XP's (Nasdaq: XP) Entire Profits Are Dependent on What Insiders Call a "Madoff-Like Ponzi Scheme"

By **GRIZZLY RESEARCH**, March 12, 2025

- XP is a Brazilian Nasdaq-listed fintech company. Our research uncovers that the company is running a massive Ponzi scheme facilitated through certain derivatives sales to retail clients, which are funneled through special funds and misrepresented as proprietary trading profits.
- At the center of the scheme is a XP fund called GLADIUS FIM CP IE ("Gladius") that returned over 2,419% over the last five years with unbelievably low volatility.
- The returns from Gladius and its affiliated fund COLISEU FIM CP IE ("Coliseu") are higher than XP's earnings. Without Gladius and Coliseu, XP would be unprofitable.
- The secret to Gladius' profitability is a product called COE which stands for *Certificado de Operações Estruturadas.* COEs are predatory investment products that XP pushes aggressively on its Brazilian retail clients.
- We consulted with XP formers and people from Brazil who have knowledge of Gladius' inner workings. They confirmed to us that Gladius is unduly paying out new premiums it receives from the sale of COE products to XP as profits.
- According to XP's former employees, the scheme only continues to work as long as XP is able to sell more COEs. As soon as the inflows stop growing the system falls apart and XP could be liable for enormous obligations it cannot meet. Insiders outright called Gladius a "Madoff-like Ponzi scheme".
- Our suspicion that Gladius is employing nefarious means to produce its fantastic returns is strengthened when looking at other Brazilian funds in the same field. Other comparable funds from XP competitors only produce mediocre returns that are in no way comparable to Gladius'.
- Gladius is hiding behind a highly complex structure and uses a wide variety of asset classes. XP describes Gladius to function as a tool for XP's structured business, market-making, liquidity managing and tax optimization. Only a few insiders are aware of the true nature of Gladius and the underlying scheme.

- According to our research, the magnitude of cash flow that Gladius produces cannot be explained through profitable operations alone, but it is likely to involve nefarious activities, including predominantly what XP insiders describe as a Ponzi scheme.
- The validity of Gladius' profits is further undermined by the fact that if such profit opportunities were to exist in the Brazilian market, then other leading global liquidity providers (e.g., Citadel) would also be active players in the space. Their absences speak volumes.
- Given Gladius' incredible returns that nobody else seems able to replicate, the insider allegations, and XP's reliance on these returns, we believe investors and regulators should be concerned and demand answers.

IMPORTANT LEGAL DISCLAIMER

THIS REPORT AND ALL STATEMENTS CONTAINED HEREIN ARE THE OPINIONS OF GRIZZLY RESEARCH LLC AND ARE NOT STATEMENTS OF FACT.

Reports are based on generally available information, field research, inferences and deductions through Grizzly Research LLC's due diligence and analytical process.

Our opinions are held in good faith, and we have based them upon publicly available facts and evidence collected and analyzed including our understanding of representations made by the management of the companies we analyze, all of which we set out in our research reports to support our opinions, all of which we set out herein. HOWEVER, THEY REMAIN OUR OPINIONS AND BELIEFS ONLY.

We conducted research and analysis based on public information in a manner that any person could have done if they had been interested in doing so. You can publicly access any piece of evidence cited in this report or that we relied on to write this report.

Grizzly Research LLC makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use.

We are entitled to our opinions and to the right to express such opinions in a public forum. We believe that the publication of our opinions and the underlying facts about the public companies we research is in the public interest, and that publication is justified due to the fact that public investors and the market are connected in a common interest in the true value and share price of the public companies we research. All expressions of opinion are subject to change without notice, Grizzly Research LLC does not undertake a duty to update or supplement this report or any of the information contained herein.

Recipients of the research report are professional investors who are expected to make their own judgment as to any reliance that they place on the research report. You represent that you have sufficient investment sophistication to critically assess the information, analysis and opinion on this website.

You further agree that you will not communicate the contents of reports and other materials on this site to any other person unless that person has agreed to be bound by these Terms of Use. If you access this website, download or receive the contents of reports or other materials on this website on your own behalf, you agree to and shall be bound by these Terms of Use. If you access our website, download or receive the contents of reports or other materials on this website as an agent for any other person, you are binding your principal to these same Terms of Use.

