

Multibiomes Fund

famaGAIA

S O C I O - B I O E C O N O M Y

Quarterly Report 3Q24



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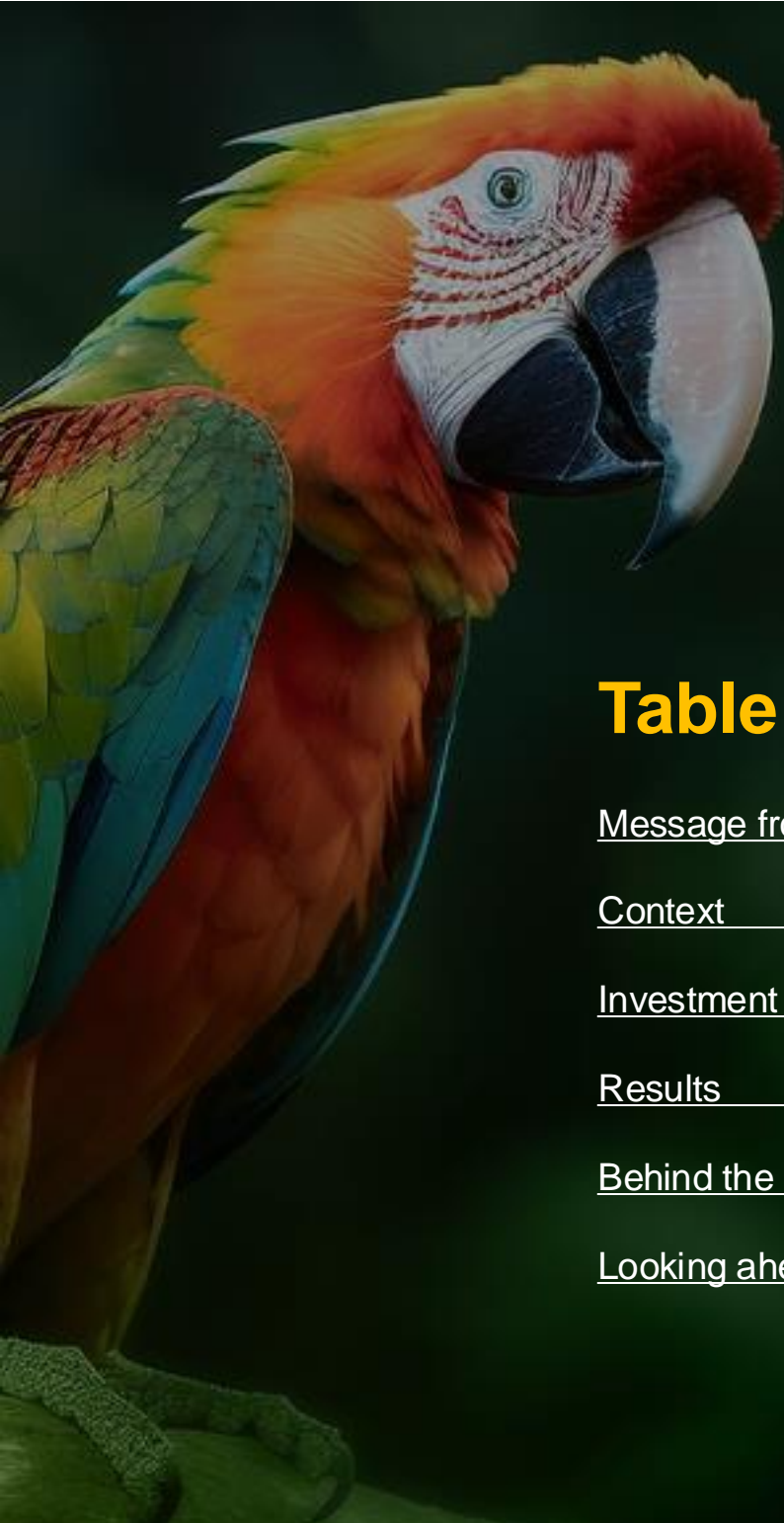


Table of Contents

<u>Message from the CIO</u>	03
<u>Context</u>	06
<u>Investment process</u>	07
<u>Results</u>	09
<u>Behind the numbers</u>	12
<u>Looking ahead</u>	16

Message from the CIO

Brazil is facing an unprecedented environmental crisis. In this past quarter, the fires that devastated Brazilian biomes, especially the Amazon, consumed approximately 2.8 million hectares of rural properties. This situation has resulted in an estimated economic loss of R\$ 14.7 billion, positioning Brazil as the world's largest emitter of greenhouse gases (GHG) during this period—a statistic incompatible with a country that promotes itself as an environmental powerhouse and that will host the COP next year.

