INVESTMENT
MANAGER'S REPORT

JANUARY

2026

K10

K10

WAS KEVIN WARSH'S APPOINTMENT THE SILVER "MINSKY MOMENT"?

In January, the Kapitalo K10 fund returned 2.49%, compared to 1.16% for its benchmark. The equities, interest rate, and FX books posted positive results, while the commodities book detracted from performance.

Central bank meetings brought important developments. After three consecutive rate cuts, the Federal Reserve (Fed) decided to keep policy rates unchanged, supported by increased confidence in the recovery of economic activity and signs of stabilization in the labor market.

In Brazil, the Central Bank of Brazil (BCB) acknowledged the improvement in inflation and the deceleration in economic activity and began signaling the start of a monetary policy recalibration cycle at the March meeting.

Toward the end of the month, President Trump appointed Kevin Warsh as the new Chair of the Fed. Warsh is recognized as an independent technocrat, reinforcing the institutional credibility of the U.S. central bank. He has advocated for a deeper review of the Fed's actions since the 2008 financial crisis, aligning broadly with the agenda of U.S. Treasury Secretary Scott Bessent. Warsh argues that the Fed has acted excessively in financial markets, notably through balance sheet expansion and expanded regulatory authority. Such measures, in his view, have questionable effectiveness in stimulating economic growth and maintaining low inflation, while generating relevant distributive effects that may undermine the Fed's credibility and independence.

Geopolitical developments were also prominent. The capture of Nicolás Maduro for trial in U.S. courts on international drug trafficking charges was a notable military operation. Discussions surrounding Greenland's usage rights are expected to resume under a new framework. Popular protests in Iran have opened a window for potential renegotiation with the current regime regarding the complete abandonment of its nuclear program.

Increased geopolitical engagement by the United States, coupled with renewed tariff threats and a more populist domestic agenda ahead of the midterm elections, reignited diversification flows into non-U.S. assets. Several international pension funds signaled a reduction in U.S. asset allocations. This search for diversification supported emerging market assets, particularly equities and selected commodities.

In this context, we maintained a selectively receiving interest rate book. Our FX book remains low-risk but continues short the U.S. dollar against emerging market currencies. We maintained long equity exposure in emerging markets and in U.S. technology. In commodities, we maintained a short position in oil while reducing our exposure to gold.