As of the publication date of GRIZZLY RESEARCH LLC'S report, Certain GRIZZLY RESEARCH LLC Associated Persons (AS DEFINED HEREUNDER) (along with or through its members, partners, affiliates, employees, and/or consultants), clients, and investors, and/or their clients and investors have a short position in the securities of a Covered Issuer (and options, swaps, and other derivatives related to these securities), and therefore will realize significant gains in the event that the prices of a Covered Issuer's securities decline. GRIZZLY RESEARCH LLC and GRIZZLY RESEARCH LLC Associated Persons are likely to continue to transact in Covered Issuers' securities for an indefinite period after an initial report on a Covered Issuer, and such position(s) may be long, short, or neutral at any time hereafter regardless of their initial position(s) and views as stated in GRIZZLY RESEARCH LLC'S research. One or more GRIZZLY RESEARCH LLC associated Persons have provided GRIZZLY RESEARCH LLC with publicly available information that GRIZZLY RESEARCH LLC has included in this report, following GRIZZLY RESEARCH LLC'S

independent due diligence. ***YOU SHOULD DO YOUR OWN RESEARCH AND DUE DILIGENCE BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT*** **TO THE SECURITIES COVERED HEREIN. THE OPINIONS EXPRESSED IN THIS REPORT ARE NOT INVESTMENT ADVICE NOR SHOULD THEY BE CONSTRUED AS INVESTMENT ADVICE OR ANY RECOMMENDATION OF ANY KIND. FOLLOWING PUBLICATION OF THIS REPORT, WE MAY CONTINUE TRANSACTING IN THE SECURITIES COVERED THEREIN, AND WE MAY BE LONG, SHORT, OR NEUTRAL AT ANY TIME HEREAFTER REGARDLESS OF OUR INITIAL OPINION.**

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. Note that researched companies and insiders, agents, and legal representatives of researched companies and other entities mentioned herein may be in possession of material non-public information that may be relevant to the matters discussed herein. Do not presume that any person or company mentioned herein has reviewed our report prior to its publication.

This is not an offer to sell or a solicitation of an offer to buy any security, nor shall any security be offered or sold to any person, in any jurisdiction in which such offer would be unlawful under the securities laws of such jurisdiction.

By downloading and opening this report you knowingly and independently agree: (i) that any dispute arising from your use of this report or viewing the material herein shall be governed by the laws of the State of [New York], without regard to any conflict of law provisions; (ii) to submit to the personal and exclusive jurisdiction of the superior courts located within the State of [New York] and waive your right to any other jurisdiction or applicable law, given that Grizzly Research LLC is a Delaware limited liability company; and (iii) that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to use of this website or the material herein must be filed within one (1) year after such claim or cause of action arose or be forever barred. The failure of Grizzly Research LLC to exercise or enforce any right or provision of this disclaimer shall not constitute a waiver of this right or provision. If any provision of this disclaimer is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as rejected in the provision and rule that the other provisions of this disclaimer remain in full force and effect, in particular as to this governing law and jurisdiction provision. You agree that the information on this website is copyrighted, and you therefore agree not to distribute this information (whether the downloaded _le, copies / images / reproductions, or the link to these _les) in any manner other than by providing the following link: https://GRIZZLYREPORTS.COM . If you have obtained research published by Grizzly Research LLC in any manner other than by download from that link, you may not read such research without going to that link and agreeing to the Terms of Use on the Grizzly Research LLC designated website.

"Grizzly Research LLC *Associated Person" is defined as:* Grizzly Research LLC *and its affiliates and related parties, including, but not limited to, any principals, officers, directors, employees, members, clients, investors, consultants, and agents.*

