mar
asset

Letter: august, 2026

Return to Ithaca

2026 has been a rather difficult year for the dynamics of our portfolio. We feel we have been dragged far off our original course by winds and currents we were unable to anticipate or control satisfactorily — hence our identification with Ulysses, who had to reorganize his route several times on the long journey back home. To know where we want to go, however, we first need to be clear about where we were before feeling Poseidon's fury.

The way we have thought about the fund's capital allocation in recent years starts from a simple premise: allocate cash to the CDI, the best risk-free asset in the world, and maintain structural exposure to U.S. equities, the best risk asset in the world. That is how we made our way through 2025 — a lot of cash, exposure to U.S. equities without currency risk, and limited use of cash to buy EWZ options.

Over the course of last year, we gained conviction that the artificial intelligence thesis would keep surprising the world with its speed of adoption and with the exponential advance of its capacity to solve problems[1].

In Brazil, we thought local beta was very cheap at the beginning of 2025, especially in light of our reading that political alternation had a high probability of being confirmed in 2026. Among Brazilian risks, we concentrated exposure in FX and equities through EWZ options, avoiding receiver positions in rates.

1 In a letter dedicated to the subject, we already described how much LLMs had evolved and how the exponential nature of this new technology was knocking at our door (Letter: November, 2025: When the Skeptics Push the Geniuses).

Since President Lula's election we had not carried receiver exposure in nominal rates, as we believed the government's economic policy model would favor growth through public spending, reducing the room for rate cuts. That view changed at the end of last year.

The starting point for early 2026 was the highest Selic rate in the last twenty years. Monetary tightening was already being felt, with a marginal deceleration in activity and a significant decline in inflation. Added to this cyclical factor was a real possibility of alternation in the presidential elections — a combination of powerful catalysts of the kind that only appears once a decade.

It was under this reading that, at the end of February, we were close to our maximum risk exposure, a stress level of 30%, believing we were facing two opportunities of great asymmetry: the AI thesis in U.S. equities and the convergence of interest rates in Brazil.

We have already laid out, in a previous letter, the damage the war caused to the portfolio and how slowly we reacted to the drawdown in the fund's NAV, even if within our risk rules. The losses occurred in the assets we have always traded, with the exposure sizes our rules allow — there was no style drift on our part[2].

After the initial shock, and already with reduced positions, we continued to navigate this turbulent sea, facing an orange mythological monster that has already hurled wars and tariffs at us in recent years, in search of the way home.

Where we stand in relation to the original theses

The thesis of interest rate convergence in Brazil was always divided into two phases.

The first would be a monetary policy calibration cycle, which lowers rates without taking them back to the neutral rate. As Copom itself has stressed several times, the reason for the cycle was to calibrate the Selic in light of lower inflation and of signs that monetary policy was taking effect

2 Letter: March, 2026: What went wrong?

— always making clear, however, that the rate would remain in restrictive territory. With the real interest rate above 10%, we believed this calibration cycle would have an initial budget of approximately 300bps, with the implicit objective of producing a soft landing and reducing the risk of a sudden stop in the economy caused by excessive tightening — a cycle similar to the one conducted by Roberto Campos Neto in 2023.

The second phase, the more significant one, would come after the presidential election. A change of the presidency to a center-right government, whoever the candidate might be, would give rise to a minimum fiscal adjustment, which would deepen an already ongoing deceleration in activity and open room for the cycle to stop being a simple calibration and become one of convergence to the neutral rate — a potential cycle of 700bps.

It was, therefore, a reasonably well-supported path for anyone receiving rates: we had already locked in at least a calibration cycle, which could turn, after the elections, into one of the largest rate rallies of the past decades.

The U.S.–Iran war arrived like a storm and pushed our boat brutally off course. The conflict brought back the risk of global inflation and prompted rate hikes at central banks that had been normalizing their rates after the pandemic. The fear of reflation driven by a supply shock pressured curves around the world, especially in emerging markets that still had fragile monetary easing processes underway — Brazil among them.

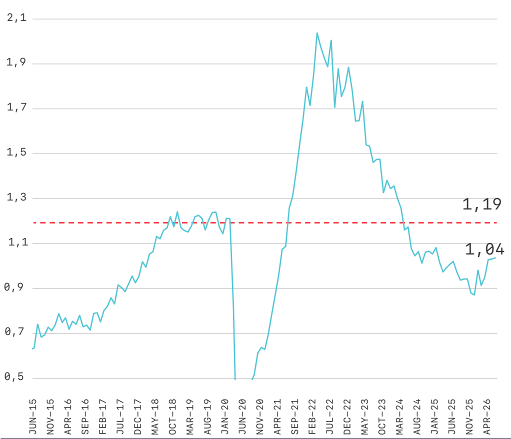
Global rates

Our reading is that the market reacted mechanically to the oil supply shock. In 2022, similar supply distortions met an enormous demand shock: the excess savings built up by government transfers during the pandemic generated a long and intense boost to consumption right after the economy reopened, on top of a supply chain still being reorganized. It was on that conviction that, at the time, we built significant positions betting on Fed rate hikes far more intense than the market was pricing, as described in previous letters[3].

3 Letter: August, 2022: Prices and curves , Letter: June, 2022: Waves and prices

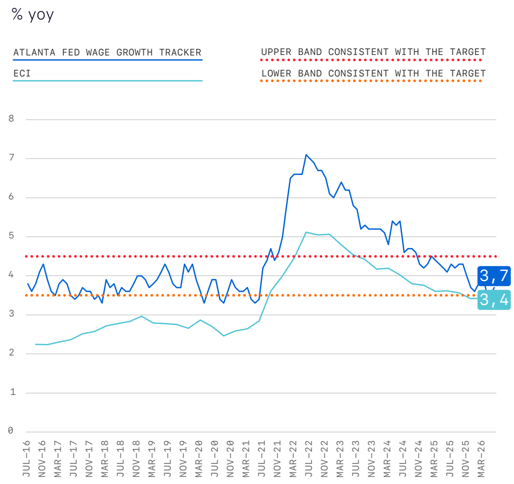
We believe, however, that this time the inflationary pressure is in fact temporary and restricted to oil-linked items, simply because there is little demand pressure. The U.S. labor market is balanced, wages are growing below productivity, there are no excess savings left over, and the economy's resilience seems to depend, in good part, on the performance of the technology sector.

Chart 1: Ratio of job openings to unemployed (V/U)



Source: BLS, Mar Asset Management

Chart 2: Wage inflation in the U.S.



