LatAm Climate Turnaround Fund

Management Report

2Q26

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CIO Letter

On May 29, the Brazilian capital markets regulator (CVM) reversed course. It revoked the rule that would have made climate and sustainability financial disclosures mandatory for publicly listed companies, sending the matter back to the voluntary ground it had come from. Brazil, the first country in the world to make international reporting standards compulsory, backed down. The reactions came quickly, splitting into two expected camps: on one side, the relief of companies that had complained about the cost; on the other, the concern of those who view it as a setback.

Both sides argue the same point with equal energy, and my sense is that it's the wrong focal point. For an investor, the question that matters isn't whether the regulation is revoked, but what its demise reveals about something the market does poorly with or without it: recognizing the negative and positive financial impacts of climate issues on balance sheets.

The effects of climate and nature on a company's value are real, whether they appear in a report or not. The carbon cost weighing on carbon-intensive industries, the drought risk a hydroelectric plant faces, the flood risk real estate assets face, the fertility a soil gains or loses from one harvest to the next — all of it remains exactly where it stood on May 28, disclosed or not. A transparency rule neither creates nor erases these facts; at most, it makes them visible. Removing the reporting obligation therefore removes nothing from the economic reality reported. What is lost is something else, subtler but very important.

What is lost is a chance to teach the market to see what it still sees poorly. Because there is one type of value the market reads easily and another it reads with chronic delay, and the difference between the two shapes much of my work. The market is quick to price what a company captures in the present: the quarter's margin, the price of the harvest, the threat of a competitor or new technologies. It is slow to price what a company creates over time, because that creation happens within the systems a company depends on, systems that don't fit on a single balance-sheet line: soil quality, energy reliability, water health, and its relationships with the people who work for it, supply it, live near it, and regulate it. That value accumulates slowly and silently, and tends to show up in the price only later on, or when something breaks. A mandatory, standardized, audited report would be an imperfect but real instrument for shortening that lag, allowing prices to take into account the value that exists before it is recognized.

It's worth pressing on this point, because it's less obvious than it seems. A company can capture a great deal of value for some time, precisely while eroding the system that sustains it: squeezing a supplier, depleting a soil, deferring the investment a regulator will one day demand. The numbers look great, the market applauds the discipline, until the system pushes back and what looked like efficiency turns out to be a liability deferred to the future.

The opposite is also true, and that's where the opportunity lives. When a company invests in returning a system to balance (modernizing a fleet to burn less fuel, restoring a watershed that supplies its operations, reducing dependence on a volatile imported input, stabilizing its relationship with a community or a supply chain), it almost always improves its own economics before any outside recognition arrives: it produces at lower cost, is less volatile, and gains better access to capital and to more demand.

More stable cash flows warrant a lower discount rate. A well-maintained physical asset depreciates less and is worth more. A margin that depends less on volatile inputs is a more defensible margin. None of this is philanthropy in disguise. It is the arithmetic of understanding that the health of the system and the value of the company are, in the end, the same equation.

That's why the CVM's decision, which looks like a compliance matter, is actually a matter of returns. If the market was already slow to read this value, and the instrument that could have helped it read faster has just been shelved, then the gap between the value that is created and the value that gets priced won't close any time soon. And a gap that doesn't close on its own stops being a passing anomaly and becomes a permanent feature of the market. For most investors, that's a problem, because it means the price will keep getting it wrong. For those willing to do the work of reading the systems directly, rather than waiting for the price to do so, it's the opposite: it's the raw material of return. The gap between what a company delivers and what the market sees is not a flaw to lament. For whoever gets there first, it is expected return.

The honest objection to this reasoning has to be faced head-on: a value the market never learns to price in can be real and, even so, remain trapped forever — in market jargon, a *value trap*. The answer isn't to pretend the risk doesn't exist, but to look for value in the right place. When a system's improvement turns into cash in the company's till, the return is realized in the operation, before and regardless of whether the market changes its mind. Market recognition, if it comes, is a bonus, not the thesis. A fragile thesis is one that needs the market to agree; a solid thesis creates value even if the market never does. That's the kind of theses I look for, and that's why the retreat in the transparency bar concerns me as a citizen and barely moves me as an investor.