The most alarming aspect of these fires is that 99% of them were ignited by human activity¹, as a cheap and quick way to "clear" areas: after all, setting fires is easier and more economical than conventional deforestation.

Human action is clearly the driving force behind this destruction, but this process is intensified by climate change, which makes forest edges — the transition between deforested areas and remaining vegetation—extremely susceptible to fire. Even though forests are in a more flammable state due to the increased concentration of dry material on the ground, the fires only occur because there is an ignition source, which is triggered by human activity. Therefore, this is a deliberate choice of agricultural and livestock practices that prioritize the short-term gains at the expense of sustainability and global climate security.

In addition to the obvious environmental impacts, deforestation and fires have direct economic repercussions. Reduced agricultural production drives up the prices of basic goods, contributing to inflation. There is also a notable impact on public health costs as air quality deteriorates and more people become ill.

Furthermore, insurance for rural and urban properties becomes more expensive, and rebuilding burned infrastructure generates additional costs. These accumulated effects undermine Brazil's economic competitiveness, as the damage caused by these practices directly impacts prices and production costs.

¹ LASA/UFRJ (Laboratório de Aplicações de Satélites Ambientais)

Given this catastrophic scenario, it is necessary to reflect on the role of the financial market, which continues funding activities that exacerbate deforestation. While many international investors are focused on small conservation and reforestation projects, the central issue is neglected: halting deforestation would be a much more efficient strategy with a significantly greater environmental impact per dollar invested.

Here lies the responsibility of investors to fund climate solutions instead of allowing the perpetuation of destructive practices. Deforestation, besides being environmentally unsustainable, is a financially risky activity in the long term. Companies that engage in or encourage deforestation are exposed to greater regulatory, reputational, and commercial risks and may even face litigation.

As an example, in July, the Federal Court of Amazonas froze R\$ 292 million in assets from a rancher accused of deforesting and burning 5,600 hectares in the Amazon. This amount was calculated based on greenhouse gas emissions, by applying a carbon price of EUR 60 per ton of CO₂eq—a clear indication that environmental infractions now carry substantial climate-related financial penalties. Additionally, the Attorney General's Office (AGU) filed a climate damage compensation lawsuit on behalf of ICMBio, seeking R\$ 635 million for the destruction of 7,000 hectares of forest in the state of Pará.

The financial market has the opportunity to reverse this logic by directing capital to regenerative agricultural practices, sustainable land management, and initiatives that promote forest preservation rather than deforestation. It also has the fiduciary duty to begin pricing the climate risks — including those related to climate litigation—associated with the financial assets it invests in.

During Climate Week in NYC, held in September, Brazil was consistently presented as a potential global leader in sustainable products and in the bioeconomy. However, this will only be possible if there is a structural shift in the way capital is allocated.

Investors need to understand that "business as usual" is destroying the very economic viability of entire sectors, such as agribusiness, which directly depends on climate stability and healthy soils.

The belief that deforestation is necessary for economic development has been widely debunked. Studies show that sustainable development offers robust financial returns, while also ensuring the protection of ecosystems. Investors hold the capacity to influence supply chains by directing capital to companies that adopt strong environmental and social practices. It is also worth noting that environmentally responsible companies are increasingly concerned about their supply chains.

The path to curbing deforestation requires aligning economic objectives with environmental protection. The financial market has a central role in this process. It has the opportunity to reverse this logic by directing capital to regenerative agricultural practices, sustainable land management, and initiatives that promote forest preservation over deforestation.



Fabio Alperowitch

CIO at fama re.capital

Context

The FamaGaia Sociobioeconomy fund has the mission of preserving and regenerating Brazil's six biomes, as well as coastal zones and mangroves, while promoting the sustainable development of the communities that depend on these territories. With their ancestral knowledge and sustainable management practices, cooperatives, associations, Indigenous peoples, settlers, and riverside communities play a leading role in protecting our biomes.

