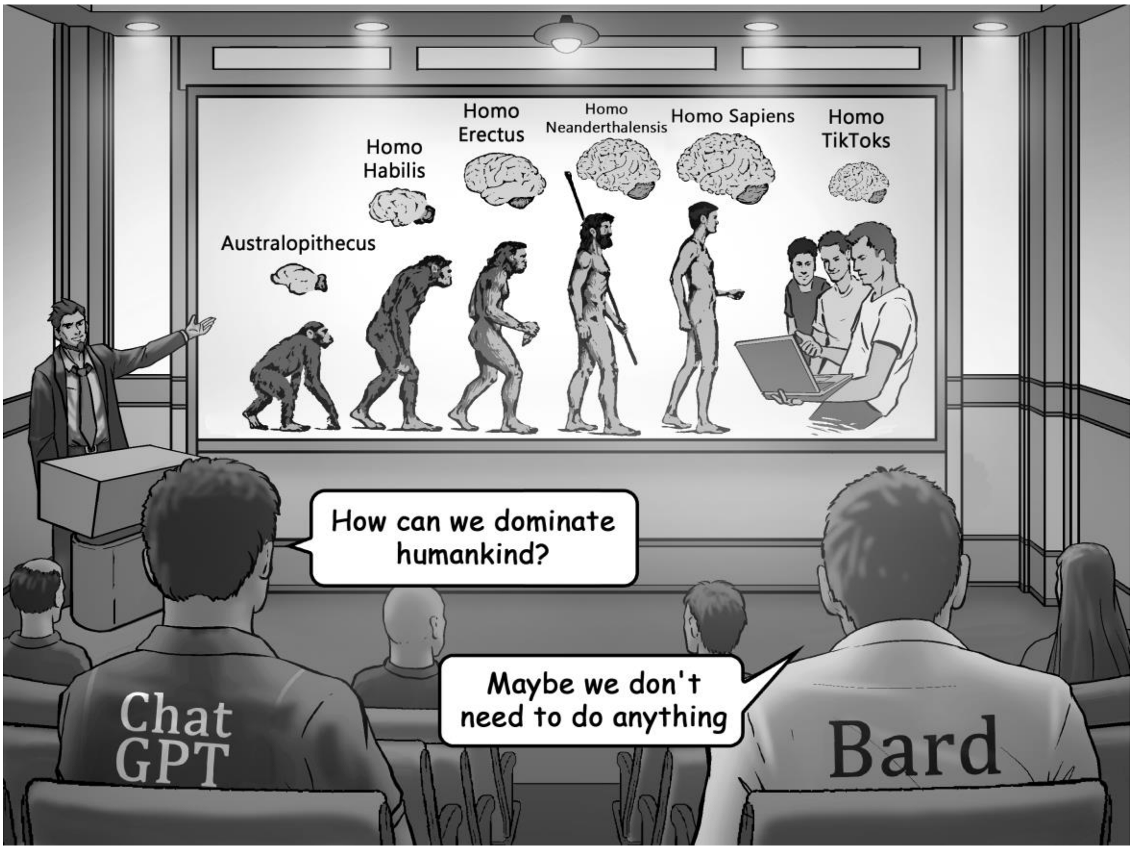
People



Elaborated by Sharp Capital and illustrated by Dimas Yuli

"The human animal is a curious mixture of saint and savage, dreamer and doer, noble and base, and one never knows, until the test comes, which side will win." - Sidney Howard

Accurately assessing a company's human capital can be a significant requirement of fundamental analysis. Given that the objectivity provided by numbers is available to all, the subjectivity associated with understanding people, their motivations, alignments, capabilities, and emotions can be a truly unique analysis skill. The challenge? People are complex.

A significant part of this complexity originates from the duality within our minds. The brain houses both the limbic system, instinctive and short-term focused, and the prefrontal cortex, rational and deliberative. These two parts of the brain often conflict over how we should act, significantly widening the spectrum of possibilities in our decisions.

