# Small Chances

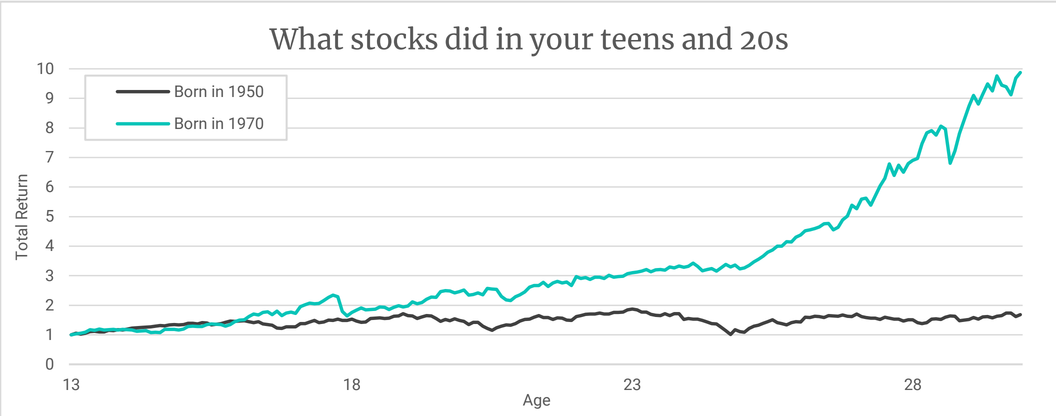

Elaborated by Sharp Capital and illustrated by Dimas Yuli

***"We should reward people, not ridicule them, for thinking the impossible." - Nassim Nicholas Taleb***

Boeing 737 Max's structural flaw, the $2 billion that vanished from Wirecard's balance sheet, oil prices turning negative and a pandemic capable of making the world come to a halt. The end of the tails of probability distributions contain the transformational and almost impossible events, where the contrast between low probability and high impact distorts our mental model of the everyday world and often confuses our minds. If we worry too much about rare events, we risk becoming neurotic and losing focus; if we worry too little, we risk becoming extinct.

Of the 500 companies listed amongst the largest in the USA in 1955, approximately 10% remain in the ranking today. Competition innovates, technology alters the essence of business models, regulation changes at the stroke of a pen, succession brings challenges, efficient management methods evolve and consumer habits simply change. The passage of time may erode the fortress of even the most dominant companies, and even the smallest but deadly risks to the business, with only a 1% chance of occurrence every year, would accumulate a fatal probability of 26%, when considering a 30-year horizon of analysis.

Besides, as a low-probability negative event does not occur, we tend to feel more comfortable in ignoring it, thus paving the way for reckless behavior. Our real-life experiences outline the parameters that shape our instincts and perceptions of apparent risk. The chart below displays the perspective of investing in stocks in the US from the point of view of those born in 1970 and those born in 1950, forging very different "evidence-based" logic for each generation, precisely at the stage of life when the basic knowledge on investments and economics is acquired.




***"Que não seja imortal, posto que é chama, mas que seja infinito enquanto dure."***
**(Let it not be immortal, since it is a flame, but let it be infinite while it lasts)**
***– Vinícius de Moraes, Brazilian poet***

John Paulson generated a $15 billion profit in the 2008 crisis; Elon Musk wants to colonize Mars in case the Earth is no longer habitable and Bitcoin tries to replace money. The older the rule defining the *status quo*, the more asymmetric tends to be the payoff of betting against it. Additionally, due to the inexorable accumulation of the small chances, the longer the analysis period, the greater the chance that a paradigm shift will no longer be a major statistical deviation to become an almost deterministic certainty.

At these moments of subversion of the usual conventions in favor of "new normals", historical axioms fall, and great opportunities/risks are offered to the investor. What seems more conservative: lending money to the government or investing in the stock market? Certainly, the former – on a daily-basis horizon –, but what if we extend the analysis period? Or is it possible that it does not matter, just changing currency will hedge assets against inflation?

In general, it is easier to understand that a paradigm will not be sustainable in the long run than to identify its turning point. The apparent beauty of an investment with positive returns and without major daily losses is extremely seductive. The LFT (generally regarded as the most conservative Brazilian Government Bond), private companies' bonds with the possibility of daily redemption, the concentration on the "hype companies" of the moment, the reverence to companies whose quarterly results grow without volatility, the appropriation of the governance risk premium and the leveraging of arbitrage operations of announced events are examples of investments that can bring consistent returns for a long time. It is up to the investor to decide whether they are looking at an oasis or a mirage.

