Macro Outlook

In the past few months, we have followed the financial stress situation involving regional banks in US and in spite of the great instability, we have observed improvements during the past month. In the world, the central concern still runs around the possibility/closeness of a recession. Global industrial production data is starting to weaken after the improvement that occurred in the beginning of this year. Coincidentally or not, the movement matches the Chinese economy reopening early this year, and the subsequent loss of strength in activity. Employment data stand strong in several countries, and monetary tightening persists in several economies around the world.

In the US we have not seen signs of a credit crunch. April economic data continues to point to resilient economic activity and persistent inflation. We expect the FOMC to revise its activity and inflation numbers upwards and unemployment downwards in the next projections, to be released in June. Job creation once again surprised the consensus upward, and unemployment remains at historic lows. These factors lead us to believe that the Fed has not ended the hiking cycle. Finally, in May we also tracked the development of the debt ceiling crisis. President Biden and House Speaker Kevin McCarthy hammered out an agreement to suspend the ceiling until January 1, 2025, in return for some discretionary spending cuts.

In Europe, negative activity surprises intensified. The composite PMI presented the first drop since October 2022. Other industrial sector leading indicators, such as new orders and inventories, suggest that activity in the sector should remain weak in the coming months, and inflation is showing tentative signs of moderation. Another relevant development was the significant upward surprise on inflation in the UK. With that, the Bank of England – which seemed to be approaching the end of the tightening cycle – will likely keep on hiking the policy rate. .

In contrast, Chinese data told a very different story compared to the first quarter. Home sales slowed down and, in poorer cities, ended the month at lower than 2022 levels, far from the 30%-plus rise seen two months ago. At the same time, we noticed that developers are finding it more difficult to start new ventures and families are taking less mortgage credit. In the industrial sector, the numbers indicated loss of strength. On the other hand, household consumption is still strong, but it doesn't look like it will be strong enough to sustain a 6% growth with vectors pointing in the other direction. Faced with this new challenging perspective, local media pointed out that the government would be willing to take on more debt to stimulate the economy.

In Brazil, the new fiscal framework was approved by Congress. The House made some changes and turned it more restrictive and slightly stronger in case of non-compliance with the fiscal targets. However, the approved proposal continued to show that real expenditure growth in 2024 will exceed the 2.5% "ceiling" suggested by the rule.

The high interest rate continues to negatively impact the credit market, and we can currently see signs that it is slowing down. Nonetheless, it remains more resilient than we expected. The same goes for activity, which is decelerating less than we expected. The surprise has been especially relevant in the labor market, which has shown strong formal job creation at Caged (General Register of Employees and Unemployed) at the same time that unemployment is declining. The external sector data were very positive, with a better than expected trade balance. This, added to the positive surprise of activity and high interest rates, has helped exchange rate to perform better. We continue to believe that convergence towards the inflation target requires a more noticeable deceleration in activity, which for now has not taken place according to the latest data released. On the other hand, inflation news are positive, with lower prints at the same time that declines in commodity prices led to revisions in food and energy prices for 2023. Moreover, the government seems less likely to change the inflation target in the short term

Positions

In rates we maintained long position in Brazilian Inflation, and short position in European Inflation. We reduced short position in Japan and long position in UK. We increased long position in Mexico and reduced curve positions in the US.

In Equities, we maintained long and relative positions in Brazilian equities and closed short position in global indices.

In currencies, we maintained long positions in Indian rupee, in the Brazilian Real and in the Australian Dollar. We increased short position in Chinese Yuan, Colombian peso and Indonesian rupiah. We reduced long positions in Euro and in Mexican peso. We closed long positions in Japanese Yen and Israeli Shekel.

In commodities, we maintained long positions in gold and oil and short position in coffee. We reduced short position in corn and silver.

Performance breakdown

Regarding performance, currencies and equities contributed positively and fixed income contributed negatively. In Brazilian equities, the main positive highlights were retail, healthcare and pulp & paper. Losses were concentrated in metals & mining, oil and gas and construction.

