody on the team, but are often the ones who get fired when you miss a couple of quarters".

"Old-timers bored of telling everyone that bitcoin was a bubble had started to point out that we were also in a low volatility bubble — or to put another way, a huge bubble in complacency. The Vix had been falling for so long that volatility really had nowhere to go but up, and that if it headed back to more normal levels ("substantial instability" is normal for the US market, noted Brenner and Galai in 1989) an awful lot of people would lose an awful lot of money."

- *Merryn Somerset Webb*

“Once the market’s great stabilisers, the central banks may no longer be as dedicated to their market-supporting cause now that they have inflation to start worrying about… Depending on just how seriously central bankers take their inflation-fighting briefs, it might also represent the beginning of the end of one of the longest bull markets most of us have worked in.”

- *Merryn Somerset Webb*

“If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it”

- *Albert Einstein*

Michael Useem, a management professor and director, Center for Leadership and Change Management at Wharton, points to a sweet spot for the most effective boards. “Boards that are too small — under seven — don’t have enough expertise and diverse strategic thinking, but over 13 they become too unwieldy to be effective,” he explains. Despite this, many companies are going in the opposite direction. According to the 2017 Spencer Stuart U.S. Board Index: “... the number of larger boards appears to be ticking up; 18% have 13 or more members, compared with 16% last year and 14% five years ago. The majority of these larger boards have 13 or 14 members.”

“One, remember to look up at the stars and not down at your feet. Two, never give up work. Work gives you meaning and purpose and life is empty without it. Three, if you are lucky enough to find love, remember it is there and don’t throw it away.”

- *Stephen Hawking*

“Mark Twain said that there are two times in a man’s life when he should not speculate: when he can’t afford it and when he can.”

“Luck is the flip side of risk. You cannot understand one without appreciating the other. If risk is what happens when you make good decisions but end up with a bad outcome, luck is what happens when you make bad or mediocre decisions but end up with a great outcome.”[10]

“Being right is the enemy of staying right because it leads you to forget the way the world works.”
- *Jason Zweig*

Even contrarians eventually need to be persuasive. James Grant said: “Successful investing is about having people agree with you…later.”[11]

[10] http://www.collaborativefund.com/blog/ironies-of-luck/
[11] http://www.collaborativefund.com/blog/making-sense-vs-being-right/

PIPA Prize

PIPA INSTITUTE

In the past, it was common for works of art – from the rupestrian paintings of prehistoric caves to the most exquisite sculptures of Middle-Aged cathedral – to be hidden in obscure areas, unavailable to the eyes of the public. It didn't matter for them to be *seen*. Their function was symbolic of a connection that surpassed that of men amongst themselves, instead hoping to connect men and God. The word religion, after all, comes from the Latin *religare*, or to re-connect.

As times shifted, so did art. Today, much of the importance of art is for it to be seen – and, perhaps even more urgently, discussed – by society as a whole. That is why museums and art institutions in general keep looking for ways to involve visitors in their programme and exhibitions. That is also why the practice of borrowing works of art (either from one institution to another, or from one private collector to a museum) has become ever more crucial, helping each new display of works achieve its full potential.

In 2016, Luiz Camillo Osorio became the curator of the Institute, intensifying the process of commissioning and acquisitions for the collection. Looking to form meaningful sets that help to perceive the development of individual poetics, the collection follows the theme "Displacement". The idea is to focus on works by artists who have already been nominated for PIPA Prize, in order to encourage and maintain the bond of this group with the Institute and its actions.

Since then, the Institute has acquired works by the following artists: Arjan Martins, Luiza Baldan, Daniel Beerstecher, Bárbara Wagner, Rodrigo Braga, Alice Miceli and Sofia Borges. The idea is to present its collection to the public on a regular basis, either through curated exhibitions or by loaning works to other institutions. Such was the case of "Rio Setecentista", a work by Arjan Martins which was recently loaned to the Tomie Ohtake Institute for the exhibition "Arte Atual-Fratura", on view from March to May 2018.

The beginning of 2018 also marked the inauguration of the first exhibition put together by PIPA Institute. On view until the end of May this year at Villa Aymoré, "After the end, before the beginning" showcases part of the Institute's collection, featuring works in photography, printmaking, installation and video by Berna Reale, Cadu, Luciana Magno, Paulo Nimer Pjota, Paulo Nazareth and Rodrigo Braga. All of them are former PIPA Prize participants. While Cadu and Paulo Nazareth were the winning artists of PIPA Prize main award, in 2013 and 2017 respectively; Rodrigo Braga (2012) and Berna Reale (2013) were finalists; and Paulo Nimer Pjota (2014) and Luciana Magno (2015) were winners in the PIPA Online category.

The exhibition delves into the theme of displacement – which, as Luiz Camillo Osorio explains in the introductory text to the show (below), is no longer solely applicable to geography, but to time and the body as well.

