MANAGER'S REPORT JANUARY 2025

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MACRO OUTLOOK

In January, the new U.S. administration implemented protectionist measures, increasing uncertainties regarding the global economic landscape. While major economies show signs of slowing down, they remain attentive to economic activity and inflation data to adjust their monetary policies accordingly.

In the United States, the highlight was the beginning of the Trump administration. Among the first major actions of the new government were those related to immigration. The president signed several executive orders aimed at strengthening border control and increasing deportations. In the latter case, for the effort to be more effective, Congress will likely need to allocate additional resources. A significant slowdown in net immigration is expected, which could weigh on potential GDP growth and job creation. On the inflation front, the impact is ambiguous, but the Fed's recent communication suggests that committee members view reduced immigration as inflationary in the short term.

Additionally, after taking a softer stance on trade investigations in the first few days of the new administration, President Trump adopted a more aggressive approach on February 1st. Through an executive order, he announced additional import tariffs of 25% on all goods from Mexico, 25% on Canadian products (except for energy, which will be subject to a 10% tariff), and 10% on Chinese goods. The primary justification for these tariffs was the fight against illicit drug flows into the United States, particularly fentanyl. The order also cited illegal immigration flows as one of the motivating factors for the measures.

For Mexico and Canada, the crisis resolution, albeit temporary, was swift. Two days after the executive orders were issued, both countries reached agreements with President Trump, postponing the implementation of the tariffs for at least 30 days in exchange for cooperation in reducing the flow of drugs and illegal immigrants into the U.S. Regarding China, no agreement has been announced so far, and tariffs are expected to take effect. In retaliation, the Chinese government imposed tariffs of 10% on U.S. crude oil, agricultural machinery, and vehicles, as well as 15% on coal and liquefied natural gas.

Regarding economic data, the last two months of the year pointed to more benign inflation figures. However, short-term risks remain on the radar, particularly the expansion of tariffs and typical early-year price increases. Economic activity and the labor market remain resilient, with final private domestic demand ending 2024 at a robust pace, similar to previous quarters. Additionally, the unemployment rate declined in December's report. Against this backdrop, at its January meeting, the FOMC kept interest rates unchanged, as expected, and adopted a "wait and see" stance. The base scenario suggests maintaining interest rates in the short term while the Fed awaits better inflation data and greater clarity on the effects of policies that may be implemented by the Trump administration.

In Europe, the Eurozone GDP, which had grown 0.4% in Q3 compared to the previous quarter (QoQ), stagnated in Q4, indicating an economic slowdown. The improvement in survey data at the beginning of the year initially mitigates the negative outlook on economic activity, but the risk of a shock due to tariffs remains. Early-year inflation signals were positive, suggesting a downside surprise in core inflation. As expected, the European Central Bank cut interest rates by another 25 basis points, and barring a shock, is likely to maintain this "auto-pilot" pace until reaching the neutral rate within one or two additional meetings.

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In China, year-end data indicated that the country achieved its 2024 growth target. We observed a strong boost driven by anticipated sales ahead of Trump's tariffs and the stimulus program for durable goods purchases (trade-in policy).

In Brazil, 2024 fiscal data showed a deficit of R$11 billion, or 0.09% of GDP, excluding R$32 billion in emergency spending for the Rio Grande do Sul 2024 disaster. This result ensured compliance with the primary surplus target, as widely expected by the market. However, challenges remain regarding meeting the 2025 target and ensuring public debt sustainability. Throughout the month, the government denied planning new fiscal measures. With the parliamentary recess and the virtually uncontested election of Davi Alcolumbre and Hugo Motta as presidents of the National Congress, the political landscape remained relatively stable.

In January, an episode related to the Pix payment system gained attention. The government had issued a decree increasing oversight of Pix transactions. After widespread speculation about a potential taxation of the payment system, which damaged government popularity, the measure was reversed. The government published a Provisional Measure canceling the decree's effects, reaffirming Pix's free usage and reinforcing banking secrecy clauses related to the system.

