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QUARTERLY REPORT

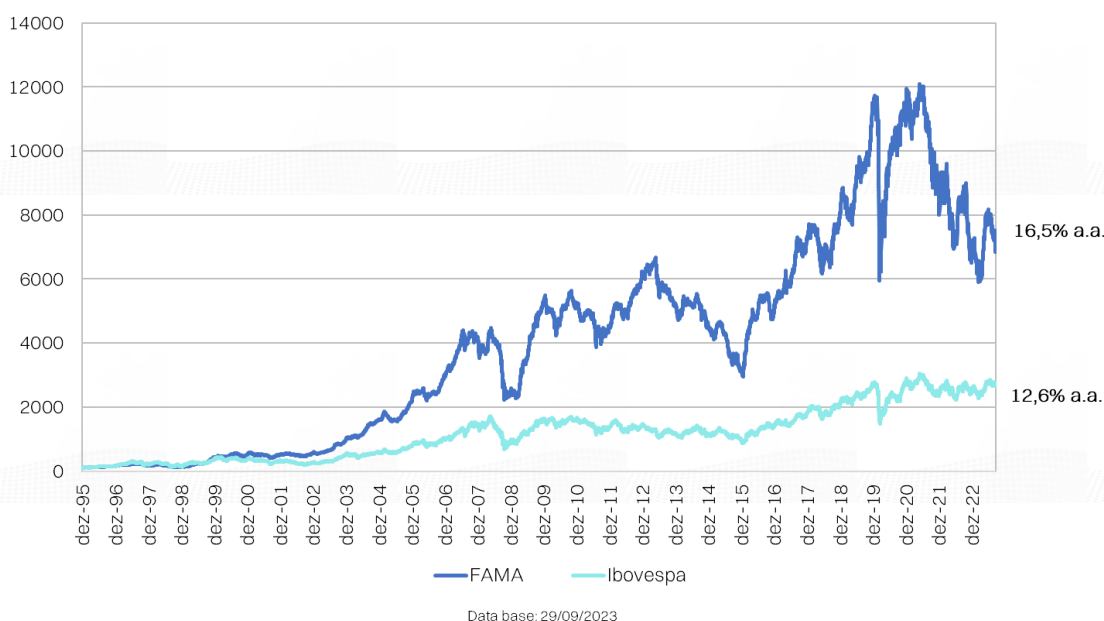
3rd quarter 2023



PERFORMANCE

%	3Q23	2023	2022	2021	2020	2019	2018	2017	2016*	1 year	5 years	10 years*	Inception*
KEVA	-11,4	0,0	-21,7	-22,2	1,5	40,8	8,5	43,4	55,2	-15,4	3,5	23,3	6.921
Ibovespa	-1,3	6,2	4,7	-11,9	2,9	31,6	15,0	26,9	38,9	5,9	46,9	122,7	2.615

* FAMA strategy; since Dec 29, 1995



MESSAGE FROM THE CIO

The pursuit of decarbonization has become an indisputable priority for all responsible investors worldwide, whether they are asset owners or asset managers. In this context, we were one of the 30 founders of NZAM (Net Zero Asset Managers), an initiative that currently brings together USD 60 trillion in assets committed to reducing the carbon footprint of their portfolios.

However, it is imperative to recognize that, despite significant efforts in this direction, decarbonizing portfolios may be insufficient to achieve the more ambitious goal of effectively decarbonizing the real economy.

The strategy of portfolio decarbonization largely focuses on the exclusion or reduction of investments in carbon-intensive sectors or engaging with invested companies to reduce their greenhouse gas emissions. While this approach is crucial for mitigating climate risk in investor

portfolios, it faces substantial challenges when it comes to effecting tangible changes in the real economy.

One of the central challenges lies in the deep interconnection between sectors of the economy. Many carbon-intensive companies are integrated into complex and interdependent supply chains. Decarbonizing a portfolio can result in mere shifts of investments from sectors considered carbon-intensive to others, without promoting a real reduction in global emissions. This highlights the need for more comprehensive strategies focused on structural transformations.

