



Top: Bárbara Wagner. Brasília DF, Brasil, 1980. "The Cortege", 2013, series of 12 portraits, inkjet on paper, collection of the artist
Middle left: Éder Oliveira. Nova Timboteua PA, Brasil, 1983. "Untitled", 2017, site specific - acrylic on wall
Bottom left: Antonio Obá. Ceilândia DF, Brasil, 1983. "Transfiguration II", 2017, from the series "Room with Mirrors", pigment, golden sheet and charcoal on canvas, wooden frame and brushed, collection of the artist
Right: Carla Guagliardi. Rio de Janeiro RJ, Brasil, 1956. "Fugue (II)", 2017, from the series "Fugue", concrete blocks, copper tubes, single elastic cord, collection of the artist"

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RESEARCH AND ANALYSIS

RESEARCH AND ANALYSIS

PERSONAL MATTERS

As you all know, people are the most important factor for us. The last few months were some of many tough personal losses. They were painful not only due to the outstanding individuals who will be missed, but also for their untimeliness.

It started with a friend that lost his battle against cancer after 14 years, leaving us as well as two wonderful girls behind. Then there was Luiz de Avillez, who although older was still quite young and happy at heart. He was a beloved guy who loved life and was a great friend to many. And just as we were writing this letter, Pedro Damasceno, the first guy to join our friends at Dynamo, more than a quarter of a century ago, also left us suddenly. Pedro was a tremendous athlete, certainly one of the humblest people we knew, ultra-reliable and caring, and not to mention a great investor. In a space where those attributes are hard to come by, this loss is immense and touched us very deeply. We can't even imagine how this must feel to his family, wife and three lovely young daughters, and to his colleagues at Dynamo, his extended family. There's no way we can express how big these losses are. Money is fungible. People are not. We'll feel the pain of these losses until the day we follow their lead.

MONEY CAN'T BUY ME LOVE

As we never get tired of repeating: we believe, above all, in the power of incentives. There are a few things

we believe we've learned so far that influences a lot of what we do, how we do it and what we look for in everyone we develop a relationship with. One of those things is passion.

Most people tend to equate incentives to financial incentives. We've noticed that such is not the case in many relevant instances and that this misconception is quite common. No big news here. Many scientific studies have been conducted on the subject and it has been proven that *in many cases introducing financial incentives to activities one does for love actually decreases productivity and interest.*

Examples abound. From Warren Buffett's famous "I tap dance to the office every morning" to the passion shown by many artists such as André Ricardo de Almeida, a PIPA 2017 participant who says the following in his video interview¹: "Art got into my life not as a choice, but as a necessity. It makes me feel good. I couldn't do any other thing that I didn't love... To many people, being an artist might sound as a bad choice, something that will lead to a poor future. To me it's pure profit. I'm already being compensated by doing what I want... Everyday as I leave home to my atelier, I feel fulfilled. That doesn't mean you have some things you want to accomplish, but those things come as a consequence. But the most relevant is that I'm happy, that I'm living my dreams, that I'm doing what I love."

We recently took part in an event with some luminaries of academia, business, and the UK Government.

¹ www.PIPA.com.br and www.pipaprizo.com

The "Labour" MP was very adamant in attacking the financial sector for "paying itself regally". He was stating a truth. The fact that the financial sector absorbs more than 10% of GDP always seemed "unfair" to us. We certainly would work for less, since we love what we do. Especially if everything else was also "fair". However, one of the unequivocal realities is that, despite all the progress over the last couple of centuries, especially in developed countries, things are not yet close to fair.

Then again we're not a big international financial power-house, where most people go to work to make the most money in the shortest period of time and then retire to pursue their passions. We are a small group of people who self-selected by the passion to find special companies.

It has been like that with Lojas Renner in Brazil in 1994 and it's still the same when we look at ABI, DHR, and AMZN. We work with people we admire, we learn a lot from each other, and spend very little time on administrative tasks (although governments and regulators have been forcing us to spend more time and money than we consider reasonable).

We can still remember the influence that Tom Peter's historic book "In Search of Excellence" had on us when we read it back in 1982 (ok, maybe not all of us were around at that time). The title itself led to a great epiphany; we loved Excellence, not necessarily

the money. That's what we've been pursuing since then, on all fronts of our lives. We derive our pleasure and happiness (or unhappiness, when we fail) from doing a good job and always cranking up our game to our limit, not by being the biggest or doing "less poorly".

