

Vista Multiestratégia Fund and Vista Hedge Fund registered returns of -10.66% and -5.12% respectively in April and -13.05% and -5.22% respectively in 2024.

In April, consistent with the YTD trend, fund losses were concentrated in domestic equity and international fixed income strategies. We also saw another month of positive performance in commodities, with strong gains in both uranium and gold. Throughout the month, the short position in Petrobras and the receiving rates position in Europe, which were significant detractors from fund performance, were materially reduced.

Due to our risk limits, fund positions are currently reduced, both in VaR and stress, compared to the average risk utilization of recent years.

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Our investment philosophy aims to consistently build and deepen structural theses over long horizons, overlaid with hedges that protect the portfolio amidst turbulent short-term movements. Such a strategy encounters greater challenges during periods characterized by unexpected breaks in asset correlations within our portfolio, such as the present one.

From a more quantitative standpoint, the recent lack of efficiency of our protections has been a significant focus of scrutiny in our internal discussions. Our

historically low drawdown-to-volatility ratio compared to peers during the first 8 of our 10 years, now more aligned with the average, has always been a distinguishing feature of our funds. This is largely explained by the historically high effectiveness of our protections and by our risk limits based on stress metrics rather than just VaR. We remain, as always, open to more detailed discussions on the topic and our perceptions of what we understand to be a cyclical rather than structural effect.

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In our latest letter, we remarked that Brazil stood out unfavorably among emerging markets, both due to political turbulence in Brasília and the turmoil in the local financial industry, which has been severely impacted by tax changes and redemptions. With the rise in risk premiums across many asset classes throughout 2024, we opted to stock the hedging mechanism implemented against the gradient of the local interest rate curve, ending up having as our main positions a portfolio long in domestic stocks, partially hedged by a short position in Petrobras.

In previous letters, we also assessed that the Brazilian economy was experiencing a notably positive phase. Nonetheless, we perceived significant tail risks, interpreted by us as a potential shift to heterodox policies in Brasília or a sharp decline in commodity prices, particularly oil. We recognized that Petrobras

aligned with these concerns and, furthermore, yielded insufficient carry relative to the discount rate.

The significant rise in Petrobras' stock during the month despite signs of increased government intervention in the company, combined with significant losses in our long domestic equity holdings, constituted a notable deviation from the expected correlation and prompted us to substantially reduce this short position over the past weeks.

In our *post-mortem* analysis, we recognize that we underestimated how the global investor, the primary marginal buyer of Petrobras' stock, would perceive the company as yet another global oil producer, thereby rendering it an imperfect proxy for Brazilian risk.

Over the past few months, we have also maintained a negative view on Europe, reflecting our expectation that the continent would be the primary loser in the new Cold War between the US and China. This has been manifested through both short positions in currency and equities, as well as receiving interest rates positions. Despite the prevailing narrative of a synchronized global economic recovery, we continue to believe that developed economies will exhibit significant differentiations, which should also translate into distinct asset price behaviors.

However, the strength of the American economy ended up having greater repercussions than anticipated on the interest rate and equity markets of developed countries, prompting us to significantly reduce our risk allocation in Europe, particularly in receiving interest rate positions.

Nevertheless, we remain highly confident in the fund's core theses - the long position in uranium, both in the commodity itself and in producer stocks, and the long position in Brazil, expressed through a portfolio of domestic equities. Our positions in Argentina and gold, although smaller, continue to make significant contributions to the funds.

On the protection side, which is an integral part of our investment DNA, we have prioritized reducing cross-hedges - as example, our exposure to Brazilian domestic equities is now primarily hedged with a short position in the Ibovespa, either through selling index futures or utilizing option structures to protect against significant market downturns.

In the following section, we will provide a brief update on the macroeconomic scenario in Brazil and explain why we believe that exposure to Brazilian equities in our portfolio appears to be an excellent investment opportunity.

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Despite pessimism in local markets, the Brazilian economy has displayed a rare combination of solid growth, low inflation, and robust external accounts. It's no wonder that using the Focus survey as a reference for the market consensus on key economic variables for 2024, over the past twelve months, the expected GDP growth has been revised from 1.40% to 2.09%, the IPCA has decreased from 4.16% to 3.76%, the trade balance has increased from USD 55 billion to USD 80 billion, and even the primary deficit has been slightly revised from -0.80% to -0.64% of GDP.

