PIPA Global

PIPA Global Report

2nd QUARTER
2018

Mercedes Lachmann, PIPA Prize 2018 nominee
"Área de Emergência", 2014, a wooden hull
of a sunken ship, 40 tons of stubble,
1000 x 320 x 240 cm

Photo: Luciana Whitaker

PIPA
GLOBAL INVESTMENTS

Index

Research and Analysis

LATENESS

We should start by explaining why we opted to send our letter about a month later than usual (although we sent the data sheet to investors as scheduled on July 2nd).

The factors we took into consideration were:

1. Relevant events occurred in late June/early July involving both GE and the media sector as a whole. These two have been our main focus over the last months and so "closing it" became a moving target just like the proverbial pot of gold at the end of the rainbow.

2. Most of our few co-investors have direct access to us so those interested were kept abreast of what has been going on.

3. More than usual time spent on regulatory issues. Since having a simple structure and keeping the timing spent on those issues to a minimum is paramount, we have started an effort with the clear objective of further simplifying things. Complexity grows like weed, and we must never stop chopping it.

Bottom line is, facing the choice between doing what will improve our long-term performance, obviously taking into account our perceived risk, and doing something we feel might shift that focus, we won't skip a beat in choosing the risk-adjusted performance. That includes resisting the temptation to let complexity (and team size) creep up, turning ourselves into people managers instead of investment optimizers, which we feel neither able nor attracted to.

ON NOTETAKING

While following the recent FIFA World Cup, there seemed to be a tradition among banks and other providers of market opinion to try to predict the final result. Using the very same methods they use to forecast markets, which include Artificial Intelligence and north of a million simulations, bold claims were made setting Brazil (as did GS), Germany (in the case of UBS) and Spain (by ING) as the favourites to take home the trophy. As we know by now, they were all (very) wrong.

This got us thinking about the inevitable human trait of making predictions. As far back as our African ancestors have been relying on it for survival, in fact, it is one of the very characteristic that allows our genes to evolve and perpetuate[2]. However, even now having our much-enhanced brain combined with computer power, there is still a catch: we are terribly lousy in making accurate long-term predictions.

Consider this survey we made in January 2017, selecting a group of 28 people from our inner circle who were quite familiar with investing and/or technology. We asked them to participate in an informal research asking them two very straightforward and simple questions:

Considering Apple, Amazon, Facebook, Alphabet and Microsoft:

[2] Reminded us of a chapter in Richard Dawkins' The Selfish Gene: "Genes have to perform a task analogous to prediction. (...) Polar bear genes can safely predict that the future of their unborn survival machine is going to be a cold one. If the climate of the Arctic changed so rapidly that the baby bear found itself born into a tropical desert, the predictions of the genes would be wrong, and they would pay the penalty. The young bear would die, and they inside it."

1. Which will be the first company to have a market cap larger than USD 1 trillion? Why?

2. Which will be the first to fall 50% from its current price? Why?

The results were as follow:

1. The most common answer was Alphabet (46% of the votes) to become the first USD 1T company, while the least common was Apple (7%).

2. In terms of the downside “risk”, the most common answer was Apple (57%), while the least common was Alphabet (4%).

With Apple reaching a USD 1 trillion market cap on the 2nd of August 2018, it was curious to see how the mode answers reflected the exact opposite of what happened in these 18 months. Apple, seen as the weakest link by the respondents, became the first company in history to have a market cap larger than USD 1 trillion. Meanwhile, Alphabet, which at the time was the respondents favourite, had the second weakest performance, only trailing Facebook in terms of growth.

Perhaps more than the answer themselves, a relevant payoff we had from this survey was being able to see how some very intelligent people structure their thoughts and transform them into predictions. In hindsight, we notice that despite correct initial considerations often being made, many respondents failed to recognize their higher order consequences. A critical mistake, considering the outcome of an investment is driven not just by business results, but also by these results in the context of expectations. It is then of foremost importance to recognize how these cause-and-effect relationships interact and ultimately govern the market's ecosystem. In short, a key source of failure in forecasting seemed to be a lack of second-order thinking, borrowing the term used by Howard Marks.

We believe that the quality of any decision is an outcome of the process by which they were made. This brings us to a simple yet extremely effective process we compulsively follow. Over the years, this process has helped us to holistically improve our decisions, while still learning from our hits and misses. It is nothing less than constant and explicit notetaking.

Much like compulsive notetakers such as Charles Darwin relied on, through cultivating the habit of writing down our thoughts as soon as they come, as well as constantly reviewing and organizing these, we start to notice more subtleties and second-order consequences than any one-time deliberate writing could have led us to. As Steven Johnson wrote about Darwin in his book *Where Good Ideas Come From:*

> "We can see Darwin's ideas evolve because on some basic level the notebook platform creates a cultivating space for his hunches; it is not that the notebook is a mere transcription of the ideas, which are happening offstage somewhere in Darwin's mind. Darwin was constantly rereading his notes, discovering new implications. His ideas emerge as a kind of duet between the present tense thinking brain and all those past observations recorded on paper."

When studying companies, more than just writing what we think will happen explicitly, we try to focus on checklisting a series of fundamental factors which affirm their values regardless of the outcome of certain predictions. The people running it and their incentives, its processes and business model, and their accountability and alignment with shareholders are at the core of what we look at. Through notetaking, we force ourselves to constantly revise our thoughts and risk factors, re-considering factors like our inputs, possible leverages, effects from interactions, our unknowns and the existence of unknown unknowns among a myriad of aspects. As importantly, we relate these factors to their likely effects in a certain asset's price and "others" main perception differences updating them as they change.

Correct non-consensual forecasts are the foundation to achieving long-term investment performance. This carries the risk of sounding stupid in the short term, although it is almost always a necessary condition to outperforming. As Charlie Munger put it: "It's not supposed to be easy. Anyone who finds it easy is stupid.".

The second big advantage of disciplining ourselves to notetake and making our predictions explicit is how it protects us from hindsight bias, the "I-knew-it-all-along" effect that has been observed repeatedly by psychologists. No ambiguity is evident when we view the past, even black-swans can be made to look as sure comings. Hindsight bias distorts our prior-judgement interpretation, makes us less accountable for our decisions, less critical of ourselves, and dangerously over-confident in our ability to make predictions.

Interestingly, as argued by Rudiger Pohl in *Cognitive Illusions*, the origin of this psychological trap might actually represent an unavoidable by-product of an evolution-evolved function, namely adaptive learning.

> "Hindsight bias is seen as the consequence of our most valuable ability to update previously held knowledge. This may be seen as a necessary process in order to prevent memory overload and thus to maintain normal cognitive functioning. Besides, updating [our notes] allows us to keep our knowledge more coherent and to draw better inferences."

We are almost certain that if these same 28 individuals from our survey were asked again on what their answers had been 18 months ago, many would have thought to have responded differently. Most likely, many would think to have answered Apple or Amazon (the fastest grower in the group) instead of Alphabet as the most likely to reach USD 1 trillion.

Notetaking as a tool to make ourselves accountable for our past decisions is a sure path to a more realistic perception of our forecasting ability and improving our decision making. Even if simple, writing and dating notes as our thoughts come is key to identifying the fallacies in our past-thinking and be continuously learning and compounding knowledge. Much like Darwin, we have made these actions a central part of our processes. The benefits we continue to gain from compulsive notetaking are undeniable.

CABLE COMPANIES OR BROADBAND PROVIDERS?

As we continue to expand our study of the media sector, we delved deeper in some companies we normally monitored from a certain distance, more as references than potential investments themselves.

There were many catalysts. It all started with our studies where we proposed the AMZN/BRK/DIS transaction (which we still think makes sense). Another drive was the change in Net Neutrality Law in the US as was the perception that most analysts and investors believe the 5G rollout as a threat to broadband providers, while we believe the opposite will be the case. And finally, the most relevant one: the migration of video consumption from traditional cable bundles to streamed content.

What we like about this particular segment of the sector is that regardless of who wins the streaming war, cable providers will be the “inevitables”. Online Video consumption (in hours) in the US has grown from 7% to 29% in 2017, while “traditional tv” has fallen from 93% to 71%. Most of that came from NFLX and YouTube. Now with new players coming to the party plus a demographic push, the trend in cord-cutting should accelerate.

