To our Investors,

Aster Capital´s funds have been operating for seven months, and most of all, we would like to thank our investors for your support and trust. Launching a new business is not easy, and, without your support, it is unfeasible. Thank you very much.

We will write letters to shareholders at the end of every semester, and hope that this communication will help familiarize our partners with our decision-making process.

In this 1st letter, we believe it is important to detail our investment philosophy: Aster Capital seeks to compound solid risk-adjusted returns, over long-time horizons, by investing in public companies, primarily in Brazil.

The choice of these companies is made after in-depth study, and we focus on finding quality businesses with growth durability. After finding a group of companies that pass this quality filter, we apply subsequent filters, adding expected return and risk of permanent capital loss analysis.

"I very frequently get the question: 'What's going to change in the next 10 years?' And that is a very interesting question; it's a very common one. I almost never get the question: 'What's not going to change in the next 10 years?"

– Jeff Bezos

Answering Jeff Bezos' question, we built our investment philosophy around the concept of quality. When we talk about quality businesses, we are looking for a combination of attributes, such as: (i) the presence of entry barriers to new competitors, or customer switching costs; (ii) businesses with solid and consistent economics – ROIC is our most used metric, but not the only one; (iii) a strong leadership team suited to the company's challenges; (iv) opportunities to allocate capital at attractive return rates and (v) alignment between the controlling group and/or the company's executives with minority shareholders in seeking to generate value for all shareholders.

While the attributes of quality may evolve over the next 10 years, we expect the core idea will remain. For example, with the accelerating digitalization of the economy, our assessment of entry barriers today incorporates nuances that are different from 10 years ago, particularly in terms of their durability – but we will continue to prefer businesses with entry barriers that we can understand over businesses in which we cannot identify such barriers.

Another important aspect of our philosophy is our interest in investing behind change. These transformation processes have been accelerated by the trend toward digitalization, but even so, they do not happen in months or quarters, and the long-term investment horizon proves to be essential to express this in our portfolio.

"A great business at a fair price is superior to a fair business at a great price."

– Charlie Munger

Assessing the expected return and potential loss of investments in these businesses is the subsequent step. Investing is a repetitive game. Therefore, part of our investment philosophy choice came from analyzing our past behavior, identifying patterns, and focusing on what we understand will lead us to a superior hit rate over time.

For instance, we believe we have a better success rate with a business earning a ROIC ranging between 16-20% over long-time horizons, than in a business with a ROIC of 6% at one time, -2% at another moment, and 50% in another. Similarly, we believe in a higher rate of success in companies with consolidated governance than in companies with controlling shareholders not necessarily aligned with minority shareholders, sometimes even subject to a change of controlling shareholder every 4 years.

Focusing on quality businesses is therefore also a risk management decision. The two most common sources of permanent capital loss we see are: (i) disappointing operating performance (or expectations that it will disappoint soon) and (ii) multiples. Focusing our energy on quality businesses helps us to mitigate the risk of disappointing operating performance, which we understand to be an especially acute risk in Brazil. Multiples´ risk is more cyclical in nature. After more than a decade of a bull market in the United States, we are at a time that this risk has taken on greater weight than in previous years.

This philosophy may be unoriginal, but we want to combine a well-established and tested investment philosophy with a team composition that adds different backgrounds, experiences, and networks throughout our investment process. Over long periods of time, we expect that the combination of a winning philosophy with a very disciplined and patient process will be the foundation of superior returns.

Portfolio

Our expertise lies in the in-depth analysis of companies and choice of businesses that will continue to grow and expand their relevance over time, and in doing so, these businesses will emerge stronger from more challenging moments.

Brazil began facing inflationary pressures sooner than most countries and entered its interest rate hike cycle in January 2021. Since the launch of our funds, we have gone through two earnings seasons, 4Q21 and 1Q22. These results were already fully within the cycle of high interest rates, high inflation, and a challenging outlook for economic growth.