Considering the revisions made since 2021, the consensus has consistently underestimated the annual GDP growth by at least 2 percentage points. In line with our ongoing arguments, cyclically driven forces, partly stemming from our boom as a commodities exporter, have proven to wield greater influence over the economy than political shifts or the ideological orientations of governments. While we acknowledge the significance of economic policies, particularly fiscal measures, it appears that factors beyond income transfer programs, which have been amplified since the 2022 election cycle, are contributing to the robust economic activity.

It wouldn't surprise us if the market consensus were to shift towards an expectation of a potential growth rate of 2.5% in the coming years, which would certainly be attributed to the lagged effects of post-2016 economic reforms. While we may encounter

labor supply constraints to grow at robust rates in the years ahead, our studies do not suggest that we are at levels of labor market slack comparable to what we experienced just over a decade ago.

Furthermore, the prospective outlook for our external accounts remains highly promising. With a significant increase in oil exports expected in the coming years and the likely recovery of the crop yield in 2025, we project that exports are poised to approach USD 400 billion between 2025 and 2026, representing a growth of over 70% compared to 2019.

It is important to emphasize that China, the primary source of global excess capacity in industrial assets, now accounts for nearly a quarter of Brazil's imports. It is worth recalling that the first "China shock" occurred after the country's entry into the WTO in 2002, when primarily developed countries were flooded with lower-value-added Chinese products, leading to significant repercussions, particularly on local industrial activity and inflation dynamics.

The so-called "second China shock," which essentially started in the years following the pandemic, is more concentrated in higher-value-added industrial products. The following excerpt aptly reflects the comparative magnitude of the two shocks:

“(...) So there's a lot of different ways to measure China's exports. Perhaps the easiest is to think of the First China Shock as an increase in China's manufactured exports, actually more as manufactured surplus. That was a little less than a percentage point of world GDP. And I think over the past three or four years, there's been a second big increase in China's manufacturing surplus, that's a little less than a percentage point of world GDP. So on a global basis, the first China Shock pulls China's manufacturing surplus up to about a percentage point of world GDP, what I would call the second China Shock has pulled that up to about two percentage points of world GDP”

CFR: A Second China Shock, With Brad Setser

Brazil, therefore, appears to be on the winning side of this new Chinese wave, as we export the commodities that China demands and import industrial and consumer goods that are likely to experience deflation in the coming years.

On the fiscal front, we have always assessed that the current fiscal framework, as long as it is minimally adhered to, would serve merely as a bridge until the next government, when oil revenues will be even more significant (assuming no materialization of more adverse scenarios) and where a new round of mandatory spending reform will be necessary. Consequently, we attribute less weight than the market consensus to the relevance of recent changes in fiscal targets in increasing the implicit risk premium on assets.

In the macroeconomic sphere, we perceive that the disruptions surrounding monetary policy stemmed primarily from insufficient communication on the part of the monetary authority. While external uncertainties have intensified and persistent upward revisions in economic activity somewhat concern the central bank, it seemed more appropriate to us to maintain the previous guidance of a 50 basis point cut and signal that additional room for interest rate reduction would be more limited.

Nevertheless, we assess that there are deflationary forces in the global economy, particularly coming from China, which will contribute to maintaining Brazilian inflation at levels consistent with targets. We also understand that the first quarter activity data, perceived as overly strong, may reflect the one-off payment of court-ordered debts, an effect that is expected to dissipate over the coming months. Despite the perceived politicization of the debate surrounding monetary policy, the central bank is expected to continue reducing the interest rates in the coming months, albeit in a very cautious manner and with attention to the evolution of inflation expectations.

Lastly, we are increasingly confident in the microeconomic fundamentals of our long equity portfolio and believe that the implicit risk premium in some Brazilian stocks appears excessive, both in relation to the economic scenario described above

and to the credit premium associated with the same companies.

Our investments in Brazil primarily consist of businesses with high operational margins, aligned with the country's key growth bottlenecks and not reliant on cyclical recoveries to justify prospective returns. Our portfolio predominantly comprises the infrastructure sector broadly defined - such as energy, logistics, sanitation, and shopping centers. This group exhibits an average EBITDA margin of 50% with very low variability and economics contractually indexed to inflation. We anticipate, on average, revenue and operating profit growth of 10% and 15% for this segment, respectively, over the next 2 years.

