

December was highlighted by the good performance of the risk assets, positively affected by the reduced aggressiveness of the Omicron variant and the decline of the unemployment rate (4,2%) with improvement of the economy indexes in the US. Despite the increase of the CPI (6,8% YoY), the decline of the fiscal stimulus in 2022 and the unfulfillment of the “Build Back Better” plan, along with the hawkish FED tone, helped to anchor the long-term inflation expectation. The hawkish tone promoted the “risk on”, but also, affected negatively the assets correlated with the interest rates

In December, the hard posture of the Brazilian Central Bank demonstrated on the increase of 150 bps on the Selic and promised another increase of 150 bps in the next meeting, added up with the decline of the inflation measured by the IGPs, yield curve flattening and the decrease of the breakeven inflation. During the 2nd semester of 2021, the market was negatively impacted by the bad news of the fiscal performance and the low economic activity indexes. However, in December, the lower risk perception contributed to reduce the significant losses in the calendar year.

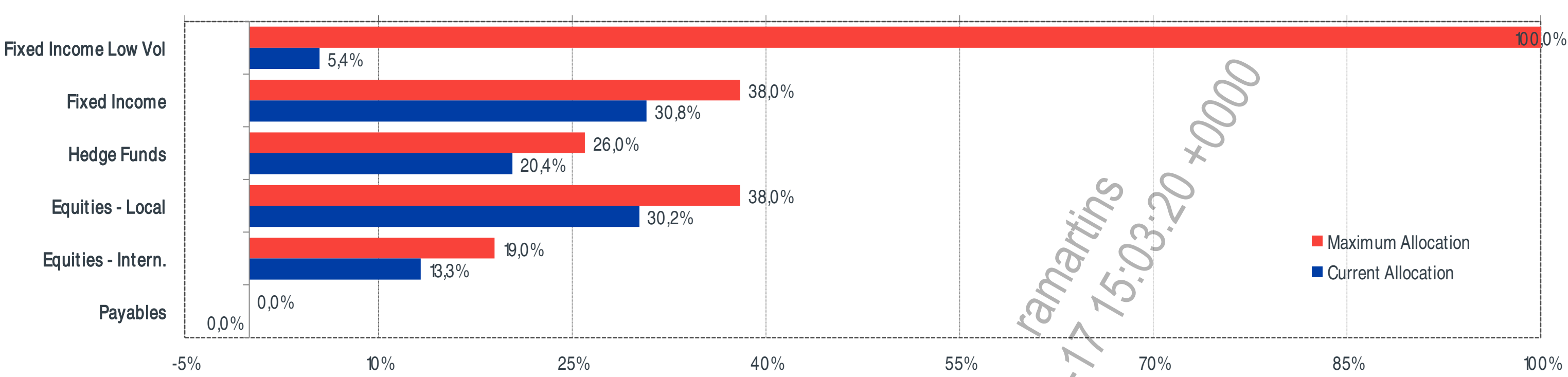
BA&ES local portfolio returned 1.5% mtd, still below its benchmark. All of asset classes had positive return. This month in particular, the highlight was International Equities, up +3.2% and Hedge Funds, +1.6%

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

| ASSET CLASS | MTD | YTD | 12M | 24 M | 36 M |
|----------------------|------|--------|--------|-------|-------|
| Fixed Income Low Vol | 0,8% | 4,8% | 4,8% | 3,7% | 4,4% |
| Fixed Income | 0,9% | -3,7% | -3,7% | 1,4% | 6,0% |
| Hedge Funds | 1,6% | 2,7% | 2,7% | 4,3% | 6,8% |
| Equities - Local | 1,2% | -17,9% | -17,9% | -0,4% | 12,7% |
| Equities - Intern. | 3,2% | 31,6% | 31,6% | 40,0% | 37,3% |
| Payables | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Total | 1,5% | -2,3% | -2,3% | 7,1% | 11,5% |

| BENCHMARK | MTD | YTD | 12M | 24 M | 36 M |
|----------------|------|--------|--------|-------|-------|
| CDI | 0,8% | 4,4% | 4,4% | 3,6% | 4,4% |
| IRF Comp. | 1,0% | -2,7% | -2,7% | 2,3% | 6,8% |
| IHF Comp. | 1,3% | 2,0% | 2,0% | 3,8% | 6,2% |
| IBX | 3,1% | -11,2% | -11,2% | -4,1% | 7,0% |
| MSCI (BRL) | 3,2% | 31,2% | 31,2% | 40,2% | 37,5% |
| Inflation IPCA | 0,7% | 10,1% | 10,1% | 7,3% | 6,3% |
| BENCHMARK | 2,1% | 0,1% | 0,1% | 6,4% | 10,2% |

ASSET ALLOCATION - LOCAL



| ASSET CLASS | Allocation (R\$) |
|----------------------|------------------|
| Fixed Income Low Vol | 231.714 |
| Fixed Income | 1.313.434 |
| Hedge Funds | 870.221 |
| Equities - Local | 1.289.537 |
| Equities - Intern. | 566.802 |
| Payables | (1.378) |
| Total | 4.270.330 |

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

| GROWTH | 20 16 | 20 17 | 20 18 | 20 19 | 20 20 | 20 21 | ACC. |
|---------|-------|-------|-------|-------|-------|--------|-------|
| NOMINAL | 0,1% | 8,7% | 7,0% | 19,0% | -5,8% | -4,1% | 25,1% |
| REAL | -0,1% | 5,5% | 3,2% | 14,1% | -9,9% | -12,8% | -2,5% |
| IPCA | 0,2% | 2,9% | 3,7% | 4,3% | 4,5% | 10,0% | 28,3% |

| CURRENT ACCOUNT | 20 16 | 20 17 | 20 18 | 20 19 | 20 20 | 20 21 |
|-----------------|-------|-------|-------|-------|--------|--------|
| INITIAL | 0 | 3.416 | 3.712 | 3.972 | 4.728 | 4.452 |
| Subscriptions | 3.415 | 0 | 0 | 0 | 0 | 0 |
| Withdrawals | 0 | 0 | 0 | 0 | -952 | 0 |
| Account Costs | 0 | -64 | -32 | -53 | -48 | -82 |
| FINAL | 3.416 | 3.712 | 3.972 | 4.728 | 4.452 | 4.270 |
| ACCOUNT COSTS | 0,0% | -1,7% | -0,8% | -1,2% | -1,0% | -1,8% |
| SPENDING RATE | 0,0% | 0,0% | 0,0% | 0,0% | -18,5% | 0,0% |
| Nominal Return | 0,1% | 10,5% | 8,0% | 20,9% | 17,4% | -2,3% |
| Inflation IPCA | 0,0% | 2,9% | 3,7% | 4,3% | 4,5% | 10,1% |
| Real Return | 0,1% | 7,4% | 4,1% | 15,9% | 12,3% | -11,3% |

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