

Assessment Announcement

Moody's Local assigns MQ1.br to ARX Investimentos LTDA.

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Moody's Local BR Agência de Classificação de Risco Ltda. ("Moody's Local") has assigned an Investment Manager Quality Assessment of MQ1.br to ARX Investimentos Ltda. ("ARX"), reflecting its excellent management characteristics. ARX is a Brazilian asset management company, controlled by The Bank of New York Mellon Corporation, based in Nova York-NY. As of September 2023, ARX's assets under management (AUM) totaled BRL31 billion.

ASSESSMENT RATIONALE

ARX's assessment is based on (i) the company's disciplined and process-oriented investment methodologies, (ii) support and oversight of its parent, (iii) solid risk-adjusted performance of its funds, and (iv) strong risk management and compliance procedures. The key challenges ahead for ARX are (i) maintaining its market position in a competitive environment, (ii) sustaining risk-adjusted investment performance above its peers, and (iii) retaining the investment team, reducing historical key-person turnover.

The company holds a relevant market position in credit and fixed income funds, considering its AUM, and also manages equity and multimarket funds, in addition to its recently launched real state fund. Considering the wide range of strategies, the investment process is oriented towards capital preservation and long-term results. The equity investment team follows a bottom-up investment approach based on fundamental analysis that employs proprietary models and methodologies, enhanced by macroeconomic analysis of economic cycles and trends. Portfolios are composed of companies that present the best risk-return relationship, aiming for achieving long-term results.

The investment identification methodology and the ability to adapt to the funds' objectives are factors that we consider positive when evaluating the decision-making process. The investment process is disciplined, based on policies and guidelines defined in multiple committees. Risk management is integrated to the investment process, and the team follows consistent guidelines to monitor market risk, such as exposure, value at risk (VaR), in addition to credit and liquidity risk.

Regarding the funds' performance, ARX had an adequate risk-adjusted performance related to its peers, when analyzed over the last 36 months ending in September 2023. Fixed income open pension funds, credit funds, multimarket open pension funds and fixed income funds, performed above the median of their respective peers and benchmarks in the period.

ARX was founded in 2001 as an independent asset management company, and was acquired in 2008 by The Bank of New York Mellon Corporation, BNYM Group's parent. The asset management company experienced a relevant employee turnover, especially among its main partners and key-personnel of the investment team, resulting in a reformulation between 2015 and 2017. Since then, the company has achieved a significant increase in its AUM, strengthening its financial performance and expanding investment strategies.

Moody's Local noted that the company's financial flexibility benefits from the financial support of its parent, BNYM Group, which has provided support to ARX through investments in technology infrastructure, oversight of its operations, and financial support to expand the business and retain professionals.

ARX is classified as MQ1.br, the highest level of the Investment Manager Quality scale. The assessment would face downward pressure if (i) funds' risk-adjusted performance deteriorate significantly, performing under their benchmarks and peers, being placed in the 3rd quintile for a long period of time, (ii) substantial decrease in AUM, with material impacts on the financial profile, (iii) significant deviations from the investment process, exposing the company to operational risks, (iv) turnover of the investment team key-personnel, and (v) decrease support from its parent.

APPLICABLE METHODOLOGY

The principal methodology used in these ratings was the Investment Management Quality (MQ) Assessments of Asset Managers Framework, published on June 24, 2021, available in the section for Assessments at www.moodylocal.com/country/br.

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