"After the end; before the beginning - PIPA Institute collection", by Luiz Camillo Osorio

The PIPA Institute collection began to be formed through the works of PIPA Prize winning artists in each category - main prize, popular vote and PIPA online. Afterwards, the collection expanded as a way to encourage artists once nominated for the award whose works or projects to be acquired and/or commissioned sustained the concept designed for the collection: displacement.

We are living in a time of transition. That is, if we are optimistic. The explanatory models of reality and the ideologies that pushed us into the future collapsed. Words and things disconnected. In view of the fact that these were artists whose trajectories began to take shape in the 21st century, nomadism, migrations, gender fluidity, genetic mutations, obsolescence of things and people, and identity affirmations and questionings became the rule, that is, intentional or forced displacements, be it in the body or in time and space constitute multiple forms of life, reflecting, of course, on contemporary poetics.

The artists we present in this first exhibition express all that in their own way. Freedom and exclusion go together. The artist's gesture seeks creative energy both by isolating himself in nature and by dancing on the garbage. At the same time that he wants to integrate himself, he perceives the desolation around him, all falling into a dystopia whose horizon is a passage between what has already been and what is not yet. At least art insists on opening possibilities, facing the ruins and seeking to think/jump beyond the abyss – environmental, social, civilizational – that lies before us. This is what we bet on when we formed this collection and encouraged contemporary production through both PIPA Institute and PIPA Prize.

Vista de "Depois do fim, antes do começo"

PIPA PRIZE

In 2018, PIPA Prize reached its ninth edition. The award has become one of the most relevant art prizes in Brazil throughout its eight years of existence.

It is made by a small team working with passion, with the help of very good collaborators, such as the Board and Nominating Committee members.

The Board is PIPA's senior management body, composed of representatives of PIPA Institute, representatives of MAM-Rio and invited members. Flavio

Pinheiro (Executive Superintendent of Instituto Moreira Salles), Kiki Mazzucchelli (independent Curator, based in London, UK) and Moacir dos Anjos (Fine Arts Coordinator at Fundacão Joaquim Nabuco, in Pernambuco) were invited to continue contributing with their expertise, knowledge and experience in the 2018 PIPA Board.

The PIPA Prize 2018 Nominating Committee has 28 members, amongst curators, art collectors, critics, artists and gallerists from all over the country and abroad. Each of them has nominated up to three artists to run for the Prize, keeping in mind the relevance of the award on the artists' careers. They had to appoint Brazilian contemporary visual artists with a recent trajectory, consistent production, whose works are already in evidence and known in the Brazilian contemporary art scene.

In February, we announced the nominees, and now we are receiving the files and creating (or updating) the online pages of the 70 artists who are participating in this ninth edition of the Prize. Amongst the participating artists, there are 37 that are joining the Prize for the first time. On the other hand, there are 4 former PIPA finalists – namely, Eduardo Berliner (2011), Matheus Rocha Pitta (2012), Laercio Redondo (2013) and Thiago Martins de Melo (2014) –, as well as other artists that have already participated in more than three editions.

There are three different categories, with different rules: PIPA, PIPA Popular Vote Exhibition, and PIPA Online. Only the four shortlisted artists selected by the Board can run for the PIPA and PIPA Popular Vote Exhibition awards. They will be showing their works in an exhibition at the Museum of Modern Art of Rio de Janeiro, from

September to November 2018. The winner of the PIPA award will be one of the four finalists, to be decided by the Award Jury 2018, and will receive a donation of R$130 thousand (including a funding for a three-month artistic residency program at Residency Unlimited in New York). The audience will also elect their favourite artist, amongst the four, at PIPA Finalists' exhibition, – the most voted artist wins the PIPA Popular Vote Exhibition award.

