"IN POLITICS, THERE ARE NO CONVICTIONS, ONLY CIRCUMSTANCES"[1]

Robert Caro, renowned for his biographies of Robert Moses[2] and Lyndon Johnson[3], aimed not only to portray the lives of extraordinary figures but to highlight the underlying forces shaping an era – particularly political power and its often hidden influence on daily life.

A striking example of such power is the story of the Triborough Bridge, connecting Manhattan, Queens, and the Bronx. The bridge's seemingly illogical route – descending along the East River in Queens, reaching down to 100th Street, then climbing again to cross at 125th Street before looping back – was no accident of chance or engineering ingenuity.

In 1934, while Moses struggled to launch the project amidst economic depression and political opposition, William Randolph Hearst, one of the era's most powerful media barons, owned a block of tenements on 125th Street. After the 1929 crash, these properties had become a nightmare. Moses realized that by routing the bridge through 125th Street and expropriating Hearst's buildings, he could solve the tycoon's real estate problem and secure the political backing needed for the project.

Thus, the decision to divert the bridge to 125th Street, rather than following a geographically logical straight line, was driven by political interests and backroom negotiations. Today, almost 90 years after the bridge's inauguration, more than 170,000 cars make the journey daily, wasting time and fuel on a route that is five kilometers longer than necessary. An emblematic example of society in service of political power.

As Robert Caro masterfully illustrates, political influence manifests in seemingly trivial details which, cumulatively, shape urban life, the daily routines of millions, and ultimately guide our economic destiny.

Understanding prevailing political dynamics is never straightforward. Nevertheless, without a careful assessment of their impacts on the economy and the companies we invest in, we risk overlooking an essential element for evaluating potential scenarios and their consequences with clarity.

[1] Honoré de Balzac, French novelist renowned for his penetrating portrayals of society and the power games of his era.

[2] Robert Moses was New York's foremost urban planner of the twentieth century, amassing power without ever holding elected office and reshaping the city through monumental infrastructure projects.

[3] Lyndon B. Johnson served as President of the United States from 1963 to 1969. He took office after John F. Kennedy's assassination and the following year won election to a full term.

"EVERY LIVING BRAZILIAN IS A MIRACLE."[4]

In the mid-1960s, Roberto Campos[5] described Carlos Lacerda[6] as delusional, dependent on catastrophe to sustain his messianic persona. Six decades later, this type of characterization has evolved into a standard practice among the political class – now amplified by social media, replacing the journalistic editorials of the past. The phenomenon ranges from Donald Trump's rise to Brazil's populist duo.

Jair Bolsonaro, dominated by an evident persecution complex, stoked apocalyptic fears through crude and rudimentary methods of confrontation while conjuring up dystopian illusions. His messianic obsession centered predominantly around the conservative moral agenda. He multiplied perceived enemies within a spectrum of absurdities, ranging from the supposed villainy of vaccines to allegations of fraud in electronic voting machines and the so-called "gay kit."

Conversely, President Lula's government appears to have chosen the market economy as its antagonist. Initially, this stance seemed merely a political maneuver; today, however, it is clear that it reflects the President's primitive economic thinking – the root of the current fiscal impasse.

Economic indicators are thus interpreted not as results of complex interactions but as tools for premeditated political action – allegedly orchestrated by imaginary elites and an independent Central Bank sabotaging sustainable and egalitarian development. This outdated leftist ideology continues framing reality as a simplistic battle of good versus evil.

Immediately after the election, hope fostered the illusion that this entire charade might simply be a clever political maneuver. Perhaps it was the act of a Brechtian character – the actor who steps back from the role and critically reflects on his own performance. Possibly an exercise in calculated cynicism, designed to construct a convenient scapegoat to justify the challenges of a government already born amid the debris of the traditional electoral spending binge in a desperate bid for re-election. Gradually, however, it became clear that Lula was not acting. He believes in his own script. And this flirtation with fantasy could once again trap us in an economic policy disconnected from reality, with dangerously familiar echoes of Dilma Rousseff's administration.

