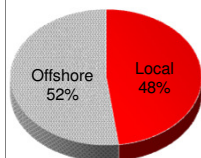


Markets recovered in July, especially Fixed Income, which was posting negative results since last April. Both Emerging and High Yield bonds ended July in with gains. This good performance materialized following less volatility in the currency markets (after a strong USD depreciation against Emerging currencies) and US treasuries yield shifts. It's worth mentioning, however, that tensions between USA – China and also Europe kept rising, mainly around trade wars and accusations of currency manipulation. Trump and Junker (President of the European Commission) even ended the month signing a mutual cooperation agreement, but this matter may remain on the radar, once it's giving strength to the Republican campaign in the Midterm Elections. Finally, the Bank of England (BoE) has raised the country's interest rate by 25 bps to 0.75%. The market was already expecting this movement, since the BoE was already signaling it. However, the economy's loss of strength in the first half of 2018 and Brexit's threat could affect this decision.



Brazilian markets posted results in line with expectations, following the improvement of international markets. Nonetheless, the definition of political alliances for the presidential elections dominated the news flow. Geraldo Alckmin was the big winner, reaching agreements with centrist parties, which will guarantee to him not only more tv exposure, but also congress majority. The definition of vice president candidates was also troublesome, due to a lot of competition between candidates around the same names (like Josué Alencar). Finally, it is also worth mentioning economic data releases throughout this month. Despite the more negative sentiment with activity and inflation caused by the truckers' strike in June, data showed a lesser decline in activity and a significant inflation decline, signaled by the IPCA-15 (from 1.1% to 0.64%).

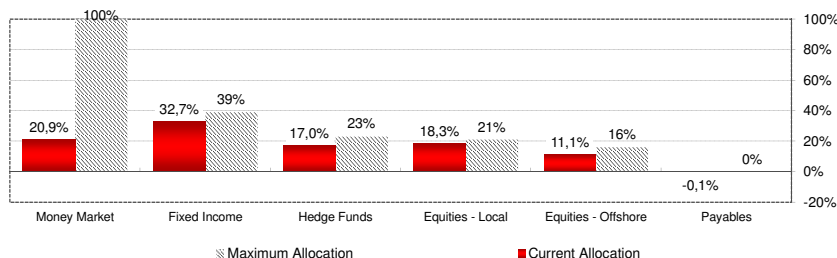
After posting weak results since the end of April, the BA&ES domestic portfolio showed some recovery in July, going up 1.9%. This recovery was due to local asset classes: The Fixed Income class went up 1.8% (in line with its benchmark), and Equities raised 6.6% (in a month when the IBX climbed 8.8%). The only class that detracted performance was International Equities (down -0.4% in July), reflecting the USD devaluation against the BRL that gave back the gains of developed markets in dollars - nonetheless, this class remains posting expressive gains of 16,2% year to date. In real terms, the local portfolio is up 0.9% in 2018. The international portfolio, which was fully implemented last April, also showed positive return in July, posting gains of 1.6%, and reaching 3.5% year to date. This performance is majorly explained by the Equities allocation (up 2,7%), while Fixed Income investments showed more modest gains. The international portfolio is up 2.3% in real terms year to date.

## PORTFOLIO PERFORMANCE - LOCAL (BRAZIL)

| ASSET CLASS          | MTD         | YTD         | Allocation       |
|----------------------|-------------|-------------|------------------|
| Money Market - Local | 0,5%        | 3,7%        | 803.989          |
| Fixed Income - Local | 1,8%        | 3,5%        | 1.258.082        |
| Hedge Funds - Local  | 0,8%        | 4,9%        | 654.359          |
| Equities - Local     | 6,6%        | -2,2%       | 701.924          |
| Equities - Intern.   | -0,4%       | 16,2%       | 428.292          |
| Payables             | 0,0%        | 0,0%        | (2.247)          |
| <b>Total</b>         | <b>1,9%</b> | <b>3,9%</b> | <b>3.844.399</b> |

| BENCHMARK             | Mês         | Ano         |
|-----------------------|-------------|-------------|
| CDI                   | 0,5%        | 3,7%        |
| IRF Composto          | 1,8%        | 3,8%        |
| IFM                   | 0,8%        | 3,6%        |
| IBX                   | 8,8%        | 3,1%        |
| MSCI World Unh. (BRL) | 0,0%        | 17,8%       |
| <b>Benchmark</b>      | <b>2,5%</b> | <b>5,2%</b> |
| Inflation IPCA        | 0,3%        | 2,9%        |

## ASSET ALLOCATION



## PORTFOLIO PERFORMANCE - OFFSHORE

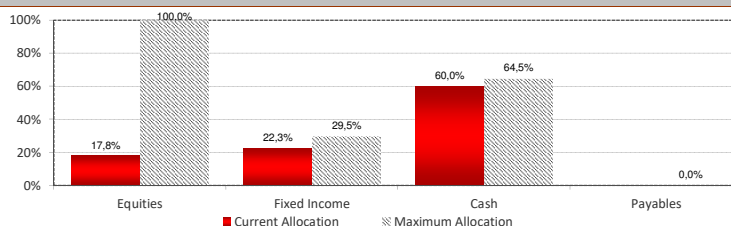
| CLASSE DE ATIVO    | Mês         | Ano         | Alocação em US\$ |
|--------------------|-------------|-------------|------------------|
| Fixed Inc. Low Vol | 0,2%        | 0,5%        | 196.530          |
| Fixed Income       | 0,0%        | -0,1%       | 246.159          |
| Equities           | 2,7%        | 6,1%        | 662.511          |
| Payable            | 0,0%        | 0,0%        | (1.255)          |
| <b>Consolidado</b> | <b>1,6%</b> | <b>3,5%</b> | <b>1.103.945</b> |

| BENCHMARK        | Mês         | Ano         |
|------------------|-------------|-------------|
| RF LV COMP       | 0,1%        | 0,5%        |
| Barclays Global  | 0,0%        | 0,3%        |
| MSCI WORLD       | 3,1%        | 5,2%        |
| <b>BENCHMARK</b> | <b>1,9%</b> | <b>3,5%</b> |
| CPI              | 0,0%        | 1,2%        |

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% | 3,6% | 12,6% |
| REAL    | 5,5% | 5,5% | 0,6% | 6,1%  |
| IPCA    | 2,9% | 2,9% | 2,9% | 6,1%  |

| GROWTH        | 2016  | 2017  | 2018  |
|---------------|-------|-------|-------|
| INITIAL       | 0     | 3.416 | 3.712 |
| Subscriptions | 4.099 | 0     | 0     |
| Withdrawals   | 0     | 0     | 0     |
| Account Costs | -29   | -64   | -11   |
| FINAL         | 4.285 | 3.712 | 3.844 |
| ACCOUNT COSTS | -0,7% | -1,7% | -0,3% |
| 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%  | 3,5% | 5,1% |
| REAL    | -0,1% | -0,6% | 2,3% | 1,6% |
| IPCA    | 0,2%  | 2,1%  | 1,2% | 3,5% |

| GROWTH        | 2016  | 2017  | 2018  |
|---------------|-------|-------|-------|
| INITIAL       | 0     | 1050  | 1066  |
| Subscriptions | 1.050 | 0     | 0     |
| Withdrawals   | 0     | 0     | 0     |
| Account Costs | 0     | 0     | 0     |
| FINAL         | 1.050 | 1.066 | 1.104 |
| 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.

