

ALASKA

ASSET MANAGEMENT

BIANNUAL LETTER

2S2020

Investment funds are not guaranteed by the administrator, the portfolio manager, any insurance mechanism or even the credit guarantee fund – FGC. Past profitability is no guarantee of future profitability. The disclosed profitability is net of management and performance fees, but not net of taxes. Read the essential information sheet, if any, and the investment fund regulations before applying your funds. The information contained in this material is for informational purposes only and should not be understood as an analysis of securities, promotional material, solicitation of purchase or sale, offer or recommendation of any financial asset or investment, suggestion of allocation or adoption of an investment strategy by part of the readers. Some of these funds are less than 12 (twelve) months old. To assess the performance of investment funds, it is recommended to analyze a period of at least 12 (twelve) months.



“The only thing we know about the future is that it will be different.” - Peter Drucker

At the end of 2019, in the midst of one of our relaxed lunch conversations, Luiz Alves paraphrased Aloysio Faria: “The only thing we know about the future is that it will not be as we want it to be”, while we discussed the promising future of Brazil and the implications of this for Alaska. It was a time of celebration; stock market peaks, record fundraising in investment funds and a sea of new investors testing the waters of investment in variable income. Market agents' forecasts for the coming year had different shades of optimism, except for some predictions of turbulence for the dispute between Trump and Democratic candidate Joe Biden.

A few weeks later, we were going through the worst period in the history of the Brazilian Stock Exchange, with 6 circuit breakers, billions of reais in market value losses and the beginning of a pandemic whose duration and effects are still unknown. The optimism that illuminated the market in the first days of the year gave way to catastrophic analyzes that claimed that the stock market would not be able to recover what was lost due to the covid. In yet another empirical confirmation of the phrase mentioned by LAPB, we experienced a quiet period of American elections and reached the end of the year with the stock market very close to its starting point, crowning a very complicated year for those who live on short-term forecasts, but full of lessons.

There is only one major learning experience of the year, as we have reiterated in past letters: adherence to a well-defined investment process, whatever it may be. Only through a concrete process can we get out of the way the emotion that leads us to short-term predictions anchored in impulse, euphoria or fear, and manage to carry out movements that go against our deepest primitive instincts. A successful process does not need to be created “from scratch” and we can, fortunately, rely on the experiences of extraordinary people who had the greatness to register them in books, leaving us a rich literature available to base the base of thoughts that will give rise to a personal and customized process. We took advantage of the preface of the book “The most important thing for the investor”, by Howard Marks, finally

translated to Brazilians by the publisher Edipro, to pay homage and reiterate the importance of great investors, good references, the experience and experience of those who have already traced the way we would like to go.

The art of choosing companies to invest in, as Charlie Munger says, is a by-product of something much bigger: knowledge about the world or, better said, in English, worldly wisdom. Those who seek to improve themselves in investment activity, sooner or later, discover that it is a never-ending journey in search of knowledge — about the world — and, above all, an eternal quest for self-knowledge.

Where to start this search? What do we have to study? What books do we have to read? What is the recommended bibliography? The easiest answer would be to say “read everything”, on any topic, all the time. Charlie Munger once said, “In all my life I never saw wise people who didn't read all the time—none, zero. You would be amazed at how much Warren reads and how much I read.” “Reading everything about any subject”, despite being the most honest answer, is a somewhat overwhelming task. The affliction that strikes us when faced with this task is common: “So many books, so little time”, as the musician Frank Zappa used to say. It remains for us then to learn how to invest our time in the readings that will bring us more learning.

One of the great facilities that the modern investor has, at least with regard to access to lessons and content, is the quantity and availability of references that we have in our hands. There are a few hundred years of financial history and a few thousand icons from the past who have already gone through experiences in the most diverse markets, and their records, reports and opinions are now cataloged and available to investors. The search for references begins when we select which experiences we would like to experience through reading. For this step, there are no shortcuts. In the formative period of Alaska investors, we had the opportunity to test the waters of different ways of investing until we found the inspiration we needed to formulate our investment process. Readings on Warren Buffet led us to his partner, Charlie Munger, specifically to one of his works “The art of stock picking”, a transcription of a speech by Munger to a group of

students. Dalí, an admiration arose that soon evolved to become a great reference. Munger's teachings gave birth to a series of new paths that we should follow in our learning, and showed us that many investment lessons could be learned in other disciplines.