Please find our most recent disclaimer under https://GRIZZLYREPORTS.COM

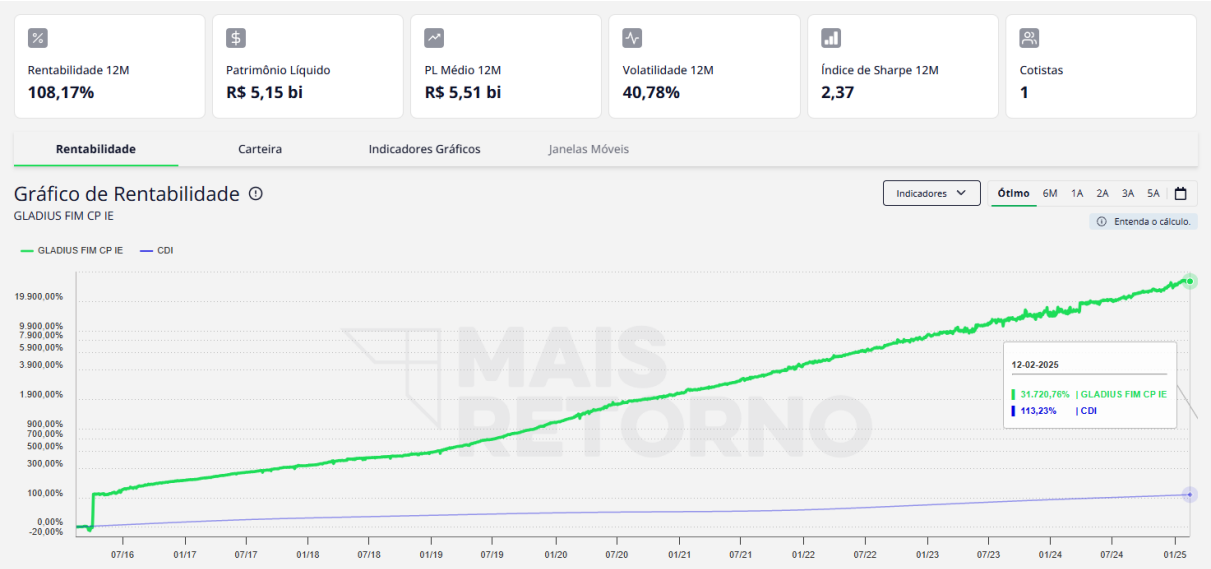
Introduction

XP Inc. is a Brazilian financial services company centered on investment management, advisory and digital financial services. XP went public in December 2019 on Nasdaq in New York. XP's financial performance, and specifically returns of some of its funds have raised doubts among investors. We believe to have uncovered the secrets to the profitability of XP's funds.

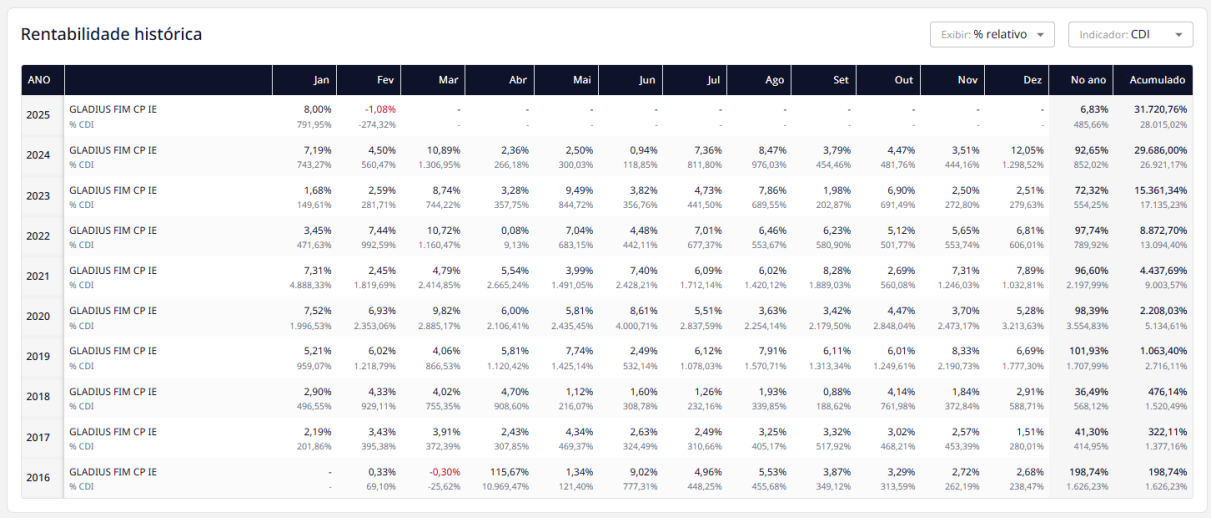
At the heart of the matter lie the XP owned funds Gladius and Coliseu. Coliseu might generate most of its returns from its participation in Gladius.

Suspiciously High Returns

Since 2019, Gladius returned 93.3% on average per year. The most long-term successful hedge fund of all time, the quantitatively managed Renaissance Technologies only returned 39.1% on average per year.



Given the notorious struggle of funds to provide alpha without added risk, we can safely assume that Gladius' returns have another source than genius prop trading alone.



