MANAGER'S REPORT OCTOBER 2023

ZETA

MACRO OUTLOOK

In October, we saw signs that the main developed central banks might be ceasing the cycle of interest rate hikes.

In the United States, the latest data continues to show a robust activity and a resilient labor market, however with some weakening at the margin. The release of third quarter GDP confirmed expectations that the US economy had improved when compared to the previous quarter, driven mainly by stronger consumer spending. On the other hand, job creation data, after accelerating strongly in September, came in lower than expected in October, and there was a net downward revision in the previous months. Other measures, such as hours worked and wages, also indicated a slowdown at the margin. Even before the payroll data, throughout October the FOMC participants' speeches took a dovish turn, provoked by the increase in long rates and the tightening of financial conditions. The committee has signaled that the persistence of these tighter conditions has an impact on monetary policy decisions, reducing the need of raising interest rates. At the November meeting, as expected, the Fed kept the policy rate unchanged. Furthermore, the bar seems higher for a further interest rate hike, even though this cannot be ruled out with the economy's strong momentum. In any case, communication from FOMC participants has increasingly focused on keeping rates at restrictive levels for a prolonged period. In political terms, about 20 days after McCarthy's fall, the House elected a new Speaker, Republican Mike Johnson. In the short term, the election reduces the chances of a shutdown in November.

In Europe, we continue to see signs of weakness in activity. The preliminary estimate of Eurozone GDP for the 3rd quarter confirmed a fall of -0.1% compared to the same period last year. In the United Kingdom, weaker monthly GDP for July and August also indicate a risk of a slight contraction in GDP in the 3rd quarter. In addition, we saw the PMI surveys at depressing levels and continuing to indicate negative momentum at the start of the 4th quarter. Additionally, credit data, an important channel for transmitting monetary policy in the region, also showed a negative impulse for domestic activity. Also in October, the ECB maintained interest rates at the same level in its last meeting; data below the staff's projection for both activity and inflation reinforce the scenario that the ECB should not raise interest rates again. Preliminary Eurozone inflation for the month slowed more than expected to the lowest level since mid-2021.

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In China, September data and third quarter GDP figures surprised positively. In our view, the economy doesn't need any extra stimulus to reach the 2023 growth targets. Home sales continued strong after the holidays, with purchases of used homes also accelerating in poorer cities. In the real estate market, developers' liquidity also improved, and families took out more mortgage loans in September. These are the first signs that the wheel of the real estate market is turning again in response to the latest stimuli in recent months. Even with the positive news, the authorities are still keen to stimulate the economy. In an unusual move, the fiscal target for the year was changed to 0.8% of GDP to allow for extra spending on infrastructure and there are also indications that further cuts in compulsory deposit rates may take place.

In Brazil, the latest releases on economic activity showed some signs of a slowdown. The August figures for consumption of goods and services came in below expectations and put our GDP projections for the third quarter in negative territory for the first time. However, even with these signs of a slowdown in economic activity, the labor market remains tight, with the formal sector generating more jobs than the informal sector. The IPCA for September came in lower than expected by the market and the IPCA-15 for October surprised slightly on the upside, but both showed positive signs of disinflation in services, with emphasis on the underlying core. The COPOM reduced the Selic rate by 0.5% and maintained the indication of further cuts of the same magnitude. In Brasilia, progress was made on tax collection agendas for 2024, including offshore and exclusive funds. However, challenges arose with exemptions of payroll taxes and resistance to the ICMS subsidy bill. The fiscal situation has become more concerning in October, with evident revenue slowdown and discussions about changing the primary result target.

POSITIONS

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

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

Currencies
We reduced short positions in the Euro and the Chinese yuan. We reduced long positions in the Norwegian krone. We increased our short position in the Colombian peso. We maintained our long positions in the Mexican peso, the Brazilian real and the Australian dollar.

Equities
We maintained our long and relative value positions in Brazilian shares and reduced our short positions in global indices.

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PERFORMANCE BREAKDOWN

Regarding performance, equity positions contributed positively, while interest rate, currency and commodities positions contributed negatively. In Brazilian equities, the highlights were gains in consumer goods and construction, while losses were concentrated in positions in the health and financial services sectors.

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

STRATEGIES	OUT/23	2023	2022	2021	2020	2019	12M	24M	SINCE INCEPTION*
Fixed Income	-1,36%	-4,39%	13,34%	1,54%	3,27%	1,83%	-1,87%	7,91%	16,32%
FX	-0,68%	-0,67%	2,83%	-0,84%	1,17%	-1,03%	-0,99%	1,42%	-0,34%
Equities	0,59%	2,16%	-1,41%	6,44%	-2,70%	15,70%	1,83%	4,49%	26,37%
Commodities	-0,25%	0,04%	0,48%	2,01%	1,09%	0,57%	-0,36%	0,49%	5,02%
Fees	0,00%	-1,12%	-7,06%	-5,40%	-3,63%	-5,19%	-1,59%	-9,60%	-28,08%
Performance	-1,69%	-3,98%	8,19%	3,74%	-0,81%	11,88%	-2,98%	4,71%	19,30%

(*) Inception date: September 5th, 2018

ZETA FIQ (in Brazilian Reais)

STRATEGIES	OUT/23	2023	12M	24M	60M
Fixed Income	-1,37%	-4,34%	-1,43%	10,62%	16,94%
FX	-0,72%	-0,88%	-1,37%	1,44%	-3,30%
Equities	0,33%	-1,47%	-2,69%	-5,29%	7,65%
Commodities	-0,28%	-0,05%	-0,56%	0,26%	5,86%
Fees	-0,24%	-2,54%	-3,13%	-9,13%	-22,89%
Performance	-1,27%	1,73%	4,25%	24,39%	47,53%
% CDI	–	15,70%	31,65%	92,11%	109,84%

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Autorregulação ANBIMA

Gestão de Recursos

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