We see two companies especially focused on instead of fighting cord-cutting, embracing it as their core strategy: Charter Communications and Cable One.

Charter (NASDAQ: CHTR)

They became the second-largest cable operator in the United States by subscribers, behind Comcast, after acquiring Time Cable, and the third largest pay-TV operator behind Comcast and AT&T, which now incorporates Time Warner (content) and U-verse/DirecTV.

With that, comes the consolidation of cable providers, effectively creating an oligopoly between Comcast and Charter. As that progresses, we see Charter making the right move by focusing on broadband, the cornerstone of the rise of streaming, instead of depending so much on cable, which is clearly in decline. This fortifies their business moat from the obvious upcoming shifts in the industry. The more networks, tech companies and entertainment companies are fighting to see who produces the best content to win this streaming war, the more fundamental broadband will be to this process. That's where CHTR hopes to win.

From the rationale laid out above, one is right to question why, among cable networks and broadband providers, are we interested in Charter. Plus, if we are in fact looking for this specific profile, why not go with the biggest player: CMCSA? We have a few reasons:

- Their leverage, which is supported by their steady revenue profile, increases ROE.

- CHTR is less “content heavy” - CMCSA not only has NBC and other content producers that represent about 25% of revenues, but seems still wed to the strategy of offering both. In our view, that not only reduces focus but might lead to a competitive disadvantage with connectivity pure plays.

- CHTR footprint is less exposed to direct competition with Fiber (15% vs 17% CMSA and 50% Altice).

- CHTR’s much more disciplined capital allocation focuses on returning cash to shareholders through buybacks while CMCSA allocates their capital towards dividends and investments in content.

Cable One (NYSE: CABO)

Although similar to CHTR in terms of focusing on broadband in detriment of conventional video, CABO seat diametrically opposite to it in most other aspects.

Maybe we shall start by stating that it’s “our type of company”.

CEO Julie Laulis made a very focused and straightforward presentation at a JP Morgan conference in Boston. She plays with her cards very close to her chest and even calls herself a “mystery woman”. When pressed about increasing penetration, she is fast and sharp: “we don’t follow market share, we focus on free cash flow”.

Governance-wise CABO also gets high marks. Its Board has 7 members, one of them is from the venerable Graham family and another a senior partner in Charlie Munger’s legal practice partnership. Compensation and incentive schemes are well structured and applied. Far from the abominable common practice of having everybody hitting their targets, or as Mr Buffett puts it: throwing the arrow and afterwards painting the target around it.

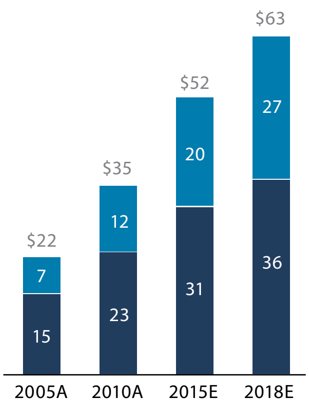
While CHTR is a giant (USD 70+Bi Mkt Cap and USD 60+Bi Debt) focused on the main metropolitan area, CABO is a relatively small company (USD 4Bi Market Cap + 1 Bi debt) and highly focused company much more operational oriented than the Malone's / Liberty Media CHTR financial juggernaut.

Cable One originated from a spin-off 6 years ago from the Washington Post company, when they realised they'd either focus on consolidating some niche players or put the business for sale. So, taking a page from Walmart's playbook, they opted to become the consolidator of rural America and since the acquisition of NewWave Communications, they serve customers in 21 states. But, unlike Walmart, the company focuses on higher value residential customers who buy more and more expensive services meaning that 82% of its revenue comes from residential products.

Since 2012, they understood that streaming would take share from video bundles, skinny or otherwise. It is the cable company with the fastest decrease in video customers, but the one with the highest ROI, ROE (despite low leverage) and double-digit residential, business and enterprise broadband growth. In 2014 they completed the spinoff, and in a presentation at the time they included the following slides:

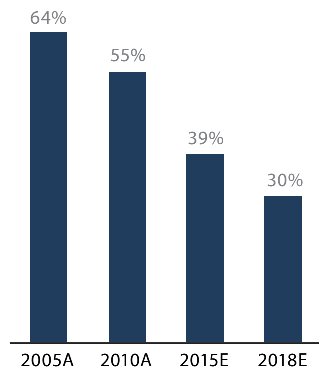
LINEAR VIDEO MODEL IN DECLINE

Rising industry content costs ($bn)



NON-SPORTS SPORTS

Declining video contribution[1]



AVG. CABLE OPERATOR VIDEO CONTRIBUTION MARGIN[1]

New distribuition models

SVOD

OTT Distribution

À la carte

Cable ONE has been planning for the video paradigm shift since 2012

Sources: SNL Kagan
[1]Contribution margin defined as cable video ARPU less programming and retransmission costs; Margin does not include operating costs.

DIFFERENTIATED, HIGHLY EFFECTIVE STRATEGY

FOCUS ON LARGER, NON-URBAN MARKETS

- Attractive cost structure
- Favorable competitive dynamic

LONG-TERM FREE CASH FLOW BASED BUSINESS MODEL

- Actively addressing linear video disruption and land-line phone decline
- Seek to maximize overall free cash flow...not triple-pay or video subscribers

CLEAR PIVOT TO NEW FREE CASH FLOW LEADERS

- Residential HSD - High margin, low competition, steady growth
- Business Services - High margin, low competition, rapid growth

METRIC-DRIVEN MARKETING AND OPERATIONS

- Detailed Lifetime Value (LTV) model allocates marketing, sales and support resources
- Sophisticated operations strategy reduces unnecessary customer contacts and headcount

THE VIDEO SUBSCRIPTION MODEL IS BROKEN AND CANNOT BE FIXED

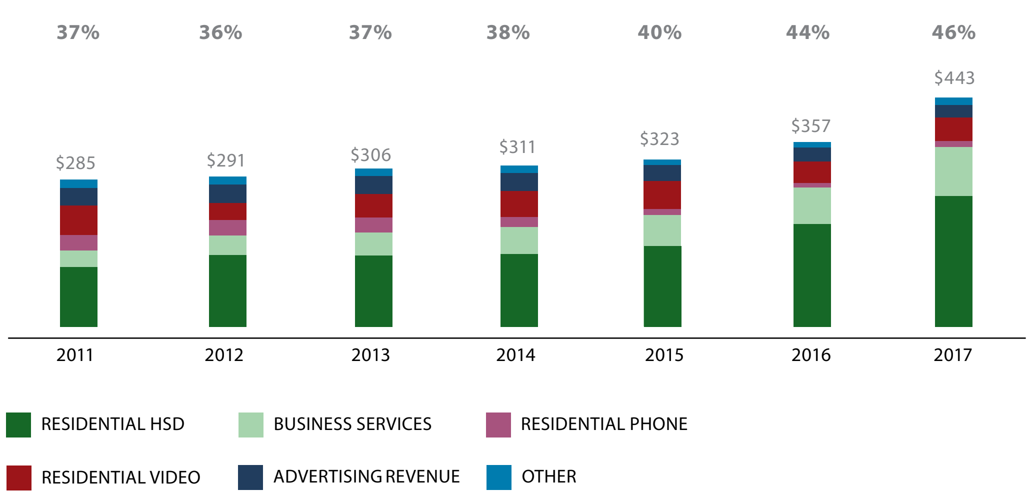
THE DEMISE OF THE VIDEO-CENTRIC CABLE MODEL IS OK

TRENDS POINT TO AN HSD-CENTRIC RESIDENTIAL MODEL

BUSINESS SERVICES WILL HELP DRIVE FUTURE REVENUE/PROFIT GROWTH

MARGINS SHOULD EXPAND AS REVENUE MIX SHIFTS AWAY FROM VIDEO

ADJ. EBITDA BY PRODUCT ($M)



After the decision, they started to swap their metro networks with the "Comcasts" and "Charters" of the world for rural fiber and kept upgrading it relentlessly. On top of less competition, another advantage of focusing on markets out of major metropolitan centers is that they don't have to be at the cutting edge of technology, which makes it cheaper and easier to operate.