The current government is committed to addressing Brazil's unfair and unjustifiable tax breaks[7], but it avoids fighting the real battle: reforming mandatory public spending. Notable among these are the constitutional spending floors for health and education, which continue to grow in real terms as they are indexed to tax revenue. Pension benefits are another poorly targeted social expenditure, since they are linked to the minimum wage and consistently outpace inflation. Ideological resistance and attachment to outdated economic taboos skew the discussion exclusively toward increasing revenues, while any attempt to curb

---

[4] Ivan Lessa was a Brazilian writer, journalist, and columnist who contributed to the satirical newspaper "*O Pasquim*" and spent decades working for the BBC in London.

[5] Roberto Campos was a Brazilian economist, diplomat, and politician who played a pivotal role in Brazil's economic liberalization and modernization during the 20th century.

[6] Carlos Lacerda was a Brazilian journalist and politician known for his fierce opposition to populist leaders and his central role in the political crises of mid-20th-century Brazil.

[7] These concessions, often justified as incentives for job creation, end up offset by tax increases in other sectors or higher public debt. They typically benefit hand-picked industries influenced by powerful lobbies or questionable practices. Paradoxically, the result tends to be job losses, either due to rising interest rates from increased debt – which discourages productive investment – or higher taxes burdening non-benefited sectors, reducing their hiring capacity. A vicious cycle disguised as stimulus policy.

spending is swiftly criticized and condemned[8] – a problematic strategy that can be explosively pro-cyclical when combined with the constitutional transfers to states and municipalities[9].

Ultimately, the tax burden is already excessive and overly complex. There is no hidden treasure in Brasília awaiting discovery. Previous administrations have exhausted obvious inefficiencies and fiscal miracles, resisting spending cuts like Superman resists kryptonite[10]. Desperation often leads to unrealistic budget projections, overestimating the impact of eliminating certain subsidies or betting on exaggerated recoveries from CARF[11]. They underestimate the intelligence of economic agents, attempting to sway them through faith rather than reason.

Although Brazil's economic performance in recent decades has been disappointingly modest – largely due to structural fiscal imbalances – it must be acknowledged that significant expansions in public spending through social programs have substantially reduced extreme poverty. Addressing the country's long-standing social debt marks an important progress. The challenge lies in reconciling the obligation to rectify the past with the desire to secure future prosperity.

The interplay between the expected demographic decline[12] and the chronically low investment-to-GDP ratio paints a troubling outlook. As economic slack is exhausted, relentless government spending erodes national savings[13] and keeps Brazil trapped in structurally high interest rates.

This dynamic defines Brazil's fiscal paradox: expansionary fiscal policy requires contractionary monetary policy as a balancing factor to contain inflation. Consequently, the country endures persistently high interest rates and heightened risk perception. Not surprisingly, the stock market is enduring a prolonged winter.

This context calls for a more careful reflection on the macroeconomic dynamics, the roadmap required for a potential course correction, and the challenges involved in its implementation. These factors are inevitably factored into asset pricing, even if only one of the possible scenarios investors must consider.

Since the economic stabilization in 1994, policy discussions have repeatedly emphasized protecting social expenditures from budget adjustments. In practice, this approach has served as a free pass for the continuous expansion of such expenditures in each electoral cycle, without rigorous evaluation of their efficiency.

---

[8] Déjà vu of the PT's first act in power: between 2003 and 2014, the federal government's net revenue grew by 84%, while expenditures surged by 114% in real terms. When the tide turned and revenues cooled, the fiscal outcome collapsed, sending gross debt from 60% to nearly 80% of GDP within just a few years.

[9] When raising revenue carries no political cost, local governments spend more to meet immediate demands and strengthen support. Revenue-driven fiscal adjustments avoid federal spending cuts and boost subnational expenditures. Ultimately, this risks long-term expense growth based on short-term revenues, thus creating a problem for future generations.

[10] President Michel Temer's government is the exception that proves the rule.

