MANAGER'S REPORT NOVEMBER 2025

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MACRO OUTLOOK

In November, global activity indicators continued to point to a moderate slowdown, with meaningful differences across sectors and countries. Inflation remained on a path of gradual moderation, though still showing some persistence in services. At the same time, central banks maintained a cautious stance, assessing the cumulative impact of the monetary tightening cycle on demand. Below, we present a brief overview of the month's macroeconomic developments in the United States, Europe, China, and Brazil.

In the United States, following the prolonged government shutdown, some data from government agencies began to be released again. The most relevant was the employment report, which initially conveyed a mixed message: job creation accelerated — surpassing one hundred thousand — while the unemployment rate increased. Despite the relatively strong headline number, we believe the data may have been affected by residual seasonal distortions. In addition, job creation remains highly concentrated in a few sectors, signaling limited overall labor market dynamism. Broadly speaking, the environment of low hiring and low layoffs remains in place.

The December FOMC meeting is expected to be the most closely contested of the year. According to market pricing, the probability of a rate cut stands at around 80%. Even so, the Committee remains deeply divided, with hawkish members advocating for caution and dovish members expressing greater concern about labor market conditions. Regardless of the decision, dissents appear likely. Despite the disagreement surrounding the December meeting, most Committee members still see room for rate cuts, as indicated in the latest minutes — although a significant share favors a slower pace.

In Europe, November data came broadly in line with expectations. On the activity side, PMIs continue to point to a relatively firm fourth quarter, largely unchanged from the previous month. On inflation, headline inflation remains close to 2%, while core inflation continues to show greater persistence, hovering around 2.4%, reflecting inertia in stickier services components. These results tend to reinforce the ECB's current stance, with no immediate pressure for changes in monetary policy.

In China, data continue to suggest an economy growing close to the 5% annual target, albeit with significant challenges in the real estate sector and a slowdown in goods consumption. In November, industrial production came in below expectations. Even after adjusting for calendar effects, we believe production has begun to be affected by the government's campaign against "involution" in specific sectors. As long as the external sector continues to contribute positively to growth and consumption slows toward a pace consistent with the GDP target, we expect authorities to maintain this agenda — aimed at curbing predatory competition — even if it modestly constrains short-term growth. Finally, real estate indicators deteriorated further: secondary market sales slowed, mortgage origination remains weak, and developers continue to face severe liquidity constraints.

In Brazil, on the activity front, the final data releases for the third quarter published in November reinforced our view of a deceleration in economic growth. GDP data to be released in early December is expected to show weaker growth than the average observed in the first half of the year. Initially, this slowdown was more evident in cyclical sectors, but we now expect it to become clearer in more aggregated measures of the economy as well. That said, the loss of momentum has not yet caused meaningful damage to the labor market. Formal job creation remains close to what we consider a neutral level — not strong enough to materially push the unemployment rate higher or lower.

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On the fiscal front, following the expiration of Provisional Measure No. 1303, the government managed — through other legislative initiatives — to reinstate a large portion of the measures originally proposed to strengthen 2026 revenues. Even so, important political battles remain through year-end, requiring the government to deploy political capital to advance its agenda and enable a more balanced budget for next year.

In addition, inflation once again surprised to the downside in November, led by the benign behavior of food prices, whose accumulated variation is expected to end the year below 2%. As a result, headline inflation is on track to finish 2025 within the upper bound of the target range, after two consecutive years above it. In qualitative terms, November's preliminary data reinforced marginal improvement: the seasonally adjusted, annualized three-month moving average of core inflation declined to 3.5%, while core services remained at 4.5%.

On the external front, further positive developments emerged for Brazil's trade balance. In November, an additional round of tariff relief granted by the United States to Brazil was announced. Among the products included in this new set of exemptions were beef and coffee — two items of high relevance to Brazil's export basket. Together, these products accounted for approximately USD 4 billion in exports to the United States in 2024. The expansion of exemptions helps mitigate the potential impact of previously announced trade barriers and improves the outlook for trade balance performance in the coming quarters.

Finally, the Central Bank of Brazil made no major changes to its November communication and, after incorporating the effects of the income tax reform, kept its projections for the relevant horizon still above the inflation target. However, clearer evidence of economic deceleration, benign inflation prints, and the steady improvement in Focus survey expectations suggest that Copom's projections are likely to move lower, bringing the start of a rate-cutting cycle closer.

POSITIONS

Interest Rates

We increased long positions in the Eurozone and tactical positions in Mexico. We maintained long positions in nominal and real rates in Brazil, as well as in nominal rates in the United States, Canada, and the United Kingdom. We reduced our long position in Sweden.

Commodities

We increased our long positions in gold and aluminum and reduced short positions in corn and oil. We maintained short positions in coffee and zinc.

Equities

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

Currencies

We increased our short exposure to the U.S. dollar and long exposures to the South African rand, the Chilean peso, the Indian rupee, and the Japanese yen. We maintained short positions in the Brazilian real and the Colombian peso. We reduced our long position in the Mexican peso and our short position in the Swiss franc.

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PERFORMANCE ATTRIBUTION

Regarding performance attribution, positions in interest rates and commodities contributed positively, while positions in equities and currencies detracted.

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

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	NOV/25	2025	12M	24M	60M	SINCE INCEPTION
Fixed Income	1.02%	4.84%	2.11%	-0.75%	14.86%	18.79%
FX	-0.06%	-0.66%	-0.21%	-2.81%	-0.80%	-3.80%
Equities	-1.45%	3.37%	4.53%	19.91%	38.94%	54.94%
Commodities	0.31%	1.50%	1.35%	3.17%	7.02%	9.15%
Fees	-0.43%	-4.04%	-4.03%	-6.15%	-22.15%	-35.44%
Performance	-0.60%	5.02%	3.75%	13.37%	37.86%	43.64%

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(in Brazilian Reais)

	NOV/25	2025	12M	24M	60M	120M
Fixed Income	0.76%	4.40%	1.47%	-2.72%	23.21%	101.37%
FX	-0.09%	-0.78%	-0.29%	-3.43%	-1.91%	-8.35%
Equities	-1.97%	-3.40%	-2.48%	9.70%	20.90%	108.63%
Commodities	0.32%	2.02%	1.60%	3.89%	10.59%	21.13%
Fees	-0.19%	-2.02%	-2.38%	-6.19%	-26.61%	-60.55%
CDI	1.05%	12.94%	13.98%	26.34%	66.33%	144.04%
Performance	-0.12%	13.16%	11.92%	27.60%	92.50%	306.26%
% Benchmark (CDI)	-	101.73%	85.23%	104.77%	139.45%	212.62%

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