

## MONTHLY BULLETIN – JANUARY 2017

The month of January marked the start of the Trump era in the US, with clear signs of how the President plans to carry out his “America First” policy. On his first day in the White House, Trump formally withdrew the US from the Transpacific Partnership (TPP), a commercial agreement to eliminate many of the tariffs between important partners of the US, such as Japan, Canada, Mexico, Australia and several Asian countries. The agreement had been negotiated by Obama, as a way of guaranteeing the US position and limiting Chinese influence in the world's fastest-growing region. Trump also clarified that he plans to renegotiate some terms of NAFTA. At the same time, the Russian government stated that Presidents Putin and Trump agreed to strengthen ties between these two heavyweight nations.

However, the biggest internal news was the ruling on the immediate construction of the wall on the border with Mexico and the decree prohibiting the entrance into the US of citizens from seven countries of Muslim majority. These measures sparked major reactions from the public opinion, the business community and global leaders. In Europe, the Ministers of Foreign Trade of France and Germany criticized the decision to interrupt the refugee program. The Canadian government offered temporary visas to travelers unable to travel to the US. The Prime Minister of Japan said he will continue promoting free trade and that he will try to convince the US of the TPP's importance.

On the economic side, data from different regions confirm the scenario of gradual resumption of global growth and inflation, reinforcing our scenario of a gradual process of monetary normalization. Comments by Janet Yellen are in the same direction, as she mentions the healthy situation of the US economy, but recalls that inflation is still below 2% and that the labor market demands attention, mainly in relation to low wage growth.

In Brazil, the most impactful event on markets was clearly the surprising Copom decision to cut interest rates by 75bps to 13.00% p.a. In the meeting minutes, the Copom comments that the decision to accelerate the interest rate cutting cycle was due to the rapid process of disinflation, caused by the decline in economic activity and the continued distension of the labor market. The minutes also pave the way for another 75bps cut at the next meeting, since inflation expectations are still anchored.

The economy remains in a process of recession, intensifying the fiscal deficit on the revenue side, despite government efforts to control public expenditures. On the positive side, the trade balance posted a record annual surplus of US\$48bn, reflecting a strong decline in imports and the recent improvement in terms of trade, which helps in the process of BRL appreciation and inflation control.

Despite a month-long recess in Congress and in Brazil's Judiciary, the political scenario remains a headache. The death of Supreme Court Judge Teori Zavascki, responsible for the Car Wash investigations, on the eve of ratifying the 77 plea bargains of Odebrecht executives, rocked the political world. On the one hand, a change in the rapporteur position could delay the investigations, as the new Supreme Court judge will need to analyze all the records. On the other hand, it puts President Temer in an awkward position, as he will undoubtedly come under pressure in appointing the new judge, just when Congress is about to elect its speakers – which will be crucial in handling and approving the fiscal adjustment measures.

### EQUITIES STRATEGY

Brazilian stocks soared this month (Ibovespa +7.38%), fueled by the outlook for accelerating the pace of interest rate cuts and a still dovish external environment.

Our equities funds posted an excellent result, with most of them beating their benchmarks, especially our AZ Quest Top Long Biased fund (+11.42%). The main gains came from Water Utilities and Financial Services.

Our Long Short strategy funds again performed strongly, racking up gains in most sectors, especially our long positions in Water Utilities and Financial Services. We also racked up strong gains in Energy and Mining.

## MACRO STRATEGY

Our Macro strategy funds posted good results in the month, with the AZ Quest Multi fund gaining 1.93% (179% of CDI) and the AZ Quest Yield fund rising 1.14% (106% of CDI).

The main contribution to our AZ Quest Multi fund came from the equities market, thanks to our long and relative value positions in Brazilian stocks.

In a month of a strong narrowing of the yield curve, our NTN-B and flattening positions in the belly of the DI curve performed very well.

The USD depreciated 4.05%, due to the inflow of funds into Brazil and the reversal of Trump Trade, which had led the USD to appreciate in recent months. Thus, our USD sale x BRL positions and our position in FX coupons all posted positive results. In the international market, we obtained gains from our EWZ vs. EWA position. Losses came from our USD vs. Yen + Euro position.

## CREDIT STRATEGY

We used the month of January, which is usually calmer for credit revisions, mainly in the energy and financial sectors, which represent our main positions.

Although we have a conservative profile, with a high cash level, our funds again beat their benchmarks. We obtained good results in almost all the sub-portfolios of our funds, especially the portfolio of LFS-Ns, reflecting strong demand for this type of asset, due to the maturity flow of so-called 'incentivized bonds' (e.g. LCIs and LCAs).

In our AZ Quest Altro fund, we took advantage of the strong narrowing of yield curves, the good result of our directional inflation portfolio, and a strong narrowing of credit spreads in our hedged bonds portfolio to exit two positions and, in doing so, reduce the gross exposure of this strategy.

