fama re.capital

investing for change

Risk Management Policy

Risk Management Policy

1. PURPOSE

The purpose of this Risk Management Policy ("Policy") of fama re.capital Ltda. ("FAMA" or "Manager") is to establish guidelines and procedures for monitoring and managing the risks inherent in the activity of managing third party funds and the investment funds and securities portfolios under management ("Funds").

This Policy lists the criteria and parameters used to manage the types of risks and their control points.

FAMA believes that establishing clear and well-defined rules meets not only regulatory requirements, in particular CVM Resolution 21/21 and ANBIMA's Code of Regulation and Best Practices for the Management of Third Party Funds, but also the best interests of its investors.

This Policy is applicable to the activities of the Manager and to all its Employees, as defined in its Compliance Manual, who are obliged to read, understand and sign the Adhesion Agreement, which constitutes Annex I to this Policy, when they begin their relationship with FAMA. Any non-compliance will be subject to the sanction rules set out in this Manual.

2. RESPONSIBILITY AND GOVERNANCE

FAMA shall maintain an up-to-date version of this Policy in ANBIMA's SSM System, as well as on its website (www.famainvestimentos.com.br).

The guidelines established in this Policy, the decision on the metrics and control tools to be used, as well as the procedures in the event of any non-compliance, are the responsibility of the Compliance and Risk Officer.

It should be noted that the control and monitoring of market risk is also part of the investment management and decision-making process and is therefore a shared obligation of the Chief Investment Officer and the Chief Compliance and Risk Officer, who will have the final decision on risk issues. It therefore has autonomy and may even interfere if it believes that the suggested allocation is not appropriate (for example, with the investment liquidity and redemption period of the Funds).

2.1 Compliance and Risk Officer

The direct coordination of the activities related to this Policy is the responsibility of the director responsible for risk management at FAMA ("Compliance and Risk Director") appointed in its Articles of Association.

The Manager's Compliance and Risk Officer, despite accumulating compliance and risk functions, as permitted by the applicable regulations, has total technical independence in relation to these areas, being the last instance of ordinary decision regarding risk management, reporting only, functionally, to the Board Committee. The Compliance and Risk Officer will be directly responsible for monitoring the risks dealt with in this Policy.

2.2 Compliance and Risk Committee

Manager's Compliance and Risk Committee will support and supervise risk activities, whether in defining policies, controls and guidelines, as well as defining risk scenarios and reviewing monitoring, having the autonomy and independence to supervise all risk activities.

Manager's Employees must bring to the immediate attention of the Compliance and Risk Officer any events of which they are aware under the aegis of this Policy so that the latter can define an action plan to address the event that has occurred. In the event of any divergence from the parameters set out herein or in the event of atypical market situations or situations not covered, the Compliance and Risk Officer may request the advice of the Compliance and Risk Committee to decide on the respective action plan.

The rules governing the composition, operation and formalization of this Committee are set out in the Compliance Manual. Summary minutes of the Committee's meetings shall be drawn up and recorded electronically in the Manager's Compliance management system.

The Compliance and Risk Officer, together with the other members of the Compliance and Risk Committee, will be responsible for the final definition of the form of measurement and the systems used to monitor the risks described in this Policy, including the exposure limits as defined in Annex II.

2.3 Risk Area

As set out in the organizational chart attached to this Policy (Appendix III), Manager has a risk team made up of the Compliance and Risk Officer and support professionals, who have the technical qualifications and experience necessary to carry out the activity and do not work in functions related to securities portfolio management or in any activity that limits their independence, either at Manager or at another institution.

Manager's Risk area operates independently and separately from Manager's other business areas, with analysts reporting directly to the Compliance and Risk Officer on risk issues. The Risk area also communicates directly with the Board of Directors or senior management to report on the results of the activities related to its function and participates in meetings of the Compliance and Risk Committee.

Finally, the Risk Area must act preventively and constantly to alert, inform and request measures from the Investment Committee in the event of any breaches of regulatory limits and those established internally, under the terms of item 3.2.

3. MONITORING AND INFORMATION FLOW

On a daily basis, after the markets close each day or before the markets open the following day, the Asset Management area must observe the investment limits of the investment vehicles in accordance with the strategies, risk limits, rules, restrictions and prohibitions laid down in the Funds' documents and in the regulations in force prior to carrying out the operations. This pre-matching control is carried out using the Bloomberg AIM system.

Control of non-compliance

In the event of non-compliance, the Compliance and Risk Officer will notify the management area responsible for the strategy, as well as whether the portfolio needs to be re-compliance, in the case of passive non-compliance.

