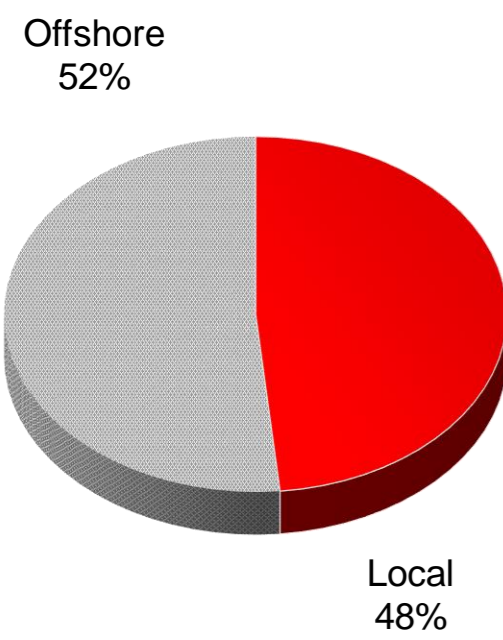


## BAHIA & ESPIRITO SANTO FUND - LOCAL



The Local markets recorded strong gains in September, even the Fixed Income class ended the month with good returns. During this month, we had important news: (i) BCB's decision to cut interest rates in 50 bps to 5.50% per year. In its report, the Brazilian Central Bank outlined the scenarios for inflation that may collaborate to further cuts. The market adjusted its estimates and now considers (according to Focus report) that rates may reach 5.0% or less; (ii) recent economic data indicate signs of economic recovery - still at lower levels, but more consistently, with improvements in retail, employment, construction, total industry capacity and confidence, and (iii) the government finally managed to draw the project that will allow the pre-salt mega auctions in November.

Although the political climate in Latin America continues to deteriorate (Argentina, Ecuador, Peru), Brazil seems to be straying from the rest of the region, as it has slightly improved its economic.

After the market correction in August, September emerged with good results in the stock markets. Highlight to the Central Bank support for economic activity after the announcement by the ECB. The European Central Bank has reduced its deposit tax to -0.5% (from -0.4%) and announced that it should maintain liquidity conditions until inflation returns to 2.0% (currently below 1%). The ECB has not announced interest rate changes since March 2016. Negative interest rates pose a challenging scenario for the economy and increase pressures for fiscal stimulus to reactivate the economy (especially in Europe / Germany).

Political disputes and geopolitical conflicts were some of the factors affecting asset prices, as an example: Trump's impeachment request in the US, the UK Supreme Court with Boris Johnson's trial, Iran's drones in Saudi Arabia, and the strong threat from US' tariffs over China.

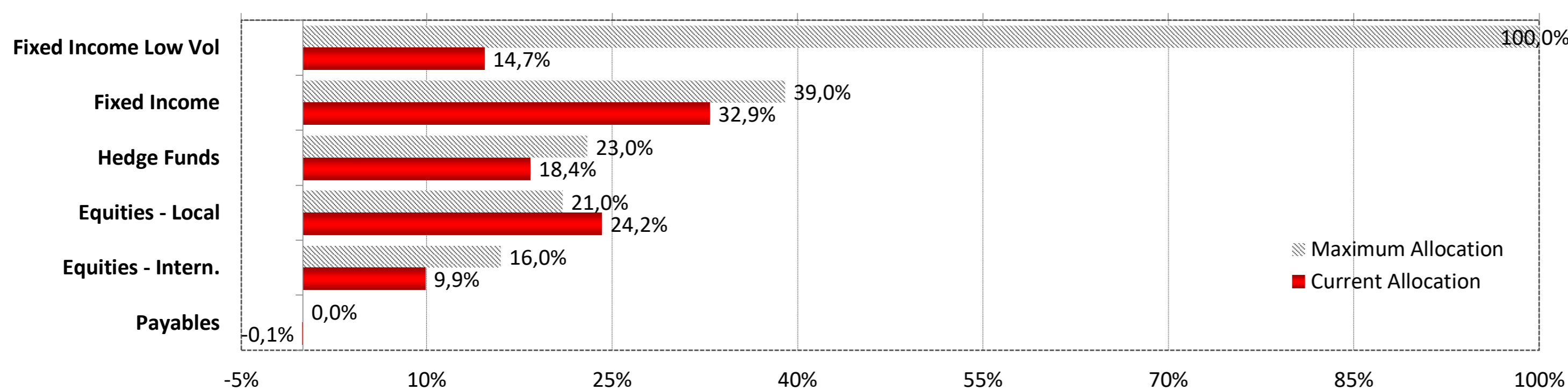
Even around this uncertain environment, the month recorded gains on the stock market. Until the end of the third quarter, the markets register a very positive period in returns at all markets.