***"You can fool all the people some of the time and some of the people all the time, but you cannot fool all the people all the time." - Abraham Lincoln***

In order to live a productive life, we need to rely on the implicit seals of minimal social reliability. Just imagine if, before entering a building, it was necessary to check the structural calculation that determined its viability, to interview the team that carried out the works and to check the quality of the materials used, to only then feel assured that the structure would not collapse. A waste of time, as buildings almost never collapse.

Similarly, when we analyze the financial statements reported by a given company, we assume that the figures tell us a true story and that they represent the final monetary results of the multiple variables that influence the business. However, either because of the nature of the accounting rules, which occasionally do not accurately reflect the fundamentals of the business, or because of executives' desire to polish reality, albeit within the rules of the game, we sometimes find cracks in the buildings we visit.

Subjectivity in accounting sometimes causes Ebitda to be overvalued in relation to other reported entries less scrutinized by investors. In a supervision report of a company from the electricity sector released by Aneel (Brazilian Electricity Regulatory Agency) in 2011, expenses of clearly operational nature (*OPEX*), such as the purchase of cookies and coffee, were identified to be classified by the company as investments (*CAPEX*). Even within the same sector, policies may vary. There are car rental companies that consider expenses with accessories as capital investments, while others as pure expenses. As for the airline industry, the accounting of some of the aircraft maintenance expenses differed among companies, but today the common practice is that they all capitalize them.

We are increasingly noticing the capitalization of wages for positions slightly linked to technology, a practice that has long been adopted by a portion of the telecommunications sector. Recently, a company in the payments sector went beyond the capitalization of expenses and began to smooth out the passage of the cost of goods sold (*COGS*) through the income statement. Credit card fees, tax credits, sale and lease back, creation and reversal of provisions: all with good accounting freedom. The new IFRS16 rules only contribute to the confusion by legitimizing the passage of genuinely operating expenses in the lines of financial result and depreciation, thus distorting and inflating the reported Ebitda.

We have already seen overly optimistic pricing of illiquid assets, little disclosure of unconsolidated subsidiaries concealing the real debt, revenues that become receivables without future conversion to cash, unannounced provided warranties becoming an important liability outside the balance sheet, often in a context of managerial figures prepared by the companies themselves that "facilitate" the analysis of market participants. Accrual versus cash accounting, income statement versus working capital, recurring versus non-recurring, many are the possible nuances and gray areas that can make a big difference when evaluating a business.

Numerous checkpoints must be overcome until a balance sheet is reported. The financial team interacts with several other areas to prepare the final numbers, within strict and detailed rules that have been sculpted and perfected by regulators all around the world. The statements are then sent to the top management and to the compliance team, in parallel with the diligence of the external audit, and then proceed to the board of directors. Once they are published, they are scrutinized by analysts around the world, both sell side and buy side, as well as competitors, suppliers and clients, who are often interested in learning more about the company's figures.

The whole process has so many checkpoints that it is almost always very reliable. However, from time to time, history shows us that cracks can denote more than just minor faults on the wall, but instead a symptom of structural damage to the building. When you follow this unlikely path of a small chance, the harsh reality may take long to come, but it will not fail.

***"If a warrior keeps death in mind at all times and lives as though each day might be his last, he will conduct himself properly in all his actions. Similarly, if a CEO keeps the following lessons in mind, she will maintain the proper focus when hiring, training and building culture." – Ben Horowitz, in his book The Hard Thing About Hard Things***

An adult is made of approximately 30 trillion human cells and 39 trillion bacteria. As incredible as it may seem, prokaryotic cells are the majority in our bodies. We can find, in a single teaspoon of sea water, about 10 million viruses[a]. This planet belongs not to Homo sapiens, but to microorganisms, that have tolerated us thus far. Bacteria almost always help us, although sometimes they kill us. Viruses on the other hand, total parasites infecting even bacteria, can take us by surprise with mutations that provides them with an edge in the ancestral arms race that takes place between them and the defenses of our immune systems. The good news is, like all successful parasites, they cannot completely eliminate their hosts. The bad news is, from time to time, pandemics break out and challenge our very way of life.

