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MACRO OUTLOOK

In June, the global environment continued to reflect mixed activity data, tariff pressures, and important monetary policy decisions. In the United States, the economy showed signs of moderate deceleration, with core inflation declining and uncertainty around the start of Fed rate cuts. In Europe, the ECB cut rates and signaled a pause in July, while trade uncertainties and fiscal risks remain on the radar. China maintained growth in line with targets, supported by fiscal policy and external resilience, despite continued weakness in the real estate sector. In Brazil, economic activity remained resilient, with a strong labor market, gradually decelerating inflation, and another monetary tightening step from the Copom, which raised the SELIC rate by 25 basis points and signaled caution going forward.

In the U.S., activity data indicate a moderate economic slowdown. Inflation data have yet to show significant effects from tariffs. Although some goods have accelerated, the movement remains limited, and alongside more benign services inflation, recent readings show a lower core. The expectation is that more tariff impacts will be observed in the coming months.

U.S. activity data point to a moderate slowdown in the economy. Inflation indicators have not yet shown significant effects from the recent tariffs. While some goods have seen price acceleration, the movement remains limited. Combined with more benign services' inflation, this has resulted in recent readings showing a lower core. Over the coming months, these effects are expected to become more apparent.

In June, the Fed held its monetary policy meeting and released updated projections. As expected, the committee kept interest rates unchanged. The median of the projections still suggests two cuts this year, but with a more hawkish and bimodal distribution, concentrated around zero and two cuts. Market attention is now focused on when the committee might resume the rate-cutting cycle.

In recent public remarks, most FOMC participants have indicated that there won't be sufficient data to justify a move in July. For September, in the absence of a sharper slowdown in the labor market, inflation readings would need to remain benign with limited effects from tariffs—for a rate cut to be considered.

In Europe, the ECB cut interest rates in June, bringing the deposit rate to a 2% level the market broadly sees as close to neutral. President Lagarde described it as "a good position to navigate the uncertain conditions ahead." The prevailing message is that most committee members see the cutting cycle nearing its end and, for now, expect rates to remain stable at the July meeting.

The biggest risk—though one that is difficult to assess—is the ongoing tariff discussion with the United States. Should the July 9 negotiations yield a negative outcome, the ECB would likely respond by continuing its easing cycle.

Domestically, risks appear tilted to the dovish side. Although activity data surprised to the upside earlier this year, there are now signs of a payback effect from front-loaded production and trade due to tariff uncertainty. This could lead to a somewhat sharper-than-expected slowdown. Inflation continues to moderate, and the June preliminary reading came slightly below the ECB's projection.

On the other hand, fiscal risk remains a concern. The German government formally presented its 2025 and multi-year budget under the new fiscal rules. The second-half of the year infrastructure spending plan appears more ambitious than previously anticipated. However, Germany's track record of implementation and the tight timeline raise questions about the plan's viability.



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In China, April economic data were in line with expectations, and with a positive fiscal impulse expected in the coming months, the country should maintain a growth trajectory consistent with its 2025 targets. Despite the rise in tariffs, the external sector continues to contribute positively to GDP, outperforming expectations. Once again, there is evidence of trade triangulation through Southeast Asian countries. However, persistent weakness in the real estate sector remains a concern, with indicators such as sales, new projects, prices, and land auctions continuing to show subdued performance.

In Brazil, throughout June, initial Q2 data began to emerge. The economy continued to show no signs of slowing, with formal job creation running above potential and the unemployment rate declining further. In the coming months, we expect clearer signs of the delayed effects of the monetary tightening implemented late last year. That slowdown should be gradual, as it will likely be offset by stronger federal government spending—whether through court-ordered payments or other planned discretionary expenditures—as well as the expansion of payroll-deductible credit programs.

On the fiscal side, National Treasury data remained supportive, with revenue collection exceeding expectations and some key spending categories—such as Social Security—remaining low. However, political tensions escalated in Congress. Lawmakers overturned the government decree that modified IOF tax rates shortly after the release of the second bimonthly budget report.