Having said that, they are being quite cautious in terms of integrating and standardizing their systems, from network hardware to customer services and billing systems (always a relevant issue in roll-ups). As a consequence of that strategy and the discipline in executing it, ebitda and shareholder's FCF grows as % of revenues and nominally every year.

From a recent call with Mrs Julie Laulis:

> Pressed on why the company isn't running at a faster pace and where the Board stands: "If you know anything about Cable One you know that our Board is very patient. We adopt a three-pronged approach. Increased dividends last August, do buybacks and are on the look for acquisitions".
>
> Definitely out there for more acquisitions, "if it fits". There are thousands of small cable operators out there, some owned by families, others by VC.
>
> "It's been a year. Their EBITDA margin was 34% has increased to 39%. Legacy CABO is 46/48%. There's absolutely no reason for it not to be the same.

> There are still many projects going on, from hardware to billing integration. NewWave's client base is a bit more rural, with less competition and about the same demographics."

They use more buybacks than dividends to distribute surplus cash to investors and do it in a very sensible way. Since smaller rural systems usually are local family businesses, buying them is usually very accretive and is and should continue to be a wise use of FCF. The relatively big 2016 NewWave acquisition, for which they paid USD 735M in cash, is a case worth analysing.

A BOE calculation of the NewWave acquisition:

In 2016 NewWave revenues were USD 182M. Assuming it continued to grow at 6% NewWave revenue in 2017 would have been USD 193M.

Assuming they bring NewWave to their 49% margin in five years, with revenue growth averaging 6% p.a *(or double digits for higher margin data and negative growth on voice and video) we'd get:

- Initial NewWave revenues (2016) = USD 182M
- NewWave Revenue 2021 @ 6% CAGR = USD 243M
- NewWave 2021 Ebitda Margin @ 49% = USD 119M

- Cost of capital (cash + bonds + Credit facilities), rounding up to 6% over whole acquisition price of USD 735M = USD 44M

- Normalized Capex (guesstimate) = 40M

- Net FCF per year = 119-44 = USD 35M/year

- - 20% taxes = USD 7M

- After taxes FCF = 28M

- Acquisition NPV discounting at 6% = approx 450M

The whole company BOE

Follows our very simplistic CABO exercise valuation:

- Revenues 2018 = USD 1.020 M

- Adjusted EBITDA Margin @ 49 (for the whole company) = USD 500M

- Normalized Capex (guesstimate) = 200M

- Interest expenses = USD 40M

- Tax @ 20% = USD 52M
- After tax FCF = USD 208M
- Rough Mkt Cap valuation @ 6%: USD 3.5 Bi

> One might be disappointed by the lack of upside at current prices. But one thing we learned over time is that good companies usually begets positive surprises (and vice-versa). In that case, our BOE doesn't include likely developments like increased penetration, pricing, acquisitions and buybacks at wise levels. Which make it very important to remember that they have a quite unleveraged balance-sheet, as in keeping their powder dry.

History has taught us that a 6% return expectation when combined with a good competitive position, execution, capital allocation decision and governance usually leads to much higher compounded returns.

It reminds us of the recent dialogue between Jeff Bezos and Warren Buffett:

> JB: Warren, all you do seems so easy and simple, why there aren't many more people doing as you do?
>
> WB: Because most people want to get rich quickly.

The case for Focusing on data

According to a Cisco "white paper" titled "Global 2021 Forecast Highlights":

- Globally, IP video traffic will grow 3-fold from 2016 to 2021, a compound annual growth rate of 26%.

- Globally, IP video will be 82% of all IP traffic in 2021, up from 73% in 2016.

This reinforces our believe there's a quite strong symbiotic relationship between Broadband connectivity providers and NFLX, AMZN, HBO, DIS, GOOG (YouTube) and an opposite relationship with video networks. That's the main reason that leads us to be more optimistic with CABO and CHTR in detriment of CMCSA, which still seem much more "wedded" to owning cable video networks and selling video bundles.

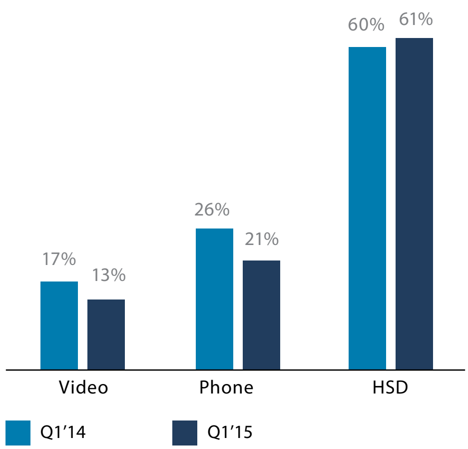
The following chart from a CABO presentation illustrates their view on the economics of selling video networks. Naturally, the numbers will be different for companies like CMCSA that own many Video Networks. But the added complexity in terms of cost allocation scares us a bit.

LIMITED FREE CASH FLOW IN VIDEO

CABLE ONE THESIS ON VIDEO

- The benefits of economies of scale in the cable industry are overstated because there are limited fixed costs
- Focusing on product cash flows and not contributions clarifies the true value of the product
- **There is little operating cash flow...and no free cash flow**

AVERAGE CABLE INDUSTRY RESIDENTIAL OCF BY SEGMENT[1]



ILLUSTRATIVE CABLE INDUSTRY VIDEO COST ACCOUNTING[2]

	Cable Operator Average
Video Average Revnue per Unit	$81.03
Less: programming & retrans cost[3]	(45.86)
Contribution per video sub[3]	**$35.17**
5 contribution margin[3]	*43%*
Less: indirect cost per PSU	(24.55)
OCF per video sub	**$10.61**
% OCF margin	*13%*
Less: capex per PSU[3]	(11.58)
FCF per video sub	**($0.96)**
% FCF margin	*(1%)*

Sources: Company fillings, SNL Kagan
[1]Based on SNL Kagan industry data as of May 2015 for Charter, Comcast and Time Warner Cable, data is pro forma
[2]Based on SNL Kagan industry data for cable operators for 1Q 2015
[3]Based on SNL Kagan industry data for cable operators for 2014

That reinforces our already mentioned belief that there's a quite strong symbiotic relationship between broadband connectivity providers and NFLX, AMZN, HBO, DIS, GOOG (YouTube) and an opposite relationship with video networks. That's the main reason that leads us to be more optimistic about CHTR in detriment of CMCSA, which still seem much more "wedded" to owning cable video networks and selling video bundles.

Plus, on top of the obvious growth expected for data in general, we expect to see the owners of last mile broadband to benefit disproportionately from the 5G implementation. We see it as the proverbial "icing on the cake". We don't think it will be implemented in the US at large as fast as it was in China and South Korea. But contrary to the ones that believe that nobody needs more than 4G, we've seen enough that to believe that given more processing storage or transmission capacity, demand will come. Generally in unforseen services. Two strong candidates that can already be foreseen are IoTs apps and driverless cars.

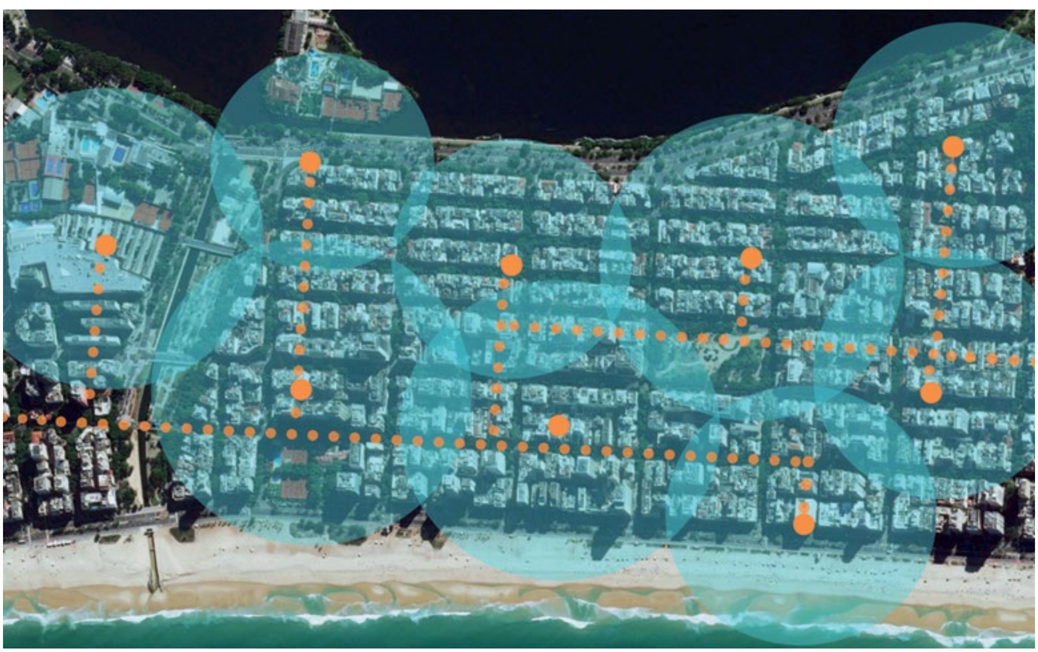
Since 5G, as is always the case, faces the tradeoff between high throughput and coverage, wireless operators will need many more cells spread over the coverage area. They will need a ultrawideband physical network to link those million of points. And there is no point in building a new one. It's already there and belongs to the cable and wired companies.[3]

