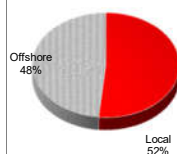


The first month of the year was a follow on of the previous months, regarding the equities performance. An increase of 3.8% in equities and 5.3% if measured the dollar devaluation. The continuity of good news regarding the performance of economic activity, and with inflation rate still below the expectations of the central banks guaranteed good results in the stock markets. The negative highlight was Fixed Income. Last month, we highlighted the significant difference between the FED signaling (dots) and the market expectation. In January, this difference declined, signaling that "the market" gained confidence in the recovery and adjusted its expectations, even if the implicit interest rate remained below that projected by the FOMC. This month we also had the announcement that North Korea will participate in the winter Olympics in South Korea, an important factor to ease the tensions in the region. Finally, it is worth mentioning the last meeting of the FOMC chaired by Janet Yellen - without surprises - that passed the function to Jerome Powell in the beginning of February.



The performance of local assets followed the strength of the offshore market, especially after the conviction of former president Lula in the appeals court, which led to an even more significant increase in assets. Lula was sentenced unanimously and had his sentence increased to 12 years and 1 month. The defense may still file embargoes for a declaration, and it is possible that the former president will avoid the chain through a review by the STF on the conviction in the appeals court. However, this result greatly complicates the chances of the former president putting himself in the presidency race. The positive result of the markets was also supported by the good news in the field of economics: inflation (below the lower limit of the band: 2.9%), activity in recovery (and positive data also in the real estate sector), fiscal deficit below budget (R\$ 124bn versus R\$ 159bn), current account deficit by 0.48% of GDP and unemployment rate and job creation that stopped worsening. Even with all this good news, S&P downgraded Brazil's note, which did not affect Brazilian asset prices at all.

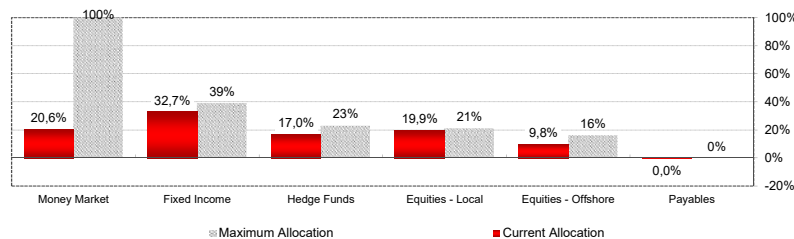
Bahia & Espírito Santo Fund portfolio was up 2.5% in January/18 (or 432% of CDI). Once again, it was a very positive month for risk asset classes, in which all classes showed returns above CDI. Equities closed the month up 5.4%, standing below its IBX benchmark, which was up 10.7% in the same period. The Hedge Funds portfolio continued to perform well as in 2017 and showed a positive return (2.8%) in January. The first month of the year was also positive for Fixed Income, with a return of + 2.0%, standing in line with its benchmark (+2.0%). International Equities, driven by the class performance in dollars (+5.3%), were up 1.3% in January. In real terms, it is worth mentioning that inflation measured by the IPCA accumulated 0.29% in January, making the portfolio accumulate real gains of 2.2% in 2018. The international portfolio returned -0.3% in January. The funds are allocated at Pimco Global Bond Funds, while waiting the account opening at Deutsche Bank.

PORTFOLIO PERFORMANCE - LOCAL (BRAZIL)

| ASSET CLASS | MTD | YTD | Allocation |
|----------------------|-------------|-------------|------------------|
| Money Market - Local | 0,6% | 0,6% | 783.572 |
| Fixed Income - Local | 2,0% | 2,0% | 1.244.324 |
| Hedge Funds - Local | 3,4% | 3,4% | 648.295 |
| Equities - Local | 5,4% | 5,4% | 756.551 |
| Equities - Intern. | 1,3% | 1,3% | 373.242 |
| Payables | 0,0% | 0,0% | (651) |
| Total | 2,5% | 2,5% | 3.805.332 |

| BENCHMARK | Mês | Ano |
|-----------------------|-------------|-------------|
| CDI | 0,6% | 0,6% |
| IRF Composto | 2,0% | 2,0% |
| IFM | 2,8% | 2,8% |
| IBX | 10,7% | 10,7% |
| MSCI World Unh. (BRL) | 1,5% | 1,5% |
| Benchmark | 3,4% | 3,4% |
| Inflation IPCA | 0,3% | 0,3% |

