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Global Markets Division

Investment Portfolio

Mapping the LATAM Opportunity Landscape

Investment Horizon: 2 Years

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Global Markets



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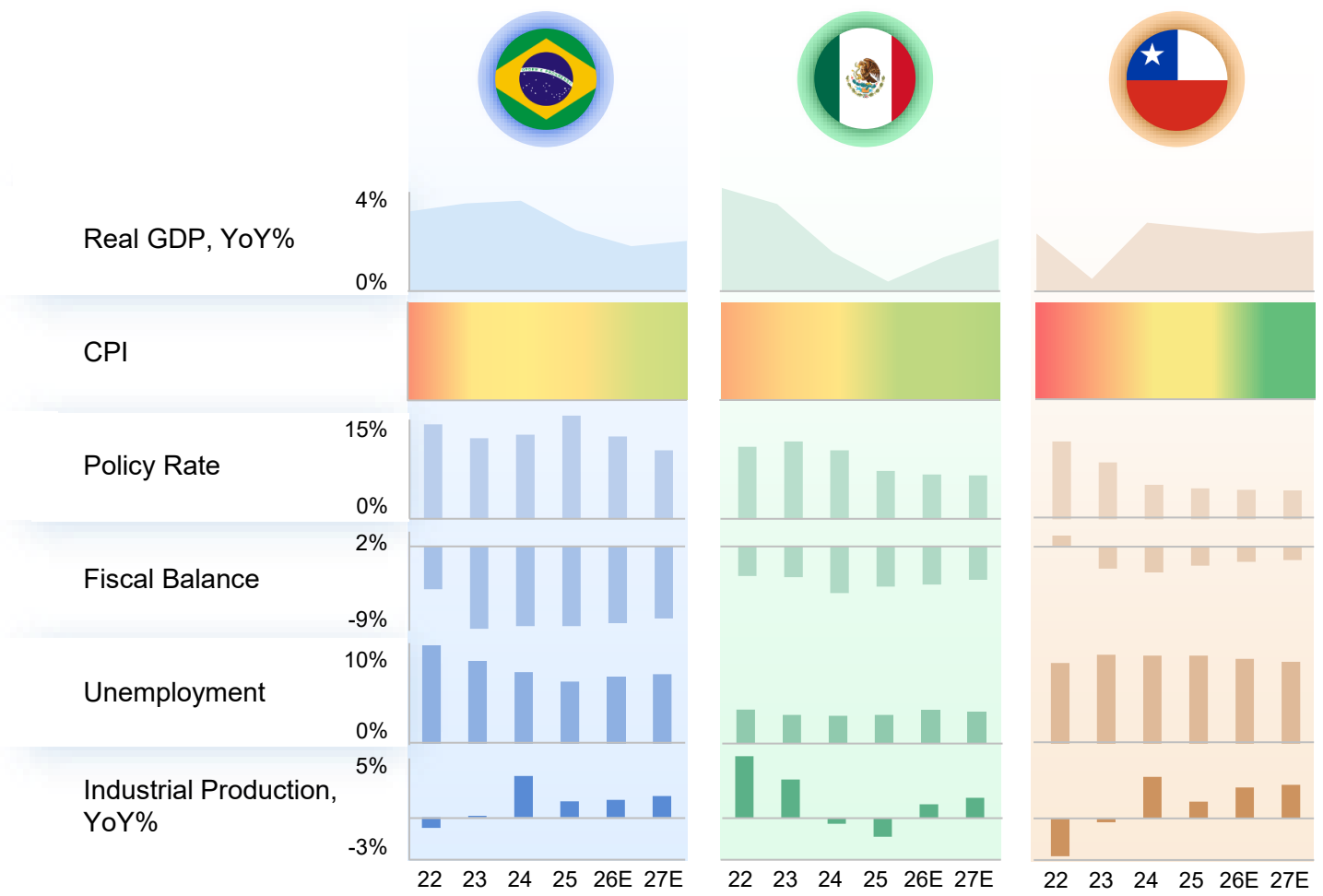


The Regional Canvas

Macroeconomic Overview

Regional Comparison and Statistics

A Snapshot of Latin America's Major Economies



Demographics and Labor Market Trends

Stabilizing Demographics and Rising Workforce Quality

Overview of Factors Influencing the Labor Market



Ageing Population

With **fertility rates below 2.1, high life expectancy and low mortality**, the population is getting older.



Fading Dividend

The **working-age population share is stabilizing**, shifting focus from labor force expansion to productivity gains.



Untapped Labor Potential

Greater participation from youth, women, and seniors would counterbalance the impact of population ageing.



Formalization Progress

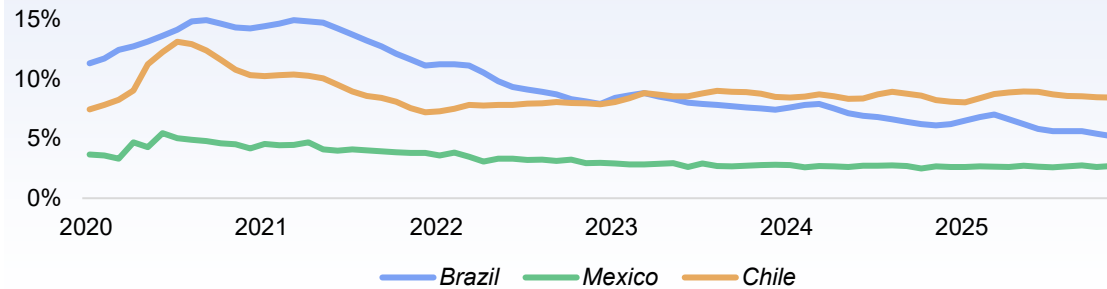
Ongoing **labor market formalization** supports **stronger productivity** and improved worker security.



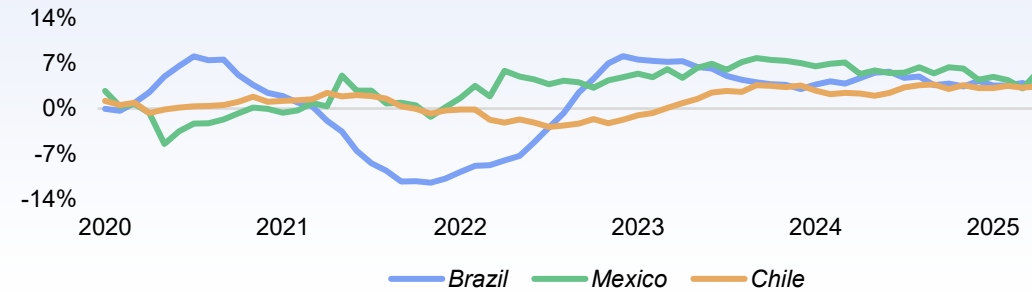
Human Capital Shift

The **growing share of high-skilled roles** highlights accelerating demand for technology expertise.

