



ARAUCA CAPITAL

Compounding the important things in life: Capital, relationships, and knowledge

Fund Presentation | January 2024

THE HISTORY & LEGACY OF ARAUCA

Arauca Capital is named after *La Hacienda Arauca*, which was the farm in Cauca (Colombia) that had been in my mother's family possession for over 400 years. Several of my ancestors had devoted their lives to this estate.

Hacienda Arauca was not only a picturesque place in nature, full of life, water springs, animals, native trees, and growing food supporting and sustaining several families in the land and surroundings. **It was foremost a way to build, maintain, and protect capital through many generations.**

In the last decade, the family decided to sell the farm and I helped some family members manage their wealth alongside mine while maintaining Hacienda Arauca's legacy and purpose of building and protecting wealth through generations.

After successfully managing a family partnership for seven years, I made the strategic decision to establish Arauca Capital, a formal fund that welcomes other like-minded investors.

Jean Philippe Tissot



WHO WE ARE

Experience & Track Record

Jean Philippe's background combines investing and operating experience, as well as an extensive career in the financial industry where he focused on FX derivatives.



Jean Philippe Tissot

Founder & Fund Manager

- **Investing:** Successfully managed his and his family's capital for more than seven years, **compounding at an annual rate of 27%** prior to setting up Arauca. Jean Philippe's total track record over ten years is 18.32% CAGR.
- **Real-world business experience:** Former founder of LaSelva HotYoga (Vienna) and former business manager of Caribbean Coffee Roaster (Antigua and Barbuda). He is also an advisor and early investor in companies in Europe (MyClubs) and in the US (Human Intelligence AI).
- **Financial industry:** Over 18 years of professional experience in the financial industry and treasury departments of world-renowned firms (**BNP Paribas, J.P. Morgan, Adidas, Bolsa y Banca**).
- Jean Philippe is also a columnist for **Portafolio**, the most prestigious financial newspaper in Colombia.

Education

- Master in International Securities and Investment Banking (Henley Business School, Reading, UK)
- Master in Financial Management (University of Applied Sciences, Coburg, Germany)
- Bachelor Degree in Business Administration (CESA, Bogotá, Colombia)
- Real World Risk Management taught by Nassim Taleb, Robert Frey, and Raphael Douady

WHO WE ARE

Experience & Track Record

Ricardo's background combines experiences in the financial advisory industry (M&A) with entrepreneurial and investing expertise.



Ricardo González

Analyst

- **Investing:** Private-markets investing experience through acquisitions in Colombia and in the US, as well as private investments in startups in Latin America. Ricardo also has public-markets investing expertise through his experience in Arauca Capital and a personal investment portfolio.
- **Real-world business experience:** Former Chief of Staff at Treinta, a startup digitalizing micro businesses in Latin America and former co-founder of Enigma Group, a financial advisory firm for SMEs and a smart-phone app connecting early-stage investors and startups.
- **Financial industry:** Over 6 years of experience in investment banking, capital raising, and M&A transactions in Latin America and the US.