The market has already learned to fear climate. What it hasn't yet learned is to see the value the transition creates: the kind that forms slowly in operations, in contracts, and in trust, and which it insists on treating as just another natural cycle.

CVM's decision has postponed that lesson a little longer. For those pricing the next quarter, it's minor news. For those investing in systems that need to return to balance, it confirms that the gap between what is created and what is observed will stay open for a good while yet. A market that is not taught to see that gap does not make it disappear. It simply leaves it, for longer, to those who have already learned to see it on their own.

LatAm Climate Turnaround Fund (CTF)

The logic behind the construction of CTF's portfolio (FAMA LatAm Climate Turnaround FIF em Ações IS) is designed to withstand distinct scenarios without depending on any of our own forecasts coming true. Building a portfolio this way means bringing together not the companies with the greatest upside potential in a given scenario - even one we believe to be the most likely - but rather companies that win, together, across different ones.

Forces that move markets, such as exchange rates, inflation, interest rates, the growth cycle, and climate, certainly affect the value of individual companies, but we aim to build a portfolio in which such effects are of little relevance in aggregate, so that we remain agnostic about scenarios rather than rooting for a particular path.

Even when a given scenario negatively affects part of the portfolio, it tends to work in favor of another part. In essence, we are pursuing a risk-management decision, not a market bet: we give up some shine in euphoric scenarios in exchange for not depending on luck to preserve value.

The reason for preferring this resilience over return maximization is arithmetic. In a relatively concentrated, long-horizon portfolio, what damages compound returns isn't losing a good quarter, or even a good year, but suffering a structural loss that requires disproportionate effort simply to return to the starting point. Protecting the base on which capital compounds is worth more, over time, than capturing every rally. That's why we accept falling behind when the market rises as a block: it's the price of not being exposed to falling as a block when the scenario becomes less favorable.

Distributing risk across opposing forces comes naturally across asset classes, and is far harder within an all-equity portfolio, because stocks carry a common factor that tends to move them together. In emerging markets, and in Latin America in particular, currency is a first-order return driver that splits companies into opposing camps: a company that bills in dollars and another that bills in Brazilian reais react in opposite directions to the same currency move; add in the interest rate, inflation, and commodity cycles, and you get, within the same stock exchange, businesses genuinely pulled by distinct forces. The common factor never disappears entirely, and in an acute event everything tends to move together; we know that limit and know how far the protection reaches.

None of this, however, replaces the requirement that comes before any regime consideration: each company must be, on its own, excellent. We do not hold mediocre businesses for the convenience of their macro exposure. We look for compounders, companies with durable competitive advantages, high returns on invested capital, and room to reinvest at high returns. The regime decides how we combine excellence; it doesn't justify compromising on quality. What we want is a portfolio of assets that are individually excellent and collectively resilient.

In practice, today half the portfolio is, in essence, dollar-linked. MBRF and SLC Agrícola bill in hard currency and protect against inflation, against real depreciation, and against an emerging market's most dangerous risk — fiscal deterioration, when local cash flow shrinks while the dollarized portion holds up. The other half is domestic. Sabesp has regulated, inflation-adjusted revenue, which makes it a genuine hedge, and it still gains when interest rates fall. Banco do Brasil is a domestic bank whose profitability tracks the interest-rate regime, on top of a credit cycle. Each name is good on its own and, at the same time, covers a different part of the risk map. It's this double test, individual quality and regime contribution, that the next names will also have to pass as the portfolio moves, by design, toward eight to twelve companies, including companies outside of Brazil.

With this design in mind, it's important to discuss the quarter's return. CTF fell -15.8%, versus -8.2% for the Ibovespa. Part of the gap came from three positions that fell for idiosyncratic, company-specific, short-term reasons. It's worth looking at each one, because the detail shows there is no common thread between them.