Unemployment Rate



Real Wage Growth, YoY



BRAZIL



Job openings rose, led by construction and services, which also accounted for the largest wage share alongside the public sector.



MEXICO



Headline labor data mask a deep informality issue, leaving many workers vulnerable and wage quality low.



CHILE

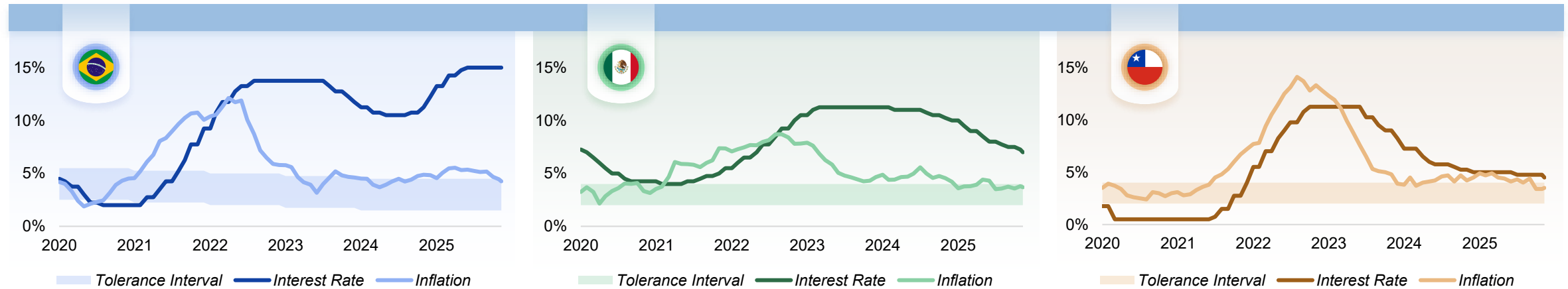


Incomplete post-pandemic recovery has kept unemployment elevated, with job growth concentrated in services, finance and hospitality.