In fact, CMCSA and CHTR have already announced a 50/50 joint venture to combine tech development and services for their own mobile services and 5G operators. We wouldn't even discard the possibility of them offering their 5G

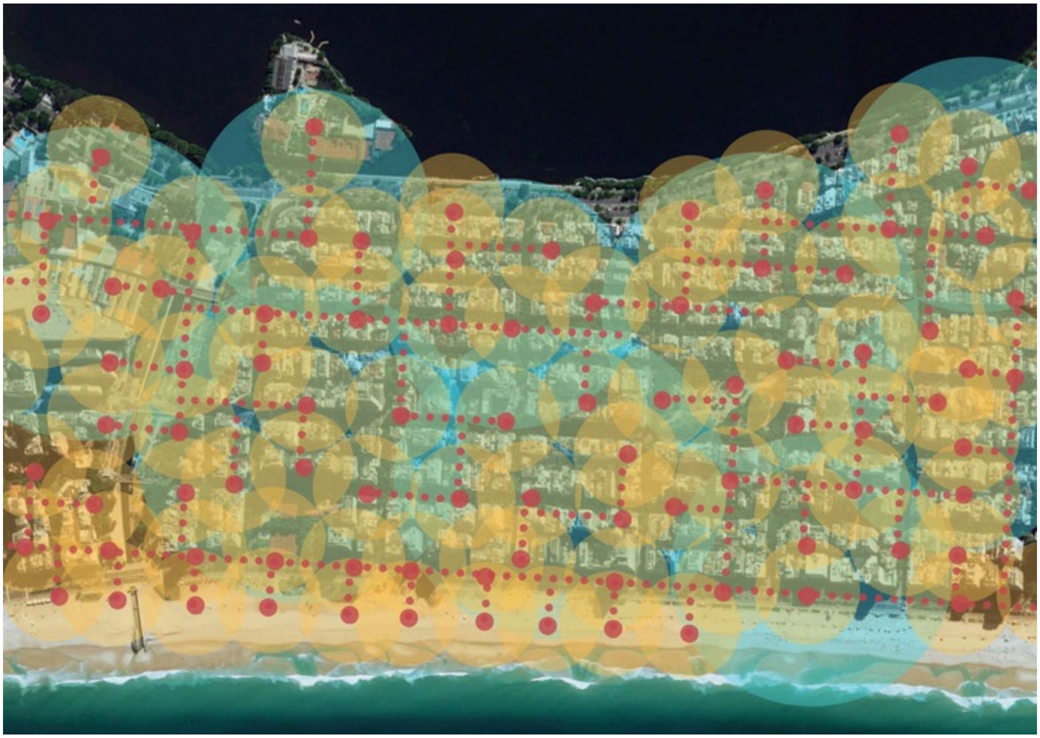
[3] As a by-product, independent mobile operators will become as passé as a typewriter while the 5G rollout becomes a reality.

directly and winding down their content investments (CHTR seems to be going more in that direction already).

We prepared the following charts to try to better communicate the change in topology/network density required. Even if merely illustrative, their premise is that 5G has a much smaller coverage than 4G, and therefore requires significantly more fiberoptic connected antennas to operate and reach the same coverage. In short, a significant part of the power lays not in the holder of the spectrum (generally the telecoms), but in the main holder of the network of fiber optic wires, the cable companies.



1.Today's wireless networks: spectrum not wires



2.Tomorrow's 5G wireless networks: spectrum + wires

GENERAL ELECTRIC

As we have mentioned in our previous letter, General Electric is a company on our radar that has recently received media attention due to its crisis. However, we delineated why we think the company might still have a bright future despite its challenges.

Going forward, we think it is central for management and board to be allowed the time and freedom to steer GE towards a safe bay. Granted this time and freedom has a grace period, after which they should prove they deserve it. Obviously, the fog has not entirely lifted (it never does), but we can hear seagulls, meaning in naval terms that there are reasons to believe we're not far from land. So far so good.

Maybe we should start with a very brief description on what we think got GE to where it is. In our opinion, there are relevant points not only for GE's case but for many others which are of interest to us.

Size and the need to fulfil ever higher expectations has proven to be a sure way to hit the rocks. And boy, GE was BIG and expectations were high by the late 90's[4].

The company was the most valuable on earth, revenues and profits increased smoothly and predictably every year like clock-work (usually a yellow flag), and the company was proud of its stellar credit ratings and always paying (and often increasing) its dividends. When we see a situation like that, hubris, narrow sight and closeness with the reflex of only looking inside follow. In parallel, a highly algorithmic administration such as Jack Welch's always brings the risk of, if left unchecked for a long time, becoming outdated.

With the pressure to grow, really exceptional businesses, talents and low cost of capital proved to be an explosive mix. Asking "why?" is a fair question. Our answer is that there is such a thing as being too big for one's owns sake. Complexity kills. GE

[4] As anyone with some investing experience knows, another way to put "buy low and sell high" is "buy when expectations are low and sell when they are … supernatural." The Law of Big Numbers also can be ignored at anyone's own risk.

"had" to be at the forefront of "hottest" sectors. From Jet Engines to Media. From Home Appliances to the Internet of Things (IoT). From Healthcare to Oil and Gas. Finance was increasing as % of GDP, GE had to be there, big time. Emerging Markets was "the" thing, there went GE. Not that any of those fronts were bad per se, but to play a pun with Jim Collins' "From Good to Great", GE seemed to us a case of "From Great to too Big to Bang". It just took humbleness and a bit of common sense to look at GE's Annual Reports and see that it was humanly impossible to grasp what was going on. In a nutshell: everything and anything.

And then 2017 comes along. GE alumni and some investors started to raise the yellow flag. As the stock cratered, it came back into our radar screen. After the new CEO John Flannery (a GE lifer of 30 years that used to head GE Healthcare) assumed the rudder of the ship, some impressive things started to happen.

It's not any new CEO, especially one with no previous experience of running a large public corporation, that fires half of its star-studded but deeply dysfunctional Board. To top it off, as we mentioned before, managed to get one of our "supreme idols", Larry Culp who ran DHR for 14 years through it's skyrocketing success, first as a member of the new, much reduced Board, and shortly after, by the end of June invites him to be the Lead Director.

This move per se has a deep meaning for us. Mr Culp is a highly respectable, ultra low-profile, down-to-earth and get-it-done person. He has a stellar reputation and track record despite being 55 years young (and with an ultra high opportunity cost, business and personal-wise) who would not take this responsibility lightly. There's no PIPA team analysis or investment banking / sell side report that could register 10% as strongly with us as him opting to take the plunge after having tested the water for more than six months[5]. When we say it's all about people, we walk the walk.

On the other hand, we still feel sometimes when Mr Flannery talks he is taking too many hedges, being too cautious and "sweet-tongued". For example, after announcing on the 23rd of May that GE could not guarantee future dividends (sending the stock down 7% on the day), he backtracked on June 26th and guaranteed the dividends up until the completion of Healthcare Spinoff/split. We traditionally prefer straight shooters. But then again, we are looking from the outside, and we can only imagine the pressure he is under and this is why we have made a point to show our support and back him in many controversial issues, like cutting the dividends.

