

# Arcano Capital

*2<sup>nd</sup> Quarter 2022*



ARCANO

# TABLE OF CONTENTS

- 1** Arcano Partners
- 2** Arcano Capital
- 3** Investment Strategies

## **Arcano Partners (I)**

*ARCANO is a leading and independent alternative asset management and advisory group*



**2003**

Year of foundation



**100%**

Owned  
by its 23 partners



**2**

Business Areas  
Alternative Asset Management  
and Investment Banking



**+200**

Professionals



**7**

Offices in Europe and in the  
United States

## **Arcano Partners (II)**

### **ALTERNATIVE ASSET MANAGEMENT**

*Enables institutional investors, family offices,  
and private banking clients to access specialized  
alternative assets*

#### **INVESTMENT STRATEGIES**

---

Private Equity  
Venture Capital  
Sustainable Infrastructure  
Credit Strategies  
Real Estate

### **INVESTMENT BANKING**

*Provides financial advisory services and equity  
& debt capital market products*

#### **SERVICES**

---

Mergers and Acquisitions  
  
Debt  
  
Capital Markets  
  
Restructuring  
  
Arcano Economics

# TABLE OF CONTENTS

- 1** Arcano Partners
- 2** Arcano Capital
- 3** Investment Strategies

## Arcano Capital – Key Figures

*Specialization in alternative asset investments*



**+16 years**

Investing in alternative assets



**+90**

Professionals in the Asset Management area



**€ 7.9bn**

in assets managed and advised since inception



**45%**

International investor base



**6**

Investment strategies in alternative assets



**+70**

Investment vehicles under management and advisory



**#1**

in tailored 'mono-client' alternative asset mandates in Spain



**+13 years**

as UNPRI signatories and committed to responsible investing

*A+ rating*

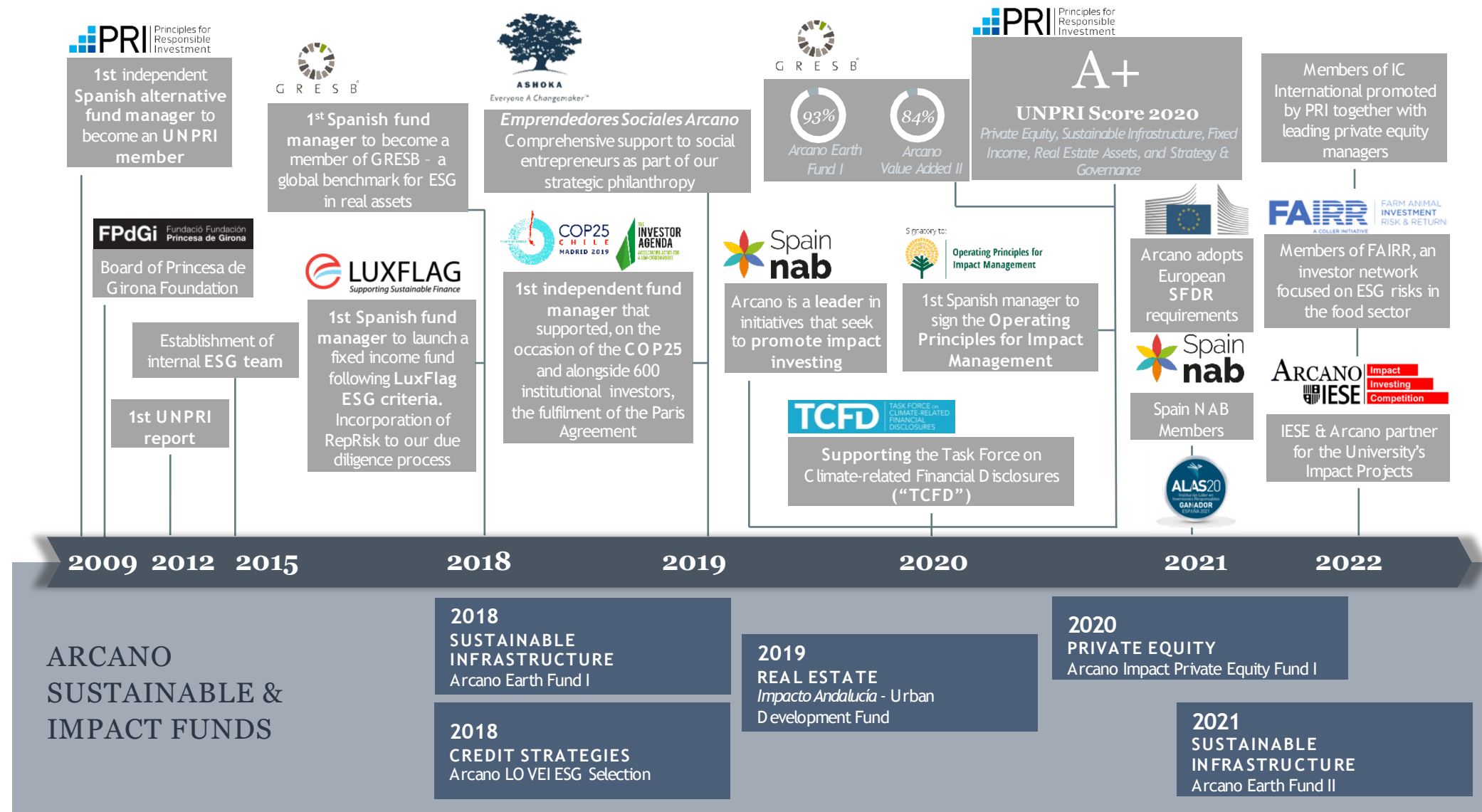
# Investment Strategies

	 PRIVATE EQUITY	 VENTURE CAPITAL	 SUSTAINABLE INFRASTRUCTURE	 CREDIT STRATEGIES	 REAL ESTATE
Inception	2006	2017	2018	2010	2015