History reveals this constant ambivalence between the abject stupidity and the incredible genius of the human mind. From slavery and Nazism to artificial intelligence and modern medicine, people are capable of contributing both to prosperity and destruction, and often, the most determinant factor between these extremes is not individual personality, but the environment they are in.

“I´m just a collection of mirrors, reflecting what everyone else expects of me.” – Rollo May

When in groups, people think for themselves far less than we would like to imagine. Humans are social beings who have evolved to fear loneliness. Belonging to a group can be essential for survival, and the fear of being alone subdues individual logic in favor of the more comfortable collective reasoning of the majority.

With the multitude of connections offered by the virtual world today, we rarely find ourselves alone, and our positions are subject to the simultaneous scrutiny of everyone we know. According to Scott Galloway, life has become a permanent public record: 49% of Generation Z say they are thinking about their online image even when socializing in the physical world.

The expectations of the collective environment affect and shape individual behavior, making it very difficult to assess people out of context. With this important remark in mind, we return to the almost philosophical question: how do we evaluate people?

“I was a ‘PhD’... poor, hungry and desperate to get rich.” – André Esteves, about his early career

The information commonly found in a resume is extremely valuable for providing an objective measure of an individual's potential and should not be underestimated. However, if not combined with other forms of evaluation, they can be ineffective predictors of outcomes. In his article ‘Intelligent vs Smart’, Morgan Housel highlights an important distinction:

Intelligence: Good memory, logic, math skills, test-taking ability, rule-following.

Smart: High degree of empathy, bullshit detection, organization, communication skills, persuasion, social awareness, understanding the consequences of your actions.

The world continuously evolves in “intelligence”, but, unfortunately, polarizations, social media confirmation bias, and the typical inability to think for oneself might be dragging us backward in “smart”.

In this context, to assess a company's human capital, we must ask: how can we evolve in identifying and valuing these subjective skills, which are so important and yet so scarce?

"In the business world it's not what you know, it's who you know." - James C. Klagge

When evaluating companies, we find ourselves in a position of perpetual negative asymmetry: despite numerous studies and much dedication, company managers will always know their businesses much more than us, investors. For them, highlighting virtues and concealing risks without us realizing can be embarrassingly simple. But not all is lost...

A soccer coach may not play as well as his athletes but can still develop a keen ability to assess his team's competence. Similarly, investors may not be able to evaluate every decision made by management, however, armed with experiences that span various companies in different sectors, they may be able to construct a mosaic of cross-references and judge whether a certain leadership group will add coherence, common sense, and accumulated expertise to carry out the best decisions.

All modeling is a simplification to some degree, even more so in such a subjective task as evaluating people. However, by closely observing the management's speeches and analyzing their attitudes, interesting clues emerge that can contribute to the development of a methodological framework to assist in this complicated assignment.

Generic x Specific

In 2012, Gerard Braud grew tired of the soulless corporate gibberish. Over four months, he gathered over 300 people to identify the buzzwords and clichés they most despised in their companies. Using almost exclusively the words mentioned by the interviewees, with the addition of some grammatical transitions, Braud created "The Worst Speech in the World"[a]. Here are some highlighted excerpts:

"We're excited and pleased about this innovative, world-class, value-added opportunity to leverage customer-centric opportunities that, at the end of the day, create a value proposition and ROI second to none.

This is why our people are our greatest asset; our vital human capital, especially those recently laid off during the downsizing, right sizing, outsourcing and strategic realignment phase, creating an opportunity for us to fulfill our leadership imperative to do more with less as we execute against our objectives.

[a] https://braudcommunications.com/the-worst-speech-in-the-world-2/

Let me be clear… Clearly, we need to expand bandwidth so we can deep dive and ramp up, and adjust to the moving targets associated with each strategic objective."

Purely generic speech can sound like a mere echo of consultants' ideas or best-seller books. For such speeches to shape effective strategy and organizational culture, it is necessary to identify a clear and coherent line of reasoning, rich in concepts pertinent to the situation and capable of providing meaningful insights to stakeholders.