Another notable challenge is the continued dependence on fossil energy sources in many regions of the world. Portfolio decarbonization, while crucial, does not directly address the need for accelerated transitions to renewable energy sources in the real economy. Encouraging and financing research, development, and implementation of clean technologies and renewable energy solutions are vital for achieving genuine decarbonization.

Furthermore, in the scenario where responsible investors simply divest their assets, it would only result in a shift of ownership, whereby less responsible investors would end up holding these assets, exacerbating the problem.

Does this make portfolio decarbonization an ineffective strategy?

No. The decarbonization of portfolios is a crucial step in the right direction, mainly for two reasons. The first is fiduciary duty: by adopting ESG criteria, investors are not only making an ethical choice but are also recognizing the risks associated with unsustainable practices. Investing in companies committed to environmentally responsible practices is not just a matter of conscience but a smart strategy to mitigate risks and ensure investment sustainability.

The second reason is that massive divestment by such investors ends up raising the cost of capital for these companies and compressing their multiples, making it challenging for them to obtain capital for expanding their activities.

This quarter, we became signatories of Nature Action 100, reinforcing our increasingly holistic view of sustainability. We understand that in a few years, the investment world will move beyond talking about "net zero" carbon to discussing "nature positive," firmly incorporating biodiversity into its analyses; a concept that we want to be committed to from now on.

Fabio Alperowitch, CFA – founder of fama re.capital

PERFORMANCE COMMENTARY

The fund presented a negative performance of -11.4% in the quarter compared to a decline of -1.3% in the Ibovespa. Despite the majority of portfolio stocks contributing negatively to the fund's return, the retail and consumer goods segments explain a significant portion of this movement. These sectors continue to suffer from government initiatives to increase taxation in the segment, as well as changes in the competitive environment with the growing presence of Asian players. Positive contributions were more localized, coming mainly from Klabin and Mills.

Throughout the quarter, we observed a widespread deterioration in the domestic and international market sentiment, reflected in the increase in yields of US treasuries (10-year UST yield reaching approximately 4.6%) and in Brazil, an increase in the long-term inflation-linked interest rate curve, with the NTN-B rate for longer duration rising from approximately 5.4% to 5.8% at the end of the quarter. This upward movement in required returns played a decisive role in the negative performance of portfolio stocks, despite companies continuing to present solid operational results.

Market dynamics have been quite unique throughout the year, with the energy and oil extraction sector (mainly Petrobras) being responsible for virtually all of the Ibovespa's performance during the period, while other indices with greater exposure to the domestic economy and little or no exposure to fossil fuel production showed significantly inferior performance (ICON Consumption Index -12.1% and SMLL -7.2% in 3Q23).

In our portfolio, by design, we do not have exposure to the fossil fuel production sector, as it does not align with our criteria for environmental responsibility. Here, we take the opportunity to reiterate the rationale behind this positioning.

Our understanding of sustainability involves the importance of a healthy balance among companies and all their stakeholders, including society and the environment. We seek companies that ideally operate within dynamically harmonious economic systems or, alternatively, have a strong culture that values this goal and aims to address any imbalances.

In this sense, the fossil fuel sector has always been structurally at odds with this philosophy. Despite its historically robust profitability, we cannot dissociate it from the significant negative externalities linked to its activities. Abundant scientific evidence available on the impact of fossil fuels on increasing greenhouse gas concentrations in the atmosphere leaves no doubt about the size of the challenge the industry faces. Short-term results are clearly inflated by the fact that companies are not held accountable or charged for the impact of pollution generated by their activities on society.

The transition process from an economy based on fossil fuels to one based on renewable energy will not be fast or linear. These are two distinct business chains with their own supply and demand dynamics that need to be effectively coordinated. In this sense, it is possible that much of the pressure being exerted by society to restrict oil production may not initially be accompanied by a proportional reduction in its demand, punctually boosting the short-term profitability of these businesses. On the other hand, it seems unlikely that this sector will continue to operate without being properly burdened by the damage caused to the environment. In one way or another, society seems to be gearing up to demand compensation more effectively for this negative externality. As a reference, a recent study by Climate Analytics¹ estimates that the historical partial damages attributed to the 25 largest CO₂-emitting oil companies reached USD 20 trillion between 1985 and 2018. Petrobras, which is part of this group, would be responsible for approximately USD 500 billion of the total.

