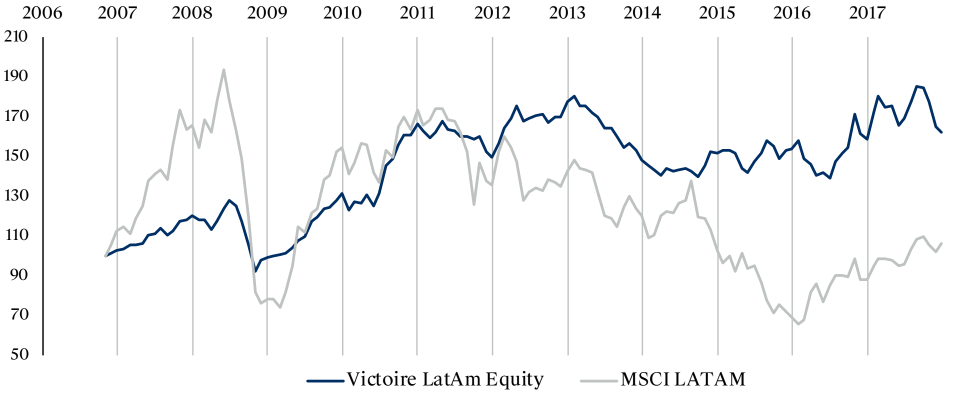
Dear Investor,

As our primary goal is to produce positive absolute return within the LatAm equity space, and given its benchmark agnostic nature and its lower risk profile relative to the markets, we would like to recap the Fund's performance in 2017 and the key themes driving the portolio exposure during the year. We are still pleased by our long term performance, well above any benchmark, but still focus on 4Q17 performance attribution.



First and foremost, on overall corporate value orientation and top down aspects, we would like to emphasize the following points:

In **Brazil**, we are concerned on valuation and what has been priced in, specifically in Consumer and in interest rate sensitive stocks where the value of future growth embedded in stock prices looked increasingly demanding. Most of the positive trend in inflation expectations and interest rate reductions must have been priced in by the market, as forward ex-ante real interest rates have shrunk from c. 9% to c. 4% in just 12 months showing how the recession and the authorities were able to break the inflationary inertia. Further flattening in interest rates and consensus inflation forecasts will have to wait the mother of all reforms (pension reform) that would help stanch the fiscal deficit over time (8% of GDP in 2017), keep under control debt dynamics and help anchor for good inflation expectations. With the rise of the alleged corruption scandals involving President Temer in May, that kept the news busy during the course of the year, the prospects for a much-anticipated reform was halted. Growth oriented stock prices are trading forward multiples not seen over the last 5 years.

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In **Argentina**, the October 2017 Congressional Elections enabled Macri to press ahead with structural reforms (tax & pension reform). Significant progress has been made since late 2015 in rebalancing the Argentine economy. The monetization of the fiscal deficit has been substantially reduced and statistical independence were restored. And by the end of the year, realistic inflation targets were set by the Central Bank. Inflation will prove to be resilient as passthroughs and wage negotiations are underway. We welcome the Central Bank decision to slowly reduce interest rates as currency weakness could add pressure on inflation expectations. This balancing act is important as Brazil recent history shows. Inflation inertia will be high and there are some tariffs adjustments still to be announced (bus fares) and, most importantly, coming wage negotiations.

In **Mexico**, after a research visit in August to Monterrey and Mexico City focusing on Consumer names, we were able to cross check the implications of 1Q17 energy tariffs increases, subsidy lifting, currency weakness and overall cost inflation (minimum wage negotiations) on corporate profitability. Inflation and growth appear to be resilient as interest rates move in tandem with the US and with domestic inflation expectations (inflation passthrough). Forward core inflation stands at 4% at the margin and forward interest rates stand close to 7.5%. Cost inflation impact on corporate profitability and GDP growth deceleration is ultimately denting ROEs in that country. NAFTA negotiations with the US has been extended into 2018. The election process is gaining momentum and we see the risks tilted towards the upside as AMLO, the populist leftist front runner, will now be challenged by Meade and the PRI machines.

Looking ahead, our portfolio is concentrated today in what we consider the most robust investment cases in Argentina (c. to 27% of AuM), Brazil (c. to 60% of AuM) and Mexico, where shorts were built on a relative value basis.