Strategy	Primary investments in funds, secondaries, and direct co-investments	Funds and companies in seed, early, and growth stages	Primary investments in funds, secondaries, and direct co-investments	LBO loans, high yield, private debt, and short duration	Value added transactions
AuMs <sup>1</sup>	€4.8bn	€250m	€390m	€2.1bn	€330m
# of Vehicles Raised	38	8	6	13	4
Geographic Focus	US and Europe	US, Europe, & Israel	US and Europe	Europe	Spain (opp. Portugal)

(1) Assets under management and advisory since inception



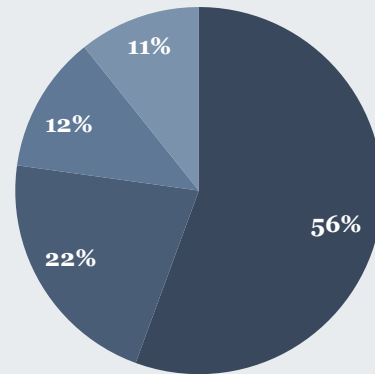
# Reference Manager in Europe for Sustainability and Impact since 2009





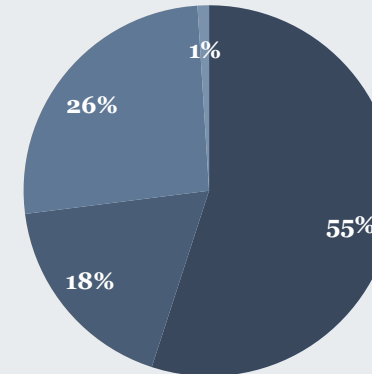
# High Quality and Diversified Investor Base

**DIVERSIFICATION BY  
INVESTOR PROFILE**



- Family Office & Private Banking
- Foundations / Endowments
- Other Institutional Investors
- Pension Funds

**DIVERSIFICATION BY  
GEOGRAPHY**



- Spain
- Rest of Europe
- USA
- Rest of the World

# Our Team

## PARTNERS



**Álvaro de Remedios**  
Founding Partner  
Chairman Arcano Partners



**José Luis del Río**  
Partner  
Co-CEO Arcano Capital



**Manuel Mendivil**  
Partner  
Co-CEO Arcano Capital



**Jon Garaiurrebaso**  
Partner  
ACF Structured Solutions



**Eduardo Fdz.-Cuesta**  
Partner  
Real Estate



**Ricardo Miró-Quesada**  
Partner  
Private Equity



**Emilio Hunolt**  
Partner  
Credit Strategies



**Pedro Hamparzoomian**  
Partner  
Investor Relations



**Iñigo Susaeta**  
Partner  
Investor Relations



**Alejandro Adán**  
Partner  
Real Estate



**Pierre Saenz Lafourcade**  
Partner  
Sustainable Infrastructure



**Alexandre Bruyelle**  
Partner  
Credit Strategies



**Miguel Doria**  
Partner  
ACF Structured Solutions

Private Equity							VC		Sustainable Infra.		Credit Strategies						Real Estate				ACF Str. Solutions		
																							
																							
Business & Corp. Development			CSR/ESG	Digitaliz.	Investor Relations			Operations										Legal & Administrative					
																							
