MANAGER'S REPORT DECEMBER 2023

ZETA

MACRO OUTLOOK

In December, we saw more benign inflation data in the world's main economies, suggesting the beginning of an interest rate cut cycle is closer.

In the United States, the FOMC kept interest rates unchanged at the December meeting, as expected. The surprise was Chair Powell's more dovish tone at the press conference, where he signaled that additional interest rate hikes are not part of the base scenario and that interest rate cuts were under discussion. More moderate inflation and activity data should encourage the Fed to start such a cycle. With this change in tone, the market is now pricing in a more aggressive easing cycle in 2024, starting at the March meeting. On the other side of the dual mandate, the labor market, data shows no signs of a pronounced loosening. The November Employment Report showed job creation nearly at the same pace as in October and the unemployment rate falling by 0.2%, remaining close to its all-time lows. In addition, the December unemployment insurance claims were at historically low levels and the data does not indicate a substantial increase in layoffs.

In Europe, December's highlight was also the market's deeper pricing of interest rate cuts in response to a more benign inflation scenario. November's inflation data in the Eurozone surprised to the downside again, with stronger disinflation not only in core goods but also in services. In the United Kingdom, we saw a downward surprise in core and services inflation for November. Given these surprises, the next move by both the ECB and the BoE should be to cut interest rates. The tone of the ECB's communication has already become more dovish, confirming that the next move is likely to be downwards. In Europe, unlike the United States, we are already seeing clearer signs of a slowdown in activity. The Eurozone's composite PMI fell again in December to a level compatible with a slight drop in Q4 GDP.

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In China, authorities began to discuss intensely the plans for the economy this year, with the CEWC (Central Economic Work Conference) being the most important event so far. Delivering economic stimuli was the main subject, emphasizing the problems in the real estate sector, high indebtedness of local governments and weak domestic consumption. The data released last month showed an imbalance between supply and demand, weak home sales and credit concessions moving sideways.

In Brazil, the Central Bank made another 0.5% cut at the December meeting, and indicated two additional cuts of the same magnitude, subject to the scenario for inflation and activity. We believe Q4 data should indicate a stronger pace of economic activity. While the October data showed a loss of strength in the consumption of goods and services, high-frequency indicators suggest that household consumption will once again be a vector sustaining GDP at the end of 2023. On the inflation side, there were no major changes, with the two main IPCA and IPCA-15 releases showing unchanged core trajectories. The trade balance continued to show strong results, and despite the improvement in external conditions, as well as inflation, the fiscal situation is still a concern. Even though there were important developments on the agenda for approvals in the Congress, the government is likely to struggle to meet the primary balance target for 2024.

POSITIONS

Rates

We increased long positions in the US and Europe, and decreased long positions in Mexico and Brazil, short in Japan, short in inflation in Europe and curve positions in the US.

Equities

We increased our long and relative value positions in Brazilian shares and closed short positions in global indices.

Currencies

We increased our long positions in the Brazilian real, the Japanese yen and the Norwegian krone. We reduced our short positions in the Colombian peso and long positions in the Mexican peso and Australian dollar. We maintained short positions in the euro, the Chinese yuan and the Thai baht.

Commodities

We maintained short positions in coffee, reduced long positions in gold, copper and oil and closed short positions in corn, palladium and silver.

PERFORMANCE BREAKDOWN

Regarding performance, positions in fixed income and foreign exchange contributed positively, while commodities and equities contributed negatively. On Brazilian equities, the highlights were gains in mining and steel, financial services and health and losses in the education, utilities, construction, oil and gas and consumer sectors.

KAPITALO GLOBAL FUND SPC – ZETA USD

(in US Dollars)

STRATEGIES	DEC/23	2023	2022	2021	2020	2019	12M	24M	SINCE INCEPTION*
Fixed Income	1,27%	-0.33%	13.34%	1.54%	3.27%	1.83%	-0.33%	12.98%	21.36%
FX	0.45%	-0.13%	2.83%	-0.84%	1.17%	-1.03%	-0.13%	2.69%	0.33%
Equities	0.22%	5.07%	-1.41%	6.44%	-2.70%	15.70%	5.07%	4.07%	29.99%
Commodities	-0.11%	0.02%	0.48%	2.01%	1.09%	0.57%	0.02%	0.51%	5.00%
Fees	-0.11%	-0.89%	-7.06%	-5.40%	-3.63%	-5.19%	-0.89%	-8.01%	-27.79%
Performance	1.73%	3.75%	8.19%	3.74%	-0.81%	11.88%	3.75%	12.24%	28.89%

(*) Inception date: September 5th, 2018

ZETA FIQ

(in Brazilian Reais)

STRATEGIES	DEC/23	2023	12M	24M	60M
Fixed Income	1.36%	-0.09%	-0.09%	16.71%	29.23%
FX	0.47%	-0.31%	-0.31%	2.99%	0.01%
Equities	-0.13%	0.84%	0.84%	-6.15%	14.24%
Commodities	-0.12%	-0.09%	-0.09%	0.30%	5.80%
Fees	-0.25%	-2.68%	-2.68%	-8.38%	-25.48%
Performance	2.22%	10.72%	10.72%	32.50%	68.23%
% CDI	247.91%	82.16%	82.16%	120.23%	153.60%

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Autorregulação ANBIMA
Gestão de Recursos

kapitalo asset management

KAPITALO ASSET MANAGEMENT
Av. Brigadeiro Faria Lima, 3144
11th floor – Itaim Bibi
01451-000 – São Paulo, SP
+ 55 (11) 3956-0600
kapitalo.com.br