Also, we get a bit frustrated when we hear Mr Flannery talking about the Healthcare Co. having an average balance sheet, leverage, corporate governance and being in lines with its peers. We think that it is a unique opportunity to shoot for the stars. Each company should strive for assembling the best moat and core investors, as much aligned as possible with long-term perform. It makes no sense to keep the same Boards for all companies. We can only dream about having Larry as at least Chairman (if not CEO) of the Healthcare Spinoff.

[5] We assume his palpitations into accepting and the exercises he made to have been very analogous to those mentioned in our last Report on Richard Feynman, when invited to be into the Presidential Committee that investigated the Challenger explosion.

In terms of suggestions, we also think the board should consider adopting a "poison pill" with a 5-year-sunset provision. That would not only bring peace of mind for them to continue the "reset" execution, but it would also alleviate long-term shareholders that might be afraid of being squeezed out by an opportunistic buyout. Here is what they currently have in place:

> "**Policy on Poison Pills**
> The term "poison pill" refers to the type of shareowner rights plan that some companies adopt to make a hostile takeover of the company more difficult. GE does not have a poison pill and has no intention of adopting a poison pill because a hostile takeover of a company of our size is impractical and unrealistic. However, if GE were ever to adopt a poison pill, the board would seek prior shareowner approval unless, due to timing constraints or other reasons, a coMittee consisting solely of independent directors determines that it would be in the best interests of shareowners to adopt a poison pill before obtaining shareowner approval."

We believe several factors make GE's takeover scenario not as unlikely as its Governance Principles suggests. The current liquidity available to short-term-oriented market participants, its current market capitalization, and the knee-jerk reaction most conventional shareholders might have to dividend cuts or credit re-ratings all add up to such risk. This is especially the case when considering the effect cheap debt, tax cuts, strong corporate earnings, and towering cash reserves has had in the overall appetite for acquisitions.

According to EY, M&A's have hit a US record in the first five months of the year: $978 Billion in activity, up 80% from the same time last year. The number of *megadeals* are also up to a record: 15 proposed transactions this year worth $10 billion or more. At the same time, Private Equities are hungry to get into the game. The Financial Times recently reported that as of May 25th 2018, there were $1.08tn of raised capital yet to be deployed in the Private Equity Industry. And that doesn't include the usual leverage added to their "fire-power". In short, a GE takeover should not be granted as entirely "impractical" or "unrealistic" as their poison pill states.

We should also add that this measure would benefit from being accompanied by other important steps we have mentioned in our previous report. One of them is making sure that all senior management team members have a big portion of their time allocated to attracting, monitoring, developing, and promoting great people. This will be crucial to the company's ability to execute and create a better organizational construct focused around the individual businesses. And to execute this vision, it's important to make sure board members and top management have more "skin in the game", which helps to align them with the interests of minority shareholders.

We would also like to take the opportunity to show you some highlights from the call that marked the first anniversary of John Flannery as the Chairman & CEO of GE, on May 23rd and the Company Update June 26th.

On portfolio updates

"With respect to our portfolio, our Aviation, Power and Renewables businesses will be the core of GE going forward. These are 3 formidable franchises where we've built leadership positions over many decades. These businesses also have significant strategic linkages. They share technologies, digital and additive strategies and business models. While our core Aviation, Power and Renewable businesses can thrive inside of the current GE framework, we think substantial value can be created by moving other businesses outside of GE. To implement that strategy, we are creating a separate stand-alone Healthcare company and we also intend to fully separate BHGE."

"The pending merger of our Transportation business with Wabtec was driven by the same strategic approach. We will begin the process of separating our Healthcare business immediately. We will monetize approximately 20% and approximately 80% of Healthcare will be distributed tax free to our shareholders through a spin or split."

On corporate culture and strategy

"We will run GE Company in a fundamentally different way going forward. Our businesses will be the center of gravity and will run on a new operating system that we believe will improve our operations and cash performance."

We especially loved that part. GE businesses are most “long-cycle businesses”. Managing them with a short-term emphasis, in our opinion, was the main driver that put it in the hot seat.

> “We want to have a set of behaviors in a way that we work that continue to just move the company forward. So things around competitiveness, candid discussion, collaboration. So just a good, healthy working culture. And at the end of the day, my objective in all of this, I want the businesses positioned so they’re facing externally. They’re facing the market. They’re facing competition. That’s where they spend their time and that they’re not facing internally”

On Cash Flow

> “In every conversation in the company today at every level, we’re talking cash. I mean, it’s really the epicenter of the organization psyche right now is a cash discussion. Where are we on cash? Where are we on inventory? Where are we on commercial terms? Where are we on selections? Do we really need to do this CapEx? So the mindset that shift in the organization has been huge.”

We are aware that the situation is amazingly complex and new developments occur almost on a weekly basis. We have no pretensions to grasp all the details. As always we focus on the people and the right “noises” .To put our case in the simplest way, its “reset strategy” makes sense for us. In addition to this, we have already mentioned at length what it means to have Larry Culp accept not only to become a Board Member but also take on the Lead Director role.

Like Amazon, we tend to thing that GE is a case of "believing" the opportunity exists for its parts to become much bigger and profitable than what they are today. Knowing its history, one could even say that Amazon seems to be the new GE. Even acknowledging that it still has much less legacy and more importantly, the founder and major shareholder is still around and about the same age as Mr John Flannery.

For GE to reclaim its glory and stand next to Amazon, superb execution is key. But with the whole company currently valued at about USD 110Bi today and our back-of-the envelope calculation leading to a sum of the parts north of USD 300 bi, there is lots of space for liabilities. This still the case if some new emerge, provided they deliver on the execution side.

AB InBev is another company "close to home" might look at first sight a potential size victim. It also indulged in low cost of capital to become the largest world brewery. But similarities stop there. As we wish we could currently say of GE, ABI benefits from defined control by a long-term-oriented group. The excess cash-flow and talent are recycled to other segregated endeavours, commonly with different partners, like Lojas Americanas, real-estate ventures, credit cards acquisition, Burger King, Kraft Heinz.

We are very aware that many of these changes are going to be quite a challenge to implement. GE has always followed the paternalistic style of old "great" industrial companies. There will blood, sweat and tears if it's going to work in that regard. It is hard to rewire people that have become wedded to systems and management tools established about 20 years ago by Jack Welch & Co. The breakup looks like a nice cutoff line to implement radical changes, and again we think that an outsider like Mr. Culp with far more experience in running a company of "winners" than his age would lead one to expect, might guide them towards a home-run. As Mr. Flannery mentioned in the recent call, "it's going to be a journey".

Random Bits

According to research by Deloitte, in 2017:

- 55 percent of US households subscribe to paid streaming video services (the first time US streaming has passed the 50% threshold). In under a decade, the percentage of US households subscribing to a paid streaming video service grew 450%—from just 10% in 2009 to 55% in 2017.
- 54 percent of streaming video subscribers said they had signed up for a service to watch original content.
- Pay TV is increasingly under siege because it often does not deliver the value consumers expect in the digital age—the content they want, whenever they want it, on their device of choice.
    - 21% of consumers without pay TV say they don't watch enough TV to justify the expense.
    - Another 19% say they simply cannot afford it.
- There was a 10-point drop in willingness to share personal data in exchange for personalized advertising (from 37% to 27%).

From Cisco's "Global - 2021 Forecast Highlights":

On Traffic Topology and Traffic Patterns - Global estimates

- 41% of Internet traffic will traverse cross-country backbones in 2021, compared to 58% in 2016.
- 71% of all Internet traffic will cross content delivery networks in 2021, up from 52% in 2016.
- Peak Internet traffic will grow at a compound annual growth rate of 35% from 2016 to 2021, compared to 26% for average Internet traffic.

On Wired Wi-Fi and Mobile Growth

- In 2021, the gigabyte equivalent of all movies ever made will cross the Internet every 1 minute.
- Global Mobile was 7% of total IP traffic in 2016, and will be 17% of total IP traffic in 2021.
- Globally, mobile data traffic in 2021 will be equivalent to 23x the volume of the entire Global Internet in 2005.

