

In 2021, the Vista FIA return was -20.8% compared to -11.9% of the Bovespa Index in the same period.

The Vista Long Biased return was -14.7%, compared to +4.4% of the CDI in the same period.

Since its inception on January 1, 2015, the Vista FIA return is +218.4%, compared to +109.6% of the Bovespa Index in the same period.

Since October 26th, 2018, the Vista Long Biased fund return is +45.8% compared to +14.9% of the CDI in the same period.

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The investor's work starts by differentiating between the price and the value of assets – in our case, companies. In the study process that leads us to this conclusion, it is essential to separate variables that affect each of these attributes.

Price is naturally an attribute exogenous to companies. Value can be affected by exogenous and endogenous factors.

During the second half of 2021, we observed a significant change in exogenous factors to companies that impacted their share price, especially those whose growth expectations extend for a longer period of time.

The global inflationary pressures scenario was accompanied in Brazil by an intensification of apprehension about the country's political future in the 2022 elections.

Together, these factors led to a rapid and sharp change in the perception of country risk, evidenced by the

significant increase in implicit interest rates in sovereign bonds.¹ In our view, there was also an increase in the risk premium for investments in stocks or, in other words, an increase in the return required to receive a future cash flow that is naturally uncertain and imprecise.

Together, these parameters raised the total return required for investing in stocks and the result was the shrinking of multiples (a process known as de-rating). An event evidently disconnected from the management capacity of any company, but with relevant repercussions on its share prices.

This contraction in investment horizons explains a large part of the portfolio's performance, as well as its behavior compared to the Bovespa index. Despite the absence of positions in the technology sector – the most impacted by the movement – the portfolio is composed of companies whose value is supported by a cash generation perceived as lasting and growing and, therefore, with a longer profile flow over time. It is a different perception for companies that represent a significant part of the Bovespa index composition, and the flows that support the market value are concentrated in the short-term.

Such volatility of exogenous variables was not restricted to those that exclusively impact the stock prices. Bottlenecks in the global supply chain, rites of antitrust bodies, political noises in connection with

¹The implicit real interest rate on NTN-B 2035- a Brazilian sovereign bond - jumped from approximately 3.20% to 5.20% between January 1, 2021 and December 31, 2021. The average rate for 2020 was 3.67% versus 4.34% in 2021.

regulation, impacts of the second and third waves of COVID were some of the themes coming from outside their perimeters that companies have had to deal with in recent months.

Despite the impacts of such events on cash generation and, consequently, over the value of invested companies, its duration is short. Several are outdated already or will be in a few months or quarters. These are transitory issues that have not changed our expectations about the future of the investees, nor our assessment of the intrinsic value of their businesses.

There are also endogenous factors, specific to each company, which changed over the period and which had to be dealt with. Integration difficulties in acquired companies, uncertainties about the return on investments in technology, temporary increase in costs with the provision of services, among others. These are normal occurrences in day-to-day business, but during turbulent environments, when not anticipated or inadequately communicated, they foil expectations and strengthen agents' negative reactions.

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For example Natura, Brazil's macroeconomic risk is restricted to only one-third of revenues, while Avon Brasil, more exposed to lower income classes, represents less than 10% of consolidated revenue. The main risk has always been endogenous: the execution of Avon's turnaround. Clearly the process is subject to imperfections in people, processes and systems integration, the alterations in incentives, pricing, product, marketing, among others and does not have the horizon of 2021 or 2022 as the finish line.

The milestone of changing the remuneration incentives for Avon representatives that had started in 2021 had been evolving above expectations up to the second quarter of 2021, consolidating our confidence in its execution. We do not anticipate the management mistakes reflected only in the results of the third quarter of 2021. On the positive side, most of the mistakes already seem to have been corrected, requiring now a few quarters for recovery. Together with higher-than-expected inflationary pressures, the errors led to a strong revision of short-term profit estimates and a postponement of the company's medium-term EBITDA targeting by one year.

