Vista Multiestrategia Fund and Vista Hedge Fund registered returns of 2.48% and 1.57% respectively in 2023.

In January, the fund's gains were mainly explained by a long position in international equities, both American and Chinese equities, and a relative position in Brazilian equities. Oil, which remains the main position, was a negative contribution to the funds in January.

In summary, our main investment thesis continues to be anchored in the view that there is a structural imbalance in the oil market. In this line, the drop in inventories observed in 2022 should deepen with the Chinese reopening.

In recent months, we have been talking about the recovery in global demand, but looking at the results of American production companies in January, we began to wonder if we are overly optimistic on the supply side.

The following excerpt, said at Chevron's last conference call and also reinforced by Exxon, is important for highlighting that production in the Permian basin, the largest US oil field and responsible for half of American production and almost all the growth in recent years, was partly fueled by the full use of DUCS (Drilled but Uncompleted Wells). By 2023, they already set the production in the Permian to a lower level of growth, which suggests unflattering prospects on the supply side.

"And then, our Permian growth would be a little bit lower in '23. A couple of things. One, in '22, we had the benefit of a lot of prior DUCs that had been sitting that came online and it boost early production in '22, a little bit more." [1]

* * *

Recent developments in major developed economies, in particular the United States, suggest an important resilience of the economic activity, in particular the labor market. At the same time, a number of supply-side constraints have largely been resolved, which has led the Fed to work on the assumption that the cost of disinflation in terms of loss of output will not necessarily be very high.

Even if the interest rate at the end of this cycle ends up higher than the curve and what the Fed's dots today suggest, it is very unlikely that we will return to the monetary policy regime of 2022, fraught with abrupt signaling changes. That is, aware of the ongoing disinflationary vectors and the lagged effects of monetary tightening, the Fed should conduct the final phase of the adjustment in a parsimonious manner and with adjustments of 25 basis points. As the Fed works with a slower disinflation than market projections, there is some space to absorb any

[1] *WIRTH, Mark. Chevron Q4 2022 Earnings Call. 27 jan. 2023.*

negative surprises, in a process of convergence to the targets that will probably not be linear. The reversal of recent deflation in some goods, such as used cars, and slower disinflation in wages and services would be natural candidates for frustration in the inflation field.

Talking about our portfolio, whose central theses have not been modified, we have discussed how to fit this scenario of a more-than expected resilience of the American economy and eventually higher interest rates for a sufficiently prolonged time. Considering that our dynamic revaluation process of hedges is a fundamental part of our investment process, today we assess that a long allocation in dollars against some currencies, such as the Euro, the Yuan and some emerging currencies, fits well into our portfolio and acts as a hedge against two scenarios that would be potentially adverse to oil – an unsuccessful economic reopening in China or surprises in the balance of risks between activity and inflation that produce a higher interest balance and more valued exchange rate, with potentially negative repercussions on the commodity complex.

If the disinflation process occurs without a significant worsening of the activity, configuring the much-desired soft landing, we do not believe in a substantial devaluation of the dollar. After all, after the inflationary surge of recent years, reaching the end of the tunnel with a low trade-off between inflation and unemployment would confirm an important structural resilience of the world's largest economy, especially on the supply side.

* * *

"We have a lot of difficulty observing a substantial worsening with a positive commodities cycle and an economic reopening of our main trading partner, despite governments' insistence on repeating past mistakes. In other words, we are potentially facing another missed opportunity and not a collapse."[2]

The above excerpt from our December letter remains valid. However, it is fair to say that we are navigating a fine line between maintaining the mediocre muddle through of the last decade and a deeper crisis scenario, with significant potential losses from some economic anchors.

The task of filtering out the noise and understanding the signs of the new government has proven complex, but it is evident that we are having a regime breakdown compared to post-2016 and the discussion is only about the speed of changes and the size of the brakes that the establishment manages to impose.

The recent attacks on the Central Bank and the target regime are extremely counterproductive, even though we consider the discussion about what the optimal inflation target is for our economy to be legitimate and we assess that the Central Bank has

[2] *VISTA CAPITAL. Monthly Letter. Dec. 2022*

made significant mistakes in the conduct of monetary policy in recent years.

