Vista Multiestrategia Fund and Vista Hedge Fund registered returns of -13.07% and -3.76% respectively in September and 30.63% and 16.28% respectively in 2022.

Investing with long horizons, our main goal, has always required us a special dedication to hedges that would allow us to navigate short-term fluctuations. Hedges are a fundamental part of our management model and, as such, objects of intense and continuous scrutiny.

As discussed in this forum over the past few years, the moments of correlation breakdown between assets are the most difficult for our strategy, because hedges tend not to work as expected. That is the reason our controls and risk limits consider uncorrelated results scenarios, that is, potential losses estimated independently for each asset.

The mistake in the chosen hedge not only fails to protect the long-term asset, but can increase volatility and add new losses, as was the case in September. The result of the funds in the month, although statistically possible, renews its worst monthly loss and provide lessons that will be intensely discussed internally.

This month, we observed an unusual movement. The price of one oil barrel fell by about 11%, a relevant variation, but within the normal distribution of price variations. In turn, the 10-year US treasury bonds had their worst monthly performance since 2009. As a reference, the almost 20% drop in oil in the last two months was accompanied by the treasury's worst return in this observation window, a combination that is unprecedented in this century.

There is no doubt that moments of financial crisis increase the chances of breaking historical correlations. In addition, we have no doubt that a significant portion of the risk assets negative performance, including commodities, is the result of the increase in the US interest rates.

In any case, we reinforce that the funds limits are reduced by half, according to our risk policy.

* * *

Over the past few years, we have discussed in depth in this forum the FED's movements and their consequences for global markets. From the monetary tightening that peaked in 2018, followed by an aggressive pivot in 2019, to the unprecedented stimuli implemented throughout the pandemic, it is evident the importance of monetary policy cycles in the US for the global economy and the dynamics of financial assets. Historically, excluding wars and pandemics, the great global financial shocks have in its origin changes in FED policies.

In this context, it is worth remembering that, at the end of 2021, after a long period allocated in real assets, our degree of concern increased:

"Over the past few months, the persistence of inflationary pressures, aggravated by continuous maladjustments in relevant production chains, has weakened the narrative of the transitory nature of inflation, fueled by the Fed.

Has the combination of aggressive cash transfer policies and supply restrictions been too much? Will the implicit or explicit choice to raise energy prices with less investment make the global economy less productive, despite ongoing technological advances? Are we heading towards a dangerous balance or will inflation cool down with the eventual normalization of production chains?

(...)

We do not have definitive answers to these questions of a more structural nature, but growing evidence of a very tight labor market, unlike the rest of the world, profit margins around historic peaks, and the beginning of a monetary tightening process do not seem to us a trivial combination for the continuation of this long trend in favor of American equities."

Surrounding our concern about stock prices and the economic cycle, our bullish bias has always been toward commodities prices, especially energy. A significant increase in primary cost would potentially have negative effects on the American economy, even more considering a fragile starting point between supply and demand conditions.

Given this scenario, the fund remained short in US equities as a portfolio protection from the end of 2021 until mid-2022, bringing a very representative result for the fund's return in the year.

Certain that there is not only one answer and that in asset management the change in risk and return balance is enough to reduce positions, we will try to summarize the best way we can why we no longer consider a short position in US equities an asymmetric hedge.

i) Valuation. Although supported by the worsening of the macro environment, the reduction in stock valuation is notorious. Companies with high revenue growth but that do not generate cash have lost up to 90% of their value – the basket of 'non-profitable' companies, which has risen almost 300% since the end of 2019, has erased all its growth over the last 18 months. Nevertheless, many companies that generate cash, have no debt, and do not suffer competitive threats have also seen their valuations fall. Faced with some of the best deals on the planet, and after a de-rating of multiples of over 30%, we see little safety margin in a bet against it.

ii) Scarcity value. Over the past year, relevant markets such as China and some other emerging markets have become practically 'uninvestable' for an important array of investors. Faced with the lack of global options, the American market, liquid, robust and with the best companies in the world, should suffer a requirement of lower equity premium vis-à-vis other markets.

iii) Commodities. Much is said about the similarity of the current cycle with the 1970s, which seems to us an exaggeration. Anyway, similarities in the energy market are way more clear. However, part of the rationale for selling the stock exchange no longer has the same strength. In addition to the most unfavorable entry point today, inflationary pressures from commodities and production chains are much lower, which could cool down bearish pressures on profit margins.

