

TRANSITION FUND

Jun-23



The three main factors that contributed to the strong performance in June were: (i) positive GDP data (+4.0% YoY), (ii) inflation (+3.94 YoY) and (iii) unemployment rate (8.5%). Although the Central Bank did not reduce interest rates at the last meeting, expectations have changed. The yield curve now prices a reduction to 11.75% at the end of 2023, against 12.25% a month earlier. The Fixed Income indexes reflected the flattening in yield curves. For IMA-B 5+, its longer duration helped to boost performance. In 2023, IMA-B 5+ (inflation linked public bonds with duration of more than 5 years) accumulates 14.9% and Small Caps 13.3%. Also, in the stock markets, the largest contributions in IBX (benchmark) came from the Energy sector, that represents 16.0% of the benchmark, and Financials, that represents 24.3% of the benchmark. Regarding the attribution of the IBX index: Energy contributed +270 bps and Financials added +250 bps. Finally, the Small Caps index was 820 bps up, mainly because of the (i) Consumer Discretionary sector, which represents 21.6% of the benchmark, and added +260 bps; and, (ii) Industrials, with a weight of 22.7%, which added +150 bps.

The FED's pause in raising interest rates, the release of stronger economic activity data and the suspension of Debt Ceiling until 2025 were the main factors that contributed to the good performance of Equities in June. In Commodities sector, the highlights were Energy and Grains, due to the (i) Natural gas that rose 18%, with higher demand for energy in the US South, due to the heatwave, (ii) Oil also contributed to the appreciation of Energy with 4% and (iii) Drought in the Midwest increased fears of crop failures in corn and soybeans, which contributed to Grains accounting for 1.4% of the index's 4.0% rise. Despite the FED pause, the expectations are that interest rates could rise another 50 bps by the end of the year, and the signaling that inflation would only converge to 2% in 2025. This scenario caused yield rates to rise across the curve, which negatively impacted Fixed Income indexes. The good performance of EMBI, HY and IG is due to the tightening of credit spreads influenced by strong economic activity data. Besides the strong activity, the absence of relevant geopolitical events - with the exception of the 1-day Wagner Group uprising -, reduced the demand for safe assets and contributed to gold's depreciation.

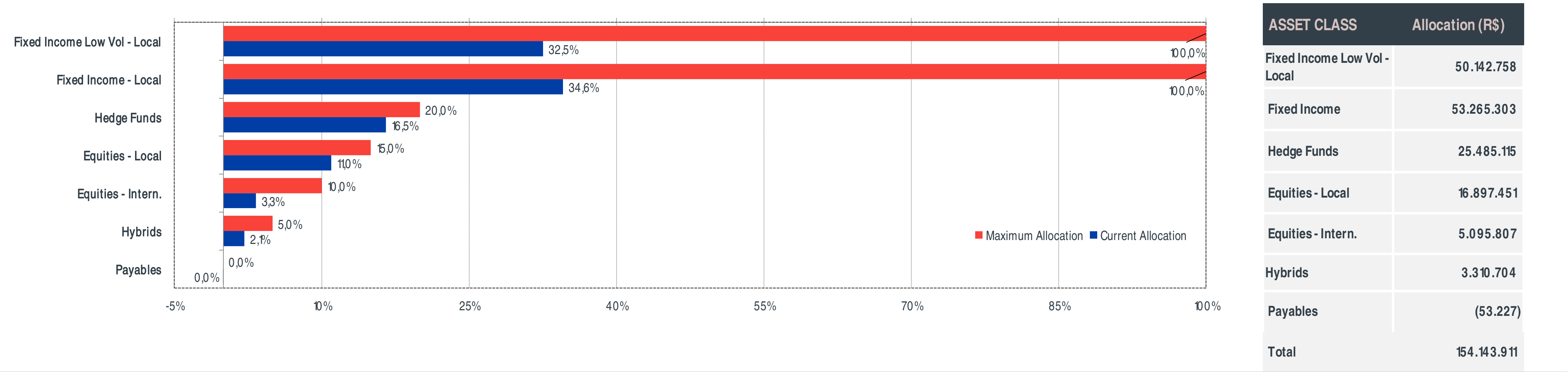
FT portfolio returned 2.0% mtd, accumulating 7.4% in 2023. Once again, Local Equities had strong returns during June, up +7.6% and accumulates 12.1% ytd. Also, Fixed Income remains with good performance (+2.4% mtd and 11% ytd). On the other hand, the depreciation of USD against BRL impacted negatively the performance of international classes.