SLC Agrícola is the most instructive case, because what brought it down was a capital allocation decision, not a deterioration in the business. Radar, a land company controlled by Cosan, put a block of land in Mato Grosso up for sale, which triggered SLC Agrícola's right of first refusal over areas it already leased and farmed — among the company's most productive land. The choice was binary and the deadline short: declining would have meant the company's first area contraction in years, with an immediate loss of revenue; accepting meant consuming cash and borrowing capacity. SLC Agrícola bought roughly 29,000 hectares for R$1.85 billion. The market reacted poorly, with an argument that's hard to rebut: since SLC Agrícola's stock trades, on the exchange, below the value of its own land, buying back shares would create more value per real invested than buying third-party land at a smaller discount, on top of raising debt and doing so at an initial return below the cost of capital. The underlying concern is that the decision signals a preference for expanding the land bank rather than returning capital, the opposite of what the stock's discount would recommend. It's a legitimate capital-discipline critique, and we take it seriously. The other side is also true: SLC Agrícola built its track record buying land at cycle lows, when few wanted it, and capturing the gain when commodities turned; treating a one-off decision as a verdict on the company is the kind of overreaction that tends to create an entry point. Either way, it was a company event, not a regime one. This quarter, as part of engagement activities with SLC Agrícola, bilateral meetings and sessions with external guest experts were held, covering regenerative agriculture, zero deforestation, transparency, and stakeholder relations. The sessions proved highly productive, clarifying questions and deepening knowledge, as well as creating opportunities for exchange with relevant stakeholders, giving visibility to the company's good practices and establishing connections and opportunities for future partnerships.

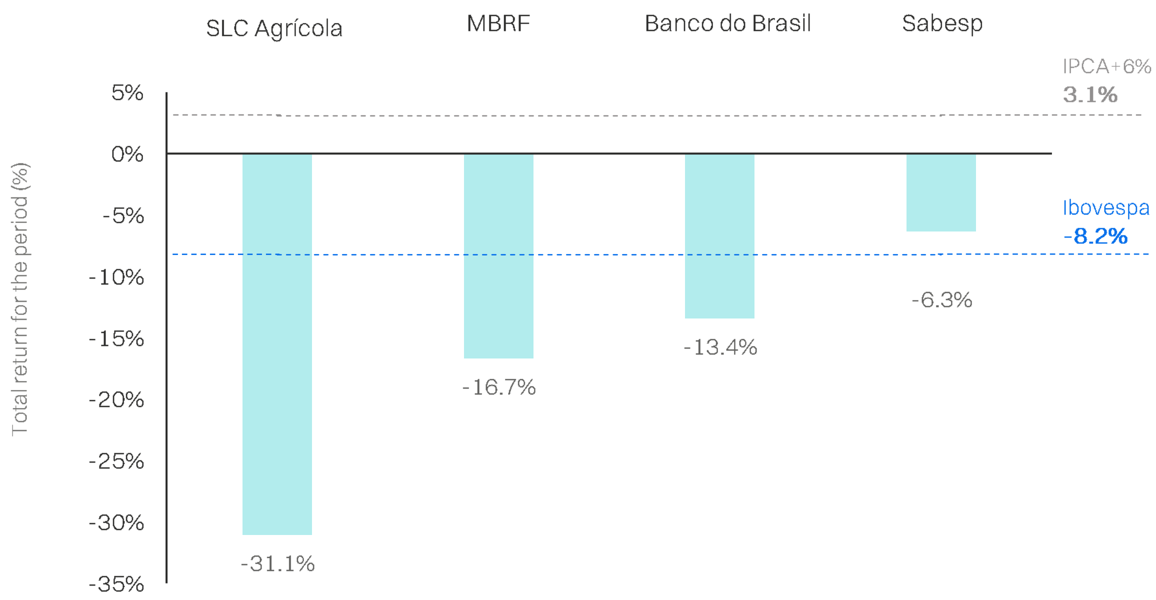
Banco do Brasil (BB) fell for a reason entirely unrelated to SLC Agrícola's: agribusiness credit still hasn't improved. Rural delinquency rose sharply over the past year, the bank increased provisions, and profitability fell to below the cost of capital, and management cut its profit guidance for the year. The market remains skeptical about the timing of this cycle's turn and is demanding a visibility the bank hasn't yet provided. Much of the problem lies with BB itself, which has the system's largest agribusiness exposure — and, paradoxically, that's exactly why we're invested in the company — along with a portfolio historically more dependent on slow-to-execute collateral than its peers'. Part of the discount also reflects the premium the market charges a state-controlled bank, a premium that tends to widen as the election season approaches, something we price in without taking a view on the politics. And there's an irony worth noting: one of the reasons BB is in the portfolio is that its profitability tracks the interest-rate regime, and rates were precisely the variable working in its favor at the margin; even so, a poor, specific, and temporary credit cycle has obscured that merit in recent quarters. The thesis still stands; what emerged was a problem with the portfolio's climate exposure — which is exactly our engagement theme with the bank, not a change in the bank's nature. This quarter, as part of engagement activities with Banco do Brasil, a meeting was held for the Fund's contributions to the company's risk-matrix review.