Rentabilidade histórica

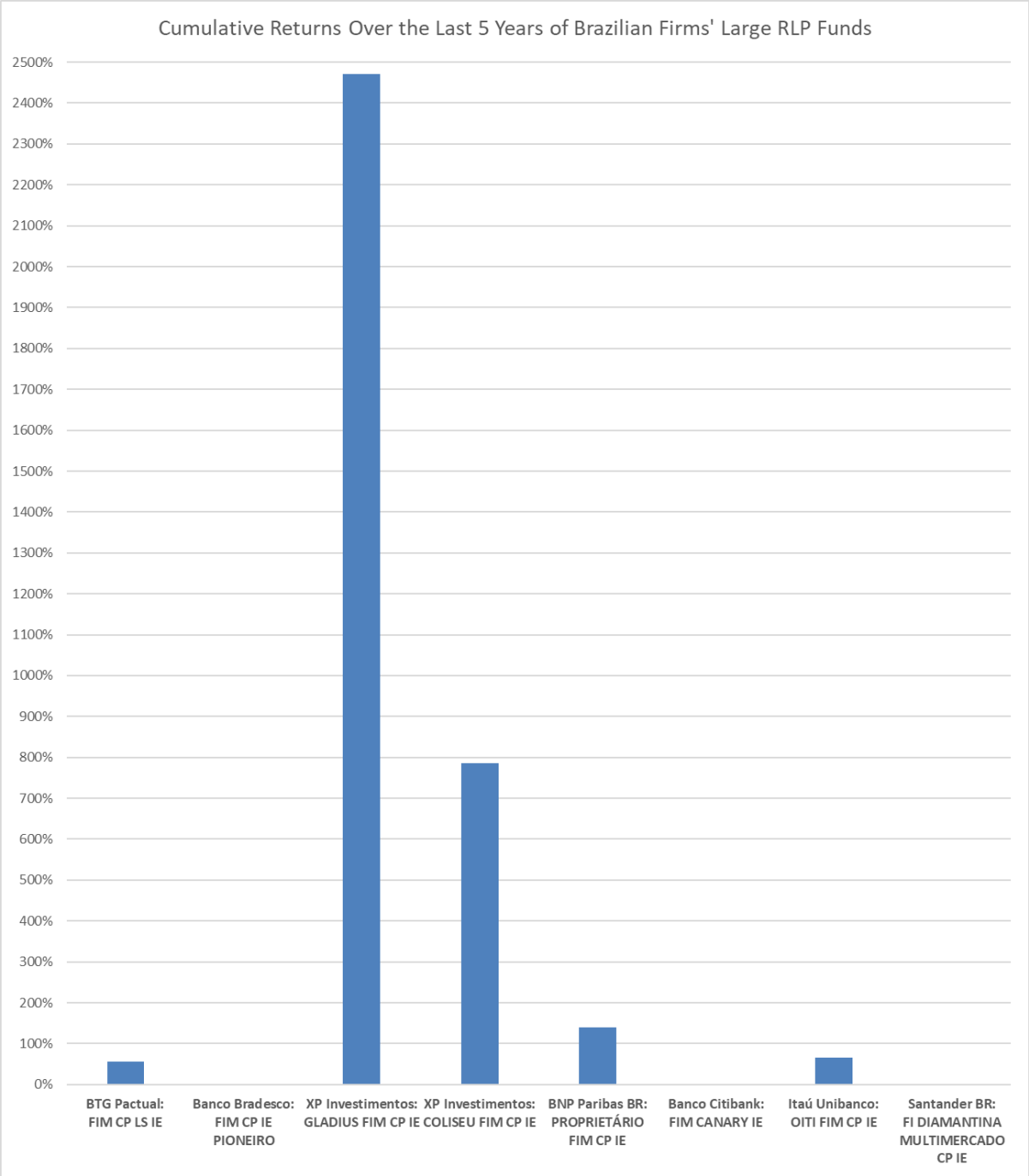
Exibir: % relativo | Indicador: CDI

ANO		Jan	Fev	Mar	Abr	Mai	Jun	Jul	Ago	Set	Out	Nov	Dez	No ano	Acumulado
2025	GLADIUS FIM CP IE	8,00%	-1,08%	-	-	-	-	-	-	-	-	-	-	6,83%	31.720,76%
	% CDI	791,95%	-274,32%	-	-	-	-	-	-	-	-	-	-	485,66%	28.015,02%
2024	GLADIUS FIM CP IE	7,19%	4,50%	10,89%	2,36%	2,50%	0,94%	7,36%	8,47%	3,79%	4,47%	3,51%	12,05%	92,65%	29.686,00%
	% CDI	743,27%	560,47%	1.306,95%	266,18%	300,03%	118,85%	811,80%	976,03%	454,46%	481,76%	444,16%	1.298,52%	852,02%	26.921,17%
2023	GLADIUS FIM CP IE	1,68%	2,59%	8,74%	3,28%	9,49%	3,82%	4,73%	7,86%	1,98%	6,90%	2,50%	2,51%	72,32%	15.361,34%
	% CDI	149,61%	281,71%	744,22%	357,75%	844,72%	356,76%	441,50%	689,55%	202,87%	691,49%	272,80%	279,63%	554,25%	17.135,23%
2022	GLADIUS FIM CP IE	3,45%	7,44%	10,72%	0,08%	7,04%	4,48%	7,01%	6,46%	6,23%	5,12%	5,65%	6,81%	97,74%	8.872,70%
	% CDI	471,63%	992,59%	1.160,47%	9,13%	683,15%	442,11%	677,37%	553,67%	580,90%	501,77%	553,74%	606,01%	789,92%	13.094,40%
2021	GLADIUS FIM CP IE	7,31%	2,45%	4,79%	5,54%	3,99%	7,40%	6,09%	6,02%	8,28%	2,69%	7,31%	7,89%	96,60%	4.437,69%
	% CDI	4.888,33%	1.819,69%	2.414,85%	2.665,24%	1.491,05%	2.428,21%	1.712,14%	1.420,12%	1.889,03%	560,08%	1.246,03%	1.032,81%	2.197,99%	9.003,57%
2020	GLADIUS FIM CP IE	7,52%	6,93%	9,82%	6,00%	5,81%	8,61%	5,51%	3,63%	3,42%	4,47%	3,70%	5,28%	98,39%	2.208,03%
	% CDI	1.996,53%	2.353,06%	2.885,17%	2.106,41%	2.435,45%	4.000,71%	2.837,59%	2.254,14%	2.179,50%	2.848,04%	2.473,17%	3.213,63%	3.554,83%	5.134,61%
2019	GLADIUS FIM CP IE	5,21%	6,02%	4,06%	5,81%	7,74%	2,49%	6,12%	7,91%	6,11%	6,01%	8,33%	6,69%	101,93%	1.063,40%
	% CDI	959,07%	1.218,79%	866,53%	1.120,42%	1.425,14%	532,14%	1.078,03%	1.570,71%	1.313,34%	1.249,61%	2.190,73%	1.777,30%	1.707,99%	2.716,11%
2018	GLADIUS FIM CP IE	2,90%	4,33%	4,02%	4,70%	1,12%	1,60%	1,26%	1,93%	0,88%	4,14%	1,84%	2,91%	36,49%	476,14%
	% CDI	496,55%	929,11%	755,35%	908,60%	216,07%	308,78%	232,16%	339,85%	188,62%	761,98%	372,84%	588,71%	568,12%	1.520,49%
2017	GLADIUS FIM CP IE	2,19%	3,43%	3,91%	2,43%	4,34%	2,63%	2,49%	3,25%	3,32%	3,02%	2,57%	1,51%	41,30%	322,11%
	% CDI	201,86%	395,38%	372,39%	307,85%	469,37%	324,49%	310,66%	405,17%	517,92%	468,21%	453,39%	280,01%	414,95%	1.377,16%
2016	GLADIUS FIM CP IE	-	0,33%	-0,30%	115,67%	1,34%	9,02%	4,96%	5,53%	3,87%	3,29%	2,72%	2,68%	198,74%	198,74%