[11] Administrative Council of Tax Appeals (Conselho Administrativo de Recursos Fiscais - CARF). The Judiciary, in its moderating role between Legislative and Executive disputes, has increasingly consolidated itself as a significant political actor, consistently favoring the Treasury in billion-dollar tax disputes to help balance public accounts.

[12] We will reach the peak of the Economically Active Population around 2030, while the elderly population is expected to double by 2040 – a volatile combination of increased pension spending with fewer people to share the burden.

[13] The consumerist pressure generated by state income transfers reorganizes society to meet this consumption, ultimately reducing resources available for investment. These resources are not only financial but also human and symbolic, as they influence the spirit of society and its organization.

In a recent article[14], economist Fabio Giambiagi presented some figures that help shed light on this debate. LOAS welfare benefits[15] rose from 0.1% to nearly 1.0% of GDP since 1997. Rural pension benefits increased from 0.7% to 1.7%, while urban minimum wage benefits climbed from 0.5% to 1.6%. Spending on unemployment insurance and bonuses rose from 0.5% to 0.7%, despite lower unemployment rates. The *Bolsa Família* program expanded from 0.4% of GDP – serving 13 million families with R$200 per month – to 1.5%, supporting 21 million families with R$650. Altogether, total welfare expenditures[16] already represent 5% of GDP, or 25% of total federal government spending.

Meanwhile, expenses with federal public servants, a usual scapegoat, declined from 5.1% to 3.1%[17] of GDP since the Real Plan. Overall, the federal government's primary expenditures rose from 14% to 19% of GDP, mainly driven by the expansion of social spending.

It is essential to approach this debate with the maturity the issue demands, to move beyond simplistic rhetoric, and to confront, with intellectual honesty, the reality of government programs that consume substantial resources without delivering proportional impact. Refining the diagnosis and discussing social spending allocation based on evidence rather than taboos or slogans is an indispensable step toward any sustainable progress. This discussion has been largely suppressed. Political polarization has transformed almost everything into an electoral tool and distanced academia from productive conversation, hindering a dialogue grounded in data. And those who do not know where they want to go rarely realize when they are already lost.

Fortunately, this time we do not need to mobilize an entire generation of brilliant economists to decipher how to escape rampant inertial inflation. The country has made remarkable progress over the past three decades. We have overcome two of the three economic challenges of the last century: we defeated hyperinflation and resolved the balance of payments imbalance. Now we must address the fiscal deficit and, consequently, the trajectory of public debt. For this, today we benefit from more robust institutions, more reliable data, and transparent indicators that function effectively. Correcting course will require far less effort than in the past. There is no need to reinvent the wheel: adjusting social benefits linked to the minimum wage to grow just slightly above inflation would alleviate much of the fiscal pressure[18]. What is truly lacking is the political will and courage to implement measures that are beneficial to society in the long run, even if it may be misunderstood in the short term.

An encouraging sign is that, on the microeconomic front, Brazil has begun to take meaningful steps forward. The capital allocation cycle underwent significant changes beginning with the Michel Temer administration. Regulatory modernization, the Central Bank's reform agenda and a set of institutional advances have been quietly transforming Brazilian capitalism.

---

[14] "Programas sociais: outra abordagem", published in the newspaper O Globo on May 2, 2025.

[15] The Continuous Cash Benefit (Benefício de Prestação Continuada - BPC), established by the Organic Law of Social Assistance (Lei Orgânica da Assistência Social - LOAS), guarantees a monthly minimum wage to elderly individuals aged 65 or older or to persons with disabilities of any age.

[16] Including LOAS, salary bonuses and unemployment insurance, rural pension benefits, and *Bolsa Família* and *Auxílio Brasil* programs.

[17] This figure does not include expenditures by states and municipalities, which, despite the Fiscal Responsibility Law and recent strong revenue collection, often remain close to the prudential alert limits.

[18] Even if the impact on the primary balance is not immediately evident – since higher spending partially boosts revenue – the resulting inflationary pressure strains public finances while raising the economy's neutral real interest rate. Consequently, higher interest payments add fuel to the already explosive dynamics of public debt.