Moreover, those with a true understanding of a subject can usually provide examples and discuss details. Unlike the assessment of a generic speech, where judgment based on the investor's common sense may be sufficient, specific speech is difficult to assess by an investor's "mental models"; it requires substantial knowledge of the discussed subject.

Take, for example, the speech of Elizabeth Holmes, founder of Theranos, a company that supposedly would revolutionize the way blood is collected for disease diagnosis.

"Our technology is based on the principle of nano-fluidics. We've developed a way to miniaturize laboratory equipment onto a single chip that can be used to perform a wide range of tests. (…) Our technology has been rigorously tested and has been shown to be highly accurate. We've published numerous peer-reviewed studies in top scientific journals, and we've conducted clinical trials involving thousands of patients. Our results have consistently shown that our technology is as accurate as traditional laboratory tests."

The technology did not work, the company was a fraud, and its founder is in jail.

Although it is rare to have more knowledge than the management about the specifics of a particular topic, it is essential to try. Perhaps that is why the work of bottom-up fundamental analysis is intrinsically collective. Individually, it is impossible to understand in detail more than 100 companies in Brazil and, at the same time, have a broad view of the investment environment. Generally, a collaborative team effort is necessary to assess both the general and specific aspects of leadership.

Truth x Politics

As we have already dedicated almost an entire letter to this topic, we will briefly comment on this important dimension of people assessment. When management talks about their achievements and appears never to have made a mistake, does not question themselves, and dislikes being questioned and challenged, it is a sign of the predominance of politics in the company. Without facing the truth, there is no accurate diagnosis, no course correction, no meritocracy.

The M&A boom of recent years has provided us another opportunity to contemplate the strength of politics in practice. Even in clearly unsuccessful mergers, the leadership insists on "proving" the achievement of the predicted synergies. With detailed quarterly follow-ups on the percentage of success achieved, the focus shifts to the reputational protection of the decision-makers responsible for the deal.

To validate this almost theatrical performance, the process is usually legitimized by the endorsement of an independent external consultancy and tends to completely ignore any "anti-synergies" that may have emerged in the process of merging companies.

It is to some extent understandable that companies use some degree of marketing to sell their achievements to investors, and it is certainly more challenging to admit mistakes in public than in private. However, it is noticeable that those who lie to the outside of the organization tend to also lie within it and often even to themselves. When this type of behavior permeates leadership, it generally radiates throughout the organization.

Aligned x Misaligned

1. Objective Alignment

Investors can objectively evaluate the various means by which companies seek to align their executives' pockets to the business. With tools like variable compensation, stock options, stock grants, stock matchings, and partnerships, it is possible to try to emulate a financial payoff more akin to that of the owner. However, the frequent magic formula of 1/3 salary, 1/3 performance-based bonus, and 1/3 in stocks with vesting periods of three to five years can be much less effective than imagined.

Bonuses often have low variability, executives can manipulate annual goals and performance indicators, and long-term stocks function almost like a deferred cash payment, being more useful for increasing retention than for establishing alignment through incentive. In the end, it is common for executives to hold only a small fraction of their wealth in company shares.

However, there are interesting exceptions. Jamie Dimon, CEO of JP Morgan, not only spent 17 years without selling a single share but also bought additional shares with his own capital during times of crisis. At Prio, a key oil player in Brazil, an impressive 92% of their 760 employees are shareholders, with the board having sold a negligible amount of the shares already received and that were fully vested. Owning a high percentage of the company's shares stems from example from the leadership, culture, and good stock performance.

2. Subjective Alignment

A second crucial type of alignment, often ignored by proxy advisors and underestimated by investors, is psychological alignment.

We have more than once observed cases of companies whose CEO-founder owned a high percentage of the company's equity, sometimes reinvesting all dividends received in their shares, demonstrating exemplary monetary alignment. However, after achieving certain financial success, they start arriving at the office at 11 am, taking constant vacations, and developing various personal hobbies. Textbook alignment may be perfect, but without psychological engagement, there is no real dedication.

In competitive markets, there is a certain arrogance associated with working less. An executive who works 20% fewer hours than their peers should, theoretically, suppose to be 25% more productive to achieve the same result as the competitor. It's a difficult calculation to make accurately, especially considering that self-assessments about productivity tend to be like surveys on driving ability: about 75% of people believe they are above average.