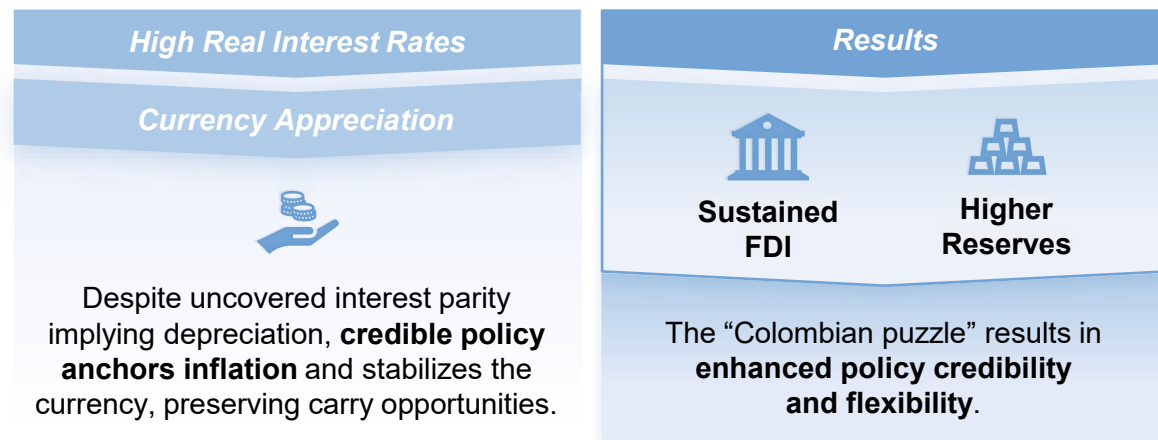
Money and Monetary Policy

Monetary Policy Stance Remains Constant Amid Disinflation Trends

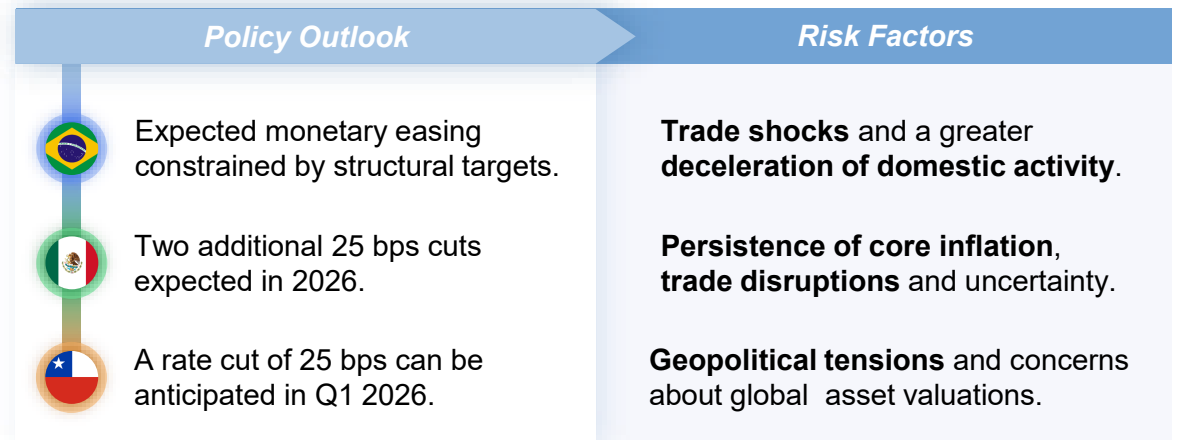
Inflation and Interest Rate Development



Credibility-Driven Carry Trade Environment



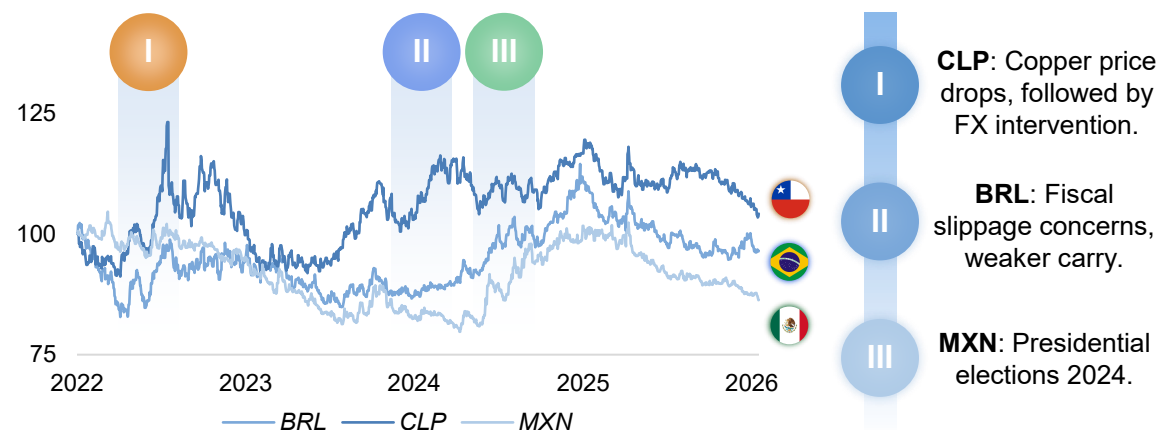
Monetary Policy Projections



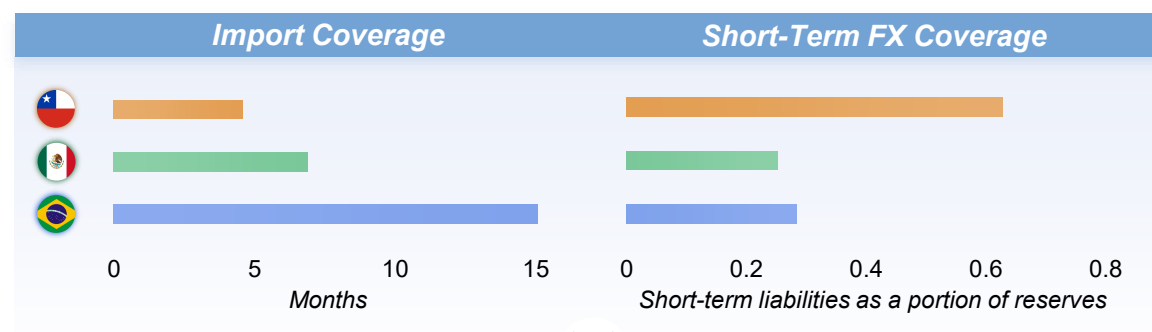
FX and External Stability

FDI and Reserves Anchor FX Stability

Currency Development Against USD (Indexed at 100)

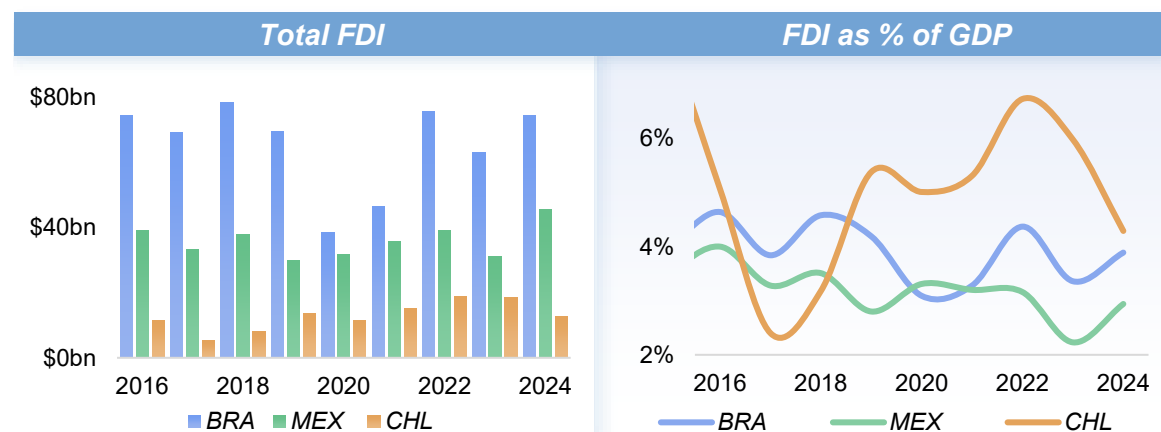


FX Reserve Adequacy



Brazil has exceptionally strong external buffers, while Mexico and Chile also show solid reserve coverage, remaining close to LatAm and global averages.

Foreign Direct Investment Flows



FX Strength

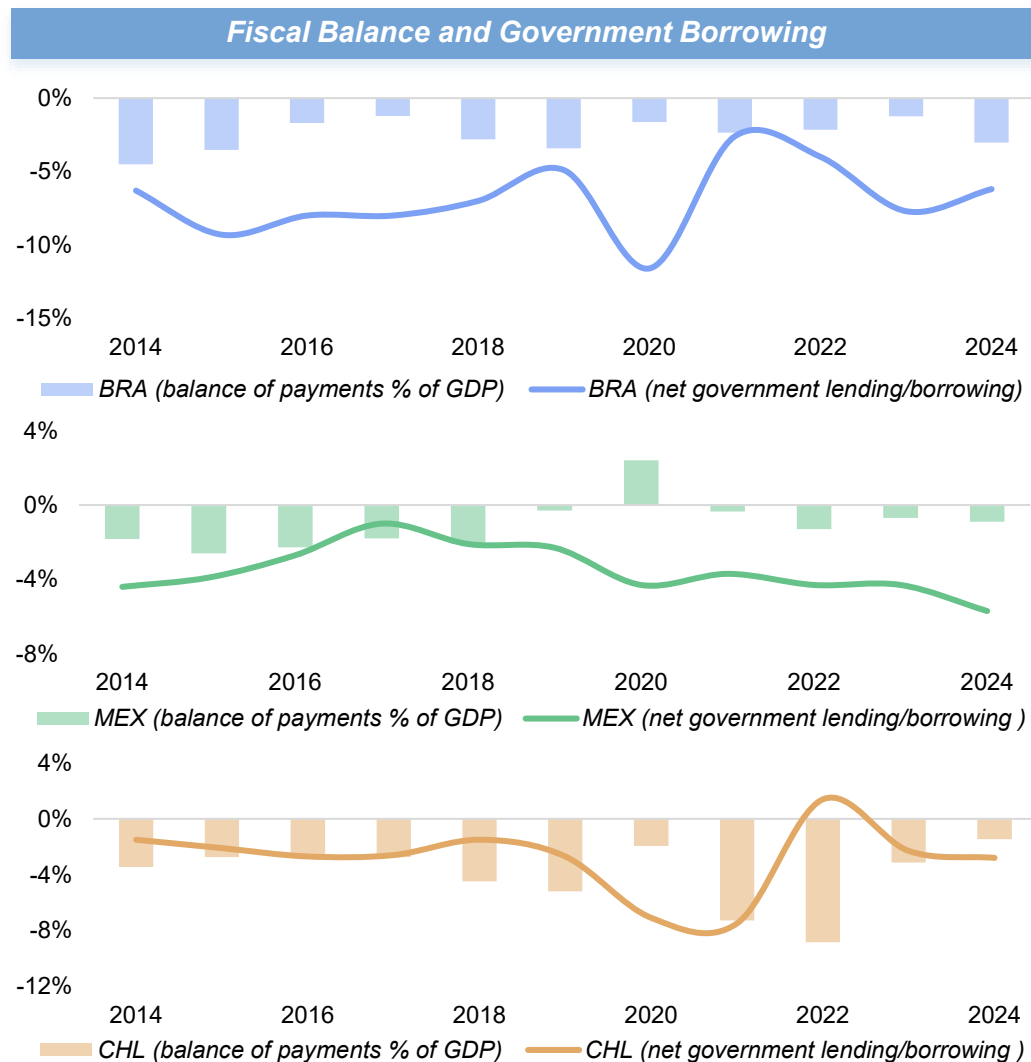
Brazil exhibits the strongest nominal FDI inflows with a stable trend, providing more than adequate coverage of imports and external debt.