On IP Video

- Globally, IP video traffic will grow 3-fold from 2016 to 2021, a compound annual growth rate of 26%.
- Globally, IP video will be 82% of all IP traffic in 2021, up from 73% in 2016

From an interview conducted with Steve Jobs in 2008, a month after Apple opened the mobile floodgates by launching the App Store[6].

- On the App store's potential: "We'll be dancing on the ceiling if we cross a half a billion [dollars]. Maybe someday we'll get to a billion." - In 2017 the App Store's revenue was estimated at around $38.5 billion.
- "The App Store is much larger than we ever imagined, iTunes has been out for over five years. In 30 days, users downloaded 30% as many apps as everybody in the world downloaded songs from iTunes."
- "I would not trust any of our predictions because reality has so far exceeded them by such a great degree that we've been reduced to spectators just like you."
- "Our theory on iPhone is that phone differentiation used to be about radios and antennas and things like that. We think, going forward, the phone of the future will be differentiated by software."

[6] https://www.theinformation.com/articles/hear-steve-jobs-at-the-dawn-of-app-store-predict-the-future-of-mobile

Miscellaneous

"Addicts often have to take heavier doses to get the same thrill as time passes. The same is true in aging bull markets: Companies need to report bigger and bigger earnings to get the same rise out of investors."

- Jason Zweig, WSJ columnist. To which we add; we all know how these stories end. Either through a painful rehab or death… It's just Human Nature, applied to different situations.

"The big fundamental difference between Silicon Valley and Hollywood is quantity and quality. The whole efficiency driven thing is very Silicon Valley, and the whole quality driven thing is very Hollywood - and rarely do those things meet."-

- Ted Sarandos, Chief Content Officer at Netflix

"The world cannot be understood without numbers. And it cannot be understood with numbers alone"

- Hans Rosling

"He recommended that we needed to have a long-term view on things. I asked: 'how long?' He replied: 'maybe about 200 years'."

- Jesper Brodin, CEO at IKEA, about one of his last meetings with the company's founder Ingvar Kamprad, who died in January at age 91

"To build a good user-based business, you have to start with the common sense recognition that users are not the end game, but a means to an end. Unfortunately, as long as venture capitalists and investors reward companies with high pricing, based just upon user count, we will encourage the building of bad businesses with lots of users and no pathways to becoming successful businesses."

- Aswath Damodaran

"If you can't explain it simply, you don't understand it well enough."

- Albert Einstein

"I think we are in a very, very grave period for the world"

- Henry Kissinger

"I would argue a little bit about the definition of stressful periods. Because I will tell you I get more stressed when the market is running up than when it is running down"

- Seth Klarman in 1991 when asked about managing his portfolio during the stressful period of 1987.

“The person who pays the most can also be described as the person who will accept the least for his money.”

- Howard Marks, Oaktree founder

“Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.”

- John Templeton

PIPA Prize

PIPA INSTITUTE

Sandro Botticelli's *The Birth of Venus*. Michelangelo's *The Creation of Adam*. Leonardo Da Vinci's *The Last Supper*. Asides from being some of the most celebrated artworks in Western History, the three masterpieces listed above have another thing in common. They were all commissioned, that is, financially sponsored by individuals or institutions – in said cases, by the Medicis, Pope Julius II, and Ludovico Sforza, respectively – in order to be created.

Over time, patronage may have become more invisible, but is certainly no less important in the fostering of art worldwide. Think of Peggy Guggenheim, one of the greatest art patrons and collectors of the 20th century, responsible for discovering the likes of Jackson Pollock when he was just a carpenter in Solomon Guggenheim's museum and investing in then-unknown names such as Marth Rothko and Robert Motherwell.

The United States has a long tradition of fostering art – and Peggy, niece of the Solomon R. Guggenheim, is just one example of such a lineage –, and patronage initiatives come from both companies and individuals. In Brazil, tax incentive mechanisms were created to encourage cultural investments, but those are seldom used for investing in art and art alone by the companies. Instead, it is common to see tax incentives being mixed up in grand marketing campaigns. It was in the hopes of giving a practical example that the opposite can also happen that the PIPA Institute decided, back in its foundation, in 2009, not to take advantage of any tax benefits, thus becoming one of the very few cultural institutions in the country to do so.

Through PIPA Prize, acquisitions, commissions and exhibitions, the PIPA Institute has a role in the Brazilian's 21st century patronage. More and more every year, we might add. PIPA Institute is currently holding its second exhibition at Villa Aymoré[7], "Lost and Found". Featuring works from the Institute collection by Berna Reale, Marco Antonio Portela, Shima, Paulo Nazareth and Virginia de Medeiros (the last two, PIPA Prize winners in 2016 and 2015, respectively), the show discusses the building of identities in the contemporary world.

"It is unquestionable that we are all tired of so much representation. In the exhaustion of identity, seeking to displace models and images is part of the inherent politics of the arts," writes PIPA Institute curator Luiz Camillo Osorio, responsible for selecting the pieces on view, in the introductory text to the show. "The artists featured here work with images of themselves that go against narcissism."

Partial view of the exhibition "Lost and Found", at Villa Aymoré, Rio de Janeiro, Brazil. From left to right: view of the works "O Homem" and "A Mulher", 2011, by Berna Reale, "Testemunho", 2006–2010, by Shima and "Maria da Penha" and "Marcos" from the series "Fábulas do Olhar", 2013, by Virginia de Medeiros.

[7] **"Lost and Found"**, group show featuring photographs and videos from PIPA Institute collection, curated by Luiz Camillo Osorio, on view until from June 2nd until August 25th, 2018, at Villa Aymoré, Ladeira da Glória, 26, Casa 1 – Glória, Rio de Janeiro, Brazil. Working hours: Wed—Sun, 1 pm to 6 pm; T: (+55 21) 4136-1550; info@landmarkproperties.com.br

In terms of acquisitions, two new paintings by André Griffo were recently added to the Institute's collection. His works had caught the attention of the PIPA Team last year. Then, when he and his gallery were approached, his art dealer informed that he was painting a "special piece", one that would perhaps make sense for PIPA's collection. A visit to his studio proved that not only one, but two unfinished canvases had potential, portraying "a journey through spaces, times and narratives that fit into the collection", as the Institute curator Luiz Camillo Osorio put it. The result of both paintings was a pleasant surprise for the PIPA Team, and above all the "special canvas" turned out to be much more complex and richer than expected. It's important to note that Griffo was nominated for PIPA Prize for the second time this year, proving once again that the partnership between the award and the Institute is a very fruitful one.

"Aproximação forçada", 2018, oil and acrylic on canvas, 194x290cm by Andre Griffo (on top the work unfinished)

It's also interesting to remember that, in every edition, all the three PIPA Prize winners (each belonging to one category) donate one a work to the Institute, helping strengthen and extend its collection. It is a win-win situation, as the Institute collection is growing in terms of quantity, relevance and accessibility.

PIPA Prize 2017 winner Bárbara Wagner came up with a different idea, however. She proposed that, instead of donating an existing work to the Institute, she would produce a new piece together with her longtime partner Benjamin de Búrca during her stay at Residency Unlimited. This new film documents a group of Hip Hop singers of African and Caribbean origins who are transforming spoken word practices in the eastern part of Toronto, in Canada. Commissioned in part by the

Art Gallery of York University and the Wexner Arts Center, the final work will be screened at Front International in Cleveland this July. We agreed to consider this new production as a stage of the residency (which is part of the PIPA award) and, consequently, understand it as commissioned by the PIPA Institute (via Prize) – thus, its first edition will integrate the Institute collection. We will probably be screening it at Villa Aymoré while the PIPA Prize exhibition is on view at the Museum of Modern Art of Rio de Janeiro (MAM-Rio), also coinciding with the period of the São Paulo Biennial.

PIPA PRIZE

A sunken boat placed in the urban space. Painted in the old wooden hull is the name of the boat: "'God's Bless". The description belongs to "Área the Emergência", 2014, selected to illustrate this report always having in mind the report's content and its historical moment, and also searching for images among PIPA artists. The work was produced by Mercedes Lachman, one of the 71 participating artists of the ninth edition.