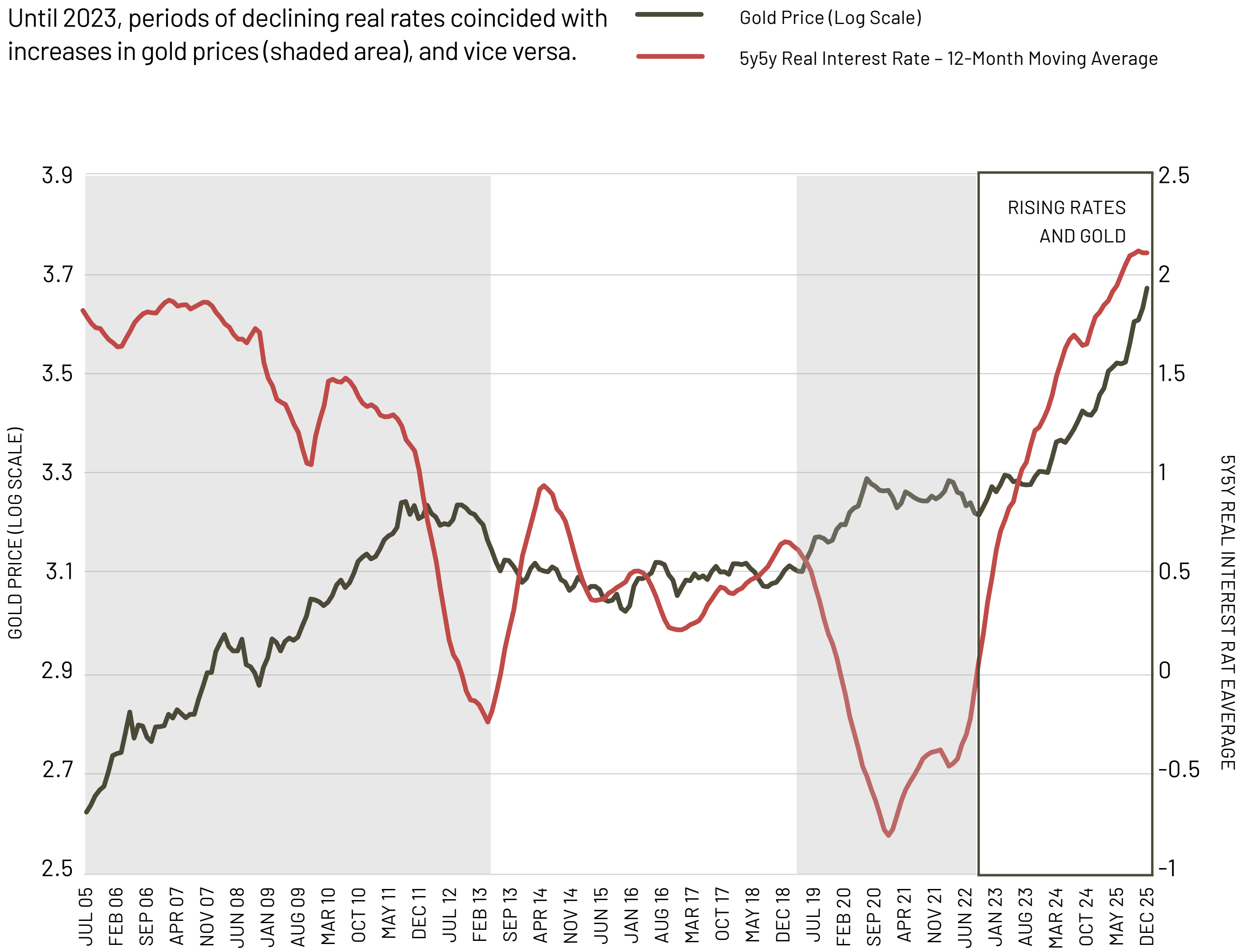
GOLD: UPDATE

In 2020, we dedicated a monthly K10 letter to analyzing gold as an investment alternative. At the time, our constructive view was based on: (1) rising fiscal deficits and public debt; and (2) extremely accommodative monetary policies resulting from the pandemic-driven recession.

That environment appeared conducive for gold to become a core allocation in both public and private portfolios.

CHART 1:
UNITED STATES: 5Y5Y REAL RATE TERM STRUCTURE AND GOLD PRICE

Until 2023, periods of declining real rates coincided with increases in gold prices (shaded area), and vice versa.



However, beginning in 2023, we observed a different dynamic. Despite significant monetary tightening, U.S. sanctions on Russia's international reserves accelerated gold purchases — particularly by central banks — as an alternative to U.S. reserve assets. This movement was subsequently followed by other public and private investors.

Over the past three years, gold's weight in global portfolios has increased significantly, and prices responded accordingly.

[2] https://www.kapitalo.com.br/wp-content/uploads/2020/02/Carta-K10_Abril-2020-1.pdf

SILVER: "COMMODITIES TAKE NO PRISONERS"

In The Crowd: A Study of the Popular Mind, Gustave Le Bon describes the political, sociological, and psychological mechanisms that lead rational individuals to behave very differently once part of a large group. These mechanisms also help explain how markets can become irrational, with prices diverging significantly from fundamentals.

The sharp rise in gold prices in recent years generated spillovers into other assets. It was foreseeable that one consequence of gold's appreciation would be increased demand for other precious metals, such as silver and platinum group metals (PGMs). Although these metals are not currently used by central banks as reserve assets, they historically served as monetary anchors and maintain high correlation with gold.

In the specific case of silver, we identified short-term factors that, in our assessment, caused prices to diverge from their historical relationship with gold and from underlying supply-demand fundamentals.

CHART 2:
GOLD-TO-SILVER PRICE RATIO

Movement similar to 2011: silver fell 50% in the following two years.

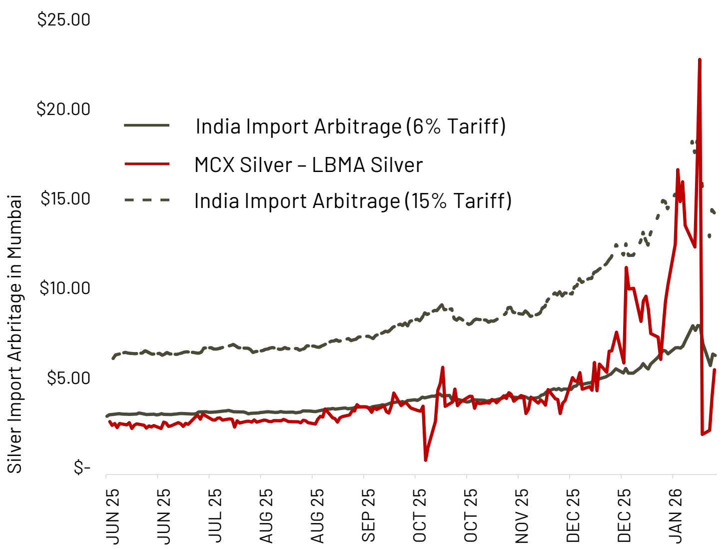
From the second quarter of 2025 onward, discussions regarding the nationalization of critical material supply intensified in certain countries. Expectations of a potential U.S. import tariff on silver triggered a significant transfer of physical metal into the United States, primarily from the United Kingdom, the largest trading hub for the commodity.