In fact, this institutional evolution began in the twilight of Dilma Rousseff's administration in 2016. Amid the political crisis and the scandals of Operation Car Wash, with Petrobras at the epicenter, the State-Owned Enterprises Law was proposed. The new legislation established stricter governance rules, enhanced transparency, and sought to limit political interference in public companies, aiming to curb corrupt practices and raise the standard of state management.

Subsequently, the Temer administration introduced the Spending Cap (*Teto dos Gastos)*, decisively – albeit temporarily – halting the uncontrolled growth of public spending, including those related to health, education, and the minimum wage. This paved the way toward an equilibrium with real interest rates comparable to those in more developed economies. Additionally, Temer's government initiated a series of structural reforms that represented a significant turning point in public policy. Today, many observers miss the political skill of Temer and Padilha.

In 2017, the government approved the long-awaited Labor Reform, modernizing Brazil's labor laws. The reform allowed collective agreements to prevail over existing legislation on various points, made work schedules more flexible, and introduced new hiring models, thereby expanding autonomy in labor relations.

In the economic sphere, the government ended the TJLP, a subsidized and opaque interest rate that for years distorted capital allocation in the economy. In its place, the TLP was introduced, indexed to market-determined real rates (NTN-Bs), bringing greater predictability, fiscal rationality, and alignment with market conditions. This shift represented a decisive advance towards a more efficient credit policy, less vulnerable to political interference, and grounded in stronger governance principles.

In 2019, a stronger Ministry of the Economy – led by Paulo Guedes – was created by merging several departments. After intense negotiations with Congress, the important reform of the pension system was approved. This reform played a vital role in containing spending growth and, although it did not solve the issue of pension deficits structurally, it at least deferred the issue further into the future, buying time and fostering greater sustainability for the coming years. By establishing a minimum retirement age and new contribution rules, the country achieved greater fiscal predictability and a more robust actuarial balance. That same year, the Economic Freedom Law (Lei da liberdade econômica) represented a significant advance in reducing bureaucracy. By simplifying and removing regulatory obstacles, it fostered a more favorable environment for private investment and job creation[19].

The Bolsonaro administration established significant regulatory frameworks that left a lasting legacy on Brazil’s economy and government efficiency. The Legal Framework for Startups (*Marco Legal das Startup*s) enabled experimental regulatory environments (sandboxes) and strengthened the rule of law by protecting angel investors from liability for company debts, thus modernizing the country's innovation and entrepreneurial ecosystem. Meanwhile, the new Sanitation Framework (*Marco Legal do Saneamento*) laid the foundations to attract investments and accelerate progress toward universal access to treated water and sewage collection

---

[19] Compass, a Cosan subsidiary focused on natural gas and one of the fund's investments, exemplifies a notable case. A dispute arose between the National Petroleum Agency (ANP), ARSESP – the São Paulo gas regulator – and Comgás, controlled by Compass, concerning the metropolitan reinforcement pipeline known as Subida da Serra. Due to this impasse, the ANP failed to rule within the regulatory deadline on the operating authorization for Compass’s São Paulo Regasification Terminal. Leveraging item IX of article 3 of Law 13.874/2019 (Economic Freedom Law), which grants tacit approval upon regulatory silence, Compass obtained legal backing to proceed. This provision allowed Compass and gas consumers in the state of Sao Paulo to fully benefit from the new terminal.

and treatment[20]– likely among the initiatives with the highest social and economic returns from both public and private investment standpoints.

Other important advances include the Gas Framework (*Marco do Gás*) which, combined with the Termination Commitment Agreement (*TCC*) between Petrobras and CADE, liberalized the market, enhanced competitiveness, and attracted new investments to a critical sector in the energy transition. In 2022, the Railway Framework (*Marco das Ferrovias*) was enacted aiming to reduce transportation costs and expand the railway network, encouraging private investments for this infrastructure.

