Vista Equities

Third Quarter of 2023

In the third quarter of 2023, Vista FIA Fund return was -3.2% compared to -1.3% of the IBOV in the same period.

The Vista Long Biased Fund return was 6.1% compared to 3.2% of the CDI in the same period.

Since its inception on January 1st, 2015, the Vista FIA Fund has accumulated a return of 196.2%, compared to 133.1% return of the IBOV in the same period.

Since October 26, 2018, the Vista Long Biased Fund has accumulated a return of 63.5%, compared to 41.9% return of the CDI in the same period.

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During the second quarter of the year, we witnessed a combination of a more favorable global environment for emerging markets, driven by a global reduction in inflation, and the anticipation of a domestic interest rate cut cycle in Brazil, supported by a notable improvement in the inflation forecast. This scenario led to a substantial decrease in the implied risk premium on assets linked to the Brazilian domestic market. However, in the third quarter, despite the onset of the domestic interest rate cut cycle, the external environment became much more challenging due to the surprisingly strong growth of the American economy and upward pressure on long-term real interest rates in the United States. In other words, despite the benign domestic inflation outlook, the repricing of international interest rates led to an increase in the risk premium required by investors for emerging markets. On top of that, concerns about the government's commitment to fiscal targets and the nature of the fiscal adjustment also contributed to the reversal of the positive outlook for local markets seen in the previous quarter.

The Brazilian government's revenue agenda, for instance, includes measures such as the elimination of JCP (interest on equity) and tax subsidies, along with macroprudential discussions like the cap on credit card revolving interest rates. These topics introduce unpredictability and fuel revisions of expectations for domestic companies, especially those linked to the retail sector.

On the other hand, in recent months, we have witnessed significant volatility, both in terms of prices and the fundamentals, surrounding oil and its derivatives. During the third quarter of the year, we observed a strong price recovery, which rose from $70 to $90 per barrel. This ascent was driven by the continued voluntary production cuts by major OPEC members, reduced global inventories, and the expectation of a gradual slowdown in the U.S. economy. Positive supply-side surprises, such as the return to record-high of U.S. oil production, partially offset this movement. Idiosyncratic factors in refining and the global trade of derivatives also boosted global crack spreads, providing additional support to the crude oil movement.

Looking ahead, it's important to note that the ongoing conflict in the Middle East, which began in October of this year, adds another layer of uncertainty to a landscape already marked by concerns about global economic growth, increased oil supply, and substantial spare capacity in OPEC.

The rally experienced by the commodity, coupled with the continuous evolution of production and operational profitability, has resulted in a significant appreciation of our investment in PRIO, which stands out as the primary positive contributor this quarter. Similarly but to a lesser extent, PetroRecôncavo and OceanPact also benefited from this trend. Throughout the quarter, we focused our sector exposure on PRIO.

The Funds' major detractors were our domestic market exposures, such as Lojas Renner and Natura.

In an environment of increased government intervention in the economy and potential impacts on listed companies, the construction sector stands out as one of the segments expected to benefit in the coming years, being one of the largest employers in the country. The relaunch of the "Minha Casa Minha Vida" (Brazilian public housing program) has improved purchasing conditions for different income brackets, not only by extending the maximum number of installments for financing, reducing interest rates, and increasing subsidies for lower income brackets, but also by raising the maximum unit value eligible for the program. Moving from the federal level to the state level, new plans in Rio de Janeiro and São Paulo can also help unlock more developments. We have initiated a small investment in Cury and continue to deepen our studies on the impacts of these recent changes.

Rumo, the thesis we explored in our last quarterly commentary, characterized by a benign competitive environment and the maturation of past investments, has seen positive developments in terms of price pass-through prospects. During its parent company's Investor Day, the management highlighted a pricing gap of 26% compared to alternative modes of transportation – a gap that could be even larger, given the increase in diesel prices – to be closed by 2024. The company remains one of the primary investments in our portfolio.

We remain at your disposal.

Vista Capital.

Vista FIC FIA Historical Performance

Year	Vista FIA	IBOV
2015	3.2%	-13.3%
2016	53.7%	38.9%
2017	26.7%	26.9%
2018	24.5%	15.0%
2019	46.2%	31.6%
2020	9.9%	2.9%
2021	-20.8%	-11.9%
2022	-9.5%	4.7%
2023	2.8%	6.2%
Jan	4.3%	3.4%
Feb	-7.6%	-7.5%
Mar	-9.2%	-2.9%
Apr	-1.1%	2.5%
May	13.1%	3.7%
Jun	8.6%	9.0%
Jul	3.3%	3.3%
Aug	-6.0%	-5.1%
Sep	-0.4%	0.7%
Since Inception	**196.2%**	**133.1%**

Vista Long Biased FIC FIM Historical Performance

Year	Vista LB	CDI
2018	2.9%	1.1%
2019	36.4%	6.0%
2020	21.8%	2.8%
2021	-14.7%	4.4%
2022	-6.0%	12.4%
2023	19.3%	9.9%
Jan	5.5%	1.1%
Feb	-7.5%	0.9%
Mar	-7.5%	1.2%
Apr	-1.0%	0.9%
May	14.1%	1.1%
Jun	10.3%	1.1%
Jul	4.4%	1.1%
Aug	0.7%	1.1%
Sep	0.9%	1.0%
Since Inception	**63.5%**	**41.9%**