Vista Multiestrategia Fund and Vista Hedge Fund registered returns of -5.4% and -1.7% in January, respectively.

Oil and Brazil equities were the main contributors to the result.

Over the past few months, we have implemented important changes to our portfolios[1]. The maintenance of those positions for a long period of time reflects the fund's standard and goals when considering long/medium terms, and we will explain the reasons in this monthly letter.

Oil

As explained in our latest letters, the fund's long position in oil has gained relevance within the portfolio over the past few months. The main reason is the supply issue, notably in connection with American shale oil, which represents 11% of global production. The prospect of a productivity plunge and an increase in capital cost of manufacturing companies are some signs of a possible - and potentially important - slowdown in oil output in the USA.

The awareness of the obstacles ahead is increasingly present.

The comments on Exxon Mobil results – the main shale investor in the USA – indicate that the company will face a tough road ahead in delivering expected results, especially if this commodity's price remains at current levels:

"Results through 4Q confirm that the company would have needed pretty close to $100/b oil to organically cover capex and dividend."
- Citibank on Exxom Mobil

The 20% drop in the XOP – the shale companies' ETF – in January is an indication that Exxom is not alone. The fall reinforces that the current largest producer demands a higher price than the current one to make its reserves viable.

The gloomy outlook is even worse considering the collapse in the price of natural gas. The production of shale oil generates a large amount of associated gas, which cannot be completely reused or burned and, therefore is sold at even negative prices, increasing the losses of companies that are already damaged.

We pay special attention to how the dynamics of the supply side will affect our investment, where there is a satisfactory amount of information for comprehension and projections. As for the demand side, we limit ourselves to correlating it to global activity and hedging that position with other assets with similar exposure.

During January, demand shocks – so far, short-term shocks (eg. coronavirus, higher-than-expected

[1]Internally they are called *core portfolio* positions.

temperatures and geopolitical issues resolution in Iran and Libya) - led to a fall in oil price, which was not followed by other assets.

The commodities short duration makes the equilibrium equation sensitive to changes and impacts prices in a fast and relevant manner, unlike other assets used for hedging, whose durations are longer. In other words, our hedging positions were limited to protecting the position from structural changes, such as a possible recession.

In view of this outlook and even skeptical about relevant changes in position, we implemented some changes in our portfolio in relation to size and instrument used: (i) we reduced the position and (ii) we switched the remainder for long-term oil, 1 and 2 years, which should not be (or should be less) affected by a short-term shock of demand.

Brazil Equities

The main change in the portfolio was removing the long position in Brazilian equities, which has represented a relevant part of the fund's risk for more than 2 years and started to be reduced in December. In January the portfolio also reverted gains accumulated in December 2019.

The reduction was motivated by the perception of an expressive alteration in two plates of the scale of risks.

On one hand, the current repricing of domestic companies has substantially reduced the safety margin.

On the other hand, the most recent economic data continue to disappoint our most optimistic forecasts and show a "stimulated" and, still, timid recovery. It is not for nothing that market agents began to revise downwards their GDP projections in 2020.

The growing perception that the Government and Congress lack sense of urgency also contributes to the worsening asymmetry outlook.

The disappearance of the support from the Planalto to new reforms shows a certain paralysis and implicitly sends a message that the cyclical resumption is appropriate and the boat is already adjusted and ready to set sail.

The next episodes - the Congress resume and the agenda definition for the semester - were marked by the turmoil of previous seasons and we do not expect anything different for 2020. The Government's agenda supposedly highlights administrative and tax reforms.

