The funds Vista Hedge FIM and Vista Multiestrategia FIM returned 4.98% and 14.68% in April respectively.

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The result of the month was concentrated in our long-term positions, almost equal in size.

1. The long position in gold, which has been increased;
2. The long compared position on Nasdaq has been reduced;
3. The short position in the Brazilian Real and the Turkish Lira, which was maintained and;
4. The long position in exporting companies/commodities versus domestic stocks, which was maintained.

The fundamentals for these positions are the thesis detailed last month, which have had only small changes:

1. Recovery of oil prices due to the drop in supply even with weak activity;
2. A symbiosis between central banks and treasury is underway, with low or negative real interest rates to control debt, which favors real assets and
3. New economic model with low real interest rates. Within a closed system, currency is an escape valve for all problems and an adjustment variable. In the Turkish case, the attempt to control all the variables will also end with the currency being the escape valve, even if the government resists accepting it.
4. Interesting relative valuation, especially related to the skepticism about Brazil's economic activity and organizational capacity in view of the crisis and its recovery.

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With little information about long-term expectations and still skeptic of the virus, we will share our vision on some topics that have been discussed by the market.

Theme 1. *Bolsonaro leans on Temer (Lame duck) and this move may be good for domestic asset prices*

Temer had an interesting trait. Despite being a politician involved in scandals, his mandate was marked by long-term structural reforms which made him highly popular in the financial market and unpopular on the streets. He implemented a series of reforms, but at the cost of GDP and high unemployment.

Bolsonaro shows signs of getting closer to Centrão, just as Temer did. The economic scenario is dramatic, as it was in Temer's government. He is accused of bribery charges, just as Temer. However, one does not expect that Bolsonaro will not run for reelection, unlike Temer.

This is the most important issue to us. Temer government insisted on the reforms even with economic activity numbers worsening. What will Bolsonaro do when unemployment rate does not fall? How far does Paulo Guedes supposedly reformist mandate will resist?

Theme 2. *In the recent crisis of 2008 and 2016, emerging countries (including Brazil) recovered quickly, so today they are also a good destination for investments.*

These past crises have something in common: China has taken us out in all of them. But now China is not willing to follow the same economic policies. It seems that this recovery will be similar to a post-war scenario, focused on countries that are more developed and technological, with more fiscal space in government's budget.

We remember the post-war period, when the British empire abandoned all colonies in 4 months to face the costs of the battle. The countries' total focus will be on recovering their economy, including increasing protectionism. How will Europe, for example, react?

Theme 3. *The Real is greatly undervalued*

Some economists often say that we cannot understand currencies movements, even *a posteriori*.

Unlike other moments, Brazil's net external liabilities are low. Country risk remains under control for foreign investors, even in difficult times. Our risk of "bankrupcy" is small.

But our domestic debt and the primary deficit are so high that government spending is unsustainable in a populist shift, so an inflationary output could be the only way.

We chose a new economic path: very low interest rates, leading to a devalued currency. We deplete to become more competitive.

Economic models that use variables such as country risk, commodities prices, interest rates differential, among others, serve as a compass but they usually look at the past. We understand that the currency today includes a change in the economic model and an increasing political risk premium.

Theme 4. *Crisis in Brazil usually end with an inverted "Brazil kit": devalued currency, falling stock market and higher interest rates*

As mentioned in theme 3, it seems that we are in a new model. A sharp drop in interest rates, even imposed by the *Brazilian QE*, leads to a more devalued currency with low interest rates.

In this scenario, it is possible that the stock exchange appreciates in local currency, even in an adverse scenario.

Theme 5. ***The world will change after the pandemic***

In several segments of the economy this topic was discussed in almost a hundred *lives* and *calls* in the last month.

Of the many hypotheses, we expect the following trends to be more likely to happen: growth of e-commerce and content streaming, reduction of commercial travel or replacement by online video conferences, intensification of telemedicine, and other behavioral changes associated with the increase in use of technology.

It is not clear yet how the society will change and how it will impact asset prices.

* * *

How do these discussions impact our long-term views?

1. Issues regarding the government's emphasis on the liberal reform agenda, especially if unemployment does not behave as expected;

2. Preference for developed countries risk-adjusted return, that has fiscal space for investments;

3. The currency is a safety valve for Brazil and Turkey issues;

These concerns are reflected in the short position in Real and the Turkish Lira and long in Brazilian exporting companies.

4. The worsening of Brazil's economic fundamentals will not necessarily be accompanied by a further fall in the stock market (on the contrary, the stock market still looks the best among other investments), but stock picking becomes even more fundamental;

5. The new economy will take an upward step in the growth rate after the negative demand shock has passed. We are experiencing an accelerated change in the consumption pattern, where an abnormal and unusually large share of the population and companies are forced to incur the cost of adapting to new technologies ("cost of onboarding"). These new economy companies have long duration and a robust balance sheet to end the worst period of the crisis and will end up with a larger market share.

We remain at your service.

Vista Capital