Source: BLS, Atlanta Fed, Mar Asset Management

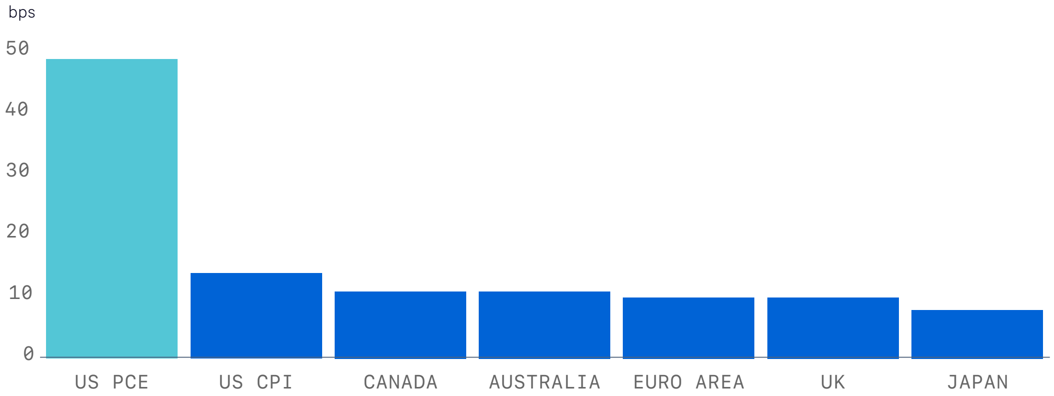
The perception of the U.S. inflation problem seems magnified to us. The excess of inflation relative to the target is largely concentrated in goods — a class that is showing global disinflation, but which in the U.S. suffers the impact of tariffs and of the A.I. chain. Tariff-driven inflation appears to have peaked and to have proved, in fact, a one-off increase in the price level. In the case of the A.I. chain, the impact on U.S. inflation is distorted by the 40 times greater weight given to the Computer Software item in the PCE when compared with the CPI. The debate among FOMC members is whether inflation remaining above target over the last four years represents something more structural than merely a random sequence of supply shocks.

The new chairman, Kevin Warsh, in his statements throughout the disputed process for the position, signaled a reading leaning toward supply shocks and toward the idea that the normalization of inflation was already underway — we believe that was the argument that convinced President Trump to finally choose him. At his first FOMC meeting, the market read the new chairman as a hawk ready to raise rates. At the press conference following the latest meeting, however, Warsh reversed that perception, communicating the same line he had presented to Trump — that inflation is potentially mismeasured and that the risks are smaller than Core PCE suggests — producing a much more dovish reading than the initial one.

The reaction of the Treasury curve was curiously similar to the reaction of the DI curve after the Copom meeting in June, when the market expected rates to be kept on hold — or, at the very least, a hawkish cut — and the BCB delivered a dovish cut. DI rates rose aggressively at the longer tenors in the following days, but over the weeks normalized and gave back premium on the back of clearer communication from the BCB in its minutes. We believe something similar should happen with the Treasury curve in the coming weeks.

When we use trimmed mean measures, as Warsh himself suggested, underlying inflation dynamics look far less worrying than Core PCE indicates — corroborating the supply-shock reading rather than a demand-driven one. The trimmed mean indicators, for both the CPI and the PCE, are less than 0.4 pp above their pre-pandemic average levels. Naturally, the duration of the war and its pressure on oil derivatives and supply chains could change this diagnosis.

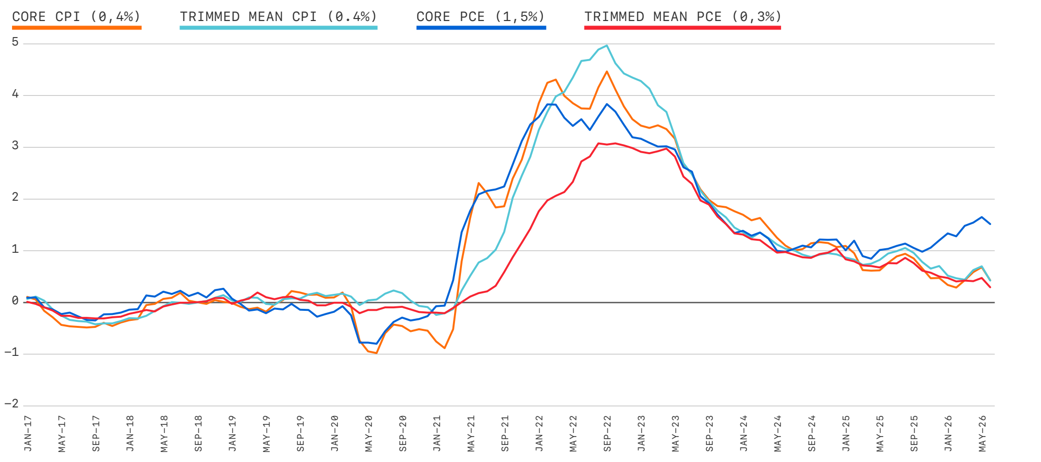
Chart 3: Estimated maximum impact of A.I.-related inflation on core inflation



Source: BLS, Goldman Sachs, Mar Asset Management

Chart 4: Underlying inflation measures in the U.S.

% yoy, deviation from the 2018-19 average



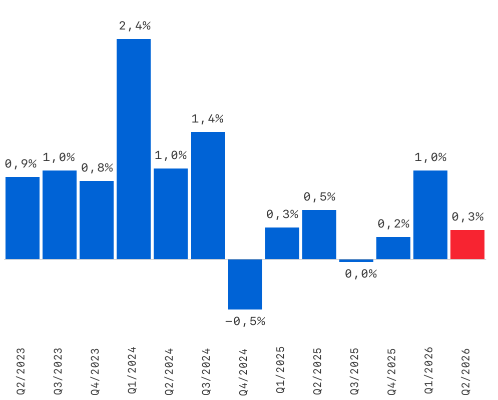
Source: BLS, Mar Asset Management

Even while suffering winds and currents from storms coming from different directions, we continue to believe that the path is one of convergence in activity and inflation, once the oil shock is overcome.

In Brazil it is no different. Oil pressure called into question the benign inflation premise of the calibration cycle, and the moderate deceleration in activity we had been observing seemed to be aborted after the release of first-quarter GDP. The market interpreted both events as a structural change in inflation and activity dynamics; we interpret them as one-off factors that should not persist through the rest of the year. In our reading, first-quarter GDP was a one-off reversal of part of the weakness observed in the second half of 2025. The most recent high-frequency data already show a more marked deceleration in the second quarter, particularly in labor market indicators, pointing to a return to a much more moderate pace of growth.

Chart 5: Household consumption growth

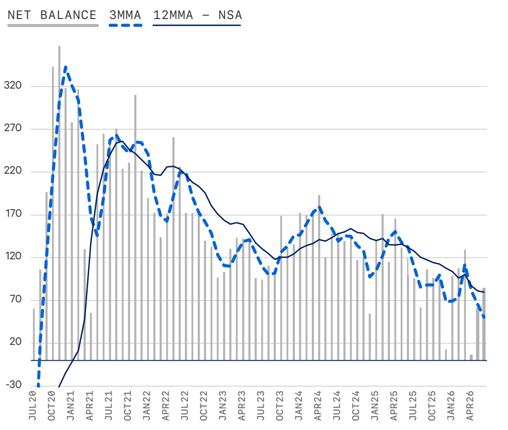
%, q/q



Source: IBGE, Mar Asset Management

Chart 6: Net formal job creation

thousands



Source: Ministry of Labor, Mar Asset Management

To discuss Brazilian economic dynamics of recent years and to project the coming ones, it is necessary to combine fiscal expansion with another variable that, in our view, receives less attention than it deserves: the credit cycle.

