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Launch Letter - ATTA Partners

Starting Atta

Atta Partners is built on the idea of investing as a business owner.

Our intellectual roots lie in Graham and Dodd's Security Analysis and Buffett's evolution of it: margin of safety, durability, and time arbitrage. But we extend that framework by viewing every investment through the lens of capital allocation.

Every investor wants to buy a great company at a great price. Because everyone is looking for the same thing, the combination is rare. Our framework is to look for value in mispriced business optionalities.

We decompose value into two components: (i) the base - assets and competitive advantages already in place; and (ii) optionality - the ability to reinvest incremental capital in new growth avenues. The most compelling investments combine both. Optionality is difficult to value. It requires both deep business insight and the patience to think beyond near-term results.

We search for companies; stocks are just a tool to become partners. Screening is driven by business models at first, and only after that we look for low multiples. Origination discipline matters. We prioritize large addressable markets within our circle of competence. When those possibilities are exhausted, we may expand our investment universe.

We favor high ROIC or high incremental returns on invested capital, with long reinvestment runways, and well aligned management teams obsessed with capital allocation. Those are the best potential compounders.

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One of the most influential Buffett quotes in our careers was “I’m a better investor because I’m a businessman, and I’m a better businessman because I’m an investor”. Our perspective was shaped not only by investing in public markets, but also by building and operating businesses. Those experiences reinforced the importance of incentives, capital allocation, and long-term thinking, which remain at the center of Atta's investment approach.

Thinking as business owners may help us identify some areas to improve in a company and we may constructively engage with controllers and management teams.

Engagement is not activism for its own sake. When appropriate, it is a tool to accelerate value realization by helping to better align incentives, improve governance and capital allocation. We expect to build trust through recurring interactions with management teams and eventually be part of a company’s board of directors if needed.

Structuring Atta Partners

Atta is intentionally small, independent, and partnership-driven. Governance matters. Incentives matter. Capital base matters. We seek long-term partners who understand that great outcomes require patience, intellectual honesty, and emotional discipline.

Our culture is one of continuous improvement: reading, studying, debating, and viewing the world through multiple lenses. Curiosity is not optional. We are particularly excited about how technology (A.I.) can enhance our research process and deepen our understanding of industries, competitive dynamics, and business models, without replacing judgment.

We believe in small and concise teams. Accountability must be clear, and everyone is expected to think and act as an investor, regardless of seniority or age. That means approaching every prospective investment with genuine business curiosity, seeking to understand its DNA as if we were starting a competing company ourselves.

In a high-performance decision-making environment, governance should be clear. The ultimate decision rests with Atta's CIO. That said, Atta is not organized around a traditional analyst–portfolio manager hierarchy. We are all analysts. Debate is encouraged, dissent is welcomed, and the team is expected to challenge assumptions and surface biases. Consensus is difficult and not always achievable, but the ideal portfolio is one in which everyone is fully committed to the decisions made.

Transparency is a core principle. Atta will publish most of its investment ideas. We believe accountability is best achieved by clearly articulating our expectations for a company and measuring outcomes against them. Documenting key investment decisions is essential to refining our process, identifying mistakes, and learning from them over time.

Over the next decade, our ambition is to deepen this culture, develop future partners, and expand naturally into private investments, without compromising our identity.

If we succeed in building a reputation not only as disciplined investors, but as constructive and trusted partners to the companies we invest in, opportunities will increasingly come to us. In those moments, we aim to act as patient providers of capital and liquidity when it is most valuable. That is the ultimate goal.

Managing the Portfolio

We aim for long-term compounding way above our cost of capital across full cycles, fully aware that the path will be volatile and nonlinear. Positions are built patiently, increasing size as understanding deepens and market risk premium increases.

Risk management is primarily done through sizing and avoidance of permanent capital loss. This is a consequence of deep research to understand how fragile a company may be to unexpected changes in its markets, execution risks, excessive

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financial leverage or a lack of cash dry powder that could put too much dependence on capital markets to keep growing.

Position size is determined as a function of downside, how much we could lose on that investment, respecting its business fundamentals and how much is the valuation cushion to its "base" assets.

Concentration is the most reliable way to create wealth in the long term. Great ideas are scarce, so when we find one, we need to make sure we have a large exposure.

The portfolio is typically concentrated in around eight positions, where the largest one could reach 25% of our portfolio. Limiting the number of holdings also has a great externality: our portfolio ideas are constantly tested against new investment opportunities.

Our core sectors are a consequence of our experience. Financials, infrastructure, consumer products and retail should have a greater importance in our portfolio. When we go beyond our core sectors our hurdle rate is even higher. We adjust exposure according to our circle of competence.

We are a Brazil-first (and not only) fund. Brazil is our home field and our source of structural edge. That focus does not constrain our opportunity set. When the rigorous study of a Brazilian company leads us to a global peer, competitor, or strategic counterpart with superior risk-adjusted returns, we will invest. Global exposure is not a diversification objective; it is the natural consequence of disciplined bottom-up research and a clear understanding of how Brazilian businesses compete globally.

Investments are made with a long-term holding horizon. Because we focus on companies operating in large addressable markets with high reinvestment opportunities, our analysis is inherently multi-year. A holding period of less than three

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years is typically the result of an analytical error or a stock price that has become materially disconnected from underlying business value.

We think as total-return investors, focused on compounding capital over the long term rather than measuring success against benchmarks. Holding cash is a deliberate choice when we do not find a sufficient number of opportunities with attractive expected returns. Trading around positions and short-term market timing are not our focus.