MBRF fell for a third, also isolated, reason: the market fixated on two short-term factors: results under greater pressure as the war in the Middle East temporarily worsened the business environment, and debt. Leverage rose to close to 3.4x EBITDA, cash generation was negative in the period, and the U.S. cattle cycle, which is pressuring margins, is likely to take longer to turn, with a new Chinese meat-import quota as an added headwind. Debt grew while cash shrank, which raised the bar for the market to give the thesis credit before the cycle turns. And yet, it was in that very same quarter that the company closed the *joint venture* between Sadia Halal and the Saudi sovereign wealth fund, at a full multiple, consolidating privileged access to the Gulf halal market. The perception asymmetry is clear: the market priced in the short-term debt and ignored the value of a platform that secures access and scale in one of the fastest-growing regions for protein consumption. Since revenue is dollar-denominated, the stronger real also weighed on the conversion, adding to the stock a regime effect that, for the portfolio as a whole, is benign. This quarter, as part of engagement activities with MBRF, bilateral meetings were held for activity planning, along with sessions with external guest experts and stakeholders, addressing zero deforestation and the soy moratorium.

It's worth making explicit what runs through all three positions and is central to the thesis: in each case, the climate lever isn't incidental — it's part of what makes them quality assets. The traceability MBRF has built over recent years is precisely what opens the most demanding markets and protects margin and terminal value against the risk of commercial exclusion, and it was that traceability that paved the way for the Gulf partnership. SLC Agrícola's regenerative practices, at scale, reduce the swings in productivity between harvests, which means a more stable margin and less volatile cash flow — attributes that deserve a higher multiple. And Sabesp, by universalizing sanitation and securing water supply, converts water security into regulated, protected cash flow, a direct defense against a physical risk that only tends to grow, while BB's agricultural credit is, ultimately, an exposure to the climate resilience of Brazilian agricultural production. Climate, here, is asset quality, market access, and cost of capital, which is why it factors into the price we pay.

Back to the question I started with. The three declines don't share a cause: one was a capital decision, another a credit cycle, the third a reading of debt. This is the signature of idiosyncratic risk — it hits one company at a time, for its own reasons, and no portfolio promises to eliminate it. What fell, therefore, was price, not thesis. And since all three businesses remain what they were, the pullback pushed price below value, which is the definition of opportunity.

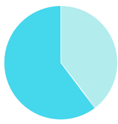
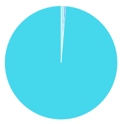
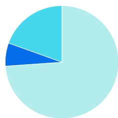
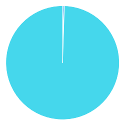
We don't manage CTF to win every quarter, but to compound, over many of them, on a base that isolated shocks don't bring down all at once. This quarter, three isolated shocks arrived together, and the base held, as it should. The portfolio left the quarter as it entered it: a set of excellent businesses, built to not depend on luck, with climate embedded in the price as both risk and value, not as an ornament. The difference is that today they are cheaper than they are worth.



