MANAGER'S REPORT AUGUST 2024

ZETA

MACRO OUTLOOK

In August, global economic activity and inflation data showed signs of slowing down, reinforcing the possibility of an imminent interest rate-cutting cycle.

In the U.S., expectations that the Fed would start cutting interest rates in September gained traction. July labor market data, released earlier in the month, surprised to the downside, leading to a sharp drop in yields and even signaling a potential rate cut ahead of the next Fed meeting. Although these expectations faded as the month progressed, markets still pointed to the first cut in September. Jerome Powell's speech at the Jackson Hole conference further bolstered these expectations, as he stated that it is time to adjust monetary policy. Powell also emphasized that the Fed does not seek or consider further cooling in the labor market to be desirable.

In Europe, the PMI showed an improvement in August, partly driven by the Olympics' impact on service activities in France. However, this improvement appears to be temporary, and the current level is still consistent with low growth rates. On the inflation front, the headline CPI slowed to 2.2% YoY in August, nearing the 2% target, mainly due to the base effects of energy prices. On the other hand, core inflation remains steady around 2.8% YoY.

In China, weaker data and the struggling real estate market have prompted Chinese authorities to consider further stimulus. Reports suggest that the destocking program could gain momentum, allowing local governments to use their bonds to finance purchases under the program. Additionally, the usual renegotiation of mortgage bonds may be accelerated and become more competitive. The central bank has also revealed that it is considering additional measures to stimulate the economy.

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MACRO OUTLOOK

In Brazil, on the fiscal side, the most relevant event was the submission of the bill that expands and changes the format of the 'Auxílio Gás' program, which provides financial assistance to low-income families for purchasing cooking gas, allowing part of its costs to be financed by tax waivers. This creates room for an expansion of spending beyond the limit established by the framework. Such creative measures threaten the credibility of Brazil's recent fiscal framework. The month was also marked by anticipation over the submission of the 2025 PLOA (Annual Budget Proposal), where the government detailed its revenue and expenditure estimates for next year. These figures were met with skepticism, particularly because of the significantly lower-than-anticipated pension spending projections and the overly optimistic revenue forecasts, despite the solid results in recent months.

On the activity front, July data showed that the economy was likely to accelerate in Q2 compared to the beginning of the year. Formal job creation picked up pace, and the unemployment rate fell again. Regarding inflation, the July "Broad Consumer Price Index" (IPCA) continued its accelerating trend, recording a 12-month accumulated rate of 4.5%. Notably, the month's reading also saw a qualitative worsening, with acceleration in core services and the average of core measures. On a three-month annualized and seasonally adjusted basis, these indicators reached 5.9% and 4.7%, respectively.

Recent statements from Central Bank members have been more hawkish, highlighting strong activity levels and acknowledging the greater difficulty in bringing inflation back to target. As a result, despite the noisy communication, we believe the likelihood of the Central Bank starting a rate-hiking cycle at its next meeting has increased.

POSITIONS

Rates

We increased long positions in the UK and maintained long and curve positions in the U.S. We opened short positions in Brazil and reduced tactical positions in Mexico and long positions in the Eurozone and Sweden;

Equities

We maintained long and relative value positions in Brazil and long positions in global indices;

Currencies

We opened short positions in the Swedish krona, New Zealand dollar, Swiss franc, and Brazilian real. We increased long positions in the Norwegian krone and reduced long positions in the Mexican peso and Indian rupee and short positions in the Chinese yuan and British pound;

Commodities

We increased long positions in sugar and short positions in soybeans. We maintained long positions in gold and short positions in aluminum and iron ore, while we closed long positions in oil.

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PERFORMANCE BREAKDOWN

In terms of performance attribution, equities and rates contributed positively, while commodities and currencies had a negative impact. In Brazilian equities, the positive highlights were in the Consumer, Transportation & Logistics, Banks, Financial Services, Healthcare, Pulp & Paper, Oil & Gas, Education, Utilities, and Telecom sectors, while the negative highlights came from the Technology, Mining & Steel, Construction, Capital Goods, and Mall & Properties sectors.

KAPITALO GLOBAL FUND SPC – ZETA USD

(in US Dollars)

STRATEGIES	AUG/24	2024	12M	24M	60M	SINCE INCEPTION*
Fixed Income	1.54%	-4.17%	-3.64%	-2.10%	14.98%	15.98%
FX	-1.39%	-3.51%	-3.46%	-2.86%	-1.48%	-4.19%
Equities	4.03%	10.63%	16.04%	15.15%	30.65%	43.69%
Commodities	-0.23%	1.32%	1.16%	1.22%	5.63%	6.70%
Fees	-0.17%	-0.92%	-1.09%	-2.87%	-22.26%	-28.98%
Performance	3.78%	-3.34%	9.01%	8.53%	27.52%	33.20%

(*) Inception date: September 5th, 2018

ZETA FIQ (in Brazilian Reais)

STRATEGIES	JUL/24	2024	12M	24M	60M	120M
Fixed Income	1.71%	-4.57%	-4.16%	-2.09%	19.88%	48.26%
FX	-1.44%	-3.73%	-3.77%	-3.53%	-5.02%	27.82%
Equities	-3.68%	7.84%	12.27%	6.80%	18.98%	83.46%
Commodities	-0.28%	1.36%	1.17%	1.16%	7.15%	13.40%
Fees	-0.17%	-1.82%	-2.83%	-6.11%	-23.72%	-50.59%
CDI	0.87%	7.10%	11.21%	26.28%	48.46%	142.24%
Performance	4.38%	6.18%	13.87%	22.50%	65.73%	264.58%
% Benchmark (CDI)	504.50%	87.15%	123.76%	85.60%	135.63%	186.02%

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Autorregulação ANBIMA

Gestão de Recursos

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