In addition, the administration approved the long-awaited legal independence of the Central Bank – a landmark institutional achievement that strengthened the credibility of monetary policy. It also advanced key elements of labor reform, such as regulation of intermittent and remote work, adapting legislation to evolving market dynamics. In this process, the administration undertook a comprehensive effort to consolidate and streamline regulations, eliminating hundreds of outdated rules, reducing regulatory complexity, and enhancing legal security in labor relations. Furthermore, it successfully privatized Eletrobras, putting an end to a history of successive political interference in the company.

The current government, under President Lula's leadership, has lost itself in outdated economic ideology. Nonetheless, it has advanced some meaningful reforms. The Guarantees Framework (*Marco das Garantias*), for instance, established a unified system for credit guarantees, improving access to financing and reducing risk for lenders in an essential step toward boosting the country's credit market. The *Pé-de-Meia*[21] program has significant potential to reduce dropout rates in public schools, while offering a more straightforward mechanism for measuring its progress – potentially ushering in a new generation of social benefits that are more modern, targeted, and efficient. Additionally, private payroll-deductible loans, still at an early stage, present a tangible opportunity to foster economic development by structurally reducing credit spreads and ultimately becoming another catalyst for growth.

Another major initiative is the Tax Reform, still in the regulatory process, which aims to simplify Brazil's intricate tax system. The proposal seeks to unify consumption taxes, enhance economic efficiency, promote greater fiscal fairness, and alleviate the current chaos that burdens businesses and taxpayers with a tangled web of complex rules and high compliance costs. We can only hope that the effective VAT rate does not end up being so high as to increase informality in the country.

---

[20] The 1988 Constitution designated municipalities as the granting authority for sanitation concessions, but service provision remained centralized in state-owned companies, strengthened since the 1970s by the National Sanitation Plan, which concentrated investments through state enterprises and Caixa Econômica Federal financing. This arrangement created institutional misalignment and stalled investments for decades. The new framework addresses these distortions by setting universalization targets, requiring competitive bidding, linking regulatory standards to federal funding, and promoting regional consortia to reduce municipal veto power.

[21] The Pé-de-Meia program combats school dropout through a savings model for low-income students, providing additional income as a direct incentive to complete high school. Though well-designed, the program must be anchored in the public budget, impacting the primary fiscal target and subject to the rules of the new fiscal framework.

"GOD IS BRAZILIAN AND WALKS BY MY SIDE / AND THIS WAY I CAN'T SUFFER FROM LAST YEAR / I'VE BEEN BLEEDING / CRYING LIKE A DOG / LAST YEAR I DIED / BUT THIS YEAR I WILL NOT"[22]

Unfortunately, part of this hard-earned progress has been eclipsed by a misguided narrative promoted by the current government, which insists on disregarding fiscal discipline while framing "the market" – an abstract, conveniently vilified antagonist – as a political enemy alongside supposed economic elites. As previously noted, this posture has increased the cost of capital, eroded confidence, and impeded recent reforms from delivering sustainable growth and concrete benefits to the population. Nevertheless, it is essential to put in perspective the progress achieved and acknowledge the ongoing institutional transformations.

Unlike previous cycles characterized by heavy state intervention in capital allocation – whether through subsidized loans from public banks or direct investment by large state-owned enterprises, often culminating in misallocated resources, economic collapse, prolonged stagnation, and painful recoveries – the most recent cycle has exhibited a distinct feature: investment has been predominantly driven by the private sector. This shift was enabled by a brief period of lower interest rates and the authorization to issue tax-exempt bonds, which fostered the development of a more dynamic and accessible capital market, allowing it to fulfill its role as a long-term financier of the economy[23].

Today, Brazil has already benefited from years of substantial infrastructure investments across sectors such as electricity, highways, ports, and railways. Our portfolio companies, including Equatorial, Energisa, Compass, Rumo, Motiva, and Eneva, have undertaken significant projects and delivered attractive returns on capital.