In this semester (4Q21 + 1Q22), we once again saw the resilience of good Brazilian businesses. If our portfolio were a holding company, it would have performed as follows over this period:

Aster Portfolio	4Q21 + 1Q22
Revenue Growth	24%
EBITDA Growth	17%
Earnings Growth	18%
ROIC (%)	18%

This performance of the portfolio's businesses is superior to the average of the businesses in Brazil and the average of public companies. It is a performance that evidences a process that continues to happen in Brazil: the strongest companies are getting even stronger, especially in times of macroeconomic challenges, as they take advantage of their operational superiority and access to capital to further the performance gap vs their peers.

Below we detail some positions in our portfolio to help make tangible which are the companies behind this performance. Combined, these companies currently represent more than 50% of our exposure.

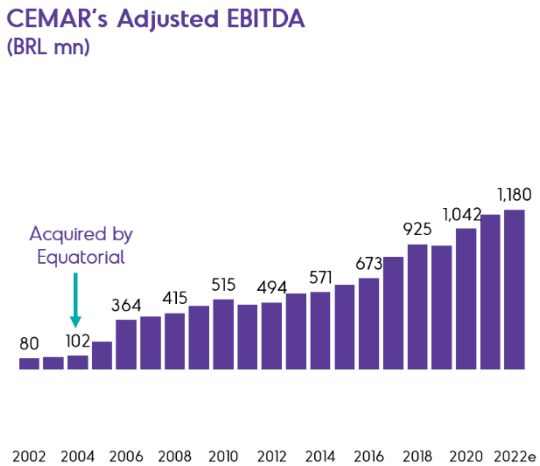
Equatorial and Energisa

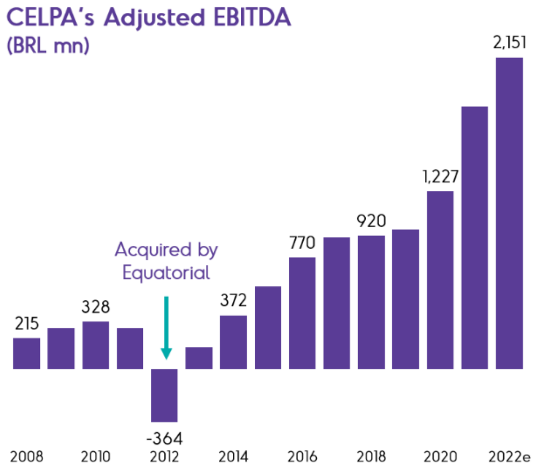
Energy distribution is a regulated business, in which management makes all the difference in the degree of success in operational execution. When confronted with factors such as demand fluctuation, delinquency, energy theft and quality of service, we have seen some companies go bankrupt, while others have generated substantial shareholder value.

Throughout its history, Equatorial has developed an execution capability that is difficult to replicate and combined it with deft capital allocations that have consistently generated shareholder value. EBITDA per share has increased by more than 8x in the last 10 years, or a 23% CAGR. The company has the know-how to transform poorly operated distributors, with negative operating profit, into best-in-class operations, which was proven in the emblematic turnarounds of Cemar (Maranhão) and Celpa (Pará).

In addition to distribution, the company has started new growth avenues, entering the energy transmission market in 2016 and, more recently, renewable generation and sanitation in 2021.

Without considering any additional acquisitions, we think Equatorial already provides a very attractive return just from further improvements in the operations of the assets already owned, which we think could result in potentially doubling the company's EBITDA over the next four to five years.





Energisa is similar to Equatorial in several aspects and has also consistently proven its ability to execute over long periods of time. Since the IPO in 2016, it has grown its net income by more than 6x, supported by the turnaround of the distributors it acquired from Grupo Rede in 2014. In addition, it is controlled by the Botelho Family and operated with an owner mentality for long-term performance.

We saw the consolidation of the greatest opportunities for energy distribution in Brazil in the past two decades, but we believe that Energisa is well positioned to deliver operational improvement with the assets that were already part of the group, and to carry out the turnaround of the concessions acquired from Eletrobras in 2018. As such, although capital allocation is an important capability of Energisa, at current price levels, we do not need to rely on additional acquisitions to expect an attractive return.

Rumo Logística

Brazil is the largest exporter of soy globally, and it is estimated that Brazil will account for 60% of the combined growth of soy and corn exports in the coming decade. The Mid-West region of Brazil is the largest producer of grains in the country and the primary reason why Brazil has achieved its position as the leading exporter.

