

TRANSITION FUND

Nov-22

**PRA
GMA**

The new Brazilian government's orientation towards expansionary Fiscal policy led to an increase on the risk premium for local assets in the month. The interest rate yield curve, which indicated a drop in the Selic from Mar/23, ended the month signaling an increase of at least 50 bps in the first half of 2023. The IMA-B 5+ fell 12% mtd, result of an increase of 25 bps in interest rate on the inflation bonds with longer duration. Yield Curve rallied more than 100 bps in the period, negatively impacting high-duration bonds and adding 1% to break-even inflation. The Consumer Goods companies were the ones that suffered the most from the change in scenario. Some of them showed drops of more than 25% mtd. The weak performance of this sector strongly affected the Small Caps index, where its weight is 22%. On the IBX, the impact was smaller, as it represents only 5%.

In the past crises, the classic path was: the real economy shows signs of trouble, volatility increases and market realize. The solution to contain damage came through expansionist policies, which helped to reactivate the real side of the economy and stabilize the situation. This time, after the advent of COVID, the overdose of economic stimuli ended up creating a relevant inflationary problem, which is increasing the perception of risk with negative impact on the markets. Opposite to what was done in the past, the work now is towards contractionary policies, as it's urgently necessary to control the global inflationary process. The November optimism is due to this greater volatility. Positive inflation and economic data, and signs of a reduction in the pace of interest rate hikes by the FED, are the main vectors for asset price increase in the month.

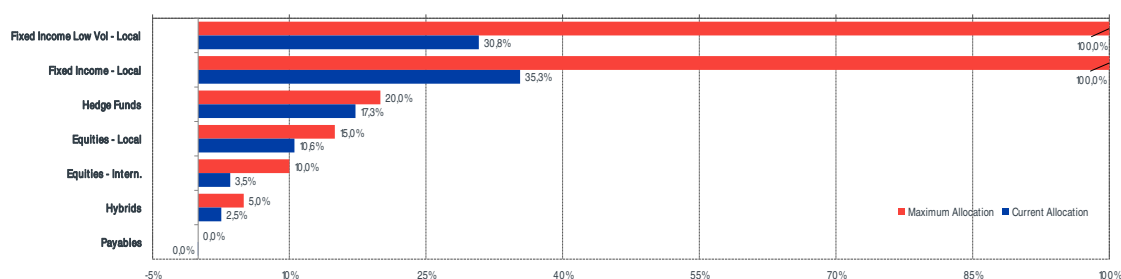
The FT portfolio returned -0.8% mtd, accumulating 6.3% ytd. The positive highlights of November were the international classes: Hybrids (+11.9%) and International Equities (+7.4%). On the other hand, local classes suffered with the economic scenario: Fixed Income (-0.7%) and Hedge Funds (-3.3%), which have been presenting solid performances ytd, and Local Equities (-7.1%).

PORTFOLIO PERFORMANCE (in Brazilian Reals - R\$)

ASSET CLASS	MTD	YTD	12M	24M	36M	60M
Fixed Income Low Vol - Local	1,1%	12,1%	13,0%	8,6%	6,5%	6,4%
Fixed Income	-0,7%	7,0%	8,0%	4,4%	4,8%	7,4%
Hedge Funds	-3,3%	17,2%	19,1%	11,2%	9,6%	9,3%
Equities - Local	-7,1%	-10,7%	-9,6%	-12,0%	-1,5%	7,5%
Equities - Intern.	7,4%	-19,0%	-16,4%	3,9%	15,7%	17,7%
Hybrids	11,9%	-10,7%	-10,7%	-10,7%	-10,7%	-10,7%
Payables	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	-0,8%	6,3%	7,5%	4,7%	6,1%	7,8%

BENCHMARK	MTD	YTD	12M	24M	36M	60M
CDI	1,0%	11,1%	12,0%	7,8%	6,2%	6,2%
IRF Comp.	-1,0%	6,3%	7,4%	3,7%	4,1%	7,8%
IHF Comp.	-1,5%	12,5%	13,9%	8,6%	7,5%	7,7%
IBX	-3,1%	6,8%	10,2%	1,8%	1,8%	10,0%
MSCI (BRL)	8,0%	-20,0%	-17,5%	2,2%	14,9%	17,6%
Inflation IPCA	0,4%	5,1%	5,9%	8,3%	7,0%	5,6%
BENCHMARK	0,0%	7,2%	8,7%	5,7%	5,9%	8,2%

ASSET ALLOCATION



ASSET CLASS	Allocation (R\$)
Fixed Income Low Vol - Local	44.296.557
Fixed Income	50.807.587
Hedge Funds	24.832.390
Equities - Local	15.195.321
Equities - Intern.	5.062.403
Hybrids	3.660.762
Payables	(60.592)
Total	143.794.429

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	ACC.
NOMINAL	3,5%	7,8%	-8,6%	-22,5%	-17,6%	-16,1%	-19,6%	5,7%	-53,5%
REAL	0,7%	1,4%	-11,2%	-25,3%	-21,0%	-19,7%	-27,0%	0,6%	-68,4%
IPCA	2,8%	6,3%	2,9%	3,7%	4,3%	4,5%	10,1%	5,1%	47,3%

CURRENT ACCOUNT	20 15	20 16	20 17	20 18	20 19	20 20	20 21	20 22
INITIAL	0	122.126	145.839	134.468	141.707	152.231	169.205	135.981
Subscriptions	118.175	13.419	1.760	39.485	40.733	46.801	0	0
Withdrawals	0	-7.900	-29.700	-40.500	-48.500	-45.060	-310.000	-55
Account Costs	-342	-1.724	-1.189	-455	-556	-151	-3.629	-634
Return	4.293	19.917	17.758	8.709	18.846	15.384	14.05	8.502
FINAL	122.126	145.839	134.468	141.707	152.231	169.205	135.981	143.794
ACCOUNT COSTS	0,0%	-1,2%	-0,8%	0,0%	-0,4%	-0,1%	-2,4%	-0,4%
SPENDING RATE	0,0%	-5,8%	-18,9%	0,0%	-27,0%	-23,5%	-18,2%	0,0%
Nominal Return	3,9%	16,0%	13,6%	7,8%	13,2%	9,8%	6,3%	6,3%
Inflation IPCA	2,8%	6,3%	2,9%	3,7%	4,3%	4,5%	10,1%	5,1%
Real Return	1,0%	9,1%	10,4%	4,0%	8,5%	5,1%	-3,5%	1,1%

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