MANAGER'S REPORT NOVEMBER 2024

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MACRO OUTLOOK

November was characterized by a globally resilient economic environment, with data reinforcing persistent inflationary pressures and uncertainties about interest rate trajectories. While discussions on the pace of rate cuts remain in focus, political and fiscal conditions continue to influence the economic landscape.

In the United States, October's inflation, measured by the PCE, came in higher, marking the second consecutive elevated reading for both core goods and services. Nonetheless, some underlying inflation measures (trimmed mean and median) decelerated during the month.

At the November meeting, the Fed cut interest rates by 25 basis points, aligning with market expectations. During the press conference, Chair Powell kept short-term options open and indicated a slower pace of cuts as rates approach the neutral level. For December, despite the last two strong inflation prints, the Fed is expected to implement another 25-basis-point cut if the next figure shows deceleration. Looking ahead to 2025, there remains room for additional cuts, but economic resilience and the implementation of policies by the new administration introduce greater uncertainty.

Furthermore, at the end of the month, Trump signaled his intention to impose import tariffs of 25% on goods from Mexico and Canada and 10% on goods from China. While some increase in tariffs on Chinese products is likely, generalized and elevated tariffs on Mexico and Canada are deemed less probable, with Trump using tariff rhetoric to initiate discussions on reducing illegal immigration to the U.S.

In Europe, PMI indices continued to disappoint in November, with the industrial sector remaining depressed and additional weakness observed in services. This dynamic reinforces downside risks to economic activity, although the recent divergence between survey data and GDP has raised questions about the reliability of these indicators as predictive signals.

Preliminary inflation accelerated in November but remained below ECB projections. However, the major inflation surprise occurred before the October meeting, making it unlikely that recent data will justify a change in the pace of cuts. In fact, as anticipated by the market, the ECB cut the interest rate by 25 basis points in the December meeting, marking the fourth rate cut of the year.

From a political perspective, the German government collapsed, and new elections are expected, likely at the end of February. The expectation is that a change in government will bring adjustments to domestic fiscal rules, but the impact is expected to be marginal in terms of fiscal easing.

In France, the approval of the 2025 fiscal budget in December could also lead to the fall of the government, complicating necessary fiscal adjustments.

In China, early Q4 data met expectations. Since September, with the initial announcements of stimulus measures, the economy has been growing at a faster pace. Stronger margins are notable, particularly in durable goods consumption, linked to recent product discounts, accelerated car sales, and consistent stabilization in real estate sales.

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In Brazil, current fiscal data reinforced the perception that the government will deliver a primary result within the target range in 2024. However, much of the discussion throughout the month extended beyond the current strong numbers. At the end of November, the government presented its spending review proposal for the coming years, aiming to ease mandatory expenses and make the execution of the new fiscal framework more viable until at least 2026. During the presentation, the government announced its intention to exempt workers earning up to five thousand reais from income tax. We understand that any potential credibility gain in fiscal policy management with the spending package is largely undermined by this announcement. Beyond the significant challenges of compensating for this measure, the proposal anticipates the government's electoral concerns at a time when prioritizing the credibility of the new spending rule should be the focus.

September data, released throughout the month, indicate that GDP should grow close to 1% in Q3. Once again, the result will exceed initial estimates. Additionally, the unemployment rate continues to decline, with job creation in both formal and informal markets. Notably, wages maintain stable growth. For now, there is limited data regarding Q4, but current signs suggest that economic growth remains robust.

Moreover, during November, we observed a continued deterioration in the inflationary outlook, with notable impacts from currency depreciation. Consequently, we revised our 2025 inflation forecast from 4.5% to 4.8%. November's IPCA-15 revealed mixed signals: core services recorded a 5.5% variation, while the average of core measures stood at 4.2%, both calculated on a seasonally adjusted and annualized basis for the last three months.

Finally, given the significant increase in inflation expectations, the weaker currency, and the resilience of domestic economic activity, we believe the Central Bank's rate hike cycle will be revised upwards. Indeed, at the final meeting of the year, the Monetary Policy Committee (Copom) raised the Selic rate by 100 basis points, bringing it to 12.25%.

POSITIONS

Rates
We increased long positions in Brazil, the United Kingdom, Canada, and the United States.

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

Currencies
We increased long positions in the Japanese yen, Turkish lira, Mexican peso, and Colombian peso. We closed long positions in the Australian dollar and Indian rupee. We increased short positions in the Chinese yuan, Hong Kong dollar, Swiss franc, Brazilian real, and euro.

Commodities
We increased short positions in soybeans, reduced short positions in palladium, and closed short positions in oil. We maintained long positions in gold and copper.

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PERFORMANCE BREAKDOWN

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

KAPITALO GLOBAL FUND SPC – ZETA USD

(in US Dollars)

STRATEGIES	NOV/24	2024	12M	24M	60M	SINCE INCEPTION*
Fixed Income	-0.18%	-4.26%	-3.06%	-4.43%	13.00%	15.87%
FX	0.34%	-2.98%	-2.58%	-3.75%	0.27%	-3.51%
Equities	0.94%	14.49%	14.97%	20.23%	29.41%	48.67%
Commodities	0.25%	1.77%	1.69%	1.81%	6.05%	7.28%
Fees	-0.19%	-1.61%	-1.75%	-2.58%	-20.87%	-29.86%
Performance	1.16%	7.42%	9.28%	11.28%	27.87%	38.45%

(*) Inception date: September 5th, 2018

ZETA FIQ (in Brazilian Reais)

STRATEGIES	NOV/24	2024	12M	24M	60M	120M
Fixed Income	-0.48%	-5.23%	-3.86%	-5.61%	18.05%	77.36%
FX	0.45%	-3.17%	-2.72%	-4.52%	-2.43%	31.32%
Equities	0.52%	10.89%	10.99%	12.89%	17.18%	112.31%
Commodities	0.26%	1.90%	1.81%	1.94%	7.97%	17.31%
Fees	-0.18%	-2.72%	-3.06%	-6.16%	-23.77%	-63.66%
CDI	0.79%	9.85%	10.84%	25.58%	50.28%	141.93%
Performance	1.35%	11.53%	14.01%	24.12%	67.28%	316.57%
% Benchmark (CDI)	171.16%	117.00%	129.24%	94.28%	133.81%	223.05%

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Autorregulação ANBIMA

Gestão de Recursos

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