The Mexican peso has been among the top global performers against the USD, supported by sound FX reserve buffers.

Chile records the highest FDI inflows relative to GDP, though declining in recent years, while FX reserves offer limited protection.

Fiscal Policy and Policy Credibility

Fiscal Discipline Under Uneven Constraints



Policy	Outlook
<p>Fiscal impulse is weakening, while consolidation risks remain elevated, with rising spending pressures making durable expenditure cuts unlikely.</p>	<p>Structural tax reform supports long-term efficiency, but near-term fiscal consolidation remains constrained by weak revenues and rising spending pressures.</p>
Budget Constraints with Strong Reform Potential	
<p>Fiscal consolidation at the cost of public investment with persisting debt-service risk due to USD amortizations, Pemex/CFE liabilities, and low tax-to-GDP.</p>	<p>Persistent deficit financing weighs on potential growth and the medium-term tax base, though fiscal discipline is now being restored.</p>
Fiscal Repair via Investment Compression	
<p>Policy anchored by a structural balance rule, adjusted for copper prices and the business cycle, and reinforced by sovereign wealth funds (ESSF and PRF).</p>	<p>Policy credibility supports growth anchoring the peso, containing funding costs, and supporting bond valuations amid volatile global conditions.</p>
Stable Environment with Structural Rules	

Macro Synthesis and Country Selection

Brazil Offers the Most Attractive Foundation for Investment



Increasing unemployment rate with stable real wage growth.



Post-tightening disinflation paving the way for a gradual easing cycle.



Currency strongly influenced by copper prices with declining FDI inflows and limited FX buffers.



Fiscal discipline with strong fundamentals sustains growth.



Low unemployment with informality issues.

Restrictive policy amid sticky inflation, with strong central bank credibility enabling cautious cuts.

Strong Peso performance with low FDI inflows compared to GDP and moderate FX buffers.

Fiscal consolidation dynamics squeeze investment.



Constantly **declining unemployment rate** through **rising job openings**, combined with **strong social welfare**.

Tight, **credibility-driven policy** with **high real rates** anchoring inflation expectations and supporting the currency, while **expected easing is structurally constrained**.

Stable Real performance, **highest nominal FDI inflows** and strongest trendline with **exceptional buffers and FX reserves**.

Fiscal noise keeps real rates higher-for-longer and leeway constrained, but **reform potential sustains positive outlook**.



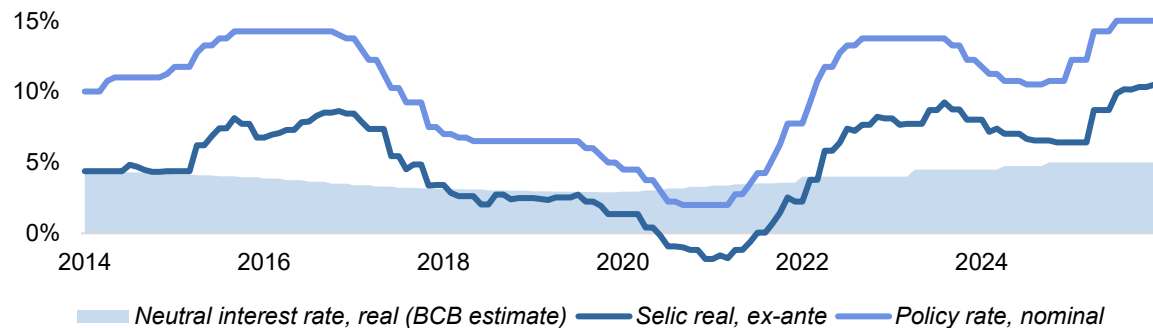


The Brazilian Blueprint

Disinflation Under Constraint Defines the Next Phase

Stability With Structural Limits

Gap between real policy and neutral rates reflects fiscal risk premia, not inflation pressure.



Fiscal Risk Lifts the Rate Floor:

Debt dynamics and revenue uncertainty keep real rates above estimated neutral.

Monetary Easing Is Constrained:

Expected cuts can smooth the growth slowdown, but not reset the rate regime.

Decelerates, Not Collapses:

Economic activity growth slows without triggering sharp contraction.

With fiscal risk priced through persistently high real rates, Brazil operates in a regime where **adjustment is gradual and driven by pricing rather than abrupt activity shocks.**

Political Economy

I The Brazilian National Congress is effectively controlled by the **Centrão**, a pragmatic **coalition that trades support for budget influence.**

II Governance is executed through **negotiation and incremental compromises**, which **limits decisive reform.**

Governance Structure



Centrão-dominated Congress with **clientelist networks.**



Fragmented mandates across parties and regions.



Cross-party social **spending pressures.**

Market Implication



Coalition bargaining with **gradual policy** outcomes.



Limited scope for consolidation or structural reform.



Persistent **budget pressures** and credibility concerns.