This surge in physical demand, combined with retail ETF purchases (which hold physical silver as backing), created a squeeze in immediately available silver inventories in London.

A similar development appears to have occurred in India, where local contracts began trading at a premium relative to other exchanges starting in early November (Chart 3), in anticipation of a possible increase in import tariffs for fiscal year 2026 (beginning February 1). As India is the largest importer of the metal, we estimate that front-loaded demand and precautionary stockpiling were significant. The combination of these events constituted a material demand shock.

CHART 3:
INDIA VS. LONDON IMPORT PARITY

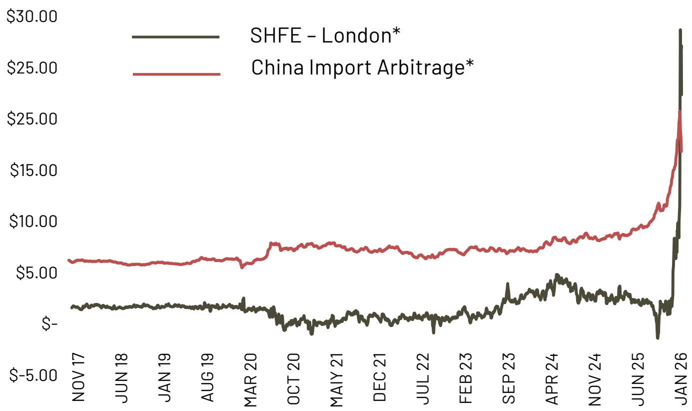
Silver prices on Indian exchanges were trading well above London prices.



Subsequently, when trading of PGM contracts began on Chinese exchanges and silver traded in Shanghai at a premium relative to international markets, price movements intensified. This acute phase was driven by increased retail investor participation in China. In January, daily trading volumes reached record levels; the silver ETF traded in China reached a 42% premium to its NAV; the London-to-Shanghai export arbitrage opened for the first time on record (Chart 4); and the SHFE contract began trading in backwardation. At the same time, implied volatility on the CME reached 110% (implying a daily breakeven of nearly 7%).

CHART 4:
CHINA VS. LONDON IMPORT PARITY*

Silver prices on Chinese exchanges were trading well above London prices.



**Due to differences in settlement times between the series, we applied a smoothing adjustment to improve visualization.

[3] Bloomberg

OPPORTUNITY?

Capturing trend reversals — particularly sharp ones — is not an easy task. In commodities, most of our directional positions seek to capture trends. However, in this case, multiple technical indicators reached extreme levels that historically favor a reversal or correction.

We established a short position in silver during January with a defined loss budget. The position generated a positive return, contributing 0.61% to the fund. Nevertheless, silver ended the month up 18%, forcing us to reduce part of our short exposure.

RESOURCE NATIONALIZATION AND SUPPLY-DEMAND BALANCE: IS SILVER A CRITICAL MATERIAL?

For certain uses of the metal, yes.

However, the share of supply allocated to strategic applications is very small relative to total output. Total industrial demand for silver accounts for approximately 60% of annual supply, with the majority concentrated in photovoltaic panels, soldering, and glass applications. Only 25% of total supply is directed toward military or high-technology uses.

As a result, we view the probability that governments will build strategic stockpiles or attempt to stimulate domestic production through tariffs as lower than in the case of other metals. Beyond the limited relevance of strategic demand, silver has also been in a sustained surplus over the past twenty years, with bar inventories rising from over 5 billion ounces in 2004 to more than 8 billion ounces by the end of 2025 — equivalent to roughly nine to ten times current annual demand.

Moreover, following the recent price appreciation, an increase in recycled supply is expected, similar to what occurred during the previous period of elevated prices between 2010 and 2013. Recycled output could add between 50 and 100 million ounces per year — equivalent to 5% to 10% of annual production.