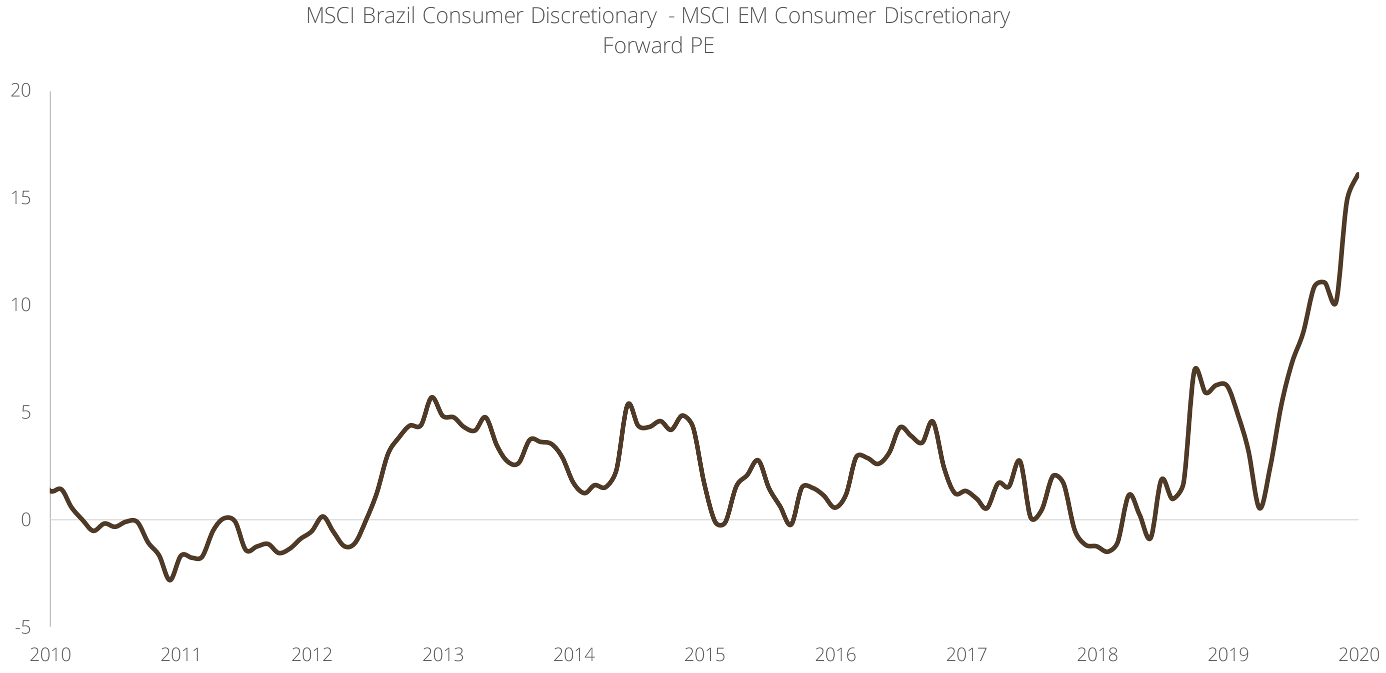
The uncertainty is about the real desire to face the obstacles that always appear, as well as whether they can still count on the popular pressure that was so useful in the pension reform. We highlight that the administrative reform was postponed, first, by the discussion regarding the inclusion of civil servants in activity and then, by the fear of protests in Chile. It is important to remind that our Congress will work only 4 months this year, using municipal elections as an excuse.

The continuity of reforms is essential for extending investment horizons in the country. A growth close to 2% in the coming years seems to be more than priced in domestic equities, leaving little space for error.

We cannot expect many incentives from the monetary policy. We are reaching – or have already reached, according to the Brazilian Central Bank – the end of the cycle of interest rate cuts, given the lagged effects of the end of the second growth derivative.

Finally, the relative valuation, which helped international flows to Brazil in 2016, currently lead foreign investors to reduce their positions on the Brazilian stock exchange. At that time, we were the emerging market country whose equities traded below average multiples. Today, Brazilian equities are possibly those with the highest multiples within an emerging markets portfolio, when compared to countries like Chile, Argentina, China, other Asians and emerging countries.

The reduction in domestic equities in the equities book was partially offset by a significant increase on the position in Petrobras - currently the fund's main risk - and by the addition of bank stocks and commodities to the portfolio.



International

In addition to oil, in the currencies book the fund is long in British Pound and short in South African Rand and Turkish Lira. In the equities book, it is long in Greek stocks.

Boris Johnson's new government was elected with a historic majority for a 5-year term, which includes handing over Brexit. More important than the terms of Brexit is the reduction of uncertainty. Amid the confusion in which the world lives, the United Kingdom seems to have found at least a clear political direction.

The commercial relationship structure with the rest of Europe should converge to an EU-Canada trade deal model or to the generic conditions of the WTO. The risks are known and, with the exit of the UE, the doors are open for bilateral agreements with U.S.A. and other countries.

In monetary policy, strong data in January led the BoE to not lower interest rates. It is expected that the shock of confidence generated by the election and a looser fiscal policy will lead to continued improvement in economic data and quickly close the small slack in the economy. The improvement will allow interest rates to be maintained or increased, strengthening the currency and its store of value status.

In an election year in the United States, the world seems to have too many dollars and too few pounds.

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In general, the portfolio is positioned for a more defensive stance.

As explained in previous letters, we believe that the baseline change in the neutral interest rate to be considerably relevant to the price dynamics of risky assets.

Nevertheless some points call our attention and should stay on the radar in the coming months, therefore we keep a slightly more defensive posture: (i) the coronavirus is not fully understood yet, and the strong reaction of the Chinese government, building emergency hospitals, putting entire regions in lockdown, does not allow us to ignore the theme. If it were a “normal” flu, we didn't need to build hospitals urgently and abnormally; (ii) the Turkey x Russia relationship deteriorated. With the worsening of conflicts in Libya and, recently, deaths in the battle for Idlib, the main mediating forces in the Middle East no longer seem consonant; and (iii) the last concern is Argentina, although we do not invest there. The attempt of the dual bonds rollover failed and the solution found was the default (in the words of the Argentine government, a “re-profiling”). A strong movement in our neighbor can bring some instability to Brazil.

"Este gobierno no va a aceptar que la sociedad argentina quede rehén de los mercados financieros internacionales, ni va a favorecer la especulación por sobre el bienestar de la gente."

- Part of the official notice of the Department of the Treasury on the Argentine re-profiling.

We remain at your service.

Vista Capital