																							

# TABLE OF CONTENTS

**1** Arcano Partners

**2** Arcano Capital

**3 Investment Strategies**

- Venture Capital
- Credit Strategies

# VENTURE CAPITAL

## Arcano Venture Capital

*Arcano has been investing for over a decade in Venture Capital through different strategies with outstanding returns*

**+11 years**

Investing in Venture Capital

**+€580M**

Invested in Venture Capital<sup>(1)</sup>

**9**

Venture Capital vehicles created to date

**Gross/Net  
59%/50%**

Consolidated returns of the investments made in VC to date<sup>(2)</sup>

**+400**

Venture Capital managers to which we have access

**21**

Venture Capital managers selected for investment

**8**

Professionals dedicated to the VC strategy<sup>(3)</sup>

**2**

Locations with professionals in Madrid and Los Angeles

(1) Includes capital invested in Venture Capital as part of our mandate with Fond-ICO

(2) Weighted return on investments made by Arcano funds as of Q4 2021; with information as of Q4 2021 for ASF I, Arcano Labs and Balboa Ventures I and as of Q3 2021 for Arcano Ventures I & II

(3) Including our 2 advisors

## **Platform with global reach and access to the most reputable managers**

*We have created a platform with access to some of the most prominent VC firms and have invested in some of the most veteran managers with +20 years of experience*