Through access to credit, we are helping communities avoid loan sharks, aligning incentives so that smallholder farmers do not resort to leasing their land for monoculture, among many other stories. **These projects, previously unreachable for non-philanthropic investors, are now accessible** through credit instruments that finance sustainable economic activities.

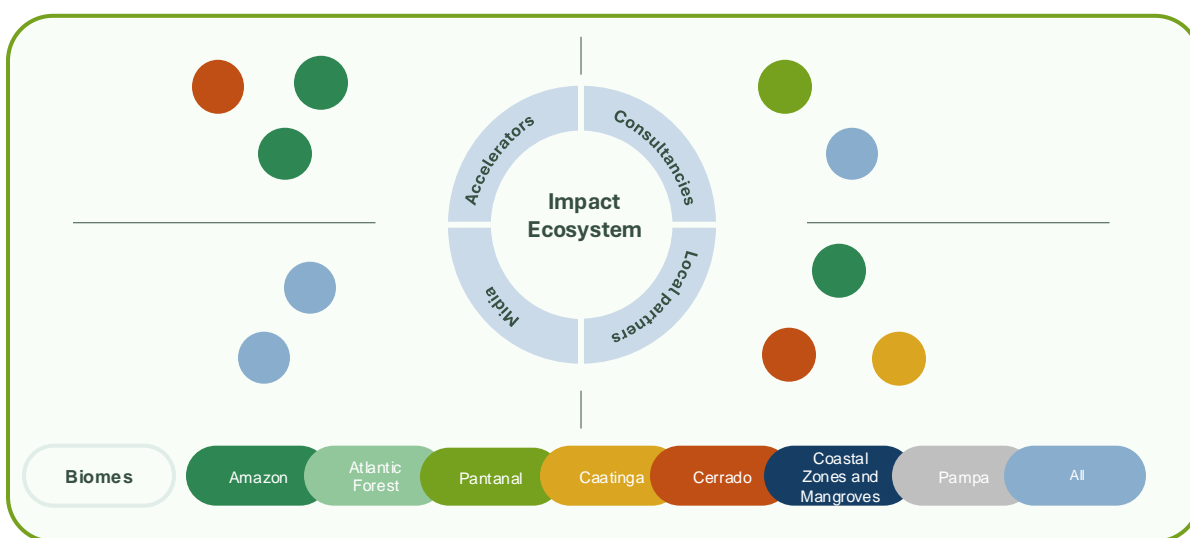
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In this report, we detail our investment process, from network origination to the main pillars that guide our decision-making. For the first time, we present our results so far, covering our impact indicators and financial performance. We also take this opportunity to share the story behind one of our investments and provide an overview of the projects funded. Finally, we reflect on important events of the quarter and outline some of our ambitions for the future.

Investment Process

We work through networks

Our investment process begins with the identification of opportunities, often facilitated by **partnerships with organizations and experts who have a deep understanding of local realities**. These partners help us find projects that align with the fund’s mandate.



Project pipeline

Once mapped as a lead, each project is carefully assessed. We go through stages that include **initial qualification**, **credit analysis**, and **due diligence**, ensuring that resources are allocated efficiently and in line with our thesis.

Lead	Qualified Lead	Credit Form	Analysis	Due Diligence	Investment
A project becomes a lead through active or passive prospecting, usually via our partners in the impact ecosystem.	After initial qualification, we send a form to better understand the project's credit needs and alignment with our thesis.	If aligned with our thesis and investment philosophy, the project proponent fills out a credit questionnaire.	We analyze the project's fundamentals, its social and environmental impacts, along with a credit analysis and readiness assessment for investment.	With the support of legal advisors, we proceed with the project's legal due diligence.	The funding decision is made in the credit committee, considering all stages of the analysis process.

We closely monitor the progress of each initiative, celebrating the stories of the people and communities behind them.

Investment pillars

Every decision we make at the fund is anchored in **three fundamental pillars** that guide our operations and ensure that our impact goes beyond numbers:

Zero deforestation: ensure that projects financed by the fund do not contribute to deforestation. This includes sustainable land-use practices to maintain forest cover and/or ecosystem regeneration.

Preserve biodiversity: support activities that actively protect or restore local ecosystems, focusing on preserving the diversity of plant and animal species. Projects must demonstrate practices that contribute to habitat conservation and prevent harmful impacts on native flora and fauna.