Regarding commodities, it is clear that there is scarcity in some metals and oil. The supply of aluminum, for example, has been sequentially cut-off in Europe due to the enormous pressures associated with the cost of energy. In the case of oil, American production continues to fall short of the pre-pandemic and without signs of recovery, while OPEC continues to deliver a level well below the combined production quotas.

If supply remains increasingly restricted, why are prices still significantly lower than the peaks in the first half of the year?

In our opinion, only a very strong demand drop could explain such phenomenon. Recent studies show that the implicit demand in the commodities prices indicates the global ex-China GDP would be about 2% below of the consensus projections.[1] We keep wondering whether China is overestimating activity data and whether Europe is already in a deep recession. Otherwise, unless a major global contraction in activity manifests itself in the coming months, the price of some commodities is more likely to resume the uptrend.

"The oil market is in a 'state of schizophrenia' and increasingly disconnected from signs of robust crude demand."[2]

Considering that our conviction about supply, built and shared here over the past few years, is increasingly entrenched, how do we think of protecting ourselves from a demand shock?

As discussed earlier, it does not seem asymmetric a short position in American equities, with a high duration and disproportionately affected by the level of long-term real interest. Moreover, considering that labor fluctuates between 13% and 15% of the total costs of companies and that current data show a still resilient economy, with nominal sales at a still strong pace, should the margins of companies fall as expected or is there a risk of rising with the lower cost pressure?

Faced with this scenario of lower multiples, questions about the direction of profit margins and the

[1] COURVALIN, Daniel et al. Demand concerns mask unresolved underinvestment. Goldman Sachs Commodities Research. Sep. 27th, 2022.

[2] HORNER, Will. OPEC Reiterates Warning About Disconnected Oil Market. Wall Street Journal. Sep. 13th, 2022.

correlation with real interest rates, US equities no longer seemed to us a clear protection of demand. The purchase of dollars, especially against euro and yuan, deployed effectively throughout the year, also seemed to have found important levels.

As always, we seek hedges that minimize the risk of double losses and, considering the historical fact that oil is an asset that performs well in the inflationary quadrants, we chose not to maintain positions taken in global interest over 2022. And precisely because of this historical correlation in inflationary and deflationary environments, positions invested in interest rates ended up becoming, from the middle of the year, the hedge of the fund's main position against negative demand surprises.

We have made a mistake when choosing the hedge. The choice of hedges is relevant and the error brings hard consequences. On the side of implicit inflation, the correlation with oil remains the same. In contrast, long-term real market interest rates rose by around 100 basis points, one of the strongest moves in history.

In any case, considering our risk policy and the recent doubts that have arisen about the UK's fiscal expansion, significantly affecting the risk premium in the developed interest curves, we have chosen to materially reduce our exposure invested in interest rates.

* * *

If we go back to 2019, when Jerome Powell's monetary squeeze reversed, we discussed the neutral interest rate of the American economy, also against a looser fiscal policy of the Trump government.

We understand that at some point, when we have greater visibility on the normalization of the cycle, we will again discuss what the neutral rate is and its effects on asset prices.

In any case, with real interest rates well above 1% and with the relevant tightening of financial conditions in recent months, the Fed's monetary adjustment already places the projected policy stance on the interest curve at restrictive levels.

Moreover, we are struck by the lack of attention given to the gaps in monetary policy, which sounds like a common mistake made by central banks smaller than the Fed and without its reputation.

"In a shower when you turn the faucet, water won't show up in the showerhead for a few seconds. So if a "fool in the shower" is always making big changes in the temperature, based on how the water feels right now, the water is likely to swing back and forth between too hot and too cold. How does this apply to central banking?" – Milton Friedman

In addition to higher real interest rates, the persistent weakness of the Chinese economy and the extremely adverse economic and geopolitical scenario on

Europe point us to a picture of stagnation or recession of the American economy in 2023.

The current environment of relevant losses in equities and fixed income is rare and produces relevant effects on the market. In front of this scenario, we chose to reduce our protections and focus on simplifying the portfolio. Faced with an above-average conviction in oil positions and Brazil, we decided to remain allocated, albeit with a lower position.

