QUARTERLY REPORT

FAMA FIC FIA

2nd Quarter - 2024

Content

Letter from the CIO

The need to rethink our agricultural practices has become increasingly urgent.

Conventional agriculture, characterized by the intensive use of chemical fertilizers, pesticides, and monocultures, has been associated with soil degradation, water contamination, and loss of biodiversity. These problems are exacerbated by climate change, which intensifies the challenges faced by farmers.

In contrast, regenerative agriculture emerges as a promising alternative, utilizing bio-inputs, precision agriculture, cover crops, and other practices that not only promote environmental sustainability but also offer tangible financial advantages.

Similarly, the Integrated Crop-Livestock-Forest system offers several significant advantages for sustainable agriculture.

This integrated system maximizes land use by combining agricultural crops, livestock, and forests, promoting a symbiotic relationship between these activities. It helps improve soil fertility and control erosion, also contributing to climate change mitigation by increasing carbon capture in the soil and plants.

Bio-inputs, such as biofertilizers and biopesticides, are natural products that promote soil and plant health, reducing the need for synthetic chemical inputs. **They help increase soil fertility, promote biodiversity, and reduce greenhouse gas emissions.**

Precision agriculture, on the other hand, utilizes advanced technologies, such as sensors, drones, and GPS, to **monitor and manage the specific needs of crops more efficiently**. This allows for more precise application of inputs, reducing waste and increasing productivity.

Cover crops are also a fundamental element in regenerative agriculture. They are grown between main crops and help **protect the soil from erosion, improve soil structure, increase organic matter, and provide additional nutrients**. Cover crops also help suppress weeds, reduce the need for herbicides, and increase soil resilience to climate change.

Healthier soils are more capable of storing carbon, helping to combat climate change. Additionally, the greater biodiversity in regenerative farms creates more balanced and resilient ecosystems, better able to withstand environmental pressures.

From a financial perspective, the transition to regenerative agricultural practices can also be highly beneficial. While there might be initial costs associated with adopting these practices, they may be outweighed by the long-term benefits. **Studies have shown that regenerative agriculture can increase crop productivity and reduce costs**. For example, a study by the Rodale Institute found that regenerative agricultural systems can be more productive and profitable than conventional systems in the long term. A BCG Report points in the same direction, indicating that in addition to socio-environmental benefits, the return on invested capital is high not only for farmers but also for the entire value chain.

Another crucial aspect of regenerative agriculture is the valuation of natural capital. **Natural capital refers to the natural resources that provide essential ecosystem services that support life on Earth**, including fertile soils, clean water, pure air, biodiversity, forests, and oceans.

Unfortunately, these services are not yet valued by the financial market and are not included in company valuations or used as collateral in loans. However, this is changing. **As awareness of the importance of natural capital grows, more companies and investors will recognize its value. Valuing natural capital can lead to greater financial resilience and better environmental performance, and companies that invest in building natural capital are better positioned to face future challenges and seize market opportunities**.

Integrating natural capital considerations into company valuation can transform the way we value and manage our natural resources and, therefore, represents a significant opportunity for investors. The trend of recognizing and valuing natural capital is irreversible and should, over time, reward companies that are protecting and enhancing the natural capital, as well as penalize those that are degrading it.

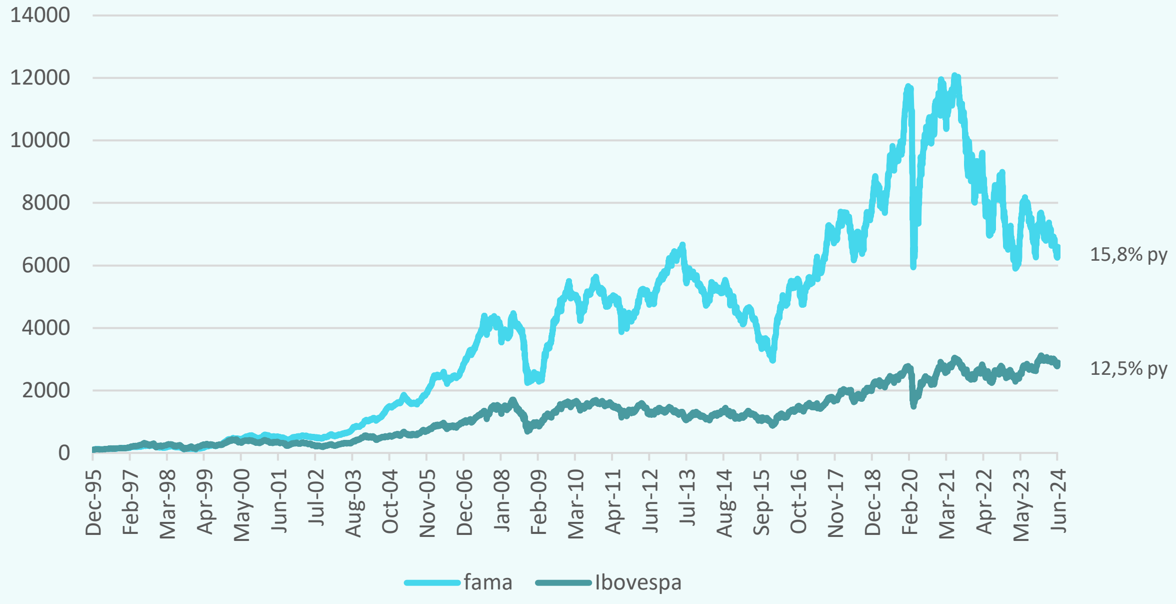
> At fama re.capital we are committed to help the market understand and recognize the value of natural capital, as we believe this is a disruptive approach to generating value for our investors across all our products.