In terms of economic activity, early signs of a slowdown emerged. The unemployment rate rose to 6.5%, accompanied by a deceleration in new job creation, according to CAGED data. November indicators also came in slightly below market expectations, suggesting that Q4 economic growth may have been around 0.5%.

In January, we observed a deterioration in the domestic inflation outlook, particularly with accelerating service inflation. The January IPCA-15 reading revealed an increase in core services inflation, reaching 8.3% on a three-month seasonally adjusted and annualized moving average.

Finally, at its January meeting, the Central Bank raised the Selic rate by one percentage point, signaling that if the projected scenario materializes, another hike of the same magnitude will follow in the next meeting. However, no clear guidance was provided regarding the continuation of the tightening cycle in May, despite worsening projections in the baseline scenario. This communication was interpreted by the market as marginally dovish.

POSITIONS

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

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

Currencies
We increased long positions in the Japanese yen, Brazilian real, and South African rand and increased short positions in the Chinese yuan and Hong Kong dollar. We reduced short positions in the Swiss franc and Polish zloty and closed long positions in the Canadian dollar and Mexican peso.

Commodities
We increased long positions in gold, oil, and corn and increased short positions in soybeans. We also opened short positions in palladium and coffee.

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PERFORMANCE BREAKDOWN

In terms of performance attribution, interest rate and currency positions contributed positively, while equities and commodities detracted. In Brazilian equities, the main positive contributions came from positions in the Transportation & Logistics, Banking, Financial Services, Healthcare, and Telecom sectors. Negative contributions came from positions in the Consumer, Oil & Gas, Construction, Technology, Utilities, Education, Mining & Steel, Capital Goods, Pulp & Paper, and Shopping Mall sectors.

KAPITALO GLOBAL FUND SPC – ZETA USD

(in US Dollars)

STRATEGIES	JAN/25	2025	12M	24M	60M	SINCE INCEPTION*
Fixed Income	**1.26%**	**1.26%**	**-5.60%**	**-7.43%**	**10.52%**	**13.90%**
FX	**0.26%**	**0.26%**	**-1.83%**	**-2.45%**	**1.92%**	**-2.54%**
Equities	**-2.50%**	**-2.50%**	**13.55%**	**17.76%**	**25.26%**	**46.91%**
Commodities	**-0.59%**	**-0.59%**	**0.60%**	**0.97%**	**4.83%**	**6.30%**
Fees	**-0.40%**	**-0.40%**	**-2.04%**	**-2.49%**	**-19.72%**	**-30.46%**
Performance	-1.96%	-1.96%	4.67%	6.36%	22.81%	34.10%

(*) Inception date: September 5th, 2018

ZETA FIQ (in Brazilian Reais)

STRATEGIES	JAN/25	2025	12M	24M	60M	120M
Fixed Income	**0.86%**	**0.86%**	**-6.98%**	**-9.55%**	**15.37%**	**68.61%**
FX	**0.24%**	**0.24%**	**-2.01%**	**-3.12%**	**0.03%**	**26.59%**
Equities	**-2.87%**	**-2.87%**	**9.72%**	**9.93%**	**10.83%**	**100.27%**
Commodities	**-0.40%**	**-0.40%**	**0.65%**	**1.02%**	**6.41%**	**14.04%**
Fees	**-0.05%**	**-0.05%**	**-2.97%**	**-5.74%**	**-22.94%**	**-57.90%**
CDI	**1.01%**	**1.01%**	**10.92%**	**25.20%**	**52.06%**	**142.06%**
Performance	-1.21%	-1.21%	9.34%	17.74%	61.76%	293.66%
% Benchmark (CDI)	**-**	**-**	**85.51%**	**70.42%**	**118.63%**	**206.72%**

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Autorregulação ANBIMA

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