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MIRABAUD

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INTERNATIONAL

IT WAS THE BEST OF GAINS, IT WAS THE WORST OF PAINS: A TALE OF TWO INVESTORS

We start the monthly newsletter by wishing all our clients a happy new year! We hope 2025 brings joy and success to you and your beloved ones!

Let's not mince words: 2024 was a jaw-dropping roller coaster that tore apart the usual rules of politics and finance. Yes, Donald Trump stunned the world by clawing his way back to the White House, but it wasn't just politics that got flipped on its head. Elon Musk, in many ways, stole the show. Whether worshipped as a living god or utterly disliked, he is a force to be reckoned with — just like the tech sector. In any case, detractors might despise both, but they had no choice but to watch them take center stage. By the end of the year, tech skeptics—much like Musk's fiercest critics—were left disappointed, frustrated, and utterly baffled, having missed the biggest rally in years and unable to understand how everything defied their (too cautious) predictions.

Musk's influence and AI opportunities spread like wildfire, driving the Magnificent Seven to new highs, blasting SpaceX rockets, and fanning the flames of artificial intelligence. Therefore, Musk's net worth nearly doubled to a mind-boggling 400 billion dollars, driven by his visionary approach to high-stakes innovation. He is the living embodiment of his own motto: "Failure is an option here. If things are not failing, you are not innovating enough."

« IN SHORT, (2024) IT WAS A YEAR WHERE "SAFE" WAS OUT AND "BOLD" WAS IN—THOSE WHO DIDN'T JOIN THE PARTY GOT LEFT BEHIND.»

In a year of exceptional events and outstanding performances, it wasn't just the tech sector that shined. The S&P 500 roared 25% higher, racking up 55 new all-time highs while the Magnificent 7 tech titans skyrocketed by 67%. Tesla, one of those seven behemoths, soared a stunning 62%, further cementing Musk's status as a market-moving powerhouse. If you thought these moves were impressive, gold outperformed even the stock market, surging 27.2%, and Bitcoin smashed past the 100,000-dollar mark, notching a 120% gain. Meanwhile, the U.S. Dollar Index climbed 7.1%, clinging to its safe-haven reputation, and the global bond indices sank as yields soared. In short, it was a year where "safe" was out and "bold" was in—those who didn't join the party got left behind.

PERFORMANCE OF THE MAIN FINANCIAL INDICES:

	Dec.	Dec.$	2024	2024$	2023	2023$	2022	2022$	2021	2021$
S&P 500	-2.39		25.0		26.3		-18.1		28.7	28.7
Stoxx 50	1.95	-0.16	11.9	4.7	23.2	27.3	-8.5	-14.0	24.1	15.6
MSCI EM	-0.12		8.0		10.1		-19.9		-2.3	
Brazil Bovespa	-4.28	-6.46	-10.4	-29.6	22.3	33.1	4.7	10.1	-11.9	-18.1
Euro	-2.11		-6.2		3.1		-5.8		-6.9	
US Dollar Index	2.60		7.1		-2.1		8.2		6.4	
Gold Spot	-0.71		27.2		13.1		-0.3		-3.6	
Brazilian Real	-3.28		-21.4		8.9		5.4		-6.8	
Global Agg.	-2.15		-1.7		5.7		-16.2		-4.7	
Latam Bonds	-1.29		10.5		11.1		-13.2		-2.5	
Global High	-0.55		9.2		14.0		-12.7		1.0	
US T Bills	0.41		5.3		5.1		1.3		0.0	
CDI	10.87	-11.78	10.9	-11.8	13.0	24.8	12.4	18.4	4.4	

In this year of polarizing outcomes and performances, we at Mirabaud not only rode the wave but also outperformed our peers. Our discretionary mandates achieved remarkable performances, reaching 15.4% for the most equity geared USD portfolios, compared to the average returns of 11.9% and 9.9% reported by ARC and Performance Watchers, respectively. Our decision to remain positive on tech and maintain positions in best-in-class companies capitalizing on the AI boom proved to be the right call.

In addition to our discretionary mandates, we have also been able to serve clients with a keen interest in visionary ventures through private assets. In this respect, Mirabaud is proud to have provided clients with exclusive access to Elon Musk's groundbreaking ventures, such as SpaceX and xAI. While some dismissed these bold initiatives (just like they dismissed the sheer might of tech stocks), we recognized the transformative potential of Musk's vision early on. Although it is still too early to assess xAI's long-term success, SpaceX has undeniably been a stellar investment, with its valuation skyrocketing from $137 billion in January 2023 to an impressive $350 billion by December 2024.