Just like ourselves, companies are organisms that need to adapt to changes in the environment to stay alive. One of the sentences we heard most during the pandemic was that the digital transformation plan designed for the next two years was fully implemented in only two weeks.

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[a] Sources:
- Sender, R., (2016) Revised Estimates for the Number of Human and Bacteria Cells in the Body
- Dávila-Ramos, S., (2019) A Review on Viral Metagenomics in Extreme Environments

Does the company need to be fighting for its own life to understand the urgency of pursuing a multichannel strategy? In the shattering crisis of 2008, we witnessed companies reducing costs significantly and, in general, without a subsequent evident impact on revenues or service levels. Without the life-or-death dilemma, why is it so much harder to make the right and tough decisions?

When executives feel that what is good for themselves is not necessarily the best alternative for the company, the foundation for a culture of small interests is laid out, scheming and corporate politics, in which the top of the hierarchy has one main goal: to remain at the top. Therefore, they become excessively averse to changes, since changes always carry risks along the way. They value appearances and create their own narratives, frequently disconnected from reality. They are executives who follow only the obvious paths, and only when such paths become consensual and unquestionable. They need a pandemic to move the organization in a significant manner.

### *"Only the Paranoid Survive" – Andrew Grove, former CEO for Intel*

The magnifying glass we use here at Sharp to examine companies often reflects our own image and also serves to think about ourselves. One of the greatest challenges in pursuing excellence is the ability to withdraw ourselves from the comfort zone, something always easier said than done. Are we paranoid enough?

We know that inertia will always push us towards some level of accommodation. Habit hinders innovation and comfort overshadows competition. Those who fail to expand their limits and capabilities are left behind. It takes a very strong personal drive of constant improvement to overcome the countless distractions and pitfalls that arise in our daily lives, trying to make us take our eyes off the goal. When it seems easy to progress and evolve at a high level as a person and as a professional, we must always look twice. With no blood, sweat and tears, there is hardly any overcoming of obstacles. But our blood, sweat and tears are limited, and we must use them wisely. The effort is necessary, but effort alone is not enough.

As a company of owners, we must not only look at ourselves, but also at others. Only those in the owners' shoes and who care for others are able to go through the embarrassment of criticizing their partner. Even when criticism is constructive and well-intentioned, it is not easy to run the "risk" of jeopardizing the friendship and the friendly environment. Despite the difficulty, we understand that it is important to look at those beside us and demand them to raise the bar as high as the one we impose on ourselves, whilst being aware that not all criticism is valid. Incoherent criticism says a lot about the one who delivers it; we also expose ourselves when we criticize. We must criticize correctly, thinking before speaking and always assessing whether the final effect was positive for the whole.

We are lucky to have followed a path of small chances to bring together a very unique group, with the incredible opportunity to be able to learn from each other every day, generating a kind of network effect, in which the strengthening of each node disproportionately improves the skills of all the others. We do not know what the future holds, but we do know that it is the strength of this network that will allow us to overcome the difficulties that may lie ahead. Let difficulties come, because the fun is in taking care of them. And taking care of them, while balancing serenity and paranoia, will make us evolve.

Below is an excerpt from the post written by Tim Urban on his blog *Wait But Why*. Always inciting and interesting, he elaborates on an event perceived as with such an insignificant chance that it can be personally embarrassing to talk about, but that would represent the biggest paradigm shift in the history of mankind.

*Our own experience makes us stubborn old men about the future. We base our ideas about the world on our personal experience, and that experience has ingrained the rate of growth of the recent past in our heads as "the way things happen." We're also limited by our imagination, which takes our experience and uses it to conjure future predictions—but often, what we know simply doesn't give us the tools to think accurately about the future. When we hear a prediction about the future that contradicts our experience-based notion of how things work, our instinct is that the prediction must be naive. If I tell you, later in this post, that you may live to be 150, or 250, or not die at all, your instinct will be, "That's stupid—if there's one thing I know from history, it's that everybody dies." And yes, no one in the past has not died. But no one flew airplanes before airplanes were invented either.*