Our portfolio includes stocks that appear resilient to an alternative scenario of demand overheating, supply constraints, and increased inflationary pressures. Shopping centers, for example, experienced significant expansion of leasable gross area in the last cycle, and today we hardly see any significant new launches in the sector. Ports and railways could also contribute to potential supply constraints. If we do not encounter the traditional "supply wall", it is another sign that our potential growth is indeed higher, and the real interest rate could be less restrictive than at present. Otherwise, this supply constraint will likely result in increased pricing power for these companies.

It is worth noting that nearly all of our portfolio has recently seen positive revisions in operational results estimates, and up to the present moment, none have disappointed market expectations in the first quarter results. Such microeconomic performance contrasts with the stock performance, a result of the rise in real market interest rates and the adverse fundraising environment in the investment fund industry. Looking ahead, in addition to optimism regarding microeconomic fundamentals, we believe that we are at stressed levels of equity allocation and valuations that do not align with the macroeconomic environment.

As a benchmark for what we consider to be a highly attractive valuation level, the majority of our stock portfolio carries a real implicit equity premium exceeding 500 basis points. In most cases, the current premium is the highest in the series, surpassing even the period of maximum uncertainty during the Dilma government.

Using the asset duration, which is close to 12 years, we anticipate a return of nearly double, in real terms, when compared to that of NTN-B bonds.

Z-Score: Risk premium - 'best in class bond-likes'
Z-Score



Source: Bloomberg & Vista Capital

Real return - Equatorial Energia
%



Source: Bloomberg & Vista Capital

Brazil's market capitalization/M4
%



Source: Bloomberg, BCB & Vista Capital

We remain confident that the fundamentals of our portfolio will outweigh the currently hostile environment for equity investments, and that we are facing an excellent investment opportunity from a medium and long-term perspective.

We remain at your disposal.

Vista Capital

A simple metric also suggests that we are at stressed levels of equity allocation and valuation. As the chart below reveals, the market capitalization of Bovespa-listed companies relative to the M4 monetary aggregate is among the lowest levels in the historical series, which appears to us to be partly indicative of the magnitude of portfolio adjustment made over the past 3 years.

Vista Multiestratégia FIC FIM (BRL)

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	2.3%	1.2%	-0.4%	-1.4%	-1.3%	0.4%	-4.4%	8.1%	-2.1%	2.4%	12.0%
2024	-0.2%	-8.4%	-0.7%	-8.0%	2.4%	-0.5%	1.3%	1.7%	-0.6%	-13.1%	3.5%
Jan	-0.1%	-2.5%	-0.1%	-1.1%	1.7%	0.2%	2.4%	0.7%	-0.1%	1.1%	1.0%
Feb	0.0%	-1.0%	-0.1%	-3.8%	-0.2%	-0.3%	-3.3%	0.6%	-0.2%	-8.2%	0.8%
Mar	0.0%	2.4%	-0.3%	-0.3%	1.3%	-0.1%	1.8%	0.3%	-0.2%	4.9%	0.8%
Apr	0.0%	-7.3%	-0.1%	-2.9%	-0.2%	-0.4%	0.5%	0.0%	-0.2%	-10.7%	0.9%

Vista Hedge FIC FIM (BRL)

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	1.1%	1.2%	0.0%	-0.5%	-0.4%	0.3%	0.1%	9.7%	-1.9%	9.6%	12.0%
2024	-0.1%	-4.2%	-0.3%	-4.0%	1.4%	-0.3%	0.4%	2.7%	-0.7%	-5.2%	3.5%
Jan	-0.1%	-1.1%	-0.1%	-0.5%	1.0%	0.1%	0.9%	0.9%	-0.2%	1.0%	1.0%
Feb	0.0%	-0.5%	-0.1%	-1.9%	-0.1%	-0.1%	-1.7%	0.7%	-0.2%	-3.8%	0.8%
Mar	0.0%	1.2%	-0.2%	-0.2%	0.7%	0.0%	0.9%	0.6%	-0.2%	2.8%	0.8%
Apr	0.0%	-3.7%	-0.1%	-1.5%	-0.1%	-0.2%	0.2%	0.4%	-0.2%	-5.1%	0.9%

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