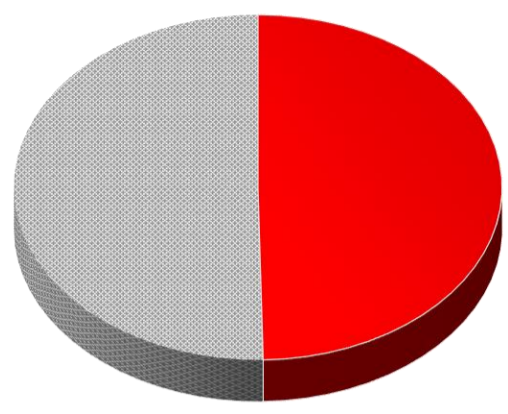


BAHIA & ESPIRITO SANTO FUND - LOCAL

Offshore
50%



Local
50%

This month, the local market was led by the international optimism, with strong returns in the risky assets classes. Clearly, local asset prices are adjusting to a possibility of even smaller interest rates, since there is space for the rate cut, whether on the inflation side or the external sector. The Brazilian Central Bank has signaled in its latest press release that it expects greater clarity regarding the fiscal situation (approval of the Pension Reform) to decide on the rate cuts - which stopped in March 2018.

The approval of the Reform continues to move forward, but in small steps, as expected. Although there is consensus regarding the Reform, the political agenda demands additional commitment from the government, such as the inclusion or exclusion of the states in the report – this has been a weapon of bargaining between the Powers.

We also highlight the weak performance of economic activity. The first half of 2019 has finished with a flat performance, close to zero. On the monetary side, we already have a lower rate and the release of part of the compulsory deposits (R\$ 100 billion) and anchoring in an even lower expectation of inflation (the National Monetary Council approved a 3.5% inflation target for 2022).

The performance of the markets in June was extremely positive, collaborating to a fantastic year-to-date result so far. This performance keeps been supported by the central banks' discourse (and confidence) that they will do what is needed to sustain economic growth. Both the FED and the ECB gave signs that they will be very active. Other Central Banks around the world have also followed this position: cuts were announced in economies such as Chile, Australia, India and Taiwan. The interest rate market narrowed sharply, and today, with a 100% chance, it is already pricing three interest rate cuts in the US later this year.

Data on economic activity has confirmed the slowdown in activity, mainly in Europe and weaker in the US. In addition to this scenario, the market reacted positively regarding the tariffs truce in US-China trade relations. There was no repeal of the tariffs already imposed, but a pause for a new round of negotiations.

The unexpected surprise this month was the Gold performance, up 8.0%. This result is explained by the low yields in Fixed Income plus geopolitical tensions (Iran and China).

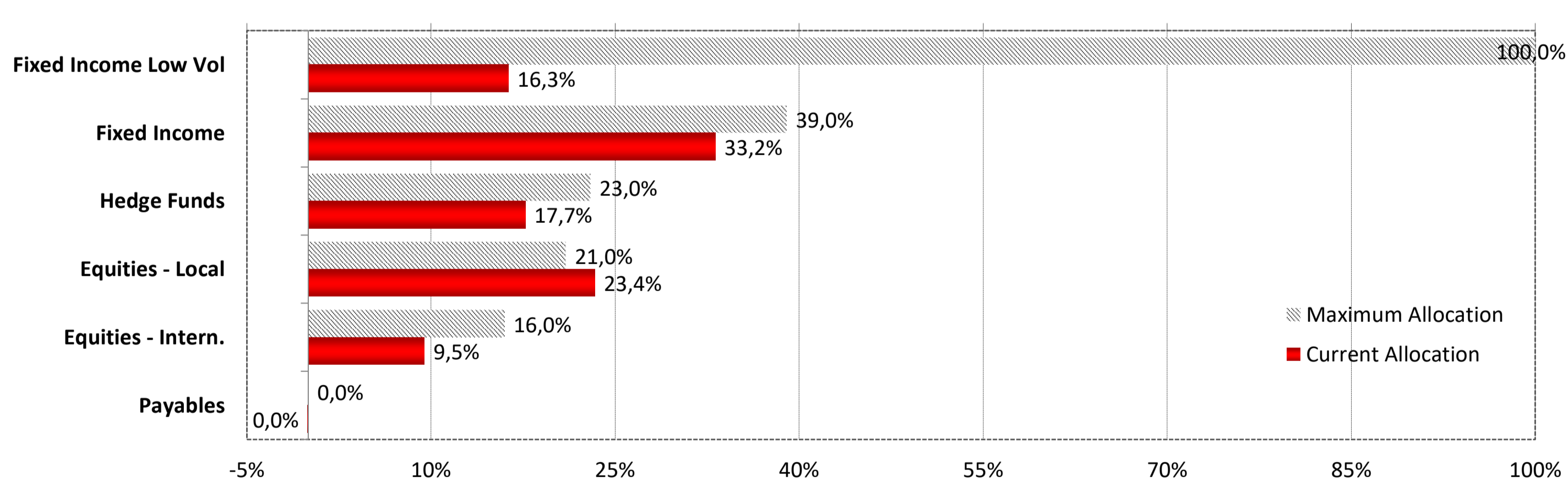
BA&ES local portfolio gained +2.5%, and extended its year-to-date gain to +10.2%, exceeding its benchmark. All asset classes of the portfolio recorded gains, mainly Brazilian Equities returned +3.7%, still underperforming the IBX, its benchmark that gained +4.1% mtd. On the other hand, International Equities also contributed positively with +3.7% and still under the benchmark +4.3%. Finally, the Local Fixed Income class returned in line with its benchmark. The international portfolio had a positive performance, recovering from May's correction, up +4.0%, highlight to International Equities, that recorded a strong gain of 6.1%, but still below its benchmark, +6.6%.