*So while nahhhhh might feel right as you read this post, it's probably actually wrong. The fact is, if we're being truly logical and expecting historical patterns to continue, we should conclude that much, much, much more should change in the coming decades than we intuitively expect. Logic also suggests that if the most advanced species on a planet keeps making larger and larger leaps forward at an ever-faster rate, at some point, they'll make a leap so great that it completely alters life as they know it and the perception they have of what it means to be a human—kind of like how evolution kept making great leaps toward intelligence until finally it made such a large leap to the human being that it completely altered what it meant for any creature to live on planet Earth. And if you spend some time reading about what's going on today in science and technology, you start to see a lot of signs quietly hinting that life as we currently know it cannot withstand the leap that's coming next.*

Please find the full post on: https://waitbutwhy.com/2015/01/artificial-intelligence-revolution-1.html

## Performance Remarks 2020

(Returns presented in BRL)

### Sharp Equity Value

In 2020 we celebrate the 10th anniversary of the Equity Value fund. In this decade, when GDP in real terms did not move and the return of the Ibovespa index barely covered inflation, as measured by the IPCA (5.6% p.a. vs 5.7% p.a., respectively), the fund delivered returns of 16.5% per year, with a level of risk that we consider appropriate.

The fund returned 17% this year. The investments that contributed most to the result were Mercado Livre, the car rental companies Localiza and Locamerica, as well as Alpargatas. In a year of extremes, when each month felt like a quarter, we went through some interesting dynamics and our focus on companies was once again tested.

Sudden changes in the economic environment generally expose weaknesses in investments that depend almost exclusively on a specific scenario to be successful. Events of this nature, such as changes in electoral prospects or the fateful Joesley Day, hardly imposed any changes in our portfolio. However, this time the conditions altered in such a way that we had to rethink basic business premises, from corporate strengths and weaknesses to the very social functioning, in general terms.

We were pleased to observe that the vast majority of invested companies were prepared to face the challenges generated by the crisis. In some cases, business models practically shielded companies from the crisis, such as the cases of B3 and Omega. In several others, we believed that competitive edges would expand during the hardship, which would further deepen the already known corporate inequality, such as in the cases of Mercado Livre and Localiza. We also divested from some companies in which the assessment of value seemed extremely unclear, given the atypical range of non-negligible probabilities, as in Azul and Aliansce Sonae.

Regarding the three highlights of the year, the gains did not come without important tests for the investment theses. In the case of the Mercado Livre, the success of the investment throughout the year may seem obvious now, given that e-commerce proved to be fundamental for retail and, luckily, the shares ended up reflecting that, with an appreciation of almost 4x (in BRL). However, it is worth highlighting that, at the beginning of the crisis, the company had a drop in sales, since two key segments practically ceased operations: auto parts and clothing. Moreover, we had to double the efforts to understand whether the company's logistics capacity and the sellers' operational capacity would work properly in such an atypical period, during which the benefit of the increased demand could translate into a bad experience for users. Having said that, the company showed once again why it is the most robust platform in Latin America., It responded with excellence to the current challenges and had a memorable year.

In the case of Alpargatas, the uncertainty involved the combination of unsure demand for the product and a possible interruption of the ongoing turnaround. The first quarter results gave clues as to how important the operational deleveraging brought up by the sudden interruption of activities could be. In this case, more than trying to predict when the demand may recover, we relied on the stock's price, which suffered extreme pressure in March relative to the company's usual stable business. We believed that, even undergoing temporary changes, the company would eventually find the final demand relatively unchanged and could return to the internal transformation process.

Perhaps the most challenging test of an important investment of the fund came from the car rental sector (in our case, represented by companies Localiza and Locamerica). In a capital-intensive, leveraged business that underwent a violent demand shock and flooded the news with the collapse of large American rental companies, we had to rethink the thesis practically from scratch. Dozens of meetings and reflections later, we came to the conclusion that the case of these two companies was different to the point of resisting the pressure, and we even made a relevant investment increase in March. The subsequent quarterly results ended up showing that the business was in fact more resilient than expected by a part of the market and that the path to growth was set with much less dependence on an economic recovery than could be assumed after a superficial assessment.