So where does that leave us for 2025? Whilst some are probably rolling their eyes, expecting this wild bull-run to crumble any minute now, others are gearing up for yet another shot at massive gains. It is true that we should not ask for another year of 20% plus return in US equities after the stellar last two years, but we expect the U.S. economy to remain the global leader, thanks to strong job markets, consumer spending, and tax cuts. Growth should surpass 2%, but sticky inflation shall keep consumers, investors and the FED on their toes. U.S. equities should shine, especially in the tech and large-cap space, where we are looking at some significant earnings growth as the recent winners will most certainly take the biggest slice of the cake. In addition, smaller stocks and cyclical sectors such as industrials and financials should also do well, thanks to lower borrowing costs caused by monetary easing. Valuations, however, are a bit on the high side, so there is some risk if bond yields stabilize at the current high levels even though we see this outcome as unlikely. The U.S. dollar is going to stay strong, driven by its safe-haven status and higher interest rates. The Swiss franc could get a boost too, as the Swissie rides its own safe-haven wave. Gold will still be in heavy demand, but a strong dollar and high U.S. rates might limit the upside

At the end of the day, tech names over-performance and Elon Musk's rise (and Trump's return) proved one thing above all else: playing it safe can cost you big when the world decides to lurch in a new direction. Musk charged ahead with ideas that seemed insane to many, but he ultimately won the day. Love him or hate him, he's forcing everyone to pick a side—just like he forced everyone to watch 2024's wild markets and political dramas unfold. As we step into 2025, remember this: to truly succeed, you may need to embrace a bit of failure, navigate some chaos, and lean into bold innovation. So buckle up—it's going to be an exhilarating journey!

Eric Hatisuka
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BRAZIL

"THE PROBLEM WITH SOCIALISM IS THAT AT YOU EVENTUALLY RUN OUT OF MONEY " (MARGARET THATCHER, FORMER BRITISH PRIME MINISTER)

Margaret Thatcher, British Prime Minister from 1979 to 1990, who went down in history as "The Iron Lady" because of her resolute character, led the UK out of decades of economic stagnation and high inflation by implementing liberal economic reforms that included privatisation, deregulation of the labour market, downsizing of the public sector and imposition of stricter conditions on government spending increases, among others.

After Mrs. Thatcher's three consecutive terms in office, British inflation fell from 18 per cent to less than 4 per cent, opening the way for the UK to regain its economic prominence in Europe (and the world), which has never been questioned ever since.

Obviously, the socialism referred to by Mrs. Thatcher in the quote that opens this text no longer exists since the end of the Cold War, in 1991. On the other hand, the economic policy that places the state as an inducer of GDP growth, via constant increases in public spending, persists in several countries, notably emerging ones, and especially in Latin America.

In all these experiences of state-induced growth (including that of the United Kingdom), there is an important common denominator: expansionary fiscal policies always collapse naturally, as soon as they come up against the financial limits to the growth of public debt, i.e. when their own money runs out and the country is forced to resort to third-party money (also known as 'capital markets'), whose availability, sooner or later, also runs out.

Over time, however, the stories are divided. In the OECD countries that went through this experience, reaching the debt limit with the markets caused a drop in economic growth, inflation and, eventually, recession.

In other countries, generally emerging economies, governments try to ignore the indebtedness limit and continue their spending policies at any cost. But the final and inescapable cost is a debt crisis, currency maxi-devaluation, high inflation, severe recession and a shock of unemployment.

Does anyone remember the aftermath of the Dilma government in 2015?

But after all, how does one keep the policy of growth based on public spending once the money runs out?

The obvious answer is: once the money runs out, it's no longer possible. Period.

Once facing this limitation, responsible governments revise economic policy to bring the public budget back within the boundaries of the national income, even if this turnaround brings electoral costs - and it usually does, because it makes clear that the prosperity was artificial and not sustainable.

It is precisely because there is no sustainable continuity to economic policies that generate growth surge based solely on increased public spending that OECD countries no longer resort to this type of policy, except in extreme situations such as external crises, humanitarian crises or pandemics.

Populist governments, on the other hand, under the excuse of "not leaving the poorest unattended" (but maintaining spending structures that also benefit the richest and the public servants themselves), keep the pace of spending at any cost, generating, at the end of the process, funding crises (known as "sudden stop" crises) that result in high inflation and unemployment, punishing the poorest the hardest, exactly those they intended to defend.