The Manager uses the risk module of the Bloomberg system to control limits and maximum percentages in order to minimize the possibility of an active misalignment of the positions held. However, natural market fluctuations can lead to passive mismatching of positions.

Passive mismatching means exogenous factors beyond the Manager's control which cause unpredictable and significant changes in the Fund's net assets or in general capital market conditions. The deadline for reframing is 15 (fifteen) consecutive days, under the terms of the applicable regulations, and the Risk Area must ensure that the reframing takes place within this period.

Notwithstanding the foregoing, in the event of any other non-compliance situation not characterized as a liability, the Manager shall cease any activity that may aggravate said non-compliance and shall immediately adopt measures to reduce the positions that are non-compliant.

In such cases, the Chief Compliance and Risk Officer shall immediately notify the Chief Investment Officer so that he can carry out the necessary re-matching as of the opening of the markets the following day.

For each active disqualification, a member of the Trading team must notify the compliance area of the occurrence and the justification, which will then be assigned in the Manager's compliance management system with the reason for the disqualification, sending it to the Compliance and Risk Officer. Until the day after the disqualification, the Risk Area must interact with the trustee of the respective Fund to confirm and justify the disqualification, already informing the deadline for re-qualification.

Exceptions to this rule, such as the impossibility of re-screening within the deadline due to market conditions, must be formalized in writing by the Risk Area containing the Investment Director's justification and sent to the Fund's fiduciary administrator, so that it can send it to the CVM, under the terms of the applicable regulations.

It is forbidden to use any legal institute, product structure or acquisition of financial assets which, directly or indirectly, has the economic purpose of investing in assets which, if invested in directly, would not comply with the Funds' investment policy and/or current regulations.

Without prejudice to the above, the Risk Area may carry out a subjective analysis of the concentration of portfolios and, if it identifies a relevant risk, it must request an extraordinary meeting of the Compliance and Risk Committee to deal with the issue, and may even suggest the adoption of an action plan to mitigate said risk.

At meetings of the Compliance and Risk Committee, the routines in relation to the reports produced by the Risk Area are validated and, if necessary, new risk management metrics and parameters are analyzed and defined.

In the event of non-compliance with any of the procedures defined in the Policy, as well as the identification of any risk situation not addressed in this Policy, the Compliance and Risk Officer must submit the matter to the Compliance and Risk Committee, with the aim of:

(i) Establishing an action plan that translates into the prompt compliance of the portfolios with the Policy in force; and

(ii) Assessing the need for any adjustments to the procedures and controls adopted.

In all cases, the Compliance and Risk Officer is authorized to order the purchase/sale of positions in order to bring portfolios back into line.

3.1 Risk Reports

The Risk Area sends a monthly electronic report to the members of the Management Area containing information on exposure, liquidity and sensitivity of portfolios in relation to changes in the prices of their assets. If there are Funds whose risk limits have been exceeded, this matter should also be the subject of this report.

FAMA's Investment Committee will review the risk report at least once a month.

The Funds' liquidity is also analyzed on a daily basis, with all positions aggregated to make up the Manager's total portfolio. Based on this data, the overall liquidity profile is analyzed, showing what percentage can be converted into cash in a given number of days. The limits for this analysis are set out in the Liquidity Risk Control and Management Policy, which is available to all investment professionals and third parties on request. If necessary, a separate report will be sent to the Compliance and Risk Officer, as well as to the Investment Committee.

4. RISKS

4.1 Market Risk

Market Risk consists of the risk of variation in the value of the assets that make up the Funds. The value of securities can increase or decrease according to fluctuations in prices and market quotations, interest rates and the results of the issuing companies. In the event of a fall in the value of these assets, the Fund's net assets may be negatively affected. This fall in prices may be temporary, but there is no guarantee that it will not last for long and/or indefinite periods. At certain times in the market, the volatility of asset prices can be high, which can lead to sharp fluctuations in the Funds' results.

The Funds' investment horizon is medium to long term. The companies that make up the investment portfolios are selected through careful analysis, taking into account factors such as liquidity, management quality, operational/financial performance and ESG aspects.

In this way, the daily variation in the value of shares is the main market risk factor. Although it is monitored on a daily basis, it is not considered a preponderant factor when making investment decisions, given the Funds' investment philosophy and long investment horizon.

Taking into account our investment philosophy focused on fundamental analysis, market risk is analyzed directly in the analysis of each company.