Rumo is the largest transporter of grains from the Mid-West region to the Port of Santos, which is Brazil's primary port for grain exportation. Because of Rumo's role in facilitating grain exportation, it is a highly strategic company both for Brazil and globally. In addition to its strategic importance, Rumo also possesses multiple attributes we seek in our investments: (i) structural scale competitive advantages in its relevant markets; (ii) an experienced management team, with a solid capital allocation track-record; and (iii) large growth opportunities at an attractive incremental ROIC of roughly 15% - be it in auctions, like 'Ferrovia Norte-Sul', or organic investments such as Lucas do Rio Verde.

Over the next several years, we expect Rumo to deliver durable annual volume growth of roughly 8%, and Ebitda growth of roughly 15%. Rumo earns an attractive ROIC, and the company's performance is uncorrelated with the rest of our portfolio as performance is tied to agribusiness growth rather than Brazil GDP or consumer growth.

Itaú Unibanco

Itaú is a business that has proven to be consistently profitable regardless of the underlying conditions in Brazil, but the company operates in an industry that is experiencing a deteriorating competitive environment.

However, our diligence has unsurfaced frequent positive feedback on the changes that the bank's new leadership is implementing that are transforming the organization into one that is more agile and open to making decisions that were previously unlikely and will make them more competitive against the challengers.

Our Data team's proprietary research indicates that in the last 10 months, Itaú was the only incumbent bank that did not lose main accounts market share, while at the same time it delivered the highest improvement in NPS among the banks. These data points suggest that the strategic changes implemented under Itaú's new leadership already are starting to show important positive effects from the customer's perspective, which places Itaú in an advantageous position vis-à-vis other incumbent banks.

Through the combination of our more positive view on Itaú's competitive position, a 2022 P/E of 7.5x, and expected EPS growth of 10% p.a. over the next few years, we've built conviction to start this position.

BTG Pactual

The Banco BTG Pactual position is a good example of our interest in investing behind changes. BTG was already a relevant and profitable investment bank, but by adding investments and retail operations, BTG not only added new sources of profit growth but also improved the bank's funding through access to low-cost retail deposits, helping to develop the credit business, which is also synergistic with BTG's classic Investment Banking franchise.

We like BTG's ability to create a complete franchise of banking solutions that reinforce each other. These growth avenues are supported by a highly aligned partnership, which is deeply part of the bank's culture.

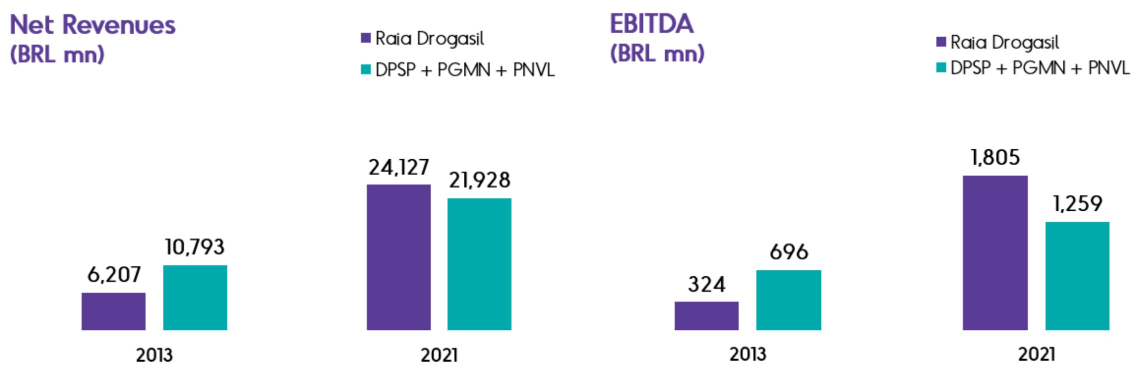
Today, BTG is a business that has reached a new level, with a credit portfolio of BRL 110bn, and growing rapidly. BTG should generate more than BRL 8bn in profit this year, and we expect a 4-year profit CAGR of 17%, positioning it as one of the fastest growing banks. BTG is a case in which the organization is prepared to see opportunity in a difficult time, has very strong execution and risk management, and has all the elements to take advantage of the moment to gain even more market share. BTG is a team playing in the offense mode.

