

Update on the quarter

The strategy posted a positive return of 9.45% compared to 8.56% of the Ibovespa index. Since the relaunch of the strategy, in late 2016, the fund has returned 113.40% vs Ibovespa's 57.03%. The first quarter was marked by a very positive and optimistic sentiment (in January the Ibovespa was up 10.82%) that dwindled as the leading data of the economic recovery disappointed expectations and the new government showed signs that it will need some time to fine tune and take advantage of its political support.

In our view, the government's strategy to focus on the pension reform as the number one agenda makes a lot of sense. It not only tackles the unsustainability of the current deficit but also reduces the cost of the capital for companies, leading to an increase in the value of the assets that might be part of the anticipated privatization program. Despite the positive outlook, the new government will have to improve its political coordination urgently in order to approve this important reform as the constant delays in the anticipated voting schedule have been frustrating investors and leading to increased volatility in the market.

As for our portfolio holdings, the majority of our companies continued to post positive returns thanks to (i) continuous volume recovery in Tegma; (ii) a long

waited cyclical volume recovery with pricing discipline in Kepler Weber; (iii) the capacity to deliver sound results from the focus on operational improvements in Trisul and Smiles; (iv) the first signs of a well succeeded investment phase in Alupar; and (v) the good perspective to improve corporate governance in state-owned companies in Sanepar. Our largest detractor was a company that seems well behind in terms of volume recovery as its operational results are still below what we think is the potential of the company.

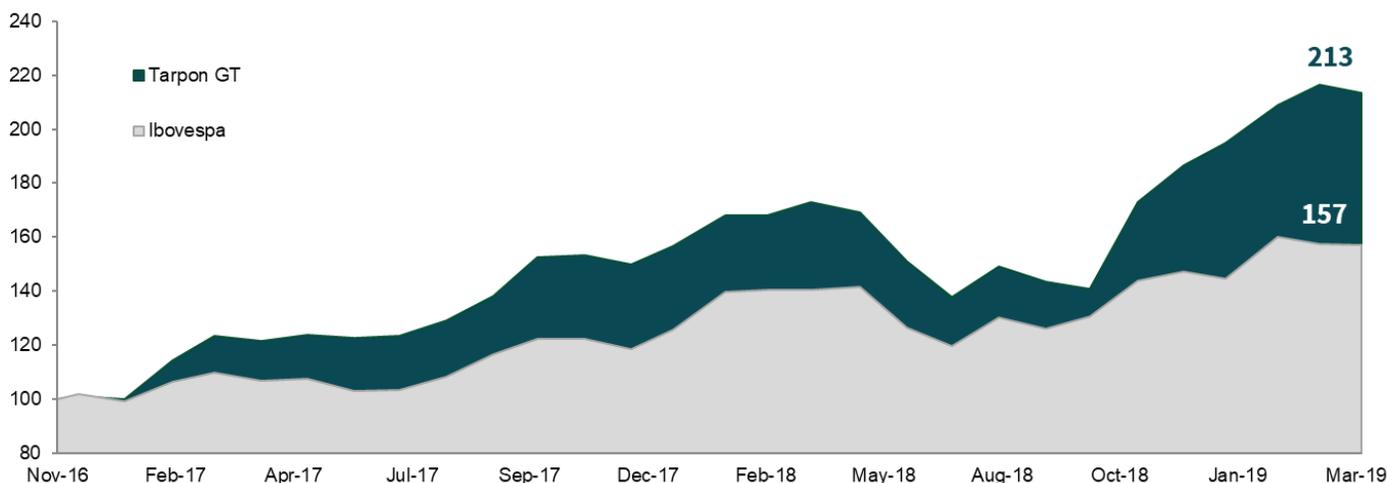
We believe the fund is well positioned for the year and the companies in the portfolio should continue to deliver aggregated sound results in the coming quarters. We remain active in sourcing new opportunities that have lagged the market rally as some of our companies have performed well ahead of the index last year and in the first quarter, opening room for new additions with attractive risk return profiles.

Best regards,

Tarpon GT Public Equities

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Performance since relaunch



(1) Performance net of all fees.

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