BA&ES local portfolio gained +1.5%, and extended its year-to-date gain to +14.6%, exceeding its benchmark. All asset classes recorded gains, Brazilian Equities returned +1.6%, still below IBX, its benchmark, that gained 3.2% mtd. On the other hand, International Equities also contributed positively with +2.8% and above its benchmark +2.6%. The international portfolio also had a positive performance, up +1.2%, recovering from the correction from last month. The positive highlight was International Equities that recorded gain of 2.4%, against its benchmark, 2.1%. The Fixed Income class lost -0.6%, next to its benchmark that lost -0.5%.

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

ASSET CLASS	MTD	YTD	12M	24M	36M	BENCHMARK	MTD	YTD	12M	24M	36M
Fixed Income Low Vol	0,5%	4,6%	6,2%	6,4%	7,6%	CDI	0,5%	4,7%	6,3%	6,5%	7,7%
Fixed Income	2,1%	13,4%	21,3%	14,0%	14,0%	IRF Comp.	2,1%	13,8%	21,9%	14,5%	14,5%
Hedge Funds	0,6%	7,6%	9,1%	8,6%	8,6%	IHF Comp.	0,5%	7,2%	9,5%	7,9%	7,9%
Equities - Local	1,6%	26,6%	40,7%	20,8%	20,8%	IBX	3,2%	20,5%	34,8%	22,7%	22,7%
Equities - Intern.	2,8%	26,1%	4,9%	17,6%	17,6%	MSCI World (BRL)	2,6%	26,1%	4,7%	18,4%	18,4%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	Inflation IPCA	0,0%	2,6%	3,0%	3,8%	3,4%
<b>Total</b>	<b>1,5%</b>	<b>14,6%</b>	<b>17,7%</b>	<b>12,7%</b>	<b>12,2%</b>	<b>BENCHMARK</b>	<b>1,8%</b>	<b>13,3%</b>	<b>17,2%</b>	<b>9,6%</b>	<b>12,8%</b>

### ASSET ALLOCATION - LOCAL



ASSET CLASS	Allocation (R\$)
Fixed Income Low Vol	662.212
Fixed Income	1.484.495
Hedge Funds	829.668
Equities - Local	1.090.618
Equities - Intern.	446.711
Payables	(2.890)
<b>Total</b>	<b>4.510.814</b>

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

GROWTH	2016	2017	2018	2019	ACC.
NOMINAL	0,1%	8,7%	7,0%	13,6%	32,1%
REAL	-0,1%	5,5%	3,2%	10,7%	20,4%
IPCA	0,2%	2,9%	3,7%	2,6%	9,7%

CURRENT ACCOUNT	2016	2017	2018	2019
INITIAL	0	3.416	3.712	3.972
Subscriptions	3.415	0	0	0
Withdrawals	0	0	0	0
Account Costs	0	-64	-32	-32
FINAL	3.416	3.712	3.972	4.511
<b>ACCOUNT COSTS</b>	<b>0,0%</b>	<b>-1,7%</b>	<b>-0,8%</b>	<b>-0,8%</b>
<b>SPENDING RATE</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
Nominal Return	0,1%	10,5%	8,0%	14,6%
CPI	0,0%	2,9%	3,7%	2,6%
Real Return	0,1%	7,4%	4,1%	11,8%