Each analyst is responsible for preparing in-depth qualitative and quantitative studies to support the discussions in FAMA's investment process. We always carry out financial projections for companies in at least three scenarios: conservative, optimistic and neutral. Through the scenarios we try to understand the company's value creation agenda, its risks and compare them with the stock market valuation.

Through the financial projections we also carry out a risk study, trying to understand which micro and macroeconomic variables could most threaten our perception of the company's value.

It is important to note that we do not guide our decision making by calculating target prices or multiples. On the contrary, through the valuation process we seek to understand whether the stock market prices give us sufficient comfort for the investment vis-à-vis our qualitative perceptions.

The portfolio is allocated in such a way as to maintain a diversified and balanced portfolio, avoiding concentration and sector risks.

4.2 Risks of using derivatives and financial leverage

The use of derivatives is prohibited for all Funds. Financial leverage is not used as part of the investment strategy.

4.3 Credit/Counterparty Risk

This consists of the risk that the issuers of fixed-income financial assets in the portfolio do not fulfill their obligations to pay both the principal and interest on their debts to the Funds.

The credit/counterparty risk also arises from the possibility of problems in the settlement of transactions carried out through brokers and distributors of securities, as well as changes in the financial conditions of issuers and/or counterparties, or their perception by the market, which may compromise payment capacity, thus having an impact in terms of price and liquidity, among other factors.

It should be noted that the investment strategies adopted by FAMA do not involve investments in private credit assets, which will always be subject to the prior development and maintenance of a Private Credit Acquisition and Monitoring Policy and the adaptation of this Policy to include specific credit and counterparty risk management mechanisms.

FAMA's main strategy is to invest the Funds' resources in shares listed on the stock exchange. Other assets - such as federal government bonds and shares in third-party funds - are rarely used and are not part of the Funds' active management.

With regard to counterparty risk (non-compliance with obligations relating to the settlement of transactions involving financial assets), it should be noted that the Funds' investments in transactions on B3 are carried out through pre-selected brokers. In this case, we consider the counterparty risk associated with the Brokerage House used, until the operation is settled by B3. Settlement takes place two days after the order is executed.

The following controls are carried out by the Manager to mitigate this type of risk: (i) control of the exposure limit to brokers; (ii) prior control of daily portfolios, before the start of operations; (iii) application of filters in the billeting system to prevent the operation of unapproved assets; (iv) assessment of the operational efficiency of counterparties; and (v) checking of operations at the end of the day and verification of counterparty reports.

4.4 Concentration risk

The portfolio construction process is bottom-up, seeking to exploit discrepancies between fair value and market prices, thus avoiding sector concentration. Top-down analysis is applied to ensure that the companies selected are consistent and do not concentrate on common factors.

Portfolio concentration in financial assets from the same issuer is limited to 15% of each Fund's assets. Changes in the financial condition of an issuer, changes in its expected performance/results and the competitive capacity of the sector invested in may, individually or cumulatively, adversely affect the price and/or yield of the financial assets in the Funds' portfolio. In such cases, the Manager may be obliged to liquidate the Funds' financial assets at depressed prices, which may negatively affect the value of the Funds' shares.

The Manager has adopted a tool to monitor orders to buy and sell positions, which helps control the risk of concentration of its positions, issuing an alert if the limit is reached.

4.5 Liquidity risk

In order to mitigate liquidity risk, the Compliance and Risk Officer defines the maximum exposure that a given company can have in the Funds' portfolio. The maximum exposure limit for each company is based on the average trading volume analyzed over various periods. Conservative criteria are used, always with the aim of obtaining a limit in order to honor redemptions according to their respective redemption deadlines, without incurring significant losses during daily operations.

In addition to the maximum limit per company mentioned above, the Compliance and Risk Director defines which of the invested companies will be classified internally as “illiquid” based on an objective and verifiable cut-off. And for the purposes of controlling the consolidated liquidity risk of the Funds' portfolios, the total position in “illiquid” companies will be limited to 20% of each Fund's assets.

Other portfolio liquidity control and management procedures can be found in the Liquidity Risk Management Control Policy.

4.6 Operational Risk

Occurs due to the lack of consistency and adequacy of information, processing and operations systems, or failures in internal controls. These are risks arising from the occurrence of weaknesses in processes, which can be generated by a lack of internal regulations and/or documentation on policies and procedures, which allow for possible errors in the exercise of activities, which can result in unexpected losses.