Fund's Performance breakdown

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

Strategies	May/23	2023	2022	2021	2020	2019	12M	24M	Since Inception*
Fixed Income	-2.05%	0.39%	13.34%	1.54%	3.27%	1.83%	6.30%	14.82%	22.26%
FX	0.31%	0.20%	2.83%	-0.84%	1.17%	-1.03%	2.10%	2.79%	0.74%
Equities	0.39%	-1.69%	-1.41%	6.44%	-2.70%	15.70%	-4.34%	-1.53%	21.59%
Commodities	-0.11%	-0.22%	0.48%	2.01%	1.09%	0.57%	-0.98%	0.72%	4.69%
Fees	-0.15%	-0.77%	-7.06%	-5.40%	-3.63%	-5.19%	-3.07%	-10.99%	-27.65%
Performance	**-1.61%**	**-2.10%**	**8.19%**	**3.74%**	**-0.81%**	**11.88%**	**0.01%**	**5.82%**	**21.63%**

(*) Inception date: September 5th, 2018

ZETA FIQ (in Brazilian Reais)

Strategies	May/23	2023	12M	24M	60M
Fixed Income	-2.19%	0.53%	6.99%	18.52%	30.92%
FX	0.30%	0.20%	2.65%	3.00%	-1.86%
Equities	0.04%	-3.18%	-8.99%	-9.95%	13.55%
Commodities	-0.10%	-0.28%	-1.29%	0.53%	5.43%
Fees	-0.22%	-1.17%	-3.09%	-8.31%	-25.85%
Performance	**-1.04%**	**1.47%**	**9.75%**	**26.26%**	**61.81%**
% CDI	-	27.39%	72.30%	116.83%	156.07%

*The IBGE's Continuous National Household Sample Survey (Continuous PNAD) investigates labor market conditions in the country from a sample composed of more than 210 thousand housing units spread in about 3,500 municipalities. Approximately two thousand survey agents visit the household sample every three months. The Continuous PNAD provides essential information about the workers in Brazil, even about those without a formal employment contract. It is one of the most advanced surveys in the world, in compliance with recommendations from international cooperation bodies, mainly from the International Labor Organization (ILO). Digital data collection has been employed in the Continuous PNAD since 2012.

Past performance is not a guarantee nor a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance. Any performance figures presented herein are gross of taxes. None of the shares of Kapitalo Global Fund SPC - Segregated Portfolio Zeta USD (the "Fund") has been or will be registered under the U.S. securities act of 1933, as amended. None of the shares of the Fund may be offered or sold, directly or indirectly, in the United States or to U.S. persons. Further, the fund has not been and will not be registered under the U.S. Investment Company Act of 1940 as amended. Investors will be required to sign representation letters that they are not U.S. Persons, and will not be permitted to transfer their shares or any interest in their shares to U.S. Persons. The Fund and its shares have not been and will not be approved or disapproved by nor registered with the Brazilian securities commission (Comissão de Valores Mobiliários – CVM) and no action has been or will be taken to permit a public offering in any jurisdiction where any action would be required for that purpose. The Fund and its shares have not been and will not be approved or disapproved by nor registered with any European regulatory authority. Accordingly, Funds' shares may not be offered or sold, directly or indirectly, and this material may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Pursuant to the regulations enacted by the Brazilian Financial and Capital Markets Entities Association (ANBIMA), an analysis of at least 12 (twelve) months is recommended when evaluating investment fund's performance. FOR A FULL LIST OF RISKS APPLICABLE TO THIS FUND, PLEASE REFER TO THE OFFERING DOCUMENTS. BEFORE MAKING ANY INVESTMENT DECISION, PLEASE READ THE RELEVANT PROSPECTUS, RULES AND OTHER OFFERING MATERIALS IN ITS ENTIRETY. The Fund had a name change event on May 15, 2019, before this date its name was Kapitalo International Fund SPC – Segregated Portfolio Sigma.

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