We expect 2017 to be full of corporate issuances. However, stronger flows should only start to kick in from 2H17 onwards. Until then, we expect to see assets outperforming, mainly caused by this supply x demand imbalance.

## ARBITRAGE STRATEGY

Our funds performed well, and all beat their benchmark. The Legan Low Vol fund rose 1.16% (106.55% of CD), with gains from our Cash & Carry, Forward, Financing & Reversal strategies, while our AZ Legan Termo fund gained 1.15% (105.5% of CDI).

## RENTABILIDADES

Fundos	Início	Rentabilidades		Comparação com Benchmark	
		jan/17	2017	jan/17	2017
<a href="#">AZ QUEST AÇÕES FIC FIA</a>	01-jun-05	7,44%	7,44%	0,1 p.p.	0,1 p.p.
<a href="#">AZ QUEST SMALL MID CAPS FIC FIA</a>	30-dez-09	10,64%	10,64%	-0,8 p.p.	-0,8 p.p.
<a href="#">AZ QUEST TOP LONG BIASED FIC FIA</a>	18-out-11	11,42%	11,42%	4,2 p.p.	4,2 p.p.
AZ BRASIL FIA	02-mai-16	1,04%	1,04%	-6,3 p.p.	-6,3 p.p.

<a href="#">AZ QUEST EQUITY HEDGE FIM</a>	30-nov-07	1,80%	1,80%	166%	166%
<a href="#">AZ QUEST TOTAL RETURN FIA</a>	23-jan-12	2,37%	2,37%	218%	218%
<a href="#">AZ QUEST YIELD FI RF LP</a>	20-set-12	1,14%	1,14%	105%	105%
<a href="#">AZ QUEST MULTI FIC FIM</a>	13-set-13	1,93%	1,93%	177%	177%
<a href="#">AZ QUEST LUCE</a>	15-dez-15	1,25%	1,25%	115%	115%
<a href="#">AZ QUEST ALTRO</a>	11-dez-15	1,34%	1,34%	123%	123%
AZ LEGAN VALORE	28-abr-14	1,24%	1,24%	114%	114%
AZQ DEBENTURES INCENTIVADAS	06-set-16	-	-	-	-
<a href="#">ICATU SEG AZ QUEST PREV. MULTIM.</a>	22-abr-15	2,15%	2,15%	-0,8 p.p.	-0,8 p.p.
AZ QUEST ICATU PREV RENDA FIXA	09-set-16	-	-	-	-
LEGAN LOW VOL	28-nov-08	1,16%	3,05%	1,16%	6,22%
AZ LEGAN TERMO	03-ago-15	1,15%	3,37%	1,15%	6,85%
AZ CASH SOBERANO	02-mai-16	1,04%	3,13%	1,04%	6,46%

Índices	jan/17	2017
CDI	1,09%	1,09%
Dólar (Ptax)	-4,05%	-4,05%
Ibovespa - Fech	7,38%	7,38%
IGPM	0,43%	0,43%
IBX-100	7,21%	7,21%
Indice Small Caps	11,42%	11,42%

Os relatórios gerenciais com estatísticas de performance e risco estão disponíveis para *download* nos links acima.

As informações contidas neste material são de caráter meramente e exclusivamente informativo, não se tratando de qualquer recomendação de compra ou venda de qualquer ativo negociado nos mercados financeiro e de capitais. A AZ QUEST não se responsabiliza pelas decisões de investimento tomadas com base nas informações contidas neste material. A AZ Quest Investimentos Ltda. não comercializa nem distribui quotas de fundos de investimentos ou qualquer outro ativo financeiro. As informações contidas neste material são de caráter exclusivamente informativo. É fundamental a leitura do regulamento dos fundos antes de qualquer decisão de investimento. Rentabilidade passada não é garantia de rentabilidade futura. As rentabilidades divulgadas não são líquidas de impostos. Todos os fundos de investimento geridos pela Quest Investimentos Ltda. utilizam estratégias com derivativos como parte integrante de suas políticas de investimento. Tais estratégias, da forma como são adotadas, podem resultar em significativas perdas patrimoniais para seus cotistas. Nenhum fundo conta com garantia da instituição administradora, da gestora ou do Fundo Garantidor de Créditos - FGC. Para avaliação da performance do fundo de investimentos, é recomendável uma análise de período de, no mínimo, 12 (doze) meses.

Riscos gerais: em função das aplicações do fundo, eventuais alterações nas taxas de juros, câmbio ou bolsa de valores podem ocasionar valorizações ou desvalorizações de suas cotas. Para obtenção do Regulamento, Histórico de Performance, Prospecto, além de eventuais informações adicionais, favor entrar em contato com a administradora dos fundos da AZ Quest Investimentos Ltda. Para mais informações, ligue para (55) 11 3526 2250, ou acesse [www.azquest.com.br](http://www.azquest.com.br).