Performance of CTF's portfolio companies in 2Q26.

Climate Panel

Portfolio View

Indicator	SLC Agrícola[1]	MBRF[2]	Sabesp[3]	Banco do Brasil[4]
SBTi	○ Targets based on other methodologies	● SBTi-validated targets	○ Targets based on other methodologies	◐ SBTi submission in progress
CDP Climate	**B**	**A**	**B**	**A**
Emissions				
Scopes prioritized for engagement	E1+E2+E3	E1+E3	E1+E2	E3*
Total emissions $MtCO_2e$	**2.7**	**66.6**	**2.4**	**17.0***
Breakdown by scope ● E1 ● E2 ● E3				
Emissions (vs. prior year)	**+11%** ↗	**+2%** ↗	**+7%** ↗	**+15%*** ↗
Intensity (vs. peak year)	E1+E2: **−32%** ↘ Base year: 2025 Peak year: 2024	E1+E2: **−18%** ↘ E3: **− 4%** ↘ Base year: 2025 Peak year: 2024	E1+E2+E3: **−40%** ↘ Base year: 2024 Peak year: 2020	**-3%*** ↘ Base year: 2024 Peak year: 2021 *Refers only to financed emissions
Main transition lever	Regenerative Agriculture	Traceability	Universalization	Financed Emissions
Stewardship	Stage 3:	Stage 2:	Stage 2:	Stage 1:
Engagement stage	Implementation	Planning	Planning	Dialogue

Stage 1 | Dialogue: Building proximity with the company and establishing a relationship of trust.
Stage 2 | Planning: Joint definition of an action plan within the engagement strategy, with interactions aimed at refining it and beginning its implementation.
Stage 3 | Implementation: Substantive execution of the action plan, evidenced over an annual engagement cycle.
Stage 4 | Results: Achievement of at least one long-term goal of the engagement strategy, with changes embedded into the company's strategies, policies, governance structures, or practices.

Company Overview

This section consolidates climate indicators for portfolio companies, based on public information, used to track their evolution and guide the Fund's engagement strategy.

Portfolio | Climate Target | GHG Emissions | Emissions Intensity

SLC Agrícola S.A.

By 2030:

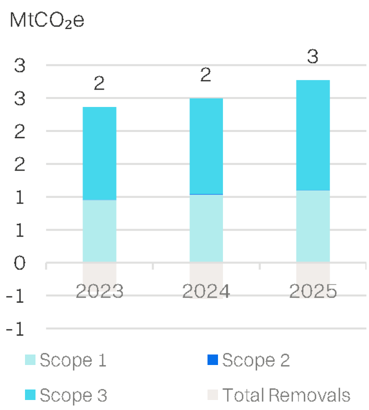
Carbon neutral in Scopes 1 and 2.

550,000 hectares Regenagri certified.

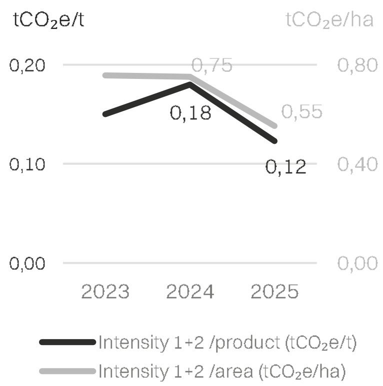
Target achieved in 2021:

Zero Deforestation Policy.

Absolute emissions by scope and biogenic removals[5]



Net emissions intensity per tonne produced and per hectare cultivated[6]



MBRF Global Foods Company S.A.

By 2032:

-51% in Scope 1 and 2 emissions in poultry and pork operations.

35.7% in Scope 3 emissions in poultry and pork operations.

