First of all, we would like to thank our clients and friends for the partnership and trust during 2021. Above all, our most sincere votes of health and prosperity in 2022.

Vista Multiestrategia Fund and Vista Hedge Fund registered returns of 5.07% and 2.19% respectively in December and 27.23% and 10.96% respectively in 2021.

The funds' gains in December were concentrated in oil, with a slightly positive contribution from international equities. Other strategies presented losses in the month.

The performance of the year was mostly explained by the long position in commodities, with important positive contributions in equities and international fixed income markets and in domestic equities. The main performance detractor was the result in currencies, used mainly as protection.

Despite the satisfactory results in macro funds, we believe that 2021 as one of the most challenging and complex recent years in the universe of asset management. For example, during the last few decades, we observed the greatest error was found in inflation forecasts across several countries, both from the market and from the central banks.[1] Despite the advance of vaccination around the world, the surge of new variants prolonged the pandemic economics, social and humanitarian impacts. Furthermore, we had a series of mini VAR shocks, with very sharp corrections in some asset classes, a topic discussed in some of our letters.

In the stock markets, although indexes have performed well, particularly in developed economies, we have seen long and pronounced declines in some market segments. As an example, several stocks of Brazilian, Chinese, and technology companies, among others, lost more than half of their market value. In short, 2021 was a huge minefield, different from recent years, even those years with relevant and acute shocks like 2020.

For 2022, we do not anticipate a less complex environment in the financial markets. There is a very wide range of possible scenarios, both for global and Brazilian economies. So, in this last letter of 2021, we do not intend to look back at our successes and mistakes in another intensely lived year by all of us. Our intention is to look to the future, which poses many more questions than answers.

"The ability to ask the right question is more than half the battle of finding the answer." Thomas Watson

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[1] As a reference, the median of the 2021 PCE core in the *FOMC Summary of Economic Projections* was revised from 1.8% to 4.4% between Dec/2020 and Dec/2021

1) Will the Fed have to abort the economic cycle due to the persistence of inflationary pressures or will a productivity shock allow economic growth for years to come? Are we in the post-war years or in the Lyndon Johnson years?

The evident signs of the labor market booming and of the inflation spread and persistence led to an important change in the Fed's posture. Even in the current quarter, the Fed will probably close the QE and start the process of raising interest rates. Later on, the balance sheet reduction policy will begin. In other words, a nice contrast with the same central bank that, a few quarters ago, refused to discuss tapering and did not foresee interest rate hikes before 2024.

Alongside the monetary policy reassessment, there are some important trends taking place – signs of gradual production chains normalization, growing evidence of paralysis in Washington's fiscal expansion agenda, and a lower-frequency debate over possible post-pandemic productivity gains, associated with the digitalization, automation and work from home progresses.

The bubbles bursting in 2000 and 2008 and the sudden reversal of the Fed's policy in 2019 show us that managing of monetary tightening cycles in the US is not a trivial exercise. How far will the Fed be willing to normalize monetary policy to ensure that inflation reverts to 2%? How sensitive will the Fed be to a more pronounced tightening of financial conditions? And what is the probability of a scenario where the Fed makes a smooth monetary adjustment, production chains normalize quickly and we have a post-pandemic productivity or credit boom, allowing the economic cycle to continue for many years? Due to the Fed's volatile and reactive stance, they are also far from having the answers.

2) Why did the last right and center-right governments in South America fail?

The elections of Mauricio Macri in Argentina in 2015, Sebastián Piñera in Chile in 2017, Jair Bolsonaro in Brazil and Ivan Duque in Colombia in 2018 brought expectations of liberal winds, modernizing reforms and a stronger economic growth to the continent. A few years later and despite the initial euphoria of the financial markets, the economic results have been meager, even before the pandemic outbreak.

Even though we were more skeptical than the consensus on the ability of Bolsonaro government and Guedes administration of implementing reforms, we are still surprised that experienced rulers like Macri, Duque and Piñera have been unable to deliver an environment of greater economic prosperity and greater social stability. Even countries that delivered some reforms – such as Mexico in the Peña Nieto years and post-Temer Brazil itself – did not succeed. No wonder that the political pendulum has shifted to the left, despite the fact that it is also associated with major economic crises in the region.

Without a clear answer, we understand that, although there are common reasons of a more structural nature for the poor long-term performance of the continent, associated with a shortage of human capital and excessive dependence on commodities cycles, no liberal political project seems to be sustainable without incorporating a more social agenda. Reconciling this demand with an environment of fiscal responsibility will be a permanent challenge.