Being big is incompatible with doing a consistently great job. However, as Amazon, Danaher, Jorge Paulo Lemann, Beto Sicupira, and Marcel Telles have proven, that's not always the case. They show that the point where returns decrease to the cost of capital can at least be deferred to way further down the road than usual. Knowing how competitive they are (and we've met MANY competitive people throughout our lives - but they stand in a class of their own), we understand that it's not money per se that makes them utterly competitive. They're motivated by competing on a big scale², to take reasonable risks, to create the biggest companies, and enable people to discover the best inside themselves. They just use money as a yardstick for their professional endeavours. We're pretty sure they are just as happy catching a fish or winning a tennis match.

Just as scale and acquiring a certain critical mass is a major return booster, the law of diminishing returns certainly is a drag that inevitably kicks in. Sooner for some, later for others, as we've just established. Part of our job is try to identify those "points" in each case.

² Tellingly the title of the book on the trio is "Big Dream".

In the case of the investment management industry itself, this issue is becoming clearer by the day. Many successful funds either become "asset gatherers", go for size and management fees and just index themselves, or they opt to stay as "assets optimizers", close the funds to new investors, gradually return capital, and eventually become proprietary trading houses.

The key point is understanding that in a capitalist society people need some money and of course making some money is fundamental, but to many, it's not even close to the most important thing in life. We don't have to look further than Disney, who was known to say "We don't make movies to make money. We make money to make movies". Some people use money as THE key yardstick, and that's ok, if that's what makes them the happiest and most productive.

So why all this digression? We think the single most important thing in investing (and in many other instances in life) is to understand as clearly as possible which motivations and moral values people operate under.

To us, using great incentives to look for great companies has always made sense. They very often lead to great long term investments. The same is true for the opposite, horrible incentives and misaligned management teams usually points to potentially interesting short opportunities. Especially in the current situation, where loose monetary policy has

contributed to huge price increases despite the problems we all know about. All of that works well one way, but usually works terribly in reverse.

Another important aspect of this research process involves tracking people. Keeping a close eye on managers one admires and where they move to, which sometimes leads to companies one might have not considered investing in the past. A good example is former Henkel CEO Kasper Rorsted taking the helm at Adidas.

Like incentives, if tracking great people usually leads to potentially interesting long investments, for the opposite purpose it's interesting to track people with a history of unethical practices, accounting manipulation and, in a few cases, even criminal behaviour.

We compiled a list of people involved in the biggest and most notorious scandals in business over the last 20 years and found that even though the majority of top executives were either sent to jail or convicted and are no longer active, the majority of second- and third-tier executives went unpunished.

Needless to say, they rarely change after that. So, tracking these individuals can, and usually does, lead to potentially lucrative short opportunities.

The tricky part is that even though a lot of the deceiving techniques are the same ones they've used

in the past, it tends to take some time before those start affecting the P&L. As a result, a lot of the times it goes unnoticed amongst many investors and sell-side analysts. So the key here tends to be staying power, while always keeping in mind that *markets can remain irrational longer than you can remain solvent*.

RISKS

On Regulation and competitiveness

A recent article in the FT³ commenting on the "two-tier economy" says:

"It is not just the top sectors that control the majority of corporate wealth, but the top companies themselves. The most profitable 10 per cent of US businesses are eight times more profitable than the average company...In the 1990s, that multiple was just three... Indeed, research from the Bonn-based Institute of Labor Economics shows that the differences in individual workers' pay since the 1970s is associated with pay differences between — not within — companies. Another piece of research, from the Centre for Economic Performance, shows that this pay differential between top-tier companies and everyone else is responsible for the vast majority of inequality in the US(...)"

The article mentions that one way this could change would be through regulatory reasons. There's been

lots of talk in that direction recently and it's something we've been following.

The problem is that the current antitrust regulatory framework relies on punishing cases involving abusive price increases. So they clearly have a hard time going after companies like Amazon and Uber that rely on the exact opposite. Plus, for better or for worse, we are in a global system. Asian companies like Tencent, Alibaba, Samsung, Huawei, and others are "eating the world from the other side". That puts US regulators in a very difficult position and gives us some comfort that we're far from a heavy-handed intervention that would lead to the break-up of companies.

Actually, we've been witnessing quite the opposite. Airlines, cable operators, and banks have been permitted to consolidate and grow, despite all the bad reputation and how back in 2008 "too big to fail banks" were considered one of the main roots of all evil. Well, now the big ones just got bigger. It seems like they are beyond being "too big to fail" and have entered the "too big to manage" territory.

On indexation and ETFs, again...

A recent article in the FT by John Plender titled "Index trackers break basic rules of prudent portfolio management"⁴ reinforced the point we made last quarter on how the success of ETFs and indexation might be seeding the sows of its own crisis. Highlights are our own.