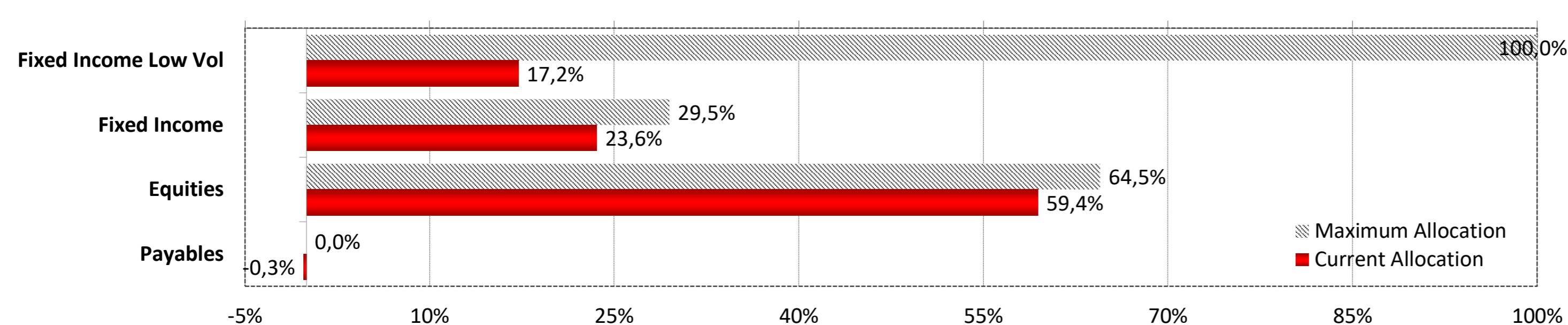
The difference between the portfolio performance and the portfolio growth is that the latter considers the impacts of transactions and taxes.

PORTFOLIO PERFORMANCE - INTERNATIONAL (In US\$ Thousands)

ASSET CLASS	MTD	YTD	12M	24M	36M
Fixed Income Low Vol	0,1%	1,9%	2,5%	2,2%	2,2%
Fixed Income	-0,6%	8,4%	9,9%	5,2%	5,1%
Equities	2,4%	17,5%	1,8%	6,7%	6,7%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Total</b>	<b>1,2%</b>	<b>12,0%</b>	<b>3,3%</b>	<b>4,4%</b>	<b>3,4%</b>

BENCHMARK	MTD	YTD	12M	24M	36M
RF LV COMP	0,1%	2,3%	3,0%	2,6%	2,6%
Barclays Global	-0,5%	8,8%	10,6%	5,9%	5,4%
MSCI World	2,1%	17,6%	1,8%	6,0%	6,0%
CPI	0,0%	1,4%	1,7%	2,0%	2,0%
<b>BENCHMARK</b>	<b>1,2%</b>	<b>12,7%</b>	<b>4,3%</b>	<b>3,6%</b>	<b>3,8%</b>

ASSET ALLOCATION - INTERNATIONAL



ASSET CLASS	Allocation (U\$)
Fixed Income Low Vol	199.156
Fixed Income	272.887
Equities	687.350
Payables	(2.920)
<b>Total</b>	<b>1.156.474</b>

GROWTH AND CURRENT ACCOUNT - INTERNATIONAL PORTFOLIO (In US\$ Thousands)

GROWTH	2016	2017	2018	2019	ACC.
NOMINAL	0,0%	1,5%	-3,3%	12,2%	10,1%
REAL	-0,1%	-0,6%	-5,2%	10,6%	4,2%
CPI	0,2%	2,1%	1,9%	1,4%	5,7%

CURRENT ACCOUNT	2016	2017	2018	2019
INITIAL	0	1.050	1.066	1.031
Subscriptions	1.050	0	0	0
Withdrawals	0	0	0	0
Account Costs	0	0	0	0
FINAL	1.050	1.066	1.031	1.156
<b>ACCOUNT COSTS</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>SPENDING RATE</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
Nominal Return	0,0%	1,5%	-3,4%	12,0%
CPI	0,2%	2,1%	1,9%	1,4%
Real Return	-0,1%	-0,6%	-5,2%	10,4%

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