Access to more than 400 VC managers in our target regions

**US**  
access to  
**+200**  
VC managers

**Europe**  
access to a  
**+150**  
VC managers

**Israel**  
access to  
**+60**  
VC managers

Some of the managers we have invested in

 **Lightspeed**

*Founded in 2000*

**GENERAL**  **CATALYST**

*Founded in 2000*

**MERITECH**

*Founded in 1999*

**TCV**

*Founded in 1995*

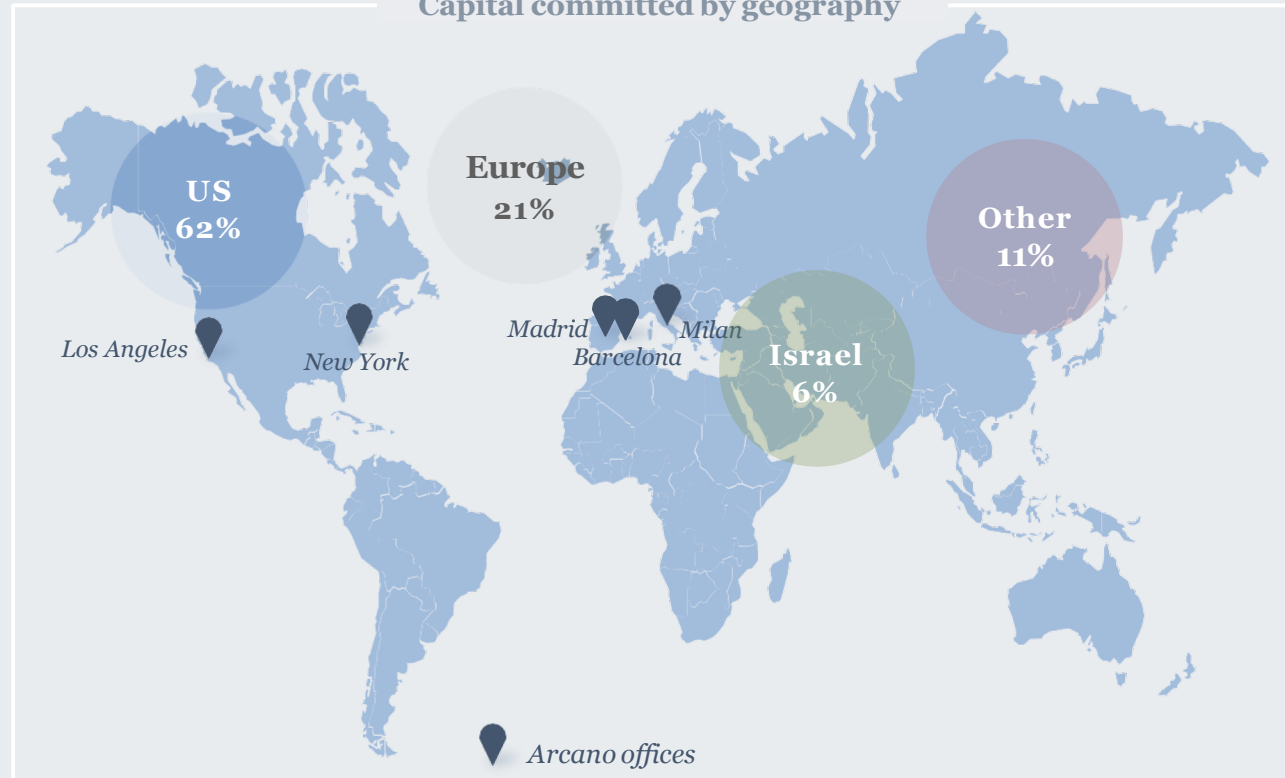


*Founded in 1980*

## Latest program: Balboa Ventures I

<b>+€100M</b>	<b>86%</b>	<b>19</b>	<b>1.96x</b>	<b>&gt;104%</b>	<b>1.79x</b>	<b>80%</b>
Raised <sup>(1)</sup>	Committed in investments <sup>(2)</sup>	Managers 41 primary funds 1 co-investment <sup>(2)</sup>	MOIC <sup>(3)</sup>	Gross IRR <sup>(3)</sup>	TVPI <sup>(4)</sup>	Net IRR <sup>(4)</sup>

### Capital committed by geography



### Investing in highly reputable managers



Program with a nearly finalized portfolio including highly reputable managers with very attractive returns

(1) Including one FCR (Venture Capital Fund) and two SCRs (Venture Capital Company) (Spanish Vehicles)  
 (2) Based on total commitments raised, including reserves for fees, as of March 2022

(3) Gross: including fees from portfolio managers and excluding fees from Arcano  
 (4) Net: including fees from portfolio managers and from Arcano



## Fundraising Program: Balboa Ventures II

# Balboa Ventures II ARCANO

*Access to highly exclusive  
managers in US, Europe  
and Israel, with  
exceptional returns and  
optimal risk diversification*



### Investment Strategy

Unique opportunity to capitalize on the relationships we have developed to build a portfolio with exceptional returns and optimal risk diversification  
≥80% Primaries, ≤20% Secondaries y Co-investments



### Target Geography

≥60% US, ≤40% Europe and RoW



### Target Size

€150M with hard cap at €200M



### Target Return

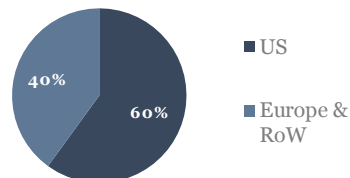
2.5x TVPI with a 17-20% net IRR<sup>(1)</sup>



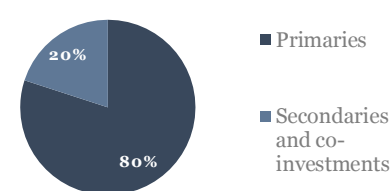
### Access to Very Exclusive Managers Globally

Investing in managers with differentiated investment philosophies and with restricted access