PORTFOLIO PERFORMANCE (in Brazilian Reais - R\$)

ASSET CLASS	MTD	YTD	12M	24 M	36 M	60 M
Fixed Income Low Vol - Local	1,2%	6,6%	13,9%	11,8%	8,6%	7,2%
Fixed Income	2,4%	11,0%	16,0%	9,1%	7,7%	9,0%
Hedge Funds	0,7%	2,4%	6,5%	8,8%	9,9%	8,6%
Equities - Local	7,6%	12,1%	23,2%	-14,1%	-0,2%	10,1%
Equities - Intern.	-0,4%	4,0%	8,5%	-0,7%	8,1%	13,6%
Hybrids	-4,8%	-7,0%	-10,4%	-15,8%	-15,8%	-15,8%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	2,0%	7,4%	13,2%	6,3%	7,1%	8,5%

BENCHMARK	MTD	YTD	12M	24 M	36 M	60 M
CDI	1,1%	6,5%	13,5%	11,1%	8,1%	7,0%
IRF Comp.	2,4%	11,1%	15,5%	8,5%	7,0%	9,6%
IHF Comp.	1,5%	4,0%	9,1%	7,7%	8,5%	7,8%
IBX	8,9%	6,6%	17,6%	-4,9%	7,3%	10,6%
MSCI (BRL)	-0,1%	4,2%	8,8%	-1,9%	7,1%	13,6%
Inflation IPCA	-0,1%	2,9%	3,2%	7,5%	7,8%	5,7%
BENCHMARK	2,3%	7,5%	13,9%	7,2%	7,5%	9,0%

ASSET ALLOCATION



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

GROWTH	20 15	20 16	20 17	20 18	20 19	20 20	20 21	20 22	20 23	ACC.
NOMINAL	3,5%	7,8%	-8,6%	-22,5%	-17,6%	-16,1%	-19,6%	5,8%	7,1%	-50,2%
REAL	0,7%	1,4%	-11,2%	-25,3%	-21,0%	-19,7%	-27,0%	0,0%	4,1%	-67,3%
IPCA	2,8%	6,3%	2,9%	3,7%	4,3%	4,5%	10,1%	5,8%	2,9%	52,4%

CURRENT ACCOUNT	20 15	20 16	20 17	20 18	20 19	20 20	20 21	20 22	20 23
INITIAL	0	122.126	145.839	134.468	141.707	152.231	169.205	135.981	143.877
Subscriptions	118.175	13.419	1.760	39.485	40.733	46.801	0	0	0
Withdrawals	0	-7.900	-29.700	-40.500	-48.500	-45.060	-31.000	-55	0
Account Costs	-342	-1.724	-1.189	-455	-556	-151	-3.629	-669	-399
Return	4.293	19.917	17.758	8.709	18.846	15.384	1.405	8.619	10.667
FINAL	122.126	145.839	134.468	141.707	152.231	169.205	135.981	143.877	154.144
ACCOUNT COSTS	0,0%	-1,2%	-0,8%	0,0%	-0,4%	-0,1%	-2,4%	-0,5%	-0,3%
SPENDING RATE	0,0%	-5,8%	-18,9%	0,0%	-27,0%	-23,5%	-18,2%	0,0%	0,0%
Nominal Return	3,9%	16,0%	13,6%	7,8%	13,2%	9,8%	0,7%	6,3%	7,4%
Inflation IPCA	2,8%	6,3%	2,9%	3,7%	4,3%	4,5%	10,1%	5,8%	2,9%
Real Return	1,0%	9,1%	10,4%	4,0%	8,5%	5,1%	-8,5%	0,5%	4,4%

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