

## TRANSITION FUND

The local market presented a positive result, contributing to the good performance over the year. The highlight was the Long Duration Fixed Income (IMA-B5 +), up +4.7% in the month. In the local scenario, several factors helped drive prices up: (i) Approval of the Pension Reform in the Senate paved the way for further government reforms, such as the Administrative Reform, (ii) Central Bank's decision to cut 50 bps in interest rates, led to new low levels rates, and (iii) Signaled that further cuts should occur, setting the nominal interest rates in 4.5% pa., (iv) Total industry capacity presented a slightly improvement, such as jobs creation and credit market. The domestic asset market is starting to adapt to a new scenario: low interest rates.

The result of several market indices continued to be positive in October, mainly due to the higher risk and long-term classes: Real Estate and Stock market. This month, three factors helped drive prices up: (i) Economic data came less negative in the US; (ii) US-China trade agreement has gained greater expectations to be concluded; (iii) FED decision to cut interest rate by 25 bps and the sequel of government bond purchase program.

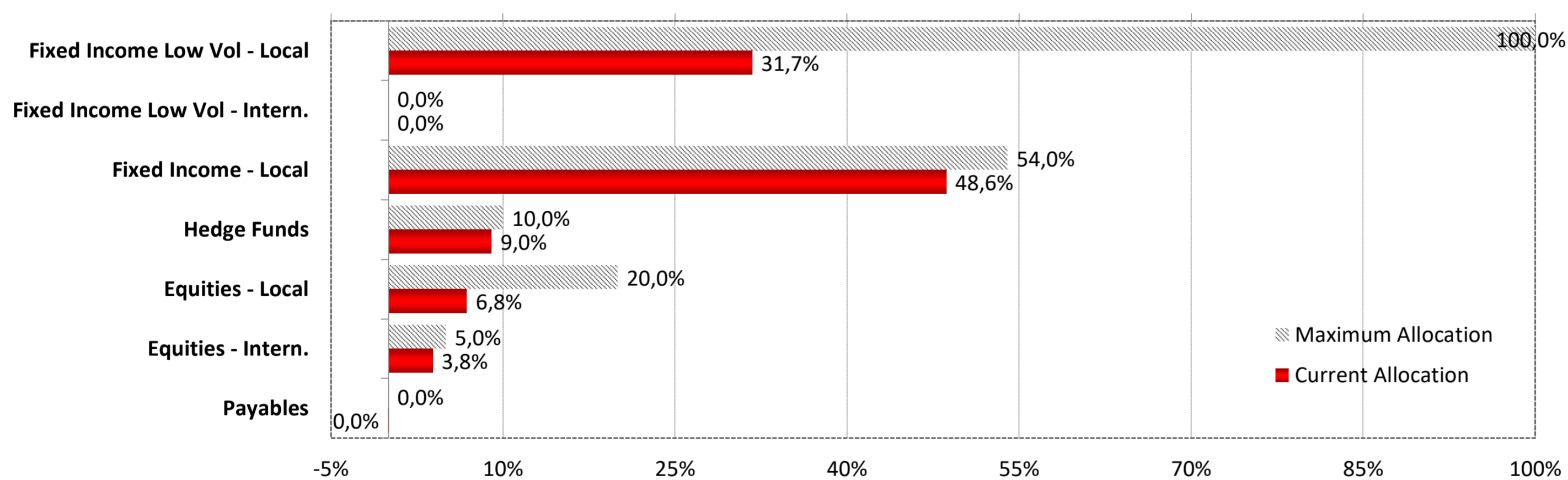
On the other hand, the only negative performance was in the 10-20 years Treasuries, which ended the month down by -0.4%, a marginal move for this duration. Finally, geopolitical tensions are still emerging, causing uncertainty in several economies, especially in Emerging Countries, such as: Lebanon, Turkey, Chile, Ecuador, Bolivia, Syria and Egypt.

The FT portfolio returned + 1.3% in October, and extended its year-to-date gain to +11.3%. Most of asset classes had a positive performance in the portfolio, positive highlight to Fixed Income up +2.2% against its benchmark. On the other hand, International Equities presented a negative performance, -0.9%, but still accumulates an outstanding return of +24.8% in 2019.

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

ASSET CLASS	MTD	YTD	12M	24M	36M	BENCHMARK	MTD	YTD	12M	24M	36M
Fixed Income Low Vol - Local	0,4%	5,1%	6,1%	6,4%	7,9%	CDI	0,5%	5,2%	6,2%	6,4%	8,0%
Fixed Income	2,2%	12,9%	14,6%	12,0%	12,9%	IRF Comp.	2,5%	16,6%	19,2%	14,4%	14,6%
Hedge Funds	1,2%	9,0%	8,2%	8,8%	10,8%	IHF Comp.	1,3%	8,6%	8,7%	8,2%	9,6%
Equities - Local	1,0%	27,8%	31,4%	19,0%	18,2%	IBX	2,2%	23,2%	24,8%	20,9%	18,9%
Equities - Intern.	-0,9%	24,8%	21,5%	17,2%	20,3%	MSCI World (BRL)	-0,5%	25,4%	22,1%	18,3%	21,0%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	Inflation IPCA	0,1%	2,6%	2,5%	3,6%	3,3%
<b>Total</b>	<b>1,3%</b>	<b>11,3%</b>	<b>12,5%</b>	<b>10,3%</b>	<b>11,4%</b>	<b>BENCHMARK</b>	<b>1,6%</b>	<b>13,0%</b>	<b>14,6%</b>	<b>12,0%</b>	<b>12,7%</b>

### ASSET ALLOCATION



ASSET CLASS	Allocation (R\$)
Fixed Income Low Vol - Local	49.739.156
Fixed Income Low Vol - Intern.	-
Fixed Income	76.268.778
Hedge Funds	14.096.793
Equities - Local	10.707.794
Equities - Intern.	6.033.053
Payables	(59.411)
<b>Total</b>	<b>156.786.163</b>

### 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%	-12,8%	-31,0%
REAL	0,7%	1,4%	-11,2%	-25,3%	-15,0%	-42,4%
IPCA	2,8%	6,3%	2,9%	3,7%	2,6%	19,7%

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	-37.500
Account Costs	-342	-1.724	-1.189	-455	-458
FINAL	122.126	145.839	134.468	141.707	156.786
<b>ACCOUNT COSTS</b>	<b>0,0%</b>	<b>-1,2%</b>	<b>-0,8%</b>	<b>-0,4%</b>	<b>-0,3%</b>
<b>SPENDING RATE</b>	<b>0,0%</b>	<b>-5,8%</b>	<b>-18,9%</b>	<b>-27,8%</b>	<b>-21,4%</b>
Nominal Return	4,4%	16,0%	13,6%	7,8%	11,3%
CPI	2,8%	6,3%	2,9%	3,7%	2,6%
Real Return	1,6%	9,1%	10,4%	4,0%	8,5%

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