Our experience with the readings recommended by Munger showed the importance of cultivating references as a guide for knowledge. His recommendations saved us many “hard” lessons that the market would eventually teach us in practice. Reading allows us to borrow other people's brains and travel, in a few days, trails of experiences and knowledge that were built and paved over years.

Munger is not the only one of our favorite figures. The years of reading have expanded the list of names that fall into this category, which happily expands every day. “My children laugh at me. They think I'm a book with some legs out. I'm also crazy about biographies. And I think when you're trying to teach the big concepts that work, it helps to tie them to the lives and personalities of the people who developed them. I think you learn economics better if you make Adam Smith your friend. It sounds funny to make friends among the walking dead, but if you go through life befriending the walking dead who had the right ideas, I think it works better in life and education. It's much better than just being given the basics.”, so said Charlie Munger.

At Alaska, we encourage reading and multidisciplinary among our partners and collaborators, we stimulate curiosity and we try our best to have discussions that include, but are not limited to, the topic of investments. When we add someone new to the team, we suggest some basic readings, in order to introduce certain concepts and present the structural basis of our investment philosophy. We share part of the list of books below, accessible and in Portuguese, remembering that this is just the first step of a marathon that lasts a lifetime:

- The Intelligent Investor - Benjamin Graham
- Built to Last – Jim Collins e Jerry I. Porras
- Good to Great – Jim Collins

- Great by Choice - Jim Collins e Mortem T. Hansen
- The Warren Buffet Way- Robert G. Hagstrom
- University of Berkshire Hathaway - Daniel Pecaut e Corey Wrenn
- Common Stocks, Uncommon Profits - Philip Fisher
- Conservative Investors Sleep Well - Philip Fisher
- Beating the Street- Peter Lynch
- The Most Important Thing - Howard Marks

Accumulated knowledge brings exponential benefits, the more we read, the more relationships and parallels we are able to draw, and this only makes us better investors. Gradually we built our own algorithm to interpret the market and the opportunities it offers. We learn to ignore primitive sensations and build an “intuition” that is increasingly accurate and prepared to digest the amount of information that is presented to us on a daily basis. Reading, however, only acts as a catalyst in the investor's evolution process, bringing tangible benefits, if it is combined with practical experience and the application of what is read. It's impossible to become a good investor without walking with your own legs.

" In our hands we have the books; in our eyes, the events."
- Saint Augustine.

The exclusively theoretical process can contemplate and try to cover all mathematical possibilities, but it is impossible for a long-term investor to capture only in numbers the nuances of experiences that the market provides. Investing involves human feelings and subjectivities as well, and, despite all the theoretical preparation that the literature gives us, we only discover how prepared we are through practical experimentation. In this sense, investing is no different from any of the other activities we carry out in our daily lives. Nobody learns to play the guitar, boxing or cooking just by reading books and watching videos on the respective subjects; it takes a lot of calluses on the fingers and punches in the face for the process to evolve.

In terms of practical experience, 2020 was a very rich year, like few others. In practice, we feel that the market is capable of renewing all metrics with

movements of unprecedented intensity, making pessimistic risk scenarios become moderate in hindsight. We also saw that the adaptability of companies is much greater than they believed themselves to be, something that should have important implications for the way they do business going forward. The effects of covid greatly reduced corporate “prejudice” with transformations and restructuring. We believe that companies come out of the crisis much more agile than when they entered it. Staying only in theory, reading, and ignoring observation of the real world can make us myopic to the life lessons unfolding in front of us.