Raia Drogasil

Raia Drogasil (RD) is the undisputed leader of the pharmacy sector in Brazil and brings together most of the attributes we seek: (i) great opportunity for growth with a ROIC that is not only attractive (around 20%), but clearly superior to their competitors´; (ii) consolidated governance; (iii) substantial scale advantage relative to competitors; (iv) organizational capability building to deal with the digital transformation we are going through and (v) proven entry barriers for new competitors.

The chart below demonstrates the powerful long-term effect of compounding on a business. In 2013, Raia Drogasil's EBITDA was not only lower than that of Drogaria São Paulo (DPSP), but also represented a little less than half of the sum of its 3 largest competitors. Today, Raia Drogasil's EBITDA is almost 50% higher than the profits of its combined competitors. This growth was achieved without capital increases, in a period when Raia Drogasil's competitors raised BRL 2.5 bn.

We see evidence that RD is continuing to extend its operational advantage against its competitors. For example, RD continues to open 4 times the number of stores as that of its biggest competitor.



Mercado Libre

We believe that Mercado Libre (MELI) is the best vehicle to participate in accelerating digitalization in Latin America. Over its more than 20 years of operating history, through the development of its marketplace platform, payments, logistics, advertising and more, MELI has been able to anticipate major changes in the business environment.

We see strong evidence that MELI will once again widen the gap in relation to its main competitors. While we see its direct competitors making technology and digital product team layoffs, Mercado Libre announced the hiring of 4,000 additional people by the end of 2022, most of whom will join the technology team. Also, the number of cities where MELI is offering same-day deliveries is doubling to 100 municipalities.

In addition, MELI's economic model is superior to its direct competitors. MELI essentially is a marketplace, which makes its business working capital negative (it receives the payments from the sale before passing it on to marketplace sellers). In other words, MELI's customer's finance MELI's operations with effectively interest-free loans, which is an especially valuable trait in a world with higher capital cost. In addition, MELI has a unique execution track record in Latin America, with a bias towards organic capacity building – and we understand that these characteristics will prove even more powerful in a scenario of capital scarcity.

Weg

Weg originally specialized in manufacturing electric motors but has evolved to become a solutions provider for the electrification of the world. Weg possibly is the most successful Brazilian multinational company and has a ROIC-oriented culture that fosters an ownership mentality among employees. The company currently has factories in 12 countries, and more than half of its revenue comes from international markets.

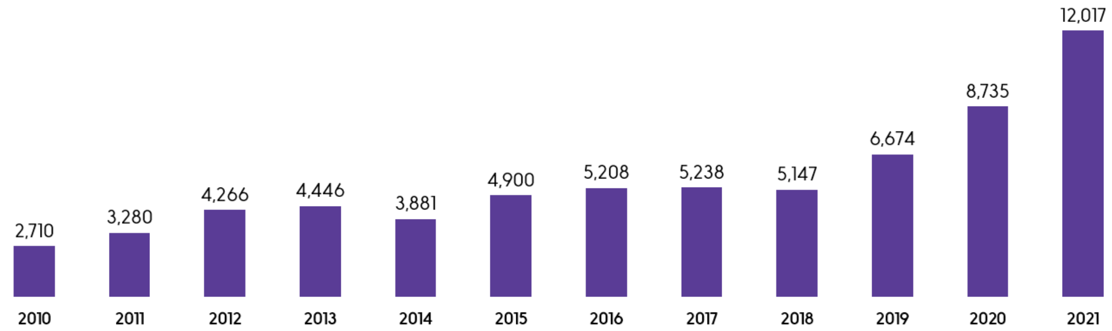
We are enthusiastic about the company's business model, including Weg's: (i) verticalization; (ii) modular growth and (iii) constant innovation.

The production verticalization makes the company more agile and assertive in supplying equipment to its customers, mitigating dependence on complex supply chains. As a result, Weg has capitalized on its verticalization to gain market share during the recent logistical chaos, which has been the biggest logistical crisis in decades.

Weg's modular growth is one of the most important factors that allows the company to grow with such a distinctive ROIC (greater than 20% in normalized terms). Instead of large plants in new regions, Weg builds small manufacturing units, which easily can be expanded through adding additional modules. This modularity contributes to capital efficiency and simplicity of the company's business model.