ASSET ALLOCATION



PORTFOLIO PERFORMANCE - OFFSHORE

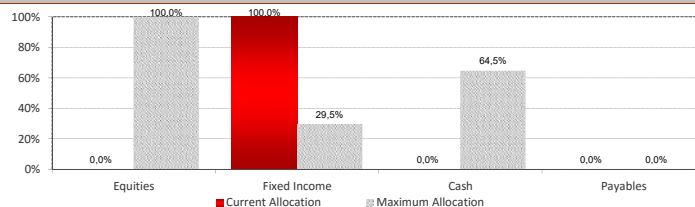
| CLASSE DE ATIVO | Mês | Ano | Alocação em U\$ |
|--------------------|--------------|--------------|------------------|
| Fixed Inc. Low Vol | 0,0% | 0,0% | - |
| Fixed Income | -0,3% | -0,3% | 1.063.079 |
| Equities | 0,0% | 0,0% | - |
| Payable | 0,0% | 0,0% | - |
| Consolidado | -0,3% | -0,3% | 1.063.079 |

| BENCHMARK | Mês | Ano |
|------------------|--------------|--------------|
| RF LV COMP | 0,0% | 0,0% |
| Barclays Global | -0,5% | -0,5% |
| MSCI WORLD | 0,0% | 0,0% |
| BENCHMARK | -0,5% | -0,5% |
| CPI | 0,0% | 0,0% |

The benchmark of the offshore portfolio is based on weighted average of international benchmarks for each asset class, considering the average allocation (between the minimum and maximum expected allocation) expressed on its investment policy. To calculate the benchmark, the MSCI World Unhedged was employed, since it is the only investable.

*Using mtd forecast

ASSET ALLOCATION



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

| GROWTH | 2016 | 2017 | 2018 | ACC |
|---------|------|------|------|-------|
| NOMINAL | 8,7% | 8,7% | 2,5% | 11,4% |
| REAL | 5,5% | 5,5% | 2,2% | 7,8% |
| IPCA | 2,9% | 2,9% | 0,3% | 3,4% |

| GROWTH | 2016 | 2017 | 2018 |
|---------------|-------|-------|-------|
| INITIAL | 0 | 3.416 | 3.712 |
| Subscriptions | 4.099 | 0 | 0 |
| Withdrawals | 0 | 0 | 0 |
| Account Costs | -29 | -64 | 0 |
| FINAL | 4.285 | 3.712 | 3.805 |
| ACCOUNT COSTS | -0,7% | -1,7% | 0,0% |
| SPENDING RATE | 0,0% | 0,0% | 0,0% |

GROWTH AND CURRENT ACCOUNT - OFFSHORE PORTFOLIO (In US\$ Thousands)

| GROWTH | 2016 | 2017 | 2018 | ACC |
|---------|-------|-------|-------|-------|
| NOMINAL | 0,0% | 1,5% | -0,3% | 1,2% |
| REAL | -0,1% | -0,3% | -0,3% | -0,7% |
| IPCA | 0,2% | 1,8% | 0,0% | 2,0% |

| GROWTH | 2016 | 2017 | 2018 |
|---------------|-------|-------|-------|
| INITIAL | 0 | 1050 | 1066 |
| Subscriptions | 1.265 | 0 | 0 |
| Withdrawals | 0 | 0 | 0 |
| Account Costs | 0 | 0 | 0 |
| FINAL | 1.050 | 1.066 | 1.063 |
| ACCOUNT COSTS | 0,0% | 0,0% | 0,0% |
| SPENDING RATE | 0,0% | 0,0% | 0,0% |

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