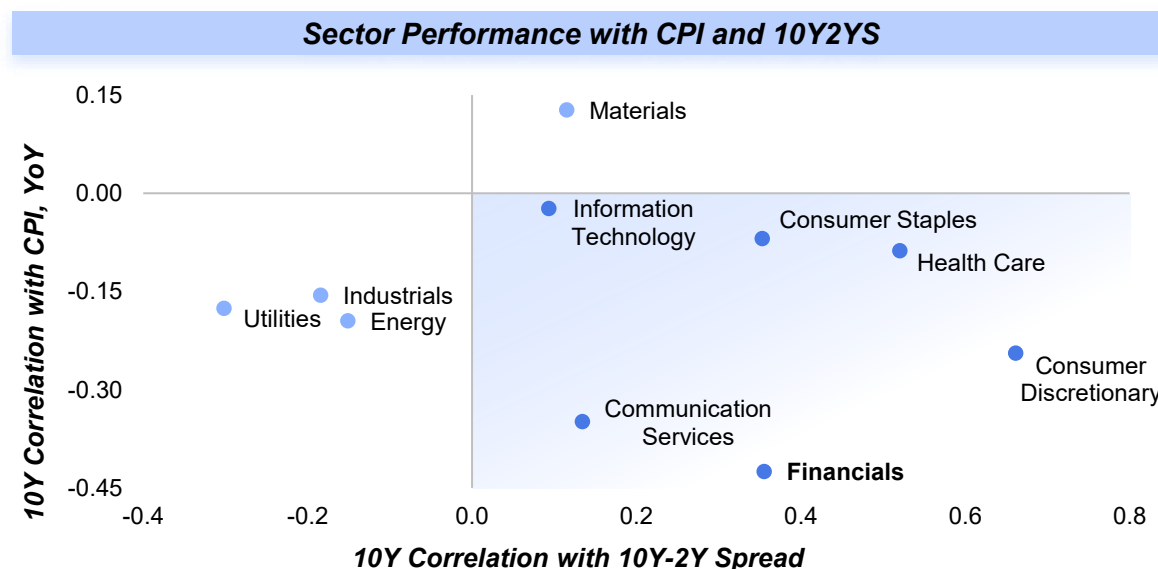
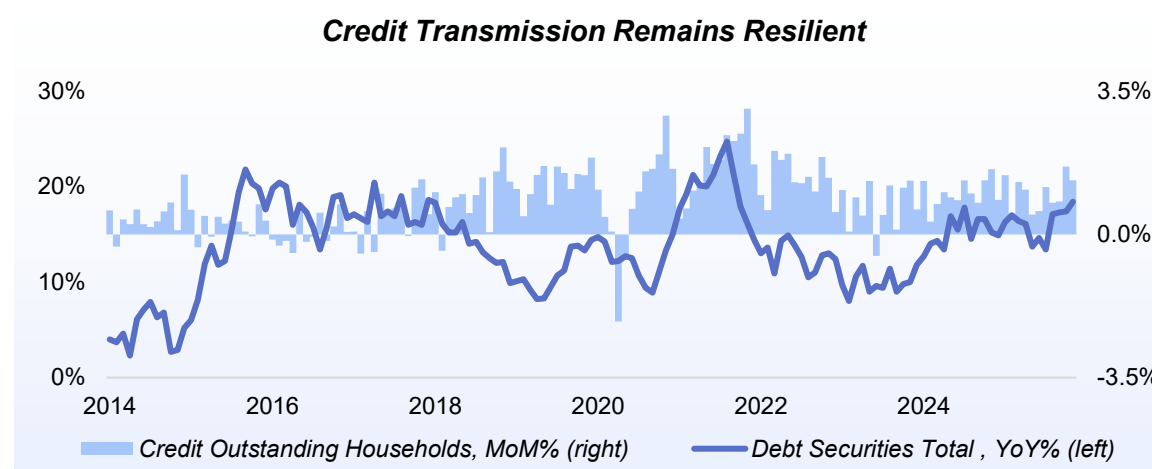
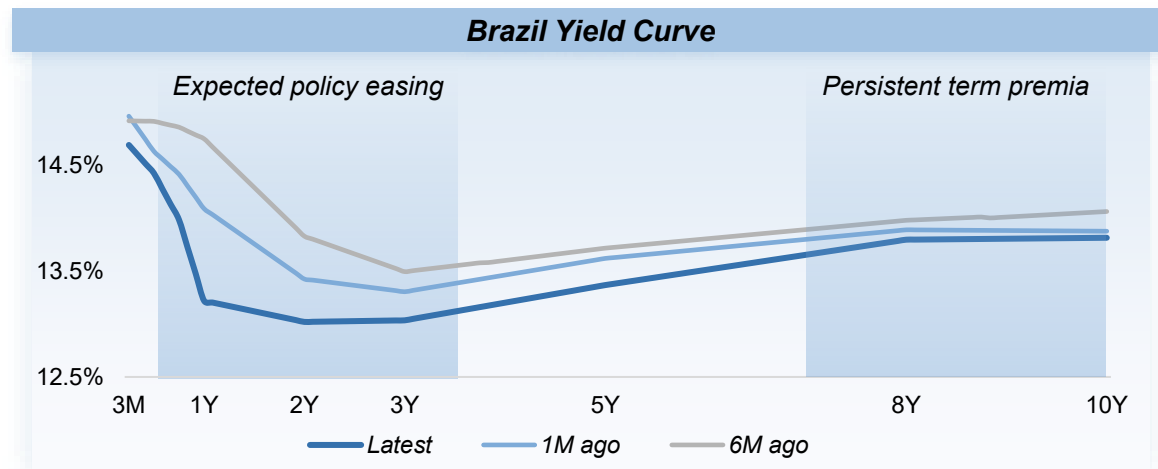
Election outcomes primarily **reprice risk premia rather than reset fundamentals.**



Sectors with **pricing power and balance-sheet strength** are set to outperform.

Credit and Curve Dynamics

A Pricing-Driven Backdrop Creates Structural Opportunities



Strong income growth and lowering unemployment sustain household borrowing.

Fintech expansion and financial inclusion broaden access and increase credit supply.

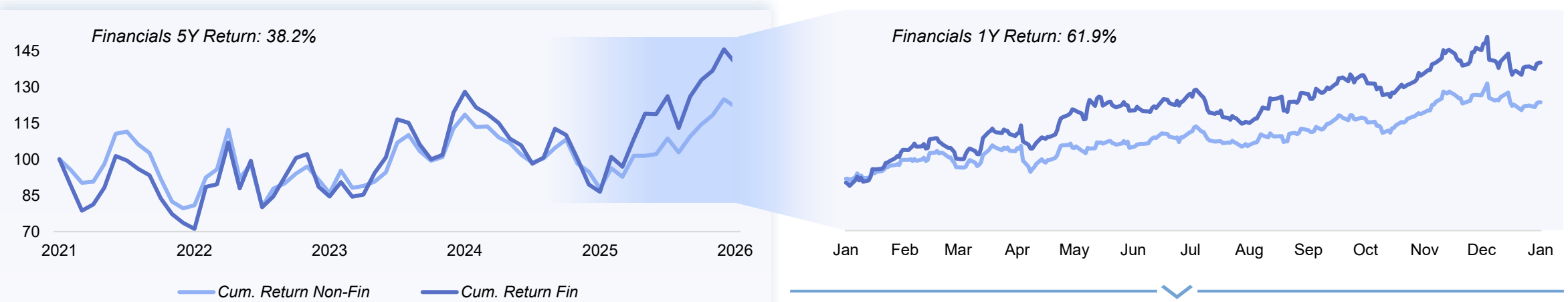
Corporate bond financing growth has been supported by **tax-exempt debentures**.


The combination of a steeper yield curve and steady credit creation channels returns toward financials, with earnings driven by wider spreads and sustained activity volumes.