## Sharp Long Short 2X

In 2020 we celebrate the 15th anniversary of the Long Short strategy. The fund had a return of 21% this year, showing results of CDI + 6.5% per year for the past 5 years. The last annual result similar to this occurred 10 years ago, in 2010 (in reference to the Long Short "1X", which has the longest track record). In 2020, the relevant gain from an old investment and which, as mentioned in the last letter, had been the main detractor throughout 2019, along with gains in most of the fund's strategies (Pairs, Double Alpha, Portfolio vs Index and Credit vs Equity), allowed this important result, despite the occurrence of the stressful events on the market.

We maintained the historical uncorrelation between the returns of the fund and the stock market in general, both in the strong plunge caused by the pandemic and in the rise that followed with surprising intensity. In the fourth quarter, we navigated the cross-sector change of relative value without major losses, despite the intense and sudden reversal of performance of "value" vs "growth" stocks, or perhaps better said, "the rise of stocks that were left behind" vs "a dip of stocks that had rallied".

The prospective scenario for relative value seems to be especially interesting and challenging. In 2021, we should begin to see the recurring results of several companies, since the effects of the stimulus checks, the temporary flexibilization of labor regulations and the automatic rollover of principal and interest by the major banks tend to disappear. Last year also saw a significant change in the consumption mix, with a higher participation of electronics and household items, at the cost of the usual spending on transportation and leisure, a movement that should reverse at least partially in the future. All in a context of great depreciation of the exchange rate, an uncertain scenario for the reorganization of production chains and inflation, accompanied by a permanent political turmoil.

## Sharp Long Biased

The fund presented returns of 42% in the year, mainly due to the partial combination of the two strategies mentioned above. When the crisis started, we had a net exposure of around 50% and increased it to about 75% after the plummet, remaining at this higher level in most of the subsequent months. In the year, the average gross and net exposures were of 170% and 75% respectively.

sharp capital

# Net Returns Since Inception

**(Returns presented in BRL)**

## Sharp Equity Value Feeder FIC FIA

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | | Since inception | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Fund | Benchmark | Fund | Benchmark |
| 2010 | | | | | | | | | | | | 2.40% | 2.40% | 1.07% | 2.40% | 1.07% |
| 2011 | -4.64% | 0.69% | 7.84% | 1.65% | 1.68% | -0.65% | -5.67% | -5.64% | -7.44% | 10.64% | -1.57% | 0.93% | -3.71% | 11.38% | -1.40% | 12.57% |
| 2012 | 6.11% | 5.74% | 3.21% | -0.28% | -3.52% | 2.09% | 2.29% | 0.96% | 3.59% | -0.34% | 1.85% | 3.71% | 28.10% | 14.26% | 26.31% | 28.62% |
| 2013 | 0.60% | 2.19% | -0.70% | 1.38% | 0.51% | -6.54% | 1.19% | 3.93% | 5.15% | 5.13% | 0.44% | -0.88% | 12.51% | 11.87% | 42.11% | 43.88% |
| 2014 | -4.89% | 0.01% | 4.89% | 1.99% | 1.99% | 3.71% | 0.92% | 4.47% | -5.60% | 2.44% | 3.93% | -2.63% | 11.06% | 12.91% | 57.83% | 62.45% |
| 2015 | -5.15% | 4.73% | 1.57% | 3.75% | -2.65% | 2.06% | -0.97% | -3.78% | -3.21% | 2.08% | 0.81% | -1.68% | -2.94% | 17.32% | 53.19% | 90.59% |
| 2016 | -1.05% | 2.17% | 8.20% | 3.91% | 0.19% | 4.26% | 6.20% | -0.64% | -0.30% | 5.00% | -5.25% | 0.94% | 25.44% | 13.36% | 92.16% | 116.05% |
| 2017 | 5.33% | 1.93% | 0.94% | 1.03% | -0.43% | 1.98% | 3.88% | 4.18% | 1.64% | -0.17% | -1.85% | 2.80% | 23.17% | 8.75% | 136.68% | 134.96% |
| 2018 | 6.37% | 0.11% | 0.66% | -0.91% | -4.81% | -2.92% | 4.44% | -3.14% | -0.15% | 11.81% | 4.08% | 2.60% | 18.36% | 9.18% | 180.14% | 156.51% |
| 2019 | 8.72% | -0.51% | 0.64% | 2.19% | 4.10% | 3.33% | 4.02% | 3.02% | 1.52% | 0.34% | 2.74% | 6.62% | 43.08% | 9.16% | 300.81% | 180.00% |
| 2020 | 4.56% | -4.74% | -29.63% | 14.06% | 7.90% | 11.35% | 9.65% | -0.59% | -2.82% | -1.00% | 9.91% | 5.94% | 17.28% | 8.38% | 370.09% | 203.46% |