Portfolio Breakdown Report

Bottom-Up Factor Exposure

18-jan-18
Cayman Islands

BRAZIL

	COMPANY NAME	SECTOR	PORTFOLIO WEIGHT	MARKET CAP (USD mn)	EV/EBITDA 18E	EV/EBITDA 19E	PE 18E	PE 19E	DIV YIELD	EARNINGS CAGR F2Y	NET DEBT/ EBITDA 18E	12m Upside Normalized
LONG	IOCHP-MAXION	Industrial & Capital Gc	**8.0%**	1,005	5.5	5.2	16.4	13.5	2.4%	21%	2.2	**30.8%**
LONG	FLEURY SA	Consumer	**7.9%**	2,729	12.4	10.8	21.9	18.6	4.2%	17%	0.4	**32.5%**
LONG	GOL-ADR	Consumer	**7.5%**	1,742	6.3	5.9	24.9	23.3	1.3%	6%	4.2	**34.6%**
LONG	ITAU UNIBANC-ADR	Financial Institutions	**7.2%**	88,530			10.1	9.2	5.9%	11%		**12.2%**
LONG	CVC BRASIL OPERA	Consumer	**7.1%**	2,251	10.3	9.0	21.6	18.5	4.6%	22%	0.7	**26.2%**
LONG	GERDAU-PREF	Commodities	**5.8%**	7,407	6.2	5.4	30.8	20.8	1.2%	11%	1.9	**41.9%**
LONG	PETROBRAS SA-ADR	Commodities	**5.3%**	77,098	5.5	4.9	18.8	14.9	1.7%	25%	2.7	**16.9%**
LONG	COSAN	Conglomerates	**5.0%**	5,399	5.4	5.0	12.5	10.3	7.3%	10%	1.9	**28.8%**
LONG	KLABIN SA - UNIT	Commodities	**5.0%**	5,713	8.8	8.1	16.7	12.6	2.2%	21%	3.1	**21.6%**
LONG	VALE SA-SP ADR	Commodities	**4.9%**	70,548	5.3	5.8	11.3	12.0	2.3%	-7%	1.1	**34.0%**
LONG	VIA VAREJO SA	Retail	**4.9%**	3,013	7.5	6.9	24.7	21.7	1.3%	24%	2.2	**31.1%**
LONG	METAL LEVE	Industrial & Capital Gc	**4.0%**	971	7.3	6.6	12.4	11.2	8.4%	8%	0.2	**19.3%**
LONG	Long Exposure		72.6%	21,582	7.5	6.8	20.8	15.9	3.5%	14%	1.9	27.8%
SHORT	RANDON PART-PREF	Industrial & Capital Gc	**-5.0%**	758	7.1	5.9	18.3	14.0	2.1%	43%	1.5	**14.0%**
SHORT	SAO MARTINHO	Commodities	**-4.9%**	2,109	5.4	4.9	24.0	16.6	4.1%	-2%	1.4	**13.7%**
SHORT	MULTIPLAN	Real Estate & Properti	**-3.1%**	4,580	17.1	15.6	22.2	19.8	3.8%	15%	1.7	**0.5%**
SHORT	Short Exposure		-13.0%	2,176	8.8	7.8	17.1	16.4	3.3%	19%	1.5	10.7%
	Net Exposure		59.6%									

MEXICO

	COMPANY NAME	SECTOR	PORTFOLIO WEIGHT	MARKET CAP (USD mn)	EV/EBITDA 18E	EV/EBITDA 19E	PE 18E	PE 19E	DIV YIELD	EARNINGS CAGR F2Y	NET DEBT/ EBITDA 18E	12m Upside Normalized
LONG	WALMART DE MEXIC	Retail	**7.3%**	44,498	13.2	12.3	22.4	21.0	4.8%	11%	-0.3	**20.6%**
LONG	ALSEA SAB DE CV	Retail	**7.0%**	2,863	10.3	9.0	31.5	25.3	1.6%	21%	2.3	**24.2%**
LONG	Long Exposure		14.3%	24,042	11.7	10.7	12.6	23.1	3.2%	16%	1.0	22.4%
SHORT	GRUPO TELEV-ADR	Telecom, Media & Tec	**-7.9%**	11,877	8.4	7.9	41.1	33.1	1.4%	12%	2.1	**-3.6%**
SHORT	GRUPO LALA SAB D	Food, Beverages & Tol	**-5.0%**	3,931	10.4	9.4	18.2	14.3	2.6%	12%	2.8	**4.3%**
SHORT	KIMBERLY-CLA M-A	Consumer	**-4.8%**	5,769	13.7	12.4	25.8	21.5	4.3%		1.8	**7.2%**
SHORT	Short Exposure		-17.8%	7,978	10.4	9.5	7.5	24.6	2.5%	9%	2.2	1.5%
	Net Exposure		-3.5%									

