Investor Letter

4th Quarter 2025

"And then one day you find ten years have got behind you"

Excerpt from the song Time, by Pink Floyd

Period	Porto SFA (Flagship)	Porto SFA Institucional	Porto SFA Equity Hedge	Ibovespa	CDI
4Q25	3,74%	4,41%	0,51%	10,18%	3,59%
Last 3 years	39,79%	42,80%	-	46,16%	43,43%
Last 5 years	26,13%	28,85%	-	36,77%	68,22%
Since inception	383,14%	393,56%	12,65%	201,14%	222,04%

Introduction

2025 was a good year for the Brazilian stock market. With a weaker dollar, the return of foreign flows, the start of the rate-cutting cycle, and the market already anticipating the 2026 election, the Ibovespa rose 33.95%. The Porto SFA FIF CIC Ações fund closed the year up 19.56%, the Institucional share class up 22.13%, and the Equity Hedge, our multi-strategy fund, at 12.50% (87% of the CDI). Since inception in 2013, Porto SFA FIF CIC has accumulated 383.21% versus 201.14% for the index.

The 5 largest contributions added 16.1% to the share price and accounted for 53.3% of the gains. The 5 largest detractors, combined, contributed negatively by 5.8%, accounting for 80.1% of the losses. In total we held 31 invested companies during 2025, between structural positions and, to a lesser degree, opportunistic ones, with 19 positive contributions and 12 negative ones.

Looking position by position, positive contributions totaled more than 30 percentage points, spread across more than twenty names, with Banco ABC adding 4.8%, followed by BR Partners 3.3%, Track & Field 2.9%, and B3 2.8%. Four of the 5 largest contributions come from the financial sector, which has historically been the sector we have had the most exposure to and which has contributed most positively to the funds' results.

The detractors, all together, cost (7.2%), and none of them exceeded (1.7%). In other words, we gained broadly and lost little on a few names. Of the five largest detractors, we remain invested in four of them. VTEX contributed negatively by (1.7%), Vittia (1.5%), Positivo (1.2%), Azzas (1%), and Amazon (0.4%).

Our fund has historically been poorly correlated with the Ibovespa. This is part of our investment philosophy and process of following few businesses closely and running a more concentrated fund. Historically, our active share has hovered around 80% to 90%.

Over thirteen years, we have alternated between years well above and years below the index, and it is that combination that has kept us in the industry's top quartile since inception. The process has not changed in any of them: study a few companies in depth, pay reasonable prices, and give our theses the time they need to mature.

Our 2025 result below the index is explained by two factors: our relative composition versus the index, and the fact that some of our investments performed poorly during the year. Regarding the index, the 10 largest contributors to its rise accounted for 72% of the year's result. Of those 10 companies, 5 were part of our fund at some point during the year, though at a smaller size than their weight in the index.

As mentioned above, 4 of the largest detractors remain our investments. Amazon and VTEX are companies that have been improving their results and generating growing value. Despite rising economic profit, both companies have faced questions — the first over the size of its capex, and the second over the discussion around the disruption of the software sector by artificial intelligence.

At Amazon we understand the concern regarding the size of its capex and how it consumes practically all of its operating cash flow. However, this investment continues to be monetized and continues generating economic profit. Over the last 3 years, for every 1 dollar the company invested in capex, it generated 14 cents of economic profit.