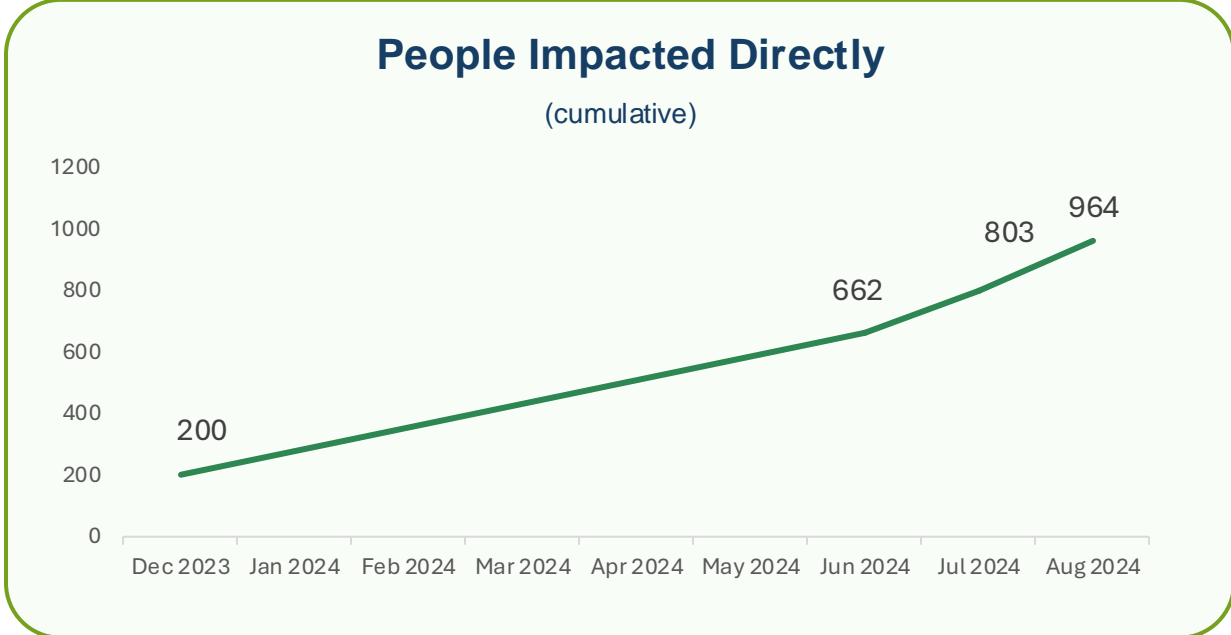
Reduced inequality: provide financing that create economic opportunities for underprivileged populations, such as smallholder farmers, Indigenous communities, and traditional peoples. This includes promoting fair trade practices, improving market access, and supporting initiatives that increase income levels among vulnerable groups.

On the proponent's side, we structure credit operations based on a deep understanding of each project's nature. These operations, which may or may not include blended finance, are **structured to provide returns to investors at CDI +2%²**.

2. CDI (Certificado de Depósito Interbancário) is Brazil's interbank deposit rate, which functions similarly to the U.S. Federal Funds Rate. It's the benchmark interest rate for short-term lending between banks and is often used as a reference for various financial products, including loans, investments, and savings accounts. In simple terms, it's a key indicator of the cost of borrowing money in Brazil's financial market.

Results

With the fund's initial investments, we have directly impacted **over 950 people**.