³ <https://www.ft.com/content/f6455bb6-7053-11e7-aca6-c6bd07df1a3c>
⁴ <https://www.ft.com/content/16e1ccf6-76bc-11e7-90c0-90a9d1bc9691>

"In the great passive versus active management debate, it is beginning to feel like game, set and match to the index trackers. But notwithstanding the formidable advantages of passive management, most notably the much lower fees, the outcome of the game is not yet conclusive. Nor could it ever be. **A market dominated by passive investors would distort the price-discovery process to the point of creating serious market anomalies for active managers to exploit.** Equally important, at this late stage of the post-crisis equity bull market, is that the lessons of the dotcom bubble of the late 1990s need to be re-learned. Back then, index trackers contributed to overvaluation because they were forced buyers

"Take the Nasdaq 100 index on which the popular PowerShares Nasdaq 100 ETF is based. It has almost USD 50bn of assets, making it one of the 10 largest ETFs in the US. Steven Bregman, co-founder of Horizon Kinetics, the investment adviser, highlights that **just the top five holdings in the Nasdaq 100 — Apple, Google, Microsoft, Amazon and Facebook — comprise 41 per cent of the value of the entire index.**"

"Then there is the vexed question of what will happen in a downturn to ETF investors in less transparent markets, such as high-yield debt and local-currency emerging market debt. Investors

who believe that ETFs can provide liquidity when the underlying assets they hold are illiquid could be in for a shock."

And let's not forget that markets are connected, so big losses in one segment usually spread quite fast to other ones, especially if the first one faces liquidity concerns and the second is more liquid. Margin calls tend to be great catalysers.

All this is good news that plays quite well into those who are following the strategy of keeping their powder dry for the next crisis.

PERSPECTIVES

Path dependency

Let's suppose you're offered two alternatives:

1. 10% p.y for 5 years and then a loss of 40%, or
2. nothing for 5 years and then a gain of 30%

Which one would you prefer?

If you're a medium to long-term investor, i.e. concerned with 5+ year returns, and do some math, you should not hesitate in opting for alternative 2.

Option 1 has a value after 5 years of $(1.1^5) \times (1-0.4) = 97$, while alternative 2 is a lot more straightforward: after 5 years, it's worth 130.

In our view, that's basically the scenario we're in. Of course, this is a simplified example, but as we look at the US market performance over the last few years, it's been quite a relentless monotone movement upwards (ignoring intra-year movements). On the other hand, current share prices, growth, margin levels, effective tax rates, and interest rates **all** seem quite stretched in the same direction.

As we've mentioned in past reports, we believe many issues of our current world system will require a wholesale solution, with *system* being the key word here. We don't think most of the relevant problems we currently see can be solved individually. They're all intertwined, and although one might increase or decrease the strength of those links, the results for the system as a whole tend to be temporary if the ground rules are not reviewed. This "maintenance stop" (or reboot) will tend to get deeper and more painful the longer it keeps being postponed.

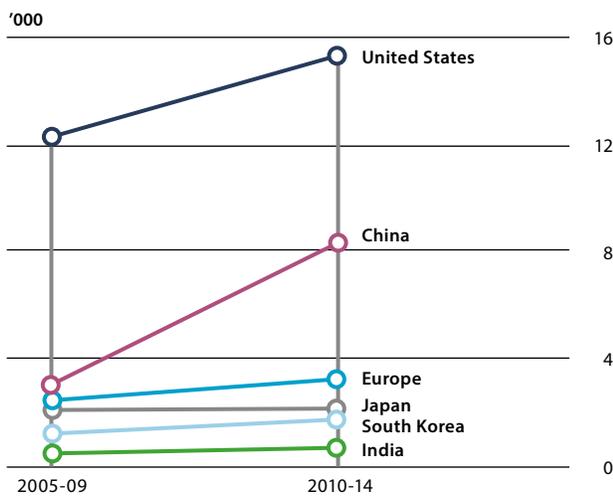
That's why we tend to believe we're moving into a scenario that resembles number 2 above, and recommend lots of caution to investors. It reminds us of Peter Sellers's answer in *Being There* when asked about alternatives: "There's a time to sow and there's a time to harvest."

RANDOM BITS

- Amazon has 85 million Prime customers in the US, up from 63 million a year ago, according to Consumer Intelligence Research Partners estimates.
- From a recent article on Digiday⁵:
 - Last year 55 percent of online shoppers in the US start their product searches on the site.
 - Facebook knows who people are and what they are interested in, and Google knows what people are actively looking for. But only Amazon has data on what people buy.
 - The number of salespeople joining Amazon’s advertising and Amazon Web Services units is growing at a rate faster than the 42 percent average across the entire company.
- From The Economist:

Race of the machines

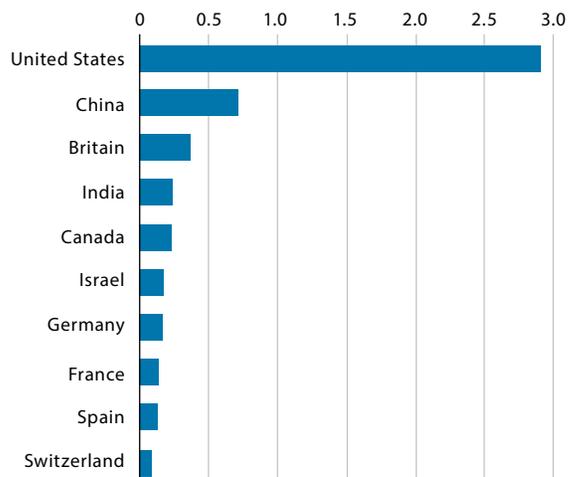
Number of artificial-intelligence patent applications



Source: Press reports; Wuzhen Institute

Number of artificial-intelligence companies

Selected countries, 2016, '000



⁵ <https://digiday.com/media/advertisers-warm-amazons-increasing-ad-pitch/>

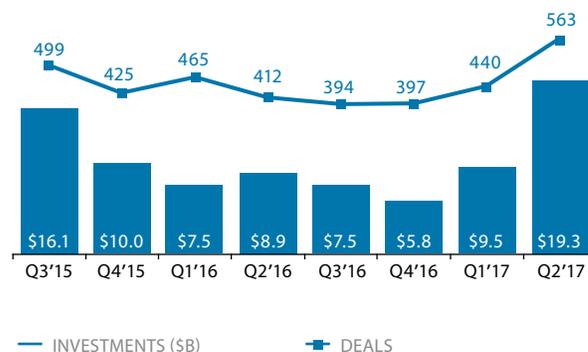
- "Today in the United States there are 72,000 centenarians. Worldwide, probably 450,000" Harvard Business Review - Lynda Gratton and Andrew Scott.
- In yet another example of the monumental change we're going through, Asia has taken the leadership in Venture Capital⁶:

Largest global deals of Q2 '17

Company	Location	Sector	Industry	\$ Value of Deal	Select Investors
Didi Chuxing	Beijing, China	Mobile & Telecommunications	Mobile Commerce	\$5500M	SoftBank Group, Silver Lake Partners
One97 Communications	Noida, China	Mobile & Telecommunications	Mobile Software & Services	\$1400M	SoftBank Group
GO-JEK	Jakarta, Indonesia	Mobile & Telecommunications	Mobile Software & Services	\$1200M	Tencent Holdings
Bytedance	Beijing, China	Mobile & Telecommunications	Mobile Software & Services	\$1000M	Sequoia Capital China, CCB International
Ele.me	Shanghai, China	Internet	eCommerce	\$1000M	Alibaba Group

- From PwC's Report 2Q 2017, CB Insights Moneytree:
- North America: 1,210 deals, USD 18.8 billion invested
 - Europe: 572 deals, USD 4.4 billion invested
 - Asia: 563 deals, USD 19.3 billion invested
- Global total: 2,439 deals, USD 42.9 billion invested

8-quarter financing trend: Asia



⁶ <https://www.dealstreetasia.com/stories/asia-overtakes-us-for-the-first-time-in-vc-funding-cbinsights-77547/>

MISCELLANEOUS

- Analysis by Bloomberg of corporate executives' comments in earnings calls found that in May, June and July, Amazon was mentioned a "staggering" 635 times....
- Over the past 12 months, the figures show, employment in retail (excluding auto dealers) has fallen by 33,000, while employment for couriers and messengers has risen by 24,500. Many of us find ecommerce has made life more convenient, and helped to save our costs."⁷
- For want of a nail the shoe was lost.
For want of a shoe the horse was lost.
For want of a horse the rider was lost.
For want of a rider the message was lost.
For want of a message the battle was lost.
For want of a battle the kingdom was lost.
And all for the want of a horseshoe nail.
- "In America the foreign-born are only a fifth as likely to be incarcerated as the native-born..."
—**The Economist**
- A study of migration flows among 145 countries between 1970 and 2000 by researchers at the University of Warwick found that migration was more likely to reduce terrorism than increase it, largely because migration fosters economic growth. Immigrants are more likely than the native-born to bring new ideas and start their own businesses, many of which hire locals. Overall, migrants are less likely than the native-born to be a drain on public finances, unless local laws make it impossible for them to work....And mass migration would make the world as a whole less crowded, since fertility among migrants quickly plunges until it is much closer to the norm of their host country than their country of origin.
— **The Economist**
- Below are a few points on Stanley Fischer's "Lunch with the FT" published on the August 20 edition, before his resignation from the Fed. He's one of the most connected and influential insiders of his generation. Ben Bernanke, the last Fed Chairman, was one of Fischer's PhD students at Boston's Massachusetts Institute of Technology .