* * *

In addition to the error in hedging, the fund's main position still brings us a lot of confidence on the fundamentalist side, despite the relevant drop in September.

Global inventories continue to plummet, despite the historic reduction in US strategic reserves and the continuation of the Zero-Covid policy in China.

Over the next few months, four short-term events draw our attention:

i) The sale of the American strategic reserve, coincidentally at the same time of the Congress election, is expected to cease in November.

ii) China, although unclear, shows some signs of greater flexibility in mobility restriction policies, especially associated with air transport. Moreover, can the release of an important refining quota for local refineries indicate a possible increase in demand?

iii) Russian sanctions deepen and enter into force at the end of the year, with direct consequences on production. As inaccurate as the predictions of intensity are, the direction is clear in the sense of lower output.

(iv) American production remains incredibly stable. With the recent decline in commodities prices, we have seen less drilling activity with interesting forward-looking consequences. Who knew we wouldn't have shale growth with oil around $100?

"(The market is) focusing on what could happen to demand if recession happened in different parts of the world. They are not focusing, as mentioned, on supply fundamentals. (...) The world should be worried. This is where we are heading. (...) And if China opens up a little bit, you will find out that spare capacity will be eroded completely." [3]

OPEC has recently cut production again, with visible effects on both prices and the geopolitical scenario. It is not clear what motivated this cut, since the improvement in inventories is not consistent with such movement. The differential of physical oil for

[3] *NASSER., Amin. Aramco CEO: Energy Transition Lacks 'Constructive Dialogue'. Energy Intelligence. Oct. 6th, 2022.*

short-term futures contracts shows a scenario that would require an increase in production.

If our belief in a market without the need for cuts is correct, OPEC's political decision, probably without technical support, induces some scenario readings. Is OPEC again confident that it controls the oil market, with the inoperability of the shale, after almost 10 years? Does the union with Putin bring greater antagonism to the West, in particular to Joe Biden's America? Or, does OPEC not have the capacity to produce at current levels in a sustainable way?

Whatever the answer, the conclusion seems bullish for prices, and we are possibly facing a tectonic shift in the energy market. We remain invested in oil and, as explained throughout the letter, with lower hedges.

* * *

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 a 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."

In the excerpt above from our February letter, we assessed that the presidential election should not be perceived as an event of a binary nature. The result of the polls, indicating a significant consolidation of the center-right political forces in the country, confirmed our perception that there is no room for radicalism or heterodox adventures.

Aware of the challenges left for the next presidential cycle, marked by the legacy of the fiscal measures implemented throughout the electoral cycle, we remain constructive with the country's economic potential and with the Brazilian markets.

Our bullish scenario for oil prices and the resilience of other commodities, the lagged effect of post-2016 economic reforms, the end of electoral uncertainty, the expectation of a significant slowdown in inflation, and the discounted valuation of assets are part of our positive outlook.

We remain at your service.