Following St. Augustine's recommendation, have the books in hand, but give even more importance to the events before your eyes. The year 2020 is so rich that it is worth spending a lot of time remembering every wrong prediction made, every untimely attitude taken and every unrealistic expectation during the year, both the optimists at the beginning of the year and the pessimists who said that the bag went to 50 thousand points when it approached 60 thousand. The assimilation of the teachings provided by the year 2020 will give you more capacity to deal with the upcoming difficulties. As Benjamin Franklin said, “Tell me and I'll forget; teach me and I can remember; involve me and I will learn.”

Performance Attribution

The breakdown of half-year performance by asset class is shown below:

2S2020	Equities	Interest	Currency	Cash	Costs*	Total
Alaska Black Institucional FIA	16,14%	-	-	0,01%	-1,11%	15,04%
Alaska Black FIC FIA – BDR Nível I	23,89%	-0,02%	2,39%	0,11%	-1,57%	24,80%
Alaska Black FIC FIA II – BDR Nível I	23,89%	-0,02%	2,39%	0,11%	-1,25%	25,13%
Alaska 70 Icatu Previdenciário FIM	9,40%	-	-	0,28%	-1,30%	8,38%
Alaska 100 Icatu Previdenciário FIM	13,22%	-	-	0,02%	-1,81%	11,44%
Alaska Black Advisory XP Seg Prev FIC FIM 70	9,41%	-	-	0,19%	-1,13%	8,46%
Alaska Black Advisory XP Seg Prev FIC FIM 100	13,51%	-	-	0,01%	-1,18%	12,34%
Alaska Black 70 Advisory XP Seg Prev FIC FIM	9,44%	-	-	0,20%	-1,94%	7,70%
Alaska Black 100 Advisory XP Seg Prev FIC FIM	13,44%	-	-	0,01%	-2,53%	10,92%

We see the stock portfolio of the “Alaska Black” funds as a holding company.

1. Investments and Divestments:

The stock portfolios of the funds Alaska Black Institucional FIA and Alaska Black Master FIA – BDR Level I remain very similar, with only small differences in the sizes of the positions and two additional names in the second fund.

- a. **Alaska Black Institucional FIA:** at the end of the second half of 2020, the fund consisted of eighteen shares. There was no entry or exit of positions.

The positions that most negatively impacted the net result reported high provisions for losses and asset impairments in the period.

R\$ Millions	31/12/2019	31/12/2020	Variation
Net Revenue	3.183,94	2.075,79	-34,80%
Net Profit	-24,83	31,27	N/A

% of fund AuM	31/12/2019	31/12/2020	Variation
Net Revenue	71,53%	88,95%	24,36%
Net Profit	-0,56%	1,34%	N/A

Markets

Throughout the second half of 2020, the main global risk asset classes maintained the recovery trend that began at the end of March, and ended the half with strong appreciation. Highlight for the American stock exchanges that made new historical highs in the period.

There were several reasons that supported this recovery of risk assets. With the cooling of the lockdowns in some developed countries, there was a partial resumption of their economic activities. The implementation of numerous fiscal and monetary stimulus packages (ample liquidity with negative real interest rates) in developed countries can be added to the list of factors, in addition to the development and start of application of several vaccines against covid-19.

Despite the increase in daily cases of the coronavirus and the imposition of new restrictions on social mobility in some countries over the course of the semester, the expectation of continued mass vaccination and global growth in 2021 prevailed over the markets. The result of the American presidential elections was very well accepted by market participants, with emerging countries being the main beneficiaries. With the Democratic president in power, less noise is expected in US trade relations with other countries, especially with China, in addition to the continuity of fiscal stimuli, which are aimed at the recovery of the American economy in 2021.

In the domestic environment, markets were not only affected by the advance of the pandemic, but also by the country's fiscal situation, which deteriorated considerably with the implementation of emergency aid by the federal government. After consecutive years of fiscal deficits, the executive branch gave a very positive signal to the market with the approval of the pension reform in 2019, however, a significant part of the expected fiscal savings for the next ten years was exhausted with the adoption of emergency aid in 2020.