## Sharp Equity Value Inst FIA

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | | Since inception | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Fund | Ibovespa | Fund | Ibovespa |
| 2013 | | | | | | | 0.08% | 3.99% | 5.59% | 5.69% | 0.73% | -1.54% | 15.19% | 6.48% | 15.19% | 6.48% |
| 2014 | -4.77% | -0.04% | 4.61% | 1.48% | 2.04% | 4.26% | 0.84% | 5.32% | -7.23% | 2.49% | 4.60% | -3.26% | 9.85% | -2.91% | 26.54% | 3.38% |
| 2015 | -5.56% | 5.23% | 3.04% | 3.75% | -1.75% | 2.11% | -0.42% | -3.79% | -2.96% | 1.96% | 0.52% | -1.15% | 0.40% | -13.31% | 27.04% | -10.39% |
| 2016 | -0.07% | 1.90% | 7.58% | 3.59% | -0.95% | 4.51% | 6.01% | -1.30% | -0.93% | 5.81% | -6.14% | 0.75% | 21.83% | 38.93% | 54.77% | 24.50% |
| 2017 | 5.85% | 1.96% | 0.43% | 1.07% | -1.01% | 2.02% | 4.91% | 4.88% | 1.77% | -0.57% | -2.18% | 3.54% | 24.75% | 26.86% | 93.08% | 57.94% |
| 2018 | 7.14% | -0.56% | 0.71% | -1.38% | -5.43% | -2.78% | 4.38% | -3.98% | -0.20% | 12.48% | 4.44% | 4.05% | 18.93% | 15.03% | 129.63% | 81.68% |
| 2019 | 10.40% | -2.28% | -1.14% | 2.08% | 4.20% | 4.34% | 4.31% | 2.97% | 2.16% | 0.51% | 2.81% | 8.18% | 45.20% | 31.58% | 233.43% | 139.06% |
| 2020 | 5.18% | -6.89% | -31.85% | 13.14% | 6.12% | 10.86% | 9.45% | -2.53% | -2.33% | -2.71% | 10.94% | 7.94% | 7.83% | 2.92% | 259.55% | 146.03% |