Moreover, the services sector has consistently improved its productivity, propelled by innovative companies such as Mercado Livre in e-commerce and Nubank in financial services. Two founders – one Argentine and the other Colombian – are spearheading meaningful transformations in two of Brazil's most critical economic sectors. The most dynamic economies are often shaped by the contributions of immigrants and foreign-born companies. It is precisely these actors who drive the virtuous cycle of dismantling outdated models, challenging complacent incumbents, and building more productive businesses – the engine behind countries that lead global growth.

Companies clinging to obsolete models and delivering declining returns have been left behind, bearing the brunt of the monetary tightening cycle. In oil and gas, increased competition has modernized the sector. New entrants who took risks testing innovative technologies have been rewarded with substantial economic gains. Meanwhile, agribusiness continues its rapid expansion with consistent productivity advances. The private sector is finally cementing its role as the driving force behind a still inefficient state. Churchill's observation remains timely: "Some regard private enterprise as a predatory tiger to be shot. Others look on it as a cow they can milk. Only a handful see it for what it really is – the strong and willing horse that pulls the whole cart along."

---

[22] Excerpt from the song *Sujeito de Sorte* by Belchior

[23] It is worth recalling the risks of a government that insists on leading investment cycles as if it were immune to corruption, resource misallocation, and clear technical limitations. The projects launched between 2008 and 2014 offer a vivid illustration of these consequences. Taken together – the Abreu e Lima and Comperj refineries, Sete Brasil's naval ambitions, Belo Monte and Santo Antônio power plants, the Transnordestina railway, World Cup stadiums, and airport projects – they consumed hundreds of billions of reais in poorly allocated capital. Structural transformation was promised, yet what materialized was merely a stark reminder that repeating the same mistakes while expecting different outcomes is not economic policy – it is stubbornness, excessive ambition, unfounded confidence, and the age-old disguise of private interests cloaked in the rhetoric of public virtue.

In this context, it is fair to question whether econometric models underestimate the true growth potential of the Brazilian economy. It is no coincidence that economic forecasts have been continuously revised upwards in recent years, incorporating more robust GDP growth. In the medium term, the tax reform should further enhance capital allocation efficiency and, in turn, productivity.

Our enduring inferiority complex – a chronic skepticism deeply embedded in the mindset of those who persist in investing in Brazil – coupled with news reflecting a harsh reality still marked by income inequality, public security failures, and structural deficiencies in education, often prevents us from recognizing the institutional advances achieved. These advances, it bears emphasizing, were extracted by society from a political class resistant to change and preoccupied with parochial disputes and agendas detached from the public interest. Although gradual and fragmented, these achievements have over time contributed to building a more robust institutional environment that is conducive to economic development.

Should the dark clouds currently looming on the horizon disappear, growth could accelerate, as the foundations for sustained expansion have been progressively laid.

At the microeconomic level, the elevated cost of capital – a consequence of the government's outsized fiscal appetite – may create opportunities for leading companies with access to credit to expand their market share. These companies are likely to invest more strategically, growing profitably and potentially experiencing significant multiple expansion as the current government loses political prominence or expectations of greater fiscal stability take hold.

Analyzing the companies in which we invest, we observe an equity risk premium significantly above historical norms[24]. Forced liquidations across various local funds amid substantial redemptions, coupled with outflows of foreign investors, have depressed stock prices. For the first time in years, it is possible to envision a dual movement: a decline in long-term interest rates accompanied by a compression of risk premiums – a powerful combination that could significantly lift stock prices once confidence in this outlook solidifies.

Within our portfolio, most regulated companies exhibit internal rates of return – calculated as discounted cash flows relative to market value – above 12% in real terms[25]. Among market leaders with robust business models and well-established competitive positions, multiples exceeding 10 times earnings are the exception rather than the rule.