By 2035:

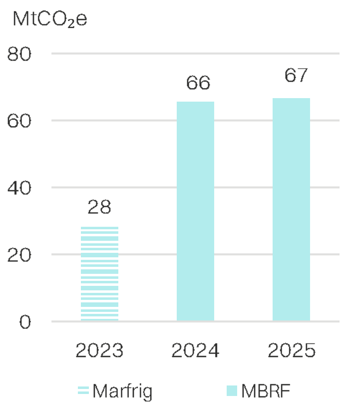
-68% in Scope 1 and 2 emissions in cattle operations.

-33% in Scope 3 emissions intensity in the cattle chain.

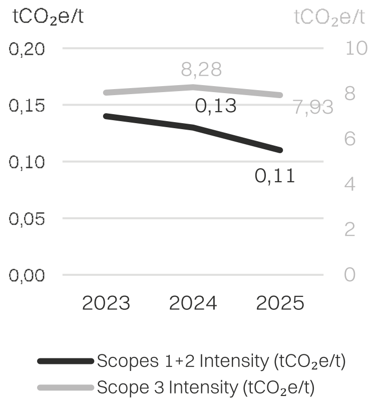
Target achieved in 2025:

100% of the supply chain in the Amazon, Cerrado, and other biomes free of deforestation.

Absolute emissions (E1+E2 *market*+E3)[7]



Emissions intensity per tonne produced[8]



Sabesp S.A.

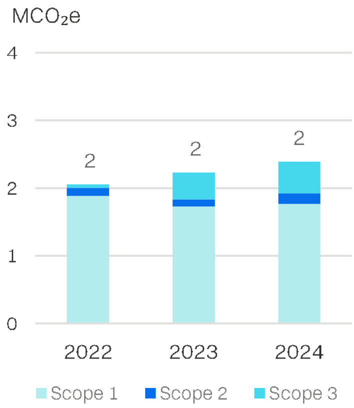
By 2035:

-15% in total emissions;

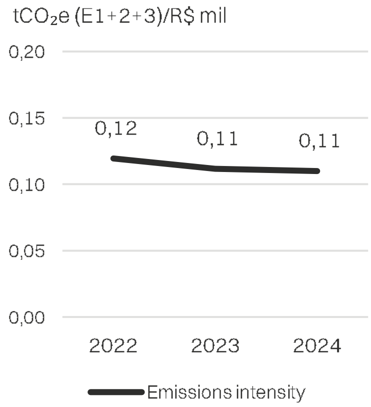
−43% in Scope 2 via self-generation and clean energy;

−41% in emissions intensity.

Absolute emissions by scope[9]



Emissions intensity[10]

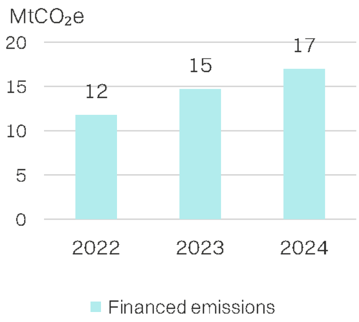


Banco do Brasil S.A.

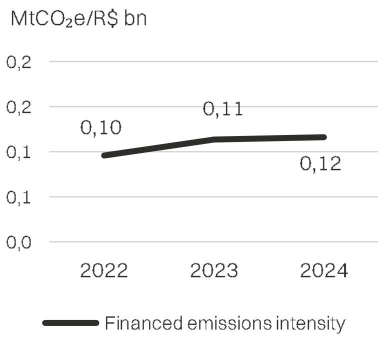
By 2040:

-42% in the emissions intensity of the corporate loan portfolio.

Financed emissions (corporate portfolio)[11]



Emissions intensity per billion reais in corporate loans[12]



Methodological Notes

The indicators presented in this report were drawn from the companies' public disclosures and reflect the methodology and criteria adopted by each issuer. This information has not been independently verified by Fama Re.Capital. Improving the transparency, comparability, and quality of disclosures is one of the Fund's engagement themes.

[1]Climate Panel, SLC Agrícola

SLC Agrícola. Source: SLC, Integrated Report 2025 (2024 data). Note: Scopes 1, 2 (location-based), and 3, limited to agricultural operations (excludes administrative/corporate). Intensity in tCO_2e per tonne of product or per hectare.