## Sharp Ibovespa Ativo Feeder FIC FIA

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | | Since inception | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Fund | Ibovespa | Fund | Ibovespa |
| 2007 | | | | | | | -4.51% | -3.93% | 11.25% | 8.78% | -3.32% | 0.98% | 8.38% | 10.08% | 8.38% | 10.08% |
| 2008 | -11.62% | 11.37% | -7.49% | 7.38% | 12.76% | -10.01% | -9.26% | -8.78% | -14.03% | -22.27% | 3.61% | -0.01% | -43.15% | -41.22% | -38.38% | -35.30% |
| 2009 | 2.74% | 0.09% | 3.81% | 15.93% | 11.69% | -3.56% | 9.97% | 3.15% | 9.86% | 3.95% | 7.59% | 2.02% | 89.55% | 82.66% | 16.79% | 18.18% |
| 2010 | -2.20% | 1.14% | 4.47% | -0.95% | -5.93% | -1.79% | 13.57% | 0.17% | 7.45% | 4.72% | -2.44% | 2.61% | 21.17% | 1.04% | 41.51% | 19.42% |
| 2011 | -2.65% | 1.33% | 3.05% | -1.09% | -0.48% | -1.87% | -3.66% | -4.35% | -5.39% | 8.53% | -1.91% | 0.34% | -8.56% | -18.11% | 29.40% | -2.21% |
| 2012 | 8.35% | 4.35% | -0.58% | -2.04% | -8.04% | 0.40% | 1.66% | 1.08% | 3.94% | -0.81% | 0.46% | 4.66% | 13.25% | 7.40% | 46.54% | 5.02% |
| 2013 | -0.88% | -0.64% | -1.68% | 2.01% | -1.54% | -9.18% | 1.70% | 4.11% | 5.32% | 6.96% | -1.15% | -2.69% | 1.33% | -15.50% | 48.49% | -11.25% |
| 2014 | -7.13% | -1.23% | 4.90% | 2.24% | 0.16% | 4.08% | 3.92% | 8.24% | -12.04% | 1.13% | 2.88% | -6.34% | -1.13% | -2.91% | 46.81% | -13.83% |
| 2015 | -6.74% | 8.64% | 0.17% | 7.10% | -5.91% | 1.28% | -3.16% | -7.53% | -3.94% | 1.08% | -0.98% | -3.52% | -13.97% | -13.31% | 26.31% | -25.31% |
| 2016 | -3.79% | 3.83% | 14.14% | 6.40% | -5.31% | 5.59% | 10.00% | -0.05% | -0.64% | 9.14% | -6.78% | -2.01% | 32.10% | 38.93% | 66.86% | 3.77% |
| 2017 | 7.52% | 3.00% | -2.07% | 0.36% | -2.94% | 1.11% | 4.60% | 6.94% | 3.57% | 0.26% | -4.02% | 5.34% | 25.44% | 26.86% | 109.31% | 31.64% |
| 2018 | 12.03% | 1.59% | 1.52% | 0.39% | -9.11% | -5.31% | 8.94% | -3.74% | 3.23% | 11.59% | 3.15% | -0.12% | 24.24% | 15.03% | 160.03% | 51.43% |
| 2019 | 10.40% | -1.26% | -0.16% | 0.54% | 1.65% | 4.26% | 0.23% | 0.77% | 3.49% | 1.91% | 0.46% | 6.66% | 32.36% | 31.58% | 244.18% | 99.26% |
| 2020 | -0.44% | -7.53% | -29.85% | 10.05% | 7.50% | 9.54% | 9.70% | -3.76% | -3.71% | -1.08% | 15.60% | 8.83% | 5.89% | 2.92% | 264.46% | 105.07% |

## Net Returns Since Inception (continued)

**(Returns presented in BRL)**

### Sharp Long Short FIM

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | | Since inception | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Fund | CDI | Fund | CDI |
| 2005 | | | | 0.31% | 2.67% | 2.10% | 1.76% | 2.44% | 2.78% | 1.31% | 1.72% | 2.57% | 19.08% | 12.88% | 19.08% | 12.88% |
| 2006 | 2.62% | 0.68% | 1.83% | 2.59% | 2.31% | 0.96% | 2.26% | 2.35% | 0.82% | 1.65% | 1.28% | 1.85% | 23.36% | 15.03% | 46.89% | 29.84% |
| 2007 | 1.77% | 1.60% | 1.43% | 1.38% | 1.69% | 1.60% | 1.43% | -0.30% | 0.63% | 1.18% | -0.81% | 0.85% | 13.14% | 11.82% | 66.19% | 45.19% |
| 2008 | -0.41% | 1.24% | 0.40% | 1.17% | 1.71% | 0.46% | 0.09% | -0.27% | -0.42% | -0.04% | 1.36% | 0.56% | 5.98% | 12.38% | 76.12% | 63.16% |
| 2009 | 0.87% | 1.12% | 0.12% | 1.84% | 1.23% | 0.43% | 1.57% | 0.45% | 1.56% | 1.46% | 0.38% | 1.99% | 13.81% | 9.88% | 100.45% | 79.27% |
| 2010 | 1.63% | 0.26% | -0.30% | 2.19% | 0.36% | 0.89% | 2.07% | 2.35% | 1.91% | 1.53% | 1.04% | 1.89% | 16.99% | 9.75% | 134.51% | 96.75% |
| 2011 | 0.78% | 0.98% | 1.15% | 1.28% | 1.41% | 1.50% | 1.43% | 0.83% | 1.03% | 0.60% | 0.62% | 0.58% | 12.89% | 11.60% | 164.74% | 119.57% |
| 2012 | 0.46% | 0.83% | 1.25% | 0.89% | 1.32% | 0.48% | -0.28% | 0.35% | 0.20% | 2.01% | 0.80% | 0.65% | 9.32% | 8.40% | 189.40% | 138.01% |
| 2013 | 1.01% | 1.01% | 0.19% | 1.27% | 1.01% | 0.62% | 0.36% | 1.20% | 0.91% | 1.28% | 0.86% | 0.78% | 11.00% | 8.06% | 221.23% | 157.20% |
| 2014 | 0.86% | 0.85% | 0.61% | 1.07% | 1.46% | 1.16% | 1.33% | 0.76% | 0.85% | 0.76% | 1.83% | 1.67% | 14.02% | 10.81% | 266.26% | 185.01% |
| 2015 | 0.57% | 0.48% | 1.77% | -0.91% | 1.13% | 1.58% | 1.43% | 1.47% | 0.62% | 0.96% | 1.32% | 1.00% | 12.01% | 13.24% | 310.25% | 222.75% |
| 2016 | 1.21% | 0.20% | 1.55% | 1.10% | 3.24% | 1.31% | 0.74% | 1.21% | 0.35% | 1.16% | 0.14% | 2.18% | 15.33% | 14.00% | 373.16% | 267.93% |
| 2017 | 1.45% | 0.53% | 2.01% | 0.80% | 0.83% | 1.19% | 0.67% | 0.76% | 0.49% | 0.81% | 0.09% | 0.54% | 10.64% | 9.93% | 423.52% | 304.45% |
| 2018 | 0.98% | 0.90% | 0.81% | 0.36% | 0.60% | 0.48% | 0.77% | 0.53% | 0.06% | 1.79% | 0.65% | 0.86% | 9.15% | 6.42% | 471.41% | 330.42% |
| 2019 | 0.57% | 0.46% | 0.33% | 0.45% | 0.61% | 0.74% | 0.77% | 1.09% | 0.43% | 0.42% | 0.27% | 0.33% | 6.69% | 5.96% | 509.65% | 356.08% |
| 2020 | 0.55% | 1.73% | 3.63% | 0.54% | 0.82% | 0.12% | 0.85% | 0.47% | 0.10% | 0.32% | 0.86% | 0.26% | 10.69% | 2.76% | 574.79% | 368.66% |

