Macro Outlook

Even though we still expect a global economic slowdown to take place, this month presented more favorable US labor market and inflation data. Hence, the likelihood of a *soft landing* is slightly higher than previously estimated.

In the United States, the most recent economic data present a mixed picture. On one hand, the latest inflation print has been more benign for the Fed, and the labor market is showing clear signs of orderly loosening. On the other hand, the resilient activity and strong consumption seen in July point to another quarter with GDP growth above potential, raising inflationary risk. In this context, Chairman Powell, at the Jackson Hole symposium, tried to convey a balanced message, while acknowledging the progress made so far. At the same time, he warned that the Fed is prepared to make further increases in the policy rate if the economy continues to point towards strong growth or if labor market cooling loses steam.

In Europe, recent data indicates weaker economic activity, with services PMI declining. As a result, the composite PMI has reached its lowest level since the end of 2020. Inflation remained stable as gasoline prices increased and core prices declined slightly – 2bps on the YoY rate. Negative signs of activity and the tightening of financial conditions, mainly due to the appreciation of the exchange rate - make the decision to raise rates more challenging for the ECB. However, given the strong levels of both headline and core inflation, a final rate hike is still a possibility.

In China, economic activity indicators remain weak, highlighting the need for stimulus to achieve the goal of 5% growth in 2023. At the end of August, the government announced significant measures that ease real estate purchase restrictions in affluent cities. We remain cautious in the real estate sector. Although urban sales have slightly improved, sales in less developed cities remain weak and the government has not implemented any measures addressed specifically for this segment.

In Brazil, economic indicators continue to show strength, with a continued reduction in the unemployment rate and stronger than expected GDP data. The services and household consumption sectors are particularly favorable. On the fiscal side, the government got the fiscal framework (“arcabouço fiscal”) approved by the Chamber of Deputies. At the end of the month, the draft for the Annual Budget Law (PLOA) revealed the need to raise extra revenues, amounting to 168 billion, to meet the primary result target in 2024. The government has already taken steps to raise this amount, presenting initiatives such as taxing closed-end funds, offshore funds, and sports betting. However, we believe the primary result target announced by the government is unlikely to be achieved.

Positions

- Rates: we maintained long positions in nominal rates in Brazil and Mexico, short in Japan, short in Europe's inflation and curve positions in the United States. We reduced long positions in real interest rates in Brazil.
- Equities: we maintained long and relative value positions in Brazilian equities.
- Currencies: we opened short positions in the Chinese yuan and the British pound. We increased long positions in the Australian dollar and reduced long positions in the Mexican peso and the Brazilian real.
- Commodities: we increased long positions in gold and copper. We reduced long positions in oil and maintained short positions in corn, soybeans, iron ore and palladium.

Performance breakdown

Regarding performance, rates, equities, and commodities contributed negatively. Currencies contributed positively. In Brazilian equities, the main positive highlights were in the pulp and paper, construction, and technology sectors. Losses were concentrated in metals and mining, financial services, and health services sectors.

Fund's Performance breakdown

KAPITALO GLOBAL FUND SPC – ZETA USD (in US Dollars)

KAPITALO GLOBAL FUND SPC – ZETA USD

Strategies	Aug/23	2023	2022	2021	2020	2019	12M	24M	Since Inception*
Fixed Income	-1,00%	-1,01%	13,34%	1,54%	3,27%	1,83%	1,59%	14,06%	20,52%
FX	0,30%	-0,34%	2,83%	-0,84%	1,17%	-1,03%	0,61%	2,72%	0,07%
Equities	0,56%	0,48%	-1,41%	6,44%	-2,70%	15,70%	-0,66%	0,86%	24,28%
Commodities	-0,15%	0,25%	0,48%	2,01%	1,09%	0,57%	0,07%	0,99%	5,29%
Fees	-0,03%	-1,04%	-7,06%	-5,40%	-3,63%	-5,19%	-2,05%	-10,37%	-27,98%
Performance	**-0,32%**	**-1,65%**	**8,19%**	**3,74%**	**-0,81%**	**11,88%**	**-0,44%**	**8,25%**	**22,19%**

(*) Inception date: September 5th, 2018

ZETA FIQ (in Brazilian Reais)

Strategies	Aug-23	2023	12M	24M	60M
Fixed Income	-0,76%	-0,70%	2,24%	18,11%	27,24%
FX	0,19%	-0,48%	0,51%	3,09%	-5,70%
Equities	-0,36%	-2,63%	-5,62%	-9,25%	13,54%
Commodities	-0,16%	0,19%	-0,08%	0,86%	6,68%
Fees	-0,32%	-2,01%	-3,03%	-9,01%	-25,25%
Performance	**-0,27%**	**3,24%**	**7,57%**	**28,97%**	**58,43%**
% CDI	-	36,60%	55,89%	115,07%	139,40%