MANAGER'S REPORT AUGUST 2025

# ZETA

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# MACRO OUTLOOK

In August, the global environment was marked by the loss of momentum in U.S. activity combined with the expectation of a rate cut by the Fed, partial resilience in Europe amid external sector fragilities, persistent weakness in Chinese data, and a slowdown in the Brazilian economy, despite a robust labor market and lower-than-expected inflation.

In the United States, the July employment report showed a significant downward revision in job creation over recent months. This prompted a shift in Chair Powell's tone, acknowledging increased risks to the employment mandate and signaling that, barring major surprises in upcoming indicators, the Fed is likely to cut rates by 25 basis points at the September meeting. On inflation, July data was benign. Although tariffs are expected to drive goods inflation higher, the goods core rose at a pace similar to June in the CPI and decelerated in the PCE. Tariff-related effects on inflation may still appear ahead, but so far, the impacts have been smaller than expected.

Governor Adriana Kugler resigned from the Federal Reserve Board before the end of her term, scheduled for January 2026. This dovish development opened the door for President Trump to appoint a new member earlier than anticipated. The nominee was Stephen Miran, then Chair of the Council of Economic Advisers, whose confirmation is still pending in the Senate. Miran is expected to be a dovish voice on the Committee, advocating for rate cuts. Also regarding the Fed, President Trump issued a letter dismissing Governor Lisa Cook, citing mortgage fraud – an unprecedented move. By rule, the President may remove a Board member "for cause," although the definition of such grounds is vague. Cook has filed a lawsuit challenging the dismissal, which will likely reach the Supreme Court and take months before a final ruling. Nonetheless, these recent developments point to increased Trump influence at the Fed.

In Europe, August activity indicators surprised to the upside, especially in the industrial sector. The higher effective tariff rate, even accounting for existing agreements, did not appear to generate an impact similar to that of 2018. On the other hand, recent external sector data showed deterioration. Exports to the U.S. fell, reversing what seems to have been front-loading in the first quarter, particularly in chemicals, while the trade balance with China also continued to weaken. On inflation, data broadly tracked ECB staff projections. While suggesting inflation slightly below target in the coming quarters, the baseline indicates it should close the projection horizon near 2%. Given these somewhat more positive activity signals, the Governing Council maintained its stance that, with rates already in neutral territory, it is well-positioned to wait and assess how uncertainties unfold. After skipping the July meeting, it is most likely that rates will remain unchanged again in early September, albeit with an easing bias.

Another regional highlight late in the month was political stress in France, after Prime Minister François Bayrou announced he would call a vote of no confidence in early September. Given the tight calendar and fragmented distribution of seats in the Assembly, the most likely outcome is that the government will not survive the vote. Such a scenario would delay discussions on the budget and fiscal adjustment measures, raising the risk of a possible downgrade of France's sovereign rating.

In China, no significant tariff-related impact has been observed on exports so far. Despite lower sales to the U.S., China has been able to redirect production to other destinations, sustaining a strong trade balance. However, July activity data was generally weak: both industrial production and retail sales came in below expectations. The property sector remains fragile, with no signs of improvement.

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In Brazil, June data confirmed the trend of a slowing economy in the second quarter of 2025. Despite a still strong labor market, with formal job creation solid, wages growing above inflation, and unemployment surprising once again on the downside, we already see early signs of deceleration in household consumption and credit.

With Congress in recess, there was little progress on fiscal policy issues. The data released suggests some deceleration in tax revenues, broadly in line with expectations. Also noteworthy was the announcement of the *"Brasil Soberano"* program, aimed at mitigating the impact of U.S. tariffs on Brazilian products. If approved as submitted by the federal government, the program will not affect the primary balance.

In July, inflation once again came in better than expected, with surprises in categories such as food at home and industrial goods. The recent sequence of softer releases has led to meaningful downward revisions in Focus survey projections for 2026 and 2027. Lastly, there was no Copom meeting. In their few public remarks, Board members reiterated the message from the previous statement, consistently pushing back against any discussion of rate cuts.

# POSITIONS

## Interest Rates

We increased long positions in nominal rates in the Eurozone, Sweden, and Canada, as well as in real and nominal rates in Brazil. We reduced our long position in the UK and tactical positions in Colombia, South Africa, and Mexico.

## Equities

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

## Currencies

We increased our long exposure to the Japanese yen, the euro, the South African rand, and the Brazilian real. We maintained our short positions in the Swiss franc, the Australian dollar, the British pound, and the Thai baht. We reduced our short positions in the Colombian peso, the Hong Kong dollar, and the Chinese yuan.

## Commodities

We increased our long position in gold and our short positions in oil, soybeans, and corn.

# PERFORMANCE ATTRIBUTION

Regarding performance attribution, positions in interest rates, commodities, and currencies contributed positively. In Brazilian equities, positive contributions came from positions in the following sectors: Metals & Mining, Banks, Oil & Gas, Consumer, Telecom, Capital Goods, and Technology. Negative contributions came from positions in Financial Services, Construction, Transportation & Logistics, Utilities, Pulp & Paper, Healthcare, Shopping Malls, and Education.

KAPITALO GLOBAL FUND SP

## ZETA USD

| | AUG/25 | 2025 | 12M | 24M | 60M | SINCE INCEPTION |
|---|---|---|---|---|---|---|
| **Fixed Income** | **1.29%** | **4.53%** | **1.79%** | **-1.69%** | **14.68%** | **18.36%** |
| **FX** | **0.17%** | **-0.59%** | **0.37%** | **-3.06%** | **1.35%** | **-3.70%** |
| **Equities** | **0.63%** | **4.98%** | **10.10%** | **27.05%** | **43.14%** | **57.14%** |
| **Commodities** | **0.30%** | **0.43%** | **0.74%** | **1.97%** | **5.97%** | **7.69%** |
| **Fees** | **-0.36%** | **-2.75%** | **-3.53%** | **-4.94%** | **-21.94%** | **-33.68%** |
| **Performance** | 2.02% | 6.60% | 9.47% | 19.34% | 43.19% | 45.81% |

## ZETA FIQ

(in Brazilian Reais)

| | AUG/25 | 2025 | 12M | 24M | 60M | 120M |
|---|---|---|---|---|---|---|
| **Fixed Income** | **1.27%** | **4.31%** | **1.04%** | **-3.58%** | **22.91%** | **100.91%** |
| **FX** | **0.13%** | **-0.64%** | **0.53%** | **-3.68%** | **0.50%** | **-3.73%** |
| **Equities** | **-0.01%** | **0.38%** | **4.21%** | **18.72%** | **29.77%** | **122.49%** |
| **Commodities** | **0.29%** | **0.85%** | **0.99%** | **2.46%** | **8.73%** | **18.44%** |
| **Fees** | **-0.21%** | **-1.51%** | **-2.86%** | **-6.46%** | **-26.68%** | **-63.62%** |
| **CDI** | **1.16%** | **9.02%** | **12.87%** | **25.52%** | **61.31%** | **143.37%** |
| **Performance** | 2.64% | 12.41% | 16.77% | 32.97% | 96.54% | 317.86% |
| **% Benchmark (CDI)** | **226.77%** | **137.58%** | **130.37%** | **129.22%** | **157.45%** | **221.71%** |

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