MANAGER'S REPORT APRIL 2025

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MACRO OUTLOOK

The global environment remained under pressure in April, driven by heightened uncertainty surrounding international trade, particularly due to escalating tariffs between the U.S. and China. Simultaneously, central banks in major economies adopted a cautious approach in light of slowing activity and persistent inflation. Currency appreciation and falling commodity prices also contributed to a more measured tone in monetary policy decisions.

In the U.S., President Trump partially backtracked on his reciprocal tariff plan. He reduced import tariffs to 10% for nearly all countries for a 90-day period – down from a previously signaled range of 10% to 50% for countries with significant trade deficits. Additionally, electronics imports were exempted from tariffs. On the other side, U.S. tariffs on most Chinese goods reached 145%, while the U.S. now faces a 125% tariff on exports to China. These levels seem to represent a peak. Recent remarks from the administration, including President Trump himself, suggest that current tariff levels are seen as unsustainable and that there is willingness to negotiate lower rates. However, no material progress has yet been made toward resolving the conflict. We believe tariffs on Chinese goods will likely decline from current levels but remain above those applied to other countries.

These developments provided some marginal relief, reducing the likelihood of more adverse economic outcomes. They also demonstrate the president's sensitivity to market stress and feedback from the business community. Nonetheless, the overall tariff level remains high, and policy uncertainty continues to weigh on U.S. growth prospects. Meanwhile, tariffs are expected to increase inflation, further complicating the Fed's outlook.

At the May 6-7 FOMC meeting, the Federal Reserve decided to keep interest rates unchanged, maintaining the target range at 4.25% to 4.5%. Recent communications suggest that unless there are significant signs of economic weakening, rate cuts are more likely to come in the second half of the year. Fed officials have emphasized the importance of keeping inflation expectations anchored during the ongoing shock.

In Europe, the European Central Bank cut interest rates by another 25 basis points at its April meeting. The sharp appreciation of the euro, declining commodity prices, and heightened uncertainty surrounding trade discussions prompted the ECB to shift its narrative toward downside risks to growth and "uncertain" inflation pressures. The official statement removed references to the current degree of monetary policy tightness, although President Lagarde downplayed the relevance of this concept given recent economic shocks. The dovish tone led some members to consider a more aggressive 50 basis point cut. Still, a return to 25 basis point steps appears more likely at the June meeting.

In China, tariffs dominated the agenda in April. The country adopted a different approach and responded quickly – contrary to most expectations – by retaliating against the U.S. tariffs announced in early April. Bilateral trade between the two countries has become virtually unviable, and we expect negotiations to resume over the coming months. While the economic impact of tariffs is significant, China entered the year with strong growth momentum and retains substantial monetary and fiscal policy tools before new stimulus announcements are necessary.

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In Brazil, April data continued to point to a resilient economy despite high interest rates. The upcoming release of Q1 GDP figures is expected to confirm an acceleration in growth, even when excluding the strong contribution from the agricultural sector early in the year. Looking ahead, measures such as the new payroll loan scheme, court-ordered debt payments, and early withdrawals under new INSS anniversary withdrawal rules are likely to cushion the impact of monetary tightening in the second half of the year. Unless the global slowdown triggered by U.S. tariffs hits Brazil more intensely than anticipated, we do not expect a significant widening of the output gap by year-end. Meanwhile, unemployment remains low, and the labor market continues to generate a substantial number of formal jobs. More recently, wage growth has accelerated, suggesting a slow deceleration in consumption despite more expensive credit. We are starting to see some softening in more cyclical segments of household credit, indicating that monetary policy is beginning to work through this channel.

On the fiscal front, tax revenues continue to surprise to the upside. Alongside a tightening of discretionary spending early in the year, this contributed to solid primary results in Q1. Excluding nonrecurring items and adjusting for the current cycle, the average of recent primary balances is around 0%.

Inflation remained under pressure in April, with core measures significantly above target. The average of core inflation indices reached 5.8% on a seasonally adjusted and annualized three-month moving average, while core services inflation stood at 7.3% on the same basis. Despite this backdrop, falling oil prices helped revise the 2025 inflation forecast down from 5.7% to 5.5%, offering marginal relief to the outlook. Still, the environment remains challenging due to robust economic activity and a tight labor market.

Although no Copom meeting was held in April, both the Central Bank president and other board members made relevant public statements. All highlighted that the recent U.S. tariff developments increased global uncertainty, with meaningful implications for the domestic outlook, requiring greater gradualism, transparency, and caution from monetary authorities. In the beginning of May, the Copom decided to raise the interest rate by 0.50 percentage points, to 14.75% per year.

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POSITIONS

Interest Rates
We opened tactical positions in Mexico.
We reduced long positions in Sweden and the Eurozone. We maintained long positions in real rates in Brazil and nominal rates in the U.S.

Equities
We increased long and relative value positions in Brazilian equities. We reduced long positions in global equities.

Commodities
We increased short positions in soybeans, oil, and coffee. We maintained long positions in gold and sugar. We reduced short positions in platinum and palladium.

Currencies
we increased long positions in the Indian rupee and Canadian dollar. We reduced short positions in the Chinese yuan and Brazilian real, and we reduced long positions in the Japanese yen. We maintained long positions in the Mexican peso and Hungarian forint, and we maintained short positions in the Swiss franc and Hong Kong dollar.

PERFORMANCE ATTRIBUTION

Regarding performance attribution, interest rates, commodities and currencies positions contributed positively, while equities positions detracted. In Brazilian equities, positive contributions came from positions in Consumer, Banks, Financial Services, Healthcare, Technology, Telecom and Consumer Goods sectors. Negative contributions were concentrated in positions in Oil & Gas, Transportation & Logistics, Mining & Steel, Utilities, Construction, Education, and Shopping Malls sectors.

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	APR/25	2025	12M	24M	60M	SINCE INCEPTION
Fixed Income	1.33%	3.66%	5.05%	-6.12%	16.16%	17.18%
FX	0.06%	-0.06%	-1.61%	-2.68%	3.71%	-2.98%
Equities	-0.07%	-3.13%	9.09%	20.21%	36.83%	46.06%
Commodities	0.70%	0.38%	1.10%	2.26%	6.40%	7.62%
Fees	-0.40%	-1.25%	-2.77%	-3.45%	-22.30%	-31.63%
Performance	1.61%	-0.39%	10.86%	10.21%	40.80%	36.24%

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(in Brazilian Reais)

	APR/25	2025	12M	24M	60M	120M
Fixed Income	**1.31%**	**3.46%**	**5.04%**	**-8.43%**	**25.14%**	**83.40%**
FX	**0.07%**	**-0.04%**	**-1.68%**	**-3.30%**	**3.65%**	**11.86%**
Equities	**-0.73%**	**-5.47%**	**3.80%**	**11.69%**	**23.29%**	**98.91%**
Commodities	**0.72%**	**0.68%**	**1.24%**	**2.64%**	**8.87%**	**17.26%**
Feed	**-0.16%**	**-0.56%**	**-3.03%**	**-6.13%**	**-26.78%**	**-58.28%**
CDI	**1.06%**	**4.07%**	**11.45%**	**25.19%**	**55.24%**	**142.55%**
Performance	2.28%	2.15%	16.82%	21.66%	89.41%	295.69%
% Benchmark (CDI)	**215.92%**	**52.70%**	**146.88%**	**86.00%**	**161.86%**	**207.43%**

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