Operational risk is dealt with through frequent procedures for validating the different systems in operation at FAMA, such as computer programs, the telephone system, the Internet, and others. The operational control activities carried out consist of controlling and ticketing operations, parallel calculation of fund quotas under its management, monitoring the valuation of the assets and liabilities that make up the Funds, carrying out financial settlements of operations and controlling and maintaining the individual positions of each investor.

In addition, FAMA has a Contingency and Business Continuity Plan which defines the procedures to be followed by FAMA in the event of a contingency, in order to prevent operational discontinuity due to technical problems. Strategies and action plans have been stipulated to ensure that FAMA's essential services are properly identified and preserved after an unforeseen event or disaster occurs.

Under the terms of this Policy, systemic, operational and allocation errors must be identified and duly justified by the Employee responsible. The justifications must be clear and objective. The Risk Area is responsible for generating an event in the compliance management system used by the Manager about the error, including the profit or loss on correction. The Risk Area, together with the Compliance and Risk Committee, must decide who will bear any losses resulting from the error, taking into account the characteristics of the specific case.

4.7 Legal risk

This arises from the potential legal questioning of the execution of contracts, lawsuits or judgments contrary or adverse to those expected by FAMA and which may cause significant losses or disruptions that negatively affect FAMA's operational processes and/or organization.

4.8 Systemic risk

Arises from the financial difficulties of one or more institutions that cause substantial damage to other institutions, or a disruption in the normal operational conduct of the financial system in general.

4.9 Trustee risk metrics

The securities portfolio trustee calculates VaR parametrically, specifying a confidence level of 97.5% (ninety-seven point five percent) over a one-day time horizon.

5. POLICY REVIEW AND ADHERENCE TESTS

This Policy, including the methodology provided for herein, must be reviewed at least every 24 months or less if the adherence tests reveal inconsistencies that require revision, taking into account (i) regulatory changes; (ii) discussions with other market participants; and (iii) any deficiencies found, among others. This Policy may also be revised at any time, whenever the Risk Area, through its Compliance and Risk Officer, deems it relevant.

The purpose of reviewing this Policy is to enable the permanent monitoring, measurement and adjustment of the risks inherent in each of the securities portfolios and to improve internal controls and processes.

Also on an annual basis, Compliance and Risk must carry out adherence/effectiveness tests of the metrics and procedures provided for herein or defined by the Compliance and Risk Committee.

The results of the tests and reviews should be discussed by the Compliance and Risk Committee and any shortcomings and suggestions should be included in the annual compliance and risk report, submitted by the last day of April each year to FAMA's administrative bodies.

ANNEX I

TERM OF ADHESION TO THE

RISK MANAGEMENT POLICY

I, ________________________________, registered with the CPF/MF under no. ________________, in the capacity of ____________________ (position) of FAMA, hereby certify that I have received, read and understood the Risk Management Policy of the Manager and confirm that I am fully aware of all the rules and procedures contained herein.

Accordingly, I undertake to comply with it in full, confirming my awareness of the sanctions applicable to each case of violation of this Policy.

_____________, ___ of ________ of 20__

[Signature of Employee]

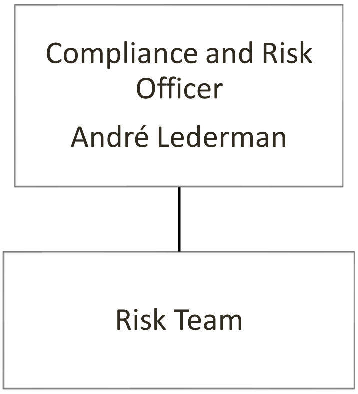
ANNEX II

FAMA RISK LIMITS

The investment limits per issuer and per type of asset, as well as any prohibitions or specific provisions other than those described in this Policy are detailed in the Appendix - Investment Policy, an integral part of the FAMA Master FIA regulations, CNPJ No. 09.441.424/0001-66, available on the CVM website (www.cvm.gov.br) in its latest version.

ANNEX III

ORGANOGRAM



Duties and Responsibilities:

Compliance and Risk Officer: as set out in the Risk Management Policy.

Risk Team: in addition to the powers defined by the Compliance and Risk Officer, it has the following duties and responsibilities: (i) to direct efforts towards analyzing risks, their magnitude and impacts on activities, allowing for the management of occurrences and the development of action plans to correct and mitigate recurrences, (ii) to verify compliance with this Policy, submitting risk exposure reports for each Fund, and (iii) to supervise any third parties hired for such monitoring, as applicable.

Version Control	
Jul-2015	Version A
Jun-2016	Version 0
Jan-2019	Version 1
Oct-2020	Version 2
Oct-2022	Version 3