Associated with the worsening fiscal situation, the lack of political coordination by the executive branch to move quickly with structural reforms (Emergency PEC, tax reform, administrative reform, Central Bank autonomy, among others) and the interest rate at its lowest historical level directly impacted the performance of the local currency, which, although it followed its peers in the semester, closed the year as one of the currencies that most devalued against the dollar.

The interest rate market was also impacted by the country's fiscal deterioration. In order to stimulate the economy, the Central Bank kept the basic interest rate at its lowest level in history for almost the entire semester. However, with the deteriorating fiscal situation and the relevant amount of public debt maturing in 2021, the yield curve remained close to its maximum slope throughout the semester.

The stock market was less impacted than the others, as with the victory of the Democrat Joe Biden in the US presidential elections, the emerging market stock markets received a significant financial flow. Between the months of November and December, foreign investors entered the local stock market with something close to 52 billion reais, which contributed significantly to the 26% increase in the Ibovespa in the last two months of the year.

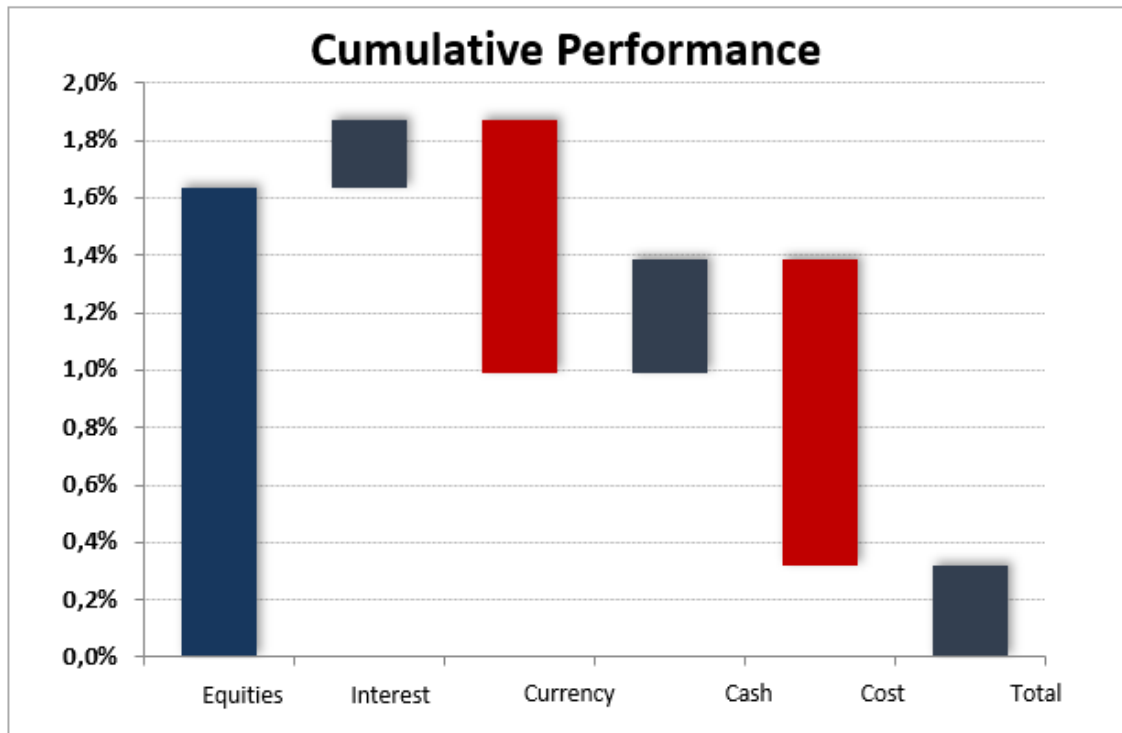
Alaska Range

The Alaska Range fund closed the semester with a return of 0.32% against 0.99% of its benchmark, the CDI. The biggest contribution was the variable income class (+1.63%), benefited by the strong performance of the local stock exchange in the period; the other positive contributions, to a lesser extent, were the interest and cash asset classes (+0.24% and +0.40%). The currency strategy and costs contributed negatively (-0.88% and -1.07%) to the fund's performance in the period.