⁷ <https://www.bloomberg.com/news/articles/2017-07-31/executives-are-more-worried-about-amazon-than-president-trump>

- Born in the former UK protectorate of Northern Rhodesia in the 1940s, Fischer grew up in the twilight of the British empire. America is losing its status as the world's hegemonic power — just as Britain did before it, he suggests.
- Fischer today heads (has since quit) a financial stability committee at the Fed that was set up with the express focus of preventing a re-run of boom and bust. As we meet on August 3, the Dow Jones Industrial Average is hitting record highs, long-term real interest rates are extraordinarily low, and former Fed chair Alan Greenspan has just warned of a bond bubble.
- Having led a worldwide effort to strengthen financial regulation after the crisis, US politicians are now attempting to throw things into reverse — something Fischer bluntly describes as 'extremely dangerous and extremely short-sighted.'
- It took almost 80 years after 1930 to have another financial crisis that could have been of that magnitude. And now after 10 years everybody wants to go back to a status quo before the great financial crisis. And I find that extremely dangerous and extremely short-sighted.
- The US political system 'may be taking us in a direction that is very dangerous'
- 'I don't feel I understand it fully, and therefore I feel uncomfortable,' he says, referring to the rapid ascent of equities. Part of the reason for the post-election stock market surge was a belief that Trump would push through tax reform and infrastructure change. However that justification for booming equities has since evaporated, Fischer says. 'The truth is our political system doesn't look like it is going to deliver very much in the way of what we hoped it was going to deliver on November 8 2016.'
- The US and its allies, including Britain, managed to piece together a global system after the Second World War that 'worked pretty damn well,' he says. Now it is unclear that it will survive.

- America's role as guarantor of global organisations such as the IMF can no longer be taken for granted, he fears. 'I had a picture of the world economy in which the United States was an anchor, not a source of volatility,' Fischer says. 'This really changes things.'
 - 'The system needs a hegemon. It was Britain for a very long time. It moved to the US fairly quickly,' he says. 'We are left with a world that doesn't quite have an anchor country, or a hegemon or whatever you want to call it.'
 - 'Human beings,' says Fischer, borrowing from Milton Friedman, 'are not rational, but they are great at rationalising things.'
- "Last year Dubai announced that it wants all government documents secured on a blockchain by 2020, a prerequisite for agencies to become completely paperless. The technology could also be used as a cheap platform to generate what poor countries lack most: more efficient government and trust in contracts.
— **The Economist**
 - "A bigger issue is institutional resistance, as many blockchain enthusiasts are discovering the hard way. Corporate departments are not willing to give up control of their lists because it means a loss of power."
— **The Economist**
 - "Smart people who study and get good grades are now commodity; the hard part is finding people with drive and flexibility"
— **from the book "Cultura de Excelência"**
 - For those who still think the market is a good prediction instrument:

In 2000, US tobacco companies' price-to-earnings ratios were about a third of their consumer-staples peers'. Today, they're roughly 10% higher, according to Morgan Stanley. The S&P 500 Tobacco Index fell 22% between 1998 and 2002. Over the past decade, it's up 178%, outperforming the broader S&P 500, which climbed 58%.

- "Index funds are certainly cheap. But the idea that they immunise the investor from human error is fallacious. They merely replace the share screen of a lone optimist with one devised by an index committee. Passive investment makes 'late stage momentum investors' of us all, as fund maverick Daniel Godfrey puts it. It is not a better system, merely one that worries regulators and disengaged investors less."

— *FT*

- "I declare after all there is no enjoyment like reading! How much sooner one tires of anything than of a book!"

— *Jane Austen*

- From the book "Fanatical Prospecting: The Ultimate Guide for Starting Sales Conversations and Filling the Pipeline by Leveraging Social Selling, Telephone, E-Mail, and Cold Calling" by Jeb Blount. Underlines are our own.

"Everything you need to know about anything is contained in a book. Everything! If you want to learn something or become an expert at anything, all you need to do is read. Yet, I am saddened at how many people tell me that they don't like to or just plain won't read.

I've got limited patience for salespeople who don't read. There is absolutely no excuse for it. When you decide not to read, you are making the conscious choice to limit your growth and income, and I have zero sympathy for you.

Reading helps you think more thoroughly. It helps you see the world differently. It makes you a better resource to your customers and company. It helps you become a better conversationalist. Reading gives you insight. Improves your writing skills and vocabulary. And because so few people read, reading can help you become an expert whom people - including prospects - who don't read seek out for advice. Reading programs the subconscious mind to find answers when you need them."

**PIPA PRIZE
PIPA INSTITUTE**

PIPA PRIZE

Art has always been a mirror of society. Be it by representing reality, or by proposing new, utopian visions of it, art serves as a way to rethink the world we live in – or, as Bertolt Brecht once declared, to shape it.