Despite this, the fossil fuel industry continues to rely on government subsidies that reached their historical record in 2022. These subsidies have been widely criticized by the scientific community and civil society, but their maintenance has given a lifeline to the sector.

An effective mechanism to accelerate the energy transition is the creation of a robust global carbon pricing mechanism through an Emissions Trading System (ETS). Just for illustration, assuming a price of USD 75/ton CO₂e (indicated in studies by the International Monetary Fund), the impact would be approximately R\$ 18 billion/year for a company the size of Petrobras. However, this path may still take time to be effectively implemented given the challenge of coordinating various distinct interests globally, as seen in the dynamics observed annually in the negotiations at COP (Conference of the Parties).

Another, perhaps faster, alternative could be an increase in taxation. Despite the numerous direct and indirect taxes already imposed on the activity, we see this type of initiative for tax increases gaining momentum even in more mature markets outside Brazil. The concentrated nature of companies operating in the sector, along with their high profit base, makes them ideal targets for this type of measure.

These characteristics are also increasingly placing them in the crosshairs of a third way by which society can seek to charge for these externalities, which is climate litigation. We have observed an increase in climate-related litigation cases worldwide, which are likely to grow even more given the ample scientific evidence related to the issue and its impacts, in many cases already quite evident. In industries such as asbestos and tobacco, litigation in international markets played a key role in addressing their damages and externalities. In Brazil, the situation is no different. Currently, we have approximately 70 cases of litigation related to climate aspects, and society's mobilization on the issue should also help boost this process. For more information on the topic, we recommend

¹ Climate Analytics "Carbon Majors Trillion Dollar Damages"

watching the webinar "Stewardship to decarbonize, create financial value, and prevent climate risks and litigation in companies" [here](#).

Therefore, we view the segment with great caution, as despite its robust profitability, it faces significant challenges related to the proper pricing of its negative externalities and potentially relevant contingencies related to the issue.

It is interesting to note that our largest positive contribution in the quarter came from Klabin, which again showed the resilience and flexibility of its integrated business model but also has an almost diametrically opposite stance on environmental issues. The company manufactures products from renewable sources, biodegradable and recyclable, with great potential for consumption growth as a replacement to more environmentally aggressive alternatives such as single-use plastic. In addition, due to its large base of planted forests, the company is one of the few with a negative carbon footprint, meaning it captures more carbon than it emits. In 2022, the company captured approximately 2 million tons of CO₂e, so, for illustrative purposes and considering the same value of USD 75/ton CO₂, it could mean an additional annual income of R\$ 750 million for the company. In the case of Klabin, the eventual pricing of all these credits is not so direct due to the need to prove additionality (i.e., additional environmental contribution beyond what would already happen in the normal course of activities), but it still positions them on the positive side of the opportunities related to the issue.

This is how we prefer to be exposed to the environmental dynamics in our portfolio, invested in good companies with attractive value capture opportunities that this issue can generate, rather than potential contingencies that are difficult to price. We remain very excited about the resilience of their operations, strong cash generation, discipline, and consistent work in the good allocation of capital, as well as excellent long-term growth prospects and numerous opportunities that the environmental excellence of their biologically based operations provides.