After more than fifteen quarters of consistent results, we did not rely on such a "de-anchor" in the estimates for the years after 2022. In addition, we now see a disconnection between the high multiple projected for the current year (2022) and the company's cash flows in the coming years. The speed and intensity of the recovery will be difficult to determine, but the execution of the business plan, which includes the consolidation of the companies under the same systems, integration of production and distribution and a sales force correctly incentivized with a complementary product portfolio, more than will offset the negative effect of short-term exogenous events.

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At the end of 2021 and beginning of 2022, the competition defense body approved mergers between the two biggest and main competitors in the healthcare sector and in the car rental sector. In the case of the health, with surprising promptness and without

imposition of any remedy. The economic benefits of the transactions are significant and will be captured over the next five years. The speed and intensity will not be shielded from the macroeconomic turmoil that insists on persisting in Brazil, but this process depends mostly on the management teams that have the experience and capacity to execute it. The companies resulting from the mergers, Intermédica-Hapvida and Localiza-Unidas, further consolidate their differentiated competitive positioning and remain important parts of our portfolio.

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In recent months, we have adjusted the portfolio's exposures to the relative risk of return. We recomposed the investments affected by the aforementioned de-rating and reduced exposure to companies that had an outstanding relative performance.

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The time horizon is one of the important differentiations present in the investment world. Between 2000 and 2021, investors in equities in Brazil saw five sharp declines: Lula's first election, the American subprime crisis, Dilma's fiscal crisis, the Covid pandemic and the current crisis. Four of them proved to be great opportunities to invest in quality companies and generate extraordinary returns. We believe that we are facing another event like those.

As a result of the strong price correction, we see good investment opportunities, sometimes camouflaged behind apparently demanding short-term valuations.

Our growth expectations reveal pricing levels in the coming quarters comparable to times of greater macroeconomic stress in the country.

The portfolio remains invested in businesses with good returns on invested capital, dominant competitive positions and competent managers, in which the passing of time will always play in our favor.

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We would also like to take this opportunity to inform that future Vista Equities Letters will be released on a quarterly basis.

	Vista FIA ¹	IBOV	IBX
2015	3.2%	-13.3%	-12.4%
2016	53.7%	38.9%	36.7%
2017	26.7%	26.9%	27.5%
2018	24.5%	15.0%	15.4%
2019	46.2%	31.6%	33.4%
2020	9.9%	2.9%	3.5%
2021	-20.8%	-11.9%	-11.2%
Jan	0.0%	-3.3%	-3.0%
Feb	-7.3%	-4.4%	-3.5%
Mar	2.2%	6.0%	6.0%
Apr	2.3%	1.9%	2.8%
May	9.9%	6.2%	5.9%
Jun	2.4%	0.5%	0.6%
Jul	-5.7%	-3.9%	-4.0%
Aug	-2.9%	-2.5%	-3.3%
Sept	-5.2%	-6.6%	-7.0%
Oct	-11.4%	-6.7%	-6.8%
Nov	-4.4%	-1.5%	-1.7%
Dec	-1.3%	2.9%	3.1%
Since Inception	218.4%	109.6%	116.2%

	Vista LB	CDI
2018	2.9%	1.1%
2019	36.4%	6.0%
2020	21.8%	2.8%
2021	-14.7%	4.4%
Jan	1.2%	0.1%
Feb	-0.8%	0.1%
Mar	-0.1%	0.2%
Apr	2.6%	0.2%
May	5.8%	0.3%
Jun	4.2%	0.3%
Jul	-1.6%	0.4%
Aug	0.2%	0.4%
Sept	-5.8%	0.4%
Oct	-14.0%	0.5%
Nov	-4.5%	0.6%
Dec	-1.5%	0.8%
Since Inception	45.8%	14,9%

¹ The benchmark of the fund changed from Brazil Index - IBX to Ibovespa - IBOV on 06/11/2021

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