In the case of Brazil, we believe that a more progressive tax reform with a tax collection bias is very likely from 2023 onwards, regardless of the election result.

What seems clearer to us is that long-term positions anchored in right-wing elected governments have not been successful, at least in Latin America.

3) Will the world be able to make an energy transition without generating economic crises?

A basket with the prices of coal in China, electricity in Europe, global gas and gasoline in the US has risen nearly 4 times since 2018-2020. Episodes of power rationing are already routine in part of China. Are these isolated facts or are we already experiencing the beginning of a global scenario of energy scarcity, with important negative economic repercussions later on, replicating previous historical episodes of the global energy crisis?

Investment in all primary energy sources is estimated to have peaked to USD 1 trillion in 2015 and dropped by more than 20%[2], while demand continued to grow at a compound annual rate of around 2%.

It is well known that in efforts to "decarbonize" the planet, renewable energy sources must increase considerably to meet 20% of all energy demand by 2050[2]. However, the consequences of early discouraging investment in coal, gas and oil might be highly relevant for the global economy.

"The green transition poses upside risks to medium-term inflation. Rising energy prices may require a departure from a 'looking through' policy." Isabel Schnabel

In other words, will technological advances evolve quickly enough to offset potential imbalances in energy markets?

In addition, we have other issues in mind, with important consequences for the markets:

4) China is effectively suffering from the exhaustion of a model anchored in the property market, or is it taking advantage of strong external demand to make the necessary adjustments and finally migrate to a model more anchored in consumption, which also contemplates a more appreciated

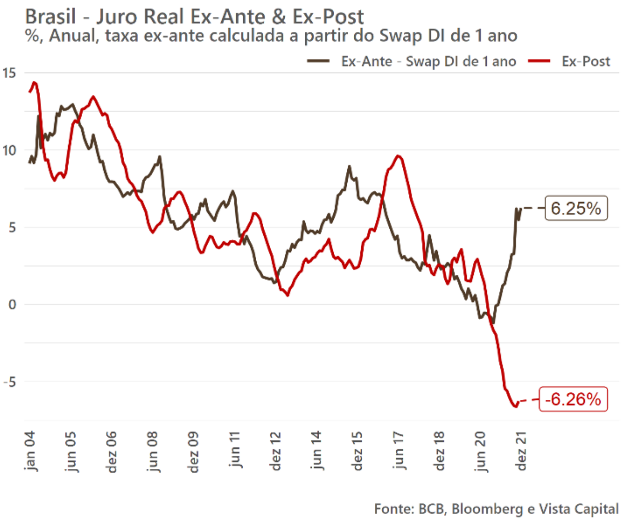
[2] WEST, Rob. Energy crisis: ten themes for 2022?. Thunder Said Energy. 03 jan. 2022

exchange rate and more balanced external accounts?

5) Contrary to recent cycles in which emerging countries normally reacted to the increase in American interest rates, this time these countries central banks started the tightening cycle well before. Will the effects for the global dollar and other asset classes be similar to previous cycles?

6) With global interest rates and competition rising after a boom in cheap capital, will some tech companies, particularly those that are not yet generating cash, be able to deliver the strong growth still implicit in stock prices?

7) What does the graph below tell us about the recent evolution of ex-post and ex-ante real interest rates in Brazil?



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Faced with this uncertain scenario, our portfolios are quite simple, also considering a historical comparison. Furthermore, the concern with the safety margin has increased significantly. If we don't have enough visibility, as in the past, to allocate risk based on a macro scenario, we try to stick to theses that we have the greatest convictions, analysis and confidence in.

On the international side, this is reflected in the oil thesis. Even though inventories are declining and the variant of the virus has not proved as destructive in demand as initially expected, what cheer us up is the OPEC continued increase in production. The more depleted the cartel's production capacity, the easier it will be for them to face possible adverse shocks and the greater the stability of the asset, limiting losses in the position.

Our thesis that we will enter a period of relevant oil shortage, with bullish price optionalities, remains strong. However, considering the uncertainty moment, we are looking more closely at the left side of the distribution.

In Brazil, we did not have recent important developments. Regarding the post-election, we understand that there are quite heterodox scenarios within the probability distribution. We assess, at current prices, that the rest of the distribution is properly priced.

Even so, aiming at a greater safety margin, our portfolio is focused on unleveraged companies, with real assets, dividend payers and with a strong competitive position.

We remain at your service.

Vista Capital