Fabio Alperowitch, CFA – founder of fama re.capital

Performance

%	2Q24	2024	2023	2022	2021	2020	2019	2018	2017	2016	1 year	5 years	10 years*	Inception*
fama	-9.8	-14,9	9,0	-21,2	-22,3	2,5	41,6	10,0	45,0	55,2	-17.7	-27.0	35,6	6.420
Ibovespa	-3.3	-7,7	22,3	4,7	-11,9	2,9	31,6	15,0	26,9	38,9	4.9	22.7	133.0	2.786

* FAMA strategy; since Dec 29, 1995



Performance Commentary

FAMA FIC FIA presented a negative performance of 9.8% in the quarter, compared to a drop of 3.3% in the Ibovespa and 11.2% in the SMLL (Small Cap Index).

The performance of the stock market in the second quarter was largely influenced by worsening expectations related to inflation and fiscal balance. We observed an increase in market interest rates, currency depreciation, and pressure on risky assets prices in general. However, this volatility in the financial market has reflected more the psychological cycle of investor / media euphoria and depression than the effective change in economic fundamentals and the corporate business environment. This dynamic has dominated the performance of the stocks in our portfolio, overshadowing the positive performance of the companies' operations and their fundamentals.

The main positive contributions in the period came from TOTVS and LOG Commercial Properties, companies with a profile of very resilient results and little influenced by the macroeconomic scenario, as well as Petz, which benefited strongly in the period with the announcement of its merger with Cobasi, its biggest competitor until then.

On the other hand, Mills, Localiza, Renner, and Arezzo were the main negative contributions. The market's perception is that these stocks are more exposed to the domestic scenario and interest rate fluctuations, and therefore tend to present returns below the reference indices in situations of greater risk aversion.

Amid all the macroeconomic volatility we have been witnessing in the markets, we find comfort in the solidity strength of the businesses we are invested in. This type of environment usually brings great performance dispersion among companies in their sectors of operation, where the leaders, with significant competitive advantages, good management and governance, and better access to financing, end up coming out stronger from this process.

The resilience of our portfolio companies was once again evidenced in the 1Q24 earnings season. Overall, we observed solid numbers, a natural reflection of a portfolio built with a focus on quality businesses, with good returns on invested capital, excellence in management and governance, socio-environmental responsibility, and good growth opportunities, as we can see in the table below:

Portfolio – Annual Variation

	Variation 1Q24 / 1Q23
Net Revenue	12%
EBITDA	13%

It is noteworthy that these companies have the ability to continue growing their revenues and results regardless of the economic scenario.

The combination of excellent businesses, quality management, and structural growth opportunities with value generation allows these companies to maintain consistency in results growth.

For example, Serena has completed a significant expansion of its installed capacity over the past year, jumping from 2.2GW in 1Q23 to 2.7GW in 1Q24, predominantly in wind generation. Beyond that, in addition to strengthening its main cluster of assets in the Assuruá region (BA), they also successfully expanded their addressable market, completing their first wind farm in the United States (Goodnight1) within cost and on time and starting investments in distributed solar generation through a partnership with another operator.

The entry into the American market is strategic as it opens a new avenue for growth and value creation, taking advantage of the robust demand for energy observed in this market following developments in processing capacity and data centers with the popularization of artificial intelligence applications. This is a characteristic we appreciate in leading companies: the ability to leverage talent and resources to seize opportunities even in non-obvious fronts.