ARGENTINA

	COMPANY NAME	SECTOR	PORTFOLIO WEIGHT	MARKET CAP (USD mn)	EV/EBITDA 18E	EV/EBITDA 19E	PE 18E	PE 19E	DIV YIELD	EARNINGS CAGR F2Y	NET DEBT/ EBITDA 18E	12m Upside Normalized
LONG	EMP DISTRIB-ADR	Utilities	**9.3%**	2,597	4.8	3.2	11.1	6.1	2.7%	96%	0.7	**34.0%**
LONG	PAMPA-SPON ADR	Utilities	**7.1%**	5,229	4.9	4.2	10.4	8.3	0.9%	37%	1.3	**26.1%**
LONG	GRUPO GALICI-ADR	Financial Institutions	**5.1%**	10,398			12.8	9.9	3.0%	45%		**15.1%**
LONG	TRANSPORT GA-ADR	Utilities	**5.0%**	3,750								
LONG	Long Exposure		26.5%	5,023	4.8	3.6	20.0	7.7	2.1%	52%	0.9	26.9%
	Net Exposure		26.5%									

Source: Victoire, Bloomberg

Upside 12M metrics blend

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2017 Portfolio Review

We would like to recap the Fund's performance in 2017 and highlight the key themes and positions driving the portfolio exposures during the year and particularly in the last quarter.

Our **Brazil** net exposure has evolved with the bottom-up valuation drivers. Mid-October and November price correction and 3Q17 earnings season has lead us to test individual convictions in how much future growth has been priced in by the market. Most importantly, we could not find any more Shorts to extract alpha as the overall tide of growing profitability, asset turnover and inflection trends in ROE`s would be positive bottom-up factors for stock prices in such a cyclical growth recovery even for the most challenged industry/company. We ended up 2017 with the following core exposures:

Itaú has the strongest balance sheet in the banking sector, focused on efficiency and has ability to deliver higher ROE's, benefiting from Brazil's economy improvements, with GDP growth expectation rising, unemployment falling, inflation under control and the deleverage of companies and families. All together resulting in higher disposable income, the sector is about to move into a new lending cycle with a re-risking of loan book expected to partially offset NIM pressure. Low cost from digitalization/branch rationalization and NPL normalization should enable ROE's to stay at high levels. Upside potential could be unlocked via excess capital distributed to shareholders, additional buyback programs or accretive M&As in Latin America. Our main concern is government intervention to reduce the spreads as the sector in Brazil is an oligopoly, with high barriers to entry and strong pricing power. Valuations in this scenario, **Itaú** trading at 10x EPS 2018 remained in our portfolio.

Iochpe, one of the largest wheel and structural component manufacturer for the global auto industry, is one of our largest position as we believe it will continue to benefit not only from its global footprint with NAFTA and European markets improving, although at a slower pace, but also the Brazilian auto and truck markets recovery from very depressed levels. It should be able to further deleverage owing to its operating performance. Trading at an attractive valuation (5.5x EV/EBITDA 2018), the risks we are monitoring are the translation effects of their Mexican/US/Europe FX exposures and NAFTA negotiation impact as well as potential dilution from debt conversion.

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Gol, Brazil's largest airline group, has been doing its homework, it had reduced its unit cost from 8 cents per CASK (cost of available seat per kilometer – ex-fuel) in 2014 to 4 cents in 2017, becoming one of the lowest cost in the world, able to generate above guidance EBITs (oil prices and currency helped), owing to yield recovery. Load factors are above 80% in the industry and we believe that potential oil price increases would be easily passed through in ticket prices. Credit agencies have upgraded its debt maintaining a positive outlook and we still see upside for patient equity investors (as deleveraging has further to go).