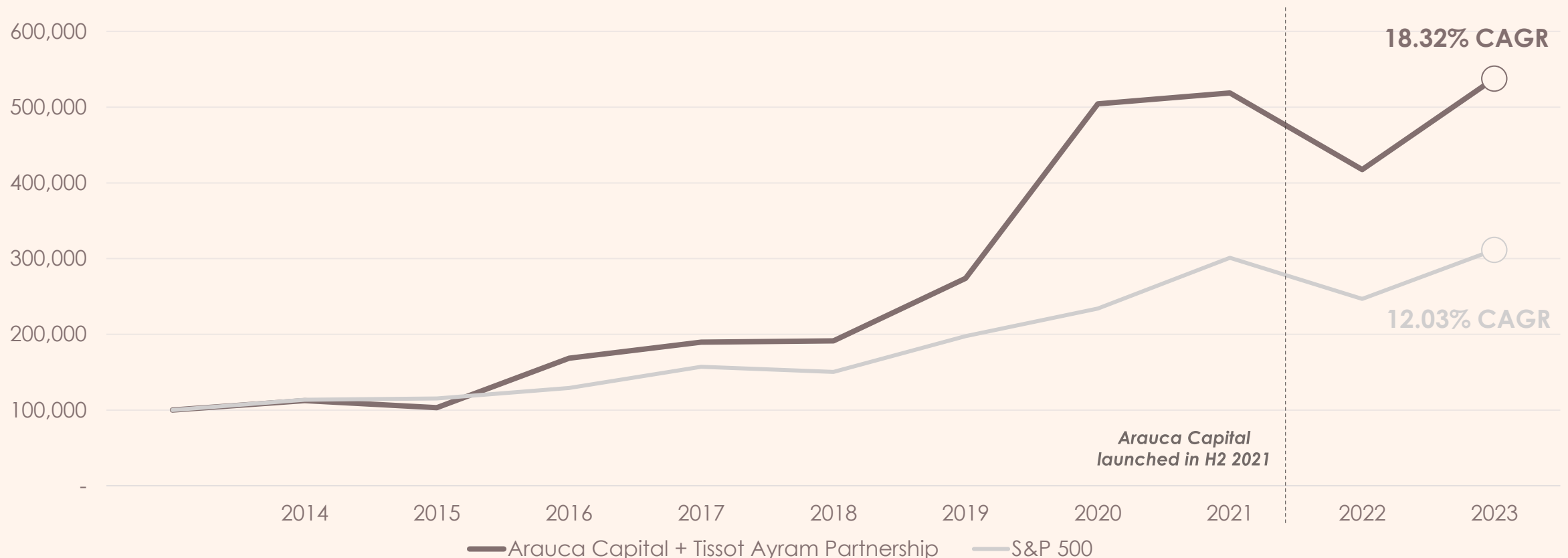
Education

- Bachelor's Degree in Industrial Engineering (Universidad de Los Andes, Bogotá, Colombia)

PAST PERFORMANCE

An investment of USD 100,000 at inception represents USD 537,751 as of December 31st, 2023 (Gross).
2023 gross performance of 30.65%.

Tissot Ayram Partnership¹ + Arauca Capital² | Performance Relative to the S&P 500 Index



1) Managed by Jean Philippe Tissot prior to opening Arauca Capital.
2) Arauca Capital started full operations on July 15th, 2021.

OBJECTIVES

Arauca Capital initiated operations in July 2021



Preservation of wealth

We recognize our investors' capital is *irreplaceable*: Our priority is to first ensure its preservation. In order to preserve and grow our hard-earned capital, we maintain the flexibility to invest in different asset classes as long as we understand the risks thoroughly.



Exposure to the best industries, businesses, and management teams

We invest in businesses we deeply understand and always grounded on valuation discipline. Capital allocation and sizing is based on conviction, valuation, management execution, and macro awareness.



Achieving the highest possible returns with the lowest level of risk

Our primary focus is on minimizing the probability of permanent loss, rather than market volatility which we see as an opportunity. Our approach centers around preserving capital while maximizing possible returns.

