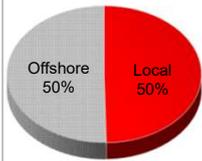


The market correction in October was profound and most asset classes are now negative for the year. Even though we still see positive expansion for the US economy, we are in the middle of a tightening cycle which should lead to a less liquid environment. Some sectors are beginning to feel this movement – for example the housing market is already dealing with higher mortgages rates. Equities markets faced the worst performance in quite some time, but we cannot blame it all on interest rates. The trade dispute with China and higher salaries for workers have also affected the prospective scenario of the companies. Many of them reported good results for this year, but are beginning to review downward their expectations for 2019. Most sectors delivered negative returns, but tech, industrials and energy faced the worst results. Emerging Markets countries are still in the spotlight, after Mexican assets falling hard in October. The announcement of some regulatory changes by the new president, AMLO, scared investors out from the country. To sum up, some current data from China are signaling a weaker economy, and the fear that regulation and higher tariffs are beginning to affect the economy pace.



Surprising many of us, Brazil totally decoupled from international markets during October, especially after the results of the 1st round for the Presidential election. Market prices rebounded strongly after the recognition that the left party (Labor Party) was much weaker than previously expected. Investors that were betting against Brazil had to review their expectations quickly. We still think it is too early to have a constructive view about our country, especially when we consider the huge challenges facing the new government, however the new elected President, Jair Bolsonaro, won over a liberal economy platform: he defends fiscal discipline, less government intervention in the economy (“more Brazil and less Brasília”), property rights and individual freedom. High probability of a pro-market government, even when we still doubt about a team alignment and implementation capacity by the new government, summed up by an economy in cyclical recovery would present a strong support for current market prices. However, we remain cautious with our view towards Brazil, volatility will keep being present in our market, as local and international environment look vulnerable to the news flow.

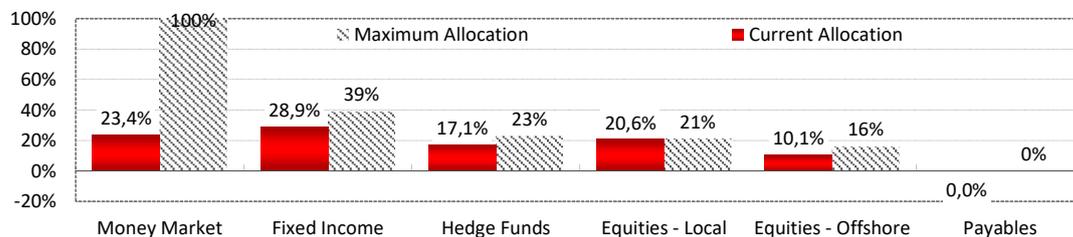
The BA&ES fund's local portfolio posted gains of 1.6% in October. Despite the significant result, the portfolio was below its benchmark portfolio, which returned 2.3% in the same period. The local asset classes were highlights of the month: The Fixed Income class went up 4.7%, and Equities raised 8.1% (in a month when the IBX climbed 10.4%). The only class that detracted performance was Internacional Equities (down -14.5% in October), reflecting the USD devaluation against the BRL and the bad performance of international markets. In real terms, the portfolio is up 2.9%. On the other hand, the international portfolio showed a return of -4.7%, reflecting the performance of Equities, which returned -7.5% in the month. Despite this performance, the class still shows a slightly positive return of 0.1%. The portfolio showed negative returns during last month (-4.7%), accumulating -0.2% year-to-date.

PORTFOLIO PERFORMANCE - LOCAL (in BRL)

ASSET CLASS	MTD	YTD	Allocation
Money Market - Local	0,5%	5,3%	923.228
Fixed Income - Local	4,7%	8,4%	1.140.822
Hedge Funds - Local	2,1%	8,0%	673.705
Equities - Local	8,1%	4,7%	813.431
Equities - Intern.	-14,5%	8,5%	399.750
Payables	0,0%	0,0%	(1.442)
Total	1,6%	6,9%	3.949.494

BENCHMARK	MTD	YTD
CDI	0,5%	5,4%
IRF Composto	4,8%	8,8%
IHF Composto	2,0%	6,4%
IBX	10,4%	13,9%
MSCI World Unh. (BRL)	-14,7%	10,1%
Benchmark	2,3%	9,1%
Inflation IPCA	0,5%	3,8%

ASSET ALLOCATION



PORTFOLIO PERFORMANCE - OFFSHORE (in USD)

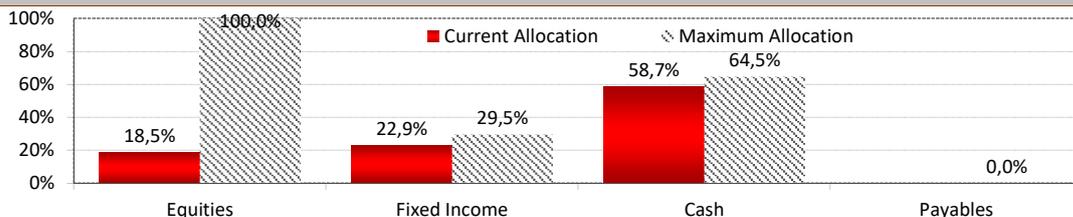
ASSET CLASS	MTD	YTD	Allocation
Fixed Inc. Low Vol	0,2%	1,0%	197.477
Fixed Income	-0,8%	-0,8%	244.313
Equities	-7,5%	0,1%	624.928
Payable	0,0%	0,0%	(1.314)
Total	-4,7%	-0,2%	1.065.404

BENCHMARK	MTD	YTD
RF LV COMP	0,2%	1,0%
Barclays Global	-0,2%	0,0%
MSCI WORLD	-7,3%	-0,8%
BENCHMARK	-4,3%	0,1%
CPI	0,0%	1,0%

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%	6,4%	15,7%
REAL	5,5%	5,5%	2,5%	8,0%
IPCA	2,9%	2,9%	3,8%	7,1%

GROWTH	2016	2017	2018
INITIAL	0	3.416	3.712
Subscriptions	4.099	0	0
Withdrawals	0	0	0
Account Costs	-29	-64	-12
FINAL	4.285	3.712	3.949
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%	-0,1%	1,5%
REAL	-0,1%	-0,6%	-1,7%	-2,4%
IPCA	0,2%	2,1%	1,6%	4,0%

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	1.065
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.