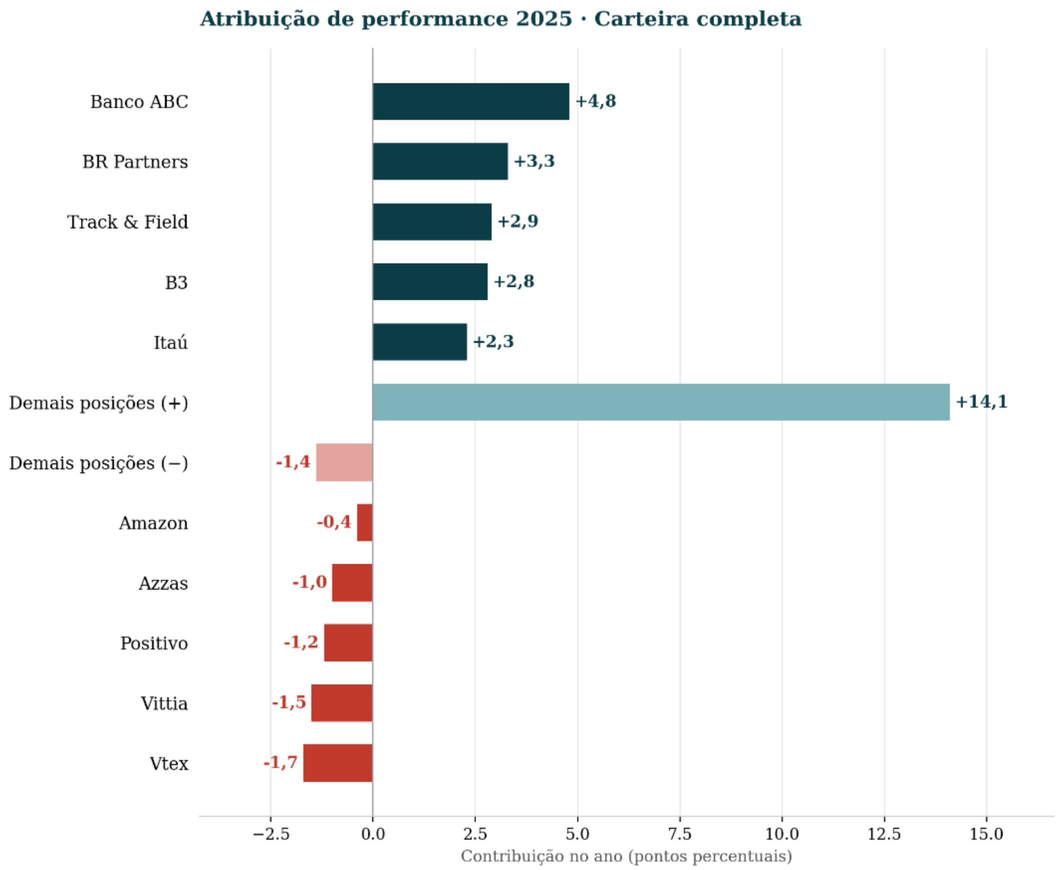
Artificial intelligence will certainly affect software companies. However, we believe that central, transactional platforms that are highly integrated with their customers and whose monetization is tied to processed volume tend to be better protected. VTEX fits into this group. Indeed, today the company offers a reasonable margin of safety, with its net cash amounting to approximately 30% of its market cap. In addition, all of the additional cash generation the company has produced over the quarters has been deployed into buybacks.

Vittia and Positivo, on the other hand, are going through a more difficult cyclical moment, with their results cyclically compressed, but we remain invested because we believe both companies are significantly undervalued and offer relevant margins of safety.

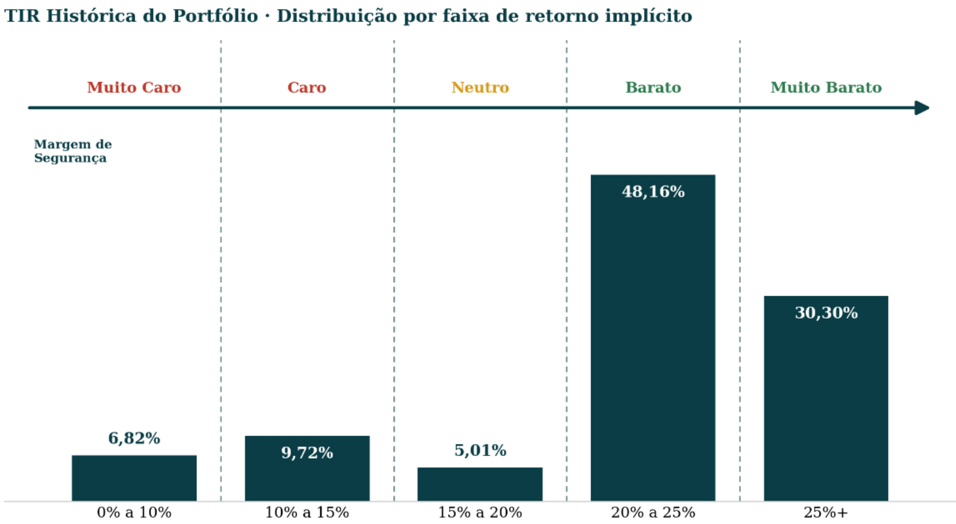
Vittia has been navigating the agricultural sector's longest-lasting downturn with excellence. Its results have fallen over the past two years given this environment. However, the company continues to generate cash and carries extremely low leverage. This has allowed it to buy back shares while taking advantage of the low prices. During this difficult period for the sector, we continue to see competitors shrink their balance sheets or increasingly show signs of financial stress. That said, Vittia is well-prepared to ride the wave strongly once the agricultural market recovers. We believe it is the best company in its sector, with the best management team.