[2]Climate Panel, MBRF

MBRF. Source: Integrated Report 2025 (2024 data, combining Marfrig and BRF). Note: Scopes 1, 2, and 3 of the combined company (poultry, pork, cattle, and grains). No removals reported.

[3]Climate Panel, Sabesp

Sabesp. Source: Sabesp, 2024 Sustainability Report; intensity denominator via 4Q24 Earnings Release, p.4. Note: Scopes 1, 2 (location-based), and 3. Intensity in tCO_2e per 1,000 m^3 of treated wastewater.

[4]Climate Panel, Banco do Brasil

Banco do Brasil. Source: Banco do Brasil, 2025 Annual Report; 2024 GHG Inventory. Note: Financed emissions (Scope 3, category 15, PCAF) and their intensity ($MtCO_2e$/R$ bn lent) cover only the corporate loan portfolio, the same scope applies to both indicators.

[5]Appendix, SLC Agrícola, Absolute emissions by scope and biogenic removals

Source: SLC IR 2024 and IR 2025. Note: Scope 3 was expanded in 2023 to include fertilizers.

[6]Appendix, SLC Agrícola, Net emissions intensity per tonne produced and per hectare cultivated

Source: SLC IR 2024 and IR 2025. Note: Indicators limited to the intensity of agricultural operations.

[7]Appendix, MBRF, Absolute emissions (E1+E2 market+E3)

Source: Marfrig reports (2022-2023) and MBRF IR 2025 (2024-2025). Note: 2020-2023 data refer to Marfrig; 2024 to Marfrig and BRF; and 2025 to MBRF. MBRF does not report removals.

[8]Appendix, MBRF, Emissions intensity per tonne produced

Source: Marfrig reports (2023) and MBRF IR 2025 (2024-2025). Note: Starting in 2024, the calculation's denominator was expanded from "beef" to "beef, poultry, and pork".

[9]Appendix, Sabesp, Absolute emissions by scope

Source: Sabesp Sustainability Report 2024; 2021 Financial Statements (2020 data); 2020 Sustainability Report (2019 data). Inventories verified by a third party (Public Emissions Registry, FGV). Note: The jump in Scope 3 from 2023 onward is methodological (inclusion of new categories), not operational. The 2025 cycle had not been published as of 07/14/2026.

[10]Appendix, Sabesp, Emissions intensity

Source: Sabesp Sustainability Report 2024; 2021 Financial Statements (2020 data); 2020 Sustainability Report (2019 data). Inventories verified by a third party (Public Emissions Registry, FGV). The intensity denominator was calculated by fama re.capital using the company's own methodology: Sabesp Earnings Releases 4Q20 p.4 (2019/2020), 4Q22 p.4 (2021/2022), and 4Q24 p.4 (2023/2024). Note: The intensity figure was calculated by us, replicating Sabesp's methodology; the calculation memory for the denominator (gross sanitation revenue ex-construction, less taxes, R$ mn) is available in the spreadsheet. The 2025 cycle had not been published as of 07/14/2026.

[11]Appendix, Banco do Brasil, Financed emissions (corporate portfolio)

Source: Banco do Brasil Annual Report 2025, 2024 GHG Inventory. Note: Financed emissions (Scope 3, cat. 15, PCAF) cover only the corporate loan portfolio (42.28% of the corporate PJ portfolio in 2024), not the total portfolio. Measurement began in base year 2021; the 2025 cycle had not been published as of 07/21/2026.

[12]Appendix, Banco do Brasil, Intensity of emissions per billion reais in corporate loans

Source: Banco do Brasil Annual Report 2025, 2024 GHG Inventory. Note: Intensity in $MtCO_2e$/R$ bn lent. Financed emissions (Scope 3, cat. 15, PCAF) cover only the corporate loan portfolio (42.28% of the corporate PJ portfolio in 2024), not the total portfolio. Measurement began in base year 2021; the 2025 cycle had not been published as of 07/21/2026.