	% CDI	-	69,10%	-25,62%	10.969,47%	121,40%	777,31%	448,25%	455,68%	349,12%	313,59%	262,19%	238,47%	1.626,23%	1.626,23%

Source: maisretorno.com

Most cited explanations for these high returns and low risk focus on Gladius' role for XP as a vehicle to account for operational gains from market-making activities and liquidity management. Such Retail Liquidity Provision ("RLP") funds that are tax-beneficial for the banks and brokers are common practice in Brazil. However, none of XP's competitors' RLP return even nearly as much as Gladius.

The following chart shows a comparison of XP's RLP funds with competitor funds that we identified as their largest RLP funds.



Brazilian competitors with RLP funds include regional industry giants like BTG Pactual, Itaú Unibanco, Banco Bradesco and Banco Santander Brasil that have a revenue bases and resources each about ten to thirty times exceeding XP's. If a non-fraudulent strategy can provide Gladius-levels of returns on Brazilian liquidity, why would the giants not

copy this strategy? Why are other players not moving in to participate in this highly profitable action? Our research indicates that Brazil is not a particularly attractive or profitable market for market makers.

We think the answer is that these returns come from a nefarious scheme.

Why Gladius and Coliseu Matter

XP operates six funds with net asset values of over R$ 1 billion (US$ 173 million). Only Gladius provides widely unrealistically inflated returns, and Coliseu, the next best fund, provides alpha while participating in Gladius. Only these two funds pay net nominal out to XP, their only shareholder, while XP net contributes to the realistically performing funds, as detailed in the table below.

XP Fund	Net Asset Value	Return Over Last 5 Years	Cumulative Outflow to XP	Share in Gladius (latest audit report available)
NIMROD FIM CP IE	R$ 12.29B	49%	R$ -10.49B	0% (31-Mar-2023)
COLISEU FIM CP IE	R$ 7.43B	774%	R$ 11.35B	66.45% (30-Jun-2021)
GLADIUS FIM CP IE	R$ 5.15B	2.386%	R$ 10.89B	100%
FALX FIM CP IE	R$ 3.94B	61%	R$ -2,83B	0% (31-Dec-2023)
SCORPIO FIM CP IE	R$ 2.96B	219%	R$ -0.58B	0% (31-Dec-2023)
MACADÂMIA FIM CP	R$ 2.06B	115%	R$ -1.52B	0% (31-Dec-2023)

Source: maisretorno.com, audit files via sistemas.cvm.gov.br. Retrieved on March 6, 2025.