The Financial Core

Return Profile of Brazilian Financials in the IBOVESPA (5Y and 1Y)






Investors rotated out of cyclical sectors (retail, industrials) and into the financial sector.



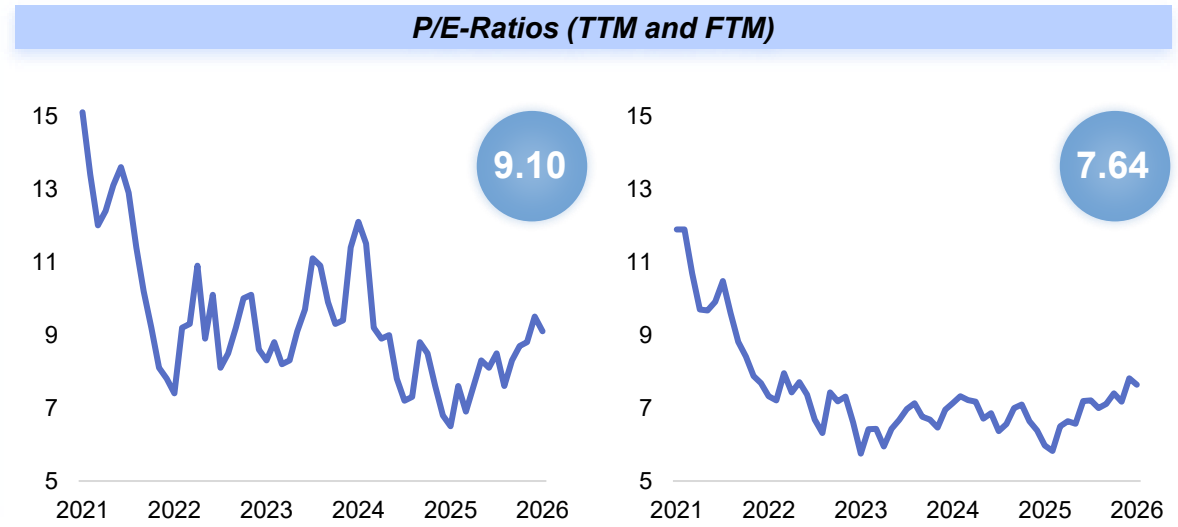
Rates punished non-financials, whereas financials profited from increased spread margins.



Pix reduced cash-handling costs for banks and lowered the cost-to-serve for low-income clients.

Structural & Cyclical Tailwinds

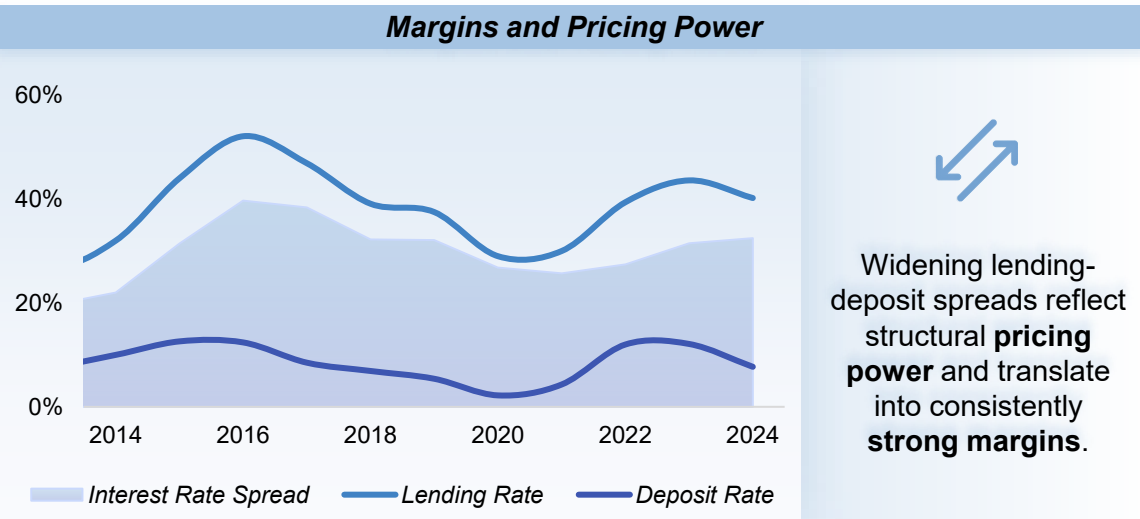
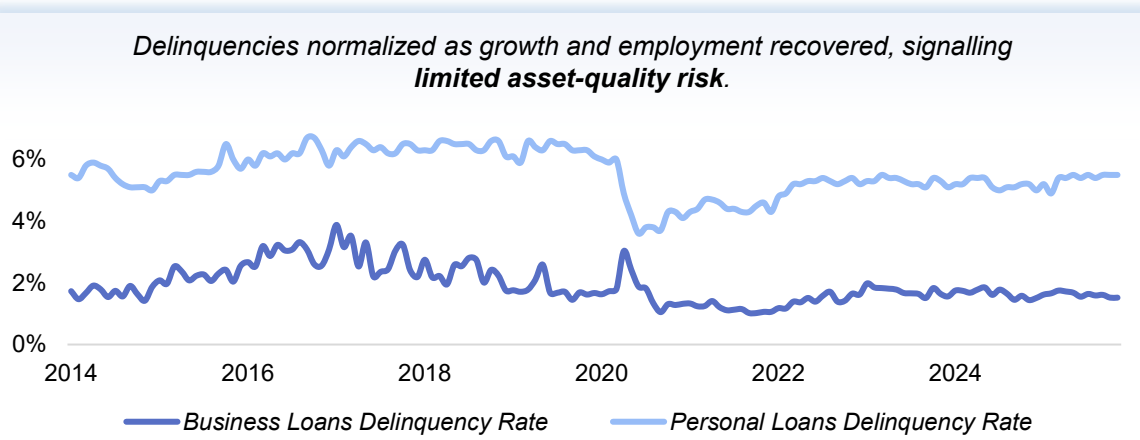
Sustained Sector Outperformance



Banking Industry Overview

Scale and Innovation Reinforce Earnings Resilience

Industry Fundamentals



Current Positioning and Outlook

Positioning	Outlook
<p>Top 5 incumbents retain dominance in assets, corporate credit, and wealth management.</p>	<p>Incumbents defend share-of-wallet via bundled ecosystems outcompeting pure-play fintechs.</p>
<p>Brazil is home to one-fourth of all LatAm fintech startups, driving systemic modernization.</p>	<p>Incumbents actively absorb innovation via M&A and partnerships to enhance their digital services.</p>
<p>Pix transaction volume hit \$6.7 trillion in 2025, cementing Pix as the dominant payment form.</p>	<p>Fast-growing P2B payments (est. 48% share by 2026) create new fee streams via merchant rates.</p>
<p>Brazil's banking sector, already the largest and most advanced in Latin America, continues to thrive both in traditional and digital domains.</p>	