Positivo underwent an important restructuring of its business, becoming an infrastructure and technology services company for the B2B market. This transformation has turned it into a much more resilient and profitable company. However, these numbers have not yet shown up, since the legacy business, cyclical by nature, is in a downturn and is for now masking the new strategy. As the cyclical part recovers and the new businesses gain more share, we expect to see a recovery in results and margins.

Despite the rally in 2025, we believe we currently have one of the scenarios with the greatest margin of safety historically. Our portfolio carries an IRR (internal rate of return) of around 27%, and at these prices, the companies are pricing in less than zero future growth.



(Chart: "2025 Performance Attribution · Full Portfolio" — Demais posições (+)/(−) = Other positions (+)/(−); x-axis = contribution to the year, in percentage points)



(Chart: "Portfolio's Historical IRR · Distribution by Implied Return Range" — categories left to right: Muito Caro/Caro/Neutro/Barato/Muito Barato = Very Expensive/Expensive/Neutral/Cheap/Very Cheap; Margem de Segurança = Margin of Safety)

A question we are always asked is: given Brazil's difficult economic and political backdrop, wouldn't it be worth staying out of the stock market during bad periods and coming back for the good ones? We decided to measure this question. We took the fund's daily quotas since 2013, placed the Ibovespa and the S&P 500 alongside them, and tested what happens to those who get in and out. The result of the study gives this letter its title: impatience has a price, and it is a high one. Enjoy the read!

The Price of Impatience: On Time, Timing, and Staying the Course

To broaden the statistical base, the study below incorporates data through June 30, 2026. The performance data and the 2025 portfolio analysis remain referenced to December 31, 2025. The letter was published only in early July 2026, despite covering the second half of 2025.

Across 13 years of data, the investor who tried to time entries and exits from the market, even getting half of the major drawdowns right, ended up with roughly half the result of someone who simply stayed invested. This letter explains, with our own numbers, the 'why!' And perhaps the most important question for the result of every unitholder or investor in publicly traded companies: 'how much does it cost not to be invested?'

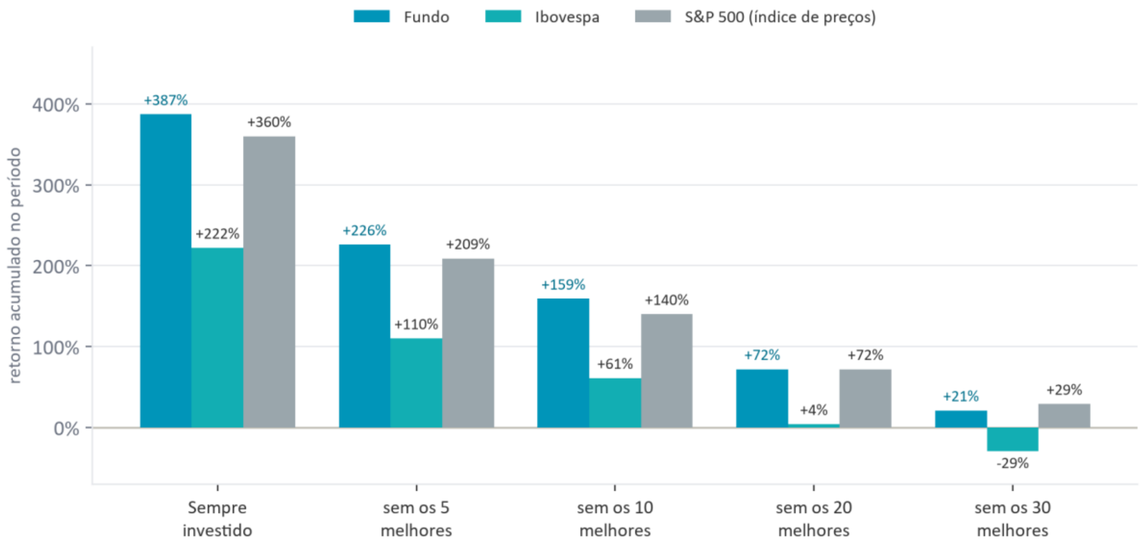
We studied the fund's daily quotas, the Ibovespa, and the S&P 500 over the same period (3,285 trading days) and arrived at four conclusions:

(i) long-term return is extraordinarily concentrated in a very small number of days;
(ii) those days occur, almost always, in the middle of crises, right next to the worst days;
(iii) because of this, in-and-out strategies tend to miss exactly the best days; and
(iv) over the period analyzed, time spent in the market, not timing, was what separated those who compounded capital from those who did not.

Returns Concentrated in a Very Small Number of Days

Over the period, the fund accumulated +387%; the Ibovespa, +222% (in reais); and the S&P 500, +360% (price index, in dollars). Note: the S&P 500 is used here merely as a reference, it is not the fund's benchmark, and the series are not directly comparable with one another, due to currency differences.

The central point is a different one: the result of each series was not built gradually, a little each day. The fund's 36 best trading days, just 1.1% of the 3,285 days, alone add up to the equivalent of the entire cumulative return for the period. This does not mean that "nothing happened" on the remaining 98.9% of trading days: it means that, on those days, gains and losses essentially offset each other, and the net result of 13 years came from a handful of days. On the Ibovespa, just 21 days (0.6%) are enough; on the S&P 500, 41 days (1.2%).



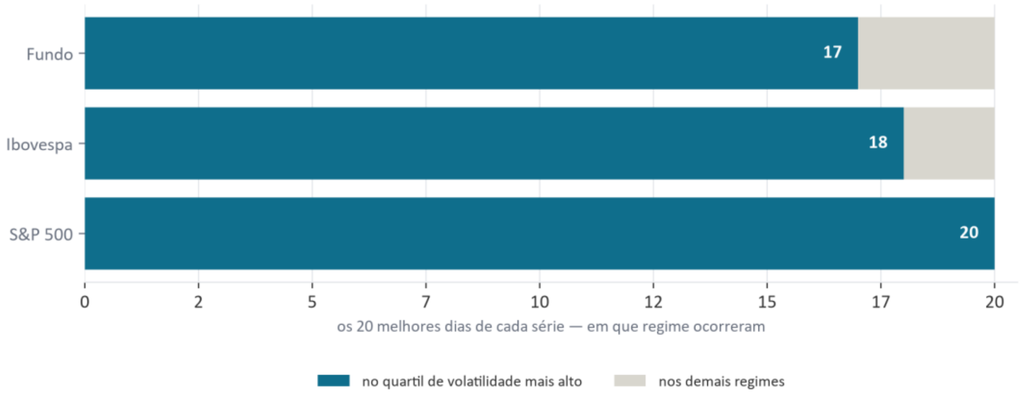
(Legend: Fundo = Fund; S&P 500 (índice de preços) = S&P 500 (price index); x-axis: Sempre investido = Always invested, sem os 5/10/20/30 melhores = excluding the 5/10/20/30 best days; y-axis = cumulative return over the period)

Cumulative return of each series over the period (05/31/2013–06/30/2026) excluding the best trading days. Counterfactual, hypothetical, and purely illustrative exercise — identifying the best days is only possible in hindsight. Past performance is not a guarantee of future results.

Missing just the 10 best trading days, over 13 years, would reduce the fund's result from +387% to +159%, less than half. On the Ibovespa, missing the 30 best days would turn 13 years of stock market gains into a loss.

The Best Days Are Found Inside Crises

It would be tempting to conclude: "so all you need to do is be in on the good days and out on the bad ones." In theory, avoiding the worst days would be worth even more than capturing the best ones. The problem is that, in practice, good days and bad days are neighbors — they live in the same neighborhood and, often, in the same week. Getting out to escape some of them almost always means giving up the others.



