

Vista Multiestrategia Fund and Vista Hedge Fund registered returns of 6.74% and 2.39% respectively in June and 25.7% and 8.6% respectively in 2021.

The main positive contributions during the month came from strategies in stocks, oil, and currencies, with gold contributing negatively.

An important repercussion on the markets in June were the signs of dissent at the Fed, where a growing wing intends to accelerate the process of reducing monetary accommodation between 2022 and 2023. While we remain loyal to our long-term scenario, where we think that there is a persistent effect of the new Fed framework, small changes in the US Central Bank's communication might have consequences. Practically speaking, the result looks like an improvement in the scenario for allocation in US assets *vis-à-vis* the rest of the world.

A few months ago, the market discussed scenarios of fiscal and monetary unmanageability, often associated with the MMT (Modern Monetary Theory) framework. There would be no limits to the Biden government's fiscal expansion and the Fed would completely accommodate any inflationary pressure, always valuing the transitory nature of the shocks. The Fed indicates that monetary policy has limits, instigated by the significant inflationary surprise in recent months. In the case of fiscal packages, more-centrist democratic senators have exercised "moderating power".

We are, therefore, witnessing a version of the American checks and balances, which end up taking weight off the arguments of the thesis of a pronounced dollar weakening.

Anyway, we still believe that the medium-term equilibrium real interest rate in developed economies is low, even more so with the legitimate issues that exist about fiscal policy from 2022 onwards.

Regarding Brazil, the economic scenario has not changed much – the economic activity continues to show signs of dynamism, fiscal accounts have improved, and inflation remains at uncomfortable levels, with some signs of improvement ahead.

However, the news come from the political side. First, a tax "reform" was announced and despite having the merit of addressing some of the distortions in our system, was not fully discussed with society and is full of inconsistencies. Furthermore, we understand that the government approval worsening, despite the economic improvement and the renewal of the emergency aid program, could change the political chessboard.

Although the election outcome seems a little distant, the path to 2022 is clear for market agents. In other words, the president regains part of his popularity with the vaccination development and will run for election against the PT candidate.

We have internally discussed the Bolsonaro smile concept, replicating what is usually debated around the US currency (USD tends to rise with a very weak or very strong economy). A strong government implies continuity of the current economic policy framework, which, under normal conditions, would be good for asset prices. A weak government, unlike the more common association with left-wing favoritism, can make room for a third-way candidate.

Small recent moves have caught our attention. The launch of Governor Eduardo Leite's presidential pre-candidacy, the positioning of experienced politicians defending a central party candidacy, and the sequential deepening of Covid's CPI show that the winds in Brasilia may change. The base scenario is still the dispute between the poles, but small changes in implicit electoral probabilities have a potentially important impact on the expected assets value.

In recent weeks, we have been trading with a more cautious bias with Brazilian assets. Contrary to the view that we understood as consensual, we did not see such a clear association between the ongoing economic improvement and the government's electoral favoritism.

Given the recent assets movements, currently we are neutral in Brazil. We understand that the scenario medium-term tails may have diminished. A sharp downturn in government popularity or,

alternatively, a government recovery anchored in the economic landscape, potentially throws us over the edge of the smile.

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On the international side, which accounts for the largest portion of our risk allocation, we continue with our exposure in commodities – oil, gold, and uranium. We reduced our long position in international equities and our *flattening* position on the US yield curve.

In an external scenario, that we believe is still favorable, the credit cycle in China and the new virus variants deserve a very important space in our risk mapping and, therefore, in the search for hedges in our portfolio.

In any case, we remain confident in our long strategy in oil, both in commodities and shares of producing companies.

Next letter we will go deeper into the oil thesis, given the importance of the coming months for the position.

We remain at your service.

Vista Capital