3. Alignment in the Board of Directors

A study published by the current Government's Secretary of Reforms, Marcos Barbosa Pinto[b] (2012), gathered information from 315 Brazilian public companies and noted that the lower the concentration of the shareholder base, the higher the remuneration of the company's management and board. On average, payment in corporations was 80% higher than in companies with defined control.

It is even more tricky to assess the alignment of the independent board member than that of management. Independent board members usually earn substantially less, hold an even more negligible percentage of their personal wealth in shares of the company they represent, and dedicate a reduced percentage of their time to the company.

Moreover, they often have a substantial knowledge asymmetry about the business compared to management, making the ability to question, supervise, and develop strategy complicated tasks for those who is seldomly present in the company.

Here it is certainly easier to identify the problem than the solution. However, with the growing trend in the number of corporations in Brazil, understanding the financial and psychological alignment of the board as a whole, and not just the controller, becomes increasingly relevant.

The joint use of the "generic x specific," "truth x politics," and "aligned x misaligned" matrices can contribute some of the many pieces that form the intricate puzzle of assessing the human capital of companies. However, to complete the whole picture, a second set of pieces must be assessed. In this complementary group, a maxim will be tested: to what extent can past performance indeed be indicative of future performance?

[b] Pinto, M. B.; Leal, R. P. C., Dispersão acionária e remuneração dos administradores (Ownership dispersion and management remuneration). *Relatórios COPPEAD*, Rio de Janeiro, v.404, 2012. (https://pantheon.ufrj.br/bitstream/11422/10221/1/RC_404-Comp..pdf)

"Intuition is a wonderful thing, but in this business, it's gotta be backed up by numbers." – Billy Beane

Billy Beane, general manager of the Oakland Athletics baseball team, had his real story portrayed by Brad Pitt in the movie Moneyball. Instead of subjective intuition in selecting his players, Beane implements a revolutionary method based on rigorous statistical analysis of past game performance and assembles a team that achieves an unprecedented series of 20 consecutive victories, despite significant budget constraints.

Similarly, why should investors go through so many subjectivities to assess the human capital of a company if the reported numbers could, like Beane's method, reflect the quality of management without cognitive biases? As the saying goes, "don't double count management"; there would be no need to subjectively reassess something already represented by the objectivity of the numbers. If the result is good, how can the management be bad (and vice versa)?

In sports, the game's rules are well defined and reasonably constant. In real life, distinguishing between luck and skill, between alpha and beta, is much more complex. The dynamics affecting the business, over which leadership may have no influence, are varied, including regulatory, climatic, and macroeconomic factors.

Year after year, we see companies announcing a new "former Ambev" executive with the best possible credentials to lead a certain initiative. Curiously, the expected magic happens less frequently than imagined. There are many possible reasons for the irreproducibility of an individual's successful track record: access, processes, brands, teams, technologies, and systems provided by companies compose a small subset of possible explanations for the relativization of individual meritocracy in favor of the collective. And, of course, there is always the "luck" factor...

"I'd rather have lucky generals than good ones." - Napoleon Bonaparte

The famous expression "being in the right place at the right time" seems to have merit. In his book 'Outliers,' Malcolm Gladwell points out that an unusual number of founders and leaders of major technology companies were born within a narrow time window from 1953 to 1955. This includes names like Bill Gates, Paul Allen, Steve Ballmer, Steve Jobs, Eric Schmidt, and the four founders of Sun Microsystems. Gladwell's theory is that those who were able to take advantage of the rise of the PC in 1975 could not be too old to be anchored in the old paradigm, nor too young to pioneer.

Here in Brazil, following an internal study we conducted some years ago, we noticed similar characteristics. In the IPO boom from 2007 to 2010, where 18 real estate developers had the fortune of selling shares at multiples that generated fortunes for their controllers, no less than half of the companies were founded in a short period between 1975 and 1982. This curious temporal concentration does not diminish the competence of those who made it, as the Roman philosopher Seneca would say: “Luck is what happens when preparation meets opportunity”.