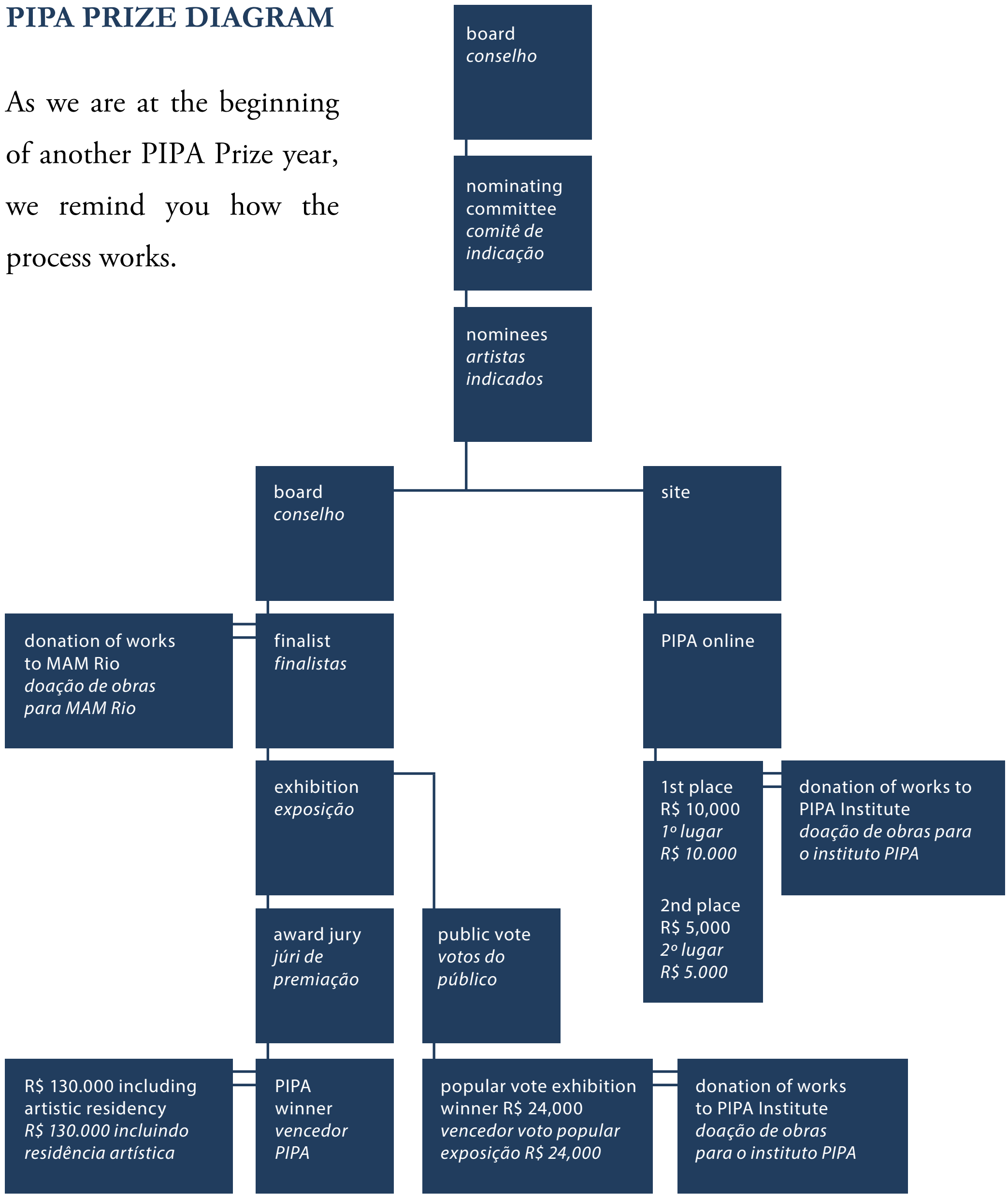
PIPA Online is the only category of the Prize in which all of the edition's artists can be a contestant. Split into two rounds, it is entirely based on an internet voting. It thus presupposes the vantages and disadvantages of all internet-based media: if, on the one hand, it consists on an exciting and vast window for artists to promote their works, on the other, it is based on a 100% democratic and decentralized voting. The category is especially useful for artists born outside of the main Brazilian metropolises who are not represented by galleries. They find in the voting a way to mobilize people and boost their work.

Hoping to preserve the advantages while reducing the disadvantages associated with the category, we will be introducing a voting mechanism that creates further fidelity of the voter with the Prize platform, requiring him to vote for more than a single artist. This way, PIPA Online becomes less individualized and more participative, encouraging the audience to visit more artists' profile pages.

We invite you to visit the websites www.premiopipa.com and www.pipaprize.com to meet the PIPA 2018 nominees, through their pages with images of works, texts and also video interviews exclusively made by Do Rio Filmes for PIPA Prize.

PIPA PRIZE DIAGRAM

As we are at the beginning of another PIPA Prize year, we remind you how the process works.



PIPA PRIZE MISCELLANEOUS

“Art is the activity by which a person, having experienced an emotion, intentionally transmits it to others”

- Leo Tolstoy

“For an artist, attending art fairs was like seeing your parents making love: you know it’s essential to your existence but it doesn’t mean you want to see it”

- John Baldessari

“Great things are not done by impulse, but by a series of small things brought together”

- Vincent Van Gogh

“If I could say it in words there would be no reason to paint.”

- Edward Hopper

“The object of art is not to reproduce reality, but to create a reality of the same intensity.”

- Alberto Giacometti

“Have no fear of perfection, you’ll never reach it.”

- Salvador Dali

“It’s not what you look at that matters, it’s what you see.”

- Henry David Thoreau

“There are painters who transform the sun into a yellow spot, but there are others who, thanks to their art and intelligence, transform a yellow spot into the sun.”

- Pablo Picasso

“Learn the rules like a pro, so you can break them like an artist.”

- Pablo Picasso

“The whole culture is telling you to hurry, while the art tells you to take your time. Always listen to the art.”

- Junot Diaz

“The reason that art (writing, engaging, and all of it) is valuable is precisely why I can’t tell you how to do it. If there were a map, there’d be no art, because art is the act of navigating without a map.”

- Seth Godin

“No artist is ahead of his time. He is his time, it’s just that others are behind the times.”

- Martha Graham

Ajude a divulgar o PIPA.
Torne-se um amigo no Facebook:
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PIPA
GLOBAL INVESTMENTS