XP seems on closer inspection highly reliant on the cash flows from Gladius and Coliseu, which exceed XP's net income in every year since 2021.

Business Year	Gladius and Coliseu Outflow to XP	XP Net Revenue	XP Net Income
2019	R$ -2,351M	R$ 5,128M	R$ 1,089M
2020	R$ -3,947M	R$ 8,152M	R$ 2,081M
2021	R$ 3,150M	R$ 12,077M	R$ 3,592M
2022	R$ 4,980M	R$ 13,347M	R$ 3,580M
2023	R$ 5,910M	R$ 14,860M	R$ 3,899M
TTM	R$ 11,160M	R$ 16,637M	R$ 4,375M

Source: SEC filings, CVM filings

XP took value amounting to R$ 27.66 billion (US$ 4.80 billion) out of Gladius from 2020 to 2024 and Coliseu from 2021 to 2024. During this period, XP's corporate net income was only R$ 17.52 billion (US$ 3.03 billion). Without receiving cash from these two funds, XP would have a negative cumulative net income over the last years.

The net asset value ("NAV") of the funds peaked in 2022. From this we can infer that—whatever XP does to gain these high profits—does not scale up with NAV.

The Secret to Gladius' Returns

We consulted with Brazilian experts, XP formers, and other people close to the matter. We were told that the secret to Gladius returns is in fact a Ponzi scheme based on a product called COE (Certificado de Operações Estruturadas). COEs are hybrid securities for private investors combining fixed and variable income assets in structured contracts, pioneered by XP and regulated since 2013. They often times promise a client guaranteed principal and some potential upside over a 3-to-5-year horizon. Initiated to service high net worth clients, COEs are now aggressively marketed to small-ticket retail clients in the post-COVID era with 1.25 million more Brazilian clients from June 2021 to June 2022.

Firstly, COEs are predatory to retail clients because their complexity is used to overprice them in hidden ways. But more importantly for XP and their Ponzi scheme, COEs bind the clients' liquidity to XP for several years.

The Brazilian market has seen significant growth in selling and packaging these COEs, with it growing from R$8.5 billion (US$2.4 billion) in assets under management by 2016 and BRL14.2 billion (US$2.9 billion) by 2023.

According to the former insider, XP funnels the majority of its cash flows associated with COES through Gladius and COLLISEU. Insiders described to us how XP is effectively using the cash flows from COE products to run an extremely risky Ponzi scheme.

The COE Ponzi Scheme

An expert with intimate knowledge of Gladius' strategy and with deep understanding of XP's leadership dealings told us that Gladius and Coliseu is taking cash inflows from COE products and uses them to pay profits to XP. **The secret to Gladius' profitability is that it books cash inflows from COE products as profits.** The following quotes in this chapter are a collection from our series of interviews.

"*What we see with these high returns [in Gladius and Coliseu] is it's a wrong performance metric because what we actually see is the amount of nominal inflows in cash in Brazilian currency*."

Gladius' and Coliseu's "*high performance is not the result of the fund, but it's because they are putting money month after month to make the wallet huge. It's the cash flow that's coming into the fund that makes this a big cake for everybody.*"

Crucially, the expert described that the scheme necessitates ever growing inflows from COEs. He and "***professors outside and here in Brazil as well, we are considering it a Ponzi scheme*** *because the business is not growing for itself. It's growing because XP keep capturing more [Brazilian] investors for the fund.*"

"*It's kind of like Madoff. You know Madoff? Yeah, the guy kept the money. Yeah. It's kind of the same story.*"

This scheme obviously introduces enormous risks to XP and COE investors.

"*The risk lies in their [XP's] ability to continue attracting funds from Brazil. Without sufficient capital, they may struggle to meet obligations such as paying off debts or fulfilling future financial commitments*."

We learned that the company continuously is pushing and preying on retail investors to push these overpriced products onto:

"***Product recycling is king! So, XP might push financial advisors to aggressively sell COEs as a safe and profitable investment*** *and this leads to advisors earning commissions while clients roll over one COE into another often without ever seeing the promised returns.* ***A constant flow of money without actual value creation similar to the way a Pyramid scheme operates***.— *There is always an optimistic narrative; the next one will be the winner and investors never sees the results*."

This means the massive outflows from Gladius and Coliseu to XP are effectively sourced from investment inputs by clients and not from operative profits or trading gains.