During last semester, our weighting in the commodity sector has evolved in tandem with the global synchronized growth forecasts and we have added **Petrobras**, **Gerdau** and **Klabin** (the latter was added earlier in the year).

On **Gerdau**, we would like to highlight the supply rationalization in China and the potential positive impact on protectionist measures in the US. EBITDA margins are expected to recover over the coming quarters to 15%, due to divestments in US (low margin businesses) as well as price increase in Brazil. Top line growth and volume will slowly recoup with the construction/ infrastructure CAPEX. Improvements in governance practices were positive, as the family left its executive roles and moved to the Board.

Petrobras came back to our portfolio after underperforming the market quite substantially. With steady oil prices, consolidated domestic pricing policy and most of the legal US settlements behind, we now see at these valuation levels interesting upside potential supported by a deleveraging story owing to currency strength (impact on foreign denominated debt) and asset sales (i.e. recent IPO of BR Distribuidora).

Klabin, with the new pulp plant (PUMA) running at full capacity and the Brazilian recovery at sight, new management will be tested on its ability to increase prices downstream to help margins and deleverage. Although, we believe a correction in pulp prices is looming, the company will be favored by a constructive domestic macroeconomics dynamic. Under our conservative scenario, with volume growth and gradual price increase, margins should reach 35% on average in 2018 and leverage will end up close to 3.0x (down from 5.3x in 2016), which should be accretive for equity holders.

The negative 4Q17 performance was impacted especially by three Brazilian names:

Our long position in **Brasil Foods**, built at the end of 3Q17, was the largest detractor to our portfolio in the 4Q17. We may have overestimated our target metrics as the underlying vectors of ROE that we expected (margins recovery on the back of lower grain prices and asset turnover) were not crystallized. 2012 Operating margins of 17% will be difficult to be achieved in the near future as the company is struggling with the lack of leadership (CEO turnover, disappointed shareholders) and challenges to manage a multi-brand and multi-country/culture company. The de-rating process unfortunately had further to go and the challenges ahead lead us to fully divest from the position.

The short position in **Embraer**, the aircraft (commercial, executive and military) and defense systems manufacturer, was built in October 2017 based on our understanding that margin pressures and strategic challenges were building up. The C-series partnership between Airbus and Bombardier structurally increased those challenges for Embraer in the narrow body segment. Furthermore, the size of the backlog and the roll-out of the E2 (new commercial jets model) and KC390 (military airplane) was expected to result in a lower production scale and overall margins and was confirmed to us by Embraer's guidance of low single-digit margins in the 3Q17 release. A potential JV partnership with Boeing, that was announced on December 21st, was the only concern we had mapped in our process, but the veto powers coming from the golden share was, somehow, a "guarantee" that a takeover was unlikely. Having discussed that internally, we decided to exit the position the next day.

The short position in **Randon**, the leader in Brazil for the truck-trailer industry, was one of the detractors to recent performance due to a price rally, reflecting a more benign short-term/ momentum the company is experiencing. We remain convinced that current valuations are pricing not only a goldilocks cyclical recovery but also an ability to keep increasing its market share in a highly fragmented industry, where pricing power is still inexistent. Trading between 7x to 9x 2018 EV/EBITDA and 18x to 20x 2018 PE, we decided to maintain the Short, reducing its size at the beginning of 2018.

Argentina

During the year, the portfolio was exposed with 2 and then 3 names in Argentina very much tilted towards (1) the liberalization of tariffs in the utility sector as subsidies are being lifted and (2) in banks with **Banco Macro** initially and then **Banco Galicia** as strong loan growth (40%+) with stable NIM's kick in. The overall net exposure during the year was close to 20% and was the largest positive contributor to performance. Pro-market reforms and the lifting of a decade long of subsidy in energy tariffs are strong ingredients to offset the embedded currency risks in our view. Margin expansion in **Pampa** and **Edenor** are slowly reflecting tariff adjustments and are trading today at a 50% discount vis-à-vis Brazilian peers on a growth adjusted basis. Consolidating the regulatory framework and EPS growth are the main drivers.

Banco Macro (we sold after the CEO and larger shareholder was named in a corruption scam) and then **Banco Galicia** investment cases are strong enough valuation wise and should offset potential currency depreciation. There is plenty of room to expand credit terms for consumers and corporations which should be positive (in terms of mix) for margins (NIM's). M&A activity represents additional potential catalysts for Argentine banks. The top 5 Argentine banks concentrate 58% of deposits and 51% of loans, compared to 70-75% range in Brazil, Chile, Colombia and Mexico.

