MANAGER'S REPORT JULY 2024

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MACRO OUTLOOK

In July, economic activity and inflation data indicated a global economic slowdown, leading major central banks to prepare to either begin or continue interest rate cuts.

In the United States, the July FOMC meeting laid the groundwork for a likely start of the rate cut cycle in September. During the press conference, Chair Powell noted that some members saw arguments for a rate cut as early as the July meeting (despite the unanimous decision to keep the rate unchanged), but indicated that a cut is being considered for September. Recently, the committee gained additional confidence to begin the cut cycle due to more benign inflation data from May and June, which showed a significant slowdown in services (including a downward trend in the housing component), and the continued normalization of the labor market. The committee now considers that labor market conditions are close to those observed in the pre-pandemic period, in 2019, and do not pose an inflationary threat. However, the official jobs and wages report released in early August showed a sharp decline in labor data: in July, 114,000 jobs were created, a slowdown compared to the 179,000 jobs created in June and well below expectations, with unemployment reaching the highest level in about three years. As a result, the start of the rate cut cycle in September becomes increasingly likely.

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In addition, the political landscape remained turbulent. The main development was President Biden's decision not to run for re-election amid growing pressure after his poor performance in the debate with former President Trump. The Democratic ticket now has Kamala Harris as the nominee. The replacement proved to be a wise decision for the Democrats. Previously, Trump was considered a strong favorite. After the replacement, polls indicate a tighter race.

In Europe, GDP grew 0.3% QoQ in the second quarter, slightly below the ECB's expected 0.4% QoQ. Surveys again surprised to the downside in the month, posing downside risks to the expected recovery in activity in the coming quarters. Inflation surprised to the upside in the preliminary July reading. Although the deviation from expectations was small, services inflation remains strong. During the month, there was a small surprise in core goods inflation due to rising freight prices, suggesting a risk that this modest increase may continue in the coming months. The inflation outlook, which is slightly firmer than expected, combined with a marginal increase in downside risks to economic activity, should keep the ECB on track for another rate cut in September.

In China, GDP growth in the second quarter fell short of expectations. In response, the monetary authority cut short- and medium-term lending rates to achieve the 5% growth target for this year. We believe that the challenge is not too great. At the end-of-month meeting, authorities did not announce new stimulus measures but expressed a desire to improve fiscal stimulus implementation in the second half of the year.

In Brazil, July was marked by anticipation surrounding the release of the bi-monthly report. At the end of the month, the government announced spending cuts and contingencies totaling 15 billion Reais.

We believe the amount was in line with expectations, but the challenge of achieving a zero deficit by the end of the year remains significant, even with the government showing a firm commitment to the target. In addition, there was more detail on the plan to control spending on pensions and BPC, which is crucial for helping to shape the 2025 budget, which will be released at the end of August. Regarding economic activity, we observed during the month that the impact of the catastrophic events in the state of Rio Grande do SulS on GDP was slightly less than expected. Stronger-than-consensus numbers for official trade and services surveys led us to revise our second-quarter GDP upwards. Additionally, we continue to see a high level of net formal job creation and strong wage growth. July also saw stronger credit market figures, which supports our view that household consumption will continue to drive GDP growth in the coming quarters.

Inflation, on the other hand, experienced some setbacks: the inflation preview for the month showed some deterioration in certain core measures, particularly in the core services segment, which accelerated to 4.6% in the seasonally adjusted and annualized 3-month moving average. Additionally, there were some changes in regulated prices, such as the increase in gasoline prices and the decision to set the green energy tariff flag for August. Furthermore, the outlook for Brazil's external accounts has worsened. In recent months, the strength in import volumes and fuel sales, which were below expectations, has been noteworthy. Despite the depreciation of the BRL, these two factors contribute to our forecast that Brazil's current account balance in 2025 will register a larger deficit than this year.

Finally, the Brazilian Central Bank raised its projections and adjusted the tone of its communication in the July meeting. However, as the committee anticipates that inflation will remain around the target with constant interest rates, the BCB did not indicate that we are close to an interest rate hike.

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POSITIONS

Rates
We have tactical positions in Mexico, reduced long positions in the Eurozone, Sweden, and the United Kingdom. We maintained long positions in the US and Brazil, and curve positions in the US;

Currencies
We increased short positions in the Chinese yuan, Hong Kong dollar, and British pound. We maintained long positions in the Mexican peso, Indian rupee, Australian dollar, Canadian dollar, and Hungarian forint;

Equities
We maintained long and relative value positions in Brazilian equities and long positions in global equities;

Commodities
We increased long positions in gold, maintained long positions in copper and sugar, and short positions in soy, aluminum, and iron ore. We reduced our long position in oil.

PERFORMANCE BREAKDOWN

Regarding performance attribution, commodities and interest rate positions contributed positively, while equities and currencies contributed negatively. In the Brazilian equities market, the sectors that stood out positively were Transportation & Logistics, Oil & Gas, Banks, Healthcare, Technology, and Telecom. On the negative side, the sectors that underperformed were Consumer Goods, Mining & Steel, Paper & Pulp, Financial Services, Utilities, Capital Goods, Construction, Education, and Mall & Properties.

KAPITALO GLOBAL FUND SPC – ZETA USD

(in US Dollars)

STRATEGIES	JUL/24	2024	12M	24M	60M	SINCE INCEPTION*
Fixed Income	**2.33%**	**-5.71%**	**-6.26%**	**-3.22%**	**12.90%**	**14.01%**
FX	**-0.55%**	**-2.12%**	**-1.70%**	**-2.30%**	**-0.17%**	**-2.41%**
Equities	**-1.22%**	**6.61%**	**12.27%**	**12.60%**	**26.61%**	**38.52%**
Commodities	**0.21%**	**1.55%**	**1.25%**	**1.53%**	**5.82%**	**7.00%**
Fees	**-0.18%**	**-0.75%**	**-0.85%**	**-3.19%**	**-22.34%**	**-28.76%**
Performance	0.58%	-0.42%	4.71%	5.42%	22.82%	28.35%

(*) Inception date: September 5th, 2018

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ZETA FIQ (in Brazilian Reais)

STRATEGIES	JUL/24	2024	12M	24M	60M	120M
Fixed Income	2.33%	-6.31%	-6.86%	-3.52%	16.84%	47.96%
FX	-0.52%	-2.27%	-2.00%	-2.92%	-3.30%	32.89%
Equities	-1.75%	4.10%	7.76%	4.02%	14.00%	75.52%
Commodities	0.22%	1.64%	1.29%	1.55%	7.45%	14.17%
Fees	-0.27%	-1.61%	-2.89%	-6.39%	-23.85%	-50.11%
CDI	0.91%	6.18%	11.51%	26.66%	47.93%	142.22%
Performance	0.91%	1.73%	8.80%	19.40%	59.06%	262.65%
% Benchmark (CDI)	100.25%	28.05%	76.49%	72.77%	123.23%	184.68%

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