Vista Multiestrategia Fund and Vista Hedge Fund registered returns of 5.23% and 2.40% respectively in February and 13.04% and 5.55% respectively in 2022.

In February, the positive results had been concentrated in commodities, especially in oil and uranium. The losses had been concentrated in a small position in Russia, which aimed at balancing the portfolio with the incipient geopolitical risks.

In this letter we will avoid giving an opinion on the tragic event that has shaken the world and markets in recent weeks. Our initial scenario of persistent cold war between Russia and Ukraine proved wrong, and the uncertainty ahead dominates our ability to predict. In any case, the importance of cross-protections in risk management is present again.

The fund continues with optimistic positions in Brazil, both in currency and in equities and a *hedged* position on the local interest curve slope. Considering current valuations, we remain less concerned than the consensus with the electoral scenario and the risk of recession for 2022, as described in previous letters.

The last years had shown that Brazil lives practically a regimen of half-parliamentarism, considering the unusual strength force of the Congress. If there is still some uncertainty surrounding the presidential election, this does not apply to the future parliamentary composition. Using as proxy the municipal elections, party fund campaign budget, expenditure on presidential campaigns in some parties, and the secret budget, it is quite reasonable to assume that the Congress will be predominantly center or center-right.

"Lula is saying that he will do a lot of things, not only that, right? That he will extinguish the ceiling. Those are characteristics of each candidate, each political platform. I just wanted to remind you that among the presidents who are and who will be elected there is the National Congress. And I have already made it very clear: our will is that the advances we have already made will not retroact if a center-right Congress is maintained." Arthur Lira

* * *

The current war has sparked a debate that seems to us to be fundamental to the energy matrix of developed countries, especially in Europe. How can we build an alternative to fossil fuels that does not go through nuclear energy? Germany, which has a long-term plan to decommission nuclear power plants, is beginning to question whether this is the best way.

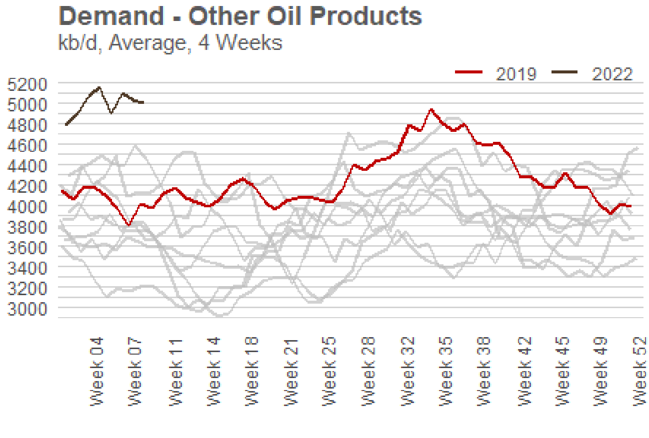
Reducing production in nuclear power plants, as projected, inevitably increases dependence on Russian energy sources, something unthinkable in the current scenario. The nuclear energy, that in January called attention for being officially considered a clean alternative for the European Union, now gains force also in the side of the energy security. The fund increased its allocation in uranium and production companies.

Oil, still the fund's main position, has responded significantly to recent events. The risk of a supply disruption involving the third largest global producer brought sharp price movements. Despite the concentration of the position in long oil maturities and in production companies, which performed worse than expected, this movement brought important gains.

Considering the correlation of Russian oil supply with the uncertain course of the war, we will also avoid further comments on the short-term scenario for commodities. However, we would like to elaborate a little more on US oil demand, something that has caught our attention well before the outbreak of the war and that seems fundamental to the investment thesis.

In our September 2021 letter, we described that the reduction in oil demand compared to 2019 was fully explained by the lower consumption of aviation kerosene. With the eventual flight normalization, we could return to the demand of 2019, which we understood would be an important upward pressure.

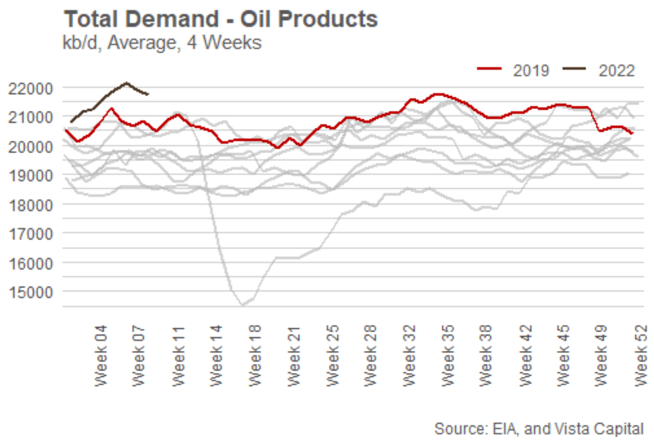
2022 had started and total demand is around 21.6 million barrels, at least 1 million barrels above 2019.[1] Moreover, aviation fuel consumption and gasoline consumption are still well below previous peaks.



Source: EIA, and Vista Capital

In the chart above, it seems clear that the market has not given due importance to some extremely cyclical components of oil demand. Petrochemicals, for example, are used for plastics, packaging, toys, cars and other goods and have had a very significant increase in consumption, which is consistent with the excess demand for goods that we have experienced since 2020. Other components such as heating, greases, asphalt, and many others have also observed a significant increase in demand.

[1]The most recent OPEC, IEA and Goldman Sachs demand projections were 19.7mm, 20.4mm and 20.6mm barrels, respectively.



Considering the previous statement that demand is at least 1 million barrels above 2019, what will be the excess demand with the return of flights and the probable end of mobility restrictions in the post-pandemic world? By way of comparison, the agreement with Iran could add just over 1 million barrels to the global market.

Our medium- and long-term conviction continues around a structural imbalance between supply and demand, with several options that transform this imbalance from moderate to relevant.

We had implemented some changes in the portfolio. Part of the risk in oil has been reallocated to commodity companies. Sanctions against Russian companies, in addition to previous sanctions against companies in countries such as China and Iran, should increase the scarcity value of American and European companies. In addition, with the curve in extreme *backwardation*, producers are the big winners, who trade at still excessively low multiples and sell spot oil.

In parallel, we started an investment, even less relevant, in companies that provide services and raw materials to oil companies and refineries. The expectation of increased drilling is natural with the barrel price above 100 dollars, but it also acts as a hedge if this movement turns out to be excessive. In the second case, with the demand for products proving stronger than expected, added to restrictions on imports of Russian byproducts, we believe that high levels of capacity utilization of refineries would be employed, generating relevant increases in margin. This process must be accentuated.

In the rest of the portfolio the changes were marginal. We continue short in the American stock market and slightly long in other commodities.

We remain at your service.

Vista Capital