PHILOSOPHY

«Nothing without skin in the game» – Nassim Taleb

Compounding the important things in life

Capital – Relationships – Knowledge

Avoidance of risk of ruin

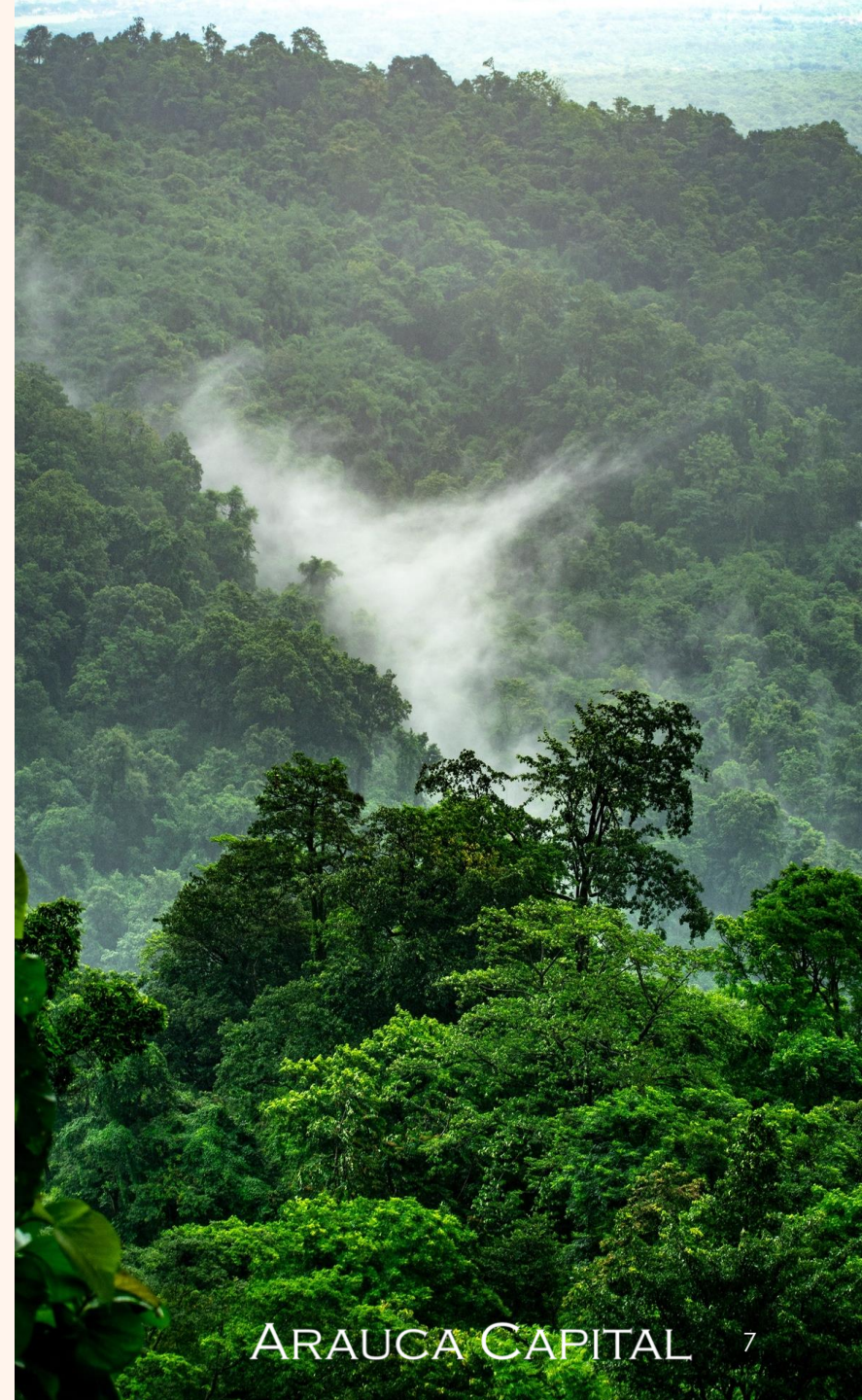
To finish first, you first have to finish.
Looking at the downside and protecting against big losses before looking at the potential upside

Embracing positive outliers

Finding convexity and optionality, investment opportunities with a limited downside and non-linear high potential upside

Always expanding the circle of competence

Constantly increasing our knowledge and remaining open-minded without attaching any labels to ourselves




WHAT WE DO AT ARAUCA

Our Investing World | Our Asset Classes

- Arauca is a long-bias investment fund. Arauca thrives in finding and holding great businesses for long periods of time or as long as management executes. This is where our focus lies.
 - Our competitive advantage lies in identifying companies with **unrecognized earnings potential** and acquiring them at attractive valuations and risk profiles, minimizing the probability of permanent loss.
 - Arauca invests in businesses listed in OECD countries and is market-cap and industry agnostic.
- We also maintain the flexibility to invest long or short in other asset classes, should we see an opportunity or clear mispricing. Short positions are rare and always have the downside capped.

Long bias

- **Businesses (stocks/equity)**
Most of the fund is invested in individual stocks. However, under exceptional circumstances, Arauca may hold a significant portion of the portfolio in cash or bonds.
- **Commodities and precious metals**
- **Bonds, options, futures, warrants, and other derivatives**

HOW WE DO IT AT ARAUCA

The Portfolio is Constructed Using a Barbell Strategy

A Barbell strategy entails having a portion of the portfolio invested in safe assets in order to maintain positions in riskier ones, such as micro-caps, where the real upside lies.

Section 1

Minimal risk of permanent loss

- This part of the portfolio could be composed of US Treasury Bills, precious metals, and robust/safe companies like Berkshire Hathaway.
- This section ensures that Arauca can deploy capital to smaller, riskier companies.
- This is the safest and usually largest part of the portfolio, together with Section 2.