The BCB's (not so) hidden risk

President Lula's third term repeated the model of strong growth in government spending with a very high Selic to control inflation. In order to formally comply with the fiscal target set by the government, increasing revenue through taxes became necessary, and the outcome of the model was strong growth at the cost of higher taxes and interest rates. Notwithstanding the restrictive level of interest rates, this fiscal expansion cycle was accompanied by a strong credit expansion cycle.

In recent years, in addition to the increase in government indebtedness, we have concomitantly seen record household leverage: today, both the public sector and Brazilian households commit a record share of their income to servicing their debt.

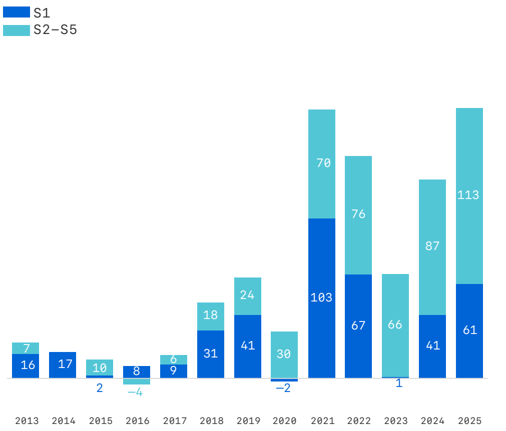
Post-pandemic financial deepening was turbocharged by the massive adoption of Pix and by the arrival of fintechs in consumer credit, expanding household and financial system balance sheets at unprecedented speed and magnitude — especially among a share of the population that had never had access to credit. Bringing this group into the banking system, combined with new credit analysis models and the aggressive balance sheet growth of fintechs, boosted consumption significantly.

The peculiar feature of the current cycle is precisely this focus on household consumer credit: a type of cycle with very little impact on the economy's potential growth, representing merely an anticipation of future consumption. It shifts demand to the present at the cost of less consumption ahead — the expansion already carries its own reversal embedded in it. We simply do not know the exact moment when it will weigh on activity.

The good GDP performance during the Lula 3 term was driven by this combination of fiscal spending and credit expansion to households, which produced the sense of a strong but uncomfortable economy: unemployment at historic lows, record growth in the wage bill and in households' debt service burden. There are few precedents for a consumer credit expansion as aggressive in speed and magnitude as the one we have experienced in recent years, and cycles of this type are usually followed by sharp corrections..

Chart 7: Growth of the personal loan and credit card portfolio across the different banking segments

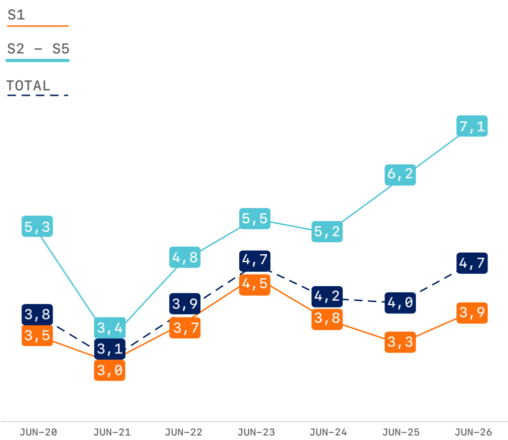
R$, billions



Source: BCB, Mar Asset Management

Chart 8: Household NPLs (ex-agro) by bank type – S1 (6 largest banks) vs. S2 – S5 (the rest)

% of total credit outstanding to individuals



Source: BCB, Mar Asset Management.

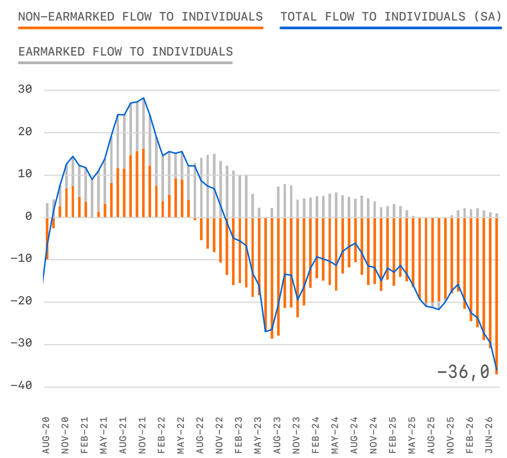
This combination of fiscal and credit expansion pressured demand and led the BCB to raise the Selic to its highest level in twenty years — a tightening with the elementary objective of slowing demand that, until recently, had shown little sensitivity to the cost of credit. From the end of last year, however, credit expansion began to show signs of exhaustion. After several quarters with a very high Selic, the net credit flow changed direction: the impulse that had previously been positive for the consumer turned negative, with interest payments and amortizations accelerating and significantly surpassing new credit origination. Even after the start of the current Selic cutting cycle, this dynamic remains negative at the margin, with the financial flow to individuals at its lowest level in years.

The risk is one of non-linearity in this adjustment process of the household credit market. The inflection in the financial flow is occurring at the same time as delinquency is rising — concentrated precisely in the institutions responsible for the extraordinary post-pandemic credit expansion. Cracks are beginning to appear in lenders' confidence, which until then rested on a strong labor market, rising income and low delinquency: the slowdown in new loan origination, already the norm among S1 banks (the largest in the system), now also appears in originations by S2-S5 banks (neobanks, fintechs and mid-sized banks).

High indebtedness already locks in, in advance, substantial interest and amortization payments over the coming quarters. If origination slows, households will lose the credit that today smooths the impact of this debt service on consumption — which would lead to a deceleration in activity, a deterioration in household income and, with that, further reduction in consumption and higher delinquency, feeding back into the cycle.

Chart 9: Financial flow to individuals

R$ bn, June 2026 prices



Source: BCB, Mar Asset Management

Chart 10: Transfer and credit impulse to household consumption

% h/h

Source: Mar Asset Management

We believe this is the BCB's greatest concern, and what leads it to persist with the calibration cycle even in the midst of the Iran war. The Committee does not communicate this in so many words — perhaps in order not to draw attention to the subject. This lack of transparency about the balance of risks to activity has generated unnecessary noise around the latest cut decisions[4].

4 In a study dedicated to the subject, we discussed how the transparency of the BCB's inflation projection model, laudable in itself, ended up teaching the market to expect an almost mechanical reaction to the formula. Greater emphasis on the risk of a discontinuous slowdown driven by the credit cycle would bring more coherence to the decision to cut 25bps and would dispel doubts about the reaction function and the Central Bank's credibility.

The fiscal package is, in reality, a credit package

The continuation of the Selic cutting cycle depends on sustaining the deceleration in activity, the opening of the output gap and the decline in inflation. Even though the credit impulse has already turned negative, the fiscal impulse remains positive in an election year, sustaining consumption for longer.