PIPA Prize Finalists' Exhibition, annually held at the Museum of Modern Art of Rio de Janeiro, is no exception to that. In the last seven years, the event has witnessed 27 talented Brazilian artists⁸ address some of the most pressing issues of contemporary life. The eighth edition of the show, which opened on September 23rd and runs until November 26th, only reinforces this calling. Presenting works by this year's finalists [Antonio Obá](#), [Bárbara Wagner](#), [Carla Guagliardi](#) and [Éder Oliveira](#), the show portrays a colorful and diverse mosaic of what's going on in Brazil and in the world right now.

Perhaps not coincidentally, many of this year's finalists have works intrinsically tied to socio-political matters, themes that go from economic inequality to racism. Such is the case of Antonio Obá and Éder Oliveira. Oliveira reproduced, in the museum walls, one of his works from the series "Arquivamento"⁹. The project consists on painting huge, primary-coloured portraits of people pointed out as criminals by Belém do Pará's yellow press.

"The idea is to question why these people are always the ones linked to vulnerability and criminality situations"

explains Oliveira, adding that these individuals usually have their faces printed everywhere without having a proper judgement beforehand. A painter by métier, he finished the work in only three days, during the mounting of the exhibition.

Obá, on the other hand, decided to address the larger topic of Brazilian identity in "Ambiente com Espelhos"¹⁰. The installation is formed by a series of old frames whose mirrors have been replaced by iron plates. Each is accompanied by a monotype portraying a part of the artist's body. The pieces intend to examine the very idea of a national identity. A notion that, in Obá's point of view, is just as vague as the mirror-like structures he built.

Bárbara Wagner, too, shares a political vein with Oliveira and Obá. Participating in the Finalists' Exhibition with two series, both about typical Northeastern dances, she says:

Wagner has been focusing her photographic practice on the 'popular body' and the ways it makes itself visible and subverts both the worlds of pop and folk, traditional cultures. In "The Cortege", she portrays performers of traditional Brazilian dance Maracatu moments before they parade in Carnival. "Set to Go", project made in partnership with artist Benjamin de Burca, sets out to understand how movements so different as those belonging to pop and Frevo¹¹ can be performed by the same body.

⁸ As Marcius Galan was finalist in two editions of the PIPA Prize, in 2010 and also in 2012, when he was the winning artist, there were 27 instead of 28 artists.

⁹ "Filing"

¹⁰ "Ambiance with Mirrors"

¹¹ Another regional Brazilian dance.

Carla Guagliardi also brought to the Finalists' Exhibition the latest developments of the sculptural research she became famous for. Her installation, "Fuga II"¹² is made out of concrete blocks and copper tubes, all connected with a single rubber wire. Again, the themes that have been following the artist for the last thirty years reappear, such as mobility and immobility, temporality and atemporality, lightness and heaviness.

Chosen by the PIPA Board amongst the 56 artists nominated in this edition, Obá, Wagner, Guagliardi, and Oliveira compete for the main category of the Prize, which is worth BRL 130,000, including an international residency program and financial support. It is decided by the Award Jury. They also compete for the PIPA Prize Popular Vote Exhibition, which awards the most voted artist, by the exhibition visitors, with a BRL 24,000 endowment. Located within the exhibition area, the ballots are open until November 5th.

The winners of both categories will be announced on November 18th, which is also the date we will be launching the PIPA Prize eighth edition's catalog. The publication will include a special critical text for each of the four finalists, photos of this year's exhibition, and the names of the 2017 winners. This change hopes to add even more relevance to the catalog, which became an important research tool on contemporary

Brazilian art over the last seven years of PIPA Prize's existence.

PIPA Prize Finalists' Exhibition at MAM-Rio was conceived both as a way to bring the award closer to the public, as well as to enrich the museum's collection, as each of the edition's finalists donate one artwork. If you haven't visited the exhibition yet, you have until November 26th to do so. In case you cannot attend, we invite you to visit PIPA's website, where you can watch a making of video on the exhibition, as well as images of the pieces showcased there: <http://www.pipaprize.com/2017/09/pipa-prize-2017-finalists-exhibition-view-mam-rio/>.

Also, you can find artworks, interviews and much more on the artists that have participated in PIPA since 2010.

PIPA ONLINE 2017

PIPA Online was created along with the first edition of the Prize back in 2010, so we are aware of the kind of "vote-hunting" online that public votings can generate. On the other hand, we also know its benefits. It promotes the artists and allows their works to be seen by a greater audience. It is also worth reinforcing that it is restricted to the artists selected each year by the Nominating Committee, which is composed by art experts.