#### Geography



#### Type of transaction



(1) Net of fees from underlying managers and from Arcano

# CREDIT STRATEGIES

# Arcano Credit Strategies – Key Figures

*Largest Spanish independent credit platform (€2.1bn AuMs)*

Investing in European  
Credit since

**2010**

**18**

Investment Professionals

**+375**

Companies Approved

**+40%**

Institutional Investors

**1<sup>st</sup>**

Spanish ESG Debt Fund  
Manager

**+1,300**

Companies Analyzed

**0**

Defaults on Liquid  
ESG Fund

**4-6%** LT Performance  
of ESG liquid funds

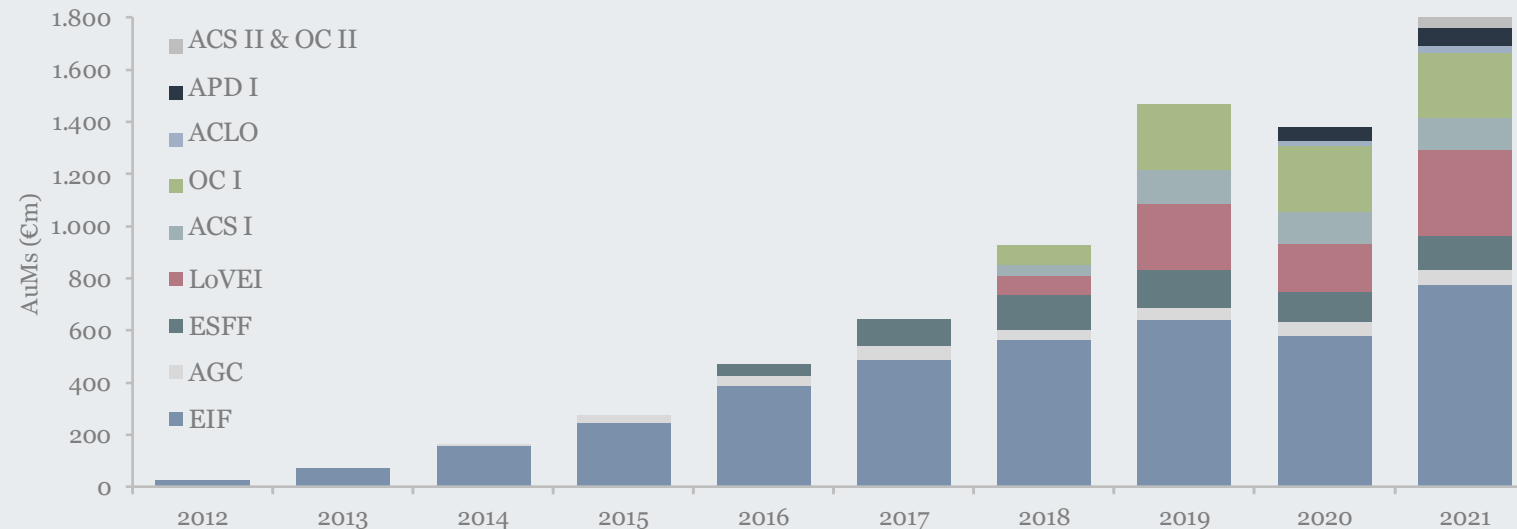
**8-15%** Performance of  
Private Debt funds