Section 2

Core companies

- This section corresponds to the companies Arauca knows best, for a substantial amount of time (usually years) and where management is trusted the most.
- These are companies whose business performance has exceeded the original investment **hypothesis**, and management and the businesses will be able to generate shareholder value for years to come.

Section 3

Sub-core companies

- This segment hosts companies that are relatively new to the portfolio or companies that have been trimmed and now represent a smaller portion.
- Some positions in this segment are very small as they correspond to starter positions, to which, if management executes, we ideally add, as the thesis is being de-risked.

Section 4

The convex segment

- In this part of the portfolio Arauca has very small at cost positions in companies which can be at early stages and involved in new technologies.
- This section is paramount for a balanced portfolio, as it has very high convexity, meaning limited downside, high upside.
- If a company de-risks its business model, it can become a core holding.
- This is the smallest part of the portfolio, usually with an allocation of < 10% in total.

Note that allocation to each section may vary significantly at any given time. The vast majority of the fund is invested in Section 1 and 2.

WHAT WE DO AT ARAUCA

Our Investing World | Some of Our Current and Past Holdings¹

Berkshire Hathaway

Section 1: Minimal risk of permanent loss

Warren Buffett's holding company, which is an example of our barbell strategy, where we also own robust large mega-cap companies.

JDC - XPEL

Section 2: Core companies

JDC is an insurtech business digitalizing the insurance industry in German-speaking countries.

XPEL sources, distributes, and installs aftermarket automotive, boat and bicycle products. **XPEL has been held since 2015 in the previous partnerships and it has since then been a 30-bagger.**

SMCI – Shelly Group

Section 3: Sub-core companies

SMCI develops and manufactures high-efficiency servers and storage solutions.

Shelly designs, manufactures, and distributes smart-home products under the Shelly brand.

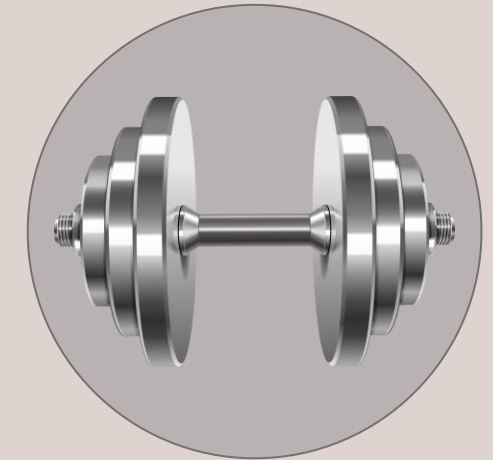
Derivatives & Others

Section 4: The convex segment

This section (the smallest) represents our exposure to outsized gains from small, low probability/high impact investments and also is part of our hedges.

1) Positions can be sold at anytime by the fund manager should the facts of the investment thesis change. Please consult with the fund manager for current positions.

Barbell Strategy



“A big portion of our capital is invested in very safe assets, on one hand, and a couple of risky investments with huge potential upside, on the other hand.

Barbelling is an expression of my respect towards the unknown.”

J.P. Tissot, Tissot Ayram 2020 Annual Letter

HOW WE DO IT | THE THREE PILLARS OF INVESTING

Behavior

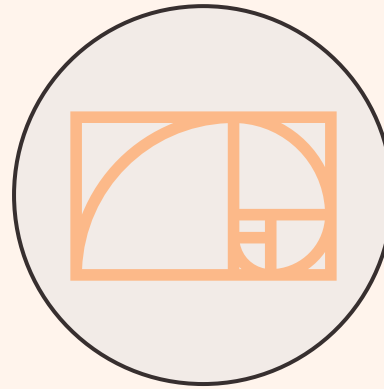


Understanding oneself and behaving well is the most important factor to generate returns over long periods of time.

“One of my competitive advantages as an investor is that I can control how I behave, and I know that if I behave a little bit better than the rest, the compound effect over time will be enormous. I am committed to it.”

2018 Annual Letter

The Mathematics of the Market



Knowing the rules of the market allows us to make the portfolio as antifragile as possible. Understand convexity and fragility.

“I am an investor and only care about what the company is doing, but knowing the rules of the markets ensures I do not leverage; I evaluate the asymmetries of the positions and try to constantly be exposed to a level of risk that allows me to survive if a real crisis occurs.”