¹² "Escape II"

The online category of PIPA Prize 2017 happened in two rounds. The 1st went from July 16th until the 23rd, with 52 artists running. This year, the category saw its highest number of votes since its first edition, a total of 11,678. The 2nd round went from July 30th to August 6th and only featured the artists who had received at least 500 votes during the 1st round. It received almost 12,700 votes distributed amongst its 12 participating artists.

PIPA Online 2017 winner was Jorge Luiz Fonseca, who received 4,101 votes until the end of the 2nd round and was awarded with BRL 10,000. Musa Michelle Mattiuzzi was the runner up, with 2,965 votes, and was awarded BRL 5,000.



Jorge Luiz Fonseca, PIPA Online 2017 winner, "Nonada", 2015, 300 x 250 x 215 cm, cabinet and books carved in wood, photo by Vinicius Terror.

The competition's last moments were tough. Mattiuzzi was winning until the last day, and Fonseca was in third place, after Aleta Valente. Fonseca's winning did generate a social media controversy, though, with a lot of people saying that the surprising result had been an act of racism and that Mattiuzzi only lost because she is a black woman.

We verified the legitimacy of the votes to check for possible violations of our voting rules and could not find anything that would suggest a change in the result of the voting.

We want to make it clear that we condemn, in the strongest possible way, any act of racism and/or misogyny. These have no place in the arts community and no place in our society. We take this opportunity to reinforce PIPA Prize's commitment to creativity, diversity, freedom of speech, and especially to the power of the arts to bring to the surface concrete matters and conflicts of today's world.

PIPA INSTITUTE

At PIPA Institute, we had already started an art collection through the PIPA Prize winners' donations. Recently, this has expanded into acquiring works and commissioning art projects by PIPA Prize participating artists (of any year), focused on the theme of "Displacement".

Last September, another work was added to the collection, this time by 2012 PIPA Prize finalist, Rodrigo Braga.



Rodrigo Braga- "Casa de Res", 2017, Mineral Pigment on cotton paper, 150 x 100 cm, edition 5:2

The following critical text by PIPA Institute Curator Luiz Camillo Osorio¹³ talks about Damien Hirst's extravagant comeback, the exhibition "Treasures from the wreck of the unbelievable"¹⁴, which opened at Punta della Dogana and Palazzo Grassi in parallel to the 5th Venice Biennale, and is on view until December 3rd.

DEATH IN VENICE

Luiz Camillo Osorio

Damien Hirst doesn't fear risk. In his work, the will to art has always taken over the absolute power that puts together one's wish and what he/she can actually do. Coming up in the contemporary scene in a Venice Biennale (1993) with a cow and a calf cut in half inside a tank of formaldehyde was just the beginning. From there to a diamond-encrusted human skull (2007) and an entire auction dedicated to a single artist – on the same the day the Lehman Brothers collapsed, in 2008 – it was only a matter of time. It's not as if he didn't pay for his audacity. You don't mess up with the market and get away unpunished. He was put on a shelf for a few years, until a Tate Modern retrospective during the London Olympics, and a simultaneous exhibition at all Gagosian's global facilities, brought him back onto the scene.

Despite all that, Damien Hirst doesn't seem to be tired. The latest step of this delusional hubris were two simultaneous exhibitions, again in Venice, but this time at Punta della Dogana and the Palazzo Grassi – "Treasures from the wreck of the unbelievable". Unbelievable is a rather appropriate adjective here. How could one single artist fill two museums with his recent, both monumental and minuscule artworks, supposedly coming from an ancient shipwreck that contained the collection of the Roman Emperor and ex-slave Cif Amotan II? Everything is designed to

¹³ <http://www.pipaprize.com/category/pipa-news/texts/exclusive-texts/critical-texts-by-camillo/>

¹⁴ <http://www.damienhirst.com/exhibitions/solo/2017/treasures-from-the-wreck-of-the-unbelievable>

make believe, in a time in which we no longer believe in anything, that such a rescue from the depths of the Indian Ocean in fact happened. The pieces are encrusted with supposed corals, topped with sludge and marine vegetation, washed with that greenish patina which results from a long submersion time. A movie and giant photos of divers rescuing deities belonging to a crazy imaginary, part Greek, part Viking, part Disney, are displayed. Exhibition copies were produced to make it more real and more unusual, as well as an endless set of utensils: guns, jewelry, vases, fragments, all of it accumulated in the two spaces. All of it incredibly fake.

It should be noted that the exhibitions were funded at the artist's personal expense, the total cost reaching nearly GBP 50 million. Of course, there are plenty of collectors willing to cover off the expenses. Apparently, many of these works have already been acquired. Perhaps François Pinaud – owner of the collection that is housed in the Venetian spaces – has contributed by acquiring part of the works. But that's the least of it. Regardless of any subsequent sales, which will come quickly, Damien Hirst's ability to make, to go mad, to create a complete fabrication and make something out of it – an exhibition, a film, an auction, a success, and a shipwreck – is quite impressive.