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Amazonbai



Tabôa



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Amazonbai



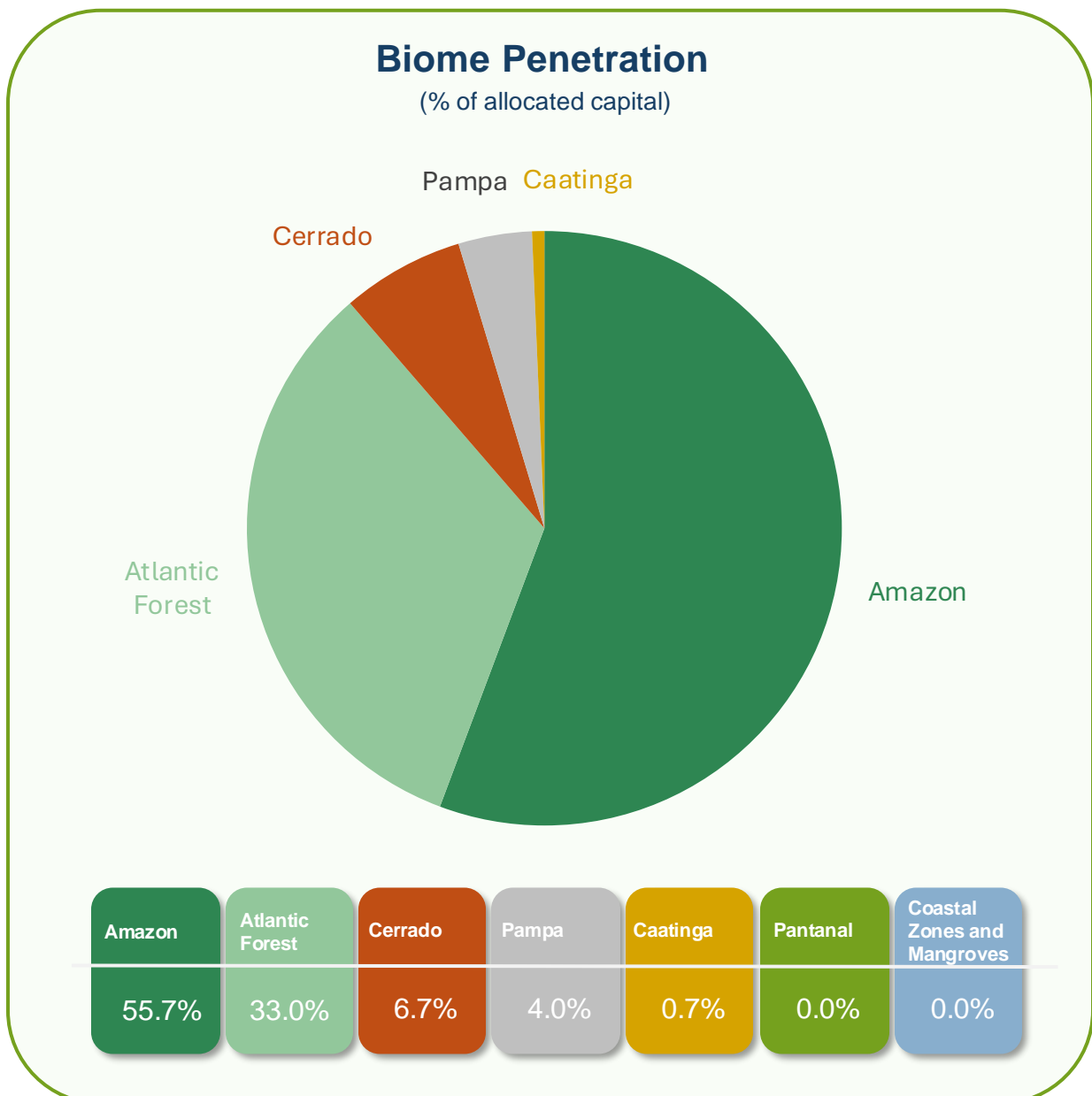
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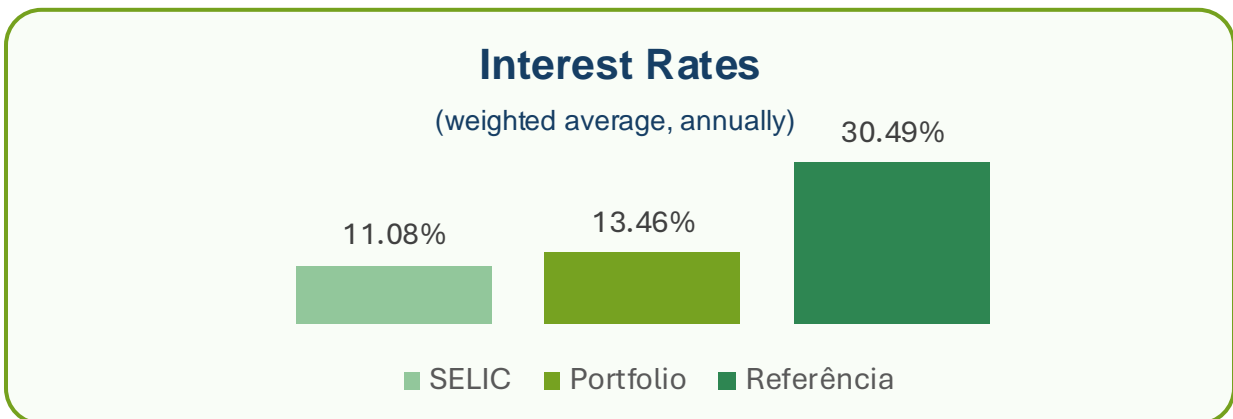
Tabôa

We closed the quarter with **56% of our capital allocated in the Amazon biome**, due to the fund's initial investments, which were concentrated in this important region. Additionally, we are already present in other biomes, such as the **Atlantic Forest (33%), Cerrado (7%), Pampa (4%), and Caatinga (1%)**.