In the variable income market, as already mentioned, the significant volume of foreign capital inflows contributed significantly to the good performance of the local stock exchange, which favored the fund's strategy, which carried long positions in the local index throughout the semester (+4.16%). In addition to the directional positions, the fund also has a long x short strategy between the stock portfolio and the Bovespa index, but this strategy contributed negatively (-2.53%).

In the interest rate market, gains came from directional short positions in the middle part of the curve (+0.22%); over the semester these positions were reduced. Still in the interest rate market, the fund carries positions that aim to profit from distortions in the curve. This strategy ended the semester with a result close to neutral (+0.02%).

Our local currency, as in the first half, presented a considerably higher volatility than its peers, as a result of forces in opposite directions on the value of the currency. On the one hand, we had economic growth and external accounts surprising positively, on the other hand, fiscal deterioration and interest rates at historic lows. In addition, in December, national banks reduced the overhedge, another fact that generated noise in the behavior of the local currency. Despite carrying mostly a short position in dollars against the real in the period, the fund incurred losses due to the negative impact of the position turnover (-0.88%).



We appreciate the trust of our investors and partners.

Thank you,

Alaska Asset Management

	2S20	ITD*
Alaska Black Institucional FIA	15,04%	151,03%
Ibovespa	25,21%	72,36%
IPCA + 6% a.a.	7,55%	44,63%
CDI	0,99%	25,15%

*Inception in 21/02/2017

	2S20	ITD*
Alaska Black FIC FIA - BDR Nível I	24,80%	231,70%
Ibovespa	25,21%	109,71%
IPCA + 6% a.a.	7,55%	175,69%
CDI	0,99%	113,60%

*Inception in 29/12/2011

	2S20	ITD*
Alaska Black FIC FIA II - BDR Nível I	25,13%	67,88%
Ibovespa	25,21%	92,54%
IPCA + 6% a.a.	7,55%	46,71%
CDI	0,99%	27,30%

*Inception in 03/01/2017

	2S20	ITD*
Alaska 70 Icatu Previdenciário FIM	8,38%	30,49%
IMA-B	8,21%	41,40%
Ibovespa	25,21%	40,77%
IPCA + 6% a.a.	7,55%	30,85%
CDI	0,99%	13,47%

*Inception in 02/05/2018

	2S20	ITD*
Alaska 100 Icatu Previdenciário FIM	11,44%	3,62%
IMA-B	8,21%	5,22%
Ibovespa	25,21%	16,42%

IPCA + 6% a.a.	7,55%	9,13%
CDI	0,99%	2,02%

*Inception in 05/03/2020

	2S20	ITD*
Alaska Black Advisory XP Seg Prev FIC FIM 70	8,46%	5,47%
IMA-B 5	4,72%	9,06%
Ibovespa	25,21%	11,00%
IPCA + 6% a.a.	7,55%	13,68%
CDI	0,99%	3,55%

*Inception in 31/10/2019

	2S20	ITD*
Alaska Black Advisory XP Seg Prev FIC FIM 100	12,34%	2,96%
IMA-B 5	4,72%	8,99%
Ibovespa	25,21%	10,00%
IPCA + 6% a.a.	7,55%	13,63%
CDI	0,99%	3,53%

*Inception in 01/11/2019

	2S20	ITD*
Alaska Black 70 Advisory XP Seg Prev FIC FIM	7,70%	8,22%
IMA-B	8,21%	8,58%
Ibovespa	25,21%	28,26%
IPCA + 6% a.a.	7,55%	8,01%
CDI	0,99%	1,10%

*Inception in 12/06/2020

	2S20	ITD*
Alaska Black 100 Advisory XP Seg Prev FIC FIM	10,92%	14,21%
IMA-B	8,21%	10,50%
Ibovespa	25,21%	34,30%
IPCA + 6% a.a.	7,55%	8,32%
CDI	0,99%	1,19%

*Inception in 01/06/2020