In addition to no longer having a fiscal anchor, given that the technical and political debate on the new fiscal framework still seems to be incipient, it is extremely risky to put the monetary anchor at risk. Despite the numerous threats to the spending ceiling in recent years, at no point after 2016 did we enter this minefield of questioning the legitimacy of the monetary authority. Uncertainties in the fiscal field are commonplace in countries such as Brazil, but undermining the monetary regime is potentially quite dangerous.

In addition, the greater the political pressure on the Central Bank and the longer it takes to define the inflation target to be pursued, the further away the fall in the Selic rate and the higher the premiums on the interest rate curve.

The most paradoxical is that the scenario of interest rate cuts, so desired by the government, could be approaching due to the accumulation of disinflationary forces and the visible slowdown in economic activity, including the labor market. The sensitive worsening in the credit market, with micro and macroeconomic factors that feed back, would also be a natural fuel for a less tight monetary policy.

On the micro side, it is plausible to say that we have experienced a mini credit card bubble in recent years, fueled by both fintechs and big banks. As a reference, according to official data from the Central Bank, the growth in the number of active credit cards since December 2019 was more than 60%, which is noteworthy because we consider that the interest rate began to rise as early as the beginning of 2021. The increase in individual defaults in this category, especially in the lowest income segments, was more than 3 percentage points in the last two years and accounts for much of the aggregate worsening of individual defaults.

In the macro field, the increase in the Selic rate from 2% to 13.75% in the last 2 years, in an environment where families committed almost a quarter of their income to debt service in early 2021, would already naturally be a disruptive factor in the credit market. Looking in a more aggregate way, it is also worth noting that very high real interest rates over an extended period have a more severe impact than a short period of very high interest rates. In other words, default and credit risk should be understood as cumulative phenomena.

It is also worth mentioning that in the third quarter of 2022, when cyclical conditions still seemed quite favorable, some banks were already showing important signs of credit worsening.

More recently, in addition to corporate fraud involving Lojas Americanas, with “inconsistencies in accounting entries” of 20 billion reais and a total debt of more than 40 billion reais, we have had a series of potential credit events in major companies. Putting together all the pieces of this domino, the result is an inevitable and important tightening of banks' lending standards, which can strengthen and accelerate a credit cycle that already seemed unfavorable for economic activity, generating problems not only for insolvent companies, but possibly also for companies with liquidity problems.

The prisoner's dilemma, an experiment well known in game theory, seems like a good analogy to understand some dynamics of the Brazilian credit market. Credit spreads for legal entities always seemed overly compressed to us, in part because banks avoided serial bankruptcies with friendly debt rollover policies. In other words, the prisoner didn't inform. More recently, as far as we understand, the banks decided to report, that is, to pull liquidity and tighten the lending criteria, renouncing the scenario where everyone wins.

In other words, the seeds of a credit crunch in Brazil have germinated over the last few years, but they appeared with some strength in the results of some banks in the still healthy second half of 2022. At this moment, it is possible that we are witnessing a more important chapter, enhanced, in an environment of macroeconomic weaknesses and low confidence, by recent corporate events. We understand that credit crises are among the major economic risks and are historically underestimated, in view of their slow and continuous deterioration process.

"In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could." [3]

Thus, the funds are positioned more conservatively in Brazil. In addition to the core position in a portfolio of stocks against the index, we have added a short position in banks and positions with a negative bias in the interest and foreign exchange markets.

We remain at your service.

Vista Capital

[3] *Quote by economist Rudiger Dornbush*

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	-0,4%	0,4%	2,5%	-16,1%	8,9%	4,6%	18,6%	3,1%	-6,2%	**15,3%**	12,4%
2023	0,4%	1,2%	-0,4%	-0,1%	2,8%	0,3%	-2,0%	0,8%	-0,6%	**2,5%**	1,1%
Jan	0,4%	1,2%	-0,4%	-0,1%	2,8%	0,3%	-2,0%	0,8%	-0,6%	**2,5%**	1,1%

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	0,1%	0,6%	0,7%	-3,9%	2,4%	1,1%	6,7%	10,0%	-4,0%	**13,6%**	12,4%
2023	0,1%	0,4%	-0,1%	0,0%	0,9%	0,1%	-0,6%	1,0%	-0,3%	**1,6%**	1,1%
Jan	0,1%	0,4%	-0,1%	0,0%	0,9%	0,1%	-0,6%	1,0%	-0,3%	**1,6%**	1,1%