2018 Annual Letter

Real-World Business Experience



“Just because we (investors) own some shares of a company, we really have not earned the right to evaluate and direct a management team. **Having practical experience creating and managing a business** has made us become more candid and patient towards management teams. It also highlighted the importance of **great, confident, yet humble people as the most critical success factor.**”

2018 Annual Letter

OUR COMPETITIVE ADVANTAGES

Microcaps experience

- Arauca is vehemently looking for great companies that can become larger and better businesses
 - Our goal is to identify these companies before the market fully recognizes their value. This can generate exceptional returns as these companies have ample opportunities for growth, in addition to unrecognized earnings potential
- **The microcap space demands extraordinary levels of discipline and diligence**
 - Few micro-cap listed companies manage to become larger and better businesses over time
 - **Our discipline has allowed us to exit investments when the facts changed without personalizing our positions, crystalizing multi-bagger investments before significant drawdowns**
 - When done diligently and with discipline, investing in micro caps can create outsized returns as the company grows and more investors recognize its value

Financial industry experience

- Jean Phillipe's banking background allows Arauca to comfortably **use derivatives to mitigate risks and make asymmetric investments**
- Our understanding of market dynamics has shaped our unbreakable risk parameters:
 - We do not hold any investment where the potential loss is larger than the potential gain (concave) and strive to minimize the risk of permanent loss
 - Arauca's portfolio sizing parameters and sections are built to preserve and compound wealth over time: We increase our allocation as we gain conviction and company results match our investment hypothesis

No complacency

- We are constantly conducting **fanatic and paranoid diligence on our current and potential investments**
 - Facts change fast, and we must have the mental flexibility to recognize how contradictory evidence affects our investment hypothesis (at all times)
 - We will always increase positions on trustworthy management teams and when this is not the case, we will exit with no rationalization required
- There is no place for complacent optimism at Arauca. **Optimism is always conditional on day-to-day hard work to improve results**

We hunt everywhere

- We are industry/size agnostic **as long as we have a deep understanding of the company's business model and the industry dynamics**
- We are country agnostic but will only invest in countries where we trust **the rule of law** and order
- While our core strategy will always be to invest in great businesses for long periods of time, as long as management executes, our investment universe could include special situations, shorts with capped downside, and/or other opportunistic investments in companies or derivatives

Grounded on the business

- Arauca's core is to invest in businesses. **This is why we will always ground our analysis on the quantitative and qualitative aspects of each company:**
 - Measurability of potential cash flows
 - Balance sheet strength
 - High levels of optionality and growth trends
 - Level of confidence on management
 - Management teams that treat our shares like gold
 - Valuation discipline