Regardless of track record, people should not be classified as good or bad in absolute terms, but rather for a particular activity. Some have more niche skills than others, meaning the fantastic marketing director might lose excellence if promoted to CEO.

Even for a particular position, the prerequisites for success change over time. In the words of Ben Horowitz of a16z: “Peacetime CEO focuses on the big picture and empowers her people to make detailed decisions. Wartime CEO cares about a speck of dust on a gnat's ass if it interferes with the prime directive.”

And yet, to close the circle of complexities, people also change over time, no longer being efficient for positions that were initially suitable.

Evaluating people by results devoid of qualitative context is like trying to understand the news of a newspaper by only reading the headlines. The headlines, although striking and informative, provide only a superficial glimpse of the full content of the news. Without reading the entire articles, crucial details, nuances, and the true meaning of the information can be lost. Just as headlines serve as an entry point for a deeper understanding of the news, numbers are just the beginning of a more detailed and contextualized analysis. Both require depth to reveal the complete and true story.

"The business of business is people. Yesterday, today, and forever." - Herb Kelleher, cofounder of Southwest Airlines

When investing in companies, we choose not only businesses and valuations but also people. When the people of an organization become its main competitive advantage, the distance from competitors rarely narrows. It is very difficult to copy culture and competence.

Evaluating a company's human capital transcends the analysis of technical qualifications or past achievements; it is a deep dive into the human psyche and the complexities of interpersonal relationships.

The topic is excessively fertile, and we could develop and reflect on many additional pieces of this puzzle. However, we stop here on the topic of “people”, from a generic perspective, to honor a singular person, specifically. Few have delved as deeply into the relationship between people and investments as he, Charlie Munger.

Posthumous Tribute

Endowed with sharp intellectual sophistication with his scientific mental models and a unique ability to simplify complex concepts with elegance and clarity, Charlie Munger is also admired for his dedication and depth in understanding human psychology. Munger is a source of wisdom and inspiration not just for investors, but for anyone seeking a broader understanding of human nature and principles for a happy life.

At this moment, when the world faces large-scale conflicts and wars, causing pain and suffering to so many, we choose to highlight a fragment of Munger's wisdom opting for a personal and inspiring perspective, focusing on the story of triumph over adversity of the one who became one of the greatest investors in history.

In 1953, at age 29, Munger experienced a traumatic divorce that left him in a delicate financial situation. The following year, his eight-year-old son was diagnosed with leukemia. Without medical insurance, he needed to continue working to pay for his son's treatment, while trying to dedicate as much time as possible to be with him in the hospital. After months of treatment, his son died at the age of nine. Years later, Munger reflected:

“Generally speaking, envy, resentment, revenge, and self-pity are disastrous modes of thought. Self-pity gets pretty close to paranoia... Every time you find your drifting into self-pity, I don’t care what the cause, your child could be dying from cancer, self-pity is not going to improve the situation. It’s a ridiculous way to behave.

Life will have terrible blows, horrible blows, unfair blows, it doesn’t matter. Some people recover and others don’t. There I think the attitude of Epictetus is the best. He thought that every mischance in life was an opportunity to behave well. Every mischance in life was an opportunity to learn something and that your duty was not to be immersed in self-pity, but to utilize the terrible blow in a constructive fashion. That is a very good idea.”

2023 Performance Remarks

The main indices had strong performances, with the Ibovespa showing returns of 22% and the IVBX2 Index, 17%. However, this by no means should be interpreted as a calm year, with companies developing their business plans in a serene environment and their shares slowly and steadily achieving solid returns. Quite the contrary.

The year began quite differently from how it ended, with the release of the 4Q22 quarterly results. This memorable season was marked by a peculiar multi-year record: the largest number of drops of 10% or more in companies' shares on the first day after the results were announced. Not without reason. An unusual combination of factors caused companies to suffer significant pressures in their financial statements.