Wind Farm

Another similar example was Mills' acquisition this quarter of a company in the forklift rental segment. After successfully entering the yellow line equipment rental market, with a focus on the agribusiness sector, the company has again opened another avenue for growth in a segment with potential commercial synergies that can help provide greater stability and resilience for its future results.

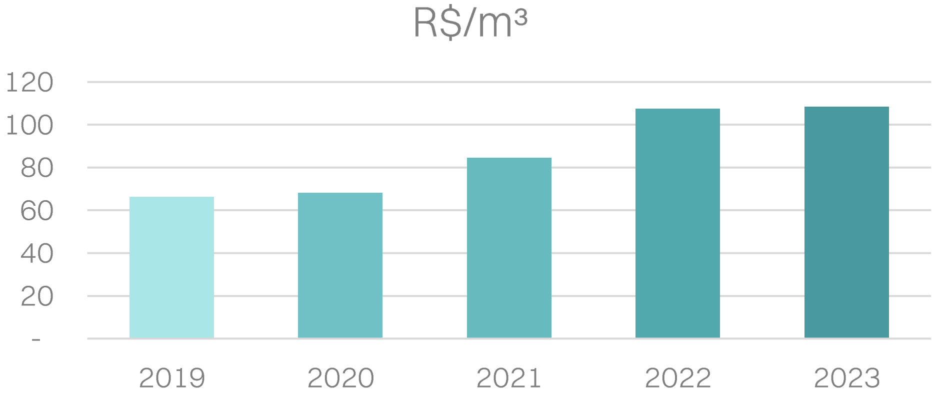
But perhaps the most interesting example of our investees' ability to develop unique business opportunities is Klabin. It is a company that possesses an enviable base of biological assets (forests), which are the heart of its competitiveness in developing paper and packaging solutions as well as pulp production.

At the end of last year, Klabin announced a significant investment to expand its land and forest base, in properties practically contiguous to its current operations and highly synergistic. This acquisition allowed the company to increase its forest base by more than 20%.

This deal is emblematic because it combines a strong focus on value generation with a clear understanding of the importance of natural capital, its ecosystem services, and potentialities.

Despite the still low understanding of the financial market regarding the value of this type of asset, the signal we have observed from these specialized companies goes in the opposite direction.

As we can see in the graph below, the average price of the biological assets of the main companies in the sector as registered on their balance sheets shows a strong trend of appreciation in the value of wood over the past few years.



Examples like these and of many other companies in our portfolio, such as the transformational mergers of Arezzo with Grupo Soma and Localiza with Unidas, development of new business verticals by Porto Seguro, optionalities in financial adjacencies like TOTVS, or new initiatives in the healthcare businesses like Fleury and Raia, among others, leave us enthusiastic about the potential value creation for our investors.

In addition to the aforementioned cases, our investment approach continues to explore innovative, sustainable, and value-creating opportunities, as evidenced by the recent investment in Vittia. We strongly believe in the potential of regenerative agriculture and the use of technologies in the field as a lever for value creation for producers, along with improving soil health, the environment, and biodiversity. Founded in 1971, Vittia is a family-owned company and today is one of the leading producers of biological inputs in the country, operating in the segments of special fertilizers, inoculants, organominerals, and biological pesticides. Among the main competitive advantages, we see in the company are its sales force of more than 200 employees, as well as strong investment in R&D for high-quality products and national-scale reach.

Brazil, with the strength of its agricultural sector, can play a central role in the development of this bio-inputs segment, as we have observed by the growing interest of major international players in expanding their operations in the country, often through acquisitions of platforms with local research and intelligence.