In June, the Prize announced the four finalists of this year. They are Arjan Martins, Eli Sudbrack (mostly known as Assume Vivid Astro Focus, or simply AVAF), Romy Pocztaruk and Vivian Caccuri. According to PIPA Institute curator Luiz Camillo Osorio, the selection is representative of the Brazilian contemporary production: "Each artist works with different media, affective tonalities, and themes, from painting to sound sculpture, from installation to photography," he states.

Arjan Martins, "O Estrangeiro VII", 2017

Arjan Martins, who once sold bread in the School of Visual Arts of Parque Lage in order to finance his artistic formation, became one of the most important representatives of Brazilian contemporary painting. His production revolves around the incorporation of signs and codes excluded from history, and his canvases and drawings retell the history of colonization and slavery from the point of view of the oppressed. In his words, his oeuvre discusses "my time, your time, and our time".

avaf, "Shada shada la chatte", 2007, performance with La Chatt

Putting together a number of different languages, the immersive, large-scale installations by avaf – which is at times a collective project, at times a solo one run by Rio de Janeiro-born, São Paulo and New York-based Eli Sudbrack – are at once multimedia ambiences and political declarations. Elements such as music, performance, painting, projection and objects involve the audience in a sensorial, collective experience, drowning them in colours, lights, sounds and images. avaf's works are influenced by various movements, from pop culture, comic books and nightclubs to politics, sociology and art, discussing matters such as civil rights and freedom of expression while questioning general gender and identity labels.

Romy Pocztaruk, "Red Sand I", 2012

The idea of journey is recurring in Romy Pocztaruk's photography and video production. The artist (born in Porto Alegre, in the South region of Brazil) generally travels through distant geographies, seeking out remains of once pharaonic projects, such as the Trans-Amazonian Highway, and the Olympic villages of Berlin and Sarajevo, afterwards abandoned looking for the small memories and ruins they keep. Her visual and audiovisual approach many times reveal something like the vestiges of utopia.

Vivian Caccuri, "TabomBass", 2016

Vivian Caccuri, born in São Paulo, moved to Rio de Janeiro in 2007. She uses sound as the vehicle to cross experiments in sensory perception with issues related to history and social conditioning. Through objects, installations, and performances, her pieces create situations that disorient everyday experience and, by extension, disrupt meanings and narratives seemingly as ingrained as the cognitive structure itself.

Selected by the Board, the four finalists will be running for PIPA Prize, which corresponds to a total donation of R$130,000 – the sum includes an artistic residency at Residency Unlimited, in New York and also for PIPA Popular Vote Exhibition, that worth a total donation of R$24,000. They will participate in the PIPA Finalists' exhibition to be held at the Museum of Modern Art of Rio de Janeiro (MAM-Rio) from September 1st to October 28th, 2018.

PIPA ONLINE

The end of July and beginning of August is time for PIPA Online. The category is the only one in the Prize in which all of the edition's artists can run for, and is entirely based on an online 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, PIPA Prize introduced in its ninth edition a voting mechanism that creates further fidelity of the voter with the Prize platform, requiring him not to vote for a single artist. Instead, he has to vote in at least three artists in order for his votes to be validated. This way, PIPA Online becomes less individualized and more participative.

We invite you to meet this edition's participants by watching the available video-interviews by clicking the "Videos" tab on our homepage, and by visiting the 2018 nominees' pages through the links www.premiopipa.com/artistas-2018 (in Portuguese) and www.pipaprize.com/artists-2018 (in English). There, you will find biography, curriculum, critical texts and artwork reproductions belonging to each of this edition's nominees.

Last but not least, we reproduce below Luiz Camillo Osorio's latest critical text, "The Artist and the University". In it, the PIPA Institute curator – who's also Head of the Philosophy Department at Pontifícia Universidade Católica do Rio de Janeiro (PUC-Rio) – outlines a few possible answers to the matter of teaching art within the academical world.

The artist and the University – Notes from the Escola das Artes do Porto

- Luiz Camillo Osorio

Art cannot be taught. Training for artists, on the other hand, can be discussed. There are free art schools everywhere, but they will not be approached here, in this paper. My point here is to discuss the artist's place at the University. This relationship is not trivial. The academic model has a rigid structure, forged from a conception of research and knowledge that is nowhere close to the artistic processes. Nevertheless, more and more undergraduate and graduate Art courses are created in Brazilian and international universities. Add to this the fact that the university itself, its pedagogical framework and expectations regarding teaching methods, have been questioned at least since Lyotard's Postmodern condition. In this sense, this correlation can be interesting for both sides – both for the university and for art, artists and their training.

I have recently been nominated to take part in the Advisory Board formed to discuss the new guidelines to the Escola de Artes at the Universidade Católica do Porto. As soon as he took office as the school's Dean, the critic, and professor Nuno Crespo decided to rethink it given the Portuguese reality, the globalized world of art and the history of the institution itself. In addition to faculty members, some outside guests – including artists, critics, and theorists – were invited to form the Advisory Board. The idea of discussing possibilities for an art school inside the university fascinates me. Both because of the presence of the artists at the academia, and because such presence can be both positive and negative.

A statement by artist Julião Sarmento, one of the guests, in the first round of debates, kept echoing inside me: “Avoiding forming professional artists is critical for the success of this school.” Now, let’s explain his point in further detail. There is no doubt that an art school should consider the insertion of its students-artists in both the institutional and commercial circuits. However, there are ways for this to happen that do not involve the type of immobilization pointed out by Julião. I have nothing against professionalization, but one can notice that art schools tend to format artists homogenizing a type of contemporary language, as well as defining an uncritical model of insertion to the way art circulates and legitimizes itself, a model in which its experimental possibilities are somewhat restricted.

Having said that, how can you form a (non-professional) artist? How can you guarantee the time he/she will spend at the university as a period of learning, exchange, and experimentation? An important point here is to define what is expected from the artist when leaving the university. Of course, an artist’s access to the institutional and commercial art circuit is relevant. However, it is not the reason behind an artist’s training; it is, instead, a result of a powerful work that will happen later. Unlike an engineer, who must learn a technical and conceptual repertoire common to all professionals in his area, an artist must unlearn the success formulas and build his own repertoire, rather than merely repeating them. Technique in art, at least since Duchamp, is not a know-how, but an operation that articulates history, context and invention; that is, a relational practice that implies combining the maximum of historical learning with the certainty that this is not enough, that knowing is not the same as doing, that the thing escapes, is built along the way.

Therefore, the relationship always happens among artists in an art school. There is a horizontal relationship between teacher and student, but there is also the awareness that in the teacher-student exchange there are paths that have already been travelled and that will help to learn. Putting together an academic programme or curriculum is a major challenge. On the one hand, one must make possible the want-to-do; on the other hand, a post-disciplinary model should be stimulated. As much as one should welcome artists interested in various languages, I no longer see art schools with specific disciplines of painting, engraving, living model, etc. On the contrary, I rather see them as a common and continuing course offered every semester in which projects and processes are discussed, as a set of courses with specific teachers and artists in which contemporary geopolitics, literature, history of technology, design or dance can be approached. Each teacher-artist defines his/her course (highly endorsed by their own practice) and the students-artists enrol in the subjects because of the teachers, not because a curriculum, which should be as flexible as possible, demands.

A determining aspect is the notion that such art school space is a laboratory in which to experiment poetic possibilities regardless of the market and the institutional feasibility, knowing that experimentation should always keep in mind some principle of reality. The art school's autonomy, as well as its indetermination of the inherent risk in the making of art, must be continuously followed-up by teachers-artists, curators, critics, and theorists. The tutorial relationship between student-artist and teacher-artist must go on through the years of training, and such dialogue should be way more important than following a fixed curriculum.

What is being presented is a training not based on specialization. The artist is a generalist who is always questioning. He does so by mobilizing materialities and sensations that draw us from our daily flow in which all senses are determined by functional logic. Functioning, to a large extent, is not questioning. The opposition between a specialist and a generalist should not be taken as a separation between rigor and inaccuracy, concern for the method and conceptual casualness, demonstrable truths and subjective delusions. What matters is to define two different types of rigor, in which research is less committed with objectivity (defined by the terms of an intrinsic coherence to a specific language game), and more with the questioning of the terms regulating this game, opening new possibilities for debate, other forms of perception, other criteria for evaluation. There is, in artistic production, an interest in turning unfunctional whatever is established, so that other forms of functioning can be invented. In this sense, deviation is the artist's method. And this is a hard thing to teach.