Our goal is to expand our presence to all Brazilian biomes, acknowledging the importance of both environmental preservation and the creation of sustainable economic opportunities in each ecosystem. To achieve this, we are progressing with the mapping of initiatives in the Pantanal biome, as well as in coastal zones and mangroves.



In the socioeconomic sphere, we emphasize our commitment to providing credit under fair conditions. The average interest rate applied to our borrowers was 13.46%, 17 percentage points lower and thus more accessible than the average rate for similar types of financing, according to Brazil’s Central Bank data. We are offering impact credit at rates similar to those obtained by large companies in the market. With these financing terms, **we strengthen local value chains without compromising the financial sustainability of the producers.**



Finally, **the fund's performance demonstrates that competitive returns can be achieved** while fostering positive changes in communities and the environment. In the third quarter of 2024, our return was 2.84%, outperforming the CDI by 0.91 percentage points annually. Year-to-date, we reached 8.37%, exceeding the benchmark by 0.52 percentage points.

	3T24	2024	12M
Fund	2.84%	8.37%	10.58%
Benchmark (CDI)	2.63%	7.99%	11.06%
Return x Benchmark (p.p. a.a.)	CDI + 0.91%	CDI + 0.52%	CDI – 0.48%

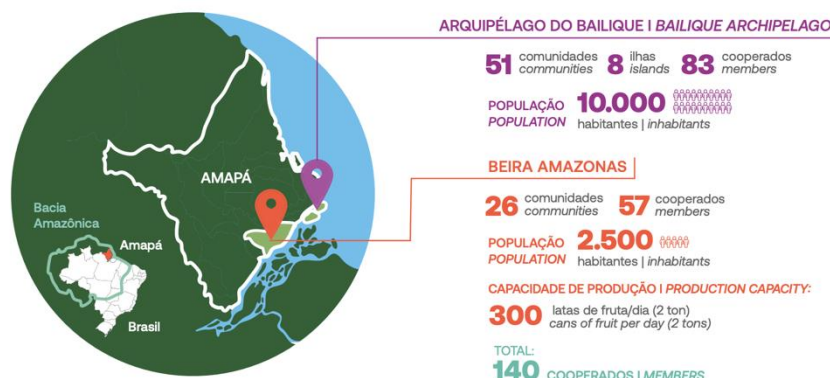
We are just in the beginning, and, **with our results to date, we are confident we are on the right path.**

Behind de numbers

Amazonbai: Açaí Extraction in the Amazon

We aim to invest in people who are at the heart of the sociobioeconomy, expanding their social, environmental, and economic impacts. Our investment in Amazonbai is a tangible example of how it is possible to transform people's lives and the future of biomes by empowering and recognizing **the value of local communities and natural resources**.

The story of the cooperative is deeply connected to the lives of the **riverside families of the Bailique Archipelago and the Beira Amazonas region**, where açaí has been the main source of livelihood for generations. Recently, the cooperative expanded its operations to the Wajãpi indigenous community, facilitating the distribution of açaí harvested in the area, **promoting the exchange of ancestral knowledge, and encouraging sustainable forest management**.



Fonte: Programa Interelos de Sociobioeconomia

For a long time, these communities faced profound structural challenges: lack of access to fair markets, technical support, and adequate public policies. **Amazonbai was founded in 2017 to transform this reality**. Started by a group of 37 producers, the cooperative has grown and now has over 141 members. Through the creation of its own agroindustry and sustainable management practices, the cooperative enables these producers to become the main drivers of their own development.