After a prolonged period of headwinds for Brazilian equities, claiming that assets have seldom been this attractive may understandably provoke skepticism. Yet it is essential to recall that equity returns rarely follow linear trajectories. Typically, in moments when conditions shift rapidly – such as an abrupt increase in long-

---

[24] The equity premium represents a bet on the future, inherently involving tension between expectations and actual outcomes. Over the past two decades, these expectations have consistently frustrated dedicated equity investors. However, in the forthcoming cycle, portfolio companies are concentrated in sectors that have historically earned their cost of capital – utilities and oligopoly leaders. One important caveat: the strong equity returns of the 1980s and 1990s for investors in businesses that endured, largely stemmed from a pronounced decline in long-term real interest rates. This movement could not have been captured through fixed income instruments at the time, given the absence of securities with matching duration. Since NTN-B bonds were introduced only in 2000 under President Fernando Henrique Cardoso, demand for long-duration exposure flowed almost exclusively into equities. Moreover, amid external debt renegotiations and uncertainty over inflation adjustments of public liabilities, equities appeared safer than government bonds. Therefore, what occurred was not a classic compression of the equity premium, but rather a structural distortion that funneled capital into equities – unlike the broader allocation across multiple asset classes that we observe today.

[25] A risk premium of 500 basis points taking as reference the NTN-B 2060, the fixed-income security with the closest duration.

term interest rates capable of surprising even the most vigilant market participants – the gap between price and value tends to widen, laying the groundwork for potentially strong prospective returns.

In this scenario, resilience becomes an indispensable virtue for long-term investors, particularly because the opportunity cost of patience paradoxically rises during these periods, as evidenced today by a short term interest rate approaching 15% per year.

From a more technical standpoint, investors remain substantially underinvested in Brazilian equities. Domestic investors continue to favor fixed income instruments, which have gained prominence in recent years, while foreign investors maintain historically low allocations to emerging markets and bet instead on American exceptionalism – a thesis increasingly undermined by the populist and irrational impulses of U.S. leadership. This is a type of political volatility to which we are more accustomed in Brazil. Should fund flows reverse, the local equity market may well lack sufficient supply to absorb the surge in demand.

"EITHER BRAZIL PUTS AN END TO THE LEAFCUTTER ANT, OR THE LEAFCUTTER ANT WILL PUT AN END TO BRAZIL.[26]"

The collective effort to build Brazil's institutional framework since the Real Plan, despite its advances and setbacks, has positioned Brazil not only for survival but also for growth. Over the past three decades, during rare and unexpected periods of political rationality, the foundations that sustain the country today were laid, providing essential stability after long cycles of imprudence. Yet current asset prices fail to fully reflect the structural value embedded in these institutional achievements. Prices can adjust to this reality faster than anticipated, and delaying investment decisions risks impairing future returns.

The compass of power – though predominantly steered by electoral calculations, in a democracy that remains standing despite its wounds – now signals a growing weariness with the agenda of ever-higher taxation. Society's demands are exerting growing pressure on the agendas of those in office or seeking it. With little room left to further raise the tax burden, confronting the growth of mandatory expenditures and, above all, improving the quality of social spending has become imperative. Once set in motion, this course will be shaped by broader forces rather than the preferences of any individual or of an outdated, inept political party. Politics rarely follows a logical, linear path — sometimes taking shortcuts, but more often it pays tolls on longer routes – routes that are nonetheless necessary to build consensus and broaden support.

In Brazil, as in any emerging market, genuine opportunities rarely arise when the path ahead is perfectly clear. Instead, they emerge when foundational structures are already in place, and swift, feasible adjustments can realign conditions so that what once seemed uncertain gradually takes shape. It is precisely in this interval between uncertainty and recovery that the most consistent returns are found – reserved for those endowed with patience, the quiet privilege of those who can wait.

---

[26] Attributed to naturalist Saint-Hilaire, the phrase depicted the ant as a symbol of a silent and persistent threat. Over time, it became a metaphor for Brazil's structural problems – internal plagues that, if left unaddressed, make progress impossible. The phrase was widely popularized by the writer Rubem Braga (1913–1990), who said: *"People used to say either Brazil puts an end to the leafcutter ant, or the leafcutter ant will put an end to Brazil. Now I'm old, the ants are still here, and so is Brazil. People are just too hasty."*