Update on the quarter

During the quarter, the Tarpon GT fund posted a positive return of 6.9% vs 3.7% of Ibovespa index. Since the relaunch of the strategy, the fund appreciated 159.0% vs 72.4% of the index.

Structurally, we remain constructive with the economic recovery, after a long winter, and the continued cut in interest rates. This is reflected in our portfolio, which is mostly composed of leading companies in their respective segments - Kepler Weber (manufacturer of silos for grain storage), Tegma (logistic company focused on the transport of new vehicles), CVC (tourism) and Smiles (miles program) - and also in companies that have exposure to interest rates decline and continue, in our view, with attractive valuations such as Kepler, Alupar (energy transmission/ generation), Sanepar (sanitation) and CPFL (energy distribution/generation).

Our expectation is that the recovery of confidence and growth should benefit Kepler, Tegma, CVC and Smiles in different ways, but with returns above market average. Kepler is exposed to the resumption of investment confidence and we are seeing the agribusiness chain resuming investment plans. We believe that Kepler will benefit from the lower interest rates and that homogenization/standardization gains and seasonally adjusted crop yields will benefit the producer.

With regards to Tegma, we have seen a welcome and favorable uncorrelation between new car sales and slower than expected growth at the beginning of the year. Most of this growth has come from direct sales, especially from the rental fleet expansion. We understand that consumer sales still have plenty of room to resume pre-crisis volumes and, with falling interest rates and a possible rise in income, the company is expected to post additional growth not yet priced by the market.

As for CVC and Smiles, our investments in the entertainment and travel industry, they are still underperforming. Avianca's bankruptcy and the resulting drastic drop in seat offerings to established tourist destinations significantly impacted airfare prices during the second and third quarters. However, we are seeing airlines adding capacity as well as new entrants adding alternatives to passengers. According to market projections, there should be a regularization of supply in 1Q20 and a 10-15% growth in 2Q20 is expected, when compared to this year.

Regarding Smiles, we view the company as a platform that delivers significant value to the traveler and we expect the company to continue delivering results consistent with its market share gain in the industry. However, its market value should remain compressed as long as the corporate impasse between the company and the controller (Gol) persists.

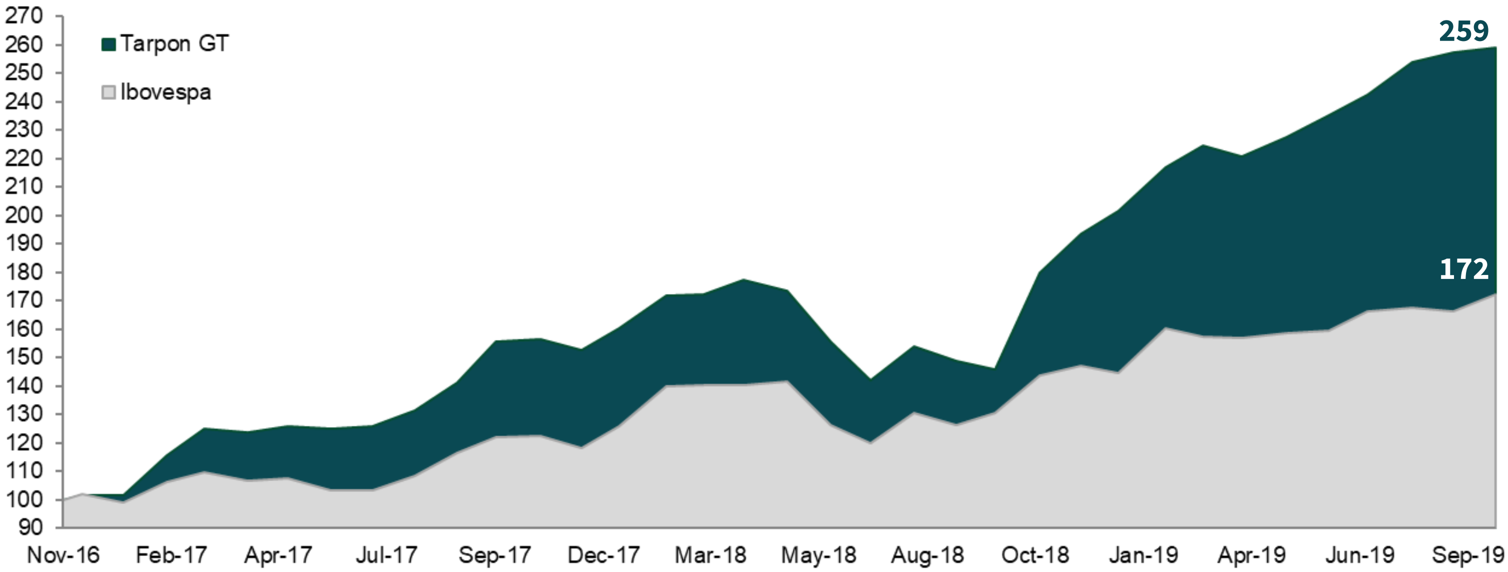
As for Alupar, it remains a safe haven for the portfolio in terms of predictability and potential returns. The company is undergoing a capital-intensive phase to develop new power transmission projects and we believe investors who traditionally invest in assets with this profile will increase exposure in the company as such projects are concluded and the company becomes a relevant dividend payer.

Finally, we rebuilt our position in Sanepar during 3Q19 with attractive valuations. We had the opportunity to redo the position following the announcement of the tariff review by the Paraná State Court of Auditors (TCE), which significantly impacted the share price. In our view, Sanepar's tariff review process, which was led by the respected consulting firm Siglasul, had all the details and processes that were needed to correct a huge delay in its pricing model. The process was extremely well conducted and very transparent, which gave us the comfort of increasing the position.

In short, in our view, our key positions are well-positioned to benefit from a possible resumption of economic growth and a continued fall in interest rates, and we continue to see a very attractive risk/return ratio for them even when compared to other opportunities in the market.

Tarpon GT Public Equities
www.tarpongt.com.br

Performance since relaunch



(1) Performance net of all fees.