The Funds' Returns Cannot Be Explained Otherwise

Insiders told us that **salespeople receive 5% of a COE's nominal as commission** and the average internal profit margin after all costs for XP is about 4%. **The magnitude of value outflows from Gladius and Coliseu cannot be explained by predatorily high fees for retail contracts alone**. For example, in the year 2024, Gladius and Coliseu paid R$ 11.16 billion out to XP. At a net profit margin of 4%, this would imply XP sold R$ 279 billion in predatorily structured contracts to its retail clients, which is very unrealistic, because XP's total assets under management amount to 167 billion (source: annual report 2024, p. 46) and the estimated Brazilian COE market is not much more than R$ 20 billion. This lends further credibility to the expert's allegation that XP is running a Ponzi scheme.

Seen from another angle, we can also analyze XP's "Results of operations with financial instruments" by observing market returns. In 2023, the average Selic rate was 13.4%, the Brazilian prime stock index, IBOVESPA, returned 21.8%, and the MSCI World also returned 21.8%. In 2023, XP had R$ 23.3B in their proprietary trading funds. (source: maisretorno.com) At a market return of 17.6% we would assume R$ 4.1B in results of operations with financial instruments, less than half of what is reported. This level of profits from alleged proprietary trading or market making seems completely unrealistic.

Distribution of value added (R$/million) GRI 201-1	2021	2022	2023
DIRECT ECONOMIC VALUE GENERATED (revenue)			
Provision of services (before taxes)	6,801,679	6,508,756	7,153,640
Result of operations with financial instruments	5,997,072	7,527,333	8,572,322
Other net operating revenues (expenses)	324,354	256,944	10,638
Reversal (supplementation) of the allowance for doubtful accounts	-92,560	-94,159	-360,859
Total Revenues	**13,030,545**	**14,198,874**	**15,375,741**

Source: XP annual report 2023

We surveyed all publicly available information with the help of AI tools, and we concluded that neither XP nor any other public source has officially revealed a convincing explanation for Gladius' stellar overperformance.

XP Aggressively Pushes COEs on Retail Clients via Personal Advisors

XP is the leading COE provider in Brazil. XP approaches their clients over a vast network of personal advisors. Currently, **XP works in the Brazilian market with a network of 18 thousand advisors**. We interviewed a former investment advisor for XP, who commented on the Brazilian landscape for COEs:

"*Yeah, they [BTG, Santander Brazil or Banco do Brasil] have COEs but they don't use them much because they saw that people don't like this kind of investment. But XP used this investment with a great storytelling, telling people why they should invest in COE. And they insist all the time. They have this kind of aggressive commercial that makes you invest with this kind of investment for pressure not because you really like it. So, they start promising a kind of percentage of return that is not normal in the market. And, unfortunately here in Brazil, people don't have this knowledge in investment*."

Internet discussions on XP's COEs are usually full of complaints from disappointed customers and advisors disappointed in XP. A few examples:

- "*I've never seen anyone who talks about investments speaking well about COE. The only people I saw speaking well were the commissioned advisors who want you to invest*. In fact, *Rodrigo Baltar is making a series of videos showing an investment he made in XP where the advisor was not clear about the risks, he invested and now has a debt of 200 thousand reais*." (@samuelalbuquerque8015)
- "*I worked at an XP investment office in 2017-2019. If there was one thing that they encouraged us to do, it was this type of structured operation. The commission was (and I imagine continues to be) absurdly higher than for all other products.*" (@ramonzeraa1)
- "*Dude, I used to be an advisor at XP and I joined with the idea of helping people invest better. I wanted to make a difference in people's lives, you know? Then I saw them forcing me to push COEs on clients (because it generates an absurd amount of income for the firm) and I didn't want to do it because I know it sucks…*" (@CarlosHenrique-hl3qo)
- "*Dude, do a Google search for "XP scam on client", and in five minutes you'll find everything you need. XP has become a scam institution*." (allansiano)
- "*I have two COEs at XP, one from Morgan Stanley and the other from another large bank. Since I joined, it hasn't changed much upwards and there are months when it's losing to 100% CDI. I didn't know how to analyze it, I understood that I fell for the siren song and now I have to wait until 2024/25 to withdraw and reinvest… COEs are a scam, a lot of investor risk for almost no return…*" (@mauro7039)