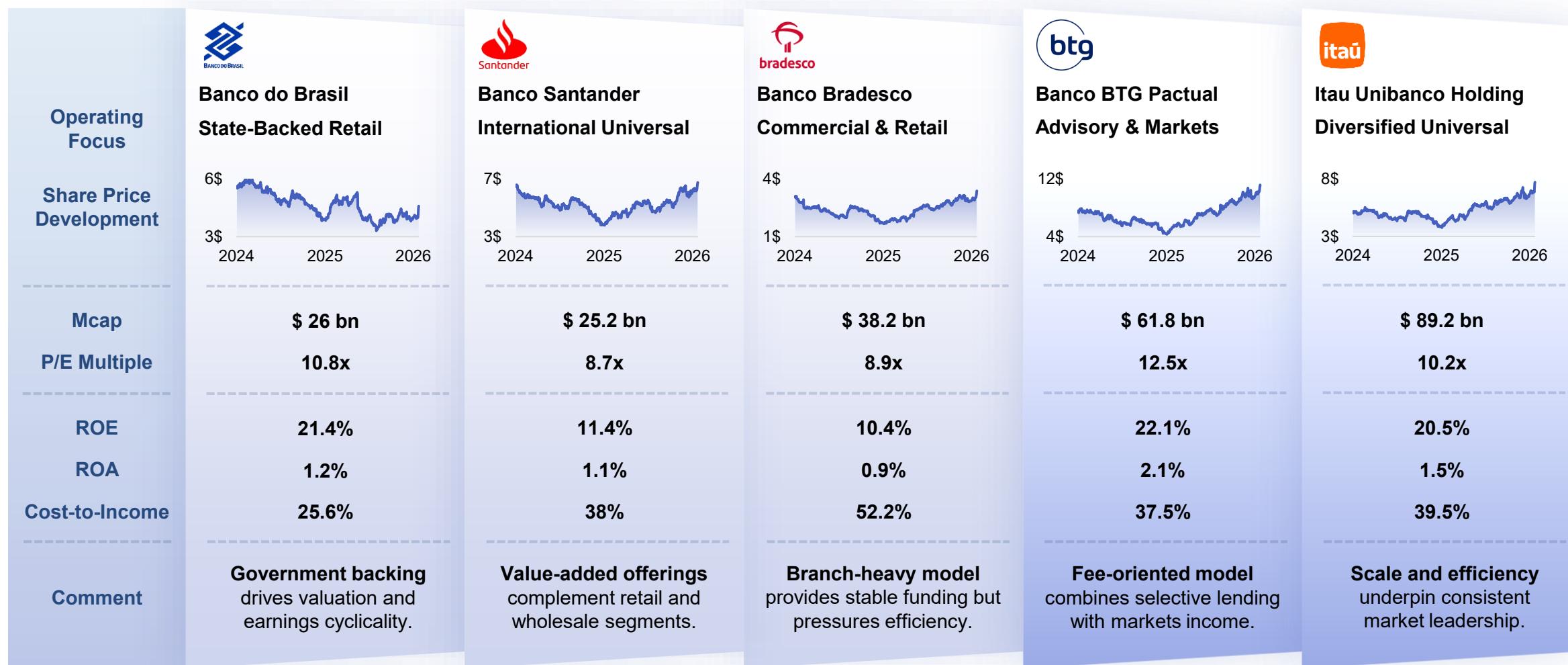


The Conviction Layer

Peer Comparison

Operating Model Positioning Shapes Returns and Forward Outlook

Comparison of Scale, Profitability, and Operating Efficiency



Banco BTG Pactual – Company Overview

Activity-Levered Earnings

Company and Performance Overview



Banco BTG Pactual offers asset and wealth management, investment banking, trading, corporate lending, and sales.



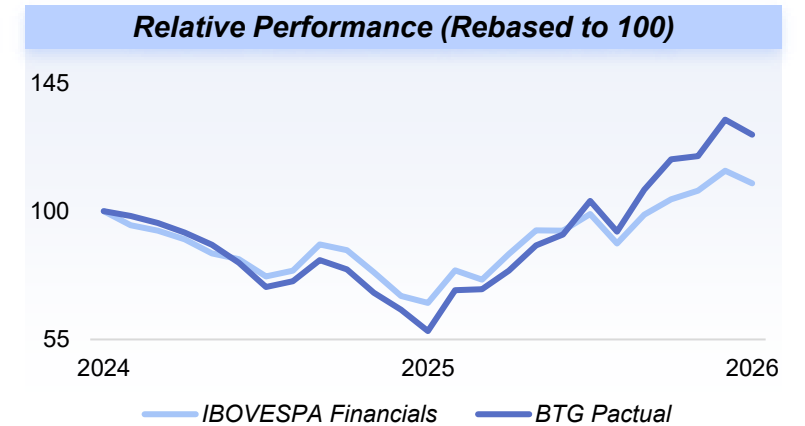
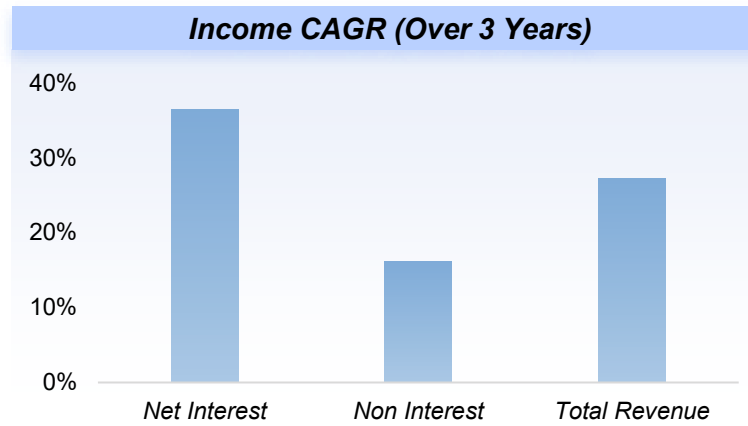
HQ:
Rio de Janeiro