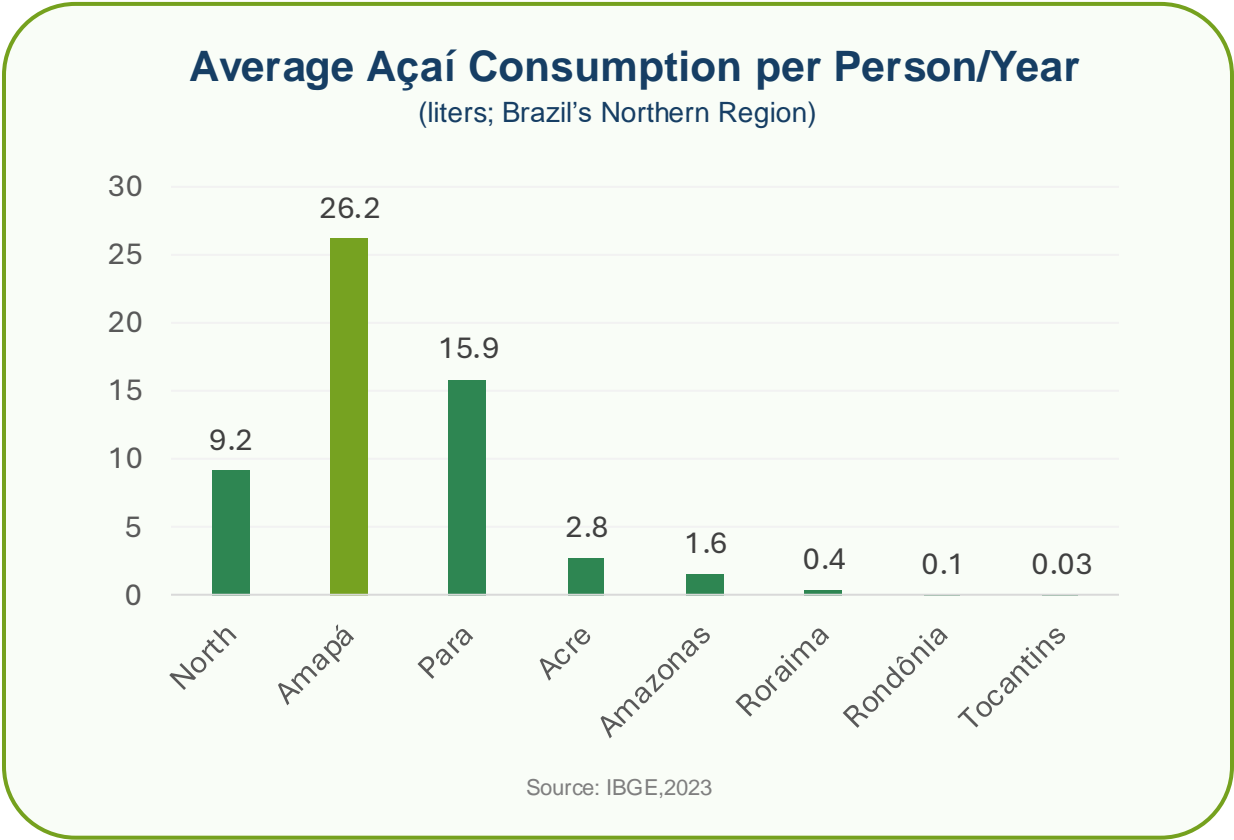
They cease to depend on middlemen and loan sharks, ensuring that the fruits of their labor stay with the people who actually grow them.

The **technical assistance offered by the cooperative reaches all 141 producers**, many of whom live in remote areas where boat transport is the only option. The cooperative ensures that all products are certified and tracked through its own platform. Additionally, the training process is thorough, with new members undergoing a year-long program. This training includes certifications in organic practices, ecosystem service management, and cooperative governance, preparing them to face market challenges and ensuring their practices remain sustainable.

One of Amazonbai's transformative pillars is **women empowerment**. Currently, more than 60 women actively participate in the cooperative, with groups formed to promote gender equality and establish safeguarding policies for women and youth. These groups also lead cultural and educational projects, which have increased literacy among members and enabled many of their children to attend higher education—something that would have been unimaginable just a few years ago.

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One of the major concerns related to açai consumption, which reaches 26 liters per person annually in Amapá — far surpassing other Brazilian regions — is the waste it generates. To address this issue, the cooperative has implemented innovative solutions to minimize waste. Around 90% of the **residues are repurposed for açai coffee production**, while the remainder is used to produce biofuel, thus responsibly closing the production cycle.