Understanding Our Core Market

Brazil is often misunderstood as a purely top-down, macro-driven market. That view is convenient but wrong.

Brazil is full of extraordinary business stories. It is a developing society with an entrepreneurial spirit closer to the United States than to most emerging markets. Self-made entrepreneurs are everywhere, across all social strata. Not always in a formal way, but in any kind. Brazil leads the world in Uber drivers, for example, with more than 1.4M individuals. We also have multiple examples of self-made millionaires and billionaires who were able to build something amazing despite all the economic cycles and local complexities.

Brazilians adopt technology quickly and have a strong propensity to consume. The population spends more than 9 hours daily on the internet, 40% and 60% higher than the US and China. Brazil is the third largest country of ChatGPT users.

The country's inequality is often cited but rarely understood. Brazil contains multiple economies within one border. Its upper-income segment—roughly five million people—resembles a Singapore-like economy, with average GDP per capita of USD 110,000. At the same time, a large portion of the population lives at income levels below those of Iraq. This duality supports a wide range of viable business models and addressable markets. Companies that understand which "Brazil" they are serving, and how to scale within or across these segments, can compound value for long periods of time.

Historically high interest rates have acted as a natural filter. Only businesses with high returns on invested capital survived and compounded. Many entrepreneurs may not describe themselves as capital allocators, but their instincts on cash flow focus, controlled risk and reinvestment discipline often lead them there. This environment has given birth to world-class companies.

For a long time, it was common to believe that only commodities could thrive in Brazil. The country is rich in natural resources and enjoys structural cost advantages in oil, mining and agriculture. That narrative, however, misses the deeper truth. Brazil did not become an agricultural powerhouse by accident. It required decades of investment, innovation, and long-term planning. Only through sustained technological development was Brazil able to fully exploit its climate and land, achieving multiple harvests per year and global competitiveness.

Brazil also has one of the most advanced banking industries in the world. A sector where incumbents, like Itau and Bradesco, prospered for decades and seemed untouchable. Suddenly, a challenger “fintech” became one of the most valuable banks in the country, with fewer than ten thousand employees. Nubank offered a great product and leveraged digital distribution in a large addressable market. It now serves more than 100M customers and is a global benchmark for its highly profitable digital financial platform.

This innovation mindset is visible across multiple industries. iFood is a delivery giant even under global terms. In a traditionally “analog” business such as gyms, Smart Fit has built a world-class company with international reach. Social media has become a powerful engine for Brazil’s creative economy. Even in fashion, a notoriously difficult industry, some brands have achieved global recognition.

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Watching closely Brazilian companies enter and succeed in other markets is a great way to expand one's research universe as well. To underwrite Nubank, for example, one must understand not only Brazil's financial system, but also the dynamics of Mexico, Colombia, and increasingly the United States.

This perspective is not free of survivorship bias. We have witnessed many talented entrepreneurs fail, particularly in consumer and fashion businesses, as they attempted to scale. In Brazil, it is not uncommon for small companies to appear successful because they ignore taxes, bypass labor laws, or rely excessively on leverage in capital-intensive models. These shortcuts often mask structural fragility. When the bill eventually arrives, survival becomes impossible.

The cost of doing business in Brazil is undeniably high. Complexity, taxation, labor regulation, lack of infrastructure, urban crime, and so on, create friction at every level. Yet, despite these challenges—and regardless of who governs the country in the coming years—the outlook is gradually improving. Tax reform will disrupt existing equilibria, but it will also simplify a system that has long penalized entrepreneurs. Artificial intelligence and automation may become powerful efficiency drivers in a country where labor rigidity makes headcount adjustments expensive. Brazil may not be a global technology competitor, but it has consistently shown an ability to absorb and benefit from technological progress.

One might expect this to translate into a vibrant equity market. It has not.

Brazil's history of high interest rates and banking concentration has profoundly shaped its asset management industry. With few exceptions, it remains dominated by short-term performance incentives. Banks and investment platforms control a disproportionate share of household savings, shaping products around liquidity, volatility, and relative returns to local interest rates.

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As a consequence, most hedge funds in Brazil are macro-oriented. They tend to hold significant cash balances, rely heavily on derivatives, and are evaluated based on short-term excess returns, volatility, and drawdowns. Long-biased equity hedge funds and mutual funds experienced a favorable environment between 2016 and 2021, but the segment has been severely reduced over the past four years.

Most hedge funds that remained active in equities adopted a trading-oriented approach, prioritizing narratives and capital flows over deep analysis of business fundamentals.

For an investor focused on equities with a long-term mindset, this has been a difficult environment. The survivors are those who managed to raise capital abroad, typically from endowments, allowing for a better duration match between investments and capital.

This creates a vacuum—and an opportunity.

A Long-term Game

The most compelling way to do something truly differentiated in Brazil is to build an equities fund grounded in a business-owner mindset, deeply specialized in understanding the country's nuances, its companies, and its people.

For this type of investor, an underperforming market due to increased risk premium is the best environment to invest in outstanding companies that can keep compounding earnings at high rates of return.

To do this properly, with patience and in the right set-up to make decisions, we need partners (GPs and LPs) who understand and are aligned with the long-term game. With this mindset we start Atta aware that discipline in both investment underwriting and building the partnership is the most important thing.

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Atta is not built to be the biggest. It is built to endure and compound.

We appreciate the trust our "founding" investors are placing in us and look forward to the years ahead of compounding capital.