- "*What a shitty product for the customer. I have a COE from 2017. I can't wait for 2022 to come so I can get my money back with a small profit, while the structurer made a lot of profit.*" (@kyokusanagi239)
- "*Very good, I understand. I was "encouraged" to invest in COE by the XP advisor, but I didn't really understand how it worked. In one year it yielded practically nothing. Now I've learned! Thank you.*" (@ismaelrauberschmitt7815)
- "*The problem is that here in Brazil, you need to understand a little bit of everything to avoid being ripped off. You have to understand mechanics to avoid being ripped off in the workshop, electrical engineering to avoid being ripped off on the job site, finance to avoid being ripped off or ripped off. And the biggest problem is that the blame always falls on the victim.*" (@DanielCastro091)
- "*I entered 2 COE and gained absolutely nothing, that is designed to statistically fail.*" (@danielmatos9563)
- "*I've also had several COE offers from XP, including this one this week*" (@albacampos3851)
- "*Terrible!! XP deceived me with this COE 2 years ago* 👿" (@elf885)

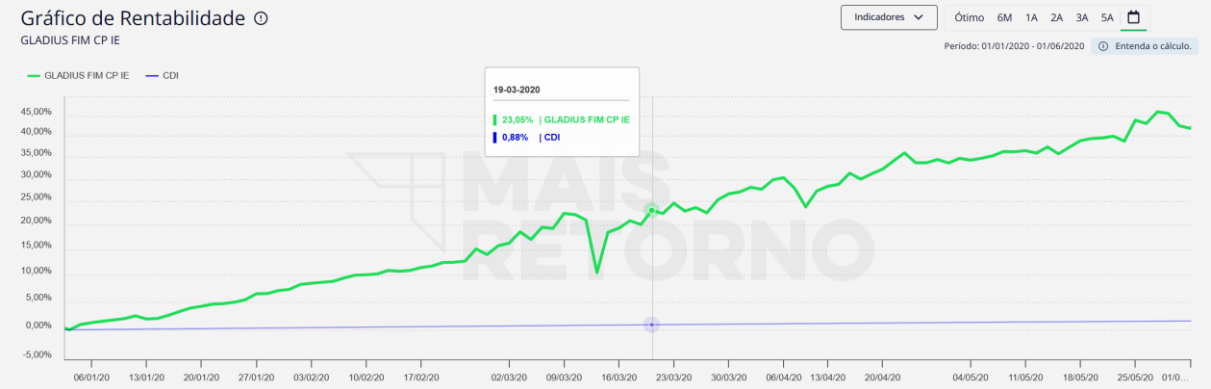
(translated from Portuguese to English)

Gladius Is Hiding Behind Complexity

Annual audit reports reveal Gladius' portfolio composition includes Treasury bills, money market holdings, fund holdings (including many ETF holding positions), corporate bonds, carbon credits, long and short positions on a wide variety of Brazilian stocks, Brazilian depository receipts and foreign stocks, stock-collateralized loans, put options, call options, cash holdings in different currencies, future contracts, swaps and other derivatives.

It is suspicious how stable Gladius' returns are. Not only is Gladius one of the very best performing funds in the world, it also does so seemingly without the risks that are to be expected. For example, during the COVID-19-induced market turbulences on Spring 2020, Gladius never reached a negative return regime for that year, and reached pre-crash highs from March 9, 2020 within 10 days on March 19, 2020.

However, judged by the publicly announced portfolio composition, Gladius, in a stress scenario, could experience a price draw down of up to 59%. The lack of volatility indicates that the published portfolio composition does not reflect the actual holdings and profit drivers.



One must wonder again why other Brazilian broker banks' RLP funds do not achieve returns anywhere near Gladius'.

Gladius Tries to Avoid Transparency

XP requested exemptions for Gladius from certain reporting requirements by Brazilian's securities regulation agency CVM. Specifically, XP asked that daily and monthly reports not be published in the usual timeframe to—as XP officially claimed—prevent the early disclosure of material that makes it possible to forecast quarterly financial announcements.

This was an unusual request – effectively to keep the fund's data semi-confidential, only updating after XP's earnings were public. The CVM denied this request in March 2021.

We agree with the CVM that investors and customers do not suffer any disadvantage from daily fund publications that provide insights into XP's financial performance. XP's request is not reasonable, and we believe it is much more likely that XP asked for exemption to reduce transparency regarding Gladius for critical observers.

KPMG, Gladius' auditor until 2021, has issued only a qualified opinion for 2018 and 2019, and abstained from an opinion for 2016, citing lack of transparency.

XP itself never mentions Gladius or Coliseu as important and they only mention COEs briefly on the Q2 2020 earnings call but stay otherwise coy about it.

Conclusion

Insider testimonies provide compelling evidence that XP is operating a Ponzi scheme, which appears to drive the extraordinary performance of the Gladius fund. No other fund in Brazil exhibits a return profile as anomalous as that of Gladius. We anticipate that XP may encounter serious challenges as investors and regulatory bodies begin to uncover its heavy reliance on a Ponzi-like structure, sustained by predatory retail products. This could lead to profound consequences for XP's financial stability and reputation.