Vista Capital

Vista Hedge FIC FIM

Year	Onshore			Offshore				Cash	Fees	Return	CDI
	Fixed Income	Equities	Currencies	Fixed Income	Equities	Currencies	*Commodities*				
2018	0,7%	7,6%	0,9%	-0,1%	0,3%	-0,7%	0,1%	3,8%	-2,9%	**9,6%**	4,1%
2019	0,0%	10,1%	-0,1%	-0,7%	-2,0%	-1,4%	1,0%	4,3%	-2,5%	**8,6%**	6,0%
2020	1,1%	3,0%	2,6%	-1,0%	4,7%	1,0%	1,8%	2,1%	-4,5%	**10,7%**	2,8%
2021	0,5%	0,5%	-1,6%	0,8%	2,3%	-1,3%	9,7%	3,3%	-3,2%	**11,0%**	4,4%
2022	-0,2%	2,0%	0,9%	-2,8%	3,6%	2,8%	7,4%	7,3%	-4,5%	**16,3%**	8,9%
Jan	-0,3%	1,0%	0,3%	-0,1%	0,8%	-0,2%	1,5%	0,7%	-0,7%	**3,1%**	0,7%
Feb	-0,2%	-0,1%	0,0%	0,0%	-0,2%	-0,1%	2,9%	0,9%	-0,6%	**2,4%**	0,7%
Mar	0,8%	0,4%	0,4%	0,3%	-0,6%	0,0%	4,5%	0,5%	-1,3%	**5,1%**	0,9%
Apr	0,2%	-0,7%	0,1%	0,0%	0,9%	0,9%	1,7%	0,6%	-0,7%	**3,0%**	0,8%
May	0,0%	0,8%	0,0%	0,7%	0,8%	-0,3%	0,8%	0,8%	-0,7%	**2,9%**	1,0%
Jun	-0,4%	-0,3%	0,2%	-1,7%	0,8%	0,0%	-0,7%	0,7%	0,3%	**-1,1%**	1,0%
Jul	0,3%	0,8%	0,0%	1,7%	0,3%	1,0%	0,3%	0,6%	-0,8%	**4,1%**	1,0%
Aug	-0,1%	0,1%	0,1%	-1,2%	0,2%	0,5%	-0,4%	0,9%	-0,1%	**-0,1%**	1,2%
Sep	-0,4%	-0,1%	-0,3%	-1,9%	0,1%	0,5%	-3,1%	0,7%	0,8%	**-3,8%**	1,1%

Vista Multiestratégia FIC FIM

Year	Onshore			Offshore				Cash	Fees	Return	CDI
	Fixed Income	Equities	Currencies	Fixed Income	Equities	Currencies	*Commodities*				
2015	-0,8%	6,7%	16,4%	0,0%	1,5%	2,9%	0,3%	16,8%	-8,1%	**35,7%**	12,2%
2016	4,0%	27,8%	-3,0%	1,9%	1,5%	4,0%	0,3%	14,1%	-9,4%	**41,3%**	14,0%
2017	2,6%	-1,9%	-3,7%	1,4%	6,9%	-1,8%	0,0%	5,2%	-3,1%	**5,6%**	10,0%
2018	1,3%	37,0%	2,8%	0,3%	4,8%	-2,4%	0,3%	4,3%	-10,0%	**38,4%**	6,4%
2019	-0,5%	25,9%	0,7%	-2,0%	-6,6%	-3,8%	2,5%	2,4%	-5,7%	**12,8%**	6,0%
2020	3,3%	9,1%	7,9%	-3,0%	14,2%	2,9%	5,3%	0,9%	-10,4%	**30,2%**	2,8%
2021	-0,1%	1,7%	-5,1%	2,7%	5,7%	-4,4%	32,7%	2,0%	-7,9%	**27,2%**	4,4%
2022	-1,3%	5,4%	3,1%	-12,5%	13,2%	9,6%	20,5%	1,7%	-9,1%	**30,6%**	8,9%
Jan	-0,9%	3,1%	1,1%	-0,4%	2,5%	-0,5%	4,5%	0,3%	-2,2%	**7,4%**	0,7%
Feb	-0,5%	-0,4%	0,0%	-0,1%	-0,8%	-0,3%	8,6%	0,3%	-1,5%	**5,2%**	0,7%
Mar	2,3%	1,3%	1,5%	0,9%	-1,8%	0,0%	12,3%	0,1%	-3,5%	**13,1%**	0,9%
Apr	0,6%	-2,3%	0,3%	0,0%	2,8%	2,7%	5,3%	0,1%	-1,8%	**7,7%**	0,8%
May	-0,1%	2,3%	0,1%	2,1%	2,6%	-1,0%	2,4%	0,1%	-1,7%	**6,7%**	1,0%
Jun	-1,2%	-1,1%	0,5%	-5,5%	2,5%	0,0%	-1,7%	0,2%	1,0%	**-5,2%**	1,0%
Jul	1,1%	2,2%	0,1%	5,0%	0,9%	3,0%	0,7%	0,1%	-2,4%	**10,6%**	1,0%
Aug	-0,4%	0,3%	0,2%	-3,6%	0,6%	1,2%	-1,1%	0,1%	0,3%	**-2,3%**	1,2%
Sep	-1,5%	-0,5%	-0,9%	-6,0%	0,3%	1,4%	-9,3%	0,1%	3,3%	**-13,1%**	1,1%