In recent months, the market has been inundated with incessant announcements of new public stimulus programs, and that avalanche, added to the war and to the pressure on global curves, eroded the confidence of those receiving rates in Brazil. Seeking to understand how much of these programs actually reaches consumption, we found that the final impact appears far smaller than intuition suggests. Arithmetically, the budget of these programs is close to R$ 200 billion, but around 85% of the announcements are credit programs — for an already heavily indebted consumer, with a much smaller multiplier on activity than a direct income transfer would have.

Compared with previous electoral cycles, this year's impact on consumption is significantly smaller than that observed in past election years.

Chart 11: Package of stimulus measures for the economy in 2026

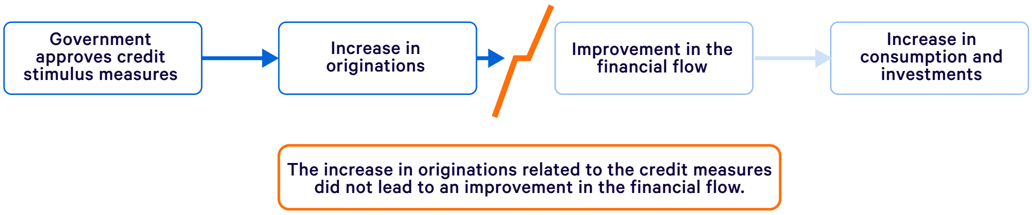
Program	Status	Budget (R$ bn)	Δ25–26 (R$ bn)	Δ25–26 (% GDP)
Disposable income and liquidity				
Personal income tax exemption (Isenção IRPF)	Start: Jan/26	31,0	31,0	0,2%
Luz do Povo (electricity tariff discount)	Start: Jul/25	13,0	4,3	0,0%
FGTS withdrawals	Withdrawals: Jan/26, Feb/26 and May/26	16,2	4,2	0,0%
Gás do Povo (cooking gas subsidy)	Start: Nov/25	5,1	1,6	0,0%
Credit				
Move Brasil 1 and 2 (trucks and buses)	Jan–Apr/26 and May–Aug/26	31,2	29,7	0,2%
Payroll-deducted loans (Consignado)	Start: May/25	-	24,0	0,2%
New Real Estate Credit Model	Start: Oct/25	37,2	22,3	0,2%
Move Aplicativo (app drivers)	Start: Jul/26	30,0	20,0	0,1%
Pronampe (small business credit)	Expansion: May/26	20,0	20,0	0,1%
Desenrola 2.0 + FGTS	Start: May/26	23,2	10,5	0,1%
Housing				
MCMV – Brackets 3 and 4	Start: H1/26 (Bracket 4) / H2/26 (Bracket 3)	50,0	20,0	0,1%
Reforma Casa Brasil (home renovation)	Start: Nov/25	40,0	12,9	0,1%
Offsetting measures				
Restrictions on the FGTS birthday withdrawal	Start: Nov/25	-	-12,5	-0,1%
Total		**296,9**	**188,0**	**1,3%**

Channel (% GDP)	Dilma 2014	Bolsonaro 2022	Lula 2026*
Transfers	0,4	1,3	0,2
Household credit	0,1	0,0	0,4
Corporate credit	1,0	0,0	0,3
Housing	0,3	0,1	0,5
Tax breaks	0,5	0,1	0,2
Price controls	0,6	0,0	0,0
Other	0,2	0,1	0,0
Total	**3,1**	**1,6**	**1,3**

Source: Manoel et al. (2024), BTG, Mar Asset Management

Because they are concentrated in credit, the effect of the package should show up first in the financial flow: the new programs would release cheaper credit, stimulating new originations and making that flow less negative. Disbursement data suggest that a good part of these programs had already been taking effect on originations since the beginning of the year, with the largest impact expected for the second quarter. Nonetheless, what we saw was the flow becoming even more negative in that period. The expansionary effect of the government programs was more than offset by an increase in debt service and/or by the reduction in other types of credit origination.

Chart 12: How parafiscal stimulus affects the economy

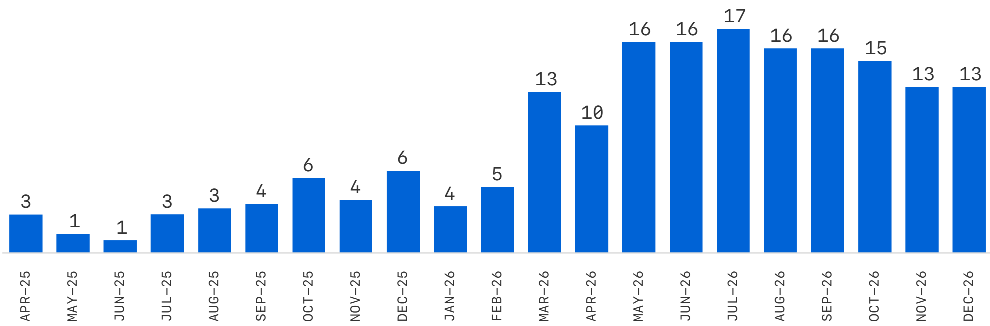


Source: Mar Asset Management

With expansionary fiscal policy — even if less so than first impressions suggest — and a deeply negative credit flow, restrictive monetary policy continues to squeeze an extremely leveraged consumer, which increases the chance of a stronger-than-expected deceleration. If this scenario is confirmed, the BCB should maintain the calibration cycle and may even accelerate the pace of cuts as soon as the war's price shocks fade.

Chart 13: Net effect of the credit stimulus on the monthly financial flow

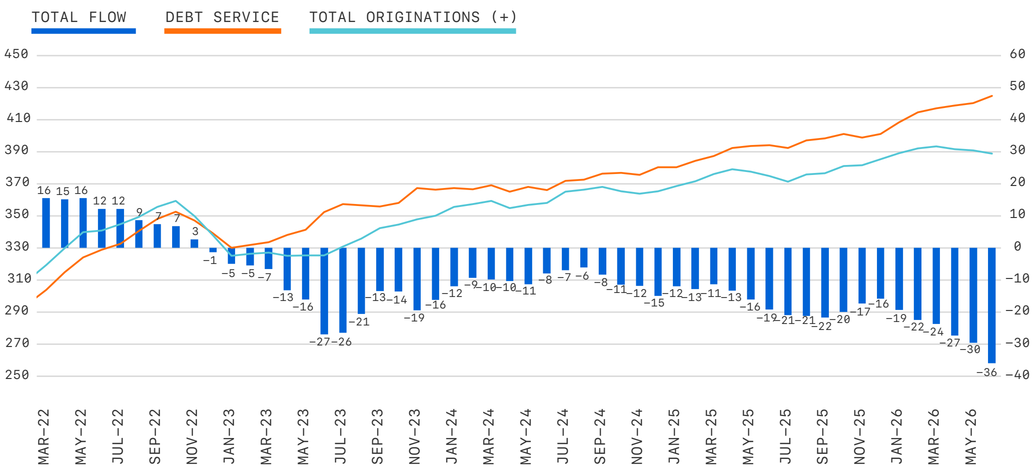
R$, billions



Source: Mar Asset Management

Chart 14: Originations, debt service and financial flow to individuals

R$ bn, June 2026 prices



Source: BCB, Mar Asset Management

The calibration cycle meets the electoral cycle

The presidential race is the event with the greatest catalytic power for Brazilian risk assets. Equities, rates and FX will be strongly affected by the outcome, which will signal the conduct of economic policy over the coming years[5].