It is worth highlighting that our long exposure to **Banco Macro** (6% on average during 2017) was one the largest detractors to 4Q17 performance and the decision to switch to **Banco Galicia** as we thought that the scam could weigh on valuation metrics for a longer period that we would like to.

Mexico

The portfolio overall exposure to Mexico reflects our limited visibility on NAFTA, on elections but also on a resilient inflation. The 3Q17 earnings season showed how energy price liberalization, sugar price increases, wage increases as well as currency weakness could impact the corporate sector who will fight the passthrough cost inflation to customers. Margin compression and lower asset turnover (economic deceleration) are behind de-rating stories and wonder how much has been priced in. By the end of 2017, our top holdings were Shorts:

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Televisa is struggling with its core product (content production/advertising, down 8% YOY) and will need to invest heavily to revert materially its performance on ratings. We cannot see how adds can bounce back taking into account the current shift from traditional broadcasting to new media and wonder if Pay TV penetration in Mexico is saturated. Broadband growth should not suffice to offset. In our opinion, valuations still do not reflect the structural challenges for the business.

Kimberly Clark is struggling with cost inflation. Most of the expected top line growth will be driven by its ability to increase prices (and not volume). Higher fiber and energy costs as well as higher distribution expenses will still weight on operating margins even with all the cost cutting initiatives. Currency volatility could add to its woes. Valuation wise, we believe that margins will be low for longer and the company does not deserve the multiples its trading at.

Lala deployed its cash in a Brazilian business we know quite well. Vigor's acquisition is risky as most of the synergies lies at Itambé destiny its milk supplier (50% owned by Vigor). Management was taken by surprise as CCPR, the other shareholder exercised its call option to buy back Vigor's stake and sold it a month later to Lactalis. Challenges in running Vigor in Brazil, extracting possible cross selling opportunities cross country is arguable. We see Lala's move as somehow rushed. Although Mexican/Central American operating margins are recouping, we see Vigor acquisition as highly dilutive management wise and operating wise.

Our Long exposure in Mexico and largest detractor was **Gruma**, a family-owned business dedicated to corn based tortilla. The firm has a strong USD exposure, having 75% of EBITDA generated in the US, given the increased local Hispanic population and the increasing appeal to locals of ethnic food. We were well aware that depending on currency shifts our top line assumptions could be over/underestimated (translation effect) but we still expected management, focused on reducing the numbers of SKUs (from 2013 onwards), to better manage commercial strategy and improve operating margins (that reached 16% in 2017 versus 8% in 2012). There is limited scope for growth in the Americas, reason why we considered the company a potential target for acquisition.

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We added **ALSEA**, a family controlled retail/franchise operator, with a clear skill set to operate franchises in the region. With improving ROIC's, long term fundamentals across key brands remained intact: digital platform at Domino's and new loyalty program, Starbucks fundamentals remain solid and, for now, solid results at the Argentine Burger King operation (at least on the top line front). Our positive views over the improvements they made in terms of corporate governance and their impressive focus on technology adds up to the thesis.

Business Update

During the last semester, we successfully concluded the process of consolidating our investment strategies for the region under a single one - the LatAm Equity, with specific vehicles for Brazilian and international investors (via Cayman Islands). We invite you to revisit our 1H17 letter to understand what's behind our decision.

Our absolute return LatAm Equity Strategy enables us to have a single mindset for investment decisions, but also fosters team orientation and common understanding of capacity sensitivity. The team, and more specifically, the junior partners were further re-aligned equity wise from 4.5% to 16.5% of Victoire Investimentos, the Brazilian regulated investment management company, and should over the coming months further receive more equity stake. Increasing skin in the game is paramount and the trust deposited on them shall compensate. Salaries and overall expenses were brought down to allow the net cash position of the company to cover recurrent operating expenses for almost 4 years. In this downsizing process, the investment team was the least impacted and still represent the largest function of the firm - 5 out of the total of 7 managing partners are dedicated to investments. The managing partners have currently more than 18 years of experience on average in the equity asset management industry.

With 9 executives, we decided to move our location to a new office, that we already feel like our new home. We'll be happy to have you next time you come down to São Paulo.

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