The funding provided by the fund was crucial for the cooperative to increase its capacity to purchase açaí from its members, having a direct impact on the income of the families involved. In 2023, the cooperative acquired 20% of the producers' açaí output, and with the funding, this figure is expected to rise to 50% in 2024. This significant increase not only improves the income of the members but also enhances the overall quality of life in the community.

Amazonbai embodies our vision of sociobioeconomy: a model that uplifts people, protects the environment, and generates economic returns. Located in one of the most preserved regions of the Amazon, its practices ensure ecosystem conservation continues while creating pathways for communities to thrive sustainably.

Projects

Project	Biome	Description	Investment
 <p>Smallholder farming in the Amazon</p>	Amazon	Cooperative of cassava and fruits in Santarém (PA). They are involved in purchasing and processing products and actively participate in government programs.	Strengthens product purchasing by the cooperative, promoting direct incentives for members to continue with regenerative practices in family farming.
 <p>Açaí extraction in the Amazon</p>	Amazon	Açaí cooperative in the Bailique region (PA). Offers technical assistance to members and operates its own agroindustry for açaí lyophilization.	Expands the purchasing power of the cooperative, ensuring fair prices for members and greater purchasing volume than what is offered by the market.
 <p>Cacau Cabruca cultivation in Bahia and Pará</p>	Amazon, Atlantic Forest	Community association that directly finances cocoa producers in Bahia and Pará, providing rural technical support for responsible environmental management.	Generates income for cocoa producers restoring biomes, with a cocoa variety resistant to vassoura-de-bruxa (common name for the disease <i>Moniliophthora perniciosa</i>).
 <p>Multibiome Agroforestry</p>	Amazon, Atlantic Forest, Caatinga, Pampa, Cerrado	NGO that finances regeneration through the implementation of Agroforestry Systems (SAF) in various states (mainly in PA, RO, and BA).	Economic empowerment of agricultural producers through direct funding for frontline actors.

Looking ahead

Bioeconomy at the Center of Global Discussions

In September, **the G20 convened in Rio de Janeiro and released the 10 High-Level Principles on Bioeconomy**, marking a historic milestone in formalizing bioeconomy as a multilateral strategy to tackle global challenges. Brazil led the effort to develop this document, creating conditions for promoting biodiversity protection and bringing member countries to a consensus on the importance of integrating economic development with environmental preservation and social inclusion.

This is the first document endorsed by multiple nations that recognizes bioeconomy as a crucial path for sustainable economic development and aligns fundamental concepts around its definition. FamaGaia Sociobioeconomy operates under several of these principles, making it one of the few financial products already aligned with the core pillars of bioeconomy: **promoting equity, regenerating degraded areas, encouraging sustainable use of biological resources, and engaging a diverse network of local stakeholders.**

With the launch of these principles, it becomes even clearer that **the fund is at the forefront of solutions for mitigating the climate and ecosystem crisis through sociobioeconomy**. As the world begins to align its policies with the goals set by the G20, FamaGaia Sociobioeconomy is already delivering real results on the ground. We are proud to be an innovative mechanism, working in alignment with bioeconomy principles and now validated in a multilateral context.

Our ambitions

As we progress, we are actively seeking to diversify our portfolio to encompass all six Brazilian biomes, in addition to coastal zones and mangrove areas. This effort involves **expanding our network within the Brazilian impact ecosystem so that, through our partnerships, we can reach every corner of the country.**

Our focus also includes interactions with investors and partners, both virtually and in person. In August, in **partnership with our investor Meraki Impact, we held an exclusive screening of the award-winning documentary Biocêntricos**, featuring its director, Fernanda Heinz. The event brought together investors, partners, and experts who are part of our impact ecosystem to discuss how biomimicry — drawing inspiration from nature — can influence decision-making in business and investments. We aim to create more spaces for dialogue to **raise awareness and educate the market about the potential of financing**



Andrea Alvares, Fernanda Heinz and Felipe Russo at the Biocêntricos event

the sociobioeconomy. By bringing investors closer to these topics, we have the opportunity to influence how they perceive impact investing.

The path ahead is filled with challenges and opportunities, but our vision remains steadfast: to foster an economy that respects natural cycles, supports communities, and generates sustainable financial returns. With a **presence in more biomes, strengthened partnerships, and greater market awareness, we are ready to build this journey with commitment and purpose.**

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