PORTFOLIO PERFORMANCE - LOCAL (in Brazilian Reals - R\$)

| ASSET CLASS | MTD | YTD | 12M | 24M | 36M |
|----------------------|-------------|--------------|--------------|--------------|--------------|
| Fixed Income Low Vol | 0,5% | 3,0% | 6,3% | 6,9% | 7,8% |
| Fixed Income | 2,7% | 10,0% | 19,8% | 14,3% | 14,3% |
| Hedge Funds | 1,9% | 6,8% | 10,1% | 9,6% | 9,6% |
| Equities - Local | 3,7% | 17,7% | 38,0% | 18,9% | 18,9% |
| Equities - Intern. | 3,7% | 15,9% | 4,8% | 14,4% | 14,4% |
| Payables | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Total | 2,5% | 10,2% | 16,8% | 11,8% | 11,8% |

| BENCHMARK | MTD | YTD | 12M | 24M | 36M |
|------------------|-------------|-------------|--------------|--------------|--------------|
| CDI | 0,5% | 3,1% | 6,3% | 6,9% | 7,9% |
| IRF Comp. | 2,7% | 10,2% | 20,3% | 14,8% | 14,8% |
| IHF Comp. | 1,5% | 5,2% | 9,1% | 8,1% | 8,1% |
| IBX | 4,1% | 15,6% | 40,8% | 23,7% | 23,7% |
| MSCI World (BRL) | 4,3% | 16,0% | 5,6% | 15,4% | 15,4% |
| Inflation IPCA | 0,0% | 2,2% | 3,4% | 3,9% | 3,6% |
| BENCHMARK | 2,4% | 9,5% | 17,7% | 10,2% | 12,7% |

ASSET ALLOCATION - LOCAL



| ASSET CLASS | Allocation (R\$) |
|----------------------|------------------|
| Fixed Income Low Vol | 708.224 |
| Fixed Income | 1.440.054 |
| Hedge Funds | 767.730 |
| Equities - Local | 1.013.411 |
| Equities - Intern. | 410.593 |
| Payables | (1.987) |
| Total | 4.338.025 |

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

| GROWTH | 2016 | 2017 | 2018 | 2019 | ACC. |
|---------|-------|------|------|------|-------|
| NOMINAL | 0,1% | 8,7% | 7,0% | 9,2% | 27,0% |
| REAL | -0,1% | 5,5% | 3,2% | 6,9% | 16,2% |
| IPCA | 0,2% | 2,9% | 3,7% | 2,2% | 9,3% |

| CURRENT ACCOUNT | 2016 | 2017 | 2018 | 2019 |
|----------------------|-------------|--------------|--------------|--------------|
| INITIAL | 0 | 3.416 | 3.712 | 3.972 |
| Subscriptions | 3.415 | 0 | 0 | 0 |
| Withdrawals | 0 | 0 | 0 | 0 |
| Account Costs | 0 | -64 | -32 | -32 |
| FINAL | 3.416 | 3.712 | 3.972 | 4.338 |
| ACCOUNT COSTS | 0,0% | -1,7% | -0,8% | -0,8% |
| SPENDING RATE | 0,0% | 0,0% | 0,0% | 0,0% |

