

## TRANSITION FUND

Domestic markets also ended the year with strong performances. The stock market (measured by the IBX) closed for the 4th year with significant increase, + 168% accumulated since 2015, when the economic policy in the country shifted the direction. The Fixed Income market also presented a good performance in the period, due to the narrowing of the yield curve in the country.

Although the change in the economic policy has produced results in the markets over the past four years, only now we started to notice the improvement in the real economy. Total industry capacity, commerce, employment, wage bill, formal job creation, and credit impulse - all those - are already showing expansion.

However, two data diverge from this more positive picture: (1) inflation that increased sharply this past month (due to seasonality at the end of the year and the rise in animal protein) and (2) the trade balance results showed the smallest surplus in recent years (which can be explained by the decrease in soybean and iron exported to China).

2019 was a positive year for all markets, unlike the last month of 2018, when no asset class was able to perform above inflation.

Despite the very positive results, there was a high uncertainty throughout the year due to the various geopolitical events that erupted in 2019. In December, the highlight was the reduction on the risk of a possible trade war: (1) US Congress approved the USMCA (NAFTA 2.0); (2) The US has retreated from tariffing over European car imports and (3) The announcement of the conclusion of the US Phase One Deal with China (to be officially signed on Jan 15th).

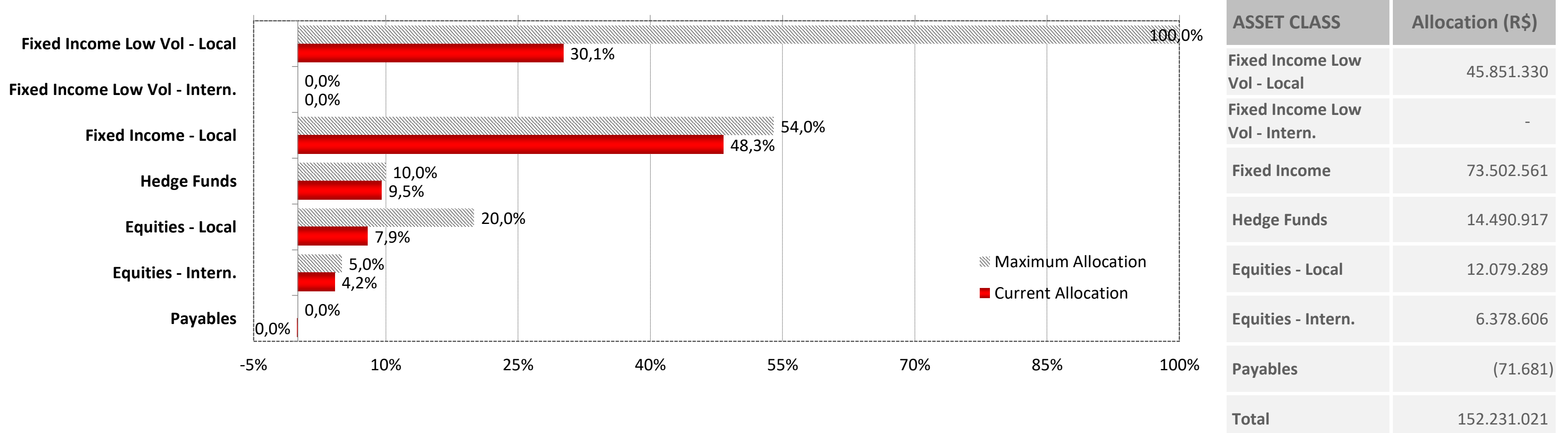
Central Bank's had an important role in the market performance with the expansionary policy in both developed and emerging countries. As a result of these measures, it is possible to notice an improvement in economic activity indicators, mainly in the US and, more recently, in China.

The FT portfolio returned + 1.6% in October, and extended its year-to-date gain to +13.2%. Most of asset classes had a positive performance in the portfolio, positive highlight to Local Equities up +8.0% and accumulates gains of +44.2% in 2019. On the other hand, International Equities presented a negative performance, -2.4%, but still accumulates an outstanding return of +32.0% 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%	5,8%	5,8%	6,1%	7,4%	CDI	0,4%	6,0%	6,0%	6,2%	7,5%
Fixed Income	1,4%	13,1%	13,1%	11,6%	12,4%	IRF Comp.	1,3%	16,5%	16,5%	13,9%	13,9%
Hedge Funds	3,2%	12,0%	12,0%	9,6%	11,3%	IHF Comp.	2,5%	11,1%	11,1%	8,9%	9,7%
Equities - Local	8,0%	44,2%	44,2%	24,6%	25,7%	IBX	7,3%	33,4%	33,4%	24,1%	25,4%
Equities - Intern.	-2,4%	32,0%	32,0%	18,1%	20,2%	MSCI World (BRL)	-2,0%	32,6%	32,6%	19,3%	21,0%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	Inflation IPCA	1,1%	4,2%	4,2%	4,0%	3,7%
<b>Total</b>	<b>1,6%</b>	<b>13,2%</b>	<b>13,2%</b>	<b>10,5%</b>	<b>11,6%</b>	<b>BENCHMARK</b>	<b>1,4%</b>	<b>14,4%</b>	<b>14,4%</b>	<b>12,0%</b>	<b>12,6%</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%	-17,6%	-34,8%
REAL	0,7%	1,4%	-11,2%	-25,3%	-20,1%	-45,9%
IPCA	2,8%	6,3%	2,9%	3,7%	3,1%	20,4%

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	40.733
Withdrawals	0	-7.900	-29.700	-40.500	-48.500
Account Costs	-342	-1.724	-1.189	-455	-556
FINAL	122.126	145.839	134.468	141.707	152.231
<b>ACCOUNT COSTS</b>	<b>0,0%</b>	<b>-1,2%</b>	<b>-0,8%</b>	<b>-0,4%</b>	<b>-0,4%</b>
<b>SPENDING RATE</b>	<b>0,0%</b>	<b>-5,8%</b>	<b>-18,9%</b>	<b>-27,8%</b>	<b>-27,0%</b>
Nominal Return	4,4%	16,0%	13,6%	7,8%	13,2%
CPI	2,8%	6,3%	2,9%	3,7%	4,2%
Real Return	1,6%	9,1%	10,4%	4,0%	8,6%

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