Finally, we value Weg's ability to discover new growth avenues. As previously discussed, one feature we value in quality businesses is their ability to create new, unexpected profit streams. In the last decade alone, Weg has successfully developed power transformers, wind turbines and, more recently, solar energy businesses. Today, these operations are important revenue and profit centers. As pertains to future growth, we do not yet know which other new avenues – such as Industry 4.0, vehicle electrification or residential solutions – will be the most relevant, but we see a high probability that Weg's innovative impetus continues to make a difference.

Weg's Revenues generated by products launched in the past 5 years
(BRL mn)



Totvs

Totvs has been the leading software company in Brazil for many years. We like established software businesses because (i) they have recurring revenues - and in Brazil these revenues are adjusted to inflation (automatically by contracts); (ii) they are scalable, with low cost per incremental sale; (iii) they have high, and stable profit margins; (iv) the customer has relatively high switching costs, therefore customers are loyal for years and; (v) they generate a lot of cash.

In addition to the classic ERP segment, Totvs has 2 other relevant growth avenues: Techfin and Business Performance. Of these, we are especially positive about Techfin's transformational potential.

Techfin began with the acquisition of Supplier and marked the beginning of Totvs' journey in melding the software and financial services worlds. Through existing software conduits, Totvs will have an increasingly complete offer of credit solutions and other financial services - a vision that was also incorporated by Itaú, today a partner of Totvs in the JV responsible for this initiative. This segment represents less than 10% of Totvs' operations, but it would not be a surprise if it comes to represent the company's biggest profit center in the future.

This combination of a resilient, profitable and cash-generating legacy business, with a transformational option, makes us very positive about investing in Totvs.

We started our funds at a time of tectonic shifting in the investment world. Since our inception, 10-year interest rates in the United States – perhaps one of the most impacting variables in determining global asset prices – have more than doubled, from 1.45% to 3.01%, which has coincided with the fact that the 12-month US inflation was 6.8% in Nov/21 and is now at 8.6%, the highest level in 40 years. When we started, there was not a war in Ukraine, whose development has had relevant impacts on markets, not restricted to commodities.

In the great global crises that we have witnessed in this century (Nasdaq 2000, and GFC 2008), similar solutions were used: a combination of liquidity injection (quantitative easing) and interest rate cuts. We are witnessing a global scenario in which this solution would deepen the problem. We are at a new chapter.

Despite our micro focus on businesses, we need to be vigilant with the macro scenario in which we are living, as it challenges the valuation paradigms prevailing in the markets until recently. The risk factor reduced the most since the launch of our funds are high multiples and/or very long duration businesses, in addition to an extra filter on companies' indebtedness - since high interest rates can make companies that have no liquidity or solvency problems, struggle in delivering profit growth.

There are important nuances in this adjustment process, and we can use Mercado Libre (MELI) as an example: in recent years, MELI has indeed combined high multiples and very long duration. But we think that today the company is experiencing a transition: we estimate that the company will have more normalized growth rates, but relevant profits will arrive sooner than the market expects, and, as a result, we see attractive returns even using a conservative exit P/E assumption that is below its historical multiple until 2016. Therefore, we not only see in MELI a solid thesis and a business that will continue to thrive, but we also believe that the investment still offers an attractive expected return even in the new valuation paradigm.

In other cases, although we liked the business, we concluded that the concentration of expected cash flows in such a distant future did not bode well for the current environment and exited the position.

We added new positions to the portfolio over these 7 months that, in addition to meeting our quality filters, helped to mitigate the high multiple risk factor, such as Itaú Unibanco, B3 and Cosan.

The required output multiple for a 25% IRR across our portfolio companies is, on average, 11% lower than their historical average (this average excludes the years 2020 and 2021, which we consider outliers in terms of multiples). This does not in any way suggest that we cannot see further material declines in the markets. At certain points in 2015 and 2008, for instance, we saw expected returns greater than these, but it indicates that we see attractive returns in high quality companies.

Our intention is to build close, long-term relationships with our investors. We strive to operate with transparency, and it is essential that our partners understand us well. We appreciate your trust.

Aster Capital Team