On the demand side, we believe both substitution and rationing effects are already taking place. In the photovoltaic sector, for example, there is an ongoing effort to reduce silver intensity, which is likely to accelerate at current price levels. Some estimates suggest that silver now represents 20–25% of panel production costs, compared to only 5% two years ago. This adjustment alone could remove approximately 50 million ounces of annual demand as early as 2026.

Finally, it is worth noting that silver supply is highly diversified. China and Russia combined account for only 18% of annual mine production. The combined output of Mexico, Chile, Bolivia, Peru, Argentina, Canada, and the United States represents roughly one-third of annual global mining supply.

CHART 5:
SILVER SUPPLY-DEMAND BALANCE

At current price levels, a meaningful increase in silver supply is expected.

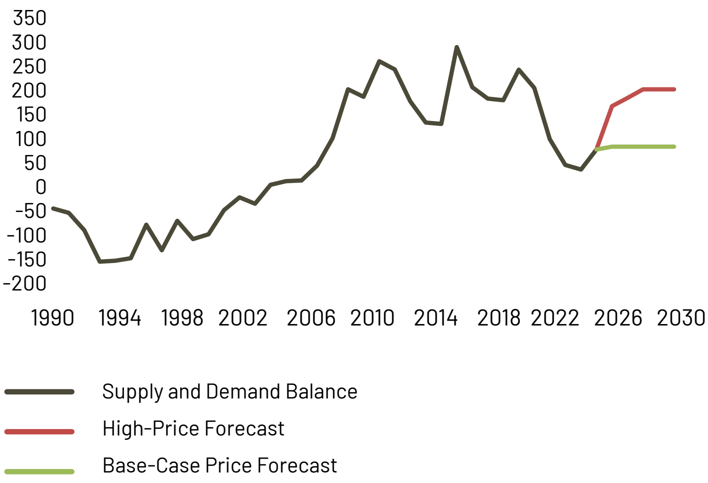
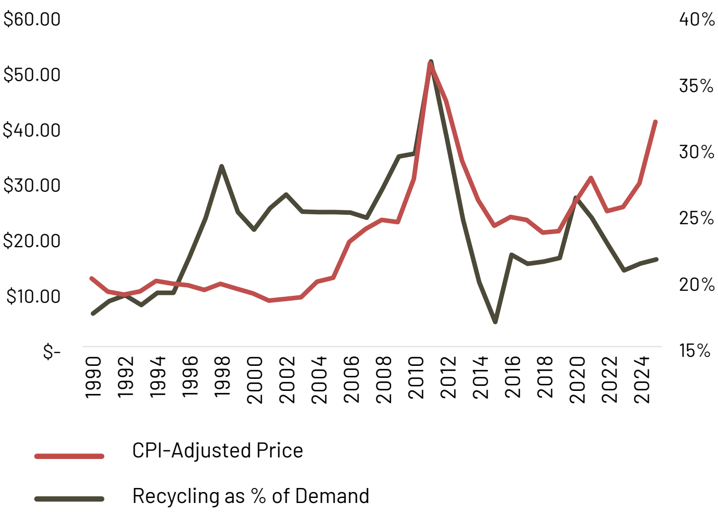


CHART 6:
SILVER PRICE VS. RECYCLED SUPPLY

Current price levels are expected to stimulate recycling activity, as occurred in 2011.



ANY SIGNS OF DEBASEMENT IN OTHER MARKETS?

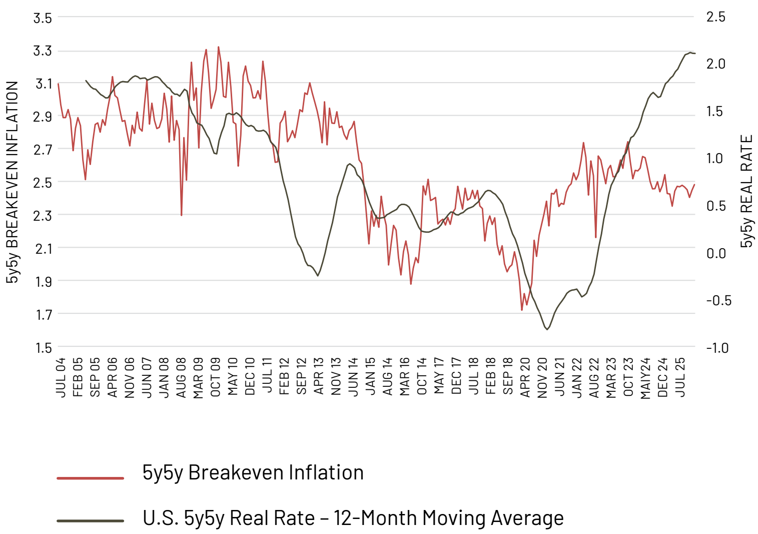
As we noted in our 2020 letter, the fundamental rationale for increasing gold allocations stems from expectations of currency debasement driven by rising public indebtedness and the resulting financial repression.