However, some questions arise. Do we need this success? Can success be, at the same time, a symptom

of our failure as a civilization? Is such a productive excess what we really need? How should we look at those pieces? Would they be, as The Guardian's review stated, the adequate "art for a post-truth world"? What mobilizes Hirst's faith to make exhibitions on this scale possible? Does he need it? Do we need it? There are no easy answers. Introducing the moral element – should he do that? – to evaluate an art piece is always tricky. Freeing art from all "musts", while, out of the blue, it happens and makes itself necessary, was a modern conquest. What type of need produces such things and imaginary beings if not that of the judgement of he who can do all things, but that apparently wants nothing else?

Who am I to judge. Nonetheless, I offer two counterexamples, also found here in Venice, that seem to go against Hirst's insolence. The first one is a small lesson of poetics from a failed artist. At the Swiss pavilion in this year's Biennial, a duo of artists, Teresa Hubbard and Alexander Birchler, produced a remarkable film installation about Flora Mayo, an artist completely unknown today, but who, at the end of the 1920s, had some success as a sculptor and was Giacometti's lover. An American artist who was born rich, and a promising sculptor living in the Paris of the Belle Époque, she had a love affair with both sculpture and sculptor, lost everything during the 1929 crisis, returned to the US in financial distress, had a child out of wedlock, supported herself working degrading jobs

in California, and lived anonymously and disconnected from this past for the rest of her days. But what is the point of this story? On an occasion, when Giacometti was visiting her studio, struggling to finish her pieces, Flora Mayo told him she hated art. The answer came right away: hate is a good feeling for an artist to have in relation to his/her work. Art can also exist as failure. There's something to be constantly discovered that doesn't have much to do with our ability to make, but rather with what can come out of nothing from what we believe in or hate.

Of course, Giacometti's success and Flora's failure are not mutually exclusive. However, both exclude Damien Hirst's world, based on the delusion of excess. Somehow, intoxicated as we are by the excesses around us, we should remain alert to the intensity of less, not as a form of renunciation, but as a choice.

I left Punta Della Dogana feeling overwhelmed and depressed. What was the point of all that? We don't need this deliberate show of power. Especially in Venice, a city where every single place looks like a tourist photo backdrop, and a surprising angle or corner can always appear out of nowhere. Luckily, Academia still stands there, only two vaporetto stations ahead, with its decadent, aristocratic atmosphere, clumsy labels and lack of scenic design. Where one just goes to see the artworks, and that's it. I stopped there after Hirst's and came across a magnificent

exhibition on Philip Guston and his relationship with poetry. However, what really caught my attention as a counterpoint to Hirst was a small exhibition on Bosch. He is not a painter whom I love as much as the Bellinis, Veroneses and Carpaccios that multiply there and are worthy of visit. Nevertheless, in a small detail (10cm x 10cm) of a triptych entitled "Trittico degli Eremiti", by Bosch, I saw way more fantasy than in Hirst's egoic delusion.

In that little corner, there's something beyond the ability to make. What catches our eye is related to fear. There is a metaphysical interplay between fear and excitement that opens up a whole imaginary in front of us, a craziness that makes our world less predictable and scarier. Damien Hirst doesn't scare anyone, because he does not believe in what he's doing, despite doing it very successfully every time around. Only this time the success was a deadly shot. As Joseph Brodsky wrote in his essay on Venice, "there is no landscape like this to make delight fade; right or wrong, no selfish individual is able to shine for a long time in this landscape of porcelain floating on crystal water, because it steals the scene". In addition, Bosch's triptych, in its fantasy, in its evident fear and belief that there is something that doesn't fit in our measures, is exactly what turns the infinite into something finite, the little detail into something monumental. Death in Venice comes not only from the Plague, but from success and excess.

PIPA MISCELLANEOUS

- *"Art is not a mirror held up to reality, but a hammer with which to shape it" - Bertolt Brecht*
- *"Inspiration is for amateurs - the rest of us just show up and get to work" - Chuck Close*
- *"Art washes away from the soul the dust of everyday life." - Pablo Picasso*
- *"When words become unclear, I shall focus with photographs. When images become inadequate, I shall be content with silence." - Ansel Adams*
- *"The aim of art is to represent not the outward appearance of things, but their inward significance." - Aristotle*
- *"The noblest pleasure is the joy of understanding." - Leonardo da Vinci*
- *"The artist's job is to be a witness to his time in history." - Robert Rauschenberg*
- *"To make people free is the aim of art, therefore art for me is the science of freedom." - Joseph Beuys*

PIPA

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