To simplify an economic policy full of nuances, we separate the Executive's stance between governments that tolerate the economy's cyclical slowdown and governments that are completely intolerant of it. PT governments are characterized by the lowest tolerance for a slowdown, which leads to permanent growth in public spending that limits monetary easing cycles and, across successive terms, to public debt growing exponentially because of the high rollover cost.

The result of this suboptimal model is an equilibrium interest rate that is very high in order to keep inflation at target. It is unsustainable in the long run, but it is not a structural problem of the economy — it is perfectly reversible if alternative policies are adopted, as Brazilian experience shows in moments of public spending contraction, when we managed to operate with a Selic well below historical levels.

More than fiscal adjustment itself, the most important variable for rebalancing the debt trajectory is the fall in interest rates from current levels — more important, indeed, than primary surpluses. But there is no fall in rates without a deceleration in activity, and no deceleration without a reduction in expansionary fiscal pressure.

The natural cycle of the Brazilian economy, after years of GDP above potential, consumer leverage at an all-time high and very restrictive monetary policy, points to a deceleration accompanied by a significant fall in interest rates. A new government, whichever it may be, that promotes a significant fiscal adjustment would allow a deeper fall in rates, smoothing

5 We have devoted extensive work to the political dynamics of recent electoral cycles, particularly the swing of the pendulum to the right in the municipal and legislative elections. It is especially relevant to note the difficulty faced by a left-wing president governing with a Congress ideologically distant from him — the same legislative profile that would considerably facilitate the governability of a center-right president, including for approving economic agendas that are unpopular at first sight, but already debated and with reasonable consensus among centrist and right-leaning opinion makers.

the cyclical slowdown and substantially improving debt sustainability — a soft landing. On the other hand, a government that remains intolerant of the slowdown and seeks new fiscal stimulus would push rates even higher, eventually resulting in a sudden stop and in the disorganization of the economy, similar to what we experienced in Dilma's second term.

The essential question about a possible fourth Lula term is whether he would resist the temptation to fight the cyclical slowdown with new fiscal stimulus. The first year of the current term was marked by the Transition Constitutional Amendment (PEC da Transição), a very aggressive fiscal expansion, motivated by the political risks and the uncertainties of the return to the Planalto.

In the event of continuity, with the 2027 budget already approved, we do not foresee anything similar to 2023..

An economic policy that, by design, has high interest rates as a consequence casts doubt on sustainability — and that doubt translates into greater risk in being invested in the CDI, since the government could, in theory, choose to raise inflation and force real rates down in order to reduce its rollover cost.

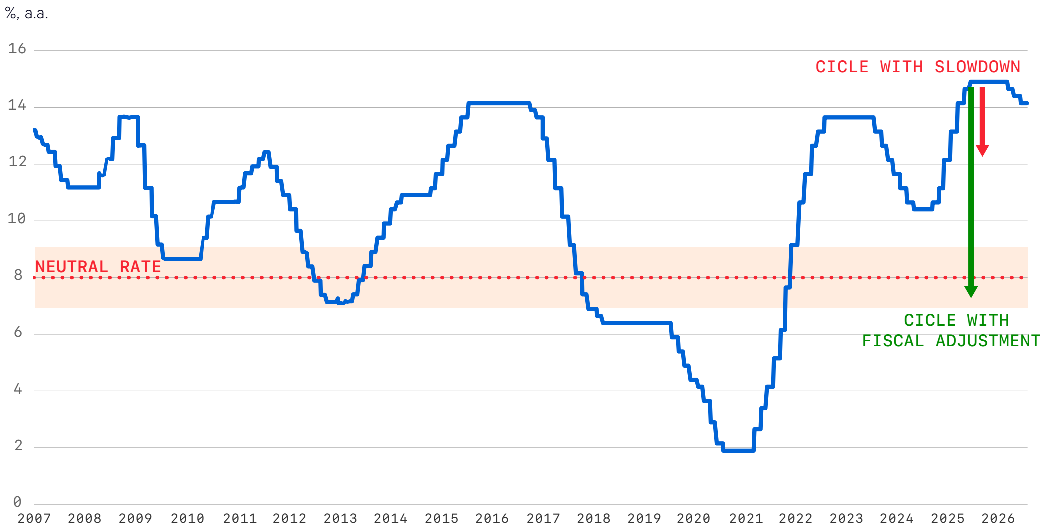
We do not believe this is a likely hypothesis: for that, the government would have to take Brazilian inflation to double digits and, at the same time, prevent the BCB from reacting with further rate hikes. That would mean abandoning the inflation targeting regime that made inflation control possible and that remains the variable with the greatest impact on a government's popularity.

The social contract of inflation control, in our view, remains valid, and any government that seeks to change it should suffer a profound setback in its popularity, generating a political fragility that would eventually make it unsustainable. That is why the combination of fiscal spending expansion with the current targeting regime is what makes the CDI the best risk-free asset in the world — even as it simultaneously makes the public debt trajectory ever less sustainable.

A scenario in which Lula does not promote a significant fiscal adjustment, but also does not accelerate spending, would already allow the continuation of rate calibration: activity growing below potential sustains a shallower cutting cycle than a fiscal adjustment would bring, but still improves the debt-to-GDP trajectory.

A center-right government, on the other hand, even with a moderate fiscal adjustment — a kind of belt-tightening in the first year, followed by more restrained expansion — would allow a much deeper cutting cycle than calibration and immediate relief in the debt trajectory.

Chart 15: Selic rate – slowdown cycles vs. cycles with fiscal adjustment



Source: BBG, Mar Asset Management

In other words, we are faced with two questions. If Lula wins, will the economy follow its cyclical course toward below-potential growth? And would a center-right candidate, with broad support in Congress, deliver at least a minimum fiscal adjustment? If the answer to both is yes, we should expect a cutting cycle far deeper than the one currently priced by the yield curve.

But what probability do we assign to a Lula victory?

The 2026 election is wide open

Despite all the problems related to Flávio Bolsonaro's candidacy, we continue to believe that Lula is not the favorite to win. His government approval maintains a firm and low ceiling, incompatible with the reelection of an incumbent.