**+85%**

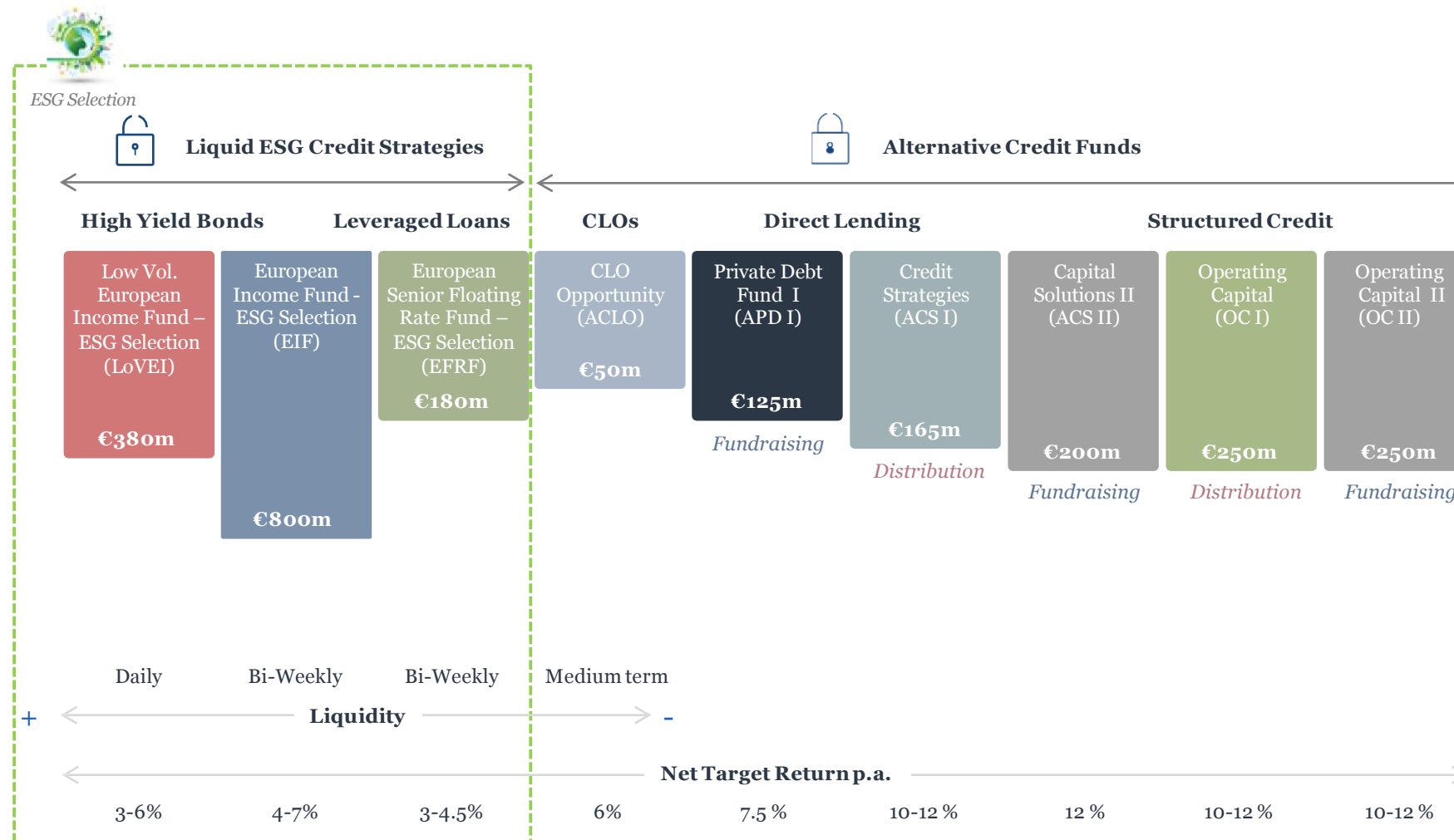
Non Retail Investors

**€2.1bn**

AuMs



# Investment Strategies



# Fundraising: Arcano Capital Solutions II

## ARCANO Capital Solutions II

*Seeks to address market inefficiencies and risk-return dislocations across the credit spectrum*



### Investment Strategy

Focus on credit market's inefficiencies, seeking high risk-adjusted returns with strong risk protection. Replicate the strategy of Fund I, which is now in distribution period



### Investment Typology

Focus on "off-market" transactions, privately sourced, but with the ability to invest in public secondary markets. European investment strategy with a focus on Spain (for illiquid solutions)



**Investment Period:** 3 years

**Term:** 7 years



### Attractive Asset Class

Flexibility to invest in different strategies and asset classes: underlying companies can range from small-caps (via direct lending / liquidity solutions) to large-caps and LBO debt