Firstly, companies felt firsthand the effects of an interest rate rising from 2% to 13.75% in just 18 months. Far beyond the actual cost of debt, the impact had consequences on the revenue of various industries. Along with this, the prices of important inputs remained high, such as rents, logistics, and raw materials, and the difficulty of passing these costs on to the consumer was blatant.

However, we believe that this was only part of the story. The asset bubble of 2021 was not confined to the virtual perimeter of the financial market. It entered the boardrooms and minds of businesspeople and executives. This awakened 'animal spirits' to levels that would leave Keynes impressed, with excesses being committed on practically all possible fronts: territorial expansions, exaggerated hiring of personnel, indiscriminate investments in digitalization, and, of course, some spectacularly disastrous mergers and acquisitions.

As the environment of unhinged prosperity did not last long, the inescapable reality began to appear, exposing what in many cases already seemed excessive even *ex-ante*, culminating in the fateful 4Q22, reported in the first months of 2023, which, in addition to the factors previously outlined, also faced a financial market with expectations still partially anchored in the preceding reality.

The good news is that we observed significant reversals throughout the year, both from a macro and corporate perspectives. The scenario of falling interest rates is already a reality, and the prices of inputs no longer generate the same pressure as mentioned above. Inside the companies, the compression of results and, in many cases, cash shortages, imposed a forced lucidity to managers, who initiated cost-cutting and investment optimization programs, as well as adopting more realistic attitudes towards how to handle recently acquired companies. And all that in an environment with adjusted expectations and increasingly distant from the euphoria of 2021.

Both on the macro and micro sides, we drew close to dangerous points of divergence at the beginning of the year that, for now, seem to have been surmounted.

Sharp Equity Value

The fund had a return of 18% in the year, against 22% of the Ibovespa index and 17% of the IVBX2 index.

Two of our biggest gains were from companies whose discipline has been well above average in recent years: Equatorial and Mercado Livre, which ironically continue to show the highest growth rates in their respective sectors. In addition, we had good results with XP, which had suffered losses from the hangover of growth in the last two years but reacted appropriately and returned to a constructive trajectory. On the downside, we had significant losses in Hapvida and Assaí, which were partially contaminated by the above-described conjuncture and had a 'year of adjustments' in 2023.

Looking ahead, we believe in the continuation of this movement, as we enter the stage of interest rate cuts and start to see companies, in general, reaping the rewards of greater rationality.

Sharp Ibovespa Ativo

The fund had a return 0.7 pp below the Ibovespa. The positive highlights relative to the index were in the Mining and Retail sectors, and the negative ones in Oil and Healthcare.

For 2024, a particular challenge presents itself in the case of Petrobras. The company today represents the second-largest weight of the Ibovespa index and depends on the maintenance of management rationality for the continuation of good results.

The year 2023 began with the worst expectations for the state-owned company, as the plan to 'Brazilianize' fuel prices was one of the clearest and most boasted about campaign promises of the current president. Price manipulation did not occur, and dividends were distributed, along with a share repurchase. More recently, the investment plan and the relaxation of the corporate bylaws are warning signs within a complex and difficult-to-predict scenario that influences the management of the company.

Sharp Long Short 2X

The fund had a return of CDI + 0.4% and a realized volatility of 2.6% for the year. Over the past five years, the fund achieved a return of 12.8% per year, equivalent to CDI + 5.1% per year. Throughout 2023, we achieved gains from the pairs and shorts strategies, while parametric strategies that seek to mirror the portfolios of long-only funds against indices did not yield significant contributions.

In terms of results, we had concentrated gains and a few scattered losses. At the beginning of the year, we believed that XP's shares were undervalued, and the company was undergoing a necessary management adjustment. However, considering the business's cyclicality, we decided to combine the long position with the sale of another security, which presented similar risk factors and allowed for an appropriately sized position with lower exogenous risk. As for losses, there were few highlights, among them two pairs, one in the fuel distribution sector and another in the electric utilities sector, the latter of which we still maintain in the portfolio.

Sharp Long Biased

The fund had a return of 18%, primarily through the combination of the previously mentioned strategies. The average gross exposure was 148% and the net, 52%. There were no significant contributions in assets other than local equity securities.