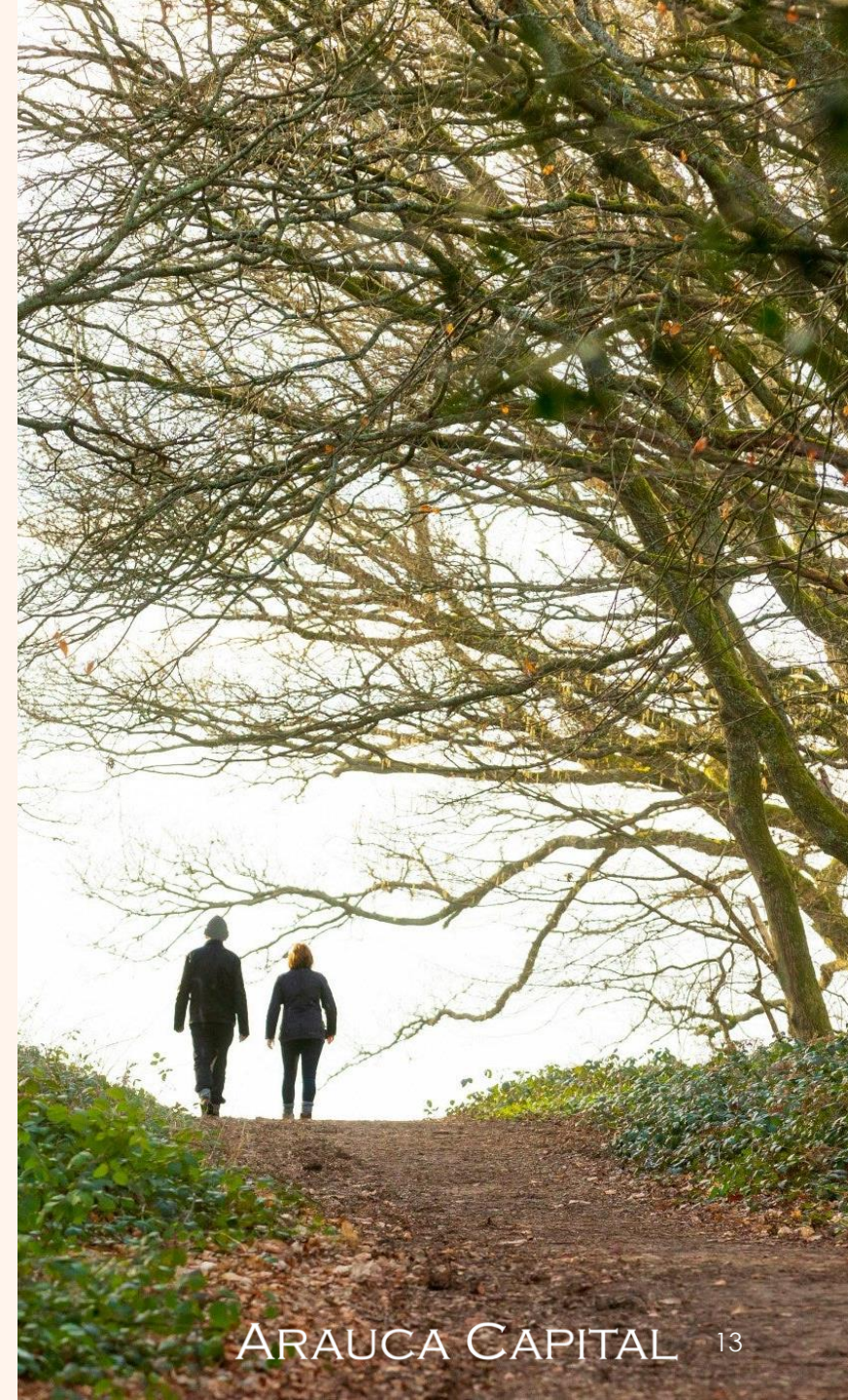
THE RIGHT INVESTORS

Having The Right Investors is paramount to keep the investment discipline

- People who are aligned with Arauca's investment philosophy and objectives
- Private individuals/private families who have themselves worked hard for their money and know what it takes to keep it
- People who do not expect smooth returns or a shortcut to richness but who understand that we aim for longevity and wealth protection
- The right investors invest the capital they won't need in the immediate future to take benefit from long-term returns
 - Time arbitrage: Taking advantage of the market's focus on short-term performance by having the patience and discipline to hold investments over the long-term, as long as management executes

“Arauca is open for people like you, who care about the capital you give me, because it is yours, and I care because I treat your capital as it was mine (as both yours and my capital are invested equally). With that said, I am happy to receive likeminded investors who share our philosophy.”

J.P. Tissot, Arauca Capital Launch Letter



IMPORTANT INFORMATION

- **Minimum investment:** The minimum subscription amount for initial investments is the equivalent amount of EUR 100,000 in USD.
- **Net Asset Value calculation & Transaction dates:** The NAV is determined on a half-yearly basis as per the Valuation Day. Subscriptions and redemptions can only occur on the half-yearly transaction dates.
- **Redemption:** The Fund does apply a lock-up period of 24 months.
- **Fee structure:** 1% management fee, 20% performance fee, which applies in case the increase, if any, in the NAV over the applicable period is above the High-Water Mark. The management fee is always waived if the performance fee exceeds 1% in a particular year, in essence charging only for performance. Note that fees are crystalized every time the NAV is calculated (every 6 months).
- **Legal structure:** Open-ended Alternative Investment Fund under Dutch jurisdiction
- **Regulator:** Stichting Autoriteit Financiële Markten, the financial regulatory authority of the Netherlands. The Fund is not subject to supervision by the AFM and DNB. However, the fund manager is registered with the AFM as an exempt manager.
- **Fund Administrator:** Bolder Group



CONTACT DETAILS

ARAUCA CAPITAL

Contact Us

Hullenbergweg 278-308

1101BV Amsterdam Zuid-Oost

Email: info@araucacapital.com



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