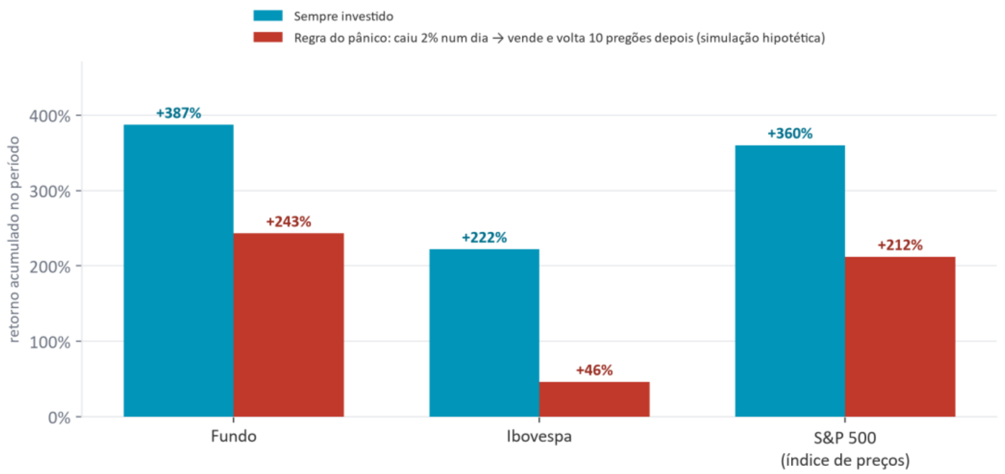
(Chart: the 20 best days of each series, by the volatility regime in which they occurred; legend: no quartil de volatilidade mais alto = in the highest-volatility quartile; nos demais regimes = in the other regimes)

We classified each trading day by the volatility regime prevailing the day before (21-trading-day rolling standard deviation, split into quartiles). On the S&P 500, all 20 best days occurred in the most volatile quartile; for the fund, 17 of the 20 did.

For the fund, 90% of the 20 best days occurred with the share price down more than 5% from its peak — that is, in the middle of the discomfort, exactly when instinct says to get out. Half of them happened within ten trading days of one of the 20 worst days. The year 2020 is a good example: it concentrated 12 of the 20 best and 10 of the 20 worst days of the entire history analyzed.

The Investor Who Tries to Protect Themselves by Getting Out

To move beyond theory, we simulated a common behavior: the investor who, frightened by a sharp down day, sells and waits two weeks “for the dust to settle.” The rule is objective: if the market falls 2% or more in a day, sell at the close and come back 10 trading days later.

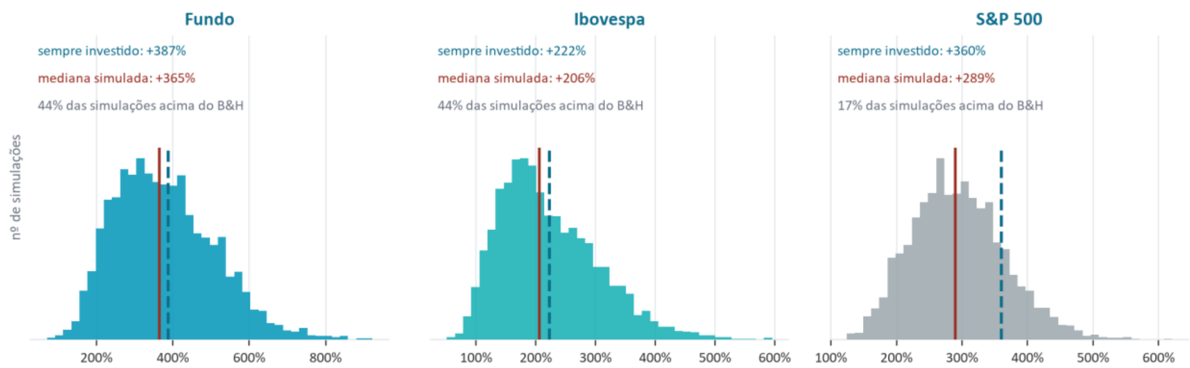


(Legend: Sempre investido = Always invested; Regra do pânico: caiu 2% num dia → vende e volta 10 pregões depois = Panic rule: falls 2% in a day → sells and re-enters 10 trading days later (hypothetical simulation))

Hypothetical simulation applied to the three series, without transaction costs or taxes; including costs and taxes would further reduce the simulated result. It does not represent the actual return of any investor. Past performance is not a guarantee of future results.