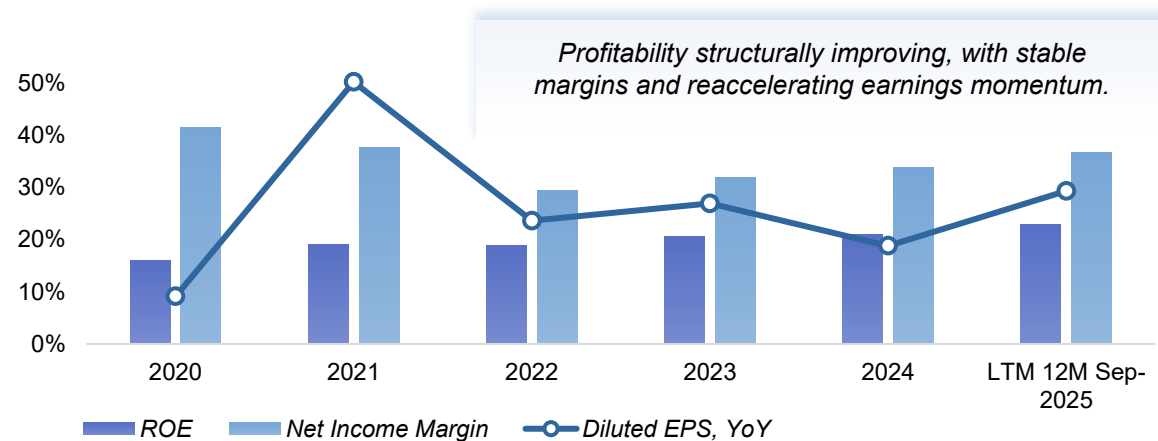
Employees:
8.9k




12.5x
P/E Multiple




Key Financials




Investment Thesis



Markets and **fee-led model** benefits from elevated trading, **debt securities issuance**, and **capital flows**.



High-rate environment supports **trading revenues** and **expanding corporate lending activity**.



Scalable platform converts rising volumes into **disproportionate earnings growth**.

Itau Unibanco Holding – Company Overview

Quality at Scale

Company and Performance Overview



Itaú Unibanco Holding offers wholesale, retail, and investment banking services across individuals, SMEs, and corporates.



HQ:
São Paulo

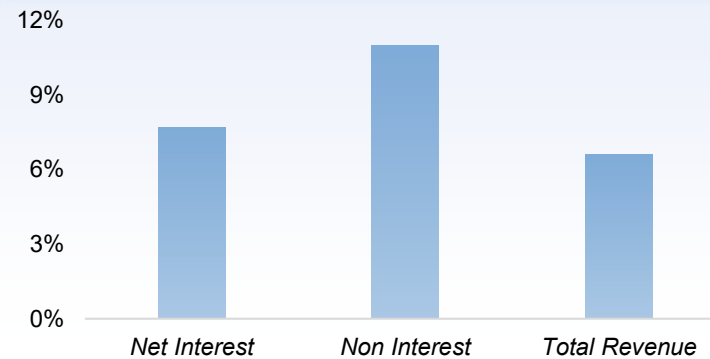


Employees:
93.6k

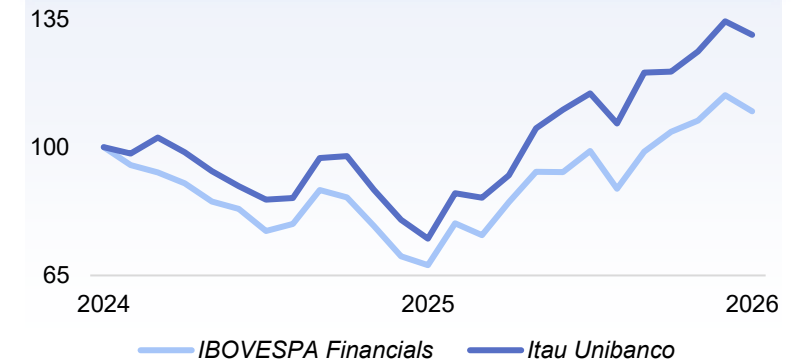


10.2x
P/E
Multiple

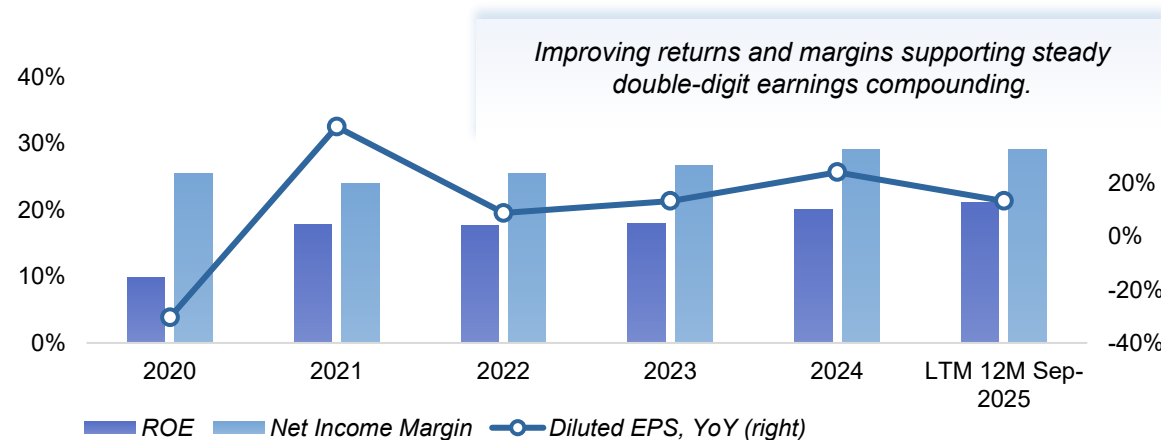
Income CAGR (Over 3 Years)



Relative Performance (Rebased to 100)



Key Financials



Investment Thesis



Scale and funding advantages sustain **structurally high and stable profitability** across cycles.



Best-in-class cost discipline and **efficiency improvement** trend support durable returns and **resilient margins**.



Predictable earnings profile provides **defensive base** while still **compounding at double-digit growth**.



Appendix

Sources

Source Name	Link	Date of Retrieval	Used for
Bloomberg Finance L.P	Software	Continuous Work	Research and Data
LSEG Workspace	Software	Continuous Work	Research and Data
S&P Capital IQ	Software	Continuous Work	Company Data
Statista	Link	25.01.2026	Brazilian Banking Industry
IMF: Country Focus Brazil	Link	26.01.2026	Credit Transmission and Growth
EBANX	Link	26.01.2026	PIX Payment System
Latin American Economic Outlook 2025	Link	26.01.2026	Monetary and Fiscal Policy
OECD Economic Outlook, Volume 2025 Issue 2	Link	26.01.2026	Monetary and Fiscal Policy
IMF	Link	20.01.2026	Credit Dynamics
Instituto Brasileiro de Geografia e Estatística (IBGE)	Link	14.01.2026	Demographics and Labor Statistics
Instituto Nacional de Estadística, Geografía e Informática (INEGI)	Link	14.01.2026	Demographics and Labor Statistics
Instituto Nacional de Estadísticas	Link	14.01.2026	Demographics and Labor Statistics
World Bank	Link	20.01.2026	Country Statistics
Governo Federal do Brasil	Link	14.01.2026	Fiscal Policy and Policy Credibility

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