

LUXOR

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INVESTIMENTOS

INVESTMENT PHILOSOPHY

OUR PHILOSOPHY

Having a clear and well-defined investment philosophy is essential for successful resource management. First, the competitiveness of the world requires investors to have an approach based on their competencies to generate consistent returns. In addition, a clear investment strategy is crucial for managers to deal with uncertainty and volatility in the markets. At Luxor, our philosophy is based on the academic background, experience, and business knowledge of our team. It consists of four fundamental pillars:

1. Focus on investing in companies,
2. Fundamentalist approach,
3. Risk management, and
4. Diligence in the analytical process.

First and foremost – and most importantly – we believe that good businesses are the best savings option and a source of long-term returns. Those who have owned or managed businesses know the challenges entrepreneurs face and the inherent risks in any business activity. However, uncertainty also brings opportunity: when successful, investments in good businesses yield high returns on invested capital. We are confident that the combination of diligent study of each company and its sector, along with a good understanding of its risks and a well-designed strategy to deal with them, allows us to capture excellent returns resulting from profit

generation and business growth in which we invest. Therefore, we allocate our capital primarily to businesses in pursuit of the best profitability for our assets.

Secondly, we believe that we are capable of finding businesses with excellent return prospects through our analysis process, which is based on a fundamentalist approach. Essentially, we seek companies that have the following characteristics: (1) businesses run by honest and competent individuals; (2) exceptional businesses with significant competitive advantages and high barriers to entry; (3) companies that are at the forefront of their sectors, gaining market share over time; (4) businesses operating in sectors that benefit from secular trends in societal and economic development; (5) companies that possess all these characteristics at reasonable and understandable prices; and (6) companies with strong balance sheets.

We also believe that a balanced portfolio provides us with a significant advantage in the pursuit of returns. We aim to have a portfolio of assets that is better than the sum of its parts. In practice, this means careful diversification: without relinquishing our business selection criteria, we seek to combine reasonably uncorrelated assets in order to minimize the risk of significant permanent capital losses and have a portfolio that allows us to navigate different circumstances with confidence.



In addition, if we can avoid excessive losses, we have the opportunity to take advantage of moments of heightened risk aversion in the markets through opportunistic investments in good assets that may be priced at significant discounts. Lastly, we practice humility. We believe that we have the ability to apply our knowledge to select good assets and generate returns for our portfolio, but we acknowledge that this task is not simple. We approach the complexity of the world and the markets with caution, which translates into the utmost diligence and analytical discipline we employ in our daily work and the care we take in allocating our capital. We believe in pragmatism, not dogmatism – the world is complex, and the future never repeats the past, so rules, past returns, and immutable beliefs are false securities that we do not want to rely on. The diligence of our investment process is crucial, but it does not eliminate the possibility of making mistakes or being surprised. However, we believe that our approach allows us to be more right than wrong and, therefore, deliver good results. Applying these principles to our daily management practice is a constant challenge, as opportunistic narratives and collective manias will always be present. To deal with this, our philosophy serves as our compass, the fundamental guiding instrument of our investment practice, which keeps us on track.