In response, the Executive is pursuing a strategy to take the matter to the Supreme Court to avoid increasing budget freezes. This legislative pushback exposed the Executive's difficulty in negotiating with Congress and casts doubt over other important fiscal initiatives, such as the bill to tax sports betting, changes to interest-on-equity taxation, regulation of incentivized bonds (still lacking a formal committee), and the personal income tax reform, which remains delayed.

Current inflation data showed signs of improvement in June, both in headline and core components. The IPCA began to decelerate, and the 2025 forecast was revised down to 5.2%. The average of core inflation measures, calculated using the seasonally adjusted and annualized three-month average, fell to 4.9%, and core services inflation declined to 6.0%. Despite this progress, core inflation remains above levels consistent with the target, and service disinflation is proceeding slowly. Given resilient activity and a tight labor market, the outlook still requires caution.

Finally, the Copom surprised market consensus by raising the SELIC rate by 25 basis points at its last meeting. The committee signaled that, if the baseline scenario holds, no further hikes are expected in the next decision. If the cycle is indeed paused in July, the committee will assess whether keeping rates at their current level for a sufficiently long period will be enough to bring inflation closer to target. The bar for additional hikes now appears quite high. At the same time, public remarks from Copom members suggest that the committee is still far from any discussion of rate cuts.

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POSITIONS

Interest Rates

We increased long positions in real and nominal rates in Brazil, and in nominal rates in Sweden, the Eurozone, and the UK. We maintained tactical positions in Colombia, South Africa, and Mexico.

Equities

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

Commodities

We reduced short positions in oil, maintained long positions in gold and natural gas, and short positions in soybeans and coffee.

Currencies

We increased our short position in the Colombian peso and maintained long positions in the euro, Japanese yen, Mexican peso, and Indian rupee. We reduced long positions in the Brazilian real and Hungarian forint, and short positions in the Polish zloty and Swiss franc.

PERFORMANCE ATTRIBUTION

Regarding performance attribution, equities, commodities, and interest rate positions contributed positively, while currency positions detracted. Within Brazilian equities, positive contributions came from positions in the Transportation & Logistics, Mining & Steel, Pulp & Paper, Telecom, Utilities, and Technology sectors. On the other hand, negative contributions were concentrated in positions in the Consumer, Healthcare, Banks, Construction, Oil & Gas, Capital Goods, Financial Services, Education, and Shopping Mall sectors.

KAPITALO GLOBAL FUND SP

ZETA USD

	JUN/25	2025	12M	24M	60M	SINCE INCEPTION
Fixed Income	0.63%	4.49%	5.70%	-1.78%	15.94%	18.32%
FX	-0.21%	-0.51%	-1.48%	-3.15%	2.98%	-3.60%
Equities	1.91%	1.76%	9.91%	25.98%	42.07%	52.74%
Commodities	0.03%	0.65%	0.98%	2.79%	6.75%	7.99%
Fees	-0.36%	-2.02%	-3.24%	-4.21%	-22.30%	-32.68%
Performance	2.00%	4.37%	11.88%	19.63%	45.43%	42.76%



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	JUN/25	2025	12M	24M	60M	120M	
Fixed Income	0.65%	4.49%	5.90%	-2.87%	24.94%	91.62%	(in Brazilian Reais)
FX	-0.18%	-0.48%	-1.46%	-3.74%	2.88%	9.28%	
Equities	1.39%	-1.58%	4.38%	17.28%	29.20%	117.02%	
Commodities	0.08%	1.08%	1.24%	3.42%	9.73%	19.29%	
Fees	-0.38%	-0.92%	-2.92%	-6.49%	-26.96%	-63.44%	
CDI	1.10%	6.41%	12.13%	25.24%	58.01%	142.99%	
Performance	2.67%	9.00%	19.26%	32.84%	97.81%	316.75%	
% Benchmark (CDI)	243.39%	140.39%	158.82%	130.13%	168.61%	221.52%	

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