

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a pale, overcast sky. A large, semi-transparent red rectangular area is overlaid on the right side of the image, partially covering the buildings. The text is centered within this red area.

MARCH - 2020

MONTHLY STATEMENT

PLANNER REDWOOD ASSET MANAGEMENT

“Trump on Coronavirus: US facing a “very, very painful two weeks”.”

Donald Trump – U.S. President

Our current predicament calls for responsibility and a lot of discernment on the part the government. The wrong choice to face the viral crisis placed an enormous burden on the Italian population, with recognition of the mistake, even by the Mayor of Milan, Giuseppe Sala. The British Prime Minister was leading the country on the same path as Italy but, after being alerted by scientific studies, he quickly changed his strategy. Here, it is expected that the presidential tone, similar to the Italian strategy, will take different shapes and align with what our Minister of Health advocates. In addition to the presidential distance from science and common sense, it contradicts his spirit of having “Ipiranga posts” (political oracles) and technically entrusting them with the management of their duties. The asymmetry of this stance is obviously striking, with the exposure to the risk of 212 million Brazilians.

No one expects President Bolsonaro to act like a statesman, no. All that is asked of him is attention to the facts and maintain the same attitude as he did during the campaign, namely: to follow the advice of his technical advisors. His main argument, which moves him away from the most drastic measures to isolate the population, the rise of unemployment, is valid, but “easily” rebutted from the perspective of confrontation and economic solutions, even for the short term, if offered and well explained by the team of Minister Guedes. It is possible that the lack and/or the slowness and the weak conviction of economic measures made the President hesitate ... which can explain, but does not justify. The speed of events, however, combined with the pressure of society and the facts can change this current course. Expected.

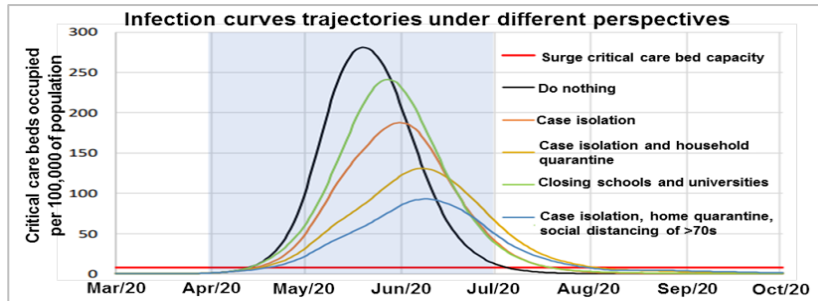
The economic effects, therefore, must be avoided at all costs in order to save lives. But, inexorably, this problem will return soon and, when it does, we will need in addition to specific sources for funding, also an exclusive management so as not to overshadow the control and actions of other public financial accounts and possible deviations from due course. Furthermore, planning the exit of this war against Covid-19 is very important, from its signaling - so that there are no

surprises and there is transparency -, until its execution - in order to avoid arbitration and abuse (our greatest evil).

The main point, then, at this moment, is to call for unity and cooperation of all, preferably with the President of the Republic at the head assuming leadership

and regaining credibility that is fast deteriorating. This should be done by siding with Minister Mandetta, who has shown himself to be up to the challenge, dismissing any idea of substitution at the Ministry of Health.

Therefore, in the face of so many things that we “emulated” from President Trump (rightly so!) we shouldn’t run away from what he is doing at the moment for this crisis. The fact is that the obligation of a president, especially in these moments, is to alert and prepare the population for whatever may come - without hysteria and exaggeration, but with assertiveness and confidence, to just protect everyone to the limit of the possible. It is unreasonable to politicize a crisis of this magnitude, as well as arrogance and rudeness in the face of facts and examples. The humility of recognizing mistakes can be the source of recovering the wounded and badly needed credibility in these dark times.



Source: Imperial College COVID-19 – GB Forecast

SIMULATION RESULTS IN CASE OF NO STATE ACTION

Age Range	Potential Hospitalization		Number of Deaths		Economically Active Population (EAP)		Impact% Death / EAP
	%	QTY	%	QTY	% Pop.	QTY	
0 - 15	0.01%	7,631	0.07%	6	0%	0	0%
16 - 29	0.71%	404,574	0.20%	809	62%	35,402,776	0.002%
30 - 49	3.80%	2,303,012	0.29%	6,707	78%	47,323,110	0.014%
50 - 59	8.16%	1,670,161	1.30%	21,712	63%	12,991,250	0.167%
60 or more	14.21%	3,251,957	6.54%	212,812	26%	6,027,462	3.531%
Total	3.60%	7,637,335	0.11%	242,045	48%	101,744,597	0.24%