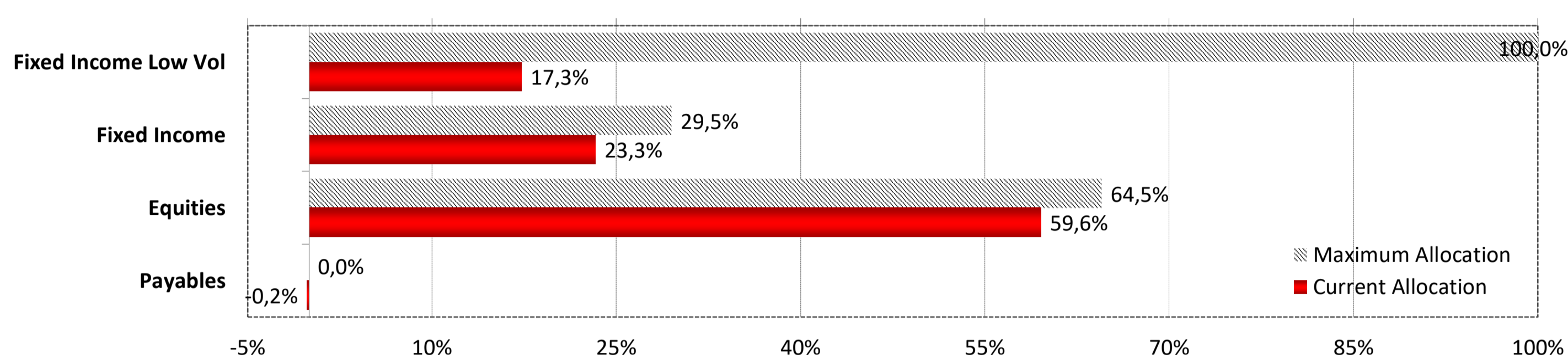
The difference between the portfolio performance and the portfolio growth is that the latter considers the impacts of transactions and taxes.

PORTFOLIO PERFORMANCE - INTERNATIONAL (In US\$ Thousands)

| ASSET CLASS | MTD | YTD | 12M | 24M | 36M |
|----------------------|-------------|--------------|-------------|-------------|-------------|
| Fixed Income Low Vol | 0,4% | 1,4% | 2,4% | 2,2% | 2,2% |
| Fixed Income | 1,6% | 6,1% | 7,5% | 4,5% | 4,5% |
| Equities | 6,1% | 16,6% | 5,8% | 7,5% | 7,5% |
| Payables | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Total | 4,0% | 10,9% | 5,2% | 4,1% | 3,4% |

| BENCHMARK | MTD | YTD | 12M | 24M | 36M |
|------------------|-------------|--------------|-------------|-------------|-------------|
| RF LV COMP | 0,4% | 1,7% | 2,9% | 2,7% | 2,7% |
| Barclays Global | 1,4% | 6,0% | 7,8% | 4,7% | 4,7% |
| MSCI World | 6,6% | 17,0% | 6,3% | 6,8% | 6,8% |
| CPI | 0,0% | 1,0% | 1,7% | 2,3% | 2,1% |
| BENCHMARK | 4,2% | 11,5% | 6,2% | 3,4% | 3,8% |

ASSET ALLOCATION - INTERNATIONAL



| ASSET CLASS | Allocation (U\$) |
|----------------------|------------------|
| Fixed Income Low Vol | 198.193 |
| Fixed Income | 266.978 |
| Equities | 682.276 |
| Payables | (1.883) |
| Total | 1.145.564 |

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

| GROWTH | 2016 | 2017 | 2018 | 2019 | ACC. |
|---------|-------|-------|-------|-------|------|
| NOMINAL | 0,0% | 1,5% | -3,3% | 11,1% | 9,1% |
| REAL | -0,1% | -0,6% | -5,2% | 10,1% | 3,6% |
| CPI | 0,2% | 0,0% | 1,9% | 1,0% | 5,3% |

| CURRENT ACCOUNT | 2016 | 2017 | 2018 | 2019 |
|----------------------|-------------|-------------|-------------|-------------|
| INITIAL | 0 | 1.050 | 1.066 | 1.031 |
| Subscriptions | 1.050 | 0 | 0 | 0 |
| Withdrawals | 0 | 0 | 0 | 0 |
| Account Costs | 0 | 0 | 0 | 0 |
| FINAL | 1.050 | 1.066 | 1.031 | 1.146 |
| ACCOUNT COSTS | 0,0% | 0,0% | 0,0% | 0,0% |
| SPENDING RATE | 0,0% | 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.