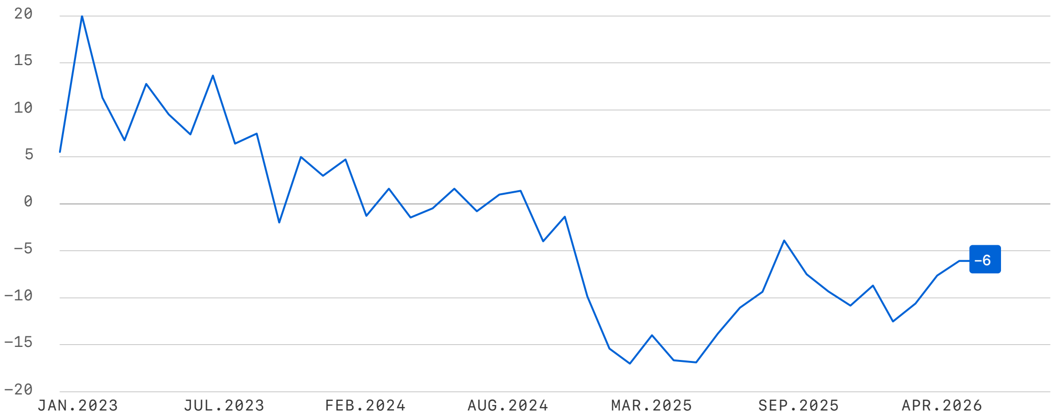
The market, analysts and journalists tend to treat runoff voting intention polls as the best indicator of the outcome. That is natural, since that is exactly the question put to the population on election day. At this point in the electoral cycle, the reading is not as simple as it seems. In an election with a president running for reelection, the variable that matters most is how the population evaluates the current government: only 2% are unable to answer that question, against 18% of blank, null and undecided voters when asked about their runoff vote, in polls such as Quaest's. Runoff polls capture the preference of around 85% of respondents, while government approval captures 98%.

Brazil has had three electoral cycles with a presidential reelection contest that went to a runoff: Lula in 2006, Dilma in 2014 and Bolsonaro in 2022. For all of them, we calculated how voters converted their government evaluation into votes. In 2006, 87% of those who rated the Lula government as excellent or good voted for him, against 6% of those who rated it as bad or terrible and 34% of those who rated it as fair — the 87/34/6 combination. For Dilma in 2014, that conversion was 86/36/2. For Bolsonaro in 2022, 94/49/2[6].

Bolsonaro's high conversion in 2022 reflects an extremely polarized election, with a poorly rated president and two heavily rejected candidates. This is a scenario similar to the one we expect in 2026. Even with that more favorable conversion, Bolsonaro lost because he had a poor government approval rating. The Lula government's approval is worse than Bolsonaro's on the eve of the 2022 elections. Jair's 2022 vote conversion applied to the Lula 3 government's approval indicates a defeat for the current president in the runoff by around 10 points.

6 A more detailed explanation can be found in our study: Keep the faith! The electoral impact of the growth of evangelicals, from January 2025.

Chart 16: Net government approval – Excellent/Good minus Bad/Terrible



Source: Mar Asset Management

Chart 17:
Matrix converting government approval into valid runoff votes in the presidential election

%

	Lula 2006			Dilma 2014			Jair 2022		
	Approval	Conversion	Contribution	Approval	Conversion	Contribution	Approval	Conversion	Contribution
Excellent/Good	53	89%	47	44	86%	38	37%	94%	35
Fair	31	39%	12	16	36%	13	26%	49%	13
Bad/Terrible	15	6%	1	39	2%	0	35%	2%	1
Runoff vote			60			51			48

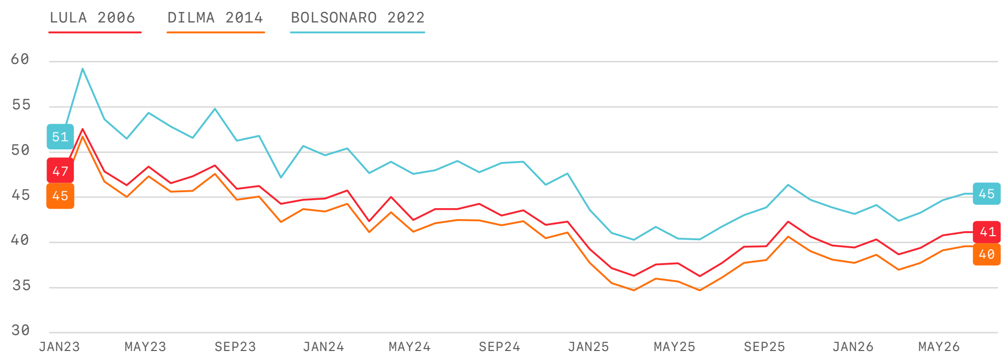
Using the conversions above, Applied to Lula 2026's current approval:

Current Approval	Lula 2026	Lula 2006	Dilma 2014	Jair 2022
Excellent/Good	35	31	30	33
Fair	22	9	8	11
Bad/Terrible	41	3	1	1
Estimaed vote		**42**	**39**	**45**

Source: Datafolha, Quaest, Mar Asset Management

Chart 18:
Valid votes for the incumbent based on the average of the pollsters' approval ratings

%

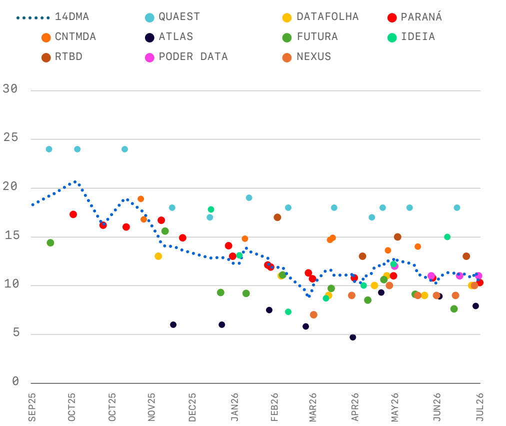


Source: Mar Asset Management

How can this be reconciled with voting intention polls that show Lula ahead of all his opponents? One of the reasons stems from the still-high level of undecided voters when asked about their runoff vote. Using poll microdata, we can see that the group of blank, null and undecided voters rates the government consistently worse than the average. Redistributing this pool according to approval, and assuming that undecided voters converge to the level of the last election, 5%, the average of the polls already shows a statistical tie, with some pointing to a Lula defeat.