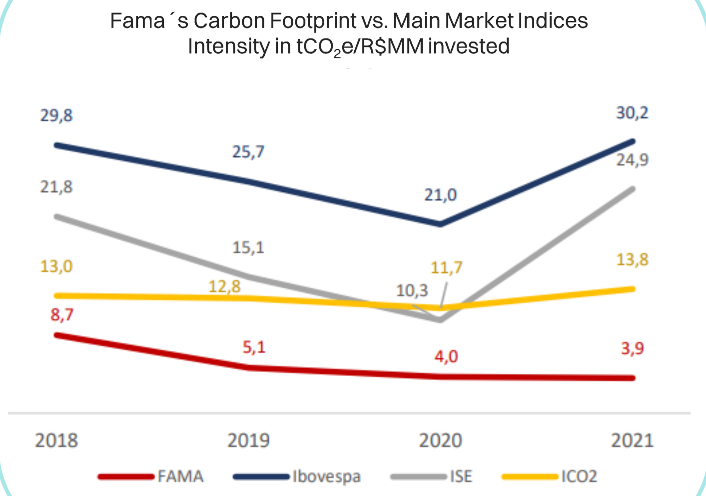
ESG Risks and Oportunities

Please find below ESG risks and opportunities of the fund´s main holdings

	Opportunities	Risks
Serena	➢ Key player in renewable power generation, advancing decarbonization of the electricity sector ➢ Advocacy in favor of the continued advancement of clean energy sources and democratization of access in the Brazilian electricity sector ➢ Digital solutions to enhance grid efficiency and increase retail client access to renewable energy sources ➢ Strengthen analytical tools and operating resiliency to increasing weather uncertainty ➢ Increase in the commercialization of Renewable Energy Certificates (RECs) to support clients decarbonization strategies	➢ Extreme weather events can affect availability of resources and the reliability of energy operations ➢ Potential changes in environmental regulation or government policies, that could impose barriers to licensing, project development or operations ➢ Potential conflicts with local communities due to issues related to land use, indigenous rights, or environmental concerns, especially if not appropriately addressed or handled ➢ Socioenvironmental impact and regulatory risks from incorrect disposal of construction materials and equipment
Klabin	➢ Development of new biobased, renewable, recyclable, and biodegradable products ➢ Substitution of single-use plastic packaging with paper ➢ Forest-based environmental services/carbon credit capture and sale	➢ Reduction/optimization in the use of packaging use, circular practices ➢ Advancement in corporate governance practices / diversity
Porto	➢ Innovation in products and services to adapt to an increasingly uncertain and changing environment ➢ Formalization, better alignment and waste reduction on relationship with service providers ➢ Recycling of damaged vehicles/ parts ➢ Potential promotion of electrification in the transportation sector ➢ Encouragement of safety/sustainability practices among clients	➢ Impact of increasing extreme physical events caused by climate change on claims ➢ Reduction in vehicle ownership/more efficient use of assets ➢ Decline in demand for insurance (better traffic safety practices/fleet electrification, etc.). ➢ Increased litigation in its relationship with policyholders

Portfolio´s Carbon Footprint

Annually, we calculate the carbon footprint of our portfolio based on the PCAF[1] methodology, conducting historical analyses that allow us to compare both the evolution of our portfolio and its investees as well as the performance relative to major market indices. Below are the most recent results collected:



The carbon footprint of our liquid portfolio is negative, meaning it absorbs more CO2 than it emits.

-87%

fama re.capital´s carbon footprint vs. Ibovespa

-84%

fama re.capital´s carbon footprint vs ISE

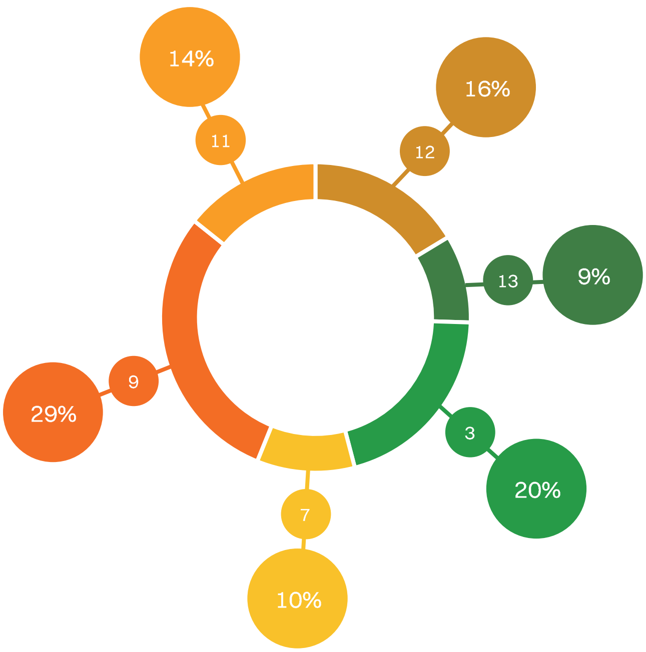
-72%

fama re.capital´s carbon footprint vs. ICO2

[1]Partnership for Carbon Accounting Financials

SDGs/ESG Allocation Breakdown

At the end of the quarter, our portfolio was composed of companies that primarily address six of the SDGs, with the most relevant being **SDG 3 (Good Health and Well-Being) and SDG 9 (Industry, Innovation, and Infrastructure), which together represent 49% of the exposure:**



Good Health and Well-Being

Affordable and Clean Energy

Industry, Innovation and Infra-Structure

Sustainable Cities and Communities

Responsible Consumption and Production

Climate Action