Furthermore, as rising inflation and unemployment directly cause poverty to increase, the need for assistance to the poorest remains latent, sowing the seeds for a new cycle of populism in the future, as soon as the latest crisis is in the rearview mirror (or even before).

We must acknowledge that, unless economic policy is revised, Brazil is moving steadily towards the fate that always befalls on countries at the end of a period of public spending bonanza: debt crisis, confidence crisis, sudden stop in debt financing, high inflation, recession and unemployment shock.

Of course, the government could change this fate at any time by revising its economic policy. However, with each

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passing day, as the 2026 general elections approaches, such a revision becomes more unlikely, since its electoral costs are unequivocal.

"Everyone has a plan until they get punched in the mouth"
(Mike Tyson, philosopher, thinker and former boxer)

If we went back to the beginning of 2024, we would see that the outlook for Brazil was as optimistic as possible, because after the first year of the new government, GDP was growing at robust rates, exchange rates and inflation remained under control and interest rates were on a downward path.

The government had adopted the strategy of carrying out a more expansionary fiscal policy in its first year in office, advocating support for the most vulnerable families, who would still suffer from the effects of the pandemic, but always maintaining the commitment to respect the fiscal framework, limiting the growth of public spending.

The truth is that, almost 12 months on, economic agents, entrepreneurs and investors have been completely surprised by the government's break on its fiscal commitment, and optimistic expectations have vanished just as quickly.

Today, the outlook is much bleaker for 2025/26, as the path chosen by the government necessarily puts economic agents, entrepreneurs and investors on the defensive stance, increasing the risk of a downturn in the economy, which is already affected by tighter monetary conditions.

Economic agents will likely adjust their forecasts for the exchange rate, inflation and interest rates upwards. Entrepreneurs will likely suspend new investments and hiring. Investors will likely shorten the maturity of their holdings and reduce their exposure to risk across the board. In all segments of the economy, there should be a structural increase in demand for currency hedges.

The break on the fiscal commitment at the end of 2024 should reverberate throughout the 2025/26 biennium, opening up room for new shocks of volatility and uncertainty, especially when the electoral process begins in the second half of 2025.

As managers, our investment strategy must become increasingly defensive in response to this new scenario.

PERFORMANCE OF THE MAIN FINANCIAL INDICES:

Renda Fixa		31/12/24	MTD	3M	YTD
CDI	-	85,96	0,93%	2,63%	10,87%
IMA-B	-	9.665,42	(2,62%)	(3,34%)	(2,44%)
IMA-B 5	-	9.529,87	(0,28%)	0,79%	6,16%
IMA-B 5+	-	10.603,59	(4,37%)	(6,34%)	(8,63%)
IRF-M	-	18.276,42	(1,66%)	(2,09%)	1,86%
IMA-S	-	7.100,44	0,86%	2,65%	11,11%
Índices Globais	**País**	**31/12/24**	**MTD**	**3M**	**YTD**
Ibovespa	BRL	120.283,40	(4,28%)	(9,22%)	(10,36%)
Dow Jones	USD	42.544,22	(5,27%)	0,92%	12,88%
S&P 500	USD	5.881,63	(2,50%)	3,03%	23,31%
NASDAQ	USD	21.012,17	0,39%	6,27%	24,88%
Euro Stoxx 50	EUR	4.895,98	1,91%	(1,17%)	8,28%
FTSE 100	GBP	8.173,02	(1,38%)	(1,25%)	5,69%
MSCI Emerging	EM	41,82	(1,70%)	(7,93%)	6,49%
MSCI World	World	3.707,84	(2,68%)	0,39%	17,00%
Moedas	**País**	**31/12/24**	**MTD**	**3M**	**YTD**
Dólar/Real	USD	6,18	(3,45%)	(13,57%)	(27,18%)
Euro	EUR	1,04	(2,11%)	(6,45%)	(6,21%)
Franco Suíço	CHF	0,91	(2,91%)	(6,70%)	(7,27%)
Libra Esterlina	GBP	1,25	(1,72%)	(5,80%)	(1,69%)
Bitcoin	BTC	93.714,04	(3,84%)	54,17%	123,47%
Hedge Funds	**País**	**31/12/24**	**MTD**	**3M**	**YTD**
Ind. de Hedge Funds	BRL	5.308,86	0,36%	2,00%	5,76%

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Autorregulação ANBIMA
Gestão de Recursos

Autorregulação ANBIMA
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