And the result is quite revealing: the rule does deliver on its promise — it avoided 12 of the 20 worst days for the fund and 14 for the S&P 500. But it paid a heavy price for that: it missed 15 and 17 of the 20 best days, respectively. On the Ibovespa, the in-and-out investor ended up with less than a quarter of the result of someone who stayed invested.

One could argue that the investor in the rule above simply “picked the wrong moments.” To test this, we ran a Monte Carlo simulation, a method that repeats the same experiment thousands of times, randomly varying the choices, to map out every possible outcome instead of a single case. We created 3,000 hypothetical investors for each series, all following the same logic, but each reacting to different scares: out of the 100 to a little over 200 days with a 2%-or-greater drop that each series had over the period, each investor randomly draws 20 to react to, staying out for 10 trading days after each one. The chart below shows the full distribution of the 3,000 outcomes in each market.



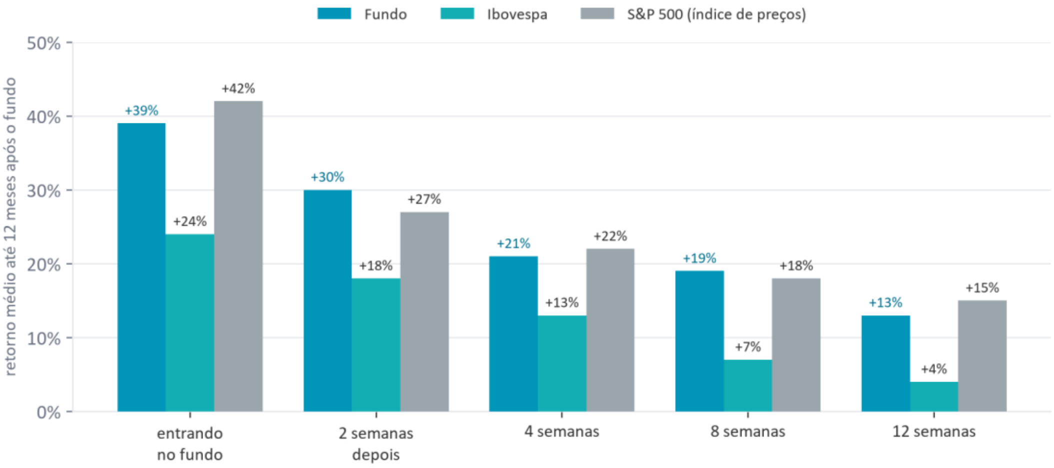
(Panels left to right: Fundo/Ibovespa/S&P 500 = Fund/Ibovespa/S&P 500; sempre investido = always invested; mediana simulada = simulated median; % das simulações acima do B&H = % of simulations above buy & hold; y-axis = number of simulations)

Monte Carlo simulation: distribution of outcomes for 3,000 hypothetical investors per series (each reacts to 20 days with a ≥2% drop, chosen at random, staying out for 10 trading days after each one). Dashed blue line = investor who never got out; red line = median of the simulations. Simulated historical frequencies based on past data; they do not represent future probabilities or actual returns.

The simulation shows that the median of the 3,000 investors ends up below buy & hold in all three markets. There are winning simulations — after all, some random draws happen to avoid the worst days without missing the best ones — but they are a minority: 44% for the fund, 44% for the Ibovespa, and only 17% for the S&P 500. And the more times the investor acts, the smaller the winning share: acting 40 times on the S&P 500, only 3.5% of the simulations beat someone who stood still. Timing was not, over these 13 years and in none of the three markets, a game with the odds in its favor.

And Whoever Gets Out, Comes Back Late

Getting out is only half the problem; the other half is that no one nails the bottom. We measured, across the drawdown episodes greater than 15% for each series (there were 5 for the fund, 11 for the Ibovespa, and 4 for the S&P 500), how much the market returned in the 12 months following the lowest point, depending on the reentry date.