To date, we do not observe signs in financial markets that such a debasement process has begun.

Investors continue to benefit from positive real returns on U.S. Treasury securities, and breakeven inflation remains close to its recent historical range (Chart 7). In addition, the U.S. dollar remains historically strong and continues to account for a significant share of central banks' international reserves, while remaining the most widely used currency in global trade.

CHART 7:
UNITED STATES: 5Y5Y BREAKEVEN INFLATION VS. 5Y5Y REAL RATE

Breakeven inflation remains contained, while real interest rates are trading at a premium relative to implied inflation levels.



CONCLUSION

We believe that in portfolio reallocation processes of this nature, price trends are rarely gradual. Rather, the most likely path involves a sequence of sharp price moves followed by corrections along the way. In the specific case of gold, given the structural demand from central banks, K10 will continue to maintain long positions, but will manage them in a countercyclical manner.

POSITIONS

Currencies

We continue long in the Japanese yen, Turkish lira, Chilean peso, South African rand, and Indian rupee versus the U.S. dollar. We added a new long position in the Brazilian real and a new short position in the euro.

Equities

We maintain long equities in the United States and Argentina. We closed our long position in China and added a new short position in Brazil.

Commodities

We continue short coffee, corn, zinc, and oil, and long aluminum. We reduced our long position in gold and closed our long position in natural gas. We added a new short position in silver.

Interest Rates

We continue receiving rates in Brazil, Europe, Sweden, Canada, Mexico, and South Africa. We continue paying rates in Chile and in the long end of the U.S. yield curve. We added new receivers in the long end of Japan and Australia.

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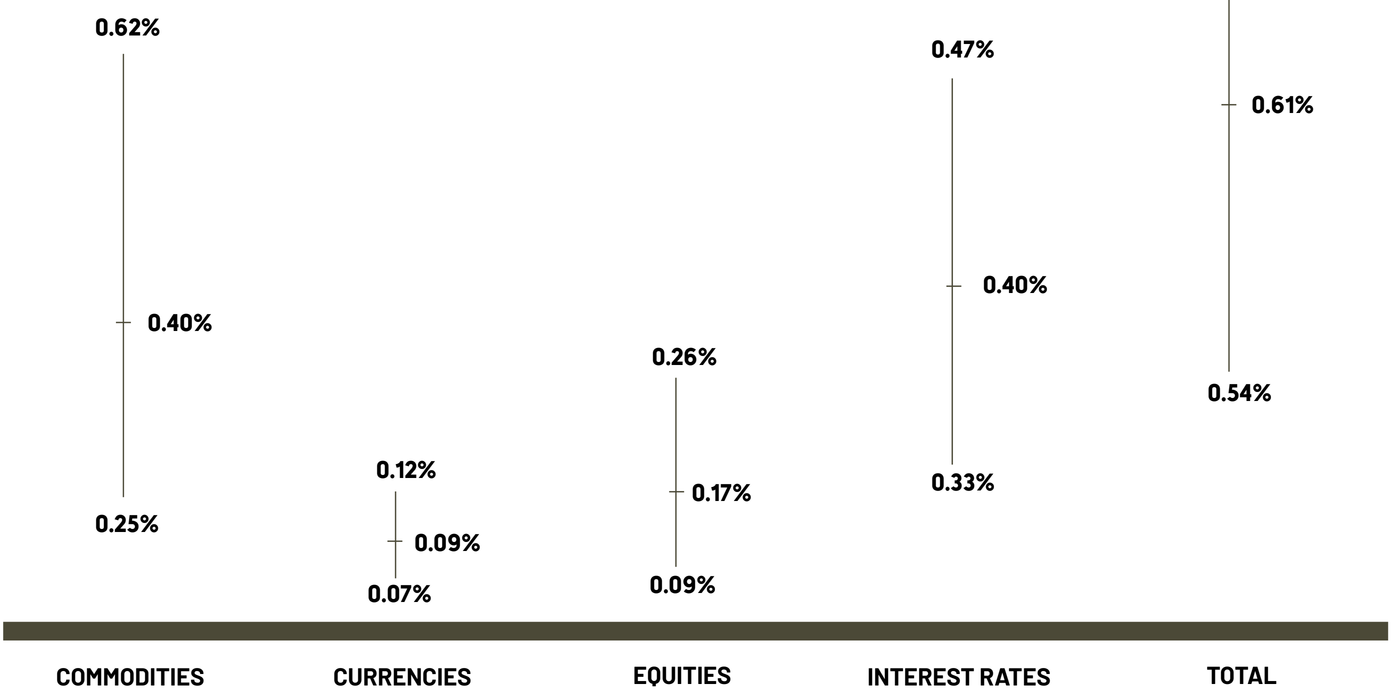
RISK FACTOR ALLOCATION*