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%
2021	0.66%	-2.57%	-1.98%	3.59%	-0.05%	1.34%	-3.90%	0.90%	-4.93%	-9.83%	-4.10%	0.35%	-19.30%	14.46%	279.38%	247.34%
2022	3.23%	-0.01%	1.15%	-6.68%	-0.60%	-9.36%	9.03%	4.77%	0.75%	8.56%	-5.79%	-2.38%	0.88%	11.56%	282.71%	287.49%
2023	4.76%	-7.99%	-3.83%	3.12%	4.11%	9.28%	3.66%	-4.46%	-0.34%	-5.05%	10.41%	4.45%	17.54%	10.63%	349.83%	328.70%

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%
2021	-1.36%	-4.45%	2.37%	3.97%	1.71%	0.44%	-4.50%	-1.95%	-4.46%	-9.33%	-2.92%	-0.15%	-19.42%	-11.93%	189.71%	116.69%
2022	4.13%	0.30%	2.99%	-6.38%	1.67%	-8.23%	6.59%	6.12%	0.51%	10.45%	-6.91%	-1.88%	7.77%	4.69%	212.22%	126.85%
2023	2.50%	-7.09%	-4.34%	2.79%	4.00%	9.34%	3.84%	-4.58%	-0.45%	-5.09%	10.27%	4.65%	15.04%	22.28%	259.19%	177.39%

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%
2021	-3.28%	-4.62%	4.34%	2.69%	4.30%	0.51%	-4.01%	-1.67%	-6.31%	-7.25%	-1.75%	1.10%	-15.58%	-11.93%	207.67%	80.61%
2022	7.38%	2.54%	4.24%	-8.44%	3.69%	-10.30%	5.46%	6.35%	1.12%	5.78%	-2.79%	-2.54%	11.10%	4.69%	241.84%	89.08%
2023	3.93%	-7.93%	-3.77%	2.65%	3.09%	9.73%	4.07%	-4.11%	0.45%	-2.70%	11.14%	4.93%	21.61%	22.28%	315.70%	131.21%

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%
2021	0.59%	0.10%	-0.63%	0.59%	-0.97%	0.43%	0.34%	1.42%	0.83%	0.20%	0.49%	0.37%	3.80%	4.42%	600.45%	389.39%
2022	0.96%	1.24%	0.29%	1.39%	0.77%	0.90%	1.33%	1.34%	1.19%	1.12%	1.06%	0.85%	13.18%	12.39%	692.75%	450.03%
2023	1.11%	0.63%	0.74%	1.16%	0.75%	1.62%	1.34%	1.22%	1.03%	0.74%	0.54%	0.65%	12.16%	13.04%	789.18%	521.75%

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%
2021	1.10%	0.21%	-1.18%	1.01%	-1.89%	0.71%	0.45%	2.39%	1.24%	0.17%	0.59%	0.28%	5.12%	4.42%	127.61%	63.43%
2022	1.13%	1.71%	0.02%	1.97%	0.65%	1.03%	1.64%	1.66%	1.44%	1.36%	1.24%	0.70%	15.56%	12.39%	163.02%	83.68%
2023	1.26%	0.51%	0.47%	1.56%	0.55%	2.26%	1.64%	1.41%	1.22%	0.70%	0.47%	0.63%	13.43%	13.04%	198.35%	107.63%

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%
2021	1.09%	-0.04%	-2.35%	3.36%	-2.16%	1.38%	-2.12%	3.45%	-1.56%	-6.62%	-2.10%	0.03%	-7.78%	4.42%	77.76%	13.87%
2022	3.30%	1.68%	1.27%	-2.32%	-0.03%	-5.59%	6.77%	4.12%	1.53%	6.19%	-2.81%	-2.22%	11.69%	12.39%	98.54%	27.98%
2023	3.36%	-4.80%	-2.42%	2.88%	2.41%	7.49%	3.59%	-2.21%	0.15%	-2.86%	6.23%	3.45%	17.76%	13.04%	133.79%	44.67%