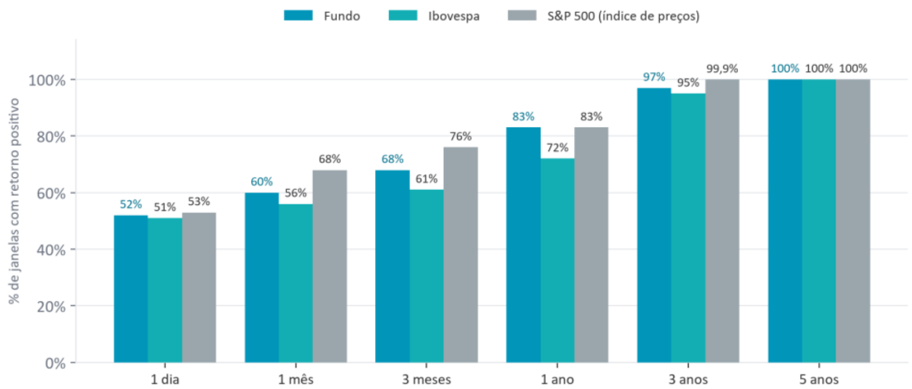
(x-axis: entrando no fundo = re-entering at the trough; 2/4/8/12 semanas depois = 2/4/8/12 weeks later; y-axis = average return up to 12 months after the trough; legend: Fundo = Fund)

Average cumulative return up to 12 months after the trough of each >15% drawdown episode, according to the delay in reentry (fund: 5 episodes; Ibovespa: 11; S&P 500: 4). Averages based on a small number of episodes; illustrative exercise based on past data.

For the fund, those who came back at the lowest point captured, on average, +39% over the following 12 months. Those who waited 12 weeks captured +13% — two-thirds of the recovery lost to the wait. On the Ibovespa, waiting 12 weeks reduced the average capture from +24% to +4%.

What Time Does for the Investor

The same data set shows the other side of the coin: what happened to those who simply stayed put. And it is worth remembering that these 13 years were no walk in the park — they included five drawdowns greater than 15% for the fund, two of them greater than 25%, a recession, wars, a pandemic, an impeachment, and a Selic rate at 15%.



(x-axis: 1 dia/1 mês/3 meses/1 ano/3 anos/5 anos = 1 day/1 month/3 months/1 year/3 years/5 years; y-axis = % of windows with positive return; legend: Fundo = Fund)

Percentage of rolling (overlapping) windows with a positive return, by horizon, over the period analyzed. Historical frequencies from this specific sample; they do not constitute a guarantee, projection, or promise.

Over a single day, investing is almost a coin flip (51% to 53% of windows positive). Over five years, 100% of the windows observed in this sample were positive. Here it is worth highlighting the disclaimer: this refers to historical frequencies for this specific sample and does not constitute a guarantee, projection, or promise of positive results of any magnitude. Still, after the major drawdowns, the pattern was equally favorable over the period: in the 2 episodes in which the fund fell more than 25% from its peak, the following 12 months were positive in both occurrences, with an average return of +17%; in the single episode of a drawdown greater than 35% (2020), the following 12 months returned +51%.

The fund spent 91% of its days below its own historical peak (Ibovespa: 94%; S&P 500: 82%). Being “in the red relative to the peak” is not a sign that something went wrong — it is the natural state of anyone who invests in equities. The reward does not come from avoiding that discomfort, but from working through it.

Conclusion

Equity market movements are discrete, and the return of more than a decade is decided by a handful of days that arrive without warning, in the middle of crises, right next to the worst moments. We do not know how to consistently anticipate those days, nor do we believe anyone else does.

This does not mean an absence of risk management. We manage risk through business selection, the price paid, and position sizing. When a thesis breaks, we sell the asset, as we have shown in previous letters; what we do not do is exit the market because of its mood.

What we know how to do is choose good businesses at reasonable prices and remain invested in them, accepting volatility as the natural cost of compounding. That is how the fund multiplied its capital by nearly five times in 13 years, and that is how we intend to keep investing.

We appreciate your trust,

SFA Investimentos Team

Manager
SFA INVESTIMENTOS LTDA
Rua Gomes de Carvalho, 768 – 8º andar
Vila Olímpia – CEP: 04547-003
São Paulo - Brasil
Tel: +55 11 2780-0690
ri@sfainvestimentos.com.br

Administrator
BTG Pactual Serviços Financeiros S.A. DTVM.
Praia de Botafogo, nº 501, 5º andar (parte), Torre Corcovado, Botafogo, CEP 22250-040
Tel: +55 0800 772 2827
www.btgpactual.com