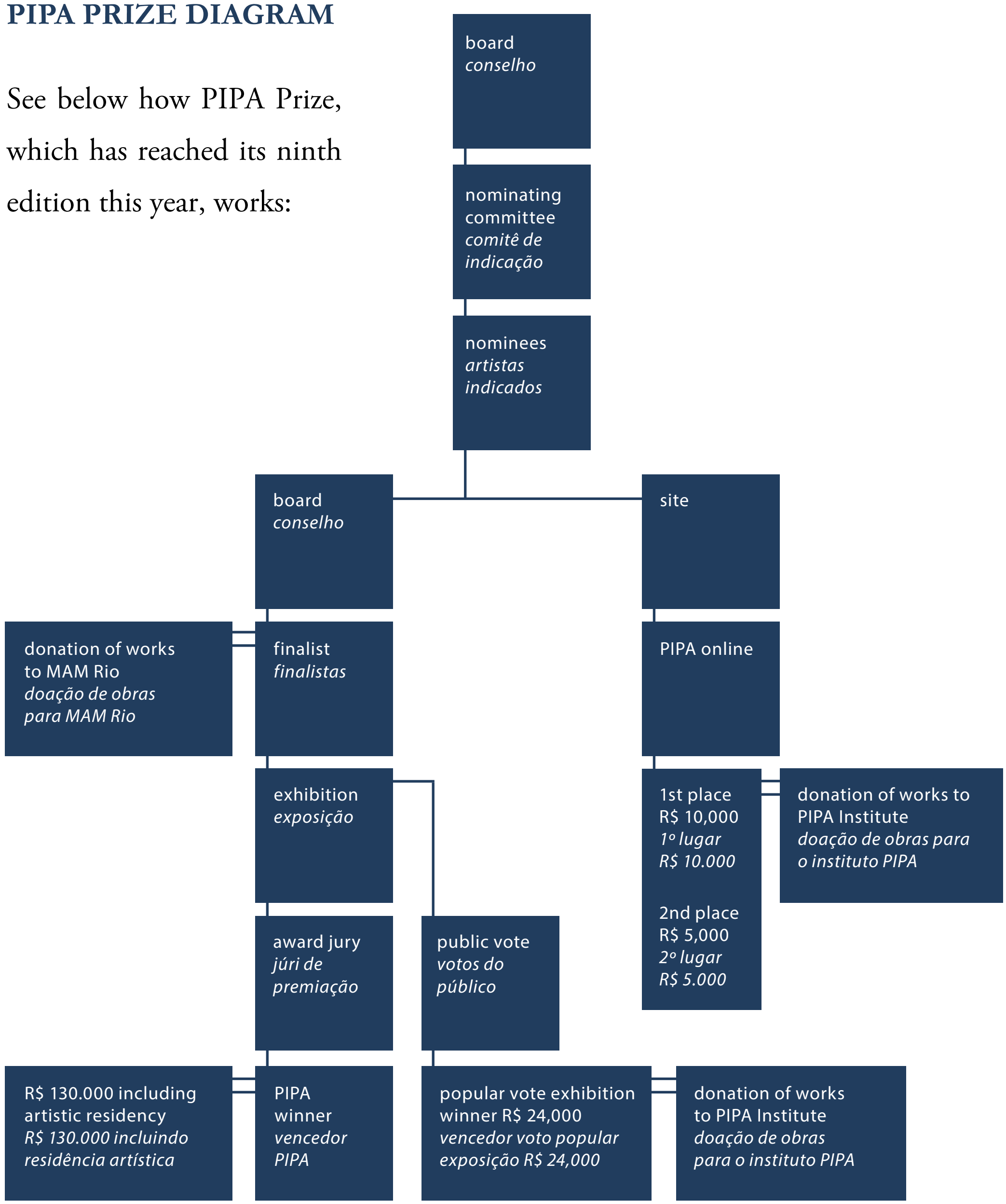
It is important, however, not to oppose art and science. Both provide room for enriching exchanges. In this respect, as Vienna Academy's teacher, that is part of the board, Sabeth Buchmann put it, it would be important to maintain the post-disciplinary commitment already implemented in the Escola de Artes do Porto, based on broad areas of teaching and research, such as "Sound and Image", "Heritage",and "Creative industries", coupling research, project and social participation. Relaxing the curriculum and the periodization of the courses offered would ensure the presence of artists, technicians and researchers with strong professional insertion as resident teachers, in some cases visiting teachers, extending the extra-academic interaction, as well as the teaching and experience exchange processes. Making the art school gallery a living space, and the cafeteria tables a place for debate and interaction. The type of collaboration to be developed among the students-artists in the shared restlessness and search for new possibilities in their artistic development is a fundamental aspect. Because art is always dealing with sensitive material, contact with other sensitivities is an extension of possibilities and a constant learning of one's own limits. The materiality of the world and the complexity of the real are not pliant; they require confrontation, attention, impetus and listening.

Just the fact of opening up to a debate aiming at reconfiguring its pedagogical project infuses new promising blood into the Escola das Artes da Universidade Católica do Porto. The creation of an international school, in partnership with other departments of the university and other artistic and cultural institutions in town, such as Serralves and Casa da Arquitetura, is a sign that the concern with the insertion of the artists-students in the art scene, must be parallel to the experimental effort. Training must be in contact with institutional spaces. The museum, as well as the university, is committed to the transmission of traditional content that, as we all know, is undergoing a deep identity crisis. Now, back to Lyotard's text mentioned at the beginning of this article, we notice there, 40 years ago, an inaugural effort to rethink knowledge and the university from unstable models that would force other modes of learning and transmission of knowledge. According to him, "Science is an open system model in which the relevance of the enunciation is in generating ideas, that is, other enunciations and other game rules," thus approaching the methodological wandering of the arts.

In other words, an art department must be a place where betray models are taught, assuming a transmission by deviation and the conflicting dialogue among generations. The Escola das Artes da Universidade Católica do Porto promises to be a very welcoming space for artists.

PIPA PRIZE DIAGRAM

See below how PIPA Prize, which has reached its ninth edition this year, works:



PIPA PRIZE MISCELLANEOUS

“Maybe I’m just simple, real and human after all”

- Ad Reinhardt

“Your path is at your feet whether you realize it or not. That is the most important thing that I will say but I will not enlarge upon it”

- Agnes Martin

“What I dream of is an art of balance, of purity and serenity devoid of trouble and depressing subject matter. An Art which might be for every mental worker, be he a businessman or writer, like an appeasing influence, like a mental soother, something like a good armchair in which to rest from physical fatigue”

- Henri Matisse

“What is about people that since the dawn of time we’ve wanted to mark our presence so that other people will see it?”-

- Chuck Close

“I must be many things simultaneously, but not because I’m an artist, you know. Because I’m a human. Even my cat is simultaneously many things”

- Sophie Calle

“When I haven’t done anything for a long time, I always start small, on paper”

- Gerard Richter

“Success is dangerous. One begins to copy oneself, and to copy oneself is more dangerous than to copy other.”

- Pablo Picasso

“I was influenced by seeing Picasso’s work, which I very much admire. I am not ashamed to mention this influence, for I think it better to hold oneself open to improvement than to remain satisfied with one’s imperfections…”

- Piet Mondrian

Messages we have recently received about the Prize:

“I’m honored and grateful to see my name among so many other artists whom I admire in the dynamic and updated portfolio of PIPA Prize both in 2015 and 2018!”

- Ana Ruas, PIPA Online Popular Vote winner in 2015 and nominee in 2018 (May, 2018)

“I use the PIPA Prize website in my History, Curatorship and Art Criticism classes so that my students can research and understand the current Brazilian art production. Besides, the artists’ video-interviews contribute to promote a kind of knowledge which is many times restricted to only those who work in the area.”

- Ana Avelar, curator and member of the PIPA Prize Nominating CoMittee 2017 (May, 2018)

"PIPA Prize does an unparalleled work. I'm a true fan of the thorough work they do for the artists. Rare and precious – long live PIPA Prize!"

- Fábia Schnoor, artist (June, 2018)

PIPA

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