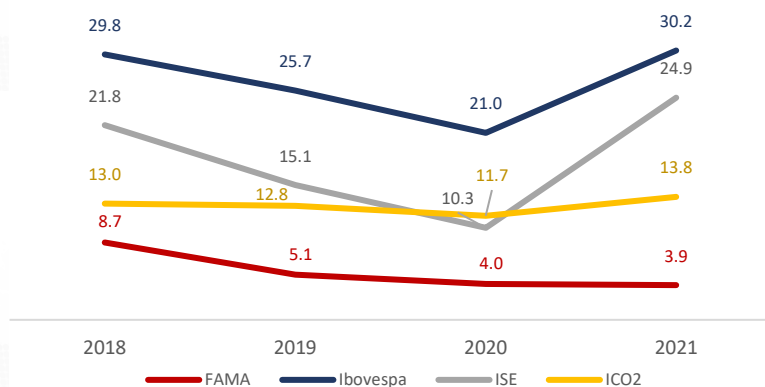
ESG RISKS AND OPPORTUNITIES

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

	OPPORTUNITIES	RISKS
LOCALIZA	<ul style="list-style-type: none"> • Key player in urban mobility theme • Ability to use fleet to drive GHG emission reduction in the transport sector • Leadership potential in promoting electrification in the transport sector 	<ul style="list-style-type: none"> • Decarbonization plan with significant challenges in measuring and managing scope 3 emissions, with uncertain impact • Significant fleet turnover, need for mature asset disposal/divestment post-usage, posing challenges in proper asset use and indirect disposal
KLABIN	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Reduction/optimization in packaging use, circular practices • Advancement in corporate governance practices / diversity
PORTO SEGURO	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 CARBON FOOTPRINT

FAMA Carbon Footprint vs. Main Market Indices Portfolio
Intensity in tCO₂e/R\$ MM invested



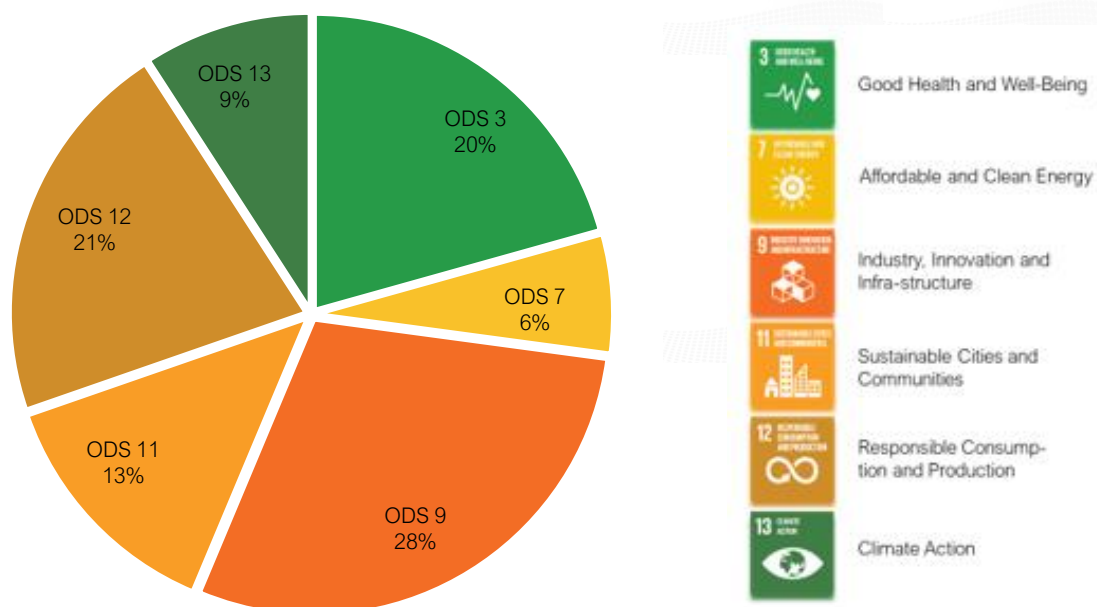
-87% FAMA Investimentos Carbon Footprint vs. **Ibovespa** in 2021

-84% FAMA Investimentos Carbon Footprint vs. **ISE** in 2021

-72% FAMA Investimentos Carbon Footprint vs. **ICO2** in 2021

SDG / ESG ALLOCATION BREAKDOWN

At the end of the quarter, our portfolio consisted of companies that prioritize addressing six of the UN Sustainable Development Goals (SDGs), with the most significant being SDG 9 (Industry, Innovation, and Infra-structure) and SDG 12 (Sustainable Consumption and Production), which together account for 49% of our portfolio:



The information contained here is for informational purpose only. This document does not consist of an offer to buy shares of the fund. Such an offer will only be made by means of a confidential memorandum to be furnished to interested investors upon request. Reading the offering memorandum is essential before investing. All information contained herein is subject to revision and completion. These materials are confidential and intended solely for the information of the person to whom it has been delivered. Recipients may not reproduce or transmit it, in whole or in part, to third parties. The disclosed performance is not free/net of taxes