### Target Size

€250 million

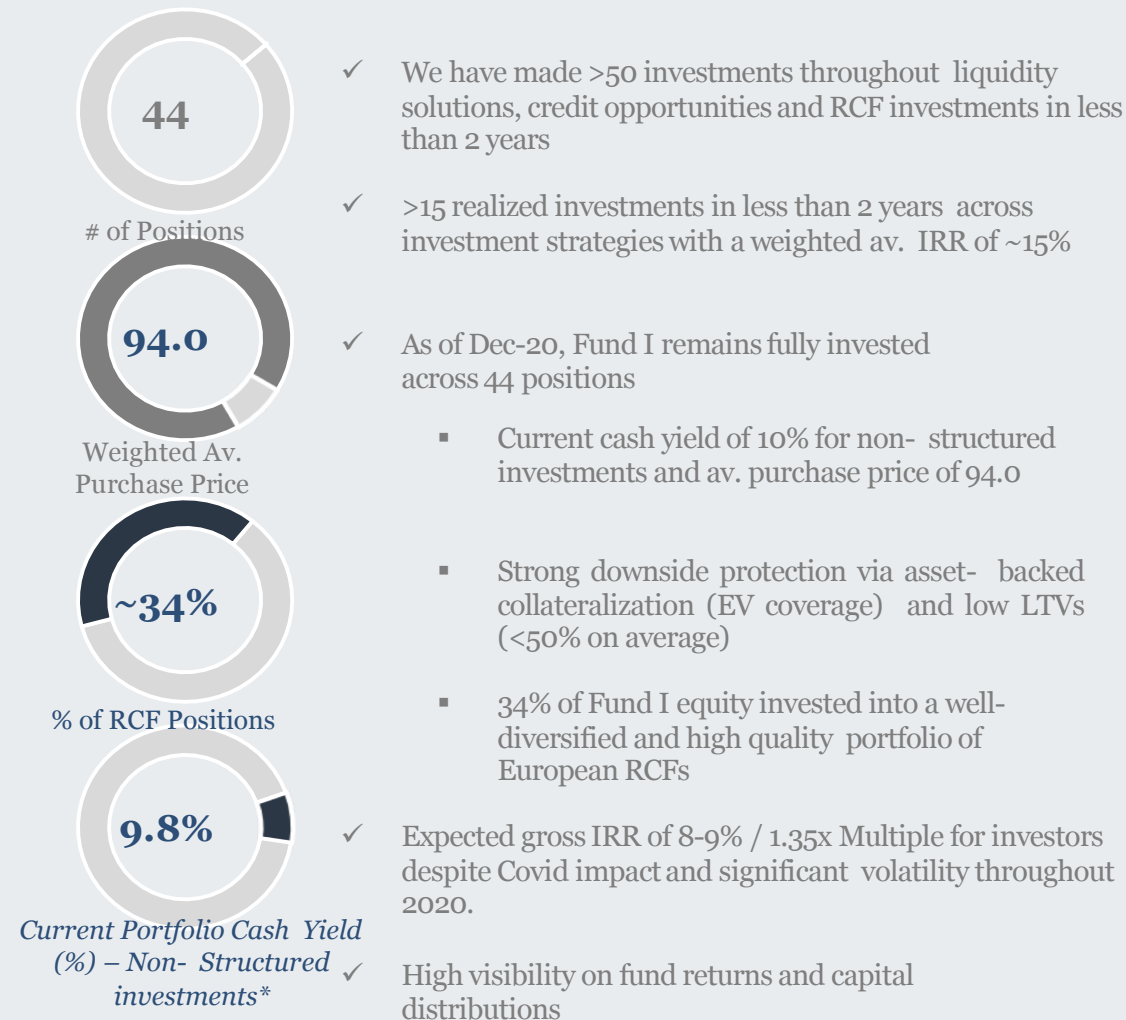


### Expected Return

12% Net IRR and 1.5x MOIC

# Fundraising: Arcano Capital Solutions II

## Fund I Snapshot



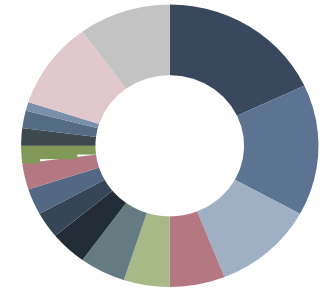
## Fund I Diversification

Travel & Leisure  
EOG & Utilities Bus.  
Services Real Estate  
Consumer Retail  
Gaming Healthcare  
Const. & Build. Mat.  
Transportation  
Cable & Telecom  
Chemicals  
Education  
Industrials Media &  
Tech, Diversified  
Liquidity

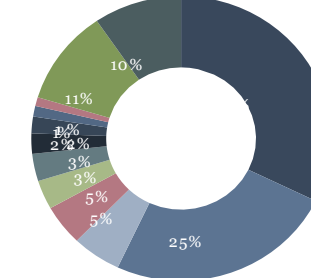
United Kingdom  
Spain Netherlands  
Luxembourg  
Sweden  
Malta  
Finland  
Greece  
Germany  
Czech Republic  
Diversified  
Liquidity

Direct Lending  
Structured  
Opportunistic  
Liquidity

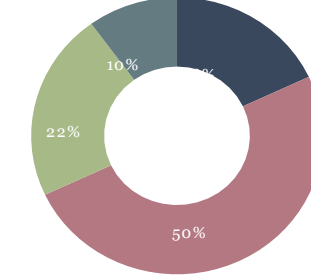
### Sectors



### Geography



### Asset Type



Current cash yield is calculated as the current cash coupon divided by the purchase price (excl. interest on the portfolio cash and cash balance)  
RCF = Revolving Credit Facility

# Executive Summary

Targeting market inefficiencies and risk-return dislocations across the credit spectrum





# Investment Strategy

Target inefficiencies across credit markets, seeking high risk-adjusted returns with strong downside protection and limited volatility

<b>Target Returns</b>	12% net IRR / 1.5x MoIC	<b>Geography</b>	Europe
<b>Downside Protection</b>	Strong downside protection driven by high coupons, asset-backed structuring, low LTVs (targeting <50%) and purchase at discount	<b>Transaction Focus</b>	<u>Primary transactions:</u> 1. Liquidity solutions & rescue financing 2.Private/direct lending <u>Secondary transactions:</u> 3. Opportunistic investments in public markets 4. Structured credit (RCFs)
<b>Flexibility in Structuring</b>	Flexibility on duration, repayment profile and composition of return	<b>Seeking market inefficiencies</b>	Seek less crowded areas of the credit markets (small & mid-caps, smaller ticket sizes) Seek overlooked companies and sectors
<b>Target ticket sizes</b>	€10-20m ticket sizes, where there is less competition	<b>Companies &amp; Sectors</b>	Flexibility across sectors, always considering ESG concerns Underlying Companies can range from small-caps (via direct lending / liquidity solutions) to large-caps and LBO debt
<b>Target portfolio</b>	40-50 positions		

# Investment Strategy | Transaction Focus

Focus on bespoke financing solutions for corporate credit opportunities in both primary and secondary transactions