### Sharp Long Short 2X Feeder FIC FIM

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | | Since inception | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Fund | CDI | Fund | CDI |
| 2015 | | | | | | 1.33% | 1.61% | 1.78% | 0.48% | 1.02% | 1.60% | 1.05% | 9.20% | 7.78% | 9.20% | 7.78% |
| 2016 | 1.40% | -0.34% | 1.86% | 1.27% | 4.92% | 1.56% | 0.61% | 1.38% | -0.25% | 1.40% | -0.66% | 3.24% | 17.51% | 14.00% | 28.33% | 22.87% |
| 2017 | 2.03% | 0.39% | 2.73% | 0.84% | 0.88% | 1.67% | 0.72% | 0.89% | 0.59% | 1.04% | -0.22% | 0.60% | 12.83% | 9.93% | 44.79% | 35.06% |
| 2018 | 1.33% | 1.27% | 1.22% | 0.28% | 0.83% | 0.56% | 1.09% | 0.56% | 0.05% | 3.09% | 0.96% | 1.26% | 13.21% | 6.42% | 63.92% | 43.73% |
| 2019 | 0.67% | 0.56% | 0.38% | 0.58% | 0.81% | 1.03% | 1.08% | 1.72% | 0.51% | 0.50% | 0.29% | 0.49% | 8.96% | 5.96% | 78.61% | 52.30% |
| 2020 | 0.81% | 3.31% | 7.18% | 0.94% | 1.59% | 0.16% | 1.67% | 0.91% | 0.24% | 0.62% | 1.71% | 0.45% | 21.22% | 2.76% | 116.52% | 56.50% |

### Sharp Long Biased Feeder FIC FIA

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | | Since inception | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Fund | CDI | Fund | CDI |
| 2018 | | | | | | | | | | | | 3.07% | 3.07% | 0.15% | 3.07% | 0.15% |
| 2019 | 6.35% | 0.09% | 0.80% | 1.57% | 4.06% | 3.16% | 2.37% | 3.43% | 0.23% | -0.55% | 1.35% | 5.31% | 31.77% | 5.96% | 35.81% | 6.12% |
| 2020 | 3.55% | 0.68% | -9.36% | 10.23% | 6.32% | 6.54% | 7.73% | -0.02% | -0.91% | -0.18% | 8.26% | 4.31% | 41.93% | 2.76% | 92.75% | 9.05% |