Source: Censo 2010, adjusted for 212MM hab; The Lancet | Elaborated by Planner Redwood

As we pointed out last month, Covid-19 arrived as a tsunami for the markets. The Ibovespa fell 29.90% in March and, in the same line of stress were interest rates. DI1F21 and DI1F25 interest were strongly pressured and fluctuated between its peak and floor, 2.01 and 3.55 points, respectively, but ended the month at 3.27% for DI1F21 and 6.85% for DI1F25. The Brazil risk, measured by the 5-year CDS, more than doubled in relation to February, scoring 272 points on the last day. The Dollar (Ptax) did not lag behind, and surpassed the BRL 5.00 barrier quoted on the last day at 5.1987 with a positive variation of 15.56%, and increasing.

Economic activity, due to the enormous impacts of the required confinement, although limited in time, but increasingly scientifically proven, will suffer in the upcoming months. However, as the behavior of people and the phase-out of this quarantine are not known, calibrating projections of macroeconomic

variables becomes too difficult in the face of rampant uncertainty. In any case, what was, until last month, still considered as "impacts if the positive trajectory of economic growth remains unchanged", now, at best, we will have a 1% contraction. Along the same lines, despite government efforts to avoid mass layoffs, the unemployment rate will also be affected, reversing the optimistic trajectory that had us going. Thus, the direction is clearer, but very difficult to identify how fast it will move forward.

In finance, the picture is also no different in the short term, with much expected volatility. In other words, we can get worse before we get consistently better. BACEN was right in providing liquidity (although there are no "guarantees" for banks to be able to mitigate risks and effectively lend), but went wrong in interest rate and

exchange rate policies. The latter with a mix of liberal and interventionist action, greatly confusing the interpretation of the market players - further fomenting its dysfunctionality. In fact, if any criticism of BACEN is due, it is precisely in the misconduct of its communication in the onset of the crisis. On the side of the Ministry of Economy, actions are moving along, albeit timidly in its range and very slow in execution.

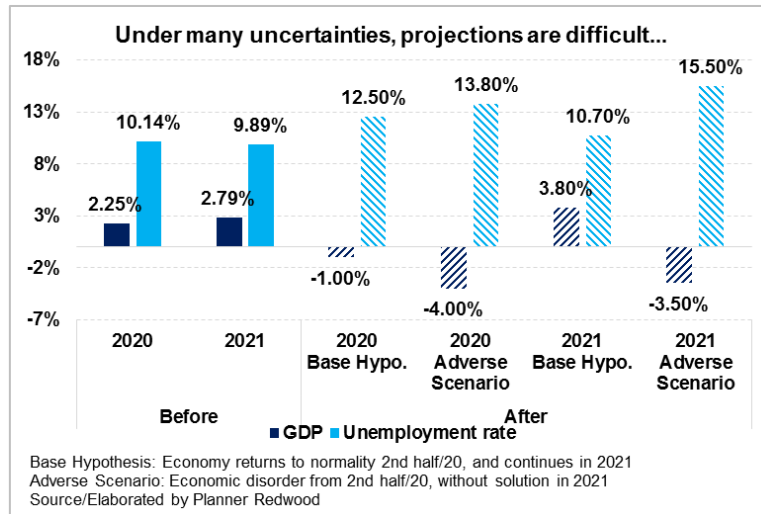
In the world, we see fundamental concerns to help its citizens and, later, its economies. Obviously, everyone knows their limits, but at this moment they are using all the economic tools possible to save people, and to reinstate them organically in normal life. This, truly, is the

role of the State: protecting its citizens when it is really needed, and coordinating so that markets can return to their functionality without their interference as quickly as possible.

In this line of reasoning, we reaffirm our convictions as long-term investors. Thus, in

a scenario where Europe and the United States are expected to have peak contamination in the middle of April (and us a few weeks ahead), with the consequent release of restrictive measures, it seems reasonable for those who can and are already positioned, to maintain investments. If cash is king at this point, the long-term view indicates taking risks in the next portfolio rebalancing. Although the next few weeks and maybe a few months can be quite shaky, the longer run can bear exceptional results - choosing assets with great care and technicality. While this crisis is not prolonged to the point that it does not hinder the country's fundamentals, it is unreasonable to admit both yield curve and USD at these levels, and several companies with more cash on hand than their shares on the stock exchange are worth.

No, this is not how markets normally work.



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