

## TRANSITION FUND

In the absence of major news regarding the international market, the local market maintained its positive performance. Highlights to important advances: (1) Social Security Reform approval in 1st shift at Lower House. The second round voting is going to take place after recess: in the first weeks of August; (2) 50-bps interest rate cut by COPOM in the end of the month. The market had already priced the cut, but the action consolidates the view that inflation is anchored; (3) The government's economic team has been discussing how to assist economic growth, such as the announcement of the release of part of the resources in the FGTS and PIS. Despite the limit on the withdrawal amount, it is expected to improve the temperature of economic activity in the country; (4) Finally, during recess, several projects for Tax Reform have been emerging, most of them aiming at simplification and unification of state taxes. Some of these projects are emerging from the Lower House / Senate, regardless of the Government.

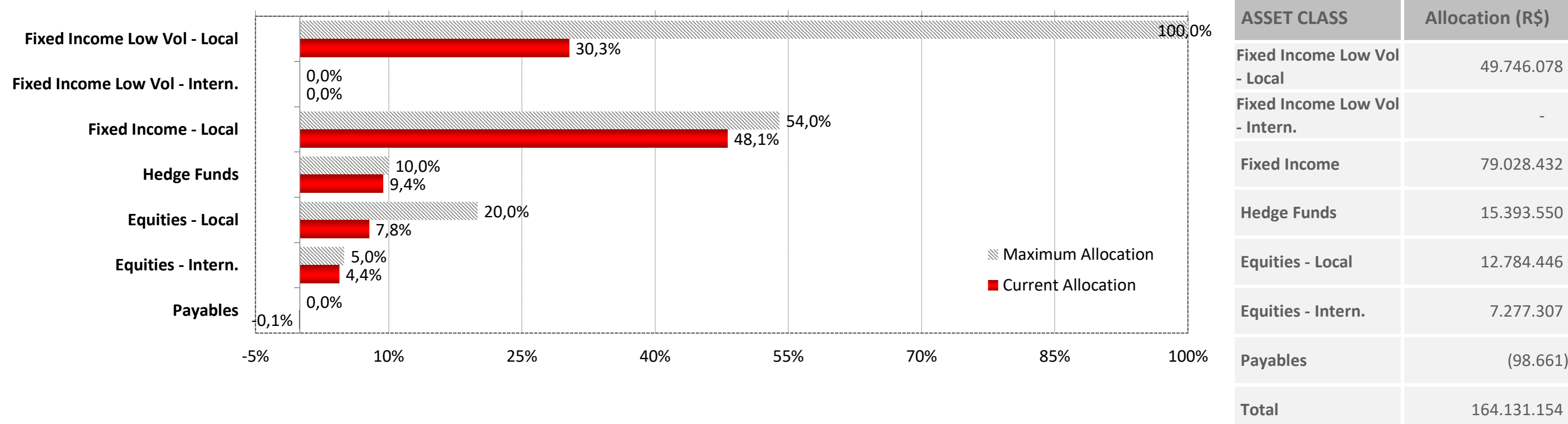
The lack of relevant information during the month led the market to a flat behaviour, with minor movement in prices. Economic activity keeps coming out of erratic data - weak numbers in industrial PMI, slightly better in services, commerce and employment. Due to a marginal deterioration in activity, the market expected action from the Central Banks towards interest rate cuts. The ECB thwarted the expectations postponing the rate cuts and / or made asset purchases. The FED, last month, met with the market expectations and cut 25 bps in the rate. The victory of Boris Johnson, elected the new prime minister of the United Kingdom, was not a surprise. However, this fact reinforces the no-deal scenario of the exit of United Kingdom from the European Community, which may cause some geopolitical noise, especially in the stability of the relations of Northern Ireland and Scotland. Meanwhile, the economy in the country remains fragile, and the monetary authorities concerned about the potential volatility that such an event could bring to the market. Despite this, Carney remains confident that there is no solvency risk in the country.

The FT portfolio returned + 1.0% in July, and extended its year-to-date gain to +9.5%. Most of asset classes had a positive performance, mainly Brazilian Equities, up +3.6% above its benchmark IBX, that gained +1.2% mtd. International Equities had a negative performance (-0.8%), but still above its benchmark that returned -1.5%

### PORTFOLIO PERFORMANCE (in Brazilian Reais - R\$)

ASSET CLASS	MTD	YTD	12M	24M	36M	BENCHMARK	MTD	YTD	12M	24M	36M
Fixed Income Low Vol - Local	0,6%	3,6%	6,3%	6,7%	8,7%	CDI	0,6%	3,7%	6,3%	6,8%	8,7%
Fixed Income Low Vol - Intern.	0,0%	0,0%	0,0%	23,8%	9,6%	USD/BRL	0,0%	0,0%	0,0%	23,8%	9,6%
Fixed Income	1,0%	8,5%	14,3%	11,4%	12,6%	IRF Comp.	1,2%	11,5%	19,6%	13,5%	14,2%
Hedge Funds	0,7%	7,6%	10,0%	9,8%	12,5%	IHF Comp.	0,8%	6,1%	9,1%	8,8%	10,5%
Equities - Local	4,4%	22,8%	35,1%	21,2%	19,3%	IBX	1,2%	16,9%	30,9%	25,0%	21,7%
Equities - Intern.	-0,8%	14,9%	4,4%	17,9%	15,9%	MSCI World (BRL)	-1,5%	14,2%	3,9%	18,3%	16,2%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	Inflation IPCA	0,2%	2,4%	3,2%	3,9%	3,5%
<b>Total</b>	<b>1,0%</b>	<b>7,9%</b>	<b>12,0%</b>	<b>10,3%</b>	<b>11,6%</b>	<b>BENCHMARK</b>	<b>0,8%</b>	<b>9,0%</b>	<b>14,5%</b>	<b>12,0%</b>	<b>12,9%</b>

### ASSET ALLOCATION



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

GROWTH	2015	2016	2017	2018	2019	ACC.
NOMINAL	3,5%	7,8%	-8,6%	-22,5%	-8,7%	-27,8%
REAL	0,7%	1,4%	-11,2%	-25,3%	-10,9%	-39,6%
IPCA	2,8%	6,3%	2,9%	3,7%	2,4%	19,5%

CURRENT ACCOUNT	2015	2016	2017	2018	2019
INITIAL	0	122.126	145.839	134.468	141.707
Subscriptions	118.175	13.419	1.760	39.485	36.670
Withdrawals	0	-7.900	-29.700	-40.500	-25.500
Account Costs	-342	-1.724	-1.189	-455	-182
FINAL	122.126	145.839	134.468	141.707	164.131
<b>ACCOUNT COSTS</b>	<b>0,0%</b>	<b>-1,2%</b>	<b>-0,8%</b>	<b>-0,4%</b>	<b>-0,1%</b>
<b>SPENDING RATE</b>	<b>0,0%</b>	<b>-5,8%</b>	<b>-18,9%</b>	<b>-27,8%</b>	<b>-15,3%</b>

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