Chart 19: Blank and null votes in voting intention polls

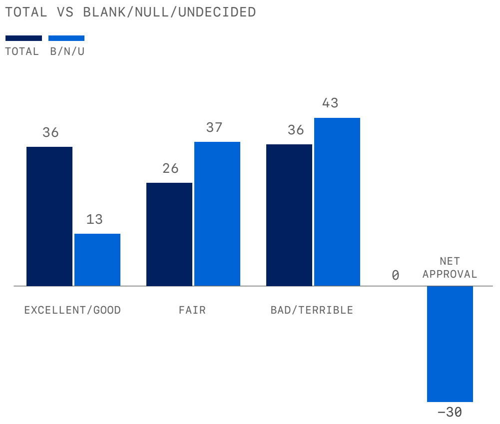
In %



Source: Mar Asset Management

Chart 20: Government approval among those who say they will vote blank/null or are undecided

In %



Source: Mar Asset Management

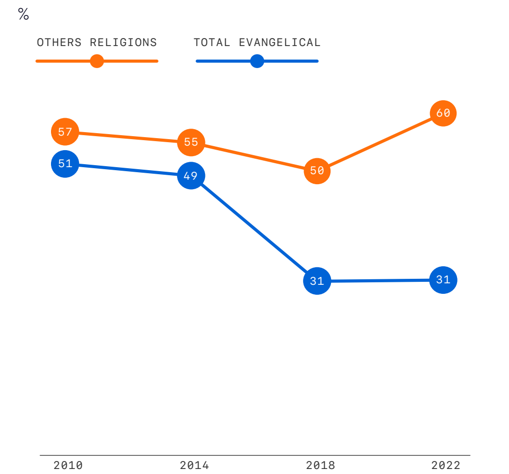
This conversion matrix has proved quite harsh for Lula's vote potential in 2026. Since the beginning of last year, approval has remained negative and conversion has always been below 45 points in the runoff. If this variable changes — net approval around +10 points and conversion above 50 — we would change our reading that Lula is the favorite to lose.

So far, despite the confusion in the opposition candidacy and the intense work of political strategist Sidônio Palmeira, the de facto Chief of Staff, Lula has not crossed that barrier. It remains to be seen whether the presidential campaign will have that capacity. We do not rule out the possibility, and we have built a broad framework to identify any change of direction — but it does not seem obvious to us, as the market suggests, that the campaign will achieve what the sequence of fiscal packages and stimulus has not achieved so far.

As a reality check, we return to a letter we wrote in early 2025 about the Brazilian electoral cycle from the perspective of the swing voter. In 2018 and 2022, the evangelical voting pattern was marked by rejection of the PT, which obtained only 31% of that group in both races. The difference between the two cycles lay among non-evangelicals: the PT converted 51% of that group in 2018 and a record 60% in 2022 — that is, from the religious perspective, the swing voter is the non-evangelical.

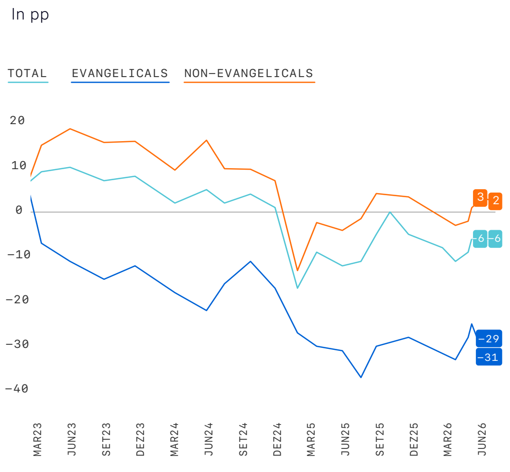
That 60% record occurred under very specific conditions: an extremely rejected Bolsonaro, perceived as a threat to democracy, and a Lula who ran a precise campaign in defense of democracy, leading a broad front that surprisingly brought his historic rival Geraldo Alckmin onto the ticket. Even so, that conversion carried Lula to victory by the narrowest margin in our history.

Chart 21:
PT vote in the runoff by religion



Source: Datafolha, Mar Asset Management

Chart 22:
Net approval by religious segment



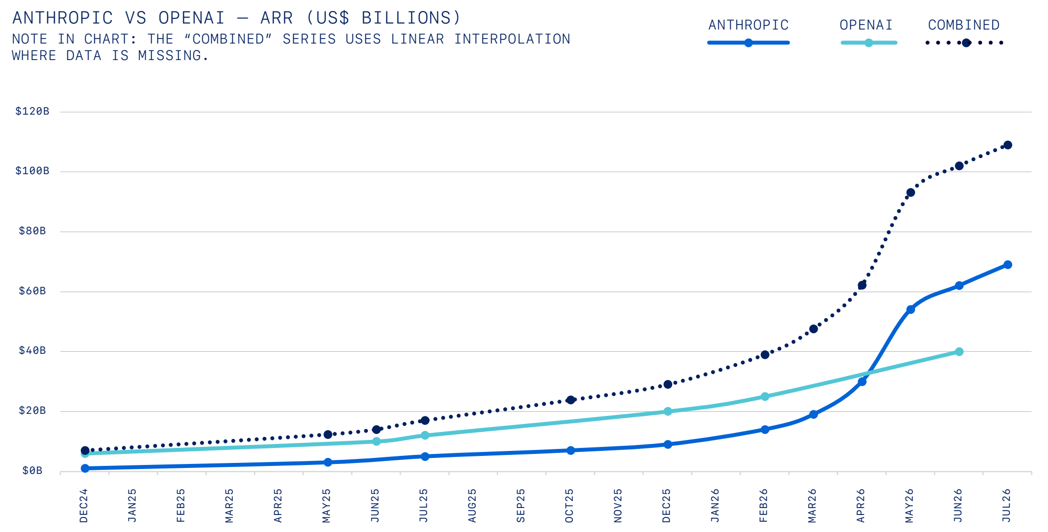
Source: Datafolha, Mar Asset Management

To be competitive in 2026, Lula needs to repeat that level among non-evangelicals or improve among evangelicals. Datafolha's series of government approval by religious group shows approval close to the lowest levels among evangelicals — with no sign of progress in that group — and around zero among non-evangelicals, incompatible with a 20-point advantage in the 2022 elections. This check gives us some confidence to continue interpreting the polls as a sign that Lula is not the favorite.

The A.I. thesis – demand goes exponential

Over the past year, this has been the investment thesis most strongly validated by fundamentals, despite the significant volatility in the underlying stocks. Company results have scaled impressively, investment plans have consistently surprised to the upside, and the winning business models have begun to emerge and consolidate.

Chart 23: Annual Recurring Revenue (ARR) of Anthropic and OpenAI



Footnote: The lines are not on the same accounting basis – Anthropic reports gross of cloud resale revenue, while OpenAI's run-rate normally excludes Microsoft licensing and one-off deals. For the purpose of gauging acceleration, the metrics are valid.

Source: Mar Asset Management, Anthropic, OpenAI, Reuters, CNBC, Bloomberg, Sacra; recent Anthropic data point via Yipit

The year's most important development was the rapid evolution of AI agents, particularly those focused on coding. Until recently, interaction with artificial intelligence was largely limited to a question-and-answer format. Agents have changed that paradigm: models can now execute complete tasks autonomously, follow natural-language instructions, and run increasingly complex workflows with limited human supervision.

At Mar, this shift has already become tangible. AI models have moved beyond serving as reference tools and are now embedded in our workflow, automating a growing number of day-to-day processes.

We believe this transition will be a key catalyst for broader corporate AI adoption and, as a consequence, for a sharp acceleration in demand for computing capacity.

As the models begin operating continuously, processing consumption per user increases by tens of times.

With model quality continuing to advance, adoption becomes increasingly dependent on the availability of computing capacity. This demand is already propagating across the entire AI infrastructure chain, tightening the supply of memory, chips, optical fiber, and networking equipment. Energy, however, stands out as the bottleneck that is hardest to overcome within the required timeframe.