*Minimum, average, and maximum throughout the month.

VaR 1d; 95% (% of AuM)

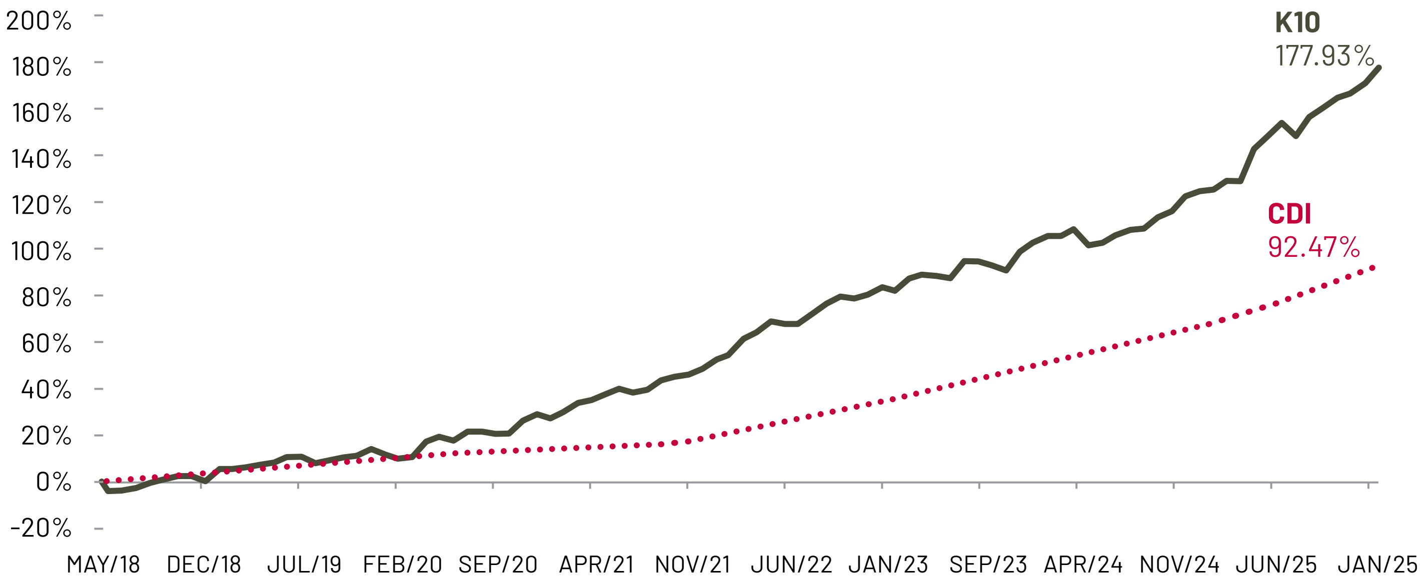


PERFORMANCE ATTRIBUTION

K10 FIQ (in Brazilian Reais)	JAN/26	2026	12M	24M	60M	SINCE INCEPTION
Interest Rates	1.42%	1.42%	1.05%	-1.09%	9.36%	24.73%
Currencies	0.44%	0.44%	1.72%	2.61%	7.33%	6.58%
Equities	0.27%	0.27%	2.11%	3.62%	26.82%	44.62%
Commodities	-0.41%	-0.41%	8.07%	10.48%	37.72%	72.37%
Fees	-0.40%	-0.40%	-4.19%	-7.39%	-32.53%	-62.83%
Benchmark (CDI)	1.16%	1.16%	14.49%%	26.99%	69.79%	92.47%
Performance	2.49%	2.49%	23.25%	35.24%	118.48%	177.93%
%Benchmark	213.80%	213.80%	160.47%	130.54%	169.78%	192.43%

K10

PERFORMANCE SINCE INCEPTION



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