

TRANSITION FUND

The domestic market followed the result of the international market, with a positive performance in Fixed Income (flattening of the interest rate) and a correction in the stock market. After the strong performance in 2019, the return of -1.3% can be considered as quite moderate.

The data released over the month disappointed expectations showing that economic activity remains weak. On the other hand, the inflation that increased due to the price of meat in December/2019 has also detracted. January's data showed that inflation continues to behave according to the expected and there has been no price increase in the basket of goods. Despite the disappointment with the total industry capacity data, the growth revisions for Brazil's GDP remain between 2 - 3%. Confidence, labor market and credit data continue to show encouraging signs. In addition to this positive scenario, the projections of the Debt-to-GDP ratio trajectory for the country indicate stabilization and a probable decrease in the next years, due to the improvement of the economy, or due to the lower cost of debt (lower interest rates).

The highlight of the first month of 2020 was the increase in volatility. The year began with optimism due to the agreement between China and the USA, but soon was intimidated by potential problems that arose during the month, among them: 1. potential conflict between USA and Iran, after attack and death of General Soleimani, important leader in Iran, which led to tensions between the two countries; 2. Brexit was finally made official without higher costs in the market, and finally, 3. The coronavirus outbreak in China spread to other locations, showing a high rate of contagion (despite the lower mortality rate).

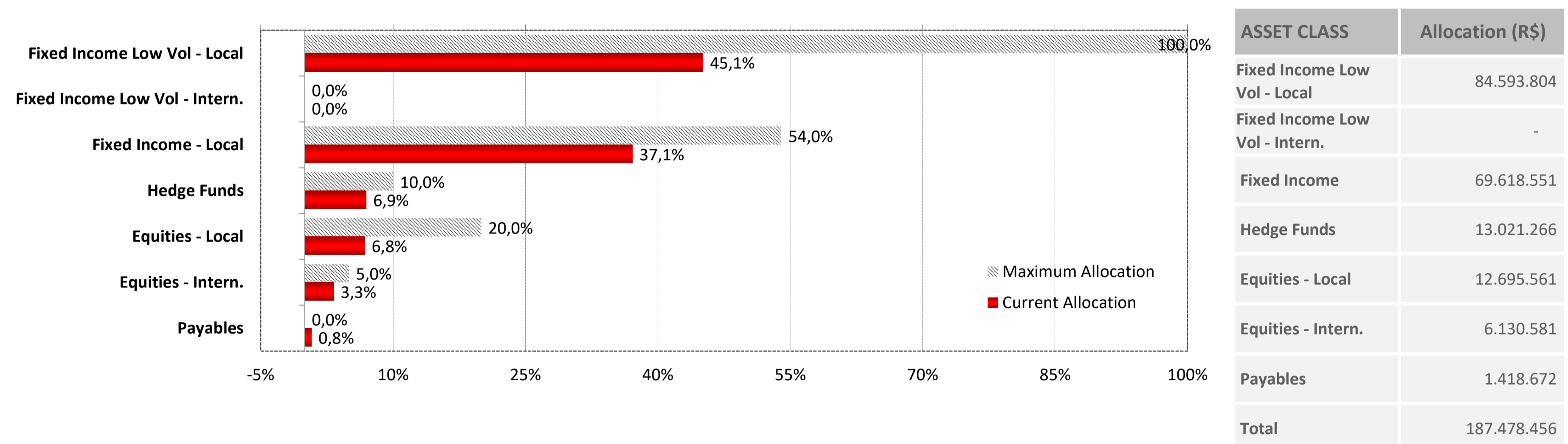
The biggest market reaction was in commodities, mainly because of the potential impact of the virus on the Chinese economy. The isolation of some regions and areas of the country, a quarantine imposed on various services and sectors, and the country's relevance in global value chains, led the markets to reprice the assets exposed to some economic activities.

The FT portfolio returned + 1.1% in January, above its benchmark +0.6%. All asset classes had a positive performance in the portfolio, positive highlight to International Equities up +6.2% and Brazilian Equities that returned +5.1% against its benchmark IBX, -1.3%.

PORTFOLIO PERFORMANCE (in Brazilian Reais - R\$)

ASSET CLASS	MTD	YTD	12M	24M	36M	BENCHMARK	MTD	YTD	12M	24M	36M
Fixed Income Low Vol - Local	0,4%	0,4%	5,6%	6,0%	7,2%	CDI	0,4%	0,4%	5,8%	6,1%	7,2%
Fixed Income	0,6%	0,6%	11,9%	11,1%	12,0%	IRF Comp.	0,6%	0,6%	14,3%	13,1%	13,4%
Hedge Funds	0,2%	0,2%	9,1%	7,9%	10,5%	IHF Comp.	0,6%	0,6%	8,9%	7,7%	9,5%
Equities - Local	5,1%	5,1%	38,7%	24,5%	25,4%	IBX	-1,3%	-1,3%	19,0%	17,2%	22,0%
Equities - Intern.	6,2%	6,2%	38,2%	20,9%	23,0%	MSCI World (BRL)	5,9%	5,9%	38,3%	21,8%	23,6%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	Inflation IPCA	0,2%	0,2%	4,2%	4,0%	3,6%
Total	1,1%	1,1%	12,2%	10,2%	11,4%	BENCHMARK	0,6%	0,6%	12,3%	11,1%	12,2%

ASSET ALLOCATION



GROWTH AND CURRENT ACCOUNT - LOCAL PORTFOLIO (In R\$ Thousands)

GROWTH	2015	2016	2017	2018	2019	2020	ACC.
NOMINAL	3,5%	7,8%	-8,6%	-17,6%	-17,6%	-4,2%	-37,6%
REAL	0,7%	1,4%	-11,2%	-21,0%	-21,0%	-4,4%	-48,8%
IPCA	2,8%	6,3%	2,9%	4,3%	4,3%	0,2%	22,0%

CURRENT ACCOUNT	2015	2016	2017	2018	2019	2020
INITIAL	0	122.126	145.839	134.468	141.707	152.231
Subscriptions	118.175	13.419	1.760	39.485	40.733	41.741
Withdrawals	0	-7.900	-29.700	-40.500	-48.500	-8.000
Account Costs	-342	-1.724	-1.189	-455	-556	-22
FINAL	122.126	145.839	134.468	141.707	152.231	187.478
ACCOUNT COSTS	0,0%	-1,2%	-0,8%	-0,4%	-0,4%	0,0%
SPENDING RATE	0,0%	-5,8%	-18,9%	-27,8%	-27,0%	-5,2%
Nominal Return	4,4%	16,0%	13,6%	7,8%	7,8%	12,2%
CPI	2,8%	6,3%	2,9%	3,7%	3,7%	4,2%
Real Return	1,6%	9,1%	10,4%	4,0%	4,0%	7,7%

The difference between the portfolio performance and the portfolio growth is that the latter considers the impacts of transactions and taxes.