	Primary transactions		Secondary transactions	
	1 Capital solutions & rescue financing	2 Private/Direct lending	3 Opportunistic investments in public markets	4 Structured credit (RCFs)
Description	<ul style="list-style-type: none"><li>■ New money and rescue finance opportunities for senior secured financings at attractive risk-adjusted returns</li><li>■ Focus on solid business models, good cash flow generation and high asset coverage but wrong capital structure</li><li>■ Typically super-senior</li></ul>	<ul style="list-style-type: none"><li>■ Acquisition financing or dividend recaps; Capex financing or other uses</li><li>■ Flexibility in structuring and collateral (HoldCo vs Opco)</li><li>■ Structured transactions with strong collateral and low LTVs (shipping, real estate, infrastructure)</li></ul>	<ul style="list-style-type: none"><li>■ Market dislocation in loan and bond markets driven by Covid crisis in many sectors</li><li>■ Opportunity to buy into good business models that are temporarily impaired</li><li>■ Investment at a discount vs. intrinsic value</li></ul>	<ul style="list-style-type: none"><li>■ Investing in a diversified performing portfolio of European high-quality corporates, targeting the illiquid tranche within a liquid capital structure</li><li>■ Strong supply &amp; demand imbalance that allow to purchase high-quality RCFs at a steep discount (8-10%) vs. intrinsic value (Par)</li></ul>
Expected Yields	14-16%	12-15%	10-20%	12-15%
Value Creation	<ul style="list-style-type: none"><li>■ Returns driven by high coupon (cash or PIK), upfront fee (2%) and equity warrants</li></ul>	<ul style="list-style-type: none"><li>■ Returns driven by high coupon (cash or PIK) and upfront fee (2%)</li></ul>	<ul style="list-style-type: none"><li>■ Returns driven by purchase price discount vs. expected intrinsic value.</li></ul>	<ul style="list-style-type: none"><li>■ Returns are front-ended and generated from discount received at purchase (8-10%)</li></ul>
Expected Allocation	20-30%	20-30%	20-30%	20-30%

Past performance does not predict future returns  
The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product

## **Disclaimer**

*This document has been prepared by Arcano Capital SGIIC, S.A.U., a Spanish asset management company duly established and existing in accordance with the laws of Spain, incorporated in the Trade Registry of Madrid and registered with the Spanish Securities and Markets Authority (“Comisión Nacional del Mercado de Valores” or “CNMV”) under number 240. This document contains confidential information and is addressed exclusively to the recipient (the “Recipient”). Therefore the disclosure, publication, distribution, dissemination, copying or reproduction (total or partial and in any format) of this document to any person/entity is expressly prohibited, nor may it be disclosed without the prior express written consent of Arcano Capital SGIIC, S.A.U. or any other individual/entity related to its group companies (pursuant to definition of group in Royal Decree 4/2015, of 23 October, approving the Consolidated Text of the Securities Market Act) (collectively, “Arcano”). The information contained herein is for informational purposes only. This document must be treated absolutely confidential and the information contained in it shall not be used, in whole or in part, for any other purpose.*

*This document should not be considered as a recommendation or advice of legal, tax, economic, investment or any other nature. This document cannot be considered as a recommendation, offer or request for subscription or sale of the Fund or any other type of financial instrument or a recommendation to adopt an investment strategy. No individual/entity receiving this document should make his or her investment decision without receiving prior legal, tax and financial advice tailored to his or her personal circumstances. The Recipient shall not enter into or execute any contract, agreement or endowment based exclusively on this document. Otherwise Arcano will not assume any liability whatsoever, nor will it be liable for any indemnification, loss of profit, loss of business opportunity or compensation for damages.*

*Arcano has taken all necessary measures to ensure that the information contained herein is true and accurate and that no relevant fact has been omitted in a manner that could give rise to erroneous assessments or evaluations. Certain information contained in this document has been obtained from external sources considered to be reliable. Neither Arcano nor any other individual/entity related to Arcano or its group companies assumes direct or indirect liability for any cost, damage, expense, liability, charge or loss arising from or connected with the accuracy, thoroughness or completeness of this information (including, but not limited to any kind of indemnification, loss of profit, loss of business opportunity or compensation for damages).*

*The information in this document may contain forecasts that reflect future events, objectives or expectations concerning the Fund and are referred to at the time of issuance of this document. There is no guarantee that these events or objectives will be achieved and these may be materially different from those contained herein. The information in this document is based on current market conditions, which may fluctuate and become obsolete as a result of market events. There is no guarantee that past performance will be indicative of future performance.*