Our strategy has been to invest in companies positioned at these bottlenecks, and that are cash receivers, capturing the hyperscaler capex. Within this opportunity set, we place particular emphasis on the energy segment.

In our view, if 2025 was defined by the race for GPUs, 2026 has marked the next phase of that competition: the race for megawatts. Latest-generation chips remain scarce and strategically important, but deploying them increasingly depends on an even more binding constraint: securing power within the required timeframe. Without grid access, land, permits, and supporting infrastructure, even GPUs that have already been purchased cannot be converted into usable computing capacity.

Time to Power

The challenge, therefore, is no longer simply to secure servers, but to bring fully operational computing capacity online as quickly as possible. In this context, time to power — the time required to connect a new load to the grid — has become one of the defining variables of the AI economy. Companies capable of delivering megawatts on compressed timelines are increasingly capturing a share of the value created across the industry.

Interestingly, some of the companies best positioned to capture this opportunity did not originate within the AI ecosystem. Former bitcoin miners became, in a sense, “accidental tourists” of this transformation: businesses that had already accumulated precisely the assets that suddenly became scarce — power, land, interconnections, and large-scale infrastructure.

For years, these companies' main competitive advantage was their ability to secure long-term power contracts — Power Purchase Agreements (PPAs) — build relationships with utilities and system operators, and develop deep expertise in connecting large loads to the electricity grid.

When demand for computing capacity exploded, these companies realized that their infrastructure was far more valuable for hosting AI data centers than for mining bitcoin.

When demand for computing capacity surged, they realized that this infrastructure could be significantly more valuable when used to host AI data centers than to mine bitcoin. The opportunity was twofold: convert existing sites with power already secured and, at the same time, leverage their electrical expertise to originate a continuous pipeline of new projects. Many of these opportunities are located on brownfield sites — former aluminum smelters and other power-intensive industrial facilities — where much of the required electrical infrastructure is already in place.

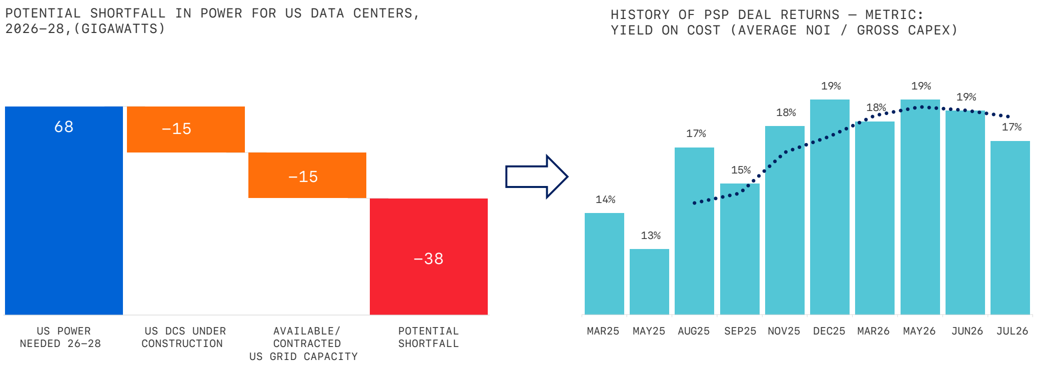
For hyperscalers, neoclouds, and model providers, outsourcing this layer of infrastructure can materially accelerate expansion, diversify execution risk, and allow capital and management attention to remain focused on the areas of greatest strategic value — GPUs, networking, software, and model development. Specialized operators, in turn, assume responsibility for delivering and operating the underlying physical and power infrastructure.

This is giving rise to a new asset class in the United States: Powered Shell Providers (PSPs). These companies deliver sites with land, power, substations, cooling, connectivity, and permitting in place, ready to host large-scale GPU clusters.

Because PSPs do not own the servers themselves, their exposure is concentrated on the development and operation of the physical infrastructure, substantially reducing their direct exposure to the technological obsolescence of GPUs.

In an environment where time to power has become one of the industry's scarcest assets, the model is particularly attractive: 10- to 20-year contracts, limited exposure to technology risk, and potential returns on invested capital approaching 20% per year in U.S. dollars.

Chart 24:
The U.S. power deficit translating into a growing premium for Time to Power solutions



Source: Morgan Stanley Research, Mar Asset Management

In our view, these companies increasingly resemble Brazilian power transmission operators: capital-intensive businesses during the construction phase that, once operational, generate long-duration, highly predictable contracted cash flows.

For PSPs, this predictability is reinforced by contracts with investment-grade counterparties or credit wraps. New powered shells are typically developed with significant debt financing and, once operational and construction risk is eliminated, that debt can be refinanced at a lower cost of capital, freeing up capital for new projects and feeding a capital allocation flywheel.

We believe this transformation — from former bitcoin miners into Powered Shell Providers — is not yet fully reflected in market valuations If these businesses were ultimately valued at yields closer to those of mature REITs, the combination of yield compression and the progressive incorporation of their development pipelines could more than double the value of these companies.

Closing remarks

The theses we have been pursuing since last year, which make up our portfolio and which were largely dragged down by the Iran war, continue on their course, with excellent opportunities but also with significant risks.

But what is the use of staying on this route while winds and currents push us hard in the opposite direction? We have spent the year rowing and zigzagging in search of the right wind, without success so far. For this reason, our approach now is to return to the CDI for most of the portfolio, to simplify the exposures in the theses we continue to believe in, and to observe the environment — ready to increase positions again as soon as the market begins to move in our direction.

Although we have deviated considerably from the original route, even while respecting our risk limits and our exposure reduction rules, we are fully aware of the pain this cycle has caused to our investors' portfolios. We ourselves are significant investors in the fund. Reducing the pain of going through economic cycles is one of our objectives, and in this cycle we were not able to deliver that smoothing satisfactorily.

To the clients who left us because of this volatility, we thank you for the partnership up to this point and we regret the level of pain we caused. To the investors who remain with us, we are deeply grateful for your trust and we redouble our commitment to dedication, to maintaining our best processes and to the constant pursuit of improving the execution of our risk allocation, in order to reduce the pain of navigating future cycles.

2026 will still be a fertile year — in Brazil, because of the rate cycle and the elections; in the United States, because of the A.I. thesis, with the emergence of this new asset class and the developments in the use of agents.

The essence of our profession — generating significant alpha over time — depends on our capacity for investigation, reflection and good judgment in portfolio allocation. But the market frequently moves in directions quite different from those our compass points to, and it is at these moments that we return to the central dilemma of every decision-maker: the thin and hard-to-perceive line between persistence and stubbornness. A line we navigate with the support of risk tools, but which demands constant reflection and learning — mistakes are an inherent part of the profession.

The evolution of our execution is necessary, but we continue to believe in the same values that brought us here: intense research, patience with our theses and concentration of risk when we see significant asymmetries in the market. That is why we will remain diligent and persistent on this journey back to Ithaca, which, in our case, is the delivery, to our investors, of significant returns above the CDI over the medium and long term.

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